

Deloitte.

**University Of California
Retiree Health Benefit Program**

Actuarial Valuation as of July 1, 2007



Table of Contents

<u>Section</u>	<u>Description</u>	<u>Page</u>
	Actuarial Valuation Certification.....	ii
I.	Executive Summary	1
II.	Background and Comments.....	3
III.	Summary of Actuarial Valuation Results	6
IV.	Development of Unfunded Actuarial Accrued Liability	16
V.	Determination of Annual Required Contribution	21
VI.	GASB Statement No. 45 Notes to the Financial Statements and RSI	30
VII.	10-Year Projection of Employer Benefit Payments	39
VIII.	Summary of Plan Provisions	44
IX.	Summary of Actuarial Methods and Assumptions	54
X.	Summary of Demographic Information.....	71
XI.	Assumption Sensitivity	73
XII.	Glossary.....	75

Actuarial Valuation Certification


This report presents results of the actuarial valuation of the **UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT PROGRAM** (“the Plan”) as of July 1, 2007. To the best of our knowledge, this report is complete and accurate and presents fairly the actuarial position of the Plan in accordance with our understanding of the requirements of Statement No. 45 of the Government Accounting Standards Board (“GASB 45”) and generally accepted actuarial principles as prescribed by the American Academy of Actuaries.

In preparing this report, we have relied upon information regarding plan provisions and plan participants provided by **UNIVERSITY OF CALIFORNIA**. We assumed this information was accurate and complete but we have not audited this information. Estimates were made where data was missing or unavailable. The assumptions used in this report were selected by **UNIVERSITY OF CALIFORNIA**.

In our opinion, all costs, liabilities, rates of interest, and other factors under the Plan have been determined on the basis of actuarial assumptions and methods that are each reasonable (taking into account the experience of the Plan and future expectations) and which, when combined, represent a reasonable estimate of anticipated experience under the Plan. As noted above, the calculations we present in this report were prepared in accordance with our understanding of the requirements of GASB 45. Calculations prepared for purposes other than governmental employer accounting may be significantly different.

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.

Deloitte Consulting LLP



Tim O’Beirne, ASA, MAAA*
Specialist Leader



Michael de Leon, FCA, EA, MAAA*
Senior Manager

*Meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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.

For the University of California (“the University” or “UC”), these requirements mean that the University is required to adopt GASB 45 for the fiscal year beginning July 1, 2007, since it is a “Phase 1” entity for implementation of GASB 45; and the University must include disclosures in its financial reporting for the retiree health benefits currently offered.

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 and Medical Centers, the key measures for the July 1, 2007 retiree health actuarial valuation are:

- The July 1, 2007 Actuarial Accrued Liability (AAL) is **\$12.1 billion**.
- The Annual Required Contribution (ARC) for Fiscal Year 2007/2008 is **\$1.355 billion**, consisting of:
 - A normal cost of \$531 million, approximately 7.9% of University of California Retirement Plan (“UCRP”) covered payroll, and
 - An amortization cost of \$824 million, approximately 12.3% 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, 2007, the funded ratio for retiree health benefits was 0%.

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 and Medical Centers) 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.

Background and Comments

Overview of Plans

The University of California provides a continuation of the active health benefit program for eligible retirees, including a choice of medical and dental 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 pay Medicare Part B premiums for eligible retirees. Spouses/domestic partners and dependents of retirees are also eligible for postretirement health coverage. A summary of the substantive plan benefits are described in Section VIII of this report.

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.
- In addition, results are presented separately for the Lawrence Berkeley National Laboratory (LBNL), a Department of Energy (DOE) laboratory managed and operated by the University, and the UC Hastings College of the Law.
- This report includes the combined results for the University's Campuses and Medical Centers and the LBNL population, and the combined results for all three entities.

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 was completed in April 2007 for the four-year period ending June 30, 2006. The recommendations of that study were used to determine the assumptions for this valuation, where applicable.

Background and Comments (cont.)

One significant area where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. The University of California elected to use a discount rate of 5.5%. Since the University's retiree health benefits are not currently being funded by assets in a separate trust, GASB 45 requires that the discount rate be based on the estimated long-term investment yield on the general assets. The general assets of the University are held in the Short Term Investment Pool ("STIP"). The assets held in the STIP generally have to be more liquid and risk averse than the assets of UCRP; therefore, the expected long-term investment yield is lower for the STIP.

The actuarial methods and assumptions are described in more detail in Section IX of this report. Additionally, Section XI illustrates the impact that changes to the discount and medical 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.

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 postretirement 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 active employees. Since the employer generally pays a large portion or all of the premiums for the active employees, this subsidy creates a liability for the employer.

Background and Comments (cont.)

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 actuarial accrued liability for the Implicit Rate Subsidy for the Campuses and Medical Centers is approximately \$1.79 billion as of July 1, 2007. This is approximately 14% of the total actuarial accrued liability for the Retiree Health Benefit Program.

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 2007/2008 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/Other (CMCO)</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability			
(1) Active Participants	\$ 6,753,027	\$ 1,066,424	\$ 7,819,451
(2) Inactive Participants*	3,529,433	725,805	4,255,238
(3) Total	\$ 10,282,460	\$ 1,792,229	\$ 12,074,689
b. Market Value of UCRHBT Assets	-	-	-
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 10,282,460	\$ 1,792,229	\$ 12,074,689
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	153.0%	26.7%	179.7%
f. Annual Required Contribution (ARC) at Year End	\$ 1,167,447	\$ 187,915	\$ 1,355,362
g. Annual Retiree Health Benefit Expense at Year End	\$ 1,167,447	\$ 187,915	\$ 1,355,362

* Inactive participants include retirees, disabled participants, and surviving family members.

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Campus/Medical Center/Other (CMCO)</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
h. Expected University Contributions			
(1) To UCRHBT	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(205,819)	-	(205,819)
(3) Implicit Subsidy	-	(43,036)	(43,036)
(4) Total Contributions	\$ (205,819)	\$ (43,036)	\$ (248,855)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 961,628	\$ 144,879	\$ 1,106,507
j. Obligations for Retiree Health Benefits			
(1) Beginning of Year	\$ -	\$ -	\$ -
(2) End of Year: (j.1) + (i)	\$ 961,628	\$ 144,879	\$ 1,106,507
k. Participant Counts			
(1) Active Participants			109,983
(2) Inactive Participants			31,247
(3) Total			141,230
l. Covered Payroll			\$ 6,720,789

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Lawrence Berkeley National Laboratory</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability			
(1) Active Participants	\$ 201,394	\$ 31,655	\$ 233,049
(2) Inactive Participants*	183,467	43,263	226,730
(3) Total	\$ 384,861	\$ 74,918	\$ 459,779
b. Market Value of UCRHBT Assets	-	-	-
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 384,861	\$ 74,918	\$ 459,779
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (1)	5.7%	1.1%	6.8%
f. Annual Required Contribution (ARC) at Year End	\$ 37,476	\$ 6,950	\$ 44,426
g. Annual Retiree Health Benefit Expense at Year End	\$ 37,476	\$ 6,950	\$ 44,426

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Lawrence Berkeley National Laboratory</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
h. Expected University Contributions			
(1) To UCRHBT	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(11,074)	-	(11,074)
(3) Implicit Subsidy	-	(2,384)	(2,384)
(4) Total Contributions	\$ (11,074)	\$ (2,384)	\$ (13,458)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 26,402	\$ 4,566	\$ 30,968
j. Obligations for Retiree Health Benefits			
(1) Beginning of Year	\$ -	\$ -	\$ -
(2) End of Year: (j.1) + (i)	\$ 26,402	\$ 4,566	\$ 30,968
k. Participant Counts			
(1) Active Participants			2,586
(2) Inactive Participants			1,685
(3) Total			4,271
l. Covered Payroll			\$ 192,678

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>CMCO + LBNL</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability			
(1) Active Participants	\$ 6,954,421	\$ 1,098,079	\$ 8,052,500
(2) Inactive Participants*	<u>3,712,900</u>	<u>769,068</u>	<u>4,481,968</u>
(3) Total	\$ 10,667,321	\$ 1,867,147	\$ 12,534,468
b. Market Value of UCRHBT Assets	-	-	-
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 10,667,321	\$ 1,867,147	\$ 12,534,468
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	158.7%	27.8%	186.5%
f. Annual Required Contribution (ARC) at Year End	\$ 1,204,923	\$ 194,865	\$ 1,399,788
g. Annual Retiree Health Benefit Expense at Year End	\$ 1,204,923	\$ 194,865	\$ 1,399,788

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>CMCO + LBNL</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
h. Expected University Contributions			
(1) To UCRHBT	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(216,893)	-	(216,893)
(3) Implicit Subsidy	-	(45,420)	(45,420)
(4) Total Contributions	\$ (216,893)	\$ (45,420)	\$ (262,313)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 988,030	\$ 149,445	\$ 1,137,475
j. Obligations for Retiree Health Benefits			
(1) Beginning of Year	\$ -	\$ -	\$ -
(2) End of Year: (j.1) + (i)	\$ 988,030	\$ 149,445	\$ 1,137,475
k. Participant Counts			
(1) Active Participants			112,569
(2) Inactive Participants			32,932
(3) Total			145,501
l. Covered Payroll			\$ 6,913,467

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Hastings College of the Law (Hastings)</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability			
(1) Active Participants	\$ 16,481	\$ 2,498	\$ 18,979
(2) Inactive Participants*	8,623	2,066	10,689
(3) Total	\$ 25,104	\$ 4,564	\$ 29,668
b. Market Value of UCRHBT Assets	-	-	-
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 25,104	\$ 4,564	\$ 29,668
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	0.4%	0.1%	0.4%
f. Annual Required Contribution (ARC) at Year End	\$ 2,715	\$ 450	\$ 3,165
g. Annual Retiree Health Benefit Expense at Year End	\$ 2,715	\$ 450	\$ 3,165

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Hastings College of the Law (Hastings)</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
h. Expected University Contributions			
(1) To UCRHBT	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(547)	-	(547)
(3) Implicit Subsidy	-	(130)	(130)
(4) Total Contributions	\$ (547)	\$ (130)	\$ (677)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 2,168	\$ 320	\$ 2,488
j. Obligations for Retiree Health Benefits			
(1) Beginning of Year	\$ -	\$ -	\$ -
(2) End of Year: (j.1) + (i)	\$ 2,168	\$ 320	\$ 2,488
k. Participant Counts			
(1) Active Participants			228
(2) Inactive Participants			78
(3) Total			306
l. Covered Payroll			\$ 17,305

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Combined - All Locations</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
a. Actuarial Accrued Liability			
(1) Active Participants	\$ 6,970,902	\$ 1,100,577	\$ 8,071,479
(2) Inactive Participants*	<u>3,721,523</u>	<u>771,134</u>	<u>4,492,657</u>
(3) Total	\$ 10,692,425	\$ 1,871,711	\$ 12,564,136
b. Market Value of UCRHBT Assets	-	-	-
c. Unfunded Actuarial Accrued Liability (UAAL): (a) - (b)	\$ 10,692,425	\$ 1,871,711	\$ 12,564,136
d. Funded Ratio: (b) / (a)	0.0%	0.0%	0.0%
e. UAAL as a Percentage of Covered Payroll: (c) / (l)	159.1%	27.8%	186.9%
f. Annual Required Contribution (ARC) at Year End	\$ 1,207,638	\$ 195,315	\$ 1,402,953
g. Annual Retiree Health Benefit Expense at Year End	\$ 1,207,638	\$ 195,315	\$ 1,402,953

Summary of Actuarial Valuation Results (cont.)

(All dollar amounts are in thousands)

	<i>Combined - All Locations</i>		
	July 1, 2007		
	Explicit Subsidy	Implicit Subsidy	Total
h. Expected University Contributions			
(1) To UCRHBT	\$ -	\$ -	\$ -
(2) To Health Care Insurers and Administrators	(217,440)	-	(217,440)
(3) Implicit Subsidy	-	(45,550)	(45,550)
(4) Total Contributions	\$ (217,440)	\$ (45,550)	\$ (262,990)
i. Increase in Obligations for Retiree Health Benefits: (g) + (h)	\$ 990,198	\$ 149,765	\$ 1,139,963
j. Obligations for Retiree Health Benefits			
(1) Beginning of Year	\$ -	\$ -	\$ -
(2) End of Year: (j.1) + (i)	\$ 990,198	\$ 149,765	\$ 1,139,963
k. Participant Counts			
(1) Active Participants			112,797
(2) Inactive Participants			33,010
(3) Total			145,807
l. Covered Payroll			\$ 6,930,772

Development of Unfunded Actuarial Accrued Liability

This section develops the Unfunded Actuarial Accrued Liability (UAAL), which is the actuarial accrued liability net 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>CMCO</i>		
		July 1, 2007		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 10,069,351	\$ 1,532,584	\$ 11,601,935
	Inactive Participants	3,529,433	725,805	4,255,238
	Total	\$ 13,598,784	\$ 2,258,389	\$ 15,857,173
b.	Total Present Value of Future Normal Costs	\$ 3,316,324	\$ 466,160	\$ 3,782,484
c.	Actuarial Accrued Liability: (a) - (b)	\$ 10,282,460	\$ 1,792,229	\$ 12,074,689
d.	Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 10,282,460	\$ 1,792,229	\$ 12,074,689

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		<i>LBNL</i>		
		July 1, 2007		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 279,751	\$ 44,354	\$ 324,105
	Inactive Participants	183,467	43,263	226,730
	Total	\$ 463,218	\$ 87,617	\$ 550,835
b.	Total Present Value of Future Normal Costs	\$ 78,357	\$ 12,699	\$ 91,056
c.	Actuarial Accrued Liability: (a) - (b)	\$ 384,861	\$ 74,918	\$ 459,779
d.	Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 384,861	\$ 74,918	\$ 459,779

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		CMCO + LBNL		
		July 1, 2007		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 10,349,102	\$ 1,576,938	\$ 11,926,040
	Inactive Participants	3,712,900	769,068	4,481,968
	Total	\$ 14,062,002	\$ 2,346,006	\$ 16,408,008
b.	Total Present Value of Future Normal Costs	\$ 3,394,681	\$ 478,859	\$ 3,873,540
c.	Actuarial Accrued Liability: (a) - (b)	\$ 10,667,321	\$ 1,867,147	\$ 12,534,468
d.	Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 10,667,321	\$ 1,867,147	\$ 12,534,468

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		<i>Hastings</i>		
		July 1, 2007		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 22,978	\$ 3,400	\$ 26,378
	Inactive Participants	8,623	2,066	10,689
	Total	\$ 31,601	\$ 5,466	\$ 37,067
b.	Total Present Value of Future Normal Costs	\$ 6,497	\$ 902	\$ 7,399
c.	Actuarial Accrued Liability: (a) - (b)	\$ 25,104	\$ 4,564	\$ 29,668
d.	Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 25,104	\$ 4,564	\$ 29,668

Development of Unfunded Actuarial Accrued Liability (cont.)

(All dollar amounts are in thousands)

		<i>Combined - All Locations</i>		
		July 1, 2007		
		Explicit Subsidy	Implicit Subsidy	Total
a.	Present Value of Future Benefits			
	Active Participants	\$ 10,372,080	\$ 1,580,338	\$ 11,952,418
	Inactive Participants	3,721,523	771,134	4,492,657
	Total	\$ 14,093,603	\$ 2,351,472	\$ 16,445,075
b.	Total Present Value of Future Normal Costs	\$ 3,401,178	\$ 479,761	\$ 3,880,939
c.	Actuarial Accrued Liability: (a) - (b)	\$ 10,692,425	\$ 1,871,711	\$ 12,564,136
d.	Assets	\$ -	\$ -	\$ -
e.	Unfunded Actuarial Accrued Liability (UAAL): (c) - (d)	\$ 10,692,425	\$ 1,871,711	\$ 12,564,136

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 plan changes.
- **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 five pages present the Annual Required Contribution development for the fiscal year ending June 30, 2008. 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, 2008

(All dollar amounts are in thousands)

	<i>CMCO</i>		
	Explicit Subsidy	Implicit Subsidy	Total
a. Normal Cost	\$ 441,345	\$ 62,353	\$ 503,698
b. Amortization Payment	670,605	116,887	787,492
c. Interest to End of Year* [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	55,497	8,675	64,172
d. Annual Required Contribution as of June 30, 2008	\$ 1,167,447	\$ 187,915	\$ 1,355,362
e. Expected University Contribution	(205,819)	(43,036)	(248,855)

* 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, 2008

(All dollar amounts are in thousands)

	<i>LBNL</i>		
	Explicit Subsidy	Implicit Subsidy	Total
a. Normal Cost	\$ 10,711	\$ 1,764	\$ 12,475
b. Amortization Payment	25,100	4,886	29,986
c. Interest to End of Year* [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	1,665	300	1,965
d. Annual Required Contribution as of June 30, 2008	\$ 37,476	\$ 6,950	\$ 44,426
e. Expected University Contribution	(11,074)	(2,384)	(13,458)

* 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, 2008

(All dollar amounts are in thousands)

	<i>CMCO + LBNL</i>		
	Explicit Subsidy	Implicit Subsidy	Total
a. Normal Cost	\$ 452,056	\$ 64,117	\$ 516,173
b. Amortization Payment	695,705	121,773	817,478
c. Interest to End of Year* [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	57,162	8,975	66,137
d. Annual Required Contribution as of June 30, 2008	\$ 1,204,923	\$ 194,865	\$ 1,399,788
e. Expected University Contribution	(216,893)	(45,420)	(262,313)

* 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, 2008

(All dollar amounts are in thousands)

	<i>Hastings</i>		
	Explicit Subsidy	Implicit Subsidy	Total
a. Normal Cost	\$ 951	\$ 132	\$ 1,083
b. Amortization Payment	1,637	298	1,935
c. Interest to End of Year* [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	127	20	147
d. Annual Required Contribution as of June 30, 2008	\$ 2,715	\$ 450	\$ 3,165
e. Expected University Contribution	(547)	(130)	(677)

* 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, 2008

(All dollar amounts are in thousands)

	<i>Combined - All Locations</i>		
	Explicit Subsidy	Implicit Subsidy	Total
a. Normal Cost	\$ 453,007	\$ 64,249	\$ 517,256
b. Amortization Payment	697,342	122,071	819,413
c. Interest to End of Year* [(a) + (b)] x 5.5% + (e) x [5.5% / 2]	57,289	8,995	66,284
d. Annual Required Contribution as of June 30, 2008	\$ 1,207,638	\$ 195,315	\$ 1,402,953
e. Expected University Contribution	(217,440)	(45,550)	(262,990)

* Includes interest on expected benefit payments made throughout the year

Determination of Annual Required Contribution (cont.)

Schedule of Amortization Payments

(All dollar amounts are in thousands)

<u>CMCO</u>						
	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Years</u>	<u>Remaining Years</u>	<u>7/1/2007 Balance</u>	<u>Amortization Amount</u>
Initial UAAL	7/1/2007	\$ 12,074,689	30 Years	30 Years	\$ 12,074,689	\$ 787,492

<u>LBNL</u>						
	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Years</u>	<u>Remaining Years</u>	<u>7/1/2007 Balance</u>	<u>Amortization Amount</u>
Initial UAAL	7/1/2007	\$ 459,779	30 Years	30 Years	\$ 459,779	\$ 29,986

Determination of Annual Required Contribution (cont.)

Schedule of Amortization Payments

(All dollar amounts are in thousands)

<u>CMCO + LBNL</u>						
	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Years</u>	<u>Remaining Years</u>	<u>7/1/2007 Balance</u>	<u>Amortization Amount</u>
Initial UAAL	7/1/2007	\$ 12,534,468	30 Years	30 Years	\$ 12,534,468	\$ 817,478

<u>Hastings</u>						
	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Years</u>	<u>Remaining Years</u>	<u>7/1/2007 Balance</u>	<u>Amortization Amount</u>
Initial UAAL	7/1/2007	\$ 29,668	30 Years	30 Years	\$ 29,668	\$ 1,935

Determination of Annual Required Contribution (cont.)

Schedule of Amortization Payments

(All dollar amounts are in thousands)

<u>Combined - All Locations</u>						
	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Years</u>	<u>Remaining Years</u>	<u>7/1/2007 Balance</u>	<u>Amortization Amount</u>
Initial UAAL	7/1/2007	\$ 12,564,136	30 Years	30 Years	\$ 12,564,136	\$ 819,413

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>CMCO</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	\$ -	\$ 12,074,689	\$ 12,074,689	0.0%	\$ 6,720,789	179.7%

<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%

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>CMCO + LBNL</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(c) (b) - (a)	(d) (a) / (b)	(e)	(f) [(b) - (a)] / (e)
July 1, 2007	\$ -	\$ 12,534,468	\$ 12,534,468	0.0%	\$ 6,913,467	181.3%

<u>Hastings</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(c) (b) - (a)	(d) (a) / (b)	(e)	(f) [(b) - (a)] / (e)
July 1, 2007	\$ -	\$ 29,668	\$ 29,668	0.0%	\$ 17,305	171.4%

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>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(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%

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>CMCO</u>				
Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,355,362	\$ 248,855	18.4%	\$ 1,106,507

<u>LBNL</u>				
Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$ 44,426	\$ 13,458	30.3%	\$ 30,968

<u>CMCO + LBNL</u>				
Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,399,788	\$ 262,313	18.7%	\$ 1,137,475

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>Hastings</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	\$ 3,165	\$ 677	21.4%	\$ 2,488

<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	\$ 262,990	18.7%	\$ 1,139,963

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>CMCO</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)	(e)	(f)	(g)	(h)
				[prior year (h)] / (c) x 1.055	(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2007								\$ -
June 30, 2008	\$ 1,355,362	\$ -	N/A	\$ -	\$ 1,355,362	\$ 248,855	\$ 1,106,507	\$ 1,106,507

<u>LBNL</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)	(e)	(f)	(g)	(h)
				[prior year (h)] / (c) x 1.055	(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2007								\$ -
June 30, 2008	\$ 44,426	\$ -	N/A	\$ -	\$ 44,426	\$ 13,458	\$ 30,968	\$ 30,968

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>CMCO + LBNL</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)	(e)	(f)	(g)	(h)
				[prior year (h)] / (c) x 1.055	(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2007								\$ -
June 30, 2008	\$ 1,399,788	\$ -	N/A	\$ -	\$ 1,399,788	\$ 262,313	\$ 1,137,475	\$ 1,137,475

<u>Hastings</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)	(e)	(f)	(g)	(h)
				[prior year (h)] / (c) x 1.055	(a) + (b) - (d)		(e) - (f)	Prior Year + (g)
June 30, 2007								\$ -
June 30, 2008	\$ 3,165	\$ -	N/A	\$ -	\$ 3,165	\$ 677	\$ 2,488	\$ 2,488

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) (a)	Interest on NOO (b)	Amortization Factor (c)	ARC Adjustment with Interest (d) [prior year (h)] / (c) x 1.055	Annual OPEB Cost (e) (a) + (b) - (d)	Employer Contribution (f)	Change in NOO (g) (e) - (f)	NOO Balance (h) Prior Year + (g)
June 30, 2007								\$ -
June 30, 2008	\$ 1,402,953	\$ -	N/A	\$ -	\$ 1,402,953	\$ 262,990	\$ 1,139,963	\$ 1,139,963

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 current program design. These projected benefit payments are based on the actuarial assumptions shown in Section IX. 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>CMCO</u>							
<u>Fiscal Year Ending 6/30</u>	<u>Number of Inactive Participants</u>	<u>Projected Employer Cash Payouts</u>				<u>Medical Implicit Subsidy</u>	<u>Grand Total</u>
		<u>Medical</u>	<u>Dental</u>	<u>Wellness</u>	<u>Subtotal</u>		
2008	48,205	\$ 183,193	\$ 20,673	\$ 1,953	\$ 205,819	\$ 43,037	\$ 248,855
2009	50,501	210,552	22,575	2,047	235,174	51,440	286,614
2010	52,958	239,470	24,662	2,148	266,279	61,146	327,425
2011	55,744	269,922	26,986	2,261	299,169	71,477	370,646
2012	58,766	302,617	29,555	2,385	334,556	81,403	415,959
2013	61,948	337,923	32,374	2,592	372,889	89,958	462,847
2014	65,181	375,049	35,424	2,811	413,284	100,189	513,473
2015	68,464	413,824	38,723	3,044	455,590	110,291	565,881
2016	71,784	453,697	42,285	3,290	499,271	119,890	619,161
2017	75,095	494,657	46,111	3,547	544,315	129,715	674,030

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

(All dollar amounts are in thousands)

<u>LBNL</u>							
Fiscal Year Ending 6/30	Number of Inactive Participants	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2008	2,606	\$ 9,867	\$ 1,131	\$ 77	\$ 11,074	\$ 2,383	\$ 13,458
2009	2,651	11,012	1,199	78	12,289	2,767	15,056
2010	2,699	12,162	1,272	80	13,514	3,262	16,776
2011	2,746	13,290	1,349	81	14,720	3,663	18,383
2012	2,793	14,389	1,431	82	15,902	4,042	19,944
2013	2,838	15,554	1,517	86	17,157	4,370	21,527
2014	2,879	16,706	1,607	90	18,402	4,683	23,085
2015	2,921	17,875	1,702	94	19,672	5,011	24,682
2016	2,960	18,977	1,802	98	20,877	5,262	26,139
2017	2,995	20,036	1,905	102	22,044	5,497	27,541

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

(All dollar amounts are in thousands)

<u>CMCO + LBNL</u>							
Fiscal Year Ending 6/30	Number of Inactive Participants	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2008	50,811	\$ 193,059	\$ 21,803	\$ 2,030	\$ 216,893	\$ 45,420	\$ 262,313
2009	53,152	221,563	23,775	2,126	247,464	54,206	301,670
2010	55,657	251,632	25,934	2,227	279,793	64,408	344,201
2011	58,490	283,212	28,335	2,342	313,889	75,140	389,029
2012	61,559	317,006	30,986	2,467	350,459	85,445	435,904
2013	64,786	353,477	33,891	2,678	390,046	94,328	484,374
2014	68,060	391,755	37,031	2,901	431,687	104,871	536,558
2015	71,384	431,699	40,425	3,138	475,262	115,301	590,563
2016	74,744	472,673	44,087	3,388	520,148	125,152	645,300
2017	78,090	514,694	48,016	3,650	566,360	135,211	701,571

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

(All dollar amounts are in thousands)

<i>Hastings</i>							
<u>Fiscal Year Ending 6/30</u>	<u>Number of Inactive Participants</u>	<u>Projected Employer Cash Payouts</u>				<u>Medical Implicit Subsidy</u>	<u>Grand Total</u>
		<u>Medical</u>	<u>Dental</u>	<u>Wellness</u>	<u>Subtotal</u>		
2008	128	\$ 487	\$ 54	\$ 5	\$ 547	\$ 130	\$ 677
2009	138	575	61	6	641	161	802
2010	148	668	68	6	742	184	926
2011	159	761	75	6	843	223	1,065
2012	168	860	83	7	950	267	1,217
2013	178	963	92	7	1,062	275	1,337
2014	187	1,076	100	8	1,184	315	1,499
2015	196	1,182	109	9	1,300	313	1,612
2016	203	1,292	119	9	1,420	344	1,764
2017	210	1,391	128	10	1,529	394	1,923

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 Inactive Participants	Projected Employer Cash Payouts				Medical Implicit Subsidy	Grand Total
		Medical	Dental	Wellness	Subtotal		
2008	50,940	\$ 193,547	\$ 21,858	\$ 2,036	\$ 217,440	\$ 45,550	\$ 262,990
2009	53,290	222,138	23,835	2,131	248,105	54,367	302,472
2010	55,805	252,300	26,002	2,233	280,535	64,592	345,127
2011	58,649	283,973	28,410	2,348	314,732	75,363	390,094
2012	61,728	317,866	31,068	2,474	351,409	85,712	437,120
2013	64,964	354,440	33,982	2,686	391,108	94,603	485,711
2014	68,248	392,831	37,131	2,909	432,871	105,187	538,058
2015	71,580	432,881	40,534	3,147	476,561	115,614	592,175
2016	74,947	473,966	44,205	3,397	521,568	125,496	647,064
2017	78,300	516,085	48,144	3,660	567,889	135,606	703,494

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 Retirement Plan participants who are eligible for retirement under UCRP and elect UCRP monthly retirement income are eligible for retiree health coverage offered by the University if:
- The employee was enrolled in medical and dental insurance coverage at the time of separation;
 - The employee's retirement date is within 120 days of his or her separation from UC employment;
 - The employee meets the University's service credit requirements (see "Graduated Eligibility" below) at the time of retirement; and
 - The employee elects to continue medical and dental insurance coverage at the time of retirement (however, see description of "suspended coverage" below).

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" their health coverage and retain the right to become covered under the University's retiree health plans in the future. Renewed coverage could occur mid-year if a retiree loses coverage under another group health plan, or at an annual open enrollment.

Graduated Eligibility: For employees who retire and meet the definition of 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.

- **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 University’s maximum 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); or
 - Employees retire at age 55 or later and have least 5 years of UC 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 receive a percentage of the University’s maximum contribution toward the medical and/or dental coverage, defined as follows:

Years of Service*	Percentage of the “Maximum University Contribution”
0 – 4	Not eligible
5 – 9	If age plus years of service equal at least 75, then 50%; otherwise not eligible
10	50%
11 – 20	Increases in 5% increments to 100% (55%, 60% ... 95%, 100%)

* Only whole years of service credit are considered

Medical Plans:

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

- 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 offered to retirees and provide the basic benefit provisions and eligibility for each.

Medical	Benefit Provisions	Eligibility												
<p align="center">Health Net and Western Health Advantage (WHA) (HMOs)</p>	<table border="0"> <tr> <td>Deductible</td> <td>None</td> </tr> <tr> <td>Out-of-Pocket Limit (including deductible)</td> <td>\$1,000</td> </tr> <tr> <td>Doctor Office Visits</td> <td>\$15 co-pay</td> </tr> <tr> <td>Inpatient</td> <td>\$250 co-pay per admit</td> </tr> <tr> <td>Prescription Drug Co-pays</td> <td>\$10 Generic / \$20 Brand / \$35 Non-Formulary</td> </tr> <tr> <td>Lifetime Maximum</td> <td>None</td> </tr> </table>	Deductible	None	Out-of-Pocket Limit (including deductible)	\$1,000	Doctor Office Visits	\$15 co-pay	Inpatient	\$250 co-pay per admit	Prescription Drug Co-pays	\$10 Generic / \$20 Brand / \$35 Non-Formulary	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)	\$1,000													
Doctor Office Visits	\$15 co-pay													
Inpatient	\$250 co-pay per admit													
Prescription Drug Co-pays	\$10 Generic / \$20 Brand / \$35 Non-Formulary													
Lifetime Maximum	None													
<p align="center">Kaiser California (HMO)</p>	<table border="0"> <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>\$15 co-pay</td> </tr> <tr> <td>Inpatient</td> <td>\$250 co-pay per admit</td> </tr> <tr> <td>Prescription Drug Co-pays</td> <td>\$10 Generic / \$20 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	\$15 co-pay	Inpatient	\$250 co-pay per admit	Prescription Drug Co-pays	\$10 Generic / \$20 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	\$15 co-pay													
Inpatient	\$250 co-pay per admit													
Prescription Drug Co-pays	\$10 Generic / \$20 Brand													
Lifetime Maximum	None													

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility	
<p style="text-align: center;">Blue Cross PLUS (Point-of-Service Plan)</p>	<p><u>Network</u></p>	<p>Annuitants retired from The University of California and their eligible dependents living within the Blue Cross PLUS service area.</p>	
	Deductible		None
	Out-of-Pocket Limit (including deductible)		\$1,500
	Doctor Office Visits		\$20 co-pay
	Inpatient		\$250 co-pay per admit
	Prescription Drug Co-pays		\$15 Generic / \$25 Brand / \$40 Non-Formulary
	Lifetime Maximum		None
	<u>Non-Network</u>		
	Deductible		\$500
	Out-of-Pocket Limit (including deductible)		\$5,000
	Coinsurance		30%
	Prescription Drug Co-pays		50% of average wholesale price schedule plus charges above the schedule (waived in emergency)
	Lifetime Maximum		\$2,000,000 per person

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility
<p>Blue Cross PPO</p>	<p><u>Non-Medicare Plan</u></p> <p>Deductible \$250 Network / \$500 Non-Network Out-of-Pocket Limit (including deductible) \$3,000 Network / \$6,000 Non-Network Coinsurance 20% Network / 40% Non-Network Inpatient 20% Network / 40% Non-Network Prescription Drug Co-pays (Network and Non-Network) Same as Blue Cross PLUS Lifetime Maximum \$5,000,000 per person</p> <p><u>Medicare Plan</u></p> <p>Deductible \$100 per person Out-of-Pocket Limit (including deductible) \$1,500 per person Coinsurance 20% Prescription Drug Co-pays \$15 Generic / \$25 Brand / \$40 Non-Formulary Lifetime Maximum \$5,000,000 per person</p>	<p>Annuitants retired from the University of California and their eligible dependents.</p>
<p>High Option Supplement to Medicare</p>	<p>Deductible \$50 per person Out-of-Pocket Limit (including deductible) \$1,050 per person Coinsurance No charge for Medicare covered services; 20% for non-Medicare covered services Prescription Drug Co-pays \$15 Generic / \$25 Brand / \$40 Non-Formulary Lifetime Maximum \$2,000,000 per person</p>	<p>Medicare eligible annuitants retired from the University of California and their eligible Medicare dependents.</p>

Medical Plans (continued):

Medical	Benefit Provisions	Eligibility
<p align="center">CORE (Indemnity/Fee-for-Service Plan)</p>	<p><u>Non-Medicare Plan</u></p> <p>Deductible \$3,000 per person</p> <p>Out-of-Pocket Limit (including deductible) \$7,600 per person</p> <p>Coinsurance 20%</p> <p>Inpatient 20%</p> <p>Prescription Drug Coinsurance 20%</p> <p>Lifetime Maximum \$2,000,000 per person</p> <p><u>Medicare Plan</u></p> <p>Deductible \$100 per person</p> <p>Out-of-Pocket Limit (including deductible) \$1,260 per person</p> <p>Coinsurance 20%</p> <p>Prescription Drug Co-pays \$15 Generic / \$25 Brand / \$40 Non-Formulary</p> <p>Lifetime Maximum \$2,000,000 per person</p>	<p>Annuitants retired from the University of California and their eligible dependents.</p>
<p>Out-of-State HMOs* (Kaiser Umbrella and Kaiser Mid-Atlantic)</p> <p>* Enrollment in these plans is under 100 retirees, and is combined into one plan</p>	<p>Benefit provisions vary by HMO.</p>	<p>Annuitants retired from the University of California and their eligible dependents living within the out-of-state HMO service areas.</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% for most basic services; 50% for restorative</p> <p><u>Orthodontics</u> Coinsurance 50% Lifetime Maximum \$1,500 to age 23; \$500 after age 23</p> <p><u>Annual Plan Maximum</u> \$1,500 (excludes orthodontia) for indemnity</p>	<p>Annuitants retired from the University of California and their eligible dependents.</p>
Dental HMO (DHMO)	<p>DHMO requires small co-pays for basic, restorative and orthodontia benefits.</p>	<p>For DHMO, annuitants retired from the University of California and their eligible dependents living within the DHMO service area.</p>

**Wellness Benefits
and Incentives:**

Beginning in calendar year 2008, the University will offer wellness benefits, administered by StayWell, and will provide an incentive for eligible members completing a health assessment through StayWell.

Retirees are eligible to participate in this program, including the incentive payment, if they are enrolled in any medical plan other than the Kaiser HMOs.

The incentive for completing a health assessment in 2008 will be a gift card valued at \$75, applicable for eligible retirees and any covered adult members.

**Medicare Part B
Reimbursement:**

If the maximum University contribution 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 Medicare Part B premium, which is \$96.40 per month in calendar year 2008. Medicare Part B premium reimbursement is applicable for only Medicare-eligible retirees or other Medicare-eligible covered members.

Medicare Integration:	Medical Plan	Integration Method
	Health Net	N/A (Medicare Advantage)
	Kaiser California	N/A (Medicare Advantage)
	Western Health Advantage (WHA)	N/A (Medicare Advantage)
	Blue Cross PLUS	Carve-out
	Blue Cross PPO	Exclusion
	High Option Supplement to Medicare CORE	Supplement
	Out-of-State HMOs: Kaiser Umbrella	Carve-out
	Kaiser Mid-Atlantic	N/A (Medicare Advantage/Cost)
		N/A (Medicare Cost)

Medicare Integration Types – Brief Definitions:

Carve-Out	To determine the plan payment, the covered charge <i>is reduced by</i> : <ul style="list-style-type: none"> • Member cost-sharing (e.g., deductible, coinsurance, co-pay) <i>as applied to the total covered charge</i>, and • Medicare reimbursement.
Exclusion	The plan payment is the covered charge minus member cost-sharing (e.g., deductible, coinsurance, co-pay) <i>as applied to the <u>difference</u> between the total covered charge and Medicare reimbursement.</i>
Coordination of Benefits (COB)	The plan payment is <i>the smaller of</i> : <ul style="list-style-type: none"> • The amount the plan would have paid in the absence of Medicare (total covered charges minus member cost-sharing [e.g., deductible, coinsurance, co-pay] as applied to the total covered charge), or • The total covered charge minus 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

In addition, the University expects to add voluntary, “retiree-pay-all” vision coverage on July 1, 2008.

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.

Economic Assumptions

Discount Rate: 5.50% annually

Payroll Growth: Not applicable

Demographic Assumptions

Mortality:

Healthy Participants 1994 Group Annuity Reserving Mortality Table for Males and Females unloaded (GAR-94) projected to 2002 with projection scale AA. Ages are set back two years for males and one year for females.

Disabled Participants RP-2000 Disabled Retiree Mortality Table for Males and Females. Ages are set back two years for males and one year for females.

Age	Sample Mortality Rates (%)			
	Healthy Mortality		Disabled Mortality	
	Male	Female	Male	Female
20	0.04	0.03	2.26	0.75
25	0.06	0.03	2.26	0.75
30	0.08	0.03	2.26	0.75
35	0.09	0.04	2.26	0.75
40	0.10	0.06	2.26	0.75
45	0.13	0.09	2.26	0.75
50	0.20	0.12	2.64	1.06
55	0.33	0.21	3.29	1.55
60	0.60	0.40	3.93	2.08
65	1.10	0.79	4.66	2.66
70	1.91	1.31	5.69	3.53
75	2.97	2.07	7.33	4.89
80	4.90	3.59	9.76	6.78
85	8.32	6.20	12.83	9.38
90	13.12	10.98	16.22	13.10
95	20.83	18.06	23.37	18.28
100	30.43	27.38	31.53	23.14
105	39.69	39.00	38.30	27.91
110	48.57	48.35	40.00	35.15
115	50.00	50.00	40.00	39.83

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	0.10	0.06
25	0.10	0.08
30	0.12	0.10
35	0.17	0.16
40	0.22	0.25
45	0.28	0.36
50	0.36	0.53
55	0.47	0.75
60	0.54	0.86
65	0.54	0.86
70	0.54	0.86

Withdrawal: Percent of employees expected to terminate each year is based on employee type, age, and years of service.

Sample Withdrawal Rates (%)						
Whole Years of Service Completed at Valuation Date						
Age	0	1	2	3	4	5 or more
Faculty						
20	24.00	22.00	21.00	21.00	13.00	9.00
25	23.00	20.00	19.00	17.00	11.00	8.00
30	22.00	14.00	12.00	11.00	10.00	7.00
35	19.00	11.00	9.00	7.00	7.00	6.00
40	16.00	10.00	8.00	6.00	5.00	4.00
45	15.00	8.00	6.00	5.00	4.00	3.00
50	14.00	6.00	5.00	4.00	3.00	2.00
55	13.00	5.00	4.00	3.00	3.00	1.00
60	12.00	4.00	3.00	3.00	2.00	1.00
65	11.00	3.00	2.00	2.00	1.00	1.00
Staff/Safety						
20	27.00	24.00	21.00	16.00	15.00	13.00
25	26.00	23.00	20.00	15.00	14.00	12.00
30	24.00	21.00	17.00	14.00	13.00	10.00
35	22.00	17.00	14.00	11.00	10.00	8.00
40	19.00	14.00	11.00	8.00	7.00	6.00
45	17.00	11.00	9.00	6.00	5.00	4.00
50	14.00	9.00	7.00	5.00	4.00	2.00
55	12.00	7.00	6.00	4.00	3.00	2.00
60	11.00	6.00	5.00	3.00	2.00	1.00
65	10.00	5.00	4.00	2.00	1.00	1.00

Retirement: Percent of employees expected to retire each year is based on employee type and age.

Age	Sample Retirement Rates (%)		
	Faculty	Staff	Safety
50	2.00	4.00	15.00
51	1.00	4.00	10.00
52	1.00	4.00	10.00
53	1.00	4.00	10.00
54	1.00	5.00	10.00
55	2.00	5.00	25.00
56	2.00	6.00	25.00
57	2.00	6.00	25.00
58	2.00	8.00	25.00
59	3.00	14.00	25.00
60	5.00	20.00	25.00
61	5.00	20.00	25.00
62	5.00	20.00	50.00
63	5.00	20.00	50.00
64	7.00	25.00	75.00
65	8.00	30.00	100.00
66	9.00	25.00	100.00
67	10.00	25.00	100.00
68	12.00	25.00	100.00
69	15.00	25.00	100.00
70	15.00	20.00	100.00
71	12.00	20.00	100.00
72	12.00	20.00	100.00
73	12.00	20.00	100.00
74	12.00	20.00	100.00
75	100.00	100.00	100.00

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

**Proportion of Retirees
Covering a Spouse or
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.

**Age of Spouse or
Domestic Partner:**

Male retirees are assumed to be three years older than the covered adult member. Female retirees are assumed to be three years younger than the covered adult member.

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, potential reimbursement for Medicare Part B premiums); dental benefits; and wellness benefits/incentives (offered for the first time in calendar year 2008).

The following postemployment plans are offered on a voluntary, “retiree-pay-all” basis and are not valued: Group Legal Plan, Group Auto Insurance Plan, and Accidental Death and Dismemberment Plan. The voluntary, “retiree-pay-all” vision plan that is expected to be added on July 1, 2008 will not be valued either.

Plan Costs (cont.): **Per Capita Costs**

The per capita costs used in the valuation were developed from insured premiums (HMOs, POS, PPO, Dental), projected self-funded accrual rates reflecting estimated claim and administrative costs (High Option Supplement to Medicare, 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, 2007 valuation, the first fiscal year (7/1/2007 – 6/30/2008) costs are based on adjustments to the 2008 insured premiums and self-funded accrual rates for all plans. The 2008 rates were finalized in August, 2007 during the medical plan bidding and renewal processes. The calendar year 2008 rates were reduced by one-half of the appropriate first-year trend assumption to reflect the costs for the first fiscal year.

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. For employees/retirees and spouses/domestic partners, the 2008 rates (by plan and coverage category) and the current enrollment mix by plan and age were used to develop net rates by age band, separately for non-Medicare and Medicare members. Rates were age-graded using the total (active employee and retiree) 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.

- “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.):

These rates are developed separately for retirees and spouses/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/domestic partner age-graded and “flat” rates were loaded to reflect this child coverage.

For Medicare-eligible retirees, both age-graded and “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/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.

Age-Graded Medical Rates for Non-Medicare and Medicare

As described under “Medicare Assumptions” later in this section, some current retirees age 65 and over are not eligible for Medicare, and some future retirees age 65 and over will not be eligible for Medicare. Net rates for non-Medicare coverage reflect this, with premiums extending to the 85 & over age band. Similarly, there are retirees with Medicare coverage under age 65, so the age-graded Medicare net rates include ages down to 25 & under. Medicare net rates for retirees under 65 are set equal to the age 65 net rate, with graduated costs above that.

Plan Costs (cont.): The table below illustrates sample calendar year 2008 non-Medicare age-graded net rates, “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 7/1/2007 to 6/30/2008.

Sample CY 2008 Medical Rates by Plan: *Non-Medicare*

Age	Health Net	Kaiser California	WHA	Blue Cross PLUS	Blue Cross PPO	CORE	Out-of-State HMOs
25 and under	\$246.54	\$225.82	\$262.46	\$290.09	\$299.21	\$35.15	\$267.80
30	\$262.18	\$240.15	\$279.12	\$308.51	\$318.20	\$37.38	\$284.80
35	\$279.62	\$256.13	\$297.69	\$329.03	\$339.36	\$39.87	\$303.74
40	\$293.43	\$268.77	\$312.39	\$345.27	\$356.12	\$41.83	\$318.74
45	\$332.40	\$304.46	\$353.87	\$391.12	\$403.41	\$47.39	\$361.06
50	\$399.66	\$366.07	\$425.48	\$470.27	\$485.04	\$56.98	\$434.12
55	\$473.11	\$433.36	\$503.68	\$556.70	\$574.20	\$67.45	\$513.92
60	\$571.96	\$523.90	\$608.91	\$673.01	\$694.16	\$81.54	\$621.29
65	\$684.79	\$627.25	\$729.04	\$805.78	\$831.10	\$97.63	\$743.85
70	\$785.55	\$719.54	\$836.30	\$924.34	\$953.38	\$111.99	\$853.29
75	\$879.54	\$805.63	\$936.37	\$1,034.94	\$1,067.46	\$125.39	\$955.40
80	\$948.13	\$868.45	\$1,009.38	\$1,115.64	\$1,150.69	\$135.17	\$1,029.89
85 and over	\$979.83	\$897.49	\$1,043.13	\$1,152.95	\$1,189.17	\$139.69	\$1,064.33

Retiree

Flat Rate	\$388.52	\$368.68	\$363.63	\$418.25	\$447.57	\$50.00	\$465.61
Maximum UC Contribution	\$345.91	\$335.62	\$330.57	\$345.91	\$345.91	\$345.91	\$345.91

Spouse/Domestic Partner

Flat Rate	\$427.37	\$405.55	\$399.99	\$460.08	\$492.33	\$56.00	\$512.17
Maximum UC Contribution	\$342.07	\$364.18	\$358.62	\$342.07	\$342.07	\$342.07	\$342.07

Plan Costs (cont.): The table below illustrates sample calendar year 2008 Medicare age-graded net rates, “flat” net rates, and maximum University contributions by plan. For purposes of the valuation, the 2008 Medicare Part B premium of \$96.40 was added to the net rates, both age-based and “flat.” These total rates were reduced by one-half of the first-year trend to represent costs for period 7/1/2007 to 6/30/2008.

Sample CY 2008 Medical Rates by Plan: *Medicare*

Age	Health Net	Kaiser California	WHA	Blue Cross PLUS	Blue Cross PPO	High Option	CORE	Out-of-State HMOs
25 and under	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
30	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
35	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
40	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
45	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
50	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
55	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
60	\$176.35	\$177.02	\$186.50	\$246.44	\$250.38	\$237.63	\$84.09	\$199.93
65	\$181.79	\$182.49	\$192.26	\$254.05	\$258.11	\$244.96	\$86.69	\$206.10
70	\$208.54	\$209.34	\$220.55	\$291.43	\$296.09	\$281.00	\$99.44	\$236.42
75	\$233.49	\$234.39	\$246.94	\$326.30	\$331.51	\$314.63	\$111.34	\$264.71
80	\$251.70	\$252.66	\$266.19	\$351.74	\$357.36	\$339.16	\$120.02	\$285.35
85 and over	\$260.11	\$261.11	\$275.09	\$363.50	\$369.31	\$350.50	\$124.04	\$294.89

Retiree

Flat Rate	\$218.30	\$226.31	\$225.34	\$300.32	\$302.91	\$331.00	\$107.00	\$260.71
Maximum UC Contribution	\$345.91	\$335.62	\$330.57	\$345.91	\$345.91	\$345.91	\$345.91	\$345.91

Spouse/Domestic Partner

Flat Rate	\$218.30	\$226.31	\$225.34	\$300.32	\$302.91	\$330.00	\$107.00	\$260.71
Maximum UC Contribution	\$342.07	\$364.18	\$358.62	\$342.07	\$342.07	\$342.07	\$342.07	\$342.07

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 2008 dental rates used to develop this per-covered-adult net rate are:

Plan	Single	Adult + Child(ren)	Two Adults	Family
Dental PPO	\$37.82	\$76.92	\$70.79	\$125.76
Dental HMO	\$20.10	\$34.64	\$34.49	\$49.04

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 2008, the University will pay the full amount for the two types of costs associated with the wellness benefit:

- Administrative fees for StayWell services. These will vary depending on the health assessment completion rate during 2008. For purposes of this valuation, a completion rate of 35% is assumed. Based on the fee structure and this participation level, the assumed administrative fee cost is \$2.10 per eligible covered adult per month.
- Incentive Costs. The estimated cost for calendar year 2008 for this component again assumes 35% completion by all eligible covered adult members.

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 following trend rates are used to project the medical net rates (age-graded and ‘flat’) shown above into future years.

- The trends reflect a decrease from the levels of increases in recent years to a level of 5% annually after nine years.
- This approach is consistent with the assumption that health costs, which are currently at approximately 16% of GDP, will not grow faster than GDP indefinitely. The assumptions below assume that medical costs rise to approximately 20% of GDP after nine years and remain at that level.
- Three different trend projections are used to reflect the differences in benefit design of each. The PPO and Indemnity plans are each assumed to have higher initial trend due to the leveraging effect of their cost-sharing benefit provisions.

Fiscal Year Ending (1)		Annual Medical Trend (%)		
		HMO/POS Plans (2)	PPO Plans (2)	Indemnity Plan (2)
<u>From</u>	<u>To</u>			
2008	2009	10.00	11.00	12.00
2009	2010	9.00	10.00	11.00
2010	2011	8.00	9.00	10.00
2011	2012	7.50	8.00	9.00
2012	2013	7.00	7.00	8.00
2013	2014	6.50	6.50	7.00
2014	2015	6.00	6.00	6.00
2015	2016	5.50	5.50	5.50
All Future Years		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 PPO Plan, medical net rates in Fiscal Year 2009 are assumed to be 11.00% higher than they were in Fiscal Year 2008

- (2) **HMO Plans:** Health Net, Kaiser California, Kaiser Umbrella, Kaiser Mid-Atlantic, and Western Health Advantage
POS Plan: Blue Cross of California PLUS
PPO Plans: Blue Cross of California PPO and High Option Supplement to Medicare
Indemnity Plan: CORE Major Medical

Maximum University

Contribution Trend: The maximum University contributions shown earlier are projected using the same medical trends for net rates (included in the tables above). This approach assumes that the University contribution level will increase by the same percentage as the net rates increase.

This reflects recent University practice, where the relationship between the percentage increase in rates and the percentage increase in the University's contribution has varied.

- In some years, these increases have been similar (which is being modeled in the valuation).
- For several years, the University contribution increased at a lower percentage than net rates.
- For two of the last seven years, the University contribution increased at a higher percentage than net rates.

Medicare Part B

Trend: The Medicare Part B premiums included in the Medicare net rates (age-graded and "flat") are projected using the same medical trends for net rates (included in the tables above).

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

Wellness Trend: Both administrative fees and incentives costs are assumed to remain flat for the first three years of the valuation, then increase at 3% per year thereafter.

- The proposal for wellness services includes a three-year guarantee on an administrative fee schedule, with fees varying based on health assessment completion levels.
- Since 2008 will be the first year of the University offering a wellness incentive, there is no defined pattern for projecting future costs. This first valuation assumes that incentive costs follow the same pattern as the wellness fees. Future valuations will adapt to any changes in policy on wellness incentives.

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.

Coverage:

Current retirees are assumed to remain in their currently elected plan. Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix. These proportions are established separately for non-Medicare and Medicare coverage for each plan.

As described under “Plan Costs” above, rates for non-Medicare spouses/domestic partners are increased by a “child load” to reflect coverage of children and other non-adult members. This is developed on a blended basis for all plans. The child load is **27.6%** for Campus/Medical Center/Hastings and **21.7%** for Lawrence Berkeley National Laboratory

The table below shows the enrollment percentage by plan and location.

Enrollment Distribution: Non-Medicare								
	Health Net (1)	Kaiser California	WHA	Blue Cross PLUS	Blue Cross PPO	High Option (2)	CORE	Out-of-State HMOs
Campus/Medical Center/Hastings								
Retirees	36.8%	27.4%	1.8%	14.1%	17.8%	N/A	2.0%	0.2%
Spouses/Domestic Partners	34.3%	27.0%	2.2%	15.2%	18.6%	N/A	2.5%	0.2%
Lawrence Berkeley National Laboratory								
Retirees	31.3%	45.8%	0.0%	9.8%	11.9%	N/A	1.2%	0.0%
Spouses/Domestic Partners	30.5%	45.9%	0.0%	8.5%	13.2%	N/A	1.6%	0.3%
Enrollment Distribution: Medicare								
	Health Net (1)	Kaiser California	WHA	Blue Cross PLUS	Blue Cross PPO	High Option	CORE	Out-of-State HMOs
Campus/Medical Center/Hastings								
Retirees	23.1%	24.5%	0.7%	10.3%	14.1%	25.8%	1.2%	0.4%
Spouses/Domestic Partners	24.0%	24.3%	0.9%	11.5%	16.5%	20.9%	1.4%	0.4%
Lawrence Berkeley National Laboratory								
Retirees	19.4%	44.1%	0.0%	5.4%	10.3%	19.6%	0.9%	0.3%
Spouses/Domestic Partners	20.6%	48.9%	0.0%	5.8%	8.0%	15.8%	0.4%	0.4%

(1) UHC/PacifiCare plans will no longer be offered in 2008, and its membership are assumed to be part of the Health Net HMO plans

(2) High Option non-Medicare plan will no longer be offered in 2008, and its membership are assumed to be part of the Blue Cross PPO plan

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/Domestic Partner)	Retiree Age Range	Medicare Eligibility Assumption
At Least One Medicare	Any Age	Retiree and spouse/domestic partner (if covered) are assumed to be Medicare eligible at age 65.
Neither Medicare	Post-65	Retiree and spouse/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/domestic partners (if covered) are assumed to be Medicare-eligible at age 65. <ul style="list-style-type: none"> • The proportion assumed is 88.5% Medicare-eligible at age 65 and 11.5% 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/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 that a minority of employees is 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, 2007. It is assumed that this data is representative of the population as of July 1, 2007. 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 inactive participants covered under the terms of the Plan.

Table 1

Participant Information

	<u>Campus/Medical Center/Other</u>	<u>Lawrence Berkeley National Laboratory</u>	<u>Hastings</u>	<u>Total</u>
<u>Active participants*</u>				
Not eligible to receive benefits	86,265	1,904	153	88,322
Eligible to receive benefits	23,718	682	75	24,475
Total	109,983	2,586	228	112,797
<u>Inactive participants**</u>				
Under age 65	9,402	379	21	9,802
Age 65 and over				
Not Medicare eligible	2,286	170	8	2,464
Medicare eligible	19,559	1,136	49	20,744
Total	31,247	1,685	78	33,010
Total participants	141,230	4,271	306	145,807

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

** Inactive participants who are currently electing to suspend their retiree health coverage are not included

Summary of Demographic Information (cont.)

Table 2

Distribution of Service Groups by Age Groups - All Locations

Age Group	Active Participants - Years of Service								Inactive Participants
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total	
< 20	95	0	0	0	0	0	0	95	11
20 - 24	4,402	113	0	0	0	0	0	4,515	8
25 - 29	9,103	1,702	50	0	0	0	0	10,855	13
30 - 34	8,387	3,801	525	11	0	0	0	12,724	18
35 - 39	7,319	5,126	1,441	418	17	0	0	14,321	28
40 - 44	5,432	5,119	2,157	1,474	418	22	0	14,622	85
45 - 49	4,279	4,602	2,180	2,354	1,391	593	35	15,434	256
50 - 54	3,632	3,979	2,166	2,549	2,076	1,594	504	16,500	1,059
55 - 59	2,481	2,937	1,512	1,906	1,631	1,637	1,372	13,476	2,820
60 - 64	1,135	1,449	867	1,004	751	811	1,178	7,195	5,504
65 - 69	283	409	252	297	177	182	654	2,254	5,752
70 - 74	72	105	50	72	54	47	223	623	5,102
75 - 79	20	19	10	14	11	9	57	140	4,679
80 - 84	6	6	2	0	4	3	11	32	3,922
85 - 89	1	3	1	0	1	0	0	6	2,508
90 +	0	0	4	1	0	0	0	5	1,245
Total	46,647	29,370	11,217	10,100	6,531	4,898	4,034	112,797	33,010

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 medical 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>
<i>CMCO</i>	\$ 12,074,689	\$ (1,844,651)	-15.3%	\$ 2,356,893	19.5%
<i>LBNL</i>	\$ 459,779	\$ (64,238)	-14.0%	\$ 81,274	17.7%
<i>CMCO + LBNL</i>	\$ 12,534,468	\$ (1,908,888)	-15.2%	\$ 2,438,167	19.5%
<i>Hastings</i>	\$ 29,668	\$ (4,171)	-14.1%	\$ 5,242	17.7%
<i>Combined - All Locations</i>	\$ 12,564,136	\$ (1,913,059)	-15.2%	\$ 2,443,409	19.4%
<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>
<i>CMCO</i>	\$ 503,698	\$ (117,007)	-23.2%	\$ 160,958	32.0%
<i>LBNL</i>	\$ 12,475	\$ (2,948)	-23.6%	\$ 4,069	32.6%
<i>CMCO + LBNL</i>	\$ 516,174	\$ (119,955)	-23.2%	\$ 165,027	32.0%
<i>Hastings</i>	\$ 1,083	\$ (237)	-21.8%	\$ 321	29.6%
<i>Combined - All Locations</i>	\$ 517,257	\$ (120,192)	-23.2%	\$ 165,348	32.0%

Assumption Sensitivity (cont.)

Medical Trend

(All dollar amounts are in thousands)

<u>Actuarial Accrued Liability</u>	Current	+1%		-1%	
		\$ Change	% Change	\$ Change	% Change
CMCO	\$ 12,074,689	\$ 2,513,159	20.8%	\$ (1,935,766)	-16.0%
LBNL	\$ 459,779	\$ 85,621	18.6%	\$ (66,791)	-14.5%
CMCO + LBNL	\$ 12,534,468	\$ 2,598,781	20.7%	\$ (2,002,557)	-16.0%
Hastings	\$ 29,668	\$ 5,597	18.9%	\$ (4,390)	-14.8%
Combined - All Locations	\$ 12,564,136	\$ 2,604,377	20.7%	\$ (2,006,947)	-16.0%
<u>Normal Cost</u>	Current	+1%		-1%	
		\$ Change	% Change	\$ Change	% Change
CMCO	\$ 503,698	\$ 155,615	30.9%	\$ (112,758)	-22.4%
LBNL	\$ 12,475	\$ 3,785	30.3%	\$ (2,748)	-22.0%
CMCO + LBNL	\$ 516,174	\$ 159,400	30.9%	\$ (115,505)	-22.4%
Hastings	\$ 1,083	\$ 302	27.8%	\$ (223)	-20.6%
Combined - All Locations	\$ 517,257	\$ 159,701	30.9%	\$ (115,729)	-22.4%

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.

