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City of Stockton

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

SACRAMENTO DIVISION

In re: CITY OF STOCKTON, CALIFORNIA, Debtor.	Case No. 2012-32118 D.C. No. OHS-1 Chapter Number: 9 **DECLARATION OF TERESIA HAASE IN SUPPORT OF CITY OF STOCKTON'S STATEMENT OF QUALIFICATIONS UNDER SECTION 109(C) OF THE UNITED STATES BANKRUPTCY CODE** Date: TBD Time: TBD Dept: TBD Judge: TBD

I, Teresia Haase, hereby declare:

1. I am the Human Resources Director in Stockton, California ("the City"). I make this declaration in support of the City's Statement Of Qualifications Under Section 109(c). In my capacity as Human Resources Director, I am responsible for administering the City's human resources, labor relations, workforce planning, equal employment, risk management, and benefits administration functions. Some of my duties include administering all Memoranda of Understanding with the City's labor organizations, maintaining employee databases, and directing compensation and benefits administration activities.

2. I have served in my present role with since May 2011. Prior to joining the City of Stockton, I served as the Human Resources Director for Mendocino County from October 2009 to May 2011, for the City of Eureka from November 2008 to October 2009, and for the City of Fort Bragg from February 2003 to October 2008. Before entering public service, I worked over an eight-year period as a consultant and manager for Oracle Corporation and Deloitte & Touche Consulting Group. I hold a Batchelor of Science degree in Information and Computer Science from the University of California, Irvine. I also hold a Master's in Business Administration degree from California State University, Northridge.

3. On or around May 22, 2012, I prepared a memorandum recommending that the City Council accept the actuarial valuation for the City's retiree healthcare plan as of June 30, 2011. The Segal Company, outside consultants to the City, prepared the actuarial valuation. A true and correct copy of the memorandum I prepared is attached hereto as Exhibit A. Attached in turn to the memorandum is a true and correct copy of the Segal Company's valuation report. Consistent with my recommendation, the City Council accepted the actuarial valuation.

4. As summarized in the memorandum, in the 1990s, the City greatly expanded its retiree health insurance commitments to levels well beyond what other cities offered. By and large, the benefits were uncapped and the City instituted no minimum service requirements. This meant that an employee could work in Stockton for a few months and obtain uncapped health benefits for the rest of his or her life.

5. Moreover, the approximately 1,100 of Stockton's 2,400 retirees who receive this benefit are the most recent retirees. They retired after the City added retirement enhancements in the late 1990s and early 2000s. Therefore, the average pension received by retirees without medical benefits is $24,029. The average pension for retirees with medical benefits is $50,687 a year.

6. The problem with conferring such a benefit was that the City did not fund it on an actuarially sound basis. The City set aside no money to fund this future liability, which the Segal Company calculates will be approximately $417 million as of the end of fiscal year 2011-12. Instead, it has been paying retiree medical costs on a pay-as-you-go basis. In the upcoming fiscal year, pay-as-you-go retiree medical costs for all funds will total approximately $16.7 million (of which $9.2 million is attributable to the General Fund).

7. According to the Segal Company, to adequately prefund its obligations and current obligations, the City should be, but is not, spending nearly double what it has budgeted for retiree health care. For fiscal year 2012-13, this comes out to approximately $31 million, or 30% of the City's payroll. By comparison with 16 comparable jurisdictions, none has retiree medical obligations much greater than 15% of payroll.

Executed this 27 day of June 2012, at Stockton, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.

Teresia Haase

Exhibit A

NEW BUSINESS

AGENDA ITEM 15.01

May 22, 2012

TO: Mayor and City Council

FROM: Teresia Haase, Human Resources Director

SUBJECT: **ACCEPT THE ACTUARIAL VALUATION OF BENEFIT OBLIGATIONS FOR THE CITY OF STOCKTON RETIREE HEALTHCARE PLAN AS OF JUNE 30, 2011, PREPARED BY THE SEGAL COMPANY IN ACCORDANCE WITH THE GOVERNMENTAL ACCOUNTING STANDARDS, STATEMENTS 43 AND 45**

RECOMMENDATION

It is recommended that the City Council make a motion to accept the actuarial valuation and review of the benefit obligations for the City of Stockton Retiree Healthcare Plans as of June 30, 2011, as presented in a report prepared by the Segal Company dated January 30, 2012.

Summary

The Segal Company conducted an actuarial valuation and review of Other Post Employment Benefits (OPEB) and certain benefit obligations of the City of Stockton Retiree Healthcare Plan as of June 30, 2011, in accordance with the Governmental Accounting Standards Board Statements 43 and 45.

Segal's report (Attachment A) was completed in accordance with the Governmental Accounting Standards, Statements 43 and 45, which prescribe an accrual methodology for accumulating the value of Other Post Employment Benefits (OPEB) over participants' working lifetimes. Segal's valuation report indicates that the unfunded actuarial accrued liability for the City of Stockton retiree healthcare plan is $416,737,585. The report further states that the Net OPEB Obligation (NOO) is $105,619,791, with an Annual Required Contribution (ARC) of $31,436,257.

DISCUSSION

Background

Beginning in 1980 the City provided retiree medical benefits to persons retiring directly from employment with the City. This early benefit for the retiree and their one dependent ended when the retiree had reached age 65 or reached the maximum years the benefit would be provided (7-15 years). The City later agreed to provide an over 65 retiree medical benefit that had no end date for current employees, and, for the most part, no minimum service requirements were instituted. The dates when this expanded benefit was instituted vary for the following groups, as follows:

- 1985 Unrepresented Mgmt. group (including Law group and B and C)
- 1990 Police Mgt.
- 1995 Fire Mgt.
- 1996 Fire
- 1997 SCEA, OE3
- 1998 POA

There are approximately 1,100 retirees out of Stockton's total 2,400 retirees who receive retiree medical benefits. These are the most recent retirees and the vast majority (over 80%) of these retirees also retired after the City added retirement enhancements and they retired with greater pension benefits than previous retirees. For example, the average pension received by retirees without retiree medical benefits is approximately $24,000 a year. The average pension benefit for retirees with retiree medical benefits is over $50,600 a year. See Attachment B. These retirement enhancements were:

- Police: 3%@50 with Employer Paid Member Contributions reported as compensation (EPMC) and additional survivor benefits – granted in 2000
- Fire: 3%@50 with EPMC and additional survivor benefits – granted in 2001
- Miscellaneous: 2%@55 – granted in 1993, in 1997 the City added enhancements including additional survivor benefits, EPMC, sick leave conversions and in 2001, the City added the 5% COLA provision

EPMC is a form of pension spiking, where the employer paid member contributions are reported to CalPERS as compensation for purposes of increasing the final year compensation which is the basis for the pension benefit calculation. Additionally, since the pension enhancements resulted in younger employees retiring, the number of years the City would pay for retiree medical increased. Of the retirees with retiree medical benefits:

- 16.5% are Fire retirees, 22.5% are Police and 61% are miscellaneous retirees.
- 8.6% had less than 10 years of service with the City (note that most of these are Miscellaneous, not Safety, employees and some left with very few number of years of Stockton employment), 26.3% had 10-19 years of service, 41.1% had 20-29 years, and 24% had over 30 years of City service.
- 33% of the retirees are over 65 and 67% are under 65.
- Survivor benefits for spouse of deceased retirees were never approved by any City Council except for OE3 units. Survivor benefits were approved by a City Manager for unrepresented employees and then extended by the Human Resources Department without authorization.

Currently, the retiree medical benefit for these retirees is the full premium paid by the City for the retiree and one dependent. No minimum years of service with Stockton are required to receive this benefit except for SCEA and OE3 groups who have a requirement of 15 years of City of Stockton service. There is no cap on the City's costs for the retiree/dependent premium and only the City is responsible for premium increases over the retiree's lifetime – a period which can exceed 35 years. Even without calculating the growth due to medical inflation over that retiree's lifetime, the City commitment to fund a retiree medical premium for an employee who retires today with a dependent could exceed $630,000 for that one retiree with a dependent alone ($1550 a month times 35 years, assuming retiree at age 50 with a life expectancy to age 85 totals $630,000 and does not include any increase in premium costs due to medical inflation).

The City's current retiree medical benefits are dramatically out of step with the labor market. Many agencies provide no benefit at all or they have some limited contribution that is made while the employee is employed. This is typically done as either a percent contribution to an account or the cashing out of a portion of sick leave. Since it is a fixed dollar amount that varies with the employee, it is not a lifetime benefit. Once the money is gone the retiree gets no other benefit. Even agencies that give an ongoing contribution for life make a more modest fixed dollar contribution which is usually dependent on the number of years of service. See Attachment C for a summary of a Retiree Medical Benefit Survey.

The FY11-12 City pay-as-you-go ("pay go") expenditure for retiree medical is $15 million, of which $9 million is a General fund cost. Until 2005 the City did not separate retirees from employees in its annual medical plan actuary report, so retiree costs were not separately identified for Council and, in fact, these annual medical actuary reports were not placed on the City Council agendas until 2011.

It does not appear from City records or references in past agenda items that the City ever received an independent actuary report to identify the future costs of granting retiree medical benefits either in the 1980's or later in the 1991-2000 period when the City committed to pay lifetime medical benefits to retirees. Only after the accounting requirements were changed in 2007 by the Government Accounting Standards Board did the City start separately identifying retiree costs and had its first OPEB valuation performed.

The Government Accounting Standards Board (GASB) develops and issues financial and accounting standards for state and local government agencies. GASB Statements 43 and 45, implemented in 2006 and 2007 respectively, directs governmental employers on how to account for and report liabilities associated with Other Post

Employment Benefits (OPEB). For the City of Stockton, GASB Statements 43 and 45 apply to medical benefits for retirees.

Ideally, public employers offering other post employment benefits would adopt a plan to fund the cost of benefits through periodic contributions, setting aside money to address accumulated or future costs similar to the way pension benefits are funded. However, few agencies are able to fund this type of benefit in advance. Historically, most agencies, including the City of Stockton, have used the "pay-as-you-go" or pay go method. Under the pay go approach, the employer only pays current expenditures for existing retirees. Given many cities were in control of the retiree health commitment, i.e., a fixed dollar contribution versus a percent of premium, the "pay-as-you-go" method was not as problematic as it is with Stockton.

What sets the City apart from other agencies is the high level of benefits, payments for dependents, no requirement for a substantial amount of years of City service needed to qualify for benefits and that the benefit is not tied to number of years of service (i.e., a 1-month retiree gets same benefit as a 40-year City retiree in most units). Although the pay go method is permissible, its use results in an ever increasing liability, as costs associated with OPEB continue to rise. Pay go over the long term is the most expensive way to finance a long term retiree medical obligation. In financing regular pension benefits, a majority of the actual pension benefit is funded from investment returns (as much as 70% is estimated by PERS and 1937 Act systems before 2008 market losses). With a pay go only method there are no investment returns to partially fund the cost of retiree medical, therefore, all of the costs must come from contributions from the City or from employees/retirees.

GASB does not dictate how state and local governments fund Other Post Employment Benefits (OPEB). GASB directs agencies on how to report OPEB liabilities and any progress made towards funding them. In order to comply with GASB requirements, it is necessary to have an actuarial valuation completed.

There are several components to the actuarial valuation required for OPEB obligations. The valuation must estimate the "normal" cost, which is the amount of contributions that would need to be paid over the course of employment for each eligible employee in order to fund OPEB, such as retiree medical benefits. The valuation must also estimate the Unfunded Actuarial Accrued Liability (UAAL), which is the difference between the plan assets or amount pre-funded and the accrued liability for the benefits of existing retirees plus the accumulated normal costs for active employees that would be eligible for the benefit.

Once the UAAL is determined, the Annual Required Contribution (ARC) is calculated. The ARC is the sum of the normal cost and the cost of the UAAL, amortized over the

funding period. The ARC is then compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). Each year the City delays pre-funding for OPEB means the unfunded liability and the contributions required to fund the liability for retiree medical benefits will continue to grow.

The calculation of an accounting obligation does not imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense. Historically, the City has funded retiree health benefits on a pay go basis. The City is required, however, to report the Unfunded Actuarial Accrued Liability in its financial reports, which for Stockton, is a current liability of over $416 million.

GASB mandates that agencies obtain an actuarial valuation of their OPEB liability every two years. The City of Stockton had an actuarial valuation of its OPEB obligations for fiscal year ending June 30, 2009. That valuation was conducted by Bartel and Associates, LLC. Their report was subsequently reviewed and audited by the Segal Company, in April 2011.

Present Situation

The City of Stockton requested that the Segal Company conduct the actuarial valuation for fiscal year ending June 30, 2011. Segal is known in the employee benefits industry for its experience with public sector employee health benefits and retirement plans, offering consulting and actuarial services.

Segal conducted their actuarial valuation and review of the City's OPEB obligations, in accordance with generally accepted actuarial principles and practices. Their report (Attachment A) also included the results of the previous valuation, which was completed for fiscal year ending June 30, 2009.

Segal indicates the UAAL for fiscal year ending June 30, 2011, is $416,737,585. The UAAL from the prior actuarial valuation was $543,702,000, and is comprised of accrued liability for current retirees and active employees eligible for the benefit. The OPEB liability was expected to increase to $603,094,061, by June 30, 2011. Changes to medical plan benefits including increased co-pays made effective September 1, 2011 and increased deductibles and mandatory mail for maintenance medications made effective January 1, 2012 reduced the OPEB liability by $155,422,891. This is a one-time reduction based upon the benefit changes to the health plan which apply to both active employees and retirees on the modified medical plan. The effect of this change was to lower the basis of the OPEB liability valuation, which continues to increase each year on a go forward basis. After updating the data to reflect actual demographic and contribution changes, and accounting for health care cost and future trend values, the

May 22, 2012

ACCEPT THE ACTUARIAL VALUATION OF BENEFIT OBLIGATIONS FOR THE CITY OF STOCKTON RETIREE HEALTHCARE PLAN AS OF JUNE 30, 2011, PREPARED BY THE SEGAL COMPANY IN ACCORDANCE WITH THE GOVERNMENTAL ACCOUNTING STANDARDS, STATEMENTS 43 AND 45
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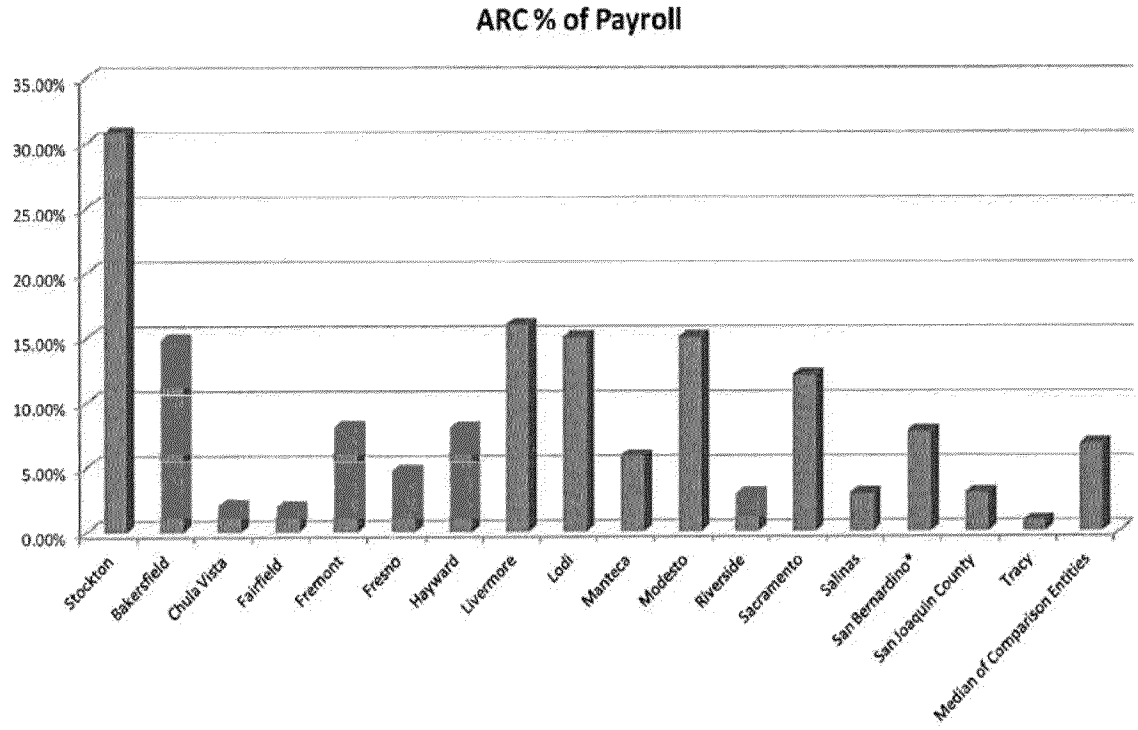
total unfunded actuarial accrued liability was decreased by a net of $126,964,415. Segal uses the same actuarial demographic assumptions as those used by CalPERS for estimating retirement age, lifespan, etc.

Segal reports that the Annual Required Contribution needed to pay for Stockton's retiree health benefits for Fiscal Year Ending June 30, 2012 is $31,436,257, or 30.81% of City's payroll. This means that for the City to prefund its obligations and pay current obligations it needs to spend 30% of its payroll which is more than double what the city spends today. Pay go for Fiscal Year 11/12 is approximately $15 million. To fund the full ARC of $31 million, the City would need to find an additional $16 million dollars in the budget. To put this in perspective, this is equivalent to approximately 110 police officers or 40% of the Fire Department budget. As the City's payroll increases over the amortization period, the dollar amount of the required contribution will also increase. The payroll is projected to increase at 3.25% per year for the amortization period. The FY11/12 ARC of $31,436,257 is less than the ARC calculated in the prior actuarial valuation, which was $40,689,363 or 37.79% of payroll per year, again due to the one-time reduction in UAAL resulting from the benefit plan changes. Segal surveyed the City's 16 comparator agencies regarding their unfunded OPEB liability. Notable is that Stockton has the highest ARC as percentage of payroll and unfunded liability among all of its comparator agencies.



These are the 16 comparator agencies the City uses for labor market survey and comparison purposes. The City has the highest ARC as a percentage of payroll, the highest unfunded actuarial accrued liability and the highest unfunded liability as percent of payroll figures among the entire set of comparator agencies. Please refer to Attachment D for the complete survey information summary.

Segal calculated, based upon the City's pay go funding of its retiree health benefits, actual contributions for fiscal year ending June 30, 2010 were $13,842,000, which was equal to 33.9% of the ARC. The actual contributions for fiscal year ending June 30, 2011 totaled $12,943,613, which was 29.55% of the ARC. The ARC generally exceeds the current pay go cost in the early years of an OPEB funding plan, however, over time the pay go cost will exceed the ARC. Exhibit B, page 13, of Segal's report (Attachment A) projects the pay go costs over ten years assuming there is no pre-funding for OPEB benefits. If funded in a manner similar to pension benefits, the City would fund the full ARC. During the early part of the amortization period, the ARC is higher than the pay go amount required, and these funds are invested for earnings which partially fund the benefit liability. Without the benefit of earnings generated from prefunding for accrued liabilities, the City is required to pay 100% of the benefit expenses on a pay go basis, which becomes catastrophic in terms of the payments required as illustrated in Attachment E. Considering only the closed current population of retirees and employees, the City's annual pay go expenses increase significantly every year, doubling from $12 Million to $24 Million in 10 years, and peaking at over $40 Million in 2040. Actuarial analysis of the cashflow required from 2012 through the projected lifetimes of the current closed population estimates a total pay go cash payment of $1.6 Billion for claims alone funded 100% by taxpayer dollars. When viewed in terms of lifetime liability for these benefits, it becomes obvious that the level of benefits is unsustainable, and costs associated with them are catastrophic in terms of the economic impact.

GASB also requires that the actuarial valuation for OPEB include the Net OPEB Obligation (NOO). The NOO is the cumulative difference between the Annual Required Contribution and actual contributions made towards the cost of OPEB, in other words, how far behind the City is in funding for retiree health benefits. Since the City has historically funded on a pay go basis, the NOO, or amount we are behind, is increased each year by the difference between the annual required contribution and the actual pay go amount contributed. Each year the City continues to fall further and further behind in funding retiree medical obligations, and the NOO increases year after year. Segal's report states that the City of Stockton's NOO for the Retiree Healthcare Plan is $105,619,791, as of June 30, 2011. Put another way, this is the amount the City would have to fund today to make up for the past four years difference between the ARC and the pay go contributions.

May 22, 2012

ACCEPT THE ACTUARIAL VALUATION OF BENEFIT OBLIGATIONS FOR THE CITY OF STOCKTON RETIREE HEALTHCARE PLAN AS OF JUNE 30, 2011, PREPARED BY THE SEGAL COMPANY IN ACCORDANCE WITH THE GOVERNMENTAL ACCOUNTING STANDARDS, STATEMENTS 43 AND 45
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FINANCIAL SUMMARY

The Government Accounting Standards Board (GASB) Statements 43 and 45 require that governmental employers account for liabilities associated with providing retirement benefits, other than pension benefits. For the City of Stockton, this applies to medical benefits for retirees and the OPEB liability is required to be reported in the City's financial reports. Council's acceptance of Segal's actuarial valuation and the findings therein does not obligate the City to continue to provide the benefits valued in the report. Consistent with the City Council's Strategic Initiatives for Fiscal Sustainability, approved on June 22, 2010, staff will continue to explore ways to reduce the cost of employee and retiree benefits where possible.

Respectfully submitted,

TERESIA HAASE
DIRECTOR OF HUMAN RESOURCES

APPROVED:

LAURIE MONTES
DEPUTY CITY MANAGER

Attachment A:	City of Stockton Retiree Healthcare Plan – Actuarial Valuation and Review of Other Post Employment Benefits as of June 30, 2011
Attachment B:	Comparison of Annual Pension Income with and without Retiree Medical
Attachment C:	Summary of City Survey Agencies on Retiree Medical Benefits
Attachment D:	Comparison of OPEB Liabilities Among Comparison Agencies
Attachment E:	60-Year Pay Go Cash Flow Analysis

City of Stockton Retiree Healthcare Plan

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2011 In accordance with GASB Statements No. 43 and No. 45

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SEGAL

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January 30, 2012

Mr. Bob Deis
City of Stockton
425 N. El Dorado Street
Stockton, CA 95202

Dear Mr. Deis:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2011 under Governmental Accounting Standards Board Statements 43 and 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2011, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided by Ms. Teresia Haase and the terms of the Plan. The actuarial calculations were completed under the supervision of Patrick Twomey, ASA, MAAA, EA and Dave Bergerson, FCA, ASA, MAAA, EA.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

Sincerely,

THE SEGAL COMPANY

By: *Thomas M. Morrison, Jr.*
Thomas M. Morrison, Jr.
Senior Vice President

cc: *Teresia Haase*
Susan Mayer

RPT/hy

SECTION 1

EXECUTIVE SUMMARY

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PURPOSE

This report presents the results of our actuarial valuation of The City of Stockton (the "City") OPEB plan as of June 30, 2011. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2011 is $416,737,585, a decrease of $126,964,415, from the prior valuation UAAL of $543,702,000. Net unfunded plan obligations had been expected to increase to $603,094,061, due to normal plan operations. The difference between actual and expected unfunded actuarial accrued liabilities was the net effect of several factors:
  - An **actuarial experience gain** decreased the UAAL by $11,506,314. This was the net result of gains and losses due to demographic changes and actual 2011 contributions and benefit payments that were different from expected.
  - **Valuation assumption changes** decreased the AAL by $19,427,271. This was a net result of updating the valuation-year per capita health costs and future trend on such costs.
  - **Plan changes** decreased the AAL by $155,422,891. This was due to changes in deductibles and starting costs, including such changes as increases in annual deductibles and out-of-pocket maximums. The current plan of benefits is summarized in Exhibit III of Section 4.
- As of June 30, 2011, the ratio of assets to the AAL (the funded ratio) is .00%. We did not recognize any assets in the valuation since there are not any assets held in an irrevocable trust.
- The **Net OPEB Obligation (NOO)** increased to $105,619,791 for the year ending June 30, 2011. The NOO generally increases if the contributions in relation to the ARC are less than the ARC. The contributions in relation to the ARC during the year ending June 30, 2011 were $12,943,613 compared to the ARC of $40,689,363. Contributions in relation to the ARC totaled 29.55% of the ARC in the year ending June 30, 2011. Chart 7 shows the detailed derivation of the NOO as of June 30, 2011.
- The **Annual Required Contribution (ARC)** decreased to $31,436,257 for the year ending June 30, 2012. The ARC was $40,689,363 for the year ending June 30, 2010. As a percentage of payroll, the ARC decreased from 37.79% last year to 30.81% this year.
- The **Annual OPEB Cost (AOC)** decreased to $31,274,994 for the year ending June 30, 2012. The AOC was $44,923,522 last year.

SECTION 1: Executive Summary for City of Stockton Retiree Healthcare Plan June 30, 2011 Measurement Under GASB 43 and 45

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2011	June 30, 2009
Actuarial Accrued Liability (AAL)	$416,737,585	$543,702,000
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability	416,737,585	543,702,000
Funded Ratio	0.00%	0.00%
Market Value of Assets	$0	$0
Annual Required Contribution (ARC) for Fiscal Year Ending:	**June 30, 2012**	**June 30, 2010**
Normal cost (beginning of year)	$12,197,428	$17,068,000
Amortization of the unfunded actuarial accrued liability	18,554,524	22,735,636
Adjustment for timing	684,305	885,727
Total Annual Required Contribution, including adjustment for timing	$31,436,257	$40,689,363
Covered payroll	$102,040,120	$107,678,676
ARC as a percentage of pay	30.81%	37.79%
Total Participants	2,314	2,343
Annual OPEB Cost (AOC) for Fiscal Year Ending:	**June 30, 2012**	**June 30, 2010**
Annual Required Contributions	$31,436,257	$40,689,363
Interest on Net OPEB Obligations	4,752,891	2,148,418
ARC Adjustments	-4,914,154	2,085,741
Total Annual OPEB Cost	$31,274,994	$44,923,522
AOC as a percent of pay	30.65%	41.72%

Note: Numbers for plan year ending June 30, 2010, calculated by prior actuary.

January 30, 2012

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of City of Stockton Retiree Healthcare Plan's other postemployment benefit programs as of June 30, 2011, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Employer and reliance on participant, premium, claims and expense data provided by the Employer or from vendors employed by the Employer. The Segal Company does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

Dave Bergerson, FCA, ASA, MAAA, EA
Vice President & Actuary

SECTION 2: Valuation Results for the City of Stockton Retiree Healthcare Plan June 30, 2011 Measurement Under GASB 43 and 45

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	2011	**2009**
Participant Category		
Current retirees, beneficiaries, and dependents	$261,863,360	$365,234,000
Current active members	282,183,048	366,044,000
Terminated members entitled but not yet eligible	0	0
Total as of June 30	$544,046,408	$731,278,000

		2011	**2009**
Actuarial Balance Sheet			
The actuarial balance sheet as of the valuation date is as follows:			
	Assets		
1.	Actuarial value of assets	$0	$0
2.	Present value of future normal costs	127,308,823	187,576,000
3.	Unfunded actuarial accrued liability	416,737,585	543,702,000
4.	Present value of current and future assets	$544,046,408	$731,278,000
	Liabilities		
5.	Actuarial Present Value of total Projected Benefits	$544,046,408	$731,278,000

Note: Numbers for plan year ending June 30, 2010, calculated by prior actuary.

SECTION 2: Valuation Results for the City of Stockton Retiree Healthcare Plan June 30, 2011 Measurement Under GASB 43 and 45

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion covered by retiree contributions, the portion covered by accumulated plan assets, and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2011	July 1, 2009
Participant Category		
Current retirees, beneficiaries, and dependents	$261,863,360	$365,234,000
Current active members	154,874,225	178,468,000
Terminated members entitled but not yet eligible	0	0
Total	$416,737,585	$543,702,000
Effect of Retiree Contributions		
Actuarial accrued liability before reduction for retiree contributions	$443,794,844	$598,107,000
Less projected retiree contributions	27,057,259	54,405,000
Net employer actuarial accrued liability	416,737,585	543,702,000
Actuarial value of assets	0	0
Unfunded actuarial accrued liability	$416,737,585	$543,702,000
Development of Unfunded Actuarial Accrued Liability		
1. Unfunded actuarial accrued liability as of July 1, 2009		$543,702,000
2. Normal cost as of June 30, 2009 for 2009.2010		17,068,000
3. Interest on UAAL and normal cost for the twelve-month period ended June 30, 2010		25,234,650
4. Employer contributions from July 1, 2009 through June 30, 2010 with interest to the end of the year		13,842,000
5. Expected UAAL as of June 30, 2010 (1+2+3-4)		$572,162,650
6. Normal cost as of June 30, 2010 for 2010/2011		17,622,710
7. Interest on UAAL and normal cost for the twelve-month period ended June 30, 2011		26,540,341
8. Employer contributions from July 1, 2010 through June 30, 2011 (cash contributions plus implicit subsidy)		12,943,613
9. Interest on contributions, payable throughout the twelve-month period ended June 30, 2011		288,027
10. Expected UAAL as of June 30, 2011 (5+6+7-8-9)		$603,094,061
11. Effect of actuarial experience gain		-11,506,314
12. Assumption changes		-19,427,271
13. Effect of Plan changes		-155,422,891
14. Unfunded actuarial accrued liability as of June 30, 2011 (10+11+12+13)		$416,737,585

Note: Numbers through line 7 calculated by prior actuary.

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. City of Stockton Retiree Healthcare Plan has elected to amortize unfunded actuarial accrued liability using the following rules:

- 30-year closed period (i.e. decreasing) and
- Level percent of payroll amortization.

It is assumed that payroll will grow at the annual rate of 3.25% during the amortization period. The unfunded actuarial liability is being amortized over 26 years from June 30, 2011.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Total AAL	7/1/2011	26	$416,737,585	$18,554,524	26	$416,737,585

* *Level percentage of pay.*

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes *as if* the plan were being funded through contributions to a trust fund. The GASB standards cannot require the contributions actually be made to a trust fund. The ARC is simply a device used to measure annual plan costs on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. The resulting sum is then adjusted to the start of the accounting period and adjusted as if the annual cost were to be contributed in twelve equal monthly installments.

The amortization payment is based on a 26-year amortization of the Unfunded Actuarial Accrued Liability on a level percent of payroll basis.

CHART 4

Determination of Annual Required Contribution (ARC) – Payable Throughout Fiscal Year

Cost Element	Fiscal Year Beginning July 1, 2011 and Ending June 30, 2012		Fiscal Year Beginning July 1, 2009 and Ending June 30, 2010	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$12,197,428	11.95%	$17,068,000	15.85%
2. Amortization of the unfunded actuarial accrued liability (26 years)	18,554,524	18.18%	22,735,636	21.12%
3. Adjustment for timing	684,305	0.68%	885,727	0.82%
4. Total Annual Required Contribution (ARC)	$31,436,257	30.81%	$40,689,363	37.79%
5. Total Compensation	$102,040,120		$107,678,676	

Note: Numbers for plan year ending June 30, 2010, calculated by prior actuary.

The Annual OPEB Cost (AOC) adjusts the ARC for timing differences between the ARC and contributions in relation to the ARC. The AOC is the cost of OPEB actually booked as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)

Determination of Annual OPEB Cost (AOC) – Payable Throughout Fiscal Year

Cost Element	Fiscal Year Beginning July 1, 2011 and Ending June 30, 2012		Fiscal Year Beginning July 1, 2009 and Ending June 30, 2010	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Annual Require Contribution	$31,436,257	30.81%	$40,689,363	37.79%
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	4,752,891	4.66%	2,148,418	2.00%
3. ARC adjustment	-4,914,154	-4.82%	2,085,741	1.94%
4. Annual OPEB Cost	$31,274,994	30.65%	$44,923,522	41.72%

Note: Numbers for plan year ending June 30, 2010, calculated by prior actuary.

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	$40,827,000	$13,842,000	33.90%
2011	43,808,000	12,943,613	29.55%
2012	31,436,257	Not made yet	N/A

** Includes an interest adjustment to the end of the year.*

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2010	$40,891,000	13,842,000	30.14%
2011	42,977,000	12,943,613	30.12%
2012	31,274,994	Not made yet	N/A

Note: Numbers for plan year ending June 30, 2010 and June 30, 2011, calculated by prior actuary.

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
6/30/2009	$0	$543,702,000	$543,702,000	0.00%	$107,679,000	504.93%
6/30/2011	0	416,737,585	416,737,585	0.00%	102,040,120	408.41%

Note: Numbers for plan year ending June 30, 2010, calculated by prior actuary.

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution * (a)	Interest on Existing NOO (b)	ARC Adjustment * (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount * (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Fiscal Year (g)
6/30/2009	6/30/2010	$40,827,000	$2,196,000	$2,132,000	$40,891,000	$13,842,000	$27,049,000	$75,854,000
6/30/2009	6/30/2011	43,808,000	3,413,430	-4,244,000	42,997,430	13,231,639	29,765,791	105,619,791
6/30/2011	6/30/2012	32,135,790	4,752,891	-4,914,154	31,974,527	Not made yet	N/A	N/A

** Includes an interest adjustment to the end of the year.*

Note: Numbers for plan year ending June 30, 2010 and annual OPEB cost for plan year ending June 30, 2011, calculated by prior actuary.

This exhibit summarizes the participant data used for the current and prior valuations.

EXHIBIT A

Summary of Participant Data

	June 30, 2011	June 30, 2009
Retirees		
Number of retirees	960	971
Average age of retirees	62.5	55.5
Number of spouses	753	698
Average age of spouses	60.0	N/A
Surviving Spouses		
Number	42	N/A
Average age	70.1	
Active Participants		
Number	1,312	1,372
Average age	44.5	43.9
Average years of service	12.3	11.8
Average expected retirement age	58.8	N/A

EXHIBIT B

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments			Projected Retiree Contributions	Projected Net Fund Payment**	Contribution Ratio
	Current	Future	Total	Current	Future	Total			
2012	1,753	47	1,800	$11,858,835	$315,255	$12,174,090	$208,723	$11,965,367	1.74%
2013	1,730	103	1,833	11,795,339	704,906	12,500,245	278,074	12,222,171	2.28%
2014	1,708	167	1,875	12,429,724	1,227,591	13,657,315	373,897	13,283,418	2.81%
2015	1,685	234	1,919	13,048,674	1,838,613	14,887,287	437,850	14,449,437	3.03%
2016	1,661	308	1,969	13,581,346	2,571,206	16,152,552	481,373	15,671,179	3.07%
2017	1,634	384	2,018	14,133,733	3,386,088	17,519,821	657,396	16,862,425	3.90%
2018	1,610	467	2,077	14,426,564	4,333,254	18,759,818	743,708	18,016,110	4.13%
2019	1,574	550	2,124	14,765,291	5,268,345	20,033,636	926,586	19,107,050	4.85%
2020	1,542	633	2,175	15,212,399	6,361,216	21,573,615	1,143,069	20,430,546	5.59%
2021	1,510	717	2,227	15,521,171	7,548,868	23,070,039	1,336,468	21,733,571	6.15%

* *Includes spouses of retirees.*

** *Total projected benefit payments less projected retiree contribution. Projected benefit payments do not include any margin, city administrative expense or credit for Medicare Part D subsidy.*

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2011	
Actuarial cost method	Entry Age Normal	
Amortization method	30-Year Amortization Closed, level percent of pay	
Remaining amortization period	26 years as of June 30, 2011	
Asset valuation method	N/A	
Actuarial assumptions:		
Investment rate of return	4.50%	
Inflation rate	3.00%	
Projected salary increases	3.25%	
Medical cost trend rate	9.00% per annum grading down to 5.00% over 8 years	
Drug cost trend rate	8.00% per annum grading down to 5.00% over 6 years	
Plan membership:	June 30, 2011	June 30, 2009
Current retirees, beneficiaries, and dependents	1,755	1,669
Current active participants	1,312	1,372
Terminated participants entitled but not yet eligible	0	0
Total	3,067	3,041

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data, premium data and/or claim experience, and summary plan descriptions for OPEB were provided by the City of Stockton.
Actuarial Cost Method:	Entry Age Normal, level percent of salary.
Asset Valuation Method:	N/A – No assets held in Trust.
Measurement Date:	June 30, 2011
Census Date:	June 30, 2011
Future Service Accrual:	Future service increment per year is 1.00.
Discount Rate:	4.50%
Salary Increases:	

Service	Miscellaneous	Safety
0	12.65%	11.15%
3	8.26%	7.25%
5	6.71%	5.76%
10	4.89%	4.43%
15	4.38%	4.13%
20	4.00%	3.84%
25	3.78%	3.66%
30	3.78%	3.66%

Termination Rates before and after Retirement:

Turnover for Miscellaneous Employees

Service	With Refund	With Vested Benefit	Total
0	16.06%	0.00%	16.06%
1	14.09%	0.00%	14.09%
2	12.12%	0.00%	12.12%
3	10.15%	0.00%	10.15%
4	8.18%	0.00%	8.18%
5	1.74%	5.37%	7.11%
6	1.59%	5.11%	6.70%
7	1.45%	4.86%	6.31%
8	1.31%	4.60%	5.91%
9	1.17%	4.31%	5.48%
10	1.04%	4.03%	5.07%
15	0.42%	3.05%	3.47%
20	0.21%	0.38%	0.59%
25	0.05%	0.18%	0.23%
30	0.01%	0.01%	0.02%
35	0.01%	0.01%	0.02%

Turnover for Safety Employees

Service	With Refund	With Vested Benefit	Total
0	10.13%	0.00%	10.13%
1	6.36%	0.00%	6.36%
2	2.71%	0.00%	2.71%
3	2.58%	0.00%	2.58%
4	2.45%	0.00%	2.45%
5	0.86%	1.63%	2.49%
6	0.79%	1.57%	2.36%
7	0.72%	1.49%	2.21%
8	0.66%	1.42%	2.08%
9	0.59%	1.34%	1.93%
10	0.53%	1.26%	1.79%
15	0.27%	0.82%	1.09%
20	0.17%	0.65%	0.82%
25	0.12%	0.58%	0.70%
30	0.09%	0.56%	0.65%
35	0.09%	0.00%	0.09%

Rates of Disability Incidence

Attained Age	Miscellaneous	Safety
20	0.010%	0.069%
30	0.021%	0.644%
40	0.145%	1.288%
50	0.331%	1.921%
60	0.377%	6.682%
70	0.000%	0.000%

Pre- And Post-Retirement Mortality
Applied to Healthy and Disabled Lives

Age	Male	Female
20	0.04%	0.03%
25	0.06%	0.03%
30	0.07%	0.03%
35	0.08%	0.04%
40	0.09%	0.06%
45	0.13%	0.09%
50	0.24%	0.13%
55	0.47%	0.24%
60	0.72%	0.43%
65	1.07%	0.78%
70	1.68%	1.24%
75	3.08%	2.07%
80	5.27%	3.75%
85	9.78%	7.01%
90	16.75%	12.40%
95	25.66%	21.56%
100	34.55%	31.88%
105	58.53%	56.09%
110	100.00%	100.00%

The CalPERS post-retirement mortality table from the 1997-2007 Experience Study was determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

Retirement Rates:

Retirement Rates for Miscellaneous Employees

(CalPERS Miscellaneous Tier 1 2% @55)

	Years of Service						
Attained Age	5-9	10-14	15-19	20-24	25-29	30-34	35+
50	0.4%	1.1%	1.6%	1.9%	2.3%	2.7%	3.2%
51	0.4%	1.1%	1.5%	1.9%	2.3%	2.7%	3.1%
52	0.4%	1.2%	1.6%	2.0%	2.5%	2.9%	3.3%
53	0.6%	1.5%	2.1%	2.6%	3.2%	3.7%	4.3%
54	0.8%	2.2%	3.0%	3.7%	4.6%	5.4%	6.2%
55	1.8%	4.8%	6.7%	8.2%	10.1%	11.8%	13.6%
56	1.4%	3.8%	5.4%	6.6%	8.1%	9.5%	10.9%
57	1.8%	4.8%	6.8%	8.4%	10.2%	12.0%	13.8%
58	1.9%	5.0%	7.1%	8.7%	10.6%	12.4%	14.4%
59	2.2%	5.9%	8.2%	10.1%	12.4%	14.5%	16.8%
60	2.6%	7.0%	9.8%	12.1%	14.8%	17.3%	20.0%
61	3.2%	8.7%	12.2%	15.0%	18.4%	21.5%	24.8%
62	4.7%	12.5%	17.6%	21.7%	26.6%	31.1%	35.9%
63	5.6%	15.0%	21.1%	25.9%	31.8%	37.1%	42.9%
64	4.6%	12.4%	17.4%	21.4%	26.2%	30.7%	35.4%
65	5.4%	14.5%	20.4%	25.0%	30.7%	35.9%	41.5%
66	4.2%	11.4%	16.1%	19.7%	24.2%	28.3%	32.7%
67	4.4%	11.7%	16.5%	20.3%	24.9%	29.0%	33.6%
68	4.3%	11.6%	16.3%	20.0%	24.5%	28.6%	33.1%
69	4.9%	13.1%	18.5%	22.7%	27.9%	32.6%	37.6%
70	5.0%	13.4%	18.8%	23.1%	28.4%	33.1%	38.3%
71	3.9%	10.4%	14.7%	18.0%	22.2%	25.9%	29.9%
72	3.4%	9.2%	13.0%	16.0%	19.6%	22.9%	26.4%
73	2.9%	7.7%	10.8%	13.3%	16.4%	19.1%	22.1%
74	2.0%	5.3%	7.4%	9.2%	11.2%	13.1%	15.2%
75	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Retirement Rates (Continued):

Safety Employees
(CalPERS Public Agency Police 3% @50)

Years of Service

Attained Age	5-9	10-14	15-19	20-24	25-29	30-34	35+
50	7.0%	7.0%	7.0%	13.1%	19.3%	24.9%	30.6%
51	5.0%	5.0%	5.0%	9.5%	13.9%	18.0%	22.0%
52	6.1%	6.1%	6.1%	11.6%	17.1%	22.0%	27.0%
53	6.9%	6.9%	6.9%	13.0%	19.2%	24.7%	30.3%
54	7.1%	7.1%	7.1%	13.4%	19.7%	25.5%	31.2%
55	9.0%	9.0%	9.0%	17.0%	25.0%	32.2%	39.5%
56	6.9%	6.9%	6.9%	13.0%	19.1%	24.7%	30.2%
57	8.0%	8.0%	8.0%	15.2%	22.3%	28.8%	35.3%
58	8.7%	8.7%	8.7%	16.4%	24.2%	31.2%	38.2%
59	9.0%	9.0%	9.0%	17.0%	25.1%	32.3%	39.6%
60	13.5%	13.5%	13.5%	25.5%	37.7%	48.5%	59.4%
61	9.0%	9.0%	9.0%	17.0%	25.1%	32.3%	39.6%
62	11.3%	11.3%	11.3%	21.3%	31.4%	40.4%	49.5%
63	9.0%	9.0%	9.0%	17.0%	25.1%	32.3%	39.6%
64	9.0%	9.0%	9.0%	17.0%	25.1%	32.3%	39.6%
65	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Missing Participant Data: A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

Participation and Coverage Election: 100% of employees eligible to retire and receive subsidized postretirement welfare coverage were assumed to elect medical coverage.

Dependents: Demographic data was available for spouses of current retirees. For future retirees, male retirees were assumed to be three years older than their wives and female retirees were assumed to be three years younger than their husbands. For future retirees who elect to continue their health coverage at retirement 80% of males and 50% of females were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Cost Development:

PPO Medical and Drug Plan

Per capita claims costs were based on actual retiree paid claim experience for the period July 1, 2008 through June 30, 2011. Claims were separated by plan year, then adjusted as follows:

- actual large claims were replaced by the *expected* amount of large claims to smooth out random fluctuations in experience,
- paid claims were multiplied by a factor to yield an estimate of incurred claims,
- total claims were divided by the number of adult members to yield a per capita claim,
- the per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- the per capita claim was adjusted for the effect of any plan changes.

Dental

The dental per capita costs were based on active and retired combined experience for the period July 1, 2008 through June 30, 2011. Expenses were separated by plan year, then adjusted as described above to yield per capita costs. Per capita costs for each plan year were then combined by taking a weighted average.

Administrative Expenses

Administrative expenses were based on experience for the period July 1, 2008 through June 30, 2011. Expenses were separated by plan year, then adjusted as described above to yield per capita expenses. Per capita expenses for each plan year were then combined by taking a weighted average.

Per Capita Health Costs: Annual dental per capita costs for 2011/2012 were assumed to be $659. Medical and prescription drug claims costs for 2011/2012, excluding assumed expenses, are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Original Plan (Closed to new employees)

	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	$6,400	$7,290	$4,470	$5,853	$2,052	$2,338	$1,434	$1,877
55	7,600	7,847	5,982	6,775	2,437	2,516	1,918	2,173
60	9,026	8,458	8,008	7,858	2,895	2,712	2,568	2,520
64	10,356	8,973	10,109	8,844	3,321	2,877	3,242	2,836
65	3,487	2,964	3,487	2,964	3,438	2,922	3,438	2,922
70	4,042	3,194	4,042	3,194	3,984	3,149	3,984	3,149
75	4,356	3,438	4,356	3,438	4,294	3,390	4,294	3,390

Modified Plan

	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	$5,235	$5,963	$3,657	$4,788	$1,389	$1,582	$970	$1,270
55	6,217	6,419	4,893	5,542	1,650	1,703	1,298	1,470
60	7,383	6,919	6,550	6,428	1,959	1,836	1,738	1,705
64	8,471	7,340	8,269	7,234	2,248	1,947	2,194	1,920
65	2,782	2,364	2,782	2,364	2,327	1,978	2,327	1,978
70	3,224	2,548	3,224	2,548	2,697	2,131	2,697	2,131
75	3,474	2,743	3,474	2,743	2,906	2,294	2,906	2,294

Health Care Cost Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost. For example, the projected monthly male age 60 cost for 2012-2013 would be [(1+2.73%) X $615.29] = $632.09.

Fiscal Year	Medical (Premium and Subsidy)	Prescription Drug	Medicare Part B Premium Dental and Administrative Expenses
2011-2012	2.73%*	-1.77%*	5.00%
2012-2013	8.50%	7.50%	5.00%
2013-2014	8.00%	7.00%	5.00%
2014-2015	7.50%	6.50%	5.00%
2015-2016	7.00%	6.00%	5.00%
2016-2017	6.50%	5.50%	5.00%
2017-2018	6.00%	5.00%	5.00%
2018-2019	5.50%	5.00%	5.00%
2019 and Later	5.00%	5.00%	5.00%

* *Trend rate reflects plan design changes occurring January 2012 that lowered costs for the modified Plan. Without the plan changes, the trend rate would have been 9.00% for the medical plan and 8.00% for the prescription drug plan.*

Trend per Retiree Self-Pay Rates:	Same as medical plans.
Medicare Part D Subsidy Assumption:	GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the County of Stockton may be eligible to receive for plan years beginning in 2006.
Administrative Expenses:	An annual administrative expense load of $88 was added per retiree for the 2011/2012 fiscal year, and assumed to increase 5% per year.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Assumption Changes since Prior Valuation:	Per capita costs and trend rates were updated.

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

Participant must retire from City service, covered under a medical plan of the City at the time of retirement, and be eligible to receive a monthly pension from the City of Stockton defined benefit pension plan at the time of retirement.

Service Retirement

- Age 50 and 5 years CalPERS Services or;
- Age 50 and 15 years city service for SCEA, Trades and Maintenance, Operations and Maintenance MUD

Disability Retirement

- CalPERS Disability Retirement
- No disability retirement for Trades and Maintenance, Operations and Maintenance MUD

Retiree Medical Benefit:

City offers two medical plans – original and modified with the original plan closed to any new enrollment.

Before age 65

Medical for retiree plus 1 spouse or dependent.

After age 65

Medicare supplemental coverage for retiree plus 1 spouse or dependent for retirement on or after:

- January 1, 1985 for Management & Confidential, Mid-Management & Supervisory, Law Department
- January 1, 1990 for Police Management
- January 1, 1996 for Fire, Fire Management
- January 1, 1997 for SCEA, Trades & Maintenance
- August 1, 1998 for Police

Capped at July 1, 2012 cost for Police hired before July 1, 2007 who retire after June 30, 2012

Capped at July 1, 2013 cost for Police Management hired before July 1, 2007 who retire after June 30, 2013

City pays Medicare Part A premium for non-Medicare eligible retirees for Fire retired after January 1, 1996, Fire Management retired after January 1, 1997, and Police retired after July 1, 2006, and Police Management retired after July 1, 2006

Trades & Maintenance can participate in OEHWT for pre-Medicare coverage and join the City's plan at age 65 with the City contribution equal to average active and retiree enrollee cost

Retiree Contributions:	Disability retiree pays monthly contribution for years greater than 15 before age 65: $896.61 for single, $1,613.90 for 2-party, $2,152.88 for family
	Police & Police Management retirees hired after July 1, 2007, Mid-Management, and Supervisory and SCEA retirees hired after January 1, 2009 participate in retiree medical trust and can participate in the City's OPEB plan by paying the full premium cost
Retiree Dental Benefit:	100% dental for retirees plus 1 spouse or dependent to age 65 for City Manager, Assistant Manager, Deputy City Manager II, Department Heads (including Police Chief and Fire Chief), Executive Plan Law Department
	No City retiree dental contribution for other employee groups
Surviving Spouse Benefit:	*Active Retirement Eligible Death* - 100% medical to age 65; 100% dental and vision for Mid-Management & Supervisory to age 65
	Active Safety Line-of-Duty Death – 100% medical, dental, and vision to age 65 for surviving spouse and dependents. (Per City but only in Fire Management MOU for Battalion Chiefs)
	Retiree Death – 100% medical to age 65, 100% medical after age 65 if retiree eligible
Other Retirees Benefit:	Retiree medical trust in lieu of retiree medical defined benefit plan for Police & Police Management retirees hired after July 1, 2007 and Mid-Management & Supervisory and SCEA retirees hired after January 1, 2009

Medicare Integration for the PPO Plan: COB method in which the plan benefit is the difference between the allowable charge and Medicare payment but not more than what would have been paid in the absence of Medicare.

Benefit Descriptions:

Medicare and Non-Medicare Retirees

Medical	City Modified Health Plan In-Network	City Modified Health Plan Out-of-Network
Annual Deductible	$500 per Individual ($1,500 Family)	$1,500 per Individual ($3,000 Family)
Out-of-Pocket Limit	$5,000 per Individual ($10,000 Family)	None
Maximum Lifetime Benefit	None	None
Physicians Services		
Physician Office Visits	80%	50% (80% emergency room care)
Preventive Care	Deductible waived, 100%	50%
Hospital or Outpatient Facility		
Inpatient	$75 per admission copay + 80%	$200 per admission copay + 50%
Diagnostic X-ray and Lab	80%	50%
Emergency Room Treatment	80%; 50/% if it is determined that an emergency did not exist	80%; 50% it is determined that an emergency did exist

Medical (continued)	City Modified Health Plan In-Network	City Modified Health Plan Out-of-Network
Mental Health Care and Substance Abuse Treatment		
Inpatient mental health care	$75 per admission copay + 80%	$200 per admission copay + 50%
Outpatient mental health care	80%	50%
Inpatient substance abuse treatment	$75 per admission copay + 80%	$200 per admission copay + 50%
Outpatient substance abuse treatment	80%	50%
Prescription Drug Program (No calendar year deductible applies)		
Retail pharmacy (30 day supply limit)	$10 copay for generic $35 copay for non-generic formulary $35 copay plus cost difference between non-formulary and formulary for non-generic non-formulary	Not Covered
Mail service pharmacy (90 day supply limit) *Mandatory mail service after initial prescription*	$20 copay for generic $70 copay for non-generic formulary $70 copay plus cost difference between non-formulary and formulary for non-generic non-formulary	Not Covered

Benefit Descriptions:

Closed group of 57 Medicare and Non-Medicare Retirees

Medical (Basic Benefits)	**City Original Health Plan In-Network**	**City Original Health Plan Out-of-Network**
Annual Deductible	None	None
Out-of-Pocket Limit	None	None
Maximum Lifetime Benefit	None	None
Physicians Services		
Surgical Care	100% of 1974 RVS at $116.55 per unit	100% of 1974 RVS at $116.55 per unit
Inpatient Visits	100% of 1974 RVS at $6 per unit	100% of 1974 RVS at $6 per unit
Other Care	Generally covered only under major medical	Generally covered only under major medical
Hospital or Outpatient Facility		
Inpatient	100% (Maximum of 100 days per confinement period)	100% (Maximum of 100 days per confinement period)
Diagnostic X-ray and Lab	100% (Maximum of $720/year; balance to major medical benefits)	100% (Maximum of $720/year; balance to major benefits)
Emergency Room Treatment	100%; $15 benefit for non-surgical physician care	100%; $15 benefit for non-surgical physician care
Additional Accident Benefit	$500	$500

Medical (Major Benefits)	City Original Health Plan In-Network	City Original Health Plan Out-of-Network
Annual Deductible	$100 per Individual ($300 Family)	$100 per Individual ($300 Family)
Out-of-Pocket Limit	After the plan pays $2,400, plan pays 100% for the remainder of the year	After the plan pays $2,400, plan pays 100% for the remainder of the year
Maximum Lifetime Benefit	$300,000; $1,000 annual reinstatement	$300,000; $1,000 annual reinstatement
Physicians Services		
Preventive Care	Not Covered	Not Covered
Other Care	80% of 1974 RVS at $116.55 per unit surgery, $6 per unit medicine	80% of 1974 RVS at $116.55 per unit surgery, $6 per unit medicine
Hospital or Outpatient Facility		
Inpatient	80%	80%
Diagnostic X-ray and Lab	80%	80%
Emergency Room Treatment	80%	80%

Medical (Major Benefits continued)	City Original Health Plan In-Network	City Original Health Plan Out-of-Network
Mental Health Care and Substance Abuse Treatment		
Inpatient mental health care	80% (Maximum of $3,500 per year)	80% (Maximum of $3,500 per year)
Outpatient mental health care	50% maximum payment of $15 per visit (Maximum of 50 visits per year)	50% maximum payment of $15 per visit (Maximum of 50 visits per year)
Inpatient substance abuse treatment	Not Covered	Not Covered
Outpatient substance abuse treatment	Not Covered	Not Covered
Prescription Drug Program (Retirements on or after 1/1/85)		
Retail pharmacy (Maximum of 34-day supply limit or 100 units, whichever is greater)	$1 copay	$1 deductible per prescription or refill

Changes Since Prior Valuation:

Effective September 1, 2011, the Plan was amended as follows:

The lifetime maximum was removed;

The annual deductible was increased to $500 for in-network providers and $1,500 for out-of-network providers;

The out-of-pocket maximum was increased to $1,000 for in-network providers; there is no out-of-pocket maximum for out-of-network providers;

Co-insurance was dropped from 100% to 80% for in-network providers and 50% for out-of-network providers for several coverages;

Retail prescription co-pays were increased to $10 for generics and $35 for brand drugs for in-network providers. No retail benefits are available for out-of-network providers.

EXHIBIT IV

Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Actuarial Present Value of Total Projected Benefits (APB): Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Retirees: The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Net OPEB Obligation (NOO): The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

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EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

4 contain a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

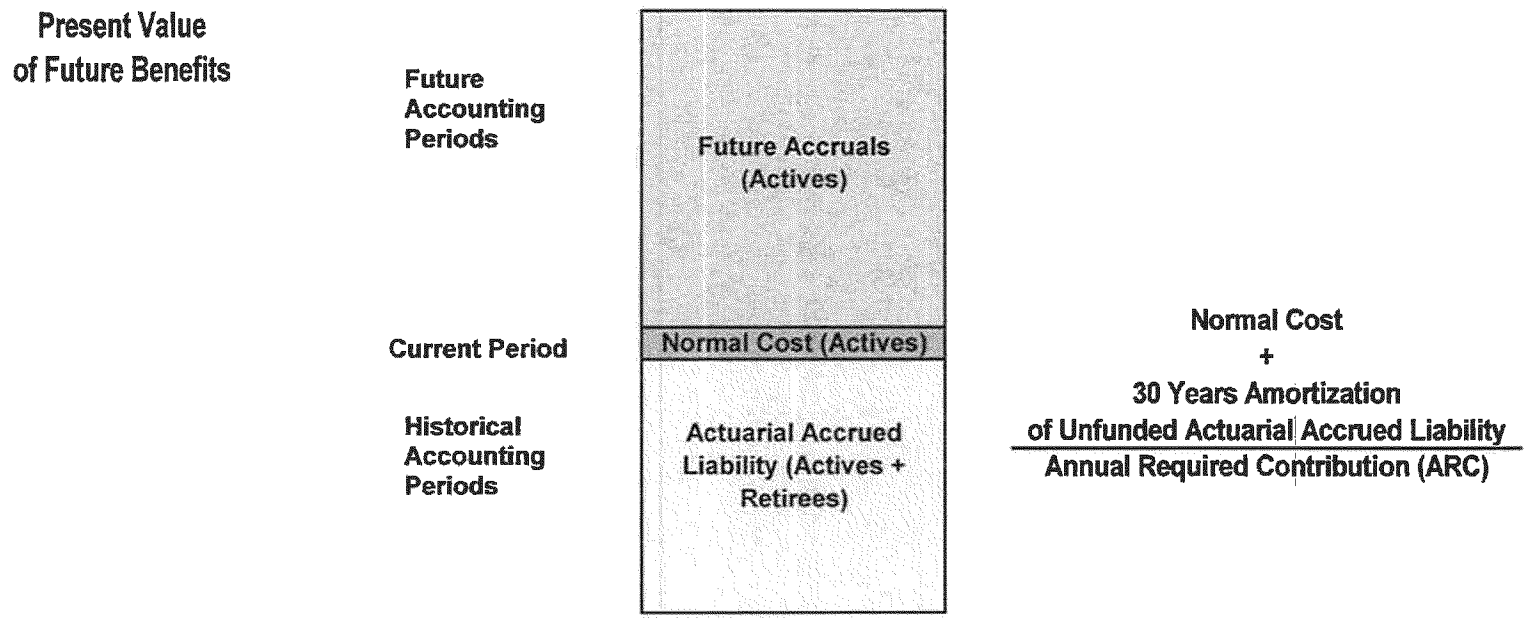
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

EXHIBIT VI

GASB 43/45 Concepts

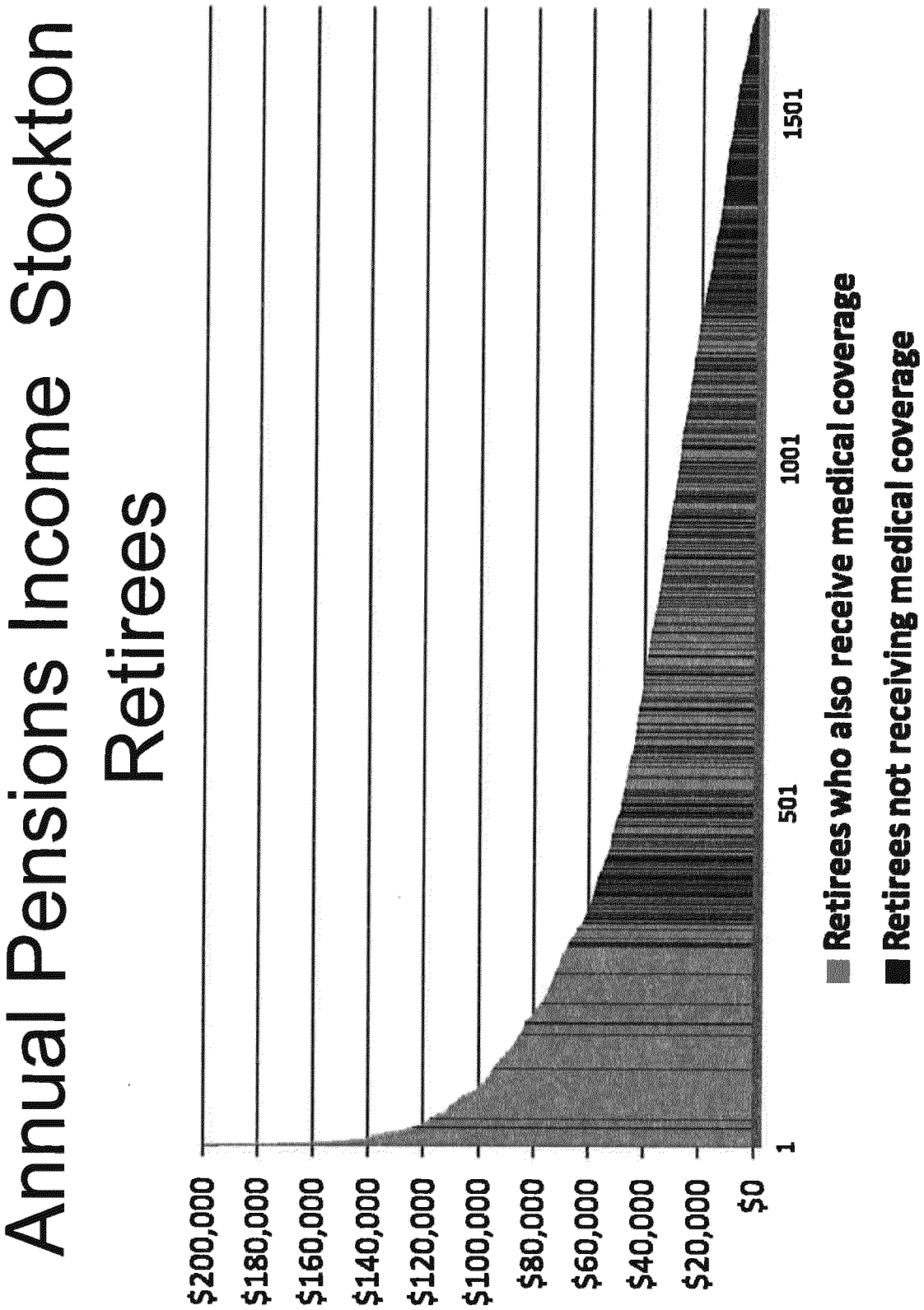
This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods. The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement Elements Using Actuarial Cost Methods



Net OPEB Obligation = $ARC_1 + ARC_2 + ARC_3 + \ldots\ldots$
$- Contribution_1 - Contribution_2 - Contribution_3 - \ldots\ldots$

Attachment B



SUMMARY OF CITY SURVEY AGENCIES ON RETIREE MEDICAL BENEFIT

MISC. EMPLOYEES

RECEIVE NONE

- BAKERSFIED
- CHULA VISTA
- RIVERSIDE
- SALINAS

LIMITED BENEFIT EMPLOYEE ACCUMULATES $ WHILE EMPLOYED ONLY

- FAIRFIED. $50 a month to ICMA
- FRESNO % of sick leave into HRA at separation
- LIVERMORE. Retiree Health Savings plan except for dept. heads
- SAN JOAQUIN COUNTY if hired before 2001 get sick leave conversion to buy retiree contribution, if hired after 0
- TRACY Sick leave conversion

ONGOING AFTER RETIREMENT

- FREMONT. Mgmt. 6-9 yrs. $200 a month; 10-29yrs. $225; 20 yrs. Gets Kaiser retiree only rate frozen at time of retirement. 25yrs. Gets Kaiser+1 rate frozen at time of retirement. Other employees get 6-10 yrs. $100 a month; 11-19 $ 200; 20 plus $300
- HAYWARD. If retire after 2007 get $274 a month
- LODI. PERS minimum $108
- MANTECA. If retired before 2012 frozen at $696-1049 depending on unit. If retire 2012 or after get PERS minimum $108.a month
- SAN BERNADINO. PERS minimum $108 a month
- SACTO CITY. If retired before 2008 get at 10 yrs. 50% of Kaiser retiree only rate, -20yrs 100% of Kaiser only rate. If retire after 2008 get $300 retiree only or $365 retiree plus 1.

POLICE EMPLOYEES

RECEIVE NONE

- BAKERSFIED
- IRVINE
- LIVERMORE
- OAKLAND

LIMITED BENEFIT. EMPLOYEE ACCUMULATES $ WHILE EMPLOYED ONLY

- FRESNO % of sick leave into HRA at separation
- SAN JOAQUIN COUNTY if hired before 2001 get sick leave conversion to buy retiree contribution, if hired after 0
- ANAHEIM. Health savings account
- GLENDALE. 2% into Retire Health savings account
- RIVERSIDE $ 100 a month to RMT
- SANTA ANA. ½% to RMT
- MODESTO. Sick leave conversion

ONGOING AFTER RETIREMENT

- FREMONT. 15 yrs. $97 a month; 16yrs. $104; 17 yrs. $ $110; 18 yrs.$ 117; 19 yrs. $123 20 yrs. Gets Kaiser retiree only rate frozen at time of retirement. 25yrs. Gets Kaiser+1 rate frozen at time of retirement.
- HAYWARD. If retire after 2007 get $274 a month
- ONTARIO. Same as active employees for Kaiser 2 party ($868)
- SAN BERNADINO. PERS minimum $200 a month
- POMONA. $100 a month
- SACTO CITY. $300 a month, $365 for retiree plus1

FIRE EMPLOYEES

RECEIVE NONE

- BAKERSFIED

LIMITED BENEFIT. EMPLOYEE ACCUMLATES $ WHILE EMPLOYED ONLY

- FRESNO % of sick leave into HRA at separation
- TRACY. Sick leave conversion

ONGOING AFTER RETIREMENT

- MODESTO. PERS minimum $108 a month
- ONTARIO. Same as employee. $1321 a month
- PLEASANTON. If hired after 2009. For less than 20 yrs. Get 4% a year of service for lowest cost plan retiree only rate. For over 20 yrs. Get 4% a year of service for lowest cost plan retiree plus1.
- SAC METRO FIRE. Same as employee
- SACTO CITY. If retired after 1992 but before 2008 get with 10 years 75% of plan cost retiree only. With 20 years get 100%. If retired after 2008 get $300 retiree only, $365 retiree plus 1

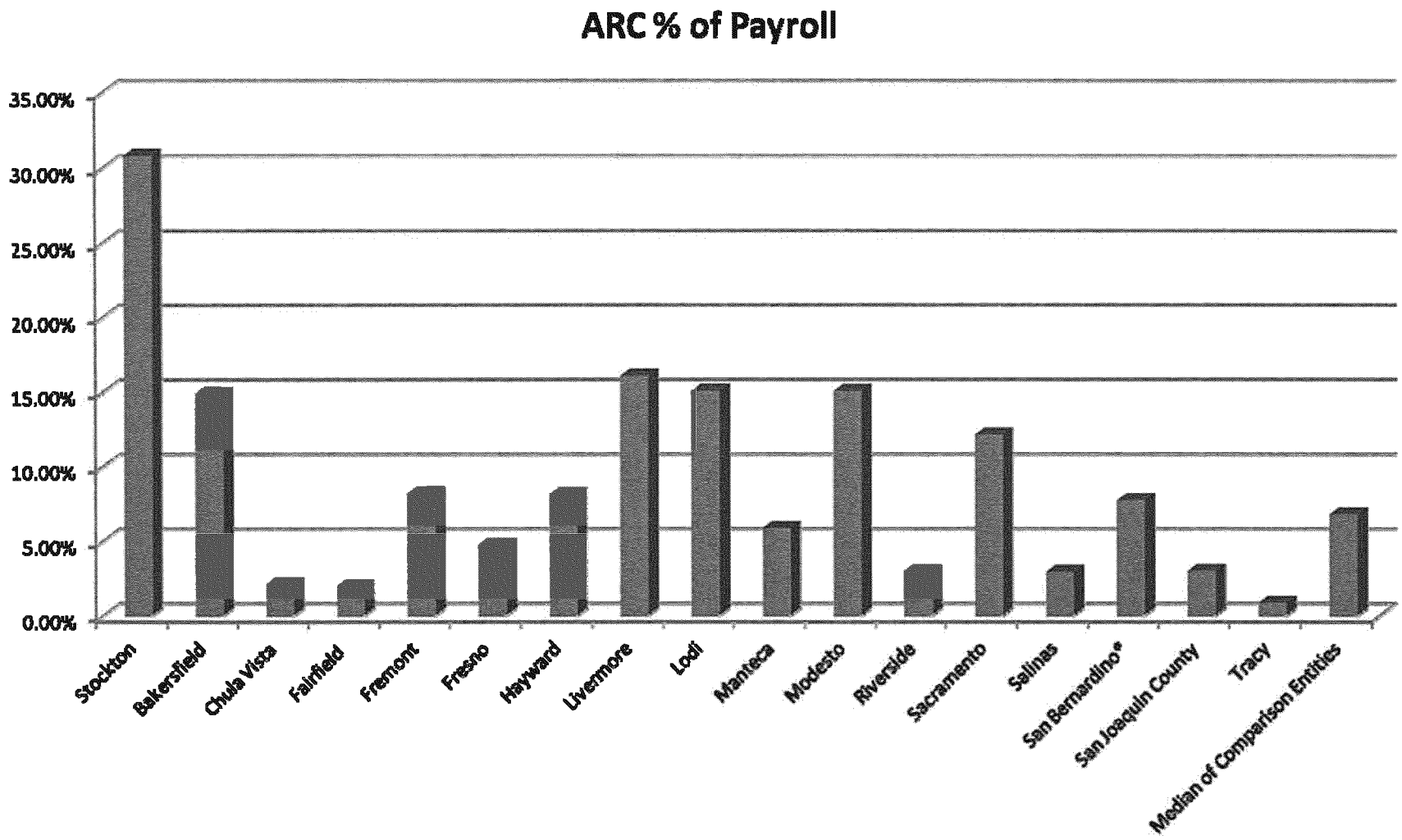
ATTACHMENT D 0

OPEB Unfunded Liability of 16 Comparison Agencies

Entity	ARC % of Payroll	ARC**	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
Stockton	30.81%	$31,436,257	$416,737,585	0.00%	$102,040,120
Bakersfield	14.91%	$9,495,763	$101,430,667	10.70%	$63,685,205
Chula Vista	2.13%	$1,470,000	$11,885,000	0.00%	$69,087,000
Fairfield	1.99%	$797,000	$14,831,000	0.00%	$40,000,000
Fremont	8.20%	$6,071,000	$67,049,000	0.00%	$74,073,000
Fresno	4.76%	$11,734,997	$84,252,383	0.00%	$246,461,400
Hayward	8.13%	$6,302,436	$68,437,624	0.75%	$77,520,736
Livermore	16.05%	$5,327,000	$92,359,000	3.36%	$33,196,000
Lodi	15.05%	$1,415,969	$17,710,456	0.00%	$9,409,782
Manteca	5.85%	$1,543,000	$18,320,000	0.00%	$26,368,000
Modesto	15.02%	$12,170,874	$104,399,231	0.00%	$81,027,934
Riverside	3.00%	$5,617,000	$54,900,000	0.00%	$187,233,333
Sacramento	12.11%	$33,335,000	$376,417,000	0.00%	$275,252,000
Salinas	2.90%	$1,397,000	$45,700,000	0.00%	$48,200,000
San Bernardino*	7.71%	$6,084,000	$61,371,000	0.00%	$78,951,000
San Joaquin County	2.97%	$10,929,000	$108,600,000	0.00%	$367,700,000
Tracy	0.84%	$310,883	$2,295,979	0.00%	$37,100,000
Median of Comparison Entites	6.78%				

SEGAL

OPEB Unfunded Liability of 16 Comparison Agencies



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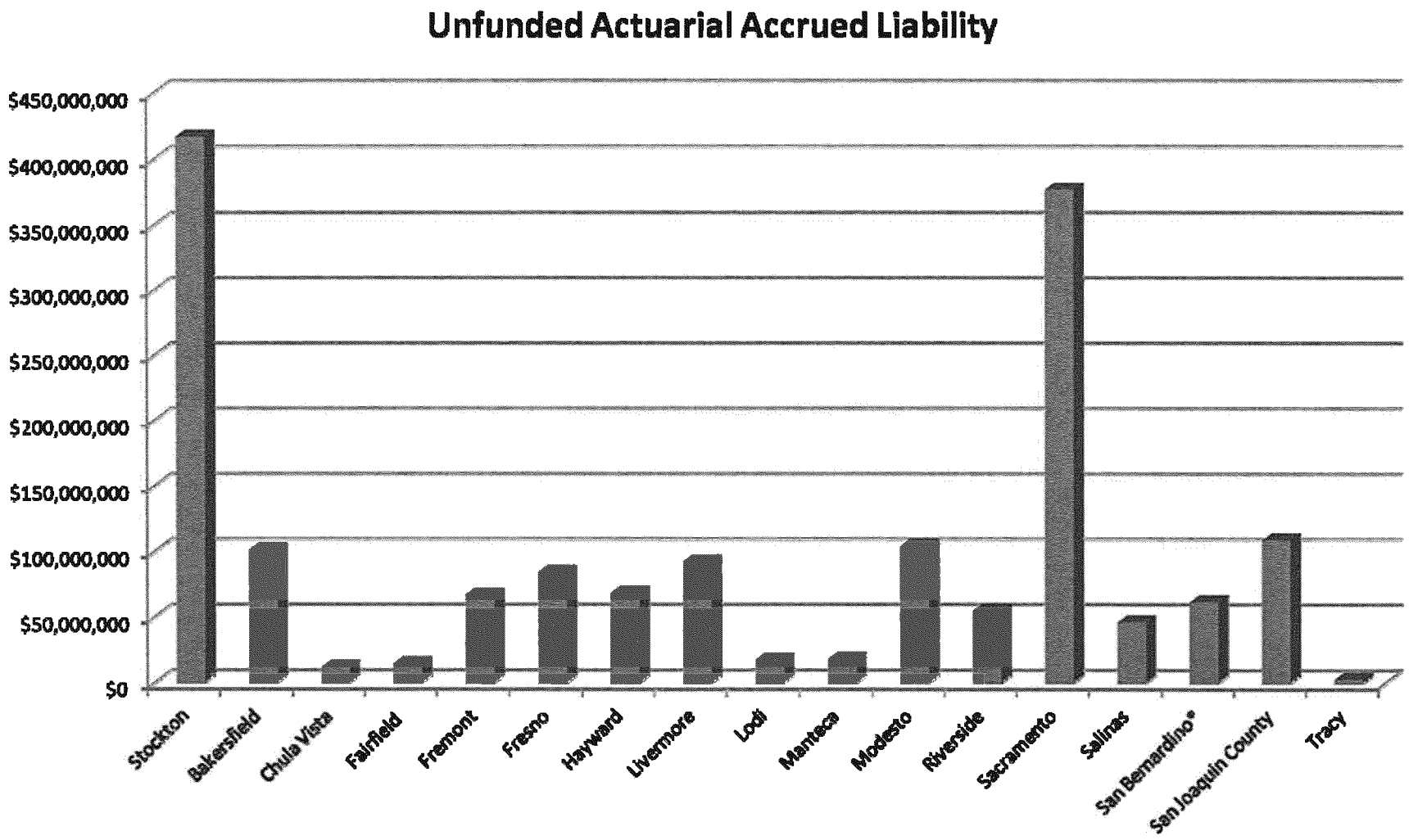
ATTACHMENT D 1

OPEB Unfunded Liability of 16 Comparison Agencies



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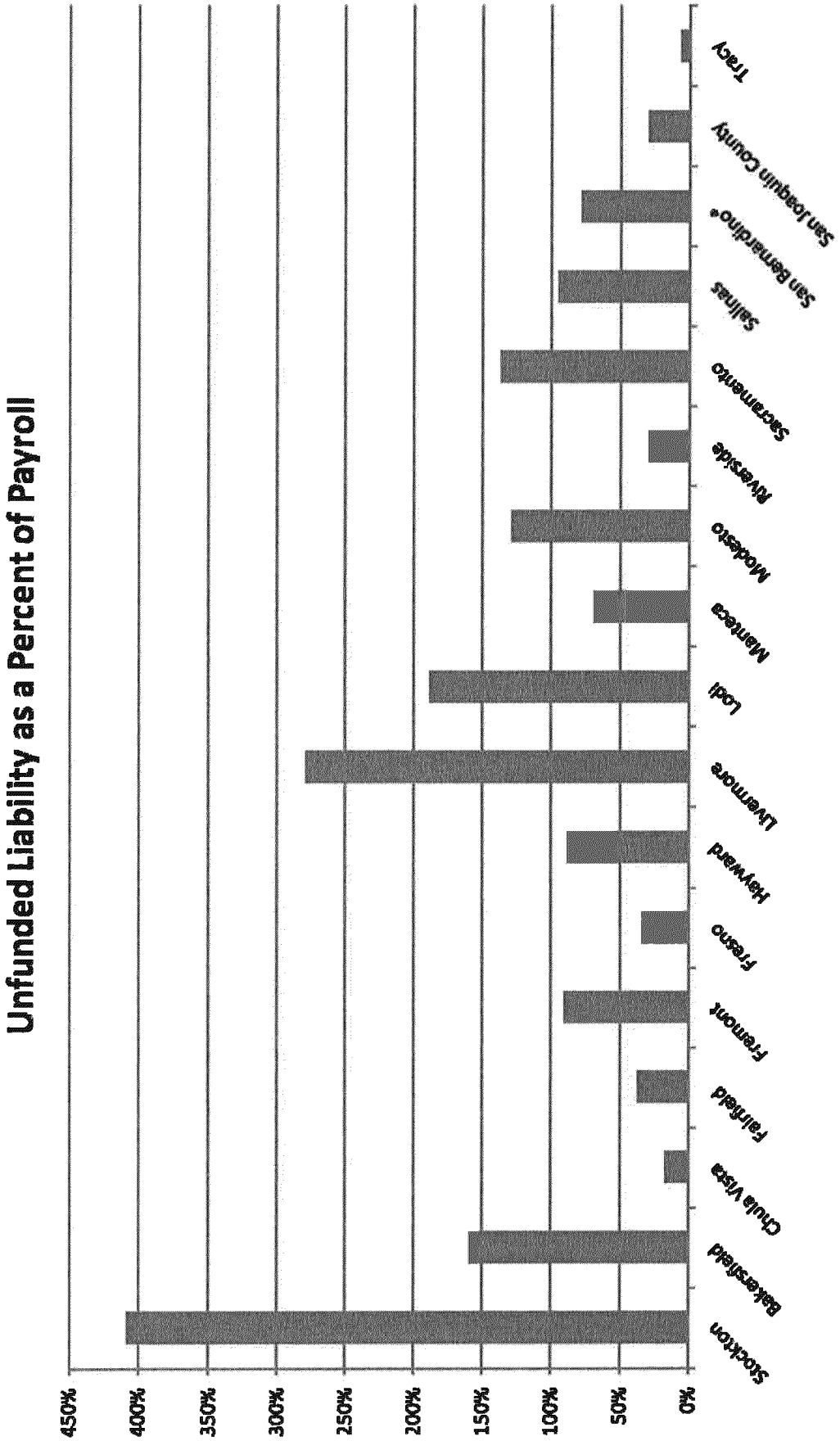
ATTACHMENT D 2

ATTACHMENT D 3

OPEB Unfunded Liability of 16 Comparison Agencies



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Attachment E

City of Stockton

60-year cash flow based on the OPEB valuation as of June 30, 2011

Year Ending June 30,	Projected Number of Retirees*			Projected Benefit Payments (Net Paid by City)		
	Current	Future	Total	Current**	Future**	Total**
2012	1,753	47	1,800	$11,650,112	$315,255	$11,965,367
2013	1,730	103	1,833	11,517,265	704,906	12,222,171
2014	1,708	167	1,875	12,055,828	1,227,591	13,283,418
2015	1,685	234	1,919	12,610,824	1,838,613	14,449,437
2016	1,661	308	1,969	13,099,973	2,571,206	15,671,179
2017	1,634	384	2,018	13,476,338	3,386,088	16,862,426
2018	1,610	467	2,077	13,682,856	4,333,254	18,016,110
2019	1,574	550	2,124	13,838,704	5,268,345	19,107,050
2020	1,542	633	2,175	14,069,330	6,361,216	20,430,546
2021	1,510	717	2,227	14,184,703	7,548,868	21,733,571
2022	1,474	800	2,274	14,330,049	8,619,239	22,949,288
2023	1,438	881	2,319	14,413,663	9,833,418	24,247,081
2024	1,401	959	2,360	14,443,050	11,142,374	25,585,424
2025	1,361	1,034	2,395	14,661,231	12,486,445	27,147,676
2026	1,319	1,100	2,419	14,739,035	13,852,452	28,591,487
2027	1,275	1,160	2,435	14,883,997	14,815,749	29,699,746
2028	1,229	1,215	2,444	15,162,159	15,795,490	30,957,650
2029	1,178	1,263	2,441	15,443,664	16,701,386	32,145,051
2030	1,128	1,305	2,433	15,610,519	17,597,174	33,207,693
2031	1,078	1,341	2,419	15,743,390	18,572,150	34,315,540
2032	1,025	1,371	2,396	15,881,110	19,493,617	35,374,727
2033	971	1,395	2,366	15,997,635	20,460,850	36,458,485
2034	914	1,413	2,327	15,995,783	21,449,203	37,444,986
2035	859	1,424	2,283	15,961,937	22,322,192	38,284,128
2036	802	1,426	2,228	15,859,431	23,088,342	38,947,773
2037	747	1,423	2,170	15,580,562	23,864,638	39,445,200
2038	691	1,413	2,104	15,243,120	24,595,031	39,838,152
2039	637	1,398	2,035	14,801,305	25,261,691	40,062,995
2040	583	1,376	1,959	14,238,606	25,830,389	40,068,994
2041	532	1,350	1,882	13,623,409	26,382,943	40,006,352

* Includes spouses of retirees

** Net of projected retiree contributions

City of Stockton

60-year cash flow based on the OPEB valuation as of June 30, 2011

Year Ending June 30,	Projected Number of Retirees*			Projected Benefit Payments (Net Paid by City)		
	Current	Future	Total	Current**	Future**	Total**
2042	483	1,321	1,804	$12,982,632	$26,996,341	$39,978,973
2043	434	1,287	1,721	12,333,061	27,448,191	39,781,251
2044	389	1,251	1,640	11,637,593	27,755,009	39,392,602
2045	347	1,212	1,559	10,899,102	28,094,142	38,993,245
2046	309	1,169	1,478	10,156,767	28,288,169	38,444,936
2047	273	1,125	1,398	9,420,292	28,292,881	37,713,173
2048	239	1,078	1,317	8,722,908	28,313,727	37,036,635
2049	209	1,030	1,239	8,016,487	28,173,168	36,189,655
2050	183	980	1,163	7,334,963	27,837,249	35,172,212
2051	158	930	1,088	6,683,174	27,607,981	34,291,156
2052	137	879	1,016	6,063,652	27,221,308	33,284,960
2053	117	828	945	5,479,667	26,683,317	32,162,984
2054	101	777	878	4,931,246	26,149,810	31,081,057
2055	87	726	813	4,419,854	25,534,537	29,954,391
2056	73	676	749	3,945,931	24,799,757	28,745,688
2057	62	627	689	3,510,548	24,010,021	27,520,569
2058	52	579	631	3,108,923	23,151,386	26,260,309
2059	44	532	576	2,739,383	22,225,340	24,964,723
2060	36	486	522	2,399,583	21,239,644	23,639,227
2061	30	443	473	2,089,513	20,204,609	22,294,122
2062	25	401	426	1,808,443	19,125,225	20,933,668
2063	20	362	382	1,554,038	18,006,354	19,560,392
2064	17	324	341	1,324,395	16,860,127	18,184,522
2065	14	289	303	1,118,753	15,694,437	16,813,190
2066	11	256	267	935,816	14,517,281	15,453,097
2067	9	225	234	774,895	13,340,947	14,115,842
2068	6	196	202	634,786	12,174,852	12,809,638
2069	5	170	175	514,129	11,029,496	11,543,626
2070	4	146	150	411,122	9,917,311	10,328,433
2071	2	125	127	324,600	8,845,113	9,169,714
Total				$579,075,844	$1,065,257,845	$1,644,333,689

* Includes spouses of retirees

** Net of projected retiree contributions