REPRESENTING
Sacramento County
and the Cities of:
Citrus Heights
Elk Grove
Folsom
Galt
Rancho Cordova
Sacramento

SACRAMENTO METROPOLITAN
Cable Television Commission

799 G Street, 4th Floor • Sacramento, CA 95814-1212 • www.sacmetrocable.tv
Phone: (916) 874-6661 • Fax: (916) 854-9666
ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION REGULAR BOARD MEETING

Sacramento County Administrative Center
700 H Street, S. 1450
Sacramento, California

THURSDAY, MAY 2, 2013
2:30 p.m.

Board Members: Mel Turner (Chair), Steve Detrick (Vice-Chair), Roberta MacGlashan, Kevin McCarty, Andy Morin, Don Nottoli, Susan Peters, Jay Schenirer, Phil Serna, Allen Warren, Jimmie Yee
Ex Officio: Donald Terry
Elected Alternates: Bonnie Pannell, Sue Frost, Robert Trigg
Appointed Alternates: Celia Coronado (Serna), Aaron Chong (Yee), Howard Schmidt (Peters), Ted Wolter (MacGlashan)

The Board may take up any agenda item at any time, regardless of the order listed. Members of the public coming for a specific agenda item are encouraged to arrive earlier than the scheduled time. Public comment will be taken on the item at the time that it is taken up by the Board. We ask that members of the public complete a Request to Speak form, submit it to the Clerk of the Board, and keep their remarks brief. If several persons wish to address the Board on a single item, the Chair may impose a time limit on individual remarks at the beginning of the discussion. Action may be taken on any item on this agenda.

Presentations supplemented with media (video, DVD, PowerPoint, laptop hookup, etc.) must be coordinated in advance with the meeting Clerk. All media must be tested prior to the meeting date by Metro Cable (at 916-874-7685). Untested media will not be allowed on the date of the meeting. It is also highly advisable to bring a paper copy of presentations to the meeting as back up.

Meeting facilities are accessible to persons with disabilities. Requests for alternative agenda document formats, meeting assistive listening devices, or other considerations should be made through the Commission office at (916) 874-6662.

The meeting of the Commission is cablecast live on Metro Cable 14, the local government affairs channel and webcast at www.sacmetrocable.tv. The meeting is closed captioned and will be repeated the following Saturday at Noon on Channel 14.

CALL TO ORDER

A) Roll Call
B) Pledge of Allegiance

ITEM NO. 1) CLOSED EXECUTIVE SESSION

A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Pursuant to subdivision (a) of Government Code Section 54956.9) – CITY OF LOS ANGELES, SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION, and CITY OF EL SEGUNDO vs. PACIFIC BELL TELEPHONE COMPANY, d/b/a SBC PACIFIC BELL TELEPHONE COMPANY, d/b/a AT&T CALIFORNIA, Los Angeles Superior Court, Central District, Case No. BC414272.

Action:

Adjourn to a closed Executive Session.

ITEM NO. 2) JULY 1, 2012 ACTUARIAL REPORT ON GASB 45 RETIREE BENEFITS VALUATION; RESOLUTION NO. 2013-004, AUTHORIZING THE COMMISSION'S PARTICIPATION IN THE CalPERS CALIFORNIA EMPLOYERS RETIREE BENEFIT TRUST

Action:

Receive and file the July 1, 2012 Actuarial Report on GASB 45 Retiree Benefits Valuation of Other Post-Employment Benefits liabilities and approve Resolution No. 2013-004, Authorizing the Commission's Participation in the CalPERS California Employers Retiree Benefit Trust.

ITEM NO. 3) GENERAL ADMINISTRATIVE REPORT

Action:

Receive verbal reports from staff on general administrative items.

ITEM NO. 4) STATE FRANCHISEE/LICENSEE REPORTS

Action:

Receive verbal reports from State Franchisee/Licensee representatives:

A. AT&T
B. Comcast
C. SureWest

ITEM NO. 5) CHANNEL LICENSEE/GRANTEE REPORTS

Action:

Receive verbal reports from Channel Licensee/Grantee representatives:

A. ACCESS Sacramento
B. Capital Public Radio
C. KVIE
D. Religious Coalition for Cable Television
E. Sacramento Educational Cable Consortium

ITEM NO. 6) PUBLIC COMMENTS

Action:

Receive comments from the public on items not on the agenda.

ADJOURNMENT

REPRESENTING
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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 1

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CLOSED EXECUTIVE SESSION**

RECOMMENDATION:

It is recommended the Board adjourn to a closed Executive Session to discuss the following item and report out, if necessary:

A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Pursuant to subdivision (a) of Government Code Section 54956.9) – CITY OF LOS ANGELES, SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION, and CITY OF EL SEGUNDO vs. PACIFIC BELL TELEPHONE COMPANY, d/b/a SBC PACIFIC BELL TELEPHONE COMPANY, d/b/a AT&T CALIFORNIA, Los Angeles Superior Court, Central District, Case No. BC414272.

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 2

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **JULY 1, 2012 ACTUARIAL REPORT ON GASB 45 RETIREE BENEFIT VALUATION; RESOLUTION NO. 2013-004, AUTHORIZING THE COMMISSION'S PARTICIPATION IN THE CalPERS CALIFORNIA EMPLOYERS RETIREE BENEFIT TRUST**

RECOMMENDATION:

It is recommended the Board receive and file the July 1, 2012 Actuarial Report on GASB 45 Retiree Benefit Valuation of Other Post-Employment Benefits (OPEB) liabilities for the Sacramento Metropolitan Cable Television Commission (Commission) and approve Resolution No. 2013-004, Authorizing the Commission's Participation in the CalPERS California Employers Retiree Benefit Trust.

BACKGROUND/DISCUSSION:

In 2004, the Governmental Accounting Standards Board (GASB) released Statements No. 43 and 45, relating to Other Post-Employment Benefits (OPEB) primarily relating to retiree healthcare benefits. These statements require government agencies that provide healthcare benefits to recognize the cost of such benefits in a manner similar to defined benefit pension.

The central principal behind GASB 45 is that the cost of benefits should be related to the period in which they are earned, instead of the period in which they are paid. Essentially this means that:

- the entire value of what current retirees will receive is now a past service liability;
- a portion of what active employees will receive in retirement is also a past service liability;
- each year, another "wedge" of cost accrues for what active employees will receive in retirement so that on the day they retire, the full cost of their benefit is a past service liability.

The only OPEB the Commission provides for its retirees is medical coverage, which is currently funded by a pay-as-you-go method. GASB 45 does not require the Commission to actually set aside money to cover this cost. It does however require that the Commission disclose the amount of the liability.

While there is no *requirement* for advance funding, the amount of the liability and annual OPEB expense to be reported in the Commission's financial statements actually depends upon the level of current and future funding of these benefits. If the Commission only contributes enough to pay the current year's benefits (pay-as-you-go funding), the discount rate is lower and the OPEB liability is higher. On the other hand, if the Commission contributes in advance, as with retirement plan funding, the discount rate is higher and the liability is lower.

As suggested by the County Auditor during the audit of the Commission's financial statements as of and for the years ended June 30, 2010 and 2011, staff contacted Bickmore Risk Services to perform a valuation of the Commission's OPEB program, which subsidizes medical coverage for eligible retirees. The goal of the valuation was to determine the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient to cover retiree health expenditures without the need for additional expenses.

The July 1, 2009 actuarial valuation of OPEB liabilities for the Commission was forwarded to the Board at their October 4, 2012 meeting which included valuations for Fiscal Years 2010-11, 2011-12 and 2012-13; direction was given to staff to proceed with completing back-to-back actuarial valuations through Fiscal Year 2015-16.

The enclosed July 1, 2012 Actuarial Report provides the results of accrued OPEB liabilities for the Commission through June 30, 2012 and the cost accrual ("normal cost") for Fiscal Year 2012-13. As of June 30, 2012, there are two Commission retirees receiving benefits and six active employees working toward benefits.

The Commission has not yet established and contributed to an irrevocable OPEB trust. Accordingly, the results of the valuation were prepared with the current pay-as-you-go funding policy using a 4% discount rate. The following summarizes the results of the valuation of OPEB liabilities for the fiscal years ending June 30, 2010 to June 30, 2015.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ -	$ 855,188	$ 855,188	0%	$ 341,856	250.16%
7/1/2012	$ -	$ 968,563	$ 968,563	0%	$ 391,020	250.16%

OPEB Cost Contributed

Fiscal Year Ended	**Annual OPEB Cost**	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	**Net OPEB Obligation (Asset)**
6/30/2010	$ 84,094	$ 24,185	29%	$ 59,909
6/30/2011	$ 89,035	$ 24,601	28%	$ 124,343
6/30/2012	$ 94,209	$ 26,045	28%	$ 192,507
6/30/2013	$ 118,413	$ 31,745	27%	$ 279,175
6/30/2014	$ 125,479	$ 33,610	27%	$ 371,044
6/30/2015	$ 132,868	$ 34,297	26%	**$ 469,615**

Since prefunding the liability generally produces lower liabilities than the pay-as-you-go funding method, the report also examines what the annual liability would be if the Commission were to prefund this liability:

Funding Approach	**Pay-As-You-Go**	**Prefunding**
For fiscal year ending	June 30, 2014	June 30, 2014
Discount Rate	4%	7%
Actuarial accrued liability (AAL)	1,053,485	705,510
Actuarial Value of Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,053,485	705,510
Annual OPEB Expense	**125,479**	**94,055**
Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	33,610	33,610
b. Estimated contribution to OPEB trust	-	58,222
c. **Total Expected Employer Contribution**	33,610	91,832
Net OPEB Obligation (Asset) at fiscal year end	371,044	281,398

Under GASB 45, the Commission is obligated to expense this amount annually and report it as a liability; GASB 45 does not include an obligation to fund this obligation. None-the-less, there are compelling reasons for the Commission to consider pre-funding this obligation by establishing an irrevocable trust:

1) Establishing a trust will reduce the long-term cost impact by allowing a substantial portion of the total cost to be paid by investment returns;
2) pre-funding will reduce the annual cost impact by allowing the Commission to use a higher discount rate;
3) pre-funding will reduce the Commission's balance sheet liability;
4) establishing a trust will not significantly impact the Commission's overall cash position;
5) setting aside money now and investing in a Trust Fund will result in significant savings over the long term; and

6) given that the Commission is a JPA with a sunset date set date of December 31, 2024, pre-funding the liability will reduce the amount that JPA member agencies must address when the Commission sunsets.

The only non-pension post-employment benefit the Commission offers to its retirees is the California Public Employees Retirement System (CalPERS) medical plan, as provided under the California Public Employees' Medical and Hospital Care Act (PEMHCA). The Commission currently has three (3) retirees receiving health benefits and 5 active employees working toward benefits. The Commission's annual pay-as-you-go costs for retiree medical benefits have been minimal prior to this point.

Fiscal Impact of Prefunding OPEB

1) Retiree benefit payments are expected to be roughly $33,600 in FY 2013-14 and $34,300 in FY 2014-15.
2) If prefunding approach is approved, staff will incorporate $58,200 in contributions needed to pre-fund the OPEB in the FY 2013-14 budget, and $60,500 in the FY 2014-15 budget.
3) The trust contributions for two years would lower the net OPEB obligation over the same period by $186,400 (from $469,615 to $283,215 as of June 30, 2015). Because contributions to the trust are expected to return a higher yield, they leverage down the net OPEB obligation by more than the actual amounts contributed.

The Commission has been a participant in CalPERS' retirement and health plans since 1983. CalPERS now assist local governments to fund OPEB. In March 2007, the state legislature authorized CalPERS to establish the California Employers' Retiree Benefit Trust (CERBT), a collective, irrevocable trust through which local governments may pool and invest funds for OPEB. As of July 2012, 338 agencies had joined, and the CalPERS trust has $2.1 billion in assets under management. CERBT offers low administrative fees and the flexibility that annual OPEB contributions are not mandatory.

Due to the findings from the actuarial valuations performed, staff believes pre-funding the OPEB obligation is the prudent approach. Therefore, staff recommends the Board receive and file the July 1, 2012 Actuarial Report on GASB 45 Retiree Benefit Valuation and approve Resolution No. 2013-004, Authorizing the Commission's Participation in the CalPERS CERBT. Upon approval of the recommendations, staff will incorporate the appropriate amounts in the FY 2013-14 Budget and forward all pertinent documents to establish a contract with CalPERS to the Board at their next meeting.

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachments:
Resolution No. 2013-004
July 1 2012 Actuarial Report on GASB 45 Retiree Benefit Valuation

RESOLUTION NO. 2013-004

A RESOLUTION OF THE SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION AUTHORIZING THE COMMISSION'S PARTICIPATION IN THE CalPERS CALIFORNIA EMPLOYERS RETIREE BENEFIT TRUST

WHEREAS, the Governmental Accounting Standards Board, Statement No. 45 (GASB 45) requires accounting for future liabilities of retiree other post-employment benefits (OPEB); and

WHEREAS, the Sacramento Metropolitan Cable Television Commission (Commission) is required by GASB 45 to measure and report the liabilities with OPEB; and

WHEREAS, Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (pre-fund plan); and

WHEREAS, the California Public Employees' Retirement System (CalPERS) Board of Administration approved the establishment of the California Employers Retiree Benefit Trust (CERBT), a pre-funding plan as a trust fund that function within the meaning of Section 115 of the Internal Revenue Code as defined by GASB 45; and

WHEREAS, it is in the Commission's best interest to contract with CalPERS to participate in the CERBT for the purpose of administering the OPEB medical benefits funds;

WHEREAS, the Commission elects to participate in the CalPERS Pre-Funding Plan Trust for OPEB,

NOW, THEREFORE, the Commission's Executive Director or designee is hereby authorized to execute all forms, applications, and documents necessary to establish a contract with CalPERS CERBT.

On a motion by Director ___________, seconded by Director _____________, the foregoing Resolution was passed and adopted by the Sacramento Metropolitan Cable Television Commission this 2nd day of May, 2013 by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

____

Chairperson,
Sacramento Metropolitan
Cable Television Commission

ATTEST:

____

Clerk/Secretary of the Board

April 19, 2013

Karen Liu
Administrative Services Officer
Sacramento Metropolitan Cable Television Commission
799 G Street, 4th Floor
Sacramento, CA 95814-1212

Re: July 1, 2012 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Karen:

We are pleased to enclose our report providing the results of the July 1, 2012 actuarial valuation of "other post-employment benefits" (OPEB) liabilities for the Sacramento Metropolitan Cable Television Commission (the Commission). The report's text describes our analysis and assumptions in detail.

It is expected that the results of this valuation will be applied to determine the annual OPEB expense for the Commission's fiscal years ending June 30, 2013, June 30, 2014 and June 30, 2015. Results for all 3 of these fiscal years are illustrated on a pay-as-you-go basis. We have also included results for the latter 2 fiscal years calculated on a prefunding basis as an Appendix to this report, as requested.

This valuation was prepared with the understanding that benefits will continue to be those described in the existing PEMHCA resolutions on file with CalPERS. We have based our valuation on employee data and plan information provided by the Commission. We encourage you to review the summary of employee data shown in Table 2 and the benefits described in Table 3A to be comfortable that we have captured this information correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the Commission's staff, who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA
Director, Health and Benefit Actuarial Services

Enclosure

Bickmore

The Sacramento Metropolitan Cable Television Commission

Actuarial Valuation of Other Post-Employment Benefit Programs as of July 1, 2012

Submitted April 2013

Table of Contents

A. Executive Summary

This report presents the results of the July 1, 2012 actuarial valuation of the Sacramento Metropolitan Cable Television Commission (the Commission) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

Prefunding is the term used to describe when an agency consistently contributes an amount at least equal to the annual required contribution (ARC) each year. Contributing only the current year's retiree payments is referred to as pay-as-you-go funding. There are other options relating to the funding policy, including shorter amortization periods and partial pre-funding. These other options would require additional calculations not provided in this report, though we would be happy to provide illustrations at the Commission's request.

Prefunding the plan supports use of a higher discount rate and often produces substantially lower liabilities than a pay-as-you-go funding policy, which requires a lower discount rate. This valuation uses discount rates of 7.0% and 4.0% for prefunding and pay-as-you-go calculations, respectively. Neither rate is a guarantee of future investment performance, but rather an assumption about the long term rate of return. We have selected these rates for illustrative purposes, though the ultimate decision for these rates lies with the Commission.

We project that the Commission will report a net OPEB obligation of $192,507 as of June 30, 2012. The Commission confirmed it has not yet established an irrevocable OPEB trust and expects to continue on a pay-as-you-go basis for the fiscal year ended June 30, 2013. It may or may not establish an OPEB trust in one of the following two fiscal years. Accordingly, we calculate the GASB 45 actuarial accrued liability (AAL) on a pay-as-you-go basis to be $968,563 as of July 1, 2012. With no trust assets to offset these liabilities, the unfunded accrued liability as of this date is also $968,563.

The following summarizes results for the fiscal year ending June 30, 2013, determined on a pay-as-you-go basis:

- We calculate the annual required contribution (ARC) to be $118,847.
- We project contributions totaling $31,745 for the fiscal year ending June 30, 2013, equal to the premium payments for retirees.
- Based on the calculations and contributions as described above, we calculate a net OPEB obligation of $279,175 as of June 30, 2013.

These results are shown in tables beginning on page 11. Projected results for the fiscal years ending June 30, 2014 and June 30, 2015 are also shown in these tables. We also illustrate the results on a prefunding basis for these two fiscal years in Appendix 1.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. To the extent that actual experience is not what we assumed, future results will be different. We also note that this valuation has been prepared on a closed group basis; no provision is made for new employees.

Executive Summary (Concluded)

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The date of the next actuarial valuation should not be later than July 1, 2015. If there are any significant changes in the employee data, benefits provided or the funding policy (including establishment of an OPEB trust account), please contact us to discuss whether an earlier valuation is appropriate.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the Commission retroactively implemented GASB 45 for the fiscal year ended June 30, 2010.

GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the Commission's OPEB contributions equal the ARC each year, the net OPEB obligation will equal $0. If the Commission's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established.
- In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

The decision whether or not to prefund, and at what level, is at the discretion of the Commission, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the Commission's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

We note that various issues in this report may involve legal analysis of applicable law or regulations. The Commission should consult counsel on these matters; Bickmore Risk Services (Bickmore) does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the Commission consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription drug
- Vision
- Life insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave[1] or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB is referred to as an "explicit" subsidy and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, payment of the same premium rate results in an "implicit subsidy" of retiree claims by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Exceptions may exist when the plan is part of a community-rated program. GASB guidance indicates that an agency whose membership is a very small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan, might reasonably conclude that any change in their group's mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the Commission

The Commission provides continuation of medical coverage to its retiring employees. For retirees and their dependent(s) who have chosen to retain this coverage:

- The Commission contributes directly to the cost of retiree medical coverage. These benefits are described in Table 3 and liabilities have been included in this valuation.
- Employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated ("OPEB Assumption Model", April 2010) and the Commission's membership in this program is incidental relative to the total number of members covered. This report, therefore, does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.

[1] When a terminating employee's unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the Commission in November 2012 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited and we have otherwise relied on the Commission as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to Bickmore by the Commission. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. We then calculate a present value of these benefits as of the valuation date.

- These present value determinations discount the value of each future expected benefit payment back to the valuation date, using the discount rate. The present value calculations also reflect assumptions for the likelihood that an employee may not continue in service with the Commission to receive benefits.
- For those that do, appropriate assumptions are made to reflect the probability of retirement at various ages.
- After reduction for the probability an employee may not receive a benefit, for the remaining probability he or she does, those benefits reflect assumptions as to whether they will elect coverage for themselves and/or dependents.
- The cost of benefits payable, once they begin for each employee, reflect expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefits will cease.
- These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 75 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated to the current year is referred to as the "normal cost". The remaining cost to be assigned to future years is called the "present value of future normal costs".

In summary:

Actuarial Accrued Liability	Past Years' Costs
plus Normal Cost	Current Year's Cost
plus Present Value of Future Normal Costs	Future Years' Costs
equals Present Value of Future Benefits	Total Benefit Costs

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. It is our understanding that the Commission's plans have not yet been funded and no assets have been set aside in an irrevocable trust as of the valuation date. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the July 1, 2012 valuation of OPEB liabilities (Column 3) to the results of the July 1, 2009 valuation (Column 2).

	Pay-As-You-Go	Pay-As-You-Go
Valuation date	**7/1/2009**	**7/1/2012**
Discount rate	4.00%	4.00%
Number of Covered Employees		
Actives	6	7
Retirees	2	2
Total Participants	8	9
Actuarial Present Value of Projected Benefits		
Actives	$ 787,310	$ 1,160,772
Retirees	529,318	504,207
Total APVPB	1,316,628	1,664,979
Actuarial Accrued Liability (AAL)		
Actives	325,870	464,356
Retirees	529,318	504,207
Total AAL	855,188	968,563
Actuarial Value of Assets	-	-
Unfunded AAL (UAAL)	855,188	968,563
Normal Cost	49,262	74,927
Benefit Payments		
Actives (in retirement)	-	2,301
Retirees	24,185	29,444
Total	24,185	31,745

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0% as of July 1, 2012. Covered payroll as of July 1, 2012 was reported to be $391,020. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 247.7% as of this date.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities generally increase over time as active employees get closer to the date their benefits are expected to begin. Of course, our prior assumptions were *not* exactly realized. For example, we recognized the possibility of a retirement, but no one retired. Current healthcare premiums are slightly lower than what we had projected.

Basic Valuation Results (Concluded)

In comparing results shown in the exhibit on the prior page, we can see that the Actuarial Accrued Liability (AAL) increased by approximately $113,000 over the three year period between July 1, 2009 and July 1, 2012. We expected the AAL to increase by $177,000 from new costs accrued and the passage of time, offset by benefits expected to be paid to retirees. The difference is a decrease of $64,000, which is attributable to lower than expected medical premiums in 2013.

F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. The funding levels can generally be categorized as follows:

1. *Prefunding* – contributing an amount greater than or equal to the ARC each year. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, such as 7.0% used here, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation because the contribution equals or exceeds the annual OPEB cost each year.
2. *Pay-As-You-Go funding* – contributing only the amounts needed to pay retiree benefits in the current year; generally requires a lower discount rate, such as the 4.0% rate illustrated in this report.
3. *Partial prefunding* – contributing more than the current year's retiree payments but less than 100% of the ARC; requires that liabilities be developed using a discount rate that "blends" the relative portions of benefits that are prefunded and those which are not.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the Commission's fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ARCs for fiscal years ending June 30, 2013, 2014 and 2015 are developed in Table 1B.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

It is our understanding that the Commission's pay-as-you-go policy includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2009; the remaining period applicable in determining the ARC for the fiscal year ending June 30, 2013 is 27 years. Amortization payments are determined on a level percent of pay basis.

G. Choice of Actuarial Funding Method and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance. In addition, it is the method required for plans participating in the CalPERS prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT).

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the Commission. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuation of the retirement plan covering Commission employees.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. The Commission approved calculation of liabilities on a pay-as-you-go basis using a 4.0% discount rate, the same rate used in the prior valuation. Since no OPEB trust has yet been established, for illustrative purposes, we have used a 7.0% discount rate in developing results on a funded basis. The actual discount rate, should the Commission decide to fund with CERBT or any other trust, will depend on the particular investments and asset allocation strategy selected.

H. Certification

I certify that this report has been prepared in accordance with our understanding of GASB 45, and that the figures in Section E and in Tables 1A, 1B and 1C accurately present our analysis of the actuarial calculations for this plan required by GASB 45. I am a Member of the American Academy of Actuaries who satisfies the qualification requirements for rendering this opinion.

Signed: April 19, 2013

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA

Table 1A
Summary of Valuation Results
Pay-As-You-Go Basis

The following summarizes the results of our valuation of OPEB liabilities for the Commission calculated under GASB 45 for the fiscal year ending June 30, 2013 as well as projected amounts for the fiscal years ending June 30, 2014 and June 30, 2015.

	Pay-As-You-Go Basis		
Valuation date	**7/1/2012**		
For fiscal year beginning	7/1/2012	7/1/2013	7/1/2014
For fiscal year ending	6/30/2013	6/30/2014	6/30/2015
Discount rate	4.00%	4.00%	4.00%
Number of Covered Employees*			
Actives	7	7	7
Retirees	2	2	2
Total Participants	9	9	9
Actuarial Present Value of Projected Benefits			
Actives	$ 1,160,772	$ 1,204,902	$ 1,248,785
Retirees	504,207	494,931	485,432
Total APVPB	1,664,979	1,699,833	1,734,216
Actuarial Accrued Liability (AAL)			
Actives	464,356	558,553	657,039
Retirees	504,207	494,931	485,432
Total AAL	968,563	1,053,485	1,142,470
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	968,563	1,053,485	1,142,470
Normal Cost	74,927	77,362	79,876
Benefit Payments			
Actives (in retirement)	2,301	4,313	6,971
Retirees	29,444	29,297	27,326
Total	31,745	33,610	34,297

* The number of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in each category in the future year(s) shown. In addition, because this valuation has been prepared on a closed group basis, no potential future employees are included, except for one currently vacant position which we assumed would be filled. In reality, based on assumptions outlined in Table 4, we have anticipated the possibility that active employees will leave employment and that some may retire and elect benefits. We also include some possibility that coverage for some of the retired employees may cease. It is possible, therefore, that the actual number of employees and retirees in each future year would be different from those shown above.

Table 1B
Calculation of the Annual Required Contribution
Pay-As-You-Go Basis

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a pay-as-you-go basis for the fiscal years ending June 30, 2013, June 30, 2014 and June 30, 2015.

As described earlier in Section F. and shown below, we have developed the amortization payments over the remainder of the closed (declining) 30 year period with payments determined as a level percentage of payroll. Please let us know if a different approach is intended[2].

	Pay-As-You-Go Basis		
Fiscal Year End	**6/30/2013**	**6/30/2014**	**6/30/2015**
Funding Policy			
Discount rate	4.00%	4.00%	4.00%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30	30
Remaining period (in years)	27	26	25
Determination of Amortization Payment			
UAAL	$ 968,563	$ 1,053,485	$ 1,142,470
Factor	24.6145	23.78603	22.95155
Payment	39,349	44,290	49,777
Annual Required Contribution (ARC)			
Normal Cost	74,927	77,362	79,876
Amortization of UAAL	39,349	44,290	49,777
Interest to 06/30	4,571	4,866	5,186
Total ARC at fiscal year end	118,847	126,518	134,839

While the following is not intended to be used to determine the normal cost or ARC in future years, this information may be of value for planning purposes:

Valuation date	**7/1/2012**		
Fiscal Year End	**6/30/2013**	**6/30/2014**	**6/30/2015**
Projected covered payroll	$ 391,020	$ 403,728	$ 416,849
Normal Cost as a percent of payroll	19.2%	19.2%	19.2%
ARC as a percent of payroll	30.4%	31.3%	32.3%
ARC per active ee	16,978	18,074	19,263

2 Such as using a shorter period, an open (non-declining) period, or developing payments as level dollar amounts instead of as a level percent of payroll.

Table 1C
Expected OPEB Disclosures
Pay-As-You-Go Basis

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2013, June 30, 2014 and June 30, 2015. The calculations assume the Commission continues to follow the pay-as-you-go funding approach outlined on the prior page.

	Pay-As-You-Go Basis		
Fiscal Year End	**6/30/2013**	**6/30/2014**	**6/30/2015**
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 118,847	$ 126,518	$ 134,839
b. Interest on Net OPEB Obligation (Asset) at beginning of year	7,700	11,167	14,842
c. Adjustment to the ARC	(8,134)	(12,206)	(16,813)
d. **Annual OPEB Expense (a. + b. + c.)**	118,413	125,479	132,868
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	31,745	33,610	34,297
b. Estimated contribution to OPEB trust	-	-	-
c. **Total Expected Employer Contribution**	31,745	33,610	34,297
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	86,668	91,869	98,571
Net OPEB Obligation (Asset), beginning of fiscal year	192,507	279,175	371,044
Net OPEB Obligation (Asset) at fiscal year end	279,175	371,044	469,615

Please note that the expected payments to retirees shown above are projections and should be replaced with the actual payments in order to determine the accurate end of year OPEB obligation.

Table 2
Summary of Employee Data

The Commission reported 7 active employees; of these, 6 are currently participating in the medical program while 1 employee was waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25		1					1	14%
25 to 29							0	0%
30 to 34		1					1	14%
35 to 39							0	0%
40 to 44				1			1	14%
45 to 49							0	0%
50 to 54	1	1			1		3	43%
55 to 59							0	0%
60 to 64							0	0%
65 to 69					1		1	14%
70 & Up							0	0%
Total	1	3	0	1	2	0	**7**	**100%**
Percent	14%	43%	0%	14%	29%	0%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$391,020
Average Attained Age for Actives	45.3
Average Years of Service	7.8

There are also 2 retirees receiving benefits, whose ages are shown below.

Retirees by Age		
Current Age	Number	Percent
Below 50		0%
50 to 54	1	50%
55 to 59		0%
60 to 64	1	50%
65 to 69		0%
70 to 74		0%
75 to 79		0%
80 & up		0%
Total	**2**	**100%**
Average Attained Age for Retirees:		58.9

Table 3A
Summary of Retiree Benefit Provisions

OPEB provided: The Commission reported that the only OPEB provided is medical coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA).

- This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 with 5 years of State or public agency service or approved disability retirement.
- If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period.
- Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.
- The employee must commence his or her retirement warrant within 120 days of terminating employment with the Commission to be eligible to continue medical coverage through the Commission and be entitled to the employer subsidy described below.

Benefits provided: As a PEMHCA employer, the Commission is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Commission maintains an "equal contribution" resolution with CalPERS (executed in 2011) which defines the level of the Commission's contribution toward the cost of medical plan premiums for both active and retired employees. Specifically, the Commission contributes 100% of the premium for the employee and his or her dependents up to, but not more than 80% of the Kaiser (pre-Medicare) family premium rate in the Sacramento area region. This provides a maximum monthly subsidy of $1,170 per month during 2012, which increases to $1,276 per month in 2013.

Current premium rates: The 2012 CalPERS monthly medical plan rates in the Sacramento Area rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here.

Sacramento 2012 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	$636.92	$1,273.84	$1,655.99	$337.99	$675.98	$1,058.13
Blue Shield NetValue HMO	553.09	1106.18	1438.03	337.99	675.98	1007.83
Kaiser HMO	562.69	1125.38	1462.99	277.81	555.62	893.23
PERS Choice PPO	534.10	1068.20	1388.66	383.44	766.88	1087.34
PERS Select PPO	453.39	906.78	1178.81	383.44	766.88	1038.91
PERS Care PPO	957.44	1914.88	2489.34	432.43	864.86	1439.32

Note that the additional CalPERS administration fee is not included in this valuation.

Table 3B
General CalPERS Annuitant Eligibility Provisions

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2011, issued February 2012, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

Health Care Coverage

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions*:* Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Never enrolled or disabled children over age 26
- Grandparents
- Parents
- Children of former spouses
- Other relatives

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

Table 4
OPEB Valuation Actuarial Methods and Assumptions

Valuation Date	July 1, 2012
Funding Method	Entry Age Normal Cost, level percent of pay[3]
Asset Valuation Method	Market value of assets ($0; plan has not yet been funded)
Discount Rate	4.0% if pay-as-you-go; 7% if prefunding
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis

The demographic actuarial assumptions used in this valuation are based on the (demographic) experience study of the California Public Employees Retirement System using data from 1997 to 2007. Rates for selected age and service are shown below and on the following pages.

Mortality Before Retirement

Illustrative rates:

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only Projected to 2015		
Age	Male	Female
15	0.00041	0.00006
20	0.00043	0.00015
30	0.00052	0.00034
40	0.00084	0.00060
50	0.00161	0.00116
60	0.00364	0.00259
70	0.00848	0.00633
80	0.01452	0.01070

[3] The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality After Retirement
Illustrative rates:

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality Projected to 2015		
Age	Male	Female
40	0.00089	0.00058
50	0.00218	0.00115
60	0.00664	0.00420
70	0.01553	0.01213
80	0.05012	0.03620
90	0.16415	0.12219
100	0.34379	0.31717
110	1.00000	1.00000

Disabled Lives

CalPERS Public Agency Miscellaneous Disability Post Retirement Mortality Projected to 2015		
Age	Male	Female
40	0.01600	0.00625
50	0.01490	0.01143
60	0.02115	0.01588
70	0.03588	0.02944
80	0.07977	0.05363
90	0.21126	0.14726
100	0.45676	0.37474
110	1.00000	1.00000

Termination Rates

For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

Service Retirement Rates

For miscellaneous employees: CalPERS Public Agency 2% @ 55 Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0150	0.0200	0.0240	0.0290	0.0330	0.0390
55	0.0500	0.0640	0.0780	0.0940	0.1070	0.1270
60	0.0720	0.0920	0.1120	0.1340	0.1530	0.1820
65	0.1740	0.2210	0.2690	0.3230	0.3690	0.4390
70	0.1380	0.1760	0.2140	0.2570	0.2930	0.3490
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Disability Retirement Rates

Illustrative rates:

CalPERS Public Agency Miscellaneous Disability		
Age	Male	Female
25	0.00010	0.00010
30	0.00021	0.00020
35	0.00063	0.00088
40	0.00145	0.00164
45	0.00252	0.00243
50	0.00331	0.00311
55	0.00366	0.00306
60	0.00377	0.00253

Healthcare Trend Rate

Medical plan premiums are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective July 1	Premium Increase	Effective July 1	Premium Increase
2013	*	2017	6.50%
2014	8.00%	2018	5.50%
2015	7.50%	2019	4.50%
2016	7.00%	2020 & later	4.50%

* Actual premium increases were used for 2013.

Participation Rate

Participating actives: 100% are assumed to continue their current plan election in retirement.

Non-participating actives: 90% are assumed to elect coverage in the Kaiser Sacramento region plan at a later date, thus gaining access to benefits in retirement.

Retired participants: Existing medical plan elections are assumed to be maintained until the retiree's death.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Spouse Coverage

Active employees: 85% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Spouse Coverage - continued	*Retired participants*: Existing elections for spouse coverage are assumed to be continued until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Dependent Coverage	*Active employees*: 30% are assumed to cover dependents other than a spouse under age 26 at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 63. *Retired participants* covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Changes Since the Prior Valuation: None

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Commission.

- No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection.
- No benefits for potential future employees have been included.

Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

Projected Annual Benefit Payments			
Fiscal Year Ending June 30	Current Retirees	Future Retirees	Total
2013	$ 29,444	$ 2,301	$ 31,745
2014	29,297	4,313	33,610
2015	27,326	6,971	34,297
2016	29,212	10,881	40,093
2017	26,323	15,441	41,764
2018	27,844	20,755	48,599
2019	29,156	26,017	55,173
2020	30,224	31,730	61,954
2021	31,313	39,368	70,681
2022	26,565	46,309	72,874

Appendix 1
Results on a Prefunding Basis for FYE 2014 and 2015

The following table provides results for the fiscal years ending June 30, 2014 and 2015, assuming the Commission begins prefunding and contributes 100% of the ARC each year.

	Prefunding Basis		
Valuation date	**7/1/2012**		
For fiscal year beginning	7/1/2012	7/1/2013	7/1/2014
For fiscal year ending	6/30/2013	6/30/2014	6/30/2015
Discount rate	7.00%	7.00%	7.00%
Number of Covered Employees			
Actives	7	7	7
Retirees	2	2	2
Total Participants	9	9	9
Actuarial Present Value of Projected Benefits			
Actives	$ 622,885	$ 664,186	$ 706,366
Retirees	357,603	353,191	348,618
Total APVPB	980,488	1,017,377	1,054,984
Actuarial Accrued Liability (AAL)			
Actives	287,914	352,318	420,732
Retirees	357,603	353,191	348,618
Total AAL	645,517	705,510	769,350
Actuarial Value of Assets	-	-	58,222
Unfunded AAL (UAAL)	645,517	705,510	711,128
Factor		17.248	16.8381
Annual Required Contribution (ARC)	Not applicable; Pay-as-you-go basis for FYE 6.30.13		
Normal Cost		44,920	46,380
Amortization of UAAL		40,904	42,233
Interest to 06/30		6,008	6,203
Total ARC at fiscal year end		91,832	94,816
1. Calculation of the Annual OPEB Expense	Not applicable; Pay-as-you-go basis for FYE 6.30.13		
a. ARC for current fiscal year		$ 91,832	$ 94,816
b. Interest on Net OPEB Obligation (Asset) at beginning of year		19,542	19,698
c. Adjustment to the ARC		(17,319)	(17,882)
d. **Annual OPEB Expense (a. + b. + c.)**		94,055	96,632
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees		33,610	34,297
b. Estimated contribution to OPEB trust		58,222	60,519
c. **Total Expected Employer Contribution**		91,832	94,816
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*		2,223	1,816
Net OPEB Obligation (Asset), beginning of fiscal year		279,175	281,398
Net OPEB Obligation (Asset) at fiscal year end		281,398	283,214

Appendix 2
OPEB Disclosure Information

The location of key OPEB information to be reported in financial reports is summarized below. Note that this information is based on a continuation of a pay-as-you-go funding approach. Should the Commission begin prefunding, the location of information and/or the specific values shown below may need to be revised.

Summary of Plan Provisions: See Table 3A

OPEB Funding Policy: See Section F; details are provided also at the top of the exhibit in Table 1B

Annual OPEB Cost and Net OPEB Obligation: See Table 1C

Actuarial Methods and Assumptions: See Table 4.

Funding Status and Funding Progress: See Section E – Basic Valuation Results

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ -	$ 855,188	$ 855,188	0%	$ 341,856	250.16%
7/1/2012	$ -	$ 968,563	$ 968,563	0%	$ 391,020	247.70%

Required Supplementary Information: Three Year History of Amounts Funded See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	$ 84,094	$ 24,185	29%	$ 59,909
6/30/2011	$ 89,035	$ 24,601	28%	$ 124,344
6/30/2012	$ 94,209	$ 26,045	28%	$ 192,507
6/30/2013	*$ 118,413*	*$ 31,745*	*27%*	*$ 279,175*
6/30/2014	*$ 125,479*	*$ 33,610*	*27%*	*$ 371,044*
6/30/2015	*$ 132,868*	*$ 34,297*	*26%*	*$ 469,615*

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see "Actuarial Present Value"

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to assumed exit age

Glossary
(Continued)

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary
(Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

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

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

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SACRAMENTO METROPOLITAN
Cable Television Commission

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 3

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **GENERAL ADMINISTRATIVE REPORT**

RECOMMENDATION:

It is recommended the Board receive verbal reports on the following items:

A) AB 185 Update
B) Fiscal Year 2013-14 PEG Fee Funding Requests
C) June 6, 2013 Meeting (Annual Budget Hearing)

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 4

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **STATE FRANCHISEE/LICENSEE REPORTS**

RECOMMENDATION:

It is recommended the Board receive verbal reports from state franchisee/licensee representatives who may be present:

A) AT&T
B) Comcast
C) SureWest

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 5

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CHANNEL LICENSEE/GRANTEE REPORTS**

RECOMMENDATION:

It is recommended the Board receive verbal reports from Channel Licensees representatives who may be present:

A) Access Sacramento
B) Capital Public Radio
C) KVIE
D) Religious Coalition for Cable Television
E) Sacramento Educational Cable Consortium

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

AGENDA ITEM NO. 6

DATE: May 2, 2013

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **PUBLIC COMMENTS**

RECOMMENDATION:

It is recommended the Board receive comments from the public on matters that are not on the agenda.

Respectfully submitted,

Robert A. Davison

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission