



City of Newport
Post Retirement Benefit Analysis

July 1, 2009

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SECTION I - OVERVIEW

The City of Newport has engaged Buck Consultants to prepare an actuarial valuation of its post-retirement benefits program as of July 1, 2009. The City provided employee data and medical premium information as of the valuation date. This valuation report contains information required by the Government Accounting Standards Board's Statement Number 45 entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

The normal cost is equal to \$2,426,482. The annual required contribution (ARC) totaled \$9,050,275. Total plan liabilities decreased from \$142,838,552 to \$125,947,132.

The purposes of the valuation are to analyze the current funded position of the City's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This report reflects the inclusion of the teachers in the Extended Benefit program. Assets contributed by employees in the Extended Benefit program have been included in this valuation, since it is our understanding that those assets are secured assets of the program and cannot be used for other purposes.

The plan's actuarial experience during the year resulted in an overall gain. The monthly premiums were assumed to increase by 7%. In most cases, this year's premium amounts did not exceed trend expectations, resulting in a gain for liabilities. The assets also experienced a gain.

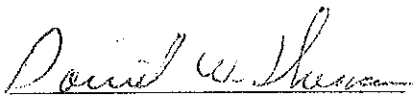
During the year, the plan provisions were modified. These modifications resulted in a substantial reduction in the liabilities of the plan.

Section II provides a summary of the principal valuation results. Section IV provides a projection of funding amounts. Our valuation does not include potential Medicare Part D subsidies. If it did, liabilities and costs would be lowered.

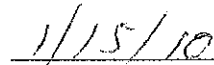
Daniel Sherman is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully Submitted,

Buck Consultants, LLC



Daniel W. Sherman, ASA, MAAA, EA
Director, Consulting Actuary



Date

SECTION II – REQUIRED INFORMATION

a) Actuarial valuation date	July 1, 2009*	July 1, 2008
b) Actuarial Value of Assets	\$ 8,486,653	4,476,103
c) Actuarial Accrued Liability	\$ 125,947,132	142,838,552
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 117,460,479	138,362,449
e) Funded ratio [b / c]	6.74%	3.13%
f) Normal Cost for fiscal year	\$ 2,426,482	2,984,419
g) Amortization of UAL for fiscal year (30 years starting in fiscal year ending 2007, 4.25% increasing)	\$ 6,302,378	7,253,972
h) Interest to the middle of the fiscal year	\$ 321,415	376,995
i) Annual Required Contribution "ARC" for fiscal year [f + g + h]	\$ 9,050,275	10,615,386
j) Expected benefit payments	\$ 6,318,533	6,300,112

* Assets of \$8,486,653 include \$7,125,095 of City assets and \$1,361,558 of School assets

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUMS

Employer monthly costs are not greater than the costs of the comparable Healthmate plan. Retirees and Beneficiaries assume the excess cost, if any.

FYE 2010 Employer-Paid Monthly Premiums

<u>Plan</u>	<u>Family</u>	<u>Individual</u>
BlueChip		
Police (post 7/1/97 retirees)*	\$1,303.64	\$ 539.71
Police (pre 7/1/97 retirees)	\$1,384.98	\$ 573.28
Fire**	\$1,312.44	\$ 543.36
AFSCME, NEA, Management, Unclassified	\$1,303.64	\$ 539.71
School	\$1,303.64	\$ 539.71
Library	\$1,384.98	\$ 573.28
Classic Blue		
Police (post 7/1/97 retirees)*	\$1,303.64	\$ 539.71
Police (pre 7/1/97 retirees)	\$1,583.71	\$ 655.45
Fire**	\$1,312.44	\$ 543.36
AFSCME, NEA, Management, Unclassified	\$1,303.64	\$ 539.71
School	\$1,303.64	\$ 539.71
Library	\$1,583.71	\$ 655.45
Healthmate		
Police (post 7/1/97 retirees)*	\$1,303.64	\$ 539.71
Police (pre 7/1/97 retirees)	\$1,303.64	\$ 539.71
Fire**	\$1,312.44	\$ 543.36
AFSCME, NEA, Management, Unclassified	\$1,303.64	\$ 539.71
School	\$1,303.64	\$ 539.71
Library	\$1,415.04	\$ 585.83
Plan 65		
Fire	N/A	\$ 426.87
Police	N/A	\$ 407.57
School	N/A	\$ 427.21
Other	N/A	\$ 407.57

* Reduced 5% per year for less than 20 years of service for post-7/1/2006 retirements.

** Reduced 4% per year for less than 25 years of service for post-7/1/2006 retirements.

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUMS

(continued)

July 1, 2009 Participant Data

Number of Employees	Beach	Equipment Operations	Fire	General Government	Harbor	Health	Library	Planning
Actives	2	1	93	48	1	6	22	11
Retirees and Beneficiaries	0	3	180	35	0	0	6	4
Total	2	4	273	83	1	6	28	15
Accrued Liability @ 7.5%								
Active	82,102	68,116	7,587,074	1,782,301	30,874	249,530	1,758,198	473,016
Retired	0	271,899	19,518,207	3,300,224	0	0	439,063	431,161
Total	82,102	340,015	27,105,281	5,082,525	30,874	249,530	2,197,261	904,177
Assets	-7,630	-31,599	-2,518,993	-472,338	-2,869	-23,190	-204,200	-84,028
UAL	74,472	308,416	24,586,288	4,610,187	28,005	226,340	1,993,061	820,149

Annual Required Contribution @ 7.5%

Normal Cost with interest	2,297	1,823	467,009	141,851	3,819	13,728	91,842	34,148
Amortization of UAL with interest	4,143	17,157	1,367,760	256,469	1,558	12,592	110,876	45,626
Total	6,440	18,980	1,834,769	398,320	5,377	26,320	202,718	79,774
Pay-as-you-go	2,273	16,773	1,367,709	255,078	0	738	64,566	35,068
Difference	4,167	2,207	467,060	143,242	5,377	25,582	138,152	44,706

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUMS

(continued)

July 1, 2009 Participant Data

Number of Employees	Police	Public Safety	Public Works	Recreation	School	Water	Total
Actives	81	18	20	4	342	46	695
Retirees and Beneficiaries	164	13	27	10	415	46	903
Total	245	31	47	14	757	92	1,598

Accrued Liability @ 7.5%

Active	9,687,072	474,048	944,598	250,598	13,361,152	1,855,654	38,604,333
Retired	17,820,708	1,334,382	2,553,093	1,004,715	35,917,370	4,751,977	87,342,799
Total	27,507,780	1,808,430	3,497,691	1,255,313	49,278,522	6,607,631	125,947,132
Assets	-2,556,399	-168,064	-325,053	-116,661	-1,361,558	-614,071	-8,486,653
UAL	24,951,381	1,640,366	3,172,638	1,138,652	47,916,964	5,993,560	117,460,479

Annual Required Contribution @ 7.5%

Normal Cost with interest	557,264	31,092	53,242	12,690	972,641	132,384	2,515,830
Amortization of UAL with interest	1,388,070	91,255	176,497	63,344	2,665,669	333,429	6,534,445
Total	1,945,334	122,347	229,739	76,034	3,638,310	465,813	9,050,275
Pay-as-you-go	1,201,450	101,293	198,698	72,017	2,673,359	329,511	6,318,533
Difference	743,884	21,054	31,041	4,017	964,951	136,302	2,731,742

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
July 1, 2003	\$0	115,444,613	115,444,613	N/A	31,696,650	364%
July 1, 2004	\$0	61,575,391	61,575,391	N/A	35,435,034	174%
July 1, 2005	\$0	123,721,034	123,721,034	N/A	34,464,574	359%
July 1, 2006	\$1,413,713	132,314,905	132,314,905	1.07%	33,519,292	395%
July 1, 2007	\$2,184,740	131,650,381	129,465,641	1.66%	36,112,767	359%
July 1, 2008	\$4,476,103	142,838,552	138,362,449	3.13%	38,914,022	356%
July 1, 2009	\$8,486,653	125,947,132	117,460,479	6.74%	36,366,493	323%

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years from July 1, 2006. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following page, the amortization of the unfunded accrued liability is assumed to increase annually by 4.25%. The normal cost increases annually at the same rate as the ultimate medical care inflation rate (trend rate). The contributions were computed assuming that the contribution is paid on January 1, in the middle of the fiscal year.

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Assets are \$8,486,653.

Fiscal Year	Amortization			
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC</u>	<u>Pay-As-You-Go</u>
2010	2,515,830	6,534,445	9,050,275	6,318,533
2011	2,641,622	6,812,159	9,453,781	6,984,324
2012	2,773,703	7,101,676	9,875,379	7,569,192
2013	2,912,388	7,403,497	10,315,885	7,931,057
2014	3,058,007	7,718,146	10,776,153	8,428,920
2015	3,210,907	8,046,167	11,257,074	8,889,656
2016	3,371,452	8,388,129	11,759,581	9,305,764
2017	3,540,025	8,744,624	12,284,649	9,787,345
2018	3,717,026	9,116,271	12,833,297	10,229,483
2019	3,902,877	9,503,713	13,406,590	10,736,782
2020	4,098,021	9,907,621	14,005,642	11,269,238
2021	4,302,922	10,328,695	14,631,617	11,828,100
2022	4,518,068	10,767,665	15,285,733	12,414,677
2023	4,743,971	11,225,291	15,969,262	13,030,344
2024	4,981,170	11,702,366	16,683,536	13,676,542
2025	5,230,229	12,199,717	17,429,946	14,354,787
2026	5,491,740	12,718,205	18,209,945	15,066,667
2027	5,766,327	13,258,729	19,025,056	15,813,851
2028	6,054,643	13,822,225	19,876,868	16,598,088
2029	6,357,375	14,409,670	20,767,045	17,421,218
2030	6,675,244	15,022,081	21,697,325	18,285,168
2031	7,009,006	15,660,519	22,669,525	19,191,962
2032	7,359,456	16,326,091	23,685,547	20,143,727
2033	7,727,429	17,019,950	24,747,379	21,142,691
2034	8,113,800	17,743,298	25,857,098	22,191,195
2035	8,519,490	18,497,388	27,016,878	23,291,697
2036	8,945,465	19,283,527	28,228,992	24,446,775
2037	9,392,738	-	9,392,738	25,659,135
2038	9,862,375	-	9,862,375	26,931,618
2039	10,355,494	-	10,355,494	28,267,206
2040	10,873,269	-	10,873,269	29,669,029
2041	11,416,932	-	11,416,932	31,140,370

SECTION V.a. – SCHEDULE OF CITY EMPLOYER CONTRIBUTIONS

Assets are \$7,125,095.

Fiscal Year <u>Ending In</u>	<u>Normal Cost</u>	<u>Amortization of UAL</u>	<u>Total City ARC</u>	<u>Pay-As-You-Go</u>
2010	1,543,189	3,868,776	5,411,965	3,645,174
2011	1,620,349	4,033,199	5,653,548	4,048,168
2012	1,701,366	4,204,610	5,905,976	4,409,365
2013	1,786,434	4,383,306	6,169,740	4,668,577
2014	1,875,755	4,569,597	6,445,352	5,014,102
2015	1,969,542	4,763,805	6,733,347	5,332,355
2016	2,068,019	4,966,267	7,034,286	5,610,130
2017	2,171,420	5,177,333	7,348,753	5,937,993
2018	2,279,991	5,397,370	7,677,361	6,192,890
2019	2,393,990	5,626,759	8,020,749	6,500,007
2020	2,513,690	5,865,896	8,379,586	6,822,354
2021	2,639,374	6,115,197	8,754,571	7,160,687
2022	2,771,343	6,375,093	9,146,436	7,515,798
2023	2,909,910	6,646,035	9,555,945	7,888,520
2024	3,055,406	6,928,492	9,983,898	8,279,727
2025	3,208,177	7,222,953	10,431,130	8,690,333
2026	3,368,585	7,529,929	10,898,514	9,121,303
2027	3,537,014	7,849,951	11,386,965	9,573,645
2028	3,713,864	8,183,574	11,897,438	10,048,419
2029	3,899,557	8,531,376	12,430,933	10,546,739
2030	4,094,535	8,893,960	12,988,495	11,069,771
2031	4,299,262	9,271,953	13,571,215	11,618,741
2032	4,514,225	9,666,011	14,180,236	12,194,935
2033	4,739,936	10,076,817	14,816,753	12,799,704
2034	4,976,932	10,505,082	15,482,014	13,434,465
2035	5,225,779	10,951,548	16,177,327	14,100,705
2036	5,487,068	11,416,989	16,904,057	14,799,984
2037	5,761,421	-	5,761,421	15,533,942
2038	6,049,492	-	6,049,492	16,304,299
2039	6,351,967	-	6,351,967	17,112,859
2040	6,669,566	-	6,669,566	17,961,517
2041	7,003,044	-	7,003,044	18,852,261

SECTION V.b. – SCHEDULE OF SCHOOL EMPLOYER CONTRIBUTIONS

Assets are \$1,361,558.

Fiscal Year		Amortization	Total	
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>School ARC</u>	<u>Pay-As-You-Go</u>
2010	972,641	2,665,669	3,638,310	2,673,359
2011	1,021,273	2,778,960	3,800,233	2,936,156
2012	1,072,337	2,897,066	3,969,403	3,159,827
2013	1,125,954	3,020,191	4,146,145	3,262,480
2014	1,182,252	3,148,549	4,330,801	3,414,818
2015	1,241,365	3,282,362	4,523,727	3,557,301
2016	1,303,433	3,421,862	4,725,295	3,695,634
2017	1,368,605	3,567,291	4,935,896	3,849,352
2018	1,437,035	3,718,901	5,155,936	4,036,593
2019	1,508,887	3,876,954	5,385,841	4,236,775
2020	1,584,331	4,041,725	5,626,056	4,446,884
2021	1,663,548	4,213,498	5,877,046	4,667,413
2022	1,746,725	4,392,572	6,139,297	4,898,879
2023	1,834,061	4,579,256	6,413,317	5,141,823
2024	1,925,764	4,773,874	6,699,638	5,396,816
2025	2,022,052	4,976,764	6,998,816	5,664,454
2026	2,123,155	5,188,276	7,311,431	5,945,364
2027	2,229,313	5,408,778	7,638,091	6,240,206
2028	2,340,779	5,638,651	7,979,430	6,549,669
2029	2,457,818	5,878,294	8,336,112	6,874,479
2030	2,580,709	6,128,121	8,708,830	7,215,397
2031	2,709,744	6,388,566	9,098,310	7,573,222
2032	2,845,231	6,660,080	9,505,311	7,948,791
2033	2,987,493	6,943,133	9,930,626	8,342,986
2034	3,136,868	7,238,216	10,375,084	8,756,730
2035	3,293,711	7,545,840	10,839,551	9,190,993
2036	3,458,397	7,866,538	11,324,935	9,646,791
2037	3,631,317	-	3,631,317	10,125,193
2038	3,812,883	-	3,812,883	10,627,319
2039	4,003,527	-	4,003,527	11,154,347
2040	4,203,703	-	4,203,703	11,707,512
2041	4,413,888	-	4,413,888	12,288,109

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

CITY OF NEWPORT, ALL GROUPS

Interest 7.5% per year, net of investment expenses

Actuarial Cost Method: Projected Unit Credit

Medical Care Inflation:

<i>Year</i>	<i>Inflation Rate</i>
2009	7.0%
2010	6.0
2011 and beyond	5.0

Amortization period: Closed basis: the amortization period is a specific number of years that is counted from one date, declining to zero over time.

Age Differences: Husbands are assumed to be 3 years older than wives.

Medical Plan Costs: For participants not in the Extended Benefit Plan, the estimated net per capita incurred claim costs for 2009-10 at age 64 and 65 are \$9,797 and \$5,076, respectively. Medicare eligible employees' per capita claims cost is \$3,852 at age 65. It is assumed that future retirees are Medicare eligible. Per capita costs were developed from the City developed monthly costs. For participants in the Extended Benefit Plan, the estimated net per capita incurred claim costs for 2009-10 at age 64 and 65 are \$9,898 and \$6,248, respectively.

Age-based Morbidity: Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

CITY OF NEWPORT, FIRE

Actuarial Methods and Assumptions

Mortality

- a. Healthy Members The RP-2000 Mortality Table
- b. Disabled Members The 1985 Wyatt Pension Disability Table (unisex rates)

Disability

The 1985 Wyatt Pension Disability Table (unisex rates), 100% of disabilities are assumed to be non-service related.

Withdrawal

Rates of withdrawal are based on an employee's length of service, as follows:

<i>Years of Service</i>	<i>Withdrawal Rate</i>
less than 1	3.00 %
1	2.25
2	2.00
3	1.75
4	1.50
5	1.25
6	1.00
7	0.75
8	0.50
9	0.25
10 or more	0.00

Retirement

<i>Years of Service</i>	<i>Probability of Retirement</i>
25	40 %
26-34	20 %
35 or more	100 %

Retirement Eligibility

25 years from hire date for those with 10 or more years of vesting service

CITY OF NEWPORT, POLICE

Actuarial Methods and Assumptions

Mortality

- a. Healthy Members The RP-2000 Mortality Table
- b. Disabled Members The 1985 Wyatt Pension Disability Table (unisex rates)

Disability

The 1985 Wyatt Pension Disability Table (unisex rates). 100% of disabilities are assumed to be non-service related.

Withdrawal

Rates of withdrawal are based on an employee's length of service, as follows:

<i>Years of Service</i>	<i>Withdrawal Rate</i>
less than 1	3.00 %
1	2.25
2	2.00
3	1.75
4	1.50
5	1.25
6	1.00
7	0.75
8	0.50
9	0.25
10 or more	0.00

Retirement

<i>Years of Service</i>	<i>Probability of Retirement</i>
20	20 %
21-24	10 %
25	40 %
26-34	20 %
35 or more	100 %

Retirement Eligibility

20 years from hire date for those with 10 or more years of vesting service

CITY OF NEWPORT, TEACHERS

Actuarial Methods and Assumptions

Mortality

a. Healthy Members

The RP2000 Mortality Table

b. Disabled Members

PBGC Table Va for disabled males and females eligible for Social Security disability benefits

Disability

Age	Ordinary	Disability	Accidental	Disability
	Male	Female	Male	Female
25	.15%	.15%	.08%	.08%
30	.18	.18	.10	.10
35	.24	.24	.13	.13
40	.36	.36	.19	.19
45	.29	.29	.32	.32
50	.99	.99	.54	.54
55	1.65	1.65	.89	.89
60	2.30	2.30	1.24	1.24
65	0.00	0.00	0.00	0.00

Withdrawal¹

Age	Male	Female
20	20.00%	20.00%
25	20.00	20.00
30	12.00	14.00
35	8.00	11.30
40	6.50	8.60
45	5.80	6.00
50	5.40	5.00
55	0.00	0.00

Retirement Age

Age	Male	Female
45	10.00%	5.00%
50	16.00	12.00
55	26.00	22.00
60	40.00	35.00
62	25.00	25.00
65	25.00	35.00
70	100.00	100.00

Retirement Eligibility

Earlier of age 58 with 10 years of service or 30 years of service for those with 10 or more years of vesting service as of July 1, 2005, otherwise age 59 with 29 years of service or age 65 with 10 years of service.

¹ Increased during first 5 years of service

CITY OF NEWPORT, GENERAL EMPLOYEES

Actuarial Methods and Assumptions

Mortality

- a. Healthy Members The RP2000 Mortality Table
- b. Disabled Members PBGC Table Va for disabled males and females eligible for Social Security disability benefits

Disability

Age	Ordinary	Disability	Accidental	Disability
	Male	Female	Male	Female
25	.25%	.36%	.20%	.09%
30	.30	.44	.25	.11
35	.41	.60	.34	.15
40	.61	.88	.50	.22
45	.99	1.44	.81	.36
50	1.68	2.44	1.37	.61
55	2.78	4.04	2.27	1.01
60	3.88	5.64	3.17	1.41
65	0.00	0.00	0.00	0.00

Withdrawal²

Age	Male	Female
20	4.14%	4.14%
25	3.15	3.15
30	2.52	2.52
35	2.10	2.10
40	1.95	1.95
45	1.73	1.73
50	1.44	1.44
55	0.00	0.00

Retirement Age

Age	Male	Female
45	10.00%	10.00%
50	15.00	10.00
55	15.00	15.00
60	25.00	20.00
62	25.00	30.00
65	25.00	30.00
70	100.00	100.00

Retirement Eligibility

Earlier of age 58 with 10 years of service or 30 years of service.

² Increased during first 10 years of service

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

All

Participants who retire with a disability are treated as regular retirees - they stay in their chosen plan until age 65.

When a retiree is not Medicare eligible and has a grandfathered benefit, the retiree will remain in his current medical plan when reaching age 65.

City retirees and their spouses who are Medicare eligible are put into Plan 65 at age 65 unless they have been grandfathered in under different provisions. AFSCME employees that retire after June 1, 2009 will not be eligible for Plan 65.

Members with buy-back options are valued with the full benefit.

The School's cost will be no more than the cost of the Healthmate Plan 200.

Police

Employees are vested after 10 years and eligible for retirement after 20 years of service. Retired police, with at least 10 years of service, receive \$25,000 in retiree life insurance.

Pre-7/1/1997 retirees may select from Classic Blue, Healthmate Plan 200, Bluechip, or Plan 65. Post-7/1/1997 retirees may select Classic Blue-HM Base, Healthmate 200 up to age 65, and Plan 65 after attaining age 65. For post-7/1/1997 retirees with less than 20 years of service, the city contribution is reduced 5% per year of service less than 20.

Fire

Employees are vested after 10 years and eligible for retirement after 25 years of service. Retirees may select from Classic Blue, Healthmate Traditional, Bluechip, or Plan 65. For retirees with less than 25 years of service, the city contribution is reduced 4% per year of service less than 25.

Teachers

Employees are vested after 10 years of service, if termination occurs after attaining age 58, or 30 years of service regardless of age. Retirees may select from Classic Blue, Healthmate Traditional, Bluechip, or Plan 65. At age 65, teachers who are in the Extended Benefit Plan are eligible for Plan 65, whether eligible for Medicare or not.

At age 65, non-teachers enter Plan 65 unless they are grandfathered in another medical plan or are Medicare ineligible. Medicare ineligible participants remain in the medical plan they chose as actives.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Retiree Coverage

Teachers who opt-out of the Extended Benefit Plan are treated like general municipal employees for purposes of this valuation and are covered until age 65. No member hired on or after July 1, 2008 is eligible for the Extended Benefit Plan.

NEA employees are not eligible for benefits upon reaching age 65.

Municipal AFSCME retirees who retire after June 1, 2009 are not eligible for health coverage after age 65.

Employee Contributions

Retirees pay a variable portion of their post-retirement medical costs, which varies by plan.

In addition, we use the following assumptions for active employees:

School

AFSCME employees in the Extended Benefit Plan have a share of 5% of the cost of coverage (AFSCME employees without Extended Benefits do not pay this 5% cost). In addition, they must pay the following cost share percentages, depending on the following conditions:

7%	Retired prior to July 1, 2009
10%	Retired on or after July 1, 2009
15%	Hired on or after July 1, 2008

Teachers with Extended Benefits have a 20% cost share. Teachers without Extended Benefits pay 15% of costs.

School administrators pay a 12.5% cost share.

City

Uniformed police with at least 25 years of service as of January 1, 2007 do not pay any cost share. Uniformed police that retired prior to July 1, 2009 and had at least 20 years of service as of January 1, 2007 do not pay any cost share. All other uniformed police are assumed to pay 1% of their pension (with annual COLA increases).

Fire employees that retire after August 26, 2007 pay a cost share equal to 1% of their pension (with annual COLA increases). Those retired on or before August 26, 2007 do not incur a cost.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Municipal AFSCME retirees who retire after July 1, 2009 will pay 3% of the premium as a cost share. Those retired on or before July 1, 2009 do not incur a cost.

NEA Municipal employees who retire after June 1, 2009 will pay 3% of the premium as a cost share. Those retired on or before June 1, 2009 do not incur a cost.

Non-union Municipal Supervisory employees who retire after July 1, 2004 pay 10% of the cost share. Those retired on or before July 1, 2004 do not incur a cost.

SCHEDULE C - GLOSSARY OF TERMS

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)

That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

SCHEDULE C - GLOSSARY OF TERMS

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost

That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing a OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.