THE SUPERIOR COURT OF CALIFORNIA

COUNTY OF SANTA CLARA

July 1, 2013 Actuarial Valuation of Other Postemployment Benefits (OPEB) Under GASB Statement No. 45 For Fiscal Years Ending 2014 and 2015

April 9, 2014

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Introduction and Actuarial Certification

This report presents an actuarial valuation of Other Postemployment Benefits (OPEB) for the Superior Court of Santa Clara County. The 'Other' refers to postemployment benefits other than pensions. Accounting for OPEB is required under Government Accounting Standards Board Statement No. 45 (GASB 45).

Purpose of the valuation

The purpose of this valuation is to provide the Court's GASB 45 accounting information. It is important to recognize that calculations performed for other purposes may yield significantly different results. Other considerations are summarized in the Important Notices section of this report.

Basis for the valuation

In conducting the valuation, we have used the following information as of July 1, 2013:

- the provisions of the substantive OPEB for the medical plan
- census data
- premiums and/or claims experience information

All plan provisions, premiums/claims experience, and census data were provided by the Court. The premiums/claims experience and census data used were reviewed and considered to be reasonable, but not formally audited.

A summary of the data, assumptions, methods, and plan provisions used to prepare the results, including changes from the prior valuation, can be found in the Actuarial Basis section of this report.

Changes from the prior valuation

Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report. These changes include:

- Retiree premiums were updated to current levels.
- The valuation calculations were updated to reflect that the Court direct subsidy is limited to the pre-Medicare single Kaiser rate (even for Medicare retirees) and that the subsidy for Direct-pay retirees is limited to the Valley Health Plan single premium.
- The discount rate was changed from 4.50% to 6.45% to better reflect expected future investment return and expected Court contributions towards the OPEB trusts now that the County has increased the target funding level.
- Salary increase rates were updated from rates used in the 2010 CalPERS Public Agency Miscellaneous actuarial valuation to rates used in the 2012 CalPERS Public Agency Miscellaneous actuarial valuation.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The payroll growth assumption was changed from 3.25% to 3.00% and the general inflation assumption was changed from 3.00% to 2.75% to be consistent with the assumptions used in the 2012 CalPERS actuarial valuations.
- Plan election rates were updated to reflect the Court's updated experience as follows:

  Not Medicare eligible plan election rates were changed from 75%/10%/15%/0% for Kaiser HMO/Valley Health Plan HMO/HealthNet Select/Direct Pay to 70%/10%/15%/5%, respectively, to better reflect recent plan experience.

  Medicare eligible plan election rates were changed from 60%/5%/30%/5%/0% for Kaiser Senior Advantage HMO/Valley Health Plan HMO/HealthNet Select/HealthNet FlexNet/Direct Pay to 60%/5%/20%/10%/5%, respectively, to better reflect recent plan experience.

Introduction and Actuarial Certification (continued)

Changes from the prior valuation (continued)

- The medical per capita claims costs were changed from unisex age-adjusted premiums to the sex-distinct (and employee/spouse distinct) factors used in the June 30, 2013 County of Santa Clara GASB 45 actuarial valuation.

A detailed analysis of the change in plan liabilities can be found on page 7 of this report. Liabilities are lower than expected, primarily due to (1) the change in method used to calculate expected retiree claims costs and (2) the use of a higher liability discount rate.

The discount rate (and expected investment return assumption) was adjusted to reflect that the County has adopted a funding policy targeting a 100% ARC contribution by FYE2018. This increased level of funding means that more future benefit payments will be made from the CERBT trust than from the County's 0309 OPEB fund and general assets. Since CERBT trust assets have a higher assumed asset return than the other two sources, this means a higher liability discount rate is allowed. Additional details can be found in the Irrevocable OPEB Trust Assets section on page 9 of this report.

Actuarial certification

To the best of our knowledge, this report is complete and accurate and all costs and liabilities under the plan were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the valuation report, the Court should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the Court unless you notify us otherwise.

The undersigned actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Mark W. Schulte, FSA, EA, MAAA
Consulting Actuary

Christopher L. Grabrian, ASA, EA, MAAA
(Health claims and assumptions)

April 9, 2014
L/D/C/R: 4/lp/ms/jvi

Summary of Results

	7/1/2011	7/1/2013
A. Participants		
1. Active employees electing coverage	757	668
2. Actives waiving coverage	0	27
3. Retirees electing coverage	258	235
4. Total	1,015	930
B. Funded Status		
1. Actuarial Accrued Liability (AAL)	$ 109,555,265	$ 90,421,730
2. Market value of assets	0	0
3. Unfunded Actuarial Accrued Liability (UAAL) (1. - 2.)	109,555,265	90,421,730
4. Estimated payroll for the year	54,208,414	57,510,488
5. UAAL as a percentage of payroll	202.1%	157.2%
	FYE 2012	**FYE 2014**
C. Annual Required Contribution (ARC)[1]	$ 10,049,314	$ 8,526,721
D. Reconciliation of Net OPEB Obligation	**FYE 2012**	**FYE 2014**
1. Net OPEB Obligation as of July 1	$ 37,866,668	$ 51,916,536
2. Annual OPEB Cost	10,191,320	9,022,442
3. Estimated employer contributions	3,287,093	5,734,958
4. Net OPEB Obligation as of June 30 (1. + 2. - 3.)	$ 44,770,895	$ 55,204,020
	FYE 2013	**FYE 2015**
5. Net OPEB Obligation as of July 1	$ 44,770,895	$ 55,204,020
6. Annual OPEB Cost	10,730,515	9,522,561
7. Estimated employer contributions	3,584,874	5,802,401
8. Net OPEB Obligation as of June 30 (5. + 6. - 7.)	$ 51,916,536	$ 58,924,180
E. Key Assumptions (see pages 18 through 25)	**7/1/2011**	**7/1/2013**
1. Healthcare trend rates (Year 1, Year 2 to Ultimate)	6.00%, 8.75% to 4.50% in 8 years	8.25% to 5.00% in 5 years
2. Discount rate for liabilities (expected long-term investment return)	4.50%	6.45%

(1) Note that Annual Required Contribution is a misleading term; no annual cash contribution is required to fund OPEB benefits. The ARC is a component of the Annual OPEB Cost, and the latter is the annual expense the Court is required to recognize in its financial statements. See page 6 for more detail on the Court's Annual OPEB Cost.

Benefit Obligations, Assets and Funded Status

	7/1/2011	7/1/2013
A. Benefit Obligations		
1. Present value of benefits paid by retiree and employer	$ 169,847,963	$ 122,068,096
2. Present value of benefits paid by retiree (contributions)	7,307,843	4,085,922
3. Present value of benefits paid by employer (1. - 2.)	162,540,120	117,982,174
4. Present value of obligation attributed to future service	52,984,855	27,560,444
5. Actuarial Accrued Liability (AAL) (3. - 4.)	$ 109,555,265	$ 90,421,730
B. Market Value of Assets	$ 0	$ 0
C. Funded Status		
1. Actuarial Accrued Liability	$ 109,555,265	$ 90,421,730
2. Market value of assets	0	0
3. Unfunded Actuarial Accrued Liability (UAAL) (1. - 2.)	$ 109,555,265	$ 90,421,730
D. Effect of a 1% Increase in Discount Rate (expected asset return)		
1. Percent change in Actuarial Accrued Liability	-13.8%	-12.2%
2. Percent change in Annual OPEB Cost	n/a	-6.2%

Actuarial Accrued Liability

	7/1/2011	7/1/2013
A. By Status and Coverage Period		
1. Actives		
a. Coverage before 65	$ 24,706,433	$ 23,115,847
b. Coverage after 65	44,858,498	32,776,062
c. Total	69,564,931	55,891,909
2. Retirees		
a. Coverage before 65	9,261,672	7,829,414
b. Coverage after 65	30,728,662	26,700,407
c. Total	39,990,334	34,529,821
3. All participants		
a. Coverage before 65	33,968,105	30,945,261
b. Coverage after 65	75,587,160	59,476,469
c. Total	$ 109,555,265	$ 90,421,730
B. By Status and Subsidy Type		
1. Actives		
a. Implicit Subsidy	$ 10,364,613	$ 9,151,925
b. Direct Subsidy	59,200,318	46,739,984
c. Total	69,564,931	55,891,909
2. Retirees		
a. Implicit Subsidy	3,853,934	3,091,814
b. Direct Subsidy	36,136,400	31,438,007
c. Total	39,990,334	34,529,821
3. All participants		
a. Implicit Subsidy	14,218,547	12,243,739
b. Direct Subsidy	95,336,718	78,177,991
c. Total	$ 109,555,265	$ 90,421,730

Annual Required Contribution and Annual OPEB Cost

	FYE 2012	FYE 2014	Projected[1] FYE 2015
A. Annual Required Contribution			
1. Normal Cost	$ 5,292,036	$ 3,342,323	$ 3,442,593
2. Amortization of the UAAL	4,324,532	4,667,748	5,007,806
3. Interest to end of fiscal year on 1. and 2.	432,746	516,650	545,051
4. Annual Required Contribution	$ 10,049,314	$ 8,526,721	$ 8,995,450
B. Annual OPEB Cost			
1. Annual Required Contribution (ARC)	$ 10,049,314	$ 8,526,721	$ 8,995,450
2. Interest on the Net OPEB Obligation (NOO)	1,704,000	3,348,617	3,560,659
3. Adjustment to the ARC (NOO amortization)	(1,561,994)	(2,852,896)	(3,033,548)
4. Annual OPEB Cost (1. + 2. + 3.)	$ 10,191,320	$ 9,022,442	$ 9,522,561

(1) FYE 2015 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then a new valuation is required under GASB accounting rules.

Change in Unfunded Actuarial Accrued Liability

A. Liability changes		
1. Expected Actuarial Accrued Liability as of July 1, 2013		
a. AAL as of July 1, 2011		$ 109,555,265
b. Normal costs for fiscal years ending 2012 and 2013		10,756,063
c. Benefit payments for fiscal years ending 2012 and 2013		(4,940,014)
d. Interest on a., b. and c.		10,596,746
e. Expected AAL as of July 1, 2013 (a. + b. + c. + d.)		125,968,060
2. (Gains)/losses from experience different than expected		
a. Census	$ (3,995,506)	
b. Per capita claims costs and premiums[1]	(15,565,743)	
c. Total experience (gains)/losses		(19,561,249)
3. Change in actuarial assumptions and methods		
a. Programming updates[2]	7,723,399	
b. Discount rate	(29,075,648)	
c. Healthcare trend rates	4,954,269	
d. Demographic rates	0	
e. Participation, coverage and plan election rates	(382,844)	
f. Salary increase rates	795,743	
g. Actuarial methods	0	
h. Total actuarial assumption and method changes		(15,985,081)
4. Plan amendments		0
5. Actual AAL as of July 1, 2013 (1.e. + 2.c. + 3.h. + 4.)		$ 90,421,730
B. Asset (gain) or loss		
1. Expected asset value as of July 1, 2013		
a. Asset value as of July 1, 2011		$ 0
b. Contributions for fiscal years ending 2012 and 2013		0
c. Benefit payments for fiscal years ending 2012 and 2013		0
d. Interest to July 1, 2013 on a., b. and c.		0
e. Expected asset value as of July 1, 2013 (a. + b. + c. + d.)		0
2. Gain/(loss)		0
3. Actual assets as of July 1, 2013 (1.e. + 2.)		$ 0
C. Change in Unfunded Actuarial Accrued Liability (UAAL)		
1. UAAL as of July 1, 2011 (A.1.a. - B.1.a.)		$ 109,555,265
2. Expected change in the UAAL		16,412,795
3. Expected UAAL as of July 1, 2013 (A.1.e. - B.1.e.)		125,968,060
4. Change in UAAL due to experience (gains)/losses (A.2.c.)		(19,561,249)
5. Change in UAAL due to actuarial assumptions and methods (A.3.h.)		(15,985,081)
6. Change in UAAL due to plan amendments (A.4.)		0
7. UAAL as of July 1, 2013 (3. + 4. + 5. + 6.)		$ 90,421,730

(1) Includes change from basing retiree claims costs on age-adjusted premiums to basing the claims costs on those used in the County's 6/30/2013 GASB 45 valuation.

(2) Includes update to reflect that the Court direct subsidy is limited to the pre-Medicare single Kaiser rate (even for Medicare retirees) and that the subsidy for Direct-pay retirees is limited to the Valley Health Plan single premium.

Projected Benefit Payments

(a) Fiscal Year Ending	(b) Retiree Claims and Admin Costs	(c) Retiree Paid Premiums	(d) Employer Paid Premiums Direct Subsidy	(e)=(b)-(c)-(d) Implicit Subsidy
2014	$ 2,874,585	$ 159,506	$ 2,020,806	$ 694,273
2015	3,316,064	191,688	2,362,660	761,716
2016	3,842,231	217,792	2,744,778	879,661
2017	4,384,963	231,876	3,148,230	1,004,857
2018	4,903,776	216,901	3,581,793	1,105,082
2019	5,463,538	249,737	4,012,889	1,200,912
2020	5,900,270	279,564	4,404,807	1,215,899
2021	6,364,324	286,358	4,813,849	1,264,117
2022	6,943,420	328,436	5,250,036	1,364,948
2023	7,381,208	324,780	5,679,302	1,377,126
2024	7,950,302	350,887	6,143,345	1,456,070
2025	8,508,836	346,087	6,608,347	1,554,402
2026	8,931,437	346,375	7,038,284	1,546,778
2027	9,481,946	359,022	7,492,960	1,629,964
2028	9,803,152	369,194	7,894,907	1,539,051
2029	10,099,905	366,901	8,290,255	1,442,749
2030	10,442,752	365,481	8,687,919	1,389,352
2031	10,831,367	356,049	9,093,070	1,382,248
2032	11,179,698	350,503	9,482,962	1,346,233
2033	11,641,578	366,668	9,877,045	1,397,865
2034	11,900,878	369,959	10,217,140	1,313,779
2035	12,266,945	359,243	10,567,081	1,340,621
2036	12,708,798	366,388	10,909,671	1,432,739
2037	12,985,565	352,904	11,198,471	1,434,190
2038	13,208,883	365,161	11,440,973	1,402,749
2039	13,366,634	357,925	11,639,793	1,368,916
2040	13,507,444	351,771	11,802,732	1,352,941
2041	13,540,792	322,818	11,915,269	1,302,705
2042	13,524,752	300,158	11,979,249	1,245,345
2043	13,344,823	282,735	11,974,171	1,087,917
2044	13,162,498	257,946	11,934,054	970,498

Notes: The projections are based on current participants and do not include any future entrants (closed group projections).

Irrevocable OPEB Trust Assets

The County currently assesses an annual OPEB contribution from the Court consisting of two parts:
- Annual active employee headcount-based contribution paid to the County’s 0309 OPEB fund; plus
- Annual additional contribution to the County’s CERBT trust fund.

The headcount-based contribution rate is updated each year and it is $6,106 per full-time employee for FYE2014. The additional CERBT contribution is calculated annually based on the County’s funding policy of achieving full ARC funding by FYE2018.

Since the Court's portion of the County’s OPEB assets held in the 0309 OPEB fund and at the CalPERS CERBT are not formally allocated to paying Court retiree benefits (i.e., the assets are pooled with the County's assets), GASB 45 rules do not allow recognition of any portion of the County OPEB assets as Court assets for accounting purposes.

GASB rules do allow the Court to use a liability discount rate based on the proportion of OPEB benefits expected to be funded with OPEB trust assets (using the expected CERBT trust investment return of 7.61%) and the proportion of OPEB benefits expected to be paid out of the Court's 0309 OPEB fund and general funds (using an expected return of 3.75%). The County’s June 30, 2013 GASB 45 actuarial valuation assumes that, over time, 70% of benefits will be paid from the CERBT trust while 30% will be paid from the County’s general assets or their 0309 OPEB fund. The final liability discount rate used in this valuation is based on this blend of the assumed asset returns.

Valuation Results - Net OPEB Obligation and Schedule of Employer Contributions

	FYE 2014	Projected[1] FYE 2015
A. Net OPEB Obligation (NOO)		
1. Annual Required Contribution	$ 8,526,721	$ 8,995,450
2. Interest on NOO	3,348,617	3,560,659
3. Adjustment to ARC	(2,852,896)	(3,033,548)
4. Annual OPEB Cost	9,022,442	9,522,561
5. Estimated Employer contributions[2]		
a. OPEB trust[3]	5,040,685	5,040,685
b. Implicit subsidy benefits[4]	694,273	761,716
c. Direct subsidy benefits[4]	0	0
d. Total	5,734,958	5,802,401
6. Increase (decrease) in NOO (4. - 5.d.)	3,287,484	3,720,160
7. Net OPEB Obligation at beginning of fiscal year	51,916,536	55,204,020
8. Net OPEB Obligation at end of fiscal year	$ 55,204,020	$ 58,924,180

B. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Estimated Employer Contributions[2]	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 9,022,442	$ 5,734,958	63.6%	$ 55,204,020
2015	9,522,561	5,802,401	60.9%	58,924,180

Valuation Results - Required Supplementary Information

(a)	(b)	(c)	(d)=(c)-(b)	(e)=(b)/(c)	(f)	(g)=(d)/(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	UAAL as a % of Payroll
7/1/2013	$ 0	$ 90,421,730	$ 90,421,730	0.0%	$ 57,510,488	157.2%

(1) FYE 2015 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then a new valuation is required under GASB accounting rules.

(2) These are estimated employer contributions. Financial statements should use actual employer contributions which will change the year-end NOO and subsequent calculations of Interest on NOO and Adjustment to ARC.

(3) Includes estimated FYE2014 contributions of $797,015 to the County's CERBT trust plus $4,243,670 heacount-based contribution ($6,106 X 695 active employees) to the County's 0309 OPEB fund.

(4) Direct subsidy benefits are not included in the Court's GASB 45 accounting because they are paid from the County's 0309 OPEB fund or from the CERBT trust. Implicit subsidy "payments" are included since they are not currently paid out of the County's 0309 OPEB fund or CERBT trust and are considered paid from the Court's general assets.

Historical Financial Statement Disclosure Information

A. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 11,331,006	$ 1,622,945	14.3%	$ 9,708,061
2009	11,736,184	1,928,566	16.4%	19,515,679
2010	10,633,321	1,485,249	14.0%	28,663,751
2011	10,994,052	1,791,135	16.3%	37,866,668
2012	10,191,320	3,287,093	32.3%	44,770,895
2013	10,730,515	3,584,874	33.4%	51,916,536

B. Funded Status

(a) Actuarial Valuation Date	(b) Actuarial Value of Assets	(c) Actuarial Accrued Liability	(d)=(c)-(b) Unfunded Actuarial Accrued Liability	(e)=(b)/(c) Funded Ratio	(f) Estimated Covered Payroll	(g)=(d)/(f) UAAL as a % of Payroll
7/1/2007	$ 0	$ 109,290,362	$ 109,290,362	0.0%	$ 56,297,455	194.1%
7/1/2009	0	108,905,098	108,905,098	0.0%	60,079,298	181.3%
7/1/2011	0	109,555,265	109,555,265	0.0%	54,208,414	202.1%
7/1/2013	0	90,421,730	90,421,730	0.0%	57,510,488	157.2%

Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on July 1, 2013 census data provided by the Court. The following exhibits summarize the personnel characteristics of the data used for the valuation.

A. Medical[1]

1. Benefits-eligible active employees	Single	Single+1	Family	Total
a. Kaiser HMO	123	80	182	385
b. Valley Health Plan HMO	16	16	51	83
c. HealthNet Select	78	33	89	200
d. Total with coverage	217	129	322	668
e. Total waiving coverage				27
f. Total active employees				695
g. Average age				46.7
h. Average service				12.9
i. Average annual pay				$ 70,175

2. Benefits-eligible retirees[2]	Single	Single+1	Family	Total
a. Not Medicare eligible				
i. Kaiser HMO	84	7	0	91
ii. Valley Health Plan HMO	7	0	0	7
iii. HealthNet Select	12	11	0	23
iv. HealthNet PPO	0	1	0	1
b. Medicare eligible				
i. Kaiser Senior Advantage HMO	60	3	0	63
ii. Valley Health Plan HMO	4	1	0	5
iii. HealthNet Select	31	7	0	38
iv. HealthNet Seniority Plus	0	0	0	0
v. HealthNet FlexNet	7	0	0	7
c. Total with coverage	205	30	0	235
d. Total waiving coverage				12
e. Total retirees				247
f. Average age with coverage				64.8
g. Average age with coverage - not Medicare eligible				60.1
h. Average age with coverage - Medicare eligible				70.0

(1) Participant count summaries only include medical plans available as of July 1, 2013 and exclude judges.

(2) Per AOC instructions, only benefits-eligible retirees and dependents who retired on or after January 1, 2001 are included in the valuation.

Summary of Plan Provisions

A. Plans Available

Medical (Not Medicare Eligible)
Kaiser HMO
Valley Health Plan HMO
HealthNet Select
HealthNet PPO

Medical (Medicare Eligible)
Kaiser Senior Advantage HMO
Valley Health Plan HMO
HealthNet Select
HealthNet Seniority Plus
HealthNet FlexNet

B. Covered Groups All Court employees, excluding Judges.

C. Implicit Subsidy

Eligibility: The implicit subsidy is provided to all retirees and dependents who elect non-Medicare medical coverage, provided the retiree has satisfied the eligibility criteria for the direct subsidy.

Amount: The difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is usually higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

The subsidy is equal to the difference between the actual expected retiree claims cost and the medical premium rate charged for the retiree's coverage. This plan sets premiums for non-Medicare retirees at the same level as for active employees.

Duration: For as long as the retiree and dependents receive non-Medicare medical coverage.

Summary of Plan Provisions (continued)

D. Direct Subsidy

Eligibility

Retired employees must meet all of these conditions:

1) The retiree must be receiving benefits from CalPERS[1] (California Public Employees' Retirement Association)

2) For employees hired on or after August 12, 1996, but prior to June 18, 2006, the service requirement for eligibility is increased to 8 years.

3) For employees hired on June 18, 2006, or later, the service requirement is increased to 10 years.

Amount

Medical (Not Medicare Eligible)

For retirees electing to continue on the County's medical plan, the Court contribution is equal to the cost of single-party coverage for the most expensive County-provided Kaiser plan.

For retirees who do not elect to continue on the County's medical plan, the Court contribution is equal to the cost of single-party coverage for the County-provided Valley Health plan.

The Court does not provide any subsidy toward dependent health premiums.

Medical (Medicare Eligible)

For retirees electing to continue on the County's medical plan, the Court contribution is equal to the cost of single-party coverage for the most expensive County-provided Kaiser plan plus Medicare Part B premiums.

For retirees who do not elect to continue on the County's medical plan, the Court contribution is equal to the cost of single-party coverage for the County-provided Not Medicare Eligible Valley Health plan. No contribution is made towards the Medicare Part B premium for retirees who have elected not to continue on the County's medical plans.

The Court does not provide any subsidy toward dependent health premiums.

Duration

For lifetime of the retiree. Upon death of retiree, continued access to benefits, without the direct subsidy, are available for lifetime of spouse.

(1) **Service Retirement Eligibility:** Age 50 with 5 years of service. Note that service includes services across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements.

Ordinary Disability Eligibility: Five years of service.

Line of Duty Eligibility: No age or service requirement.

Summary of Plan Provisions (continued)

E. Retiree Premiums

The annual premiums for health coverage in effect for July 1, 2013 through June 30, 2014, before reflecting any reduction due to subsidies are as follows:

Medical (Not Medicare Eligible)	Retiree	Retiree plus Spouse
Kaiser HMO	$ 8,021	$ 16,042
Valley Health Plan HMO	7,572	15,145
HealthNet Select	11,256	16,276
HealthNet PPO	14,979	22,179
Medical (Medicare Eligible)		
Kaiser Senior Advantage HMO	4,299	8,598
Valley Health Plan HMO	6,572	13,144
HealthNet Select	7,415	14,829
HealthNet Seniority Plus	6,576	13,152
HealthNet FlexNet	8,687	17,375
HealthNet PPO	8,870	17,740
Medicare Part B(1)	1,259	2,518

F. Retiree Contributions

Retirees are required to pay the applicable retiree premiums, less any direct subsidies provided by the Court.

G. Coverage Following Active Employee's Death

Not provided.

H. Additional Other Postemployment Benefits (OPEB)

The Court does not offer any additional other postemployment benefits (OPEB) required for inclusion in the valuation.

I. Valuation Changes

Since the last valuation the following changes have been made:

- Retiree premiums were updated to current levels.
- The valuation calculations were updated to reflect that the Court direct subsidy is limited to the pre-Medicare single Kaiser rate (even for Medicare retirees) and that the subsidy for Direct-pay retirees is limited to the Valley Health Plan single premium.

(1) Calendar year 2014 premium.

Summary of Actuarial Methods

A. Actuarial Cost Method

Liabilities are based on the Entry Age Normal level percent of pay cost method. In this method, the actuarial Present Value of Benefits (PVB) for each individual is allocated as a level percent of pay from entry age (hire age, for most employees) to last decrement age with a future benefit. The portion of the PVB allocated to the valuation year is called the Normal Cost (NC). The portion of the PVB allocated to past years is called the Actuarial Accrued Liability (AAL), and the difference between the AAL and any OPEB-dedicated assets is called the Unfunded Actuarial Accrued Liability (UAAL).

B. Amortization Method

GASB accounting rules allow several options for amortizing an OPEB plan's Unfunded Actuarial Accrued Liability (UAAL). The Court has chosen to amortize the entire UAAL as a level percent of payroll amount over a 30-year (the maximum period allowed) open period. This method will re-amortize the UAAL each year over 30 years. The Court should be aware that absent actuarial gains, the UAAL will never be fully recognized under this method.

C. Funding Policy

The County currently assesses an annual OPEB contribution from the Court consisting of two parts:

- Annual active employee headcount-based contribution paid to the County's 0309 OPEB fund; plus
- Annual additional contribution to the County's CERBT trust fund.

The County has adopted a funding policy that increases contributions each fiscal year until the FYE2018 contributions are equal to the full ARC. Based on information provided by the Court, County, and the County's June 30, 2013 GASB 45 actuarial report, the long-term assumption is that 70% of benefits will be paid from the CERBT trust while 30% will be paid from the County's general assets or their 0309 OPEB fund.

Direct subsidy benefit payments are currently paid from the County's 0309 OPEB fund or from the CERBT trust. Implicit subsidy benefit payments are funded using the pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

D. Data Methods

The Court provided census and financial information for the valuation and we have relied on this data in preparing the results in this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit.

To the extent that census data was collected as of a date later than July 1, 2013, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

Summary of Actuarial Methods (continued)

D. Data Methods (continued)

To the extent that census data was collected as of a date later than July 1, 2013, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

As instructed by the Administrative Office of the Courts (AOC), participants terminating employment or retiring before January 1, 2001 are excluded from the valuation. The AOC's interpretation is that the County, not the Court, is responsible for OPEB of employees terminating or retiring before that date.

E. Covered Payroll

Covered payroll information for the fiscal year ending June 30, 2014 was provided by the Court.

Summary of Healthcare Assumptions and Methods

A. Per Capita Claims Costs

Non-Medicare Eligible

When premiums for non-Medicare (pre-65) retirees are determined using a blend of active employee and pre-65 retiree experience, it creates an implicit subsidy to the pre-65 retirees. The subsidy is equal to the difference between the pre-65 retiree's expected true costs (claims and administration fees) and apparent costs (blended premium charged) of coverage.

The Court's expected retiree medical claims costs were based on the claims costs shown in the June 30, 2013 County of Santa Clara GASB 45 actuarial valuation report. We believe that these costs are reasonable estimates of the Court's expected retiree medical costs.

Medicare Eligible

We have assumed that premiums for Medicare eligible retirees are based on Medicare eligible retiree experience and equal the expected true cost of retiree coverage. As a result, there is no implicit subsidy for these benefits.

B. Healthcare Cost Trend

Trend is a forecast of per capita claims cost increases due to factors such as price inflation, utilization, government-mandated benefits, and new treatments, therapies and technology. Trend is not the same as annual changes in plan costs which reflect group demographics, changes in plan design, administrative fees, reinsurance costs and changes in participant contributions.

The trend assumption is comprised of three elements: (1) the initial trend rate, (2) the grade-down period to the ultimate trend rate, and (3) the ultimate trend rate itself. The medical trend rates are based on published survey data, medical plan type and long-term expectations. Actual plan sponsor healthcare costs will differ from the assumption since we cannot precisely predict the factors affecting trend and annual plan costs in the future. This assumption is merely one estimate among a wide range of possibilities.

The trend rates and aging factors used in the valuation are based on those used in most recent June 30, 2011 GASB 45 valuation of the State of California Retiree Health Benefits Program. We believe these trend rates are applicable to the Court and a reasonable estimate of the Court's anticipated future experience.

Each plan's actual healthcare experience will differ from these assumptions since we cannot predict exactly how healthcare costs will change in the future. The State assumption is merely one estimate among a wide range of possibilities.

Summary of Actuarial Assumptions

A. General Information

Valuation Date	July 1, 2013
Census Date	July 1, 2013
Benefits Valued	Medical coverage

B. Economic Assumptions

Discount Rate 6.45%

Investment Return 6.45% Basis:

	Expected Investment Return	Percent of ARC
Pre-funded portion of ARC	7.61%	70%
Unfunded (pay as you go)	3.75%	30%
Overall discount rate	6.45%	

Inflation Rate 2.75% (General) 4.00% (CPI Medical Care)

Payroll Growth Rate 3.00%

Healthcare Trend Rates

Annual increases in healthcare costs are based on the trend rates used for the most recent June 30, 2011 State of California Retiree Health Benefits Program actuarial valuation. We have adjusted those rates by:

- averaging the State's HMO and PPO plan trend rates, and
- adjusting the State's calendar-year trend rates to a June 30 fiscal year basis.

The resulting rates are as follows:

Year Ending June 30	Medical Coverage	Medicare Part B
2014	8.25%	4.50%
2015	7.75%	4.50%
2016	7.25%	4.50%
2017	6.75%	4.50%
2018	6.00%	4.50%
2019+	5.00%	4.50%

- To apply the Entry Age Normal actuarial cost method, we have assumed annual medical and Medicare Part B premium cost increases between each participant's entry age and the valuation date to be 8.25% and 4.50%, respectively.

Increases in Direct Subsidy

Assumed to increase with healthcare trend rates.

Summary of Actuarial Assumptions (continued)

C. Medical Elections

Current Retirees

- Participation — Current retirees are assumed to continue coverage for life.
- Coverage Level — Current retirees are assumed to elect dependent coverage based on their current elections.
- Plan Election[1] — Current retirees are assumed to continue medical coverage in their current plan. Current retirees under age 65 are assumed to elect post-65 plans according to the rates for future retirees shown below.

Future Retirees

- Participation — 97% of future retirees are assumed to elect coverage at retirement and continue coverage for life.
- Coverage Level — 30% of future male retirees and 15% of future female retirees are assumed to elect dependent spouse medical coverage at retirement.
- Plan Election[1] — The following table provides the assumed percent electing each plan:

Medical Plan	Not Medicare Eligible	Medicare Eligible (65+)
Kaiser HMO	70%	n/a
Kaiser Senior Advantage HMO	n/a	60%
Valley Health Plan HMO	10%	5%
HealthNet Select	15%	20%
HealthNet PPO	0%	0%
HealthNet Seniority Plus	n/a	0%
HealthNet FlexNet	n/a	10%
Direct Pay	5%	5%

(1) Plan election rates only include medical plans available as of the July 1, 2013 valuation date. Any new plans added after the valuation date are excluded from this valuation, but will be included in the next valuation.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions

Withdrawal[1][2] Sample ultimate rates are shown in the table below:

Years of Service	Attained Age 20	25	30	35	40	45
0	17.42%	16.74%	16.06%	15.37%	14.68%	14.00%
5	9.46%	8.68%	7.90%	7.11%	6.32%	5.54%
10		7.49%	6.68%	5.87%	5.07%	4.27%
15			5.81%	5.03%	4.24%	3.47%
20				4.50%	3.70%	2.90%
25					3.12%	2.29%
30						1.61%

Retirement[1][3] Sample rates are shown in the table below:

Years of Service	Attained Age 50	55	60	65	70	75
0	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
5	2.61%	8.80%	8.80%	14.30%	12.54%	100.00%
10	3.33%	11.20%	11.20%	18.20%	15.96%	100.00%
15	4.04%	13.60%	13.60%	22.10%	19.38%	100.00%
20	4.75%	16.00%	16.00%	26.00%	22.80%	100.00%
25	5.46%	18.40%	18.40%	29.90%	26.22%	100.00%
30	6.18%	20.80%	20.80%	33.80%	29.64%	100.00%

Disability[1] Sample rates are shown in the table below:

Age	Male	Female
25	0.010%	0.010%
30	0.021%	0.020%
35	0.063%	0.088%
40	0.145%	0.164%
45	0.252%	0.243%
50	0.331%	0.311%
55	0.366%	0.306%
60	0.377%	0.253%
65	0.325%	0.202%
70	0.279%	0.182%

(1) Based on assumptions for Public Agency Miscellaneous members used in the June 30, 2012 CalPERS actuarial valuation.

(2) Rates are the sum of the CalPERS Termination with Refund and Termination with Vested Benefits rates.

(3) Rates are based on the 2.5% @ 55 formula.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Mortality[1] Sample rates are shown in the table below:

	Healthy Pre-Retirement[1] Mortality Rates		Healthy Post-Retirement[1] Mortality Rates	
Age	Male	Female	Male	Female
20	0.0470%	0.0160%	0.0410%	0.0250%
25	0.0500%	0.0260%	0.0570%	0.0260%
30	0.0530%	0.0360%	0.0700%	0.0310%
35	0.0670%	0.0460%	0.0750%	0.0430%
40	0.0870%	0.0650%	0.0930%	0.0620%
45	0.1200%	0.0930%	0.1330%	0.0850%
50	0.1760%	0.1260%	0.2390%	0.1250%
55	0.2600%	0.1760%	0.4740%	0.2430%
60	0.3950%	0.2660%	0.7200%	0.4310%
65	0.6080%	0.4190%	1.0690%	0.7750%
70	0.9140%	0.6490%	1.6750%	1.2440%
75	1.2200%	0.8780%	3.0800%	2.0710%

Disabled Mortality[1] Sample rates are shown in the table below:

Age	Male	Female
20	0.6640%	0.4780%
25	0.7190%	0.4920%
30	0.7900%	0.5120%
35	0.9840%	0.5480%
40	1.6660%	0.6740%
45	1.6460%	0.9850%
50	1.6320%	1.2450%
55	1.9360%	1.5800%
60	2.2930%	1.6280%
65	3.1740%	1.9690%
70	3.8700%	3.0190%
75	6.0010%	3.9150%

(1) Based on assumptions for Public Agency Miscellaneous members used in the June 30, 2012 CalPERS actuarial valuation.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Salary Increases[1] — Sample rates for annual increases are shown in the table below:

Years of Service	Entry Age 20	25	30	35	40	45
0	14.20%	14.20%	12.40%	10.60%	9.80%	8.90%
1	11.90%	11.90%	10.50%	9.20%	8.50%	7.80%
2	10.10%	10.10%	9.10%	8.10%	7.50%	6.90%
3	8.80%	8.80%	8.00%	7.20%	6.70%	6.20%
4	7.80%	7.80%	7.10%	6.50%	6.10%	5.60%
5	7.00%	7.00%	6.50%	6.00%	5.60%	5.20%
10	4.80%	4.80%	4.60%	4.40%	4.10%	3.70%
15	4.30%	4.30%	4.10%	4.00%	3.60%	3.20%
20	3.90%	3.90%	3.70%	3.60%	3.30%	3.10%
25	3.60%	3.60%	3.60%	3.50%	3.30%	3.10%
30	3.60%	3.60%	3.60%	3.50%	3.30%	3.10%

Spouse Age Difference

- Future retirees — Husbands are assumed to be three years older than their wives.
- Retirees — Actual spouse dates of birth were taken from data used in the July 1, 2011 valuation. Husbands are assumed to be three years older than their wives when dates were not available.

Medicare Eligibility — We have assumed 100% of members currently under age 65 will become Medicare eligible at age 65. We used actual data for members currently age 65 or older.

Pension Benefit Form — For surviving spouse coverage requiring a contingent pension benefit, we have assumed 100% of such spouses are assumed to have a contingent pension benefit.

E. Other Assumptions

Pre-retirement Death Benefit — Not applicable.

Projected Service — Future service is assumed to increment at 0.96 year, rather than 1 full year, to take into account part-time working hours.

Retiree Premiums — The assumed annual retiree premiums for the period July 1, 2013 through June 30, 2014 are based on the premiums effective January 1, 2014, and were trended back to July 1, 2013 with 6 months of healthcare trend.

(1) Based on assumptions for Public Agency Miscellaneous members used in the June 30, 2012 CalPERS actuarial valuation.

Summary of Actuarial Assumptions (continued)

F. Per Capita Claims Costs

Medical

Per capita claims costs are based on those used in the June 30, 2013 County of Santa Clara GASB 45 actuarial valuation. Sample annual costs are shown below:

	Retiree		Spouse	
Age	Male	Female	Male	Female
40	$ 6,670	$ 7,598	$ 4,660	$ 6,100
45	8,112	9,240	5,667	7,419
50	9,866	11,238	6,892	9,023
55	11,717	12,097	9,222	10,445
60	13,915	13,039	12,345	12,114
64	15,965	13,833	15,584	13,634
65+	n/a	n/a	n/a	n/a

Aging Factors

For ages 50 and older, increases in medical costs from one age to the next are based on the aging factors implicit in the claims costs tables used in the June 30, 2013 County of Santa Clara GASB 45 actuarial valuation.

For ages under 50, the increase rates are based on the aging factors used in the June 30, 2011 California Retiree Health Benefits Program actuarial valuation. We have adjusted those factors by:

- blending the State's PPO medical and prescription drug factors 80/20,
- averaging the State's HMO and PPO factors, and
- averaging the State's male and female factors.

Aging factors are shown in the table below:

Age	Aging Factor
20 - 24	3.67%
25 - 29	1.90%
30 - 34	2.00%
35 - 39	2.58%
40 - 44	3.26%
45 - 49	3.68%

Summary of Actuarial Assumptions (continued)

G. Assumption Changes

Since the last valuation the following changes have been made:

- The discount rate was changed from 4.50% to 6.45% to better reflect expected future investment return and expected Court contributions towards the OPEB trusts now that the County has increased the target funding level.

- Salary increase rates were updated from rates used in the 2010 CalPERS Public Agency Miscellaneous actuarial valuation to rates used in the 2012 CalPERS Public Agency Miscellaneous actuarial valuation.

- Healthcare trend rates were reset to reflect updated cost increase expectations.

- The payroll growth assumption was changed from 3.25% to 3.00% and the general inflation assumption was changed from 3.00% to 2.75% to be consistent with the assumptions used in the 2012 CalPERS actuarial valuations.

- Plan election rates were updated to reflect the Court's updated experience as follows:

  Not Medicare eligible plan election rates were changed from 75%/10%/15%/0% for Kaiser HMO/Valley Health Plan HMO/HealthNet Select/Direct Pay to 70%/10%/15%/5%, respectively, to better reflect recent plan experience.

  Medicare eligible plan election rates were changed from 60%/5%/30%/5%/0% for Kaiser Senior Advantage HMO/Valley Health Plan HMO/HealthNet Select/HealthNet FlexNet/Direct Pay to 60%/5%/20%/10%/5%, respectively, to better reflect recent plan experience.

- The medical per capita claims costs were changed from unisex age-adjusted premiums to the sex-distinct (and employee/spouse distinct) factors used in the June 30, 2013 County of Santa Clara GASB 45 actuarial valuation.

Important Notices

Purpose and Scope of the Valuation

This valuation has been prepared exclusively for the Court and solely to provide GASB 45 accounting information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan funding) may yield significantly different results.

A valuation report is only a snapshot of a plan's estimated financial condition at a single point in time. A plan's total cost will depend on many factors and variables that are uncertain and unknowable at the current valuation date.

Actuarial valuations are extremely complex and it's possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year's valuation.

Assumptions and Methods

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions which satisfy current GASB 45 accounting requirements. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The Court is responsible for selecting the assumptions, methods, and funding policies used to prepare the valuation. The selections used in this report are only one of a wide range of possibilities (each of which may be considered reasonable), but have been chosen as a single "best estimate" by the Court. If the Court is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

Per direction of the Administrative Office of the Courts (AOC), the actuarial methods and assumptions used are in accordance with the submission requirements of CalPERS Employer's Retiree Benefit Trust (CERBT), where applicable. We have not validated each individual assumption since it is beyond the scope of this project, but we have no reason to doubt their overall reasonableness. If the Court would prefer an assumption set tailored specifically to their unique plan, then we suggest an experience study to be completed at a later date.

To the extent that actual plan experience differs from the valuation assumptions, actuarial gains and losses will occur and be amortized over future periods. A summary of the actuarial assumptions and methods used in this valuation are summarized in the Actuarial Basis section of the report.

Impact of Amortization Method

GASB 45 accounting rules require selection of a method for amortizing the unfunded actuarial accrued liability (UAAL) when calculating the ARC and Annual OPEB Cost. For the current valuation, the Court has elected to amortize the UAAL as a level percentage of payroll over a 30-year open period (i.e. the entire UAAL is re-amortized over a new 30-year period with each valuation). Amortization over an open period means that, absent actuarial gains, the current UAAL will never be fully recognized. Moreover, the current amortization method results in a payment less than the interest accruing on the UAAL.

Important Notices (continued)

Accuracy of Substantive Plan Information and Census Data

For purposes of this valuation, we have assumed that the Court has validated our summary of the substantive plan provisions and has provided us with any relevant information regarding interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The Court is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly. Moreover, different interpretations of the substantive plan may produce substantially different valuation results.

Funding Considerations

The Court is solely responsible for selecting funding and investment policies. Actuarial valuations do not affect the ultimate cost of a plan, only the timing of contributions and Annual OPEB Cost. If contributions over time are lower or higher than necessary, then future contribution levels can be adjusted to fund the plan at the desired level.

This report has not been prepared to develop a funding policy for the Court's OPEB plan. For example, the Annual Required Contribution (ARC) calculated under GASB rules is an accounting term and may or may not be the appropriate level of funding for the plan. If the Court would like to analyze different funding policies, then we suggest a separate funding policy study to be completed at a later date.

Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Accounting Information under GASB 43 and GASB 45

The Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment medical, dental, vision and life insurance benefits.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the annual required contributions of the employer (ARC).

Valuing Postretirement Health Benefits

Determining the value of future healthcare benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in healthcare costs are affected by many factors, including:

- OPEB inflation
- Utilization
- Technological advances
- Cost shifting (i.e., increases in private plans' costs in non-managed programs due to uninsured claims, changes in the Medicare payment structure, and increased emphasis on managed care programs)
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Election rates (i.e., retirees electing to participate, electing which plan, and electing spouse coverage or not)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

Accounting Requirements and Valuation Considerations (continued)

Estimating Healthcare Costs and Implicit Subsidy

Estimating future healthcare costs involves calculating a starting claims plus administration cost on a per-covered-individual basis, as well as developing an assumption regarding future rate increases in healthcare costs.

For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on retirees' estimated true costs rather than anticipated premium costs. Age-adjusted claims are developed and used to value the OPEB liability.

Another important concept is “community rating” where premiums are developed based on a large pool of commingled participating employers. In this case, it is current actuarial practice to not value an implicit subsidy so long as the participating employer in question is a small proportion of the entire pool population and their specific claims experience, good or bad, is assumed to not affect the community-rated premiums. It should be noted, though, that this implicit subsidy exclusion for community-rated plans is under review and may be eliminated upon the issuance of revised actuarial standards of practice in the near future.

Impact of Legislative Changes

The legislative and regulatory environment have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include:

- Changes to government medical programs, such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

- Effect of the Patient Protection Affordable Care Act. Many of the Act’s provisions and methods of implementation have not yet been clarified. Effectively estimating specific provisions of the Act at this time is not feasible. As guidance is released we will reflect any potential impact to your plan.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to both the Governmental Accounting Standards Nos. 43 (GASB 43) and 45 (GASB 45).

Actuarial Cost Method - a procedure for determining the actuarial present value of benefits and for developing an allocation of such value to time periods.

Actuarial Present Value of Benefits - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

Actuarial Accrued Liability (AAL) - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

Annual OPEB Cost - the OPEB expense recognized in the employer's financial statements.

Annual Required Contribution (ARC) - the basis for the annual OPEB cost shown in the employer's financial statements. This term is misleading: no annual cash contribution is actually required to fund OPEB benefits.

Direct Subsidy - OPEB explicitly provided by employer.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

GASB Statement No. 43 - the Governmental Accounting Standards Statement Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 45 - the Governmental Accounting Standards Statement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Net OPEB Obligation (NOO) - the OPEB liability (asset) at transition, if any and the cumulative difference since the effective date of Statement No. 45 between annual OPEB cost and the employer's contributions.

Normal Cost - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

Valuation Date - the date as of which assets and liabilities are measured for this OPEB valuation.