



**SUBMITTAL TO THE BOARD OF DIRECTORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

478



FROM: Riverside County Regional Park and Open-Space District

SUBMITTAL DATE:
May 9, 2008

SUBJECT: Approval of Trust Agreement and Election to Pre-fund Other Post Employment Benefits (OPEB) with the California Public Employees Retirement System (CalPERS)

RECOMMENDED MOTION: That the Board of Directors:

- 1) Receives and file Aon's Actuarial Valuation Study on Post Retirement benefits dated April 9, 2008 (Attachment A).
- 2) Authorizes the Chair to execute the following agreements and certifications with CalPERS in order to establish a trust and election to pre-fund OPEB:
 1. California Employer's Retiree Benefit Trust Program Agreement and Election to Prefund OPEB through CalPERS (Attachment B);
 2. Certification of Funding Policy (Attachment C);
 3. Delegation of Authority to Request Disbursements (Attachment D);

(continued on page 2)

Paul Frandsen

647-OPEB Fund Parks
CQ/mg

Paul Frandsen, General Manager

FINANCIAL DATA	Current F.Y. Total Cost:	\$200,000	In Current Year Budget:	No
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	Yes
	Annual Net County Cost:	-0-	For Fiscal Year:	2007-2008

SOURCE OF FUNDS: Riverside County Regional Park and Open Space District	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Michael R. Shetler*
Michael R. Shetler

County Executive Office Signature

- Policy
- Consent
- Policy
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.:

District:

Agenda Number:

13.1

FORM APPROVED COUNTY COUNSEL
BY: *Robert M. Pepper, Jr.* 5/20/08 DATE

Departmental Concurrence

FISCAL PROCEDURES APPROVED
ROBERT E. BYRD, Auditor-Controller

BY: *Samuel Wong* 5/22/08 Deputy
SAMUEL WONG

SUBJECT: Approval of Trust Agreement and Election to Pre-fund Other Post Employment Benefits (OPEB) with the California Public Employees Retirement System (CalPERS)

4. Directs the Regional Park and Open-Space District to make a \$200,000 deposit to the trust on or before June 30, 2008;
5. Directs the Auditor-Controller to make the adjustments to designations and appropriations (Attachment E) to establish a trust as stated in item 4 of motion 2; and
6. Directs staff to develop a rate structure for OPEB costs as a percentage of payroll, based on the entry age normal cost method, using a 30-year amortization period.

BACKGROUND:

In June 2004 the Government Accounting Standards Board (GASB) issued GASB Statement 45 (GASB 25) effective for fiscal years beginning after December 15, 2006. GASB 45 addresses accounting and financial reporting for post-employment benefits other than pensions, referred to as OPEB. GASB 45 requires the County to report OPEB costs on an actuarial basis to account for the future costs of promised benefits. The District incurs OPEB cost because it provides retiree medical benefits for eligible retirees enrolled in County-sponsored plans. The benefit is provided in the form of: monthly County contributions towards retiree premiums and the "implicit subsidy" incurred by allowing pre-Medicare retirees to receive health care coverage at the same premium rates as active employees.

On September 12, 2006, the Board of Supervisors adopted a policy position that effective January 1, 2011 the County will establish a separate medical rate for all pre-Medicare retirees, thereby ending the "implicit subsidy." Employees whose retirement pre-dates January 1, 2009 will receive the subsidy until January 1, 2011. Employees retiring after January 1, 2009 will receive no subsidy.

The County's independent actuary Bradley J. Au (Aon) has prepared the Post Retirement Benefits Actuarial Valuation Study dated April 9, 2008 (Attachment A). The report was prepared using generally accepted actuarial practices and methods. Actuarial computations such as the Present Value of Benefits (PVB) and the Annual Required Contribution (ARC) have been made for GASB 45 purposes to fulfill the County's accounting requirements. The PVB represents the actuarial present value of all benefits ever to be paid to current employees and retirees for OPEB. The ARC represents the total current OPEB costs to the Regional Park and Open-Space District for the fiscal year ending June 30, 2007.

Although GASB 45 does not require pre-funding, the portion of the ARC that is not funded each year accumulates as liability on the District's financial statements. If the District adopts a policy of pre-funding contributions into a trust, such as the CalPERS trust that invests in a mix of assets, it may use a higher discount rate in calculating the magnitude of GASB liabilities. The utilization of a higher discount rate significantly lowers the District's OPEB liability.

The County's Pension Advisory Review Committee (PARC) has reviewed the District's Actuarial Valuation Study dated April 9, 2008, and has approved the District's election to pre-fund Other Post Employment Benefits (OPEB).

County Counsel has reviewed and approved the attached documents as to legal form.



**RIVERSIDE COUNTY
REGIONAL PARK AND OPEN-SPACE
DISTRICT**

POSTRETIREMENT BENEFITS

Actuarial Valuation Study

Valuation Date: January 1, 2007

Date of Report: April 9, 2008

Executive Summary

Background

The Riverside County Regional Park and Open-Space District provides retiree medical benefits for eligible retirees enrolled in District sponsored plans. The benefits are provided in the form of:

- Monthly District contributions toward the retiree's premium, and
- Allowing pre-65 retirees to receive coverage at the active premium rates instead of normally higher retiree rates. Only participants who retire prior to January 1, 2009 are eligible for this benefit and the benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates.

This report provides valuation results for the District, whose employees participate in the District's plans.

District Contributions

The District makes contributions to eligible retirees for their medical plan premiums when the retiree enrolls in a District sponsored health plan. The current monthly amount paid by the District ranges from \$25 – \$256, depending on the retiree's bargaining unit at retirement. These amounts do not increase in future years to account for inflation. The District provided amounts are detailed in Exhibit VIII.

Implicit Subsidy

The District allows retirees to receive coverage prior to age 65 by paying premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the "true cost" of coverage for retirees. For example, under the Blue Shield HMO, the estimated "true cost" for retirees is \$610 per month, while the required premium is only \$374 per month in 2007. This implicit subsidy is considered an employer obligation under the new GASB requirements.

The implicit subsidy does not apply to post 65 benefits because premiums are based exclusively on retiree costs.

Executive Summary (cont.)

The dental and vision benefits offered to the District retirees are not considered to vary by age or demographics. Therefore, because a retiree must pay the entire premium amount to receive dental and vision benefits, there is no liability to the District for providing these benefits.

Only participants who retire prior to January 1, 2009 are eligible for the implicit subsidy benefit. The implicit subsidy benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates.

GASB 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement 45, which addresses accounting and financial reporting for Post-employment Benefits Other Than Pensions (OPEB). This statement replaces and significantly modifies prior guidance. GASB 45 is effective for Phase I governments, including the District, for fiscal years beginning after December 15, 2006.

There are several reasons an agency should review its OPEB obligations sooner rather than later, such as:

- Pre-funding alternatives – although funding is not required, an unfunded plan results in higher balance sheet liabilities and costs
- Bargaining issues – recognizing how the obligation will impact the collective bargaining process in the near and long term
- Bond rating – potential impact to the cost of debt due to unfunded liabilities

The liabilities and annual costs for the District's contribution promises to retirees are calculated in this actuarial valuation in accordance with GASB 45. Similar to most government entities, the District does not currently pre-fund or recognize OPEB liability as benefits are accrued. As this report shows, any required accrual determined on a GASB basis will be considerably higher than the amount on a pay-as-you-go basis.

It is important to note that only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in the District's employee population are not considered.

Executive Summary (cont.)

ARC Development

GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. Although GASB does not actually require prefunding, the portion of the ARC that is not funded each year accumulates as a liability on the District's financial statements.

The ARC can be developed under a variety of funding methods. This report shows results under two of the methods permitted – Aggregate and Entry Age Normal. We also show the ARC calculated using different amortization periods as a level percent of pay.

Summary of Results

Liabilities

There are a few terms to understand related to the Plan's liabilities. The Present Value of Benefits (PVB) represents the actuarial present value of all future benefits expected to be paid to current employees and retirees. The Actuarial Accrued Liability (AAL) is the portion of the PVB attributable to past service. The Normal Cost is the portion of the PVB that is allocated to the current plan year for active employees.

Each liability is a present value calculated by using a selected discount rate. The sensitivity of results is illustrated by providing liabilities using a 4.50% and 7.75% discount rate. The table below summarizes the liability results based on these two discount rates:

	4.50%	7.75%
Present Value of Benefits (PVB)	\$354,000	\$242,000
Actuarial Accrued Liability (AAL)	\$249,000	\$190,000
Normal Cost	\$15,000	\$9,000

As an explanation of the meaning of the discount rate, the PVB using a 7.75% discount rate means that if the District invested \$242,000 today in an interest bearing account that earns 7.75%, the liability for all benefits expected to be earned by current participants would be fully funded. By comparison, if the interest bearing account were to only earn 4.50%, \$354,000 would be required to fully fund the liability.

Executive Summary (cont.)

Discount Rate Selection

As illustrated above, the discount rate can have a considerable impact on the magnitude of the liabilities, with lower discount rates resulting in higher liabilities. As guidance in selecting an appropriate discount rate, GASB states that the discount rate should be based on the long-term yield of investments used to finance the benefits.

The District has requested results based on a 4.50% and 7.75% discount rate to understand the sensitivity of results due to the discount rates. For example, if the District were to pre-fund contributions into a trust with a mix of asset classes, 7.75% may be an appropriate discount rate. However, for an unfunded plan or in the case where contributions are simply allocated to separate accounts, but still reside in general assets, it may be more appropriate to consider the return on general District assets. Since the Plan is currently unfunded for the District, the liabilities shown in the report are based on a conservative 4.50% discount rate.

Annual Required Contributions (ARC)

As discussed above, the ARC can be developed using various methodologies. Selecting an appropriate method and amortization period for funding the liabilities is a balance between the District's ability to pay costs immediately and the long-term cost of borrowing.

The following table summarizes the ARC under the methodologies provided in this report based a 4.50% and 7.75% discount rate:

	4.50%	7.75%
Aggregate Method	\$28,000	\$24,000
Entry Age Normal Method		
30 year amortization	\$26,000	\$21,000
20 year amortization	\$30,000	\$24,000
10 year amortization	\$43,000	\$34,000

The difference in the cost methods is the period over which past service liabilities are spread. The aggregate method spreads past service liabilities over the future working lifetimes of active participants while the entry age normal method spreads past service liabilities over the specified amortization period. It should be noted that the entry age normal method – level percent of pay is used to determine the ARC for CalPERS retirement plans.

Executive Summary (cont.)

Projected ARC

As discussed in the previous section, the ARC amounts are determined based on a level percent of payroll. Thus, the ARC is expected to increase as payroll increases. The following table illustrates this based on the Entry Age Normal Method with 30 year amortization of the unfunded actuarial accrued liability using a 4.50% discount rate:

ARC	2007-2008	2008-2009	2009-2010
	\$26,000	\$27,000	\$28,000

Implicit Subsidy Effect on Results

The liabilities associated with the implicit subsidy are a notable portion of the total plan liabilities, although they have been reduced considerably due to the phase out of this benefit that will be complete by 2011. The following table shows the breakdown of liabilities using a 4.50% discount rate by the two main sources:

	District Contributions	Implicit Subsidy	Total
Liabilities			
PVB	\$288,000	\$66,000	\$354,000
AAL	\$183,000	\$66,000	\$249,000
Normal Cost	\$15,000	\$0	\$15,000
ARC Range*	\$23,000 – \$36,000	\$3,000 – \$7,000	\$26,000 – \$43,000

*The ARC range encompasses the variation in results due to the different funding methods and amortization periods.

The remainder of the report provides details of results based on the 4.50% discount rate.

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I Actuarial Valuation Certificate

This report presents the results of the actuarial valuation for the Riverside County Regional Park and Open-Space District Postretirement Medical Benefits as of January 1, 2007 for development of the Annual Required Contribution and disclosure items under the Governmental Accounting Standards Board (GASB) Statement 45.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

Aon Consulting did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations for purposes other than meeting Employer financial accounting requirements may be different from these results. As required by GASB 45, this valuation assumes this will be an ongoing plan. However, this assumption does not imply any obligation by the employer to continue the plan.

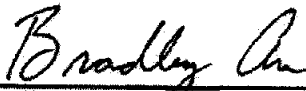
This report is intended for the sole use of the District. It is intended only to supply information for the District to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the District should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuary whose signature appears below is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuary is available to answer any questions with regard to the matters enumerated in this report.

I Actuarial Valuation Certificate (cont.)

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Respectfully submitted,



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April 9, 2008

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II Plan Liabilities

The liabilities shown in this exhibit were calculated using a 4.50% discount rate as of the January 1, 2007 valuation date. They are utilized in the development of the Annual Required Contribution (ARC) under various alternatives shown in the following exhibit.

While GASB 45 allows the development of the ARC under various funding cost methods, this report shows the ARC under the Aggregate and Entry Age Normal cost methods, which are based on the following PVB and AAL liabilities, respectively.

The **Present Value of Benefits (PVB)** represents the actuarial present value of all benefits ever to be paid to current employees and retirees. The PVB follows:

(in thousands)	
PVB	
<i>District Contribution</i>	
Retirees	\$ 39
Actives	249
Subtotal	\$ 288
<i>Implicit Subsidy</i>	
Retirees	\$ 18
Actives	48
Subtotal	\$ 66
<i>All Benefits</i>	
Retirees	\$ 57
Actives	297
Total PVB	\$ 354
Number of Retirees	13
Number of Actives	97
PVB Per Retiree	4.4
PVB Per Active	3.1
PVB Per Participant	\$ 3.2

II Plan Liabilities (cont.)

The **Actuarial Accrued Liability (AAL)** is a portion of the PVB attributable to past service. For retirees and fully eligible active employees, the AAL is equal to the PVB. For other active employees, the AAL is the portion of the PVB deemed to be accrued to date. The **Normal Cost** is the portion of the PVB that is allocated to the current plan year for active employees.

The AAL in this report is based on the Entry Age Normal cost method and has been developed by spreading costs as a level percentage of payroll.

(in thousands)	
AAL	
<i>District Contribution</i>	
Retirees	\$ 39
Actives	144
Subtotal	\$ 183
<i>Implicit Subsidy</i>	
Retirees	\$ 18
Actives	48
Subtotal	\$ 66
<i>All Benefits</i>	
Retirees	\$ 57
Actives	192
Total AAL	\$ 249
AAL Per Retiree	\$ 4.4
AAL Per Active	\$ 2.0
AAL Per Participant	\$ 2.3
Normal Cost	
District Contribution	\$ 15
Implicit Subsidy	\$ 0
Total Normal Cost	\$ 15
Normal Cost Per Active	\$ 0.2

III Annual Required Contributions – Total (District Contributions and Implicit Subsidy)

The ARC amounts shown on this page represent the total current costs of postretirement medical benefits to the District under GASB 45 for the fiscal year ending June 30, 2008.

The ARC amounts shown assume payments are made on average in the middle of the year.

Aggregate Cost Method

Under the Aggregate method, the ARC is the amount required to fund the unfunded PVB over the future working lifetime of active participants.

(in thousands)	
PVB	\$354
Assets	0
Unfunded PVB	\$354
ARC	28

Entry Age Normal Cost Method

The Entry Age Normal method is used to develop the District's CalPERS pension costs. Under this method, the ARC is equal to the Normal Cost plus the amortization of the unfunded AAL over the selected period.

(in thousands)	
AAL	\$249
Assets	0
Unfunded AAL	\$249
Normal Cost, plus interest	16
ARC	
30 year amortization	26
20 year amortization	30
10 year amortization	43

IV Annual Required Contribution – District Contribution Only

The ARC amounts shown on this page represent the cost of the District contribution to retired Members for the fiscal year ending June 30, 2008. The cost of the implicit subsidy is not reflected in the amounts shown below.

The ARC amounts shown assume payments are made on average in the middle of the year.

Aggregate Cost Method

(in thousands)	
PVB	\$ 288
Assets	0
Unfunded PVB	288
<i>ARC</i>	23

Entry Age Normal Cost Method

(in thousands)	
AAL	\$ 183
Assets	0
Unfunded AAL	183
Normal Cost, plus interest	16
<i>ARC</i>	
30 year amortization	23
20 year amortization	26
10 year amortization	36

V Projected Benefit Payments

The following table shows the estimated projected net District benefit payments based on the current plan provisions, current plan participants, and the valuation assumptions used in this report. The payments would be equivalent to funding the liabilities on a pay-as-you-go basis.

Year	District Contribution	Implicit Subsidy	Total
2007	\$6,000	\$16,000	\$22,000
2008	7,000	17,000	24,000
2009	8,000	18,000	26,000
2010	9,000	19,000	28,000
2011	10,000	0	10,000
2012	12,000	0	12,000
2013	13,000	0	13,000
2014	14,000	0	14,000
2015	15,000	0	15,000
2016	16,000	0	16,000
2017	17,000	0	17,000
2018	17,000	0	17,000
2019	18,000	0	18,000
2020	18,000	0	18,000
2021	19,000	0	19,000
2022	19,000	0	19,000
2023	20,000	0	20,000
2024	20,000	0	20,000
2025	20,000	0	20,000
2026	20,000	0	20,000
2027	20,000	0	20,000
2028	20,000	0	20,000
2029	19,000	0	19,000
2030	19,000	0	19,000
2031	19,000	0	19,000
2032	19,000	0	19,000
2033	18,000	0	18,000
2034	18,000	0	18,000
2035	17,000	0	17,000
2036	17,000	0	17,000
2037	16,000	0	16,000

VI GASB Reporting and Disclosure Information

GASB 45 requires certain items to be disclosed in the footnotes to the District's financial statements, including the following:

- Plan description
 - Name of plan and identification of the entity that administers plan
 - Brief description of the types of benefits
- Funding policy
 - Required contribution rates of plan members
 - Required contribution rates of employer

In addition, the tables below show required supplementary information to be shown with three years of historical information in the District's financial statements.

Sample information is shown as if the District adopted GASB 45 for the current fiscal year and elected to use the entry age normal cost method with unfunded liabilities amortized over 30 years.

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost (000s omitted)

Fiscal Year	Annual Required Contributions	Actual Contribution	NOO End of Year	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
07/08	\$ 26	N/A	N/A	\$ 0	\$ 0	\$ 26	4.50%	3.25%	25.04

Schedule of Funding Progress (000s omitted)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	1/1/2007	\$ 0	\$ 249	\$ 249	0.0%	N/A	N/A	4.50%	3.25%

Schedule of Employer Contributions (000s omitted)

Fiscal Year Ending:	Annual OPEB Costs	Actual Contribution	Percentage Contribution	Net Pension Obligation
6/30/2008	\$ 26	N/A	N/A	N/A

VII Participant Information

These exhibit summaries contain participant demographic information.

Active Employee Age/Service Distribution

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	
<25	6							6
25-29	2	1						3
30-34	3	2						5
35-39	5	2	1					8
40-44	4	7	1	1	2			15
45-49	6	3	2	1	1			13
50-54	5	7	3	1	1	1	1	19
55-59	5	3		2	1	1		12
60-64	1	5		3				9
>65	2	3		2				7
Total	39	33	7	10	5	2	1	97

Participant Statistics

Retirees

Number of retirees	13
Number of retiree spouses	2

Actives

Number of actives	97
Number of active spouses	59
Average age	46.00
Average past service	8.14

VII Participant Information (cont.)

Active Participant Benefit Summary

The table below summarizes the number of participants by bargaining units and the benefits valued.

Union Code	Description	Bargaining Unit (used to determine contribution)	# Records	Monthly District Contribution	CalPERS Retirement program
MPU	Parks Management Unit	Management	7	256.00	misc
SPG	SEIU Parks General	SEIU	81	25.00	misc
SPS	SEIU Parks Supervisory	SEIU	9	25.00	misc
District Total			97		

Retired Participant Benefit Summary

The table below summarizes the number of current retirees receiving various monthly District contribution amounts:

Age	\$25.00	\$50.00	\$80.80	\$128.00	\$256.00	Total
55-59	1					1
60-64	2					2
65-69	4					4
70-74	2					2
75-79	0					0
80-84	2					2
85-89	2					2
Total	13	0	0	0	0	13

The amounts shown above do not represent benefits being received by retirees under age 65 due to the implicit subsidy.

VIII Summary of Principal Plan Provisions

The following plan provisions are the basis for the calculations in this actuarial valuation.

1. Benefit Eligibility

All employees who retire from active employment after age 50 with 5 years of District service (and are immediately eligible for CalPERS pension benefits) are eligible to participate. Former employees eligible for CalPERS pension benefits but who are not eligible for retirement at termination of employment are not eligible for retiree health benefits.

2. Benefits / Plans Covered

The District provides retirees access to the same medical coverage as active participants. Prior to age 65, the retiree premiums are the same as active premiums and are developed by blending active and retiree costs. The actuarial assumptions exhibit provides details of the premiums and contributions. This benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates. Only participants who retire prior to January 1, 2009 are eligible for this benefit. After age 65, retiree premiums are based exclusively on retiree costs.

In addition, the District contributes a portion of an eligible retiree's medical plan premium under a District sponsored health plan (either at retirement or during a subsequent annual enrollment) for the retiree's lifetime. Contributions are based on bargaining unit at the time of retirement as follows:

<i>Bargaining Unit at Retirement</i>	<i>Monthly Contribution</i>			
	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Management	\$128.00	\$256.00	\$256.00	\$256.00
SEIU	\$25.00	\$25.00	\$25.00	\$25.00

3. Survivor Coverage Benefits

Upon the death of the retiree, the eligible surviving spouse receives the same monthly benefit amount for their lifetime.

IX Actuarial Assumptions

Certain assumptions are developed based on characteristics of demographics of all County employees.

1. Actuarial Cost Method

The costs shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- Specified amortization period (10, 20, or 30 years are shown)
- Level percentage of future payroll amounts

The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

2. Discount Rate

4.5% - This is based on the assumption that benefits will be paid from general District assets earmarked for purposes of District Postretirement Benefits, and not invested in a separate trust.

7.75% - For illustration purposes, this rate is an example of an investment return assuming the District pre-funded a trust with a mix of asset classes.

3. Payroll Increases

3.25% - This is the annual rate at which total payroll is expected to increase and is used in the funding method to calculate the ARC as a level percent of payroll.

IX Actuarial Assumptions (cont.)

4. Mortality

Mortality rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

CalPERS Miscellaneous		
Age	Male	Female
30	0.04%	0.02%
40	0.08%	0.05%
50	0.16%	0.10%
60	0.31%	0.23%
70	2.14%	1.28%
80	6.99%	3.88%
90	17.38%	12.59%

5. Turnover

Turnover rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. The following sample rates are based on age and service:

CalPERS Miscellaneous

Hire Age	Years of Service						
	0 - 1	5	10	15	20	25	30
30	16.22%	6.27%	4.35%	3.07%	0.41%	0.09%	0.02%
35	15.53%	5.57%	3.66%	0.64%	0.25%	0.02%	0.02%
40	14.83%	4.88%	0.95%	0.46%	0.09%	0.02%	0.02%
45	14.14%	1.55%	0.73%	0.27%	0.02%	0.02%	0.02%
50	13.45%	1.29%	0.51%	0.08%	0.02%	0.02%	0.02%
55	12.75%	1.04%	0.28%	0.03%	0.02%	0.02%	0.02%

IX Actuarial Assumptions (cont.)

6. Disability

Disability rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

CalPERS Miscellaneous		
Age	Male	Female
25	0.02%	0.02%
30	0.02%	0.04%
35	0.08%	0.10%
40	0.15%	0.16%
45	0.24%	0.23%
50	0.37%	0.35%
55	0.49%	0.41%

7. Retirement Age

Retirement rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

Miscellaneous 3%₆₀

Attained Age	Male	Female	Attained Age	Male	Female
50	5.00%	7.00%	61	17.00%	12.00%
51	2.00%	5.00%	62	31.00%	25.00%
52	3.00%	5.00%	63	26.00%	22.00%
53	3.00%	5.00%	64	18.00%	16.00%
54	4.00%	5.00%	65	30.00%	30.00%
55	8.00%	9.00%	66	17.00%	18.00%
56	7.00%	8.00%	67	14.00%	17.00%
57	8.00%	7.00%	68	15.00%	13.00%
58	9.00%	11.00%	69	11.00%	15.00%
59	11.00%	10.00%	70	100.00%	100.00%
60	19.00%	15.00%			

IX Actuarial Assumptions (cont.)

8. Annual Medical Inflation ("Trend")

All District contributions are assumed to remain at their current level.

Annual medical costs were assumed to increase as follows:

Year	Annual Rate
1	11.0%
2	10.0%
3	9.0%
4	8.0%
5	7.0%
6	6.0%
7	5.0%
8	5.0%
9	5.0%
10+	5.0%

9. Monthly Medical Costs

Costs were developed based on demographics of all County employees. The assumed monthly costs for retirees were based on the weighted average cost of current retirees not yet eligible for Medicare. The table below shows estimated retiree only costs, developed separately from active costs. The estimates were either provided by carriers or based on claim experience and adjusted to 2007 as appropriate.

	Single Coverage		Dual Coverage	
	Cost	# of Retirees	Cost	# of Retirees
Exclusive Care	\$ 505	149	\$1,032	47
Kaiser HMO	641	282	1,281	68
Blue Shield HMO	610	332	1,218	79
Blue Shield PPO	777	33	1,555	8
Weighted average cost	611		1,231	

Underlying this estimate is the assumption that future retirees elect coverage, by plan, in the same proportion as current retirees.

IX Actuarial Assumptions (cont.)

10. Base Year Claims (2007)

Claims were developed based on demographics of all County employees. The expected monthly claims for retirees not yet eligible for Medicare were developed from the costs shown above. The following claims were based on an average retiree age of 60 and assume 2.5% increases in costs for each age:

<u>Age</u>	<u>Members</u>	<u>Spouses</u>	<u>Age</u>	<u>Members</u>	<u>Spouses</u>
50	\$475	\$481	58	\$579	\$586
51	487	493	59	594	601
52	499	505	60	609	616
53	512	518	61	624	631
54	525	531	62	639	647
55	538	544	63	655	663
56	551	558	64	672	680
57	565	572			

11. Monthly Retiree Contributions (2007)

Contributions were developed based on demographics of all County employees. The assumed monthly retiree contributions were based on the weighted average premiums paid by current retirees not yet eligible for Medicare.

	<u>Single Coverage</u>		<u>Dual Coverage</u>	
	<u>Cost</u>	<u># of Retirees</u>	<u>Cost</u>	<u># of Retirees</u>
Exclusive Care	\$ 305	149	\$ 623	47
Kaiser HMO	416	282	830	68
Blue Shield HMO	386	332	769	79
Blue Shield PPO	712	33	1,423	8
Weighted average cost	372		745	

12. Dental Benefits

Retirees are eligible for dental benefits if they pay the entire premium. Since dental costs are not assumed to vary with age, it is assumed that no implicit subsidy applies and no District liabilities exist.

13. Participants Valued

Only current active and retired participants are valued for the County's Regional Park and Open-Space District. No future entrants are considered in this valuation.

Certain employees are eligible for retirement benefits at termination but do not immediately elect coverage. Such former employees may still be eligible to elect

IX Actuarial Assumptions (cont.)

retiree coverage at a later date. Although the liabilities for such benefits are not directly valued, the District believes that the likelihood of such former employees returning to elect benefit coverage is considerably small. The plan participation assumption discussed below is adjusted to consider this liability.

14. Plan Participation

60% of future eligible retirees are assumed to elect coverage. These percentages were developed based on the District's review of experience.

15. Spouse Assumption

Current marital status is used. Males are assumed to be three years older than their female spouses.

16. Participants Excluded

Only employees from the Regional Park and Open-Space District are included in this valuation.

17. Implicit Subsidy Phase Out

Only participants who retire prior to January 1, 2009 are eligible for the Implicit Subsidy benefit. The Implicit Subsidy benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e., unblended) premium rates.

Appendix A – Projected Results (cont.)

Pre-Funding

This following section shows projected results based on a 7.75% discount rate and assumes the District contributes an initial \$200,000 and fully pre-funds the ARC thereafter. The second year results assume an open 30 year amortization period.

Valuation Date	January 1, 2007	January 1, 2008
Asset		
Initial Asset	\$0	0
Contributions	0	200,000
Interest to EOY	0	0
Less Expected Benefit Payment	0	22,000
Total Asset @ Valuation Date	\$0	178,000
Actuarial Accrued Liability		
Active	\$141,000	162,000
Retiree	49,000	31,000
Total AAL @ Valuation Date	190,000	193,000
Unfunded Accrued Liability	(\$190,000)	(15,000)
Fiscal Period	7/1/07 to 6/30/08	7/1/08 to 6/30/09
Development of ARC		
Amortization period	30	30
Amortization of UAL	\$11,000	1,000
Normal Cost @ EOY	10,000	10,000
Total ARC @ EOY	21,000	11,000
Development of Net OPEB Cost		
NOO Beginning of Year	\$0	(\$179,000)
Annual Required Contribution	21,000	11,000
Interest on Net OPEB Obligation	0	(14,000)
Adjustment to the ARC	0	(12,000)
Amortization Factor	17.27	15.00
Annual OPEB Cost (AOC)	21,000	9,000
Development of Net OPEB Obligation		
NOO Beginning of Year	0	(179,000)
OPEB Cost	21,000	9,000
Actual Contribution	200,000	24,000
NOO End of Year	(179,000)	(194,000)

CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

**AGREEMENT AND ELECTION
OF**

Riverside County Regional Park and Open Space District

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) Riverside County Regional Park and Open Space District
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

**CERTIFICATION OF OPEB FUNDING POLICY &
GASB 43/45 REPORTING COMPLIANCE**



As the employer, I certify that our funding policy is to contribute consistently an amount at least equal to 100 % of the ARC.

The California Employers' Retiree Benefit Trust (CERBT) fund plan includes more than 200 members. We understand that, under GASB 43, paragraph 33, as an employer participating in the CalPERS CERBT, we must obtain an actuarial valuation on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required in order to facilitate CalPERS compliance with GASB 43 reporting requirements, and we agree to make any information requested available to CalPERS on a timely basis. Our contact information is noted below.

We understand that CalPERS will report aggregated GASB 43 information in the Schedule of Funding Progress and Schedule of Employer Contributions

Riverside County Regional Park and Open Space District
Name of Employer

Paul Frandsen, General Manager

Printed Name and Title of Person Signing the Form

Paul Frandsen

Signature

Date

Cesar Quinones, Administrative Services Manager II
Designated Employer Contact Name for GASB Reporting

(951) 955-4317 cquinones@co.riverside.ca.us
Phone # Email Address



**DELEGATION OF AUTHORITY
TO REQUEST DISBURSEMENTS**

**RESOLUTION
OF THE**

Board of Directors

(GOVERNING BODY)

OF THE

Riverside County Regional Park & Open-Space District

(NAME OF EMPLOYER)

The Board of Directors delegates to the incumbents in
(GOVERNING BODY)

the positions of General Manager and
(TITLE)

Administrative Services Manager II authority to request on behalf
(TITLE)

of the Employer disbursements from the Other Post Employment Prefunding

Plan and to certify as to the purpose for which the disbursed funds will be used.

By _____
Jeff Stone
Title Chair, Board of Directors

Witness _____

Date _____

ATTACHMENT E

Increase Appropriations:

25400-931104-513000	Retirement Miscellaneous	\$ 200,000
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Designated Fund Balance:

25400-931104-320100	Designated Fund Balance	\$ 200,000
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