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AUDITOR CONTROLLER

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July 4, 2012

Mr. David A. Houser
Auditor-Controller
County of Butte
25 County Center Drive
Oroville, CA 95965

Re: County of Butte ("County") GASB 45 Valuation

Dear Mr. Houser:

This report sets forth the results of our GASB 45 actuarial valuation of the County's retiree health insurance program as of July 1, 2011.

In June, 2004 the Government Accounting Standards Board (GASB) issued its final accrual accounting standards for retiree healthcare benefits, GASB 43 and GASB 45. GASB 43/45 require public employers such as the County to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. The County must obtain actuarial valuations of its retiree health insurance program under GASB 43/45 not less frequently than once every two years.

To accomplish these objectives the County selected Demsey, Filliger and Associates (DF&A) to perform an actuarial valuation of the retiree health insurance program as of July 1, 2011. This report may be compared with the valuation performed by DF&A as of July 1, 2009, to see how the liabilities have changed since the last valuation. We are available to answer any questions the County may have concerning the report.

Financial Results

We have determined that the amount of actuarial liability for County-paid retiree benefits is \$61,883,658 as of July 1, 2011. This represents the present value of all benefits expected to be paid by the County for its current and future retirees. If the County were to place this amount in a fund earning interest at the rate of 5.0% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.

This includes benefits for 410 retirees as well as 1,981 active employees who may become eligible to retire and receive benefits in the future. It excludes employees hired after the valuation date.

When we apportion the \$61,883,658 into past service and future service components under the Projected Unit Credit Cost Method, the past service liability (or "Accrued Liability") component is \$38,478,208 as of July 1, 2011. This represents the present value of all benefits earned to date assuming that an employee earns retiree healthcare benefits ratably over his or her career. The \$38,478,208 is comprised of liabilities of \$24,744,650 for active employees and \$13,733,558 for retirees. Because the County has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the Unfunded Accrued Liability (called the UAL, equal to the AL less Assets) is also \$38,478,208.

GASB 45 had an effective date of July 1, 2007 for the County. GASB 43, pertaining to the financial statements of a retiree trust itself, would have taken effect one year earlier (June 30, 2007); however, the County has no trust at present so GASB 43 is not yet applicable.

We have determined that County of Butte's "Annual Required Contributions", or "ARC", for the fiscal year 2011-12, is \$4,937,590. The \$4,937,590 is comprised of the present value of benefits accruing in the current year, called the "Service Cost", and a 30-year amortization of the UAL. We estimate that the County will pay approximately \$1,770,770 for the 2011-12 fiscal year in healthcare costs for its retirees, so the difference between the accrual accounting expense (ARC) and pay-as-you-go is an increase of \$3,166,820.

There are two adjustments to the ARC that are required in order to determine the County's Annual OPEB Cost (AOC) for the 2011-12 fiscal year. We have calculated these adjustments based on a Net OPEB Obligation (NOO) of \$12,065,034 as of June 30, 2011, resulting in an AOC for 2011-12 of \$4,755,994.

We show these numbers in the table on the next page and in Exhibit II. All amounts are net of expected future retiree contributions, if any.

County of Butte
 Annual Liabilities and Expense under
 GASB 45 Accrual Accounting Standard
Projected Unit Credit Cost Method

Item	Amounts for Fiscal 2011-12
Present Value of Future Benefits (PVFB)	
Active	\$48,150,100
Retired	<u>13,733,558</u>
Total: PVFB	\$61,883,658
Accrued Liability (AL)	
Actives	\$24,744,650
Retired	<u>13,733,558</u>
Total: AL	\$38,478,208
Assets	(0)
Total Unfunded AL	\$38,478,208
Annual Required Contributions (ARC)	
Service Cost At Year-End	\$2,434,527
30-year Amortization of Unfunded AL	<u>2,503,063</u>
Total: ARC	\$4,937,590
Adjustments to ARC	
Interest on Net OPEB Obligation*	603,252
Adjustment to ARC*	<u>(784,848)</u>
Total Annual OPEB Cost (AOC) for 2011-12	\$4,755,994

*Amounts based on June 30, 2011 Net OPEB Obligation of \$12,065,034.

The ARC of \$4,937,590, shown above, should be used for both the 2011-12 and 2012-13 fiscal years, but the Annual OPEB Cost for the 2012-13 fiscal year must include an adjustment based on the Net OPEB Obligation (NOO) as reported in the June 30, 2012 financial statement, which has not yet been determined precisely.

When the County begins preparation of the June 30, 2012 government-wide financial statements, DF&A will provide the County and its auditors with complimentary assistance in preparation of footnotes and required supplemental information for compliance with GASB 45 (and GASB 43, if applicable).

Differences from Prior Valuation

The most recent prior valuation was completed as of July 1, 2009 by DF&A. The AL (Accrued Liability) as of that date was \$33,471,811 (see page 3 of the prior report), compared to \$38,478,208 as of July 1, 2011. In this section, we provide a reconciliation between the two numbers so that it is possible to trace the AL from one actuarial report to the next.

Several factors have caused the AL to change since 2009. The passage of time increases the AL as the employees accrue more service and get closer to receiving benefits. There are actuarial gains/losses from one valuation to the next, and changes in actuarial assumptions and methodology for the current valuation. To summarize, the most important changes were as follows:

1. There was a loss from premium increases greater than expected, resulting in an increase in the AL of \$246,494.
2. We increased the initial healthcare trend rate from 5% to 8% to reflect our expectations of an approaching spike in medical trend, coupled with the uncertain effects of the recently enacted federal healthcare legislation. This change caused an increase in the AL of \$1,007,737.
3. There was a decrease in the AL of \$398,176 resulting from the changes in eligibility and benefit requirements that went into effect in 2010.
4. We decreased assumed rates of retirement to reflect emerging plan experience. This change caused a decrease in the AL of \$2,628,502.
5. We decreased the turnover assumption to reflect emerging plan experience. This change caused an increase in the AL of \$239,969.
6. We changed to more up-to-date mortality tables. This change caused an increase in the AL of \$682,673.
7. There was a net census loss (an increase in the AL) of \$450,595.

The estimated changes to the AL from July 1, 2009 to July 1, 2011 may be summarized as follows:

Changes to AL	AL
AL as of 7/1/09	\$33,471,811
Passage of time	5,405,607
Premium increases > expected	246,494
Increase in healthcare trend rates	1,007,737
Changes in eligibility and benefits	(398,176)
Change in retirement rates	(2,628,502)
Change in turnover rates	239,969
Change in mortality tables	682,673
Census loss	450,595
AL as of 7/1/11	\$38,478,208

GASB 43 and GASB 45 Compliance Issues

There are two considerations regarding GASB 43 and GASB 45 that we would like to mention at this point:

(1) Both statements specify that in order for a retiree fund to be counted as "assets" for purposes of the statements, the fund must be set aside in a separate, irrevocable trust, that may not be used for any purpose besides the payment of plan benefits to retirees. The trust must also be beyond the reach of creditors of both the employer and/or the plan administrator, if any. For example, an earmarked reserve in the general fund is not expected to meet this definition of "assets". We recommend that the County consider taking steps to establish a retiree fund that meets the GASB requirements, as soon as possible.

(2) There has been some confusion among public agencies throughout California over what GASB 45 does and does not require. Specifically, many agencies initially believed that GASB 45 required pre-funding of retiree healthcare plans. This is not the case - the standard applies only to the expense to be charged to the agencies' income statements. Contributing to the confusion is the terminology used in both GASB 43 and GASB 45 for the annual expense - it's called the "Annual Required Contributions", even though it's neither required nor (necessarily) contributed.

Relationship between GASB 45 And County Funding Policy

We do not believe that it is necessary or even desirable for an agency to establish a policy of funding exactly the ARC on a cash basis each year. The reasons for this are a bit complex and beyond the scope of this report, but the important thing to understand is that GASB 45 pertains to the income statement, and funding pertains to cash flow, and there is no need for the two to be directly linked, at least for now.

Despite these concerns, we do recommend that the County adopt a policy of pre-funding its retiree healthcare plan as soon as possible. The benefits of pre-funding into an irrevocable retiree trust are numerous. To name a few, the County can expect the establishment of an irrevocable trust to result in:

- (1) improved return on investments;
- (2) healthier County financial statements;
- (3) lower ARC in future years (since pre-funded amounts reduce future years' amortization charges on the Unfunded AL, and the actuary may use a higher discount rate);
- (4) more predictable and manageable cash flows; and
- (5) greater economic security for County employees and retirees.

Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the *Financial Results* section, we determined the annual expense for all County-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. This amount will fluctuate from year to year based on the asset performance and as the population matures. It will eventually reach zero when the last eligible retiree dies. The GASB 45 expense has no direct relation to amounts the County may set aside to pre-fund healthcare benefits.

The table on the next page provides the County with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns 5.0% per annum on its investments, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. A constant percentage (3%) increase for the next 20 years.

We provide these funding schedules to give the County a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The three funding schedules are simply three different examples of how the County may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the County will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the County will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The table on the following page shows the required annual outlay under the pay-as-you-go method and each of the above schedules. **The three funding schedules include the "pay-as-you-go" costs; therefore, the amount of pre-funding is the excess over the "pay-as-you-go" amount.**

These numbers are computed on a closed group basis, assuming no new entrants, and using unadjusted premiums.

County of Butte

Sample Funding Schedules (Closed Group)

Fiscal Year	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability	Constant Percentage Increase
2011	\$1,770,770	\$4,846,030	\$3,834,398	\$3,782,840
2012	1,772,220	4,846,030	3,503,316	3,896,325
2013	2,086,250	4,846,030	3,239,910	4,013,215
2014	2,441,461	4,846,030	3,088,791	4,133,611
2015	2,658,304	4,846,030	3,032,713	4,257,620
2016	2,822,308	4,846,030	3,024,758	4,385,348
2017	3,050,674	4,846,030	3,044,228	4,516,909
2018	3,270,350	4,846,030	3,096,107	4,652,416
2019	3,418,936	4,846,030	3,170,875	4,791,989
2020	3,544,361	4,846,030	3,250,075	4,935,748
2021	3,643,900	4,846,030	3,327,904	5,083,821
2022	3,793,528	4,846,030	3,399,456	5,236,335
2023	3,924,626	4,846,030	3,473,919	5,393,425
2024	4,148,425	4,846,030	3,546,670	5,555,228
2025	4,175,098	4,846,030	3,632,615	5,721,885
2026	4,250,720	4,846,030	3,695,337	5,893,541
2027	4,345,453	4,846,030	3,747,305	6,070,348
2028	4,493,186	4,846,030	3,793,251	6,252,458
2029	4,512,170	4,846,030	3,842,130	6,440,032
2030	4,549,897	4,846,030	3,872,222	6,633,233
2031	4,578,996	0	3,890,034	0
2032	4,670,619	0	3,896,399	0
2033	4,761,846	0	3,902,744	0
2034	4,694,040	0	3,908,293	0
2035	4,573,483	0	3,889,149	0
2036	4,458,928	0	3,842,947	0
2037	4,363,089	0	3,776,604	0
2038	4,204,425	0	3,697,355	0
2039	4,143,619	0	3,599,467	0
2040	4,000,183	0	3,500,898	0
2041	3,831,782	0	3,390,756	0
2042	3,659,517	0	3,268,715	0
2043	3,453,049	0	3,137,485	0
2044	3,244,471	0	2,995,327	0
2045	3,019,613	0	2,845,222	0
2046	2,786,833	0	2,687,785	0
2047	2,640,553	0	2,524,677	0
2048	2,469,965	0	2,368,776	0
2049	2,314,113	0	2,216,379	0
2050	2,195,734	0	2,069,341	0
2055	1,590,023	0	1,444,984	0
2060	1,069,951	0	963,326	0
2065	637,215	0	637,215	0
2070	323,651	0	323,651	0
2075	134,609	0	134,609	0

Actuarial Assumptions

In order to perform the valuation, the actuary must make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions we have used for similar valuations, modified as appropriate for the County. For example, turnover rates are taken from a standard actuarial table, T-5, increased by 40% at all ages. This assumption matches the County's historic turnover patterns. Retirement rates were also based on recent County retirement patterns. Both assumptions should be reviewed in the next valuation to see if they are tracking well with experience.

The discount rate of 5.0% is based on our best estimate of expected long-term plan experience. It is in accordance with our understanding of the guidelines for selection of this rate under GASB 45 for unfunded plans such as the County's. The healthcare trend rates are based on our analysis of recent County experience and our knowledge of the general healthcare environment.

For purposes of projecting the PEMHCA administrative fee and the medical portion of the County stipend, we used the average equivalent single-retiree premium based on current retiree health plan selection. A complete description of the actuarial assumptions used in the valuation is set forth in the "Actuarial Assumptions" section.

Projected Annual Pay-as-you go Costs

As part of the valuation, we prepared a projection of the expected annual cost to the County to pay benefits on behalf of its retirees on a pay-as-you-go basis. These numbers are computed on a closed group basis, assuming no new entrants, and are net of retiree contributions. Projected pay-as-you-go costs for selected years are as follows:

FYB	Pay-as-you-go
2011	\$1,770,770
2012	1,772,220
2013	2,086,250
2014	2,441,461
2015	2,658,304
2020	3,544,361
2025	4,175,098
2030	4,549,897
2035	4,573,483
2040	4,000,183
2045	3,019,613
2050	2,195,734
2055	1,590,023
2060	1,069,951
2065	637,215
2070	323,651
2075	134,609

Breakdown by Employee/Retiree Group

Exhibit I, attached at the end of the report, shows a breakdown of the GASB 45 components (ARC, AL, Service Cost, and PVFB) by bargaining unit (or non-represented group) and separately by active employees (future retirees) and current retirees.

Net OPEB Obligation (NOO) and Annual OPEB Cost (AOC)

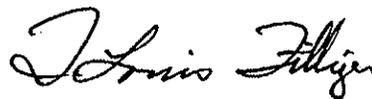
Exhibit II, attached at the end of the report, shows a development of the County's Net OPEB Obligation ("NOO") as of June 30, 2007 through June 30, 2011, and the Annual OPEB Cost ("AOC") for the fiscal years 2007-8 through 2011-12.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the "Actuarial Certification" section at the end of the report.

We have enjoyed working with the County on this report, and are available to answer any questions you may have concerning any information contained herein.

Sincerely,
DEMSEY, FILLIGER AND ASSOCIATES



T. Louis Filliger, FSA, EA, MAAA
Partner & Actuary

Benefit Plan Provisions

Active Employee Coverage

The County sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the County through a contribution to PEMHCA of \$108.00 per employee per month. The \$108.00 per month increased by law to \$112.00 on January 1, 2012, and will be indexed with medical inflation (CPI) for years 2013 and thereafter. Delta Dental (Premier and DPO), vision and life insurance are also available.

Post-Retirement Coverage

The County also offers medical, dental and vision coverage (but not life insurance) to its retirees. The County makes the required statutory PEMHCA contribution as described above, subject to the "Unequal Contribution Method" under which the County's contribution for retirees increases each year to 5% of its contribution for active employees multiplied by years the County has participated in PEMHCA until the two amounts are equal, except that Elected, Appointed, and Assistant Department Heads are covered under the Equal Contribution Method. Furthermore, the County will make additional contributions towards certain eligible retirees' premiums until age 65 according to the County's agreements with its various employee groups, as described below (subject to benefit and eligibility changes that took effect in 2010 - please see page 11 for details.)

Retirees who have completed at least 10 continuous years of service with the County, have accrued sick leave in excess of 240 hours, and elect retiree health insurance rather than the sick leave payout option, are eligible to receive reimbursements from the County for the cost of medical, dental and vision insurance (offset by the County's statutory contribution to PEMHCA.)

For BCEA, BCMEA, CWA, BCPPOA, BCCOA (General and Management), Supervisor's Administrative Services Assistants, and Miscellaneous and Assistant Probation Officer positions within the "Assistant Department Heads and Non-Represented" group, the retiree may make an irrevocable election at the time of retirement to receive one of the following benefit options in addition to 12 months of County-paid health insurance:

- (1) One month of retiree-only premiums for each day of accrued sick leave at retirement;
- (2) One month of 2-party premiums (employee and spouse) for each 2 1/2 days in excess of 30 days accrued sick leave to cover both employee and spouse until age 65; or
- (3) One month of retiree-only premiums for each day of accrued sick leave until the sick leave credit is exhausted or the retiree reaches age 65, and one month of premiums for spousal coverage for each day of accrued sick leave in excess of thirty days until the sick leave credit is exhausted or the spouse reaches age 65.

**Benefit Plan Provisions
(Continued)**

For DSA General, DSA Management, Under Sheriffs, and BCPEA, the retiree will receive 12 months of County-paid retiree-only health coverage. In addition, each one day of accrued sick leave is converted to one month of retiree-only health insurance premiums and credited to an account for the retiree. Premiums for the retiree and dependents, if applicable, are deducted from the account until it is depleted, or until the retiree reaches age 65, if earlier.

Elected and appointed department heads or officials retiring in good standing before age 65 under the provisions of the County's contract with PERS may continue to cover themselves and eligible dependents under the health plans. The County pays the full premium until age 65.

In all cases, once the additional County contributions (as described above) end, the County pays the applicable PEMHCA statutory contribution for the remainder of the retiree's lifetime.

For 2011, the monthly County contributions are \$97.20 and \$108.00 for Unequal and Equal Contribution Methods, respectively. For 2012, those amounts increased to \$106.40 and \$112.00, respectively.

Employees other than non-represented groups hired after June 30, 2010 will not be eligible for sick-leave buyout nor will they receive one year of County-paid health benefits after retirement. Retirees other than non-represented groups who retired on or after January 1, 2010 will be subject to a limit on County reimbursements equal to the sum of the Blue Shield HMO premium, Delta DPO and vision premiums.

Healthcare Premiums

The following table shows January 1, 2011 monthly PERS Health (PEMHCA) premiums for retirees within the Other Northern California region. Dental and vision rates in effect for 2011-12 are also included.

	Blue Shield HMO	Kaiser HMO	PERS Care PPO	PERS Choice PPO	Delta Premier Dental	Delta Dental DPO	Vision
<u>Basic Plan</u>							
Retiree	\$685.67	\$574.32	\$870.76	\$548.78	\$36.02	\$33.15	\$10.24
Retiree + 1	1,371.34	1,148.64	1,741.52	1,097.56	77.82	72.26	10.24
Family	1,782.74	1,493.23	2,263.98	1,426.83	115.58	113.49	10.24
<u>Medicare Supplement</u>							
Retiree	\$337.88	\$282.30	\$433.66	\$375.88	N/A	N/A	N/A
Retiree + 1	675.76	564.60	867.32	751.76	N/A	N/A	N/A
Family	1,013.64	846.90	1,300.98	1,127.64	N/A	N/A	N/A

Valuation Data

Active and Retiree Census

Age distribution of retirees included in the valuation

Age	Statutory Minimum Only	County Stipend	Total
Under 50	1	3	4
50-54	3	7	10
55-59	15	29	44
60-64	46	80	126
65-69	75	23	98
70-74	55	1	56
75-79	39	0	39
80-84	24	0	24
85-89	7	0	7
90+	<u>2</u>	<u>0</u>	<u>2</u>
All Ages	267	143	410
Average Age	69.75	60.89	66.66

Age/Years of service distribution of active employees included in the valuation

Years→	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
<u>Age</u>									
<25	13								13
25-29	80	18							98
30-34	82	109	23	1					215
35-39	64	90	79	18					251
40-44	49	78	97	46	11				281
45-49	44	72	72	43	38	5			274
50-54	55	64	83	41	45	14	5		307
55-59	46	62	87	49	35	17	9	4	309
60-64	14	41	63	24	26	6	6	6	186
65+	<u>2</u>	<u>15</u>	<u>15</u>	<u>5</u>	<u>5</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>47</u>
All Ages	449	549	519	227	160	44	21	12	1,981

Average Age: 46.40
 Average Service: 10.27

Actuarial Assumptions

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	30-year level dollar, open period
Discount Rate:	5.0% per annum
Return on Assets:	5.0% per annum
Pre-retirement Turnover:	According to Crocker-Sarason Table T-5 less mortality, increased by 40% at all ages. Sample rates are as follows:

Age	Turnover (%)
25	10.8%
30	10.1
35	8.8
40	7.2
45	5.6
50	3.6
55	1.3

Pre-retirement Mortality: RP-2000 Combined Mortality, static projection to 2011 by scale AA. Sample deaths per 1,000 employees are as follows:

Age	Males	Females
25	0.34	0.18
30	0.42	0.24
35	0.73	0.42
40	0.99	0.60
45	1.31	0.94
50	1.75	1.39
55	2.94	2.49
60	5.65	4.78

Post-retirement Mortality: RP-2000 Combined Mortality, static projection to 2011 by scale AA. Sample deaths per 1,000 retirees are as follows:

Age	Males	Females
60	5.65	4.78
65	10.91	9.19
70	18.81	15.84
75	32.40	25.73
80	57.63	42.47
85	102.52	72.49
90	175.50	127.40

Actuarial Assumptions (Continued)
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Claim Cost per Retiree or Spouse:

Age	Medical/Rx
50-64	\$7,965
65+	4,373

Retirement Rates:

Age	Percent Retiring*
50	2.0%
51	3.0
52	4.0
53	5.0
54	6.0
55	7.0
56	8.0
57	10.0
58	11.0
59	12.0
60	13.0
61	15.0
62	20.0
63	22.0
64	25.0
65	100.0

* Of those having met eligibility to receive PERS retirement benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Trend Rate:

Healthcare costs were assumed to increase according to the following schedule:

FYB	Medical/Rx	Dental/Vision	Medical CPI
2011	8.0%	4.0%	4.0%
2012	7.0	4.0	4.0
2013	6.0	4.0	4.0
2014+	5.0	4.0	4.0

Percent Waiving Coverage:

30% (applies to future retirees only)

Future Sick Leave Accrual:

Under age 30: 59 hours per year of employment
Age 30+: 34 hours per year of employment

Percent of Retirees with Spouses:

Future Retirees: 60% of future retirees were assumed to have spouses. Female spouses assumed three years younger than male spouses. Current Retirees: According to actual spousal data.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the County of Butte ("County") as of July 1, 2011.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the County in May, 2012. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the County.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 43 and GASB 45, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits. We have assumed no post-valuation mortality improvements, consistent with our belief that there will be no further significant, sustained increases in life expectancy in the United States over the projection period covered by the valuation.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

The undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:



T. Louis Filliger, FSA, EA, MAAA
Partner & Actuary

Date: 7/4/12

County of Butte
7/1/11 GASB 45 valuation results
Broken down by Employee & Retiree group

Exhibit I

Employee/Retiree Group	Active Employees		30-Year Amortization of AL		SC	ARC Actives	Retirees PVB=AL	30-Year Amortization of AL	ARC Retirees	Total ARC Ret+Actives
	PVB	AL	AL	of AL						
Butte County Employees' Association	\$16,257,030	\$8,356,827	\$543,624	\$859,284	\$1,402,908	\$3,315,585	\$215,683	\$215,683	\$1,618,591	
Butte County Management Employees' Association	12,468,088	7,147,518	464,956	592,201	1,057,157	4,864,435	316,438	316,438	1,373,595	
Social Service Workers	7,401,382	3,378,615	219,784	369,753	589,537	1,167,695	75,960	75,960	665,497	
Deputy Sheriff's Association - General	2,374,627	1,070,363	69,629	93,004	162,633	1,280,751	83,315	83,315	245,948	
Deputy Sheriff's Association - Management	352,102	233,236	15,172	13,878	29,050	318,930	20,747	20,747	49,797	
Butte County Probation Peace Officers' Association	2,022,227	847,210	55,112	76,518	131,630	367,367	23,898	23,898	155,528	
Butte County Correctional Officers' Association - General	1,745,184	664,321	43,215	76,280	119,495	102,175	6,647	6,647	126,142	
Butte County Correctional Officers' Association - Mgmt.	136,011	90,960	5,917	5,097	11,014	9,432	614	614	11,628	
Butte County Professional Employees' Association	1,705,833	874,039	56,857	102,434	159,291	377,682	24,569	24,569	183,860	
Appointed Department Heads	2,499,358	1,426,482	92,795	189,185	281,980	961,005	62,515	62,515	344,495	
Board of Supervisor's Administrative Assistants	110,343	59,596	3,877	6,383	10,260	42,727	2,779	2,779	13,039	
Assistant Department Heads & Non-Represented	959,602	500,016	32,527	46,988	79,515	482,738	31,403	31,403	110,918	
Elected Department Heads & Board of Supervisors	118,313	95,467	6,210	3,522	9,732	341,171	22,194	22,194	31,926	
Superior Court Employees and Retirees	-	-	-	-	-	101,865	6,626	6,626	6,626	
Totals	\$48,150,100	\$24,744,650	\$1,609,675	\$2,434,527	\$4,044,202	\$13,733,558	\$893,388	\$893,388	\$4,937,590	

County of Butte
Development of Annual OPEB Costs

Exhibit II

	Amount
Net OPEB Obligation 6/30/2007	-
ARC for 2007-8	4,248,160
Interest on Net OPEB Obligation	-
Amortization adjustment to ARC	-
Annual OPEB Cost 2007-8	4,248,160
Employer Contribution	(1,180,848)
Net OPEB Obligation 6/30/2008	3,067,312
ARC for 2008-09	4,248,160
Interest on Net OPEB Obligation	-
Amortization adjustment to ARC	-
Annual OPEB Cost 2008-9	4,248,160
Employer Contribution	(1,300,249)
Change in Net OPEB Obligation 2008-9	2,947,911
Net OPEB Obligation 6/30/2008	<u>3,067,312</u>
Net OPEB Obligation 6/30/2009	6,015,223
ARC for 2009-10	4,673,770
Interest on Net OPEB Obligation	300,761
Amortization adjustment to ARC	<u>(391,299)</u>
Annual OPEB Cost 2009-10	4,583,232
Employer Contribution	(1,398,316)
Change in Net OPEB Obligation 2009-10	3,184,916
Net OPEB Obligation 6/30/2009	<u>6,015,223</u>
Net OPEB Obligation 6/30/2010	9,200,139
ARC for 2010-11	4,673,770
Interest on Net OPEB Obligation	460,007
Amortization adjustment to ARC	<u>(598,482)</u>
Annual OPEB Cost 2010-11	4,535,295
Employer Contribution	(1,670,400)
Change in Net OPEB Obligation 2010-11	2,864,895
Net OPEB Obligation 6/30/2010	<u>9,200,139</u>
Net OPEB Obligation 6/30/2011	12,065,034
ARC for 2011-12	4,937,590
Interest on Net OPEB Obligation	603,252
Amortization adjustment to ARC	<u>(784,848)</u>
Annual OPEB Cost 2011-12	4,755,994