

Deloitte.

**University of California
Retiree Health Benefit
Program**



Actuarial Valuation as of July 1, 2013

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Actuarial Valuation Opinion

This report presents results of the actuarial valuation of the University of California Retiree Health Benefit Program (“the Plan”) as of July 1, 2013. In our opinion, this report is complete and accurate and represents fairly the actuarial position of the Plan for the purposes stated herein.

The University of California provided the participant data, financial information and plan descriptions used in this valuation. The actuary has analyzed the data and other information provided for reasonableness, but has not independently audited the data or other information provided. The actuary has no reason to believe the data or other information provided is not complete and accurate and knows of no further information that is essential to the preparation of the actuarial valuation.

Actuarial information under Government Accounting Standards Board Statement No. 45 (GASB 45) is for purposes of fulfilling employer financial accounting requirements. The results have been made on a basis consistent with our understanding of GASB 45 and are based upon assumptions prescribed by the University of California. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

In our opinion, all costs, liabilities, rates of interest, and other factors underlying these actuarial computations have been determined on the basis of actuarial assumptions and methods that are each reasonable (or consistent with authoritative guidance) for the purposes herein taking into account the experience of the Plan and future expectations and that, when combined, represent our best estimate of anticipated experience under the Plan.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operations of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Our scope for this actuarial valuation did not include analyzing the potential range of such future measurements, and we did not perform that analysis.

The undersigned with actuarial credentials collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This report was prepared solely for the benefit and internal use of the plan sponsor. This report is not intended for the benefit of any other party and may not be relied upon by any third party for any purpose, and Deloitte Consulting accepts no responsibility or liability with respect to any party other than the plan sponsor.

Any tax advice included in this written communication was not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed by any governmental taxing authority or agency.

To the best of our knowledge, no employee of the Deloitte U.S. Firms is an officer or director of the employer. In addition, we are not aware of any relationship between the Deloitte U.S. Firms and the employer that may impair or appear to impair the objectivity of the work detailed in this report.

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Executive Summary

Governmental Accounting Requirements and Report Purposes

The Governmental Accounting Standards Board released the Statement of Governmental Accounting Standards No. 43 (“GASB 43”) and No. 45 (“GASB 45”) in 2004. These statements require trusts (GASB 43) and employers (GASB 45) to accrue the cost of post-employment benefits other than pensions while eligible employees are providing services to the employer. The University of California (“the University” or “UC”) adopted GASB 45 for the fiscal year beginning July 1, 2007.

The purposes of this actuarial valuation report are to: 1) measure the retiree health benefit plan’s accrued liabilities and normal cost, 2) provide GASB 45 disclosure information for the University’s financial reporting, and 3) project expected cash flows (pay-as-you-go costs).

Summary of Results

For the Campuses, Medical Centers, and Hastings, the key measures for the July 1, 2013 retiree health actuarial valuation are:

- The July 1, 2013 Unfunded Actuarial Accrued Liability (UAAL) is **\$12.5 billion**.
- The Annual Required Contribution (ARC) for Fiscal Year 2013/2014 is **\$1.48 billion**, consisting of:
 - A normal cost of **\$0.38 billion**, approximately 4.4% of University of California Retirement Plan (“UCRP”) covered payroll, and
 - An amortization cost of **\$1.10 billion**, approximately 12.9% of UCRP covered payroll.

Under governmental accounting rules, the ARC is not required to be funded but will be a component of the retiree health benefit expense recorded in the University’s financial statements.

- As of July 1, 2013, the funded ratio for retiree health benefits was 0.4%, given the University’s current policy of funding only projected pay-as-you-go cash costs (as described on the following page).
- Projected cash contributions for 2013/2014 are **\$260 million**. This represents the projected pay-as-you-go cash costs of the retiree benefits funded by a system-wide retiree health assessment.

Executive Summary (cont.)

Funding Policy

On July 1, 2007, the University of California Retiree Health Benefit Trust (“UCRHBT”) was created. The UCRHBT was established to allow certain University locations and affiliates (primarily Campuses, Medical Centers, and Hastings) that share the risks, rewards, and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets.

Currently, the University does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis. If pre-funding occurs in the future, the UCRHBT will be used as the vehicle for those assets. There is a balance in the UCRHBT as of July 1, 2013 of **\$44 million**. This balance was created by a combination of one-time initial funding for cash flow purposes to facilitate administration and the timing of contributions and payments in and out of the trust. Minor differences between the amount collected from locations via the retiree health assessment and the actual pay-as-you-go benefit plan costs also affects the annual balance.

The retiree health assessment for the fiscal year ending June 30, 2014 was set at 3.24% of UCRP covered payroll (for the fiscal year ending June 30, 2013, the assessment was 3.72% during the period from July 1, 2012 to December 31, 2012 and 1.80% during the period from January 1, 2013 to June 30, 2013).

Background and Comments

Overview of Plans

The University of California's current policy is to provide a continuation of the active health benefit program for eligible retirees, including a choice of medical, dental and wellness benefits. Depending on an employee's service at retirement, the University of California will pay up to 100% of the maximum University contribution determined for each year. The contribution will not exceed the gross premium for selected coverage; however, the contribution can be used to reimburse all or a portion of an eligible member's standard Medicare Part B premiums (up to \$104.90 in 2014). Spouses/eligible domestic partners and dependents of retirees are also eligible for post-employment health coverage. A summary of the current substantive plan benefits are described in Section X of this report.

Changes from the Previous Actuarial Valuation

For the July 1, 2013 valuation, there was a significant gain due to actual experience of the program over the past year being different than expected. The overall experience of the program resulted in a decrease in the Actuarial Accrued Liability of **\$1,287 million** (8.3%) and the ARC of **\$165 million** (8.6%).

This experience gain was primarily due to the 2014 Health Program re-bid. During 2013, the University went through a competitive bid process for medical and wellness providers and made changes to the range of medical plans to be offered as of January 1, 2014 to limit cost increases while continuing to provide high quality medical insurance plans to employees and retirees. For Medicare-eligible retirees living in California, Anthem Plus, Anthem PPO, and CORE were replaced by Blue Shield Medicare PPO. For retirees not yet eligible for Medicare, Health Net – Full Network and Kaiser Umbrella were discontinued and Anthem Plus and Anthem PPO were replaced by UC Care.

The new graduated eligibility provision for non-grandfathered employees was reflected in the July 1, 2013 valuation. The new graduated eligibility provision will apply to employees hired or rehired (following a break in service) on or after July 1, 2013 and current employees who did not have age plus years of UCRP service credit of at least 50 with at least five years of UCRP service credit as of June 30, 2013. This plan change resulted in a decrease in the Actuarial Accrued Liability of **\$756 million** (4.9%) and the ARC of **\$183 million** (9.5%).

Background and Comments (cont.)

For the July 1, 2013 valuation, there also was a gain due to the implementation of the Medicare Exchange/Coordinator Program for Medicare-eligible retirees and Medicare-eligible covered family members living outside of California. Beginning January 1, 2014, the University will provide a Health Reimbursement Arrangement (HRA), which retirees and covered family members will use to purchase individual coverage on an exchange administered by Extend Health. The University will provide a maximum annual contribution of \$3,000 per covered family member, subject to Graduated Eligibility, to the HRA. Each year, the administration will reassess the maximum annual contribution to determine if an adjustment should be made. This plan change resulted in a decrease in the Actuarial Accrued Liability of **\$718 million** (4.6%) and the ARC of **\$76 million** (3.9%).

For the July 1, 2013 valuation, there also was a gain due to assumption changes. The primary cause of the gain was due to a change in the initial Medicare Advantage trend rates offset by an extension of the trend rate grade down period. For Medicare Advantage plans, initial trend rates were updated to be consistent with non-Medicare Advantage plans. This reflects reports from CMS in April indicating that they would not implement the cuts to Medicare Advantage plans previously assumed under health care reform. The medical trend rates were also updated to extend the grade down period, from the initial trend rate to the ultimate trend rate, to be 15 years – consistent with industry expectations of medical cost increases over time. The net effect of the assumption changes resulted in a decrease in the Actuarial Accrued Liability of **\$194 million** (1.2%) and the ARC of **\$18 million** (0.9%).

Health Care Reform

The Patient Protection and Affordable Care Act (“PPACA”) was signed into law on March 23, 2010. The primary objective of the act is to increase the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. The applicable provisions of PPACA were first accounted for in the July 1, 2010 valuation. There have been no changes to the provisions determined to be applicable to this valuation; however, some method and assumptions have changed that were used to value these provisions. In future years, there may continue to be increased cost impact to the extent the health & welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

Background and Comments (cont.)

The provisions of PPACA considered are as follows:

- Prohibiting lifetime and annual limits on the dollar value of coverage for “essential health benefits”
- Increasing the dependent child age limit to age 26
- Elimination of cost sharing for in-network preventive services
- Reflecting manufacturer discounts available to certain Medicare beneficiaries receiving applicable covered Part D drugs (mostly brand) while in the coverage gap
- Early Retirement Reinsurance Program
- Excise tax on “Cadillac Plans” effective in 2018

University Reporting Entities

For financial reporting purposes, the associated liabilities, expenses and other disclosure items are reported for different covered populations:

- The primary results are presented for the Campuses and Medical Centers of the University, which also includes the Office of the President, Agricultural & Natural Resources, the Associated Students of UCLA, and UC Hastings College of the Law. This combined entity is referred to as “Campus/Medical Center/Hastings/Other (CMCHO)”.
- In addition, results are presented separately for Lawrence Berkeley National Laboratory (LBNL), a Department of Energy (DOE) laboratory managed and operated by the University.
- This report includes the combined results for both entities.

Background and Comments (cont.)

Actuarial Methods and Assumptions

The University of California Retirement Plan performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent UCRP experience study covered the four-year period ending June 30, 2010 and was presented by the Regents in July 2011. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. In addition, Deloitte periodically reviews actuarial assumptions only applicable to the retiree health benefit plan outside of the experience study, such as medical trend rates and age-graded medical rates.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since the University's retiree health benefits are effectively funded on only a pay-as-you-go cash cost basis, GASB 45 requires that the discount rate be based on the estimated long-term investment yield on the general assets. The University of California elected to use a discount rate of 5.5%. As of June 30, 2013, approximately 67% of general assets remained in the Short Term Investment Pool ("STIP") and 33% were held in the Total Returns Investment Pool ("TRIP"). The combination of assets held in the STIP and TRIP are generally more liquid and risk averse than the assets of UCRP; therefore, the expected long-term investment yield is lower for the STIP/TRIP than that for the assets of UCRP.

The actuarial methods and assumptions are described in Section XI of this report. Additionally, Section XIII illustrates the impact that changes to the discount and benefit cost trend rate assumptions would have on the Actuarial Accrued Liability and Normal Cost. This is not part of GASB 45 disclosure requirements, but it is provided for the University's information.

Background and Comments (cont.)

Cash Costs vs. Implicit Rate Subsidy

GASB Statement Nos. 43 and 45 require that trusts and employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the University's Retiree Health Benefit Program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the University that will be paid on behalf of retirees. Before implementing GASB 45, the University accounted for the annual costs of retiree health benefits solely based on these cash costs.

The Implicit Rate Subsidy for the Campuses, Medical Centers, and Hastings creates a liability of **\$2,525 million** as of July 1, 2013 and benefit payments of **\$86 million** for fiscal year 2013/2014. This is approximately 20% of the total actuarial accrued liability and 25% of the total benefit payments for the Campuses, Medical Centers, and Hastings.

Final Disclosures

Most values reported here are final amounts for disclosures in the University's financial statements; however, amounts related to the University cash benefit payments for Fiscal Year 2013/2014 are currently based on estimated benefit payments. The University's final disclosures will be updated to reflect the actual benefit payments during the fiscal year.

Summary of Actuarial Valuation Results

This section provides a summary of the actuarial valuation results. All information is provided as of the measurement date except for GASB 45 disclosure information. GASB 45 disclosure information is shown as of the end of the Fiscal Year to reflect when it will actually be disclosed. All liabilities are net of expected retiree contributions.

(All dollar amounts are in thousands)

	<i>Campus/Medical Center/Hastings/Other (CMCHO)</i>					
	July 1, 2013			July 1, 2012		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability						
(1) Active Participants	\$ 6,174,993	\$ 1,278,434	\$ 7,453,427	\$ 7,583,452	\$ 1,405,723	\$ 8,989,175
(2) Retired Participants*	<u>3,871,356</u>	<u>1,246,722</u>	<u>5,118,078</u>	<u>4,289,044</u>	<u>1,280,798</u>	<u>5,569,842</u>
(3) Total	\$ 10,046,349	\$ 2,525,156	\$ 12,571,505	\$ 11,872,496	\$ 2,686,521	\$ 14,559,017
b. Actuarial Value of UCRHBT Assets**	\$ 44,301	\$ -	\$ 44,301	\$ 97,435	\$ -	\$ 97,435
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 10,002,048	\$ 2,525,156	\$ 12,527,204	\$ 11,775,061	\$ 2,686,521	\$ 14,461,582
d. Funded Ratio: (b) / (a)	0.4%	0.0%	0.4%	0.8%	0.0%	0.7%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	116.7%	29.5%	146.2%	141.3%	32.2%	173.5%
f. Annual Required Contribution (ARC) at Year End	\$ 1,187,796	\$ 290,698	\$ 1,478,494	\$ 1,443,192	\$ 305,689	\$ 1,748,881
g. Annual Retiree Health Benefit Expense at Year End	\$ 823,642	\$ 233,016	\$ 1,056,658	\$ 1,149,525	\$ 260,298	\$ 1,409,823

* Retired participants include retirees, disabled participants, and surviving family members

** Actuarial value of assets as of July 1, 2013 is the market value of assets

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	Campus/Medical Center/Hastings/Other (CMCHO)					
	July 1, 2013			July 1, 2012**		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
h. University Contributions***						
(1) To UCRHBT	\$ (260,035)	\$ -	\$ (260,035)	\$ (225,614)	\$ -	\$ (225,614)
(2) To Health Care Insurers and Administrators	-	-	-	-	-	-
(3) Implicit Subsidy	-	(86,209)	(86,209)	-	(86,219)	(86,219)
(4) Total Contributions	\$ (260,035)	\$ (86,209)	\$ (346,244)	\$ (225,614)	\$ (86,219)	\$ (311,833)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 563,607	\$ 146,807	\$ 710,414	\$ 923,911	\$ 174,079	\$ 1,097,990
j. Obligations for Retiree Health Benefits						
(1) Beginning of Year	\$ 6,350,859	\$ 1,009,815	\$ 7,360,674	\$ 5,426,948	\$ 835,736	\$ 6,262,684
(2) End of Year: (j.1) + (i)	\$ 6,914,466	\$ 1,156,622	\$ 8,071,088	\$ 6,350,859	\$ 1,009,815	\$ 7,360,674
k. Participant Counts						
(1) Active Participants			117,723			115,586
(2) Retired Participants*			37,207			35,872
(3) Total			154,930			151,458
l. Covered Payroll			\$ 8,569,794			\$ 8,333,654

* Retired participants include retirees, disabled participants, and surviving family members

** Results updated to reflect actual contributions made for FY 2012/2013

*** Actual contributions shown for FY 2012/2013; Expected contributions shown for FY 2013/2014

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	Lawrence Berkeley National Laboratory (LBNL)					
	July 1, 2013			July 1, 2012		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability						
(1) Active Participants	\$ 186,781	\$ 37,833	\$ 224,614	\$ 221,340	\$ 42,352	\$ 263,692
(2) Retired Participants*	<u>175,252</u>	<u>56,938</u>	<u>232,190</u>	<u>192,609</u>	<u>55,403</u>	<u>248,012</u>
(3) Total	\$ 362,033	\$ 94,771	\$ 456,804	\$ 413,949	\$ 97,755	\$ 511,704
b. Actuarial Value of UCRHBT Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 362,033	\$ 94,771	\$ 456,804	\$ 413,949	\$ 97,755	\$ 511,704
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	135.6%	35.5%	171.1%	156.5%	37.0%	193.5%
f. Annual Required Contribution (ARC) at Year End	\$ 40,040	\$ 10,092	\$ 50,132	\$ 47,869	\$ 10,740	\$ 58,609
g. Annual Retiree Health Benefit Expense at Year End	\$ 29,404	\$ 8,356	\$ 37,760	\$ 39,257	\$ 9,387	\$ 48,644

* Retired participants include retirees, disabled participants, and surviving family members

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	Lawrence Berkeley National Laboratory (LBNL)					
	July 1, 2013			July 1, 2012**		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
h. University Contributions***						
(1) To UCRHBT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(12,302)	-	(12,302)	(13,110)	-	(13,110)
(3) Implicit Subsidy	-	(3,960)	(3,960)	-	(3,837)	(3,837)
(4) Total Contributions	\$ (12,302)	\$ (3,960)	\$ (16,262)	\$ (13,110)	\$ (3,837)	\$ (16,947)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 17,102	\$ 4,396	\$ 21,498	\$ 26,147	\$ 5,550	\$ 31,697
j. Obligations for Retiree Health Benefits						
(1) Beginning of Year	\$ 186,158	\$ 30,533	\$ 216,691	\$ 160,011	\$ 24,983	\$ 184,994
(2) End of Year: (j.1) + (i)	\$ 203,260	\$ 34,929	\$ 238,189	\$ 186,158	\$ 30,533	\$ 216,691
k. Participant Counts						
(1) Active Participants			3,312			3,266
(2) Retired Participants*			<u>1,727</u>			<u>1,702</u>
(3) Total			5,039			4,968
l. Covered Payroll			\$ 266,976			\$ 264,460

* Retired participants include retirees, disabled participants, and surviving family members

** Results updated to reflect actual contributions made for FY 2012/2013

*** Actual contributions shown for FY 2012/2013; Expected contributions shown for FY 2013/2014

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	Combined - All Locations					
	July 1, 2013			July 1, 2012		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability						
(1) Active Participants	\$ 6,361,774	\$ 1,316,267	\$ 7,678,041	\$ 7,804,792	\$ 1,448,075	\$ 9,252,867
(2) Retired Participants*	<u>4,046,608</u>	<u>1,303,660</u>	<u>5,350,268</u>	<u>4,481,653</u>	<u>1,336,201</u>	<u>5,817,854</u>
(3) Total	\$ 10,408,382	\$ 2,619,927	\$ 13,028,309	\$ 12,286,445	\$ 2,784,276	\$ 15,070,721
b. Actuarial Value of UCRHBT Assets**	\$ 44,301	\$ -	\$ 44,301	\$ 97,435	\$ -	\$ 97,435
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 10,364,081	\$ 2,619,927	\$ 12,984,008	\$ 12,189,010	\$ 2,784,276	\$ 14,973,286
d. Funded Ratio: (b) / (a)	0.4%	0.0%	0.3%	0.8%	0.0%	0.6%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	117.3%	29.6%	146.9%	141.8%	32.4%	174.1%
f. Annual Required Contribution (ARC) at Year End	\$ 1,227,836	\$ 300,790	\$ 1,528,626	\$ 1,491,061	\$ 316,429	\$ 1,807,490
g. Annual Retiree Health Benefit Expense at Year End	\$ 853,046	\$ 241,372	\$ 1,094,418	\$ 1,188,782	\$ 269,685	\$ 1,458,467

* Retired participants include retirees, disabled participants, and surviving family members

** Actuarial value of assets as of July 1, 2013 is the market value of assets

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	Combined - All Locations					
	July 1, 2013			July 1, 2012**		
	Explicit Subsidy	Implicit Subsidy	Total	Explicit Subsidy	Implicit Subsidy	Total
h. University Contributions***						
(1) To UCRHBT	\$ (260,035)	\$ -	\$ (260,035)	\$ (225,614)	\$ -	\$ (225,614)
(2) To Health Care Insurers and Administrators	(12,302)	-	(12,302)	(13,110)	-	(13,110)
(3) Implicit Subsidy	-	(90,169)	(90,169)	-	(90,056)	(90,056)
(4) Total Contributions	\$ (272,337)	\$ (90,169)	\$ (362,506)	\$ (238,724)	\$ (90,056)	\$ (328,780)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 580,709	\$ 151,203	\$ 731,912	\$ 950,058	\$ 179,629	\$ 1,129,687
j. Obligations for Retiree Health Benefits						
(1) Beginning of Year	\$ 6,537,017	\$ 1,040,348	\$ 7,577,365	\$ 5,586,959	\$ 860,719	\$ 6,447,678
(2) End of Year: (j.1) + (i)	\$ 7,117,726	\$ 1,191,551	\$ 8,309,277	\$ 6,537,017	\$ 1,040,348	\$ 7,577,365
k. Participant Counts						
(1) Active Participants			121,035			118,852
(2) Retired Participants*			38,934			37,574
(3) Total			159,969			156,426
l. Covered Payroll			\$ 8,836,771			\$ 8,598,114

* Retired participants include retirees, disabled participants, and surviving family members

** Results updated to reflect actual contributions made for FY 2012/2013

*** Actual contributions shown for FY 2012/2013; Expected contributions shown for FY 2013/2014

Development of Unfunded Actuarial Accrued Liability

This section develops the Unfunded Actuarial Accrued Liability (UAAL), which is the actuarial accrued liability net of the actuarial value of plan assets. The actuarial accrued liability is the portion of the present value of future benefits (PVFB) accrued to date. The present value of future normal costs represents the portion of the PVFB expected to accrue in the future, based on the current population.

(All dollar amounts are in thousands)

		<i>CMCHO</i>		
		July 1, 2013		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 8,301,931	\$ 1,804,595	\$ 10,106,526
	Retired Participants*	3,871,356	1,246,722	5,118,078
	Total	\$ 12,173,287	\$ 3,051,317	\$ 15,224,604
b.	Total Present Value of Future Normal Costs	\$ 2,126,938	\$ 526,161	\$ 2,653,099
c.	Actuarial Accrued Liability: (a) - (b)	\$ 10,046,349	\$ 2,525,156	\$ 12,571,505
d.	Actuarial Value of UCRHBT Assets**	\$ 44,301	\$ -	\$ 44,301
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 10,002,048	\$ 2,525,156	\$ 12,527,204

* Retired participants include retirees, disabled participants, and surviving family members

** Actuarial value of assets as of July 1, 2013 is the market value of assets

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		<i>LBNL</i>		
		July 1, 2013		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 250,429	\$ 56,154	\$ 306,583
	Retired Participants*	175,252	56,938	232,190
	Total	\$ 425,681	\$ 113,092	\$ 538,773
b.	Total Present Value of Future Normal Costs	\$ 63,648	\$ 18,321	\$ 81,969
c.	Actuarial Accrued Liability: (a) - (b)	\$ 362,033	\$ 94,771	\$ 456,804
d.	Actuarial Value of UCRHBT Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 362,033	\$ 94,771	\$ 456,804

* Retired participants include retirees, disabled participants, and surviving family members

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		<i>Combined - All Locations</i>		
		July 1, 2013		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 8,552,360	\$ 1,860,749	\$ 10,413,109
	Retired Participants*	4,046,608	1,303,660	5,350,268
	Total	\$ 12,598,968	\$ 3,164,409	\$ 15,763,377
b.	Total Present Value of Future Normal Costs	\$ 2,190,586	\$ 544,482	\$ 2,735,068
c.	Actuarial Accrued Liability: (a) - (b)	\$ 10,408,382	\$ 2,619,927	\$ 13,028,309
d.	Actuarial Value of UCRHBT Assets**	\$ 44,301	\$ -	\$ 44,301
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 10,364,081	\$ 2,619,927	\$ 12,984,008

* Retired participants include retirees, disabled participants, and surviving family members

** Actuarial value of assets as of July 1, 2013 is the market value of assets

Summary of Assets

The Retiree Health Benefit Program is currently funded on a pay-as-you-go basis; however, there are some plan assets created by a combination of initial funding to facilitate administration and the difference between the amount collected from locations via the retiree health assessment and the actual benefit plan costs since inception. The DOE laboratory (LBNL) reimburses the University for the benefit costs paid by the University attributable to LBNL retirees and does not participate in the UCRHBT.

The following table contains the summary of transactions for UCRHBT during the year.

Summary of Transactions

(All dollar amounts are in thousands)

	<u>CMCHO</u>
	<u>July 1, 2013</u>
1. Net assets available for plan benefits as of July 1, 2012	\$ 89,520
<u>Income</u>	
2. Employer contributions	\$ 225,614
3. Retiree contributions	42,272
4. Investment income	-
	<u>\$ 267,886</u>
<u>Disbursements</u>	
5. Benefit premiums and payments	\$ (294,247)
6. Medicare Part B reimbursements	(16,034)
7. Expenses & fees	<u>(2,824)</u>
	<u>\$ (313,105)</u>
8. Net assets available for Plan benefits as of July 1, 2013	\$ 44,301

Determination of Annual Required Contribution

GASB 45 requires the disclosure of the annual post-employment benefits other than pensions (“OPEB”) cost. A component of the annual OPEB cost is the Annual Required Contribution. The following is a brief explanation of the components of the Annual Required Contribution:

- **Normal Cost:** The portion of the Total Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method.
- **Amortization Payments:** Closed, 30-year, level dollar amortization of the initial Unfunded Actuarial Accrued Liability; closed, 15-year, level dollar amortizations of any future experience gains and losses; and closed, 30-year, level dollar amortization of any gains and losses due to assumption changes or changes in plan provisions.
- **Interest to End of Year:** The Annual Required Contribution is determined as a year-end value. The Normal Cost and Amortization Payments are determined at the valuation date and have a full year of interest applied to determine the end of year value. The Annual Required Contribution is compared to the plan contributions (with interest) made during the year to determine the increase in the Net OPEB Obligation. Since the University uses a pay-as-you-go funding policy, the benefit payments with interest should be used to determine contributions. To simplify the determination of year-end plan contributions, the benefit payments will be determined without interest. Instead, the interest on *expected* benefit payments will be used to offset the determination of the Annual Required Contribution.

The next three pages present the Annual Required Contribution development for the fiscal year ending June 30, 2014. The development of amortization payments for each location follows the Annual Required Contribution development exhibits.

Determination of Annual Required Contribution (cont.)

Annual Required Contribution for Fiscal Year Ending June 30, 2014

(All dollar amounts are in thousands)

		<i>CMCHO</i>		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Normal Cost*	\$ 287,444	\$ 69,805	\$ 357,249
b.	Amortization Payment*	845,207	207,985	1,053,192
c.	Interest to End of Year** [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	55,145	12,908	68,053
d.	Annual Required Contribution As of June 30, 2014	\$ 1,187,796	\$ 290,698	\$ 1,478,494
e.	Expected University Contribution	\$ (260,035)	\$ (86,209)	\$ (346,244)

* If Normal Cost and Amortization Payment are expressed on an end of year basis, their values are \$377 million and \$1,102 million, respectively.

** Includes interest on expected benefit payments made throughout the year

Determination of Annual Required Contribution (cont.)

Annual Required Contribution for Fiscal Year Ending June 30, 2014

(All dollar amounts are in thousands)

	<i>LBNL</i>		Total
	Explicit Subsidy	Implicit Subsidy	
a. Normal Cost*	\$ 8,929	\$ 2,571	\$ 11,500
b. Amortization Payment*	29,344	7,098	36,442
c. Interest to End of Year** [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	1,767	423	2,190
d. Annual Required Contribution As of June 30, 2014	\$ 40,040	\$ 10,092	\$ 50,132
e. Expected University Contribution	\$ (12,302)	\$ (3,960)	\$ (16,262)

* If Normal Cost and Amortization Payment are expressed on an end of year basis, their values are \$12 million and \$38 million, respectively.

** Includes interest on expected benefit payments made throughout the year

Determination of Annual Required Contribution (cont.)

Annual Required Contribution for Fiscal Year Ending June 30, 2014

(All dollar amounts are in thousands)

		<i>Combined - All Locations</i>		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Normal Cost*	\$ 296,373	\$ 72,376	\$ 368,749
b.	Amortization Payment*	874,551	215,083	1,089,634
c.	Interest to End of Year** [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	56,912	13,331	70,243
d.	Annual Required Contribution As of June 30, 2014	\$ 1,227,836	\$ 300,790	\$ 1,528,626
e.	Expected University Contribution	\$ (272,337)	\$ (90,169)	\$ (362,506)

* If Normal Cost and Amortization Payment are expressed on an end of year basis, their values are \$389 million and \$1,140 million, respectively.

** Includes interest on expected benefit payments made throughout the year

Determination of Annual Required Contribution (cont.)

(All dollar amounts are in thousands)

<u>CMCHO</u>		Schedule of Amortization Payments				
Date Established	Description	Initial Amount	Initial Years	Remaining Years	7/1/2013 Balance	Amortization Amount
7/1/2007	Initial UAAL	\$ 12,104,357	30	24	\$ 10,953,324	\$ 789,427
7/1/2008	Experience (Gain)/Loss	257,096	15	10	193,064	24,278
	Contribution (Gain)/Loss	1,089,169	15	10	817,898	102,852
7/1/2009	Experience (Gain)/Loss	663,998	15	11	535,331	62,702
	Contribution (Gain)/Loss	1,274,634	15	11	1,027,639	120,366
	Plan Change (Gain)/Loss	(486,202)	30	26	(457,056)	(31,709)
7/1/2010	Experience (Gain)/Loss	(267,503)	15	12	(229,685)	(25,260)
	Contribution (Gain)/Loss	1,470,279	15	12	1,262,418	138,842
	Plan Change (Gain)/Loss	(394,926)	30	27	(377,654)	(25,756)
	Assumption (Gain)/Loss	441,044	30	27	421,754	28,765
7/1/2011	Experience (Gain)/Loss	(2,177,516)	15	13	(1,977,826)	(205,627)
	Contribution (Gain)/Loss	1,612,476	15	13	1,464,603	152,270
	Assumption (Gain)/Loss	196,099	30	28	190,536	12,789
7/1/2012	Experience (Gain)/Loss	(1,757,257)	15	14	(1,678,838)	(165,941)
	Contribution (Gain)/Loss	1,414,173	15	14	1,351,065	133,543
	Assumption (Gain)/Loss	557,081	30	29	549,390	36,332
7/1/2013	Experience (Gain)/Loss	(1,287,477)	15	15	(1,287,477)	(121,579)
	Contribution (Gain)/Loss	1,437,048	15	15	1,437,048	135,703
	Plan Change (Gain)/Loss	(1,474,116)	30	30	(1,474,116)	(96,139)
	Assumption (Gain)/Loss	(194,214)	30	30	(194,214)	(12,666)
	Total				\$ 12,527,204	\$ 1,053,192

Determination of Annual Required Contribution (cont.)

(All dollar amounts are in thousands)

<u>LBNL</u>		Schedule of Amortization Payments				
Date Established	Description	Initial Amount	Initial Years	Remaining Years	7/1/2013 Balance	Amortization Amount
7/1/2007	Initial UAAL	\$ 459,779	30	24	\$ 416,059	\$ 29,986
7/1/2008	Experience (Gain)/Loss	12,817	15	10	9,625	1,210
	Contribution (Gain)/Loss	31,494	15	10	23,650	2,974
7/1/2009	Experience (Gain)/Loss	7,111	15	11	5,733	672
	Contribution (Gain)/Loss	36,350	15	11	29,306	3,433
	Plan Change (Gain)/Loss	(12,275)	30	26	(11,539)	(801)
7/1/2010	Experience (Gain)/Loss	(501)	15	12	(430)	(47)
	Contribution (Gain)/Loss	41,096	15	12	35,286	3,881
	Plan Change (Gain)/Loss	(10,772)	30	27	(10,301)	(703)
	Assumption (Gain)/Loss	15,797	30	27	15,106	1,030
7/1/2011	Experience (Gain)/Loss	(62,077)	15	13	(56,384)	(5,862)
	Contribution (Gain)/Loss	48,028	15	13	43,624	4,535
	Assumption (Gain)/Loss	13,661	30	28	13,273	891
7/1/2012	Experience (Gain)/Loss	(80,520)	15	14	(76,927)	(7,604)
	Contribution (Gain)/Loss	45,181	15	14	43,165	4,267
	Assumption (Gain)/Loss	19,580	30	29	19,310	1,277
7/1/2013	Experience (Gain)/Loss	(40,747)	15	15	(40,747)	(3,848)
	Contribution (Gain)/Loss	41,662	15	15	41,662	3,934
	Plan Change (Gain)/Loss	(35,324)	30	30	(35,324)	(2,304)
	Assumption (Gain)/Loss	(7,343)	30	30	(7,343)	(479)
	Total				\$ 456,804	\$ 36,442

Determination of Annual Required Contribution (cont.)

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>		Schedule of Amortization Payments				
Date Established	Description	Initial Amount	Initial Years	Remaining Years	7/1/2013 Balance	Amortization Amount
7/1/2007	Initial UAAL	\$ 12,564,136	30	24	\$ 11,369,383	\$ 819,413
7/1/2008	Experience (Gain)/Loss	269,913	15	10	202,689	25,488
	Contribution (Gain)/Loss	1,120,663	15	10	841,548	105,826
7/1/2009	Experience (Gain)/Loss	671,109	15	11	541,064	63,374
	Contribution (Gain)/Loss	1,310,984	15	11	1,056,945	123,799
	Plan Change (Gain)/Loss	(498,477)	30	26	(468,595)	(32,510)
7/1/2010	Experience (Gain)/Loss	(268,005)	15	12	(230,115)	(25,307)
	Contribution (Gain)/Loss	1,511,375	15	12	1,297,704	142,723
	Plan Change (Gain)/Loss	(405,698)	30	27	(387,955)	(26,459)
	Assumption (Gain)/Loss	456,841	30	27	436,860	29,795
7/1/2011	Experience (Gain)/Loss	(2,239,593)	15	13	(2,034,210)	(211,489)
	Contribution (Gain)/Loss	1,660,504	15	13	1,508,227	156,805
	Assumption (Gain)/Loss	209,760	30	28	203,809	13,680
7/1/2012	Experience (Gain)/Loss	(1,837,777)	15	14	(1,755,765)	(173,545)
	Contribution (Gain)/Loss	1,459,354	15	14	1,394,230	137,810
	Assumption (Gain)/Loss	576,661	30	29	568,700	37,609
7/1/2013	Experience (Gain)/Loss	(1,328,224)	15	15	(1,328,224)	(125,427)
	Contribution (Gain)/Loss	1,478,710	15	15	1,478,710	139,637
	Plan Change (Gain)/Loss	(1,509,440)	30	30	(1,509,440)	(98,443)
	Assumption (Gain)/Loss	(201,557)	30	30	(201,557)	(13,145)
	Total				\$ 12,984,008	\$ 1,089,634

Actuarial Experience

Actuarial gains and losses arise from experience different from that previously assumed, changes in actuarial assumptions and methods, and changes in plan provisions.

For the Campuses, Medical Centers, and Hastings, the plan changes from the graduated eligibility provision effective July 1, 2013 and implementation of Medicare Exchange/Coordinator Program resulted in a total gain of \$1,474 million. The change in the assumptions resulted in a gain of \$194 million. Since the University uses a pay-as-you-go funding policy, the contributions were less than the ARC, creating a \$1,437 million loss. Finally, there was a \$1,287 million experience gain primarily due to the 2014 Health Program re-bid.

(All dollar amounts are in thousands)

	CMCHO
	July 1, 2013
1. Unfunded liability as of July 1, 2012	\$ 14,461,582
2. Normal cost for prior year	518,878
3. Annual Required Contribution for prior year (EOY)	1,748,881
4. Interest to end of prior year*	<u>814,384</u>
5. Expected unfunded liability as of July 1, 2013 (1) + (2) - (3) + (4)	\$ 14,045,963
6. (Gain)/Loss due to (over)/underpayment of ARC	1,437,048
7. Increase (decrease) in plan liability due to plan change	(1,474,116)
8. Increase (decrease) in plan liability due to assumption change	(194,214)
9. Unfunded liability as of July 1, 2013	<u>12,527,204</u>
10. (Gain)/loss due to experience: (9) - [(5) + (6) + (7) + (8)]	<u><u>\$ (1,287,477)</u></u>

* Includes interest on unfunded liability, normal cost, and expected benefit payments

Actuarial Experience (cont.)

(All dollar amounts are in thousands)

	<u><i>LBNL</i></u>
	<u>July 1, 2013</u>
1. Unfunded liability as of July 1, 2012	\$ 511,704
2. Normal cost for prior year	16,834
3. Annual Required Contribution for prior year (EOY)	58,609
4. Interest to end of prior year*	<u>28,627</u>
5. Expected unfunded liability as of July 1, 2013 (1) + (2) - (3) + (4)	\$ 498,556
6. (Gain)/Loss due to (over)/underpayment of ARC	41,662
7. Increase (decrease) in plan liability due to plan change	(35,324)
8. Increase (decrease) in plan liability due to assumption change	(7,343)
9. Unfunded liability as of July 1, 2013	<u>456,804</u>
10. (Gain)/loss due to experience: (9) - [(5) + (6) + (7) + (8)]	<u><u>\$ (40,747)</u></u>

* Includes interest on unfunded liability, normal cost, and expected benefit payments

Actuarial Experience (cont.)

(All dollar amounts are in thousands)

	<i>Combined - All Locations</i>
	<u>July 1, 2013</u>
1. Unfunded liability as of July 1, 2012	\$ 14,973,286
2. Normal cost for prior year	535,712
3. Annual Required Contribution for prior year (EOY)	1,807,490
4. Interest to end of prior year*	<u>843,011</u>
5. Expected unfunded liability as of July 1, 2013 (1) + (2) - (3) + (4)	\$ 14,544,519
6. (Gain)/Loss due to (over)/underpayment of ARC	1,478,710
7. Increase (decrease) in plan liability due to plan change	(1,509,440)
8. Increase (decrease) in plan liability due to assumption change	(201,557)
9. Unfunded liability as of July 1, 2013	<u>12,984,008</u>
10. (Gain)/loss due to experience: (9) - [(5) + (6) + (7) + (8)]	<u>\$ (1,328,224)</u>

* Includes interest on unfunded liability, normal cost, and expected benefit payments

GASB Statement No. 45 Notes to the Financial Statements and Required Supplementary Information (RSI)

GASB Statement No. 45 requires disclosure of notes to the financial statements and required supplementary information that includes information shown in three schedules: the Schedule of Funding Progress (Table A), the Schedule of Employer Contributions (Table B), and the Development of Net OPEB Obligation (NOO) and Annual OPEB Cost (Table C).

The values shown in Table A are the final amounts for disclosure. Selected values in Tables B and C related to the University's contribution (specifically, the employer cash benefit costs) are estimated and will change in the financial disclosures to reflect actual University cash costs.

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table A – GASB No. 45 Schedule of Funding Progress

(All dollar amounts are in thousands)

<u>CMCHO</u>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c) (b) - (a)	(d) (a) / (b)	(e)	(f) [(b) - (a)] / (e)
July 1, 2007	\$ -	\$ 12,104,357	\$ 12,104,357	0.0%	\$ 6,738,094	179.6%
July 1, 2008	51,355	13,334,872	13,283,517	0.4%	7,264,460	182.9%
July 1, 2009	77,101	14,576,674	14,499,573	0.5%	7,657,289	189.4%
July 1, 2010	74,450	15,493,742	15,419,292	0.5%	7,743,680	199.1%
July 1, 2011	77,907	14,726,665	14,648,758	0.5%	7,899,551	185.4%
July 1, 2012	97,435	14,559,017	14,461,582	0.7%	8,333,654	173.5%
July 1, 2013	44,301	12,571,505	12,527,204	0.4%	8,569,794	146.2%

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table A – GASB No. 45 Schedule of Funding Progress

(All dollar amounts are in thousands)

<u>LBNL</u>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c) (b) - (a)	(d) (a) / (b)	(e)	(f) [(b) - (a)] / (e)
July 1, 2007	\$ -	\$ 459,779	\$ 459,779	0.0%	\$ 192,678	238.6%
July 1, 2008	-	497,743	497,743	0.0%	204,349	243.6%
July 1, 2009	-	520,255	520,255	0.0%	216,355	240.5%
July 1, 2010	-	554,954	554,954	0.0%	251,741	220.4%
July 1, 2011	-	541,164	541,164	0.0%	263,470	205.4%
July 1, 2012	-	511,704	511,704	0.0%	264,460	193.5%
July 1, 2013	-	456,804	456,804	0.0%	266,976	171.1%

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table A – GASB No. 45 Schedule of Funding Progress

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c) (b) - (a)	(d) (a) / (b)	(e)	(f) [(b) - (a)] / (e)
July 1, 2007	\$ -	\$ 12,564,136	\$ 12,564,136	0.0%	\$ 6,930,772	181.3%
July 1, 2008	51,355	13,832,615	13,781,260	0.4%	7,468,809	184.5%
July 1, 2009	77,101	15,096,929	15,019,828	0.5%	7,873,644	190.8%
July 1, 2010	74,450	16,048,696	15,974,246	0.5%	7,995,421	199.8%
July 1, 2011	77,907	15,267,829	15,189,922	0.5%	8,163,021	186.1%
July 1, 2012	97,435	15,070,721	14,973,286	0.6%	8,598,114	174.1%
July 1, 2013	44,301	13,028,309	12,984,008	0.3%	8,836,771	146.9%

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table B – GASB No. 45 Schedule of Employer Contributions

(All dollar amounts are in thousands)

<u>CMCHO</u>				
Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,358,527	\$ 269,358	19.8%	\$ 1,089,169
June 30, 2009	1,505,360	279,330	18.6%	2,315,199
June 30, 2010	1,646,468	284,348	17.3%	3,677,319
June 30, 2011	1,747,439	314,683	18.0%	5,110,075
June 30, 2012	1,499,784	347,175	23.1%	6,262,684
June 30, 2013	1,409,823	311,833	22.1%	7,360,674
June 30, 2014*	1,056,658	346,244	32.8%	8,071,088

* Projected Net OPEB Obligation based on expected Employer Contribution

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table B – GASB No. 45 Schedule of Employer Contributions

(All dollar amounts are in thousands)

<u>LBNL</u>				
<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 44,426	\$ 12,932	29.1%	\$ 31,494
June 30, 2009	48,625	13,681	28.1%	66,438
June 30, 2010	52,645	14,654	27.8%	104,429
June 30, 2011	58,284	15,366	26.4%	147,347
June 30, 2012	53,301	15,654	29.4%	184,994
June 30, 2013	48,644	16,947	34.8%	216,691
June 30, 2014*	37,760	16,262	43.1%	238,189

* Projected Net OPEB Obligation based on expected Employer Contribution

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table B – GASB No. 45 Schedule of Employer Contributions

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>				
<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 1,402,953	\$ 282,290	20.1%	\$ 1,120,663
June 30, 2009	1,553,985	293,011	18.9%	2,381,637
June 30, 2010	1,699,113	299,002	17.6%	3,781,748
June 30, 2011	1,805,723	330,049	18.3%	5,257,422
June 30, 2012	1,553,085	362,829	23.4%	6,447,678
June 30, 2013	1,458,467	328,780	22.5%	7,577,365
June 30, 2014*	1,094,418	362,506	33.1%	8,309,277

* Projected Net OPEB Obligation based on expected Employer Contribution

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table C – Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45

(All dollar amounts are in thousands)

<u>CMCHO</u>								
Year Ended	Annual Required Contribution (ARC)	Interest on NOO	Amortization Factor*	ARC Adjustment with Interest	Annual OPEB Cost	Employer Contribution	Change in NOO	NOO Balance
(a)	(b)	(c)	(d)	[prior year (h)] / (c) x 1.055	(e)	(f)	(g)	(h)
					(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2008	\$ 1,358,527	\$ -	N/A	\$ -	\$ 1,358,527	\$ 269,358	\$ 1,089,169	\$ 1,089,169
June 30, 2009	1,553,964	59,905	N/A	108,509	1,505,360	279,330	1,226,030	2,315,199
June 30, 2010	1,754,627	127,336	N/A	235,495	1,646,468	284,348	1,362,120	3,677,319
June 30, 2011	1,927,159	202,253	N/A	381,973	1,747,439	314,683	1,432,756	5,110,075
June 30, 2012	1,761,348	281,054	N/A	542,618	1,499,784	347,175	1,152,609	6,262,684
June 30, 2013	1,748,881	344,448	N/A	683,506	1,409,823	311,833	1,097,990	7,360,674
June 30, 2014	1,478,494	404,837	N/A	826,673	1,056,658	346,244	710,414	8,071,088

* The ARC Adjustment is determined as the sum of amortization amounts (with interest to the end of the year) for contribution gains and losses as permitted by GASB Technical Bulletin 2008-1; therefore, an amortization factor is not used.

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table C – Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45

(All dollar amounts are in thousands)

<u>LBNL</u>									
<u>Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Interest on NOO</u>	<u>Amortization Factor*</u>	<u>ARC Adjustment with Interest</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Change in NOO</u>	<u>NOO Balance</u>	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
				[prior year (h)] / (c) x 1.055	(a) + (b) - (d)		(e) - (f)	Prior Year + (g)	
June 30, 2008	\$ 44,426	\$ -	N/A	\$ -	\$ 44,426	\$ 12,932	\$ 31,494	\$ 31,494	
June 30, 2009	50,031	1,732	N/A	3,138	48,625	13,681	34,944	66,438	
June 30, 2010	55,750	3,654	N/A	6,759	52,645	14,654	37,991	104,429	
June 30, 2011	63,394	5,744	N/A	10,854	58,284	15,366	42,918	147,347	
June 30, 2012	60,835	8,104	N/A	15,638	53,301	15,654	37,647	184,994	
June 30, 2013	58,609	10,175	N/A	20,140	48,644	16,947	31,697	216,691	
June 30, 2014	50,132	11,918	N/A	24,290	37,760	16,262	21,498	238,189	

* The ARC Adjustment is determined as the sum of amortization amounts (with interest to the end of the year) for contribution gains and losses as permitted by GASB Technical Bulletin 2008-1; therefore, an amortization factor is not used.

GASB Statement No. 45 Notes to the Financial Statements and RSI (cont.)

Table C – Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>								
Year Ended	Annual Required Contribution (ARC)	Interest on NOO	Amortization Factor*	ARC Adjustment with Interest	Annual OPEB Cost	Employer Contribution	Change in NOO	NOO Balance
(a)	(b)	(c)	(d)	[prior year (h)] / (c) x 1.055	(e)	(f)	(g)	(h)
					(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2008	\$ 1,402,953	\$ -	N/A	\$ -	\$ 1,402,953	\$ 282,290	\$ 1,120,663	\$ 1,120,663
June 30, 2009	1,603,995	61,637	N/A	111,647	1,553,985	293,011	1,260,974	2,381,637
June 30, 2010	1,810,377	130,990	N/A	242,254	1,699,113	299,002	1,400,111	3,781,748
June 30, 2011	1,990,553	207,997	N/A	392,827	1,805,723	330,049	1,475,674	5,257,422
June 30, 2012	1,822,183	289,158	N/A	558,256	1,553,085	362,829	1,190,256	6,447,678
June 30, 2013	1,807,490	354,623	N/A	703,646	1,458,467	328,780	1,129,687	7,577,365
June 30, 2014	1,528,626	416,755	N/A	850,963	1,094,418	362,506	731,912	8,309,277

* The ARC Adjustment is determined as the sum of amortization amounts (with interest to the end of the year) for contribution gains and losses as permitted by GASB Technical Bulletin 2008-1; therefore, an amortization factor is not used.

10-Year Projection of Employer Benefit Payments

Presented in this section are the projected employer benefit payments for the next ten years based on the program design effective in calendar year 2014. These projected benefit payments are based on the actuarial assumptions shown in Section XI. If actual experience differs from that expected by the actuarial assumptions, the actual employer benefit payments will vary from those presented below.

(All dollar amounts are in thousands)

<u>CMCHO</u>							
Fiscal Year Ending 6/30	Number of Members Receiving Benefits*	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2014	52,645	\$ 231,857	\$ 27,044	\$ 1,134	\$ 260,035	\$ 86,209	\$ 346,244
2015	56,246	253,224	29,843	1,196	284,263	99,786	384,049
2016	59,463	276,895	32,853	1,297	311,045	112,811	423,856
2017	62,672	302,589	36,063	1,402	340,054	126,306	466,360
2018	65,819	330,913	39,474	1,512	371,899	140,571	512,470
2019	68,898	363,630	43,120	1,626	408,376	153,787	562,163
2020	71,933	398,793	46,932	1,742	447,467	167,900	615,367
2021	74,739	434,851	50,935	1,860	487,646	181,049	668,695
2022	77,365	471,424	55,097	1,977	528,498	193,829	722,327
2023	79,772	508,501	59,449	2,096	570,046	205,509	775,555

* Total members estimated to receive benefits during the year, including both "retired participants" (retirees, disabled participants, surviving family members), and the covered spouses/domestic partners of these participants.

10-Year Projection of Employer Benefit Payments (cont.)

(All dollar amounts are in thousands)

<u>LBNL</u>							
Fiscal Year Ending 6/30	Number of Members Receiving Benefits*	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2014	2,505	\$ 10,957	\$ 1,293	\$ 52	\$ 12,302	\$ 3,960	\$ 16,262
2015	2,576	11,644	1,387	53	13,084	4,392	17,476
2016	2,642	12,394	1,484	56	13,934	4,823	18,757
2017	2,699	13,134	1,582	59	14,775	5,158	19,933
2018	2,749	14,004	1,686	61	15,751	5,580	21,331
2019	2,797	15,052	1,794	64	16,910	6,031	22,941
2020	2,839	16,139	1,905	67	18,111	6,435	24,546
2021	2,877	17,262	2,019	70	19,351	6,883	26,234
2022	2,910	18,328	2,136	72	20,536	7,142	27,678
2023	2,940	19,418	2,258	75	21,751	7,449	29,200

* Total members estimated to receive benefits during the year, including both "retired participants" (retirees, disabled participants, surviving family members), and the covered spouses/domestic partners of these participants.

10-Year Projection of Employer Benefit Payments (cont.)

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>							
Fiscal Year Ending 6/30	Number of Members Receiving Benefits*	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2014	55,150	\$ 242,814	\$ 28,337	\$ 1,186	\$ 272,337	\$ 90,169	\$ 362,506
2015	58,823	264,868	31,230	1,249	297,347	104,178	401,525
2016	62,105	289,289	34,337	1,353	324,979	117,634	442,613
2017	65,371	315,723	37,645	1,461	354,829	131,464	486,293
2018	68,568	344,917	41,160	1,573	387,650	146,151	533,801
2019	71,696	378,682	44,914	1,690	425,286	159,818	585,104
2020	74,772	414,932	48,837	1,809	465,578	174,335	639,913
2021	77,617	452,113	52,954	1,930	506,997	187,932	694,929
2022	80,275	489,752	57,233	2,049	549,034	200,971	750,005
2023	82,712	527,919	61,707	2,171	591,797	212,958	804,755

* Total members estimated to receive benefits during the year, including both "retired participants" (retirees, disabled participants, surviving family members), and the covered spouses/domestic partners of these participants.

Summary of Plan Provisions

This section summarizes overall eligibility provisions for retiree health coverage, graduated eligibility provisions, the various plans offered by the University, and Medicare integration methods by plan. Unless otherwise stated, the plan designs are the same for both non-Medicare and Medicare members.

Covered Employees: University of California employees who are eligible for retirement under a University-sponsored defined benefit plan and elect monthly retirement income are eligible for retiree health coverage offered by the University if:

- At the time of separation, the employee was enrolled in medical and dental insurance coverage or was eligible but had “suspended” coverage;
- The employee’s retirement date is within 120 days of his or her separation from UC employment; and
- The employee meets the University’s service credit requirements (see “Graduated Eligibility” below) at the time of retirement.

The retiree health benefits are not accrued or vested benefit entitlements. Only the University’s service credit counts toward eligibility for retiree health benefits.

Once retired, eligible retirees may “suspend” or continue to suspend their health coverage and retain the right to become covered under the University’s retiree health plans in the future. If the University’s coverage is suspended and a retiree’s other health coverage has been continuous, the retiree may enroll:

- During any future open enrollment period;
- Following a qualifying life event; or
- When a retiree’s other health coverage is lost.

Covered Family

Members:

Spouses, eligible domestic partners, adult dependent relatives (enrolled by 12/31/2003), child(ren), step-child(ren), grandchild(ren), adult disabled child(ren), and legal ward(s) of an eligible retiree may be covered if certain eligibility requirements are met.

The PPACA, signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the University effective January 1, 2011.

Eligible domestic partners include same-sex domestic partners meeting certain requirements and opposite-sex domestic partners if either the retiree or the domestic partner is age 62 or older and eligible to receive Social Security benefits based on age.

Graduated Eligibility: For an employee who retires and meets the definition of a covered employee, the following provisions apply in determining the University’s contribution toward retiree health coverage. Note that the “Maximum University Contribution” referred to below is determined each year and may be lower than the actual cost of any specific health coverage options. The Maximum University Contribution is determined separately for retirees eligible for Medicare, those not eligible for Medicare who are under 65, and those not eligible for Medicare who are age 65 and older.

Grandfathered Retiree Health Eligibility

- **Employees who entered UCRP before January 1, 1990** and have not had a break in covered service of more than 120 days following that date receive 100% of the Maximum University Contribution toward medical and/or dental coverage if the following service credit requirements are met:
 - Employees retire before age 55 and have at least 10 years of UC service credit (5 years for Safety);
 - Employees retire at age 55 or later and have least 5 years of UC service credit; or
 - Employees retire on disability and have at least 5 years of service credit.
- **Employees who entered UCRP on or after January 1, 1990**, or were rehired after that date following a break in service of more than 120 days, and who were either classified as Public Safety employees or had at least five years of service and age plus service of at least 50 as of June 30, 2013 receive a percentage of the Maximum University Contribution toward medical and/or dental coverage, defined as follows:

Years of Service*			Percentage of the Maximum University Contribution
Retirees	Survivors	Disabled Members	
0-4	N/A	N/A	Not Eligible
5-9	N/A	N/A	If age plus years of service credit equal at least 75, then 50%; otherwise not eligible
10	2-10	5-10	50%
11 - 20	11 - 20	11 - 20	Increases in 5% increments to 100% (55%, 60% ... 95%, 100%)

Graduated Eligibility (continued):

July 1, 2013 Retiree Health Eligibility

Employees hired or rehired (following a break in service) on or after July 1, 2013, and employees who had less than five years of service or age plus service was less than 50 as of June 30, 2013, receive a percentage of the maximum UC contribution toward medical and/or dental coverage determined by their age and total number of years of UC service credit as shown in the table below. For survivors and disabled members, once eligibility is met, the percentage of maximum UC contribution received is at least 50%.

Service Credit	Age at Retirement										
	50-55*	56	57	58	59	60	61	62	63	64	65
10	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%	45.0%	50.0%
11	0%	5.5%	11.0%	16.5%	22.0%	27.5%	33.0%	38.5%	44.0%	49.5%	55.0%
12	0%	6.0%	12.0%	18.0%	24.0%	30.0%	36.0%	42.0%	48.0%	54.0%	60.0%
13	0%	6.5%	13.0%	19.5%	26.0%	32.5%	39.0%	45.5%	52.0%	58.5%	65.0%
14	0%	7.0%	14.0%	21.0%	28.0%	35.0%	42.0%	49.0%	56.0%	63.0%	70.0%
15	0%	7.5%	15.0%	22.5%	30.0%	37.5%	45.0%	52.5%	60.0%	67.5%	75.0%
16	0%	8.0%	16.0%	24.0%	32.0%	40.0%	48.0%	56.0%	64.0%	72.0%	80.0%
17	0%	8.5%	17.0%	25.5%	34.0%	42.5%	51.0%	59.5%	68.0%	76.5%	85.0%
18	0%	9.0%	18.0%	27.0%	36.0%	45.0%	54.0%	63.0%	72.0%	81.0%	90.0%
19	0%	9.5%	19.0%	28.5%	38.0%	47.5%	57.0%	66.5%	76.0%	85.5%	95.0%
20+	0%	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%

*Retirees have access to UC's group medical and dental plans but there is no UC contribution

Medical Plans:

Below is a high-level summary of benefit coverage that each University of California medical plan provides for its covered members who are not yet Medicare eligible or are Medicare eligible and living within California. Medicare eligible retirees with all covered family members in Medicare living outside of California are only eligible for the Medicare Exchange/Coordinator Program administered by Extend Health.

- Hospital Coverage
- Surgical/Medical
- Diagnostic
- Doctor Office Visits
- Medical Equipment
- Prescription Drugs
- Chiropractor/Acupuncture
- Mental Health/Substance Abuse

The following tables list the individual medical plans as of January 1, 2014 offered to retirees and provide the basic benefit provisions and eligibility for each.

Medical	Benefit Provisions		Eligibility
Health Net Blue & Gold, Health Net Seniority Plus, and Western Health Advantage (WHA) (HMOs)	Deductible Out-of-Pocket Limit (including deductible) Doctor Office Visits Inpatient Prescription Drug Co-pays Lifetime Maximum	None \$1,000 per non-Medicare eligible individual/ \$1,500 per Medicare eligible individual \$20 co-pay \$250 co-pay per admittance Retail: \$5 Generic / \$25 Brand / \$40 Non-Formulary Mail Order: \$10 Generic / \$50 Brand / \$80 Non-Formulary None	Annuitants retired from the University of California and their eligible dependents living within the HMO service area.

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility
UC Care (PPO)	<p><u>UC Select</u></p> <p>Deductible None</p> <p>Out-of-Pocket Limit (including deductible) \$1,500</p> <p>Doctor Office Visits \$20 co-pay</p> <p>Inpatient \$250 co-pay per admittance</p> <p>Prescription Drug Co-pays \$5 Generic / \$25 Brand / \$40 Non-Formulary</p> <p>Lifetime Maximum None</p> <p><u>Blue Shield Preferred</u></p> <p>Deductible \$250</p> <p>Out-of-Pocket Limit (including deductible) \$3000</p> <p>Coinsurance 20%</p> <p>Prescription Drug Co-pays \$5 Generic / \$25 Brand / \$40 Non-Formulary</p> <p>Lifetime Maximum None</p> <p><u>Non-Preferred Providers</u></p> <p>Deductible \$500</p> <p>Out-of-Pocket Limit (including deductible) \$5,000</p> <p>Coinsurance 50%</p> <p>Prescription Drug Co-pays \$5 Generic / \$25 Brand / \$40 Non-Formulary</p> <p>Lifetime Maximum None</p>	<p>Non-Medicare eligible annuitants retired from The University of California and their Non-Medicare eligible dependents.</p>

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility												
<p>Kaiser California and Kaiser Senior Advantage (HMOs)</p>	<table> <tr> <td>Deductible</td> <td>None</td> </tr> <tr> <td>Out-of-Pocket Limit (including deductible)</td> <td>\$1,500</td> </tr> <tr> <td>Doctor Office Visits</td> <td>\$20 co-pay</td> </tr> <tr> <td>Inpatient</td> <td>\$250 co-pay per admittance</td> </tr> <tr> <td>Prescription Drug Co-pays</td> <td>\$5 Generic / \$25 Brand</td> </tr> <tr> <td>Lifetime Maximum</td> <td>None</td> </tr> </table>	Deductible	None	Out-of-Pocket Limit (including deductible)	\$1,500	Doctor Office Visits	\$20 co-pay	Inpatient	\$250 co-pay per admittance	Prescription Drug Co-pays	\$5 Generic / \$25 Brand	Lifetime Maximum	None	<p>Annuitants retired from the University of California and their eligible dependents living within the HMO service area.</p>
Deductible	None													
Out-of-Pocket Limit (including deductible)	\$1,500													
Doctor Office Visits	\$20 co-pay													
Inpatient	\$250 co-pay per admittance													
Prescription Drug Co-pays	\$5 Generic / \$25 Brand													
Lifetime Maximum	None													
<p>CORE (Indemnity/Fee-for-Service Plan)</p>	<table> <tr> <td>Deductible</td> <td>\$3,000 per person</td> </tr> <tr> <td>Out-of-Pocket Limit (including deductible)</td> <td>\$6,350 per person</td> </tr> <tr> <td>Coinsurance</td> <td>20%</td> </tr> <tr> <td>Inpatient</td> <td>20%</td> </tr> <tr> <td>Prescription Drug Coinsurance</td> <td>20%</td> </tr> <tr> <td>Lifetime Maximum</td> <td>None</td> </tr> </table>	Deductible	\$3,000 per person	Out-of-Pocket Limit (including deductible)	\$6,350 per person	Coinsurance	20%	Inpatient	20%	Prescription Drug Coinsurance	20%	Lifetime Maximum	None	<p>Non-Medicare eligible annuitants retired from the University of California and their Non-Medicare eligible dependents.</p>
Deductible	\$3,000 per person													
Out-of-Pocket Limit (including deductible)	\$6,350 per person													
Coinsurance	20%													
Inpatient	20%													
Prescription Drug Coinsurance	20%													
Lifetime Maximum	None													
<p>Blue Shield Medicare PPO</p>	<table> <tr> <td>Deductible</td> <td>\$100</td> </tr> <tr> <td>Out-of-Pocket Limit (including deductible)</td> <td>\$1,500</td> </tr> <tr> <td>Coinsurance</td> <td>20%</td> </tr> <tr> <td>Inpatient</td> <td>20%</td> </tr> <tr> <td>Prescription Drug Co-pays</td> <td>Retail: \$10 Generic / \$30 Brand / \$45 Non-Formulary Mail Order: \$20 Generic / \$60 Brand / \$90 Non-Formulary</td> </tr> <tr> <td>Lifetime Maximum</td> <td>None</td> </tr> </table>	Deductible	\$100	Out-of-Pocket Limit (including deductible)	\$1,500	Coinsurance	20%	Inpatient	20%	Prescription Drug Co-pays	Retail: \$10 Generic / \$30 Brand / \$45 Non-Formulary Mail Order: \$20 Generic / \$60 Brand / \$90 Non-Formulary	Lifetime Maximum	None	<p>Medicare eligible annuitants retired from the University of California and their Medicare eligible dependents living within the PPO service area</p>
Deductible	\$100													
Out-of-Pocket Limit (including deductible)	\$1,500													
Coinsurance	20%													
Inpatient	20%													
Prescription Drug Co-pays	Retail: \$10 Generic / \$30 Brand / \$45 Non-Formulary Mail Order: \$20 Generic / \$60 Brand / \$90 Non-Formulary													
Lifetime Maximum	None													

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility	
<p>Blue Shield Health Savings Plan</p>	<p>HSA Contribution \$500</p>	<p>Only available to annuitants who: (1) are not Medicare eligible and (2) were enrolled in the Blue Shield Health Savings Plan prior to retiring (or the predecessor to this plan, the Anthem Lumenos PPO with HRA). If the annuitant or their dependent(s) are or become Medicare eligible, they are no longer eligible for the plan.</p>	
	<p><u>In-Network</u></p>		<p>Deductible \$1,250</p>
	<p>Out-of-Pocket Limit (including deductible) \$4,000</p>		<p>Coinsurance 20%</p>
	<p>Prescription Drug Coinsurance 20%</p>		<p>Lifetime Maximum None</p>
	<p><u>Out-of-Network</u></p>		<p>Deductible \$2,500</p>
	<p>Out-of-Pocket Limit (including deductible) \$8,000</p>		<p>Coinsurance 40%</p>
	<p>Prescription Drug Co-pays 40%</p>		<p>Lifetime Maximum None</p>
	<p>Lifetime Maximum None</p>		<p>Deductible \$50 per person</p>
	<p>Out-of-Pocket Limit (including deductible) \$1,050 per person</p>		<p>Coinsurance No charge for Medicare covered services; 20% for non-Medicare covered services</p>
	<p>Prescription Drug Co-pays Retail: \$10 Generic / \$30 Brand / \$45 Non-Formulary Mail Order: \$20 Generic / \$60 Brand / \$90 Non-Formulary</p>		<p>Lifetime Maximum None</p>

Dental Plans: Below is a high-level summary of benefit coverage that each University of California dental plan provides for its covered members.

- Preventive
- Basic
- Restorative
- Orthodontics

The following tables list the individual dental plans offered to retirees and provide the basic benefit provisions and eligibility for each.

Dental	Benefit Provisions	Eligibility
Dental PPO	<p><u>Preventive Services</u> Deductible None Coinsurance 0%</p> <p><u>Basic and Restorative Services</u> Deductible \$50 per person Coinsurance 20% in-network/25% out-of-network for most basic services; 50% for restorative</p> <p><u>Orthodontics</u> Coinsurance 50% Lifetime Maximum \$1,500 for children; \$500 for adults</p> <p><u>Annual Plan Maximum</u> \$1,700 (excludes orthodontia) for PPO provider and \$1,500 (excludes orthodontia) for non-PPO provider</p>	<p>Annuitants retired from the University of California and their eligible dependents.</p>

Dental Plans (continued):

Dental	Benefit Provisions	Eligibility
DeltaCare USA (DHMO)	<u>Preventive Services</u> Deductible	None
	Co-pay	\$45 for adult/\$35 for children
	<u>Basic and Restorative Services</u> Deductible	None
	Co-pay	Varies by service
	<u>Orthodontics</u> Co-pay	\$1,000 (up to 36 months)
		\$75/month for office visit (after 36-month period)
	Lifetime Maximum	None
<u>Annual Plan Maximum</u>	None	
For DHMO, annuitants retired from the University of California and their eligible dependents living within the DHMO service area.		

**Reimbursement
Accounts:**

For Medicare-eligible retirees with all covered family members in Medicare living outside of California, the University will fund a Health Reimbursement Account (HRA), which retirees will use to purchase individual coverage on an Exchange administered by Extend Health. The University will provide a maximum annual contribution of \$3,000 per member, subject to Graduated Eligibility, to the HRA. Each year, the administration will reassess the maximum annual contribution to determine if an adjustment should be made.

**Wellness Benefits
and Incentives:**

Beginning in calendar year 2014, the University offers wellness benefits, administered by Optum, and provides an incentive for eligible members completing a health assessment through Optum.

All employees and retirees, as well as their spouses/eligible domestic partners age 18 or older are eligible to participate in this program, if they are enrolled in any UC-sponsored medical plan other than the Medicare Exchange/Coordinator Program and do not belong to bargaining units that opted out of the wellness program.

Starting in 2013, members accumulate points in PointsBank for completing different wellness activities. The incentive for completing a number of wellness activities (resulting in 100 total points) in 2014 will be a gift card valued at \$75 for employees and retirees. Spouses/eligible domestic partners age 18 or older are not eligible for the incentive.

**Medicare Part B
Reimbursement:**

If the Maximum University Contribution (after any reduction for graduated eligibility, if applicable) is greater than the rate for the plan chosen by a Medicare-eligible retiree, then the difference will be used to reimburse the retiree for all or a portion of the standard Medicare Part B premium. The standard is the premium that most retirees pay. It is not based on the higher premium rates that apply to late entrants or high income individuals. This premium reimbursement is applicable only for Medicare-eligible retirees or other Medicare-eligible covered members. Retirees participating in the Medicare Exchange/Coordinator Program will not receive a separate reimbursement for Medicare Part B, but they can use balances in their HRA to pay these premiums.

The University has decided to cap the Medicare Part B premium reimbursement at \$104.90 per month in 2014, which is consistent with the standard 2013 Medicare Part B premium. Each year the administration should reassess the basis for determining Medicare Part B reimbursements. This assessment is typically done during the annual health plan renewal process, taking into consideration overall budget resources, salary adjustments for active employees, and COLAs for retirees.

Medicare Integration:	Medical Plan	Integration Method
	Health Net	N/A (Medicare Advantage)
	Kaiser	N/A (Medicare Advantage)
	Blue Shield Medicare PPO	Exclusion
	High Option Supplement to Medicare	Supplement
	Blue Shield Health Savings Plan	N/A (Non-Medicare Coverage only)
	CORE	N/A (Non-Medicare Coverage only)
	UC Care	N/A (Non-Medicare Coverage only)
	Western Health Advantage	N/A (Non-Medicare Coverage only)

Medicare Integration Types – Brief Definitions:

- Exclusion The plan payment is the covered charge minus member cost-sharing (e.g., deductible, coinsurance, co-pay) *as applied to the difference between the total covered charge and Medicare reimbursement.*
- Supplement Benefits are paid by the plan in accordance with a schedule. For the High Option Supplement to Medicare, this schedule calls for the plan to pay the member’s share of costs for Medicare-covered services (e.g., the Medicare deductibles and coinsurance amounts). In addition, selected other covered services are subject to either co-pays (e.g., prescription drugs) or a separate deductible and coinsurance.

Retiree-Pay-All Plans: The University offers the following postemployment plans on a voluntary, “retiree-pay-all” basis with no University cost (explicit or implicit) provided or valued:

- Group Legal Plan
- Group Auto Insurance Plan
- Accidental Death and Dismemberment Plan
- Group Vision Plan

**Maximum
Contribution Policy:**

In December 2010, the Regents approved the recommendation of the President’s Post-Employment Benefits Task Force to gradually reduce the University’s contribution to 70% of total premiums.

Each year the administration should reassess the level of the University contribution, the appropriateness of an additional 3% reduction in the contribution, and whether the floor should be 70% or a higher amount. This assessment is typically done during the annual health plan renewal process, taking into consideration overall budget resources, salary adjustments for active employees, and COLAs for retirees.

For calendar year 2014, the maximum contribution policy is:

- Medicare eligible retirees: 80% of aggregate premiums (including Medicare Part B premiums) for all Medicare eligible retirees covering only Medicare members.
- Non-Medicare eligible retirees under age 65: 72% of aggregate premiums for all non-Medicare retirees under age 65 covering only non-Medicare members.
- Non-Medicare eligible retirees age 65 and older: The same dollar amount as employees in Pay Band 2.

**Collective
Bargaining:**

The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer-Employee Relations Act, if any such action is required. The recommendations as they apply to represented employees are subject to collective bargaining requirements.

**Changes in Plan
Provisions:**

The following changes were made from the prior valuation:

- Effective July 1, 2013, employees who had less than five years of service or age plus service was less than 50 as of June 30, 2013 were subject to a new graduated eligibility provision (as discussed in “Graduated Eligibility”); these provisions will also apply to all employees hired or rehired (following a break in service) on or after July 1, 2013
- The Medicare Exchange/Coordinator Program was implemented for Medicare-eligible retirees with all covered family members in Medicare living outside California as of January 1, 2014
- Spouses/eligible domestic partners age 18 or older are not eligible for the incentive for completing wellness activities

Summary of Actuarial Methods and Assumptions

Actuarial Methods

Actuarial

Cost Method:

The Actuarial Cost Method used to determine the Actuarial Accrued Liability and the Annual Required Contribution is the Entry Age Normal (EAN) method. This actuarial cost method is one of the GASB 45 approved methods. This method is in the family of future benefit cost methods, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.

The Normal Cost (NC) is the annual allocation required for each participant from entry date to the assumed retirement date so that the accumulated allocation at retirement is equal to the liability for the projected benefit. The projected benefits are based on estimates of future years of service and projected health benefit costs. The normal cost is developed as a level dollar allocation.

The Present Value of Future Benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. Discounts include such items as interest and mortality. The present value of future normal cost allocations is equal to the discounted value of the normal costs allocated from the member's current age to retirement age.

The difference between the Present Value of Future Benefits and the present value of future normal cost allocations represents the Actuarial Liability at the participant's current age.

The Actuarial Accrued Liability for participants currently receiving payments is calculated as the actuarial present value of future benefits expected to be paid. No normal cost is allocated for these participants.

**Amortization of
Unfunded
Liabilities:**

The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Assets. This excess will be amortized in the following ways:

- For the initial UAAL: 30-year, level dollar amount, closed amortization period; and
- For experience gains/losses: 15-year, level dollar amount, closed amortization periods. Annual gains/losses include changes due to contributions different from the ARC and experience different from expected.
- For assumption changes: 30-year, level dollar amount, closed amortization periods.
- For plan provision changes: 30-year, level dollar amount, closed amortization periods.

The total amortization of the UAAL, determined by the preceding method, will not be less than the amount necessary to create an equivalent single amortization period of 30 years (consistent with GASB 45 requirements for disclosure). This may occur, for example, if a large gain occurs in the near future. Since the gain would be amortized over a shorter period than the initial UAAL, the resulting total amortization amount may be smaller than the amount necessary to amortize the remaining UAAL over 30 years.

**Actuarial
Value of Assets:**

The actuarial value of assets on the valuation date is the market value of assets

Economic Assumptions

Discount Rate: 5.50% annually

Inflation: 3.50% annually

Payroll Growth: Not applicable

Demographic Assumptions

Mortality:

Healthy Participants RP-2000 Combined Healthy Mortality Table for Males and Females projected to 2025 with projection scale AA. Ages are set back two years for males and females.

Disabled Participants RP-2000 Disabled Retiree Mortality Table for Males and Females projected to 2025 with projection scale AA. Ages are set back two years for males and are not set back for females.

The RP-2000 mortality tables projected to 2015 with projection scale AA and adjusted by a two-year set back reasonably reflects the projected mortality experience as of the measurement date. The additional projection to 2025 is a provision for future mortality improvement.

Age	Sample Mortality Rates (%)			
	Healthy Mortality		Disabled Mortality*	
	Male	Female	Male	Female
20	0.02	0.01	N/A	N/A
25	0.03	0.01	1.55	0.52
30	0.03	0.02	1.99	0.58
35	0.06	0.03	1.99	0.57
40	0.08	0.04	1.94	0.51
45	0.10	0.06	1.71	0.50
50	0.12	0.09	1.76	0.75
55	0.18	0.16	1.98	1.35
60	0.35	0.35	2.63	1.93
65	0.70	0.67	3.27	2.47
70	1.26	1.19	4.00	3.32
75	2.08	1.93	5.02	4.27
80	3.85	3.15	7.22	6.07
85	7.34	5.24	10.50	8.62

* Assumed to apply only while receiving UCRP Disability Income

Disability Incidence: Percent of employees expected to become disabled each year is based on age and sex.

Age	Sample Disability Incidence Rates (%)	
	Male	Female
20	0.02	0.02
25	0.03	0.03
30	0.06	0.06
35	0.09	0.09
40	0.13	0.16
45	0.18	0.26
50	0.29	0.36
55	0.35	0.46
60	0.35	0.50
65	0.23	0.32
70	0.15	0.20

Withdrawal: Percent of employees expected to terminate each year is based on employee type and years of service. No withdrawal is assumed after a member is first assumed to retire.

Years of Service	Withdrawal Rates (%)	
	Faculty	Staff and Safety
Less than 1	19.00	21.00
1	12.00	17.00
2	8.00	14.00
3	7.00	11.00
4	6.00	9.00
5	5.75	8.00
6	5.50	7.50
7	5.25	7.00
8	5.00	6.50
9	4.75	6.00
10	4.50	5.50
11	4.25	5.25
12	4.00	5.00
13	3.75	4.75
14	3.50	4.50
15	3.25	4.25
16	3.00	4.00
17	2.75	3.75
18	2.50	3.50
19	2.25	3.25
20 and over	2.00	3.00

Retirement: Percent of employees expected to retire each year is based on employee type, age, years of service, and grandfathered status.

Age	Retirement Rates (%)				
	Faculty		Staff		Safety
	Grandfathered Retiree Health Eligibility	July 1, 2013 Retiree Health Eligibility	Grandfathered Retiree Health Eligibility*	July 1, 2013 Retiree Health Eligibility*	
50	2.00	1.00	4.00	2.00	20.00
51	1.00	0.50	3.00	1.50	10.00
52	1.00	0.50	3.00	1.50	10.00
53	1.00	0.50	3.00	1.50	10.00
54	1.00	0.50	4.00	2.00	10.00
55	2.00	1.00	4.00	2.00	20.00
56	2.00	1.00	5.00	2.50	20.00
57	2.00	1.00	6.00	3.00	25.00
58	2.00	1.00	7.00	3.50	25.00
59	3.00	1.50	10.00	5.00	25.00
60	5.00	4.00	14.00	12.00	25.00
61	5.00	3.00	16.00	10.00	30.00
62	5.00	3.00	18.00	10.00	40.00
63	5.00	3.00	18.00	10.00	50.00
64	7.00	4.00	20.00	12.00	60.00
65	9.00	16.00	25.00	40.00	100.00
66	10.00	13.00	22.00	30.00	100.00
67	11.00	13.00	22.00	30.00	100.00
68	12.00	15.00	22.00	30.00	100.00
69	15.00	15.00	22.00	22.00	100.00
70	15.00	15.00	20.00	20.00	100.00
71	12.00	12.00	20.00	20.00	100.00
72	12.00	12.00	20.00	20.00	100.00
73	12.00	12.00	20.00	20.00	100.00
74	12.00	12.00	20.00	20.00	100.00
75	100.00	100.00	100.00	100.00	100.00

* These rates apply for those with ten to twenty years of service. For ages under 65, 60% of these rates will be used for those with less than ten years of service and 150% of these rates will be used for those with twenty or more years of service.

Lump Sum Cash-out

Election Rate: Percent of employees who retire each year that are expected to take a lump sum cash-out and forgo their Retiree Health benefits is based on service.

<u>Years of Service</u>	<u>Percentage Electing Lump Sum Cashout</u>
Less than 10	30.0%
10 - 14	15.0%
15 - 19	12.5%
20 - 24	7.5%
25 and over	5.0%

Future Service: All members earn a full year of service in each fiscal year.

**Proportion of Retirees
Covering a Spouse or
Eligible Domestic
Partner:**

Actives are assumed to cover an adult member at retirement if they are currently in the “Two Adults” or “Family” coverage categories.

Retirees are assumed to continue their current coverage status.

Employees currently opting out of active employee health coverage are assumed to return to active coverage just before retirement and enroll in retiree coverage, covering an adult member.

This assumption and the following one are based on the experience of the active population. Due to the level of benefits, employees in this program are not expected to change their behavior regarding spousal coverage upon retirement.

**Age of Spouse or
Eligible Domestic
Partner:**

For current retirees, the age of the spouse or eligible domestic partner is based on actual dates of birth. For current active employees, male employees are assumed to be three years older than the covered spouse or eligible domestic partner and female employees are assumed to be three years younger than the covered spouse or eligible domestic partner.

Benefit Assumptions

Plan Costs:

The valuation of future benefit costs are based on the plans currently offered to University retirees, as described earlier in the “Summary of Plan Provisions” section. These plans include: medical benefits (including behavioral health, prescription drugs, and potential reimbursement for Medicare Part B premiums); dental benefits; and wellness benefits/incentives.

The following postemployment plans are offered on a voluntary, “retiree-pay-all” basis and are not valued: Group Legal Plan, Group Auto Insurance Plan, Accidental Death and Dismemberment Plan, and Voluntary “Retiree-Pay-All” Vision Plan.

Per Capita Costs

The per capita costs used in the valuation were developed from insured premiums (HMOs, PPO, Dental), projected self-funded accrual rates reflecting estimated claim and administrative costs (Medicare PPO, High Option Supplement to Medicare, and CORE), and projected administrative costs and other assumptions (Wellness fees and incentives). These data and assumptions were provided by the University of California and plan insurers/administrators.

For the July 1, 2013 valuation, the first fiscal year (7/1/2013 – 6/30/2014) costs are based on adjustments to the 2014 insured premiums and self-funded accrual rates for all plans. The 2014 rates will be finalized in September during the annual renewal process. The calendar year 2014 rates were reduced by one-half of the appropriate first-year trend assumption to reflect the costs for the first fiscal year as a basis for trending costs to

future years. The first fiscal year costs were then adjusted further to reflect actual costs for the first half of this fiscal year (July – December 2013).

Plan Costs (cont.):

These first-year rates are on a “net basis” – they reflect plan costs after reduction of total benefit costs for member cost-sharing (deductibles, coinsurance, co-pays, provider savings, Medicare, etc.). Future year per capita costs were projected by applying trend assumptions to the first year costs.

Medical Plan Costs

Medical net rates for covered adults have been developed and expressed in two ways for the valuation:

- Age-Graded Rates.
 - Non-Medicare. For employees/retirees and spouses/eligible domestic partners who will not be/are not eligible for Medicare, the 2014 rates (by plan and coverage category) and the current enrollment mix by plan, age and gender were used to develop net rates by age band. Rates were age-graded using the total (active employee and retiree age and gender distribution) non-Medicare covered population for each plan, so that the age-graded rates for a retiree-only group would composite to a higher cost appropriate for that group.

These age-graded rates are the basis for projecting the gross cost for each individual, before member contributions for coverage.

As described under “Medicare Assumptions” later in this section, some current retirees age 65 and older are not eligible for Medicare, and some future retirees age 65 and older will not be eligible for Medicare. Net rates for non-Medicare coverage reflect this, with premiums extending to the 84 & over age band.

- Medicare. Age-graded rates are not necessary for employees/retirees and spouses/eligible domestic partners who will be/are eligible for Medicare. These Medicare plans develop rates based on a population of only Medicare retirees. Since there is no group that is affected by higher premiums due to these retirees (i.e., there are no active employees in these plans), there is no implicit subsidy. The higher claims expected of these retirees as their average ages increase are built into the Medicare trend rates and are considered part of the explicit subsidy.

- “Flat” Rates. These rates, referred to as ‘flat’ because they are not age-graded, are used in combination with the maximum University contribution levels to project future retiree contributions for health coverage.

Plan Costs (cont.):

Age-graded and “flat” rates were developed separately for retirees and spouses/eligible domestic partners, reflecting the relationship between the coverage categories “Single” and “Two Adults” used by the University for both gross premiums and the University contributions by coverage category.

Costs for child coverage were developed for all members based on the proportion of child coverage by current retirees. The non-Medicare spouse/eligible domestic partner age-graded and “flat” rates were loaded to reflect this child coverage.

For Medicare-eligible retirees, “flat” net rates include the Medicare Part B premium. This reflects that the University will reimburse all or a portion of this premium if the maximum University contribution for that retiree is below the medical rate.

University Share of Medical Costs

Maximum University contributions are also developed separately by plan for retirees and spouses/eligible domestic partners.

- For retirees with graduated eligibility of 100%, these projected University contributions are subtracted from the projected “flat” rates to determine the retiree contributions in each year. These retiree contributions are then subtracted from the age-based cost for a member to determine the University cost in each year.
- If a retiree’s graduated eligibility is less than 100%, this maximum University contribution is first prorated before determining the projected retiree contribution in future years.

For purposes of this valuation, it has been assumed that the pattern of three percentage points annual decreases in the contribution percentage will continue until the floor of 70% is reached (separately for Medicare eligible retirees and non-Medicare eligible retirees under 65).

For purposes of the Medicare Exchange/Coordinator Program, the Maximum University Contribution is assumed to remain at the current amount per out-of State retiree or spouse/eligible domestic partner.

Plan Costs (cont.):

The tables below illustrates calendar year 2014 non-Medicare age-grading factors, weighted average claims at age 62, “flat” net rates, and maximum University contributions by plan. For purposes of the valuation, the rates shown here were reduced by one-half of the first-year trend to represent costs for period 7/1/2013 to 6/30/2014. Note that the Blue Shield Health Savings Plan is not used in the development of Plan Costs due to its minimal current and potential future retiree enrollment (measured as a percentage of total University Retirees).

Sample Aging Factors

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
Under 25	0.00%	53-57	3.85%
25-27	4.22%	58-62	4.56%
28-32	2.73%	63-67	3.09%
33-37	1.11%	68-72	3.33%
38-42	2.01%	73-77	2.69%
43-47	3.27%	78-82	1.43%
48-52	4.65%	83+	0.10%

Sample CY 2014 Rates and Contributions by Plan: *Non-Medicare*

	<u>Health Net B&G</u>	<u>Kaiser California</u>	<u>WHA</u>	<u>UC Care</u>	<u>CORE</u>
Age 62 Weighted Average Claims	\$1,052.54	\$879.69	\$1,068.67	\$1,169.18	\$230.81
<u>Retiree</u>					
Flat Rate	\$611.00	\$545.02	\$564.21	\$653.47	\$113.19
Maximum UC Contribution					
Retirees under age 65	\$436.33	\$436.33	\$436.33	\$436.33	\$436.33
Retirees age 65 and over	\$545.46	\$497.19	\$516.38	\$545.46	\$545.46
<u>Spouse/Eligible Domestic Partner</u>					
Flat Rate	\$669.47	\$596.58	\$618.17	\$716.49	\$124.51
Maximum UC Contribution					
Retirees under age 65	\$442.28	\$442.28	\$442.28	\$442.28	\$442.28
Retirees age 65 and over	\$543.21	\$536.32	\$557.89	\$543.21	\$543.21

Plan Costs (cont.):

The table below illustrates calendar year 2014 Medicare “flat” net rates and maximum University contributions by plan. For purposes of the valuation, the standard 2014 Medicare Part B premium of \$104.90 was added to the “flat” net rates. These total rates were reduced by one-half of the first-year trend to represent costs for period 7/1/2013 to 6/30/2014. As described above, age graded rates are not applicable for employees/retirees and spouses/eligible domestic partners who will be/are eligible for Medicare.

Sample CY 2014 Rates and Contribution by Plan:
Medicare (Medicare Part B Not Included)

	Health Net B&G	Kaiser California	High Option Supplement to Medicare	Blue Cross PPO
<u>Retiree</u>				
Flat Rate	\$344.03	\$241.51	\$376.67	\$281.43
Maximum UC Contribution	\$325.92	\$325.92	\$325.92	\$325.92
<u>Spouse/Eligible Domestic Partner</u>				
Flat Rate	\$344.03	\$241.51	\$376.67	\$281.43
Maximum UC Contribution	\$325.92	\$325.92	\$325.92	\$325.92

Plan Costs (cont.): Dental Plan Costs

Projected retiree dental costs are based on a per-covered-adult net rate developed from the current retiree enrollment distribution by plan and coverage category. This rate includes the effect of children coverage.

The calendar year 2014 dental rates used to develop this per-covered-adult net rate are shown in the table below. For purposes of the valuation, the rates shown below were reduced by one-half of the first-year trend to represent costs for period 7/1/2013 to 6/30/2014.

Plan	Single	Adult + Child(ren)	Two Adults	Family
Dental PPO	\$43.87	\$89.28	\$81.44	\$145.24
Dental HMO	\$22.27	\$38.83	\$38.22	\$54.79

The University’s share of dental costs depends on the “graduated eligibility” level for each retiree.

- For retirees with 100% graduated eligibility, the University pays the full cost of dental.
- If a retiree’s graduated eligibility is less than 100%, the University pays that portion of the dental net rates.

Wellness Fee and Incentive Costs

For calendar year 2014, the University will pay the full amount for the two types of costs associated with the wellness benefit:

- Administrative fees for Optum services. These will vary depending on the health assessment completion rate. For purposes of this valuation, a completion rate of 10.0% is assumed. Based on the fee structure and the overall participation level, the assumed administrative fee cost is \$1.53 per eligible retiree and \$1.16 per eligible spouse/eligible domestic partner per month.
- Incentive Costs. The estimated cost for calendar year 2014 for this component again assumes 10.0% completion by all eligible covered retirees.

Expenses:

All net rates, age-graded and “flat,” were developed to include administrative expenses as a component in the total rate (medical and dental).

Medical Trend

(Net Rates):

The trend rates illustrated on the next page are used to project the net medical rates (age-graded and “flat”) shown above into future years.

- The initial trend assumptions are based on a review of the University’s historic trend rates for HMO, PPO and Indemnity plans during the years 2005 through 2011. This review was done separately for non-Medicare and Medicare plans. Regression curves were fit to the data to help predict short-term future per capita cost increases. The final estimates for initial trend were based on this information adjusted for the expected impact of health care reform due to industry pass-through costs. Under health reform, various industry fees will be imposed on health insurance providers, pharmaceutical manufacturers, and medical device manufacturers. In addition, much investment will be necessary by insurers, hospitals, and other providers to fund required infrastructure and technology enhancements in order to comply with the requirements of the Act. The short-term rates were graded steadily to a level of 5% annually after 15 years. This grade down period is consistent with industry expectations of medical cost increases over time.
- Separate trend projections are used to reflect the differences in benefit design of each plan type.

Medical Trend (cont.)
(Net Rates):

Fiscal Year Ending ⁽¹⁾		Annual Medical Trend (%)					
		Non-Medicare			Medicare		
		HMO Plans ⁽²⁾	PPO Plans ⁽²⁾	Indemnity Plan ⁽²⁾	HMO Plans ⁽²⁾	PPO Plans ⁽²⁾	Part B
<u>From</u>	<u>To</u>						
2014	2015	7.50	7.50	10.50	8.50	7.25	6.80
2015	2016	7.30	7.30	10.00	8.25	7.00	6.60
2016	2017	7.10	7.10	9.50	8.00	6.80	6.40
2017	2018	6.90	6.90	9.00	7.75	6.60	6.20
2018	2019	6.70	6.70	8.50	7.50	6.40	6.00
2019	2020	6.50	6.50	8.00	7.25	6.20	5.90
2020	2021	6.30	6.30	7.50	7.00	6.00	5.80
2021	2022	6.10	6.10	7.00	6.75	5.80	5.70
2022	2023	5.90	5.90	6.50	6.50	5.60	5.60
2023	2024	5.70	5.70	6.25	6.25	5.50	5.50
2024	2025	5.50	5.50	6.00	6.00	5.40	5.40
2025	2026	5.30	5.30	5.75	5.75	5.30	5.30
2026	2027	5.20	5.20	5.50	5.50	5.20	5.20
2027	2028	5.10	5.10	5.25	5.25	5.10	5.10
All Future Years		5.00	5.00	5.00	5.00	5.00	5.00

(1) Trend is defined as the increase in plan cost from one fiscal year to the next; for example, in a Medicare PPO Plan, medical net rates in Fiscal Year 2015 are assumed to be 7.25% higher than they were in Fiscal Year 2014

(2) **HMO Plans:** Health Net B&G, Kaiser California, and Western Health Advantage
PPO Plans: UC Care, Blue Shield PPO, and High Option Supplement to Medicare
Indemnity Plan: CORE Major Medical

Maximum University

Contribution Trend: The maximum University contributions shown earlier, reflecting the University's 2014 contribution policy, are projected using the same medical trends for net rates (included in the tables on the preceding page). This approach assumes that the University contribution level will increase by the same percentage as the net rates increase (before adjusting for assumed changes in the contribution policy).

Dental Trend: Dental rates are assumed to increase by 5% each year.

Wellness Trend: Both administrative fees and incentives costs are assumed to stay at current levels for one year then increase at 3% per year thereafter.

Plan Participation: 100% of future retirees (regardless of current University health coverage) who become eligible for a benefit are assumed to elect retiree coverage. This includes employees who are eligible for but currently opt out of active health coverage. Retirees who are currently electing to suspend their coverage are assumed to remain uncovered in the future.

Excise Tax: Effective in the 2018 calendar year, an excise tax on "Cadillac Plans" will apply as a result of PPACA. HMOs and other healthcare insurers, who offer plans with a higher cost than the excise tax threshold, will be charged a 40% tax on the costs exceeding the threshold. However, because the University's rates are much lower than the thresholds after adjusting for the average age of the primary individuals covered by the University's benefit plans, which is significantly higher than that of the national workforce, the excise tax has a negligible effect on the liability.

Coverage: Current retirees are assumed to remain in their currently elected plan if the plan is offered in 2014. Current non-Medicare retirees and spouses/eligible domestic partners in Anthem Plus and Anthem PPO are assumed to migrate to UC Care. Current non-Medicare retirees and spouses/eligible domestic partners in Health Net – Full Network are assumed to migrate to Health Net – Blue & Gold. Current non-Medicare retirees and spouses/eligible domestic partners in Kaiser Umbrella are assumed to migrate to UC Care. Current out-of-State Medicare retirees with all covered family members eligible for Medicare are assumed to migrate to the Medicare Exchange/Coordinator Program. Current in-state Medicare retirees and spouses/eligible domestic partners in Anthem Plus, Anthem PPO, and CORE are assumed to migrate to Blue Shield Medicare PPO. Future retirees are assumed to enroll in the 2014 plans in the same proportion as the current retiree mix after migration. These proportions are established separately for non-Medicare and Medicare coverage for each plan.

Coverage (cont.): As described under “Plan Costs” above, rates and contributions for non-Medicare spouses/eligible domestic partners are increased by a “child load” to reflect coverage of children and other non-adult members. This is developed separately for age-graded net rates, “flat” net rates, and maximum University contributions on a blended basis for all plans. The “child loads” are:

	Age-graded net rates	“Flat” net rates	Maximum University Contributions
Campus/Medical Center/Hastings/Other	36.8%	37.0%	39.9%
Lawrence Berkeley National Laboratory	35.6%	35.5%	37.9%

The table below shows the enrollment percentage by plan and location (prior to migration as explained above).

Enrollment Distribution: Non-Medicare								
	Health Net	Kaiser California	WHA	Anthem BC PLUS	Anthem BC PPO	High Option Supplement to Medicare	CORE	Out-of-State HMOs
Campus/Medical Center/Hastings/Other								
Retirees	36.6%	29.9%	3.5%	12.5%	14.9%	N/A	2.5%	0.1%
Spouses/Eligible Domestic Partners	34.4%	30.6%	3.2%	13.3%	15.4%	N/A	2.9%	0.1%
Lawrence Berkeley National Laboratory								
Retirees	31.8%	47.8%	0.0%	9.4%	9.4%	N/A	1.6%	0.0%
Spouses/Eligible Domestic Partners	29.3%	47.3%	0.0%	7.7%	12.5%	N/A	2.9%	0.4%
Enrollment Distribution: Medicare								
	Health Net	Kaiser California	WHA	Anthem BC PLUS	Anthem BC PPO	High Option Supplement to Medicare	CORE	Out-of-State HMOs
Campus/Medical Center/Hastings/Other								
Retirees	26.6%	25.1%	N/A	11.6%	19.7%	15.6%	1.2%	0.2%
Spouses/Eligible Domestic Partners	27.6%	24.1%	N/A	13.4%	22.7%	10.7%	1.3%	0.2%
Lawrence Berkeley National Laboratory								
Retirees	22.0%	43.2%	N/A	5.8%	15.0%	13.2%	0.7%	0.2%
Spouses/Eligible Domestic Partners	25.3%	43.5%	N/A	7.7%	13.4%	9.5%	0.4%	0.2%

Medicare Assumptions

Medicare Eligibility: Given the University’s public sector status, a portion of University employees and retirees are not eligible for Medicare coverage when they reach age 65. Based on the data provided by the University, the valuation made the following assumptions about the future eligibility of each retiree’s Medicare status in the future. These assumptions are based on the current coverage category for current retirees and a “Social Security” flag for current employees (indicating if deductions are currently taken for employees).

Retirees

Current Medicare Coverage (of Retiree or Spouse/Eligible Domestic Partner)	Retiree Age Range	Medicare Eligibility Assumption
At Least One Medicare	Any Age	Retiree and spouse/eligible domestic partner (if covered) are assumed to be Medicare eligible at age 65.
Neither Medicare	Post-65	Retiree and spouse/eligible domestic partner (if covered) are assumed to <u>not</u> be eligible for Medicare eligible at any time in the future.
Neither Medicare	Pre-65	A proportion of these retirees and covered spouses/eligible domestic partners (if covered) are assumed to be Medicare-eligible at age 65. <ul style="list-style-type: none"> • The proportion assumed is 85% Medicare-eligible at age 65 and 15% not Medicare-eligible. • This assumption is based on the observed proportion of Medicare coverage at age 65 for retirees who were in this situation and reached age 65 during recent years. • This assumption is needed due to the lack of a reliable data field indicating what the Medicare eligibility will be for retirees when they reach age 65.

**Medicare Eligibility
 (continued):**

Employees

Current Social Security Flag for Employee	Medicare Eligibility Assumption
Social Security Deductions Currently Taken	Retiree and spouse/eligible domestic partner (if covered) are assumed to be Medicare eligible at age 65.
Social Security Deductions <u>Not</u> Taken	Of employees flagged as not eligible for Social Security/Medicare, 50% are assumed to not be Medicare-eligible at age 65. <ul style="list-style-type: none"> • This reflects that some may become eligible for Medicare at age 65 through a spouse or other employment. • The 50% assumption reflects the absence of additional data to project future Medicare status and also that a minority of employees are flagged in this manner.

These assumptions are implemented, as described earlier, by using blended non-Medicare and Medicare rates where appropriate.

Summary of Demographic Information

The participant data used in the valuation was provided by the University of California as of March 1, 2013. It is assumed that this data is representative of the population as of July 1, 2013. While the participant data was checked for reasonableness, the data was not audited, and the valuation results presented in this report are dependent upon the accuracy of the participant data provided. The table below and on the subsequent page present a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

Table 1

Participant Information

	<u>Campus/Medical Center/Hastings/Other</u>	<u>Lawrence Berkeley National Laboratory</u>	<u>Total</u>
<u>Active Participants*</u>			
Total Counts	117,723	3,312	121,035
Average Age	44.81	44.28	44.80
Average Service	9.31	8.80	9.30
<u>Retired Participants**</u>			
Counts			
Under age 65	9,133	312	9,445
Age 65 and over			
Not Medicare eligible	2,391	146	2,537
Medicare eligible	25,683	1,269	26,952
Total Counts	37,207	1,727	38,934
Average Age	71.81	74.25	71.92
Total Participants	154,930	5,039	159,969

* Active participants who are eligible for but currently opt out of active health coverage are included.

** Retired participants include retirees, disabled participants, and surviving family members. These counts do not include covered dependents of the retired participants, which total 20,532 (comprised of 16,222 spouses and domestic partners and 4,310 children).

Summary of Demographic Information (cont.)

Table 2

Distribution of Service Groups by Age Groups - All Locations

Age Group	Retired* Participants	Active Participants - Years of Service							Total
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	
< 20	19	24	0	0	0	0	0	0	24
20 - 24	5	3,418	28	0	0	0	0	0	3,446
25 - 29	2	9,003	1,589	6	0	0	0	0	10,598
30 - 34	6	9,033	5,153	721	7	0	0	0	14,914
35 - 39	12	7,120	5,538	2,489	428	5	0	0	15,580
40 - 44	40	4,947	5,511	3,616	1,359	265	4	0	15,702
45 - 49	115	3,326	4,218	3,808	2,175	1,199	319	7	15,052
50 - 54	585	2,813	3,401	3,370	2,473	2,058	1,256	340	15,711
55 - 59	2,246	2,118	2,713	2,758	2,130	2,312	1,780	1,333	15,144
60 - 64	6,415	1,236	1,801	1,729	1,339	1,372	1,058	1,114	9,649
65 - 69	8,235	402	685	672	461	480	366	730	3,796
70 - 74	6,891	104	158	136	108	111	83	348	1,048
75 - 79	5,203	38	27	35	34	29	22	120	305
80 - 84	4,198	7	6	6	1	5	2	22	49
85 - 89	2,991	5	0	1	1	0	2	7	16
90 +	1,971	0	0	0	0	0	0	1	1
Total	38,934	43,594	30,828	19,347	10,516	7,836	4,892	4,022	121,035

* Retired participants include retirees, disabled participants, and surviving family members. Does not include 20,532 covered dependents.

Summary of Demographic Information (cont.)

Table 3

Participant Reconciliation - All Locations

	<u>Active Opt-In</u>	<u>Active Opt-Out</u>	<u>Retired Participant Opt-In*</u>	<u>Total</u>
Beginning of Year (7/1/2012)	111,881	6,971	37,574	156,426
New Hire/Data Correction	14,516	1,624	461	16,601
Return to Full-Time	15	0	(15)	0
Retired/Disabled	(2,219)	(21)	2,123	(117)
Death/Termination	(10,485)	(1,247)	(1,120)	(12,852)
Change in Opt-Out Status	137	(137)	(89)	(89)
End of Year (7/1/2013)	113,845	7,190	38,934	159,969

* Retired participants include retirees, disabled participants, and surviving family members. Does not include 20,532 covered dependents.

Assumption Sensitivity

This section provides information about the sensitivity of the Actuarial Accrued Liability and the Normal Cost to certain assumptions made in this actuarial valuation. The discount rate and benefit cost trend rate are the most significant assumptions used in this valuation. The tables below show the effect of increasing and decreasing those assumptions by 100 basis points above/below their projected levels in all future years.

Discount Rate

(All dollar amounts are in thousands)

<u>Actuarial Accrued Liability</u>	<u>Current</u>	<u>+1%</u>		<u>-1%</u>	
		<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
CMCHO	\$ 12,571,505	\$ (1,736,574)	-13.8%	\$ 2,179,010	17.3%
LBNL	\$ 456,804	\$ (58,915)	-12.9%	\$ 73,316	16.0%
Combined - All Locations	\$ 13,028,309	\$ (1,795,489)	-13.8%	\$ 2,252,326	17.3%
 <u>Normal Cost</u>					
	<u>Current</u>	<u>+1%</u>		<u>-1%</u>	
		<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
CMCHO	\$ 357,249	\$ (82,932)	-23.2%	\$ 113,516	31.8%
LBNL	\$ 11,500	\$ (2,754)	-23.9%	\$ 3,795	33.0%
Combined - All Locations	\$ 368,749	\$ (85,686)	-23.2%	\$ 117,311	31.8%

Assumption Sensitivity (cont.)

Benefit Cost Trend

(All dollar amounts are in thousands)

<u>Actuarial Accrued Liability</u>	Current	+1%		-1%	
		\$ Change	% Change	\$ Change	% Change
CMCHO	\$ 12,571,505	\$ 2,278,410	18.1%	\$ (1,802,679)	-14.3%
LBNL	\$ 456,804	\$ 75,370	16.5%	\$ (60,401)	-13.2%
Combined - All Locations	\$ 13,028,309	\$ 2,353,780	18.1%	\$ (1,863,080)	-14.3%
 <u>Normal Cost</u>					
	Current	+1%		-1%	
		\$ Change	% Change	\$ Change	% Change
CMCHO	\$ 357,249	\$ 103,538	29.0%	\$ (75,577)	-21.2%
LBNL	\$ 11,500	\$ 3,615	31.4%	\$ (2,596)	-22.6%
Combined - All Locations	\$ 368,749	\$ 107,153	29.1%	\$ (78,173)	-21.2%

Glossary

Brief explanations of terms used in this report:

Actuarial Accrued Liability (AAL). The portion of the Present Value of Future Benefits that is attributed to accrued service as of the valuation date, based on the actuarial cost method.

Annual OPEB Expense. The amount recognized by an employer in each accounting period for contributions to a defined benefit OPEB plan on the modified accrual basis of accounting.

Annual Required Contribution (ARC). The employer's annual required contributions to an OPEB plan calculated in accordance with GASB 45.

Covered Payroll. Annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate.

Net OPEB Obligation (NOO). The cumulative difference between the annual OPEB cost and employer contributions since the adoption date of GASB 45.

Normal Cost (NC). The portion of the Total Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method.

Other Postemployment Benefits (OPEB). Retiree health care benefits and post-employment benefits provided separately from a pension plan (excluding termination offers and benefits).

Present Value of Future Benefits (PVFB). The value, as of the valuation date, of the projected benefits payable to all members for their accrued service and their expected future service, discounted to reflect the time value (present value) of money and adjusted for the probabilities of retirement, withdrawal, death and disability.

Unfunded Actuarial Accrued Liability (UAAL). The portion of the Actuarial Accrued Liability that exceeds the current plan assets.

Deloitte.