Retiree Health Care Trust Fund Board

BOARD MEETING CALENDAR

Regular Meeting

Monday, January 28, 2013

3:00 PM

City and County of San Francisco
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94103

RETIREE HEALTH CARE TRUST FUND BOARD MEMBERS

President
Carol Cypert

Vice President
Pauline Marx

Members
Connie Hiatt

Leo Levenson

Edward Walsh

Disability Access
The meeting will be held at SFERS Office, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94103. The Retiree Health Care Trust Fund Board Meeting Room is wheelchair accessible. Accessible seating is available for persons with disabilities or wheelchairs. The following services are available upon request:

- American Sign Language interpreters will be available upon request.
- A sound enhancement system will be available upon request at the meeting.
- Minutes of the meeting are available in alternative formats.

If you require the use of any of these services, contact Rosanne Torre, Board Secretary, at (415) 554-7401 or by email at rosanne.torre@sfgov.org at least two (2) business days before the meeting.

The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call (415) 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza adjacent to Davies Hall and the War Memorial Complex.

In order to assist the City's effort to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

Summary of Retiree Health Care Trust Fund Board Policy Regarding Public Comment
Speakers are urged to fill out a speaker card in advance, but may remain anonymous if so desired. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item. A member of the public may comment on any matter within the Board's jurisdiction at the designated time at the end of the meeting. Call Rosanne Torre, Board Secretary, for further assistance at (415) 554-7401 or email at Rosanne.Torre@sfgov.org.

Summary of Retiree Health Care Trust Fund Board Policies Regarding Cell Phones and Pagers
The ringing and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. The chair of the meeting may order the removal from the meeting room of any person(s) in violation of this rule. The chair of the meeting may allow an expelled person to return to the meeting following an agreement to comply with this rule.

Knowing Your Rights Under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)
Government's duty is to serve the public; reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact:

Sunshine Ordinance Task Force
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco CA 94103-4689
(415) 554-7724
by fax at (415) 554-7854
or by email at sotf@sfgov.org

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from The Sunshine Ordinance Task Force or by printing Chapter 67 of the San Francisco Administrative Code located on the Internet at http://www.sfgov.org/sunshine/. To review or obtain meeting documents covered under the Sunshine Ordinance contact Rosanne Torre, Board Secretary, City Hall, Room 488, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-7401; or send email with your request to rosanne.torre@sfgov.org.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Governmental Conduct Code § 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 252-3100; fax (415) 252-3112; or web site www.sfgov.org/ethics.

CALENDAR

- □ Call to Order
- □ Pledge of Allegiance
- □ Roll Call:

□	01282013-01	Action item	**Approval of the Minutes of the October 24, 2012, Board Meeting** Documents provided to the Board prior to meeting: Draft Minutes of the October 24, 2012, Board Meeting Public comments: Action: Approve Minutes of October 24, 2012 Board Meeting
□	01282013-02	Action item	**Discussion and possible action regarding revising layout /format of RHCTF Board Minutes** Documents provided to the Board prior to meeting Draft Minutes of the October 24, 2012, Board Meeting Public comments: Action: This is a discussion item only.
□	01282013-03	Discussion item	**Report on current funding status of RHCTF** Documents provided to the Board prior to meeting: Retiree Health Trust Fund Budget December 2012 Public comments: Action: This is a discussion item only.
□	01282013-04	Discussion item	**Report on current investment status of RHCTF** Documents provided to the Board prior to meeting: Investment Report for the Month of December 2012. Public comments: Action: This is a discussion item only.

□	01282013-05	Discussion item	**Report on retiree (postemployment) benefit costs** Documents provided to the Board prior to meeting: July 1, 2010 Postretirement Health Plan Actuarial Valuation Report; Produced by Cheiron; November 2012 Public Comment: Action: This is a discussion item only.
□	01282013-06	Discussion item	**Annual Report: Comprehensive Annual Financial Report (CAFR)** Documents provided to the Board prior to meeting: None Public Comment: Action: This is a discussion item only.
□	01282013-07	Action item	**Approve: (1) RHCTF Administrative Support Work Order/MOU; (2) FY12-13 Quarterly Billing** Documents provided to the Board prior to meeting: 1. Administrative Staff Work Order; and 2. Quarterly Billings for July 1, 2012 to December 31, 2012 Public comments: Action: Approval of Staff Billings and Sign Off of the Work Order by Board President.
□	01282013-08	Action item	**Discussion and possible action regarding the San Francisco Community College District's Decision to Join the Retiree Health Care Trust Fund for their Employees** Documents provided to the Board prior to meeting: Retiree Health Care Trust Fund (RHCTF) Board-Resolution NO. 2013-01 -authorization to transfer $500,000 to the San Francisco City and County Retiree Health Care Trust Fund for employees of the San Francisco Community College District Public comments: Action:

□	01282013-09	Discussion item	**Discussion regarding current status of RHCTF Request for Proposals (RFP)** Documents provided to Board prior to meeting: None Public comments: Action: This is a discussion item only.
□	01282013-10	Action item	**Discussion and possible action regarding adoption of RHCTF Governance Policies** Documents provided to Board prior to meeting: Public comments: Action:
□	01282013-11	Discussion item	**Discussion on Best Practices Survey** Documents provided to Board prior to meeting: Public Comments Action: This is a discussion only item
□	01282013-12	Discussion item	**Annual Statement of Economic Interest (SEI)** Documents provided to Board prior to meeting: Statement of Economic Interest (Form 700) Public comments: Action: This is a discussion item only.
□	01282013-13	Action item	**Opportunity to place items on future board agendas** Documents provided to Board prior to meeting: None Public comments: Action:
□	01282013-14	Discussion item	**Opportunity for the public to comment on any matters within the RHCTF Board's jurisdiction** Public comments:
□	Adjourn		

Retiree Health Care Trust Fund Board

DRAFT BOARD MEETING MINUTES

Special Meeting

Monday, October 24, 2012

3:00 PM

City and County of San Francisco
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94103

RETIREE HEALTH CARE TRUST FUND BOARD MEMBERS

President
Carol Cypert

Vice President
Pauline Marx

Members
Connie Hiatt

Leo Levenson

Edward Walsh

Disability Access
The meeting will be held at 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94103. The Retiree Health Care Trust Fund Board Meeting Room is wheelchair accessible. Accessible seating is available for persons with disabilities or wheelchairs. The following services are available upon request:

- American Sign Language interpreters will be available upon request.
- A sound enhancement system will be available upon request at the meeting.
- Minutes of the meeting are available in alternative formats.

If you require the use of any of these services, contact Rosanne Torre, Board Secretary, at (415) 554-7401 or by email at rosanne.torre@sfgov.org at least two (2) business days before the meeting.

The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #42 Downtown Loop, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call (415) 923-6142. There is accessible parking in the vicinity of City Hall at Civic Center Plaza adjacent to Davies Hall and the War Memorial Complex.

In order to assist the City's effort to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

Summary of Retiree Health Care Trust Fund Board Policy Regarding Public Comment
Speakers are urged to fill out a speaker card in advance, but may remain anonymous if so desired. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item. A member of the public may comment on any matter within the Board's jurisdiction at the designated time at the end of the meeting. Call Rosanne Torre, Board Secretary, for further assistance at (415) 554-7401 or send email to Rosanne.Torre@sfgov.org.

Summary of Retiree Health Care Trust Fund Board Policies Regarding Cell Phones and Pagers
The ringing and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. The chair of the meeting may order the removal from the meeting room of any person(s) in violation of this rule. The chair of the meeting may allow an expelled person to return to the meeting following an agreement to comply with this rule.

Knowing Your Rights Under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)
Government's duty is to serve the public; reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact:

Sunshine Ordinance Task Force
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco CA 94103-4689
(415) 554-7724
by fax at (415) 554-7854
or by email at sotf@sfgov.org

Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from The Sunshine Ordinance Task Force or by printing Chapter 67 of the San Francisco Administrative Code located on the Internet at http://www.sfgov.org/sunshine/. To review or obtain meeting documents covered under the Sunshine Ordinance contact Rosanne Torre, Board Secretary, City Hall, Room 488, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-7401; or send email with your request to rosanne.torre@sfgov.org.

Lobbyist Registration and Reporting Requirements
Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Governmental Conduct Code § 2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 252-3100; fax (415) 252-3112; or web site www.sfgov.org/ethics.

CALENDAR

□ Call to Order

□ Pledge of Allegiance

□ Roll Call:

Commissioner Carol Cypert	3:00 pm
Commissioner Connie Hiatt	3:10 pm
Commissioner Pauline Marx	3:00 pm
Commissioner Leo Levenson	3:00 pm
Commissioner Edward Walsh	3:00 pm

□ 10242012-01 Action item

Approval of the Minutes of the September 4, 2012, Board Meeting

Documents provided to Board prior to meeting:
Draft Minutes

Moved by Commissioner Levenson, Seconded by Commissioner Marx to approve the minutes of September 04, 2012, Board Meeting.

Approved by the Following Vote:
Ayes: Cypert, Levenson, Marx, Walsh
Absent: Hiatt

□ 10242012-02 Discussion item

Health Service System Presentation Regarding the City's Rates and Benefits Process, Including Retiree Health Care Coverage

1. Documents provided to Board at meeting: *Overview of Retiree Health Costs presentation*
2. *Sample Medical/Vision Premium Rate Calculations Worksheet*
3. *Retired Employees, 2013, Health Benefits* booklet

Catherine Dodd, Director of the San Francisco Health Service System, presented an overview of the Retiree Health Costs.

The Board engaged in a question and answer session.

This is a discussion item only.

□ 10242012-03 Discussion item

Report on Current Funding Status of RHCTF

Documents provided to Board prior to meeting:
Retiree Health Trust Fund Budget

Theresa Kao of Controller’s Office provided an

			oral and written report. The Board engaged in a question and answer session. Commissioner Levenson stated that by the next meeting there may be a new actuarial report from Cheiron. This is a discussion item only.
□	10242012-04	Discussion item	**Report on Current Investment Status of RHCTF** Documents provided to Board prior to meeting: *Investment Report for the Month of September 2012* Commissioner Marx gave an oral and written report on this item. The Board engaged in a question and answer session. This is a discussion item only.
□	10242012-05	Action item	**Approve: (1) Administrative Support Staff Billings Retroactively for FY11-12; (2) FY12-13 Forecast; and (3) RHCTF Administrative support Work Order** Documents provided to Board prior to meeting: *Administrative Staff Rates and Billings and Work Order* Rosanne Torre and Commissioner Levinson provided an oral and written report on the billings and the MOU. There was discussion on adding language to the MOU. This item is to be continued at the next meeting. Commissioner Levenson motioned to approve the payment of expenses for FY11-12 and estimated FY12-13, Seconded by Commissioner Walsh. Approved by the following vote: Ayes: Cypert, Hiatt, Marx, Levenson, Walsh
□	10242012-06	Action item	**Discussion and Possible Action Regarding the San Francisco Community College District's Decision to Join the Retiree Health Care Trust Fund for their Classified (Non-teaching) Employees.**

			Documents provided to Board at the meeting: *Draft Retiree Health Care Trust Fund (RHCTF) Board-Resolution NO. 2013-01; Authorization to Transfer $500,000 to the San Francisco City and County Retiree Health Care Trust Fund for Post-Retirement Health Benefits for Employees of the San Francisco Community College District* John Bilmont, Associate Vice Chancellor/Chief Financial Officer of City College of San Francisco presented to the Board. The Board engaged in a lengthy question and answer session. Commissioner Cypert said the Board is not ready to adopt the Resolution. Mr. Rapoport will report on the remaining legal issues at the next meeting. He asked the Board to email him specific questions. Commissioner Marx moved to table this item to the next meeting, Seconded by Commissioner Walsh. Approved by the following vote: Ayes: Cypert, Hiatt, Marx, Levenson, Walsh
□	10242012-07	Discussion item	**Discussion Regarding City Indemnification and Legal Defense of RHCTF Board Members** Documents provided to Board prior to meeting: None Mr. Rapoport requested to table this item to the next Board Meeting. He will do further research and give a complete presentation at that time. This is a discussion item only.
□	10242012-08	Action item	**Discussion and Possible Action Regarding the Investment Consultant Request for Proposals (RFP) Selection Panel** Documents provided to Board prior to meeting: None The Board gave the discretion of choosing the selection panel to the Board President. The Board reviewed the duties delegated to the selection panel and the Board in selecting an investment advisor. No action taken.
□	10242012-09	Action item	**Discussion and Possible Action Regarding the RHCTF Request for Proposals (RFP) to Retain an Investment Consultant.**

			Documents provided to Board prior to meeting: *Draft Request for Proposals (RFP) for Investment Consulting Services* There was discussion of what work is left to be done on the RFP. No substantive changes were suggested and discussed by Board members. Mr. Rapoport recommended that the Board approve the RFP allowing that no substantive administrative changes be made. Mr. Rapoport will take any non substantive comments that continue to come in from Board members. Commissioner Cypert recommended the Board adopt the RFP for delivery for responsive bids while any suggested changes are sent to the Deputy City Attorney no later than Monday, October 29, 2012. The delivery of the RFP can then be executed on Friday, November 2, 2012. Approved by the following vote: Ayes: Cypert, Hiatt, Marx, Levenson, Walsh
□	10242012-10	Discussion item	**Discussion Regarding Methodology for Estimating Future Growth in RHCTF Income either Through the Controller's Office or the City's GASB 45 Actuary** Documents provided to Board prior to meeting: *California Watch Report: Major cities not prepared for growing retiree health costs, 10-10-2012.* This item was tabled to the next meeting. Commissioner Marx noted that *California Watch Report* contains some erroneous information and asked how the Board wants to respond. Mr. Rapoport replied that he is in the process of drafting Board policies; once the Communication policy is complete the Board can then decide how they want to respond. This is a discussion item only.
□	10242012-11	Action item	**Discussion and Possible Action Regarding Adoption of RHCTF Governance Policies** Documents provided to Board prior to meeting: Draft policies. Mr. Rapoport suggested that Board members review the draft policies between now and the

next meeting and he will do further research into what policies are appropriate for this Board.

No action taken.

□	10242012-12	Discussion item	**Discussion on Best Practices Survey** Documents provided to Board prior to meeting: None Norm Nickens will post the Best Practices questions on the CALAPRS website and have responders send information to Rosanne Torre. Commissioner Marx said she would send the Best Practices questions to the California Municipal Finance Officers. This is a discussion item only.
□	10242012-13	Action item	**Opportunity to Place Items on Future Board Agendas** Commissioner Levenson to report on the updated Cheiron actuarial report. RHCTF Administrative Support Work Order/MOU to be finalized and approved. Mr. Rapoport to return with the Draft Retiree Health Care Trust Fund (RHCTF) Board-Resolution NO. 2013-01 *Authorization to Transfer $500,000 to the San Francisco City and County Retiree Health Care Trust Fund for Post-Retirement Health Benefits for Employees of the San Francisco Community College District*. Mr. Rapoport to research the City indemnification and legal defense of RHCTF Board members. Rosanne Torre to send out the link to the full *California Watch Report*. Mr. Rapoport to finalize Board policies. Norm Nickens and Commissioner Marx to post the Best Practices questions.
□	10242012-14	Discussion item	**Opportunity for the Public to Comment on any Matters within the Board's Jurisdiction** Public comments: There were no public comments.

□ Adjournment: There being no further business, the Board adjourned the meeting at 5:04 pm.

Retiree Health Trust Fund (RHTF) Status and Budget, updated January 09,2013, City and County of San Francisco Controller's Office

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13			FY 2013-14	FY 2014-15
Revenues	**Actuals**	**Actuals**	**Actual**	**Actuals**	**Budget**	**Year-to-Date**	**Projection**	**Forecast**	**Forecast**
Starting Fund Balance		323,483	3,194,672	8,541,521	17,634,021	17,851,560	17,851,560	30,947,136	48,934,504
2% Employee Contribution (1)	214,928	1,903,374	3,518,030	6,140,559	6,660,000	4,001,096	8,732,232	12,000,000	15,000,000
1% Employer Contribution (1)	107,464	951,919	1,773,184	3,070,242	3,330,000	2,000,599	4,366,116	6,000,000	7,500,000
Interest Earned (2)	1,091	15,896	55,635	144,127	180,000	78,184	219,728	286,542	432,479
Total Revenue	**323,483**	**3,194,672**	**8,541,521**	**17,896,449**	**27,804,021**	**23,931,439**	**31,169,636**	**49,233,679**	**71,866,982**
Expenditures									
External Audit / Report	-	-	-		25,000		25,000	25,750	26,523
City Attorney-legal expenses for trust setup & ongoing costs	-	-	-	37,903	40,000	5,368	40,000	41,200	42,436
Investment Manager and Custodian expenses	-	-	-	-	125,000		125,000	128,750	132,613
Retirement Board Administrative Support	-	-	-		12,500	5,368	12,500	12,875	13,261
Education / Training	-	-	-	6,985	20,000		20,000	20,600	21,218
Board Election (3)	60,000	-	-				-	70,000	-
Total Expenditures	**60,000**	**-**		**44,888**	**222,500**	**10,736**	**222,500**	**299,175**	**236,050**
Ending Fund Balance	**263,483**	**3,194,672**	**8,541,521**	**17,851,560**	**27,581,521**	**23,920,703**	**30,947,136**	**48,934,504**	**71,630,932**

Assumptions

(1) For FY12-13, revenue forecast assumption has adjusted to 1.6% monthly growth in contributions from January to June 2013 based on actual from July to December 2012. This represents FY12-13 annual growth rate at 42%. For FY13-14 and FY 14-15, revenue forecast growth is at approximately 33% and 25% respectively.

(2) projected interest earnings for 12-13 extrapolated from year to date, while 13-14 assumption of 0.72%, consistent with pooled interest rate assumptions by TTX. FY 14-15 is held constant at 0.72%. This does not yet assume investment earnings from longer term investments.

(3) Elections are held once every five years; the next one is scheduled for May 2014 with estimated cost of $70,000. There may be another election if a board member retires/leaves before May 2014 but this cost is not budgeted.

Retiree Health Trust Fund Budget Supporting Data

														Total Projected Employer Contribution	Total Projected Employee Contribution	Total Projected Contribution
FY 2012-13 SubObj 01502 (Actual data from July to December)																
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	FY 12-13			
# of Pay Period	1.5	2	2	3	2	2	2	2	2	2	2	3.6	26.1			
01502 RETIREE HEALTH CARE - CITY MATC	226,999	319,661	314,654	478,136	333,971	327,178	332,473	337,853	343,321	348,877	354,523	648,469		**4,366,116**	**8,732,232**	**13,098,349**
City Match Amt/per pay period	151,333	159,830	157,327	159,379	166,986	163,589	166,236	168,927	171,661	174,439	177,262	180,130				
Growth Rate	44.29%	5.62%	-1.57%	1.30%	4.77%	-2.03%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%			**142%**
Base salary for employees covered by RHCTF	11,349,960	15,983,025	15,732,700	23,906,800	16,698,550	16,358,900										
Total CCSF salaries paid	155,049,700	215,767,676	210,571,620	319,933,866	218,557,768	207,461,993										
% Total Salaries contributing to RHCTF	**7.32%**	**7.41%**	**7.47%**	**7.47%**	**7.64%**	**7.89%**										
FY 2011-12 SubObj 01502																
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	FY 11-12			
# of Pay Period	1.6	2	2	2	3	2	2	2	2	2	2	3.5	26.1			
01502 RETIREE HEALTH CARE - CITY MATC	157,593	203,560	204,465	211,931	333,038	226,466	229,858	237,146	245,827	253,934	399,340	367,084		**3,070,242**	**6,140,484**	**9,210,726**
City Match Amt/per pay period	98,496	101,780	102,233	105,966	111,013	113,233	114,929	118,573	122,914	126,967	199,670	104,881				
Growth Rate	10.45%	3.33%	0.44%	3.65%	4.76%	2.00%	1.50%	3.17%	3.66%	3.30%	3.30%	3.30%	2.95%			**173%**
Base salary for employees covered by RHCTF	7,879,650	10,178,000	10,223,250	10,596,550	16,651,900	11,323,300	11,492,900	11,857,300	12,291,350	12,696,700	19,967,000	18,354,200				
Total CCSF salaries paid	157,863,665	199,786,733	201,204,246	201,024,880	303,976,084	198,044,401	201,496,535	197,273,763	200,738,118	198,596,257	301,549,198	270,524,061				
% Total Salaries contributing to RHCTF	**4.99%**	**5.09%**	**5.08%**	**5.27%**	**5.48%**	**5.72%**	**5.70%**	**6.01%**	**6.12%**	**6.39%**	**6.62%**	**6.78%**				
FY 2010-11 SubObj 01502																
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	FY 10-11			
# of Pay Period	1.7	2	2	2	2	3	2	2	2	2	2	3.4	26.1			
01502 RETIREE HEALTH CARE - CITY MATC	88,416	108,178	110,194	111,521	119,993	186,685	132,343	144,912	149,346	153,675	162,147	303,208		**1,770,618**	**3,541,236**	**5,311,854**
City Match Amt/per pay period	52,009	54,089	55,097	55,761	59,997	62,228	66,172	72,456	74,673	76,838	81,074	89,179				
Growth Rate		4.00%	1.86%	1.20%	7.60%	3.72%	6.34%	9.50%	3.06%	2.90%	5.51%	10.00%	6.08%			
Base salary for employees covered by RHCTF	4,420,800	5,408,900	5,509,700	5,576,050	5,999,650	9,334,250	6,617,150	7,245,600	7,467,300	7,683,750	8,107,350	15,160,400				
Total CCSF salaries paid	167,395,929	196,578,054	194,041,383	191,186,001	192,107,087	289,499,918	195,147,389	190,848,435	191,115,506	190,546,679	191,193,494	337,124,287				
% Total Salaries contributing to RHCTF	**2.64%**	**2.75%**	**2.84%**	**2.92%**	**3.12%**	**3.22%**	**3.39%**	**3.80%**	**3.91%**	**4.03%**	**4.24%**	**4.50%**				
														Total Interest		
	FY 2012-13 Interest (Actual data from July to August)															
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	FY 12-13			
300 INTEREST & INVESTMENT INCOME	17,336	13,844	15,438	13,585	17,982	18,510	19,053	19,611	20,187	20,779	21,389	22,016		**219,728**		
Growth Rate		-20.15%	11.51%	-12.00%	32.37%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%				
	FY 2011-12 Interest Actual															
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12				
300 INTEREST & INVESTMENT INCOME	7,346	8,032	8,972	9,829	11,258	12,617	10,732	12,424	15,478	13,662	22,675	11,102		**144,127**		
Growth Rate		1.093384155	1.117031873	1.09551939	1.1453861	1.12071416	0.8505984	1.15765934	1.24581455	1.24581455	1.24581455	1.24581455	1.142141			

Data Extracted: 10/12/2012
CCSF - Controller's Office

Office of the Treasurer & Tax Collector
City and County of San Francisco

Pauline Marx, Chief Assistant Treasurer
Michelle Durgy, Chief Investment Officer

José Cisneros, Treasurer

Investment Report for the month of December 2012

January 15, 2013

The Honorable Edwin M. Lee
Mayor of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4638

The Honorable Board of Supervisors
City and County of San Franicsco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4638

Ladies and Gentlemen,

In accordance with the provisions of California State Government Code Section 53646, we forward this report detailing the City's pooled fund portfolio as of December 31, 2012. These investments provide sufficient liquidity to meet expenditure requirements for the next six months and are in compliance with our statement of investment policy and California Code.

This correspondence and its attachments show the investment activity for the month of December 2012 for the portfolios under the Treasurer's management. All pricing and valuation data is obtained from Interactive Data Corporation.

CCSF Pooled Fund Investment Earnings Statistics *

	Current Month		Prior Month	
(in $ million)	Fiscal YTD	December 2012	Fiscal YTD	November 2012
Average Daily Balance	$ 4,932	$ 5,083	$ 4,902	$ 4,878
Net Earnings	26.38	3.78	22.60	4.71
Earned Income Yield	1.06%	0.87%	1.10%	1.17%

CCSF Pooled Fund Statistics *

(in $ million) **Investment Type**	**% of Portfolio**	**Book Value**	**Market Value**	**Wtd. Avg. Coupon**	**Wtd. Avg. YTM**	**WAM**
U.S. Treasuries	18.2%	$ 1,014	$ 1,026	1.07%	0.91%	1,270
Federal Agencies	68.5%	3,827	3,865	1.09%	0.97%	1,012
State & Local Government Agency Obligations	1.6%	91	90	2.24%	0.50%	342
Public Time Deposits	0.02%	1	1	0.52%	0.52%	99
Negotiable CDs	4.9%	275	275	0.38%	0.38%	116
Commercial Paper	1.4%	80	80	0.00%	0.50%	99
Medium Term Notes	0.9%	53	52	4.20%	0.53%	160
Money Market Funds	4.4%	250	250	0.05%	0.05%	2
Totals	100.0%	$ 5,591	$ 5,639	1.03%	0.87%	939

In the remainder of this report, we provide additional information and analytics at the security-level and portfolio-level, as recommended by the California Debt and Investment Advisory Commission.

Very truly yours,

José Cisneros
Treasurer

cc: Treasury Oversight Committee: Peter Goldstein, Joe Grazioli, Todd Rydstrom
Ben Rosenfield, Controller, Office of the Controller
Tonia Lediju, Internal Audit, Office of the Controller
Cynthia Fong, Deputy Director for Finance & Administration, San Francisco County Transportation Authority
Jessica Bullen, Fiscal and Policy Analyst
San Francisco Public Library

* Please see last page of this report for non-pooled funds holdings and statistics.

Portfolio Summary
Pooled Fund

As of December 31, 2012

(in $ million) **Security Type**	**Par Value**	**Book Value**	**Market Value**	**Market/Book Price**	**Current % Allocation**	**Max. Policy Allocation**	**Compliant?**
U.S. Treasuries	$ 1,010	$ 1,014	$ 1,026	101.18	18.19%	100%	Yes
Federal Agencies	3,816	3,827	3,865	100.99	68.54%	85%	Yes
State & Local Government Agency Obligations	89	91	90	99.08	1.60%	20%	Yes
Public Time Deposits	1	1	1	100.00	0.02%	100%	Yes
Negotiable CDs	275	275	275	99.93	4.87%	30%	Yes
Bankers Acceptances	-	-	-	-	0.00%	40%	Yes
Commercial Paper	80	80	80	100.28	1.42%	25%	Yes
Medium Term Notes	51	53	52	98.25	0.93%	15%	Yes
Repurchase Agreements	-	-	-	-	0.00%	100%	Yes
Reverse Repurchase/ Securities Lending Agreements	-	-	-	-	0.00%	$75mm	Yes
Money Market Funds	250	250	250	-	4.43%	100%	Yes
LAIF	-	-	-	-	0.00%	$50mm	Yes
TOTAL	**$ 5,572**	**$ 5,591**	**$ 5,639**	**100.86**	**100.00%**	**-**	**Yes**

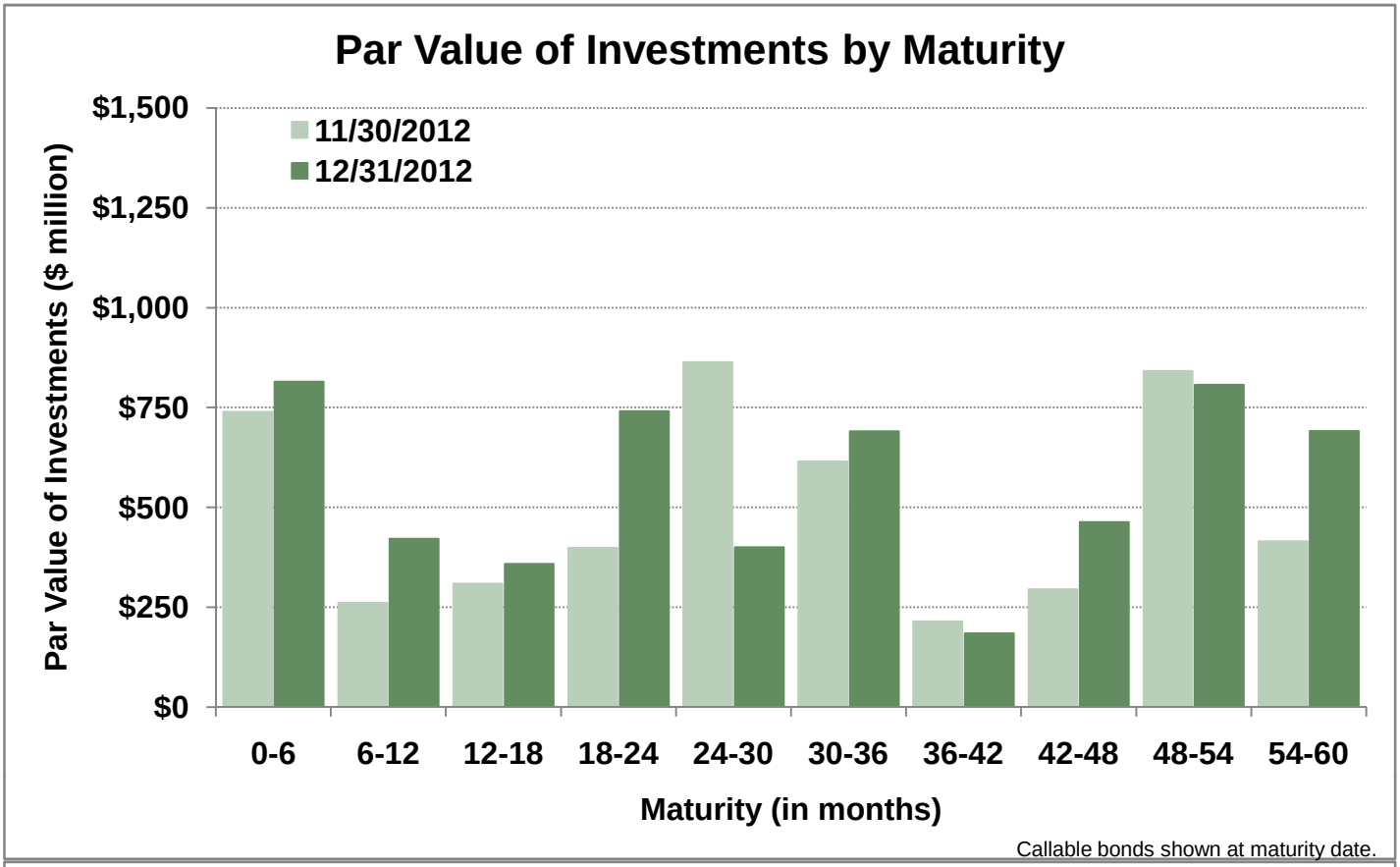
The City and County of San Francisco uses the following methodology to determine compliance: Compliance is pre-trade and calculated on both a par and market value basis, using the result with the lowest percentage of the overall portfolio value. Cash balances are included in the City's compliance calculations.

Please note the information in this report does not include cash balances. Due to fluctuations in the market value of the securities held in the Pooled Fund and changes in the City's cash position, the allocation limits may be exceeded on a post-trade compliance basis. In these instances, no compliance violation has occurred, as the policy limits were not exceeded prior to trade execution.

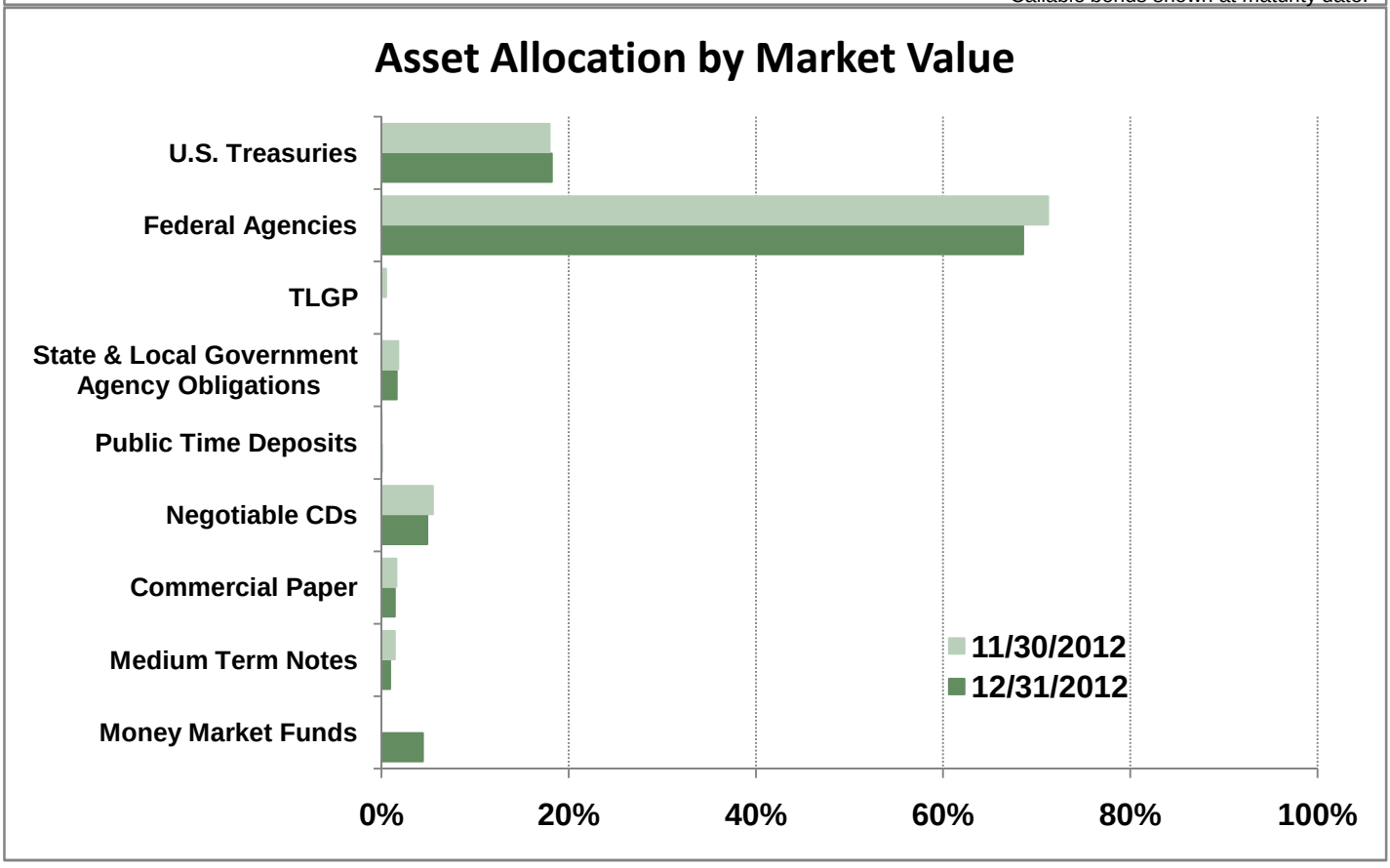
The full Investment Policy can be found at http://www.sftreasurer.org/, in the Reports & Plans section of the About menu.

Totals may not add due to rounding.

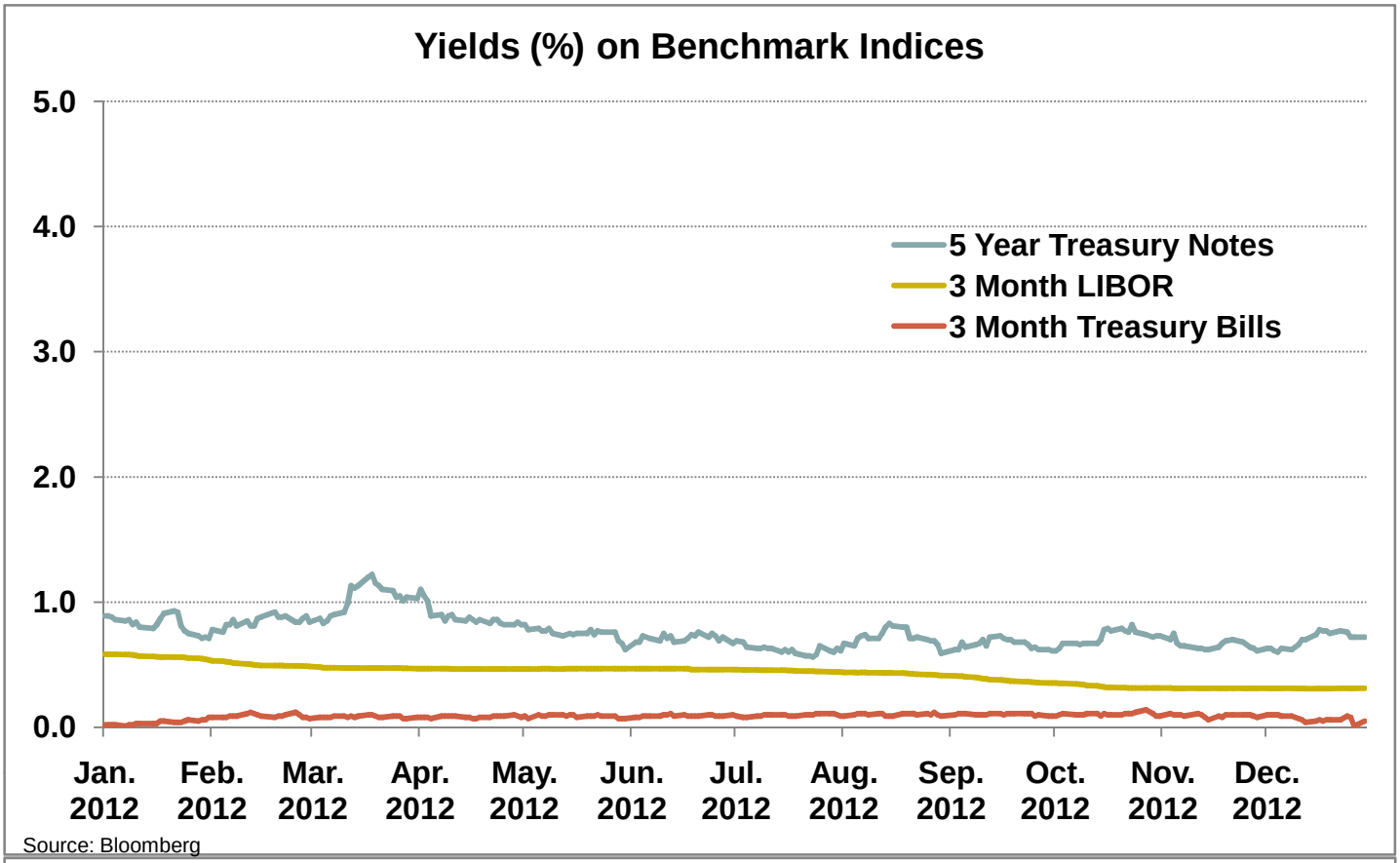
Portfolio Analysis
Pooled Fund



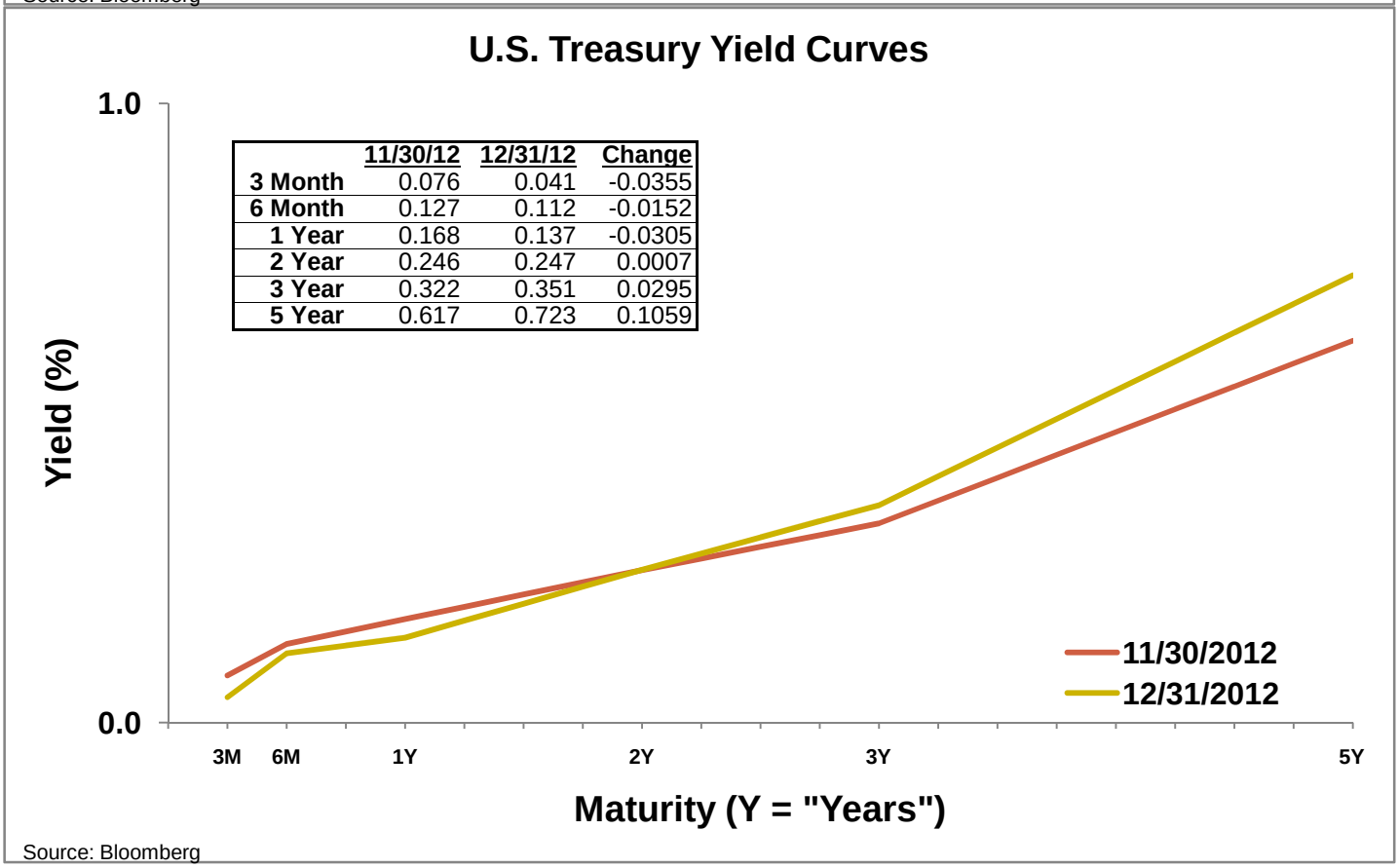
Callable bonds shown at maturity date.



Yield Curves



Source: Bloomberg



	11/30/12	12/31/12	Change
3 Month	0.076	0.041	-0.0355
6 Month	0.127	0.112	-0.0152
1 Year	0.168	0.137	-0.0305
2 Year	0.246	0.247	0.0007
3 Year	0.322	0.351	0.0295
5 Year	0.617	0.723	0.1059

Source: Bloomberg

Investment Inventory
Pooled Fund

As of December 31, 2012

Type of Investment	CUSIP	Issue Name	Settle Date	Maturity Date	Duration	Coupon	Par Value	Book Value	Amortized Book Value	Market Value
U.S. Treasuries	912828QE3	US TSY NT	6/1/11	4/30/13	0.33	0.63	$ 25,000,000	$ 25,095,703	$ 25,016,293	$ 25,044,000
U.S. Treasuries	912828JT8	US TSY NT	6/1/11	11/30/13	0.91	2.00	25,000,000	25,851,563	25,310,592	25,412,000
U.S. Treasuries	912828PQ7	US TSY NT	6/1/11	1/15/14	1.03	1.00	25,000,000	25,226,563	25,089,538	25,209,000
U.S. Treasuries	912828LC2	US TSY NT	6/1/11	7/31/14	1.55	2.63	25,000,000	26,382,813	25,689,014	25,940,500
U.S. Treasuries	912828MW7	US TSY NT	2/24/12	3/31/15	2.19	2.50	50,000,000	53,105,469	52,248,788	52,484,500
U.S. Treasuries	912828TK6	US TSY NT	9/4/12	8/15/15	2.61	0.25	100,000,000	99,826,087	99,846,843	99,820,000
U.S. Treasuries	912828PE4	US TSY NT	12/23/11	10/31/15	2.79	1.25	25,000,000	25,609,375	25,447,077	25,634,750
U.S. Treasuries	912828PJ3	US TSY NT	12/16/10	11/30/15	2.87	1.38	50,000,000	49,519,531	49,717,824	51,469,000
U.S. Treasuries	912828PJ3	US TSY NT	12/16/10	11/30/15	2.87	1.38	50,000,000	49,519,531	49,717,824	51,469,000
U.S. Treasuries	912828PJ3	US TSY NT	12/23/10	11/30/15	2.87	1.38	50,000,000	48,539,063	49,138,671	51,469,000
U.S. Treasuries	912828QF0	US TSY NT	3/15/12	4/30/16	3.23	2.00	50,000,000	52,199,219	51,773,093	52,605,500
U.S. Treasuries	912828RJ1	US TSY NT	10/11/11	9/30/16	3.68	1.00	75,000,000	74,830,078	74,871,997	76,429,500
U.S. Treasuries	912828SJ0	US TSY NT	3/14/12	2/28/17	4.09	0.88	100,000,000	99,695,313	99,744,580	101,313,000
U.S. Treasuries	912828SJ0	US TSY NT	3/21/12	2/28/17	4.09	0.88	25,000,000	24,599,609	24,663,051	25,328,250
U.S. Treasuries	912828SJ0	US TSY NT	3/21/12	2/28/17	4.09	0.88	25,000,000	24,599,609	24,663,051	25,328,250
U.S. Treasuries	912828SM3	US TSY NT	4/4/12	3/31/17	4.16	1.00	50,000,000	49,835,938	49,860,430	50,894,500
U.S. Treasuries	912828TM2	US TSY NT	9/17/12	8/31/17	4.60	0.63	60,000,000	59,825,423	59,836,684	59,943,600
U.S. Treasuries	912828TS9	US TSY NT	10/18/12	9/30/17	4.68	0.63	75,000,000	74,636,461	74,652,503	74,865,000
U.S. Treasuries	912828UA6	US TSY NT	12/18/12	11/30/17	4.85	0.63	50,000,000	49,820,141	49,821,653	49,832,000
U.S. Treasuries	912828UE8	US TSY NT	12/31/12	12/31/17	4.92	0.75	75,000,000	74,958,984	74,959,007	75,123,000
Subtotals					**3.42**	**1.07**	**$ 1,010,000,000**	**$ 1,013,676,471**	**$ 1,012,068,513**	**$ 1,025,614,350**
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	1/11/11	1/10/13	0.03	0.35	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 50,002,000
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	1/12/11	1/10/13	0.03	0.35	50,000,000	49,989,900	49,999,875	50,002,000
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	3/22/11	1/10/13	0.03	0.35	35,000,000	35,015,925	35,000,217	35,001,400
Federal Agencies	31331KM31	FFCB FLT T-BILL+22	12/12/11	5/1/13	0.33	0.30	20,000,000	20,002,800	20,000,664	20,012,400
Federal Agencies	3137EABM0	FHLMC BONDS	5/13/11	6/28/13	0.49	3.75	25,000,000	26,608,250	25,368,428	25,450,000
Federal Agencies	3134G2B50	FHLMC FRN FF+23	9/1/11	9/3/13	0.67	0.39	50,000,000	49,979,500	49,993,148	50,066,500
Federal Agencies	313380NQ6	FHLB FLT NT FF+5	12/4/12	9/6/13	0.68	0.22	50,000,000	50,005,750	50,005,167	50,006,500
Federal Agencies	3134G2K43	FHLMC FLT NT FF+21	9/13/11	9/12/13	0.70	0.38	50,000,000	49,969,500	49,989,388	50,061,500
Federal Agencies	31315PLT4	FARMER MAC	12/6/10	12/6/13	0.93	1.25	35,000,000	34,951,700	34,985,060	35,317,450
Federal Agencies	313379QY8	FHLB FLT NT FF+9	11/30/12	12/20/13	0.97	0.26	25,000,000	25,012,022	25,011,022	25,010,000
Federal Agencies	313379QY8	FHLB FLT NT FF+9	12/12/12	12/20/13	0.97	0.26	45,000,000	45,020,967	45,019,842	45,018,000
Federal Agencies	31331J6A6	FFCB	12/23/10	12/23/13	0.98	1.30	22,000,000	21,993,125	21,997,767	22,239,800
Federal Agencies	313371UC8	FHLB	11/18/10	12/27/13	0.99	0.88	40,000,000	39,928,000	39,977,163	40,273,600
Federal Agencies	3135G0AZ6	FNMA FRN QTR T-BILL+21	3/4/11	3/4/14	1.17	0.29	25,000,000	24,985,000	24,994,156	25,036,500
Federal Agencies	3135G0AZ6	FNMA FRN QTR T-BILL+21	3/4/11	3/4/14	1.17	0.29	25,000,000	24,992,500	24,997,078	25,036,500
Federal Agencies	313379RV3	FHLB FLT NT FF+12	6/11/12	3/11/14	1.19	0.29	50,000,000	49,986,700	49,990,953	50,037,000
Federal Agencies	31398A3R1	FNMA AMORT TO CALL	11/10/10	3/21/14	1.21	1.35	24,500,000	24,564,827	24,500,000	24,782,730
Federal Agencies	31315PHX0	FARMER MAC MTN	4/10/12	6/5/14	1.41	3.15	14,080,000	14,878,195	14,608,068	14,621,517
Federal Agencies	3133XWE70	FHLB TAP	5/15/12	6/13/14	1.43	2.50	48,000,000	50,088,480	49,452,856	49,564,320
Federal Agencies	3133XWE70	FHLB TAP	6/11/12	6/13/14	1.43	2.50	50,000,000	52,094,500	51,510,787	51,629,500
Federal Agencies	3133724E1	FHLB	12/31/10	6/30/14	1.49	1.21	50,000,000	50,000,000	50,000,000	50,716,000
Federal Agencies	3137EACU1	FHLMC BONDS	6/2/11	7/30/14	1.57	1.00	75,000,000	74,946,000	74,973,094	75,900,000
Federal Agencies	3134G2UA8	FHLMC NT	12/1/11	8/20/14	1.62	1.00	53,000,000	53,468,944	53,281,461	53,618,510
Federal Agencies	3134G2UA8	FHLMC NT	12/14/11	8/20/14	0.00	1.00	25,000,000	25,232,315	25,141,285	25,291,750
Federal Agencies	31398A3G5	FNMA EX-CALL NT	4/4/12	9/8/14	1.66	1.50	13,200,000	13,515,216	13,418,555	13,439,184
Federal Agencies	3136FTRF8	FNMA FLT QTR FF+39	12/12/11	11/21/14	1.88	0.55	26,500,000	26,523,585	26,515,116	26,647,605
Federal Agencies	31331J4S9	FFCB	12/16/10	12/8/14	1.92	1.40	24,000,000	23,988,000	23,994,169	24,511,440

Investment Inventory

Pooled Fund

Type of Investment	CUSIP	Issue Name	Settle Date	Maturity Date	Duration	Coupon	Par Value	Book Value	Amortized Book Value	Market Value
Federal Agencies	31331J4S9	FFCB	12/8/10	12/8/14	1.92	1.40	19,000,000	18,956,680	18,979,066	19,404,890
Federal Agencies	313371W51	FHLB	12/6/10	12/12/14	0.00	1.25	50,000,000	49,725,000	49,866,905	50,819,000
Federal Agencies	313371W51	FHLB	12/8/10	12/12/14	1.93	1.25	75,000,000	74,391,000	74,704,853	76,228,500
Federal Agencies	3133XVNU1	FHLB	11/23/10	12/12/14	1.91	2.75	25,400,000	26,848,308	26,094,796	26,618,946
Federal Agencies	3133XVNU1	FHLB	11/23/10	12/12/14	1.91	2.75	2,915,000	3,079,668	2,993,996	3,054,891
Federal Agencies	3133XVNU1	FHLB	12/8/10	12/12/14	1.91	2.75	50,000,000	52,674,000	51,295,932	52,399,500
Federal Agencies	313371W93	FHLB	12/15/10	12/15/14	1.94	1.34	75,000,000	75,000,000	75,000,000	76,510,500
Federal Agencies	3136FTVN6	FNMA FLT QTR FF+35	12/15/11	12/15/14	1.95	0.51	75,000,000	75,000,000	75,000,000	75,368,250
Federal Agencies	3135G0GM9	FNMA CALL NT	12/23/11	12/23/14	1.97	0.83	25,000,000	25,040,000	25,019,480	25,104,000
Federal Agencies	31331J6Q1	FFCB	12/29/10	12/29/14	1.97	1.72	27,175,000	27,157,065	27,166,075	27,924,487
Federal Agencies	31331J6Q1	FFCB	12/29/10	12/29/14	1.97	1.72	65,000,000	64,989,600	64,994,825	66,792,700
Federal Agencies	3133EAQ35	FFCB FLT NT FF+14	9/4/12	3/4/15	2.17	0.31	100,000,000	99,924,300	99,934,188	100,087,000
Federal Agencies	3133EAJP4	FFCB FLT NT 1ML+1.5	4/30/12	4/27/15	2.32	0.22	50,000,000	49,992,600	49,994,267	49,988,500
Federal Agencies	31315PWJ4	FARMER MAC FLT NT FF+26	5/3/12	5/1/15	2.32	0.43	50,000,000	50,000,000	50,000,000	50,185,500
Federal Agencies	3133EANJ3	FFCB BD	5/1/12	5/1/15	2.32	0.50	50,000,000	49,944,000	49,956,530	50,178,500
Federal Agencies	3133EAQC5	FFCB FLT NT 1ML+1	6/8/12	5/14/15	2.36	0.22	50,000,000	49,985,500	49,988,305	49,979,000
Federal Agencies	3133EAVE5	FFCB FLT NT 1ML+2	12/5/12	6/22/15	2.47	0.23	50,000,000	49,987,300	49,987,669	49,984,000
Federal Agencies	3137EACM9	FHLMC BONDS	12/15/10	9/10/15	2.63	1.75	50,000,000	49,050,000	49,460,751	51,832,000
Federal Agencies	313370JB5	FHLB	12/15/10	9/11/15	2.63	1.75	75,000,000	73,587,000	74,197,586	77,750,250
Federal Agencies	31315PGT0	FARMER MAC	9/15/10	9/15/15	2.63	2.13	45,000,000	44,914,950	44,954,028	46,732,500
Federal Agencies	31398A3T7	FNMA NT EX-CALL	10/14/11	9/21/15	2.65	2.00	25,000,000	25,881,000	25,608,368	26,093,000
Federal Agencies	3133EAJF6	FFCB FLT NT 1ML+2.5	11/30/12	9/22/15	2.72	0.23	27,953,000	27,941,120	27,941,491	27,937,346
Federal Agencies	31398A4M1	FNMA	12/15/10	10/26/15	2.76	1.63	25,000,000	24,317,500	24,604,949	25,862,750
Federal Agencies	31398A4M1	FNMA	12/23/10	10/26/15	2.76	1.63	42,000,000	40,924,380	41,374,583	43,449,420
Federal Agencies	31331J2S1	FFCB	12/15/10	11/16/15	2.82	1.50	25,000,000	24,186,981	24,525,400	25,802,750
Federal Agencies	3134G3V23	FHLMC CALL NT	11/20/12	11/20/15	2.87	0.53	25,000,000	25,000,000	25,000,000	25,030,500
Federal Agencies	313371ZY5	FHLB	12/3/10	12/11/15	2.88	1.88	25,000,000	24,982,000	24,989,459	26,141,500
Federal Agencies	313371ZY5	FHLB	12/14/10	12/11/15	2.88	1.88	50,000,000	49,871,500	49,924,296	52,283,000
Federal Agencies	313375RN9	FHLB NT	4/13/12	3/11/16	3.14	1.00	22,200,000	22,357,620	22,328,591	22,499,922
Federal Agencies	3133EAJU3	FFCB NT	4/12/12	3/28/16	3.19	1.05	25,000,000	25,220,750	25,180,447	25,499,500
Federal Agencies	3133792Z1	FHLB NT	4/18/12	4/18/16	3.26	0.81	20,000,000	19,992,200	19,993,577	20,218,600
Federal Agencies	3135G0RZ8	FNMA CALL NT	11/30/12	5/26/16	3.37	0.55	22,540,000	22,541,377	22,541,377	22,527,378
Federal Agencies	313373ZN5	FHLB	6/6/11	6/6/16	3.33	2.03	35,000,000	35,000,000	35,000,000	36,811,950
Federal Agencies	31315PB73	FAMCA NT	2/9/12	6/9/16	3.39	0.90	10,000,000	10,000,000	10,000,000	10,170,400
Federal Agencies	31315PA25	FAMCA NT	7/27/11	7/27/16	3.44	2.00	15,000,000	14,934,750	14,953,464	15,721,200
Federal Agencies	3134G2SP8	FHLMC CALL	7/28/11	7/28/16	3.44	2.00	50,000,000	50,022,500	50,001,105	50,060,500
Federal Agencies	313370TW8	FHLB BD	10/11/11	9/9/16	3.56	2.00	25,000,000	25,727,400	25,545,854	26,411,750
Federal Agencies	3135G0CM3	FNMA NT	10/11/11	9/28/16	3.66	1.25	25,000,000	24,856,450	24,891,902	25,648,500
Federal Agencies	3134G3P38	FHLMC NT CALL	12/14/12	10/5/16	3.71	0.75	75,000,000	75,179,063	75,167,612	75,099,750
Federal Agencies	3135G0ES8	FNMA NT	12/14/11	11/15/16	3.78	1.38	50,000,000	50,309,092	50,243,079	51,509,500
Federal Agencies	313381GA7	FHLB NT	11/30/12	11/30/16	3.88	0.57	23,100,000	23,104,389	23,104,293	23,040,864
Federal Agencies	313371PV2	FHLB NT	12/6/12	12/9/16	3.83	1.63	52,500,000	54,683,475	54,644,697	54,646,200
Federal Agencies	313381KR5	FHLB NT CALL	12/28/12	12/28/16	3.95	0.63	13,500,000	13,500,000	13,500,000	13,464,090
Federal Agencies	313381KR5	FHLB NT CALL	12/28/12	12/28/16	3.95	0.63	9,000,000	9,000,000	9,000,000	8,976,060
Federal Agencies	3136FTUZ0	FNMA CALL NT	12/30/11	12/30/16	3.90	1.40	50,000,000	49,975,000	49,980,036	50,541,500
Federal Agencies	3133ECB37	FFCB NT	12/20/12	1/12/17	3.98	0.58	14,000,000	14,000,000	14,000,000	13,973,400
Federal Agencies	31315PWW5	FARMER MAC MTN	5/4/12	1/17/17	3.97	1.01	49,500,000	49,475,250	49,478,734	50,246,955
Federal Agencies	3136FTL31	FNMA STEP BD CALL	4/30/12	2/7/17	4.03	0.75	30,765,000	30,872,678	30,831,800	30,929,285
Federal Agencies	3137EADC0	FHLMC NT	3/12/12	3/8/17	4.10	1.00	50,000,000	49,697,500	49,746,478	50,637,500
Federal Agencies	3133782N0	FHLB NT	3/12/12	3/10/17	4.11	0.88	14,845,000	14,698,035	14,721,804	14,956,931

Investment Inventory

Pooled Fund

Type of Investment	CUSIP	Issue Name	Settle Date	Maturity Date	Duration	Coupon	Par Value	Book Value	Amortized Book Value	Market Value
Federal Agencies	3133782N0	FHLB NT	3/12/12	3/10/17	4.11	0.88	55,660,000	55,157,087	55,238,425	56,079,676
Federal Agencies	3136FTZ77	FNMA STR NT	3/13/12	3/13/17	4.11	1.00	50,000,000	50,000,000	50,000,000	50,073,500
Federal Agencies	31315PTQ2	FARMER MAC MTN	4/10/12	4/10/17	4.16	1.26	12,500,000	12,439,250	12,448,100	12,732,625
Federal Agencies	3134G3TR1	FHLMC MTN CALL	4/12/12	4/12/17	4.15	1.45	30,000,000	30,000,000	30,000,000	29,967,300
Federal Agencies	3136G0CC3	FNMA STRNT	4/18/12	4/18/17	4.22	0.85	30,000,000	30,000,000	30,000,000	30,276,000
Federal Agencies	31315PUQ0	FARMER MAC MTN	4/26/12	4/26/17	4.22	1.13	10,500,000	10,500,000	10,500,000	10,659,600
Federal Agencies	3133EAPB8	FFCB CALL NT	5/2/12	5/2/17	4.23	1.23	25,000,000	25,000,000	25,000,000	25,081,750
Federal Agencies	3135G0KP7	FNMA CALL NT	5/3/12	5/3/17	4.19	1.75	75,000,000	75,858,000	75,286,784	74,982,750
Federal Agencies	3133794Y2	FHLB FIX-TO-FLOAT CALL NT	5/9/12	5/9/17	4.31	0.50	25,000,000	25,000,000	25,000,000	24,760,750
Federal Agencies	3137EADF3	FHLMC NT	5/14/12	5/12/17	4.25	1.25	25,000,000	25,133,000	25,116,083	25,579,250
Federal Agencies	3136G0GW5	FNMA STEP NT CALL	6/11/12	5/23/17	4.32	0.85	50,000,000	50,290,500	50,207,150	50,339,000
Federal Agencies	31315PZQ5	FARMER MAC MTN	12/28/12	6/5/17	4.33	1.11	9,000,000	9,128,513	9,128,211	9,143,730
Federal Agencies	3133EAUW6	FFCB FLT NT FF+22	6/19/12	6/19/17	4.43	0.39	50,000,000	50,000,000	50,000,000	49,991,000
Federal Agencies	3136G0ZA2	FNMA STEP NT	9/12/12	9/12/17	4.61	0.75	15,000,000	15,000,000	15,000,000	15,040,650
Federal Agencies	3136G0B59	FNMA STEP NT	9/20/12	9/20/17	4.64	0.70	64,750,000	64,750,000	64,750,000	64,884,033
Federal Agencies	3136G0D81	FNMA STEP NT	9/27/12	9/27/17	4.66	0.72	100,000,000	100,000,000	100,000,000	100,418,000
Federal Agencies	3136G0Y39	FNMA STEP NT	11/8/12	11/8/17	4.78	0.63	50,000,000	50,000,000	50,000,000	50,161,000
Federal Agencies	3136G13T4	FNMA STEP NT	12/26/12	12/26/17	4.90	0.75	39,000,000	39,000,000	39,000,000	39,115,050
Federal Agencies	3136G13Q0	FNMA STEP NT	12/26/12	12/26/17	4.90	0.75	29,000,000	29,000,000	29,000,000	29,095,700
Federal Agencies	3134G32W9	FHLMC MTN CALL	12/26/12	12/26/17	4.85	1.25	33,600,000	33,991,272	33,986,980	33,966,240
Federal Agencies	3134G32W9	FHLMC MTN CALL	12/26/12	12/26/17	4.85	1.25	50,000,000	50,605,000	50,598,364	50,545,000
Federal Agencies	3134G32M1	FHLMC CALL NT	12/28/12	12/28/17	4.88	1.00	50,000,000	50,000,000	50,000,000	49,834,000
Subtotals					**2.69**	**1.09**	**$ 3,815,683,000**	**$ 3,827,093,302**	**$ 3,823,398,064**	**$ 3,865,155,224**
State/Local Agencies	130583ER4	CALIFORNIA SCHOOL CASH PROG	7/2/12	3/1/13	0.16	2.00	$ 6,435,000	$ 6,510,032	$ 6,453,293	$ 6,453,082
State/Local Agencies	130583ET0	CALIFORNIA SCHOOL CASH PROG	7/2/12	6/3/13	0.42	2.00	6,200,000	6,298,952	6,245,059	6,245,136
State/Local Agencies	107889RL3	TOWNSHIP OF BRICK NJ BAN	7/26/12	7/26/13	0.57	1.00	23,915,000	24,033,858	23,982,081	24,002,051
State/Local Agencies	967244L36	CITY OF WICHITA KS	8/9/12	8/15/13	0.62	0.75	4,105,000	4,113,292	4,110,051	4,106,601
State/Local Agencies	022168KZ0	ALUM ROCK ESD SAN JOSE CA	7/13/12	9/1/13	0.67	0.80	1,665,000	1,665,000	1,665,000	1,664,883
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	3/29/12	3/15/14	1.19	2.61	15,000,000	15,606,300	15,370,893	15,385,500
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	6/8/12	3/15/14	1.19	2.61	11,115,000	11,542,594	11,405,366	11,400,656
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	6/8/12	3/15/14	1.19	2.61	8,150,000	8,463,531	8,362,909	8,359,455
State/Local Agencies	13063A5B6	CALIFORNIA ST GO BD	5/2/12	4/1/14	1.21	5.25	2,820,000	3,044,359	2,966,042	2,972,900
State/Local Agencies	62451FFC9	WHISMAN SCHOOL DIST MTN VIEW	7/24/12	8/1/14	1.57	0.75	1,125,000	1,125,000	1,125,000	1,130,310
State/Local Agencies	64966DPC7	NEW YORK CITY GO	6/7/12	11/1/14	1.77	4.75	8,000,000	8,774,720	8,590,978	8,615,360
Subtotals					**0.92**	**2.24**	**$ 88,530,000**	**$ 91,177,638**	**$ 90,276,672**	**$ 90,335,934**
Public Time Deposits		BANK OF THE WEST PTD	4/9/12	4/9/13	0.27	0.53	$ 240,000	$ 240,000	$ 240,000	$ 240,000
Public Time Deposits		SAN FRANCISCO FCU PTD	4/9/12	4/9/13	0.27	0.53	240,000	240,000	240,000	240,000
Public Time Deposits		BANK OF SAN FRANCISCO PTD	5/18/12	4/9/13	0.27	0.53	240,000	240,000	240,000	240,000
Public Time Deposits		FIRST NAT. BANK OF NOR. CAL. PTI	8/3/12	4/9/13	0.27	0.50	240,000	240,000	240,000	240,000
Subtotals					**0.27**	**0.52**	**$ 960,000**	**$ 960,000**	**$ 960,000**	**$ 960,000**
Negotiable CDs	89112XLC7	TD YCD	1/12/12	1/14/13	0.04	0.35	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 49,998,194
Negotiable CDs	60682AAX4	MITSUBISHI UFJ FIN GRP YCD	9/12/12	3/12/13	0.19	0.44	50,000,000	50,000,000	50,000,000	49,990,278
Negotiable CDs	06417ER96	BANK OF NOVA SCOTIA YCD	4/26/12	3/21/13	0.22	0.46	50,000,000	50,000,000	50,000,000	49,989,028
Negotiable CDs	60682ACJ3	MITSUBISHI UFJ YCD	12/6/12	6/4/13	0.42	0.31	50,000,000	50,000,000	50,000,000	49,957,222
Negotiable CDs	06417E2P7	BANK OF NOVA SCOTIA FF+38	6/7/12	6/7/13	0.43	0.29	25,000,000	25,000,000	25,000,000	25,009,449
Negotiable CDs	06417FAY6	BANK OF NOVA SCOTIA YCD	9/4/12	8/30/13	0.66	0.38	50,000,000	50,000,000	50,000,000	49,862,764
Subtotals					**0.32**	**0.38**	**$ 275,000,000**	**$ 275,000,000**	**$ 275,000,000**	**$ 274,806,935**

Investment Inventory

Pooled Fund

Type of Investment	CUSIP	Issue Name	Settle Date	Maturity Date	Duration	Coupon	Par Value	Book Value	Amortized Book Value	Market Value
Commercial Paper	89233GNJ1	TOYOTA CP	4/24/12	1/18/13	0.05	0.00	$ 30,000,000	$ 29,865,500	$ 29,865,500	$ 29,997,167
Commercial Paper	89233GSU1	TOYOTA CP	8/31/12	5/28/13	0.41	0.00	50,000,000	49,838,750	49,838,750	49,928,542
Subtotals					**0.27**	**0.00**	**$ 80,000,000**	**$ 79,704,250**	**$ 79,704,250**	**$ 79,925,708**
Medium Term Notes	89233P5Q5	TOYOTA FLT QTR 3ML+20	12/15/11	1/11/13	0.03	0.55	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,001,200
Medium Term Notes	36962GZY3	GE MTN	3/23/12	1/15/13	0.04	5.45	10,000,000	10,399,100	10,018,750	10,017,200
Medium Term Notes	592179JG1	MET LIFE GLOBAL FUNDING MTN	9/6/12	4/10/13	0.27	5.13	3,710,000	3,815,909	3,758,542	3,756,449
Medium Term Notes	36962G3T9	GE MTN	6/12/12	5/1/13	0.33	4.80	17,648,000	18,300,800	17,890,526	17,904,955
Medium Term Notes	59217EBW3	MET LIFE GLOBAL FUNDING MTN	11/13/12	6/10/14	1.41	5.13	10,000,000	10,725,948	10,663,977	10,631,000
Subtotals					**0.43**	**4.20**	**$ 51,358,000**	**$ 53,241,757**	**$ 52,331,795**	**$ 52,310,804**
Money Market Funds	61747C707	MS INSTL GOVT FUND	12/31/12	1/2/13	0.01	0.05	$ 250,000,000	$ 250,000,000	$ 250,000,000	$ 250,000,000
Subtotals					**0.01**	**0.05**	**$ 250,000,000**	**$ 250,000,000**	**$ 250,000,000**	**$ 250,000,000**
Grand Totals					**2.49**	**1.03**	**$ 5,571,531,000**	**$ 5,590,853,418**	**$ 5,583,739,294**	**$ 5,639,108,956**

Monthly Investment Earnings

Pooled Fund

For month ended December 31, 2012

Type of Investment	CUSIP	Issue Name	Par Value	Coupon	YTM[1]	Settle Date	Maturity Date	Earned Interest	Amort. Expense	Realized Gain/(Loss)	Earned Income /Net Earnings
U.S. Treasuries	912828QE3	US TSY NT	$ 25,000,000	0.63	0.42	6/1/11	4/30/13	$ 13,381	$ (4,244)	$ -	$ 9,136
U.S. Treasuries	912828JT8	US TSY NT	25,000,000	2.00	0.62	6/1/11	11/30/13	42,582	(28,914)	-	13,668
U.S. Treasuries	912828PQ7	US TSY NT	25,000,000	1.00	0.65	6/1/11	1/15/14	21,060	(7,324)	-	13,736
U.S. Treasuries	912828LC2	US TSY NT	25,000,000	2.63	0.85	6/1/11	7/31/14	55,282	(37,082)	-	18,200
U.S. Treasuries	912828MW7	US TSY NT	50,000,000	2.50	0.48	2/24/12	3/31/15	106,456	(85,119)	-	21,337
U.S. Treasuries	912828TK6	US TSY NT	100,000,000	0.25	0.31	9/4/12	8/15/15	21,060	5,407	-	26,467
U.S. Treasuries	912828PE4	US TSY NT	25,000,000	1.25	0.61	12/23/11	10/31/15	26,761	(13,417)	-	13,344
U.S. Treasuries	912828PJ3	US TSY NT	50,000,000	1.38	1.58	12/16/10	11/30/15	58,551	8,229	-	66,780
U.S. Treasuries	912828PJ3	US TSY NT	50,000,000	1.38	1.58	12/16/10	11/30/15	58,551	8,229	-	66,780
U.S. Treasuries	912828PJ3	US TSY NT	50,000,000	1.38	2.00	12/23/10	11/30/15	58,551	25,119	-	83,670
U.S. Treasuries	912828QF0	US TSY NT	50,000,000	2.00	0.91	3/15/12	4/30/16	85,635	(45,239)	-	40,396
U.S. Treasuries	912828RJ1	US TSY NT	75,000,000	1.00	1.05	10/11/11	9/30/16	63,874	2,901	-	66,774
U.S. Treasuries	912828SJ0	US TSY NT	100,000,000	0.88	0.94	3/14/12	2/28/17	74,931	5,213	-	80,144
U.S. Treasuries	912828SJ0	US TSY NT	25,000,000	0.88	1.21	3/21/12	2/28/17	18,733	6,877	-	25,609
U.S. Treasuries	912828SJ0	US TSY NT	25,000,000	0.88	1.21	3/21/12	2/28/17	18,733	6,877	-	25,609
U.S. Treasuries	912828SM3	US TSY NT	50,000,000	1.00	1.07	4/4/12	3/31/17	42,582	2,791	-	45,374
U.S. Treasuries	912828TM2	US TSY NT	60,000,000	0.63	0.69	9/17/12	8/31/17	32,113	3,293	-	35,407
U.S. Treasuries	912828TS9	US TSY NT	75,000,000	0.63	0.73	10/18/12	9/30/17	39,921	6,631	-	46,552
U.S. Treasuries	912828UA6	US TSY NT	50,000,000	0.63	0.71	12/18/12	11/30/17	12,019	1,512	-	13,532
U.S. Treasuries	912828UE8	US TSY NT	75,000,000	0.75	0.76	12/31/12	12/31/17	1,554	22	-	1,576
Subtotals			**$ 1,010,000,000**					**$ 852,329**	**$ (138,239)**	**$ -**	**$ 714,090**
Federal Agencies	31398A6V9	FNMA FRN QTR FF+20	$ -	0.36	0.36	12/21/10	12/3/12	$ 1,002	$ -	$ -	$ 1,002
Federal Agencies	31398A6V9	FNMA FRN QTR FF+20	-	0.36	0.36	12/23/10	12/3/12	1,002	-	-	1,002
Federal Agencies	31331G2R9	FFCB	-	1.88	1.53	3/26/10	12/7/12	11,563	(2,027)	-	9,536
Federal Agencies	31331JAB9	FFCB BULLET	-	1.63	1.59	4/16/10	12/24/12	51,910	(1,135)	-	50,775
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	50,000,000	0.35	0.35	1/11/11	1/10/13	15,264	-	-	15,264
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	50,000,000	0.35	0.54	1/12/11	1/10/13	15,264	429	-	15,693
Federal Agencies	3134G1U69	FHLMC FRN QTR FF+19	35,000,000	0.35	-0.05	3/22/11	1/10/13	10,685	(748)	-	9,937
Federal Agencies	31331KM31	FFCB FLT T-BILL+22	20,000,000	0.30	0.26	12/12/11	5/1/13	5,050	(172)	-	4,878
Federal Agencies	3137EABM0	FHLMC BONDS	25,000,000	3.75	0.69	5/13/11	6/28/13	78,125	(64,164)	-	13,961
Federal Agencies	3134G2B50	FHLMC FRN FF+23	50,000,000	0.39	0.45	9/1/11	9/3/13	16,985	867	-	17,852
Federal Agencies	313380NQ6	FHLB FLT NT FF+5	50,000,000	0.22	0.20	12/4/12	9/6/13	8,403	(583)	-	7,819
Federal Agencies	3134G2K43	FHLMC FLT NT FF+21	50,000,000	0.38	0.46	9/13/11	9/12/13	16,192	1,295	-	17,487
Federal Agencies	31315PLT4	FARMER MAC	35,000,000	1.25	1.30	12/6/10	12/6/13	36,458	1,366	-	37,824
Federal Agencies	313379QY8	FHLB FLT NT FF+9	25,000,000	0.26	0.21	11/30/12	12/20/13	5,496	(968)	-	4,528
Federal Agencies	313379QY8	FHLB FLT NT FF+9	45,000,000	0.26	0.21	12/12/12	12/20/13	6,438	(1,124)	-	5,313
Federal Agencies	31331J6A6	FFCB	22,000,000	1.30	1.31	12/23/10	12/23/13	23,833	194	-	24,028
Federal Agencies	313371UC8	FHLB	40,000,000	0.88	0.93	11/18/10	12/27/13	29,167	1,967	-	31,133
Federal Agencies	3135G0AZ6	FNMA FRN QTR T-BILL+21	25,000,000	0.29	0.34	3/4/11	3/4/14	6,148	424	-	6,573
Federal Agencies	3135G0AZ6	FNMA FRN QTR T-BILL+21	25,000,000	0.29	0.31	3/4/11	3/4/14	6,148	212	-	6,360
Federal Agencies	313379RV3	FHLB FLT NT FF+12	50,000,000	0.29	0.31	6/11/12	3/11/14	12,331	646	-	12,977
Federal Agencies	31398A3R1	FNMA AMORT TO CALL	24,500,000	1.35	1.27	11/10/10	3/21/14	27,563	-	-	27,563
Federal Agencies	31315PHX0	FARMER MAC MTN	14,080,000	3.15	0.50	4/10/12	6/5/14	36,960	(31,481)	-	5,479
Federal Agencies	3133XWE70	FHLB TAP	48,000,000	2.50	0.40	5/15/12	6/13/14	100,000	(85,300)	-	14,700
Federal Agencies	3133XWE70	FHLB TAP	50,000,000	2.50	0.40	6/11/12	6/13/14	104,167	(88,702)	-	15,465
Federal Agencies	3133724E1	FHLB	50,000,000	1.21	1.21	12/31/10	6/30/14	50,417	-	-	50,417
Federal Agencies	3137EACU1	FHLMC BONDS	75,000,000	1.00	1.02	6/2/11	7/30/14	62,500	1,451	-	63,951
Federal Agencies	3134G2UA8	FHLMC NT	53,000,000	1.00	0.67	12/1/11	8/20/14	44,167	(14,640)	-	29,527

Monthly Investment Earnings

Pooled Fund

Type of Investment	CUSIP	Issue Name	Par Value	Coupon	YTM[1]	Settle Date	Maturity Date	Earned Interest	Amort. Expense	Realized Gain/(Loss)	Earned Income /Net Earnings
Federal Agencies	3134G2UA8	FHLMC NT	25,000,000	1.00	0.65	12/14/11	8/20/14	20,833	(7,349)	-	13,485
Federal Agencies	31398A3G5	FNMA EX-CALL NT	13,200,000	1.50	0.51	4/4/12	9/8/14	16,500	(11,017)	-	5,483
Federal Agencies	3136FTRF8	FNMA FLT QTR FF+39	26,500,000	0.55	0.51	12/12/11	11/21/14	12,646	(680)	-	11,966
Federal Agencies	31331J4S9	FFCB	24,000,000	1.40	1.41	12/16/10	12/8/14	28,000	256	-	28,256
Federal Agencies	31331J4S9	FFCB	19,000,000	1.40	1.46	12/8/10	12/8/14	22,167	919	-	23,086
Federal Agencies	313371W51	FHLB	50,000,000	1.25	1.39	12/6/10	12/12/14	52,083	5,811	-	57,895
Federal Agencies	313371W51	FHLB	75,000,000	1.25	1.46	12/8/10	12/12/14	78,125	12,887	-	91,012
Federal Agencies	3133XVNU1	FHLB	25,400,000	2.75	1.30	11/23/10	12/12/14	58,208	(30,336)	-	27,872
Federal Agencies	3133XVNU1	FHLB	2,915,000	2.75	1.31	11/23/10	12/12/14	6,680	(3,449)	-	3,231
Federal Agencies	3133XVNU1	FHLB	50,000,000	2.75	1.37	12/8/10	12/12/14	114,583	(56,583)	-	58,000
Federal Agencies	313371W93	FHLB	75,000,000	1.34	1.34	12/15/10	12/15/14	83,750	-	-	83,750
Federal Agencies	3136FTVN6	FNMA FLT QTR FF+35	75,000,000	0.51	0.51	12/15/11	12/15/14	30,606	-	-	30,606
Federal Agencies	3135G0GM9	FNMA CALL NT	25,000,000	0.83	0.77	12/23/11	12/23/14	17,188	(1,696)	-	15,491
Federal Agencies	31331J6Q1	FFCB	27,175,000	1.72	1.74	12/29/10	12/29/14	38,951	381	-	39,331
Federal Agencies	31331J6Q1	FFCB	65,000,000	1.72	1.72	12/29/10	12/29/14	93,167	221	-	93,387
Federal Agencies	3133EAQ35	FFCB FLT NT FF+14	100,000,000	0.31	0.34	9/4/12	3/4/15	26,662	2,576	-	29,238
Federal Agencies	3133EAJP4	FFCB FLT NT 1ML+1.5	50,000,000	0.22	0.23	4/30/12	4/27/15	9,631	210	-	9,841
Federal Agencies	31315PWJ4	FARMER MAC FLT NT FF+26	50,000,000	0.43	0.43	5/3/12	5/1/15	17,742	-	-	17,742
Federal Agencies	3133EANJ3	FFCB BD	50,000,000	0.50	0.54	5/1/12	5/1/15	20,833	1,585	-	22,419
Federal Agencies	3133EAQC5	FFCB FLT NT 1ML+1	50,000,000	0.22	0.23	6/8/12	5/14/15	9,420	420	-	9,840
Federal Agencies	3133EAVE5	FFCB FLT NT 1ML+2	50,000,000	0.23	0.24	12/5/12	6/22/15	8,531	369	-	8,900
Federal Agencies	3137EACM9	FHLMC BONDS	50,000,000	1.75	2.17	12/15/10	9/10/15	72,917	17,023	-	89,940
Federal Agencies	313370JB5	FHLB	75,000,000	1.75	2.31	12/15/10	9/11/15	109,375	25,305	-	134,680
Federal Agencies	31315PGT0	FARMER MAC	45,000,000	2.13	2.17	9/15/10	9/15/15	79,688	1,444	-	81,131
Federal Agencies	31398A3T7	FNMA NT EX-CALL	25,000,000	2.00	1.08	10/14/11	9/21/15	41,667	(18,992)	-	22,674
Federal Agencies	3133EAJF6	FFCB FLT NT 1ML+2.5	27,953,000	0.23	0.25	11/30/12	9/22/15	5,596	359	-	5,955
Federal Agencies	31398A4M1	FNMA	25,000,000	1.63	2.22	12/15/10	10/26/15	33,854	11,913	-	45,767
Federal Agencies	31398A4M1	FNMA	42,000,000	1.63	2.19	12/23/10	10/26/15	56,875	18,860	-	75,735
Federal Agencies	31331J2S1	FFCB	25,000,000	1.50	2.20	12/15/10	11/16/15	31,250	14,025	-	45,275
Federal Agencies	3134G3V23	FHLMC CALL NT	25,000,000	0.53	0.53	11/20/12	11/20/15	11,042	-	-	11,042
Federal Agencies	313371ZY5	FHLB	25,000,000	1.88	1.89	12/3/10	12/11/15	39,063	304	-	39,367
Federal Agencies	313371ZY5	FHLB	50,000,000	1.88	1.93	12/14/10	12/11/15	78,125	2,185	-	80,310
Federal Agencies	313375RN9	FHLB NT	22,200,000	1.00	0.82	4/13/12	3/11/16	18,500	(3,422)	-	15,078
Federal Agencies	3133EAJU3	FFCB NT	25,000,000	1.05	0.82	4/12/12	3/28/16	21,875	(4,733)	-	17,142
Federal Agencies	3133792Z1	FHLB NT	20,000,000	0.81	0.82	4/18/12	4/18/16	13,500	166	-	13,666
Federal Agencies	3135G0RZ8	FNMA CALL NT	22,540,000	0.55	0.55	11/30/12	5/26/16	10,331	-	-	10,331
Federal Agencies	313373ZN5	FHLB	35,000,000	2.03	2.03	6/6/11	6/6/16	59,208	-	-	59,208
Federal Agencies	31315PYC7	FAMCA CALL MTN	-	0.95	0.95	6/6/12	6/6/16	1,319	-	-	1,319
Federal Agencies	31315PB73	FAMCA NT	10,000,000	0.90	0.90	2/9/12	6/9/16	7,500	-	-	7,500
Federal Agencies	31315PA25	FAMCA NT	15,000,000	2.00	2.09	7/27/11	7/27/16	25,000	1,107	-	26,107
Federal Agencies	3134G2SP8	FHLMC CALL	50,000,000	2.00	1.99	7/28/11	7/28/16	83,333	(1,268)	-	82,065
Federal Agencies	313370TW8	FHLB BD	25,000,000	2.00	1.39	10/11/11	9/9/16	41,667	(12,562)	-	29,104
Federal Agencies	3135G0CM3	FNMA NT	25,000,000	1.25	1.37	10/11/11	9/28/16	26,042	2,453	-	28,495
Federal Agencies	3134G3P38	FHLMC NT CALL	75,000,000	0.75	0.72	12/14/12	10/5/16	26,563	(11,451)	-	15,112
Federal Agencies	3135G0ES8	FNMA NT	50,000,000	1.38	1.25	12/14/11	11/15/16	57,292	(5,329)	-	51,962
Federal Agencies	313381GA7	FHLB NT	23,100,000	0.57	0.57	11/30/12	11/30/16	10,973	(93)	-	10,879
Federal Agencies	3134G3CB4	FHLMC NT CALL	-	1.63	1.47	2/23/12	12/5/16	6,264	251,442	(255,008)	2,698
Federal Agencies	313371PV2	FHLB NT	52,500,000	1.63	0.57	12/6/12	12/9/16	59,245	(38,778)	-	20,467
Federal Agencies	313381KR5	FHLB NT CALL	13,500,000	0.63	0.63	12/28/12	12/28/16	703	-	-	703
Federal Agencies	313381KR5	FHLB NT CALL	9,000,000	0.63	0.63	12/28/12	12/28/16	469	-	-	469

Monthly Investment Earnings

Pooled Fund

Type of Investment	CUSIP	Issue Name	Par Value	Coupon	YTM[1]	Settle Date	Maturity Date	Earned Interest	Amort. Expense	Realized Gain/(Loss)	Earned Income /Net Earnings
Federal Agencies	3136FTUZ0	FNMA CALL NT	50,000,000	1.40	1.41	12/30/11	12/30/16	58,333	424	-	58,758
Federal Agencies	3133ECB37	FFCB NT	14,000,000	0.58	0.58	12/20/12	1/12/17	2,481	-	-	2,481
Federal Agencies	31315PWW5	FARMER MAC MTN	49,500,000	1.01	1.02	5/4/12	1/17/17	41,663	446	-	42,109
Federal Agencies	3136FTL31	FNMA STEP BD CALL	30,765,000	0.75	0.68	4/30/12	2/7/17	19,228	(5,151)	-	14,077
Federal Agencies	3137EADC0	FHLMC NT	50,000,000	1.00	1.13	3/12/12	3/8/17	41,667	5,147	-	46,813
Federal Agencies	3133782N0	FHLB NT	14,845,000	0.88	1.08	3/12/12	3/10/17	10,824	2,498	-	13,322
Federal Agencies	3133782N0	FHLB NT	55,660,000	0.88	1.06	3/12/12	3/10/17	40,585	8,547	-	49,133
Federal Agencies	3136FTZ77	FNMA STR NT	50,000,000	1.00	1.00	3/13/12	3/13/17	41,667	-	-	41,667
Federal Agencies	31315PTQ2	FARMER MAC MTN	12,500,000	1.26	1.36	4/10/12	4/10/17	13,125	1,031	-	14,156
Federal Agencies	3134G3TR1	FHLMC MTN CALL	30,000,000	1.45	1.45	4/12/12	4/12/17	36,250	-	-	36,250
Federal Agencies	3136G0CC3	FNMA STRNT	30,000,000	0.85	0.85	4/18/12	4/18/17	21,250	-	-	21,250
Federal Agencies	31315PUQ0	FARMER MAC MTN	10,500,000	1.13	1.13	4/26/12	4/26/17	9,844	-	-	9,844
Federal Agencies	3133EAPB8	FFCB CALL NT	25,000,000	1.23	1.23	5/2/12	5/2/17	25,625	-	-	25,625
Federal Agencies	3135G0KP7	FNMA CALL NT	75,000,000	1.75	1.51	5/3/12	5/3/17	109,375	(72,871)	-	36,504
Federal Agencies	3133794Y2	FHLB FIX-TO-FLOAT CALL NT	25,000,000	0.50	0.50	5/9/12	5/9/17	10,417	-	-	10,417
Federal Agencies	3137EADF3	FHLMC NT	25,000,000	1.25	1.14	5/14/12	5/12/17	26,042	(2,260)	-	23,781
Federal Agencies	3136G0GW5	FNMA STEP NT CALL	50,000,000	0.85	0.73	6/11/12	5/23/17	35,417	(12,666)	-	22,751
Federal Agencies	31315PZQ5	FARMER MAC MTN	9,000,000	1.11	0.80	12/28/12	6/5/17	833	(302)	-	531
Federal Agencies	3133EAUW6	FFCB FLT NT FF+22	50,000,000	0.39	0.39	6/19/12	6/19/17	16,500	-	-	16,500
Federal Agencies	3136G0ZA2	FNMA STEP NT	15,000,000	0.75	0.75	9/12/12	9/12/17	9,375	-	-	9,375
Federal Agencies	3136G0B59	FNMA STEP NT	64,750,000	0.70	0.70	9/20/12	9/20/17	37,771	-	-	37,771
Federal Agencies	3136G0D81	FNMA STEP NT	100,000,000	0.72	0.72	9/27/12	9/27/17	60,000	-	-	60,000
Federal Agencies	3136G0Y39	FNMA STEP NT	50,000,000	0.63	0.63	11/8/12	11/8/17	26,042	-	-	26,042
Federal Agencies	3136G13T4	FNMA STEP NT	39,000,000	0.75	0.75	12/26/12	12/26/17	4,063	-	-	4,063
Federal Agencies	3136G13Q0	FNMA STEP NT	29,000,000	0.75	0.75	12/26/12	12/26/17	3,021	-	-	3,021
Federal Agencies	3134G32W9	FHLMC MTN CALL	33,600,000	1.25	1.01	12/26/12	12/26/17	5,833	(4,292)	-	1,542
Federal Agencies	3134G32W9	FHLMC MTN CALL	50,000,000	1.25	1.00	12/26/12	12/26/17	8,681	(6,636)	-	2,044
Federal Agencies	3134G32M1	FHLMC CALL NT	50,000,000	1.00	1.00	12/28/12	12/28/17	4,167	-	-	4,167
Subtotals			**$ 3,815,683,000**					**$ 3,298,852**	**$ (203,793)**	**$ (255,008)**	**$ 2,840,051**
TLGP	36967HAV9	GENERAL ELECTRIC TLGP	$ -	2.13	1.79	11/6/09	12/21/12	$ 29,514	$ (4,448)	$ -	$ 25,066
Subtotals			**$ -**					**$ 29,514**	**$ (4,448)**	**$ -**	**$ 25,066**
State/Local Agencies	130583ER4	CALIFORNIA SCHOOL CASH PROG	$ 6,435,000	2.00	0.24	7/2/12	3/1/13	$ 10,725	$ (9,612)	$ -	$ 1,113
State/Local Agencies	130583ET0	CALIFORNIA SCHOOL CASH PROG	6,200,000	2.00	0.26	7/2/12	6/3/13	10,333	(9,130)	-	1,204
State/Local Agencies	107889RL3	TOWNSHIP OF BRICK NJ BAN	23,915,000	1.00	0.50	7/26/12	7/26/13	19,929	(10,095)	-	9,834
State/Local Agencies	967244L36	CITY OF WICHITA KS	4,105,000	0.75	0.55	8/9/12	8/15/13	2,566	(693)	-	1,873
State/Local Agencies	022168KZ0	ALUM ROCK ESD SAN JOSE CA	1,665,000	0.80	0.80	7/13/12	9/1/13	1,110	-	-	1,110
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	15,000,000	2.61	0.53	3/29/12	3/15/14	32,563	(26,250)	-	6,312
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	11,115,000	2.61	0.42	6/8/12	3/15/14	24,129	(20,551)	-	3,578
State/Local Agencies	463655GW4	IRVINE RANCH CA WTR PRE-RE	8,150,000	2.61	0.42	6/8/12	3/15/14	17,692	(15,069)	-	2,623
State/Local Agencies	13063A5B6	CALIFORNIA ST GO BD	2,820,000	5.25	1.04	5/2/12	4/1/14	12,338	(9,950)	-	2,387
State/Local Agencies	62451FFC9	WHISMAN SCHOOL DIST MTN VIEW	1,125,000	0.75	0.75	7/24/12	8/1/14	704	-	-	704
State/Local Agencies	64966DPC7	NEW YORK CITY GO	8,000,000	4.75	0.68	6/7/12	11/1/14	31,667	(27,385)	-	4,282
Subtotals			**$ 88,530,000**					**$ 163,755**	**$ (128,734)**	**$ -**	**$ 35,021**

Monthly Investment Earnings

Pooled Fund

Type of Investment	CUSIP	Issue Name	Par Value	Coupon	YTM[1]	Settle Date	Maturity Date	Earned Interest	Amort. Expense	Realized Gain/(Loss)	Earned Income /Net Earnings
Public Time Deposits		BANK OF THE WEST PTD	$ 240,000	0.53	0.53	4/9/12	4/9/13	$ 110	$ -	$ -	$ 110
Public Time Deposits		SAN FRANCISCO FCU PTD	240,000	0.53	0.53	4/9/12	4/9/13	108	-	-	108
Public Time Deposits		BANK OF SAN FRANCISCO PTD	240,000	0.53	0.53	5/18/12	4/9/13	110	-	-	110
Public Time Deposits		FIRST NAT. BANK OF NOR. CAL. PTI	240,000	0.50	0.50	8/3/12	4/9/13	102	-	-	102
Subtotals			**$ 960,000**					**$ 429**	**$ -**	**$ -**	**$ 429**
Negotiable CDs	78009NCS3	RBC YCD	$ -	0.72	0.72	12/16/11	12/17/12	$ 16,000	$ -	$ -	$ 16,000
Negotiable CDs	89112XLC7	TD YCD	50,000,000	0.35	0.35	1/12/12	1/14/13	15,069	-	-	15,069
Negotiable CDs	60682AAX4	MITSUBISHI UFJ FIN GRP YCD	50,000,000	0.44	0.44	9/12/12	3/12/13	18,944	-	-	18,944
Negotiable CDs	06417ER96	BANK OF NOVA SCOTIA YCD	50,000,000	0.46	0.46	4/26/12	3/21/13	19,806	-	-	19,806
Negotiable CDs	60682ACJ3	MITSUBISHI UFJ YCD	50,000,000	0.31	0.31	12/6/12	6/4/13	11,194	-	-	11,194
Negotiable CDs	06417E2P7	BANK OF NOVA SCOTIA FF+38	25,000,000	0.29	0.29	6/7/12	6/7/13	7,228	-	-	7,228
Negotiable CDs	06417FAY6	BANK OF NOVA SCOTIA YCD	50,000,000	0.38	0.38	9/4/12	8/30/13	16,361	-	-	16,361
Subtotals			**$ 275,000,000**					**$ 104,603**	**$ -**	**$ -**	**$ 104,603**
Commercial Paper	89233GNJ1	TOYOTA CP	$ 30,000,000	0.00	0.60	4/24/12	1/18/13	$ 15,500	$ -	$ -	$ 15,500
Commercial Paper	89233GSU1	TOYOTA CP	50,000,000	0.00	0.43	8/31/12	5/28/13	18,514	-	-	18,514
Subtotals			**$ 80,000,000**					**$ 34,014**	**$ -**	**$ -**	**$ 34,014**
Medium Term Notes	89233P5P7	TOYOTA FLT QTR 3ML+20	$ -	0.59	0.59	12/14/11	12/17/12	$ 4,762	$ -	$ -	$ 4,762
Medium Term Notes	89233P5Q5	TOYOTA FLT QTR 3ML+20	10,000,000	0.55	0.55	12/15/11	1/11/13	4,708	-	-	4,708
Medium Term Notes	36962GZY3	GE MTN	10,000,000	5.45	0.51	3/23/12	1/15/13	45,417	(41,517)	-	3,900
Medium Term Notes	592179JG1	MET LIFE GLOBAL FUNDING MTN	3,710,000	5.13	0.31	9/6/12	4/10/13	15,845	(15,200)	-	645
Medium Term Notes	36962G3T9	GE MTN	17,648,000	4.80	0.61	6/12/12	5/1/13	70,592	(62,653)	-	7,939
Medium Term Notes	063679CG7	BANK OF MONTREAL MTN	-	2.13	0.35	12/24/12	6/28/13	7,363	-	(9,534)	(2,171)
Medium Term Notes	59217EBW3	MET LIFE GLOBAL FUNDING MTN	10,000,000	5.13	0.49	11/13/12	6/10/14	42,708	(39,206)	-	3,502
Subtotals			**$ 51,358,000**					**$ 191,395**	**$ (158,576)**	**$ (9,534)**	**$ 23,286**
Money Market Funds	61747C707	MS INSTL GOVT FUND	$ 250,000,000	0.05	0.05	12/31/12	1/2/13	$ 342	$ -	$ -	$ 342
Subtotals			**$ 250,000,000**					**$ 342**	**$ -**	**$ -**	**$ 342**
Grand Totals			**$ 5,571,531,000**					**$ 4,675,234**	**$ (633,789)**	**$ (264,542)**	**$ 3,776,903**

[1] Yield to maturity is calculated at purchase

Investment Transactions

For month ended December 31, 2012

Transaction	Settle Date	Maturity	Type of Investment	Issuer Name	CUSIP	Par Value	Coupon	YTM	Price	Interest	Transaction
Purchase	12/4/2012	9/6/2013	Federal Agencies	FHLB FLT NT FF+5	313380NQ6	$ 50,000,000	0.21	0.19	$ 100.01	$ -	$ 50,031,333
Purchase	12/5/2012	6/22/2015	Federal Agencies	FFCB FLT NT 1ML+2	3133EAVE5	50,000,000	0.23	0.24	99.97	-	49,991,408
Purchase	12/6/2012	12/9/2016	Federal Agencies	FHLB NT	313371PV2	52,500,000	1.63	0.57	104.16	-	55,102,928
Purchase	12/6/2012	6/4/2013	Negotiable CDs	MITSUBISHI UFJ YCD	60682ACJ3	50,000,000	0.31	0.31	100.00	-	50,000,000
Purchase	12/12/2012	12/20/2013	Federal Agencies	FHLB FLT NT FF+9	313379QY8	45,000,000	0.25	0.20	100.05	-	45,046,529
Purchase	12/14/2012	10/5/2016	Federal Agencies	FHLMC NT CALL	3134G3P38	75,000,000	0.75	0.72	100.10	-	75,179,063
Purchase	12/18/2012	11/30/2017	U.S. Treasuries	US TSY NT	912828UA6	50,000,000	0.63	0.71	99.61	-	49,820,141
Purchase	12/20/2012	1/12/2017	Federal Agencies	FFCB NT	3133ECB37	14,000,000	0.58	0.58	100.00	-	14,000,000
Purchase	12/24/2012	6/28/2013	Medium Term Notes	BANK OF MONTREAL MTN	063679CG7	17,820,000	2.13	0.35	100.90	-	18,166,134
Purchase	12/26/2012	12/26/2017	Federal Agencies	FNMA STEP NT	3136G13T4	39,000,000	0.75	0.75	100.00	-	39,000,000
Purchase	12/26/2012	12/26/2017	Federal Agencies	FNMA STEP NT	3136G13Q0	29,000,000	0.75	0.75	100.00	-	29,000,000
Purchase	12/26/2012	12/26/2017	Federal Agencies	FHLMC MTN CALL	3134G32W9	33,600,000	1.25	1.01	101.16	-	33,991,272
Purchase	12/26/2012	12/26/2017	Federal Agencies	FHLMC MTN CALL	3134G32W9	50,000,000	1.25	1.00	101.21	-	50,605,000
Purchase	12/28/2012	12/28/2017	Federal Agencies	FHLMC CALL NT	3134G32M1	50,000,000	1.00	1.00	100.00	-	50,000,000
Purchase	12/28/2012	12/28/2016	Federal Agencies	FHLB NT CALL	313381KR5	13,500,000	0.63	0.63	100.00	-	13,500,000
Purchase	12/28/2012	12/28/2016	Federal Agencies	FHLB NT CALL	313381KR5	9,000,000	0.63	0.63	100.00	-	9,000,000
Purchase	12/28/2012	6/5/2017	Federal Agencies	FARMER MAC MTN	31315PZQ5	9,000,000	1.11	0.80	101.36	-	9,128,513
Purchase	12/31/2012	12/31/2017	U.S. Treasuries	US TSY NT	912828UE8	75,000,000	0.75	0.76	99.95	-	74,958,984
Purchase	12/31/2012	1/2/2013	Money Market Funds	MS INSTL GOVT FUND	61747C707	250,000,000	0.05	0.05	100.00	-	250,000,000
Subtotals						**$ 962,420,000**	**0.59**	**0.47**	**$ 100.34**	**$ -**	**$ 966,521,304**
Sale	12/31/2012	6/28/2013	Medium Term Notes	BANK OF MONTREAL MTN	063679CG7	$ 17,820,000	2.13	0.35	$ 100.90	$ 3,156	$ 17,974,626
Subtotals						**$ 17,820,000**	**2.13**	**0.35**	**$ 100.90**	**$ 3,156**	**$ 17,974,626**
Call	12/5/2012	12/5/2016	Federal Agencies	FHLMC NT CALL	3134G3CB4	$ 34,695,000	1.63	1.47	$ 100.74	$ -	$ 34,695,000
Call	12/6/2012	6/6/2016	Federal Agencies	FAMCA CALL MTN	31315PYC7	10,000,000	0.95	0.95	100.00	-	10,000,000
Subtotals						**$ 44,695,000**	**1.47**	**1.35**	**$ 100.57**	**$ -**	**$ 44,695,000**
Maturity	12/3/2012	12/3/2012	Federal Agencies	FNMA FRN QTR FF+20	31398A6V9	$ 50,000,000	0.36	0.36	$ 100.00	$ 44,889	$ 50,044,889
Maturity	12/3/2012	12/3/2012	Federal Agencies	FNMA FRN QTR FF+20	31398A6V9	50,000,000	0.36	0.36	100.00	44,889	50,044,889
Maturity	12/7/2012	12/7/2012	Federal Agencies	FFCB	31331G2R9	37,000,000	1.88	1.53	100.90	346,875	37,346,875
Maturity	12/17/2012	12/17/2012	Medium Term Notes	TOYOTA FLT QTR 3ML+20	89233P5P7	18,200,000	0.59	0.59	100.00	27,086	18,227,086
Maturity	12/17/2012	12/17/2012	Negotiable CDs	RBC YCD	78009NCS3	50,000,000	0.72	0.72	100.00	367,000	50,367,000
Maturity	12/21/2012	12/21/2012	TLGP	GENERAL ELECTRIC TLGP	36967HAV9	25,000,000	2.13	1.79	101.02	265,625	25,265,625
Maturity	12/24/2012	12/24/2012	Federal Agencies	FFCB BULLET	31331JAB9	50,000,000	1.63	1.59	100.10	406,250	50,406,250
Subtotals						**$ 280,200,000**	**1.02**	**0.94**	**$ 100.23**	**$ 1,502,614**	**$ 281,702,614**
Interest	12/3/2012	9/3/2013	Federal Agencies	FHLMC FRN FF+23	3134G2B50	$ 50,000,000	0.39	0.44	$ 99.96	$ 48,681	$ 48,681
Interest	12/4/2012	3/4/2014	Federal Agencies	FNMA FRN QTR T-BILL+21	3135G0AZ6	25,000,000	0.32	0.36	99.94	19,443	19,443
Interest	12/4/2012	3/4/2014	Federal Agencies	FNMA FRN QTR T-BILL+21	3135G0AZ6	25,000,000	0.32	0.34	99.97	19,443	19,443
Interest	12/4/2012	3/4/2015	Federal Agencies	FFCB FLT NT FF+14	3133EAQ35	100,000,000	0.34	0.37	99.92	74,611	74,611
Interest	12/5/2012	12/5/2016	Federal Agencies	FHLMC NT CALL	3134G3CB4	34,695,000	1.63	1.47	100.74	281,897	281,897
Interest	12/5/2012	6/5/2014	Federal Agencies	FARMER MAC MTN	31315PHX0	14,080,000	3.15	0.50	105.67	221,760	221,760
Interest	12/6/2012	12/6/2013	Federal Agencies	FARMER MAC	31315PLT4	35,000,000	1.25	1.30	99.86	218,750	218,750
Interest	12/6/2012	6/6/2016	Federal Agencies	FHLB	313373ZN5	35,000,000	2.03	2.03	100.00	355,250	355,250
Interest	12/6/2012	6/6/2016	Federal Agencies	FAMCA CALL MTN	31315PYC7	10,000,000	0.95	0.95	100.00	47,500	47,500
Interest	12/6/2012	9/6/2013	Federal Agencies	FHLB FLT NT FF+5	313380NQ6	50,000,000	0.21	0.19	100.01	583	26,167
Interest	12/7/2012	6/7/2013	Negotiable CDs	BANK OF NOVA SCOTIA FF+3	06417E2P7	25,000,000	0.54	0.54	100.00	33,951	33,951
Interest	12/8/2012	12/8/2014	Federal Agencies	FFCB	31331J4S9	24,000,000	1.40	1.41	99.95	168,000	168,000
Interest	12/8/2012	12/8/2014	Federal Agencies	FFCB	31331J4S9	19,000,000	1.40	1.46	99.77	133,000	133,000
Interest	12/9/2012	6/9/2016	Federal Agencies	FAMCA NT	31315PB73	10,000,000	0.90	0.90	100.00	45,000	45,000
Interest	12/9/2012	12/9/2016	Federal Agencies	FHLB NT	313371PV2	52,500,000	1.63	0.57	104.16	7,109	426,563

Investment Transactions

Transaction	Settle Date	Maturity	Type of Investment	Issuer Name	CUSIP	Par Value	Coupon	YTM	Price	Interest	Transaction
Interest	12/10/2012	6/10/2014	Medium Term Notes	MET LIFE GLOBAL FUNDING	59217EBW3	10,000,000	5.13	0.49	107.26	38,438	256,250
Interest	12/11/2012	12/11/2015	Federal Agencies	FHLB	313371ZY5	25,000,000	1.88	1.89	99.93	234,375	234,375
Interest	12/11/2012	12/11/2015	Federal Agencies	FHLB	313371ZY5	50,000,000	1.88	1.93	99.74	468,750	468,750
Interest	12/11/2012	3/11/2014	Federal Agencies	FHLB FLT NT FF+12	313379RV3	50,000,000	0.29	0.31	99.97	34,903	34,903
Interest	12/12/2012	12/12/2014	Federal Agencies	FHLB	313371W51	50,000,000	1.25	1.39	99.45	312,500	312,500
Interest	12/12/2012	12/12/2014	Federal Agencies	FHLB	313371W51	75,000,000	1.25	1.46	99.19	468,750	468,750
Interest	12/12/2012	12/12/2014	Federal Agencies	FHLB	3133XVNU1	25,400,000	2.75	1.30	105.70	349,250	349,250
Interest	12/12/2012	12/12/2014	Federal Agencies	FHLB	3133XVNU1	2,915,000	2.75	1.31	105.65	40,081	40,081
Interest	12/12/2012	12/12/2014	Federal Agencies	FHLB	3133XVNU1	50,000,000	2.75	1.37	105.35	687,500	687,500
Interest	12/12/2012	9/12/2013	Federal Agencies	FHLMC FLT NT FF+21	3134G2K43	50,000,000	0.38	0.45	99.94	46,292	46,292
Interest	12/13/2012	6/13/2014	Federal Agencies	FHLB TAP	3133XWE70	48,000,000	2.50	0.40	104.35	600,000	600,000
Interest	12/13/2012	6/13/2014	Federal Agencies	FHLB TAP	3133XWE70	50,000,000	2.50	0.40	104.19	625,000	625,000
Interest	12/14/2012	5/14/2015	Federal Agencies	FFCB FLT NT 1ML+1	3133EAQC5	50,000,000	0.22	0.23	99.97	9,104	9,104
Interest	12/15/2012	12/15/2014	Federal Agencies	FHLB	313371W93	75,000,000	1.34	1.34	100.00	502,500	502,500
Interest	12/15/2012	12/15/2014	Federal Agencies	FNMA FLT QTR FF+35	3136FTVN6	75,000,000	0.46	0.46	100.00	96,042	96,042
Interest	12/19/2012	6/19/2017	Federal Agencies	FFCB FLT NT FF+22	3133EAUW6	50,000,000	0.38	0.38	100.00	47,694	47,694
Interest	12/20/2012	12/20/2013	Federal Agencies	FHLB FLT NT FF+9	313379QY8	25,000,000	0.26	0.21	100.05	3,542	15,653
Interest	12/20/2012	12/20/2013	Federal Agencies	FHLB FLT NT FF+9	313379QY8	45,000,000	0.26	0.22	100.05	2,613	28,175
Interest	12/22/2012	9/22/2015	Federal Agencies	FFCB FLT NT 1ML+2.5	3133EAJF6	27,953,000	0.23	0.25	99.96	3,972	5,416
Interest	12/22/2012	6/22/2015	Federal Agencies	FFCB FLT NT 1ML+2	3133EAVE5	50,000,000	0.23	0.24	99.97	5,372	9,479
Interest	12/23/2012	12/23/2013	Federal Agencies	FFCB	31331J6A6	22,000,000	1.30	1.31	99.97	143,000	143,000
Interest	12/23/2012	12/23/2014	Federal Agencies	FNMA CALL NT	3135G0GM9	25,000,000	0.83	0.77	100.16	103,125	103,125
Interest	12/27/2012	12/27/2013	Federal Agencies	FHLB	313371UC8	40,000,000	0.88	0.93	99.82	175,000	175,000
Interest	12/27/2012	4/27/2015	Federal Agencies	FFCB FLT NT 1ML+1.5	3133EAJP4	50,000,000	0.22	0.23	99.99	9,313	9,313
Interest	12/28/2012	6/28/2013	Federal Agencies	FHLMC BONDS	3137EABM0	25,000,000	3.75	0.69	106.43	468,750	468,750
Interest	12/28/2012	6/28/2013	Medium Term Notes	BANK OF MONTREAL MTN	063679CG7	17,820,000	2.13	0.35	100.90	4,208	189,338
Interest	12/29/2012	12/29/2014	Federal Agencies	FFCB	31331J6Q1	27,175,000	1.72	1.74	99.93	233,705	233,705
Interest	12/29/2012	12/29/2014	Federal Agencies	FFCB	31331J6Q1	65,000,000	1.72	1.72	99.98	559,000	559,000
Interest	12/30/2012	6/30/2014	Federal Agencies	FHLB	3133724E1	50,000,000	1.21	1.21	100.00	302,500	302,500
Interest	12/30/2012	12/30/2016	Federal Agencies	FNMA CALL NT	3136FTUZ0	50,000,000	1.40	1.41	99.95	350,000	350,000
Subtotals						**$ 1,765,538,000**	**1.15**	**0.85**	**$ 100.73**	**$ 8,600,255**	**$ 9,491,460**

Grand Totals	**19**	**Purchases**
	(1)	**Sales**
	(9)	**Maturities / Calls**
	9	**Change in number of positions**

Non-Pooled Investments

As of December 31, 2012

Type of Investment	CUSIP	Issue Name	Settle Date	Maturity Date	Duration	Coupon	Par Value	Book Value	Amortized Book Value	Market Value
State/Local Agencies	797712AD8	SFRDA SOUTH BEACH HARBOR	1/20/12	12/1/16	3.68	3.50	$ 5,100,000	$ 5,100,000	$ 5,100,000	$ 5,100,000
Subtotals					**3.68**	**3.50**	**$ 5,100,000**	**$ 5,100,000**	**$ 5,100,000**	**$ 5,100,000**
Money Market Funds		CITI SWEEP	12/31/12	1/2/13	0.01	0.02	$ 86,389,930	$ 86,389,930	$ 86,389,930	$ 86,389,930
Subtotals					**0.01**	**0.02**	**$ 86,389,930**	**$ 86,389,930**	**$ 86,389,930**	**$ 86,389,930**
Grand Totals					**0.21**	**0.21**	**$ 91,489,930**	**$ 91,489,930**	**$ 91,489,930**	**$ 91,489,930**

NON-POOLED FUNDS PORTFOLIO STATISTICS

	Current Month		Prior Month	
(in $ million)	Fiscal YTD	December 2012	Fiscal YTD	November 2012
Average Daily Balance	$ 91,394,825	$ 91,438,879	$ 91,385,899	$ 91,388,877
Net Earnings	$ 106,625	$ 16,361	$ 90,264	$ 18,024
Earned Income Yield	0.23%	0.21%	0.24%	0.24%

Note: All non-pooled securities were inherited by the City and County of San Francisco as successor agency to the San Francisco Redevelopment Agency. Book value and amortized book value are derived from limited information received from the SFRDA and are subject to verification.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: Mayor Edwin Lee
Members of the Board of Supervisors

FROM: Ben Rosenfield, Controller BR

DATE: November 20, 2012

SUBJECT: Report on Retiree (Postemployment) Medical Benefit Costs

---

I am providing with this letter an updated valuation of the City's retiree (or postemployment) medical benefits liability as required by Governmental Accounting Standards Board Statement Number 45 (GASB-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The actuarial and analytical work was performed by Cheiron, Inc., the actuarial consulting firm that also provides services to the San Francisco Employee Retirement System. This letter briefly summarizes the analysis and the attached package includes Cheiron's July 1, 2010 Postretirement Health Plan Actuarial Valuation Report and a slide presentation illustrating the findings.

Executive Summary

- The City's unfunded actuarial liability for other post-employment health benefits (OPEB) reported in the July 1, 2010 valuation report is $4.42 billion. This number represents the future cost of providing retiree health benefits earned by employees and retirees as of that date, net of a modest balance of $3.2 million in the Retiree Health Care Trust Fund.

- This unfunded liability estimate is largely unchanged from the prior study performed two years ago, despite inflationary impacts that would otherwise be expected to increase it. This is largely due to lower than expected medical inflation during this past two years, a long-term assumption that medical inflation will be marginally lower in future years, and some reductions from steps the City has taken in recent years to reduce costs for new employees.

- Until recently, the City paid strictly for retiree medical benefits on a 'pay-as-you-go' basis, which means paying the cost of the retiree health benefits as they become due each year. As a sound financial management practice, it would be preferable to set-aside funds for these benefits as they are earned, investing those funds in an interest bearing account. It is assumed that over time, pre-funded assets will earn investment income that will be used to pay a portion of future benefit costs, reducing costs to future taxpayers and employees accordingly.

- As a result of Proposition B (2008) and Proposition C (2011), the City has taken important steps in this direction in recent years, which will slow the rate of growth of the City's unfunded liability in coming years. Beginning in 2009, the City and newly-hired employees contribute to a Retiree Health Care Trust Fund, which will be used to pay for future costs of a lower retiree health benefit level. Beginning in 2016, additional contributions to this fund on behalf of pre-2009 hires will also be required by both employees and the City.

- Given the scale of the overall benefit costs and previously accumulated liability, these pre-funded contributions are modest and will phase in gradually, as the workforce changes over many years. For fiscal year 2012, the City's pay-as-you-go expense was $151 million and contributions to the Retiree Health Care Trust Fund were $4.8 million. The City's unfunded liability will continue to grow for many years, albeit at a slower rate, given that the City's and employees' prefunding contributions are less than the interest due on the accumulated liability. The Controller's Office is available to work on a broader prefunding strategy that builds on these important steps from the past several years.

- As with all long-term projections, the City's unfunded actuarial liability for OPEB reported in the valuation report incorporates assumptions about the probability of events far into the future including the rate of return on investments, employee counts and wage rates, mortality rates and healthcare cost trends. The most significant driver of these projections is the future medical inflation assumption. To the extent that medical inflation exceeds these assumptions, the unfunded liability will increase, while to the extent that the City can control future inflationary increases, future costs will be lower than projected.

If you have any questions, please feel free to contact me at (415) 554-7500.

cc: Department Heads
Labor Organizations

City and County of San Francisco

July 1, 2010
Postretirement Health Plan
Actuarial Valuation Report

Produced by Cheiron

November 2012

Table of Contents

November 20, 2012

Mr. Ben Rosenfield
Controller
City and County of San Francisco
City Hall Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Rosenfield:

As requested, we have performed an actuarial valuation of the postretirement health benefits provided by the City and County of San Francisco Postretirement Health Plan as of July 1, 2010. The following report contains our findings and information for disclosures required by the Governmental Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45) for the fiscal years ending June 30, 2012 and June 30, 2013. This is the first valuation of the Plan performed by Cheiron. Valuation results as of July 1, 2008 and earlier were derived from the prior actuary's reports and the City's historical financial statements.

As of July 1, 2010, the Plan's actuarial liability was approximately $4,420.1 million. Since the valuation as of July 1, 2008, there were changes in plan benefits and assumptions as well as demographic experience, which had a combined effect of reducing the Plan's actuarial liability by approximately $607.9 million.

In 2009, the City began to pre-fund its obligations and subsequently the Plan created an irrevocable trust, the Retiree Health Care Trust Fund. As of July 1, 2010, the market value of assets (set aside in an agency fund) was just over $3 million. The Annual Required Contributions (ARC) for the 12 months ending June 30, 2012 amounts to $397.9 million, compared to $384.3 million for the previous year. Please see the tables in this report for additional information.

The purpose of this report is to present the biennial actuarial valuation of the City and County of San Francisco Postretirement Health Plan. This report is for the use of the City and County of San Francisco and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party.

Appendix A describes the participant data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied without audit, on information (some oral and some written) supplied by the City and County. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

1750 Tysons Boulevard, Suite 1100, McLean, VA 22102 Tel: 703.893.1456 Fax: 703.893.2006 www.cheiron.us

Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the City and County of San Francisco's staff.

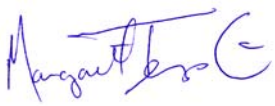
The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report.

This report reflects future changes in benefits, penalties or taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations only to the extent described in Appendix A.

We hereby certify that, to the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This actuarial valuation report was prepared solely for the City and County of San Francisco for the purposes described herein, except that the plan auditor may rely on this report solely for the purpose of completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron



Margaret A. Tempkin, FSA, EA, MAAA
Principal Consulting Actuary

William R. Hallmark, ASA, FCA, EA, MAAA
Consulting Actuary

SECTION I
INTRODUCTION

The City and County of San Francisco engaged Cheiron to provide a valuation of its Postretirement Health Plan's liability as of July 1, 2010. The primary purposes of performing this actuarial valuation are to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Postemployment Benefit (OPEB) Obligation (NOO) of the Postretirement Health Plan under GASB 43 and 45 for the fiscal years ending June 30, 2012 and June 30, 2013;

- Provide information for financial statement disclosures under GASB 43 and 45;

- Provide projections of contributions, assets, actuarial liability, ARC, and NOO to illustrate the long-term effect of the contribution strategy; and

- Show the sensitivity of the valuation results to changes in health trend assumptions.

Funding Policy

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City and County of San Francisco. The trust was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. For purposes of this valuation, the amounts set aside are generally treated as assets of the Plan.

Proposition C requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the Retiree Health Care Trust Fund commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. Estimates of these contribution amounts are included in the projections within this report.

The Retiree Health Care Trust Fund is currently invested in short-term fixed income securities. It is our understanding that once the Trust reaches $25 million in assets, it is intended to be invested similarly to the City and County of San Francisco Employees' Retirement System. Consequently, solely for the purposes of the projections shown in this report, we have assumed that once the Trust reaches $25 million, its assets will be expected to earn annual investment returns of 7.5%.

The Retiree Health Care Trust Fund may not pay benefits from the Trust before January 1, 2020.

SECTION II
VALUATION RESULTS, HISTORICAL TRENDS AND FUTURE PROJECTIONS

Valuation Results

Below is a summary of the key results of the valuation:

- The Annual Required Contribution (ARC) under GASB 43 and 45 is $397.9 million and $408.7 million for the fiscal years ending June 30, 2012 and June 30, 2013 respectively.

- The Annual OPEB Cost (AOC) under GASB 45 is $405.9 million and $418.5 million for the fiscal years ending June 30, 2012 and June 30, 2013 respectively.

- The Net OPEB Obligation (NOO) for the fiscal year ending June 30, 2012 is $1,348.9 million, and for the fiscal year ending June 30, 2013, it is estimated to be $1,598.3 million depending on actual contributions during the fiscal year.

- The actuarial liability under the Entry Age Normal Actuarial Cost Method as of July 1, 2010 is $4,420.1 million.

- The figures provided in this report are highly sensitive to the assumptions used.

These results as of July 1, 2010 include an assessment of most recent claims and demographic experience. The change in liabilities from the prior valuation reflects a number of factors, including: updated census, benefit changes, changes in assumptions, variations in experience since the prior valuation, and updated claims cost analysis.

The remainder of this report provides additional details on our analysis. First, we present the results of our baseline actuarial study, followed by a historical overview of the Plan's key measurements and a projection of liabilities and expense into the future. This is followed by a reconciliation of our results to the prior actuarial results. We then introduce sensitivity analyses to the funding policy. Finally, we conclude with information for the required GASB 43 and 45 financial statement disclosures.

The fundamental principal underlying our analysis, as well as the GASB standard, is that the cost of the plan's benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. The *normal cost (*which is a component of the *ARC*) is the annual amount that is expected to be sufficient to fund the substantive plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. For an individual, the normal cost is designed to be a level percentage of pay throughout their career and represents the cost allocated to the next year of service. The *actuarial liability* represents the portion of the value of projected benefits that is allocated to service earned prior to the valuation date. That is, it represents the accumulation of past normal costs from date of hire until the valuation date. The *unfunded actuarial liability* (UAL) represents the excess of the actuarial liability over plan assets.

SECTION II
VALUATION RESULTS, HISTORICAL TRENDS, AND FUTURE PROJECTIONS

Information about the actuarial liability of the Plan as of July 1, 2008 and July 1, 2010 compared to plan assets is shown in Table II-1 below.

Table II-1
Actuarial Liability

	July 1, 2008	July 1, 2010
Discount Rate	**4.25%**	**4.25%**
1. Actives	$ 1,848,722,132	$ 2,045,612,185
2. Terminated Vested Members	531,275,441	381,447,961
3. Retirees	1,984,275,165	1,993,085,681
4. Total Actuarial Liability (1 + 2 + 3)	4,364,272,738	4,420,145,827
5. Assets*	(0)	(3,194,672)
6. Unfunded Actuarial Liability (4 + 5)	**4,364,272,738**	**4,416,951,155**
7. Funding Ratio (5 ÷ 4)	**0.0%**	**0.1%**

* Assets shown as of July 1, 2010 were set aside for the RHCTF and contributed when it was established in December 2010

The valuation is performed as of July 1, 2010 and those results are then projected forward to the first day of the fiscal year for which the annual required contribution (ARC) is determined. In Table II-2 below, the projection of the actuarial liability from the valuation date to the beginning of each of the next two fiscal years is shown.

Table II-2
Projected Actuarial Liability

	July 1, 2011	July 1, 2012
1. Actuarial Liability (Beginning of prior year)	$ 4,420,145,833	$ 4,694,122,489
2. Total Normal Cost	233,656,560	236,663,144
3. Projected Benefit Payments	(149,309,821)	(151,300,727)
4. Interest	189,629,916	194,707,643
5. Projected Actuarial Liability (1 + 2 + 3 + 4)	**$ 4,694,122,489**	**$ 4,974,192,549**
6. Assets	(8,541,521)	(17,846,561)
7. Projected Unfunded Actuarial Liability (5 + 6)	$ 4,685,580,968	$ 4,956,345,988
8. Amortization Factor	28.38	28.38
9. Unfunded Actuarial Liability Amortization (7/8)	$ 165,084,368	$ 174,624,076

SECTION II
VALUATION RESULTS, HISTORICAL TRENDS, AND FUTURE PROJECTIONS

The ARC consists of two parts: (1) the *employer normal cost*, which represents the annual cost attributable to service earned in a given year less employee contributions, and (2) amortization of the UAL, which is based on a rolling 30-year amortization period. In Table II-3 below, the calculation of the ARC for fiscal years ending June 30, 2012 and June 30, 2013 is shown.

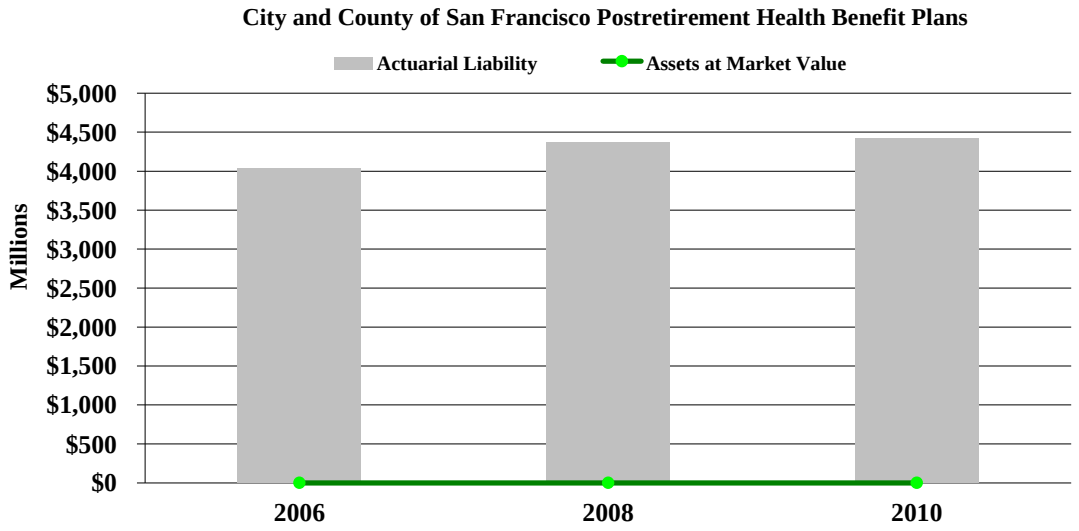
Table II-3
Annual Required Contribution

	FYE 2012	FYE 2013
1. Total Normal Cost	$ 236,663,144	$ 240,447,075
2. Less Expected Employee Contribution	(3,885,292)	(6,335,717)
3. Employer Normal Cost (1 + 2)	232,777,852	234,111,358
4. Unfunded Actuarial Liability Amortization	165,084,368	174,624,076
5. Annual Required Contribution (3 + 4)	**$ 397,862,220**	**$ 408,735,434**

SECTION II
VALUATION RESULTS, HISTORICAL TRENDS, AND FUTURE PROJECTIONS

Historical Trends

The chart below shows the historical trend of assets and liabilities on a GASB 45 basis for the City and County of San Francisco Postretirement Health Benefit Plan. The first valuation complying with GASB 45 was performed as of July 1, 2006. The City established the San Francisco Retiree Health Care Trust Fund (RHCTF) in December 2010 to fund its OPEB liabilities and this valuation is the first to provide GASB 43 information.



	2006	2008	2010
Funded Ratio	**0.0%**	**0.0%**	**0.0%**
UAL/(Surplus) *(in millions)*	**$4,036.3**	**$4,364.3**	**$4,420.1**
Discount Rate	**4.50%**	**4.25%**	**4.25%**

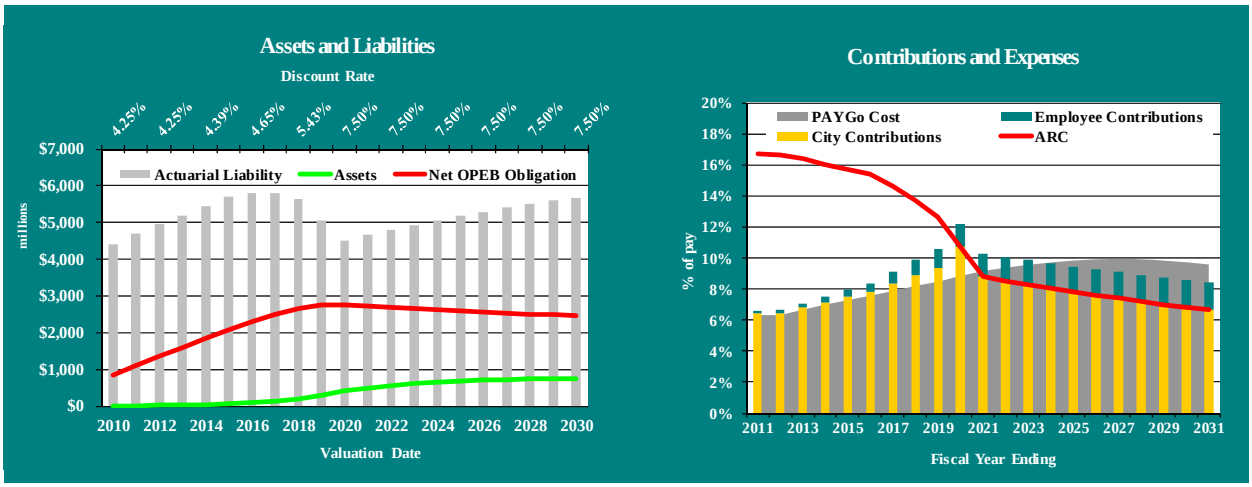
** 2006 was the first GASB 45 valuation.*

*** As of July 1, 2010, there were approximately $3.2 million in assets set aside for the Postretirement Health Plan, but the RHCTF was not established until August 30, 2010.*

SECTION II
VALUATION RESULTS, HISTORICAL TRENDS, AND FUTURE PROJECTIONS

Projected Trends

Looking beyond the fiscal year ending 2013, the ARC is expected to decrease as contributions under Propositions B and C increase and assets are projected to be invested similarly to those of the Retirement System. The charts below project the assets and liabilities as well as the contributions and accounting expenses for the 20 years following the valuation date. These projections are based on the current valuation assumptions, except as indicated below.



The chart on the left shows the projected actuarial liability (gray bars) increasing for several years. As contributions grow and the assets are invested in a diversified portfolio, the discount rate is expected to increase causing a decrease in the measure of the actuarial liability. The blended discount rate assumed for these projections is shown along the top of the chart. Once the discount rate reaches 7.5%, it remains level and the actuarial liability is projected to continue growing. The actuarial liability begins at approximately $4,420 million and is projected to end over $5,684 million after 20 years.

The red line on the same chart projects the NOO. It first increases from $853 million to just under $2,760 million in 2020 when the full ARC is projected to be contributed, and then starts to decrease slowly ending at approximately $2,455 million in 2030.

The green line shows the projected accumulation of assets. As directed by the City, these projections include an anticipated investment policy, once the fund reaches $25 million in assets, that results in an assumed rate of return of 7.5%. Currently, there is no formal investment policy.

The chart on the right shows the annual costs. Benefit payments, net of retiree contributions, are shown by the gray area and are projected to increase from 6.3% to 9.9% of pay, and then slightly decrease to approximately 9.6% of pay due in part to the changes made by Proposition B. The yellow bars represent the City's contributions as a percent of payroll, and the teal bars represent the employee contributions as a percent of payroll. The City's contribution is based on the pay-as-you-go cost plus the contributions to the RHCTF required by Propositions B and C until the

contribution amount reaches the full ARC. At that time it is assumed that the City continues to contribute the ARC and the pay-as-you-go costs are paid from the RHCTF. As a result, the City's contribution is expected to grow from 6.4% of payroll in fiscal year ending 2011 to about 10.2% of pay after approximately 10 years, and then decrease to approximately 6.7% of payroll by the end of the projection period. The employee's contribution is anticipated to increase from approximately 0.2% to 1.8% of payroll by the end of the projection period. Note the employee contribution rate will eventually reach 2% of pay, as Proposition B becomes fully phased-in. The ARC, shown by the red line, is projected to decrease from 16.7% in fiscal year ending June 30, 2011 to 6.6% in fiscal year ending June 30, 2031. The reduction is a result of the plan phasing into fully funding the ARC, thus valuing liabilities at a discount rate of 7.5%, based on the expected long-term return on plan assets as opposed to the current 4.25% discount rate.

Table II-4 shows the expected benefit payments, or "pay as you go", net of retiree contributions, for the 15 fiscal years following the valuation date. In calculating the liability of the plan, these figures are projected for the life of each existing participant.

Table II-4
Expected Net Benefit Payments

Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments
2011*	$145,756,000	2016	$212,164,198	2021	$312,421,178
2012*	151,300,727	2017	229,275,353	2022	332,476,627
2013	165,968,602	2018	248,680,464	2023	351,998,076
2014	181,101,965	2019	267,070,853	2024	372,351,089
2015	196,262,809	2020	290,232,317	2025	392,631,666

* Actual benefit payment shown, rounded to the thousands for the FYE 2011.

SECTION III
RECONCILIATION WITH PRIOR RESULTS

Value of Assets

Table III-1, below, shows the change in the value of assets through fiscal year ending 2012. The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 as an irrevocable trust. Prior to December 2010, contributions required under Proposition B were set aside and contributed to the RHCTF when it was established. The assets set aside are treated as plan assets in the table below.

Table III-1
Market Value of Assets

	FYE 2010	FYE 2011	FYE2012
Market Value of Assets, beginning of year	**$ 323,483**	**$ 3,194,672**	**$ 8,541,521**
Contributions			
Employer	951,919	1,773,184	3,070,242
Employee	1,903,374	3,518,030	6,140,559
Total	2,855,293	5,291,214	9,210,801
Benefit payments*	0	0	0
Other Expenditures	0	0	(49,888)
Interest Earned	15,896	55,635	144,127
Market Value of Assets, end of year	**$ 3,194,672**	**$ 8,541,521**	**$ 17,846,561**

* The Trust is not allowed to use funds to pay benefit payments until 2020.

SECTION III
RECONCILIATION WITH PRIOR RESULTS

Reconciliation with Prior Results

Table III-2 provides an estimate of the major factors contributing to the change in liability since the last actuarial valuation report (AVR). Note that the expected values as of July 1, 2010 are based on assumptions and methods from the prior valuation.

Table III-2
Reconciliation with Prior Results
($ in millions)

	Actuarial Accrued Liability July 1, 2010	Normal Cost July 1, 2010	FYE 2012 Annual Required Contribution
Expected values based on the 7/1/2008 actuarial valuation	**$5,028.0**	**$224.3**	**$409.8**
(Gain)/Loss due to:			
Demographic Changes	(122.5)	(6.1)	(11.3)
Demographic Assumptions	404.0	41.0	64.3
Health Cost Assumptions	(721.4)	(25.6)	(54.0)
Other Assumptions	(98.5)	(0.3)	(4.0)
Implementation of Proposition B	(69.5)	(4.4)	(6.9)
Total (Gain)/Loss	(607.9)	4.5	(11.9)
July 1, 2010 valuation results	**$4,420.1**	**$228.8**	**$397.9**

Below is a brief description of each of the changes shown above:

- *Demographic Changes* refer to the difference between the actual 7/1/2010 census data and what was projected from 7/1/2008.
- *Demographic Assumptions* refers to the updated demographic assumptions adopted by the City and County of San Francisco Employees' Retirement System effective July 1, 2010, including changes in rates of retirement, termination, mortality and other assumptions.
- *Health Cost Assumptions* refers to the change in expected current and future healthcare claims, expense costs, and premiums. The claim curves were updated to reflect actual changes in utilization. The trends for the curves were extended and lowered to reflect anticipated health care costs.
- *Other Assumptions* refers to the change in election assumption of spouses and domestic partners choosing medical coverage.
- *Implementation of Proposition B* refers to the benefit change applicable to employees hired on or after January 10, 2009.

SECTION IV
SENSITIVITY TO HEALTH CARE TREND RATES

The actuarial liability, ARC, and benefit payments produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the health care trend rates on the actuarial liability, the ARC, and the net expected benefit payments, using the 4.25% discount rate, to provide some measure of sensitivity. Since actual premiums are known through 2013, the 1% increase or decrease to the health care trend commences after December 31, 2013. The effect of healthcare reform remains in line with the valuation assumptions.

Table IV-1
Actuarial Liability as of July 1, 2010
(4.25% discount rate)

Health Care Trend Rate	**- 1%**	**Base**	**+ 1%**
Actuarial Liability			
Actives	$ 1,843,801,942	$ 2,045,612,185	$ 2,257,695,208
Terminated Vested Members	346,823,514	381,447,961	422,959,405
Retirees	1,812,171,123	1,993,085,681	2,209,985,162
Total Actuarial Liability	**$ 4,002,796,579**	**$ 4,420,145,827**	**$ 4,890,639,775**
Assets	(3,194,672)	(3,194,672)	(3,194,672)
UAL	**$ 3,999,601,907**	**$ 4,416,951,155**	**$ 4,887,445,103**

Table IV-2
GASB ARC – FYE 2012
(4.25% discount rate)

Health Care Trend Rate	**- 1%**	**Base**	**+ 1%**
Total Normal Cost	$ 182,139,003	$ 236,663,144	$ 311,959,673
Less Employee Contribution	(3,885,292)	(3,885,292)	(3,885,292)
Employer Normal Cost	$ 178,253,711	$ 232,777,852	$ 308,074,381
UAL Amortization	147,759,568	165,084,368	185,121,455
Total ARC	**$ 326,013,279**	**$ 397,862,220**	**$ 493,195,836**

SECTION IV
SENSITIVITY TO HEALTH CARE TREND RATES

Table IV-3
Expected Net Benefit Payments

Fiscal Year Ending June 30	Health Care Trend Rate		
	- 1%	Base	+ 1%
2011*	$ 145,756,000	$ 145,756,000	$ 145,756,000
2012*	151,300,727	151,300,727	151,300,727
2013	165,968,602	165,968,602	165,968,602
2014	180,260,999	181,101,965	181,942,931
2015	193,533,364	196,262,809	199,009,221
2016	207,262,293	212,164,198	217,139,661
2017	221,884,806	229,275,353	236,845,158
2018	238,411,137	248,680,464	259,296,155
2019	253,639,445	267,070,853	281,084,727
2020	273,077,943	290,232,317	308,296,514
2021	291,194,737	312,421,178	334,983,056
2022	306,962,593	332,476,627	359,851,692
2023	321,912,374	351,998,076	384,583,678
2024	337,300,372	372,351,089	410,674,212
2025	352,297,190	392,631,666	437,150,905

* Actual benefit payments are shown rounded to the thousands for the FYE 2011.

SECTION V
ACCOUNTING DISCLOSURES

GASB Statements No. 43 and 45 establish standards for disclosure of OPEB information by governmental plans and employers in their financial statements. In accordance with those statements, we have prepared the following disclosures.

Schedule of Funding Progress

The schedule of funding progress, Table V-1, compares the assets used for funding purposes to the actuarial liability to determine how well the Plan is funded and how this status has changed over the past several years. The unfunded actuarial liability is compared to the covered payroll as a measure of the potential future burden on the employer.

Table V-1
Schedule of Funding Progress
($ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2010*	$ 0	$ 4,420,146	$ 4,420,146	0.0%	$ 2,303,650	191.9%
7/1/2008**	0	4,364,273	4,364,273	0.0%	2,296,336	190.1%
7/1/2006**	0	4,036,324	4,036,324	0.0%	2,066,866	195.3%

* As of July 1, 2010, there were approximately $3.2 million in assets set aside for the Postretirement Health Plan, but the RHCTF was not established until December 2010.

** Calculated by prior actuary.

SECTION V
ACCOUNTING DISCLOSURES

Schedule of Employer Contributions

The schedule of employer contributions, Table V-2, is a required disclosure under GASB 45. It compares the actual employer contributions to the Annual OPEB Cost and shows the historical trend of the Net OPEB Obligation. For this purpose, employer contributions include both the pay-as-you-go cost and contributions to the RHCTF.

Table V-2
GASB 45 Schedule of Employer Contributions
($ in thousands)

Fiscal Year Ended June 30	Annual OPEB Cost (AOC)	Amount Contributed*	Percentage of AOC Contributed	Net OPEB Obligation
2013**	$ 418,539	*$ 169,137*	*40.4%*	*$ 1,598,286*
2012	405,850	156,144	38.5%	1,348,883
2011***	392,151	145,756	37.2%	1,099,177
2010	374,214	126,829	33.9%	852,782
2009	430,924	119,967	27.8%	605,398
2008	409,080	114,640	28.0%	294,441

* Includes net benefit payments and employer contributions to the Retiree Health Care Trust Fund.
** Projected amounts shown. NOO will vary depending on actual contributions and benefit payments.
*** Figures prior to FYE 2012 were calculated by prior actuary.

Under GASB 43, there is a separate Schedule of Employer Contributions, Table V-3, for the Retiree Health Care Trust Fund that compares the actual contributions to the Annual Required Contribution.

Table V-3
GASB 43 Schedule of Employer Contributions
($ in thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed*	Percentage of ARC Contributed
2013**	$ 408,735	*$ 169,137*	*41.4%*
2012	397,862	156,144	39.2%
2011***	384,334	145,756	37.9%

* Includes net benefit payments and employer contributions to the Retiree Health Care Trust Fund.
** Projected amounts shown.
*** Figures prior to FYE 2012 were calculated by prior actuary.

SECTION V
ACCOUNTING DISCLOSURES

Table V-4 below shows the development of the Net OPEB Obligation.

Table V-4
Development of Net OPEB Obligation (NOO)
($ in thousands)

	FYE 2012	*Projected FYE 2013***
1. NOO at beginning of fiscal year	**$ 1,099,177**	**$ 1,348,883**
2. ARC for FYE	397,862	408,735
3. Interest on NOO	46,715	57,328
4. Adjustment to ARC	38,727	47,524
5. Annual OPEB Cost *(2.) + (3.) - (4.)*	405,850	418,539
6. Employer Contributions		
a. Contributions to RHCTF*	$ 4,843	*$ 3,168*
b. Benefit Payments	151,301	*165,969*
c. Total (6a.) + (6b.)	156,144	*169,137*
7. NOO at end of fiscal year ***(1.) + (5.) - (6c.)***	**$ 1,348,883**	***$ 1,598,286***

* Contributions to RHCTF for FYE 2012 include previously unrecognized FYE 2011 employer contributions in excess of benefit payments to the Retiree Health Care Trust Fund.

** Estimated values are shown in italics.

SECTION V
ACCOUNTING DISCLOSURES

The *Note to Required Supplementary Information* shown in Table V-5 provides additional disclosure information for the financial statements.

Table V-5
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	July 1, 2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	Rolling 30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Total Payroll Growth	4.00%
Ultimate Rate of Medical Inflation	4.75%
Years to Ultimate Rate	18

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Participant Data:

Schedule of Valuation Data

Valuation Date	July 1, 2008	July 1, 2010	% Change
Active Employees			
Count*	28,298	27,378	(3%)
Average Age	47.5	47.9	1%
Average Service	13.0	13.5	4%
Total Payroll	$2,248,554,619	$2,303,649,881	2%
In-Pay Participants with Coverage**			
Count	21,351	23,511	10%
Average Age	69.1	69.8	1%
Vested, Terminated Members			
Count	2,204	1,509	(32%)
Average Age	45.0	48.0	7%

* Excludes PERS group of approximately 43 employees.
** Includes spouses and domestic partners

Active Employees by Age and Service
As of July 1, 2010

Age Group	Years of Service							
	< 5	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	157	64	0	0	0	0	0	221
25 to 29	837	259	43	0	0	0	0	1,139
30 to 34	1,004	791	267	12	0	0	0	2,074
35 to 39	877	1,063	905	197	8	0	0	3,050
40 to 44	733	1,006	1,287	656	244	8	0	3,934
45 to 49	601	901	1,322	826	664	340	19	4,673
50 to 54	460	768	1,070	731	748	843	255	4,875
55 to 59	293	547	849	538	671	764	606	4,268
60 to 64	157	336	506	293	322	340	368	2,322
Over 65	43	143	180	119	88	85	164	822
Total	5,162	5,878	6,429	3,372	2,745	2,380	1,412	27,378

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Active Employees by Employee Group
As of July 1, 2010

	Police	Fire	Muni	Craft	Misc.	Total
Fully eligible	1,825	1,255	1,706	2,698	14,733	22,217
Not fully eligible	467	142	412	483	3,657	5,161
Total	2,292	1,397	2,118	3,181	18,390	27,378
Average age	43.6	44.4	49.2	50.9	48.0	47.9
Average service	16.1	14.4	12.2	14.7	13.1	13.5

Inactive Participants by Status and Age Group
As of July 1, 2010

Age Group	Disabled Retiree	Retiree	Survivor	Term Vested	Total
Under 40	9	0	7	225	241
40 to 44	23	0	15	354	392
45 to 49	90	0	24	431	545
50 to 54	165	465	46	229	905
55 to 59	210	1,509	102	149	1,970
60 to 64	195	3,226	204	90	3,715
65 to 69	160	3,036	217	14	3,427
70 to 74	115	2,333	264	8	2,720
75 to 79	63	1,558	369	6	1,996
80 to 84	33	1,150	428	2	1,613
85 to 90	11	776	419	1	1,207
Over 90	3	300	236	0	539
Total	1,077	14,353	2,331	1,509	19,270

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Medical Plan Elections for In-Pay Participants
As of July 1, 2010

	Pre-Medicare			Medicare Eligible		
Medical Plan	Retirees & Surviving Spouses	Spouses & Domestic Partners*	Total	Retirees & Surviving Spouses	Spouses & Domestic Partners*	Total
Blue Shield	2,377	1,024	3,401	2,664	818	3,482
City Health Plan	988	324	1,312	3,889	1,021	4,910
Kaiser	2,549	913	3,462	5,294	1,650	6,944
Total**	5,914	2,261	8,175	11,847	3,489	15,336

* Assumed spouses / domestic partners become Medicare eligible at age 65
** Waived and exempt retired participants have been excluded from the valuation

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Economic Assumptions:

1. Expected Return on Plan Assets: 4.25% per year

2. Expected Return on City Assets: 4.25% per year

3. Consumer Price Index: 3.50% per year

4. Per Person Cost Trends:

To Year Beginning July 1	10-County Trend	Annual Increases Medical & Rx Pre-Medicare	Medical & Rx Medicare Eligible	Vision
2011		*Actual Premiums Used*		
2012		*Actual Premiums Used*		
2013*	6.00%	8.50%	6.50%	0.00%
2014	5.92	8.25	6.38	3.00
2015	5.83	8.00	6.27	3.00
2016	5.75	7.75	6.15	3.00
2017	5.67	7.50	6.03	3.00
2018	5.58	7.25	5.92	3.00
2019	5.50	9.50	5.80	3.00
2020	5.42	7.25	5.68	3.00
2021	5.33	6.50	5.57	3.00
2022	5.25	6.25	5.45	3.00
2023	5.17	6.00	5.33	3.00
2024	5.08	5.75	5.22	3.00
2025	5.00	5.50	5.10	3.00
2026	4.92	5.25	4.98	3.00
2027	4.83	5.00	4.87	3.00
2028+	4.75	4.75	4.75	3.00

* Actual premiums are known and used through December 31, 2013

- A load of 2.5% in FYE 2019 and 0.5% in FYE 2020 was added to the Pre-Medicare medical trend to account for Healthcare Reform.
- Expenses are assumed to increase at 3% per annum after December 31, 2013.
- Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum are assumed to increase at the above trend rates.
- In 2013 the City's PPO plan will participate in an Employee Group Waiver Plan (EGWP). As a result of participating in this plan, the City's cost for post 65 pharmacy was reduced an additional $50 per month. This reduction was incorporated into the actual trends used in our claim curves.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Demographic Assumptions:

1. Retirement Rates:

   Rates of retirement are based on age and service according to the following tables.

   Eligible deferred vested members are assumed to retire at age 55, or current age if older.

Rates of Retirement by Age and Service
29 Years of Service or less (24 or less for Safety)

Age	Police	Fire	Muni Drivers	Craft	Misc. Females	Misc. Males
50	0.0150	0.0200	0.0700	0.0300	0.0300	0.0300
51	0.0150	0.0100	0.0250	0.0250	0.0250	0.0250
52	0.0150	0.0100	0.0250	0.0250	0.0250	0.0250
53	0.0300	0.0100	0.0500	0.0400	0.0400	0.0400
54	0.0300	0.0100	0.0500	0.0400	0.0400	0.0400
55	0.1000	0.0300	0.0600	0.0500	0.0400	0.0400
56	0.1000	0.0300	0.0600	0.0500	0.0450	0.0450
57	0.1000	0.0300	0.1000	0.0500	0.0500	0.0500
58	0.1000	0.0500	0.1000	0.0500	0.0600	0.0600
59	0.1000	0.1000	0.1000	0.0750	0.0750	0.0750
60	0.1000	0.2500	0.1000	0.1000	0.1100	0.1100
61	0.1000	0.2500	0.1250	0.1300	0.1400	0.1400
62	0.3000	0.2500	0.2500	0.2250	0.2250	0.2250
63	0.1000	0.2500	0.2000	0.1750	0.1750	0.1750
64	0.1000	0.2500	0.2000	0.1750	0.1750	0.1750
65	1.0000	1.0000	0.2500	0.2750	0.2250	0.2250
66	1.0000	1.0000	0.2500	0.2750	0.2250	0.2250
67	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
68	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
69	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
70 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Rates of Retirement by Age and Service
30 Years of Service or more (25 or more for Safety)

Age	Police	Fire	Muni Drivers	Craft	Misc. Females	Misc. Males
50	0.0300	0.0200	0.0300	0.0300	0.0300	0.0300
51	0.0300	0.0200	0.0300	0.0300	0.0300	0.0300
52	0.0400	0.0200	0.0300	0.0300	0.0300	0.0300
53	0.0700	0.1000	0.0300	0.0300	0.0300	0.0300
54	0.1000	0.2000	0.0300	0.0300	0.0750	0.0300
55	0.1200	0.2250	0.3000	0.0750	0.0750	0.0750
56	0.1400	0.2250	0.3000	0.0750	0.0750	0.0750
57	0.1600	0.2250	0.3000	0.0750	0.0750	0.0750
58	0.1800	0.2500	0.3000	0.1500	0.1250	0.1200
59	0.2000	0.3000	0.3000	0.3000	0.1750	0.1500
60	0.2200	0.3500	0.3000	0.3000	0.2500	0.3000
61	0.2500	0.4000	0.3000	0.3000	0.2500	0.3000
62	0.2500	0.4000	0.3500	0.3500	0.3750	0.3500
63	0.2500	0.3000	0.3000	0.3000	0.2500	0.2500
64	0.2500	0.3000	0.3000	0.3000	0.2500	0.2500
65	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
66	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
67	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
68	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
69	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
70 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2. Termination Rates:

Sample rates of termination of employment for all employee groups (excluding Miscellaneous members) are shown in the following table.

Rates of Termination/Withdrawal

Service	Police	Fire	Muni Drivers	Craft
0	10.00%	4.00%	12.00%	8.00%
1	4.00	1.50	6.00	7.00
2	2.00	1.50	5.00	6.00
3	2.00	1.25	4.00	5.00
4	2.00	1.25	3.50	4.00
5	1.00	1.25	3.25	3.25
6	1.00	1.00	3.00	2.75
7	1.00	1.00	3.00	2.50
8	1.00	1.00	3.00	2.25
9	1.00	1.00	3.00	2.00
10	1.00	1.00	3.00	1.75
11	1.00	0.50	3.00	1.75
12	1.00	0.50	3.00	1.75
13	1.00	0.50	3.00	1.75
14	1.00	0.50	3.00	1.75
15	1.00	0.50	3.00	1.75
16	0.50	0.50	3.00	1.75
17	0.50	0.50	3.00	1.75
18	0.50	0.20	3.00	1.75
19	0.50	0.10	3.00	1.75
20	0.50	0.05	3.00	1.75
21	0.00	0.00	3.00	1.75
22	0.00	0.00	0.00	1.75
23	0.00	0.00	0.00	0.00

* Termination rates do not apply once a member is eligible for retirement.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Sample rates of termination by age and service for Miscellaneous members are shown in the following table.

Rates of Termination/Withdrawal
Miscellaneous Members

	Service		
Age	**0**	**3**	**5+**
20	37.50%	9.00%	5.50%
25	27.50	9.00	5.50
30	24.00	9.00	5.50
35	20.00	7.00	4.25
40	17.50	6.00	3.00
45	15.00	4.50	2.50
50	15.00	4.50	2.60
55	15.00	4.50	3.15
60	15.00	4.50	4.00
65	15.00	4.50	4.00

3. Member Refunds:

The rates of refund of contributions for terminated vested members are presented in the table below.

Vested Terminated Rates of Refund

Age	Police / Fire	Miscellaneous (including Muni and Craft)
Under 25	100%	70%
25	75	55
30	50	40
35	30	35
40	20	30
45	10	20
50 & over	0	0

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

4. Mortality Rates*:*

Healthy Lives:

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex distinct RP-2000 Mortality Tables. To reflect mortality improvements since the date of the table, for active females, the Employee table is projected to 2030 and for active males to 2005. For female and male annuitants, the Annuitant table is projected to 2020.

Rates of Mortality for Actives and Annuitants
Healthy Lives at Selected Ages

	Actives			Annuitants	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
25	0.036%	0.014%	50	0.372%	0.166%
30	0.043	0.020	55	0.402	0.301
35	0.075	0.034	60	0.594	0.561
40	0.104	0.045	65	1.012	0.938
45	0.141	0.069	70	1.641	1.515
50	0.195	0.100	75	2.854	2.394
55	0.275	0.199	80	5.265	3.987
60	0.450	0.338	85	9.624	6.866
65	0.706	0.501	90	16.928	12.400
70	0.920	0.655	95	25.699	18.688
			100	33.773	23.276

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Disabled Lives:

The following provides a sample of the mortality rates for members with disability retirement.

Rates of Mortality for Disabled Lives at Selected Ages

	Police and Fire			All Miscellaneous	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
50	0.40%	0.33%	50	1.63%	1.11%
55	0.53	0.50	55	1.94	1.56
60	0.74	0.74	60	2.29	1.61
65	1.26	1.09	65	3.17	1.80
70	2.04	1.59	70	3.87	2.84
75	3.18	2.47	75	6.00	3.65
80	6.09	4.08	80	8.39	5.23
85	10.80	7.16	85	14.04	8.42
90	15.09	12.35	90	21.55	14.14
95	23.77	21.24	95	31.03	20.92
100	37.44	32.55	100	45.91	34.18

5. Disability Rates:

Sample disability rates of active participants are provided in the following table.

Rates of Disability at Selected Ages

Age	**Police**	**Fire**	**Muni Drivers**	**Craft**	**Misc. Females**	**Misc. Males**
30	0.05%	0.06%	0.01%	0.01%	0.01%	0.01%
35	0.09	0.15	0.06	0.06	0.05	0.04
40	0.16	0.38	0.11	0.12	0.10	0.08
45	0.37	0.60	0.17	0.24	0.28	0.11
50	0.79	1.20	0.75	0.44	0.55	0.30
55	3.00	5.00	1.20	0.64	0.60	0.42
60	6.10	12.75	0.00	0.00	0.00	0.00
65	7.50	15.00	0.00	0.00	0.00	0.00

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

6. Salary Increase Rate:

Wage inflation component: 4.00%

The additional merit component:

Salary Merit Increases

Service	Police	Fire	Muni Drivers	Craft	Misc.
1	11.00%	15.00%	15.00%	4.50%	7.00%
2	8.50	8.00	10.00	3.25	5.25
3	6.50	6.00	2.00	2.50	4.00
4	4.50	4.25	1.00	2.00	3.00
5	3.25	3.00	0.00	1.50	2.50
6	2.30	2.30	0.00	1.25	2.00
7	1.95	1.95	0.00	1.00	1.75
8	1.70	1.70	0.00	0.90	1.65
9	1.50	1.50	0.00	0.85	1.45
10	1.50	1.50	0.00	0.85	1.30
11	1.50	1.50	0.00	0.85	1.20
12	1.50	1.50	0.00	0.85	1.15
13	1.50	1.50	0.00	0.85	1.10
14	1.50	1.50	0.00	0.85	1.05
15 & over	1.50	1.50	0.00	0.85	1.00

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

7. Percent of Retirees Electing Coverage:

   94% of future eligible retirees are assumed to elect coverage at retirement.

   Participants currently receiving benefits are assumed to keep their current coverage.

8. Medical Plan Election:

   Future retirees' plan elections are assumed to mirror current retiree plan elections. The following rates are used to determine blended claims and contributions for future retirees.

Assumed Plan Elections for Future Retirees

Medical Plan	Election
Blue Shield	45%
City Health Plan	5%
Kaiser	50%

   Participants currently receiving benefits are assumed to continue participation in their current medical plan.

9. Medicare Participation:

   Retirees who turn age 65 are assumed to be eligible for Medicare.

10. Family Composition:

    Percentage married (including assumption for Domestic Partners, 1994 Proposition H) for future retirees is shown in the following table.

Assumed Spousal / Domestic Partner Election

	Election
Pre-Medicare	47.5%
Medicare Eligible	25.0%

    Actual spouse / partner data is used for current retirees, with the above assumption applied at Medicare eligible age for those participants currently not enrolled in Medicare.

    The cost for children is fully paid for by the member. No additional load was added for children.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

11. Dependent Age:

    Husbands are assumed to be three years older than their wives.

12. Future Service Accruals

    Actives are assumed to accrue a full year of credited service each year.

13. Surviving Spouse Participation:

    100% of future beneficiaries continue coverage

14. Other

    The contribution requirements and benefit values of a plan are calculated by applying actuarial assumptions to the benefit provisions and member information, using the actuarial funding methods described in the following section.

    Actual experience of the plan will not coincide exactly with assumed experiences, regardless of the choice of the assumptions, the skill of the actuary or the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate. From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends, but not random year-to-year fluctuations.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions:

1. Average Annual Claims Assumptions: The following claim assumptions are applicable to the 12-month period beginning July 1, 2010 and are based on the premiums in effect on the valuation date. Subsequent years' costs are based on actual premiums when available, then adjusted with trends previously listed.

Annual Claims and Expenses*
For the period July 1, 2010 to June 30, 2011

	Blue Shield		City Plan			Kaiser		Vision
Age	Medical & Rx	Admin	Medical	Rx	Admin	Medical & Rx	Admin	
40	$ 5,398	$ 12	$ 6,072	$ 1,094	$ 502	$ 4,339	$ 12	$ 43
45	6,091	12	6,603	1,393	502	4,896	12	43
50	7,561	12	7,970	1,875	502	6,077	12	43
55	9,405	12	9,725	2,453	502	7,559	12	43
60	11,676	12	12,042	3,065	502	9,385	12	43
64	13,846	12	14,585	3,440	502	11,129	12	43
65	3,975	12	1,456	2,245	415	3,564	12	43
70	4,434	12	1,726	2,487	415	3,976	12	43
75	4,731	12	2,002	2,628	415	4,242	12	43
80	4,846	12	2,182	2,670	415	4,345	12	43
85	4,783	12	2,241	2,621	415	4,288	12	43

* Participants are assumed to enroll in Medicare at age 65.

2. Dental, Vision, and Expense: These benefits are assumed to have no implied subsidy cost.

3. Medicare Part D Subsidy: Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

4. Annual Limits: Assumed to increase at the same rate as trend.

5. Lifetime Maximums: Unlimited.

6. Geography: Implicitly assumed to remain the same as current retirees.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Methodology:

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution that is expected to be sufficient to fund the plan benefits if it were paid from each member's hire date at the City until termination or retirement.

A normal cost rate is determined for each individual by taking the value, as of age at entry into the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

The actuarial liability is that portion of the present value of projected benefits that is not expected to be paid by future employer normal costs or member contributions. The difference between this liability and assets accumulated as of the same date is referred to as the unfunded actuarial liability. The unfunded actuarial liability is amortized to develop an additional cost or savings which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability. The unfunded liability is amortized over a rolling 30-year period. The amortization is a level percent of pay amortization.

The assets accumulated are considered on a market value basis.

The medical claims costs were developed based on actual premiums for 2010-11 for the HMO plans and actual rates for 2010-11 for the City Plan. For non-Medicare adults, the premiums (or rates, as applicable) for active employee only, first dependent of active employee, non-Medicare retiree, and first dependent of non-Medicare retirees were blended based upon enrollment data for the period July 1, 2009 to June 30, 2010. The same process was used for Medicare adults, except only Medicare retirees and first dependents of Medicare retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. Expenses and vision costs were based directly on the rates in effect for 2010-11.

Changes Since Last Valuation:

Actuarial assumptions have been changed based on the actuarial experience study completed in November 2010 for the City and County of San Francisco Retirement System that were adopted by the Board. The changes affected the wage inflation, salary merit increase, member refunds of contributions rates, and rates of termination, disability, retirement, and healthy and disabled mortality. For a complete description of these changes, please refer to the experience study report dated November 5, 2010. The medical plan election and family composition assumptions were adjusted to align more closely with current plan trends.

In addition, the annual claims and trends were updated to reflect current experience.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Eligibility:

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. Certain members of the California Public Employees Retirement System and certain court employees are also eligible for benefits from the City. Employees of the San Francisco Unified School District and the San Francisco Community College District are not included in the plan. The eligibilities are as follows:

City and County of San Francisco's Retirement System (SFERS)

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[1]	Any age with 10 years of credited service	
Terminated Vested[2]	Age 50 with 5 years of credited service at separation	
Active Death	Any age with 10 years of credited service	

California Public Employees Retirement System (CalPERS)

A small group of currently active employees, previously considered a State Agency, have been shifted to the City's responsibility. This group is subject to CalPERS retirement criteria (age 50 and 5 years of credited service).

Courts

Members separated as of January 1, 2001 are the responsibility of the City and County of San Francisco. These participants are subject to the eligibility requirements of SFERS.

Benefits for Retirees:

Medical: PPO – City Health Plan (self-insured)
HMO – Kaiser and Blue Shield (fully-insured)

Dental: Delta Dental & DeltaCare USA

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

[1] No service requirement for safety members retiring under the industrial disability benefit.

[2] For participants hired after January 10, 2009, participant must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Premiums: Monthly premiums for July 1, 2010 through December 31, 2013 are as follows.

Medical Premiums / Premium Equivalents*

	Pre-Medicare		Medicare Eligible	
	Single	Dual	Single	Dual
July 1, 2010 – June 30, 2011				
Active				
Blue Shield	$ 593.73	$ 1,186.46	N/A	N/A
City Plan	926.66	1,812.00	N/A	N/A
Kaiser	481.69	962.34	N/A	N/A
Retiree				
Blue Shield	$ 1,318.34	$ 1,911.07	$ 383.84	$ 766.65
City Plan	1,069.39	2,097.49	367.88	701.69
Kaiser	967.59	1,448.19	346.99	692.94
July 1, 2011 – June 30, 2012				
Active				
Blue Shield	$ 589.40	$ 1,177.81	N/A	N/A
City Plan	1,110.87	2,178.64	N/A	N/A
Kaiser	505.22	1,009.42	N/A	N/A
Retiree				
Blue Shield	$ 1,308.44	$ 1,896.85	$ 378.81	$ 756.60
City Plan	1,287.72	2,532.31	381.89	729.66
Kaiser	1,014.87	1,519.07	355.13	709.24
July 1, 2012 – December 31, 2012				
Active				
Blue Shield	$ 608.43	$ 1,215.87	N/A	N/A
City Plan	1,237.46	2,431.13	N/A	N/A
Kaiser	530.01	1,059.00	N/A	N/A
Retiree				
Blue Shield	$ 1,350.87	$ 1,958.31	$ 405.82	$ 810.63
City Plan	1,427.03	2,810.25	375.14	715.90
Kaiser	1,064.98	1,593.97	334.42	667.82
January 1, 2013 – December 31, 2013				
Active				
Blue Shield	$ 647.16	$ 1,292.31	N/A	N/A
City Plan	1,258.97	2,473.63	N/A	N/A
Kaiser	537.02	1,072.01	N/A	N/A
Retiree				
Blue Shield	$ 1,435.98	$ 2,081.14	$ 363.30	$ 724.57
City Plan	1,466.49	2,888.64	374.49	714.02
Kaiser	1,078.10	1,613.09	335.43	668.83

* Includes Rx, vision, and expense. Plan start date shifts from July 1 to January 1 in 2013.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Plan Last Modified:	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Plan:	**Blue Shield Access+ HMO**	**Blue Shield 65 Plus (HMO)**	**City Health Plan (PPO)**	**Kaiser (HMO)**
In-Network (INN) Benefits				
Deductible (Individual / Family)	None	None	$250 / $750	None
Coinsurance	N/A	N/A	15%	N/A
Out-of-Pocket Max (Individ/ Family)	$1000 / $2000	$6,700 (Part A&B services)	$3,750 per person	$1500 / $3000
Copays				
Preventive Care	Fully Covered	Fully Covered	DC[1]	$15 per visit
Office Visit (OV)-Primary Care (PCP)	$20 per visit	$20 per visit	DC[1]	$15 per visit
OV - Specialist Care Provider (SCP)	$30 per visit	$20 per visit	DC[1]	$15 per visit
Hospital Emergency Room (ER)	$100 per visit	$50 per visit	DC[1]	$50 per visit
Outpatient Surgery	$50 per surgery	$50 per visit	DC[1]	$15 per admission
Hospital Inpatient	$150 per admission	$150 per admission	DC[1]	$100 per admission
Lifetime Max	Unlimited	Unlimited	$2,000,000 per person	Unlimited
Out-of-Network (OON) Benefits				
Deductible (Individual / Family)	N/A	N/A	$250 / $750	N/A
Coinsurance	N/A	N/A	50%	N/A
Office Visits (PCP) & (SCP)	N/A	N/A	DC[1]	N/A
Out-of-Pocket Max (Individ / Family)	N/A	N/A	$7,500 per person	N/A
Lifetime Max	N/A	N/A	$2,000,000 per person	N/A
Prescription Drugs				
Retail (34 Days) - Generic/Formulary /Non-Form. Copay	Not Covered	$5 / 20 / 45 (INN & OON)	$5 / 20 / 35, DC[1] OON	$5 / 15 / N/A
Mail Order (90 Days) - Generic/Form. /Non-Form. Copay	Not Covered	$10/40/90 ($15/60/135 OON)	$10 / 40 / 70	$10 / 30 / N/A
Mental Health and Substance Abuse				
Mental Health Inpatient	$150 per admission	$150 per admission	DC[1]	$100 per admission
Mental Health Outpatient	$20 per visit	$20 per visit	15% (INN & OON)	$15 per visit ($7 group)
Substance Abuse Inpatient	$150 per admission	$150 per admission	DC[1]	$100 per admission
Substance Abuse Outpatient	Fully Covered	$20 per visit	15% (INN & OON)	$15 per visit ($5 group)
Detail Benefits				
Chiropractic Benefit	$15 per visit (30 visit limit)	$20 per visit	50% (INN & OON)	$15 per visit
Rehab (speech, occup., physical)	$20 per visit	$20 per visit	DC[1]	$15 per visit
Hearing	Fully Covered	$2500 for 36 mos.	DC[1]	$15 per visit
Durable Medical Equipment	Fully Covered	Fully Covered	DC[1]	Fully Covered
Medical Management	PCP referral required	PCP referral required	Req'd on some services	PCP referral required
Medicare Integration	N/A	Medicare Advantage & Coordination of Benefits	Coordination of Benefits	Medicare Advantage & Coordination of Benefits
Vision Care Services				
Exam	Not Covered	Not Covered	Not Covered	Not Covered
Lens	Not Covered	Not Covered	Not Covered	Not Covered
Frames	Not Covered	Not Covered	Not Covered	Not Covered
Contacts	Not Covered	Not Covered	Not Covered	Not Covered

[1] DC = Deductible and coinsurance applies

In 2013 the City's PPO plan will participate in an Employee Group Waiver Plan (EGWP). As a result of participating in this plan, the City's cost for post 65 pharmacy was reduced an additional $50 per month. This reduction was incorporated into the actual trends used in our claim curves.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Cost Sharing Provisions:

Medical & Vision: Members are required to pay the difference between the cost of coverage and the City contribution.

Dental Coverage: Retirees pay the full cost of dental coverage offered by the City for themselves and their dependents.

City Contribution: The City pays a portion of the retiree or spouse / domestic partner premium as detailed in the following table, with the vesting schedule also applied. The City's contribution is limited by the premium. Medicare Part B premiums are the responsibility of the retiree.

City Contribution	
Pre-Medicare:	
Retiree / Surviving Spouse	Single Retiree Premium less 50% of Contribution for Active Employee in the same Plan
Spouse / Domestic Partner	50% of the difference between the single and two-party coverage premiums
Child	None
Medicare Eligible:	
Retiree / Surviving Spouse	100% of Single Retiree Premium, up to the 10-County Amount
Spouse / Domestic Partner	50% of the difference between the single and two-party coverage premiums
Child	None

Vesting Schedule (based on years of service)*	
Hired on or before January 9, 2009	
With 5 years	100%
Hired on or after January 10, 2009	
Under 10 years	0%
10 to 15 years	50%
15 to 20 years	75%
Over 20 years	100%

* Proposition B, passed 6/3/2008, introducing this vesting schedule to the postretirement health benefit plan. Participants retiring under disability or benefiting under the active death benefit receive 100% of the City Contribution, regardless of hire date and service.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

*Active Member Contribution***:**

Active Contribution for Employee**:** Members are required to pay the difference between the cost of coverage and the 10-County Amount. The 10-County Amount (historical and bargained amounts are listed in the table below) is the average of the employer contribution in the ten most populous counties in California (other than San Francisco).

10-County Amount	
Period Ending	
June 30, 2011	$ 472.85
June 30, 2012	503.94
December 31, 2012	522.97
December 31, 2013	534.78

Active Contribution for Spouse: Spouses and domestic partners are allowed to participate in the City provided medical plans at their own cost.

Changes Since Last Valuation:

There were changes to the Blue Shield medical plan effective July 1, 2010, which included $5 increases to office visit copays, $50 increases to emergency room visit copays (pre-Medicare plan only), the addition of a $15 copay to preventative and pre/post-natal care, and a shift to a Medicare Advantage plan.

APPENDIX C
GLOSSARY OF TERMS

1. **Actuarial Assumptions**
   Assumptions as to the occurrence of future events affecting costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

2. **Actuarial Cost Method**
   A procedure for determining the actuarial present value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

3. **Actuarial Gain (Loss) (Called Actuarial Experience Gain and Loss)**
   A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

4. **Actuarial Liability, i.e., Actuarial Accrued Liability**
   That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of projected benefits which will not be paid by future Normal Costs.

5. **Actuarial Present Value (Present Value)**
   The value as of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

   a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
   b. multiplied by the probability of the occurrence of the event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
   c. discounted according to an assumed rate (or rates) or return to reflect the time value of money.

   As a simple example: assume you owe $100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

		Probability	$\frac{1}{(1+\text{Discount Rate})}$		
Amount		of Payment			
$100	x	(1 - .01)	1/(1+.1)	=	$90

APPENDIX C
GLOSSARY OF TERMS

6. Actuarial Valuation
The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for the Plan.

7. Actuarial Value of Assets
The value of cash, investments and other property belonging to a Plan, as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

8. Amortization
The portion of the Plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

9. Discount Rate
The estimated long-term interest yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments and the basis used to determine the Actuarial Value of Assets.

10. Entry Age Normal Actuarial Cost Method
A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

11. Funded Ratio
The Actuarial Value of Assets expressed as a percentage of the Actuarial Accrued Liability.

12. Normal Cost
That portion of the Actuarial Present Value of the Plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

13. Unfunded Actuarial Liability
The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

14. Per Person Cost Trend, i.e., Healthcare Cost Trend Rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

APPENDIX D
ABBREVIATION LIST

Actuarial Accrued Liability (AAL)
Actuarial Valuation Report (AVR)
Annual Required Contribution (ARC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Deferred Retirement Option Plan (DROP)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)

CHEIRON CLASSIC VALUES, INNOVATIVE ADVICE

City and County of San Francisco

July 1, 2010
OPEB Valuation Overview

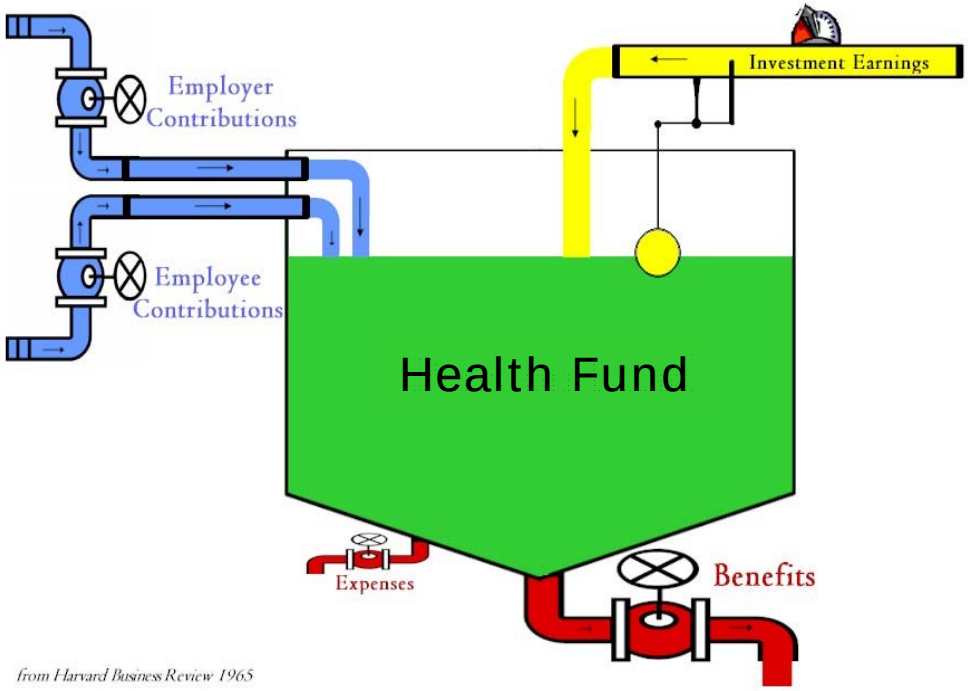
Bill Hallmark, ASA, FCA
Margaret Tempkin, FSA
November 20, 2012

Overview

- The Actuarial Valuation Process
- Key Results
- Key Elements Affecting Projected Costs
- Current Funding Policy
- Projected Contributions
- Actuarial Basis

The Actuarial Valuation Process In General

1. Collect data – census, claims, assets, etc.
2. Develop health plan specific assumptions - claims, participation, health plan election, trend, etc.
3. Project all future benefit payments
4. Determine a present value of the benefits and allocate over each individual's career as a level percentage of pay
5. Compare to assets
6. Calculate "Annual Required Contribution"
7. Calculate Annual OPEB Cost and Net OPEB Obligation



from Harvard Business Review 1965

Key Results

Table 1
Actuarial Liability

Valuation Date	**July 1, 2008**	**July 1, 2010**
Discount Rate	4.25%	4.25%
Actives	$ 1,848,722	$ 2,045,612
Terminated Vested Members	531,275	381,448
Retirees	1,984,275	1,993,086
Total Actuarial Liability	$ 4,364,273	$ 4,420,146
Assets	0	(3,195)
Unfunded Actuarial Liability	**$ 4,364,273**	**$ 4,416,951**
Funded Ratio	**0.0%**	**0.1%**

Dollar amounts in thousands

- The Actuarial Liability represents the present value of benefits attributed to service prior to the valuation date
- The discount rate is the interest rate used to calculate the present value
- Since the July 1, 2008 valuation, the actuarial liability has increased approximately 1.3%

Key Results

- **Annual Required Contribution** (ARC) – Neither required or a contribution amount, but serves as the basis for the annual expense reported on the City and County's financial statements. It consists of:
  - **Normal cost -** The present value of the benefits attributed to the next year of service for active employees
  - **Less expected employee contributions -** After Proposition B, employees employed on or after 1/10/2009 are required to contribute 2% of pay
  - **Plus a payment on the unfunded actuarial liability**
- **Unfunded Actuarial Liability (UAL) Payment**
  - UAL amount is amortized over a 30-year period with payments increasing 4.0% each year
  - 4.25% interest rate

Key Results

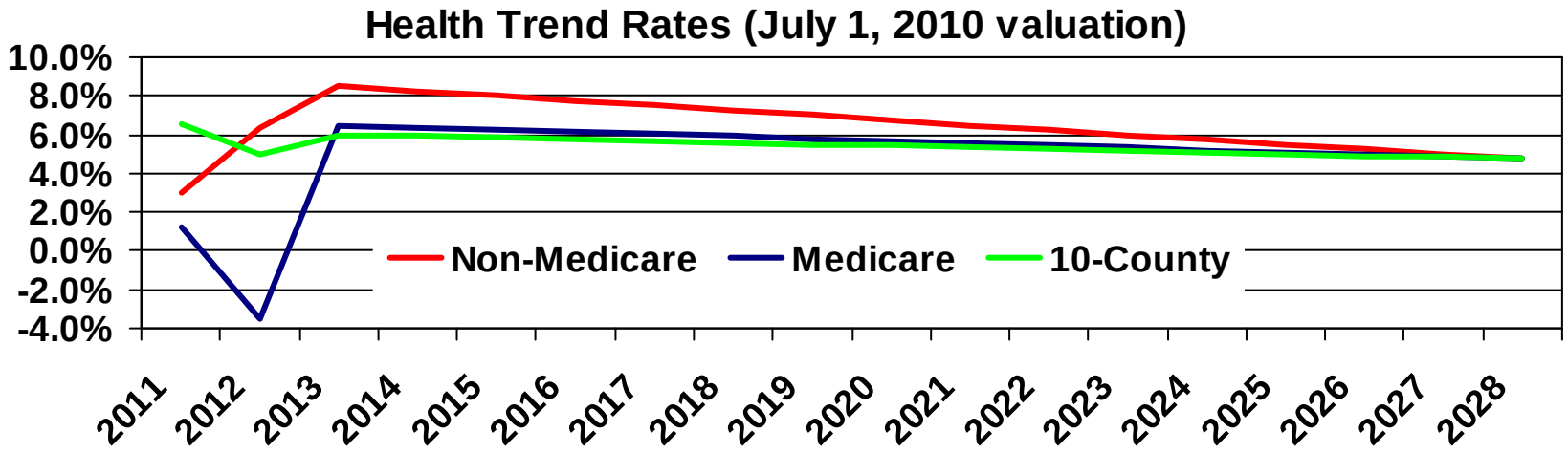
Table 2
Annual Required Contribution (ARC)

		FYE 2012	FYE 2013
1.	Projected Total Normal Cost	$ 236,663	$ 240,447
2.	Expected Employee Contributions	(3,885)	(6,336)
3.	Projected Employer Normal Cost (1. - 2.)	$ 232,778	$ 234,111
4.	Projected Unfunded Actuarial Liability	$ 4,685,581	$ 4,956,346
5.	Amortization Factor	28.38	28.38
6.	Unfunded Actuarial Liability Amortization (4. ÷ 5.)	$ 165,084	$ 174,624
7.	**Annual Required Contribution (3. + 6.)**	**$ 397,862**	**$ 408,735**

Dollar amounts in thousands

- 2010 valuation results are used to determine the ARC for FYE 2012 and 2013
- The ARC is the sum of the employer normal cost for the year and the amortization payment on the Unfunded Actuarial Liability
- The amortization factor is used to determine the first year's amortization payment on the unfunded actuarial liability, assuming a 30-year amortization period, as a level percentage of projected payroll.

Key Elements Affecting Projected Costs Economic and Demographic Experience



- Health care trends (Trend rates shown above for 2011 and 2012 reflect actual premium experience)
- Retirement rates
- Participation rates
- Health plan election rates
- Mortality rates
- Changes in covered population

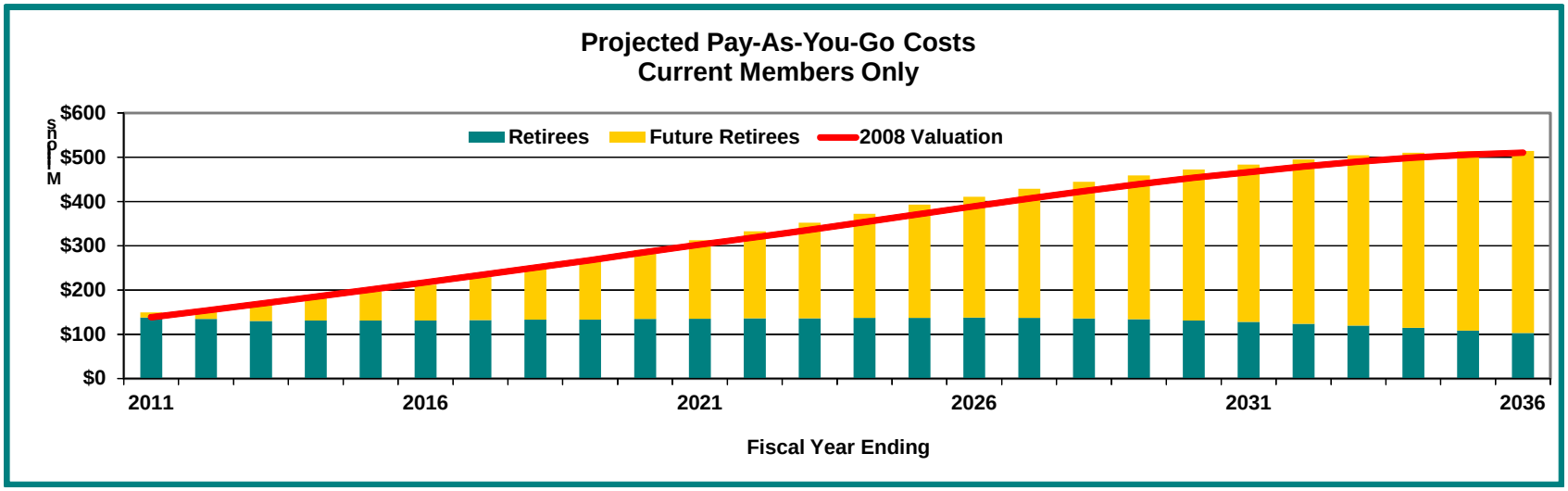
Key Elements Affecting Projected Costs Benefit Program Design

- Eligibility for and level of retiree health benefit subsidies
  - Pre-Prop B – 5 years of service ➔ Full subsidy
  - Post Prop B – Tiered subsidies based on service at retirement, and must begin benefits within 180 days of termination of employment
- Explicit Subsidy Structure
  - Based on 10-County survey amount
  - Retiree pays half of what active employee pays
  - Spouse pays half of spousal premium
- Health coverage provided and premium structure

Current Funding Policy

- The City and County of San Francisco has been paying the benefits strictly on a pay-as-you-go basis
- For Prop B employees (hired on or after 1/10/2009), contributions to the Retiree Health Care Trust Fund (RHCTF) take effect immediately upon employment at the following levels:
  - 2% of pay is contributed by the employee
  - 1% of pay is contributed by the City
- For Pre-Prop B employees, contributions to the RHCTF take effect beginning July 1, 2016 as follows
  - 0.25% of pay is contributed by the employee in 2016, increasing 0.25% per year until the contribution level reaches 1% of pay in 2019
  - City contributions are equal to the employee contributions for pre-Prop B employees
- Contribution levels described above are minimum levels, additional contributions may also be made to the RHCTF
- No disbursements will be made from the RHCTF prior to January 1, 2020

Projected Pay-As-You-Go Costs



- Fundamental objective is to ensure that the benefits can be paid
- Over the next 8 years, the City can expect to pay the pay-as-you-go cost plus the contributions to the Retiree Health Care Trust Fund (RHCTF) required by Propositions B and C
- In the future, the assets in the RHCTF will be sufficient to pay a portion of the pay-as-you-go cost

Actuarial Basis

Discount Rate	4.25%
Payroll Growth	**4.00%** per year
Medical Trends	Medical: **8.5% Pre-Medicare/6.5% Post-Medicare in FYE 2013 decreasing to 4.75% in FYE 2028.** Additional Health Care Reform add-on of 2.5% in FYE 2019 and 0.5% in FYE 2020 for Pre-Medicare only. 10-County Average: **6% in FYE 2013 decreasing to 4.75% in FYE 2028** Vision: 3% per year, beginning in FYE 2014 Actual rates used for FYE 2011 and FYE 2012

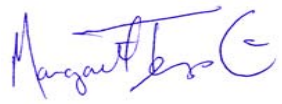
Plan Participation	94% of eligible participants will elect a medical plan, in the following proportion: City Plan: **5%** Kaiser: 50% Blue Shield: **45%**
Spousal Coverage	**47.5% Pre-Medicare and 25% Post-Medicare**
Demographic Assumptions	Follow 2010 pension valuation, which included updates to the rates assumed for **mortality, retirement, termination, disability incidence, refund of contributions, and salary increases.**
Medicare Eligibility	All participants not yet receiving Medicare benefits will be eligible upon the later of retirement and age 65.

Actuarial Basis

Base Year Per Capita Plan Costs	Reset for all coverages based on claims analysis:				
			Medical	Pharmacy	Expense
	City PPO	Pre-Medicare	14,585.17	3,439.64	502.44
		Medicare Eligible	1,456.35	2,244.62	414.72
	Kaiser HMO	Pre-Medicare	11,129.08	n/a	12.48
		Medicare Eligible	3,563.91	n/a	12.48
	Blue Shield HMO	Pre-Medicare	13,845.77	n/a	12.48
		Medicare Eligible	3,974.77	n/a	12.48
	Vision (All Plans)		42.84	n/a	n/a
Prop B Plan Changes	For employees who commenced employment after January 10, 2009, the City subsidy for retiree health coverage is tiered based on service: Less than 10 years: 0% 10-15 years: 50% 15-20 years: 75% 20 or more years: 100% Prop B employees also must retire within 180 days of termination in order to receive benefits.				
Retiree Health Care Trust Fund (RHCTF) Contributions	For Prop B employees, contributions in the following amounts are required beginning at hire: -2% of pay employee contribution -1% of pay City contribution For all other employees, Prop C contributions will commence beginning July 1, 2016 and the employee and City will make equal contributions of 0.25% of pay for FYE 2017, increasing 0.25% per year until a rate of 1.0% is reached July 1, 2019.				

Required Disclosures

- The purpose of this presentation is to present the results of the July 1, 2010 actuarial valuation for the City and County of San Francisco's Retiree Health Care Plan.
- This presentation is for the use of the City and County of San Francisco and its auditors. Any other user is not an intended user and is considered a third party. This presentation is not intended to benefit any third party and Cheiron assumes no duty or liability to any such party.
- In preparing the valuation, we relied without audit, on information (some oral and some written) supplied by the City and County of San Francisco, the Health Services System, and the San Francisco Employees' Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. Please refer to the full July 1, 2010 actuarial valuation report for a complete description of the plan provisions, assumptions, methods and a summary of the data used in the actuarial valuation.
- We hereby certify that, to the best of our knowledge, this presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.



Margaret Tempkin, FSA

William R. Hallmark, ASA

Retiree Health Care Trust Fund Board					
Administrative Support					
	FY 12-13 Q1 & Q2 Billings				
	7-01-12 to 12-31-12				
		Hourly Rate	Hours	Cost	
Board Secretary	Rosanne Torre	$49.03	51.58	2,528.97	
Central Accountant	Glenn Deleon	$61.39	6.00	368.34	
Accountant	1652 Central Acct	$42.98	-	-	
Web Manager	Peter Trinh	$66.17	2.00	132.34	
Contracts	Rick Kurylo	$55.81	15.00	837.15	
Contracts Manager	Lily Conover	$61.26	1.00	61.26	
Budget Analyst	Theresa Kao	$55.85	12.00	670.20	
	Total			**4,598.26**	
	Approved By:			Date Approved:	
	Board President				

Memorandum of Understanding
Between The Retiree Health Care Trust Fund Board (Board)
And
The Office of the Controller (Trust Fund Administrator)

This memorandum of understanding (MOU) is entered into as of November 1, 2011 by and between the Retiree Health Care Trust Fund Board (Board), as approved by the Board at their October 24, 2012 meeting, and Ben Rosenfield, City and County of San Francisco (CCSF) Controller, to memorialize the agreement between the Retiree Health Care Trust Fund (Fund) and the Controller's Office (the Fund Administrator), and to outline the parameters under which the parties will cooperate to provide the services listed below.

Consistent with the above-mentioned goals and other legal and contractual requirements, the Fund and Fund Administrator agree as follows:

A. Services to be provided, budget, budgeting and billing methodologies

    1. Services to be Provided
        a. Administrative, Central Accounting, Budgetary, Contracts, and Web support
        b. Materials and Supplies

    2. Estimated Annual Budget: $12,500

    3. Budgeting Methodology: Both the Board the Fund Administrator shall cooperate in providing a statement of work, and agree on an estimated amount to complete this work.

    4. Billing Methodology: The Fund Administrator will bill the Fund quarterly. Billing includes submitting an invoice and all necessary supporting documentation to the Board Secretary, having the Board Secretary approve this invoice, requesting the Fund Administrator accountant to enter and post the billing transaction in the accounting system.

B. Budget Changes

    Any changes to the budget as stated on this MOU must be agreed upon in writing by both the Board and the Fund Administrator.

C. Supporting Documentation

    The standard supporting documentation to be sent to the Fund at each billing is a summary of cost items, calculation rates, and other amounts pertinent to the calculation

of the charges. The Fund Administrator shall keep on file details of the summarized documentation, and shall make them available upon request.

D. Billing Disputes

Billing disputes shall be resolved by the Board and the Fund Administrator's designee at a scheduled Board meeting.

E. Term of Agreement

This MOU shall continue from year to year for as long as the Office of the Controller continues to be the Fund Administrator or until otherwise determined by the Retiree Health Care Trust Fund Board. This MOU may be terminated at any time by the Retiree Health Care Trust Fund Board.

This MOU has been entered into on the dates below:

RETIREE HEALTH CARE TRUST FUND

_____ _____

Date

Please print name: Rosanne Torre

_____

Please print title: Board Secretary

_____

_____ _____

Ben Rosenfield, Controller **Date**
Office of the Controller, Performing Department

RETIREE HEALTH CARE TRUST FUND (RHCTF) BOARD - RESOLUTION NO. 2013-01

Resolution approving participation of the San Francisco Community College District in the Retiree Health Care Trust Fund, and accepting receipt of $500,000 contribution from the San Francisco Community College District into a segregated subaccount.

WHEREAS, The San Francisco Retiree Health Care Trust Fund (Fund or Trust) is an irrevocable trust fund established under City and County of San Francisco Charter (Charter) Section A8.432, to provide a funding source to defray the cost of the City and County of San Francisco's (City), and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Charter Section A8.428; and

WHEREAS, Trust assets shall be held for the sole and exclusive purpose of providing health coverage to eligible retired persons and their survivors, and to defray the reasonable expenses of administering the Fund, including but not limited to educational, actuarial, consulting, administrative support and accounting expenses associated with the Fund; and

WHEREAS, Under Charter Section A8.432(a), Fund “Participating Employers” are defined to include the San Francisco Community College District (CCD) following a resolution by the CCD's governing board to participate in the Fund; and

WHEREAS, CCD Board Resolution 120223-B2a authorizes the transfer of $500,000 into the Fund to pre-fund post-retirement health benefits for eligible CCD retirees; and

WHEREAS, Charter Section A8.432 states that contributions from Participating Employers shall be segregated from each other, and shall only be used as a funding source to defray each Employers’ obligations to pay for retiree health care under Section A8.428 and each Employers’ share of administrative expenses; and

WHEREAS, Commencing January 7, 2020, Trust assets may be used to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for the retired persons and their survivors entitled to health care coverage under Section A8.428; and

WHEREAS, The amount and frequency of such disbursements shall be determined by the Retiree Health Care Trust Fund Board in consultation with the Employers' respective GASB Actuaries; now, therefore, be it

RESOLVED, That the Retiree Health Care Trust Fund Board acknowledges participation in the Fund by the CCD; and be it

FURTHER RESOLVED, That the Retiree Health Care Trust Fund Board accepts the $500,000 authorized by the CCD Board for transfer to the Fund; and be it

FURTHER RESOLVED, That the Retiree Health Care Trust Fund Board directs administrative staff to deposit the $500,000 received from the CCD into a segregated subfund account, and to charge that account for the CCD’s proportional share of administrative costs of the Fund; and be it

FURTHER RESOLVED, That the Board authorizes administrative staff to make any necessary administrative decisions to arrange for the future transfer of CCD employer and employee contributions into the Fund.

_____ Approved _____

Rosanne Torre
Retiree Health Care Trust Fund Board Secretary

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)

RHCTF BOARD POLICY MANUAL

UPDATED INSERT

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND
RHCTF BOARD POLICY MANUAL
TABLE OF CONTENTS

Part 5: Relevant Legislation/Board Resolutions

INTRODUCTION

The governance and management of the Retiree Health Care Trust Fund (Fund) is subject to myriad requirements set out in laws, policies and procedures. Retiree Health Care Trust Fund Board (Board) members must be familiar with these requirements to effectively and prudently carry out their duties and responsibilities.

To assist Board members in gaining such an understanding, Fund staff has prepared this Board Governance Manual. The current version of the Manual contains:

- Terms of reference, which describe the roles and responsibilities of various decision-making bodies within the Fund;
- The governance policies, which set out how the Board will generally function, and how it will carry out some of its specific responsibilities;[1]
- Various statutes or parts of statutes applicable to the Fund.

This Board Governance Manual does not contain all of the laws and policy-type documents that apply to the Fund and the Board.
Management trusts that Board members and staff will find the Board Governance Manual helpful and welcomes any suggestions on how it may be improved.

[1] A useful way to distinguish between *terms of reference* and *governance policies* is that terms of reference describe the duties a party is expected to carry out, while the governance policies describe *how* certain duties are to be carried out. For example, the Board's terms of reference indicate that it is expected to evaluate its own performance; the Board Self-Evaluation Policy describes the process by which the Board will evaluate its own performance.

City and County of San Francisco

San Francisco Retiree Health Care Trust Fund

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
GOVERNANCE PRINCIPLES OF THE RHCTF BOARD

1) It is paramount that Board members carry out their duties in a manner consistent with the highest standards of ethics, integrity, and fiduciary duty.

2) Whether the Board has made prudent decisions will be judged primarily by the decision-making process the Board employed.

3) The Board's approach to governance will be proactive rather than reactive; that is, the Board will attempt to address issues of importance before they become urgent.

4) Board and staff roles must be clear and distinct from one another; the Board's role is to set policy and oversee the organization, while staff's role is to manage the organization.

5) The Board can influence the organization most effectively through the setting, monitoring, and refinement of Board policy.

6) The Board will devote the majority of its attention to items that have the potential to significantly impact the success of the Fund.

7) A linear organizational structure best supports accountability and excellence in the governance and administration of the Fund.

8) The Board is best positioned to hold itself and its members accountable for meeting high standards of fiduciary excellence.

9) To be effective, the Board must work towards developing its own knowledge regarding managing Fund assets.

10) The Board's role extends equally to both investments and Fund administration.

11) The governance of the Fund will be treated as an important and distinct function.

12) The Board's governance policies will be *living* documents.

13) With respect to the Fund, Board members do not have power as individuals, but only as part of the Board as a whole.

14) The role of committees is to perform in-depth discussion and review of Board business, or serve as a forum for education, to enable the full Board to make informed final decisions in an efficient manner.

Adopted by the RHCTF Board on INSERT DATE

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
RHCTF BOARD
TERMS OF REFERENCE

Introduction

1) The Retiree Health Care Trust Fund Board (Board) of the City and County of San Francisco has been established under Article XII of the Charter of the City and County of San Francisco (the City Charter), and is responsible for the administration and investment of the San Francisco Retiree Health Care Trust Fund (Fund). The Board is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established these Terms of Reference to guide the manner in which it carries out its affairs.

2) In accordance with City Charter Sections 12.204 and A8.432, the Board shall have exclusive authority and control over the administration of the Fund, investment of trust assets, and disbursements from the trust.

Duties and Responsibilities

General

3) The Board shall discharge its duties with respect to the Fund with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

4) It is understood that, in discharging its duties, the Board will at all times be supported by RHCTF staff.

Governance

5) The Board will approve, and amend, as necessary:

   a) The Fund's mission statement;

   b) Rules and regulations consistent with the City Charter and ordinances[3];

[3] The Board has determined that the Board Operations Policy will set out the Board rules as per City Charter, Article IV, section 4.104(1).

c) Terms of Reference describing the roles and responsibilities of the Board, Board committees and the Fund's actuary; and

d) Policies to ensure appropriate governance practices.

6) The Board will:

a) Elect a President and Vice-President of the Board on an annual basis;

b) Establish standing or ad hoc committees as necessary;

c) Appoint Board members and a chair to standing and ad hoc committees, upon the recommendation of the President;

d) Ensure that a fiduciary education program is in place to assist Board members in securing the knowledge required to properly execute their duties as fiduciaries; (see Board Education Policy, Tab INSERT)

e) Conduct an annual Board development exercise, wherein the Board may engage in self-assessment and discussion for the purposes of continuously developing and improving its own effectiveness as a fiduciary body; (see Board Self-Evaluation Policy, Tab INSERT)

f) Approve travel requests by Board members; and

g) Ensure that a record of the proceedings of Board and committee meetings is maintained.[4]

Investments

7) The Board will:

a) Approve broad investment objectives and strategies;

b) Approve a written investment policy statement, and review, confirm, or amend such policy at least every two (2) years;

c) Approve investment plans and guidelines, as required; and

d) Subject to a) through c) above, approve investment managers and consultants and Fund custodian.

Operations

8) The Board will approve:

a) A strategic plan and any updates thereto, as deemed appropriate;[6] ; and

[4] As required under *San Francisco Sunshine Ordinance*, Administrative Code, Chapter 67.

b) An annual Department Budget, including an operational budget.

9) The Board will:

a) Ensure that funding is in place to provide for the financial audit by the Controller; and

b) Review and accept the annual audited financial statements and external auditors' management letter, and take corrective action if required.

10) The Board will

Ensure that an actuarial audit or equivalent is conducted at least every five years.

11) The Board will approve an annual report, and ensure its timely distribution and filing with the Mayor, the Clerk of the Board of Supervisors, other interested parties, and any other parties required by law to receive the annual report.

Human Resources

12) The Board shall appoint and may terminate a Fund actuary.[7]

13) The Board will approve the process for the evaluation of the Fund actuary.

Communications

14) The Board will:

a) Approve on a periodic basis a Member Communications Plan;[8] and

b) Conduct meetings open to the public in accordance with the *San Francisco Sunshine Ordinance* (San Francisco Administrative Code, Chapter 67), and the public meeting laws set out in the *Ralph M. Brown Act* (California Government Code Section 54950 et seq.).

[6] The strategic plan may incorporate a business plan and other plans, as appropriate.

[7] City Charter, s. 12.100.

[8] The Member Communications Plan may be incorporated into the Strategic Plan.

Legislation and Litigation

15) The Board may:

a) With legal counsel, consider and approve recommendations made by Board staff concerning settlements or other legal actions involving the Fund; and

b) Recommend changes to legislation that are either cost-neutral, or that are intended to facilitate more efficient benefit or investment administration.

16) In the event of an adverse decision in a legal action to which the Board is a party, the City Attorney shall appeal through and to the highest court for final decision unless otherwise ordered by the Board.

Key Appointments

17) The Board will establish appropriate policies to help ensure prudent and sound selection of service providers for the Board and the Fund, and will periodically monitor compliance with such policies, e.g., the Service Provider Selection Policy.

18) The Board is responsible for selecting and/or ratifying the following named service providers:

a) Consulting actuary;

;

b) Legal and fiduciary counsel;

c) Advisors on general governance-related matters;

d) Fund custodian; and

e)

Investment managers.

Monitoring and Reporting

19) The Board will ensure that appropriate monitoring and reporting practices are established and documented within the Fund.

20) The Board will periodically monitor compliance with, and review the continued appropriateness of, the governance structure and processes of the Fund, including:

a) Board terms of reference; and

b) Board governance policies and rules.

21) The Board will monitor the performance of the Fund, consistent with the Reporting and Monitoring Policy and Board investment policies, including at a minimum:

a) The funded status of the Fund;

b) Fund performance relative to benchmark portfolio return;

c) Asset class performance;

d) Fund investment strategies;

e) Cost effectiveness of investment program; and

f) Compliance with investment policies.

22) The Board will monitor the effectiveness and efficiency of the administration of Fund through a review of, at a minimum:

a) Implementation of the Strategic Plan and the Operating Budget.

23) At least annually, the Board will review the performance of:

a) The Fund actuary; and

b) The Board itself.

24) With the assistance of Board staff, the Board will review the performance of named service providers, as appropriate.

History

25) These terms of reference were adopted by the Board on INSERT DATE.

Review

26) The Board shall review these terms of reference at least every three years

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
PRESIDENT OF THE RHCTF BOARD
TERMS OF REFERENCE

Introduction

1) In general, at its first regular meeting in INSERT of each year, the Retiree Health Care Trust Fund Board (Board) shall elect one of its members President, and that member shall hold office for a term ending the first meeting in INSERT of the next succeeding year, or until a successor has been elected.

Duties and Responsibilities

2) The President will exercise the powers and will perform the duties and functions as specified herein:

   a) Recommend to the Board the appointment of Board members and a chair to each standing or ad hoc board committee by the following Board meeting after the President is elected;

   b) Preside at all Board meetings, ensuring that such meetings are conducted in an efficient manner and in accordance with the *San Francisco Sunshine Ordinance* (Administrative Code, Chapter 67), the public meeting laws set out in the *Ralph M. Brown Act* (California Government Code Section 54950 et seq.), and the principles embodied in *Robert's Rules of Order, Revised*;

   c) Act as the spokesperson for the Board;

   d) Work to ensure that the Board discharges its duties and responsibilities as set forth in its terms of reference, the Bylaws, and the Board's governance policies ; and

   e) Support the committee chairs in the exercise of their duties.

History

3) These terms of reference were adopted by the Board on INSERT.

Review

4) The Board shall review these terms of reference at least every three years.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
VICE PRESIDENT OF THE RHCTF BOARD
TERMS OF REFERENCE

Introduction

1) In general, at its first regular meeting in INSERT of each year, the Retiree Health Care Trust Fund Board (Board) shall elect one of its members Vice-President, and that member shall hold office for a term ending the first meeting in INSERT of the next succeeding year, or until a successor has been elected.

Duties and Responsibilities

2) The Vice-President will exercise the powers, and will perform the duties and functions, as specified herein:

   a) Assume the duties of the President when the President is absent, or when the President shall designate the Vice-President to act; and

   b) Temporarily act for the President in the event of death, resignation, removal from office, or permanent disability of the President.

3) When acting for the President, the Vice-President shall have all of the powers of the President, and shall assume all of the duties of the President.

History

4) These terms of reference were adopted by the Board on INSERT.

Review

5) These terms of reference shall be reviewed by the Board at least every three years.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
RHCTF BOARD OPERATIONS POLICY

Purpose

1) This Retiree Health Care Trust Fund Board (Board) Operations Policy is intended to set out the manner in which the Board will carry out its affairs, and includes guidelines addressing, among other things, the appointment of officers, the establishment of committees, and the conduct of meetings.

2) The Board shall exercise its authority, functions, powers, and duties in accordance with Charter Sections 4.100 – 4.104, 12.204, A8.432 and A8.432-1; with applicable provisions of the Administrative Code of the City and County of San Francisco as enacted by ordinances of the Board of Supervisors; and in accordance with board rules, resolutions, and policies as it may adopt from time to time.

Policy Guidelines

A) Board Composition

3) In accordance with Charter Section 12.204, the Board shall consist of five (5) trustees, one of whom shall be appointed by the City Controller, one of whom shall be appointed by the City Treasurer, one of whom shall be appointed by the Executive Director of the San Francisco Employees Retirement System, and two of whom shall be elected from among active employee and retired members of the City's Health Service System. . [Charter Section 12.204]

4) The term of office of each elected member shall be five (5) years, unless the elected member has been elected to complete the unexpired term of office of a resigned or deceased member. In that event, the newly elected member shall serve only that portion of the unexpired term of office.

5) Election of President and Vice President:

   a) At its first regular meeting in INSERT of each year, the Board shall elect one of its members President and one of its members Vice President, and each shall hold office for a term ending the regular meeting of the Board in INSERT of the next succeeding year, or until a successor has been elected;

   b) The Vice President shall assume the duties of the President when the President is absent, or when the President shall designate the Vice President to act;

   c) In the event of the death, resignation, removal from office, or permanent disability of the President, the Vice President shall temporarily act for the President. The Board shall elect a President at its next Board meeting, and if necessary a Vice President, to serve until the normal expiration of the term of the succeeded President; and

   d) The Board shall generally attempt to ensure that the office of President will alternate from an appointed to an elected member.

6) The term of office for the President and Vice- President shall be one year, and the offices of the President and Vice-President shall be subject to a two- term limit.

Election of Employee Members

The elected members shall serve a term of office of five (5) years, commencing on the date of their election, unless the elected members have been elected to complete the unexpired term of office of a resigned or deceased member. In that event, the newly elected member shall serve only that portion of the unexpired term of office.

B) Board Committees

7) Based on the recommendations of the President, the Board will:

   a) approve the establishment of standing and ad hoc committees; and

   b) annually approve the members and chairs of standing and ad hoc committees.

8) With the exception of committees of the whole, committees shall be comprised of three Board members, one of whom shall be the committee chair.

9) The term of office for chairs of standing committees shall be limited to one year, and there shall be no limit to the number of terms for which a committee chair may serve.

10) Members and chairs of ad hoc committees shall serve until the dissolution of the committee.

11) In the absence of a committee chair, the committee chair may designate in advance another committee member to act as chair for a particular meeting, failing which the remaining committee members shall designate one of themselves to act as chair for such meeting.

12) In the event of a vacancy on any standing or ad hoc committee, the President shall at the next board meeting recommend to the Board a replacement for its approval.

C) Meetings of the Board and Committees

Board Meetings - Time and Location

13) Regular Meetings:
   a) Regular meetings shall be held on the 4th Monday of July, October, January and April at 3:00 PM, in the San Francisco Employees' Retirement System Board Meeting Room, 30 Van Ness Ave, Suite 3000, or at other date, time, or place as the Board may designate; and
   b) When a Regular Meeting day falls on a holiday, the Board shall designate another day for its meeting.

14) Board meetings will be conducted in accordance with the Ralph M. Brown Act (Governance Code Section 54950 et seq.) and the San Francisco Sunshine Ordinance (San Francisco Administrative Code Chapter 67).

Teleconferencing

15) Board members may not participate by teleconference in board or committee meetings.

16) Advisors and other vendors may participate by teleconference only in open session agenda items at Board and committee meetings.

Calendar, Meeting Materials, and Minutes

17) Board members may request that any matter be calendared. All such requests shall be calendared within a reasonable period of time.

18) The Board shall receive an advance calendar no later than the Friday preceding the next scheduled meeting.

19) Only items that have been calendared will be heard by the Board at any meeting. The Board may consider emergency items provided they have been noticed in writing at least 24 hours in advance of the board meeting, consistent with the Ralph M. Brown Act.

20) A request that a calendared item be heard out of order shall be presented at the start of the meeting to the President, stating the reason for the request. The President shall decide if the request shall be granted.

21) All calendared matters to be postponed shall be announced at the start of the meeting, except that any Board member or any interested party may, during the course of a meeting, request postponement of an action. The President shall approve or reject any request to postpone an action being considered by the Board at its meeting.

22) Minutes:

    a) Board staff shall record in the minutes the time and place of each Board meeting, the names of the Board members present, all official acts of the Board, and the votes of the members; and

    b) The minutes shall be written and presented for correction and approval within a reasonable time.

Board Resolutions

23) In carrying out the Board's authority, functions, powers, and duties, as specified in paragraph 2 of this policy, the Board may, from time to time, enact and adopt resolutions which are not specifically provided for in its rules, and which are not in conflict with existing sections of the Charter and the Administrative Code.

24) The term "resolution" shall mean any action of the Board which prescribes or defines Board policy in written form.

25) The Board shall enact and adopt resolutions in accordance with the following procedures:

    a) At any regular or special Board meeting, any Board member may move the adoption of a resolution which may be stated orally or in writing;

b) Board staff will be responsible for performing, or causing to be performed, all necessary research and analysis to support resolutions prior to their adoption by the Board;

c) Prior to its adoption, the proposed resolution shall be prepared by Board staff in proper format, and shall thereafter be forwarded to the City Attorney for approval as to format and legality. The proposed resolution shall thereafter be presented to the Board for action; and

d) An adopted resolution shall be signed and dated by the Board President and Board Secretary.

26) All adopted resolutions shall be numbered in orderly sequence and shall be retained by Board staff. Said resolutions shall be readily accessible to members of the Health Service System and the public-at-large.

Legislation

27) The Board may, at its discretion, act upon or consider any legislation affecting the Fund. Legislation shall include, but not be limited to, proposed charter amendments, ordinances or resolutions of the Board of Supervisors, and bills, resolutions, propositions, or constitutional amendments pending or emanating from the California State Legislature or the Congress of the United States. Action on any legislation being considered by the Board shall require at least five affirmative votes.

28) Any Board member may request Board action on legislation pertaining to or affecting the Fund; provided, however, that prior to the Board determining an official position on said legislation, the Board shall secure from the staff a report which shall reflect, if possible, arguments for and against the legislation, together with any other information or data relevant to the legislation.

29) Whenever the Board determines an official position on legislation pending before a legislative body or a committee thereof, Board staff shall communicate said position in writing or orally, or both, to said legislative body or committee thereof.

30) Whenever the Board determines an official position on legislation pending before the electorate, Board staff may communicate said position to any source or entity, which may have an interest in or which may promulgate or publicize the Board's official position.

Quorum and Rules of Order

31) The majority of all the members of the Board shall constitute a quorum. The Board may only act by a majority of the members present at a meeting so long as a quorum is in attendance.

32) The majority of the members of each committee shall constitute a quorum, and committees may act by a majority of the members present at a committee meeting, provided a quorum is in attendance.

33) Except as otherwise provided herein, or otherwise agreed to by the Board, Roberts Rules of Order, in its latest revision, shall govern the Board on its proceedings.

34) Each member of the Board present at a meeting must vote for or against any particular action put before him unless excused from voting by a motion adopted by a majority of the members present. [Charter Section 4.100 – 4.104]

35) A motion by any Board member shall require a second.

36) Each Board member's vote shall be recorded by name.

37) Tie Vote

a) A tie vote on a negative motion – the motion is lost, but the matter or request remains before the Board for action;

b) A tie vote on an affirmative action – the motion is lost and the matter or request before the Board is denied; and

c) A tie vote by ballot on an application heard by the Board – the application is denied.

38) Requests for rulings on moot, or hypothetical, questions will not be permitted by the Board.

Public Comment

39) Members of the public shall have an opportunity to directly address the Board on items of interest to the public that are within the subject matter jurisdiction of the Board, including items being considered at the meeting. Members of the public may address the Board for up to five minutes.

Severability

40) If any policy, section, paragraph, sentence, clause, or phrase of this policy is declared unconstitutional or void for any reason, such declaration shall not affect the validity of the remaining portions of the policy. The Board hereby declares that it would have prescribed and adopted this policy, and each section, paragraph, sentence, clause and phrases hereof, irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases shall be declared unconstitutional or void. The titles assigned to policies and sections are for reference purposes only, and shall not be considered a substantive part of this policy. If there is any conflict between the provisions of this policy and the Charter,

or the Administrative Code of the City and County of San Francisco, the Charter or the Administrative Code language shall govern.

41) For purposes of Charter Section 4.104 (1), this Board Operations Policy shall be deemed to constitute the board rules. The Board may amend this Board Operations Policy at any time. Any proposed amendment shall be posted for at least ten (10) days and calendared for board hearing at least one week prior to a board meeting in accordance with Charter Section 4.104.

Policy Review

42) The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

This policy was adopted by the Board on INSERT.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
RHCTF BOARD COMMUNICATIONS POLICY

Introduction & Objectives

1) This policy establishes guidelines for Retiree Health Care Trust Fund Board (Board) member communications. The guidelines are intended to:

   a) Ensure efficient and effective communications among Board members, staff, service providers, and stakeholders;

   b) Serve and protect the interests of the City and County of San Francisco, the Retiree Health Care Trust Fund (Fund) Participating Employers, and Health Service System members and beneficiaries through consistent and accurate communication; and

   c) Maintain the credibility of Fund and its reputation for professionalism and integrity.

2) Nothing in this policy is to be construed in such manner as to prevent Board members from respectfully expressing personal opinions about matters relating to the Fund or otherwise exercising their right of free expression. When Board members communicate personal opinions about matters pertaining to the Fund, they are expected to disclose to their audience that they are expressing a personal opinion.

Definitions

3) Throughout this policy, the term *communication* shall refer to all forms of communication including written, oral, or electronic communication.

Guidelines

Communication with Board Members and Staff

4) Board members shall communicate in a respectful, honest, and constructive manner during all Board and committee meetings, and in all interactions with staff.

External Communications – Spokesperson

(415) 487-7020
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

5) Only a spokesperson designated by the Board may communicate on behalf of the Board. The President shall serve as the spokesperson for the Board, although the Board may designate other Board members to serve as a spokesperson in specific instances.

6) In carrying out their duties, spokespersons shall:

   a) Confer with the Board, the City Attorney and/or Board staff as appropriate prior to engaging in official communications;

   b) Communicate only official positions of the Board, and not make unilateral commitments on the part of the Board; and

   c) Promptly inform the Board and Board staff of any sensitive or high profile issues discussed with the media or other stakeholders.

External Communications – Supporting Board Decisions

7) All attempts by Board members to create, change, or influence policies of the Board should be carried out in their capacity as Board members and in meetings of the Board or its committees.

8) The Board recognizes the right of Board members to express publicly their disagreement with a pending or actual policies or decisions of the Board. The Board expects, however, that Board members will do so in an open, constructive, and professional manner, and that Board members shall nevertheless abide by such policies or decisions to the extent they believe they are consistent with their fiduciary duties.

External Communications – Members and Beneficiaries

9) The Board does not intend to unduly restrain communication by Board members with Health Service System members and beneficiaries. However, the Board also recognizes that Board members are generally not qualified to communicate technical details concerning the Fund and its investments, and that providing inaccurate or incomplete information to Health Service System members may cause confusion or harm to the Fund, and may lead to litigation against the Board and the Fund.

   Accordingly, Board members shall exercise judgement and discretion whenever communicating with Health Service System members and beneficiaries, and shall be aware of and comply with the following guidelines, intended to protect the City, the Fund, Board members, and, most importantly, Health Service System members and beneficiaries:

a) Board members may communicate general information or simple, factual, information to Health Service System members and beneficiaries only where there is no risk of detrimental reliance, or a risk of communicating inaccurate or conflicting information to Health Service System members and beneficiaries;

b) Board members who, in their capacity as members of the Board, wish to meet with groups of two or more Health Service System members, beneficiaries, or stakeholders for the purposes of conducting a meeting, presentation, or similar exchange shall:

   i. Inform the Board and, when possible, arrange for Board staff to be present at the meeting to help ensure all communications accurately reflect the policies, positions, or benefit provisions of the Board;

   ii. Provide the Board with copies of any written materials the Board member intends to distribute at the meeting; and

   iii. Disclose to the meeting participants that the Board member is not authorized nor qualified to provide advice on matters related to current or prospective benefit provisions of the Health Service System, or the funding of such benefit provisions.

c) To help ensure the accuracy of material prepared by Board members for oral, electronic, or written communication or publication purposes, and thereby preserve the credibility of Fund, and its reputation for integrity and professionalism, Board members shall submit all such materials to the Board prior to communicating them or submitting them for publication.

External Communications – Service Providers

10) Board members agree to abide by the "no contact" provisions pertaining to service providers, as specified in the relevant Request for Proposals (RFP).

11) In addition to abiding by the no contact provisions referenced above, Board members agree to inform the Board in a timely fashion of any significant communications they have had pertaining to the business of the Fund with any service providers, investment consultants, investment managers, and/or other consultants or advisors retained by the Fund.[1]

[1] An example of significant communications would be discussions with a service provider about any products and services offered by the service provider.

Board Member Referrals to Management

12) It is understood that Board members are often contacted by external parties (e.g. plan members, investment managers, labor groups, and the media) in connection with benefit issues, investment products, or other retirement-related matters; and that such contact can occur in any number of social, professional, or educational settings, including conferences and symposiums. In cases where an external party requests information or action from a Board member that is material in nature, the Board member shall refer the matter in writing to the Board President for consideration or action. Alternatively, the Board member may verbally refer such matters to Board staff, and staff shall provide the referring Board member with an email or other written confirmation of the referral. Staff shall provide the Board with a semi-annual report indicating the status of material Board member referrals, if such referrals have occurred.

External Communications – Conferences

13) When speaking at a conference, seminar, panel discussion or similar event that has been authorized by the Board, Board members are expected to:

a) Communicate honestly, professionally, and with decorum;

b) Accurately reflect the practices, policies, and positions of the Fund;

c) Refrain from stating or implying any position or policy on the part of the Fund that has not been officially adopted by the Board; and

d) Clearly disclose when stating a personal opinion or position.

External Communications – Other Capacities

14) The Board recognizes that board members may from time-to-time need to communicate with stakeholders of the Fund in a capacity other than as a Board member (for example, in their capacity as a member of an employee group, or a member of a retiree association). Nothing in this policy shall prevent such communication. In such situations, however, Board members shall clearly indicate that they are not operating in their capacity as Board members.

Non-Public Information

15) Board members agree not to disclose any non-public information concerning the property, operations, policies, affairs, or interests of the Board or the Fund to which Board members are privy by virtue of their position.

Policy Review

16) This policy shall be reviewed by the Board at least every three years.

History

17) This policy was adopted by the Board on INSERT.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
RHCTF BOARD SELF-EVALUATION POLICY

Objectives

1) The objective of this policy is to provide a process whereby the Retiree Health Care Trust Fund Board (Board) may engage in self-assessment and discussion for the purposes of continuously developing and improving its own effectiveness as a fiduciary body.

Principles

2) The review of the Board's performance is performed most effectively by the Board members themselves with input from staff as appropriate.

3) The Board's self-evaluation process should include the participation of all Board members, and be consistent with the provisions of *The Sunshine Ordinance* and *The Brown Act*.[1]

4) The scope of the Board's self-evaluation process, and any resulting actions, should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to Fund operations will fall within the scope of other Board policies.

Guidelines

Procedures

5) The Board will from time-to-time review the Self-Evaluation Survey(s) and make modifications, as appropriate. Due to cost considerations, it is expected that the evaluation will normally be administered using a survey. The Board may, however, determine that in certain years the Self-Evaluation Survey be replaced or complemented by personal interviews to obtain more detailed or robust input from Board members.

6) The purpose of the Self-Evaluation Survey will be to provide Board members with a framework for reviewing the performance of the Board, and for raising, in an anonymous manner if desired, any concerns or suggestions Board members may have. The Self-Evaluation Survey may take any format deemed appropriate, however, it must provide opportunity for Board members to provide written comments or suggestions.

[1] The *San Francisco Sunshine Ordinance* and The Ralph M. Brown Act, California Government Code Sections 54950 et seq.

7) In about the fourth quarter of each fiscal year, copies of the Self-Evaluation Survey will be distributed to each Board member.

8) Board members and, if applicable, staff, are required to complete and submit the Self-Evaluation Survey within 30 days of receiving it. If required to do so, staff need only complete the relevant portions of the Survey. The Board will determine the method for distributing, submitting and tabulating the Survey (e.g. paper, internet, etc.).

9) Any Board member failing to submit a completed Self-Evaluation Survey within 30 days of receiving it will have all Fund educational travel privileges automatically suspended, and will be issued written notification that they have an additional 15 days from the date of the notification to submit their completed Self-Evaluation Survey. If the Board member submits the Self-Evaluation Survey within the 15 day period, educational travel privileges will be automatically re-instated. Any Board member failing to submit the Self-Evaluation Survey within the timeframes provided herein and who wishes to have travel privileges reinstated must petition the Board.

10) The Board's discussions, and any resulting actions, will be summarized in the minutes of the Board meeting.

Policy Review

11) The Board will review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Policy History

12) The Retirement Board adopted this policy on INSERT.

City and County of San Francisco

San Francisco
Retiree Health Care Trust Fund

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF) BOARD
BOARD EDUCATION AND TRAVEL POLICY

Preamble

1) The San Francisco Retiree Health Care Trust Fund Board's (Board) fiduciary duties of loyalty, skill, care and diligence extend across all facets of plan administration. Accordingly, in order to satisfy their fiduciary duties and mitigate the risk of legal liability to the San Francisco Retiree Health Care Trust Fund (Fund) and the Board personally, Board members acknowledge the need to acquire and maintain a level of knowledge of all significant facets of the Fund appropriate for prudent policy determination. The Board as a whole will encourage its members to secure the necessary knowledge as required by this policy, and monitor the member's compliance with this policy.

2) This policy statement is to be implemented in compliance with the relevant provisions of the City Charter and in harmony with existing philosophy, objectives, policies, rules and guidelines previously approved by the Board.

Policy Objectives

3) The objectives of this policy are to:

   a) Ensure that all Board members are provided with adequate opportunity and assistance to acquire the knowledge they need to effectively carry out their fiduciary duties;[1]

   b) Serve as a guide to raise awareness among prospective Board members of the importance of fiduciary education, and of the level of commitment to such education that is expected of Board members; and

   c) To facilitate travel by Board members for the purposes of obtaining fiduciary education on matters relevant to the Fund.

[1] The scope of this policy is limited to the education of the members of the Board.

Assumptions

4) Each Board member brings unique skills and experience to the Board, and possesses differing amounts of knowledge in the area of pension plan and fund administration.

5) No single method of educating Board members is optimal. Instead, a variety of methods may be necessary and appropriate.

Policy Guidelines

General Provisions

6) Board members agree to develop and maintain an adequate level of knowledge and understanding of relevant issues pertaining to the administration of the Fund throughout their terms on the Board.

7) Board members agree to pursue appropriate education across a range of areas, rather than limiting their education to particular areas, including:

   a) Governance and fiduciary duty;

   b) Investment policy and asset allocation;

   c) Actuarial policies and funding;

   d) Technology; and

   e) Regulatory and legal issues.

   Specific topics within these general areas are identified in Appendix 1 of this policy, for reference purposes.

8) Appropriate educational tools for Board members include, but are not limited to:

   a) External conferences, seminars, workshops, roundtables, courses or similar vehicles;

   b) Association meetings or events;

   c) In-house educational seminars or briefings;

   d) Relevant periodicals, journals, textbooks or similar materials; and

   e) Electronic media.

9) On an ongoing basis, the Board Secretary will identify appropriate educational opportunities and include details of such in Board meeting information packages for Board members' consideration. Conferences and seminars recommended by the Board Secretary should include an average of at least 5 hours of substantive educational content per day, if they require overnight lodging or other significant travel-related expenses. Board members are also encouraged to suggest educational vehicles that may provide value to the Board.

10) Board members will attempt to meet the following minimum goals:

a) To secure, over time, a useful level of understanding in each of the topic areas listed in paragraph 7 above;

b) To attend at least one conference annually, which includes an average of at least 5 hours of substantive educational content per day of the conference. In accordance with paragraph a) above, Board members are encouraged to attend conferences, on occasion, that address topics other than investments. (Recommended conferences are listed in Appendix 2 of this policy); and

c) Participate in any in-house educational seminars or briefings that may be organized from time to time.

Orientation Program

11) An orientation program, covering the general topic areas outlined in paragraph 7 above, will be developed by the Board Secretary for the benefit of new Board members. The aim of the orientation program will be to ensure that new Board members are in a position to contribute fully to Board and committee deliberations, and effectively carry out their fiduciary duties as soon as possible after joining the Board.

12) Prior to attending their first meeting of the Board as a Board member, new Board members will endeavour to attend a meeting of the Board or a standing committee as an observer.

13) As part of the orientation process, new Board members will, within 45 days of their election or appointment to the Board:

a) Be briefed by the Board Secretary on the history and background of the Fund;

b) Be oriented by the Board President on current issues before the Board;

c) Be briefed on their fiduciary duties, conflict of interest guidelines, *The Brown Act*, the *Sunshine Ordinance* and other pertinent legislation; and

d) Be provided with:

i. Board Member Reference Manual (the contents of which are listed in Appendix 4 of this policy);

ii. A listing of recommended educational opportunities; and

iii. Other relevant information and documentation deemed appropriate by the Board Secretary.

14) Within 30 days of being appointed or elected to the Board, new Board members must complete a *Statement of Economic Interests, Form 700*. The Board Secretary will provide new Board members with the necessary assistance in properly completing the Statement.

15) The Board Secretary will review and, if necessary, update all orientation material as needed. It is the responsibility of Board members to maintain their Board Member Reference Manuals by ensuring that they contain the most up-to-date materials. A master copy of the Board Member Reference Manual will be available for use by Board members by the Board Secretary.

Education Needs Assessment

16) The Board Secretary will annually conduct a formal education needs assessment of the Board to determine education topics of interest to board members as well as board members' preferences regarding training methods, e.g., preferred training vehicles; and length, timing, and location of in-house training. The results of the assessment, along with a recommended Board Education Plan, will be presented to the Board for review.

Attendance at Conferences & Association Meetings

17) Approval for attendance and reimbursement of travel expenses in connection with conferences, seminars and association meetings will be in accordance with the provisions set out in Appendix 5 of this policy.

18) Each board member is generally limited to (6) six seminars or conferences per fiscal year that require travel outside of the nine (9) Bay Area counties (defined in Appendix 5, Section 4). No more than one of the one (1) conference may involve travel to a destination outside North America. North America is defined as the United States of America and its territories, Canada and Mexico. Board members may request board approval to attend any number of conferences held within the nine (9) Bay Area counties.

19) In cases where attendance at a particular conference is limited:

   a) The Board will, by majority vote, select those members who are authorized to attend;

   b) Designate the remaining interested members as alternate attendees, who may attend in the event the members originally selected are unable to attend; and

   c) In authorizing attendance, the Board will give priority to those Board members who have not previously attended the conference or seminar in question, so as to carry out the Board's intent to distribute conference and seminar opportunities on a fair and equitable basis.

20) The Board Secretary will retain and catalogue all relevant conference materials submitted to the Board Secretary by Board members. Where appropriate, the Board Secretary may distribute copies to board and staff members.

21) No more than three members of the Board are authorized to meet together for business purposes unless there is appropriate public notice of the meeting. However, more than three Board members may attend educational conferences, seminars, and social activities, provided that such Board members act in accordance with the Brown Act and the Sunshine Ordinance.

Reporting

22) Board members will inform the Board Secretary, for information purposes, of all fund-related conferences attended, whether paid for by the Fund or not.

23) Attendees will complete a brief written assessment of the quality and relevance of each conference attended on the Board's Conference Attendance Form. On an annual basis, the Board Secretary will review these assessments and update the list of recommended conferences as appropriate.

24) Upon returning from a conference, attendees shall report to the Board on information or knowledge attained at the conference for the benefit of board members who did not attend.

25) On an annual basis, the Board Secretary will submit a report to the Board on the educational activities of the Board. At a minimum, the report will summarize the attendance by Board members at conferences during the year.

Publication

26) A copy of this policy will be made available to the Mayor's office upon request, for the information of candidates seeking appointment to the Board. Copies of this policy will also be made available to candidates seeking election or appointment to the Board, for their information.

Policy Review

27) The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

28) The Board adopted this policy on May 22, 2012.

APPENDIX 1
SPECIFIC PENSION-RELATED TOPICS

The following is a list of educational topics relating to each of the general topic areas listed in paragraph (7) of this policy. The list is intended to provide guidance to board members in identifying appropriate topics for the development of their knowledge and understanding of pension matters. The list is intended as a guideline only, and is not exhaustive:

Governance and Fiduciary Duty
Fiduciary duty
Roles of the sponsor, administrator, management and service providers
Basics of trust or fiduciary law
Effective decision-making
Roberts Rules of Order

Actuarial Polices and Funding
Role of the actuary
The actuarial process
Funding policy
Asset/liability management

Technology
Management Information Systems from a governance perspective
Technology risk
Security in the technology area

Investment Policy and Asset Allocation
Asset classes and their characteristics
Historical risk and returns
Investment risk tolerance
Diversification and asset allocation
Active versus passive management
Investment/trading/execution costs
Performance measurement

Regulatory and Legal Issues
California Constitution
San Francisco City Charter
Ethics Law or training
The Brown Act
The Sunshine Ordinance
Tax policy and plan qualification features
Non-tax legal requirements
Legislative updates

APPENDIX 2
RECOMMENDED CONFERENCES AND SEMINARS

Board members will forward information to the Board Secretary regarding conferences or seminars that have been found to be informative and beneficial. The Board Secretary will forward this information to the Board. The following recommended conference has been found to be informative and beneficial. It contains the required five (5) hours of substantive educational content per day, as required in this policy:

- CALAPRS: Principles of Pension Management, Stanford University Law School

Approval for attendance and reimbursement of travel expenses in connection with educational conferences will be in accordance with Appendix 5 of this policy, Travel Expense Reimbursement Guidelines.

APPENDIX 3
RECOMMENDED ASSOCIATION MEETINGS

Board members will forward information to the Board regarding association meetings that have been found to be informative and beneficial. The Board Secretary will forward the information to the Board.

Approval for attendance and reimbursement of travel expenses in connection with association meetings will be in accordance with Appendix 5 of this policy, Travel Expense Reimbursement Guidelines.

APPENDIX 4
BOARD MEMBER REFERENCE MANUAL

The Board Member Reference Manual cited in the Board Education and Travel Policy, Section 13(d)(i) shall include the following materials:

a. Most recent plan description
b. Most recent Annual Report
c. Most recent actuarial valuation and financial statements
d. Names and phone numbers of the Board members, the Fund administrator and the City Actuary
e. Listing of current Board committee assignments
f. Listing of current Board service providers
g. Glossary of key administration terms and definitions

It is the responsibility of board member to maintain their Board Member Reference Manuals by ensuring that they contain the most up-to-date materials. A master copy of the Trustee Reference Manual will be available for use by board members with the Board Secretary.

APPENDIX 5
TRAVEL EXPENSE REIMBURSEMENT GUIDELINES

Travel Authorization

1) Each Board member is generally limited to six (6) seminars or conferences per fiscal year that require travel outside of the nine (9) Bay Area counties (defined in Section 4 below). No more than one (1) conference may involve travel to a destination outside of North America, as defined in Board Education and Travel Policy Section 18. Board members may request Board approval to attend any number of conferences held within the nine (9) Bay Area counties.

2) Attendance by Board members at seminars and conferences requiring reimbursement of expenses from the Fund requires prior approval of the Board, and is subject to the limits set out in paragraph 1 above.

3) Attendance by Board members at association meetings, due diligence visits or other board business requiring travel outside of the nine (9) Bay Area counties also requires prior approval of the Board.

4) Travel within the nine (9) Bay Area counties which will require only modest expenses (e.g. mileage, parking, BART, muni, or taxi) does not require Board approval. If other expenses are involved, the same rules are applicable as for travel outside the nine (9) Bay Area counties. The nine (9) Bay Area counties, as defined by the City Controller's expense policy are: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

5) The Board may ratify travel and expense reimbursement by Board members for which prior approval was not obtained for good cause explained in written communication to the Board.

6) The acceptance of any gifts which enable board members to attend seminars and conferences requires prior approval of the Board in strict compliance with section 18944.2 of FPPC Regulations.

7) Review and approval of educational travel will depend on the cost, substance and quality of the seminar or conference. As a general rule, travel to a conference or seminar outside of the nine (9) Bay Area counties should only be approved if the conference/seminar agenda contains an average of five (5) hours

of substantive educational content per day. The Board may waive this requirement if the best interests of the Fund would be served by such a waiver.

8) The Board recognizes that Board members are often considered experts in their professional fields or as having considerable experience as a fiduciary. As such, they are often invited to speak at conferences. While the Board encourages the exchange of professional information, it must be evident that a conference or seminar as a whole would provide value to the Fund, before attendance is authorized.

Cost of Administration

9) Travel expenses of Board members shall be direct costs of administration to the Fund and may not be paid through third party contracts or otherwise without express approval of the Board. Board members shall pay special attention to reporting requirements for expenses paid or reimbursed by third parties.

Authorized Expenses

10) Reimbursement requests from Board members shall comply with the guidelines established by the City Controller concerning reimbursement of authorized expenses, in the same manner as applied to all other City and County officials.

Limitation On Allowance Of Time And Expenses

11) Allowance for time and expense shall not exceed that which is usual and reasonable as claimed by others to that precise destination. Normally when meeting, conference, or seminar agendas calendar substantive content prior to 9:30 a.m., travel and arrival the evening before is authorized. When substantive content continues after 5:00 p.m., lodging for that night is authorized. Reasonable additional expenses (i.e., lodging and per diem for extra days either before or after a conference) will be reimbursed if such extension results in lower overall trip costs.

Limitation On Car Rental

12) Normally, Board members will be expected to use an economical means of ground transportation while on travel. Reimbursement of alternative modes of transportation will be justified for good cause, e.g., for reasons of personal safety

or scheduling conflicts. Payment for fuel, parking, tolls, collision and personal property insurance will be reimbursed in cases where car rental is appropriate.

Cancellation Of Travel And Lodging Arrangements

13) Normally, Board members are responsible for timely cancellation of conference registration, travel and lodging arrangements made on his/her behalf which will not be used so that no costs will be incurred by the Fund.

Transportation Expense In Lieu Of Airfare

14) Reimbursement for transportation expense in lieu of airfare will be limited to an amount equal to the standard fare as deemed to be usual, reasonable and available at the time that travel is approved or as claimed by others to that precise destination. This limitation may be waived for good cause, such as closure of an airport or cancellation of all available flights.

Filing Claims

15) Claims for reimbursement of travel expenses shall be submitted within 60 days following completion of the travel for which expenses are claimed. Mileage claim forms shall be submitted at least once each quarter if expenses are claimed.

Cash Advances

16) Cash advances will not be allowed unless specifically approved by the Board.

Expenses For Travel Companions

17) Expenses of travel companions, including spouses and domestic partners, are not reimbursable by the Fund.

Quarterly Travel Reports

18) A quarterly travel expenditure report covering board member travel outside San Francisco County shall be provided to the Board. Such report shall identify the Board member, location, cost, and purpose of travel.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND

RHCTF BOARD CODE OF CONDUCT

Background and Purpose

1) As fiduciaries of a public trust, Retiree Health Care Trust Fund Board (Board) members are required to discharge their duties with respect to the Retiree Health Care Trust Fund (Fund) solely to provide a funding source to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Section A8.428. [Charter Section 12.204]. Board members are further expected to discharge their duties with the utmost honesty and integrity.

2) In accordance with San Francisco Charter Section's 12.204 and A8.432, the Board has sole and exclusive fiduciary responsibility over the assets of the Fund.

3) The Board is bound by various statutes regarding conflicts of interest, financial disclosure, and prohibited practices including the San Francisco *Conflict of Interest Code* (San Francisco Campaign and Governmental Conduct Code, Article III, Chapter I) and *Ethics Provisions* (San Francisco Charter, Appendix C).[1]

4) To facilitate meeting the above standards and statutes, the Board has established this Code of Conduct to further guide how the Board, and individual Board members, are expected to conduct themselves when discharging their duties.

Guidelines

General

5) Board members agree:

   a) To demonstrate decorum, honesty, integrity, professionalism and ethical behavior in all aspects of their board duties and in their relations with fellow Board members, staff, service providers, and other constituents;

   b) To recognize that the Board's role is to focus on administering the statutory provisions of the Fund as established through the political and collective bargaining processes; Board members shall generally refrain from advocating

[1] The San Francisco *Conflict of Interest Code* adopts the State of California's Conflict of Interest Code, Regulation 18730 of the California *Fair Political Practices Commissio*n.

legislative changes unless such changes are cost-neutral or intended to facilitate effective administration of the Fund;

c) To actively prepare for each meeting by thoroughly reading all meeting materials in advance;

d) To attend and participate in all Board meetings, unless unable to do so for reasons beyond their control;

e) To pay undivided attention and to refrain from using electronic communication devices during Board and committee meetings; and

f) To recognize that individual trustees and staff have various commitments on their time, and that the business of the Board must therefore be carried out in the most efficient manner possible, consistent with the Board's fiduciary duties.

Compliance with Laws, Policies and Rules

6) Board members agree:

a) To become familiar with and abide by the laws pertaining to the Fund and the Board, particularly:

i. Article XII of the San Francisco Charter;

ii. The San Francisco *Conflict of Interest Code* (San Francisco Campaign and Governmental Conduct Code, Article III, Chapter 1);

iii. The San Francisco *Ethics Provisions* (San Francisco Charter, Appendix C);

iv. Relevant sections of the *Ralph M. Brown Act* (California Government Code, Section 54950 et seq.); and

v. Relevant sections of the *San Francisco Sunshine Ordinance* (San Francisco Administrative Code, Chapter 67).

b) To fulfill their fiduciary role in accordance with the governance principles and policies adopted by the Board;

c) To abide by all other Board policies and rules;

d) To the extent it is consistent with their fiduciary duties, to abide by, and be respectful of, all decisions of the Board, even if they may not have supported or voted in favor of the decisions during board deliberations;

e) To continually work to promote a necessary degree of cohesion among Board members, staff, and service providers for the benefit of the Fund, the City, the Participating Employers, and Health Service System members and beneficiaries.

f) To work openly, honestly, and professionally when seeking to change Board policies or practices; and

g) To enforce this Code of Conduct when it is apparent that a Board member has committed a breach.

Enforcement Provisions

7) The President, in presiding over Board meetings, will enforce and attempt to rectify any breaches of this Code that may occur during Board meetings. Similarly, committee chairs will enforce and attempt to rectify any breaches of this Code that may occur in the course of a meeting of a Board committee.

8) Any Board member may petition the Board to investigate potential violations of this Code. Such petitions shall be submitted to the Board's designated legal counsel in the City Attorney's Office in writing or by electronic mail, and shall include any supporting information or evidence.

9) The City Attorney's Office may submit the petition to outside legal counsel; outside legal counsel shall then inform each Board member and relevant staff of the petition within three business days of receipt of the petition, and then undertake all responsibilities assigned herein to legal counsel. Alternatively, depending on the severity of the alleged breach, the City Attorney's Office may determine not to involve outside legal counsel, and will instead assume responsibility for informing each Board member and relevant staff of receipt of the petition and for undertaking all responsibilities assigned herein to legal counsel.

10) Upon being informed by legal counsel of the petition, staff shall place the matter of the petition on the agenda for discussion and action at the next regularly

scheduled Board meeting, and shall inform the Board member who is the subject of the petition of his or her right to address the petition at said Board meeting.

11) Legal counsel will investigate the petition to determine if there are grounds for disciplinary actions, as provided for in this Code of Conduct, paragraph 13, and provide recommendations to the Board at its next regularly scheduled Board meeting.

12) The Board shall address the petition in open session. At such time, the Board will read the petition into the record, review any supporting materials or evidence, and hear from the Board member in question, and any other party recognized by the President. If the petition is made against the President, then the Board shall designate the Vice-President to act in his or her place for purposes of considering and addressing the petition.

13) Upon consideration of the factual circumstances, and completion of the discussion, the Board may, by resolution:

a) Dismiss the matter, where the Board believes there is insufficient substance to the allegation, or whether the matter is resolved to the Board's satisfaction;

b) Find that there has been a violation of this Code and identify the supporting facts. The Board will explain to the offending Board member how the violation adversely impacts the Board and the System. The Board may also:

i. Ask the offending Board member to rectify past actions, if possible, or refrain from similar actions in future;

ii. Request that the offending Board member undertake special educational or counseling initiatives that may be of assistance to the Board member in addressing the matter;

iii. Remove the offending Board member from the position of President, Vice-President, or committee chair, or from any Board committee assignment the Board member may hold;

iv. Bar the offending board member from serving as President, Vice-President, or committee chair, or from serving on a Board committee, for a specified period of time; or

v. Move for censure (see Appendix for censure procedures).

Policy Review

14) The Board shall review this policy at least every 3 years to ensure that it remains relevant and appropriate.

Policy History

15) The Board adopted this policy on INSERT.

Appendix
Procedures for Censure of a Board Member

1) Censure shall be defined as an official rebuke, an expression of strong disapproval, harsh criticism or condemnation.
2) As established by the City Attorney, the Board's legal counsel, a Fund trustee is held to a prudent expert standard, and is generally expected to maintain higher moral, ethical and professional standards than the average person. Accordingly, the following non-exhaustive list shall include grounds for censure:
   a) False and/or misleading communications;
   b) Slanderous and/or libelous communications;
   c) Unauthorized communications relating to the Fund;
   d) Unprofessional conduct;
   e) Convicted illegal acts; and
   f) Adjudicated civil acts.
3) Censure is a serious matter and shall not be used as a tool for harassment; any allegation must be supported by evidence, not hearsay.

Procedure for Censure

4) In a separate motion, the Board shall vote on whether cause for censure exists, and a super majority of the Board shall be required to decide the matter. If cause is not found, the matter is ended.

5) If the Board votes in favor of censure,

   a) Within three business days of the meeting, Legal Counsel shall draft a censure letter which, by separate paragraphs, shall include:

      i) To whom the censure is being applied;

      ii) The definition of censure;

      iii) The allegation;

      iv) The findings of fact;

      v) The final Board action; and

      vi) That inquiries in writing are to be addressed to Board staff;

   b) Within two business days, the non-censured board members shall review the censure letter;

   c) Legal counsel shall, within two business days, review any edits made to the censure letter by the non-censured board members;

   d) The Board will finalize the censure letter within one business day of legal counsel completing the above revision; and

   e) Staff will then prepare the censure letter on Fund stationery, sign and distribute it within one business day of the Board finalizing the letter.

6) The censure letter shall be mailed, via U.S. Post, to the following parties:

   a) Each member of the Board;

   b) San Francisco Ethics Commission President;

c) Mayor of San Francisco;

d) Each member of the Board of Supervisors;

e)

f) President of each union represented within the Health Service System;

g) San Francisco City Attorney; and

h) The media including at a minimum the San Francisco Chronicle, San Francisco Examiner, Pensions and Investments magazine and the San Francisco Retirement Newsletter.

7) The censure letter shall also be posted on the Fund's web site.

8) Prior to mailing the censure letter, Fund staff will provide advance notice by telephone to each of the following:

a) Mayor of San Francisco;

b) President of the Board of Supervisors;

c) San Francisco Ethics Commission President; and

d) President of each union represented within the Health Service System.

9) Fund staff shall maintain a log of all inquiries received in connection with the censure letter, including the name and title of any individual making an inquiry, and the date and nature of the inquiry.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF)
RHCTF BOARD SELF-EVALUATION POLICY

Objectives

1) The objective of this policy is to provide a process whereby the Retiree Health Care Trust Fund Board (Board) may engage in self-assessment and discussion for the purposes of continuously developing and improving its own effectiveness as a fiduciary body.

Principles

2) The review of the Board's performance is performed most effectively by the Board members themselves with input from staff as appropriate.

3) The Board's self-evaluation process should include the participation of all Board members, and be consistent with the provisions of *The Sunshine Ordinance* and *The Brown Act*.[1]

4) The scope of the Board's self-evaluation process, and any resulting actions, should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to Fund operations will fall within the scope of other Board policies.

Guidelines

Procedures

5) The Board will from time-to-time review the Self-Evaluation Survey(s) and make modifications, as appropriate. Due to cost considerations, it is expected that the evaluation will normally be administered using a survey. The Board may, however, determine that in certain years the Self-Evaluation Survey be replaced or complemented by personal interviews to obtain more detailed or robust input from Board members.

6) The purpose of the Self-Evaluation Survey will be to provide Board members with a framework for reviewing the performance of the Board, and for raising, in an anonymous manner if desired, any concerns or suggestions Board members may have. The Self-Evaluation Survey may take any format deemed appropriate, however, it must provide opportunity for Board members to provide written comments or suggestions.

[1] The *San Francisco Sunshine Ordinance* and The Ralph M. Brown Act, California Government Code Sections 54950 et seq.

7) In about the fourth quarter of each fiscal year, copies of the Self-Evaluation Survey will be distributed to each Board member.

8) Board members and, if applicable, staff, are required to complete and submit the Self-Evaluation Survey within 30 days of receiving it. If required to do so, staff need only complete the relevant portions of the Survey. The Board will determine the method for distributing, submitting and tabulating the Survey (e.g. paper, internet, etc.).

9) Any Board member failing to submit a completed Self-Evaluation Survey within 30 days of receiving it will have all Fund educational travel privileges automatically suspended, and will be issued written notification that they have an additional 15 days from the date of the notification to submit their completed Self-Evaluation Survey. If the Board member submits the Self-Evaluation Survey within the 15 day period, educational travel privileges will be automatically re-instated. Any Board member failing to submit the Self-Evaluation Survey within the timeframes provided herein and who wishes to have travel privileges reinstated must petition the Board.

10) The Board's discussions, and any resulting actions, will be summarized in the minutes of the Board meeting.

Policy Review

11) The Board will review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Policy History

12) The Retirement Board adopted this policy on INSERT.

City and County of San Francisco

San Francisco
Retiree Health Care Trust Fund

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND (RHCTF) BOARD
BOARD EDUCATION AND TRAVEL POLICY

Preamble

1) The San Francisco Retiree Health Care Trust Fund Board's (Board) fiduciary duties of loyalty, skill, care and diligence extend across all facets of plan administration. Accordingly, in order to satisfy their fiduciary duties and mitigate the risk of legal liability to the San Francisco Retiree Health Care Trust Fund (Fund) and the Board personally, Board members acknowledge the need to acquire and maintain a level of knowledge of all significant facets of the Fund appropriate for prudent policy determination. The Board as a whole will encourage its members to secure the necessary knowledge as required by this policy, and monitor the member's compliance with this policy.

2) This policy statement is to be implemented in compliance with the relevant provisions of the City Charter and in harmony with existing philosophy, objectives, policies, rules and guidelines previously approved by the Board.

Policy Objectives

3) The objectives of this policy are to:

   a) Ensure that all Board members are provided with adequate opportunity and assistance to acquire the knowledge they need to effectively carry out their fiduciary duties;[1]

   b) Serve as a guide to raise awareness among prospective Board members of the importance of fiduciary education, and of the level of commitment to such education that is expected of Board members; and

   c) To facilitate travel by Board members for the purposes of obtaining fiduciary education on matters relevant to the Fund.

[1] The scope of this policy is limited to the education of the members of the Board.

Assumptions

4) Each Board member brings unique skills and experience to the Board, and possesses differing amounts of knowledge in the area of pension plan and fund administration.

5) No single method of educating Board members is optimal. Instead, a variety of methods may be necessary and appropriate.

Policy Guidelines

General Provisions

6) Board members agree to develop and maintain an adequate level of knowledge and understanding of relevant issues pertaining to the administration of the Fund throughout their terms on the Board.

7) Board members agree to pursue appropriate education across a range of areas, rather than limiting their education to particular areas, including:

   a) Governance and fiduciary duty;

   b) Investment policy and asset allocation;

   c) Actuarial policies and funding;

   d) Technology; and

   e) Regulatory and legal issues.

   Specific topics within these general areas are identified in Appendix 1 of this policy, for reference purposes.

8) Appropriate educational tools for Board members include, but are not limited to:

   a) External conferences, seminars, workshops, roundtables, courses or similar vehicles;

   b) Association meetings or events;

   c) In-house educational seminars or briefings;

   d) Relevant periodicals, journals, textbooks or similar materials; and

   e) Electronic media.

9) On an ongoing basis, the Board Secretary will identify appropriate educational opportunities and include details of such in Board meeting information packages for Board members' consideration. Conferences and seminars recommended by the Board Secretary should include an average of at least 5 hours of substantive educational content per day, if they require overnight lodging or other significant travel-related expenses. Board members are also encouraged to suggest educational vehicles that may provide value to the Board.

10) Board members will attempt to meet the following minimum goals:

a) To secure, over time, a useful level of understanding in each of the topic areas listed in paragraph 7 above;

b) To attend at least one conference annually, which includes an average of at least 5 hours of substantive educational content per day of the conference. In accordance with paragraph a) above, Board members are encouraged to attend conferences, on occasion, that address topics other than investments. (Recommended conferences are listed in Appendix 2 of this policy); and

c) Participate in any in-house educational seminars or briefings that may be organized from time to time.

Orientation Program

11) An orientation program, covering the general topic areas outlined in paragraph 7 above, will be developed by the Board Secretary for the benefit of new Board members. The aim of the orientation program will be to ensure that new Board members are in a position to contribute fully to Board and committee deliberations, and effectively carry out their fiduciary duties as soon as possible after joining the Board.

12) Prior to attending their first meeting of the Board as a Board member, new Board members will endeavour to attend a meeting of the Board or a standing committee as an observer.

13) As part of the orientation process, new Board members will, within 45 days of their election or appointment to the Board:

a) Be briefed by the Board Secretary on the history and background of the Fund;

b) Be oriented by the Board President on current issues before the Board;

c) Be briefed on their fiduciary duties, conflict of interest guidelines, *The Brown Act*, the *Sunshine Ordinance* and other pertinent legislation; and

d) Be provided with:

i. Board Member Reference Manual (the contents of which are listed in Appendix 4 of this policy);

ii. A listing of recommended educational opportunities; and

iii. Other relevant information and documentation deemed appropriate by the Board Secretary.

14) Within 30 days of being appointed or elected to the Board, new Board members must complete a *Statement of Economic Interests, Form 700*. The Board Secretary will provide new Board members with the necessary assistance in properly completing the Statement.

15) The Board Secretary will review and, if necessary, update all orientation material as needed. It is the responsibility of Board members to maintain their Board Member Reference Manuals by ensuring that they contain the most up-to-date materials. A master copy of the Board Member Reference Manual will be available for use by Board members by the Board Secretary.

Education Needs Assessment

16) The Board Secretary will annually conduct a formal education needs assessment of the Board to determine education topics of interest to board members as well as board members' preferences regarding training methods, e.g., preferred training vehicles; and length, timing, and location of in-house training. The results of the assessment, along with a recommended Board Education Plan, will be presented to the Board for review.

Attendance at Conferences & Association Meetings

17) Approval for attendance and reimbursement of travel expenses in connection with conferences, seminars and association meetings will be in accordance with the provisions set out in Appendix 5 of this policy.

18) Each board member is generally limited to (6) six seminars or conferences per fiscal year that require travel outside of the nine (9) Bay Area counties (defined in Appendix 5, Section 4). No more than one of the one (1) conference may involve travel to a destination outside North America. North America is defined as the United States of America and its territories, Canada and Mexico. Board members may request board approval to attend any number of conferences held within the nine (9) Bay Area counties.

19) In cases where attendance at a particular conference is limited:

   a) The Board will, by majority vote, select those members who are authorized to attend;

   b) Designate the remaining interested members as alternate attendees, who may attend in the event the members originally selected are unable to attend; and

   c) In authorizing attendance, the Board will give priority to those Board members who have not previously attended the conference or seminar in question, so as to carry out the Board's intent to distribute conference and seminar opportunities on a fair and equitable basis.

20) The Board Secretary will retain and catalogue all relevant conference materials submitted to the Board Secretary by Board members. Where appropriate, the Board Secretary may distribute copies to board and staff members.

21) No more than three members of the Board are authorized to meet together for business purposes unless there is appropriate public notice of the meeting. However, more than three Board members may attend educational conferences, seminars, and social activities, provided that such Board members act in accordance with the Brown Act and the Sunshine Ordinance.

Reporting

22) Board members will inform the Board Secretary, for information purposes, of all fund-related conferences attended, whether paid for by the Fund or not.

23) Attendees will complete a brief written assessment of the quality and relevance of each conference attended on the Board's Conference Attendance Form. On an annual basis, the Board Secretary will review these assessments and update the list of recommended conferences as appropriate.

24) Upon returning from a conference, attendees shall report to the Board on information or knowledge attained at the conference for the benefit of board members who did not attend.

25) On an annual basis, the Board Secretary will submit a report to the Board on the educational activities of the Board. At a minimum, the report will summarize the attendance by Board members at conferences during the year.

Publication

26) A copy of this policy will be made available to the Mayor's office upon request, for the information of candidates seeking appointment to the Board. Copies of this policy will also be made available to candidates seeking election or appointment to the Board, for their information.

Policy Review

27) The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

28) The Board adopted this policy on May 22, 2012.

APPENDIX 1
SPECIFIC PENSION-RELATED TOPICS

The following is a list of educational topics relating to each of the general topic areas listed in paragraph (7) of this policy. The list is intended to provide guidance to board members in identifying appropriate topics for the development of their knowledge and understanding of pension matters. The list is intended as a guideline only, and is not exhaustive:

Governance and Fiduciary Duty
Fiduciary duty
Roles of the sponsor, administrator, management and service providers
Basics of trust or fiduciary law
Effective decision-making
Roberts Rules of Order

Actuarial Polices and Funding
Role of the actuary
The actuarial process
Funding policy
Asset/liability management

Technology
Management Information Systems from a governance perspective
Technology risk
Security in the technology area

Investment Policy and Asset Allocation
Asset classes and their characteristics
Historical risk and returns
Investment risk tolerance
Diversification and asset allocation
Active versus passive management
Investment/trading/execution costs
Performance measurement

Regulatory and Legal Issues
California Constitution
San Francisco City Charter
Ethics Law or training
The Brown Act
The Sunshine Ordinance
Tax policy and plan qualification features
Non-tax legal requirements
Legislative updates

APPENDIX 2
RECOMMENDED CONFERENCES AND SEMINARS

Board members will forward information to the Board Secretary regarding conferences or seminars that have been found to be informative and beneficial. The Board Secretary will forward this information to the Board. The following recommended conference has been found to be informative and beneficial. It contains the required five (5) hours of substantive educational content per day, as required in this policy:

- CALAPRS: Principles of Pension Management, Stanford University Law School

Approval for attendance and reimbursement of travel expenses in connection with educational conferences will be in accordance with Appendix 5 of this policy, Travel Expense Reimbursement Guidelines.

APPENDIX 3
RECOMMENDED ASSOCIATION MEETINGS

Board members will forward information to the Board regarding association meetings that have been found to be informative and beneficial. The Board Secretary will forward the information to the Board.

Approval for attendance and reimbursement of travel expenses in connection with association meetings will be in accordance with Appendix 5 of this policy, Travel Expense Reimbursement Guidelines.

APPENDIX 4
BOARD MEMBER REFERENCE MANUAL

The Board Member Reference Manual cited in the Board Education and Travel Policy, Section 13(d)(i) shall include the following materials:

a. Most recent plan description
b. Most recent Annual Report
c. Most recent actuarial valuation and financial statements
d. Names and phone numbers of the Board members, the Fund administrator and the City Actuary
e. Listing of current Board committee assignments
f. Listing of current Board service providers
g. Glossary of key administration terms and definitions

It is the responsibility of board member to maintain their Board Member Reference Manuals by ensuring that they contain the most up-to-date materials. A master copy of the Trustee Reference Manual will be available for use by board members with the Board Secretary.

APPENDIX 5
TRAVEL EXPENSE REIMBURSEMENT GUIDELINES

Travel Authorization

1) Each Board member is generally limited to six (6) seminars or conferences per fiscal year that require travel outside of the nine (9) Bay Area counties (defined in Section 4 below). No more than one (1) conference may involve travel to a destination outside of North America, as defined in Board Education and Travel Policy Section 18. Board members may request Board approval to attend any number of conferences held within the nine (9) Bay Area counties.

2) Attendance by Board members at seminars and conferences requiring reimbursement of expenses from the Fund requires prior approval of the Board, and is subject to the limits set out in paragraph 1 above.

3) Attendance by Board members at association meetings, due diligence visits or other board business requiring travel outside of the nine (9) Bay Area counties also requires prior approval of the Board.

4) Travel within the nine (9) Bay Area counties which will require only modest expenses (e.g. mileage, parking, BART, muni, or taxi) does not require Board approval. If other expenses are involved, the same rules are applicable as for travel outside the nine (9) Bay Area counties. The nine (9) Bay Area counties, as defined by the City Controller's expense policy are: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

5) The Board may ratify travel and expense reimbursement by Board members for which prior approval was not obtained for good cause explained in written communication to the Board.

6) The acceptance of any gifts which enable board members to attend seminars and conferences requires prior approval of the Board in strict compliance with section 18944.2 of FPPC Regulations.

7) Review and approval of educational travel will depend on the cost, substance and quality of the seminar or conference. As a general rule, travel to a conference or seminar outside of the nine (9) Bay Area counties should only be approved if the conference/seminar agenda contains an average of five (5) hours

of substantive educational content per day. The Board may waive this requirement if the best interests of the Fund would be served by such a waiver.

8) The Board recognizes that Board members are often considered experts in their professional fields or as having considerable experience as a fiduciary. As such, they are often invited to speak at conferences. While the Board encourages the exchange of professional information, it must be evident that a conference or seminar as a whole would provide value to the Fund, before attendance is authorized.

Cost of Administration

9) Travel expenses of Board members shall be direct costs of administration to the Fund and may not be paid through third party contracts or otherwise without express approval of the Board. Board members shall pay special attention to reporting requirements for expenses paid or reimbursed by third parties.

Authorized Expenses

10) Reimbursement requests from Board members shall comply with the guidelines established by the City Controller concerning reimbursement of authorized expenses, in the same manner as applied to all other City and County officials.

Limitation On Allowance Of Time And Expenses

11) Allowance for time and expense shall not exceed that which is usual and reasonable as claimed by others to that precise destination. Normally when meeting, conference, or seminar agendas calendar substantive content prior to 9:30 a.m., travel and arrival the evening before is authorized. When substantive content continues after 5:00 p.m., lodging for that night is authorized. Reasonable additional expenses (i.e., lodging and per diem for extra days either before or after a conference) will be reimbursed if such extension results in lower overall trip costs.

Limitation On Car Rental

12) Normally, Board members will be expected to use an economical means of ground transportation while on travel. Reimbursement of alternative modes of transportation will be justified for good cause, e.g., for reasons of personal safety

or scheduling conflicts. Payment for fuel, parking, tolls, collision and personal property insurance will be reimbursed in cases where car rental is appropriate.

Cancellation Of Travel And Lodging Arrangements

13) Normally, Board members are responsible for timely cancellation of conference registration, travel and lodging arrangements made on his/her behalf which will not be used so that no costs will be incurred by the Fund.

Transportation Expense In Lieu Of Airfare

14) Reimbursement for transportation expense in lieu of airfare will be limited to an amount equal to the standard fare as deemed to be usual, reasonable and available at the time that travel is approved or as claimed by others to that precise destination. This limitation may be waived for good cause, such as closure of an airport or cancellation of all available flights.

Filing Claims

15) Claims for reimbursement of travel expenses shall be submitted within 60 days following completion of the travel for which expenses are claimed. Mileage claim forms shall be submitted at least once each quarter if expenses are claimed.

Cash Advances

16) Cash advances will not be allowed unless specifically approved by the Board.

Expenses For Travel Companions

17) Expenses of travel companions, including spouses and domestic partners, are not reimbursable by the Fund.

Quarterly Travel Reports

18) A quarterly travel expenditure report covering board member travel outside San Francisco County shall be provided to the Board. Such report shall identify the Board member, location, cost, and purpose of travel.

SAN FRANCISCO RETIREE HEALTH CARE TRUST FUND

RHCTF BOARD CODE OF CONDUCT

Background and Purpose

1) As fiduciaries of a public trust, Retiree Health Care Trust Fund Board (Board) members are required to discharge their duties with respect to the Retiree Health Care Trust Fund (Fund) solely to provide a funding source to defray the cost of the City's, and other Participating Employers', obligations to pay for health coverage for retired persons and their survivors entitled to health coverage under Section A8.428. [Charter Section 12.204]. Board members are further expected to discharge their duties with the utmost honesty and integrity.

2) In accordance with San Francisco Charter Section's 12.204 and A8.432, the Board has sole and exclusive fiduciary responsibility over the assets of the Fund.

3) The Board is bound by various statutes regarding conflicts of interest, financial disclosure, and prohibited practices including the San Francisco *Conflict of Interest Code* (San Francisco Campaign and Governmental Conduct Code, Article III, Chapter I) and *Ethics Provisions* (San Francisco Charter, Appendix C).[1]

4) To facilitate meeting the above standards and statutes, the Board has established this Code of Conduct to further guide how the Board, and individual Board members, are expected to conduct themselves when discharging their duties.

Guidelines

General

5) Board members agree:

   a) To demonstrate decorum, honesty, integrity, professionalism and ethical behavior in all aspects of their board duties and in their relations with fellow Board members, staff, service providers, and other constituents;

   b) To recognize that the Board's role is to focus on administering the statutory provisions of the Fund as established through the political and collective bargaining processes; Board members shall generally refrain from advocating

[1] The San Francisco *Conflict of Interest Code* adopts the State of California's Conflict of Interest Code, Regulation 18730 of the California *Fair Political Practices Commissio*n.

legislative changes unless such changes are cost-neutral or intended to facilitate effective administration of the Fund;

c) To actively prepare for each meeting by thoroughly reading all meeting materials in advance;

d) To attend and participate in all Board meetings, unless unable to do so for reasons beyond their control;

e) To pay undivided attention and to refrain from using electronic communication devices during Board and committee meetings; and

f) To recognize that individual trustees and staff have various commitments on their time, and that the business of the Board must therefore be carried out in the most efficient manner possible, consistent with the Board's fiduciary duties.

Compliance with Laws, Policies and Rules

6) Board members agree:

a) To become familiar with and abide by the laws pertaining to the Fund and the Board, particularly:

i. Article XII of the San Francisco Charter;

ii. The San Francisco *Conflict of Interest Code* (San Francisco Campaign and Governmental Conduct Code, Article III, Chapter 1);

iii. The San Francisco *Ethics Provisions* (San Francisco Charter, Appendix C);

iv. Relevant sections of the *Ralph M. Brown Act* (California Government Code, Section 54950 et seq.); and

v. Relevant sections of the *San Francisco Sunshine Ordinance* (San Francisco Administrative Code, Chapter 67).

b) To fulfill their fiduciary role in accordance with the governance principles and policies adopted by the Board;

c) To abide by all other Board policies and rules;

d) To the extent it is consistent with their fiduciary duties, to abide by, and be respectful of, all decisions of the Board, even if they may not have supported or voted in favor of the decisions during board deliberations;

e) To continually work to promote a necessary degree of cohesion among Board members, staff, and service providers for the benefit of the Fund, the City, the Participating Employers, and Health Service System members and beneficiaries.

f) To work openly, honestly, and professionally when seeking to change Board policies or practices; and

g) To enforce this Code of Conduct when it is apparent that a Board member has committed a breach.

Enforcement Provisions

7) The President, in presiding over Board meetings, will enforce and attempt to rectify any breaches of this Code that may occur during Board meetings. Similarly, committee chairs will enforce and attempt to rectify any breaches of this Code that may occur in the course of a meeting of a Board committee.

8) Any Board member may petition the Board to investigate potential violations of this Code. Such petitions shall be submitted to the Board's designated legal counsel in the City Attorney's Office in writing or by electronic mail, and shall include any supporting information or evidence.

9) The City Attorney's Office may submit the petition to outside legal counsel; outside legal counsel shall then inform each Board member and relevant staff of the petition within three business days of receipt of the petition, and then undertake all responsibilities assigned herein to legal counsel. Alternatively, depending on the severity of the alleged breach, the City Attorney's Office may determine not to involve outside legal counsel, and will instead assume responsibility for informing each Board member and relevant staff of receipt of the petition and for undertaking all responsibilities assigned herein to legal counsel.

10) Upon being informed by legal counsel of the petition, staff shall place the matter of the petition on the agenda for discussion and action at the next regularly

scheduled Board meeting, and shall inform the Board member who is the subject of the petition of his or her right to address the petition at said Board meeting.

11) Legal counsel will investigate the petition to determine if there are grounds for disciplinary actions, as provided for in this Code of Conduct, paragraph 13, and provide recommendations to the Board at its next regularly scheduled Board meeting.

12) The Board shall address the petition in open session. At such time, the Board will read the petition into the record, review any supporting materials or evidence, and hear from the Board member in question, and any other party recognized by the President. If the petition is made against the President, then the Board shall designate the Vice-President to act in his or her place for purposes of considering and addressing the petition.

13) Upon consideration of the factual circumstances, and completion of the discussion, the Board may, by resolution:

a) Dismiss the matter, where the Board believes there is insufficient substance to the allegation, or whether the matter is resolved to the Board's satisfaction;

b) Find that there has been a violation of this Code and identify the supporting facts. The Board will explain to the offending Board member how the violation adversely impacts the Board and the System. The Board may also:

i. Ask the offending Board member to rectify past actions, if possible, or refrain from similar actions in future;

ii. Request that the offending Board member undertake special educational or counseling initiatives that may be of assistance to the Board member in addressing the matter;

iii. Remove the offending Board member from the position of President, Vice-President, or committee chair, or from any Board committee assignment the Board member may hold;

iv. Bar the offending board member from serving as President, Vice-President, or committee chair, or from serving on a Board committee, for a specified period of time; or

v. Move for censure (see Appendix for censure procedures).

Policy Review

14) The Board shall review this policy at least every 3 years to ensure that it remains relevant and appropriate.

Policy History

15) The Board adopted this policy on INSERT.

Appendix
Procedures for Censure of a Board Member

1) Censure shall be defined as an official rebuke, an expression of strong disapproval, harsh criticism or condemnation.
2) As established by the City Attorney, the Board's legal counsel, a Fund trustee is held to a prudent expert standard, and is generally expected to maintain higher moral, ethical and professional standards than the average person. Accordingly, the following non-exhaustive list shall include grounds for censure:
   a) False and/or misleading communications;
   b) Slanderous and/or libelous communications;
   c) Unauthorized communications relating to the Fund;
   d) Unprofessional conduct;
   e) Convicted illegal acts; and
   f) Adjudicated civil acts.
3) Censure is a serious matter and shall not be used as a tool for harassment; any allegation must be supported by evidence, not hearsay.

Procedure for Censure

4) In a separate motion, the Board shall vote on whether cause for censure exists, and a super majority of the Board shall be required to decide the matter. If cause is not found, the matter is ended.

5) If the Board votes in favor of censure,

   a) Within three business days of the meeting, Legal Counsel shall draft a censure letter which, by separate paragraphs, shall include:

      i) To whom the censure is being applied;

      ii) The definition of censure;

      iii) The allegation;

      iv) The findings of fact;

      v) The final Board action; and

      vi) That inquiries in writing are to be addressed to Board staff;

   b) Within two business days, the non-censured board members shall review the censure letter;

   c) Legal counsel shall, within two business days, review any edits made to the censure letter by the non-censured board members;

   d) The Board will finalize the censure letter within one business day of legal counsel completing the above revision; and

   e) Staff will then prepare the censure letter on Fund stationery, sign and distribute it within one business day of the Board finalizing the letter.

6) The censure letter shall be mailed, via U.S. Post, to the following parties:

   a) Each member of the Board;

   b) San Francisco Ethics Commission President;

c) Mayor of San Francisco;

d) Each member of the Board of Supervisors;

e)

f) President of each union represented within the Health Service System;

g) San Francisco City Attorney; and

h) The media including at a minimum the San Francisco Chronicle, San Francisco Examiner, Pensions and Investments magazine and the San Francisco Retirement Newsletter.

7) The censure letter shall also be posted on the Fund's web site.

8) Prior to mailing the censure letter, Fund staff will provide advance notice by telephone to each of the following:

a) Mayor of San Francisco;

b) President of the Board of Supervisors;

c) San Francisco Ethics Commission President; and

d) President of each union represented within the Health Service System.

9) Fund staff shall maintain a log of all inquiries received in connection with the censure letter, including the name and title of any individual making an inquiry, and the date and nature of the inquiry.

	A	B	C	D	E	F	G	H	I
1	**Retiree Health Care Trust Fund - Best Practices Survey 01-22-13**								
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
3	Alta Dena Library	Tina Wallin Twallin@altadenalibrary.org	We are currently in the process of doing this. We are funding through the CalPERS CERBT Program.	All I had to do was to make contact with an Analyst (I can provide you his info if you like) and he walked me through the process. They provide you with the documentation you need to present to your Board.	Your District determines the amount you want to fund and there is a lot of flexibility in that.	Currently in the process of setting it up.	You also choose investment options (they only have three).		I can send you some information that they sent me if you like.
4	County of Mendocino	Shari L. Schapmire Treasurer-Tax Collector County of Mendocino 501 Low Gap Road, Rm #1060 Ukiah, CA 95482 (707) 234-6884 (direct) schapmis@co.mendocino.ca.us	Mendocino County will no longer be providing retiree health care benefits after December 31, 2013 as it was never a vested benefit.	We have always been a pay-as-you-go basis and have never set up a trust fund.	As of January 1, 2014, we will have zero OPEB liability.	N/A	N/A	N/A	

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
5	Dublin San Ramon Services District	Lori Rose CPA Dublin San Ramon Services District (DSRSD) (925) 875-2270 rose@dsrsd.com	We used reserves to open the account (we had almost enough to cover prior service). For current service, we use the actuary report to determine what % of payroll is needed. This is budgeted and charged to the departments via payroll processing and then the funds are forwarded annually to PERS (they are the trustee). All costs are paid by the employer.	As all costs are paid by the employer, there were no MOU impacts. Our Board passed a resolution at the time the trust was established that directed that we fund it on an annual basis. The budget is adopted with the funding.	**See our footnote below. $10,150,674 (Attachment 1)**	Since 2008.	Least conservative PERS option.	I have the resolution but other than that we don't have any formal policies.	Let me know if you need anything else.

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
6	East Bay Mud	D. Scott Klein Controller EBMUD (510) 287-0271 sklein@ebmud.com	The cost of the HIB is funded by both employer and employee contributions.	Board established a trust.	$450 for single, $550 for two or more.	Effective July 1, 1999 the Medical Premium subsidy (otherwise known as the Health Insurance Benefit or HIB) became a vested benefit. The contribution rates for the employer are calculated to provide for the ongoing normal cost, plus any amounts necessary to fund any shortfall between the valuation value of assets and the actuarial accrued liabilities.	We have a policy and Retirement board reviews and determines the mix of investments and the Trust manages. PFM is doing the investing.	I would have to ask.	Our EBMUD.com Retirement Board documents and reports.

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
7	East Bay Regional Park District	Cinde Rubaloff Chief Financial Officer/ Controller East Bay Regional Park District 2950 Peralta Oaks Court Oakland, CA 94605 (510) 544-2401 crubaloff@ebparks.org	100% employer funded, end of last year funded ratio was 35% with UAAL of $30 million. (We are a $100 million / year operating agency).	We set up a trust in 2007 with PARS. This year we have moved to CERBT (CalPERS Trust) due to substantially lower costs, although that comes with less flexibility.		We set up trust in 2007 with PARS.	We did do a RFP during 2012 and interviewed PARS, PFM and CERBT.		If you are interested in copy of RFP I can send it to you.
8	FirstSouthwest	Brian Whitworth Senior Vice President FirstSouthwest D (310) 401-8057 C (214) 649-0171 1620 26th Street, Ste. 230 South Santa Monica, CA 90404 Brian.Whitworth@firstsw.com	N/A	N/A	N/A	N/A	N/A	**I have attached a copy of the NCPERS survey on active employee and retiree healthcare for 2012. Their survey is nationwide, and includes responses from over 2,000 public entities. Survey results for OPEB prefunding are on pages 51-54. (Attachment 2)**	

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
9	FirstSouthwest	Joseph T. Yew Senior Vice President FirstSouthwest D (510) 663-3792 C (510)246-5886 1300 Clay Street, Ste.600, Oakland CA 94612 Joseph.Yew@firstsw.com	N/A	N/A	N/A	N/A	N/A	N/A	I saw your post on CSMFO. Our firm is very familiar with OPEB obligations. As a matter of fact, LAUSD has recently hired us to help them with the establishment of their OPEB fund. I'll call you with my colleague, Brian Whitworth, to review the questions you have posted. He's our OPEB specialist.
10	Fresno Co	Vicki Crow vcrow@co.fresno.ca.us	Fresno does not have OPEB.						

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
11	Golden Gate Bridge, Highway Transport District	Alice Ng Financial Management & Business Process Manager ang@goldengate.org	District fully funds its ARC into OPEB Trust (employer contribution).	Funding established through the Board.	Actuarial Accrued Liability is approximately $191M as of 7/1/12.Unfunded AAL is approximately $159M as of 7/1/12.	Trust was established in 2008.	Assets are invested by independent advisors into mutual funds.	Yes. We have Charter, Bylaws, and Investment Policy Statement.	Alice Ng; ang@goldengate.org; 415-923-2339
12	John Bartel President Bartel Associates, LLC San Mateo, CA 94402	John Bartel President Bartel and Associates, Inc. 411 Borel Avenue, Ste. 101 San Mateo, CA 94402 (650) 377-1601 (415) 706-6320 jbartel@bartel-associates.com	Most of our clients fund this through employer contributions but some have employee contributions. However, unlike pension benefits, attorneys tell me there is no provision in Section 115 trust for tax free employee contributions or the ability to keep track of member account balances.	Almost always with a Council or Board resolution.	I think the best way to measure this is not as a dollar amount but instead as a percent of pay or on a per capita basis. We keep track of this information for valuations we have prepared. You can find that information on our web site or I can email it to you if you prefer.	Most trusts have only been around for a few years. Agencies began to prefund around the time CalPERS set up their trust, with a very few doing so before then….so we are talking 4-5 years or so.	Almost all of our clients diversify investments similar to the way pension assets are invested. We can give you the investment mix for CERBT and PARS so you can see the range if you would like.	This information should always be available.	If a trust is set up through PARS, CERBT, PFM, etc., then this information is readily available. If not then it might be less accessible.

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
13	LACERS	Li His Assistant General Manager, LACERS (213) 473-7280 li.hsi@lacity.org	No, the pre-funding of LACERS' OPEB has been made through the 401 (h) account. It is funded by employer contribution only. (Our recent increase in employee contribution, intended to offset the OPEB costs, is legally treated as Pension contribution, instead of OPEB contribution, to avoid being taken as a post-tax deduction.)	The pre-funding began from 1987 in accordance with the same Charter section for the Pension benefit.	As of 6/30/12: Actuarial Accrued Liability (AAL): $2,292,400,227; Unfunded Actuarial Accrued Liability (UAAL): $650,026,667.	No OPEB trust fund. LACERS' OPEB is funded through the 401 (h) account since 1987.	The assets of OPEB is commingled with those of Pension benefit for investment purposes.	They are the same as those for the Pension benefits. Please refer to our website at www.lacers.org	Please contact me for additional information. Li Hsi Assistant General Manager, (213) 473-7280
14	Lemon Grove	Cathy Till Finance Director City of Lemon Grove ctill@lemongrove.ca.gov	Not funded-pay as we go.	N/A	N/A	N/A	N/A	N/A	

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
15	Merced	Karen Adams kadams@co.merced.ca.us	Employer	Resolution	$5.9M	2008	Highmark - fund manager/ PARS - administrator	**Policy Attached (Attachment 3)**	Highmark
16	Mountain View	Patty Kong Finance & Administrative Services Director City of Mountain View (650) 903-6006 patty.kong@mountainview.gov	Employer, contributions, but this year we negotiated a contribution from fire employees.	Employer contribution based on ARC and funded through budget process, approved by Council. Recent employee contribution by MOU.	$90M	2008	CERBT	CERBT	CERBT
17	Redwood City	Brian Ponty Finance Director City of Redwood City 1017 Middlefield Rd Redwood City, CA 94063	Employer Contributions	The benefit is provided by MOUs with bargaining units. Council elected to prefund the obligations.	UALL ~$48M	Since 2010	CALPERS CERBT	Contact CALPERS	Contact CALPERS

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
18	Roseville	Monty Hanks (916) 774-5313 Mhanks@roseville.ca.us	City contribution.	Charter amendment.	102M after value of assets.	Our Trust was funded 2/15/2011 with $34M.	We hired Public Financial Mgmt (PFM) as our Investment Advisor. We wanted to control the asset allocation by entering the market with a 50/50 mix. We have a plan to increase this to 60/40 over a five year period. We felt we would lose some control of our money by moving it to PERS. The other FAs we interviewed invested in their own mutual funds or held the assets directly of which we thought was a conflict of interest. Our Trust Review Committee is very happy with the results of PFM. They meet with us quarterly to review the portfolio. We would highly recommend you look at them.	Yes. Let me know what you would like to see. (Trust Agreement, Investment Policy, Funding Policy, and Trust Review Committee Reso)	You can contact me directly at 916-774-5313 or our FAs, Ellen Clark or Carlos Oblites at PFM 415-982-5544.

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
19	Roseville	Russ Branson rbranson@rosefville.ca.us	So far, City Contribution. We are looking at adding in employee contribution for new hires, but that is trickier than expected. We might go to individual accounts with an employee contribution and City match.	Since it is all City money, we just set it aside; however, the trust required Council action.	Total unfunded liability around $130M.	Just over one year.	We use PFM as our asset manager. We have a stand-alone trust. We also have an investment committee comprised of a representative of each of our bargaining groups and a retiree. This helps with transparency and buy in to the investing decisions we are making.	Yes. I will send them to you separately.	No.
20	San Joaquin County	Nick Van Diemen Chief Deputy Treasurer San Joaquin County nvandiemen@sjgov.org	Employer only.	MOU	No unfunded liability. Similar to a defined contribution plan.	2010	Hartford & County Investment Pool until negotiations completed. **(Attachment 4)**	**(Attachment 4)**	

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
21	San Juan Capistrano	Michelle Bannigan Assistant Finance Director (949) 443-6307 Mbannigan@sanjuancapistrano.org	The OPEB liability is being funded by transferring the annual ARC to the City's Internal Service Fund (so the "liability" still accrues on the City's CAFR since it's not sitting in an irrevocable trust fund).	City policy.	The OPEB liability at 6/30/11 was $260.462. The unfunded actuarial liability at 6/30/11 was $1.2M.	N/A	Pooled w/ City's investment pool.	N/A	N/A
22	SCRRA	Nancy Weiford Chief Financial Officer (213) 452-0267 office (213) 494-9564 weifordn@scrra.net	It is not yet an irrevocable trust. The amount funded is all employer contribution. They are considered a special district in CA and add about $2.5M per year to the restricted fund.	We have looked at CalPERS adjunct specifically created to OPEB, but need to evaluation other options before I make a recommendation to my Board in the spring.	We have funded approximately $10M for our OPEB based on the last actuarial report. We will have a new one in the next few months.		We have the money in a restricted cash account, but it is not yet an irrevocable trust.		
23	VWD	Tom Scaglione tscaglione@vwd.org	Employer contributions.	Board action.	UAAL = $2.4M	One year.	CERBT	Yes, CERBT on-line.	CERBT

	A	B	C	D	E	F	G	H	I
2	**City and / or County**	**Contact Info**	**How Funded? Employee contribution, employer contribution or?**	**How was the funding established? Employee MOU, charter amendment, or?**	**What is the approximate amount of employer's retiree health care liability**	**How long has the trust been in place?**	**How are the assets invested?**	**Are copies of the trust fund governance and/or investment policies available?**	**Further contact information on the fund.**
24	Yorba Linda Water District	Stephen Parker, CPA Finance Manager Yorba Linda Water District (714) 701-3042 sparker@ylwd.com	Funded with employer contribution.	Funding established by MOU.	Unfunded Actuarial Accrued Liability = $1.43M	1.5 years.	CERBT	Yes.	www.calpers.ca.gov

BEST PRACTICES SURVEY RESPONSE

ATTACHMENT 1

Table from Lori Rose of Dublin San Ramon Services District (DSRSD)

Net OPEB Asset at June 30, 2011	$9,842,600
Annual required contribution (ARC)	921,966
Interest on net OPEB asset	(749,022)
Adjustment to annual required contribution	651,365
Annual OPEB cost	824,309
Contributions made:	
Retiree premiums paid by the District	646,183
Contributions to CERBT	486,200
Total contributions	1,132,383
Change in net OPEB Asset	308,074
Net OPEB Asset at June 30, 2012	$10,150,674

The Plan's annual OPEB cost and actual contributions for the prior three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2010	$1,029,983	$855,073	83%	$7,572,888
6/30/2011	791,226	3,060,938	387%	9,842,600
6/30/2012	824,309	1,132,383	137%	10,150,674

Cobalt Community Research

supporting decisions | inspiring ideas

Health and OPEB Funding Strategies

2012 National Survey of Local Governments

Thank You!

The authors of this report are grateful for the support of:

Government Finance Officers Association

PUBLIC CONSULTING GROUP

ICE MILLER LLP
LEGAL COUNSEL

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

National Conference on Public Employee Retirement Systems
The Voice for Public Pensions

Tegrit

ebri.org
Employee Benefit Research Institute

MERS
Municipal Employees' Retirement System

Table of Contents

This 5th year study of local governments and special districts tracks budget and staffing expectations and strategies to address employee and retiree health costs

Executive Summary

The year 2012 marks an inflection point for many local governments. The data show that for many, the revenue outlook is beginning to brighten and layoffs are down. But the cost of health insurance is beginning to rise after a brief reprieve in 2011. Local governments continue to work to make employee and retiree health care programs more sustainable.

The data show that there are 7% fewer local units of government who provide health coverage to their active employees. Governments who do provide health coverage are paying a slightly smaller share of the premium. Fewer local governments are self-insuring. The percentage of governments whose employees receive insurance through their union jumped from 2% in 2011 to 13% in 2012.

The data also show a significant drop in the percentage of local governments who provide health insurance for retired employees, especially in the Midwest. The percentage who self insure this population also has dropped, and the percentage providing retiree health coverage through a coalition/pool increased from 12% to 26%. As in 2011, there was a slight decrease in the percentage of local governments who are fully or partially prefunding their retiree health liabilities.

The year 2012 marks a slight improvement in the confidence respondents express in their efforts to contain health costs. Such efforts include greater engagement with unions to reduce coverage, a modest move away from deductible increases and toward premium sharing, a strong wellness push and continued work to roll out HSA- and HRA-type programs (Health Savings Accounts and Health Reimbursement Arrangements). Many local governments are reopening health care plans to renegotiate lower costs with the carrier/administrator.

In 2012, more than 2,330 local units of government replied to this survey, marking the largest level of response since the data collection began 5 years ago. The benefit of the high response level is the ability to drill more deeply into the data and provide detailed results by Census region and division.

The 2012 respondents serve a wide range of populations. Many were from smaller governments, which comprise the majority of local governments in the United States. More than 480 responses were collected from the largest local governments across the country.

Section 1
Characteristics of the Respondents

This chart compares the distribution of the 2012 respondents with 2011. The similarity in the distribution of responses from 2012 and 2011 is based on the consistency of the sampling. Such consistency allows confidence in making comparisons year over year.

The chart below also shows the distribution of U.S. local governments by type of government, as determined by the U.S. Census Bureau. It shows that the respondents represent a larger proportion of county and municipal governments than are found in the U.S., as well as a smaller portion of special districts. This is intentional and the result of the over/under-sampling process. Counties and municipalities tend to have a higher proportion of staff who receive health benefits.

Demographic Distribution		2012	2011	Census
Type	County	13%	14%	4%
	Township	25%	28%	22%
	Municipality	25%	30%	25%
	Special District/Authority	37%	28%	49%

Section 1: Characteristics of the Respondents

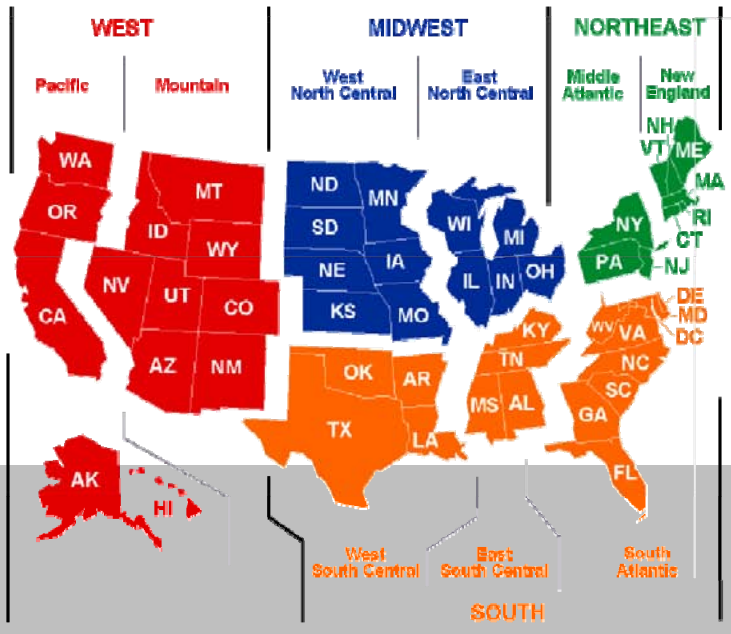
The 2,336 governments that responded to the 2012 survey serve a wide range of populations. Many were from smaller governments, which comprise the majority of local governments in the United States. More than 480 responses were collected from the largest local governments across the country. Measured based on the number of full-time employees, 48% of the respondents represent governments with 10 or fewer employees, another 29% represent governments with 11-100 employees, 21% represent governments with more than 100 employees.

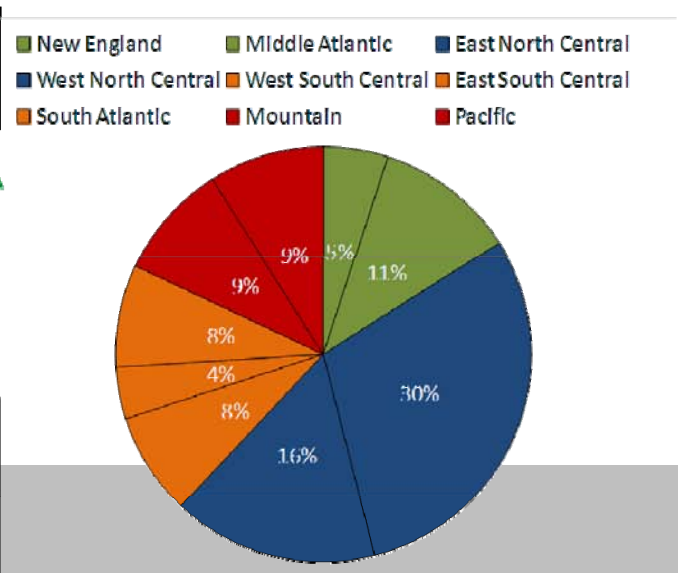
Demographic Distribution		2012	2011
Full-Time Employees	0-10	48%	42%
	11-50	20%	23%
	51-100	9%	9%
	101-250	10%	10%
	251+	11%	15%
Respondent Role	Chief Administrator/ Executive	24%	24%
	Consultant/Advisor	2%	1%
	Finance	43%	46%
	HR/Benefits	18%	21%
	Other	20%	16%

Section 1: Characteristics of the Respondents

The chart below shows the distribution of the respondents by region. Many of the respondents represent smaller jurisdictions in the Midwest, which reflects the large number of township governments in that region. In addition, a relatively small number of respondents were from the Northeast, which correlates with the relatively small number of governments overall in that region.

Demographic Distribution		2012	2011
Census Region	Northeast	16%	16%
	Midwest	46%	44%
	South	20%	24%
	West	18%	16%
Census Division	New England	5%	4%
	Middle Atlantic	11%	11%
	East North Central	30%	30%
	West North Central	16%	14%
	West South Central	8%	9%
	East South Central	4%	6%
	South Atlantic	8%	9%
	Mountain	9%	7%
	Pacific	9%	9%





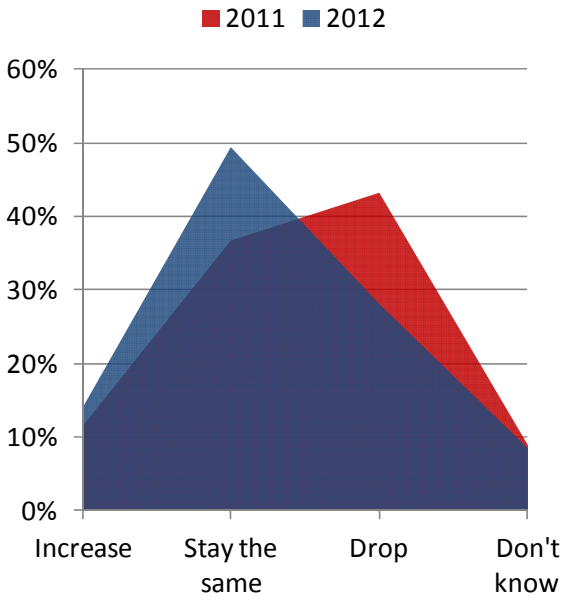
Section 2

Expected Revenue and Employment Changes

Revenue Expectations:

This chart shows revenue expectations between 2012 and 2011. While economic recovery remains slow, the percentage expecting revenue levels to continue to drop has subsided to 28 percent, down from 43 percent in 2011.

The South Region has shown the most recovery, while the Midwest continues to lag other regions.



Q2 Revenue Changes		2012							2011						
		Increase	Stay the same	Drop 1-5%	Drop 6-10%	Drop 11-20%	Drop 20%+	Don't know	Increase	Stay the same	Drop 1-5%	Drop 6-10%	Drop 11-20%	Drop 20%+	Don't know
Overall		**14%**	**49%**	**18%**	**6%**	**3%**	**2%**	**9%**	**11%**	**37%**	**25%**	**11%**	**5%**	**2%**	**9%**
Full-Time Employees	0-10	10%	55%	14%	6%	3%	2%	10%	10%	41%	20%	10%	6%	3%	12%
	11-50	13%	45%	20%	10%	4%	2%	7%	10%	37%	30%	12%	5%	2%	4%
	51-100	14%	52%	19%	5%	2%	1%	5%	12%	34%	23%	14%	5%	3%	9%
	101-250	20%	45%	23%	4%	1%	0%	7%	16%	32%	30%	9%	4%	1%	10%
	251+	25%	37%	23%	5%	2%	0%	8%	15%	30%	34%	10%	4%	2%	6%
Census Region	Northeast	14%	57%	15%	5%	3%	1%	6%	16%	39%	28%	7%	1%	2%	7%
	Midwest	10%	48%	20%	7%	4%	2%	9%	7%	32%	25%	16%	8%	3%	9%
	South	18%	46%	15%	6%	2%	2%	12%	11%	39%	30%	6%	2%	1%	11%
	West	18%	51%	17%	5%	2%	1%	6%	18%	44%	18%	7%	4%	1%	8%
Census Division	New England	17%	48%	18%	6%	3%	1%	8%	13%	28%	38%	11%	-	3%	8%
	Middle Atlantic	13%	61%	13%	4%	2%	0%	6%	17%	43%	24%	6%	2%	1%	7%
	East North Central	10%	43%	24%	9%	5%	2%	8%	6%	26%	27%	19%	11%	4%	9%
	West North Central	12%	57%	13%	5%	1%	1%	11%	10%	44%	20%	10%	3%	3%	11%
	West South Central	18%	52%	9%	4%	1%	2%	15%	11%	50%	23%	3%	2%	1%	11%
	East South Central	16%	50%	10%	10%	5%	3%	7%	14%	36%	26%	7%	3%	1%	14%
	South Atlantic	18%	39%	23%	6%	1%	2%	12%	10%	31%	39%	9%	1%	1%	8%
	Mountain	18%	51%	17%	6%	2%	1%	6%	21%	43%	17%	6%	5%	3%	5%
	Pacific	18%	52%	17%	5%	1%	2%	6%	16%	44%	19%	7%	4%	-	10%

Section 2: Expected Revenue and Employment Changes

Insurance Rate Expectations:

These charts below show insurance cost history and expectations in 2012. In 2011, about 27% of respondents experienced the same rate or a rate reduction. Looking forward to 2013, that percentage falls to 23%. The South shows the lowest level of expected cost increase.

Q24 Change in Premium Rates in Past Year		2012				
		Rates dropped	About the same	1-4% increase	4-8% increase	More than 8% increase
Overall		**10%**	**17%**	**21%**	**28%**	**25%**
Full-Time Employees	0-10	8%	18%	23%	25%	26%
	11-50	13%	13%	23%	26%	26%
	51-100	8%	17%	19%	36%	21%
	101-250	10%	21%	18%	24%	28%
	251+	9%	22%	19%	31%	20%
Census Region	Northeast	11%	11%	22%	30%	26%
	Midwest	10%	16%	21%	28%	26%
	South	11%	26%	22%	21%	20%
	West	7%	17%	17%	33%	26%
Census Division	New England	12%	16%	22%	34%	16%
	Middle Atlantic	10%	8%	22%	29%	30%
	East North Central	8%	15%	21%	28%	28%
	West North Central	12%	17%	22%	27%	22%
	West South Central	14%	26%	24%	14%	22%
	East South Central	10%	25%	18%	28%	18%
	South Atlantic	8%	27%	21%	24%	20%
	Mountain	9%	17%	17%	31%	26%
	Pacific	6%	17%	16%	35%	26%

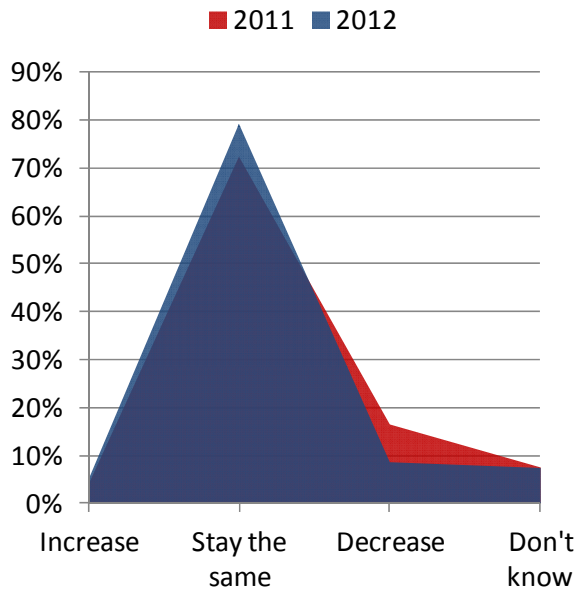
Q25 Change in Premium Rates in Next Year		2012				
		Rates will drop	About the same	1-4% increase	4-8% increase	More than 8% increase
Overall		**3%**	**20%**	**23%**	**31%**	**23%**
Full-Time Employees	0-10	3%	24%	27%	26%	22%
	11-50	2%	19%	22%	31%	26%
	51-100	2%	18%	24%	32%	25%
	101-250	3%	17%	20%	36%	25%
	251+	4%	23%	20%	35%	17%
Census Region	Northeast	4%	15%	22%	33%	27%
	Midwest	2%	18%	24%	31%	25%
	South	2%	31%	25%	26%	16%
	West	2%	17%	18%	37%	26%
Census Division	New England	10%	18%	25%	31%	17%
	Middle Atlantic	2%	13%	20%	33%	31%
	East North Central	3%	16%	26%	32%	24%
	West North Central	1%	21%	20%	31%	27%
	West South Central	2%	39%	27%	19%	13%
	East South Central	3%	28%	20%	35%	15%
	South Atlantic	3%	26%	25%	28%	18%
	Mountain	2%	22%	19%	35%	22%
	Pacific	2%	13%	16%	39%	30%

Section 2: Expected Revenue and Employment Changes

Employment Expectations:

This chart shows employment expectations between 2012 and 2011. Despite improved revenue expectations, local units of government continue to be cautious about hiring. The percentage expecting employment levels to rise has remained the same, while those expecting a decline in employment showed a modest drop from 17% to 9%. About 79% expect employment levels to remain the same.

The South Region shows the strongest employment level expectations, and the Northeast is the least optimistic.

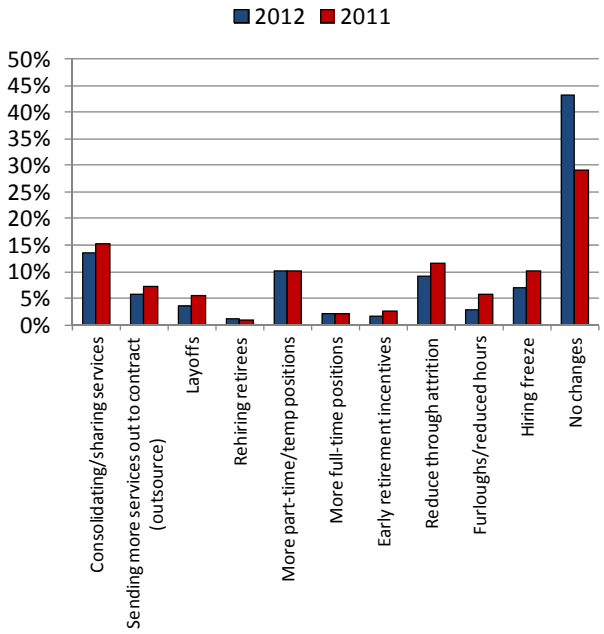


Q3 Employement Level Changes		2012				2011			
		Increase	Decrease	Stay the same	Don't know	Increase	Decrease	Stay the same	Don't know
Overall		**5%**	**9%**	**79%**	**7%**	**4%**	**17%**	**72%**	**8%**
Full-Time Employees	0-10	3%	4%	84%	10%	3%	6%	83%	8%
	11-50	5%	10%	82%	4%	4%	12%	77%	7%
	51-100	8%	8%	78%	6%	4%	22%	68%	6%
	101-250	6%	15%	74%	5%	5%	22%	61%	12%
	251+	10%	23%	62%	5%	3%	45%	47%	6%
Census Region	Northeast	2%	9%	83%	6%	3%	16%	77%	5%
	Midwest	4%	7%	81%	8%	2%	17%	73%	8%
	South	7%	9%	76%	8%	7%	13%	71%	9%
	West	7%	12%	74%	7%	5%	21%	68%	7%
Census Division	New England	4%	8%	86%	3%	3%	14%	74%	10%
	Middle Atlantic	2%	9%	83%	7%	3%	17%	78%	3%
	East North Central	4%	9%	81%	7%	1%	19%	72%	8%
	West North Central	4%	4%	82%	10%	3%	13%	75%	8%
	West South Central	7%	8%	76%	8%	6%	7%	79%	7%
	East South Central	7%	7%	79%	7%	8%	12%	67%	13%
	South Atlantic	7%	10%	74%	9%	7%	18%	66%	9%
	Mountain	7%	7%	79%	8%	6%	16%	74%	5%
	Pacific	7%	18%	68%	7%	4%	26%	63%	8%

Section 2: Expected Revenue and Employment Changes

Workforce Changes:

To the extent the workforce is expected to change, it will most likely involve the consolidation of public services, greater use of part-time and temporary positions and reductions through attrition.



Q4 Workforce Changes		2012											2011										
		Consolidating/sharing services	Sending more services out to contract (outsource)	Layoffs	Rehiring retirees	More part-time/temp positions	More full-time positions	Early retirement incentives	Reduce through attrition	Furloughs/reduced hours	Hiring freeze	No changes	Consolidating/sharing services	Sending more services out to contract (outsource)	Layoffs	Rehiring retirees	More part-time/temp positions	More full-time positions	Early retirement incentives	Reduce through attrition	Furloughs/reduced hours	Hiring freeze	No changes
Overall		**14%**	**6%**	**4%**	**1%**	**10%**	**2%**	**2%**	**9%**	**3%**	**7%**	**43%**	**15%**	**7%**	**5%**	**1%**	**10%**	**2%**	**3%**	**12%**	**6%**	**10%**	**29%**
Full-Time Employees	0-10	10%	3%	2%	1%	7%	1%	1%	2%	2%	3%	69%	11%	5%	3%	1%	9%	1%	1%	3%	4%	5%	58%
	11-50	15%	7%	3%	1%	14%	1%	1%	9%	4%	7%	39%	17%	7%	5%	0%	15%	2%	2%	10%	5%	9%	27%
	51-100	11%	6%	3%	2%	13%	4%	3%	13%	2%	10%	33%	16%	9%	5%	2%	10%	3%	3%	17%	5%	12%	19%
	101-250	18%	8%	5%	1%	13%	3%	3%	17%	2%	8%	23%	18%	8%	6%	0%	10%	2%	3%	15%	6%	12%	20%
	251+	19%	10%	7%	2%	10%	4%	3%	17%	5%	12%	12%	17%	9%	9%	1%	7%	3%	4%	21%	8%	16%	5%
Census Region	Northeast	16%	6%	3%	2%	11%	1%	2%	10%	2%	6%	42%	19%	7%	5%	1%	8%	1%	3%	13%	4%	9%	30%
	Midwest	15%	5%	3%	1%	10%	1%	1%	9%	2%	6%	46%	16%	8%	6%	1%	11%	1%	3%	11%	6%	9%	28%
	South	11%	5%	3%	1%	11%	4%	2%	9%	3%	10%	41%	13%	5%	4%	1%	10%	4%	2%	11%	5%	12%	35%
	West	11%	7%	6%	1%	8%	3%	3%	9%	5%	8%	40%	14%	7%	7%	1%	9%	3%	3%	13%	7%	11%	25%
Census Division	New England	19%	9%	3%	1%	9%	2%	2%	9%	4%	5%	38%	19%	11%	6%	1%	9%	1%	2%	11%	5%	7%	28%
	Middle Atlantic	14%	5%	3%	2%	11%	1%	1%	10%	1%	6%	44%	19%	5%	4%	1%	8%	1%	3%	14%	3%	10%	31%
	East North Central	16%	7%	3%	1%	11%	1%	1%	10%	3%	6%	40%	17%	9%	6%	1%	12%	0%	3%	12%	7%	10%	25%
	West North Central	12%	3%	3%	1%	7%	1%	1%	7%	1%	5%	58%	14%	7%	6%	1%	11%	2%	3%	10%	6%	8%	34%
	West South Central	9%	6%	3%	1%	11%	5%	0%	7%	0%	9%	49%	12%	5%	2%	1%	9%	5%	2%	8%	3%	10%	43%
	East South Central	11%	3%	2%	1%	12%	2%	1%	7%	2%	9%	50%	13%	4%	3%	-	15%	5%	1%	9%	5%	12%	34%
	South Atlantic	13%	5%	4%	1%	11%	4%	4%	12%	4%	11%	31%	13%	6%	5%	0%	9%	3%	3%	14%	6%	14%	27%
	Mountain	9%	5%	3%	0%	8%	4%	2%	6%	1%	7%	55%	13%	6%	3%	2%	10%	5%	3%	11%	5%	11%	34%
	Pacific	13%	8%	8%	1%	8%	3%	3%	11%	7%	9%	29%	14%	8%	9%	0%	9%	2%	4%	14%	9%	11%	20%

Section 3

Provision of Health Care to Active Employees

Attitude About Employee Health Benefits:

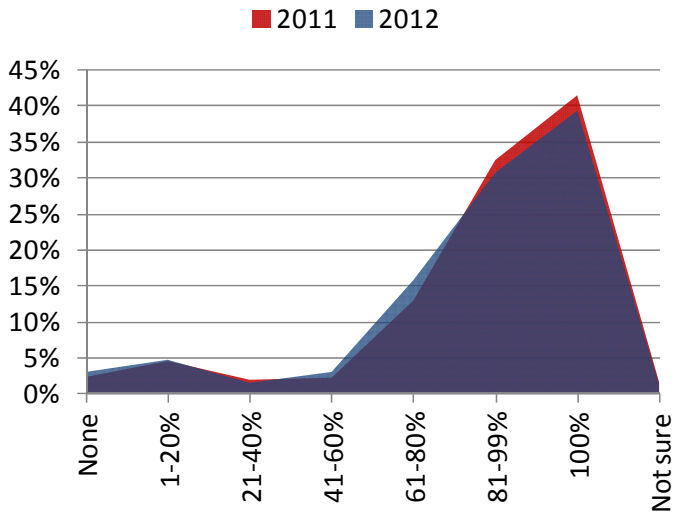
Overall, the number of local units of government who do not provide health benefits has gone up from 22% to 29%. The percentage is especially high for smaller units, of which 57% do not provide health benefits. Respondents from the Northeast were more likely to say health benefits are "Too generous."

Q5 Active Employee Health Benefits		2012				2011			
		Not generous enough	About right	Too generous	Health benefits not provided	Not generous enough	About right	Too generous	Health benefits not provided
Overall		**4%**	**54%**	**14%**	**29%**	**4%**	**57%**	**17%**	**22%**
Full-Time Employees	0-10	3%	33%	7%	57%	5%	37%	8%	50%
	11-50	5%	70%	21%	5%	4%	74%	19%	3%
	51-100	5%	75%	20%	1%	3%	70%	26%	1%
	101-250	4%	77%	19%	0%	3%	77%	20%	1%
	251+	3%	73%	24%	0%	4%	66%	30%	0%
Census Region	Northeast	2%	58%	26%	15%	1%	61%	29%	8%
	Midwest	3%	44%	12%	41%	4%	49%	16%	31%
	South	4%	71%	10%	14%	7%	69%	12%	12%
	West	5%	52%	14%	28%	3%	59%	14%	24%
Census Division	New England	3%	66%	20%	11%	0%	72%	23%	5%
	Middle Atlantic	1%	55%	28%	16%	2%	57%	32%	10%
	East North Central	3%	44%	12%	41%	4%	47%	19%	31%
	West North Central	3%	45%	11%	41%	6%	53%	10%	31%
	West South Central	7%	65%	9%	19%	8%	67%	10%	16%
	East South Central	4%	68%	13%	14%	5%	70%	12%	13%
	South Atlantic	2%	79%	10%	9%	8%	71%	14%	7%
	Mountain	8%	47%	13%	32%	1%	60%	10%	29%
	Pacific	3%	57%	16%	25%	4%	58%	18%	20%

Section 3: Provision of Health Care to Active Employees

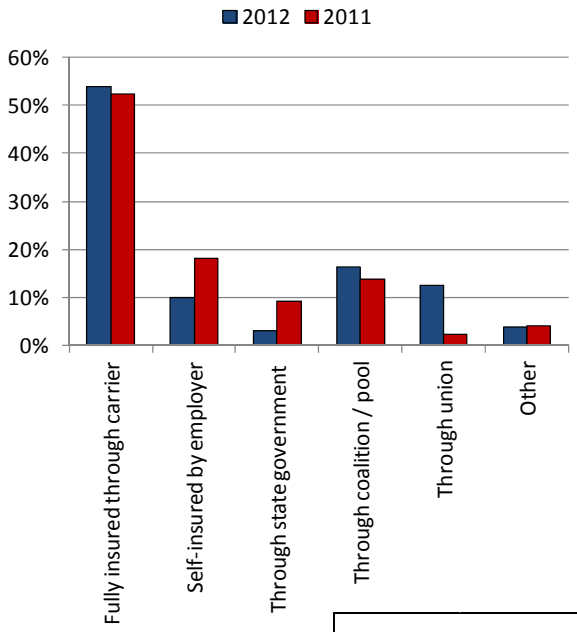
Employer Share of Employee Premiums:

The percentage of premium paid by employers declined slightly from 2011 to 2012. In 2011, 75% paid 80% or more of the premium. In 2012, that percentage dropped to 70%.



Q7 Percentage of active premium paid by employer		2012								2011							
		None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure	None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure
Overall		**3%**	**5%**	**2%**	**3%**	**16%**	**31%**	**39%**	**1%**	**2%**	**5%**	**2%**	**2%**	**13%**	**33%**	**42%**	**2%**
Full-Time Employees	0-10	7%	4%	1%	4%	9%	16%	55%	3%	6%	3%	1%	3%	7%	20%	56%	3%
	11-50	2%	4%	1%	2%	17%	30%	44%	1%	1%	7%	1%	2%	11%	34%	44%	1%
	51-100	2%	6%	2%	3%	18%	33%	37%	1%	1%	4%	5%	3%	14%	31%	40%	2%
	101-250	0%	6%	2%	4%	21%	37%	28%	1%	2%	5%	0%	3%	14%	35%	41%	1%
	251+	2%	6%	2%	4%	20%	50%	16%	0%	1%	4%	4%	1%	21%	45%	23%	1%
Census Region	Northeast	3%	5%	2%	3%	14%	39%	34%	1%	2%	6%	3%	2%	9%	44%	33%	1%
	Midwest	3%	7%	1%	3%	19%	34%	32%	1%	3%	7%	1%	2%	13%	38%	34%	2%
	South	3%	3%	2%	2%	15%	20%	52%	3%	2%	1%	2%	2%	16%	19%	56%	1%
	West	4%	3%	2%	6%	13%	29%	44%	1%	2%	3%	3%	3%	13%	29%	44%	4%
Census Division	New England	2%	8%	1%	6%	24%	39%	20%	0%	3%	7%	6%	4%	21%	35%	24%	0%
	Middle Atlantic	3%	4%	2%	1%	10%	39%	39%	1%	1%	6%	2%	1%	5%	48%	37%	1%
	East North Central	3%	8%	1%	2%	19%	40%	27%	1%	3%	8%	1%	1%	13%	42%	29%	2%
	West North Central	4%	5%	2%	4%	19%	23%	43%	2%	2%	4%	1%	5%	12%	28%	45%	3%
	West South Central	2%	3%	1%	2%	5%	10%	76%	2%	2%	0%	3%	1%	16%	14%	64%	2%
	East South Central	3%	5%	1%	1%	18%	22%	48%	3%	1%	1%	3%	4%	16%	20%	55%	0%
	South Atlantic	4%	2%	2%	4%	22%	29%	34%	4%	4%	2%	2%	3%	16%	23%	50%	1%
	Mountain	5%	2%	2%	7%	17%	19%	46%	1%	0%	2%	4%	2%	17%	27%	45%	2%
	Pacific	2%	4%	1%	5%	9%	37%	42%	1%	3%	3%	3%	3%	10%	31%	43%	4%

Section 3: Provision of Health Care to Active Employees



How Active Employees are Insured:

In 2012, the percentage covered through fully insured plans, through a pool, or through the union increased, while the percentage self insured or insured through the state declined.

Q8 How active employee insured		2012						2011					
		Fully insured through carrier	Self-insured by employer	Through state government	Through coalition / pool	Through union	Other	Fully insured through carrier	Self-insured by employer	Through state government	Through coalition / pool	Through union	Other
Overall		**54%**	**10%**	**3%**	**16%**	**13%**	**4%**	**52%**	**18%**	**9%**	**14%**	**2%**	**4%**
Full-Time Employees	0-10	60%	11%	5%	5%	11%	8%	63%	3%	11%	12%	4%	7%
	11-50	66%	7%	4%	7%	14%	3%	59%	6%	10%	17%	4%	4%
	51-100	58%	10%	1%	10%	18%	4%	61%	9%	11%	15%	1%	2%
	101-250	48%	10%	2%	23%	16%	1%	48%	22%	10%	14%	1%	6%
	251+	28%	13%	2%	50%	6%	1%	28%	56%	5%	10%	0%	1%
Census Region	Northeast	58%	8%	7%	11%	15%	2%	53%	11%	11%	19%	6%	0%
	Midwest	60%	8%	2%	15%	11%	5%	54%	19%	6%	11%	2%	7%
	South	51%	14%	1%	22%	9%	3%	55%	23%	12%	8%	0%	2%
	West	42%	12%	5%	17%	19%	6%	44%	15%	10%	24%	3%	5%
Census Division	New England	52%	2%	0%	16%	29%	1%	42%	15%	9%	32%	0%	2%
	Middle Atlantic	60%	10%	9%	8%	9%	3%	57%	9%	11%	14%	9%	0%
	East North Central	60%	8%	2%	14%	12%	5%	55%	20%	8%	8%	1%	7%
	West North Central	58%	7%	2%	19%	9%	5%	51%	18%	3%	17%	4%	7%
	West South Central	60%	7%	1%	18%	11%	4%	59%	22%	6%	10%	0%	3%
	East South Central	53%	18%	1%	18%	7%	3%	49%	22%	22%	4%	0%	4%
	South Atlantic	44%	19%	0%	27%	9%	2%	54%	25%	12%	9%	0%	1%
	Mountain	39%	14%	4%	22%	15%	6%	53%	23%	6%	13%	3%	4%
	Pacific	44%	9%	6%	13%	22%	6%	37%	10%	13%	31%	3%	6%

Section 4

Provision of Health Care to Retired Employees

Which Retirees Receive Coverage:

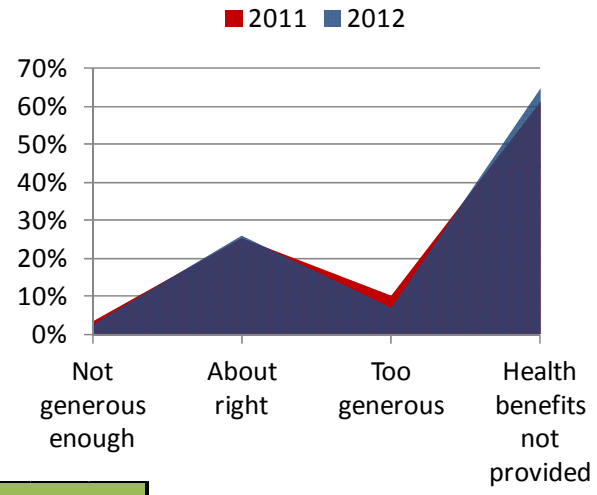
The number of local governments who do not provide health care to retirees increased from 46% to 59%, and the number providing coverage for pre-Medicare also dropped from 17% to 12%. The Midwest Region was the most likely to not provide retiree health care.

Q9 Which Retirees Receive Coverage		2012				2011			
		Early (pre-Medicare) retirees only	Medicare retirees only	Early and Medicare retirees	Neither early nor Medicare retirees	Early (pre-Medicare) retirees only	Medicare retirees only	Early and Medicare retirees	Neither early nor Medicare retirees
Overall		**12%**	**3%**	**26%**	**59%**	**17%**	**2%**	**36%**	**46%**
Full-Time Employees	0-10	2%	5%	6%	87%	2%	3%	8%	87%
	11-50	9%	4%	20%	67%	13%	2%	34%	51%
	51-100	13%	4%	28%	55%	16%	3%	43%	39%
	101-250	22%	2%	38%	38%	26%	2%	44%	28%
	251+	19%	1%	58%	23%	30%	0%	53%	17%
Census Region	Northeast	9%	5%	36%	50%	8%	3%	51%	38%
	Midwest	13%	3%	16%	68%	17%	2%	30%	50%
	South	14%	5%	33%	49%	23%	1%	37%	39%
	West	9%	2%	27%	62%	16%	1%	28%	56%
Census Division	New England	9%	7%	41%	42%	7%	4%	49%	40%
	Middle Atlantic	9%	4%	34%	53%	9%	3%	52%	37%
	East North Central	6%	3%	21%	70%	15%	3%	35%	47%
	West North Central	26%	2%	7%	65%	22%	0%	20%	58%
	West South Central	9%	6%	25%	60%	25%	2%	33%	40%
	East South Central	14%	5%	14%	67%	26%	2%	14%	59%
	South Atlantic	17%	4%	45%	34%	20%	0%	52%	28%
	Mountain	5%	1%	15%	80%	17%	0%	13%	70%
	Pacific	13%	2%	36%	48%	15%	1%	37%	47%

Section 4: Provision of Health Care to Retired Employees

Attitude About Retiree Health Benefits:

Overall, the attitude toward retiree health benefits is unchanged. Respondents from the Northeast and larger employers were more likely to say retiree health benefits are "Too generous."

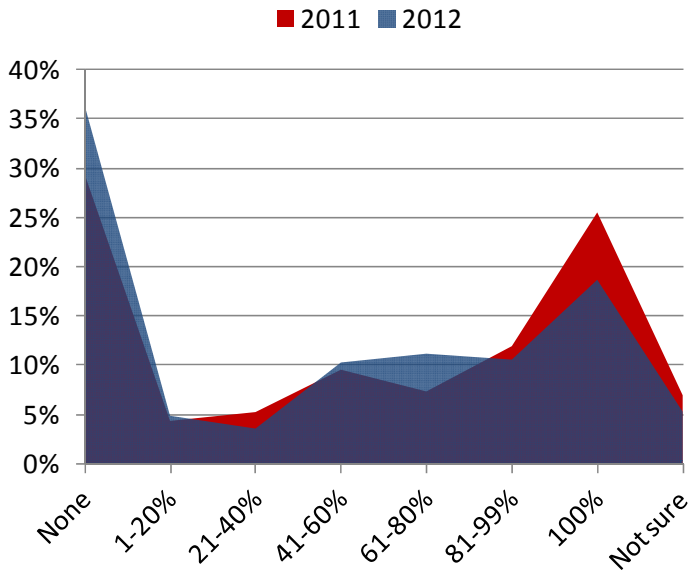


Q6 Retired Employee Health Benefits		2012				2011			
		Not generous enough	About right	Too generous	Health benefits not provided	Not generous enough	About right	Too generous	Health benefits not provided
Overall		**2%**	**26%**	**7%**	**65%**	**3%**	**25%**	**10%**	**61%**
Full-Time Employees	0-10	2%	11%	2%	85%	2%	11%	2%	85%
	11-50	3%	31%	6%	60%	3%	27%	7%	64%
	51-100	1%	37%	10%	51%	3%	38%	15%	44%
	101-250	3%	48%	12%	38%	4%	44%	15%	37%
	251+	4%	50%	23%	23%	6%	42%	29%	23%
Census Region	Northeast	1%	31%	13%	54%	1%	27%	15%	57%
	Midwest	2%	20%	4%	75%	3%	21%	8%	67%
	South	4%	39%	6%	50%	6%	36%	8%	49%
	West	3%	21%	10%	67%	2%	19%	12%	67%
Census Division	New England	2%	39%	14%	45%	1%	25%	11%	62%
	Middle Atlantic	1%	29%	13%	58%	1%	28%	17%	55%
	East North Central	3%	20%	4%	74%	3%	21%	11%	65%
	West North Central	1%	20%	3%	77%	4%	20%	4%	72%
	West South Central	5%	30%	5%	60%	5%	34%	6%	56%
	East South Central	5%	30%	5%	60%	9%	39%	2%	50%
	South Atlantic	3%	54%	8%	35%	6%	37%	15%	43%
	Mountain	3%	15%	5%	77%	2%	15%	5%	78%
	Pacific	2%	26%	15%	56%	1%	23%	17%	59%

Section 4: Provision of Health Care to Retired Employees

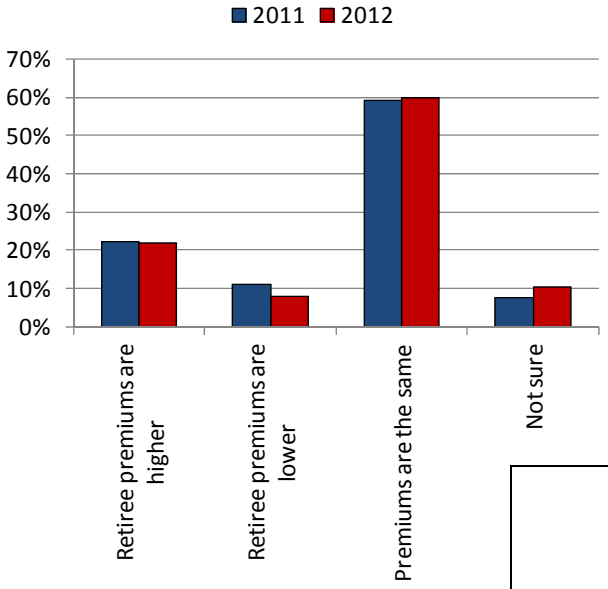
Employer Share of Early Retiree (Pre-Medicare) Premiums:

The percentage of premium paid by employers declined significantly from 2011 to 2012. In 2011, 37% paid 80% or more of the premium. In 2012, that percentage dropped to 29%.



Q10 Percentage of Early Retiree Premium Paid by Employer		2012								2011							
		None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure	None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure
Overall		**36%**	**5%**	**4%**	**10%**	**11%**	**11%**	**19%**	**5%**	**29%**	**4%**	**5%**	**10%**	**7%**	**12%**	**26%**	**7%**
Full-Time Employees	0-10	37%	4%	0%	11%	6%	6%	20%	17%	39%	0%	0%	8%	0%	0%	42%	12%
	11-50	38%	3%	4%	7%	9%	8%	27%	5%	31%	7%	2%	10%	4%	10%	30%	6%
	51-100	32%	0%	5%	10%	14%	12%	20%	7%	31%	3%	7%	4%	13%	7%	33%	3%
	101-250	52%	4%	3%	7%	9%	10%	13%	4%	29%	2%	4%	8%	7%	16%	28%	6%
	251+	27%	9%	4%	15%	14%	13%	16%	2%	27%	5%	8%	12%	8%	14%	16%	9%
Census Region	Northeast	15%	3%	3%	14%	20%	15%	25%	5%	15%	3%	3%	14%	7%	19%	34%	5%
	Midwest	54%	3%	3%	6%	6%	8%	15%	4%	40%	5%	4%	7%	5%	11%	22%	6%
	South	39%	7%	4%	12%	12%	8%	14%	6%	28%	2%	6%	12%	10%	9%	25%	8%
	West	31%	6%	5%	8%	6%	13%	24%	7%	28%	10%	10%	5%	7%	10%	23%	8%
Census Division	New England	20%	4%	2%	20%	29%	11%	11%	2%	20%	0%	4%	28%	20%	16%	8%	4%
	Middle Atlantic	12%	2%	4%	11%	15%	17%	33%	6%	13%	4%	3%	9%	3%	20%	44%	6%
	East North Central	45%	5%	1%	6%	7%	11%	19%	5%	33%	5%	5%	7%	6%	12%	26%	6%
	West North Central	74%	0%	6%	6%	4%	2%	6%	2%	59%	5%	0%	7%	2%	9%	11%	7%
	West South Central	50%	13%	3%	10%	15%	3%	8%	0%	44%	6%	8%	8%	6%	2%	21%	4%
	East South Central	21%	8%	4%	17%	8%	13%	8%	21%	13%	0%	4%	9%	26%	13%	22%	13%
	South Atlantic	38%	4%	4%	11%	11%	9%	18%	4%	23%	0%	5%	15%	8%	12%	28%	9%
	Mountain	62%	5%	0%	14%	5%	5%	5%	5%	50%	19%	19%	0%	0%	6%	6%	0%
	Pacific	22%	6%	6%	6%	6%	15%	31%	8%	20%	7%	7%	7%	9%	11%	29%	11%

Section 4: Provision of Health Care to Retired Employees

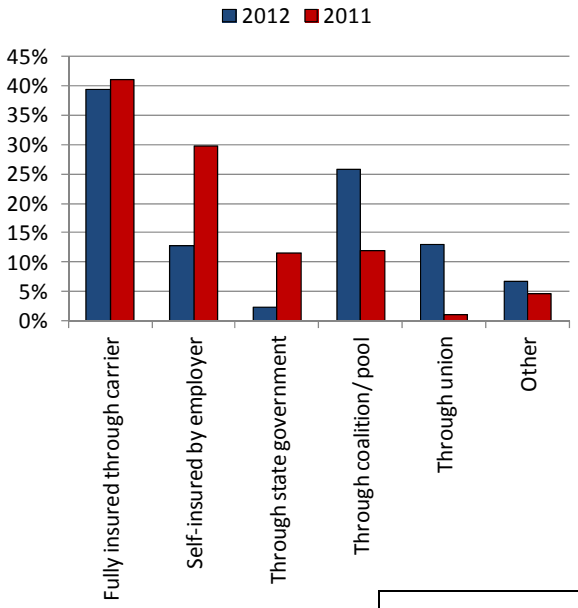


Employer Share of Early Retiree Premiums:

Early retiree health care premiums are the same as active member premiums for over half of the respondents that offer retiree health care (60% in 2011). This suggests that many of the governments offering early retiree health care subsidize the premium rate by blending the costs of active and retired members.

Q11 Early retiree premiums compared with active		2012				2011			
		Retiree premiums are higher	Retiree premiums are lower	Premiums are the same	Not sure	Retiree premiums are higher	Retiree premiums are lower	Premiums are the same	Not sure
Overall		**22%**	**8%**	**60%**	**10%**	**22%**	**11%**	**59%**	**8%**
Full-Time Employees	0-10	8%	21%	35%	35%	17%	25%	29%	29%
	11-50	21%	12%	56%	11%	13%	17%	60%	10%
	51-100	19%	11%	55%	15%	18%	7%	70%	4%
	101-250	18%	2%	74%	6%	21%	11%	62%	6%
	251+	30%	5%	62%	4%	30%	8%	57%	5%
Census Region	Northeast	14%	13%	63%	10%	11%	21%	60%	8%
	Midwest	22%	6%	64%	8%	23%	11%	57%	8%
	South	30%	4%	53%	13%	27%	7%	57%	8%
	West	18%	12%	62%	8%	24%	5%	68%	3%
Census Division	New England	4%	7%	73%	16%	21%	13%	58%	8%
	Middle Atlantic	20%	17%	57%	7%	8%	23%	60%	8%
	East North Central	24%	8%	56%	12%	24%	14%	53%	9%
	West North Central	18%	2%	80%	0%	21%	5%	67%	7%
	West South Central	42%	0%	49%	10%	40%	8%	44%	8%
	East South Central	25%	4%	33%	38%	26%	4%	57%	13%
	South Atlantic	26%	5%	60%	8%	20%	8%	66%	6%
	Mountain	24%	0%	71%	5%	27%	7%	67%	0%
	Pacific	17%	15%	59%	9%	23%	4%	69%	4%

Section 4: Provision of Health Care to Retired Employees



How Early Retirees are Insured:

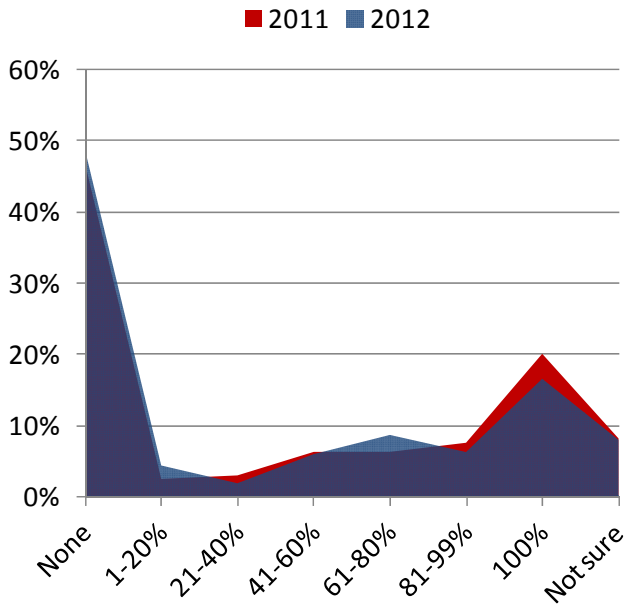
In 2012, the percentage covered through a pool or through the union increased, while the percentage self insured or insured through the state declined.

Q12 How Early Retiree Benefits Are Insured		2012						2011					
		Fully insured through carrier	Self-insured by employer	Through state government	Through coalition/ pool	Through union	Other	Fully insured through carrier	Self-insured by employer	Through state government	Through coalition/ pool	Through union	Other
Overall		**39%**	**13%**	**2%**	**26%**	**13%**	**7%**	**41%**	**30%**	**12%**	**12%**	**1%**	**5%**
Full-Time Employees	0-10	30%	14%	7%	9%	19%	21%	48%	0%	29%	0%	5%	19%
	11-50	61%	14%	1%	8%	11%	7%	52%	4%	16%	17%	3%	9%
	51-100	43%	12%	1%	11%	23%	10%	59%	11%	13%	13%	1%	3%
	101-250	38%	7%	3%	30%	16%	6%	41%	20%	13%	21%	0%	4%
	251+	29%	16%	2%	44%	6%	2%	28%	59%	6%	6%	0%	1%
Census Region	Northeast	42%	11%	2%	18%	19%	9%	49%	16%	17%	13%	3%	3%
	Midwest	46%	7%	1%	28%	11%	7%	40%	31%	6%	14%	1%	8%
	South	33%	18%	2%	35%	9%	4%	36%	37%	14%	12%	0%	2%
	West	39%	15%	6%	17%	17%	7%	43%	31%	13%	8%	2%	3%
Census Division	New England	36%	4%	0%	31%	24%	4%	42%	29%	13%	17%	0%	0%
	Middle Atlantic	45%	14%	4%	10%	15%	12%	51%	11%	18%	11%	4%	4%
	East North Central	47%	9%	1%	24%	10%	9%	43%	31%	7%	8%	1%	11%
	West North Central	45%	4%	0%	35%	12%	4%	33%	33%	2%	29%	0%	2%
	West South Central	40%	8%	5%	30%	10%	8%	40%	40%	2%	15%	0%	2%
	East South Central	33%	29%	4%	21%	0%	13%	35%	30%	26%	9%	0%	0%
	South Atlantic	29%	19%	0%	41%	10%	1%	34%	36%	17%	10%	0%	3%
	Mountain	19%	24%	5%	33%	14%	5%	44%	50%	0%	0%	6%	0%
	Pacific	45%	13%	6%	11%	17%	8%	42%	24%	18%	11%	0%	4%

Section 4: Provision of Health Care to Retired Employees

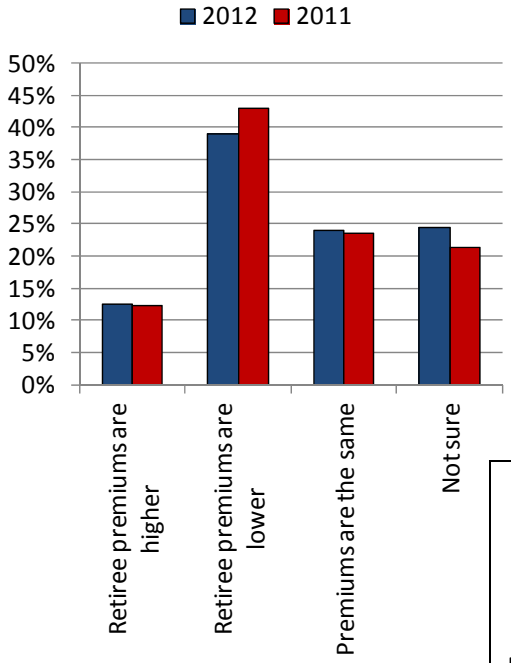
Employer Share of Medicare Retiree Premiums:

The percentage of premium paid by employers declined slightly from 2011 to 2012. In 2011, 28% paid 80% or more of the premium. In 2012, that percentage dropped to 23%.



Q13 Percentage of Medicare Retiree Premium Paid by Employer		2012								2011							
		None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure	None	1-20%	21-40%	41-60%	61-80%	81-99%	100%	Not sure
Overall		**49%**	**4%**	**2%**	**6%**	**9%**	**6%**	**17%**	**8%**	**47%**	**2%**	**3%**	**6%**	**6%**	**8%**	**20%**	**8%**
Full-Time Employees	0-10	26%	6%	0%	4%	6%	8%	20%	30%	38%	0%	0%	0%	4%	0%	42%	17%
	11-50	52%	5%	1%	3%	9%	4%	20%	6%	44%	3%	1%	8%	4%	7%	25%	7%
	51-100	39%	0%	3%	6%	7%	6%	28%	13%	49%	2%	3%	0%	7%	4%	24%	12%
	101-250	64%	4%	1%	5%	7%	7%	8%	5%	53%	3%	1%	3%	5%	9%	21%	5%
	251+	48%	6%	3%	10%	10%	7%	14%	3%	46%	2%	5%	9%	8%	9%	13%	8%
Census Region	Northeast	27%	4%	2%	12%	16%	9%	23%	8%	25%	0%	2%	7%	6%	10%	39%	10%
	Midwest	64%	3%	2%	1%	6%	6%	12%	6%	51%	3%	3%	4%	7%	10%	17%	5%
	South	56%	6%	2%	6%	6%	4%	12%	8%	59%	2%	1%	9%	7%	3%	11%	8%
	West	42%	5%	1%	4%	7%	8%	22%	11%	42%	7%	7%	3%	3%	7%	18%	13%
Census Division	New England	30%	2%	4%	15%	30%	9%	4%	4%	38%	0%	0%	13%	13%	8%	13%	17%
	Middle Atlantic	25%	5%	0%	10%	8%	9%	34%	10%	21%	0%	3%	6%	4%	11%	47%	8%
	East North Central	50%	4%	3%	2%	7%	8%	17%	8%	42%	4%	4%	4%	8%	11%	23%	5%
	West North Central	95%	0%	0%	0%	2%	0%	2%	0%	76%	0%	2%	2%	2%	10%	2%	5%
	West South Central	61%	12%	2%	7%	12%	0%	2%	2%	75%	4%	0%	6%	4%	0%	6%	4%
	East South Central	58%	0%	0%	4%	0%	0%	17%	21%	57%	4%	4%	0%	9%	0%	17%	9%
	South Atlantic	53%	4%	2%	6%	5%	6%	15%	7%	49%	0%	1%	14%	8%	6%	12%	10%
	Mountain	70%	0%	5%	10%	5%	0%	0%	10%	67%	7%	20%	7%	0%	0%	0%	0%
	Pacific	34%	6%	0%	2%	8%	11%	29%	11%	33%	7%	2%	2%	4%	9%	24%	18%

Section 4: Provision of Health Care to Retired Employees

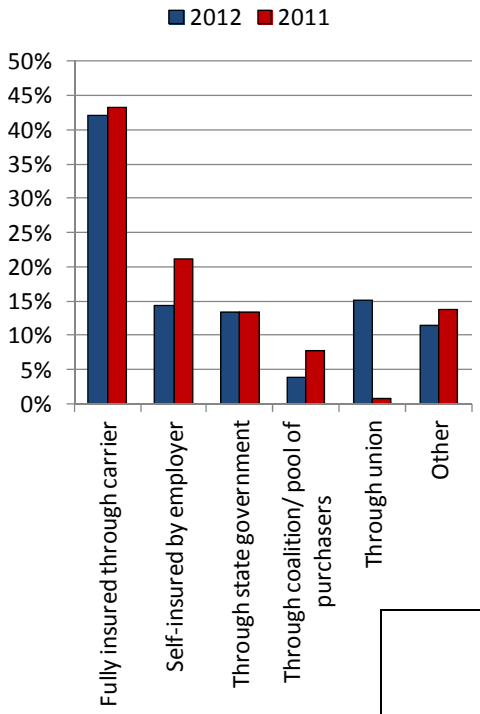


Employer Share of Medicare Retiree Premiums:

Medicare retiree health care premiums are lower than active member premiums for 39% of the respondents that offer retiree health care. This suggests that many of the governments offering retiree health care subsidize the premium rate by blending the costs of active and retired members.

Q14 Medicare Retiree Premiums Compared With Active		2012				2011			
		Retiree premiums are higher	Retiree premiums are lower	Premiums are the same	Not sure	Retiree premiums are higher	Retiree premiums are lower	Premiums are the same	Not sure
Overall		**13%**	**39%**	**24%**	**25%**	**12%**	**43%**	**24%**	**21%**
Full-Time Employees	0-10	2%	38%	13%	47%	4%	48%	9%	39%
	11-50	6%	44%	22%	29%	10%	50%	21%	19%
	51-100	10%	47%	17%	27%	13%	39%	25%	23%
	101-250	18%	24%	36%	22%	13%	43%	28%	16%
	251+	18%	43%	23%	16%	14%	40%	24%	22%
Census Region	Northeast	5%	56%	22%	17%	7%	66%	14%	13%
	Midwest	18%	30%	22%	29%	15%	42%	24%	19%
	South	16%	31%	28%	26%	12%	29%	31%	28%
	West	8%	43%	23%	26%	14%	41%	20%	25%
Census Division	New England	5%	47%	28%	21%	10%	52%	24%	14%
	Middle Atlantic	6%	62%	18%	14%	6%	70%	12%	13%
	East North Central	20%	39%	20%	21%	16%	49%	17%	17%
	West North Central	13%	7%	29%	52%	11%	22%	43%	24%
	West South Central	20%	17%	23%	40%	15%	18%	26%	41%
	East South Central	0%	37%	16%	47%	11%	26%	16%	47%
	South Atlantic	18%	35%	33%	15%	11%	36%	38%	15%
	Mountain	6%	35%	35%	24%	13%	25%	38%	25%
	Pacific	9%	45%	20%	27%	15%	44%	17%	24%

Section 4: Provision of Health Care to Retired Employees



How Medicare Retirees are Insured:

In 2012, the percentage covered through the union increased, while all other areas declined, except for insured through the state government, which remained the same.

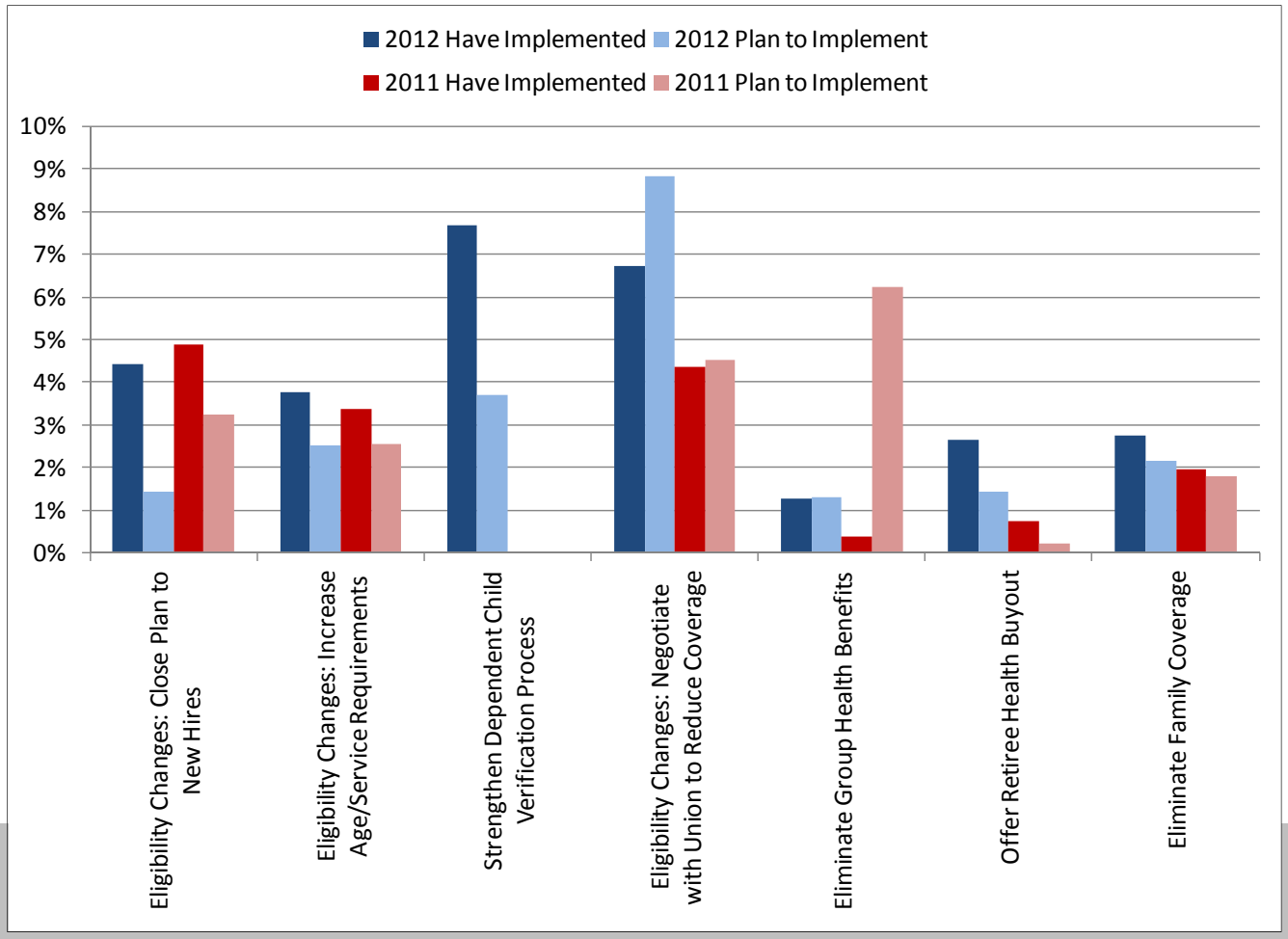
Q15 How health benefits insured for Medicare retirees		2012						2011					
		Fully insured through carrier	Self-insured by employer	Through state government	Through coalition/ pool of purchasers	Through union	Other	Fully insured through carrier	Self-insured by employer	Through state government	Through coalition/ pool of purchasers	Through union	Other
Overall		**42%**	**14%**	**13%**	**4%**	**15%**	**12%**	**43%**	**21%**	**13%**	**8%**	**1%**	**14%**
Full-Time Employees	0-10	33%	12%	17%	7%	7%	24%	39%	0%	44%	0%	0%	17%
	11-50	61%	14%	9%	3%	3%	10%	52%	3%	16%	12%	2%	15%
	51-100	45%	21%	21%	2%	5%	7%	56%	13%	13%	8%	2%	10%
	101-250	38%	8%	18%	5%	17%	15%	44%	14%	12%	14%	0%	16%
	251+	34%	17%	8%	4%	28%	9%	33%	42%	9%	3%	0%	13%
Census Region	Northeast	45%	15%	15%	5%	10%	10%	50%	18%	17%	7%	2%	6%
	Midwest	49%	8%	12%	4%	19%	9%	47%	21%	8%	9%	0%	15%
	South	39%	19%	10%	1%	19%	13%	40%	22%	14%	6%	0%	18%
	West	33%	15%	19%	7%	11%	14%	29%	25%	20%	10%	2%	14%
Census Division	New England	39%	11%	23%	5%	16%	7%	48%	33%	10%	10%	0%	0%
	Middle Atlantic	49%	17%	10%	6%	7%	13%	51%	13%	19%	6%	3%	8%
	East North Central	52%	11%	12%	3%	17%	5%	50%	22%	9%	5%	0%	13%
	West North Central	39%	0%	12%	8%	23%	19%	36%	18%	3%	21%	0%	21%
	West South Central	44%	9%	13%	0%	16%	19%	38%	24%	5%	11%	0%	22%
	East South Central	38%	38%	0%	6%	0%	19%	22%	22%	17%	6%	0%	33%
	South Atlantic	38%	18%	11%	0%	23%	10%	47%	20%	19%	3%	0%	11%
	Mountain	22%	28%	17%	6%	22%	6%	0%	67%	0%	0%	11%	22%
	Pacific	37%	11%	20%	7%	7%	17%	35%	15%	25%	13%	0%	13%

Section 5

Health Care Strategies

Changes in Eligibility:

In 2011, about 6% of respondents planned to eliminate group health benefits. In 2012, we see that few did so; however, just over 4% closed plans to new hires. Most activity in 2012 focused on negotiating with unions to reduce coverage and also strengthening the dependent child verification process.



Section 5: Health Care Strategies

Q22a Eligibility Changes: Close Plan to New Hires		2012					2011				
		Percentage of Respondents Taking Action		Populations Affected			Percentage of Respondents Taking Action		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**4%**	**1%**	**72%**	**22%**	**27%**	**5%**	**3%**	**36%**	**57%**	**43%**
Full-Time Employees	0-10	2%	2%	67%	0%	11%	3%	2%	18%	18%	59%
	11-50	6%	1%	90%	20%	23%	4%	2%	36%	68%	82%
	51-100	4%	2%	69%	23%	23%	4%	4%	83%	75%	33%
	101-250	4%	1%	75%	8%	8%	6%	5%	17%	56%	22%
	251+	9%	1%	56%	48%	52%	8%	5%	41%	71%	21%
Census Region	Northeast	5%	2%	86%	18%	18%	5%	2%	41%	100%	53%
	Midwest	5%	1%	85%	26%	21%	5%	3%	35%	83%	57%
	South	4%	1%	57%	19%	33%	6%	5%	34%	13%	24%
	West	3%	2%	47%	27%	47%	2%	1%	43%	29%	43%
Census Division	New England	5%	1%	67%	17%	0%	4%	1%	75%	125%	75%
	Middle Atlantic	5%	3%	94%	19%	25%	5%	2%	31%	92%	46%
	East North Central	7%	1%	69%	23%	17%	7%	4%	38%	88%	53%
	West North Central	1%	0%	225%	50%	50%	2%	2%	17%	50%	83%
	West South Central	3%	1%	67%	0%	17%	5%	4%	33%	8%	33%
	East South Central	1%	0%	0%	0%	0%	9%	2%	33%	11%	22%
	South Atlantic	7%	2%	36%	29%	43%	5%	7%	35%	18%	18%
	Mountain	1%	1%	67%	67%	100%	0%	0%	0%	0%	0%
	Pacific	5%	3%	42%	17%	33%	3%	2%	29%	29%	29%

Q22b Eligibility Changes: Increase Age/Service Requirements		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**4%**	**3%**	**67%**	**30%**	**14%**	**3%**	**3%**	**151%**	**77%**	**75%**
Full-Time Employees	0-10	2%	2%	62%	10%	10%	2%	3%	100%	128%	78%
	11-50	2%	2%	100%	20%	5%	3%	2%	205%	71%	67%
	51-100	4%	3%	75%	38%	6%	2%	1%	320%	160%	120%
	101-250	3%	3%	85%	8%	8%	4%	3%	120%	60%	60%
	251+	10%	4%	40%	51%	29%	6%	3%	120%	36%	76%
Census Region	Northeast	4%	4%	81%	23%	4%	4%	2%	293%	107%	93%
	Midwest	3%	2%	93%	29%	14%	3%	2%	152%	74%	81%
	South	5%	2%	32%	42%	26%	4%	3%	42%	63%	71%
	West	4%	3%	65%	20%	10%	2%	3%	182%	64%	27%
Census Division	New England	3%	3%	50%	17%	0%	0%	1%	0%	0%	0%
	Middle Atlantic	4%	5%	90%	25%	5%	5%	3%	236%	71%	79%
	East North Central	4%	2%	73%	31%	15%	4%	3%	136%	79%	82%
	West North Central	0%	0%	350%	0%	0%	1%	1%	300%	33%	67%
	West South Central	3%	1%	0%	80%	20%	4%	2%	29%	71%	43%
	East South Central	2%	2%	125%	25%	25%	0%	2%	0%	0%	0%
	South Atlantic	10%	4%	23%	36%	27%	7%	3%	40%	33%	60%
	Mountain	1%	1%	75%	25%	0%	2%	1%	67%	100%	33%
	Pacific	6%	4%	63%	19%	13%	2%	5%	225%	50%	25%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22c Eligibility Changes: Strengthen Dependent Child Verification Process		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**8%**	**4%**	**83%**	**28%**	**17%**
Full-Time Employees	0-10	2%	2%	77%	9%	5%
	11-50	5%	2%	100%	13%	9%
	51-100	5%	5%	82%	18%	14%
	101-250	10%	3%	68%	14%	7%
	251+	25%	9%	84%	45%	28%
Census Region	Northeast	7%	3%	85%	42%	27%
	Midwest	7%	3%	94%	12%	9%
	South	9%	4%	74%	45%	25%
	West	8%	4%	78%	19%	14%
Census Division	New England	10%	3%	77%	62%	46%
	Middle Atlantic	6%	3%	90%	30%	15%
	East North Central	9%	5%	93%	11%	9%
	West North Central	3%	2%	100%	18%	9%
	West South Central	5%	5%	60%	53%	27%
	East South Central	4%	1%	140%	20%	20%
	South Atlantic	15%	5%	70%	45%	24%
	Mountain	4%	4%	83%	8%	8%
	Pacific	11%	4%	76%	24%	16%

Q22d Eligibility Changes: Eligibility Changes: Negotiate with Union to Reduce Coverage		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**7%**	**9%**	**75%**	**17%**	**8%**	**4%**	**5%**	**45%**	**19%**	**24%**
Full-Time Employees	0-10	2%	3%	68%	4%	4%	1%	1%	43%	0%	14%
	11-50	7%	8%	82%	11%	2%	5%	3%	43%	17%	27%
	51-100	7%	11%	74%	18%	8%	5%	5%	38%	25%	38%
	101-250	10%	14%	71%	16%	5%	5%	6%	33%	17%	22%
	251+	14%	15%	76%	28%	16%	8%	10%	53%	21%	19%
Census Region	Northeast	15%	18%	71%	21%	9%	6%	5%	61%	29%	43%
	Midwest	7%	8%	78%	17%	8%	6%	3%	40%	19%	25%
	South	1%	2%	100%	31%	8%	1%	3%	53%	29%	12%
	West	5%	9%	72%	7%	7%	3%	8%	32%	0%	8%
Census Division	New England	20%	21%	62%	31%	15%	8%	3%	63%	50%	75%
	Middle Atlantic	12%	17%	77%	15%	5%	5%	6%	60%	20%	30%
	East North Central	9%	10%	74%	10%	6%	8%	4%	36%	19%	24%
	West North Central	3%	6%	90%	43%	14%	2%	2%	67%	17%	33%
	West South Central	2%	1%	100%	60%	20%	2%	2%	67%	17%	17%
	East South Central	0%	2%	0%	0%	0%	0%	5%	0%	0%	0%
	South Atlantic	1%	2%	67%	17%	0%	1%	3%	57%	43%	14%
	Mountain	1%	3%	80%	20%	20%	1%	2%	0%	0%	0%
	Pacific	9%	15%	71%	5%	5%	5%	13%	36%	0%	9%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22e Eligibility Changes: Eliminate Group Health Benefits		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**1%**	**1%**	**74%**	**26%**	**26%**	**0%**	**6%**	**19%**	**22%**	**15%**
Full-Time Employees	0-10	0%	1%	100%	0%	13%	0%	5%	0%	0%	0%
	11-50	1%	1%	100%	11%	22%	1%	6%	25%	33%	17%
	51-100	1%	1%	67%	33%	17%	0%	10%	0%	0%	0%
	101-250	3%	1%	44%	22%	11%	1%	6%	17%	17%	8%
	251+	2%	2%	64%	55%	55%	0%	7%	6%	11%	22%
Census Region	Northeast	2%	2%	69%	38%	23%	0%	3%	0%	0%	0%
	Midwest	1%	1%	83%	25%	25%	1%	6%	29%	24%	24%
	South	1%	1%	56%	22%	33%	0%	10%	0%	0%	0%
	West	2%	1%	100%	13%	25%	0%	5%	8%	17%	0%
Census Division	New England	4%	1%	60%	80%	40%	0%	0%	0%	0%	0%
	Middle Atlantic	1%	2%	75%	13%	13%	0%	4%	0%	0%	0%
	East North Central	1%	2%	50%	30%	30%	1%	4%	47%	47%	41%
	West North Central	0%	0%	250%	0%	0%	0%	10%	0%	0%	0%
	West South Central	0%	1%	0%	0%	0%	0%	9%	0%	0%	0%
	East South Central	1%	0%	0%	0%	0%	0%	15%	0%	0%	0%
	South Atlantic	2%	2%	14%	29%	43%	0%	8%	0%	0%	0%
	Mountain	1%	1%	100%	25%	25%	0%	7%	0%	0%	0%
	Pacific	2%	1%	100%	0%	25%	1%	4%	17%	33%	0%

Q22f Eligibility Changes: Offer Retiree Health Buyout		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**3%**	**1%**	**72%**	**7%**	**7%**	**1%**	**0%**	**192%**	**23%**	**15%**
Full-Time Employees	0-10	1%	2%	59%	0%	0%	0%	0%	0%	0%	0%
	11-50	3%	1%	85%	10%	5%	1%	0%	0%	0%	0%
	51-100	4%	2%	77%	15%	8%	2%	1%	100%	0%	25%
	101-250	3%	1%	75%	0%	0%	0%	0%	0%	0%	0%
	251+	3%	1%	60%	10%	30%	2%	0%	220%	60%	20%
Census Region	Northeast	9%	2%	74%	6%	3%	1%	0%	0%	0%	0%
	Midwest	2%	1%	90%	10%	10%	1%	0%	220%	20%	0%
	South	1%	1%	38%	13%	25%	1%	0%	175%	25%	0%
	West	0%	1%	0%	0%	0%	0%	0%	100%	0%	50%
Census Division	New England	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Middle Atlantic	8%	3%	76%	8%	4%	1%	0%	0%	0%	0%
	East North Central	2%	2%	67%	11%	11%	1%	0%	160%	20%	0%
	West North Central	0%	0%	300%	0%	0%	0%	0%	0%	0%	0%
	West South Central	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%
	East South Central	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
	South Atlantic	1%	3%	0%	14%	29%	1%	0%	0%	0%	0%
	Mountain	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
	Pacific	0%	1%	0%	0%	0%	1%	1%	100%	0%	50%

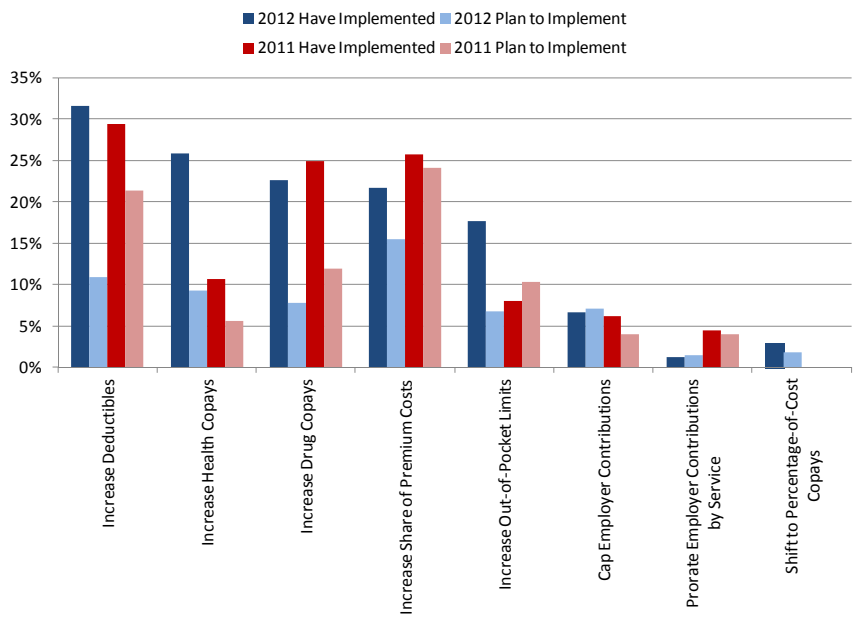
Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22g Eligibility Changes: Eliminate Family Coverage		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**3%**	**2%**	**63%**	**9%**	**10%**	**2%**	**2%**	**12%**	**56%**	**8%**
Full-Time Employees	0-10	4%	3%	53%	3%	5%	3%	3%	4%	4%	0%
	11-50	3%	2%	88%	13%	13%	2%	2%	14%	43%	7%
	51-100	2%	1%	67%	17%	17%	3%	4%	0%	40%	0%
	101-250	2%	2%	56%	22%	11%	0%	0%	0%	0%	0%
	251+	0%	1%	33%	0%	33%	1%	0%	0%	0%	0%
Census Region	Northeast	3%	3%	37%	21%	11%	2%	4%	0%	40%	0%
	Midwest	2%	2%	62%	8%	8%	3%	2%	21%	42%	8%
	South	4%	1%	82%	5%	5%	1%	1%	13%	125%	25%
	West	2%	2%	71%	0%	21%	1%	0%	0%	67%	0%
Census Division	New England	4%	0%	0%	0%	0%	0%	4%	0%	0%	0%
	Middle Atlantic	2%	5%	40%	7%	7%	2%	5%	0%	42%	0%
	East North Central	1%	3%	59%	12%	12%	3%	2%	26%	26%	11%
	West North Central	3%	1%	67%	0%	0%	2%	1%	0%	100%	0%
	West South Central	3%	1%	71%	14%	14%	1%	0%	0%	0%	0%
	East South Central	7%	0%	0%	0%	0%	4%	4%	0%	50%	0%
	South Atlantic	4%	1%	56%	0%	0%	1%	0%	0%	0%	0%
	Mountain	3%	2%	75%	0%	0%	1%	0%	0%	0%	0%
	Pacific	1%	3%	67%	0%	50%	1%	1%	0%	100%	0%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies



Changes in Contribution Structure:

In 2012, respondents report a greater focus on copays than in 2011. As in past years, increases in deductibles and larger shares of premium costs also are strong themes.

Q22i Contribution Changes: Increase Deductibles		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	Plan to Implement	Active	Early Retiree	Medicare Retiree	Have Implemented	Plan to Implement	Active	Early Retiree	Medicare Retiree
Overall		**32%**	**11%**	**71%**	**23%**	**12%**	**29%**	**21%**	**50%**	**33%**	**29%**
Full-Time Employees	0-10	19%	6%	63%	3%	4%	15%	12%	41%	19%	27%
	11-50	33%	11%	73%	12%	7%	30%	21%	43%	34%	33%
	51-100	37%	14%	76%	20%	11%	32%	19%	51%	29%	21%
	101-250	40%	17%	65%	26%	11%	37%	31%	56%	31%	21%
	251+	44%	14%	78%	52%	26%	43%	32%	58%	41%	33%
Census Region	Northeast	30%	15%	62%	21%	9%	19%	19%	55%	46%	26%
	Midwest	38%	10%	74%	21%	11%	35%	21%	50%	31%	30%
	South	26%	9%	74%	35%	18%	33%	27%	45%	28%	28%
	West	25%	11%	71%	15%	8%	21%	15%	54%	34%	29%
Census Division	New England	31%	21%	62%	34%	14%	22%	19%	50%	47%	30%
	Middle Atlantic	30%	12%	63%	13%	7%	17%	19%	57%	46%	24%
	East North Central	42%	12%	75%	20%	13%	35%	22%	51%	30%	27%
	West North Central	30%	8%	70%	24%	7%	36%	20%	49%	33%	36%
	West South Central	26%	8%	74%	34%	22%	30%	25%	46%	21%	28%
	East South Central	24%	8%	79%	18%	4%	40%	33%	35%	25%	18%
	South Atlantic	28%	10%	73%	43%	21%	31%	25%	53%	36%	35%
	Mountain	27%	13%	69%	12%	7%	33%	20%	55%	32%	40%
	Pacific	22%	10%	73%	20%	10%	12%	11%	52%	38%	10%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22j Contribution Changes: Increase Health Copays		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**26%**	**9%**	**72%**	**24%**	**15%**	**11%**	**6%**	**118%**	**89%**	**68%**
Full-Time Employees	0-10	14%	5%	67%	2%	4%	4%	1%	237%	200%	137%
	11-50	23%	10%	72%	10%	6%	9%	5%	132%	98%	70%
	51-100	30%	10%	74%	17%	10%	13%	8%	85%	67%	58%
	101-250	35%	14%	66%	29%	16%	9%	6%	148%	109%	83%
	251+	42%	12%	81%	54%	33%	23%	12%	90%	65%	52%
Census Region	Northeast	29%	14%	65%	22%	13%	3%	6%	248%	239%	183%
	Midwest	28%	8%	75%	19%	13%	12%	6%	115%	80%	57%
	South	24%	8%	73%	38%	23%	12%	5%	90%	71%	60%
	West	19%	8%	74%	17%	10%	14%	6%	90%	50%	40%
Census Division	New England	34%	21%	62%	34%	23%	4%	6%	243%	243%	157%
	Middle Atlantic	27%	11%	67%	14%	7%	3%	6%	250%	238%	194%
	East North Central	33%	10%	74%	19%	15%	11%	6%	122%	89%	63%
	West North Central	19%	4%	76%	20%	4%	13%	4%	100%	62%	41%
	West South Central	21%	7%	74%	36%	31%	12%	5%	87%	65%	57%
	East South Central	17%	7%	76%	19%	5%	9%	5%	73%	55%	64%
	South Atlantic	29%	8%	71%	46%	24%	15%	5%	100%	82%	61%
	Mountain	20%	8%	79%	12%	7%	13%	7%	94%	47%	47%
	Pacific	18%	7%	70%	23%	13%	14%	6%	88%	52%	36%

Q22k Contribution Changes: Increase Drug Copays		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**23%**	**8%**	**72%**	**26%**	**16%**	**25%**	**12%**	**41%**	**17%**	**69%**
Full-Time Employees	0-10	11%	4%	67%	4%	5%	15%	6%	36%	12%	75%
	11-50	22%	7%	74%	12%	7%	27%	13%	33%	11%	64%
	51-100	23%	9%	74%	14%	12%	26%	13%	56%	11%	62%
	101-250	29%	12%	62%	26%	13%	23%	12%	44%	20%	84%
	251+	41%	11%	80%	57%	37%	37%	17%	45%	27%	68%
Census Region	Northeast	25%	12%	63%	23%	14%	28%	13%	38%	17%	67%
	Midwest	25%	7%	75%	21%	12%	30%	13%	35%	16%	67%
	South	20%	5%	72%	39%	27%	16%	11%	49%	23%	92%
	West	18%	6%	77%	23%	15%	24%	10%	51%	12%	47%
Census Division	New England	32%	18%	67%	35%	23%	19%	14%	46%	29%	104%
	Middle Atlantic	21%	10%	61%	14%	7%	31%	13%	35%	13%	56%
	East North Central	30%	10%	76%	20%	15%	32%	12%	37%	16%	63%
	West North Central	16%	4%	72%	26%	2%	24%	14%	32%	16%	75%
	West South Central	18%	6%	77%	40%	31%	17%	12%	53%	24%	79%
	East South Central	17%	4%	63%	21%	11%	11%	9%	50%	13%	169%
	South Atlantic	24%	5%	71%	45%	31%	18%	11%	45%	26%	74%
	Mountain	18%	7%	83%	19%	14%	24%	10%	37%	7%	73%
	Pacific	18%	6%	71%	26%	16%	25%	10%	60%	16%	28%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22l Contribution Changes: Increase Share of Premium Costs		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**22%**	**16%**	**71%**	**17%**	**11%**	**26%**	**24%**	**61%**	**35%**	**20%**
Full-Time Employees	0-10	8%	11%	64%	3%	6%	15%	14%	59%	30%	26%
	11-50	20%	16%	80%	8%	4%	22%	20%	66%	39%	20%
	51-100	25%	19%	61%	12%	8%	28%	26%	64%	29%	24%
	101-250	35%	21%	66%	21%	10%	29%	31%	55%	29%	13%
	251+	37%	16%	77%	39%	25%	44%	38%	59%	40%	19%
Census Region	Northeast	27%	21%	68%	12%	8%	27%	26%	64%	26%	18%
	Midwest	24%	15%	71%	14%	8%	27%	25%	66%	36%	16%
	South	13%	11%	73%	40%	22%	26%	23%	47%	42%	22%
	West	20%	15%	72%	12%	10%	21%	21%	66%	32%	33%
Census Division	New England	27%	20%	56%	20%	13%	26%	26%	58%	29%	24%
	Middle Atlantic	26%	21%	73%	9%	6%	27%	26%	66%	24%	16%
	East North Central	30%	16%	70%	11%	9%	29%	24%	70%	30%	17%
	West North Central	14%	14%	73%	21%	8%	22%	26%	56%	49%	13%
	West South Central	9%	12%	84%	48%	32%	26%	23%	47%	44%	22%
	East South Central	7%	8%	69%	8%	0%	27%	26%	42%	33%	16%
	South Atlantic	21%	13%	68%	43%	21%	24%	20%	52%	45%	25%
	Mountain	18%	11%	76%	17%	12%	27%	26%	53%	40%	15%
	Pacific	23%	19%	70%	9%	9%	17%	18%	80%	23%	52%

Q22m Contribution Changes: Increase Out-of-Pocket Limits		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**18%**	**7%**	**72%**	**21%**	**12%**	**8%**	**10%**	**70%**	**50%**	**37%**
Full-Time Employees	0-10	9%	3%	63%	1%	6%	4%	2%	36%	18%	5%
	11-50	16%	6%	79%	8%	3%	5%	7%	53%	28%	32%
	51-100	20%	7%	70%	13%	7%	10%	12%	68%	38%	32%
	101-250	23%	12%	64%	22%	11%	11%	15%	76%	50%	36%
	251+	31%	10%	78%	49%	28%	15%	23%	84%	73%	48%
Census Region	Northeast	12%	8%	58%	18%	10%	7%	9%	62%	51%	54%
	Midwest	21%	8%	72%	18%	11%	9%	10%	74%	50%	35%
	South	17%	4%	73%	33%	19%	8%	13%	72%	57%	34%
	West	15%	6%	79%	14%	6%	8%	7%	63%	34%	28%
Census Division	New England	17%	8%	54%	25%	17%	11%	11%	56%	56%	50%
	Middle Atlantic	10%	7%	61%	13%	5%	5%	8%	65%	48%	57%
	East North Central	25%	9%	70%	17%	12%	9%	11%	83%	50%	33%
	West North Central	14%	6%	80%	22%	8%	10%	8%	53%	50%	40%
	West South Central	15%	5%	76%	31%	28%	9%	13%	75%	61%	29%
	East South Central	15%	2%	80%	7%	0%	4%	11%	67%	58%	25%
	South Atlantic	20%	4%	68%	45%	20%	9%	15%	71%	53%	41%
	Mountain	18%	7%	89%	14%	5%	9%	6%	77%	38%	31%
	Pacific	11%	5%	65%	15%	8%	7%	8%	53%	32%	26%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22n Contribution Changes: Cap Employer Contributions		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**7%**	**7%**	**68%**	**19%**	**12%**	**6%**	**4%**	**36%**	**47%**	**47%**
Full-Time Employees	0-10	3%	7%	50%	2%	6%	1%	1%	40%	20%	40%
	11-50	9%	6%	89%	14%	8%	5%	3%	30%	37%	40%
	51-100	5%	9%	60%	23%	13%	6%	6%	53%	53%	47%
	101-250	11%	8%	56%	24%	13%	8%	4%	47%	58%	53%
	251+	8%	7%	76%	41%	27%	15%	7%	30%	51%	49%
Census Region	Northeast	3%	5%	70%	11%	7%	4%	3%	35%	65%	76%
	Midwest	7%	8%	68%	16%	7%	6%	4%	40%	45%	47%
	South	4%	5%	63%	18%	13%	8%	3%	31%	59%	51%
	West	11%	8%	70%	28%	23%	7%	6%	38%	19%	19%
Census Division	New England	3%	4%	43%	14%	0%	4%	3%	20%	100%	80%
	Middle Atlantic	3%	6%	80%	10%	10%	4%	3%	42%	50%	75%
	East North Central	9%	8%	67%	15%	8%	6%	4%	50%	53%	61%
	West North Central	4%	9%	70%	17%	3%	5%	4%	13%	27%	13%
	West South Central	3%	5%	85%	31%	23%	10%	5%	26%	63%	53%
	East South Central	3%	4%	86%	0%	0%	1%	1%	150%	0%	50%
	South Atlantic	5%	5%	39%	17%	11%	9%	3%	22%	61%	50%
	Mountain	3%	5%	92%	38%	23%	5%	2%	33%	17%	33%
	Pacific	19%	11%	64%	26%	23%	8%	8%	40%	20%	15%

Q22o Contribution Changes: Prorate Employer Contributions by Service		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**1%**	**1%**	**73%**	**27%**	**22%**	**4%**	**4%**	**37%**	**22%**	**17%**
Full-Time Employees	0-10	1%	2%	60%	7%	13%	1%	1%	33%	11%	11%
	11-50	1%	1%	156%	33%	22%	2%	4%	43%	19%	5%
	51-100	1%	2%	71%	14%	14%	4%	4%	25%	33%	33%
	101-250	0%	1%	50%	25%	25%	6%	4%	38%	13%	13%
	251+	3%	1%	30%	60%	40%	13%	8%	37%	26%	20%
Census Region	Northeast	1%	2%	78%	22%	22%	6%	5%	37%	19%	15%
	Midwest	1%	1%	125%	33%	25%	4%	3%	33%	20%	13%
	South	1%	1%	50%	33%	8%	6%	4%	40%	23%	20%
	West	2%	2%	42%	25%	33%	1%	3%	40%	40%	30%
Census Division	New England	0%	1%	0%	0%	0%	8%	4%	33%	11%	11%
	Middle Atlantic	2%	2%	75%	25%	25%	5%	6%	39%	22%	17%
	East North Central	1%	1%	89%	44%	33%	5%	4%	30%	18%	12%
	West North Central	0%	1%	0%	0%	0%	2%	2%	43%	29%	14%
	West South Central	1%	2%	60%	60%	0%	6%	3%	50%	25%	8%
	East South Central	0%	0%	0%	0%	0%	1%	2%	0%	0%	33%
	South Atlantic	2%	2%	14%	14%	14%	8%	6%	40%	25%	25%
	Mountain	1%	1%	75%	0%	0%	2%	1%	33%	0%	33%
	Pacific	3%	2%	25%	38%	50%	1%	5%	43%	57%	29%

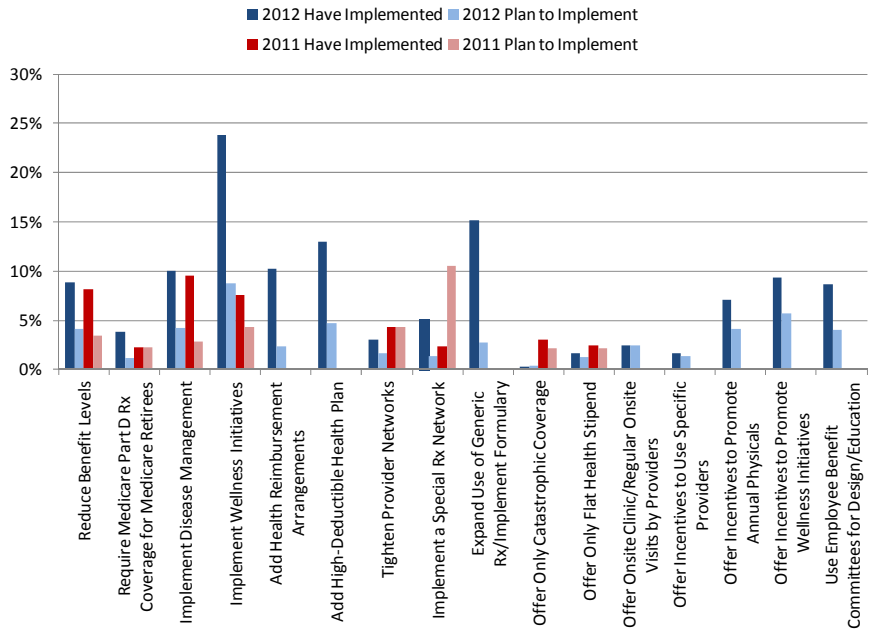
Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22p Contribution Changes: Shift to Percentage-of-Cost Copays		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**3%**	**2%**	**82%**	**18%**	**13%**
Full-Time Employees	0-10	1%	2%	50%	0%	6%
	11-50	3%	1%	125%	6%	6%
	51-100	3%	1%	75%	13%	25%
	101-250	3%	2%	73%	9%	9%
	251+	6%	4%	81%	41%	19%
Census Region	Northeast	4%	3%	65%	9%	4%
	Midwest	3%	2%	100%	17%	14%
	South	1%	1%	73%	36%	9%
	West	3%	1%	86%	21%	29%
Census Division	New England	7%	3%	60%	10%	0%
	Middle Atlantic	3%	3%	69%	8%	8%
	East North Central	5%	2%	86%	18%	14%
	West North Central	0%	0%	0%	0%	0%
	West South Central	0%	1%	0%	0%	0%
	East South Central	1%	0%	0%	0%	0%
	South Atlantic	3%	2%	38%	25%	0%
	Mountain	3%	2%	71%	43%	43%
	Pacific	4%	1%	100%	0%	14%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies



Changes in Design:

In 2012, respondents report a greater focus on wellness, high-deductible health plans, tighter Rx formularies, health reimbursement arrangements, and disease management.

Q22r Design Changes: Reduce Benefit Levels		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	Plan to Implement	*Active*	*Early Retiree*	*Medicare Retiree*	Have Implemented	Plan to Implement	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**9%**	**4%**	**75%**	**21%**	**10%**	**8%**	**3%**	**49%**	**30%**	**49%**
Full-Time Employees	0-10	4%	3%	64%	0%	6%	3%	1%	38%	6%	13%
	11-50	9%	2%	82%	8%	0%	6%	2%	34%	21%	31%
	51-100	11%	3%	93%	20%	7%	6%	4%	50%	25%	13%
	101-250	13%	8%	57%	15%	6%	14%	4%	54%	29%	54%
	251+	13%	7%	79%	54%	27%	17%	8%	55%	42%	74%
Census Region	Northeast	6%	7%	63%	10%	5%	5%	2%	74%	47%	58%
	Midwest	10%	4%	75%	18%	8%	8%	4%	51%	30%	54%
	South	9%	2%	71%	36%	17%	10%	3%	41%	26%	46%
	West	9%	4%	85%	21%	10%	8%	4%	38%	23%	42%
Census Division	New England	9%	8%	53%	12%	6%	6%	3%	33%	67%	83%
	Middle Atlantic	5%	6%	71%	8%	4%	5%	2%	92%	38%	46%
	East North Central	12%	5%	76%	19%	9%	10%	5%	57%	29%	41%
	West North Central	5%	2%	72%	17%	0%	5%	2%	25%	33%	108%
	West South Central	9%	2%	56%	19%	6%	13%	5%	35%	22%	39%
	East South Central	3%	0%	0%	0%	0%	7%	1%	29%	29%	43%
	South Atlantic	11%	2%	65%	43%	26%	8%	3%	56%	31%	56%
	Mountain	8%	5%	90%	25%	15%	13%	3%	29%	21%	50%
	Pacific	9%	3%	79%	16%	5%	6%	4%	50%	25%	33%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22s Design Changes: Require Medicare Part D Rx Coverage for Medicare Retirees		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**4%**	**1%**	**39%**	**8%**	**52%**	**2%**	**2%**	**45%**	**107%**	**213%**
Full-Time Employees	0-10	2%	0%	46%	0%	31%	1%	2%	56%	78%	189%
	11-50	2%	2%	67%	11%	33%	2%	2%	64%	79%	221%
	51-100	5%	1%	67%	25%	58%	1%	3%	67%	117%	283%
	101-250	3%	1%	18%	9%	55%	3%	4%	18%	91%	136%
	251+	9%	2%	14%	3%	69%	6%	2%	35%	145%	240%
Census Region	Northeast	7%	2%	32%	14%	61%	3%	2%	50%	64%	179%
	Midwest	3%	1%	57%	13%	39%	2%	2%	48%	120%	240%
	South	4%	1%	27%	0%	55%	3%	3%	33%	111%	161%
	West	3%	1%	45%	9%	55%	0%	2%	0%	0%	0%
Census Division	New England	10%	2%	17%	25%	67%	4%	1%	25%	50%	200%
	Middle Atlantic	5%	2%	44%	6%	56%	3%	3%	60%	70%	170%
	East North Central	3%	1%	47%	18%	41%	2%	3%	53%	124%	241%
	West North Central	2%	0%	83%	0%	33%	3%	2%	38%	113%	238%
	West South Central	4%	1%	13%	0%	63%	2%	1%	33%	233%	267%
	East South Central	0%	1%	0%	0%	0%	2%	4%	40%	100%	160%
	South Atlantic	7%	1%	23%	0%	54%	3%	3%	30%	80%	130%
	Mountain	2%	1%	50%	0%	75%	0%	2%	0%	0%	0%
	Pacific	3%	1%	43%	14%	43%	0%	2%	0%	0%	0%

Q22t Design Changes: Implement Disease Management		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**10%**	**4%**	**71%**	**31%**	**18%**	**10%**	**3%**	**40%**	**41%**	**21%**
Full-Time Employees	0-10	2%	2%	47%	5%	0%	5%	1%	8%	46%	21%
	11-50	3%	2%	95%	14%	9%	7%	3%	16%	32%	16%
	51-100	9%	5%	59%	14%	10%	7%	2%	21%	29%	29%
	101-250	21%	6%	69%	33%	21%	10%	4%	57%	35%	13%
	251+	31%	11%	75%	44%	23%	21%	5%	63%	49%	24%
Census Region	Northeast	6%	3%	68%	32%	19%	9%	1%	24%	36%	16%
	Midwest	9%	5%	75%	26%	16%	11%	3%	37%	44%	24%
	South	14%	4%	71%	36%	17%	9%	3%	58%	47%	21%
	West	12%	4%	68%	34%	21%	9%	5%	34%	31%	17%
Census Division	New England	10%	5%	60%	40%	20%	17%	0%	0%	0%	0%
	Middle Atlantic	5%	3%	75%	25%	19%	6%	1%	38%	46%	23%
	East North Central	9%	6%	74%	20%	15%	10%	3%	31%	43%	24%
	West North Central	7%	2%	76%	48%	19%	11%	2%	50%	45%	23%
	West South Central	11%	3%	71%	38%	14%	12%	2%	61%	50%	22%
	East South Central	3%	3%	117%	17%	0%	6%	4%	38%	50%	13%
	South Atlantic	23%	5%	65%	38%	21%	8%	4%	65%	41%	24%
	Mountain	13%	4%	60%	24%	20%	6%	7%	36%	45%	18%
	Pacific	11%	3%	77%	45%	23%	11%	3%	33%	22%	17%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22u Design Changes: Implement Wellness Initiatives		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**24%**	**9%**	**69%**	**15%**	**9%**	**8%**	**4%**	**84%**	**88%**	**20%**
Full-Time Employees	0-10	5%	4%	58%	4%	4%	3%	1%	62%	162%	46%
	11-50	15%	6%	73%	4%	5%	2%	5%	74%	100%	22%
	51-100	30%	16%	65%	8%	7%	5%	8%	80%	55%	10%
	101-250	42%	14%	65%	17%	9%	9%	4%	105%	77%	14%
	251+	57%	12%	73%	25%	13%	23%	7%	87%	83%	20%
Census Region	Northeast	19%	7%	62%	16%	12%	5%	2%	117%	133%	50%
	Midwest	21%	9%	69%	10%	5%	8%	4%	73%	85%	16%
	South	31%	8%	69%	21%	12%	8%	6%	88%	86%	20%
	West	25%	8%	69%	16%	10%	8%	6%	83%	66%	10%
Census Division	New England	34%	11%	57%	23%	16%	6%	1%	60%	220%	60%
	Middle Atlantic	12%	5%	68%	8%	8%	5%	3%	138%	100%	46%
	East North Central	21%	11%	70%	7%	5%	9%	4%	76%	87%	13%
	West North Central	21%	7%	67%	17%	5%	7%	4%	65%	82%	24%
	West South Central	25%	6%	70%	15%	9%	11%	6%	73%	91%	9%
	East South Central	18%	9%	67%	17%	13%	4%	6%	113%	63%	38%
	South Atlantic	44%	10%	70%	24%	13%	8%	6%	95%	90%	25%
	Mountain	29%	4%	59%	16%	12%	10%	6%	107%	71%	14%
	Pacific	21%	12%	79%	15%	8%	6%	6%	60%	60%	7%

Q22v Design Changes: Add Health Savings Accounts		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**15%**	**6%**	**68%**	**14%**	**4%**
Full-Time Employees	0-10	8%	3%	63%	3%	0%
	11-50	14%	7%	70%	8%	3%
	51-100	17%	4%	71%	13%	9%
	101-250	21%	9%	63%	13%	4%
	251+	23%	7%	74%	32%	6%
Census Region	Northeast	16%	6%	71%	13%	1%
	Midwest	17%	7%	66%	11%	4%
	South	9%	3%	71%	27%	2%
	West	15%	5%	70%	13%	8%
Census Division	New England	16%	11%	65%	15%	4%
	Middle Atlantic	15%	4%	74%	12%	0%
	East North Central	19%	8%	68%	10%	4%
	West North Central	14%	5%	64%	16%	7%
	West South Central	8%	5%	58%	26%	5%
	East South Central	6%	2%	100%	0%	0%
	South Atlantic	11%	2%	74%	35%	0%
	Mountain	17%	7%	69%	11%	9%
	Pacific	14%	4%	71%	14%	7%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22w Design Changes: Add Health Reimbursement Arrangements		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**10%**	**2%**	**72%**	**15%**	**6%**
Full-Time Employees	0-10	5%	2%	64%	0%	9%
	11-50	11%	3%	75%	6%	0%
	51-100	14%	1%	76%	15%	9%
	101-250	11%	2%	60%	10%	0%
	251+	16%	4%	78%	40%	14%
Census Region	Northeast	11%	4%	73%	14%	8%
	Midwest	13%	2%	67%	11%	4%
	South	7%	0%	84%	34%	6%
	West	7%	3%	75%	13%	9%
Census Division	New England	7%	6%	77%	31%	23%
	Middle Atlantic	13%	3%	72%	8%	3%
	East North Central	15%	2%	70%	11%	5%
	West North Central	8%	0%	55%	10%	0%
	West South Central	3%	1%	83%	50%	0%
	East South Central	8%	0%	0%	0%	0%
	South Atlantic	11%	1%	74%	32%	11%
	Mountain	9%	3%	76%	18%	12%
	Pacific	6%	4%	73%	7%	7%

Q22x Design Changes: Add High-Deductible Health Plan		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**13%**	**5%**	**72%**	**27%**	**10%**
Full-Time Employees	0-10	7%	2%	57%	2%	2%
	11-50	13%	5%	76%	19%	9%
	51-100	17%	5%	72%	26%	15%
	101-250	16%	6%	62%	24%	6%
	251+	19%	8%	84%	57%	16%
Census Region	Northeast	13%	6%	67%	25%	8%
	Midwest	16%	6%	71%	21%	8%
	South	8%	3%	81%	48%	7%
	West	12%	3%	74%	30%	19%
Census Division	New England	10%	10%	55%	25%	15%
	Middle Atlantic	14%	4%	73%	25%	5%
	East North Central	18%	6%	72%	18%	7%
	West North Central	14%	5%	68%	27%	11%
	West South Central	8%	4%	67%	28%	6%
	East South Central	6%	2%	100%	43%	0%
	South Atlantic	8%	2%	88%	71%	12%
	Mountain	13%	4%	80%	28%	16%
	Pacific	12%	2%	68%	32%	23%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22y Design Changes: Tighten Provider Networks		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**3%**	**2%**	**75%**	**30%**	**13%**	**4%**	**4%**	**147%**	**92%**	**18%**
Full-Time Employees	0-10	1%	1%	55%	0%	9%	2%	3%	132%	58%	32%
	11-50	2%	0%	120%	10%	10%	3%	4%	121%	111%	25%
	51-100	2%	1%	83%	17%	17%	4%	3%	218%	91%	18%
	101-250	4%	3%	56%	31%	6%	4%	5%	160%	93%	0%
	251+	9%	4%	76%	47%	18%	8%	8%	149%	95%	12%
Census Region	Northeast	2%	3%	71%	36%	14%	3%	2%	162%	100%	46%
	Midwest	3%	2%	81%	29%	13%	5%	5%	144%	100%	13%
	South	3%	1%	67%	40%	7%	2%	5%	177%	92%	27%
	West	4%	2%	82%	24%	18%	6%	3%	126%	74%	0%
Census Division	New England	4%	3%	57%	43%	14%	3%	1%	233%	67%	33%
	Middle Atlantic	1%	2%	86%	29%	14%	3%	2%	140%	110%	50%
	East North Central	3%	1%	90%	30%	20%	6%	6%	125%	82%	9%
	West North Central	3%	2%	64%	27%	0%	3%	3%	230%	180%	30%
	West South Central	3%	1%	71%	57%	14%	4%	7%	164%	93%	21%
	East South Central	1%	1%	150%	50%	0%	1%	5%	220%	60%	40%
	South Atlantic	4%	0%	0%	0%	0%	1%	3%	171%	114%	29%
	Mountain	7%	1%	67%	8%	8%	11%	2%	108%	67%	0%
	Pacific	1%	2%	120%	60%	40%	2%	4%	157%	86%	0%

Q22z Design Changes: Implement a Special Rx Network		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**5%**	**1%**	**77%**	**36%**	**19%**	**2%**	**11%**	**35%**	**10%**	**6%**
Full-Time Employees	0-10	1%	1%	78%	0%	11%	2%	6%	10%	3%	3%
	11-50	3%	1%	106%	39%	22%	2%	9%	5%	0%	2%
	51-100	3%	0%	75%	13%	13%	0%	8%	0%	0%	0%
	101-250	9%	1%	64%	32%	18%	1%	13%	55%	14%	9%
	251+	17%	3%	73%	47%	22%	6%	19%	57%	20%	11%
Census Region	Northeast	6%	2%	72%	48%	28%	2%	11%	15%	9%	9%
	Midwest	4%	1%	79%	24%	12%	2%	11%	32%	6%	6%
	South	6%	1%	77%	50%	15%	3%	8%	69%	23%	8%
	West	6%	1%	82%	27%	27%	2%	11%	14%	4%	4%
Census Division	New England	10%	4%	57%	36%	29%	1%	11%	11%	0%	0%
	Middle Atlantic	4%	1%	91%	64%	27%	2%	11%	17%	13%	13%
	East North Central	5%	1%	78%	22%	15%	3%	13%	32%	4%	4%
	West North Central	2%	1%	86%	29%	0%	1%	8%	33%	13%	13%
	West South Central	7%	0%	0%	0%	0%	3%	8%	71%	21%	0%
	East South Central	1%	1%	200%	50%	0%	2%	11%	18%	9%	0%
	South Atlantic	7%	1%	77%	62%	23%	3%	7%	107%	36%	21%
	Mountain	9%	1%	73%	27%	27%	1%	13%	17%	0%	0%
	Pacific	3%	1%	100%	29%	29%	2%	10%	13%	6%	6%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22aa Design Changes: Expand Use of Generic Rx/Implement Formulary		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**15%**	**3%**	**72%**	**34%**	**18%**
Full-Time Employees	0-10	3%	1%	64%	8%	12%
	11-50	10%	1%	81%	23%	13%
	51-100	17%	4%	72%	22%	20%
	101-250	22%	5%	65%	32%	14%
	251+	40%	5%	73%	52%	23%
Census Region	Northeast	13%	3%	65%	38%	23%
	Midwest	14%	2%	72%	28%	15%
	South	17%	3%	71%	41%	18%
	West	16%	3%	81%	35%	19%
Census Division	New England	14%	5%	56%	33%	17%
	Middle Atlantic	13%	2%	71%	41%	26%
	East North Central	17%	3%	75%	28%	19%
	West North Central	9%	2%	63%	30%	4%
	West South Central	14%	3%	72%	40%	16%
	East South Central	12%	2%	100%	23%	8%
	South Atlantic	22%	4%	62%	48%	21%
	Mountain	22%	2%	77%	26%	20%
	Pacific	11%	3%	86%	50%	18%

Q22ab Design Changes: Offer Only Catastrophic Coverage		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**0%**	**0%**	**145%**	**27%**	**27%**	**3%**	**2%**	**22%**	**45%**	**32%**
Full-Time Employees	0-10	0%	0%	100%	0%	67%	1%	1%	29%	29%	43%
	11-50	0%	0%	233%	33%	0%	2%	0%	0%	57%	43%
	51-100	1%	0%	133%	33%	33%	3%	3%	13%	63%	63%
	101-250	0%	0%	0%	0%	0%	4%	3%	36%	55%	9%
	251+	0%	0%	0%	0%	0%	8%	5%	22%	39%	28%
Census Region	Northeast	0%	0%	0%	0%	0%	2%	1%	38%	75%	50%
	Midwest	0%	0%	160%	20%	20%	3%	2%	27%	58%	46%
	South	0%	0%	0%	0%	0%	4%	3%	15%	33%	19%
	West	0%	1%	67%	33%	33%	1%	2%	13%	13%	13%
Census Division	New England	0%	0%	0%	0%	0%	4%	1%	25%	0%	0%
	Middle Atlantic	0%	0%	0%	0%	0%	1%	1%	50%	150%	100%
	East North Central	0%	0%	0%	0%	0%	3%	2%	39%	78%	50%
	West North Central	1%	0%	133%	0%	0%	4%	1%	0%	13%	38%
	West South Central	0%	0%	0%	0%	0%	5%	4%	8%	17%	8%
	East South Central	0%	0%	0%	0%	0%	2%	1%	0%	33%	67%
	South Atlantic	1%	0%	0%	0%	0%	4%	4%	25%	50%	17%
	Mountain	1%	1%	50%	0%	0%	0%	2%	0%	0%	0%
	Pacific	0%	1%	0%	0%	0%	2%	2%	0%	17%	17%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22ac Design Changes: Offer Only Flat Health Stipend		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**2%**	**1%**	**67%**	**10%**	**10%**	**2%**	**2%**	**31%**	**13%**	**26%**
Full-Time Employees	0-10	2%	1%	57%	0%	14%	1%	1%	60%	20%	40%
	11-50	2%	2%	81%	6%	6%	1%	1%	67%	0%	33%
	51-100	0%	1%	100%	33%	33%	1%	2%	75%	50%	0%
	101-250	2%	1%	43%	29%	0%	3%	3%	50%	0%	25%
	251+	3%	1%	67%	11%	11%	9%	6%	13%	13%	26%
Census Region	Northeast	3%	1%	69%	15%	0%	2%	1%	57%	0%	14%
	Midwest	1%	2%	72%	11%	17%	2%	2%	43%	17%	30%
	South	2%	0%	0%	0%	0%	4%	3%	12%	12%	27%
	West	1%	2%	70%	0%	10%	2%	1%	33%	17%	17%
Census Division	New England	2%	0%	0%	0%	0%	4%	1%	25%	0%	0%
	Middle Atlantic	3%	2%	73%	9%	0%	1%	1%	100%	0%	33%
	East North Central	1%	1%	75%	17%	25%	3%	3%	42%	21%	32%
	West North Central	1%	2%	67%	0%	0%	1%	1%	50%	0%	25%
	West South Central	2%	0%	0%	0%	0%	5%	2%	33%	22%	67%
	East South Central	1%	0%	0%	0%	0%	2%	4%	0%	20%	20%
	South Atlantic	2%	0%	0%	0%	0%	4%	4%	0%	0%	0%
	Mountain	1%	3%	67%	0%	0%	2%	1%	33%	33%	33%
	Pacific	1%	1%	75%	0%	25%	2%	1%	33%	0%	0%

Q22ad Design Changes: Offer Onsite Clinic/Regular Onsite Visits by Providers		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**2%**	**2%**	**87%**	**33%**	**13%**
Full-Time Employees	0-10	1%	1%	56%	11%	0%
	11-50	1%	0%	200%	20%	0%
	51-100	1%	2%	86%	14%	14%
	101-250	3%	2%	75%	25%	17%
	251+	9%	10%	84%	43%	16%
Census Region	Northeast	1%	1%	100%	33%	17%
	Midwest	2%	2%	83%	21%	8%
	South	4%	3%	94%	44%	16%
	West	3%	3%	80%	35%	15%
Census Division	New England	2%	2%	75%	25%	25%
	Middle Atlantic	0%	1%	0%	0%	0%
	East North Central	2%	3%	74%	16%	11%
	West North Central	1%	1%	120%	40%	0%
	West South Central	4%	1%	86%	86%	14%
	East South Central	1%	2%	167%	33%	0%
	South Atlantic	7%	7%	86%	32%	18%
	Mountain	5%	5%	73%	20%	13%
	Pacific	1%	2%	100%	80%	20%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22ae Design Changes: Offer Incentives to Use Specific Providers		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**2%**	**1%**	**84%**	**22%**	**8%**
Full-Time Employees	0-10	1%	1%	55%	0%	9%
	11-50	0%	1%	200%	25%	0%
	51-100	1%	1%	120%	20%	20%
	101-250	2%	2%	44%	0%	11%
	251+	5%	3%	86%	43%	5%
Census Region	Northeast	0%	2%	71%	14%	0%
	Midwest	2%	1%	79%	21%	5%
	South	2%	1%	93%	36%	14%
	West	2%	1%	100%	11%	11%
Census Division	New England	0%	4%	0%	0%	0%
	Middle Atlantic	0%	1%	133%	33%	0%
	East North Central	1%	2%	77%	15%	8%
	West North Central	2%	0%	83%	33%	0%
	West South Central	3%	1%	67%	50%	17%
	East South Central	0%	1%	0%	0%	0%
	South Atlantic	3%	1%	86%	29%	14%
	Mountain	3%	1%	86%	0%	0%
	Pacific	0%	1%	0%	0%	0%

Q22af Design Changes: Offer Incentives to Promote Annual Physicals		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**7%**	**4%**	**74%**	**18%**	**8%**
Full-Time Employees	0-10	1%	2%	77%	0%	0%
	11-50	3%	1%	100%	15%	5%
	51-100	11%	5%	67%	12%	12%
	101-250	13%	7%	57%	13%	7%
	251+	19%	11%	80%	28%	9%
Census Region	Northeast	3%	3%	80%	20%	10%
	Midwest	6%	4%	77%	11%	5%
	South	12%	6%	68%	24%	7%
	West	7%	3%	77%	19%	16%
Census Division	New England	5%	3%	63%	25%	13%
	Middle Atlantic	2%	3%	92%	17%	8%
	East North Central	6%	5%	80%	9%	4%
	West North Central	5%	2%	69%	19%	6%
	West South Central	11%	7%	63%	19%	7%
	East South Central	4%	3%	86%	14%	0%
	South Atlantic	17%	7%	68%	30%	8%
	Mountain	12%	5%	75%	17%	17%
	Pacific	3%	1%	86%	29%	14%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

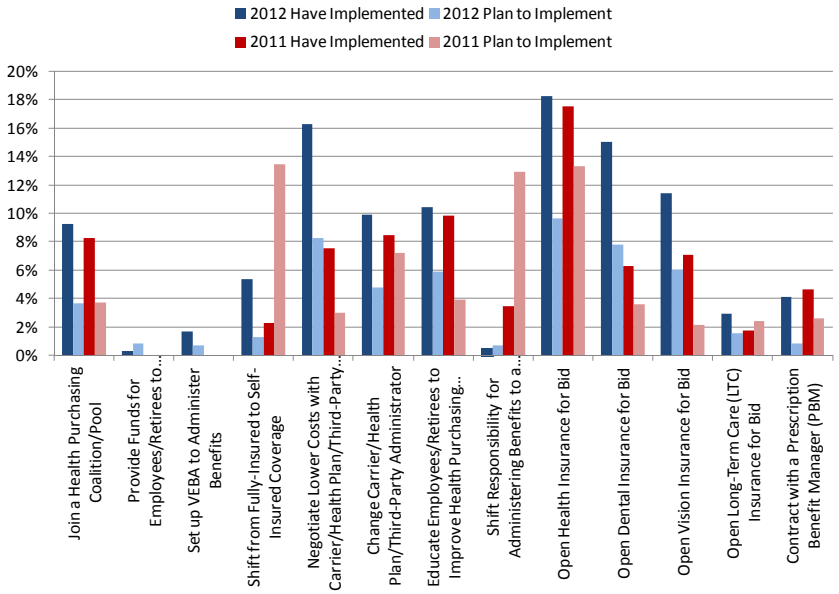
Section 5: Health Care Strategies

Q22ag Design Changes: Offer Incentives to Promote Wellness Initiatives		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**9%**	**6%**	**73%**	**16%**	**8%**
Full-Time Employees	0-10	1%	2%	53%	7%	13%
	11-50	4%	3%	93%	4%	0%
	51-100	12%	6%	66%	8%	8%
	101-250	17%	9%	63%	17%	10%
	251+	27%	16%	79%	22%	7%
Census Region	Northeast	7%	4%	69%	11%	8%
	Midwest	9%	5%	78%	11%	3%
	South	13%	7%	72%	28%	15%
	West	9%	5%	70%	7%	2%
Census Division	New England	15%	4%	61%	17%	17%
	Middle Atlantic	4%	4%	78%	6%	0%
	East North Central	9%	7%	77%	10%	3%
	West North Central	7%	2%	82%	14%	5%
	West South Central	7%	7%	62%	14%	0%
	East South Central	6%	8%	92%	25%	8%
	South Atlantic	21%	8%	71%	35%	23%
	Mountain	13%	5%	63%	4%	4%
	Pacific	5%	5%	81%	13%	0%

Q22ah Design Changes: Use Employee Benefit Committees for Design/Education		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**9%**	**4%**	**71%**	**23%**	**12%**
Full-Time Employees	0-10	1%	2%	50%	0%	0%
	11-50	4%	3%	87%	10%	3%
	51-100	7%	5%	67%	11%	7%
	101-250	16%	7%	64%	21%	13%
	251+	29%	6%	73%	36%	18%
Census Region	Northeast	4%	3%	65%	22%	22%
	Midwest	10%	3%	78%	21%	7%
	South	9%	4%	67%	30%	15%
	West	10%	6%	65%	21%	15%
Census Division	New England	10%	4%	57%	36%	36%
	Middle Atlantic	2%	2%	78%	0%	0%
	East North Central	10%	4%	80%	15%	7%
	West North Central	8%	3%	72%	36%	8%
	West South Central	6%	5%	56%	25%	13%
	East South Central	3%	2%	100%	20%	20%
	South Atlantic	15%	5%	67%	33%	15%
	Mountain	10%	5%	68%	18%	14%
	Pacific	9%	7%	62%	23%	15%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies



Changes in Purchasing:

In 2012, respondents report more activity around opening health, dental and vision insurance for bid, negotiating lower costs with their insurance company, and changing health insurance providers. Joining a health purchasing coalition/pool and educating employees/retirees to improve health purchasing decisions also are strong themes. While still emerging practices, providing funds so employees can join a private exchange and setting up a VEBA (voluntary employees beneficiary association) are trends to watch.

Q22aj Purchasing Changes: Join a Health Purchasing Coalition/Pool		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**9%**	**4%**	**65%**	**22%**	**14%**	**8%**	**4%**	**104%**	**61%**	**74%**
Full-Time Employees	0-10	6%	3%	49%	4%	0%	6%	1%	82%	68%	36%
	11-50	10%	4%	74%	15%	11%	10%	3%	94%	40%	44%
	51-100	13%	5%	62%	18%	10%	9%	3%	106%	50%	83%
	101-250	10%	3%	62%	38%	14%	7%	6%	145%	120%	125%
	251+	12%	3%	76%	50%	39%	8%	8%	112%	57%	110%
Census Region	Northeast	13%	6%	59%	28%	17%	11%	4%	70%	46%	30%
	Midwest	9%	3%	72%	14%	8%	8%	5%	113%	60%	74%
	South	5%	1%	72%	32%	16%	5%	3%	132%	82%	132%
	West	12%	6%	62%	26%	19%	9%	3%	96%	62%	73%
Census Division	New England	19%	5%	57%	48%	35%	10%	7%	42%	50%	50%
	Middle Atlantic	10%	6%	60%	14%	6%	12%	2%	84%	44%	20%
	East North Central	10%	4%	70%	14%	9%	8%	5%	126%	74%	87%
	West North Central	8%	2%	78%	13%	4%	9%	5%	87%	30%	48%
	West South Central	5%	4%	62%	23%	8%	9%	2%	129%	50%	93%
	East South Central	0%	0%	0%	0%	0%	4%	4%	117%	117%	133%
	South Atlantic	7%	0%	0%	0%	0%	3%	3%	150%	113%	200%
	Mountain	11%	7%	70%	33%	22%	8%	5%	100%	91%	100%
	Pacific	13%	4%	54%	19%	15%	10%	2%	93%	40%	53%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22ak Purchasing Changes: Provide Funds for Employees/Retirees to Purchase Coverage Through a Health Care		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**0%**	**1%**	**74%**	**21%**	**26%**
Full-Time Employees	0-10	0%	1%	25%	25%	25%
	11-50	0%	1%	175%	0%	0%
	51-100	0%	1%	75%	50%	25%
	101-250	0%	0%	0%	0%	0%
	251+	1%	2%	33%	17%	50%
Census Region	Northeast	0%	1%	0%	0%	0%
	Midwest	0%	0%	140%	40%	60%
	South	0%	0%	133%	33%	33%
	West	0%	2%	50%	17%	17%
Census Division	New England	0%	0%	0%	0%	0%
	Middle Atlantic	0%	2%	0%	0%	0%
	East North Central	0%	1%	100%	50%	50%
	West North Central	0%	0%	0%	0%	0%
	West South Central	0%	0%	0%	0%	0%
	East South Central	0%	0%	0%	0%	0%
	South Atlantic	1%	1%	67%	33%	33%
	Mountain	0%	2%	0%	0%	0%
	Pacific	1%	1%	0%	0%	33%

Q22al Purchasing Changes: Set up VEBA to Administer Benefits		2012				
		Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**2%**	**1%**	**80%**	**15%**	**8%**
Full-Time Employees	0-10	1%	0%	75%	25%	0%
	11-50	1%	1%	138%	13%	0%
	51-100	1%	1%	50%	17%	17%
	101-250	4%	1%	67%	17%	8%
	251+	3%	1%	70%	10%	10%
Census Region	Northeast	0%	1%	50%	0%	0%
	Midwest	2%	0%	100%	38%	13%
	South	0%	0%	0%	0%	0%
	West	4%	2%	61%	0%	6%
Census Division	New England	1%	1%	50%	0%	0%
	Middle Atlantic	0%	1%	0%	0%	0%
	East North Central	1%	0%	113%	50%	25%
	West North Central	3%	0%	88%	25%	0%
	West South Central	0%	0%	0%	0%	0%
	East South Central	0%	0%	0%	0%	0%
	South Atlantic	1%	0%	0%	0%	0%
	Mountain	2%	1%	75%	0%	25%
	Pacific	6%	3%	57%	0%	0%

Note: Some cells under “population affected” exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22am Purchasing Changes: Shift from Fully-Insured to Self-Insured Coverage		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**5%**	**1%**	**76%**	**40%**	**24%**	**2%**	**13%**	**69%**	**50%**	**12%**
Full-Time Employees	0-10	0%	1%	60%	20%	0%	1%	8%	54%	40%	6%
	11-50	2%	1%	100%	15%	8%	1%	12%	53%	37%	4%
	51-100	5%	3%	65%	18%	12%	1%	20%	73%	61%	15%
	101-250	10%	1%	73%	42%	27%	3%	21%	76%	57%	8%
	251+	18%	2%	76%	55%	33%	7%	15%	85%	58%	24%
Census Region	Northeast	4%	3%	71%	46%	33%	2%	8%	50%	38%	25%
	Midwest	4%	1%	79%	30%	18%	2%	17%	68%	42%	3%
	South	6%	0%	82%	50%	32%	3%	14%	77%	63%	23%
	West	7%	2%	73%	38%	15%	1%	11%	73%	65%	12%
Census Division	New England	4%	3%	57%	57%	29%	1%	13%	50%	40%	30%
	Middle Atlantic	5%	3%	76%	41%	35%	2%	6%	50%	36%	21%
	East North Central	5%	1%	82%	32%	27%	3%	16%	76%	52%	3%
	West North Central	4%	1%	73%	27%	0%	2%	19%	53%	25%	3%
	West South Central	5%	1%	63%	38%	25%	2%	16%	77%	59%	23%
	East South Central	4%	0%	0%	0%	0%	2%	16%	67%	53%	20%
	South Atlantic	9%	1%	75%	63%	44%	3%	10%	85%	75%	25%
	Mountain	10%	2%	65%	35%	24%	1%	20%	74%	68%	16%
	Pacific	4%	1%	89%	44%	0%	2%	4%	71%	57%	0%

Q22an Purchasing Changes: Negotiate Lower Costs with Carrier/Health Plan/Third-Party Administrator		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**16%**	**8%**	**65%**	**24%**	**14%**	**8%**	**3%**	**81%**	**36%**	**95%**
Full-Time Employees	0-10	6%	4%	60%	8%	6%	1%	1%	225%	25%	400%
	11-50	14%	7%	77%	16%	10%	3%	3%	100%	27%	135%
	51-100	16%	8%	69%	15%	10%	6%	6%	89%	26%	47%
	101-250	23%	14%	57%	24%	13%	9%	3%	74%	32%	89%
	251+	36%	14%	62%	40%	25%	22%	4%	56%	46%	59%
Census Region	Northeast	18%	11%	64%	32%	23%	3%	2%	164%	82%	264%
	Midwest	16%	7%	70%	17%	10%	8%	4%	81%	29%	89%
	South	18%	8%	67%	35%	18%	10%	3%	64%	44%	87%
	West	10%	8%	49%	12%	5%	7%	2%	76%	19%	48%
Census Division	New England	19%	14%	58%	39%	29%	3%	0%	0%	0%	0%
	Middle Atlantic	17%	10%	67%	28%	20%	3%	2%	167%	56%	278%
	East North Central	19%	9%	68%	16%	13%	9%	5%	90%	31%	84%
	West North Central	11%	5%	76%	21%	3%	7%	1%	46%	23%	108%
	West South Central	11%	9%	63%	30%	17%	11%	2%	69%	50%	81%
	East South Central	9%	4%	75%	33%	8%	9%	6%	42%	17%	42%
	South Atlantic	28%	9%	67%	38%	21%	9%	3%	76%	59%	124%
	Mountain	10%	7%	52%	4%	4%	13%	2%	92%	15%	38%
	Pacific	11%	9%	47%	19%	6%	4%	2%	50%	25%	63%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22ao Purchasing Changes: Change Carrier/Health Plan/Third-Party Administrator		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**10%**	**5%**	**71%**	**27%**	**17%**	**8%**	**7%**	**27%**	**65%**	**46%**
Full-Time Employees	0-10	3%	3%	67%	15%	9%	6%	2%	15%	61%	48%
	11-50	11%	4%	73%	12%	9%	8%	7%	11%	69%	46%
	51-100	11%	7%	61%	13%	11%	8%	10%	33%	67%	37%
	101-250	14%	7%	68%	21%	11%	8%	6%	48%	83%	65%
	251+	17%	6%	82%	62%	38%	13%	14%	37%	59%	42%
Census Region	Northeast	10%	8%	64%	31%	21%	11%	6%	13%	58%	35%
	Midwest	10%	5%	72%	23%	15%	7%	8%	32%	70%	52%
	South	10%	3%	77%	30%	19%	10%	8%	31%	68%	48%
	West	7%	5%	72%	25%	14%	6%	6%	28%	56%	44%
Census Division	New England	8%	8%	56%	44%	25%	6%	7%	33%	100%	78%
	Middle Atlantic	11%	8%	67%	26%	19%	13%	5%	6%	45%	23%
	East North Central	11%	7%	72%	23%	16%	8%	9%	34%	66%	48%
	West North Central	8%	0%	71%	24%	10%	5%	7%	26%	84%	63%
	West South Central	10%	2%	83%	28%	17%	12%	7%	29%	63%	38%
	East South Central	3%	1%	100%	0%	0%	5%	6%	33%	89%	67%
	South Atlantic	14%	4%	71%	35%	23%	11%	9%	31%	66%	52%
	Mountain	7%	5%	79%	26%	16%	6%	10%	29%	21%	14%
	Pacific	7%	4%	65%	24%	12%	6%	2%	27%	100%	82%

Q22ap Purchasing Changes: Educate Employees/Retirees to Improve Health Purchasing Decisions		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**10%**	**6%**	**66%**	**28%**	**16%**	**10%**	**4%**	**45%**	**16%**	**54%**
Full-Time Employees	0-10	1%	2%	60%	7%	0%	4%	1%	24%	0%	176%
	11-50	7%	5%	59%	11%	7%	7%	3%	27%	11%	97%
	51-100	12%	6%	74%	21%	13%	10%	6%	36%	12%	44%
	101-250	19%	11%	63%	22%	12%	11%	6%	61%	18%	21%
	251+	25%	13%	70%	46%	27%	22%	8%	55%	24%	21%
Census Region	Northeast	7%	6%	65%	38%	28%	7%	2%	35%	13%	100%
	Midwest	12%	5%	65%	19%	12%	9%	4%	46%	19%	66%
	South	12%	6%	69%	36%	16%	13%	5%	48%	20%	25%
	West	9%	7%	66%	28%	17%	10%	5%	44%	9%	53%
Census Division	New England	15%	10%	58%	46%	29%	10%	3%	33%	22%	67%
	Middle Atlantic	3%	4%	75%	25%	25%	6%	2%	36%	7%	121%
	East North Central	13%	7%	68%	19%	12%	11%	4%	47%	15%	53%
	West North Central	10%	2%	57%	21%	11%	4%	4%	38%	38%	123%
	West South Central	11%	7%	70%	41%	15%	16%	5%	54%	23%	27%
	East South Central	9%	6%	85%	31%	8%	11%	5%	23%	15%	31%
	South Atlantic	14%	6%	62%	35%	21%	11%	4%	55%	18%	18%
	Mountain	9%	7%	74%	35%	17%	14%	2%	57%	21%	57%
	Pacific	9%	6%	58%	21%	17%	7%	7%	33%	0%	50%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22aq Purchasing Changes: Shift Responsibility for Administering Benefits to a Union Group		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**1%**	**1%**	**90%**	**29%**	**14%**	**3%**	**13%**	**54%**	**58%**	**5%**
Full-Time Employees	0-10	0%	1%	0%	0%	0%	2%	10%	69%	36%	11%
	11-50	0%	0%	225%	0%	0%	2%	13%	60%	57%	6%
	51-100	1%	0%	67%	33%	33%	3%	13%	48%	60%	4%
	101-250	1%	1%	100%	25%	25%	5%	15%	56%	59%	0%
	251+	1%	1%	50%	50%	17%	8%	17%	40%	73%	3%
Census Region	Northeast	0%	1%	20%	0%	0%	5%	14%	64%	34%	9%
	Midwest	0%	0%	160%	40%	20%	3%	13%	49%	59%	5%
	South	0%	0%	0%	0%	0%	3%	12%	54%	74%	4%
	West	1%	1%	88%	50%	25%	2%	12%	57%	63%	3%
Census Division	New England	0%	1%	0%	0%	0%	6%	6%	100%	88%	13%
	Middle Atlantic	0%	1%	0%	0%	0%	5%	17%	56%	23%	8%
	East North Central	0%	1%	100%	40%	20%	4%	14%	58%	61%	3%
	West North Central	0%	0%	0%	0%	0%	3%	12%	28%	52%	8%
	West South Central	0%	0%	0%	0%	0%	2%	14%	55%	80%	5%
	East South Central	0%	0%	0%	0%	0%	6%	13%	56%	38%	6%
	South Atlantic	1%	0%	0%	0%	0%	2%	10%	50%	100%	0%
	Mountain	2%	3%	86%	57%	29%	2%	13%	69%	92%	0%
	Pacific	1%	0%	0%	0%	0%	2%	11%	47%	41%	6%

Q22ar Purchasing Changes: Open Health Insurance for Bid		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**18%**	**10%**	**62%**	**22%**	**14%**	**18%**	**13%**	**43%**	**14%**	**14%**
Full-Time Employees	0-10	8%	4%	64%	3%	3%	8%	7%	37%	10%	10%
	11-50	19%	12%	61%	10%	5%	13%	11%	43%	11%	16%
	51-100	21%	12%	65%	14%	6%	26%	17%	46%	12%	6%
	101-250	25%	13%	50%	25%	11%	23%	17%	41%	11%	9%
	251+	29%	12%	72%	51%	38%	29%	21%	45%	19%	22%
Census Region	Northeast	14%	9%	58%	29%	18%	12%	9%	35%	12%	13%
	Midwest	21%	10%	62%	17%	10%	20%	15%	40%	11%	13%
	South	20%	10%	69%	31%	19%	19%	13%	48%	22%	19%
	West	13%	8%	55%	14%	9%	14%	14%	47%	7%	8%
Census Division	New England	15%	13%	50%	23%	15%	14%	13%	26%	5%	5%
	Middle Atlantic	13%	8%	63%	33%	20%	11%	8%	39%	15%	18%
	East North Central	21%	12%	67%	16%	13%	21%	16%	42%	11%	14%
	West North Central	20%	7%	52%	18%	5%	19%	13%	35%	13%	13%
	West South Central	20%	7%	77%	28%	21%	22%	14%	49%	28%	23%
	East South Central	24%	9%	66%	17%	3%	21%	18%	44%	13%	13%
	South Atlantic	19%	13%	64%	42%	26%	15%	10%	51%	23%	20%
	Mountain	14%	9%	64%	12%	9%	25%	19%	51%	5%	8%
	Pacific	13%	7%	45%	16%	10%	7%	10%	38%	10%	10%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action. This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22as Purchasing Changes: Open Dental Insurance for Bid		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**15%**	**8%**	**60%**	**20%**	**13%**	**6%**	**4%**	**64%**	**72%**	**48%**
Full-Time Employees	0-10	6%	3%	51%	2%	0%	2%	1%	11%	22%	22%
	11-50	15%	9%	58%	8%	5%	3%	5%	41%	72%	59%
	51-100	20%	10%	61%	14%	9%	10%	4%	52%	35%	13%
	101-250	21%	10%	46%	20%	10%	9%	3%	90%	85%	55%
	251+	26%	11%	77%	48%	35%	14%	6%	80%	92%	59%
Census Region	Northeast	10%	8%	61%	27%	18%	2%	2%	60%	120%	110%
	Midwest	17%	9%	58%	16%	12%	7%	5%	67%	65%	41%
	South	17%	7%	68%	29%	16%	8%	3%	59%	85%	54%
	West	13%	6%	51%	15%	8%	6%	4%	65%	45%	25%
Census Division	New England	14%	14%	58%	31%	19%	1%	0%	0%	0%	0%
	Middle Atlantic	9%	5%	63%	23%	17%	3%	2%	56%	122%	89%
	East North Central	18%	10%	64%	16%	13%	8%	5%	67%	54%	46%
	West North Central	14%	5%	43%	17%	9%	7%	4%	65%	94%	29%
	West South Central	16%	5%	70%	23%	13%	7%	4%	50%	93%	57%
	East South Central	16%	4%	78%	11%	0%	10%	4%	45%	18%	0%
	South Atlantic	19%	11%	64%	38%	24%	7%	3%	79%	129%	93%
	Mountain	10%	7%	56%	12%	8%	10%	3%	67%	8%	17%
	Pacific	16%	6%	47%	18%	9%	2%	4%	63%	100%	38%

Q22at Purchasing Changes: Open Vision Insurance for Bid		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**11%**	**6%**	**61%**	**20%**	**13%**	**7%**	**2%**	**87%**	**57%**	**41%**
Full-Time Employees	0-10	4%	2%	56%	3%	0%	1%	1%	75%	25%	25%
	11-50	10%	7%	64%	9%	5%	3%	2%	76%	43%	33%
	51-100	16%	8%	60%	13%	9%	9%	3%	78%	56%	39%
	101-250	14%	9%	42%	19%	11%	11%	3%	105%	64%	50%
	251+	22%	9%	73%	44%	31%	19%	4%	88%	62%	43%
Census Region	Northeast	6%	5%	62%	24%	18%	3%	0%	111%	67%	56%
	Midwest	12%	6%	61%	15%	13%	8%	3%	90%	57%	33%
	South	14%	6%	68%	31%	16%	10%	2%	72%	58%	51%
	West	12%	6%	47%	15%	7%	4%	2%	100%	43%	36%
Census Division	New England	4%	6%	70%	30%	10%	6%	0%	0%	0%	0%
	Middle Atlantic	7%	4%	58%	21%	21%	2%	1%	140%	60%	40%
	East North Central	14%	8%	66%	14%	13%	9%	3%	91%	55%	32%
	West North Central	8%	3%	46%	18%	11%	6%	2%	86%	64%	36%
	West South Central	10%	4%	67%	24%	14%	12%	2%	82%	65%	53%
	East South Central	13%	6%	88%	18%	0%	5%	2%	67%	17%	0%
	South Atlantic	17%	8%	60%	40%	23%	12%	2%	65%	65%	65%
	Mountain	9%	7%	52%	13%	9%	7%	0%	0%	0%	0%
	Pacific	15%	6%	44%	16%	6%	2%	4%	100%	50%	38%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Section 5: Health Care Strategies

Q22au Purchasing Changes: Open Long-Term Care (LTC) Insurance for Bid		2012					2011				
		Percentage of Respondents		Populations Affected			Percentage of Respondents		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**3%**	**2%**	**59%**	**12%**	**7%**	**2%**	**2%**	**24%**	**27%**	**35%**
Full-Time Employees	0-10	2%	0%	50%	10%	0%	0%	1%	0%	0%	0%
	11-50	2%	2%	100%	6%	6%	1%	1%	0%	71%	29%
	51-100	4%	2%	54%	8%	8%	3%	1%	33%	17%	50%
	101-250	4%	3%	53%	13%	13%	3%	1%	60%	40%	80%
	251+	7%	2%	38%	19%	5%	5%	8%	21%	15%	29%
Census Region	Northeast	1%	1%	57%	14%	14%	1%	0%	33%	100%	167%
	Midwest	2%	1%	74%	17%	9%	2%	3%	26%	30%	35%
	South	5%	2%	50%	14%	7%	2%	3%	17%	22%	22%
	West	4%	2%	56%	0%	0%	2%	3%	27%	9%	18%
Census Division	New England	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%
	Middle Atlantic	1%	1%	50%	17%	17%	1%	1%	50%	150%	200%
	East North Central	2%	1%	85%	15%	8%	1%	3%	23%	38%	38%
	West North Central	3%	1%	60%	20%	10%	3%	3%	30%	20%	30%
	West South Central	3%	4%	40%	20%	10%	3%	3%	25%	38%	0%
	East South Central	4%	1%	100%	0%	0%	2%	2%	0%	0%	0%
	South Atlantic	7%	1%	38%	15%	8%	1%	3%	17%	17%	67%
	Mountain	3%	2%	75%	0%	0%	3%	1%	25%	25%	25%
	Pacific	4%	1%	38%	0%	0%	2%	4%	29%	0%	14%

Q22av Purchasing Changes: Contract with a Prescription Benefit Manager (PBM)		2012					2011				
		Percentage of Respondents Taking Action		Populations Affected			Percentage of Respondents Taking Action		Populations Affected		
		Have Implemented	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*	**Have Implemented**	**Plan to Implement**	*Active*	*Early Retiree*	*Medicare Retiree*
Overall		**4%**	**1%**	**77%**	**45%**	**25%**	**5%**	**3%**	**52%**	**16%**	**46%**
Full-Time Employees	0-10	1%	0%	75%	25%	0%	1%	1%	57%	0%	29%
	11-50	2%	1%	107%	36%	21%	2%	2%	27%	0%	33%
	51-100	1%	0%	75%	25%	25%	3%	3%	56%	0%	67%
	101-250	4%	1%	75%	33%	25%	6%	5%	33%	11%	50%
	251+	18%	2%	69%	53%	29%	14%	5%	65%	29%	48%
Census Region	Northeast	4%	2%	76%	53%	35%	4%	3%	38%	6%	38%
	Midwest	3%	0%	88%	42%	33%	5%	3%	51%	13%	56%
	South	6%	1%	77%	46%	12%	7%	2%	69%	28%	38%
	West	4%	1%	67%	40%	27%	1%	3%	20%	10%	50%
Census Division	New England	3%	3%	83%	50%	17%	1%	3%	100%	0%	67%
	Middle Atlantic	4%	1%	73%	55%	45%	5%	3%	23%	8%	31%
	East North Central	4%	1%	80%	40%	35%	5%	3%	45%	10%	55%
	West North Central	2%	0%	0%	0%	0%	4%	1%	75%	25%	63%
	West South Central	7%	1%	45%	27%	0%	9%	2%	71%	29%	36%
	East South Central	1%	1%	200%	50%	0%	1%	1%	50%	50%	50%
	South Atlantic	7%	1%	85%	62%	23%	8%	3%	69%	25%	38%
	Mountain	5%	1%	56%	33%	33%	1%	2%	33%	0%	67%
	Pacific	3%	1%	83%	50%	17%	2%	4%	14%	14%	43%

Note: Some cells under "population affected" exceed 100% of those planning to take a specific action.
This is because the respondent did not note if they have already implemented the action, or if they only plan to implement it.

Effectiveness of Cost Control:

Respondents rated the effectiveness of their cost controls on a scale of 1-10, with 10= highly effective. In 2012, that rating increased slightly from 5.1 to 5.3. Strongest gains were with large employers (251 or more full-time employees) and in New England.

Q27 Effectiveness of Cost Control		2012	2011
Overall		**5.3**	**5.1**
Full-Time Employees	0-10	5.2	4.9
	11-50	5.3	5.3
	51-100	5.1	4.9
	101-250	5.3	5.1
	251+	5.8	5.4
Census Region	Northeast	5.4	5.1
	Midwest	5.4	5.3
	South	5.4	5.1
	West	5.0	4.8
Census Division	New England	5.6	5.2
	Middle Atlantic	5.3	5.0
	East North Central	5.5	5.5
	West North Central	5.2	4.9
	West South Central	5.4	5.2
	East South Central	4.9	4.9
	South Atlantic	5.6	5.3
	Mountain	5.3	5.4
	Pacific	4.7	4.4

Section 5: Health Care Strategies

Barriers to Design Changes:

Respondents identified the most significant barriers to change. As in 2011, union contracts were cited as the primary barrier, with "no change is needed" in second place. This pattern was evident again in 2012.

Q23 What are Your Significant Barriers to Health Plan Design Changes		2012								2011							
		Advantages don't outweigh the effort	Not enough staff/time	Not enough information to make a decision	Awaiting state/federal action	Union contracts	Statutory mandates	No change is needed	Other	Advantages don't outweigh the effort	Not enough staff/time	Not enough information to make a decision	Awaiting state/federal action	Union contracts	Statutory mandates	No change is needed	Other
Overall		**7%**	**12%**	**9%**	**10%**	**25%**	**7%**	**22%**	**9%**	**7%**	**11%**	**12%**	**14%**	**25%**	**6%**	**18%**	**8%**
Full-Time Employees	0-10	8%	12%	13%	8%	11%	2%	38%	9%	8%	14%	17%	10%	8%	4%	29%	10%
	11-50	9%	13%	10%	10%	21%	5%	26%	7%	6%	13%	12%	13%	25%	3%	22%	7%
	51-100	6%	16%	9%	9%	30%	7%	14%	9%	4%	10%	9%	16%	33%	7%	15%	6%
	101-250	7%	14%	4%	11%	35%	7%	13%	9%	8%	10%	14%	15%	28%	6%	10%	8%
	251+	7%	7%	4%	11%	36%	13%	12%	10%	7%	9%	6%	15%	33%	12%	10%	8%
Census Region	Northeast	6%	7%	5%	6%	45%	8%	17%	6%	4%	10%	8%	11%	44%	4%	15%	5%
	Midwest	9%	13%	8%	10%	25%	7%	20%	9%	7%	11%	12%	15%	27%	7%	15%	7%
	South	8%	16%	11%	11%	6%	5%	32%	13%	8%	14%	16%	15%	6%	5%	25%	11%
	West	5%	12%	11%	11%	27%	7%	21%	7%	7%	10%	9%	12%	25%	9%	19%	9%
Census Division	New England	9%	10%	6%	4%	42%	12%	14%	4%	5%	9%	6%	14%	41%	5%	15%	6%
	Middle Atlantic	5%	6%	5%	7%	46%	6%	18%	7%	4%	11%	9%	10%	45%	3%	14%	5%
	East North Central	8%	12%	8%	9%	29%	6%	17%	10%	8%	10%	10%	16%	31%	6%	12%	7%
	West North Central	11%	13%	8%	12%	17%	7%	26%	6%	6%	12%	15%	13%	19%	8%	22%	7%
	West South Central	4%	18%	12%	16%	5%	5%	35%	4%	6%	11%	13%	15%	7%	6%	32%	10%
	East South Central	8%	13%	12%	7%	2%	2%	32%	25%	8%	17%	24%	15%	2%	1%	24%	8%
	South Atlantic	10%	15%	8%	7%	8%	7%	30%	16%	9%	16%	13%	14%	8%	7%	21%	13%
	Mountain	3%	14%	13%	17%	12%	4%	27%	10%	8%	11%	12%	17%	6%	7%	32%	8%
	Pacific	6%	10%	9%	8%	37%	8%	17%	5%	6%	10%	8%	9%	35%	9%	12%	10%

Section 6

Addressing Retiree Health Liability (GASB)

How Governments Plan to Fund their OPEB Liability:

In 2012, the average liability for the 1,459 governments reporting one was $45,194,636, and the average annually required contribution (ARC) was $4,230,601. To address these costs, 54% indicated they would not pre-fund, but rather continue the pay-as-you-go approach (up from 51% in 2011). About 28% planed to partially or fully fund their ARC, up from 22% in 2011.

Q18 How Do You Plan to Fund Liability		2012						2011					
		Continue to pay0%as0%you0%go	Partially fund the Annual Required Contribution (ARC)	Fully fund the ARC	Set aside funds through asset sale or transfer	Issue debt/OPEB bonds	Not determined	Continue to pay0%as0%you0%go	Partially fund the Annual Required Contribution (ARC)	Fully fund the ARC	Set aside funds through asset sale or transfer	Issue debt/OPEB bonds	Not determined
Overall		**54%**	**16%**	**11%**	**2%**	**0%**	**18%**	**51%**	**12%**	**9%**	**1%**	**0%**	**27%**
Full-Time Employees	0-10	51%	3%	20%	0%	0%	26%	26%	0%	11%	0%	0%	63%
	11-50	55%	10%	6%	3%	0%	25%	44%	6%	5%	1%	0%	43%
	51-100	52%	12%	7%	4%	0%	25%	47%	16%	7%	3%	0%	29%
	101-250	56%	15%	10%	2%	0%	18%	57%	6%	10%	2%	0%	26%
	251+	53%	23%	13%	1%	0%	11%	56%	17%	12%	0%	1%	15%
Census Region	Northeast	57%	16%	4%	4%	0%	20%	47%	10%	5%	1%	1%	36%
	Midwest	49%	18%	12%	2%	0%	19%	49%	12%	9%	2%	1%	28%
	South	58%	12%	9%	1%	0%	20%	56%	11%	11%	1%	0%	23%
	West	48%	18%	19%	2%	0%	12%	51%	15%	13%	0%	0%	21%
Census Division	New England	39%	32%	5%	7%	0%	18%	42%	13%	8%	0%	0%	38%
	Middle Atlantic	70%	5%	3%	2%	0%	21%	49%	9%	4%	1%	1%	35%
	East North Central	44%	21%	14%	2%	0%	19%	47%	15%	10%	2%	0%	26%
	West North Central	63%	9%	9%	0%	0%	20%	55%	5%	5%	2%	2%	32%
	West South Central	74%	9%	0%	0%	0%	18%	63%	7%	2%	2%	0%	26%
	East South Central	43%	7%	0%	0%	0%	50%	46%	9%	9%	0%	0%	36%
	South Atlantic	54%	14%	14%	1%	0%	16%	54%	13%	15%	0%	0%	18%
	Mountain	58%	16%	11%	0%	0%	16%	65%	12%	6%	0%	0%	18%
	Pacific	46%	19%	21%	3%	0%	11%	47%	16%	15%	0%	0%	22%

Type of Account for OPEB Reserves:

While general fund accounts are the most common type used for OPEB reserves, this type has declined 3% since 2011. 115 trusts showed a gain of 3% over 2011.

Q19 What Kind of Account for OPEB Reserve		2012					2011				
		401(h) account in the pension reserve	115 Governmental Integral Part Trust	Voluntary Employee Beneficiaries Assoc. (VEBA)	General fund account	Other trust or agency fund	401(h) account in the pension reserve	115 Governmental Integral Part Trust	Voluntary Employee Beneficiaries Assoc. (VEBA)	General fund account	Other trust or agency fund
Overall		**3%**	**12%**	**2%**	**47%**	**36%**	**2%**	**9%**	**2%**	**50%**	**38%**
Full-Time Employees	0-10	6%	6%	14%	49%	26%	0%	0%	0%	55%	46%
	11-50	5%	12%	2%	49%	32%	0%	7%	0%	62%	31%
	51-100	0%	7%	0%	60%	33%	0%	16%	0%	53%	31%
	101-250	1%	9%	0%	51%	39%	3%	3%	5%	59%	29%
	251+	4%	17%	1%	37%	42%	3%	11%	3%	38%	46%
Census Region	Northeast	1%	6%	1%	51%	40%	4%	4%	0%	50%	42%
	Midwest	8%	11%	2%	44%	35%	2%	10%	5%	45%	38%
	South	2%	12%	3%	54%	29%	0%	7%	0%	61%	32%
	West	0%	20%	2%	31%	48%	2%	17%	2%	34%	44%
Census Division	New England	4%	11%	0%	29%	57%	0%	8%	0%	39%	54%
	Middle Atlantic	0%	2%	2%	67%	29%	5%	3%	0%	54%	39%
	East North Central	8%	14%	3%	36%	39%	3%	12%	4%	45%	36%
	West North Central	9%	4%	0%	65%	22%	0%	4%	9%	44%	44%
	West South Central	0%	7%	7%	74%	11%	0%	3%	0%	74%	23%
	East South Central	0%	0%	0%	67%	33%	0%	0%	0%	67%	33%
	South Atlantic	3%	15%	2%	45%	36%	0%	11%	0%	51%	38%
	Mountain	0%	0%	0%	50%	50%	0%	0%	0%	50%	50%
	Pacific	0%	28%	2%	23%	47%	3%	23%	3%	29%	42%

Section 6: Addressing Retiree Health Liability (GASB)

Level of Funding:

The percentage of local governments who do not partially fund some percentage of their liability has increased from 52% to 55% in 2012. The level of awareness also has increased. The percentage of respondents who didn't know the percentage of the liability set aside dropped from 21% to 13%.

Q20 How Much Funding Set Aside		2012							2011						
		None	1 to 10%	11 to 20%	21 to 30%	31 to 50%	51%+	Don't know	None	1 to 10%	11 to 20%	21 to 30%	31 to 50%	51%+	Don't know
Overall		**55%**	**12%**	**8%**	**5%**	**5%**	**4%**	**13%**	**52%**	**13%**	**7%**	**2%**	**2%**	**4%**	**21%**
Full-Time Employees	0-10	57%	6%	6%	3%	0%	3%	26%	41%	6%	12%	0%	0%	6%	35%
	11-50	57%	6%	8%	6%	1%	4%	18%	58%	9%	3%	2%	1%	3%	23%
	51-100	63%	6%	3%	3%	8%	3%	14%	53%	16%	2%	0%	0%	5%	24%
	101-250	48%	15%	10%	0%	5%	5%	16%	57%	10%	6%	0%	3%	5%	20%
	251+	54%	16%	9%	7%	7%	3%	4%	47%	16%	11%	3%	3%	3%	17%
Census Region	Northeast	69%	11%	4%	4%	2%	2%	9%	58%	16%	2%	0%	0%	2%	22%
	Midwest	51%	9%	12%	5%	10%	2%	12%	50%	13%	7%	3%	2%	4%	21%
	South	58%	10%	6%	4%	2%	5%	16%	55%	9%	10%	1%	1%	4%	19%
	West	38%	19%	9%	6%	8%	6%	14%	37%	18%	9%	4%	5%	7%	21%
Census Division	New England	56%	21%	3%	5%	0%	5%	10%	41%	36%	0%	0%	0%	0%	23%
	Middle Atlantic	77%	5%	5%	3%	3%	0%	8%	64%	9%	3%	0%	0%	3%	21%
	East North Central	44%	13%	13%	4%	9%	1%	15%	46%	15%	7%	4%	2%	5%	22%
	West North Central	65%	0%	9%	6%	12%	3%	6%	65%	9%	6%	0%	3%	0%	18%
	West South Central	70%	6%	3%	0%	3%	0%	18%	62%	4%	11%	2%	0%	2%	18%
	East South Central	59%	6%	0%	0%	0%	0%	35%	35%	15%	5%	0%	5%	10%	30%
	South Atlantic	52%	13%	8%	6%	2%	7%	11%	57%	11%	11%	0%	1%	3%	18%
	Mountain	53%	6%	6%	6%	6%	6%	18%	50%	21%	0%	0%	0%	0%	29%
	Pacific	34%	23%	10%	7%	8%	7%	13%	33%	16%	12%	5%	7%	9%	19%

Section 6: Addressing Retiree Health Liability (GASB)

Investment of Funding:

The percentage of local governments using investment companies, coalitions, or a local board to invest the funding increased slightly in 2012. The percentage using state government or managing on their own declined slightly.

Q21 Who Manages the Reserve		2012							2011						
		Not applicable	Self-managed	Local board	Bank or bank trust	State government	Coalition/ association	Investment company	Not applicable	Self-managed	Local board	Bank or bank trust	State government	Coalition/ association	Investment company
Overall		**58%**	**16%**	**6%**	**3%**	**5%**	**4%**	**8%**	**60%**	**18%**	**4%**	**3%**	**6%**	**3%**	**6%**
Full-Time Employees	0-10	65%	7%	16%	0%	10%	3%	0%	61%	0%	17%	0%	17%	0%	6%
	11-50	60%	11%	7%	3%	10%	3%	8%	67%	12%	2%	5%	7%	1%	6%
	51-100	68%	13%	2%	2%	0%	3%	12%	59%	19%	5%	3%	3%	7%	3%
	101-250	57%	19%	3%	1%	6%	3%	10%	63%	19%	3%	3%	3%	5%	6%
	251+	54%	18%	6%	6%	5%	5%	7%	54%	23%	5%	3%	7%	2%	7%
Census Region	Northeast	74%	7%	5%	1%	1%	2%	10%	69%	13%	9%	3%	1%	0%	5%
	Midwest	51%	23%	6%	4%	1%	5%	11%	58%	17%	3%	3%	6%	4%	9%
	South	58%	16%	7%	2%	6%	4%	8%	59%	19%	4%	4%	6%	4%	5%
	West	50%	15%	4%	8%	16%	5%	3%	49%	27%	0%	4%	13%	4%	4%
Census Division	New England	67%	6%	6%	3%	0%	3%	17%	52%	9%	22%	4%	4%	0%	9%
	Middle Atlantic	78%	9%	5%	0%	2%	2%	5%	75%	14%	5%	3%	0%	0%	3%
	East North Central	41%	26%	7%	4%	1%	6%	15%	56%	16%	4%	4%	6%	4%	10%
	West North Central	71%	18%	3%	3%	0%	3%	3%	66%	19%	0%	0%	6%	3%	6%
	West South Central	66%	20%	9%	0%	0%	3%	3%	70%	16%	2%	2%	7%	2%	0%
	East South Central	63%	13%	0%	0%	25%	0%	0%	53%	26%	5%	5%	11%	0%	0%
	South Atlantic	54%	16%	7%	2%	5%	5%	11%	54%	19%	4%	4%	4%	6%	8%
	Mountain	65%	18%	0%	12%	6%	0%	0%	54%	31%	0%	0%	8%	8%	0%
	Pacific	46%	14%	5%	7%	19%	7%	3%	48%	26%	0%	5%	14%	2%	5%

Section 7
Ideas from Respondents

Innovations That Work:

Respondents shared innovations and best practice success stories that worked for them, and that they felt could be helpful for other local units of government. In 2011, the top three themes were wellness/disease management, employee engagement, and pooling. For 2012, the top three were pooling, employee engagement, and negotiation.

Q29 Type of Innovation		2012						2011					
		Pooling	Wellness/ disease mgt.	Consumer-driven health care	Employee engagement	Innovative plan design	Negotiation	Pooling	Wellness/ disease mgt.	Consumer-driven health care	Employee engagement	Innovative plan design	Negotiation
Overall		**22%**	**10%**	**13%**	**19%**	**17%**	**19%**	**20%**	**24%**	**9%**	**21%**	**10%**	**15%**
Full-Time Employees	0-10	20%	10%	13%	12%	19%	27%	32%	16%	12%	15%	9%	17%
	11-50	31%	6%	17%	13%	16%	17%	26%	20%	12%	22%	7%	13%
	51-100	32%	9%	5%	19%	17%	19%	15%	23%	6%	21%	10%	25%
	101-250	13%	16%	11%	24%	18%	18%	18%	18%	7%	20%	15%	22%
	251+	13%	13%	13%	32%	16%	15%	8%	40%	7%	23%	14%	8%
Census Region	Northeast	31%	7%	9%	12%	17%	25%	23%	20%	6%	16%	10%	26%
	Midwest	20%	10%	14%	17%	17%	21%	18%	17%	12%	27%	13%	13%
	South	15%	11%	13%	33%	14%	14%	13%	37%	10%	16%	8%	16%
	West	26%	13%	14%	15%	20%	13%	37%	28%	5%	17%	8%	6%
Census Division	New England	34%	7%	10%	17%	15%	17%	26%	22%	4%	17%	4%	26%
	Middle Atlantic	29%	8%	9%	9%	18%	29%	21%	19%	6%	15%	13%	26%
	East North Central	18%	11%	15%	13%	21%	22%	15%	16%	14%	29%	14%	12%
	West North Central	25%	9%	13%	27%	8%	19%	27%	18%	8%	20%	10%	16%
	West South Central	23%	7%	19%	33%	5%	14%	8%	39%	5%	21%	8%	21%
	East South Central	4%	8%	13%	38%	17%	21%	10%	43%	7%	10%	10%	20%
	South Atlantic	14%	16%	9%	32%	19%	11%	19%	31%	17%	17%	7%	10%
	Mountain	26%	15%	17%	15%	22%	4%	34%	28%	6%	19%	6%	6%
	Pacific	27%	10%	10%	14%	18%	20%	39%	27%	3%	15%	9%	6%

Section 7: Ideas from Respondents

Pooling:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed on the next page:

Section 7: Ideas from Respondents

VERBATIM COMMENTS
IMPLEMENTED WELLNESS PROGRAM.
WE JOINED A HEALTHCARE COG.
WE JOINED A POOL TO BECOME SELF INSURED WHICH LOWERED OUR PREMIUMS GREATLY.
WE JOINED THE STATE OF KANSAS NON-STATE EMPLOYEES HEALTH PLAN. SINCE JOINING THE GROUP OUR PREMIUMS HAVE BECOME MORE STABLE & PREMIUM INCREASES ARE ESTIMATED 6 MONTHS AHEAD RATHER THAN 1 MONTH BEFORE RENEWAL.
HOHP & FUND PART OF HSA -- ENCOURAGES EDUCATION. HIGHER CO-PAYS AND HRA SAVES MONEY. JOIN CONSORTIUM--WE HAVE STRENGTH IN NUMBERS.
OFFERED LOWER PLAN AT 100% AND HIGHER PLANS THE EMPLOYEE'S MUST PAY PRICE DIFFERANCE.
WE PUT ALL INS UNDER 1 PROVIDER & BY BEING IN UNDER THE "UMBRELLA" WE GET DISCOUNT RATES ON ALL INS.
STATE OF OKLAHOMA CREATED TH O-EPIC PROGRAM TO HELP SMALL BUSINESSES AFFORD HEALTH COVERAGE FOR EMPLOYEES AND SPOUSES.
STRATEGIC PARTNERSHIPS W/LOCAL HOSPITAL TO CREATE ON SIDE CLINIC. FURTHER POSSIBILITY OF POOLING W/STATE PLAN. INCREASE EMPLOYEE ENGAGEMENT W/HEALTHY LIFESTYLE CHOICES. THIRD PARTY DISEASE MANAGAMENT INITIATION.
JULY 1, 2006 GARRETT COUNTY GOVERNMENT, GARRETT COUNTY BOARD OF EDUCATION AND GARRETT COLLEGE FORMED A HEALTH INSURANCE COALITION WHEREBY ALL PREMIUMS AND GUIDELINES WOULD BE THE SAME FOR ALL EMPLOYEES OF ALL THREE ENTITIES. BY POOLING TOGETHER WE WERE ABLE TO ATTAIN MORE AFFORDABLE PREMIUMS WHICH REDUCED HEALTH CARE COSTS TO BOTH THE EMPLOYER AND EMPLOYEES.
IN 1992 THE COUNTY JOINED THE LOCAL GOVERNMENT PORTION OF THE STATE'S HEALTH INSURANCE POOL. THIS HAS KEPT PREMIUMS SOMEWHAT IN CHECK AND THE BENEFITS ATTRACTIVE.
TOWN OF HERNDON IS A RELATIVELY SMALL JURISDICTION. THE TOWN JOINED THE STATE OF VIRGINIA'S POOLEY. THE LOCAL CHOICE (TLC) PLANS.
ALL COUNTY TRUSTEES TO PLACE ALL EMPLOYEES UNDER ONE ORGANIZATION.
MEDICAL TRUST, H.S.A.
SELF INSURANCE TO $35,000.00/CO AIM, $35,000-$125,000 COVERED BY POOL & $125,000 BY UMBRELLA.
WE ARE A NUMBER OF COOPERATIVE/COLLECTIVE PROGRAMS, BENECON, WE RECIEVE FUNDS BACK WHEN THE GROUP WE ARE IN DOESN'T USE ALL THE SERVICES.
HIGH DEDUCTIBLE PLAN.
MUNICIPALITIES CAN JOIN AND/OR FORM POOLS. BETTER COVERAGE, LESS PRICE.
LOTS OF LITTLE CHANGES ADD UP TO BIG SAVINGS.
IN PROCESS TO SELF INSURE OR JOIN STAT HEALTHCARE PLAN TO LOWER HEALTH COSTS.
I THINK CORGA POOL OF REGIONAL LOCAL GOVERNMENT ENTITIES WOULD HELP GET BETTER PLAN PRICING.
TRY TO SET P A LARGER POOL OF PARTICIPANTS.
UNDER THE SELF INSURED PLAN, UTILIZING STOP LOSS COVERAGE HAS PROTECTED AGAINST EXCESSIVELY LARGE CLAIMS. ALSO, ADDING ANOTHER ENTITY TO THE COUNTY'S PLAN HAS ALLOWED THAT ENTITY TO ACCESS COVERAGE AT A BETTER COST SAVINGS.
SWITCHING FROM SELF-FUNDED BACK TO FULLY-INSURED, BUT THROUGH A UNION TRUST.
LOCAL GROUP POOLING TO ACHIEVE HIGHER PARTICIPATION LEVELS.
THE HOUSING AUTHORITY POOLS WITH THE TOWN.
WE WERE WITH AN INDEPENDENT ? (UHC). WE MOVED TO A POOL OF GOVERNMENT ENTITIES & SAVED $180,000. WE ARE A SMALL GROUP LESS THAN 50. WE WERE RECEIVING 22-23% INCREASES EACH YEAR WITH UHC.
WE SENT OUT QUOTES WITH OUR CURRENT BROKER AND AFFILIATIONS TO GET THE BEST PRICE & PRODUCT FOR OUR EMPLOYEES. WE DO THIS EVERY YEAR.
PARTICIPATION IN A HEALTH INSURANCE CONSORTIUM WITH OTHER LOCAL GOVERNMENTS AND AGENCIES.
POOLING WITH ANOTHER AGENCY.
ANOTHER ENTITY INCREASED THEIR DEDUCTIBLE TO SAVE MONEY. THEY THEN DEPOSIT THE DEDUCTIBLE AMOUNT INTO AN EMPLOYEE HEALTH CARE SAVINGS PLAN AND STILL SAVE MONEY. IT'S A WIN-WIN SITUATION FOR EMPLOYER AND EMPLOYEE.
POOLING OUR HEALTH INSURANCE HAS ALLOWED THE DISTRICT TO SECURE BETTER INSURANCE RATES & COVERAGE.
THE COLORADO EMPLOYER BENEFIT TRUST (CEBT) IS A MULTIPLE EMPLOYER TRUST FOR PUBLIC INSTITUTIONS PROVIDING EMPLOYEE BENEFITS. THE PURPOSE OF THE TRUST IS TO SPREAD THE RISK OF ADVERSE CLAINS OVER A LARGER BASE OF MEMBERS

Section 7: Ideas from Respondents

Wellness and Disease Management:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed below the cloud:

Section 7: Ideas from Respondents

VERBATIM COMMENTS
CONSIDER INTERNATIONAL MEDICINE.
FLAT DOLLAR AMOUNT. THREE PLAN CHOICES-EMPLOYEE SELECTS.
CONSTANT VIGILANCE
WELLNESSL PROGRAMS WORK.
IMPLEMENTED HDHP WITH CITY CONTRIBUTING FULL AMOUNT OF DEDUCTIBLE TO HSA. EMPLOYEES MANAGED HEALTH CARE COSTS AND PREMIUMS IN 3 YEARS SINCE IMPLEMENTATION HAS INCREASED JUST UNDER 3%
WE HAVE IMPLEMENTED AND ARE ENCREASING HST'S AND VEBA'S TO PLACE MORE RESPONSIBLITY WITH THE EMPLYEES, HOPEFULLY THIS WILL REDUCE HEALTH CARE COSTS IN NEAR FUTURE.
SWITCHING FROM TNTHEM LOCAL CHOICE (STATE-ADMINISTERED) TO ANOTHER PLAN FROM OTHER CARRIER (OPTIMA) WITH HSA.
IMPLEMENTED A HIGH DEDUCTIBLE HEALTH PLAN WITH AN HSA.
WELLNESS PROGRAM - 15% PREMIUM COST FOR NOT PARTICIPATING. SMOKING - 15% PREMIUM COST FOR SMOKING
INTRODUCE FUNCTIONAL MOVEMENT SCREENING TO REDUCE MUSCULOSKELETAL INJURIES AND ILLNESS
SWITCHING FBM TO VRX DRUG PROGRAM.
SPOUSAL PARITY-WE REQUIRE SPOUSES WHO ARE EMPLOYES TO CARRY COVERAGE FOR THEMSELVES AS PRIMARY. WE WILL ? AS SECONDARY ONLY.
THE DECLINING TREND IS ATTRIBUTABLE TO A COMBINATION OF APPROACHES: WELLNESS INCENTIVES & DISEASE MANAGEMENT, CONSUMER DRIVEN HEALTH PLANS (CURRENTLY OFFER HSA & HRA FUNDING METHODS) AND RX CARVE-OUT FROM MEDICAL PLAN. EMPLOYEE COMMUNICATIONS AND ENGAGEMENT IS KEY TO ALL.
ADDING A CDHP & HSA PLAN.
IMPLEMENTED INCENTIRES FOR OUR BIOMETRICS WELLNESS PROGRAM-2-3% LOWER PREMIUM SHARE.
LEAVING POOLED TIRED GROUP TO SMALL BUSINESS AGE BASED PLANS...HSA'S.
COMMUNITY BASED HEALTH CARE THAT PROVIDES SERVICE AT REASONABLE RATES. THAT WILL COME ABOUT WITH CAPS PLACED ON LAWSUIT AWARDS.
APPROACH LOCAL HOPITALS ON PACKAGE DEALS & HOW TO CONTROL COSTS.
HSA PLANS WORK WELL.
WE ARE VERY HOPEFUL AN ON-SITE HEALTH CLINIC WILL IMPROVE EMPLOYEE HEALTH.
WELLNESS INCENTIVES FOR EMPLOYEES WHO TAKE AN ACTIVE INTEREST IN THEIR OWN HEALTH/WELLNESS PRACTICES.

Section 7: Ideas from Respondents

Consumer-Driven Health Care:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed below the cloud:

Section 7: Ideas from Respondents

VERBATIM COMMENTS
WE CONTINUED TO PAY 100% OF HEALTH PREMIUM-CHANGED TO A LOW DEDUCTIBLE/CO PAY HMO THEN MADE ALL OTHER BENEFITS-EMPLOYEE PAID (DENTAL 50/50%)LTD,STD,VISION,LIFE WAS PAID BY CITY NOW EMPLOYEES MAY ELECT TO PURCHASE AT 100% OF PREMIUM.
MIXED COMMERCIAL COVERAGE? PARTIAL SELF-INSURANCE
WE CHANGED TO A HIGH DEDUCTIBLE PLAN WITH A SECOND PLAN THROUGH HEALTH COST SOLUTIONS AND ANTICIPATE SAVING $20,000-40,000 THIS YEAR. WE ALSO HAVE A VOLUNTARY WELLNESS PROGRAM FOR EMPLOYEES.
PAY FOR HIGHER DEDUCTIBLE PLAN-REIMBURSE EMPLOYEES A PERCENTAGE OF OUT OF POCKET EXPENSES.
HSA IMPLEMENTED & WORKED WELL OUR 20% INCREASES DROPPED TO 7% FOR 2012. ALL BUT 1 EMPLOYEE MOVED TO THE NEW PLAN.
TAKE A BIG PICTURE APPROACH - LOOK AT WAGES, PENSION - THE ENTIRE BENEFIT PACKAGE WHEN COMPARING HEALTH COSTS TO OTHER UNITS. MAKE SURE YOU UNDERSTAND YOUR EMPLOYEES' USE OF THE PLAN - LIGHT? HEAVY? WORK WITH YOUR AGENT TO MAKE SURE YOU ARE SELECTING A PLAN THAT WORKS FOR YOUR CIRCUMSTANCE.
CAPPING WHAT US AS THE EMPLOYER PAYS HAS REALLY HELPED THE CITY FINANCIALLY. WE ARE NOW THINKING OF ONLY INSURING THE EMPLOYEE.
SUGGEST THAT THE RESPONSIBILITY OF GOOD HEALTH LIES WITH THE EMPLOYEE AND THE CHOICES THEY MAKE!
CHOOSE HIGH DEDUCTIBLE TO KEEP PREMIUM MANAGEABLE AND SUBSIDIZE EMPLOYEE FOR COST PAID FOR DEDUCTIBLE.
WEIGHT MANAGEMENT PROGRAMS.
SELF INSURANCE
TRANSITIONINE TO DUAL OPTION PPO WITH QHDHO, ELIMINATING HMO. NON PARTICIPATION FEE IF DO NOT MEET WELLNESS RERQUIREMENTS.
WE OPENED AN ON-SITE CLINIC IN CONCERT WITH AN HRA BASED ON WELLNESS GOALS AND ADDED DIETRY COUNSELING SERVICES IN THE CLINIC. IN 2011 ALONE 59 EE;S LOST A COMBINED 1000 POUNDS
WENT TO A SELF-FUNDED APPROCAH A YEAR AGO WHICH MAINTAINED COSTS INSTEAD OF INCREASING. SO FAR SO GOOD.
CAP REFIRE HEALTHCARE PREMIUM EMPLOYER WILL PAY. ELIMINATE CONTRIBUTIONS WHEN EMPLOYEE REACHES MEDICARE AGE. INCREASE COPAYS AND ADD HRA IF APPROPRIATE.
CHANGING TO A FLAT RATE CONTRIBUTION TO EMPLOYEE TO PURCHASE OWN INSURANCE WITH HRA.
WE HAVE OUR AGENT CHECK WITH ALL CARRIERS FOR THE BEST RATE. WE HAVE CHANGED OUR PLAN AND ARE PAYING LESS THAN WE DID YEARS AGO.
WE HAVE 2 EMPLOYEES ON CITY SPONSORED HEALTH INS. PAN AND 8 EMPLOYEES ON UNION PLAN.
ESTABLISH A MEDICAL ESPENCE REIMBURSEMENT PLAN AND INCREASE COPAYS & DEDUCTIBLES.
WE HAVE DIRECT FINANCIAL INCENTIVES TO EE'S TO LIMIT? CLAIMS COSTS AND HIGHER COSTS TO THOSE HWO HAVE HIGHER CLAIMS (CARROT AND STICK)
WE WENT WITH A HIGHER DEDUCTIBLE POLICY AND HAD ENOUGH SAVINGS TO INCLUDE A GAP PLAN SO THAT EMPLOYEES ACTUALLY HAD LESS OUT OF POCKET EXPENSES.
INSTITUTED HIGH DETUCTIBLE PLAN 5+ YEARS AGO. HAS BEEN A HUGE COST SAVING MOVE.
1 SELF INSURE IF YOU CAN. 2 CONTROL WHOL CAN BE COVERED BY YOUR PLAN.
WE HAVE AN ON-SITE CLINIC FOR HEALTH PLAN PARTICIPANTS WHICH HAS SAVED US MONEY.
GOING FROM LONGSTANDING % OF PAY EMPLOUEE CONTRIBUTION TO % OF PREMIUM. SUBSTANTIAL PLAN REDESIGN.
MOVED TO A HIGH DEDUCTIBLE HSA PLAN AND REBID HEALTH INSURANCE CARRIER
BECAUSE WE SAVED SO MUCH MONEY WHEN WE SWITCHED CARRIERS, WE OPTED TO PROVIDE OUR EMPLOYEES A MEDICAL EXPENSE REIMBURSEMENT PLAN, $1200 PER EMPLOYEE BECAUSE THE DEDUCTIBLES AND OUT-OF-POCKET EXPENSE INCREASED.
WE SWITCHED TO A HDHP, STARTED REIMBURSING DEDUCTIBLE THROUGH A HRA.
WE USE A COMBO OF PPO & HSA COUPLED WITH AN HRA TO REDUCE COSTS OF HEALTH INSURANCE, EVEN THOUGH WE PAY 99% OF HEALTH INSURANCE PREMIUMS OF FULL TIME EMPLOYEES--THIS REDUCES COSTS.
ADDED A $20 COPAY COMPARED TO HARD CAPS. ADDED A LOWER COST HIGHER DEDUCTIBLE PLAN THAT 25% OF ELIGIBLES GRAVITATED TO. INCREASED OPT-OUT INCENTIVE & SAVED ABOUT 30% OF ADDITIONAL PREMIUM.
GET GOVERNMENT OUT OF HEALTH CARE ENTIRELY, THEY WILL JUST SCREW IT UP LIKE THEY DID WITH THE HOUSING MARKET AND THE ECONOMY GENERALLY
HSA & A HIGH DEDUCTIBLE PLAN.
LOWER THE COST ON SPOUSE COVERAGE AND THE PERCENTAGE OF WHAT YOU GO TO THE DOCTOR APPOINTMENTS,THEN APPLY.

Section 7: Ideas from Respondents

Employee Engagement:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed below the cloud:

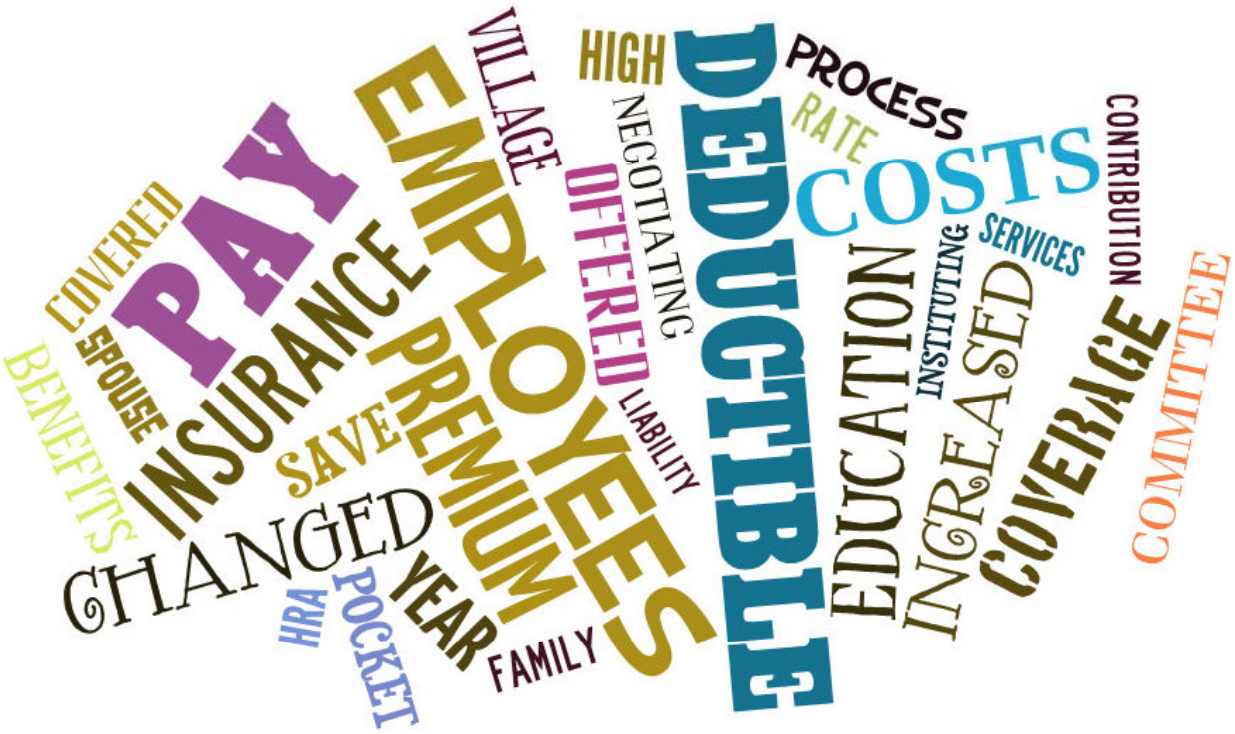
Section 7: Ideas from Respondents

VERBATIM COMMENTS
ASHEVILLE PROJECT.
TOWN PAYS THROUGH STATE HEALTH PLAN FOR ALL EMPLOYEES TO HAVE A PHYSICAL WITH COMPLETE BLOOD WORK-UP.
HEALTH WELLNESS INITIATIVES SUCH AS GIFT CARDS FOR EMPLOYEES.
REEVALUATE YOUR CONNECT AGENT, AND IF THEY ARE FAIRLY CHANGING.
GOING TO IMPLEMENT HEALTH MILES PEDOMETER PROGRAM WITH INCENTIVE PAYOUTS UP TO $250
WE'VE BEGUN WELLNESS INITIATIVES WHICH WILL BE EXPANDED IN 2013 TO REWARD EMPLOYEES FOR PARTICIPATION IN WELLNESS ACTIVITIES I.E. BIOMETRIC SCREENINGS, HRAS AND ACTIVITIES.
WE ARE CURENTLY PARTICIPATING WITH BLUESHIELD IN A PROGRAM TO HELP EDUCATE OUR EMPLOYEES ABOUT USING URGENT CARE CENTERS VS. EMERGENCY ROOMS TO KEEP COSTS DOWN. WE PARTNER WITH ALL INSURANCES TO PROVIDE EMPLOYERS WITH
CREATED HEALTH CARE COMMITTEE COMPRISED OF PEOPLE FROM COUNTY WHO ARE AWARE OF BENEFITS & CONCERNS.
STARTED A QUIT SMOKING & WELLNESS.
SIGNIFICANT EDUCATION PRIOR TO IMPLEMENTING A HIGH DEDUCTIBLE HEALTH PLAN AND HEALTH SAVINGS ACCOUNT MADE EMPLOYEES WISE HEALTH CARE CONSUMERS.
HSA IMPLEMENTATION, HARD CAP ON EMPLOYER CONTRIBUTION TO HEALTH CARE WITH ANNUAL INFLATIONARY INCREASES ONLY, EMPLOYEE COMMITTEE FORMED TO SUGGEST ANNUAL PLAN DESIGN CHANGES
DURING A ROUTINE WELLNESS? A SERIOUS LIFE THREATENING CONDITION WAS DISCOVERED.
WELLNESS PROGRAMS
PROVIDED AMEX GIFT CERTIFICATES AS AN INCENTIVE FOR EMPLOYERS TO GET ANNUAL PHYSICALS.
THE CITY IMPLEMENTED A STRONG WELLNESS PROGRAM IN PARTNERSHIP WITH THE RISK POOL WE BELONG TO FOR MEDICAL INSURANCE THAT RESULTED IN A 2% SAVINGS IN OUR PREMIUMS FOR 2011.
WELLNESS PROGRAM HAS BEEN SUCCESSFUL. HAVE KEPT PREMIUMS LOWER THAN THEY WOULD HAVE BEEN OTHERWISE.
WELLNESS BENEFITS.
OUR ON-SITE (CENTRALLY LOCATED) CLINIC (WHICH IS FREE TO EMPLOYEES) IS WONDERFUL AND SHARED WITH COUNTY GOVERNMENT. HEALTH RISK ASSESSMENTS ARE MANDATORY.
NEED GOVERNMENT TO LIMIT LAWSUIT LIABILITY.
INSURANCE BUYOUTS FOR EMPLOYEES WHOSE SPOUSES HAVE COVERAGE AT THEIR PLACE OF EMPLOYMENT.
REQUIRE THOSE ON CONTINURED MEDS TO USE MAIL ORDER. PRUDENTIAL DENTAL CARE DECREASED DENTAL 2012 PREMIUMS.
BIDDING FOR HEALTH CARE SERVICES SAVED THE PLAN A SUBSTANTIAL AMOUNT IN ANNUAL COSTS.
STARTED A WELLNESS PROGRAM WITH INCENTIVES.
IMPLEMENTATION OF A WELLNES PROGRAM WITH A WELLNESS COMMITTEE MADE UP OF VARIOUS DEPARTMENT REPRESENTATIVES TO PROVIDE INPUT ON WELLNESS STRATEGIES AND ACTIVITIES.
WE BELIEVE THAT OPENING ONSITE CLINICS IN 2007 WAS ONE OF THE SMARTEST MOVES WE EVER MADE.
WE BEGAN A UNION/ MANAGEMENT BENEFIT COMMITTEE WITH REPRESENTATIVES FROM ALL UNIONS, NON UNION, AND COMMISSIONERS TO DISCUSS THE IMPLEMENTATION OF PA 152 OF 2011. THE COMMITTEE JUST MADE THEIR RECOMENDATION TO THE BOARD TO STAY WITH THE HARD CAPS. IN THE FUTURE THE COMMITTEE WILL BE INVOLVED IN SENDING RFPS IN THE NEXT YEAR FOR HEALTH, DENTAL, AND VISION INSURANCE.
WELLNESS INTIATIVES ARE EXTREMELY HELPFUL FOR THE EMPLOYEE AS WELL AS THE EMPLYER.
COUNTY RUN WELLNESS CENTER
WE CREATED A FITNESS ENTER FOR EMPLOYEE AND FAMILY ONLY USE.
WELLNESS RATES-PREFERRED RATE IF YOU PERFORM A SELECTION OF ITEMS I.E. ANNUAL VISIT.
WELNES PROGRAM WITH ENGAGEMENT HEALTH IS VERY SUCESSFUL. 70% OF EMPLOYESS WE ENROLLED. THEY GET 40? FOR PASTRICIPATING & PREMIUMS INCREASED NY 33%.
UNION CONTRACTS HAVE BEEN AN ENORMOUS BARRIER TO CHANGE

Section 7: Ideas from Respondents

Innovative Plan Design:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed below the cloud:



Section 7: Ideas from Respondents

VERBATIM COMMENTS
OFFERED CHOICE TO EMPLOYEES; HIGHER OUT-OF-POCKET COSTS BUT LOWER PREMIUMS. EMPLOYEES PAY 0% FOR THEMSELVES BUT 25% OF DEPENDENT COVERAGE. THEY ASKED FOR LOWER PREMIUMS.
HIGH DEDUCTIBLE WITH HRA IS BEST BONUS FOR THE BUCK.
WOULD PREFER EMPLOYEES SHARE PREMIUM COSTS. CURRENTLY EMPLOYER PAYS ENTIRE PREMIUM.
WE USE A HRA TO COVER LARGE DEDUCTIBLES. EMPLOYEES WHO USE HRA ARE LESS THAN THE COST FOR SMALLER DEDUCTIBLE.
COMPETITIVE BIDDING PROCESS. COMMITTEE THAT HRS UNION REPRESENTATION.
HEALTH SCREENING 1 TIME A YEAR.
WE ACTIVELY EDUCATE OUR EMPLOYEES THROUGH AN INSURANCE ADVISORY COMMITTEE. ABOUT EIGHT YEARS AGO, CAN TRUST FEED BLANACE WENT NEGATIVE AND WE INCREASED RATES 36% IN ONE YEAR. NOW, EMPLOYEES AND RETIREES ARE THE IMPORT
HIGH DEDUCTABLE PREMIUM PLAN HAD A POSITIVE IMPACT ON OUR OPEB ACTUARIAL LIABILITY AND ARC AMOUNT
SWITCHING TO AN HSA EDUCATED EMPLOYEES ABOUT HEALTHCARE COSTS.
ADDED A HIGH DEDUCTIBLE PLAN
GIVE EMPLOYEES A VOICE IN THEIR INSURANCE DECISIONS.
WE ENGAGED THE EMPLYEES IN THE PROCESS OF SELECTING CO-PAYS RATHER THAN INCREASED COST SHAVING. PAST PRACTICE WAS NO INVOLVEMENT FROM THE EMPLOYEES ANS THAT WAS A DISASTER.
INCREASED COPAYMENTS-ENCOURAGE EMPLOYEES TO CONSIDER COSTS.
EDUCATION OF EMPLOYEES.
EMPLOYEE MEETINGS.
EDUCATION SESSIONS ON HEALTH INSURANCE BENEFITS AND HOW BEST TO USE SERVICES TO SAVE MONEY BUT GET SERVICES NEEDED
PAY COLA TO UNION EMPLOYEES THAT COVERS CONTRIBUTION RATE SHIFT.
CHANGED FROM BCBS TO UNITED HEALTHCARE AND SAVED 33% OF OUR PREMIUM, OR OVER $700,000 ANNUALLY WITH VERY SIMILAR COVERAGE.
FOR FAMILIES THAT ARE DOUBLE COVERED (SPOUSE) WE WILL CONTRIBUTE THE AMOUNT EQUAL TO 1/2 SINGLE COVERAGE TO THEIR 401K IF THEY DROP OUR INSURANCE IN FAVOR OF THEIR SPOUSES.
USE HEALTH CARE BENEFIT? ACROSS UNIONS FOR YEARS-GREAT. ADDED BROKER (BEFORE DID OWN PURCHASING) AND HIS DATA/PRICING/INPUT.
LONG TERM LABOR MANAGEMENT COMMITTEE ON ?
EDUCATE EMPLOYEES ON VALUE OF BENEFITS.
EMPLOYEE EDUCATION ABOUT THEIR INSURANCE IS THE KEY.
CHANGED THE PLAN OFFERED TO THE POLIE GROUP TO A LESS COSTLY ALTERNATIVE.
ONSITE EMPLOYEE HEALTH CLINIC.
INSTITUTING AN OPT OUT PROMOTING A WELLNESS PROGRAM. NEGOTIATING PREMIUM INCREASES.
WE ARE NEGOTIATING A CHANGE TO A HIGH DEDUCT PLAN WHICH WILL REDUCE PREMIUMS BY 73%.
OUR AGENCY HEALTH COVERAGE PAYS FOR THE EMPLOYEE'S ONLY-FAMILY HEALTH INSURANCE IS PAID BY THE EMPLOYEE-WE INCREASE OUR DEDUCATABLE-AND OUT OF POCKET-TO PREVENT LAY-OFF'S.
WE PAY FAMILY INSURANCE IN FALL. EVERYONE HAPPY.
IF SPOUSE HAS AN OPTION TO GET HEALTH INS OFFER TO PAY A PERCENTAGE OF WHAT THEY WOULD PAY OUT OF POCKET. BOTH EMPLOYEES SHARE COST & EMPLOYEE BENEFITS BY PAYING LESS.
WE ARE IN THE PROCESS OF CHANGING TO BLUE CROSS BLUE SHIELD OF IL HEALTH SAVINGS ACCOUNT WITH $2500.00 DEDUCTIBLE. NEGOTIATING IF THE VILLAGE WILL PAY THE 6 EMPLOYEES THE $2500.00. IF VILLAGE PAYS THE $2500.00 TO ALL EMPLOYEES AND VILLAGE STILLL PAYS PREMIUMS IT WILL SAVE THE VILLAGE $48,900.00 PER YEAR. THIS WOULD CUT THE BUDGET BY ALMOST 36% (DECREASE).
OFFERED CASH INSTEAD OF HEALTH INSURANCE-ONLY ONE EMPLOYEE (OUT OF FIVE) PICKED THAT.
OUR PARTIALLY SELF FUNDED CHANGE HAS REALLY HELPED STABILIZE RATE CHANGES.
WE PURCHASE A $10,000.00 DEDUCTABLE PLAN AND SELF FUND THE FIRST $9,900.00. EMPLOYEES STILL HAVE A $100.00 DEDUCTABLE.

Section 7: Ideas from Respondents

Negotiation:

The word cloud below shows which words were noted most often by respondents: the larger the word, the more often it was mentioned. The actual verbatim comments are listed below the cloud:

Section 7: Ideas from Respondents

VERBATIM COMMENTS
GOING TO OPEN HEALTH INSURANCE FOR BID BY DIFFERENT CARRIERS.
USE A HIGH DEDUCTIBLE AND REIMBURSE EMPLOYEE FOR CHARGES INCURED UP TO THAT LEVEL.
USE YOUR AGENTS AS NEGOTIATORS-THEY ARE GREAT ASSETS AND CAN NOT ONLY FIND THE BEST RATES BUT ALSO BE GREAT GO-BETWEEN.
EVERY YEAR THE INSURANCE COMMITTEE MEMBERS MEET WITH TOWN'S INSURANCE BROKER AND TREASURER
UNION & NON-UNION INSURED WITH SAME PLAN.
1. COMBINED EXPERIENCE WITH SCHOOL SYSTEM. 2. IMPLEMENTED HSA & HDAP 3. CARVED OUT DENTAL & PERSCRIPTION-SELF INSURED. 4. RFP-THEN NEGOTAITED WITH PROSPECTIVE CARRIERS.
EMPLOYEES CONTRIBUTE % OF PAY @ DATE OF HIRE TO GO TOWARD THE OPEB TRUST FUND.
INCREASE RX CO PAY FOR CERTAIN UNION CLASS
EMPLOYERS COST CAPPED AND EMPLOYEES REQUIRED TO CONTRIBUTE TO RETIREE HEALTHCARE.
GOOD NEGOTIATIONS WITH UNIONS.
WE PAID A ONE-TIME $1500.00 INCENTIVE FOR MEDICARE ELIGIBLE RETIREES TO SWITCH TO MEDICARE ADVANTAGE PLANS
WE DO NOT HAVE HEALTH COVERAGHE FOR ELECTED OFFICIALS, ONLY FOR EMPLOYEES.
CLCBP NEGOTIATED SEVERAL ADJUSTMENTS TO THE USE OF PLANS BY PARTICIPANTS THAT IS RESULTING IN EITHER A COST SHIFT (IE. WORKING SPACE EXCEPTION) OR A COST REDUCTION (DIEBETES PROGRAM) OR GREATER HEALTH AWARENESS (WELLN
IN 2007 WE STARTED ON HRA WHICH CUT PREMIUMS BY 20%. IT HAS TAKEN 5 YEARS TO GET US BACK TO THE PREMIUM RATE IN 2007.
WE TIERED THE PREMIUMS WHERE NEW HIRES PAY A HIGHER CONTRIBUTION. THOUGHT ATTRITION WE ARE SEEING A SAVINGS.
I THINK A HARD CAP IS A BENEFICIAL CONCEPT FOR AN EMPLOYER. ESPECIALLY FOR PLANNING/BUDGETING PURPOSES.
GO OUT FOR BID REGULARLY
CHANGE OF CARRIER AND DROPPED RATES; TWEAK PLANS TO KEEP INCREASES LOW. CHANGE BROKER TO PROVIDE BENEFIT EDUCATION AND GAP INSURANCE PRODUCTS. LIMITED TO COMMUNITY-RATED PLANS BECAUSE OF SIZE.
WORKING WITH UNION IN INCRASING EMPLOYEE PORTION OF PAYING PREMIUMS.
IMPLEMENT ETWIP FOR POST 65 RETIREES CONSTANT PLAN DESIGN CHANGES
CONTINUED ANNUAL EFFORTS TO MAKE CHANGES HAVE YIELDED POSITIVE RESULTS. UNIONS LEARNING TO EXPECT CONTINUED CHANGES AND KNOW IT IS REAL.
CONTRACT INCLUDES PERFORMANCE GUARANTEES AND A GAIN SHARING APPROACH TO ENCOURAGE EFFECTIVE CLAIM PROJECTIONS AND RATES
WE PROVIDE A CAFETERIA PLAN WITH A FIXED CONTRIBUTION FROM THE DISTRICT. EMPLOYEES CHOOSE FROM SEVERAL HEALTH PLAN OPTIONS AND BETWEEN EMPLOYEE AND EMPLOYEE AND FAMILY COVERAGE. WHILE THE DISTRICT ACTIVELY WORKS TO KEEP COSTS DOWN, TO SOME EXTENT INCREASES ARE BORNE BY EMPLOYEES. AT LEAST UNLESS THE CAFETERIA AMOUNT IS INCREASED THROUGH NEGOTIATIONS.
BELONG TO SPECIAL DISTRICTS ASSOCATION.
ELIMINATE FAMILY POLICY. DEPENDENTS & SPOUSES CAN BE ON THE POLICY; EMPLOYEE PAYS FULL AMOUNT OF THEIR PREMIUM COST.
MAY HAVE TO LET EMPLOYEE SHARE COST OF PREM.
WE SWITCHED EMPLOYEES TO AN HMO PLAN.
MANY OF THE CHANGES LISTED IN #2 HAVE BEEN IMPLEMENTED MORE THAN 2 YEARS AGO. IN 1996 THE CITY CHANGED RETIREE COVERAGE TO NOT 100% FUND PREMIUMS FOR EMPLOYEES HIRED AFTER 6/30/1996.
SHOP AROUND. WE WERE WITH THIS COMPANY FOR YEARS. RATES WENT UP AT LEAST 9% A YEAR. THEY GUILT A NEW FACILITY & WE SHOPPED. WE GOT A BID OF 3% INCREASE WHILE CITY INCREASE WAS 9% FOR EXACT SAME INSURANCE. WE STAYED LO
WILL NOT ALLOW SPOUSES ON OUR PLAN, IF THEIR EMPLOYER PROVIDES HEALTH CARE.
THE AUTHORITY HAS COVERAGE HEALTH CARE FOR EMPLOYEES ONLY. NO FAMILY COVERAGE. IF FAMILY IS INCLUDED, THE EMPLOYEE PAYS A % FOR THEIR BENEFITS. LOWERS THE AUTHORITY COST.

Section 8
Methodology

Cobalt conducted a stratified random sample of local governments by mail based on the U.S. Census Bureau 2007 Governments Integrated Directory (GID).

Approximately 7,500 surveys were distributed by mail between February and May 2012. Based on the 2,336 valid responses collected for this survey, the response rate is approximately 31 percent. The results represent a margin of error of +/-2.0 percent at a 95 percent confidence interval. This provides a significant dataset for analysis. It is important to note that all surveys are subject to inaccuracies based on sampling, response error, etc.

It should be noted that the 2012 sample was created with the same sampling methodology used in 2011 and 2010, in that it oversamples larger governments and does not include governments with populations of 1,500 or fewer. This was done to obtain a greater representation in the survey by the governments that are more likely to provide health care benefits to active and retired employees.

WHAT ARE YOUR BENEFIT AND ORGANIZATIONAL DEVELOPMENT PRIORITIES?

Make benefit and improvement choices clearer with credible, affordable data from your employees' perspective

Cobalt Community Research

"Great value during difficult financial times"

Why participate now? Here are a few reasons: reduce expenses, improve organizational outcomes, retain key employees, guide benefit decisions, allocate limited resources effectively, focus staff efforts, manage performance, report results, build trust.

EMPLOYEE ENGAGEMENT AND PRIORITY ASSESSMENT

Employee involvement in their employer's planning is a clear driver of an organization's success and credibility in the community.

Cobalt's data-driven, nonprofit coalition collects and analyzes employee perceptions and priorities to help organizational leaders balance budgets and be more efficient in the face of a challenging economy. Organizational leaders are making difficult decisions about how to allocate scarce resources to balance benefits, compensation, process effectiveness and community-critical services. Clear, high-quality participation by employees builds stronger decisions, stronger staff support and a stronger future. Such participation also may highlight new efficiencies and options that organizational leaders hadn't considered.

Cobalt collaborated with world-class research experts, organizational leaders and the associations that support them to build a high-quality data model that is actionable, affordable and time-effective. The result: a world-class, easy-to-use survey program that organizations can repeat annually to engage employees, guide decisions and demonstrate value to the community.

It is a revolutionary leap forward in employee benefit and workplace satisfaction. **Here's why:**

Better Science. Cobalt (www.CobaltCommunityResearch.org) uses the science of the American Customer Satisfaction Index (www.theACSI.org), which is widely respected by scholars and leading business people. The methodology is considered the gold standard in customer and citizen satisfaction measurement in more than 40 industries. The credibility of the data is unmatched.

Better Decisions. The sophisticated quantitative analysis of the ACSI identifies where performance is weak and strong and the actual drivers of employee satisfaction and behaviors such as remaining at the employer and recommending it to others. In addition, results are available 24 hours per day/7 days per week on a dynamic portal that enables staff to easily create hands-on analysis of the data based on evolving questions from senior leadership. Participants are not limited to a one-time analysis captured in a thick, static report.

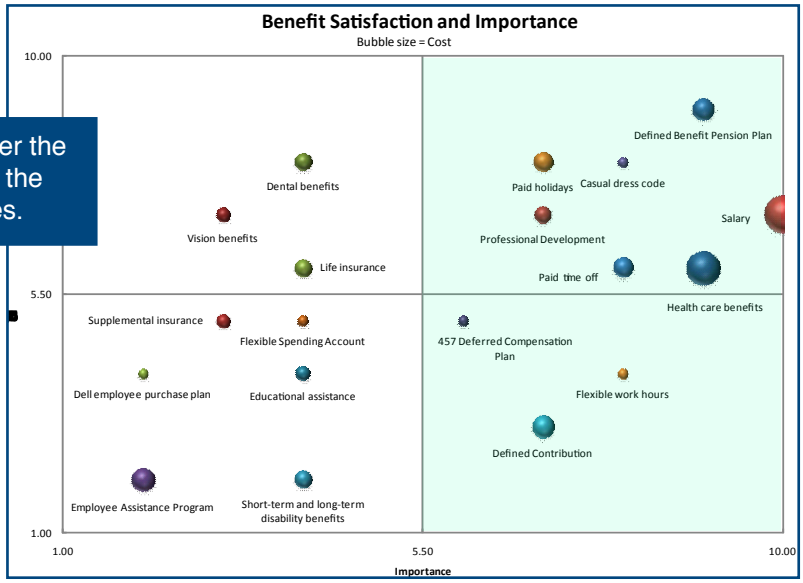
Better Price. Because of Cobalt's nonprofit mission and use of technology in data analysis, collection and reporting, program fees are significantly lower than similar services provided by private companies. In addition, with the combination of time-tested questions and custom organization-specific questions, staff time is significantly lower as well.

(877) 888-0209

CFI Group
CLAES FORNELL INTERNATIONAL

ACSI
American Customer Satisfaction Index™

Identify which benefits deliver the highest satisfaction and are the most important to employees.



Filter results by employee demographics to understand perceptions and priorities of different employee populations.

Cobalt Community Research is a 501c3 nonprofit coalition created to help schools, local governments and nonprofit organizations measure, benchmark, and manage their efforts through high-quality affordable research.

Cobalt Community Research

1134 Municipal Way, Lansing, MI 48917 | www.cobaltcommunityresearch.org | (877) 888-0209

National Conference on Public Employee Retirement Systems

The Voice for Public Pensions

About the National Conference on Public Employee Retirement Systems

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States.

NCPERS is a unique network of public trustees, administrators, public officials and investment professionals who collectively manage over $3 trillion in pension assets.

NCPERS core missions are federal advocacy, conducting research vital to the public pension community, and educating pension trustees and officials.

For more information

Phone: 877.202.5706 | Web site: www.ncpers.org

The Flexible, Affordable Answer

to Pension Administration Software

Tegrit ARRIVOS

Tegrit Arrivos® was specifically designed for Plan Administrators by software engineers experienced in the pension industry. The Tegrit team and end-users worked collaboratively to create robust software, easily customized to meet your unique needs.

Pension Administration

The Pension Administration module provides participant and employer maintenance, payroll, benefit calculators, workflows, robust reporting features and much more.

The Tegrit Arrivos system can be implemented onsite or securely hosted by Tegrit.

Member Self-Service

The Member Self-Service module provides retirement systems with the ability to offer members safe, on-line access to their data. This module is highly customizable and can include features such as account balance inquiry, address changes, electronic statements, and on-line calculators.

Employer Reporting

The Employer Reporting module allows individual employers of multi-employer plans to securely report wage, service and contribution information electronically to the retirement system, eliminating paper submissions and minimizing errors.

Imaging

The Imaging module is a cost-effective, secure, disaster recovery solution for handling paper documents. Incoming documents are scanned, indexed, and integrated with the pension administration system.

Tegrit Technologies | 19500 Victor Parkway, Suite 250 | Livonia, MI 48152
877-7-TEGRIT | www.tegrit.com

About the Government Finance Officers Association

The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

Objectives

- *Expert Knowledge.* Continue to be recognized as a leading source of expert knowledge in public financial management by exercising leadership in research, recommended practice and policy development, and information dissemination.
- *Education and Training.* Enhance the expertise and professionalism of financial managers and policymakers and provide recognition for their achievements.
- *Financial Leadership.* Engage in efforts to assist finance officers to develop the skills and capabilities necessary to enable them to become organizational leaders as well as technical experts.
- *Raising Public Awareness of Sound Financial Policy and Practice.* Take leadership in promoting public awareness of policies and practices that enhance sound financial management of public resources.
- *Enhanced Cooperation.* Cooperate with and complement the services provided by other organizations (U.S., Canadian, and international) to increase the effectiveness of the GFOA.
- *Strategic Use of Technology.* Provide information and analytical tools to help governments identify and apply appropriate, economical technologies to support efficient resource allocation, quality services, and effective decision making and to promote citizen involvement.
- *Association Operations.* Maintain a high quality, fiscally stable association capable of achieving the GFOA's mission and maximizing member participation.

For more information

Phone: 312.977.9700 | Web site: www.gfoa.org

ebri.org
Employee Benefit Research Institute

Where the world turns for the facts on U.S. employee benefits.

Retirement and health benefits are at the heart of workers', employers', and our nation's economic security. Founded in 1978, EBRI is the most authoritative and objective source of information on these critical, complex issues.

EBRI focuses solely on employee benefits research — no lobbying or advocacy.

EBRI stands alone in employee benefits research as an independent, nonprofit, and nonpartisan organization. It analyzes and reports research data without spin or underlying agenda. All findings, whether on financial data, options, or trends, are revealing and reliable — the reason EBRI information is the gold standard for private analysts and decision makers, government policymakers, the media, and the public.

EBRI explores the breadth of employee benefits and related issues.

EBRI studies the world of health and retirement benefits — issues such as 401(k)s, IRAs, retirement income adequacy, consumer-driven benefits, Social Security, tax treatment of both retirement and health benefits, cost management, worker and employer attitudes, policy reform proposals, and pension assets and funding. There is widespread recognition that if employee benefits data exist, EBRI knows it.

EBRI delivers a steady stream of invaluable research and analysis.

- EBRI publications include in-depth coverage of key issues and trends; summaries of research findings and policy developments; timely factsheets on hot topics; regular updates on legislative and regulatory developments; comprehensive reference resources on benefit programs and workforce issues; and major surveys of public attitudes.
- EBRI meetings present and explore issues with thought leaders from all sectors.
- EBRI regularly provides congressional testimony, and briefs policymakers, member organizations, and the media on employer benefits.
- EBRI issues press releases on newsworthy developments, and is among the most widely quoted sources on employee benefits by all media.
- EBRI directs members and other constituencies to the information they need and undertakes new research on an ongoing basis.
- EBRI maintains and analyzes the most comprehensive database of 401(k)-type programs in the world. Its computer simulation analyses on Social Security reform and retirement income adequacy are unique.

EBRI makes information freely available to all.

EBRI assumes a public service responsibility to make its findings completely accessible at www.ebri.org — so that all decisions that relate to employee benefits, whether made in Congress or board rooms or families' homes, are based on the highest quality, most dependable information. EBRI's Web site posts all research findings, publications, and news alerts. EBRI also extends its education and public service role to improving Americans' financial knowledge through its award-winning public service campaign *ChoosetoSave*® and the companion site www.choosetosave.org

EBRI is supported by organizations from all industries and sectors that appreciate the value of unbiased, reliable information on employee benefits. Visit www.ebri.org/about/join/ for more.

1100 13th Street NW · Suite 878
Washington, DC 20005
(202) 659-0670
www.ebri.org
www.choosetosave.org

WHAT ARE YOUR BUDGET PRIORITIES?

Make budget choices clearer with credible, affordable feedback from your residents

Why participate now? Here are a few reasons: reduce expenses, preserve tax base, guide millage decisions, improve quality of life, build economic vitality, allocate limited resources, focus staff, measure and track performance, report results, build trust.

CITIZEN ENGAGEMENT AND PRIORITY ASSESSMENT℠

Cobalt collaborated with local governments and associations to develop this nonprofit program. The goal: a high-quality tool that is actionable, affordable and time-effective. The result: a world-class, easy-to-use program that communities can repeat annually to engage residents, guide decisions and demonstrate value to current and future citizens and businesses.

It is a revolutionary leap forward in citizen satisfaction. **Here's why:**

Better Science. Cobalt (www.CobaltCommunityResearch.org) uses the science of the American Customer Satisfaction Index (www.theACSI.org), which is widely respected from a scholarly and business perspective. The methodology is considered the gold standard in customer and citizen satisfaction measurement in more than 40 industries, including public service. The credibility of the data is unmatched.

Better Benchmarks. Cobalt builds the most up-to-date baseline indices each year using a scientifically representative sample of citizens across the United States and across the region. This keeps your comparison scores valid as changes in economics and events can significantly change how residents look at local governments. In addition, Cobalt benchmarks allow local leaders to compare performance to similarly-sized governments across the country and region. They also can be compared to the 40 industries measured by the ACSI, from the federal government to financial institutions. Because of these statistically-sound comparisons, the program is a valuable tool for economic development and community branding.

Better Decisions. The sophisticated quantitative analysis of the ACSI identifies not only where performance is weak and strong, but what the actual drivers are of citizen satisfaction and behaviors such as remaining in the community, recommending it to others, volunteering, encouraging businesses to start up in the community, and supporting the current administration. In addition, results are available 24 hours per day/7 days per week on a dynamic portal that enables staff to easily create hands-on analysis of the data based on evolving questions from the board or council. Participants are not limited to a one-time analysis captured in a thick, static report.

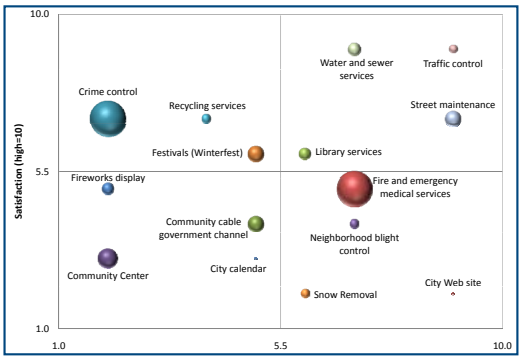
Better Price. Because of Cobalt's nonprofit mission and use of technology in data analysis, collection, and reporting, program fees are significantly lower than similar services provided by any other private company. In addition, with the combination of time-tested questions and custom community-specific questions, the staff time requirement is significantly lower as well.

"Cobalt has introduced a professional research instrument which provides comparative state and national benchmark data at a competitive rate."

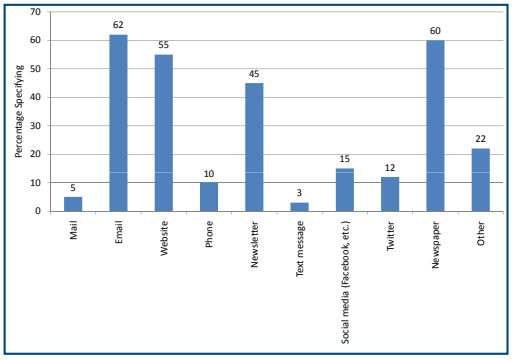
(877) 888-0209

CFI Group
CLAES FORNELL INTERNATIONAL

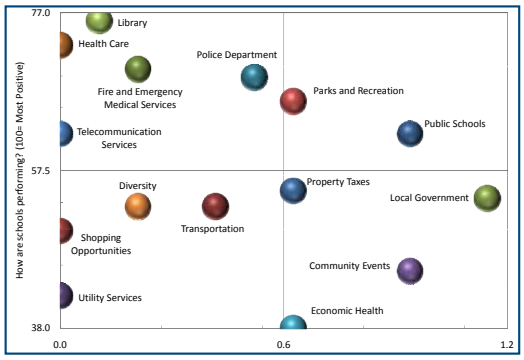
ACSI
American Customer Satisfaction Index™



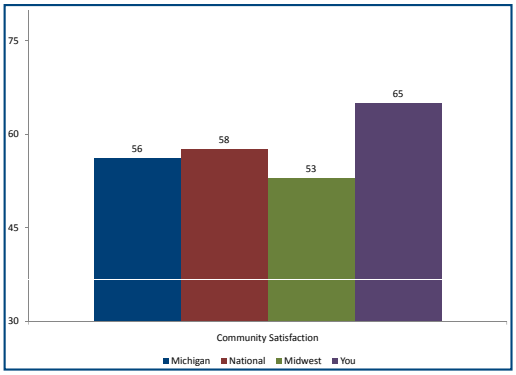
Map service importance and citizen satisfaction to guide budget decisions (bubble size based on what you spend on the service)



Strengthen the effectiveness and efficiency of communication efforts by focusing on how demographic groups in your community prefer to hear news about your local government



Identify drivers of citizen engagement and behaviors such as remaining in the community, recommending it, volunteering, encouraging business startups and supporting the current administration.



Compare current year scores against similar local governments and even the broader public and private sectors

Cobalt Community Research is a 501c3 nonprofit coalition created to help local governments, schools and nonprofit organizations thrive as changes emerge in the economic, demographic and social landscape.

Cobalt Community Research

1134 Municipal Way, Lansing, MI 48917 | www.cobaltcommunityresearch.org | (877) 888-0209

Cobalt Community Research
supporting decisions | inspiring ideas

2012 National Study of Local Government Health Funding Strategies

Please complete the following questions and return using the postage-paid envelope. If you are unable to answer a question, please skip that question and continue the survey. Your answers will remain confidential.

General Questions

1. How many full-time employees work for your local government?

☐ *0-10* ☐ *11-50* ☐ *51-100* ☐ *101-250* ☐ *251+*

2. How do you expect your local government's revenue levels to change next year compared to this year?

☐ *Increase* ☐ *Stay the same* ☐ *Drop 1-5%* ☐ *Drop 6-10%* ☐ *Drop 11-20%* ☐ *Drop 20%+* ☐ *Don't know*

3. How do you expect your local government's employment levels to change next year compared to this year?

☐ *Increase* ☐ *Decrease* ☐ *Stay the same* ☐ *Don't know*

4. What changes do you expect in your local government workforce in the next two years? (Mark all that apply.)

☐ *Consolidating/sharing services*
☐ *Sending more services out to contract (outsource)*
☐ *Layoffs*
☐ *Rehiring retirees*
☐ *More part-time/temp positions*
☐ *More full-time positions*
☐ *Early retirement incentives*
☐ *Reduce through attrition*
☐ *Furloughs/reduced hours*
☐ *Hiring freeze*
☐ *No changes*

5. What is the general attitude of your organization's leadership toward the current level of health benefits provided to active employees?

☐ *Not generous enough* ☐ *About right* ☐ *Too generous* ☐ *Health benefits not provided*

6. What is the general attitude of your organization's leadership toward the current level of health benefits provided to retired employees?

☐ *Not generous enough* ☐ *About right* ☐ *Too generous* ☐ *Health benefits not provided*

If you **DO NOT** provide health coverage to your **EMPLOYEES** or your **RETIREES,** then continue to question 30 to complete the survey.

Questions on Health Care for Active Employees. If you **DO NOT** provide health coverage to your **ACTIVE** employees, then skip to question 9.

7. What percentage of the premium for active employees is paid by the local government?

☐ *None* ☐ *1-20%* ☐ *21-40%* ☐ *41-60%* ☐ *61-80%* ☐ *81-99%* ☐ *100%* ☐ *Not sure*

8. How are health care benefits for your active employees insured?

☐ *Fully insured through carrier*
☐ *Self-insured by employer*
☐ *Through state government*
☐ *Through coalition / pool*
☐ *Through union*
☐ *Other*

Questions on Health Care for Retirees. If you **DO NOT** provide health coverage to your **RETIRED** employees, then skip to question 22.

9. Which retirees receive health care benefits from your local government?

☐ *Early (pre-Medicare) retirees only* ☐ *Medicare retirees only* ☐ *Early and Medicare retirees* ☐ *Neither early nor Medicare retirees (skip to question 22)*

10. What percentage of the premium for early retirees (pre-Medicare) is paid by the local government?

☐ *None* ☐ *1-20%* ☐ *21-40%* ☐ *41-60%* ☐ *61-80%* ☐ *81-99%* ☐ *100%* ☐ *Not sure*

11. How do early retiree premiums compare to active employee premiums?

☐ *Retiree premiums are higher* ☐ *Retiree premiums are lower* ☐ *Premiums are the same* ☐ *Not sure*

12. How are health care benefits insured for your early retirees?

☐ *Fully insured through carrier* ☐ *Through state government* ☐ *Through union*
☐ *Self-insured by employer* ☐ *Through coalition/ pool* ☐ *Other*

13. What percentage of the premium for Medicare retirees is paid by the local government?

☐ *None* ☐ *1-20%* ☐ *21-40%* ☐ *41-60%* ☐ *61-80%* ☐ *81-99%* ☐ *100%* ☐ *Not sure*

14. How do Medicare retiree premiums compare to active employee premiums?

☐ *Retiree premiums are higher* ☐ *Retiree premiums are lower* ☐ *Premiums are the same* ☐ *Not sure*

15. How are health care benefits insured for your Medicare retirees?

☐ *Fully insured through carrier* ☐ *Through state government* ☐ *Through coalition/ pool of purchasers* ☐ *Through union*
☐ *Self-insured by employer* ☐ *Other*

16. In whole dollars, approximately what is your OPEB Net Actuarial Accrued Liability (NAAL)?

☐☐☐☐☐☐☐☐☐☐

17. In whole dollars, what is your OPEB Annual Required Contribution (ARC)?

☐☐☐☐☐☐☐☐☐☐

18. How do you plan to fund your OPEB liability? (Mark all that apply.)

☐ *Continue to pay-as-you-go* ☐ *Fully fund the ARC* ☐ *Issue debt/OPEB bonds*
☐ *Partially fund the Annual Required Contribution (ARC)* ☐ *Set aside funds through asset sale or transfer* ☐ *Not determined*

19. What kind of account do you use for your OPEB reserve? (Mark all that apply.)

☐ *401(h) account in the pension reserve* ☐ *115 Governmental Integral Part Trust* ☐ *Voluntary Employee Beneficiaries Assoc. (VEBA)* ☐ *General fund account*
☐ *Other trust or agency fund*

20. How much funding have you set aside to offset the OPEB liability?

☐ *None* ☐ *1 to 10%* ☐ *11 to 20%* ☐ *21 to 30%* ☐ *31 to 50%* ☐ *51%+* ☐ *Don't know*

21. Who manages the investment of your OPEB reserve?

☐ *Not applicable* ☐ *Self-managed* ☐ *Local board* ☐ *Bank or bank trust* ☐ *State government* ☐ *Coalition/ association* ☐ *Investment company*

22. Initiatives to Manage Health Care Costs. If you do not provide health coverage, then skip to question 30.

Which initiatives below have you implemented in the last two years or plan to implement in the next two years to **reduce health costs and liabilities** for active or retired employees? Please specify all groups affected by marking "Active," "Early Retiree," and/or "Medicare Retiree."

	Have Implemented	***Plan to Implement***	*Active*	*Early Retiree*	*Medicare Retiree*
Eligibility Changes:					
Close plan to new hires	☐	☐	☐	☐	☐
Increase age/service requirements	☐	☐	☐	☐	☐
Strengthen dependent child verification process	☐	☐	☐	☐	☐
Negotiate with union to reduce coverage	☐	☐	☐	☐	☐
Eliminate group health plans	☐	☐	☐	☐	☐
Offer buyout to those who waive future retiree health care coverage	☐	☐	☐	☐	☐
Eliminate family coverage	☐	☐	☐	☐	☐

	Have Implemented	***Plan to Implement***	*Active*	*Early Retiree*	*Medicare Retiree*
Contribution Changes:					
Increase deductibles	☐	☐	☐	☐	☐
Increase health copays	☐	☐	☐	☐	☐
Increase drug copays	☐	☐	☐	☐	☐
Increase share of premium costs	☐	☐	☐	☐	☐
Increase out-of-pocket limits	☐	☐	☐	☐	☐
Cap employer contributions	☐	☐	☐	☐	☐
Prorate employer contributions based on years of service	☐	☐	☐	☐	☐
Shift from flat-dollar copays to percentage-of-cost copays	☐	☐	☐	☐	☐

	Have Implemented	***Plan to Implement***	*Active*	*Early Retiree*	*Medicare Retiree*
Design Changes:					
Reduce benefit levels	☐	☐	☐	☐	☐
Require Medicare Part D prescription coverage for Medicare retirees	☐	☐	☐	☐	☐
Implement disease management initiatives (diabetes, asthma, etc.)	☐	☐	☐	☐	☐
Implement wellness initiatives	☐	☐	☐	☐	☐
Add health savings accounts (HSA)	☐	☐	☐	☐	☐
Add health reimbursement arrangements (HRA)	☐	☐	☐	☐	☐
Add a high-deductible health plan (HDHP)	☐	☐	☐	☐	☐
Tighten provider networks	☐	☐	☐	☐	☐
Implement a special drug network (Rx carve out)	☐	☐	☐	☐	☐
Expand use of generic drugs/implement a drug formulary	☐	☐	☐	☐	☐
Offer only catastrophic coverage	☐	☐	☐	☐	☐
Offer only a flat health stipend instead of health plan coverage	☐	☐	☐	☐	☐
Offer an onsite clinic/regular onsite visits by physician's assistant, nurse, doctor, etc.	☐	☐	☐	☐	☐
Offer special incentives to use a specific community physician practice, dentist, chiropractor, drug store, etc.	☐	☐	☐	☐	☐
Offer special incentives to promote annual physicals	☐	☐	☐	☐	☐
Offer special incentives to promote smoking cessation, weight management and other wellness programs	☐	☐	☐	☐	☐
Use employee benefit committees for design changes and education	☐	☐	☐	☐	☐

Purchasing Changes:	Have Implemented	Plan to Implement	Active	Early Retiree	Medicare Retiree
Join a health purchasing coalition/pool	☐	☐	☐	☐	☐
Provide funds for employees/retirees to purchase coverage through a health care exchange	☐	☐	☐	☐	☐
Set up a Voluntary Employee Beneficiaries Association (VEBA) to administer benefits	☐	☐	☐	☐	☐
Shift from fully-insured to self-insured coverage	☐	☐	☐	☐	☐
Negotiate lower costs with carrier/health plan/third-party administrator	☐	☐	☐	☐	☐
Change carrier/health plan/third party administrator	☐	☐	☐	☐	☐
Educate employees/retirees to improve health purchasing decisions	☐	☐	☐	☐	☐
Shift responsibility for administering benefits to a union group	☐	☐	☐	☐	☐
Open health insurance for bid	☐	☐	☐	☐	☐
Open dental insurance for bid	☐	☐	☐	☐	☐
Open vision insurance for bid	☐	☐	☐	☐	☐
Open long-term care (LTC) for bid	☐	☐	☐	☐	☐
Contract with a Prescription Benefit Manager (PBM)	☐	☐	☐	☐	☐

23. What are your significant barriers to health plan design changes? (Mark all that apply.)

☐ *Advantages don't outweigh the effort* ☐ *Not enough information to make a decision* ☐ *Union contracts* ☐ *No change is needed*

☐ *Not enough staff/time* ☐ *Awaiting state/federal action* ☐ *Statutory mandates* ☐ *Other*

24. Overall, how much did the premium rates paid by your jurisdiction change in the past year?

☐ *Rates dropped* ☐ *About the same* ☐ *1-4% increase* ☐ *4-8% increase* ☐ *More than 8% increase*

25. Overall, how much do you expect the premium rates paid by your jurisdiction to change in the coming year?

☐ *Rates will drop* ☐ *About the same* ☐ *1-4% increase* ☐ *4-8% increase* ☐ *More than 8% increase*

26. Do you have grandfathered status under the Patient Protection and Affordable Care Act of 2010?

☐ *Yes* ☐ *No* ☐ *Not sure*

27. How effective are your efforts to control health costs? Rate where 1= "*Not Effective*" and 10= "*Very Effective*."

Not Effective= 1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*Very Effective= 10*
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Health Care Innovations

28. As you think about addressing health costs, please share an innovation or best practice success story that other governments may like to learn about.

29. Which strategic category best describes your innovation or best practice story above?

☐ *Pooling* ☐ *Consumer-driven health care* ☐ *Innovative plan design*

☐ *Wellness/ disease mgt.* ☐ *Employee engagement* ☐ *Negotiation*

About You

30. Which areas describe your role? (Mark all that apply)

☐ *Chief Administrator/ Executive* ☐ *Finance* ☐ *Other*

☐ *Consultant/Advisor* ☐ *HR/Benefits*

31. Would you like the report from this study once it is completed? ☐ *Yes* ☐ *No*

32. May we contact you if we have additional questions? ☐ *Yes* ☐ *No*

33. If you answered "yes" to either of the last two questions, please enter your email address below:

Cobalt Community Research
1134 Municipal Way
Lansing, MI 48917

www.CobaltCommunityResearch.org

877.888.0209

POST-RETIREMENT HEALTH CARE PLAN

INVESTMENT GUIDELINES DOCUMENT

Adopted June 2008

Merced County Post-Retirement Health Care Plan
Investment Guidelines Document

In response to the Government Accounting Standards Board (GASB) Statement Number 45 disclosure requirements for Other Post-Employment Benefit (OPEB) Plans, Merced County has adopted a Section 115 Trust Plan that seeks to satisfy these liabilities for certain eligible employees.

Executive Summary

Plan Sponsor: Merced County (County)
Oversight Board: Merced County OPEB Retirement Investment Trust Board (OPEB RITB)
Plan Administrator: Merced County Assistant County Executive Officer and/or Designee
Trust Administrator: Public Agency Retirement Systems (PARS)
Trustee: Union Bank of California, N.A.
Investment Advisor: HighMark Capital Management (Portfolio Manager)

Investment Authority: Full Investment Authority

Account Number(s): To be determined

Current Assets: $5 million (initial contribution)
Annual Contributions: Evaluated annually

Risk Tolerance: Moderately Aggressive Objective

Time Horizon: Long-Term
Assumed Earnings Rate: **6**%

Investment Objective: The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth below. The Plan's targeted rate of return is 7.5%. The Investment objective selected is the Moderate Aggressive Objective. The asset allocation ranges for this objective are listed below:

Strategic Ranges:
0 - 20% Cash
30 - 50% Fixed Income
50 - 70% Equity

Communication Schedule: See Portfolio Reporting Requirements

Portfolio Constraints

Income Needs/Cash Flow Required: To be determined annually by the Plan Administrator.

Unique Needs and Circumstances: None Known

MC OPEB RITB:	Board of Supervisors Chair or Vice Chair County Executive Officer Auditor-Controller County Counsel Treasurer-Tax Collector
Plan Administrator:	James Brown, Assistant County Executive Officer and/or Designee JBrown@co.merced.ca.us
HCM Portfolio Manager:	Andrew Brown, CFA 415-705-7605 Andrew.Brown@Uboc.com
HCM Back up -Portfolio Manager:	Delbert Chang CFA 415-705-7603 Delbert.Chang@Uboc.com
UBOC Administrative Officer:	John Fulton, 415-273-2508 John.Fulton@Uboc.com
PARS Senior Vice President:	Mitch Barker, 800-540-6369 x116 Mitch.Barker@pars.org

The managing director for HighMark Capital Management is Kevin Rogers, he can be reached at 949-553-2580

OPEB Retirement Investment Trust Board: _ _____ **Date:** _____

HCM Portfolio Manager: _____ **Date:** _____

UBOC Administrative Officer: _____ **Date:** _____

OVERVIEW

The purpose of this Investment Guidelines document (IGD) is to assist the OPEB RITB and the Portfolio Manager in effectively supervising, monitoring and evaluating the investment of the County's Post-Retirement Health Care Plan portfolio. The investment program is defined in the various sections of the IGD by:

1. Stating in a written document the OPEB RITB's attitudes, expectations, objectives and guidelines for the investment of all assets.

2. Setting forth an investment structure for managing the County's portfolio. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.

3. Encouraging effective communications between the OPEB RITB and the Portfolio Manager.

4. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, and federal entities that may impact the County's assets.

COUNTY OPEB RETIREMENT INVESTMENT TRUST BOARD AND COUNTY PLAN ADMINISTRATOR'S RESPONSIBILITIES

1. The oversight of the investment portfolio.

2. Providing the portfolio manager with all relevant information on the Plan, and shall notify him/her promptly of any changes to this information.

3. Advising the portfolio manager of any change in the Plan's circumstances, such as a change in the actuarial assumptions, which could possibly necessitate a change to the overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the portfolio.

4. Monitoring performance by means of regular reviews to assure that objectives are being met and that the policy and guidelines are being followed.

INVESTMENT MANAGERS' RESPONSIBILITIES, POLICIES AND GUIDELINES

All investment managers hired by the OPEB RITB will be registered investment advisors with the Securities and Exchange Commission, or will be trust companies that are regulated by State and Federal Banking authorities. Such investment managers will maintain proper and adequate insurance coverage including errors & omissions, surety bond, and fiduciary liability. In addition, the OPEB RITB's investment managers agree to notify the OPEB RITB and Plan Administrator in writing if they are unable to continue acting in the capacity of a fiduciary or investment advisor.

Investment Manager Responsibilities

The portfolio manager is expected to manage the County's portfolio in a manner consistent with this Investment Guidelines document and in accordance with State and Federal law and the Uniform Prudent Investor Act. The portfolio manager is a registered investment advisor and shall act as such until the OPEB RITB decides otherwise.

The portfolio manager shall be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.

2. Advising the OPEB RITB and Plan Administrator about the selection of and the allocation of asset categories.

3. Identifying specific assets and investment managers within each asset category.

4. Monitoring the performance of all selected assets.

5. Recommending changes to any of the above.

6. Periodically reviewing the suitability of the investments, being available to meet with the OPEB RITB and Plan Administrator at least once each year, and being available at such other times within reason at the OPEB RITB's request.

7. Preparing and presenting appropriate reports.

8. Informing the OPEB RITB and Plan Administrator if changes occur in personnel that are responsible for portfolio management or research.

Investment Manager Policies

The investment policies governing each investment manager hired by the OPEB RITB are as follows:

1. The investment manager is required to accept the responsibilities stated above. These responsibilities include acting as a prudent expert and agreeing to be a fiduciary to the OPEB RITB. The manager will seek to satisfy the OPEB RITB's investment objectives. If a problem exists with these objectives, it is the manager's responsibility to formally discuss these problems in a written communication to the OPEB RITB and Plan Administrator. Also, the manager agrees to satisfy the OPEB RITB's prescribed reporting requirements in a subsequent section.

2. Under any and all capital market environments, the investment manager agrees to maintain the investment approach that it was hired to implement. Significant changes to the manager's investment decision making process are to be immediately reported in writing to the OPEB RITB and Plan Administrator. On-going introspective research of the firm's investment process, analytics, inputs, and decision-making process will be regularly explained in writing to the OPEB RITB. It is the responsibility of the investment manager to fully educate the OPEB RITB and Plan Administrator as to the specifics of its investment process and internal research that may lead to changes in the firm's investment approach.

3. An investment portfolio constructed for the OPEB RITB is expected to generally conform to other portfolios managed by the investment organization, exclusive of specific investment guidelines. When the OPEB RITB's guidelines require the investment manager to manage a portfolio significantly different than its other portfolios, it is the responsibility of the manager to communicate in writing the potential impact of the OPEB RITB's guidelines on the portfolio.

4. The manager will otherwise treat the County's portfolio in a manner similar to other comparable portfolios in portfolio construction trading, and all other aspects.

5. Portfolios managed for the OPEB RITB are fully discretionary, but must meet the provisions of the OPEB RITB's investment objectives and policies. Investment guidelines also exist for each investment manager within the major asset classes.

6. Unless otherwise specified, portfolios are to be fully invested in allowable investment securities. Under no circumstance shall an investment manager attempt to "market time" investments in its portfolio(s).

PORTFOLIO REPORTING REQUIREMENTS

Reports to the OPEB RITB and Plan Administrator shall include the following information and cover these stated topics:

Quarterly Reports:

Portfolio investment objectives, investment strategy and decision making process:

1. The investment objectives of the portfolio will be clearly stated. Next, a narrative description of the portfolio's investment strategy will be provided, with a discussion of the factors that proved to be favorable and those that were unfavorable. In addition, a concise statement of the firm's investment decision making process will be provided and any changes or modifications that were made to the process.

2. Portfolio performance before and after investment management fees:
   The manager shall report the quarterly total portfolio rate of return before and after investment management fees have been deducted, as well as cumulative and annual performance on both bases since account inception. Also included in these tables will be the manager's performance benchmarks.

3. Portfolio asset mix and asset growth:
   The portfolio's allocation to the major asset classes will be specified for the beginning and end of the quarter. Market values will be shown for the total account over the same period.

4. Portfolio allocations according to characteristics and other classifications:
   Specific portfolio characteristics will be developed and contrasted to those of the portfolio's performance benchmark.

5. Portfolio reconciliation to the custodial bank:
   As of month end, the investment manager will reconcile their portfolio market value to that provided by the custodial bank. The custodial trustee accounts for investments on a trade date, full accrual basis. Explanation of any discrepancies shall be provided to the OPEB RITB.

6. Portfolio positions and transactions:
   Individual issues in the portfolio as of the most recent quarter-end shall be provided, as well as a list of portfolio purchases and sales. Securities that are sold will be classified according to the manager's general reasons for sale.

Monthly Reports:

Portfolio summary report and detailed positions and transactions:

1. A summary report consisting of a statement of changes in market value from the preceding month, a summarized portfolio composition using market values and portfolio performance for the latest month, and a portfolio reconciliation to the custodial market value of the account. The report should also include individual issues in the portfolio as of the most recent month-end along with a list of portfolio purchases and sales.

PORTFOLIO REBALANCING

1. From time to time, market conditions may cause the OPEB RITB asset allocation to vary from the established target. To remain consistent with the asset allocation guidelines established by this Investment Guidelines document, the Portfolio Manager will at a minimum rebalance the portfolio on a quarterly basis.

2. The OPEB RITB and Plan Administrator has authority to issue instructions to the portfolio manager to liquidate securities for reallocation to other managers.

3. On an annual basis, the OPEB RITB and Plan Administrator shall develop a cash flow plan for the subsequent year. This plan will take into consideration expected cash needs both for the payment of benefits as well as to fund under-allocated or new asset classes.

ASSET ALLOCATION PLAN AND TARGET ASSET MIX

Based on the OPEB RITB's asset allocation study and acceptance of the proposed target asset mix, the following is the OPEB RITB's target asset mix and allocation ranges. The OPEB RITB will review its asset allocation position as needed or a minimum of once every three to five years.

The Portfolio Manager is responsible for maintaining the balance between fixed income and equity securities based on the asset allocation. The following parameters shall be adhered to in managing the portfolio:

		Allocation Ranges	
	Target Mix	Minimum	Maximum
Total Domestic Equity	45%	30%	50%
Large Cap	35	30	50
Mid Cap	0	0	20
Small Cap	10	0	20
International Equity	10	0	20
Domestic & Global Real Estate	5	0	10
Domestic Fixed Income	35	30	50
Short-Term Investments	5	0	20

The market benchmarks for the above asset classes are as follows:

Large Cap Equity	Russell 1000
Small Cap Equity	Russell 2000, Russell 2000 Growth or Value
International Equity	Europe, Australia, & Far East Index (EAFE)
Real Estate	Dow Jones Wilshire REIT Index
Domestic Fixed Income	Lehman Aggregate Bond Index
Short-Term Fixed Income	90-Day Treasury Bills
Total Fund Benchmark	Target asset mix percentages are applied to individual asset class benchmarks to arrive at the total fund benchmark.

Permitted Asset Classes and Security Types

The following asset classes and security types have been approved by Manager for use in OPEB RITB portfolios:

Asset Classes

- Fixed Income
  - Domestic Bonds
  - Non-U.S. Bonds
- Equities
  - Domestic
  - Non-U.S.
  - Emerging Markets
  - Real Estate Investment Trust (REITs)
- Cash and Cash Equivalents

Security Types

- Equity Securities
  - Domestic listed and unlisted securities
  - Equity and equity-related securities of non-US corporations, in the form of American Depository Receipts ("ADRs")
- Equity Mutual Funds
  - Large Cap Growth and Value
  - Mid Cap Core
  - Small Cap Growth and Value
  - International and Emerging Markets
  - REITs
- Exchange Traded Funds (ETFs)
- Fixed Income Securities
  - Government/Agencies
  - Mortgage Backed Bonds
  - Corporate Bonds and Notes
  - Unit Trusts
- Fixed Income Mutual Funds
  - Corporate
  - Government
  - High Yield
  - International and Emerging Market
  - Convertible
  - Preferred
- Closed end funds
- Cash and Cash Equivalents
  - Money Market Mutual Fund
  - Commercial Paper
  - CDs and Bankers Acceptance

Prohibited assets

While the Plan will not invest in any of the prohibitive investments directly, which are listed below, it is understood that the commingled investment funds, both mutual funds and index funds that the Plan invests in, might have exposure to such types of investments.

- Precious metals
- Venture Capital
- Short sales
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions
- Commodities Transactions Puts, calls, straddles, or other option strategies,
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs

Duties of Responsibilities

Funds selected as investments in the Plan will be expected to have undergone a rigorous screening process that searches for managers and styles that will produce above average returns within acceptable risk parameters. The evaluation process will consider the following factors:

- Performance track record
- Fund assets
- Manager tenure with fund
- Expense ratios
- Market capitalization
- Style consistency
- Number of holdings
- Assets in top 10
- Portfolio turnover
- Sector weighting allocations
- Standard deviation
- Sharpe ratio

Performance evaluation of the Funds will take into consideration both performance relative to a benchmark index as well as performance relative to a universe of the fund's peers. Evaluation metrics versus a representative benchmark will utilize a twelve-month rolling performance record compared to a representative benchmark over a three, five, seven and ten-year period (if available).

A fund is expected to rank above the median in its appropriate peer group for the three, five, and ten-year periods (if available).

An additional requirement for all funds utilized in the Plan is that the fund families that sponsor the funds will have filled out and returned a request for proposal (RFP) submitted to them by the investment manager. This RFP will highlight significant areas such as organizational factors, composition of assets, portfolio characteristics, investment process, fee structure, internal compliance controls, and an overview of the investment personnel.

Investment mutual funds may be removed from the investment portfolio from time to time. Factors that the investment manager will consider in regards to removing a fund include, but is not limited to:

- Performance that is inconsistent with the manager's style or our expectations
- Performance that conflicts with peers and style universes
- Security selection not in agreement with the manager's investment philosophy/process
- Purchases that lead to abnormal portfolio concentrations
- Sector and industry exposures that are inconsistent with the manager's guidelines
- Unusual tracking error to the benchmarks
- Inadequate transparency between the manager's comments and portfolio holdings
- Inconsistencies related to the manager's remarks on style, sector, and market cap weightings
- Instability at the manager's investment management firm
- Modifications to the investment process and/or risk controls that interfere with a firms strategy
- Staffing adjustments that may result in poor performance

Communication

As a matter of course, the portfolio manager shall keep the OPEB RITB apprised of any material changes in the Manager's outlook, recommended investment policy and tactics. In addition, the portfolio manager shall meet with the OPEB RITB no less than annually to review and explain the portfolio's investment results and any related issues. The portfolio manager shall also be available on a reasonable basis for telephone communication when needed.

Any material event that affects the ownership of Manager's management of the portfolio must be reported immediately to the OPEB RITB.

AGENDA ITEM SUBMITTAL FORM
BOARD OF SUPERVISORS
CLERK OF THE BOARD

44 N. San Joaquin Street, Suite 627
Stockton, California 95202

For Clerk's Use Only
AGENDA NUMBER

SUBMIT ONE COPY OF THIS FORM WITH EACH BOARD AGENDA ITEM.

At the time of submitting your agenda item documents, please **provide ONE ORIGINAL & 15 COPIES OF THE BOARD LETTER AND ANY ACCOMPANYING DOCUMENTS** (Resolutions, Board Orders, Contracts, etc.) for distribution after Board Approval.

If more than one original is required, you must provide the appropriate number of originals to be executed by the Board of Supervisors.

DATE: 05/24/10

DEPARTMENT: Human Resources

CONTACT & PHONE #: Barbara Tankersley (88240)
Sandy Leiting (37448)

AGENDA ITEM TITLE: **Establishment of a Post-Employment Health Benefit Plan and Trust**

PROPOSED AGENDA PLACEMENT DATE: 06/08/10 **PROPOSED CALENDAR:**

DISTRIBUTION: (MAILING ADDRESSES **MUST BE PROVIDED IF NOT A COUNTY DEPARTMENT)**

TO:	DOCUMENT	# OF COPIES
Clerk of the Board	Resolution	Original
CAO	"	1
Auditor-Controller	"	1
County Counsel	"	1
Human Resources	"	5
Labor Relations	"	1
Hartford Life	"	1

List any special instructions to the Clerk of the Board:

FINAL AGENDA PLACEMENT DATE: **FINAL CALENDAR:**

AGENDA ITEMS MUST BE REVIEWED AND SIGNED OFF BY THE DEPARTMENT HEAD, COUNTY ADMINISTRATOR AND COUNTY COUNSEL.

Department Head	Signature		Date	5-24-10
County Administrator	Signature		Date	5/25/10
County Counsel	Signature		Date	5/25/10

1/15/02

Distributed by Clerk: _____ Date: _____

San Joaquin County

Human Resources Division
County Administration Building
3rd Floor, Suite 330
44 N. San Joaquin Street
Stockton, CA 95202
Telephone: (209) 468-3370
Fax: (209) 468-0508

Cynthia M. Clays
Director

Katherine Harris
Deputy Director

Civil Service Commission
Classification & Compensation
Employee Benefits
Equal Employment Opportunity
Hospital HR Services
Policy and Leave Management
Recruitment & Exam Development
Risk Management
Staff Development & Training

May 28, 2010

Board of Supervisors
County Administration Building
Stockton, CA 95202

Dear Board Members:

Establishment of a Post-Employment Health Benefit Plan and Trust

Recommendation:

It is recommended that the Board of Supervisors:

1) Establish the County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust for post-employment health care funding effective July 1, 2010;

2) Adopt the attached Resolution appointing Reliance Trust Company to act as Trustee for the Plan;

3) Authorize the Director of Human Resources to execute the necessary documents to establish the Plan and Trust (documents on file with the Clerk of the Board); and

4) Authorize the Director of Human Resources to amend any documents that are administrative in nature and do not have a negative financial impact on the County or the plan participants.

Reason for Recommendation:

The County negotiated a post-employment health benefit contribution with the majority of the employee organizations during the last round of contract negotiations in 2006 and 2007. Similar to represented employees, the post-employment health benefit contribution was also provided to unrepresented employees as part of the applicable resolution for the various unrepresented units. The funding has been provided by the County based on the provisions of each unit's Memorandum of Understanding (MOU) or Resolution. Pending the establishment of a health trust and

reimbursement plan and in accordance with the provisions of the various MOU's and resolutions, funds have been placed in an account with the County Treasury and have been invested in the County's investment pool. When the Plan is established, funds will be deposited with Hartford to create individual participant accounts.

The post-employment health savings plan will consist of individual participant accounts held in trust and claims processing for reimbursement of eligible expenses. Hartford Life Insurance Company, the County's Deferred Compensation Plan provider, has an established program to provide the recordkeeping and administrative services for post-employment health plans. Contributions will be reported by the County to Hartford and Hartford will create individual accounts for each reported participant. The participants will receive a quarterly statement of their account from the Hartford. The funds will be self-directed by the participant into a variety of investment options. Initially funds will be placed in the Hartford General (Declared Rate) Account, which participants can redirect to other investment choices through the Internet or by mail or phone.

Funds can only be used for post-employment health insurance premiums and other qualified medical expenses under the Internal Revenue Service Code Section 213(d). Earnings on the funds and withdrawals from the account are tax free, which enhances the benefits to the employee. Once a participant is no longer employed with the County they may submit reimbursement claims to the Plan's Third Party Administrator, who directs the Hartford to make payment to the participant, if the claim is approved.

Initially, the Plan will be established for the benefit of eligible unrepresented employees and eligible employees of the Probation Officers, Registered Nurses, and Correctional Officers bargaining units. As other bargaining units who have negotiated this benefit advise the County that they would like to participate in the Plan, accumulated contributions for their eligible members will be deposited with Hartford. Until such time, contributions will remain in the County Treasury. The Director of Human Resources will execute any Plan amendments necessary to incorporate other bargaining units that wish to join the Plan after the initial plan set-up.

Consistent with the most recent MOUs and Resolutions, it is recommended that the Board adopt the County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust and authorize the establishment of a Voluntary Employees' Beneficiary Association (VEBA) Trust to provide an administrative vehicle for post-employment health care funding.

Fiscal Impact:

There is no fiscal impact to establishing the County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust.

Actions to be Taken Upon Approval:

The Director of Human Resources will execute the necessary documents to create the Plan. Hartford will establish individual accounts for eligible participants. Informational meetings will be held with eligible employees.

Very truly yours,

Cmclays

Cynthia M. Clays
Director of Human Resources

CMC:sl:bt
cc: County Administrator
Auditor-Controller
County Counsel
Labor Relations
Hartford Life Insurance Company
Clerk of the Board for Agenda 6/8/10

BEFORE THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA

R-10-_____

RESOLUTION ESTABLISHING THE COUNTY OF SAN JOAQUIN, CA RETIREE HEALTH REIMBURSEMENT PLAN AND TRUST

-oOo-

WHEREAS, health care costs for retirees have been rising over the last decade, and health insurance premiums and out-of-pocket expenses can be a critical post-employment funding issue for employees; and

WHEREAS, the County negotiated a post-employment health benefit to assist represented and unrepresented employees with planning and paying for their retiree health care costs; and

WHEREAS, the County wishes to establish a Plan and Trust to hold the assets and income of the Plan and to provide a mechanism for reimbursing Plan Participants for eligible health care costs.

NOW, THEREFORE, BE IT RESOLVED that the County hereby adopts the County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust effective July 1, 2010.

BE IT FURTHER RESOLVED that the assets of the Plan shall be held in trust for the exclusive benefit of Plan Participants and their eligible spouses and dependents. Reliance Trust Company is hereby appointed as Trustee of the Plan.

BE IT FURTHER RESOLVED that the Director of Human Resources is authorized to execute the necessary documents to establish the Plan and Trust, and is further authorized to amend any documents that are administrative in

nature and do not have a negative financial impact on the County or the Plan Participants.

PASSED AND ADOPTED this 8th day of June, 2010, by the following vote of the Board of Supervisors, to wit:

AYES:

NOES:

ABSENT:

ATTEST: LOIS M. SAHYOUN
Clerk of the Board of Supervisors
County of San Joaquin
State of California

By _____
Deputy Clerk

_____
CARLOS VILLAPUDUA, Chairman
Board of Supervisors
County of San Joaquin
State of California

EBSC, INC.
HEALTH REIMBURSEMENT ARRANGEMENT
BASIC PLAN AND TRUST DOCUMENT
ADOPTION AGREEMENT

This is the Adoption Agreement referred to in the EBSC, Inc. Health Reimbursement Arrangement Basic Plan and Trust Document Plan Number 002 ("Basic Document"). The Adoption Agreement plus the Basic Document constitute the Plan with respect to that Adopting Employer.

Important: Once completed and signed, this document becomes part of the official documentation.
Please complete this Adoption Agreement carefully.

The Adopting Employer hereby makes the following representations and selections:

ADOPTING EMPLOYER INFORMATION:

Employer Name: **County of San Joaquin, CA**
Address: **44 N. San Joaquin Street, Room 330**
City, State Zip: **Stockton, CA 95202**
Phone/Fax Number: **Telephone: 209-468-3270; Fax: 209-468-0508**
Contact Person: Name: **Cynthia M. Clays**
Company: **County of San Joaquin, CA**
Address: **44 N. San Joaquin Street, Room 330**
City, State Zip **Stockton, CA 95202**
Telephone/Fax: **Telephone: 209-468-3270; Fax: 209-468-0508**
Email Address: **cclays@sjgov.org**
Type of Business Entity: **County**
(city, county, school district, other)
State Operating Business: **CA**
EIN: **94-6000531**
Fiscal Year: **July 1 through June 30**

EMPLOYEES AND/OR PARTICIPANTS:

There were more than fifty (50) Employees in the last twelve months? ☒ Yes ☐ No
There were more than twenty (20) Employees in the last calendar year? ☒ Yes ☐ No

Check the one that applies (*check only one box*):

☐ The Plan benefits active Employees only.
☒ The Plan benefits terminated Employees only.
☐ The Plan benefits both active Employees and terminated Employees.

MISCELLANEOUS

Name of Plan and Trust: **County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust**
Addendum(s) Attached: ☒ Yes ☐ No
Joint Powers Agreement Attached: ☐ Yes ☒ No

ARTICLE I: INTRODUCTION

Effective Date means: **July 1, 2010**
(month, day, year)

Original Effective Date: **July 1, 2010**
(month, day, year)

Restatement Date (*date Adoption Agreement is effective*): **N/A**
(month, day, year)

ARTICLE II: DEFINITIONS

2.1 Adopting Employer means: **County of San Joaquin, CA**

2.5 Claims Administrator means:

- ☒ EBSC, Inc.
- ☐ Other (*Describe*): _____

2.8 Dependent means:

- ☒ As provided in the Basic Document.
- ☐ Other (*Describe*): _____

Note: Dependent cannot be defined more broadly than "dependent" for purposes of Section 105 of the Code.

If the definition is different for Participants once they terminate employment, complete again:

- ☒ N/A – definition does not change.
- ☐ As provided in the Basic Document.
- ☐ Other (*Describe*): _____

2.13 Entry Date means:

- ☒ Date Employee becomes eligible to participate.
- ☐ Other (*Describe*): _____

2.15 Health Care Expense means:

- ☒ As provided in the Basic Document.
- ☐ An expense which but for the deductible under a specified group medical coverage sponsored by the Adopting Employer, would have been paid by that group medical coverage.
  Specified group medical coverage: _____
- ☐ Other (*Describe*): _____

Note: Health Care Expense cannot be defined more broadly than the description in IRS Revenue Ruling 2002-41 and IRS Notice 2002-45.

If the definition is different for Participants once they terminate employment, complete again:

- ☒ N/A – definition does not change.
- ☐ As provided in the Basic Document.
- ☐ An expense which but for the deductible under a specified group medical coverage sponsored by the Adopting Employer, would have been paid by that group medical coverage.
  Specified group medical coverage: _____
- ☐ Other (*Describe*): _____

2.22 Plan Name: **County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust**

2.24 Plan Year: **July 1 through June 30**
(month, day through month, day)

The initial "short" Plan Year: _____
(month, day through month, day)

2.27 Spouse means:

- ☒ As provided in the Basic Document.
- ☐ Other (*Describe*): _____

Note: Must be more restrictive than Code.

If the definition is different for Participants once they terminate employment, complete again:

☒ N/A – definition does not change.
☐ As provided in the Basic Document.
☐ Other (*Describe*): _____

2.29 Trustee means: **Reliance Trust Company**

ARTICLE IV: ELIGIBILITY AND PARTICIPATION OF EMPLOYEES

4.1 Eligibility requirements are as follows (check and complete only those that apply):

☐ Age (*Describe*): _____

☐ Length of Service (*Describe*): _____

☒ Employment Classification (e.g., union, part-time, full-time) (*Describe*): _____
See Attached Addendums providing a description of eligible Employee Classifications

☐ Coverage under a specified group medical (*Describe*): _____

☐ Coverage sponsored by the Adopting Employer (*Describe*): _____

☐ Other (*Describe*): _____

ARTICLE V: BENEFITS UNDER THE PLAN

5.2 Claims time period:

☒ As provided in the Basic Document.
☐ Other (*Describe*): _____

5.4 Timing of Reimbursement:

☒ As provided in the Basic Document.
☐ Other (*Describe*): _____

5.5 Maximum Reimbursement:

☒ As provided in the Basic Document.
☐ Other (*Describe*): _____

5.8 Use of forfeitures:

☐ As provided in the Basic Document.
☒ Shall be contributed to the Health Care Accounts of the other participants of the Plan on a per capita basis
☐ Other (*Describe*): _____

Note: Under no circumstances will the amounts revert to the Adopting Employer.

5.10 Which plan pays first:

☒ As provided in the Basic Document.
☐ This Plan
☐ Other (*Describe*): _____

Note: The choice of which plan pays first cannot be left to the Participant.

5.11 Other Limitations, if any:

_____

_____

ARTICLE VI: CONTRIBUTIONS

6.1 Employer Contribution amount, timing, restrictions (*check all that apply*):

☐ Fixed dollar amount $ _____

- ☐ Per pay period
- ☐ Per month
- ☐ Per quarter
- ☐ Per year
  - ☐ Paid monthly only and only accessible to the extent the Participant has an account balance; or
  - ☐ Paid monthly (or, if needed sooner to pay an eligible expense, paid at the time the claim is made)

> **Note:** If you choose the second option above, the Employer will be required to "advance" payment to Participants, without discrimination, and will not be able to seek reimbursement for amounts advanced if a Participant terminates employment prior to the end of the Plan Year in which the sums are earned.

- ☐ Other (*Describe*): _____

_____

- ☐ Restrictions, if any (*Describe*): _____

_____

☐ Fixed formula (*Describe*): _____

_____

- ☐ Per pay period
- ☐ Per month
- ☐ Per quarter
- ☐ Per year
  - ☐ Paid monthly only and only accessible to the extent the Participant has an account balance; or
  - ☐ Paid monthly (or, if needed sooner to pay an eligible expense, paid at the time the claim is made)

> **Note:** If you choose the second option above, the Employer will be required to "advance" payment to Participants, without discrimination, and will not be able to seek reimbursement for amounts advanced if a Participant terminates employment prior to the end of the Plan Year in which the sums are earned.

- ☒ Other (*Describe*): **See Attached Addendums for descriptions on contributions to be provided. Each Addendum will be signed and dated by appropriate representatives before being recognized as effective.**
- ☐ Restrictions, if any (*Describe*): _____

_____

☐ Contribution of Accumulated Paid Time Off, Vacation, or Sick Leave Upon Termination of Employment (*Describe*): _____

_____

_____

Availability for reimbursement of HC Account balance:

☐ As provided in the Basic Document (available as contributions are made to the Trust).

☐ the balance of the Account at the time the claim is submitted; or

☐ The Amount of the Employer contribution available for the Plan Year.

> **Note:** If you choose the second option above, the Employer will be required to "advance" payment to Participants, without discrimination, and will not be able to seek reimbursement for amounts advanced if a Participant terminates employment prior to the end of the Plan Year in which the sums are earned.

☒ Upon termination of employment.

☐ In the event a Participant terminates employment after the age of 62 or age 55 with 10 years of service, the Account Balance shall not be subject to forfeiture, but shall be eligible for spend down until the Account is spent down to zero ($0.00) dollars.

☒ Other (*Describe)* **Upon termination of employment for any reason at any age, the Account Balance shall not be subject to forfeiture, until the death of the participant the his/her spouse and/or dependents, but shall be eligible for spend down until the Account is spent down to zero ($.00) Dollars. In the event of the death of the participant and his/her spouse/dependents prior to the Account being spent down to zero ($0.00) Dollars, the remaining balance shall be subject to forfeiture pursuant to Section 5.8 hereof.**

ARTICLE VII: CLAIMS DETERMINATIONS AND REVIEW OF DENIED CLAIMS

7.1 Alternative Claims and Review Procedures:

☒ As provided in the Basic Document.

☐ Other (*Describe*): _____

ARTICLE IX: PLAN ADMINISTRATION

9.7 Reasonable fees of Claims Administrator shall be paid as follows:

☐ As provided in the Basic Document.

☐ Charged to the Plan and paid from the general assets of the Adopting Employer.

☒ Other (*Describe*): As provided in the Service Agreement signed by the Claims Administrator and the Employer

ARTICLE XII: DUTIES AND POWERS OF TRUSTEE

12.1 Indicate whether the Trustee is a Directed Trustee under the Plan

☒ Yes

☐ No

12.5 Reasonable fees of Trustee shall be paid as follows:

☐ As provided in the Basic Document.

☐ Charged to the Plan and paid from the general assets of the Adopting Employer.

☒ Other (*Describe*): **As provided in the Service Agreement signed by Hartford and the Employer**

12.6 Investment direction:

☐ As provided in the Basic Document.

☒ Participant directed.

☐ Other (*Describe*): _____

ARTICLE XIV: GENERAL PROVISIONS

14.7 Governing law – State of:

☐ As provided in the Basic Document.

☒ **CA**

(list only one state)

ACKNOWLEDGEMENTS

1. Pursuant to Section 2.9(a), any collectively bargained Employees participating in this Plan participate because the collective bargaining agreement provides for coverage under this Plan.
2. This Plan has been duly adopted or authorized to be adopted by the Adopting Employer's Managing Body.
3. This Plan is a "covered entity" for purposes of the Privacy Rules and Security Rules under the Health Insurance Portability and Accountability Act (HIPAA).
4. The Adoption Agreement may be signed in multiple parts – including a separate Trust Agreement signed by the Trustee and the Adopting Employer, in place of the Trust provisions contained herein and in the Plan Document.

ADOPTING EMPLOYER: **County of San Joaquin, CA**

Date: _____ By: _____

Cynthia M. Clays

Its: **Director of Human Resources**

TRUSTEE: **The provisions of the Trust are contained under a separate Trust Agreement signed by the Trustee and the Adopting Employer – the Trust provisions contained in the underlying document shall not be effective; the provisions of the separate Trust Agreement are incorporated herein by reference.**

Date: _____ By: _____

Its: _____

County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust

Exhibit 1 – Adoption Agreement

Article IV: Eligibility and Participation of Employees

4.1 Eligibility Requirements

The following groups of full-time employees of the County of San Joaquin are eligible to participate in the Plan:

All unrepresented regular, classified Civil Service Employees who:

1) have at least 10 years of full-time service with the County of San Joaquin; and

2) contribute to the San Joaquin County Employees Retirement Association (except for employees with 30 or more years of service); and

3) are subject to a Resolution that provides for participation in the Plan.

All regular, classified Exempt Employees who:

1) have at least 10 years of full-time service with the County of San Joaquin; and

2) are subject to a Resolution that provides for participation in the Plan.

All represented regular, classified Civil Service Employees who:

1) have at least 10 years of full-time service with the County of San Joaquin; and

2) contribute to the San Joaquin County Employees Retirement Association (except for employees with 30 or more years of service); and

3) Are subject to a Memorandum of Understanding that provides for participation in the Plan.

Employees in the groups specified above are Eligible Employees under the Plan. An individual's status as an Employee shall be determined by the Employer in its

sole discretion, and such determination shall be conclusive and binding on all persons.

If an Employee is in a group of Employees which is designated above by the Employer as eligible to participate in the Plan and subsequently transfers to a group that is not designated as eligible, then such Employee shall not be eligible for any contributions under the Plan on and after the effective date of such transfer. The Employee's Account (if any) shall continue to be maintained under the Plan, and he/she will become eligible to receive Benefits under the Plan in accordance with the rules governing Eligible Employees.

Article VI: Contributions

6.1 Employer Contribution amount and timing

The employer will contribute on behalf of each Participant who is an Eligible Employee a specific dollar amount. An eligible Employee must be on payroll with the Employer as of the last day of the last pay period of each fiscal year in order to receive a contribution for each year in which a contribution is required.

Such Contribution amount, frequency and timing of Contributions may be established through "meet and confer" with Employee representatives or by Memorandum of Understanding or Resolution adopted by the Board of Supervisors, and different amounts may be established for members of different bargaining units and for unrepresented Employees. Provisions as to Contribution amount, timing, and frequency of Contributions approved by the County of San Joaquin shall automatically become a part of this Plan.

Nondiscrimination:

If the Plan fails to meet the nondiscrimination requirements of Code Section 105(h), the Employer is authorized (but not required) to take actions necessary or appropriate to eliminate (retroactively and/or prospectively) any such discrimination.

EBSC, INC.

HEALTH REIMBURSEMENT ARRANGEMENT

BASIC PLAN AND TRUST DOCUMENT

PLAN NUMBER 002

TABLE OF CONTENTS

ARTICLE I.
INTRODUCTION

1.1 **Establishment.** An executed Adoption Agreement plus this Basic Plan and Trust Document constitute the "Plan" for an Adopting Employer. The Effective Date of the Plan is set forth in the Adoption Agreement.

1.2 **Purpose.** The purpose of the Plan is to provide certain Employees with an opportunity to receive reimbursement for certain Health Care Expenses as provided in this Plan. It is the intention of the Adopting Employer that the benefits payable under this Plan be eligible for exclusion from the gross income of Participants as provided by Sections 105(b) and 106 of the Code. In addition, it is the intention of the Adopting Employer that the Plan qualify as a Health Reimbursement Arrangement ("HRA") under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

The purposes of the Trust are (1) to provide a source of funds to pay benefits under the Plan, and (2) to permit Trust assets to be invested and such earnings be not taxable under Section 501(c)(9) of the Code.

1.3 **HIPAA Privacy and Security Rules.** This Plan is a "covered entity" for purposes of the Privacy Rules and Security Rules as described in Article VIII.

1.4 **Not ERISA Plan**. This Plan is not an employee welfare benefit plan for purposes of ERISA.

ARTICLE II.
DEFINITIONS

The following words and phrases are used in this Plan and shall have the meanings set forth in this Article unless a different meaning is clearly required by the context or is defined within an Article.

2.1 **Adopting Employer** means the entity that adopts this Plan by completing and executing an Adoption Agreement, which may include a joint powers agreement.

2.2 **Adoption Agreement** means the separate agreement completed, or portions thereof, and executed by an Adopting Employer setting forth the Adopting Employer's selection of options under the Plan. In the event of a conflict in the provisions of this Document and the Adoption Agreement, the terms of the Adoption Agreement shall override the terms of this Document and the terms of the Adoption Agreement shall prevail as the governing terms of the Plan.

2.3 **Authorized Representative** means, for the claims and appeal procedures, the person entitled to act on behalf of the claimant with respect to a benefit claim or appeal. In order for the Plan to recognize a person as an Authorized Representative, written notification to that affect signed by the claimant and notarized must be received by the Plan. An assignment for purposes of payment is ***not*** designation of an "Authorized Representative."

2.4 **Basic Plan and Trust Document** means this document, which together with an executed Adoption Agreement constitutes the Plan for an Adopting Employer.

2.5 **Claims Administrator** means, unless specifically noted otherwise in the Adoption Agreement, EBSC, Inc. If for any reason there is no entity so identified or the contractual relationship ends, the Adopting Employer shall act as the Claims Administrator.

2.6 **Code** means the Internal Revenue Code of 1986, as amended from time to time.

2.7 **Covered Individual** means a Participant, Dependent of a Participant and the Spouse of a Participant, and any other person appropriately covered under the Plan.

2.8 **Dependent** means, unless specifically noted in the Adoption Agreement, a person who is a dependent for purposes of Section152 of the Code determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof.

2.9 **Employee** means any person employed by the Adopting Employer on or after the Effective Date, except that it shall not include a self-employed individual as described in Section 401(c) of the Code. All employees who are treated as employed by a single employer under Subsections (b), (c) or (m) of Section 414 of the Code are treated as employed by a single employer for purposes of this Plan.

Employee does not include the following:

(a) Any employee included within a unit of employees covered by a collective bargaining unit unless such agreement expressly provides, whether specifically or generally, for coverage of the employee under this Plan;

(b) Any employee who is a nonresident alien and receives no earned income from the Adopting Employer from sources within the United States; and

(c) Any employee who is a leased employee as defined in Section 414(n)(2) of the Code.

2.10 **EBSC, Inc.** means Employee Benefits of St. Cloud, Inc.

2.11 **ERISA** means the Employee Retirement Income Security Act of 1974 and regulations thereunder, as amended from time to time. Plans sponsored by public sector entities are not subject to ERISA.

2.12 **Employer Contribution** means a nonelective contribution made by the Adopting Employer on behalf of each Participant in the Plan. The Employer Contribution is an amount that has not been actually or constructively received by the Participant, and it is made available to the Participant exclusively for reimbursement under the Plan.

2.13 **Entry Date** means the date as of which an Employee becomes a Participant in this Plan as set forth in the Adoption Agreement.

2.14 **ePHI** means PHI maintained or transmitted in electronic media, including, but not limited to, electronic storage media (i.e., hard drives, digital memory medium) and transmission media used to exchange information in electronic storage (i.e., internet, extranet, and other networks). PHI transmitted via facsimile and telephone is not considered to be transmissions via electronic media.

2.15 **HC Account** means "health care account" and is the record keeping account established by the Plan for each Participant.

2.16 **Health Care Expense** means, unless otherwise specifically noted in the Adoption Agreement, an expense incurred by a Covered Individual for medical care to the maximum extent permitted by law, but only to the extent that the Covered Individual incurring the expense is not reimbursed for the expense through another source, including other insurance or other accident or health plan. Notwithstanding the foregoing, if the Adopting Employer sponsors a cafeteria plan, Health Care Expense shall not include premiums that may be paid on a pre-tax basis in accordance with the terms of such cafeteria plan, which may include premiums for major medical coverage provided by the Employer and premiums for coverage under an insurance contract, health maintenance organization agreement, or other benefit agreement providing coverage issued on a non-group, individual basis.

A Health Care Expense shall include medical care as defined in Section 213(d) of the Code as modified to the extent required by law. To the extent Health Care Expense is defined in the Adoption Agreement to include premiums for qualified long-term care insurance, the amount of such premium that will qualify as a Health Care Expense shall be limited to the portion that constitutes "eligible long-term care premiums" as defined in Section 213(d)(10) of the Code.

A Health Care Expense is incurred at the time the medical care or service which gave rise to the expense is furnished.

2.17 **HIPAA** means the Health Insurance Portability and Accountability Act of 1996 and regulations thereunder, as amended from time to time.

2.18 **Health Reimbursement Arrangement ("HRA")** means an employer funded medical reimbursement program within the meaning of IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

2.19 **Highly Compensated Individual** means an individual who is (1) one of the five (5) highest paid officers, (2) a shareholder who owns more than 10 percent in value of the stock of the employer, or (3) among the highest paid twenty-five percent (25%) of all Employees, except (1) Employees who have not completed 3 years of service, (2) Employees who have not attained age twenty-five (25), (3) part-time or seasonal Employees, (4) Employees not included in the plan who are included under a collective bargaining agreement, and (5) Employees who are nonresident aliens and who receive no earned income from a source within the United States.

2.20 **Managing Body** means the person or persons with authority to make decisions for the Adopting Employer.

2.21 **Participant** means an Employee who has become and not ceased to be a Participant pursuant to Article IV. In addition, Participant includes persons "deemed" to be Participants under specific provision of this Plan.

2.22 **PHI** means health information that:

(a) is created or received by a health care provider, health plan, public health authority, employer, life insurer, school or university, or health care clearinghouse;

(b) relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and

(c) either identifies the individual or reasonably could be used to identify the individual.

PHI includes ePHI.

2.23 **Plan** means the Adopting Employer's plan as may be amended from time to time. It consists of a completed Adoption Agreement plus the Basic Plan and Trust Document. It consists of a completed Adoption Agreement plus the Basic Plan and Trust Document. The name of the Plan is set forth in the Adoption Agreement.

2.24 **Plan Administrator** means the entity, person or persons responsible for the Plan's administration as determined under Section 8.1.

2.25 **Plan Year** means the twelve (12) month period beginning and ending as indicated in the Adoption Agreement. The initial Plan Year may be a "short" Plan Year beginning and ending as indicated in the Adoption Agreement. The records of the Plan will be kept based upon the Plan Year.

2.26 **Privacy Rules** means the *Standards and Privacy of Individually Identifiable Health Information* at 45 C.F.R. part 160 and part 164 at subparts A and E.

2.27 **Security Incident** means "security incident" as defined in 45 C.F.R. Section 164.304, which generally defines "security incident" to include attempted or successful unauthorized access, use, disclosure, modification, or destruction of ePHI.

2.28 **Security Rules** means the *Security Standards and Implementation Specifications* at 45 CFR Part 160 and Part 164, subpart C.

2.29 **Sponsor** means the Adopting Employer.

2.30 **Spouse** means, unless specifically noted in the Adoption Agreement, an individual who is legally married to a Participant (and who is treated as a spouse under the Code).

2.31 **Trust** means a trust described under Section 501(c)(9) of the Code for the purpose of accepting and holding Employer Contributions, and limited to other contributions made under the Plan.

2.32 **Trustee** means the individual and/or entity identified in the Adoption Agreement.

ARTICLE III.
ADOPTING EMPLOYER

3.1 **Adoption of Plan.** An eligible employer may adopt the Plan by resolution duly adopted by its Managing Body, as represented and warranted in the Adoption Agreement, and upon execution of an Adoption Agreement.

3.2 **Cessation of Employer Participation.** An Adopting Employer may cease to be an Adopting Employer in accordance with Article IX.

3.3 **Recordkeeping and Reporting.** An Adopting Employer shall furnish, or arrange for the furnishing, to the Claims Administrator the information with respect to each Covered Individual necessary to enable the Claims Administrator to maintain records sufficient to determine the benefits due to or which may become due and to prepare and provide any reports required by law.

ARTICLE IV.
ELIGIBILITY AND PARTICIPATION OF EMPLOYEES

4.1 **Eligibility Requirements.** Each Employee shall be eligible to participate in this Plan upon meeting the eligibility requirements set forth in the Adoption Agreement.

4.2 **Participant Status.** An Employee who has met the eligibility requirements described in Section 4.1 shall be a Participant as of the Employee's Entry Date.

4.3 **Conditions of Participation.** As a condition of participation and receipt of benefits under this Plan, the Participant agrees to:

(a) Observe all Plan rules and regulations;

(b) Consent to inquiries by the Claims Administrator and Plan Administrator with respect to any provider of services involved in a claim under this Plan;

(c) Submit to the Plan Administrator all reports, bills, and other information required by the Plan or which the Claims Administrator and Plan Administrator may reasonably require; and

(d) Cooperate with all reasonable requests of the Claims Administrator and Plan Administrator that may by necessary for the proper administration of the Plan.

Failure to do so relieves the Plan, Plan Administrator, Claims Administrator and Sponsor of any obligations under this Plan with respect to that Participant and any others claiming entitlement to benefits under this Plan through that Participant.

4.4 **Termination of Contributions.** A Participant shall cease to be eligible to receive contributions under this Plan at midnight of the following dates:

(a) The date of the death of the Participant;

(b) The date of termination of the Participant's employment with the Adopting Employer;

(c) The date of the Participant's failure to meet the eligibility requirements of Section 4.1, as may be amended from time to time in accordance with Article X; or

(d) The date of termination of the Plan in accordance with Article X.

Termination of contributions under this Plan shall not prevent a Participant from receiving continuation coverage required by applicable law.

4.5 **Termination of Participation.** A Participant automatically ceases to be a Participant (i.e., access to the HC Account terminates) at midnight of the earliest of the following dates:

(a) The date of the death of the Participant;

(b) The date the balance of the Participant's HC Account reaches zero, if no further contributions will be made to said account under Article X; or

(c) The date of termination of the Plan in accordance with Article X.

Termination of participation in this Plan shall not prevent a former Participant from receiving continuation coverage required by applicable law.

4.6 **Deemed Participants.** For certain purposes, persons that were not Employees are deemed to be Participants as required by law.

ARTICLE V.
BENEFITS UNDER THE PLAN

5.1 **Health Care ("HC") Account.** The HC Account will be credited with the Employer Contribution. A Participant's HC Account will be decreased from time to time in the amount of payments made to the Participant for Health Care Expenses.

5.2 **Claims for Reimbursement.** Claims for reimbursement under this Plan shall be made by completing a claim form and submitting such form to the Claims Administrator of this Plan. The Claims Administrator is entitled to rely on the information provided on the claim form in processing claims under this Plan. Unless otherwise specifically noted in the Adoption Agreement, a claim must be submitted for payment within 365 days from the date it is incurred. Where circumstances beyond the Participant's control prevent submission within the described time frame, notice of a claim with an explanation of the circumstances may be accepted by the Claims Administrator as a timely filing. Claims shall be determined in accordance with Article VII.

5.3 **Incurred Expenses.** To be reimbursable, the Participant must have incurred a Health Care Expense after his/her Entry Date. An expense is "incurred" when the Participant is provided with the care giving rise to the Health Care Expense, not when the service is billed or paid. Reimbursement shall not be made for future projected expenses.

5.4 **Timing of Reimbursement.** Unless specifically provided otherwise in the Adoption Agreement, a Participant shall be reimbursed at least (a) once per month, or (b) when the total reimbursement for Health Care Expenses first equals or exceeds $50.00.

5.5 **Maximum Reimbursement.** Unless specifically provided otherwise in the Adoption Agreement, the maximum reimbursement a Participant may receive at any time shall be the amount of the Participant's HC Account balance at the time the reimbursement request is processed. Except as limited by the preceding sentence, there is no maximum reimbursement amount a Participant may receive during a Plan Year. The maximum reimbursement requirements apply to the Participant, Spouse, and Dependents on an aggregate basis, not an individual basis. If a Participant's claim is for an amount that is more than the Participant's current HC Account balance, the excess, unreimbursed part of the claim will be carried into the subsequent month(s), to be paid as the balance of the Participant's HC Account becomes adequate. Notwithstanding the foregoing, the excess, unreimbursed portion of a claim will not be carried over into the subsequent month(s) if: (a) the claim has been pending at least eighteen (18) months; or (b) no further contributions will be made to the Participant's HC Account under Article VI.

5.6 **Participant's Death.** In the event a Participant dies having incurred a Health Care Expense which would have been reimbursable out of the Participant's HC Account had the Participant not died and a person or the Participant's estate has paid for or assumed liability for the expense, reimbursement may be made to that person or the estate for that payment or assumption.

5.7 **Nondiscrimination.** This Plan is intended to be nondiscriminatory and to meet the requirements under applicable sections of the Code. If the Plan Administrator determines before or during any Plan Year, that the Plan may fail to satisfy any nondiscrimination requirement imposed by the Code or any limitation on benefits provided to Highly Compensated Individuals, the Plan Administrator shall take such action as the Plan Administrator deems appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirements or limitation. Such action may include recharacterizing the HC Account or HC Accounts as "restricted" to insurance premium reimbursement.

5.8 **HC Account Forfeitures.** Unless specifically provided otherwise in the Adoption Agreement, any amount remaining in a Participant's HC Account shall be forfeited following the later to occur of:

(a) The termination of Participant's participation in the Plan,

(b) The termination of any continuation coverage provided by the Plan under applicable law, or

(c) The termination of any coverage provided by the Plan in lieu of continuation coverage required by applicable law.

The Plan Administrator may use such forfeited amounts to defray the reasonable administrative costs of the Plan or for any other purpose permitted by law. Any amounts remaining after payment of fees will be divided among participants eligible to receive an allocation of the forfeitures on a per capita basis. However, under no circumstances will the amounts revert to the Adopting Employer.

5.9 **Medical Support Orders.** Notwithstanding any provision of this Plan, to the contrary this Plan shall recognize medical child support orders as required under applicable state law. Participants involved in a divorce or child custody matter should be directed to have their legal counsel contact the Claims Administrator.

5.10 **Coordination with Cafeteria Plan.** To the extent the Adopting Employer also sponsors a cafeteria plan within the meaning of Section 125 of the Code, and a Covered Individual incurs expenses eligible for reimbursement under both programs, unless specifically provided otherwise in the Adoption Agreement, the cafeteria plan will pay first. However, the choice cannot be left to the Participant.

5.11 **Further Limitations on Benefits.**

(a) This Plan does not cover expenses incurred for any loss caused by or resulting from injury or disease for which benefits are payable under any worker's compensation law or other employer, union, association or governmental sponsored group insurance plan;

(b) This Plan does not cover expenses incurred for any loss caused by or resulting from injury or disease for which benefits are received by the Participant, the Participant's Spouse or the Participant's Dependent under any health and accident insurance policy or program, whether or not premiums are paid by the Adopting Employer or by the Participant, the Participant's Spouse or the Participant's Dependent child.

(c) Amounts reimbursed under a dependent care assistance program described in Section 129 of the Code shall not be reimbursed under this Plan.

(d) Other limitations, if any, as set forth in the Adoption Agreement.

ARTICLE VI.
CONTRIBUTIONS

6.1 **Employer Contributions**. The Adopting Employer shall make a fixed contribution per Participant as set forth in the Adoption Agreement. The amount of the Employer Contribution, and any restrictions on the use thereof, shall be identified in the Adoption Agreement and communicated to the Participants. The amount of the Employer Contribution may change from year to year as announced by the Adopting Employer prior to the Plan Year start and reflected in the Adoption Agreement. Unless specifically provided otherwise in the Adoption Agreement, the Employer Contribution shall be available for reimbursement as soon as received by the Trustee and placed in the Trust.

6.2 **No Employee Contributions**. Except for contributions required for continuation coverage as described in Section 5.10, no contributions other than Employer Contributions are required nor will they be accepted.

6.3 **Trust**. All contributions shall be held in the Trust.

ARTICLE VII.
CLAIMS DETERMINATIONS AND REVIEW OF DENIED CLAIM

Unless otherwise specifically noted in the Adoption Agreement, the following procedures apply:

7.1 **Initial Claim Determination.**

(a) **Time Frame for Decision**. The decision maker must determine the claim within thirty (30) days of receipt of the claim.

(b) **Extension of Time**. If the decision maker is not able to determine the claim within this time period due to matters beyond its control, the decision maker may take an additional period of up to fifteen (15) days to determine the claim. If this additional time will be needed, the decision maker must notify the claimant or the claimant's Authorized Representative prior to the expiration of the initial thirty (30) day time period for determining the claim. This extension is only available once.

Notification: The notification of the need for the extension must include a description of the "matters beyond the Plan's control" that justify the extension and the date by which a decision is expected.

(c) **Incomplete Claims**. There is no special rule if a claim is incomplete. Incomplete claims can be addressed through the extension of time described above. If the reason for the extension is the failure to provide necessary information and the claimant is appropriately notified, the decision maker's period of time to make a decision is "tolled."

Tolling: The period of time in which the decision maker must determine a claim is suspended from the date upon which notification of the missing necessary information is sent until the date upon which the claimant responds.

Notification: For this purpose, notification can be made orally to the claimant or the health care professional, unless the claimant requests written notice.

The notification will include a time frame in which the necessary information must be provided. Once the necessary information has been provided, the decision maker must decide the claim within the extension described above. If the requested information is not provided within the time specified, the claim may be decided without that information.

7.2 **Decision.**

(a) **Notification of Decision.** Written (or electronic) notification of the decision maker's determination must be provided to the claimant or the claimant's Authorized Representative. Such notification must be provided only where the decision is adverse.

> "**Adverse**" means:
> - A denial, reduction, or termination of, or
> - A failure to provide or make payment (in whole or in part) for a benefit.

(b) **Adverse Decision.** For adverse claim determinations, the notification shall reflect at least the following:

- state the specific reason(s) for determination;
- reference specific Plan provision(s) upon which the determination is based;
- describe additional material or information necessary to complete the claim and why such information is necessary;
- describe Plan procedures and time limits for appeal of the determination, and the right to obtain information about those procedures and the right to sue in federal court; and
- disclose any internal rule, guidelines, protocol or similar criterion relied on in making the adverse determination (or state that such information will be provided free of charge upon request); and
- where the decision involves scientific or clinical judgment, disclose either (1) an explanation of the scientific or clinical judgment applying the terms of the Plan to claimant's medical circumstances, or (2) a statement that such explanation will be provided at no charge upon request.

Notice of the adverse determination may be provided in written or electronic form. Electronic notices will be provided in a form that complies with applicable legal requirements.

(c) **Not Adverse Decision.** For claim determinations that are not adverse, notice will be provided that informs the claimant or the claimant's Authorized Representative the claim has been accepted.

7.3 **Access to Relevant Documents.**

In order (1) to evaluate whether to request review of an adverse determination, and (2) if review if requested, to prepare for such review, the claimant or the claimant's Authorized Representative will have access to all relevant documents.

> **Relevant**: A document, record or other information is "relevant" if it was relied upon in making the determination, or was submitted to the Plan, considered by the Plan, or generated in the course of making the benefit determination without regard to whether it was relied upon.

7.4 **Appeal a Denied Claim.**

If a claim is denied, in whole or part, the claimant or the claimant's Authorized Representative may request the denied claim be reviewed.

(a) **Requesting Review**. The claimant or the claimant's Authorized Representative has a period of one hundred eighty (180) days to appeal the claim determination. The appeal request must be in writing and should be sent to the address specified in the notification of adverse decision described above.

(b) **Submission & Consideration of Comments**. The claimant or the claimant's Authorized Representative will have the opportunity to submit documents, written comments, or other information in support of the appeal. The review of the adverse benefit determinations will take into account all new information, whether or not presented or available at the initial determination. No deference will be afforded to the initial determination.

(c) **Consultation with Independent Medical Expert**. In the case of a claim denied on the grounds of a medical judgment, a health professional with appropriate training and experience will be consulted. The health care professional who is consulted on appeal will not be the individual who was consulted, if any, during the initial determination or a subordinate of that individual.

Disclosure: If the advice of a medical or vocational expert was obtained by the Plan in connection with the claim denial, the names of each such expert shall be provided, regardless of whether the advice was relied upon.

(d) **Time Frame for Decision**. If claimant or the claimant's Authorized Representative requests a review of a denied claim within the time frame described above, the decision maker shall review of claim and make a determination no later than sixty (60) days from the date the review request was received.

(e) **Decision**. The review of the appeal will be conducted by the Plan Administrator. It will be made by a person different from the person who made the initial determination and such person will not be a subordinate of the original decision maker. The information in the administrative record shall be reviewed. Additional information submitted shall be considered. The decision shall be based upon that information plus the terms of the `Plan and past interpretations of the same and similar Plan provisions. The decision maker may rely upon protocols, guidelines, or other criterion.

(f) **Notification of Decision**. Written (or electronic) notification of the decision maker's determination must be provided to the claimant or the claimant's Authorized Representative. Such notification must be provided whether the decision is adverse or not adverse.

"**Adverse**" means:
- A denial, reduction, or termination of, or
- A failure to provide or make payment (in whole or in part) for a benefit.

(g) **Adverse Decision**. For adverse appeal determinations, the notification shall reflect at least the following:

- state the specific reason(s) for determination;
- reference specific Plan provision(s) upon which the determination is based;
- describe Plan procedures and time limits for appeal of the determination, and the right to obtain information about those procedures and the right to sue in federal court;
- disclose any internal rules, guidelines, protocol or similar criterion relied on in making the adverse determination (or state that such information will be provided free of charge upon request);
- a statement indicating entitlement to receive upon request, and without charge, reasonable access to or copies of all documents, records or other information relevant to the determination; and
- where the decision involves scientific or clinical judgment, disclose either (1) an explanation of the scientific or clinical judgment applying the terms of the Plan to claimant's medical circumstances, or (2) a statement that such explanation will be provided at no charge upon request.

Notice of the adverse determination may be provided in written or electronic form. Electronic notices will be provided in a form that complies with applicable legal requirements.

(h) **Not Adverse Decision**. For appeal determinations that are not adverse, notice will be provided that informs the claimant or the claimant's Authorized Representative the decision has been reversed, and the claim accepted.

ARTICLE VIII.
HIPAA PRIVACY AND SECURITY PROVISIONS

The Privacy Rules and Security Rules under HIPAA apply to this Plan. For purposes of this Section, "Plan Sponsor" refers to the Adopting Employer as the Plan Sponsor and as the entity capable of acting on behalf of the covered entity, the Plan.

8.1 **Use and Disclosure of PHI.** The Plan will use PHI to the extent of and in accordance with the uses and disclosures permitted by HIPAA. Specifically, the Plan will use and disclose PHI for purposes related to health care treatment, payment for health care and health care operations. The Plan will also use and disclose PHI as permitted by authorization of the subject of PHI.

(a) **Payment** includes activities undertaken by the Plan to obtain premiums or determine or fulfill its responsibility for coverage and provision of Plan benefits that relate to an individual to whom health care is provided. These activities include, but are not limited to, the following:

(1) Determination of eligibility, coverage and cost sharing amounts (for example, cost of a benefit, plan maximums and co-payments as determined for an individual's claim);

(2) Coordination of benefits;

(3) Adjudication of health benefits claims (including appeals and other payment disputes);

(4) Subrogation of health benefit claims;

(5) Establishing employee contributions;

(6) Risk adjusting amounts due based on enrollee health status and demographic characteristics;

(7) Billing, collection activities and related health care data processing;

(8) Claims management and related health care data processing, including auditing payments, investigating and resolving payment disputes and responding to participant inquiries about payments;

(9) Obtaining payment under a contract for reinsurance (including stop-loss and excess of loss insurance);

(10) Medical necessity reviews or reviews of appropriateness of care or justification of charges;

(11) Utilization review, including pre-certification, preauthorization, concurrent review and retrospective review;

(12) Disclosure to consumer reporting agencies related to the collection of premiums or reimbursement (the following PHI may be disclosed for payment purposes: name and address, date of birth, Social Security number, payment history, account number and name and address of provider and/or health Plan; and

(13) Reimbursement to the Plan.

(b) **Health care operations** include, but are not limited to, the following activities:

(1) Quality assessment;

(2) Population-based activities relating to improving health or reduction health care costs, protocol development, case management and care coordination, disease management, contacting health care providers and patients with information about treatment alternatives and related functions;

(3) Rating provider and Plan performance, including accreditation, certification, licensing or credentialing activities;

(4) Underwriting, premium rating and other activities relating to the creation , renewal or replacement of a contract of health insurance or health benefits, and ceding, securing or placing a contract for reinsurance of risk relating to health care claims (including stop-loss insurance and excess of loss insurance);

(5) Conducting or arranging for medical review, legal services and auditing function, including fraud and abuse detection and compliance programs;

(6) Business planning and development, such as conducting cost-management and planning-related analyses related to managing and operating the Plan, including formulary development and administration, development or improvement of payment methods or coverage policies;

(7) Business management and general administration activities of the Plan, including, but not limited to:

a. Management activities relating to the implementation of and compliance with HIPAA's administrative simplification requirements;

b. Customer service, including data analyses for policyholders;

(8) Resolution of internal grievances;

(9) Due diligence in connection with the sale or transfer of assets to a potential successor in interest, if the potential successor in interest is a covered entity under HIPAA or following completion of the sale or transfer, will become a covered entity.

8.2 **Plan Sponsor's Obligations under Privacy Rule.** Under HIPAA, The Plan may not disclose PHI to the Plan Sponsor (as defined in the Privacy Rules under HIPAA) unless the Plan Sponsor agrees to certain conditions. As the Plan Sponsor, the Adopting Employer agrees to the following conditions, thereby allowing the Plan to disclose PHI to the Adopting Employer. The Adopting Employer will:

(a) Not use or further disclose PHI other than as permitted or required by the Plan document or as required by law;

(b) Ensure that any agents, including a subcontractor, to whom the Plan provides PHI received from the Plan agree to the same restrictions and conditions that apply to the Plan Sponsor with respect to such PHI;

(c) Not use or disclose PHI for employment related actions and decision unless authorized by an individual;

(d) Not use or disclose PHI in connection with any other benefit or employee benefit plan of the Plan Sponsor unless authorized by an individual;

(e) Report to the Plan any PHI use or disclosure, that is inconsistent with the uses or disclosures provided for, of which it becomes aware;

(f) Make available to an individual for inspection and copying PHI about the individual as allowed by and in accordance with HIPAA;

(g) Make PHI available for amendment and incorporate any amendments to PHI in accordance with HIPAA;

(h) Make available the information required to provide an accounting of disclosures;

(i) Make internal practices, books and records relating to the use and disclosure of PHI received from Plan available to the HHS Secretary for the purposes of determining the Plan's compliance with HIPAA; and,

(j) If feasible, return or destroy all PHI received for the Plan that the Plan Sponsor still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible).

8.3 **Plan Sponsor's Obligations under Security Rules.** If the Plan Sponsor creates, receives, maintains, or transmits ePHI, the Plan Sponsor will:

(a) Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI;

(b) Ensure that any agents, including subcontractors, to whom the Plan Sponsor provides ePHI or to whom ePHI is provided on behalf of Plan Sponsor implement reasonable and appropriate security measures to protect the ePHI;

(c) Report to the Plan any Security Incident of which it becomes aware; and

(d) Implement reasonable and appropriate security measures to ensure that only those persons identified in Section 8.4 have access to ePHI and that such access is limited to the purposes identified in Section 8.5.

8.4 **Adequate separation between the Plan and the Plan Sponsor must be maintained.** In accordance with HIPAA, only the following employees or classes of employees may be given access to PHI:

(1) The benefit manager; and,

(2) Staff designated by the benefits manager.

The Plan Sponsor shall identify, by name, these persons in writing to the Claims Administrator.

8.5 **Limitation of PHI Access and Disclosure.** The persons described in Section 8.4 above may only have access to and use and disclose PHI for Plan administration functions that the Plan Sponsor performs for the Plan.

8.6 **Noncompliance Issues.** If the person described in Section 8.4 above does not comply with this Plan document, the Plan Sponsor shall provide a mechanism for resolving issues of noncompliance, including, but not limited to, disciplinary sanctions.

ARTICLE IX.
PLAN ADMINISTRATION

9.1 **Plan Administrator.**

(a) The Plan Administrator shall be responsible for the general supervision of the Plan and therefore shall have authority to control and manage the operation and administration of the Plan. The Plan Administrator shall perform any and all acts necessary or appropriate for the proper management and administration of the Plan.

(b) The Adopting Employer shall be the Plan Administrator unless its Managing Body designates a person or persons other than the Adopting Employer to be the Plan Administrator. The Adopting Employer shall also be the Plan Administrator if the person or persons so designated cease to be the Plan Administrator.

(c) The Plan Administrator may designate an individual or entity to act on its behalf with respect to certain powers, duties, and/or responsibilities regarding the operation and administration of this Plan. Unless reflected in the Adoption Agreement otherwise, EBSC, Inc. is the Claims Administrator.

9.2 **Agent for Service of Legal Process.** The agent for service of legal process for the Plan is the Plan Administrator.

9.3 **Allocation of Responsibility for Administration.** The Plan Administrator shall have the sole responsibility for the administration of this Plan as is specifically described in this Plan. The designated representatives of the Plan Administrator shall have only those specific powers, duties, responsibilities, and obligations as are specifically given to them under this Plan. The Plan Administrator warrants that any directions given, information furnished, or action taken by it shall be in accordance with the provisions of the Plan authorizing or providing for such direction, information or action. It is intended under this Plan that the Plan Administrator shall be responsible for the proper exercise of its own powers, duties, responsibilities, and obligations under this Plan and shall not be responsible for any act or failure to act of another Employee of the Adopting Employer. Neither the Plan Administrator (including any designee), nor the Adopting Employer makes any guarantee to any Participant in any manner for any loss or other event because of the Participant's participation in this Plan.

9.4 **Rules and Decisions.** Except as otherwise specifically provided in the Plan, the Plan Administrator may adopt such rules and procedures as it deems necessary, desirable, or appropriate. All rules and decisions of the Plan Administrator shall be uniformly and consistently applied to all Participants in similar circumstances. When making a determination or calculation, the Plan Administrator shall be entitled to rely upon information furnished by a Participant, the Adopting Employer, or legal counsel, or other entity acting on behalf of the Adopting Employer or Plan Administrator.

9.5 **Records and Reports.** The Plan Administrator shall be responsible for complying with all reporting, filing and disclosure requirements for the Plan.

9.6 **Authorization of Benefit Payments.** The Plan Administrator (or the Claims Administrator as its designee) shall issue directions to the Trustee concerning all benefits which are to be paid from the Trust, pursuant to the provisions of the Plan, and warrants that all such directions are in accordance with the Plan.

9.7 **Compensation and Expenses**. The Claims Administrator shall be entitled to reasonable fees for its services hereunder, as provided in the Administrative Services Agreement. Unless specifically provided otherwise in the Adoption Agreement, such fees and any expenses incurred by the Claims Administrator in connection with the Plan (including expenses and fees of persons hired or employed by them) shall be charged to the Plan and paid from the Trust. Also, unless specifically provided otherwise in the Adoption Agreement, the Trust shall be the sole source of payment to the Claims Administrator.

9.8 **Other Powers and Duties of the Administrator**. The Plan Administrator shall also have such other duties and powers as may be necessary to discharge its duties under the Plan including but not limited to the following:

(a) Discretion to construe and interpret the Plan in a non-discriminatory manner, to decide all questions of eligibility and to determine all questions arising in the administration and application of the Plan;

(b) To receive from the Adopting Employer and from Participants such information as shall be necessary for the proper administration of the Plan;

(c) To furnish the Adopting Employer, upon request, such annual reports with respect to the administration of the Plan as are reasonable and appropriate; and

(d) To appoint individuals to assist in the administration of the Plan and any other agents the Plan Administrator deems advisable including legal and actuarial counsel. The Plan Administrator shall not have the power to add to, subtract from, or modify any of the terms of the Plan, to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under this Plan.

ARTICLE X.
PLAN AMENDMENT AND TERMINATION

10.1 **Plan Amendment by Adopting Employer.** The Adopting Employer reserves the right to amend, alter, or wholly revise this Basic Plan and Trust Document or the Adoption Agreement, prospectively or retrospectively, at any time by the action of its Managing Body, and the interest of each Participant is subject to the powers so reserved. The Adopting Employer expressly may amend, alter or wholly revise this Basic Plan and Trust Document or the Adoption Agreement if it determines it necessary or desirable, with or without retroactive effect, to comply with the law. Such changes shall not affect any right to benefits that accrued prior to such amendments. Such amendment shall be made in writing and shall be delivered promptly to the Claims Administrator, Plan Administrator, and Trustee.

Notwithstanding the above, no amendment may be made that would increase substantially the duties or liabilities of the Trustee without its written consent or that would divert any part of the Trust assets to any use or purpose other than for the exclusive benefit of the Participants and other individuals entitled to benefits under the Plan; provided, however, that any such amendment may be made that may be or become necessary in order that the Trust qualifies under the provisions of Section 501(c)(9) of the Code, as amended, or in order that all provisions of the Trust will conform to all valid requirements of applicable federal and state laws.

10.2 **Adopting Employer's Right to Terminate Plan.** Although the Adopting Employer expects the Plan and Trust to be maintained for an indefinite time, the Adopting Employer reserves the right to terminate the Plan and/or or any portion thereof at any time. In the event of the dissolution, merger, consolidation, or reorganization of the Adopting Employer, the Plan shall terminate unless the Plan is continued by a successor to the Adopting Employer in accordance with the resolution of such successor's Managing Body. Such termination shall not affect any right to benefits that accrued prior to such termination. Such action shall be made in writing and shall be delivered promptly to the Claims Administrator, Plan Administrator, and Trustee.

ARTICLE XII.
DUTIES AND POWERS OF TRUSTEE

12.1 **General Responsibility.** (If elected in the Adoption Agreement that the Trustee shall be a directed Trustee, then the Trustee's discretionary duties hereunder shall be exercised by the Plan Administrator). The general responsibilities of the Trustee shall be as follows:

(a) Except as expressly provided otherwise herein, the Trustee shall have exclusive authority and discretion to manage and control the assets of the Plan held in the Trust.

(b) The Trustee shall hold, administer, invest and reinvest, and disburse the Trust assets in accordance with the powers and subject to the restrictions stated herein. (Or if elected in the Adoption Agreement: The duties of the Trustee hereunder are as a directed trustee and the Trustee shall act solely in accordance with the instructions of the Plan Administrator. Nothing in this Agreement is intended to give the Trustee any discretionary responsibility, authority or control with respect to the management or administration of the Plan or the management of the assets of the Plan. Further, the Trustee is not a party to the Plan and has no duties or responsibilities other than those that may be expressly contained in this Agreement and applicable law. In any case in which a provision of this Agreement conflicts with any provision in the Plan, this Agreement shall control.)

(c) The Trustee shall disburse monies and other properties from the Trust on direction of the Plan Administrator (the Claims Administrator or its designee under the Plan), pursuant to the provisions of the Plan to the payee or payees at the time or times specified by the Plan Administrator in directions to the Trustee. Such directions shall be in writing and shall be signed by the person or persons thereto authorized by the Plan Administrator. Except as otherwise provided under applicable law, the Trustee shall be under no liability for any distribution made by it pursuant to such directions and shall be under no duty to make inquiry as to whether any distribution made by it pursuant to any such direction is made pursuant to the provisions of the Plan. The receipt of the payee shall constitute a full acquittance to the Trustee.

12.2 **Exercise of Trustee's Duties.** The Trustee shall discharge its duties hereunder solely in the best interest of the Participants and other persons entitled to benefits under the Plan, and (a) for the exclusive purpose of (1) providing benefits to Participants and other persons entitled to benefits under the Plan; and (2) defraying reasonable expenses of administering the Trust and the Plan; and (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a fiduciary capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

12.3 **General Powers.** With respect to the Trust assets and subject only to the limitations expressly provided in this Basic Plan and Trust Document, the Trustee shall have the following powers, rights and duties in addition to those vested in them elsewhere in this Basic Plan and Trust Document or by law:

(a) To receive and hold all contributions paid to it; provided, however, that the Trustee shall have no duty to require any contributions to be paid to it, or to determine that the contributions received by it comply with the Plan or with any resolution of the governing body of the Plan Administrator or any resolution of the governing body of any Adopting Employer; and, further provided that the Trustee shall have no responsibility with respect to the operation or administration of the Plan;

(b) To manage, operate, sell, contract to sell, grant options with respect to, convey, exchange, partition, transfer, abandon, improve, repair, insure, lease for any term (although commencing in the future or extending beyond the term of this Basic Plan and Trust Document) and otherwise deal with all property, real or personal, in such manner, for such considerations, and on such terms and conditions as the Trustee shall decide;

(c) To retain in cash (pending investment, reinvestment or payment of benefits) any reasonable portion of the Trust assets and to deposit cash in any depository selected by it, provided such deposits bear a reasonable rate of interest;

(d) To compromise, contest, arbitrate, settle or abandon claims and demands (exclusive of claims and demands arising under the Plan);

(e) To begin, maintain or defend any litigation necessary in connection with the investment, reinvestment or administration of the Trust;

(f) To have all rights of an individual owner, including the power to give proxies, to vote stocks, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, recapitalizations or liquidations, and to exercise or sell stock subscription or conversion rights;

(g) To hold securities or other property in the name of the Trustee or its nominee, or nominees, or in such other form as it determines best, with or without disclosing the trust relationship, provided the records of the Trustee shall indicate the actual ownership of such securities or other property;

(h) To retain any funds or property subject to any dispute without liability for the payment of interest, and to decline to make payment or delivery thereof until final adjudication is made by a court of competent jurisdiction;

(i) To pay any tax, charge or assessment attributable to any benefit which, in the Trustee's opinion, it shall or may be required to pay out of such benefit; and to require before making any payment such release or other document from any taxing authority and such indemnity from the intended payee as the Trustee shall deem necessary for its protection;

(j) To employ agents, attorneys, investment counsel, accountants or other persons (who also may be employed by or represent the Plan Administrator and/or an Employer) for such purposes as the Trustee considers desirable and appropriate;

(k) To furnish the Plan Administrator or the Adopting Employer with such information in the Trustee's possession as those entities may need for tax or other purposes; and

(l) To perform any and all other acts in the judgment of the Trustee necessary or appropriate for the proper and advantageous management, investment and distribution of the Trust assets.

12.4 **Investments.** Except as otherwise expressly provided herein and subject to Section 12.6, the Trustee shall have exclusive authority and discretion to invest and reinvest the principal and income of the Trust in real or personal property of any kind and shall do so with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a fiduciary capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Trustee shall diversify the investments of the Trust so as to

minimize the risk of large losses, unless under the circumstances they are clearly prudent not to do so. No investment shall be made which would involve a prohibited transaction under the applicable law. The Trustee shall comply wit any applicable laws of any state proscribing or limiting the investment of trust funds by corporate or individual Trustees in or to certain kinds, types, or classes of investments or limiting the value or proportion of the trust assets that may be invested in any one property or kind, type, or class of investment. Investments and reinvestments shall be subject to the above standard, and without limiting the generality of the foregoing, shall also be subject to the following:

(a) Investments shall be as consistent as reasonably possible with any funding policy communicated to the Trustee in writing by the Plan Administrator. The Trustee may rely on the most recent such communication received by it without further inquiry or verification.

(b) The Trustee may invest and reinvest principal and income of the Trust savings accounts or savings certificates, short term investments (including commingled short term investment funds) in common, preferred, and other stocks of any corporation; voting trust certificates; interests in investment trusts, including, without limiting the generality thereof, participations issued by an investment company as defined in the Investment Company Act of 1940, as from time to time amended; bonds, notes, and debentures, secured or unsecured; mortgages on real or personal property; conditional sales contracts; and real estate and leases; provided that no investment shall be made in the real property or the stocks, bonds, notes or other obligations of an Adopting Employer or any of its subsidiaries unless there shall first have been obtained an opinion of counsel for the Adopting Employer, or a ruling from the Internal Revenue Service that such investment will not jeopardize the tax exempt status of the Trust under Section 501(c)(9) of the Code, as the same may be amended from time to time, to be terminated.

(c) The Trustee may invest and reinvest the principal and income of the Trust through any common or collective trust fund or pooled investment fund maintained by the Trustee for the collective investment of funds held by it in a fiduciary capacity. The provisions of the document governing any such common or collective trust fund as it may be amended from time to time shall govern any investment therein and are hereby made a part of this Basic Plan and Trust Document.

12.5 **Compensation and Expenses**. The Trustee shall be entitled to reasonable fees for its services hereunder, as provided in the Adoption Agreement. Unless specifically provided otherwise in the Adoption Agreement, such fees and any expenses incurred by the Trustee in connection with the Trust held hereunder (including expenses and fees of persons employed by them) shall be charged to the Trust. Also, unless specifically provided otherwise in the Adoption Agreement, the Trust shall be the sole source of payment to the Trustee.

12.6 **Directed Investments**. If indicated in the Adoption Agreement, Participants shall be responsible for directing the investment of their HC Account balances. The following requirements apply to directed investments:

(a) The Trustee shall select the list of available investments taking into consideration the characteristics of the Plan and persons covered under the Plan.

(b) The Trustee shall establish direction procedures based upon the types of investments available. Such procedures shall include instructions regarding making and changing investments and allocations of HC Account assets among investments.

(c) The earnings/losses of the directed investments are allocated only to that particular Participant's HC Account.

12.7 **Investment in Mutual Fund Sponsored by the Trustee.** To the extent the Trustee is authorized to exercise investment discretion pursuant to this Basic Plan and Trust Document, the Trustee is authorized to invest in shares of beneficial interest in one or more investment portfolios (the "Portfolios"), each of which is or shall be established and organized as a diversified company under the Investment Company Act of 1940 and with respect to which the Trustee or affiliates of the Trustee act as custodian or investment advisor. The Plan Administrator represents that it has received (a) a prospectus describing each of the available Portfolios, (b) full and written disclosure of investment advisory and any other fees payable by the Plan Administrator by the Trust and by the Portfolios, and (c) a statement as to the reasons why the Trustee considers purchases of shares of beneficial interest in one or more Portfolios to be appropriate for the Trust. Subject to the limitation of the following sentence, the Plan Administrator hereby approves the Trustee's purchase and sale, in its sole discretion, of shares of beneficial interest in one or more of the Portfolios on behalf of the Trust. This approval is limited to the advisory and other fees paid by the Portfolio in relation to the fees charged to or paid by the Trust and does not relate to any other aspect of the investment of the assets of the Trust in the Portfolios. The Trustee acknowledges that it must notify the Plan Administrator of any change in the rates of these charges with respect to the assets of the Trust invested in the Portfolios.

12.8 **Records and Accounts of the Trustee.** The Trustee shall maintain accurate and detailed records and accounts of all transactions hereunder. Within thirty (30) days following the close of each calendar quarter, or following the close of such other reporting period as may be agreed upon by the Trustee and the Plan Administrator, the Trustee shall file with the Plan Administrator a written account setting forth the balance in the Trust at the beginning of the period, current contributions during the period, distributions from the Trust and the balance in the Trust assets at the end of the period. The Trustee shall also file a written account listing the property held in the Trust as of the close of each period. All such records and accounts shall be open to inspection at all reasonable times by any person designated by the Plan Administrator or Adopting Employer.

12.9 **Annual Report.** As soon as practicable following the close of each fiscal year of the Trust and following the effective date of the removal or resignation of any Trustee, the Trustee shall file with the Plan Administrator a written report (unless the report is waived by the Plan Administrator) setting forth all transactions with respect to the Trust during such fiscal year or during the period from the close of the last fiscal year to the date of such removal or resignation and listing the assets of the Trust and the market value thereof as of the close of the period covered by such report.

12.10 **Approval of Reports.** Upon the receipt by the Trustee of the Plan Administrator's written approval of any such written account or report, or upon the lapse of ninety (90) days after the Plan Administrator's receipt of each written account or report, said written account or report shall be deemed to be approved by it except as to matters, if any, covered by written objections theretofore delivered to the Trustee by the Plan Administrator regarding which the Trustee has not given an explanation or made adjustments satisfactory to it. The Trustee, to the extent

permitted by law, shall be released and discharged as to all items, matters, and things set forth in such written account or report other than the matters covered in such written objections as provided herein. The Trustee, nevertheless, shall have the right to have its accounts approved by judicial proceedings if they so elect, in which event the Trustee and the Plan Administrator shall be the only necessary parties. Further, in the event that the Plan Administrator duly delivers to the Trustee written objections to any matters set forth in any such written account or report and said objections are not explained or adjusted to the satisfaction of the Plan Administrator, each shall likewise have the right to have the Trustee's accounts reviewed by judicial proceedings if they so elect, in which event the Trustee and the Plan Administrator shall be the only necessary parties.

12.11 **Decisions of Trustee**. If there should be more than one Trustee, in case of disagreement among the Trustees, the decision of a majority of them shall determine the issue and the act of a majority of them shall be the act of the Trustees.

ARTICLE XIII.
CHANGES IN TRUSTEE

13.1 **Resignation.** A Trustee may resign at any time by giving thirty (30) days advance written notice to the Plan Administrator.

13.2 **Removal and Appointment of Successor Trustee.** The Plan Administrator may remove a Trustee by giving thirty (30) days advance written notice to the Trustee, subject to providing the removed Trustee with a copy of the successor Trustee's acceptance of the trusteeship. The Plan Administrator shall appoint a successor Trustee. If no successor is appointed, or for any period during which there is no appointed Trustee, the Plan Administrator shall serve as the Trustee.

13.3 **Duties of Resigning or Removed Trustee and of Successor Trustee.** If the Trustee resigns or is removed, that Trustee shall promptly transfer and deliver the assets of the Trust to the successor Trustee, after reserving such reasonable amount as the Trustee shall deem necessary to provide for the Trustee's fees, expenses, and any sums chargeable against the Trust for which the Trustee may be liable. Within one hundred twenty (120) days, the resigned or removed Trustee shall furnish to the Plan Administrator and the successor Trustee an account of the administration of the Trust from the date of its last account (unless the account is waived by the Plan Administrator). Each successor Trustee shall succeed to the title to the Trust vested in the Trustee's predecessor without the signing or filing of any further instrument, but any resigning or removed Trustee shall execute all documents and do all acts necessary to vest title to any successor Trustee. Each successor shall have all the powers, rights and duties conferred by this Trust Agreement as if originally named Trustee. No successor Trustee shall be personally liable for any act or failure to act of a predecessor Trustee.

13.4 **Waiver of Written Notice.** Any written notice requirement required under this Article XII may be waived by mutual agreement of the Trustee and the Plan Administrator.

ARTICLE XIV.
GENERAL PROVISIONS

14.1 **No Reversion to the Plan Administrator or Adopting Employer**. No part of the corpus or income of the Trust shall revert to an Adopting Employer or be used for or diverted to, purposes other than the exclusive benefit of Participants and other persons entitled to benefits under the Plan. Should the Trust terminate, any assets remaining shall be used for a purpose consistent with the Plan and as permitted by law.

14.2 **Persons Dealing with the Trust**. No person dealing with the Trust shall be required to see to the application of any money paid or property delivered to the Trustee, or to determine whether or not the Trust is acting pursuant to any authority granted to them under the Basic Plan and Trust Document.

14.3 **Non-Alienation of Benefits**. Benefits payable under this Plan shall not be subject to anticipation, alienation, sale, transfer, execution, or levy of any kind either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of the Participant, prior to actually being received by the person entitled to the benefit under the terms of the Plan, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable under the Plan shall be void. The Trustee, Adopting Employer, Plan Administrator and/or Claims Administrator shall not in any manner be made liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits under the Plan.

14.4 **Action by Employer**. Whenever the Adopting Employer, under the terms of this Plan, is permitted or required to do or perform any act or matter or thing, it shall be done and performed by the Managing Body of the Adopting Employer or such representatives of the Adopting Employer as the Managing Body may designate.

14.5 **Indemnification of the Trustees**. Unless prohibited or specifically required otherwise by applicable law, the Adopting Employer hereby agrees to indemnify the Trustee for and to hold it harmless against any and all liabilities, losses, costs or expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Trustee at any time by reason of the Trustee's service under this Basic Plan and Trust Document provided that the Trustee did not act dishonestly or in willful or negligent violation of the law or any applicable regulation under which such liability, loss, cost or expense arose.

14.6 **No Guarantee of Tax Consequences**. Notwithstanding any provision in this Plan to the contrary, this Plan makes no commitment or guarantee that any amounts paid to or on behalf of a Participant under this Plan will be excludable from the Participant's gross income for federal or state income tax purposes. It shall be the obligation of each Participant to determine whether each payment is excludable from the Participant's gross income for federal and state income tax purposes, and to notify the Plan Administrator if the Participant has reason to believe that any such payment is not so excludable.

14.7 **Governing Law**. Unless otherwise specified in the Adoption Agreement, this Plan shall be construed and enforced according to the laws of Minnesota except to the extent preempted by federal law.

14.8 **Family and Medical Leave Act of 1993 ("FMLA").** Notwithstanding any provision of this Plan to the contrary, this Plan shall be operated and maintained in a manner consistent with FMLA, to the extent the Adopting Employer is subject to such law.

14.9 **Newborns' and Mothers' Health Protection Act ("NMHPA").** Notwithstanding any provision of this Plan to the contrary, this Plan shall be operated and maintained in a manner consistent with NMHPA. Federal law requires the following statement be included in the Plan document, verbatim:

Under federal law, group health plans and health insurance issuers offering group health insurance generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a cesarean section. However, the plan or issuer may pay for a shorter stay if the attending physician (e.g., your physician, nurse, or midwife, or a physician assistant), after consultation with the mother, discharges the mother or newborn earlier. Also, under federal law, plans and issuers may not set the level of benefits or out-of-pocket costs so that any later portion of the 48-hour (or 96-hour) stay is treated in a manner less favorable to the mother or newborn than any earlier portion of the stay. In addition, a plan or issuer may not, under federal law, require that a physician or other health care provider obtain authorization for prescribing a length of stay of up 48 hours (or 96 hours). However, to use certain providers or facilities, or to reduce your out-of-pocket costs, you may be required to obtain precertification. For information on pre-certification, contact your Plan Administrator.

14.10 **Women's Health and Cancer Rights Act of 1998 ("WHCRA").** Notwithstanding any provision of this Plan to the contrary, this Plan shall be operated and maintained in a manner consistent with WHCRA.

14.11 **Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA").** Notwithstanding any provision of this Plan to the contrary, this Plan shall be operated and maintained in a manner consistent with USERRA, and the Plan Administrator shall, within the parameters of the law, establish uniform policies by which to provide such continuation coverage required by USERRA.

14.12 **Plan Not a Contract of Employment.** The Plan is not an employment agreement and does not assure the continued employment of any Employee or Participant for any period of time. Nothing contained in the Plan shall interfere with the Adopting Employer's right to discharge an Employee or Participant at any time; regardless of the effect, such discharge may have upon the individual as a Participant in this Plan.

14.13 **Medicare Secondary Payer.** The Plan shall comply with the Medicare secondary payer rules found in 42 U.S.C. § 1395y. The Plan shall pay benefits primary to Medicare if: (a) the Participant is employed by the Adopting Employer and is actually covered by Medicare by reason of obtaining the age of 65; (b) at the time the claim is made the Adopting Employer employs 100 or more employees, the Participant is employed by the Adopting Employer, and the Participant is actually covered by Medicare by reason of disability; and (c) the Participant is entitled to Medicare by reason of end stage renal disease and the claim is made during the twelve (12) month period beginning in the first month in which such Participant is entitled to benefits under Medicare (regardless of whether he/she applies for such benefits). In all other cases, the Plan shall pay benefits secondary to Medicare.

14.14 **Medicare Part D.** The Plan shall cooperate with Medicare Part D prescription drug plans (and Covered Individuals who are enrolled in such plans) with respect to coordination of benefits between he Plan and the Medicare Part D plan, including the provision of information to the

Medicare Part D plan (or the Covered Individuals) regarding the benefits provided under the Plan for costs covered by the Medicare Part D plan. Covered Individuals enrolled in Medicare Part D plans shall cooperate with the Plan so that the Plan may perform its obligations under this subsection.

14.15 **Certificates of Creditable Coverage.** When coverage terminates, or upon request by a Covered Individual during coverage or within two (2) years of termination of coverage under this Plan, Covered Individuals will be provided with a certification of creditable coverage by the Plan Administrator (or its designee). A request for a certification of creditable coverage should be directed to the Plan Administrator. Upon request, the Plan Administrator (or its designee) will issue the certification of creditable coverage as soon as reasonably possible.

ARTICLE XV.
CONTINUATION COVERAGE

Note: Adopting Employers with less than twenty (20) Employees are not subject to COBRA.

15.1 **Generally**. The Plan is a group health plan that, unless the Adopting Employer is not subject to COBRA, is subject to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), as amended. If COBRA is applicable, COBRA procedures shall be established and followed consistent with applicable law

15.2 **Notification Procedures.** The Plan requires the notifications described below with respect to continuation coverage under COBRA:

(a) **Notice of qualifying event.** Under the law, a Covered Individual (or a representative acting on behalf of the Covered Individual) has the responsibility to inform the Plan of a divorce, legal separation, or a child losing dependent status under the Plan (the "qualifying event") within sixty (60) days of the latest of: (i) the date of the qualifying event; (ii) the date coverage would be lost because of the qualifying event; or (iii) the date on which the Covered Individual was informed of the responsibility to provide notice and the procedures for doing so. The notification must be provided in writing and be mailed to the Plan. Oral notification, including notification by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notifications are not acceptable. The notification must be postmarked no later than the last day of the sixty (60) day notice period described above. The notification must:

(1) state the name of the Plan;
(2) state the name and address of the employee or former employee who is or was covered under the Plan;
(3) state the name(s) and address(es) of all Covered Individuals who lost coverage due to the qualifying event;
(4) include a detailed description of the event;
(5) identify the effective date of the event; and
(6) be accompanied by any documentation providing proof of the event (i.e., the divorce decree).

If no notification is received within the required time period, no continuation coverage will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the Covered Individuals, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided within thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no continuation coverage will be provided.

(b) **Notice of second qualifying event.** A Covered Individual (or a representative acting on behalf of the Covered Individual) must notify the Plan of the death of the employee, divorce or separation from the employee, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan, if that event occurs within the eighteen (18) month continuation period (or an extension of that period for disability or for pre-termination Medicare entitlement). The notification must be provided within sixty (60) days after such a second qualifying event occurs in order to be entitled to an extension of the continuation period. The notification must be provided in writing and be mailed to

the Plan. Oral notification, including notice by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notifications are not acceptable. The notification must be postmarked no later than the last day of the sixty (60) day notice period described above. The notification must:

(1) state the name of the Plan;
(2) state the name and address of the employee or former employee who is or was covered under the Plan;
(3) state the name(s) and address(es) of all Covered Individuals who lost coverage due to the initial qualifying event and who are receiving COBRA coverage at the time of the notice;
(4) identify the nature and date of the initial qualifying event that entitled the Covered Individuals to COBRA coverage;
(5) include a detailed description of the event;
(6) identify the effective date of the event; and
(7) be accompanied by any documentation providing proof of the event (i.e., the divorce decree).

If no notification is received within the required time period, no extension of the continuation period will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the Covered Individuals, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided within thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no extension of the continuation period will be provided.

(c) **Notice of disability.** A Covered Individual (or a representative acting on behalf of the Covered Individual) must notify the Plan when a Covered Individual has been determined to be disabled under the Social Security Act within sixty (60) days of the latest of: (i) the date of the disability determination; (ii) the date of the qualifying event; (iii) the date coverage would be lost because of the qualifying event; or (iv) the date on which the Covered Individual was informed of the responsibility to provide notice and the procedures for doing so. Notwithstanding the foregoing, notification must be provided before the end of the first eighteen (18) months of continuation coverage. The notification must be provided in writing and be mailed to the Plan. Oral notification, including notice by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notices are not acceptable. The notification must be postmarked no later than the last day of the sixty (60) day notice period described above. The notification must:

(1) state the name of the Plan;
(2) state the name and address of the employee or former employee who is or was covered under the Plan;
(3) state the name(s) and address(es) of all Covered Individuals who lost coverage due to the initial qualifying event and who are receiving COBRA coverage at the time of the notice;
(4) identify the nature and date of the initial qualifying event that entitled the qualified beneficiaries to COBRA coverage;
(5) state the name of the disabled Covered Individual;
(6) identify the date upon which the disabled Covered Individual became disabled;
(7) identify the date upon which the Social Security Administration made its determination of disability; and
(8) include a copy of the determination of the Social Security Administration.

If no notification is received within the required time period, no extension of the continuation period will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the Covered Individuals, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided within thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no extension of the continuation period will be provided.

If such person has been determined under the Social Security Act to no longer be disabled, the person must notify the Plan of that determination within thirty (30) days of the later of: (i) the date of such determination; or (ii) the date on which the Covered Individual was informed of the responsibility to provide notice and the procedures for doing so. The notification must be in writing and be mailed to the Plan. Regardless of when the notification is provided, continuation coverage will terminate retroactively on the first day of the month that begins thirty (30) days after the date of the determination, or the end of the initial coverage period, if later. If the notification is not provided within the required time, the Plan reserve the right to seek reimbursement of any benefits provided by the Plan between the date coverage terminates and the date the notification is provided.

(d) **Notice of Coverage Under Another Group Health Plan or Medicare.** A Covered Individual must notify the Plan immediately if any Covered Individuals receiving continuation coverage actually become covered by another group health plan or Medicare. Regardless of when such notification is provided, coverage will terminate retroactively to the date of the coverage under the other group health plan or Medicare. If, for whatever reason, a Covered Individual on continuation coverage receives any benefits under the Plan after coverage is to cease under the foregoing rule, the Plan reserve the right to seek reimbursement from such Covered Individual.

15.3 **Alternative in Lieu of COBRA Continuation.** Following termination of employment, a Covered Individual (and the Covered Individual's Spouse and Dependents) will be allowed to spend down the balance of their HC Account if they choose to continue to access their HC Account in lieu of COBRA continuation coverage. If the Covered Individual chooses to spend down their HC Account, the Covered Individual (and their Spouse and Dependents) may generally continue to submit claims for Health Care Expenses until the earliest of (i) the fifth (5^{th}) anniversary of the date of the Participant's termination of employment, or (ii) the account balance reaches zero.

Upon the death of a Covered Individual, the Covered Individual's surviving Spouse and Dependents will be allowed to spend down the balance of the Covered Individual's HC Account if they choose to continue to access the Covered Individual's HC Account in lieu of COBRA continuation coverage. If they choose to spend down the Covered Individual's HC Account, the Covered Individual's surviving Spouse and Dependents may generally continue to submit claims for Health Care Expenses until the account balance reaches zero.

The Plan Administrator also reserves the right to offer other alternatives to COBRA to the extent not precluded by applicable law.

SUMMARY DESCRIPTION
OF THE

COUNTY OF SAN JOAQUIN, CALIFORNIA

RETIREE HEALTH REIMBURSEMENT PLAN AND TRUST

Effective: July 1, 2010

TABLE OF CONTENTS

ARTICLE I.
INTRODUCTION

Your Employer, County of San Joaquin, California (the "Employer"), is pleased to sponsor an employee benefit program known as the County of San Joaquin, California Retiree Health Reimbursement Plan (the "Plan") for certain eligible employees.

This summary description describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. It is only a summary of the key parts of the Plan, and a brief description of your rights as a participant. To make maximum use of this Plan, be sure to proceed through this booklet carefully, so that you can make informed decisions that are right for you.

If there is a conflict between the underlying Plan and this summary description, the intention is for the Plan documents to govern.

If you have any unanswered questions after reading the summary, please contact:

EBSC
940 Industrial Drive South, Suite 111
Sauk Rapids, MN 56379-1235
Phone number: 800-682-3826

ARTICLE II.
GENERAL INFORMATION ABOUT THE PLAN

2.1 What is the purpose of the Plan?

The purpose of the Plan is to provide certain Employees with an opportunity to receive reimbursement for premiums for medical, dental, vision, and long-term care insurance; COBRA premiums; Medicare Part D and Part B insurance premiums; out-of-pocket expenses to the extent eligible after termination of employment. It is the intention of the Employer that the benefits payable under this Plan be eligible for exclusion from the gross income of Participants as provided by Sections 105(b) and 106 of the Code.

2.2 When did the Plan take effect?

The Plan became effective July 1, 2010. It operates on a Plan Year running from July 1 through June 30.

2.3 Who can participate in the Plan?

In order to participate in this Plan, a person must be a full-time employee in one of the following classifications of employees:

All unrepresented regular, classified Civil Service Employees who:

(1) have at least 10 years of full-time service with the County of San Joaquin; and

(2) contribute to the San Joaquin Employees Retirement Association (except for employees with 30 or more years of service); and

(3) are subject to a Resolution that provides for participation in the Plan.

All regular, classified Exempt Employees who:

(1) have at least 10 years of full-time service with the County of San Joaquin;

(2) are subject to a Resolution that provides for participation in the Plan.

All represented regular, classified Civil Service Employees who:

(1) have at least 10 years of full-time service with the County of San Joaquin; and

(2) contribute to the County of San Joaquin Employees Retirement Association (except for employees with 30 or more years of service); and

(3) are subject to a Memorandum of Understanding that provides for participation in the Plan.

Employees in the groups specified above are Eligible Employees under the Plan. An individual's status as an Eligible Employee shall be determined by the Employer in its sole discretion, and such determination shall be conclusive and binding on all persons.

If an Employee is in a group of Employees which is designated above by the Employer as eligible to participate in the Plan and subsequently transfers to a group that is not designated as eligible, then such Employee shall not be eligible for any contributions under the Plan on and after the effective date of such transfer. The Employee's Account (if any) shall continue to be maintained under the Plan, and he/she will become eligible to receive Benefits under the Plan in accordance with the rules governing Eligible Employees.

These employees are called Eligible Employees. Those Eligible Employees who actually participate in the Plan are called "Participants."

"**Employee**" means a common-law employee of the Employer who is on the Employer's W-2 payroll, except that the term "Employee" does not include any common-law employee who is a leased employee (including but not limited to an individual defined in Code § 414(n)), or any common-law employee who is an individual classified by the Employer as a contract worker, independent contractor, temporary employee or casual employee, whether or not any such person is on the Employer's W-2 payroll. The term "Employee" also does not include any individual who performs services for the Employer, but who is paid by a temporary or other employment agency such as "Kelly," "Manpower," etc., or any employee covered under a collective bargaining agreement unless the collective bargaining agreement so provides. The term "Employee" includes "former employees" for the limited purpose of allowing continued eligibility for benefits hereunder.

2.4 How do I enroll?

Once you become eligible to participate, you will automatically be enrolled in the Plan and become a Participant. You do not need to complete any special enrollment form to enroll in this Plan. Participation begins first day of the month following completion of eligibility requirements.

2.5 How long will I be able to participate in the Plan?

There are two aspects of participation in the Plan – the receipt of contributions and access to your Health Care ("HC") Account to receive reimbursement of eligible Health Care Expenses.

Contributions. Contributions on your behalf cease upon the earliest of the following: (1) the date of your death; (2) the date of termination of your employment with the Employer; (3) the date of your failure to meet the eligibility requirements described in Section 2.3 other than the requirement that you be an employee of the Employer; or (4) the date of termination of the Plan.

Access. Access to your HC Account for purposes of reimbursing eligible Health Care Expenses cease upon the earliest of the following: (1) the date of your death without an eligible Dependent or Spouse; or (2) the date the balance of your HC Account reaches zero.

Please note: Termination of contributions or access to your HC Account does not prevent you or others covered through you from receiving continuation coverage required by applicable law. In addition, termination of access to your HC Account is subject to the spend down access described in Section 5.2.

2.6 How long will the Plan remain in effect?

Although the Employer expects to maintain the Plan indefinitely, it has the right to amend or terminate the program in whole or in part at any time. It is also possible that future changes in state or federal tax laws may require that the Plan be amended or terminated accordingly. You will be informed if changes are made to the Plan.

2.7 How does reimbursement under this Plan affect my tax deductions?

You should realize that any medical expense for which you are reimbursed under this Plan cannot be claimed as a medical expense deduction on your income tax return.

ARTICLE III.
HEALTH CARE ACCOUNT

3.1 What is my Health Care Account?

A Health Care Account ("HC Account") will be established in your name to keep a record of the benefits under this Plan to which you are entitled. Your Employer will contribute a specified amount into your HC Account on a periodic basis.

Following your termination of employment with the Employer, you may receive reimbursement for eligible Health Care Expenses up to the amount of the balance in your HC Account at the time a reimbursement request is processed. Any balance remaining in your HC Account at the end of the Plan Year will be carried over to future Plan Years for the sole purpose of reimbursing you for your eligible Health Care Expenses. The full amount in your HC Account will remain available to you when you terminate employment with the Employer. However, no further Employer contributions will be made following your termination of employment with the Employer.

3.2 What is an "eligible" Health Care Expense?

Only eligible Health Care Expenses may be reimbursed under this Plan. Eligible Health Care Expenses are premiums for medical, dental, vision, and long-term care insurance; COBRA premiums; Medicare Part D and Part B insurance premiums; out-of-pocket expenses to the extent eligible under Code section 213(d). Please review the attached sheet entitled "Eligible Health Care Expenses" for further examples of included expenses. Furthermore, to be an eligible Health Care Expense, the expense:

(a) must be "incurred" while you are eligible to receive a reimbursement from the Plan; and
(b) must be "incurred" for yourself, your Spouse or your Dependents.

An expense is "**incurred**" when the service that gives rise to the expense has been provided, not when you are billed or when you pay the expense.

"**Spouse**" means an individual who is legally married to you and who is treated as your spouse under the Internal Revenue Code.

"**Dependent**" means a dependent for purposes of Section 105 of the Internal Revenue Code. Generally, "dependent" includes a qualifying child and certain other relatives. A qualifying child is a child who: (a) is your child (son, daughter, stepson, or stepdaughter), brother, sister, stepbrother, or stepsister, or a descendant of any such person; (b) has the same principal place of abode as you for at least one-half of the relevant year; (c) will not attain age 19 (or age 24 if a full time student) during the relevant year or is permanently and totally disabled; and (d) did not provide over half of his/her own support during the relevant year. The other relatives that may be "dependents" for purposes of the Plan are individuals who: (a) are your child (or a descendant of a child), brother, sister, stepbrother, or stepsister, parent (or a parent's ancestor), stepparent, brother or sister's son or daughter, parent's brother or sister, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law or, if not such a relative, an individual who has the same principal place of abode as you and is a member of your household; (b) generally have received more than one-half of their support from you during the relevant year; and (c) are not a qualifying child of you or someone else.

3.3 How do I receive my benefits under the Plan?

When you incur an expense that is eligible for reimbursement, you must submit a claim to the Claims Administrator on an administrative form that will be supplied to you. The form will typically require:

(a) the amount, date and nature of the expense,

(b) the name of the person or entity to which the expense was paid,
(c) your statement that the expense has not been reimbursed or is not reimbursable through any other source, and
(d) such other information as the Claims Administrator may require.

You may also be required to submit copies of bills or receipts from the provider(s) to support your claim.

As of 20th of the month, you will be given the opportunity to complete a claim form for expenses that are eligible for payment. Generally, you will be able to receive reimbursement as of the 25th of the month for all sums of money deposited in your HC Account, provided you have submitted a completed claim form and any required documentation. Reimbursements are paid by separate check or ACH direct deposit.

In order to be eligible for payment, you must submit a claim within twelve months of the date on which the expense was incurred.

"**Claims Administrator**" means EBSC. The address for claims submission is: 940 Industrial Drive South, Suite 111, Sauk Rapids, MN 56379-1235. The phone number is 800-682-3826.

3.4 What if my claim exceeds the balance of my HC Account?

The maximum reimbursement you may receive at any time is the amount of your HC Account balance at the time the reimbursement request is processed. The maximum reimbursement requirements apply to you, your Spouse, and your Dependents on an aggregate basis, not an individual basis. If your claim is for an amount that is more than your current HC Account balance, the claim will be reimbursed up to the balance in your HC Account.

3.5 What happens if my claim for benefits is denied?

In most cases, within thirty (30) days after a claim for benefits is filed, the claim will either be paid or the Claims Administrator will notify you of the claim denial. If the Claims Administrator denies the claim, you will be provided with the following information in writing:

(a) The specific reasons for the denial;
(b) The specific reference to the Plan provisions on which the denial is based;
(c) A description of any additional material or information necessary for you to complete your claim and an explanation of why such material or information is necessary; and
(d) Appropriate information as to the steps to be taken if you wish to appeal the Claims Administrator's determination, including your right to submit written comments and have them considered.

Within one hundred eighty (180) days after you receive notice that your claim has been denied, you or your representative may file a written request with the Claims Administrator appealing the denial and requesting review of it. You or your representative are entitled to review the pertinent documents and may also submit issues and comments in writing to be considered as part of the review.

"**Authorized Representative**" means a person entitled to act on your behalf and recognized by the Plan Administrator. In order to be recognized by the Plan Administrator, the person must have a completed "Authorized Representative Form" on file with the Claims Administrator.

The Plan Administrator will review and decide your appeal within a reasonable time not longer than sixty (60) days after it is submitted and will notify you of its decision in writing. The individual who decides your appeal will not be the same individual who decided your initial claim denial and will not be that individual's subordinate. The Plan Administrator may secure independent medical or other advice and require such other evidence as it deems necessary to decide your appeal, except that any medical expert consulted in

connection with your appeal will be different from any expert consulted in connection with your initial claim. (The identity of a medical expert consulted in connection with your appeal will be provided.) If the decision on appeal affirms the initial denial of your claim, you will be furnished with a notice of adverse benefit determination on review setting forth:

(e) the specific reason(s) for the denial;
(f) the specific Plan provision(s) on which the decision is based; and
(g) a statement of your right to review (on request and at no charge) relevant documents and other information.

3.6 What if I am subject to a medical child support order?

Notwithstanding any provision of the Plan to the contrary, the Plan shall recognize ***Qualified*** Medical Child Support Orders ("QMCSOs"), effective on and after August 10, 1993. To be recognized, specific procedures must be followed. If you are involved in a divorce or child custody matter, you or your legal counsel should contact the Plan Administrator.

Notwithstanding any provision of the Plan to the contrary, the Plan shall recognize medical child support orders regarding the provision of medical coverage for a child to the extent required by law.

3.7 What happens to my HC Account if I die?

If there is a balance in your HC Account at the time of your death, your spouse and dependents ***may*** be able to continue to access these funds until the earlier of: (a) the date on which the balance is exhausted, or (b) the date the last remaining Spouse or Dependent dies. Access to your HC Account is only available in the event such access is offered and selected as an alternative to any continuation coverage that may otherwise be available.

3.8 In what situations will the balance of my HC Account be forfeited?

Amounts attributed to your HC Account shall be forfeited only upon your death without any dependent or spouse. Forfeited amounts shall be contributed to the HC Accounts of the other participants of the Plan on a per capita basis.

Note: Forfeited funds do not revert to the Employer.

ARTICLE IV.
INVESTMENTS

4.1 What happens to the funds before I take them out?

All assets of the Plan will be held in a trust by the Trustee. The Trustee will administer the trust in accordance with the Plan.

"**Trustee**" means Reliance Trust Company.

Once the Employer makes a contribution to the Plan on your behalf, that contribution is allocated to your HC Account and invested by you. Information regarding the investment options and the procedures for selecting and changing your investments will be provided to you by the Trustee.

Caution: Earnings are not guaranteed. You may experience losses.

4.2 Are the earnings taxable?

No. The earnings accumulate on a tax-free basis. When the HC Account balance is accessed for reimbursement of a claim, there is no distinction between contribution dollars and earnings.

ARTICLE V.
CONTINUATION COVERAGE

A Participant, and any others who are covered through that Participant, ***may*** be entitled to elect to continue coverage under the Plan in accordance with the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), or the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended ("USERRA"), as described below.

5.1 What are my continuation rights under COBRA?

The Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as it applies to State governmental entities through the Public Health Services Act ("PHSA") requires most employers with twenty (20) or more employees to offer employees and their families (spouse and/or dependent children) the opportunity to pay for a temporary extension of health coverage (called "continuation coverage") at group rates in certain instances where health coverage under employer sponsored group health plan(s) would otherwise end. There is no requirement that a person be insurable to elect continuation coverage. However, a person who continues coverage may have to pay all of the premiums for the continuation coverage.

This notice is intended to inform persons covered under the Plan, in summary fashion, of their rights and obligations under the continuation coverage provision of the law. It is intended that no greater rights be provided than those required by this law. It does not fully describe your continuation coverage rights. The Plan Administrator has developed additional policies regarding the provision of continuation coverage under the Plan. For additional information about your rights and obligations under the Plan and under federal law, you should contact the Plan Administrator.

This notice covers only this Plan.

Each person covered under the Plan should read this notice carefully.

Qualifying Events. Upon the commencement of a "qualifying event" each person that loses coverage may have rights as a "qualified beneficiary."

Qualifying event. A qualifying event is the occurrence of an enumerated event (described below) that results in a loss of coverage under the terms of the group health plan.

Qualifying beneficiary. A qualified beneficiary is the employee, employee's spouse and/or employee's dependent children who on the day before the qualifying event was covered under the group health plan. A spouse whose coverage was reduced or terminated in anticipation of divorce is also a qualified beneficiary. In addition, a child born to or placed for adoption with a qualified beneficiary ***who was the employee*** is a qualified beneficiary if he or she was covered under the group health plan on the day before the qualifying event. Furthermore, an individual for whom the employee must provide coverage under the group health plan pursuant to a medical child support order is a qualified beneficiary.

Employee Loss. If covered by any of the group health plans described above, the employee has the right to elect continuation coverage if he or she loses coverage under such plan due to termination of employment (other than for gross misconduct) or a reduction in hours of employment.

Spouse's Loss. If covered by any of the group health plans described above, a spouse has the right to elect continuation coverage if he or she loses coverage under such plan due to any of the following:

- the employee's termination of employment (other than for gross misconduct) or a reduction in hours of employment;
- the employee's death; or

- divorce or legal separation from the employee.

> ***Please Note***: If an employee eliminates coverage for his or her spouse from coverage in anticipation of a divorce of legal separation, and a divorce or legal separation later occurs, then the later divorce or legal separation will be considered a qualifying event even though the ex-spouse lost coverage earlier.

Dependent Child's Loss. If covered by any of the group health plans described above, a dependent child has the right to elect continuation coverage if he or she loses coverage under such plan due to any of the following:

- the employee's termination of employment (other than for gross misconduct) or a reduction in hours of employment;
- the employee's death;
- divorce or legal separation of the employee and the child's other parent; or
- the child ceasing to be a "dependent child" under the terms of the plan.

Responsibility to Notify. In certain circumstances, you are required to provide notification to the Plan in order to protect your rights under COBRA.

Notice of Qualifying Event. Under the law, the employee or a family member (or a representative acting on behalf of the employee or a family member) has the responsibility to inform the COBRA Administrator of a divorce, legal separation, or a child losing dependent status under the plan within sixty (60) days of the latest of: (1) the date of the qualifying event; (2) the date coverage would be lost because of the qualifying event; or (3) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. The notification must be provided in writing and be mailed to the Plan Administrator at the address identified below. Oral notice by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notices are not acceptable. Your notification must be postmarked no later than the last of the sixty (60) day notice period described above. The notification must:

(a) state the name of the Plan;
(b) state the name and address of the employee or former employee who is or was covered under the Plan;
(c) state the name(s) and address(es) of all qualified beneficiaries who lost coverage due to the qualifying event;
(d) include a detailed description of the event;
(e) identify the effective date of the event; and
(f) be accompanied by any documentation providing proof of the event (i.e., the divorce decree).

If no notification is received within the required time period, no continuation coverage will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the qualified beneficiaries, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided within thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no continuation coverage will be provided.

You must, if the Plan Administrator requests it, provide documentation of the date of the qualifying event that is satisfactory to the Plan Administrator, so that the Plan Administrator can determine if you gave timely notice of the qualifying event and were consequently entitled to elect COBRA. If you are unable to provide satisfactory evidence within thirty (30) days after a written or oral request from the Plan Administrator, the COBRA coverage may be terminated (retroactively if necessary) as of the date that COBRA

coverage would have started. The Plan will require repayment to the Plan of all benefits paid after the termination date. Any COBRA coverage in effect for the individual who reported the qualifying event to the Plan also may be terminated.

Notice of Second Qualifying Event. In addition, the employee or a family member (or a representative acting on behalf of the employee or family member) must notify the Plan of the death of the employee, divorce or separation from the employee, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan, if that event occurs within the eighteen (18) month continuation period (or an extension of that period for disability or for pre-termination Medicare entitlement). The notification must be provided within sixty (60) days after such a second qualifying event occurs in order to be entitled to an extension of the continuation period. The notification must be provided in writing and be mailed to the Plan Administrator at the address identified below. Oral notice, including notice by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notices are not acceptable. Your notification must be postmarked no later than the last day of the sixty (60) day notice period described above.

The notification must:

(1) state the name of the Plan;
(2) state the name and address of the employee or former employee who is or was covered under the Plan;
(3) state the name(s) and address(es) of all qualified beneficiaries who lost coverage due to the initial qualifying event and who are receiving COBRA coverage at the time of the notice;
(4) identify the nature and date of the initial qualifying event that enabled the qualified beneficiaries to become subject to COBRA coverage;
(5) include a detailed description of the second event;
(6) identify the effective date of the second event; and
(7) be accompanied by any documentation providing proof of the event (i.e., the divorce decree).

If no notification is received within the required time period, no extension of the continuation period will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the qualified beneficiaries, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided within thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no extension of the continuation period will be provided.

You must, if the Plan Administrator requests it, provide documentation of the date of the qualifying event that is satisfactory to the Plan Administrator, so that the Plan Administrator can determine if you gave timely notice of the qualifying event and were consequently entitled to elect COBRA. If you are unable to provide satisfactory evidence within thirty (30) days after a written or oral request from the Plan Administrator, the COBRA coverage may be terminated (retroactively if necessary) as of the date that COBRA coverage would have started. The Plan will require repayment to the Plan of all benefits paid after the termination date. Any COBRA coverage in effect for the individual who reported the qualifying event to the Plan also may be terminated.

Notice of Disability. Also, an employee or a family member (or a representative acting on behalf of the employee or a family member) must notify the Plan Administrator when a qualified beneficiary has been determined to be disabled under the Social Security Act within sixty (60) days of the latest of: (1) the date of the disability determination; (2) the date of the qualifying event; (3) the date coverage would be lost because of the qualifying event; or (4) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. (Notwithstanding the foregoing, the notice must be provided before the end of the first eighteen (18) months of continuation coverage.) The notification must be provided in writing and be mailed to the Plan Administrator at the address identified below. Oral notice, including notice by telephone is not acceptable. Electronic (including emailed or faxed) or hand-delivered notifications are not acceptable. Your notification must be postmarked no later than the last day of the sixty (60) day notice period described above. The notification must:

(i) state the name of the Plan;
(ii) state the name and address of the employee or former employee who is or was covered under the Plan;
(iii) state the name(s) and address(es) of all qualified beneficiaries who lost coverage due to the initial qualifying event and who are receiving COBRA coverage at the time of the notice;
(iv) identify the nature and date of the initial qualifying event that enabled the qualified beneficiaries to become subject to COBRA coverage;
(v) state the name of the disabled qualified beneficiary;
(vi) identify the date upon which the disabled qualified beneficiary became disabled;
(vii) identify the date upon which the Social Security Administration made its determination of disability; and
(viii) include a copy of the determination of the Social Security Administration.

If no notification is received within the required time period, no extension of the continuation period will be provided. If the notification is incomplete, it will be deemed timely if the Plan is able to determine the plan to which it applies, the identity of the employee and the qualified beneficiaries, the qualifying event, and the date on which the qualifying event occurred, provided that the missing information is provided with thirty (30) days. If the missing information is not provided within that time, the notification will be ineffective and no extension of the continuation period will be provided.

If such person has been determined under the Social Security Act to no longer be disabled, the person must notify the COBRA Administrator of that determination within thirty (30) days of the later of: (1) the date of such determination; or (2) the date on which the qualified beneficiary was informed of the responsibility to provide the notice and the procedures for doing so. The notice must be in writing and be mailed to the COBRA Administrator at the address identified below. Regardless of when the notification is provided, continuation coverage will terminate retroactively on the first day of the month that begins thirty (30) days after the date of the determination, or the end of the initial coverage period, if later. If you do not provide the notification within the required time, the Plan reserves the right to seek reimbursement of any benefits provided by the Plan between the date coverage terminates and the date the notification is provided.

Failure to provide timely notification of a qualifying event ends the right to COBRA continuation coverage.

Election Rights. When a qualifying event occurs, or when the COBRA Administrator is notified that a qualifying event has occurred in the case of those events in which the employee has an obligation to provide notice, the COBRA Administrator must notify the qualified beneficiaries of the right to elect continuation coverage. Because the Employer and the Plan Administrator are the same entity, the COBRA Administrator has forty-four (44) days to provide the option to elect COBRA coverage. Under the law, qualified beneficiaries have at least sixty (60) days to elect continuation coverage measured from the later of (1) the date coverage would be lost because of a qualified event, or (2) the date a notice of election rights is provided. An election is considered "made" on the date sent. If continuation coverage is elected within this period, the coverage is retroactive to the date coverage would otherwise have been lost. If continuation coverage is not elected within this period, coverage under the Plan ends.

Each qualified beneficiary has an independent right to elect continuation coverage. Employees and spouses (if the spouse is a qualified beneficiary) may elect continuation coverage on behalf of all qualified beneficiaries and parents may elect continuation coverage on behalf of their children. Furthermore, other third persons can elect continuation coverage on behalf of a qualified beneficiary.

Please Note: Qualified beneficiaries who are entitled to elect COBRA may do so even if they are covered by Medicare effective on or before the date on which COBRA is elected. However, as discussed in more detail below, a qualified beneficiary's COBRA coverage will terminate automatically if he or she first becomes covered by Medicare effective after the date on which COBRA is elected.

Duration. The law requires that qualified beneficiaries generally be allowed to maintain continuation coverage as follows:

Eighteen (18) Months. If the qualifying event is the employee's termination of employment (other than for gross misconduct) or a reduction in hours of employment, the continuation period is eighteen (18) months measured from the date of the qualifying event.

Disability Extension. For qualified beneficiaries receiving continuation coverage because of the employee's termination or reduction in hours, the continuation period may be extended eleven (11) months, for a total maximum of twenty-nine (29) months where a qualified beneficiary receives a determination under the Social Security Act that at the time of the employee's termination of employment or reduction of hours, or within sixty (60) days of the start of the eighteen (18) month continuation period, the qualified beneficiary was disabled. The extension is available to all qualified beneficiaries in the family group.

Pre-Qualifying Event Medicare Extension. The eighteen (18) month continuation period may be extended if the employee became entitled to (actually covered under) Medicare prior to the employee's termination of employment (other than for gross misconduct) or a reduction in hours. Qualified beneficiaries other than the employee are entitled to the greater of (1) eighteen (18) months measured from the qualifying event, or (2) thirty-six (36) months measured from the date of the employee's Medicare entitlement.

Thirty-Six (36) Months. For qualifying events other than termination of employment (other than for gross misconduct) or a reduction in hours, the continuation period is thirty-six (36) months measured from the date of the qualifying event.

Second Qualifying Events. If during the initial eighteen (18) month continuation period (or during an extension of that period for disability or for pre-termination Medicare entitlement) a second qualifying event occurs (e.g., divorce or legal separation, death of employee, loss of dependent status) that would have caused the qualified beneficiary to lose coverage under the Plan had the first qualifying event not occurred, the continuation period for the particular qualified beneficiaries affected by the second qualifying event may be extended to thirty-six (36) months.

Under no circumstances may the total continuation period be greater than thirty-six (36) months from the date of the original qualifying event that triggered the continuation coverage.

Type of Coverage. Initially, the coverage will be the same coverage as immediately preceding the qualifying event. Thereafter, coverage must be identical to the coverage provided to similarly situated employees or family members that have not experienced a qualifying event. In addition, special enrollment rights under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") will apply to those who have elected COBRA.

Cost. A person electing continuation coverage may have to pay all or part of the cost of continuation coverage. You will receive additional information regarding the cost requirements following the occurrence of a qualifying event. The amount charged cannot exceed 102% of the cost to the plan of providing the coverage. The amount may be increased to 150% for the months after the eighteenth (18^{th}) month of continuation coverage when the additional months are due to a disability under the Social Security Act. Payment is generally due monthly. Payment is considered "made" on the date sent.

Pre-Mature Ending. The law provides that continuation coverage shall automatically end for any of the following reasons:

- the Employer no longer provides group health coverage to any of its employees;
- the premium for continuation coverage is not paid on time (including any applicable grace period);
- with respect to disability extension coverage, a final determination that the qualified beneficiary is no longer disabled; or

Please note: This cuts short the coverage for all qualified beneficiaries with extended coverage.

- termination for cause under the generally applicable terms of the group health plan (e.g., submission of fraudulent benefit claims).

Insurability. A qualified beneficiary does not have to demonstrate insurability to elect continuation period.

Trade Act of 2002. Pursuant to the Trade Act of 2002, certain employees and former employees who are receiving trade adjustment assistance ("TAA") may be eligible for a special second COBRA election and a tax credit for premiums paid for continuation coverage. TAA is generally available to those employees who have lost their jobs or suffered a reduction in hours because of import competition and shifts in production to other countries. If you are potentially eligible for these rights under the Trade Act, you will receive additional information regarding it at the time of your qualifying event.

Address Changes: Important information is distributed by mail. In order to protect your family's rights, if a qualified beneficiary's address changes, the qualified beneficiary or someone on its behalf should notify the Plan Administrator immediately.

More Information: The Employer has hired a third party to administer COBRA. All questions, notices, and other communications regarding COBRA and the Plan should be directed to:

EBSC
940 Industrial Drive South, Suite 111
Sauk Rapids, MN 56379

For more information about your rights under COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at www.dol.gov/ebsa. (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.)

5.2 What if I just want to spend down my account?

Following termination of employment, the Plan allows you to spend down the balance of your HC Account if you choose to continue to access your HC Account in lieu of COBRA continuation coverage. If you choose to spend down your HC Account, you may generally continue to submit claims for eligible Health Care Expenses until the account reaches a zero ($0.00) Dollar balance.

Upon your death, your surviving Spouse and Dependents will be allowed to spend down the balance of your HC Account if they choose to continue to access your HC Account in lieu of COBRA continuation coverage. If they choose to spend down your HC Account, your surviving Spouse and Dependents may generally continue to submit claims for eligible Health Care Expenses until the account balance reaches zero. (See Section 3.7 regarding other situations in which such access may terminate.)

5.3 What are my continuation rights under USERRA?

USERRA requires all employers to offer employees and their families (spouse and/or dependent children) the opportunity to pay for a temporary extension of health coverage (called "U-continuation coverage") at group rates where health coverage under employer-sponsored group health plan(s) would otherwise end because of the employee's service in the uniformed services.

This notice is intended to inform persons covered under a group health plan, in summary fashion, of their rights and obligations under the continuation coverage provision of USERRA. It is intended that no greater rights be provided than those required by this law. It does not fully describe your U-continuation

coverage rights. For additional information about your rights and obligations under the Plan and under federal law, you should contact the USERRA Administrator.

This notice covers this Plan only.

Each person covered under the Plan(s) should read this notice carefully.

Service Leave Event. If covered by any of the group health plans described above, the employee has the right to elect U-continuation coverage for him/herself and his/her dependents if they lose coverage under such plan due to an absence from employment for service in the uniformed services (a "service leave").

Service in the Uniformed Services. Service in the uniformed services generally means the voluntary or involuntary performance of duties in the uniformed services. The uniformed services include the Armed Forces, the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty for training, or full-time National Guard duty, the corps of the Public Health Service, and the National Disaster Medical System when providing services as an intermittent disaster response appointee following federal activation or attending authorized training in support of its mission.

Election Rights. You have sixty (60) days to elect U-continuation coverage, measured from the date your absence from employment for the purpose of performing service begins. An election is considered "made" on the date sent. If U-continuation coverage is elected within this period, the coverage is retroactive to the date coverage would otherwise have been lost. If U-continuation coverage is not elected within this period, coverage under the Plan ends. However, if the no election is made in a situation in which you are not required (in accordance with USERRA) to provide advance notice of your service (e.g., because such notice was impossible, unreasonable, or precluded by service necessity), your coverage will be reinstated on a retroactive basis upon your election to continue coverage (regardless of when it is received) and payment of all unpaid amounts due.

Note: Your dependents with coverage under the Plan(s) do not have an independent right to elect U-continuation coverage. Their coverage may be continued only if you elect U-continuation coverage.

Duration. The law requires that you generally be allowed to maintain U-continuation coverage for a twenty-four (24) month period beginning on the date of your absence from employment for the purpose of performing service begins.

Type of Coverage. Initially, the coverage will be the same coverage as immediately preceding your service leave. Thereafter, coverage will be the same as the coverage provided to similarly situated employees or family members that are not on service leave.

Cost. A person electing U-continuation coverage may have to pay all or part of the cost of U-continuation coverage. If you perform service in the uniformed services for fewer than thirty-one (31) days, you will pay the same amount for the coverage that you normally pay. If your service exceeds thirty (30) days, the amount charged cannot exceed 102% of the cost to the plan of providing the coverage.

Payment is generally due monthly on the first day of the month. Payment is considered "made" on the date sent. You will be given a grace period of within which to make the payment. The length of the grace period will be thirty days (30).

Termination of the Continue Coverage. The U-continuation coverage may be terminated for any of the following reasons:

- the Employer no longer provides group health coverage to any of its employees;
- the premium for U-continuation coverage is not paid on time (including the grace period);

- your failure to return from service or apply for a position of employment as required under USERRA; or

- termination for cause under the generally applicable terms of the group health plan (e.g., submission of fraudulent benefit claims).

More Information: The Employer has hired a third party to administer USERRA responsibilities. All questions, notices, and other communications regarding USERRA and the Plan should be directed to:

EBSC
940 Industrial Drive South, Suite 111
Sauk Rapids, MN 56379

For more information about your rights under COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at www.dol.gov/ebsa. (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.)

ARTICLE VI.
FAMILY AND MEDICAL LEAVE ACT OF 1993

6.1 Family and Medical Leave Act of 1993 ("FMLA")

The Family and Medical Leave Act of 1993 ("FMLA") imposes certain obligations on employers with fifty (50) or more employees. This Plan (including the component plans) shall be administered in a manner consistent with the FMLA and the Employer's FMLA Policy required thereunder. If your Employer is subject to FMLA, then you should be provided with a complete explanation of FMLA rights and responsibilities.

ADMINISTRATIVE INFORMATION

Plan Name:	County of San Joaquin, CA Retiree Health Reimbursement Plan
Plan Type:	Section 105 Accident & Health Plan
Plan Number:	520

Employer & Plan Administrator:

Name:	County of San Joaquin, California
Address:	44 N. San Joaquin Street, Room 330
City, State Zip:	Stockton, CA 95202
Phone Number:	Telephone: 209-468-3270; Fax: 209-468-0508
EIN:	94-6000531
Contact Person:	Cynthia M. Clays, Director of Human Resources

Agent for Service of Legal Process:

Name:	County of San Joaquin, California
Address:	44 N. San Joaquin Street, Room 330
City, State Zip:	Stockton, CA 95202
Phone/Fax Number:	Telephone: 209-468-3270; Fax: 209-468-0508

Claims Administrator:

Name:	EBSC
Address:	940 Industrial Drive South, Suite 111
City, State Zip:	Sauk Rapids, MN 56379-1235
Phone Number:	320-251-0034
Fax Number:	320-257-8127

Trustees:

Name:	Reliance Trust Company
Address:	1100 Abernathy Road Northpark Building 500, Suite 400
City, State Zip:	Atlanta, GA 30328
Phone Number:	404-266-0663

EXHIBIT A
Eligible Health Care Expenses

Attention: This list of Eligible Expenses is applicable to and for use with only the County of San Joaquin, California Retiree Medical Expense and Insurance Premium Reimbursement Plan.

Medical and dental expenses that qualify as expenses for medical care under IRS rules generally qualify as eligible expenses for reimbursement under a Health Reimbursement Arrangement. Those may take the form of co-pays, deductibles, and medical expenses not covered by other insurance. Often expenses that qualify for deductions under IRS rules are eligible expenses, but in some instances expenses that are deductible will not be reimbursable and expenses that are not deductible will be reimbursable.

Some specific examples are identified below. The following is not an exhaustive list and there may be other expenses that are eligible if they satisfy the IRS rules.

Dental & Orthodontic Care

Allowable expenses:

- Dental Treatment
- Artificial teeth/Dentures
- Braces, orthodontic devices

Expenses specifically disallowed by the IRS or courts:

- Teeth whitening
- Toothbrushes and toothpaste, even if special type is recommended by dentist

Therapy Treatments

Allowable expenses:

- X-ray treatments
- Treatment for alcoholism or drug dependency
- Legal sterilization
- Acupuncture
- Vaccinations
- Physical therapy (as a medical treatment)
- Fee to use swimming pool for exercises prescribed by physician to alleviate specific medical condition such as rheumatoid arthritis
- Speech therapy
- Smoking cessation programs and prescribed drugs to alleviate nicotine withdrawal

Expenses specifically disallowed by the IRS or courts:

- Physical treatments unrelated to a specific health problem (e.g., massage for general well being)
- Any illegal treatment
- Cosmetic Surgery
- Treatment for baldness (unless it is for a specific medical condition and not for cosmetic purposes)

Fees/Services

Allowable expenses:

- Physician's fees and hospital services
- Nursing services for care of a specific medical ailment
- Cost of a nurse's room and board if paid by the taxpayer where nurse's services qualify
- The Social Security tax paid with respect to wages of a nurse where nurse's services qualify
- Services of chiropractors
- Christian Science practitioner fees
- Diagnostic tests

Expenses specifically disallowed by the IRS or courts:

- Payments to domestic help, companion, babysitter, chauffeur, etc. who primarily render services of a non-medical nature
- Nursemaids or practical nurses who render general care for healthy infants
- Fees for exercise, athletic, or health club membership when there is no specific health reason for needing membership
- Marriage counseling provided by clergyman

Hearing Expenses

Allowable expenses:

- Hearing aids and hearing aid battery
- Special telephone equipment

Medicine and Drugs

Allowable expenses:

- Medicine and drugs that require a prescription
- Insulin
- Over the counter medicine and drugs when used to alleviate or treat personal injuries or sickness

Expenses specifically disallowed by the IRS or courts:

- Medicine and drugs for personal, general health, or cosmetic purposes
- Dietary supplements if for general health

(including Antacids, antihistamines, aspirin/pain relievers, bandages, cold medicines, acne medicine, etc.)

Medical Equipment

Allowable expenses:

- Blood Sugar test kits
- Wheelchair or autoette (cost of operating/maintaining)
- Crutches (purchased or rented)
- Special mattress & plywood boards prescribed to alleviate arthritis
- Oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition
- Artificial limbs
- Support hose (if medically necessary)
- Wigs (where necessary to mental health of individual who loses hair because of disease)
- Excess cost of orthopedic shoes over cost of ordinary shoes

Expenses specifically disallowed by the IRS or courts:

- Wigs, when not medically necessary for mental health
- Vacuum cleaner purchased by an individual with dust allergy
- Mechanical exercise device not specifically prescribed by physician

Physicals

Allowable expenses:

- Physicals and other well visits
- Immunizations

Expenses specifically disallowed by the IRS or courts:

- Physicals for employment purposes

Vision Care

Allowable expenses:

- Optometrist's or ophthalmologist's fees
- Eyeglasses and prescription sunglasses
- Insurance for replacement or lost or damaged contact lenses
- Contact lens and contact lens solutions
- Laser eye surgery

Assistance for the Handicapped

Allowable expenses:

- Cost of guide for a blind person
- Cost of note-taker for a deaf child in school
- Cost of Braille books and magazines in excess of cost of regular editions
- Seeing eye dog (cost of buying, training and maintaining)
- Household visual alert system for deaf person
- Excess costs of specifically equipping automobile for handicapped person over cost of ordinary automobile; device for lifting handicapped person into automobile
- Special devices, such as tape recorder and typewriter, for a blind person

Psychiatric Care

Allowable expenses:

- Services of psychotherapists, psychiatrists and psychologists

Expenses specifically disallowed by the IRS or courts:

- Psychoanalysis undertaken to satisfy curriculum requirements of a student

Miscellaneous Charges

Allowable expenses:

- X-rays
- Expenses of services connected with donating an organ
- Medically prescribed diet
- The cost of a medically prescribed weight loss program
- Breast reconstructive surgery following mastectomy as part of treatment for cancer
- Contraceptives
- Fertility Treatments
- Medical records charges

Expenses specifically disallowed by the IRS or courts:

- Expenses of divorce when doctor or psychiatrist recommends divorce
- Cost of toiletries, cosmetics, and sundry items (e.g., soap, toothbrushes)
- Cost of special foods taken as a substitute for regular diet, when the special diet is not medically necessary or taxpayer cannot show cost in excess of cost of a normal diet
- Maternity clothes
- Diaper service
- Distilled water purchased to avoid drinking fluoridated County water supply
- Installation of power steering in automobile
- Pajamas purchased to wear in hospital
- Mobile telephone used for personal calls as well as calls to physician
- Union dues for sick benefits for members
- Contributions to state disability funds
- Auto insurance providing medical coverage for all persons injured in or by the taxpayer's automobile, where amounts allocable to taxpayer and dependent is not stated separately
- Long-term care services
- Funeral expenses

Insurance

Allowable expenses:

- Health insurance premiums (including individual and non-employer sponsored coverage and including continuation premiums)
- Long term care insurance premiums

Expenses specifically disallowed by the IRS or courts:

- Premiums paid on a pre-tax basis through an employer's flex plan

TRUST AGREEMENT

FOR

COUNTY OF SAN JOAQUIN, CA

RETIREE HEALTH REIMBURSEMENT PLAN AND TRUST

Reliance Trust Company
Trustee
1100 Abernathy Road
500 Northpark Building, Suite 400
Atlanta, GA 30328
404-266-0663

TABLE OF CONTENTS

TRUST AGREEMENT

THIS TRUST AGREEMENT (this "Agreement") is entered into on this ____ day of _____, 2010 by and between County of San Joaquin, CA, a governmental entity (the "Employer") and Reliance Trust Company (the "Trustee").

WITNESSETH:

WHEREAS, the Employer is exempt from federal income tax under the Internal Revenue Code of 1986 as a state or territory of the United States, or any political subdivision, municipality or agency thereof, or an agency of such political subdivision or municipality (including any corporation owned or controlled by any state or territory of the United States or by any political subdivision, municipality, or agency); and

WHEREAS, the Employer provides a post-retirement welfare benefit plan that provides for reimbursement of expenses incurred by a participant, his spouse and dependents, and/or beneficiaries for medical, dental, vision benefits or insurance, and/or long-term care insurance and other similar benefits, as specified in the County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust (the "Plan"); and

WHEREAS, the Employer desires for the Trustee to accept funds that shall from time to time be paid over to the Trustee in accordance with the Plan, together with the earnings and profits thereon, if any, and to hold the funds in trust (the "Trust") and to make disbursements from the Trust in accordance with the provisions of this Agreement; and

WHEREAS, the Employer desires to appoint the Trustee as a directed trustee to hold and administer the assets of the Plan in accordance with this Agreement; and

WHEREAS, the Trustee has agreed to serve as directed trustee of the trust established under this Agreement;

WHEREAS, the Employer intends that the Trust hereby established, together with the Plan, shall constitute a voluntary employees' beneficiary association under Internal Revenue Code Section 501(c)(9);

NOW, THEREFORE, the Employer and the Trustee hereby mutually covenant and agree as follows:

ARTICLE I
DEFINITIONS

The following words and phrases, when used herein with an initial capital letter, shall have the meanings set forth below unless a different meaning plainly is required by the context. Any reference to a section number shall refer to a section of this Agreement unless otherwise specified

1.1 **Administrator** means the person, committee or entity appointed by the Employer or as specified in the Plan to serve as plan administrator of the Plan Unless the Employer notifies the Trustee in writing of the appointment of an Administrator, the Employer shall be deemed to be the Administrator.

1.2 **Beneficiary** means any person designated under the terms of the Plan to receive benefits payable upon the death of a Participant.

1.3 **Code** means the Internal Revenue Code of 1986, as amended.

1.4 **Custodian** means Reliance Trust Company, which shall also serve as custodian for the Trust Fund. To the extent any assets are held by any custodian other than Reliance Trust, such party shall also be considered a Custodian for the Trust.

1.5 **Employer** means County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust and its successors that adopt the Plan.

1.6 **Investment Committee** means the person, committee or entity appointed in accordance with the terms of the Plan to make and effect investment decisions under the Plan and Trust. Unless the Employer notifies the Trustee in writing of the appointment of an Investment Committee, the Administrator shall be deemed to be the Investment Committee.

1.7 **Investment Fund** means any of the separate funds established by the Investment Committee for the investment of Plan assets.

1.8 **Investment Manager** means any person, corporation or other organization or association appointed by the Investment Committee pursuant to the terms of Section 4.3 to manage, acquire or dispose of the assets of an Investment Fund.

1.9 **Participant** means an employee or former employee of the Employer.

1.10 **Plan** means County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust as such Plan may be amended from time to time.

1.11 **Recordkeeper** means Hartford Insurance Company, the Plan's duly appointed recordkeeper and any of their respective agents or assigns, including processing agents.

1.12 **Trust** means the trust established by this Agreement.

1.13 **Trust Fund** means the total amount of cash and other property held from time to time under this Agreement.

1.14 **Trustee** means Reliance Trust Company.

ARTICLE II
ESTABLISHMENT OF THE TRUST

2.1 **Trust Established**. The Employer hereby establishes with the Trustee, as a funding medium for the Plan, a Trust consisting of the Trust Fund and such earnings, profits, increments, additions and appreciation thereto and thereon as may accrue from time to time.

2.2 **Limit of Employer's Interest**.

(a) **Impossibility of Diversion**. It shall be impossible at any time for any part of the Trust to be used for or diverted to purposes other than for the exclusive benefit of the employees, their dependents and beneficiaries

covered under the Plan, except that the payment of taxes and administration expenses may be made from Trust funds as hereinafter provided.

(b) **Return of Contributions**. Upon the request of the Employer, a contribution may be returned under the following circumstances: (1) the Trust, or any amendment thereof, does not qualify under Internal Revenue Code Section 501(c)(9) and the contribution is returned within one year after the Trust is found not to so qualify; or (2) the contribution was made due to a mistake of fact and the contribution is returned within one year of the mistaken payment.

2.3 **Trustee's Conditional Acceptance**. The Trustee accepts the Trust hereby created and agrees to perform the duties hereby required of the Trustee, subject, however, to the following conditions:

(a) **Directed Trustee**. The parties expressly acknowledge and agree that the Trustee is a directed trustee. In the management and control of the Trust Fund, the Trustee shall be subject to the direction of the Employer, the Administrator, and Investment Committee and Participants in the Plan and, to the extent applicable under the terms of this Agreement, the directions of Investment Managers. The Trustee shall not make any investment review of, consider the propriety of holding or selling, or vote any assets held in the Trust Fund. The Trustee shall have no responsibility to review or make recommendations regarding investments made at the direction of the Employer, Administrator, Investment Committee, Participant or an Investment Manager. The Employer, the Administrator, Investment Manager and Investment Committee shall not issue any directions to the Trustee that are in violation of the terms of the Plan or this Agreement. The Participant may exercise direction to the Trustee only through the Recordkeeper.

(b) **Compensation.** The Trustee shall be entitled to compensation for its services under this Agreement at such rates as from time to time the Trustee and the Employer shall agree in writing.

The Trustee shall retain for its own account, as additional compensation under this Agreement, earnings (i.e., "float") on amounts received from the Trust Fund before such amounts are invested pursuant to the Agreement and on amounts held pending distribution.

i. Contributions and Purchases: The timing of cash investment is dependent upon the Recordkeeper and their reconciliation of funds received into the trust. If Trustee receives payroll contributions by performing an ACH (Automated Clearing House) debit to Employer's bank account, this cash will generally be invested within 24 hours. If funds are sent to Trustee via wire, ACH or check, the investment of these funds will generally occur within 36 hours of receipt. Employer may review the service contract with the Recordkeeper to identify specific standards concerning the timing of investment purchases. Trustee will earn Fed Funds income on money received from the date of deposit at Trustee until the date the monies are wired in payment of investment purchases in the account, or settlement date. Employer may monitor and compute the amount of income earned by Trustee by reviewing the date of deposit (as reported on the account statements) versus the settlement date of the purchase(s).

ii. Distributions and Sales: Generally, Trustee will wire funds within 24 hours of the funds becoming available as a result of sale settlements. In the case of participant distribution checks or other trust checks, the Trustee earns income from the date cash is made available in the trust account until the date a check is cashed. Trustee will generally issue checks within 48 hours of receipt of both cash and complete payment instructions. Employer may compute the amount of interest income Trustee earns on cash awaiting distribution. By reviewing the trust account and participant distribution activity, i.e., date cash received or made available for distribution, date wired out of the trust or otherwise the date each participant check was cashed times the per-diem Fed Funds rate.

iii. Rate: The Fed Funds target rate is published in the Wall Street Journal.

ARTICLE III
DUTIES OF TRUSTEE

3.1 **Duties**. It shall be the duty of the Trustee hereunder:

(a) **Receipt of Contributions**. To receive any contributions paid to it under this Agreement in cash or in other property acceptable to the Trustee. The Trustee shall not be responsible for the calculation or collection of any Contribution required to be paid by the Employer to the Trustee under the Plan, but shall be responsible only for property actually received by it pursuant to this Agreement;

(b) **Management of Funds**. In accordance with directions received under the terms of this Agreement, to hold, invest, reinvest, manage and administer (except as otherwise provided herein) all contributions so received, together with the income therefrom and any other increment thereon, for the exclusive benefit of Participants and their Beneficiaries in accordance with the terms of this Agreement;

(c) **Payments**. The Administrator hereby delegates its authority to direct payments under the Plan to the Recordkeeper. The Trustee shall be fully protected in relying upon the directions received from the Recordkeeper. The Administrator hereby indemnifies Trustee from any loss, claim, damage or liability, including legal expenses, that may arise in connection with Trustee's acting upon such direction. The Administrator shall provide written notice to Trustee to revoke such delegation to Recordkeeper. Notwithstanding the foregoing delegation of authority, the Administrator retains the right to separately direct the Trustee with respect to any payment from the Trust Fund, and Trustee shall be fully protected in relying upon such directions.

(d) **Records**. To keep such accounts and records and make such reports and disclosures as shall be required under this Agreement;

(e) **Authorized Acts**. To take any action directed by the Employer, the Investment Committee, the Administrator, the Recordkeeper, or the authorized designee of any of them. The Trustee may rely on any such direction without question and shall not be liable for any failure to act pending receipt of any such direction;

ARTICLE IV
INVESTMENT OF TRUST ASSETS

4.1 **General Investment Power/Investment Funds**.

(a) **Authority of Investment Committee**. Except as provided in Sections 4.2 and 4.3, the Investment Committee shall have all authority and responsibility for the management, disposition and investment of the Trust Fund, and the Trustee shall comply with directions of the Investment Committee. The Investment Committee shall not issue any directions that are in violation of the terms of the Plan or this Agreement.

(b) **Investment Funds**. The Trust may be divided into one or more separate Investment Funds, the number, makeup and description of which shall be determined from time to time by the Investment Committee. The Trustee shall implement, terminate, value, transfer to and from and allocate the gains, losses and expenses among the Investment Funds in accordance with the proper directions of the Investment Committee, the Administrator, the Recordkeeper, or their delegates, and, to the extent applicable under the terms of this Agreement, the directions of Investment Managers.

(c) **Funding Policy**. The Investment Committee shall have responsibility for selecting or establishing and carrying out a funding policy and method, consistent with the objectives of the Plan. The Trustee shall not be responsible for the proper diversification of the Trust Fund, for the prudence of any investment of Trust assets, or for compliance with statutory limitations on the amount of investment in securities of or other property leased to the Employer or its affiliates, nor shall the Trustee be responsible for assuring that any such investments meet the requirements of State law.

4.2 **Participant Direction of Investments**. To the extent provided for under the Plan, each Participant and Beneficiary shall have investment authority over his or her account under the Plan and may direct the investment and reinvestment of assets among the Investment Funds. The Administrator or its designee (which may be the Recordkeeper) shall communicate such directions to the Trustee under procedures established by the Trustee and the Administrator, and the Trustee shall follow and carry out such directions. If a Participant or Beneficiary who has investment authority under the terms of the Plan fails to provide such directions, the Investment Committee shall direct the investment of the Participant's or Beneficiary's account under the Plan among the Investment Funds. The Trustee shall not be liable for any loss that results from a Participant or Beneficiary's exercise of investment control.

4.3 **Investment Managers**.

(a) **Appointment**. The Investment Committee may, but shall not be required to, appoint one or more Investment Managers to manage the assets of all or any one or more of the Investment Funds. Each such Investment Manager shall be either (i) registered as an investment adviser under the Investment Advisers Act of 1940; (ii) a bank, as defined in such Act; or (iii) an insurance company qualified to perform the services of Investment Manager under the laws of more than one state. The Investment Committee shall obtain from any Investment Manager so appointed by it a written statement acknowledging (i) that such Investment Manager is or on the effective date of its appointment will become a fiduciary with respect to the Trust assets under its management; (ii) certifying that such Investment Manager has the power to manage, acquire or dispose of Trust assets in the manner contemplated by the contract or other written instrument by which its appointment is or will be effected; and (iii) certifying that it is either an investment adviser, a bank or an insurance company which is qualified to be appointed as an Investment Manager under this Agreement.

(b) **Contractual Arrangement**. The Investment Committee shall enter into a written contract or agreement with each such Investment Manager in connection with its appointment as such, and such contract shall be subject to such terms and conditions and shall grant to the Investment Manager such authority and responsibilities in the management of the applicable Investment Fund assets as the Investment Committee deems appropriate under the circumstances. Without limiting the generality of the foregoing, such contract may establish investment objectives for the assets of the Investment Fund(s) under the management of the Investment Manager and may limit the types of assets that may be acquired or held by such Investment Fund(s).

(c) **Trustee's Duties**. With respect to each Investment Fund the management of which has been delegated to an Investment Manager, the Trustee shall follow and carry out the instructions of the appointed Investment Manager with respect to the acquisition, disposition and reinvestment of assets of such Investment Fund, including instructions relating to the exercise of all ownership rights in such assets, and the Trustee shall not be under any obligation to invest or otherwise manage any assets allocated to such Investment Fund.

(d) **Failure to Direct**. In the event that an appointed Investment Manager shall fail to direct the Trustee with respect to investment of all or any portion of the cash held in an Investment Fund under its management, the Trustee shall invest such cash only when and as directed by the Investment Committee.

(e) **Termination of Appointment**. Upon the termination of the appointment of an Investment Manager, the Investment Committee shall (i) appoint a successor Investment Manager with respect to the Investment Fund(s) formerly under the management of the terminated Investment Manager, (ii) direct the Trustee to merge or combine such Investment Fund(s) with other Investment Fund(s) or Trust assets, or (iii) direct the Trustee to invest the assets of such Investment Fund as the Investment Committee deems appropriate in accordance with the existing funding policy.

4.4 **Manner and Effect of Directions**.

(a) **Delegation of Authority to Custodian**. The Trustee is authorized and directed to serve as the Custodian with the authority and responsibility for receiving and carrying out the directions of the Participants, Beneficiaries, Employer, Administrator, the Investment Committee, any Investment Manager or their designees. With respect to any assets held by a party other than Trustee, the Trustee is authorized and directed to delegate to the Custodian the authority and responsibility for receiving and carrying out the directions of the Participants, Beneficiaries, Employer, Administrator, the Investment Committee, any Investment Manager or their designees. The Trustee is authorized and directed to enter into such agreements with another Custodian as are deemed necessary or appropriate to effect such delegation. The Employer represents that all directions given by it in any capacity under this Agreement, whether to the Trustee or the Custodian, shall comply with the terms of the Plan, this Agreement and other applicable law.

(b) **Manner of Direction**. Any direction, request or approval of the Employer, Participants, Beneficiaries, the Administrator, the Investment Committee, any Investment Manager or any other party to whom authority to give such directions, requests or approvals is delegated under the powers conferred under this Agreement (including, without limitation, the Recordkeeper and its designees) shall be provided to the Trustee or the Custodian in writing, by automated telephone response system, electronic data transmission (including internet communications) or such other means as is acceptable to the Trustee or the Custodian, as applicable.

(c) **Liability for Authorized Acts**. The Trustee shall incur no liability to anyone for any action that it or the Custodian as its delegate takes pursuant to a direction, request or approval given by the Employer, Participants, Beneficiaries, the Investment Committee, any Investment Manager, the Administrator or by any other party (including, without limitation, the Recordkeeper and any of its agents) to whom authority to give such directions, requests or approvals is delegated under the powers conferred upon the Employer, Participants, the Investment Committee, the Administrator or such other party under this Agreement.

4.5 **Authorization of Designee(s)**. The Administrator and the Investment Committee may each appoint one or more designees to act on their behalf. If a designee (or designees) is appointed, the appropriate committee shall furnish the Trustee with written documentation of the appointment and a specimen signature of each designee. The Trustee shall be entitled to rely upon such documentation until the Trustee is otherwise notified in writing.

ARTICLE V
POWERS OF TRUSTEE

5.1 **General Authority**. In accordance with the directions of the Investment Committee, Participants and Beneficiaries and any Investment Managers as provided in Article IV, the Trustee shall receive, hold, manage, convert, sell, exchange, invest, reinvest, disburse and otherwise deal with the assets of the Trust, including contributions to the Trust and the income and profits therefrom, without distinction between principal and income and in the manner and for the uses and purposes set forth in the Plan and as hereinafter provided.

5.2 **Specific Powers**. In the management of the Trust, the Trustee shall have the following powers in addition to the powers customarily vested in trustees by law and in no way in derogation thereof; provided, all such powers shall be exercised only upon and in accordance with the directions of the Participants, the Investment Committee, the Administrator and, to the extent applicable, any duly appointed Investment Managers:

(a) **Purchase of Property**. With any cash at any time held by it, to purchase or subscribe for any authorized investment (as defined in Section 5.3) and to retain the same in trust;

(b) **Disposition of Property**. To sell, exchange, transfer or otherwise dispose of any property at any time held by it;

(c) **Retention of Cash**. To hold cash without interest in administrative accounts for contribution and distribution processing in such amounts as may be reasonable and necessary for the proper operation of the Plan and the Trust;

(d) **Exercise of Owner's Rights**. The Employer acknowledges and agrees that the Trustee shall not have the right or power to vote proxies appurtenant to securities that the Trustee holds. The Employer acknowledges and agrees that Trustee shall not make any review of, or consider the propriety of, holding or selling any assets held in the Trust Fund in response to any tender offer, conversion privilege, rights offering, merger, exchange, public offering and/or any proxy action for any of such assets. The Employer agrees not to issue any directions to the Trustee relating to any corporate event, proxy votes or holding or selling assets held in the Trust Fund that are contrary to or in violation of the terms of the Plan document or this Agreement or that are prohibited by the Internal Revenue Code of 1986. The Employer acknowledges and agrees that as to all such matters that the Employer hereby designates the Investment Committee, a fiduciary, who will (a) vote proxies and decide whether or not to hold or sell assets in the Trust Fund in response to a tender offer or other proxy action or corporate event for any such assets, or (b) direct the Trustee to do so.

(e) **Registration of Investments**. To cause any stock, bond, other security or other property held as part of the Trust to be registered in its own name or in the name of one or more of its nominees; provided, the books and records of the Trustee shall at all times show that all such investments are part of the Trust;

(f) **Borrowing**. To the extent permitted by the Plan and at the direction of the Investment Committee, to borrow or raise money for the purposes of the Trust in such amounts, and upon such terms and conditions, as determined by the Investment Committee; and, for any sum so borrowed, to issue its promissory note as Trustee and to secure the repayment thereof by pledging all or any part of the Trust Fund; and no person lending money to the Trustee shall be bound to see to the application of the money lent or to inquire into the validity, expediency or propriety of any such borrowing;

(g) **Purchase of Contracts**. To apply for, purchase, hold, transfer, surrender and exercise all incidents of ownership of any life insurance or annuity contract (but not a contract for a life annuity unless the Plan provides for the distribution of benefits in such form);

(h) **Execution of Instruments**. To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments, which may be necessary or appropriate to carry out the powers herein granted;

(i) **Settlement of Claims and Debts**. To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, to commence or defend suits or legal or administrative proceedings and to represent the Trust in all suits and legal and administrative proceedings;

(j) **Employment of Agents, Advisers and Counsel**. To employ suitable agents, actuaries, accountants, investment advisers, brokers and counsel, and to pay their reasonable expenses and compensation. Counsel may be counsel to the Employer, and such counsel's advice may be sought on any legal matter including the interpretation of this Agreement and the Plan. The Trustee shall be fully protected in acting on advice of counsel to the Employer, if such counsel is acting on behalf of the Employer; and

(k) **Power to do any Necessary Act**. To do all acts which it may deem necessary or proper and to exercise any and all powers of the Trustee under the Plan and this Agreement upon such terms and conditions as it may deem in the best interests of the Trust.

5.3 **Authorized Investments**.

(a) **General Definition**. "Authorized investment" as used in this Article V shall mean bonds, debentures, notes or other evidences of indebtedness; stocks (regardless of class) or other evidences of ownership, in any corporation, mutual investment fund, investment company, association or business trust, annuity contracts (other than life annuity contracts), funding agreements, guaranteed income contracts; and savings accounts and certificates and interest-bearing deposits in any depository institution (including the Trustee of any affiliate of the Trustee. "Authorized investments" shall not be limited to that class of investments which are defined as legal investments for trust funds under the laws of the state in which the Employer has its principal place of business or of any other jurisdiction.

(b) **Responsibility for Compliance**. The responsibility for determining whether any investment of Trust assets complies with the terms of this Agreement and applicable law shall lie solely with the Employer, and the Trustee shall have no responsibility to ascertain whether any investment made at the direction of the Employer, an Investment Manager, the Investment Committee or other authorized person complies with the terms of this Agreement or applicable law.

ARTICLE VI
ADMINISTRATION

6.1 **Accounting by Trustee**.

(a) **Books and Records**. The Recordkeeper generally shall be responsible for keeping accurate and detailed records of all investments, receipts and disbursements and other transactions hereunder, including such specific records as shall be required by law and such additional records as may be agreed upon in writing between the Administrator or the Investment Committee and the Trustee. All books and records relating thereto shall be open to inspection and audit at all reasonable times by any person or persons designated by the Administrator, the Employer, or the Investment Committee. The Trustee shall promptly provide copies of such books or records to any persons designated by the Administrator.

(b) **Accounting**. Following the close of each Plan year of the Plan, or more frequently as the Trustee and the Administrator may agree, and after the effective date of the removal or resignation of the Trustee, the Trustee shall file with the Administrator and the Investment Committee (and/or their authorized designees) a written statement, setting forth all investments, receipts, disbursements and other transactions, effected by it during such year or during the period beginning as of the close of the last preceding year to the date of such removal or resignation. The Trustee shall deliver such statement in a timely manner to permit the preparation of Participant statements or to provide for the orderly replacement of the Trustee, as the case may be. Except as may be required by statute or by regulations published by federal government agencies with respect to reporting and disclosure, as may be required pursuant to the terms of the Plan or this Agreement or as reasonably may be requested by the Administrator, the Employer or the Investment Committee, no person shall have the right to demand or to be entitled to any further or different accounting by the Trustee.

(c) **Release**. Except with respect to alleged breaches of fiduciary duties, upon the expiration of 90 days from the date of filing such annual or other statement, the Trustee shall forever be released and discharged from any liability or accountability to anyone as respects the propriety of its acts or transactions shown in such account, except with respect to any acts or transactions as to which the Administrator or Investment Committee, within such 90-day period, shall file with the Trustee its written disapproval. In the event such a disapproval is filed, and unless the matter is compromised by agreement between the Trustee and the Administrator or the Investment Committee, the Trustee shall file its statement covering the period from the date of the last annual statement to which no objection was made in any court of competent jurisdiction for audit or adjudication. With respect to alleged breaches of fiduciary duties, the Trustee shall be entitled to rely on any applicable statute of limitations.

(d) **Valuations**. The Trustee shall deliver to the Administrator and the Investment Committees (and their authorized designees) such information as may be required or requested to permit the Trust Fund to be valued at such other times as the Administrator or Investment Committee shall deem appropriate. Employer shall designate a party, other than Trustee, to be responsible for valuations of assets held by Custodian other than Trustee and any assets held by the Plan for which prices are not readily available on a nationally recognized securities exchange.

(e) **Reliance on Recordkeeper**. The Trustee shall be entitled to rely on the Recordkeeper and any Custodian, other than Trustee, for the maintenance and provision of all records (including Participant loan records) specified in this Section 6.1.

6.2 **Expenses**. The expenses incurred by the Trustee in the performance of its duties hereunder, including fees for legal services, rendered to the Trustee, compensation of the Trustee and all other proper charges and disbursements of the Trustee, including all personal property taxes, income taxes and other taxes of any and all kinds whatsoever, that may be levied or assessed under existing or future laws upon or in respect of the Trust or any money, property or security forming a part of the Trust Fund, shall be paid by the Trustee from the Trust Fund, and the same shall constitute a charge upon the Trust Fund, unless the Employer pays the same or any part thereof. To the extent the Employer pays any expenses that are properly payable from the Trust Fund, the Trustee shall reimburse the Employer from the Trust Fund if requested to do so by the Employer.

Notwithstanding the forgoing, the Parties acknowledge that Trustee's annual fee for Directed Trustee services shall be invoiced and paid by the Recordkeeper.

ARTICLE VII
REMOVAL AND RESIGNATION OF TRUSTEE; SUCCESSOR TRUSTEE

7.1 **Removal and Resignation**. The Employer may remove the Trustee at any time upon 60 days' written notice delivered to the Trustee. The Trustee may resign at any time upon 60 days' written notice delivered to the Employer.

7.2 **Final Accounting**. In any such case, the Employer shall notify the Trustee of the appointment of a successor trustee, and the Trustee shall convey and deliver to such successor trustee all of the assets of the Trust Fund. Within 90 days after any such removal or resignation of the Trustee, the Trustee shall make a final accounting to the Employer, the Administrator and the Investment Committee as of the effective date of such removal or resignation pursuant to the terms of Section 6.1.

ARTICLE VIII
AMENDMENT OF TRUST; TERMINATION OF PLAN

8.1 **Amendment of Trust**.

(a) **Right to Amend**. The Employer and the Trustee may by written agreement amend this Agreement at any time or from time to time, and any such amendment by its terms may be retroactive.

(b) **Exclusive Benefit**. Notwithstanding the foregoing, no amendment shall be made which would authorize or permit any assets of the Trust Fund, other than such assets as are required to pay taxes and administration expenses, to be used for or diverted to purposes other than the exclusive benefit of Participants or Beneficiaries.

8.2 **Termination of Plan**. The Trust shall continue for such time as may be necessary to accomplish the purposes for which it was created and shall terminate only upon the complete distribution of the Trust. The Trust may be terminated as of any date (and shall in fact terminate upon the complete distribution of the funds of this Trust on such date or thereafter) by the Employer by notice to the Trustee, which notice shall specify the date as of which the Trust shall terminate. Upon termination of the Trust, provided that the Trustee has not received instructions to the contrary from the Employer, the Trustee shall liquidate the Trust and, after paying the reasonable expenses of the Trust, including expenses involved in the termination, distribute the balance thereof according to the written directions of the Employer for the provision of benefits similar to those provided under the Plan for the benefit of employees and their dependents and beneficiaries covered thereunder; provided, however, that the Trustee shall not be required to make any distribution until the Trustee is reasonably satisfied that adequate provision has been made for the payment of all taxes, if any, which may be due and owing by the Plan and the Trust; and provided, further, that in no event shall any distribution be made by the Trustee until the Trustee is reasonably satisfied that the distribution will not be contrary to the applicable provisions of the Plan dealing with termination of the Plan and the Trust. In no event shall the Trustee make any distribution of the remaining balance to the Employer.

ARTICLE IX
MISCELLANEOUS

9.1 **Nonalienation of Benefits**. Neither the benefits payable from the Trust Fund nor any interest in any of the assets of the Trust Fund shall be subject in any manner to the claim of any creditor of a Participant, or Beneficiary or to any legal process by any creditor of such Participant, or Beneficiary; and neither a Participant nor any or Beneficiary shall have any right to alienate, commute, anticipate or assign any right to benefits payable from or any interest in the Trust, except as provided in the Plan.

9.2 **Exclusive Benefit**. Except as otherwise provided in the Plan and this Agreement, no part of the Trust hereunder shall be used for or diverted to any purpose other than for the exclusive benefit of Participants and Beneficiaries or the payment of expenses as herein provided.

9.3 **Effect of Plan**. The Trustee is not a party to the Plan, and in no event shall the terms of the Plan, either expressly or by implication, be deemed to impose upon the Trustee any power or responsibility other than as set forth in this Agreement. In the event of any conflict between the provisions of the Plan and this Agreement, this Agreement shall be deemed to be incorporated into and be a part of the Plan, and the terms of this Agreement shall control over any inconsistent terms of the Plan. The Trustee shall not be a named fiduciary under the Plan and shall not have the authority to interpret the Plan.

9.4 **Entire Agreement**. This Agreement constitutes the entire Agreement between the parties hereto with regard to the subject matter hereof, and there are no other agreements or understandings between the parties relating to the subject matter hereof other than those set forth or provided for herein.

9.5 **Approval of the Employer**. The Employer, the Administrator and the Investment Committee shall have the right, on behalf of all individuals at any time having any interest in the Trust, to approve any action taken or omitted by the Trustee.

9.6 **Notices**. Notices, directions and other communications provided in writing shall be mailed to the parties at the following addresses:

If to the Employer:
Cynthia M. Clays, Director of Human Resources
County of San Joaquin, CA
44 N. San Joaquin Street, Room 330
Stockton, CA 95202
Telephone: 209-468-3270; Fax: 209-468-0508
cclays@sjgov.org

If to the Administrator:
Lynette A. Golly
EBSC
940 Industrial Drive South, Suite 111
Sauk Rapids, MN 56379
Telephone: 320-251-0034; Fax: 320-251-0340
LGolly@EBSC-online.org

If to the Trustee:
Reliance Trust Company
P.O. Box 28166
Atlanta, Georgia 30358
Attn: Sharon Ennis, SVP
Telephone: 404-965-7238
sennis@relico.com

9.7 **Liability for Predecessor or Successor**. No successor trustee hereunder in any way shall be liable or responsible for any actions or omissions of any prior trustee in the administration of the Trust or the assets comprising the Trust prior to the date such successor trustee assumes its obligations hereunder, nor shall any prior trustee in any way be liable or responsible for any actions or omissions of any successor trustee.

9.8 **Liability for Acts of Others**. The Trustee shall not be liable for the acts or omissions of the Employer, the Recordkeeper, any Custodian other than Trustee, the Administrator, the Investment Committee or any Investment

Manager except with respect to any acts or omissions of any such party in which the Trustee participates knowingly or which the Trustee knowingly undertakes to conceal, and which the Trustee knows constitutes a breach of fiduciary responsibility of such party.

9.9 **Indemnification**. In the event that the Trustee incurs any liability loss, claim, suit or expense (including without limitation reasonable attorneys' fees and expenses) in connection with or arising out of its provisions of services under this Agreement or its status as Trustee hereunder, then the Employer shall indemnify and hold the Trustee harmless from and against such liability, loss, claim, suit or expense, except to the extent such liability, loss, claim, suit or expense arises directly from a breach by the Trustee of responsibilities specifically allocated to it by the terms of that Agreement. The Trustee shall hold the Employer harmless against any loss, claim, suit or expense (including reasonable attorneys' fees and expenses) as a result of a breach by the Trustee of any service covered by this Agreement.

The Trustee shall not be liable for any loss that results from a Participant's or Beneficiary's exercise of investment control over the assets in his or her account under the Plan. In the event that any Participant or Beneficiary sustains investment losses in his or her account under the Plan, the Employer shall indemnify the Trustee against any liability, loss, claim, suit or expense, including attorney fees, that may result from such loss, except to the extent such liability, loss, claim, suit or expense arises (a) from a breach by the Trustee of its specific responsibilities, as Trustee, in accordance with the terms of the Agreement or (b) from the Trustee's failure to perform any of its duties under this Agreement due to its own negligence or reckless conduct.

The indemnification provided by this section shall survive the termination of this Agreement.

9.10 **Controlling Law**. This Agreement shall be construed according to the laws of the State of Georgia.

9.11 **Effective Date**. This Agreement shall be effective on and after July 1, 2010.

9.12 **Execution in Counterpart**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Employer and the Trustee have caused this Agreement to be signed by their duly authorized officers or representatives as of the day first written above.

EMPLOYER:
County of San Joaquin, CA

By: **Cynthia M. Clays**
Title: **Director of Human Resources**

RELIANCE TRUST COMPANY:

By: **Sheila Williams**
Title: **Assistant Vice President**

Plan Sponsor Submission Information (Part A)

HART (Healthcare Account Reimbursement Trust) VEBA

To be completed by the Plan Sponsor

The undersigned employer, as Plan Sponsor, has established the program and requests Hartford Life Insurance Company to provide services as of the Implementation Date.

1. Sponsor Information:

Employer's Legal Name:	County of San Joaquin, CA	Hartford Group Number:	
Street Address:	44 N. San Joaquin Street, Room 330	City:	Stockton
State: CA	Zip: 95202	E-Mail Address:	cclays@sjgov.org
Telephone: 209-468-3270	Ext:	Fax: 209-468-0508	Employer ID: 94-6000531
HART Registered Group Variable Funding Agreement All states except: MN, NY, NC, ND, OR, PA, TX, WA, WI		Check if applicable: [X] **This plan is a governmental plan not subject to ERISA.**	
Plan Type VEBA -501(c)(9)	Is the Plan: Full Service (Part B & C Required)	VEBA-501(c)(9)	
State of domicile of contract holder:	CA		
Plan Sponsor Contact:	Cynthia M. Clays, Director of Human Resources		
Plan Name:	County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust		
Anticipated First Year Premium:	$50,000.00	Anticipated Takeover sum	$0.00
Number of Participants:	3	Number of Eligible Employees: 50	Contract Effective Date: July 1, 2010
[X] Exclusive Carrier [ ] Multiple Carriers		[ ] Take Over [ ] Add on	

2. Copies of Correspondence should be sent to:

Name:	Cynthia M. Clays	Title:	Director of Human Resources
Street Address (if different from above):	Same	City:	
State:	Zip:	Telephone Number:	E-Mail Address: Same

3. Payroll Contact:

Name:	Cynthia M. Clays	Title:	Director of Human Resources
Name of Payroll Provider (if applicable):	Same		
Street Address (if different from above):		City	Same

State:		Zip:		Telephone Number:		E-Mail Address:	Same

Contract Owner/Trustee Information

As Plan Sponsor, a Board Resolution Naming the following as Trustee is attached:

Trustee Name #1:

Name:	Reliance Trust			Title:	Trustee
Street Address:	P.O. Box 28166			City:	Atlanta
State:	GA	Zip:	30358	E-Mail Address:	sennis@relico.com
Contact Name:	Sharon Ennis, SVP			State of domicile of trustee:	Georgia

Trustee Name #2:

Name:				Title:	
Street Address:				City:	
State:		Zip:		E-Mail Address:	
Contact Name:				State of domicile of trustee:	

Third Party Administrator Information and Compensation

You must complete this section for the third party administrator (sometimes called a "TPA" or a "Pension Administrator" in this document) that provides claim administration services to your Plan.

Pension Administrator Firm:

Firm Name:	EBSC, a division of July Business Services, Inc			Telephone Number:	320.251.0034
Street Address:	940 Industrial Drive South, Suite 111			City:	Sauk Rapids
State:	MN	Zip:	56379	E-Mail Address:	AGolly@~~EBSConline.org~~ JulyServices.com
Contact Name:	Amanda Golly			Title:	General Operations Manager

Asset Based Charges in the Separate Account

The group variable funding agreement contains an asset based charge in the Separate Account that is called a Program and Administrative Expense Charge.

0 % **For all Investment Options**

☐ **Unitized Pricing Option** (Asset based charges are reflected in the unit value/price)
The Separate Account Fee is assessed on **all** investment options (except the General Account) is:

☒ **NAV Pricing Option** Asset based charges are not reflected in the unit value/price but are deducted quarterly on a pro rata basis from all investment options (except the General Account) is:

Contingent Deferred Sales Charge Schedule (CDSC)

Participant Account Years	Charge
During the First Contract Year	**5**%
During the Second Contract Year	**4**%
During the Third Contract Year	**3**%
During the Fourth Contract Year	**2**%
During the Fifth Contract Year	**1**%
During the Sixth Contract Year and after	**0**%

☒ **No Contingent Deferred Sales Charge (CDSC) will apply**

Administrative Service Level Charges	Amount
Annual Maintenance Fee – paid quarterly by participants with assets invested in the Plan.	**$0**

I have reviewed the Group Variable Funding Agreement and the Administrative Services Agreement (Part C) which includes a full description of all program related fees. I direct the fees listed to be deducted automatically from participant accounts. (For more information on fee billing, including any late charges, please see the Group Variable Funding Agreement and the Administrative Services Agreement (Part C)).

Additional Compensation Paid by Hartford Life to the TPAs

The TPA that you propose to use to administer your Claims processing will be provided with cash and non-cash compensation in return for certain administrative, sales support and retention services. We want you to know that the sale of the proposed group variable funding agreement to the Plan will result in your TPA receiving compensation from Hartford Life as follows:

- We will make a one-time per Plan payment to Select TPAs in the amount of $250 per plan, for all plans that are established with Hartford Life. In addition to this one-time payment, we will also make an annual payment of $10 per participant.

- Travel and Expenses for Conferences and Other Benefits: Hartford Life provides various benefits and incentives to TPAs. These benefits and incentives include participation in various affinity programs, payment for or towards educational programs and conferences, including payment for the travel expenses, meals, lodging and entertainment of TPAs invited to attend such programs and conferences, and waiver of certain fees and charges for employee retirement benefit plans sponsored by TPAs where such plans are invested in a Hartford Life contract.

- Sales Commissions: If your TPA is a licensed and appointed agent of Hartford Life, your TPA may receive sales commissions for selling our investment products. If your TPA is also your insurance agent or is a registered representative of the broker-dealer that is offering you this Hartford Life contract, the commissions that would be paid on your approval of the sale of the contract are reflected below in the Commission Information section of this document.

Your Acknowledgement

By signing the Acknowledgement section below, you acknowledge that you understand that:

- The Plan's TPA may receive compensation on the proposed group variable funding agreement from Hartford Life for administrative, sales support and retention services to Hartford Life, and may also receive certain non-cash benefits in the form of travel and expense payments for conferences, and other benefits, as described in this Section. In the event such compensation is paid to your TPA, it will not alter the pricing for the proposed Contract. Such compensation does not include any compensation that you choose to pay your Plan's TPA for services rendered by the TPA to your Plan.

- The Plan's annual maintenance fee and/or participant fees for services from Hartford Life may be reduced or waived if the Plan's TPA is an eligible TPA.

General (Declared Rate) Account Information:

General (Declared Rate) Account
Declared Rate of Interest: We credit interest on Contributions made to the General Account at a rate we declare for any period of time that we determine. We may change the declared interest rate from time to time at our discretion. **Guaranteed Rate of Interest:** We guarantee a minimum rate of interest. The declared interest rate will not be less than the minimum guaranteed rate of interest. **Surrenders and Transfers:** We generally process Surrenders and transfers from the General Account option within a reasonable period of time after we receive a Surrender request at our Administrative Office. However, under certain conditions, transfers from the General Account option may be limited or deferred. Surrenders may be subject to a contingent deferred sales charge or a market value adjustment and may be deferred.

Minimum Guaranteed Rate:	3%		
Declared Rate	3%	**Guaranteed through**	June 30, 2011

For Home Office Use Only:
Contract Discontinuance Term (Plan Level – select one) Market Value Adjustment – Standard 0.75% strip formula ☐ Standard 5 year book value spread for cases less than $10 Million

Investment Selection - Variable Investment Options

Variable investment choices are available through a Hartford Life Insurance Company separate account. The General (Declared Rate) Account under the Contract is part of Hartford Life Insurance Company's General Account.

Inv. Option Code	Investment Options – Share Class	Investment Options (Max. 44)
	International/Global	
V5	Alliance Bernstein International Value - A	X
XV	The Hartford Global Research Fund - A	X
AE	The Hartford International Opportunities Fund - A	X
	Small Cap	
VN	The Hartford Small Cap Growth Fund - A	X
AB	The Hartford Small Company Fund- -A	X
RL	Lord Abbett Small-Cap Blend - A	X
	Mid Cap	
B6	Goldman Sachs Mid Cap Value Fund - A	X
	Large Cap	
9L	Calvert Social Investment Equity - A	X
N2	Hotchkis and Wiley Large Cap Value Fund - A	X
AC	The Hartford Capital Appreciation Fund - A	X
AJ	The Hartford Dividend and Growth Fund - A	X
AT	The Hartford Growth Fund - A	X
QX	The Hartford Growth Opportunities Fund - A	X
8U	Van Kampen Comstock - A	X
R5	Victory Diversified Stock - A	X
	Asset Allocation/Balanced	
JL	LifePath 2040 Portfolio - R	X
JK	LifePath 2030 Portfolio - R	X
JJ	LifePath 2020 Portfolio - R	X
JM	LifePath Retirement Portfolio - R	X
AK	The Hartford Advisors Fund - A	X
8W	Van Kampen Equity and Income - A	X
	Bond	
BL	PIMCO Total Return - A	X

Investment of Forfeitures

Unless elected otherwise, forfeitures, if any and any amount held unallocated from time to time under the plan as a result of corrective action taken to maintain the plan's qualified tax status will be invested in the General (Declared Rate) Account.

(Unless and complete if applicable. The investment option you choose must be selected in Part A):

The Hartford General Account

Investment Option

Plan Asset Transfer

(Complete this section for existing plans transferring assets to Hartford Life)

I elect to invest the assets of the Plan transferred in a single sum by wire from the current asset custodian to the Group Variable Funding Agreement in the manner specified below (Select One):

☐ **Option 1 (Non-Mapped):** Invest transferred assets according to the participant's new investment election on file with Hartford Life or, if applicable, the Plan's Default Investment Election.

☐ **Option 2 (Mapped):** Invest the transferred assets in each Investment Option listed below based upon the percentage of assets transferred from each corresponding existing Investment Option as indicated in the Plan's investment records furnished by the current asset custodian as set forth below. Investment elections for <u>future contributions</u> are to be based upon the participant's new enrollment/investment election on file with Hartford Life.

Existing Investment Option (Current Asset Custodian)	**Investment Options of the Group Variable Funding Agreement**
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____
From: _____	To: _____

I understand that Option 2 requires Hartford Life to receive, concurrent with the transferred assets, a valuation by each Existing Investment, the sum of which totals to the transferred assets.

I understand that assets will remain invested as directed above and that no withdrawals or investment transfers may be made until Hartford Life establishes the Plan's participant account records, and reconciles the transferred assets with these records.

If The Hartford should receive transferred assets or investment options for contributions for any participant that does not appear in the mapping instructions, the Plan Sponsor will select a default investment election.

Transferred Asset Default Investment Election - As Plan Sponsor, I authorize and direct Hartford Life to apply the Default Investment Election indicated below to transferred assets for a participant if the participant has no investment election information on file with Hartford Life at the time the transferred assets are received or for transferred assets from an existing investment option if amounts are received from an option I have failed to list above. The Default Investment Election is as follows (*indicate the Investment Option from among those you selected in the Investment Selection section above)*:

Hartford Code	**Investment Option Name**
_____	N/A

I understand and agree that Participants must be notified of the manner in which Transferred Assets are to be invested both before and immediately after the final reconciliation, that no investment transfers or benefit payments of any kind may be made prior to the final reconciliation, and of the Participants' rights, if any, to direct the investment of their Accounts after such final reconciliation. I further understand that I may request, and Hartford Life may agree, to communicate this information to Participants on behalf of the Plan Sponsor. In the alternative, Hartford Life may make available to the Plan Sponsor sample communications for this purpose.

Existing Provider Information (takeover plans only)

Current Recordkeeper:	**Contact Name:**	**Telephone Number:**

Commission Information

I understand that the sales person identified is a licensed agent of Hartford Life Insurance Company. I further understand that the agent's sales agreement with Hartford does not limit the agent's ability to recommend insurance contracts issued by other insurance companies. If I have indicated that the Plan is an ERISA plan, I understand that ERISA Prohibited Transaction Exemption **84-24** requires that a disclosure statement be provided to the plan sponsor detailing the amount of commissions that would be paid relative to the sale of this retirement program. I understand that if the application for the proposed Group Variable Funding Agreement is accepted, projected sales commissions for the first year and each succeeding year will be paid in accordance with the following schedule. The application cannot be processed unless the agent's Broker Dealer Firm, if any, is approved with Hartford Life.

Agent Information:			
Are there multiple representatives servicing this account?		☐ Yes	☒ No
☒ Staff Only	☐ Staff & Agent	☐ Agent Only	☐ Other
Regional Office Information:		Field/Regional Office:	
Manager:		Manager Code:	

Producer Name:		Producer Tax ID:		Phone:	
Writing Agent:		Broker/Rep ID:			
Override Agent:		E-Mail:			
Percentage of Commissions, if more than one producer:	%				
Agency:					
Broker Dealer Firm, if applicable:		Broker Dealer Tax ID:			

Second Producer Name:		Producer Tax ID:		Phone:	
Writing Agent:		Broker/Rep ID:			
Override Agent:		E-Mail:			
Percentage of Commissions, if more than one producer:	%				
Agency:					
Broker Dealer Firm, if applicable:		Broker Dealer Tax ID:			

Third Producer Name:		Producer Tax ID:		Phone:	
Writing Agent:		Broker/Rep ID:			
Override Agent:		E-Mail:			
Percentage of Commissions, if more than one producer:	%				
Agency:					
Broker Dealer Firm, if applicable:		Broker Dealer Tax ID:			

Attach a copy of agent information if more than three agents servicing the plan.

Commission Schedule	
____%	Of premium based on purchase payments applicable to all assets under the contract in the first year.
____%	Of premium based on the funds transferred from a previous carrier on behalf of participants enrolling and electing to transfer their funds to Hartford Life.
____%	Of all renewal contributions years _____ and beyond.
____%	On average assets (paid quarterly).
____%	Other

Hartford Life compensates producers for the sale and service of our products. In most cases, producers are paid a commission, which may be fixed or based on a percentage of deposits or average net assets (or aged assets) of the Contracts attributable to a particular producer. The level of commission payable for the sale and service or our products is determined by Hartford Life and the producer at the time of the sale. This determination may have an effect on the level of fees and charges under the Contracts.

In addition, producers may be eligible for various forms of incentive compensation, including cash and non-cash awards. Incentive compensation is based upon a variety of factors that may include the level of average net assets (or aged assets) invested in the Contracts, retention and growth of assets, overall profitability, or other performance measures.

Additional Compensation

Subject to NASD regulations, Hartford Life and its affiliates pay significant additional compensation to some broker dealers and other financial intermediaries ("Financial Intermediaries") (who may or may not be affiliated), in connection with the promotion, sale and distribution of the Agreement. Additional Compensation is generally based on average net assets (or on aged assets) of the Agreements attributable to a particular Financial Intermediary; on sales of the Agreements attributable to a particular Financial Intermediary and/or on reimbursement of sales expenses. Additional Compensation may take the form of, among other things: Sponsorship of due diligence meetings to educate Financial Intermediaries about the Agreements, the underlying funds and other products and services; payments for providing training and information relating to our Programs, the underlying funds and other products and services; expenses allowances and reimbursements; override payments and bonuses; and/or personnel educational or training; marketing support fees (or allowances) for providing assistance in promoting the sale of the Agreement. Consistent with NASD Rules, we may also provide cash and non-cash compensation in the form of: occasional meals and entertainment; occasional tickets to sporting events; nominal gifts; sponsorship of sales contests and/or promotions in which participants receive prizes such as travel awards and merchandise; sponsorship of training and educational events; and/or due diligence meetings. We want you to know that additional compensation creates a potential conflict of interest in the form of an additional financial incentive for a Financial Intermediary to recommend the selection of our Agreement over other agreements.

Fees and Payments Received by Hartford Life Insurance Company ("Hartford Life") from the Fund Families:

We want you to know that Hartford Life receives substantial fees and payments with respect to the underlying funds that are offered as variable investment options to your Plan through the Group Variable Funding Agreement. We consider these fees and payments, among a number of other factors, when deciding to include a fund to the menu of funds that we offer through the Contract. These fees and payments are received by Hartford Life under agreements between Hartford Life and the principal underwriters, transfer agents, investment advisers and/or other entities related to the funds in amounts up to 0.93% of assets invested in a fund. These fees and payments may include asset based sales compensation and service fees under distribution and/or servicing plans adopted by funds pursuant to Rule 12b-1 under the Investment Company Act of 1940. They may also include administrative service fees and additional payments and compensation sometimes referred to as "revenue sharing" payments. Hartford Life receives these fees and payments for its own account and expects to make a profit on the amount of the fees and payments that exceed Hartford Life's own expenses, including our expenses of paying compensation to broker-dealers, financial institutions and other persons for selling the Contracts.

We also want you to understand that not all fund families pay the same amount of fees and compensation to us and not all funds pay according to the same formula. Because of this, the amount of the fees and payments received by Hartford Life varies by fund and Hartford Life may receive greater or less fees and payments depending on which variable investment options your Plan selects.

For Example:

As one of its selected investment options in its Group Variable Funding Agreement, the Any Company Retirement Plan maintains an average balance of $100,000 in an investment option investing in shares of a hypothetical mutual fund during the year. If the fund's principal underwriter pays Hartford Life a Rule 12b-1 fee at a rate of 0.50% of assets annually, and the fund's transfer agent pays Hartford Life an administrative service fee at a rate of 0.25% of assets annually, Hartford Life would receive $500 in 12b-1 fees and $250 in administrative service fees, for a total of $750 for that year due to the Plan's investment in the fund.

If the Plan maintained an average balance of $100,000 in an investment option investing in a different fund during the year where that fund's principal underwriter pays Hartford Life a Rule 12b-1 fee at a rate of 0.25% of assets annually, and the fund's transfer agent pays Hartford Life an administrative services fee at a rate of $12 per Plan participant account invested in the investment option investing in the fund, and there are 20 participants with an account balance invested in that investment option, Hartford Life would receive $250 in 12b-1 fees and $240 in administrative service fees, for a total of $490 for that year due to the Plan's investment in the fund.

You should also know that the principal underwriters of certain funds have chosen to offer for sale, and Hartford Life has selected, fund share classes with asset based sales charges and/or service fees that may or may not be higher than other available share classes of the same fund. As a result of any higher asset based fees and charges paid by investors in such share classes, the amount of fees and payments that might otherwise need to be paid by such fund principal underwriters or their affiliates to Hartford Life would decrease.

Some of the variable investment options available in the Group Variable Funding Agreement invest in funds that are part of our own affiliated family of funds. In addition to any fees and payments Hartford Life may receive with respect to those funds, one or more of our affiliates receives compensation from the funds, including among other things a management fee and 12b-1 fees from the funds.

For information on which underlying funds pay Hartford Life such fees and at what level, please call 1-800-874-2502, Option 4. Written information will be provided upon request.

Hartford Life's Sub-Account Transfer Policy

Under this policy, each contract participant is allowed to submit a total of 20 Sub-Account transfer requests each calendar year for the participant account by any of the following methods: Calling the Retirement Plan Service Center, voice response unit or internet. Once these 20 Sub-Account transfers have been requested, transfer requests by telephone, voice response unit, via the internet or sent by same day mail or courier service will not be accepted. The participant may submit any additional Sub-Account requests only in writing by the U.S. Mail or overnight delivery service. Transfers as a result of dollar cost averaging or automatic rebalancing programs (if applicable) do not count towards the 20 transfer limit. We may make changes to this policy at any time.

By signing below, Plan Sponsor acknowledges that the underlying investment options are not intended as vehicles for short-term trading. Excessive transfer activity may interfere with portfolio management and may have an adverse effect on all shareholders. The underlying Funds may implement their own policies designed to restrict excessive trading.

For additional information regarding Hartford Life's Sub-Account Transfer Policy, please visit our website at http://retire.hartfordlife.com.

Internet Access

Hartford Online offers information and service applications to assist you with your plan administration activities. Please review the following information and identify the employee(s) whom you would provide access to the following features:

- **Plan Only** – Allows the user access to Plan level information, e.g., participant count, total Plan assets.
- **Plan and Participant** – Allows the user access to Plan and Participant information and reports.
- **File Submit** – Allows the user access to submit contribution and loan allocation data files via the Internet.
- **E-Remittance** – Allows the user to enter and submit contribution and loan allocation data via the Internet.
- **E-Payment** – Allows the user to debit the Employer's bank account and submit payments for contributions or loan repayments via the Internet.

I authorize the following employee(s) access to Hartford Online information and service applications described above to the extent so indicated (check to indicate access).

Name	Social Security Number	Plan Only	Plan & Participant	File Submit	e-Remittance	e-Payment
Cynthia M. Clays		☐	X	X	X	X
Sandra Leiting		☐	X	X	X	X
Amanda M. Golly		☐	X	X	X	X
Lynette A. Golly		☐	X	X	X	X

Contribution and Participant Data Remittance

Data Remittance Method (Check one):
☐ Investment File Submission* ☒ Internet E-Remittance
*Must be in a format acceptable to Hartford Life.

Remittance Frequency (Check one):
☐ Annual (1) ☐ Semi-Annual (2) ☐ Quarterly (4) ☒ Monthly (12) OTHER - SEE ADOPTION AGREEMENT
☐ Semi-monthly (24) ☐ Bi-weekly (26) ☐ Weekly (52)

Payment Remittance Method (Check one): ☒ E-Payment ☐ Wire

Statements:

Employer requests Consolidated Statements for Plan and Participants: ☒ Yes ☐ No
Requires Home Office Approval

Enrollment Data

☒ The Plan Sponsor hereby elects to utilize the internet enrollment service (e-enroll).
(Note: In certain circumstances, the service may not be available to a Plan)

Hartford receives enrollment/participant census and investment election data via Hartford's electronic enrollment services. Unless you instruct otherwise, you, as Plan Sponsor, and the Plan participants may access Hartford's internet based and telephone based (Voice Response Unit) electronic enrollment services. For enrollment via the Voice Response Unit, you must provide Hartford with employee census information. Note that Hartford reserves the right to charge a fee to process enrollment data provided via paper or other medium.

I understand that e-enroll is subject further to the provisions of Section 3.4 of the Administrative Services Agreement (Part C). I further understand that a personal identification number is not required and that access to e-enroll is available to any individual who enters the Group Number assigned to my plan by Hartford Life. Since there is no unique personal identification number, I understand that it is possible that enrollment requests could be made by individuals other than employees employed by the Plan Sponsor. I acknowledge and agree that Hartford Life is not responsible for and does not make determinations as to whether an employee is eligible to participate in the Plan, nor when contributions are to begin under the Plan.

Signing Authority

The following individuals are authorized to instruct Hartford Life with respect to the establishment and maintenance of participant accounts. The Plan Sponsor further authorizes and directs Hartford Life to accept such instructions. In the event any individual is removed or replaced, Hartford Life shall be promptly notified. Additional authorized signatures may be submitted at a later date.

Name:	Cynthia M. Clays	Name:	
Signature:		Signature:	
Title:	Director of Human Resources	Title:	
Organization*:	County of San Joaquin, CA	Organization:*	

Name:	Amanda M. Golly	Name:	Lynette A. Golly
Signature:	Amanda M Golly	Signature:	Lynette A Golly
Title:	General Operations Manager	Title:	President
Organization*:	EBSC	Organization:*	EBSC

*(if other than the Employer)

As an authorized Plan fiduciary, I authorize and direct Hartford Life Insurance Company to process distribution requests it receives from the Pension Administration Firm by withdrawing the required amount(s) from the Contract and paying such amount(s) directly to a participant or indirectly to the TPA for payment to the participant, provided that (i) the distribution qualifies as a "Benefit" payments as defined by the terms of the Contract, and (ii) the request is in good order (as defined by the Contract). I certify that the Pension Administration Firm listed in Section 5 is authorized by the Plan to initiate Benefit payments from the Contract to or on behalf of Plan participants. This authorization does not apply to any distribution requests that are not Benefit payments. Notwithstanding anything to the contrary contained in the Administrative Services Agreement, the Pension Administration Firm will obtain and retain all authorizations, signatures, agreements, disclosures, schedules, consents and/or elections required by applicable law or regulation (collectively, "Required Documents"). I understand that the Pension Administration Firm will not provide Hartford Life or its designee with the original or copies of the Required Documents and that Hartford Life will have no duty to request or review the Required Documents. I acknowledge that the Pension Administration Firm's ability to initiate Benefit payments is governed by the terms and conditions of an agreement between Hartford Life and the Pension Administration Firm. The Pension Administration Firm must execute the agreement in order to initiate Benefit payments via Hartford Life.

I understand and agree that the actions Hartford Life takes with respect to Benefit distribution requests are exclusively non-discretionary and ministerial and that no fiduciary responsibility is hereby conferred upon or assumed by Hartford Life under this authorization or under the Contract. I certify, on behalf of the Plan, that the Plan shall hold Hartford Life, its affiliates and parent companies, harmless from, and shall defend it against, any and all claims, lawsuits and damages that may arise out of Hartford Life's acting on this authorization and direction. I understand that any dispute between the Plan and the Pension Administration Firm identified above shall be resolved solely by the Plan Sponsor and the Pension Administration Firm, and that the Plan shall have sole responsibility to review and/or monitor Plan distributions.

I represent that the form and method of processing Benefit payments (as indicated above) are authorized under the terms of the Plan. **This authorization and direction shall continue until a written revocation is received by Hartford Life.** I understand that the Plan shall have sole responsibility to timely notify Hartford Life in writing of any revocation of this direction and authorization.

Acknowledgement

I have received materials describing the actual or estimated charges, fees, discounts, penalties or adjustments which may be applied in connection with the funding agreement.

I represent that I am authorized to sign these forms on behalf of the Plan and I acknowledge that I have read and understand the information described or referred to previously. I further understand that the Plan's investment decision regarding the agreement is based solely on the printed disclosure material provided by Hartford Life.

I understand that Hartford Life is not responsible for the selection or supervision of any service providers that the Plan has engaged, or may engage from time to time (e.g., Investment Managers, Investment Advisors, Third Party Administrators or Consultants). In the event an agent of Hartford Life is also a service provider to the Plan or undertakes a fiduciary role with respect to the Plan, I understand that such agent is not acting on behalf of Hartford Life or its affiliates when providing those services or when acting in a fiduciary capacity. I further understand that any compensation for such services is the responsibility of the Plan.

As the Plan Sponsor, I certify that I have read and understand the information and options described in this document. My signature below signifies acceptance of the terms described in this document and approval of the proposed transaction on behalf of the Plan.

Name:	Cynthia M. Clays	**Signature:**		**Date:**	

For Hartford Life Use Only:

Field Office:	
Field Office Representative:	

Plan Information (Part B)

HART (Healthcare Account Reimbursement Trust) VEBA

To be signed by Plan Sponsor
Submit to Home Office/Attention of: Retirement Plans Group - SDC-1

Plan Information			
Legal Plan Name:	**County of San Joaquin, CA Retiree Health Reimbursement Plan and Trust**	Hartford Group Number:	
Original Effective Date of Plan:	**July 1, 2010**	Plan Year:	**July 1 through June 30**
Limitation Year:	**July 1 through June 30**	Indicate date employee deferrals may begin:	**July 1, 2010**
Employer Tax Year:	**July 1 through June 30**		

Employer Contributions

Is Vesting Applicable?

☒ No
☐ Yes (please select vesting schedule and forfeiture options)

Vesting Schedule:

☒ Full and immediate vesting
☐ 25% per year: 100% after 4 years
☐ 3 year cliff vesting
☐ 5 year cliff vesting
☐ 20% per year: 100% after 5 years
☐ 20% after 2 years; plus 20% per year; 100% after 6 years
☐ 20% after 3 years; plus 20% per year; 100% after 7 years
☐ Other

Forfeiture:

☒ Not applicable. Employer Supplemental contributions are fully vested.
☐ Used to reduce employer contributions
☐ Used to offset plan expenses ((excess used to reduce employer contributions in the plan year the forfeitures arises)
☐ Allocated to participants in the in the ratio of their compensation bears to the total compensation of all participants for such plan year.

Sources
Please check all applicable sources in the plan.
Description ☒ Employer Direct ☐ Employer Mandatory (% of Pay)

Distributions Allowed
Qualified Medical Expenses

Investment of Contributions		
Who will direct investment of employer contributions? ☒ Participants	Investment mix changes/transfers must be in increments (whole % - 1% standard)	1%

Plan Sponsor Signature				
Name:	Cynthia M Clays	Signature:	Date:	

Underwriting Requirements (The Hartford Use Only)			
Field Office:			
Field Representative:			
Regional Director: (complete only if directly responsible for plan acquisition)			
VP or Manager:		VP or Manager Code:	

Comments/Additional Detail:

AUTHORIZATION AND DIRECTION TO RELIANCE TRUST COMPANY

TO SIGN HART PLAN

Administrative Services Agreement

Pursuant to the executed Trust Agreement between Reliance Trust Company and the Plan named below, please accept this as instruction and authorization to sign, as Trustee, the HART PLAN Administrative Services Agreement for administration and custody of assets of the plan(s) named below:

Retirement Plan Name:

COUNTY OF SAN JOAQUIN, CA RETIREE HEALTH REIMBURSEMENT PLAN AND TRUST

I certify that I am authorized to provide this direction to Reliance Trust Company on behalf of the Plan. I further certify that all Sections of the Agreement and any amendments have been completed and are approved. On behalf of the Plan Sponsor, I hereby indemnify Reliance Trust and any of its associates from any liability, cost, damage or expense incurred in connection with its signature completion of the Agreement, as is so directed in this letter of Authorization. I acknowledge that Reliance Trust Company has no decision making authority relative to the offering of the Plan's investments nor has it made any review of this option as a prudent investment on behalf of the Plan or any of its Participants, nor will it do so.

Signed: _____

Print Name: **Cynthia M. Clays, Director of Human Resources**

Date: _____

POST-RETIREMENT HEALTH REIMBURSEMENT PLAN
ADMINISTRATIVE SERVICES AGREEMENT
(not for public use)
COUNTY OF SAN JOAQUIN, CA

Thank you for retaining Employee Benefits of St. Cloud, Inc., a division of July Business Services, Inc. ("JBS") to perform services for your Post Employment Health Reimbursement Plan. We look forward to working with you and will do our best to provide service for your Fringe Benefit Plan in a prompt and efficient manner.

This summarizes the work we are to perform, outlines our fees and billing procedures, and notifies you of your responsibilities. Please read it carefully, and call us with any questions you may have. If you do not have any questions, please sign and return the enclosed copy to our office.

The engagement will renew on the first day of each succeeding plan year, unless either of us gives the other notice of termination of this engagement within 15 days of the end of any plan year. You will receive notice of any increases in the cost of administration services prior to the last day of each plan year. In the event the increases are not received by you by the 15th day immediately preceding the first day of a succeeding plan year, you will have 15 days after the receipt of the increases to give notice of the cancellation of our services.

1. WHAT JBS WILL DO:

Annual Compliance - The information we will request annually from you is the annual employee census data, updated information about your company. Following the receipt of complete information from you, JBS will do the following:

- apply the eligibility requirements of the Plan to the employee census information to determine which employees are eligible to participate in the separate component parts of the Plan;
- submit request for claims to Hartford Life for the payment of participant reimbursements;
- perform any required testing to show that the Plan complies with the following Internal Revenue Code sections 105, and 106, as applicable;
- make recommendations to you as needed on ways to comply with these Code sections;

Because you have retained us to do full administration on your Plan, JBS will perform the following additional services:

- calculate benefit and contribution amounts and audit the contribution levels made to the plan, as indicated on the monthly reporting you provide to us;
- determine the amount to be distributed for requested claims reimbursements; and
- prepare benefit and/or account statements for the participants.

Additional Services - In addition to the above, you can request JBS to:

- prepare IRS Reports and attachments as required. You will be responsible for following our instructions to sign and timely file these forms with the appropriate government agency;
- consult on plan design issues;
- run preliminary tests on your plan more often than once per year;
- if needed, assist you in securing an audit of the Plan from an independent CPA.

Plan Documentation –JBS will review the following documentation for the Plan and you will be notified of the cost and degree of the required changes as required by the IRS (if applicable):

- Plan Documents (if you have a VEBA Trust, you will be responsible for the payment of any IRS user fee(s) to obtain a determination letter on the qualification of the Trust)
- Summary Plan Description – Plan Highlights

- Initial COBRA Notification and Notice of Privacy Practices (if we are retained to perform COBRA and HIPAA administration)
- Enrollment Forms
- Claim Forms
- Medicare D Creditable Coverage Certificates and government reporting

2. WHAT YOU AGREE TO DO

It is impossible for us to provide services to you without your cooperation. Therefore, you are responsible for the following:

- **Timeliness and Accuracy of Data –** We must receive complete, accurate, and timely information. We will rely exclusively on information provided by you or your advisors, whether oral or in writing, and will have no responsibility to verify independently the accuracy of that information. We assume no responsibility to acquire information other than to request it from you, and will not be liable for any errors or omissions made because of incomplete or incorrect information that you furnish to us. In the event inaccurate or incomplete materials require that we repeat any compliance work already completed, you will be charged an additional fee.

- **Filing Government Reports –** We will prepare certain government reports on your behalf. You will be responsible for the timely filing of these reports with the appropriate agency.

- **Notification of Contacts by Government Agencies -** You will notify JBS of any plan audits, investigations, or examinations by any governmental agency including, without limitation, the Internal Revenue Service or U.S. Department of Labor. If additional services are needed in connection with any such audit, investigation, or examination, JBS will provide those services and bill separately for those services under our Fee Schedule.

- **Qualified Medical Child Support Order ("QMCSO") Determination** – Unless you otherwise request us to assist in the determination, you will be responsible for the determination of whether court orders comply with the QMCSO requirements of the Code. In the event you have possession of any QMCSO requiring the separation of any assets of the Plan, you must inform JBS of the required separation.

- **Other Plans and Companies -** The Plan's operation and tax qualification is affected by other plans sponsored by the Company (whether currently active or terminated, and whether or not we administer them). Other companies owned by the Sponsoring Company or by the owners of the Company may also affect the Plan. You are responsible for informing us of other plans or companies, and of notifying us when there is a change to this information or for the tax filing status of the Company (e.g., a change from S corporation to C corporation status or vice versa).

3. BILLING PROCEDURES AND COLLECTIONS

- **Statements, Late Charges, Stopping of Work –** The Trust, through the Trustee, will be billed on an ongoing basis for work performed by JBS. Statements are due upon receipt, and become delinquent and subject to late charges if payment is not received by our office within 10 days. If payment is past due in excess of 10 days, we reserve the right to stop all work until your account is brought current. In addition, balances not paid within 10 days of the invoice date will bear a late charge equal to 1.5% of the outstanding balance for each month or partial month until paid in full. JBS is not responsible for any late tax filings or penalties, fines, taxes, or other charges that may be assessed. If we do not receive the data provided by the Sponsor electronically in the format requested, we reserve the right to assess an additional processing fee.

- **Collection Costs, Arbitration, and Governing Law -** In the event of a dispute arising from this Agreement, you and we agree to submit to resolution by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Such arbitration shall be binding and final. This agreement is made, or to be performed in the State of Minnesota, and shall be interpreted, construed, and enforced in accordance with the substantive law of the State of Minnesota.

- **Costs and Expenses** - In addition to the fees quoted in the attached Fee Schedule, you are responsible for payment of any out-of-pocket expenses we may incur on your behalf, such as messenger service fees, overnight delivery fees, IRS user fees, and travel expenses.

4. ENTIRE AGREEMENT

This Service Agreement (along with the Sold Case Paperwork provided by Hartford) contains the entire agreement between you and JBS with respect to your Plan. This agreement may be modified only by mutual written consent between you and JBS. We will commence work under this agreement upon receipt of a signed copy of this Service Agreement. If you have questions regarding this letter, please call 800-682-3826.

5. ACCEPTANCE

The items and conditions of this Service Agreement are agreed to and accepted by an Authorized Plan Representative on behalf of the Plan and by the Employer:

Dated: _____

County of San Joaquin, CA
Sponsor of the
County of San Joaquin CA
Retiree Health Reimbursement Plan and Trust

By: _____

Dated: 5/20/2010

Employee Benefits of St. Cloud, Inc.
a Division of July Business Services, Inc.

By: Lynette A Golly

JULY business services

SERVICE AGREEMENT

FEE PAYMENT AUTHORIZATION FORM

Plan: **COUNTY OF SAN JOAQUIN, CA**
Post Employment Health Reimbursement Plan

Company: **COUNTY OF SAN JOAQUIN, CA**

Pursuant to the attached "Fringe Benefit Plan Administration Services" Agreement, Employee Benefits of St. Cloud, Inc., a division of July Business Services, Inc. (JBS) has been engaged by the "Plan" to provide Fringe Benefit Plan administration and compliance services. The specific services are outlined in the "Fringe Benefit Plan Administration Services" Agreement. The purpose of this agreement is for the Plan and Company to acknowledge the fees associated with the compliance services provided by JBS and to authorize JBS to deduct fees for these services directly from participant accounts (either by design, or in the event of non-payment by the Company).

1. **Fees** - For the performance of these services, JBS will charge the following fees:

• **Plan Implementation Fee (Document and Set-up)**	**$250****
• **Administrative Fees – Per Participant**	**$10 Annually****
• **Claims Adjudication**	**.10% of assets****

**To be paid by The Hartford

2. **Payment of Fees** - Fees will be paid as follows (please choose how you would like us to invoice your fees) – If Hartford pays the fees – Hartford will pay directly, without invoice:

☐ **Bill Client**	☐ **Take Directly from Participants' Accounts**
☐ All Participants	☐ All Participants
☐ Active Participants Only	☐ Active Participants Only

The amounts taken from the participant's accounts will be done with the accounts set up with The Hartford. If for any reason our fees cannot be deducted from participant accounts, the undersigned acknowledges that the "Plan" and the "Company" are still liable for payment.

3. **EFT/ACH Authorization for Contributions and Reimbursements**

Unless otherwise negotiated, I will authorize JBS to receive information via an electronic transaction from The Hartford for either required contributions to the plan and/or reimbursement to participants from the plan.

4. **Additional Services – see the attached schedule – initial items that are applicable. These will be fees that will be billable to the County should it elect to have JBS provide these services.**

By: _____ _____
Date

Print Name: **Cynthia M. Clays**
Title: **Director of Human Resources**
Address: **44 N. Joaquin Street**
Room 330
Stockton, CA 95202
Phone: **209-468-3270**
Fax: **209-468-0508**

ADDITIONAL SERVICE REQUEST

☐	**Direct expenses** (postage, travel, other direct costs incurred at client's request)	**Reimbursable at cost**
☐	**Additional processing or rework** (Due to errors in data from client)	**Additional fee of 50% of original fee billed**
☐	**Hourly Consultation Fee**	**$125/hr**
☐	**COBRA Administration**	
	• Setup Fee (Each Benefit)	**$100.00**
	• Monthly Base Fee	**$50.00**
	• Continuation Packet	**$15.00/Packet**
	• Monthly COBRA Administration Fee	**$7.00/participant/month**
☐	**Full Set of HIPAA Compliance Forms**	**$250.00**
	Includes:	
	• Business Associate Agreement	
	• Privacy Officer Documentation	
	• Authorization Form	
	• Authorized Representative Form	
	• Certification of Continued Coverage	
☐	**HIPAA Credited Coverage Certificate**	**$5.00 per certificate**
☐	**Medicare D Notices (annual requirement)**	**$250**
☐	**990 Annual IRS Government Reporting Form**	**$650**
☐	**Enrollment Meetings**	**$500 plus Expenses** Enrollment Kits Provided Electronically by Hartford

POST-RETIREMENT HEALTH REIMBURSEMENT PLAN
ADMINISTRATIVE SERVICES AGREEMENT
(not for public use)
COUNTY OF SAN JOAQUIN, CA

Thank you for retaining Employee Benefits of St. Cloud, Inc., a division of July Business Services, Inc. ("JBS") to perform services for your Post Employment Health Reimbursement Plan. We look forward to working with you and will do our best to provide service for your Fringe Benefit Plan in a prompt and efficient manner.

This summarizes the work we are to perform, outlines our fees and billing procedures, and notifies you of your responsibilities. Please read it carefully, and call us with any questions you may have. If you do not have any questions, please sign and return the enclosed copy to our office.

The engagement will renew on the first day of each succeeding plan year, unless either of us gives the other notice of termination of this engagement within 15 days of the end of any plan year. You will receive notice of any increases in the cost of administration services prior to the last day of each plan year. In the event the increases are not received by you by the 15th day immediately preceding the first day of a succeeding plan year, you will have 15 days after the receipt of the increases to give notice of the cancellation of our services.

1. WHAT JBS WILL DO:

Annual Compliance - The information we will request annually from you is the annual employee census data, updated information about your company. Following the receipt of complete information from you, JBS will do the following:

- apply the eligibility requirements of the Plan to the employee census information to determine which employees are eligible to participate in the separate component parts of the Plan;
- submit request for claims to Hartford Life for the payment of participant reimbursements;
- perform any required testing to show that the Plan complies with the following Internal Revenue Code sections 105, and 106, as applicable;
- make recommendations to you as needed on ways to comply with these Code sections;

Because you have retained us to do full administration on your Plan, JBS will perform the following additional services:

- calculate benefit and contribution amounts and audit the contribution levels made to the plan, as indicated on the monthly reporting you provide to us;
- determine the amount to be distributed for requested claims reimbursements; and
- prepare benefit and/or account statements for the participants.

Additional Services - In addition to the above, you can request JBS to:

- prepare IRS Reports and attachments as required. You will be responsible for following our instructions to sign and timely file these forms with the appropriate government agency;
- consult on plan design issues;
- run preliminary tests on your plan more often than once per year;
- if needed, assist you in securing an audit of the Plan from an independent CPA.

Plan Documentation –JBS will review the following documentation for the Plan and you will be notified of the cost and degree of the required changes as required by the IRS (if applicable):

- Plan Documents (if you have a VEBA Trust, you will be responsible for the payment of any IRS user fee(s) to obtain a determination letter on the qualification of the Trust)
- Summary Plan Description – Plan Highlights

- Initial COBRA Notification and Notice of Privacy Practices (if we are retained to perform COBRA and HIPAA administration)
- Enrollment Forms
- Claim Forms
- Medicare D Creditable Coverage Certificates and government reporting

2. WHAT YOU AGREE TO DO

It is impossible for us to provide services to you without your cooperation. Therefore, you are responsible for the following:

- **Timeliness and Accuracy of Data** – We must receive complete, accurate, and timely information. We will rely exclusively on information provided by you or your advisors, whether oral or in writing, and will have no responsibility to verify independently the accuracy of that information. We assume no responsibility to acquire information other than to request it from you, and will not be liable for any errors or omissions made because of incomplete or incorrect information that you furnish to us. In the event inaccurate or incomplete materials require that we repeat any compliance work already completed, you will be charged an additional fee.
- **Filing Government Reports** – We will prepare certain government reports on your behalf. You will be responsible for the timely filing of these reports with the appropriate agency.
- **Notification of Contacts by Government Agencies** - You will notify JBS of any plan audits, investigations, or examinations by any governmental agency including, without limitation, the Internal Revenue Service or U.S. Department of Labor. If additional services are needed in connection with any such audit, investigation, or examination, JBS will provide those services and bill separately for those services under our Fee Schedule.
- **Qualified Medical Child Support Order ("QMCSO") Determination** – Unless you otherwise request us to assist in the determination, you will be responsible for the determination of whether court orders comply with the QMCSO requirements of the Code. In the event you have possession of any QMCSO requiring the separation of any assets of the Plan, you must inform JBS of the required separation.
- **Other Plans and Companies** - The Plan's operation and tax qualification is affected by other plans sponsored by the Company (whether currently active or terminated, and whether or not we administer them). Other companies owned by the Sponsoring Company or by the owners of the Company may also affect the Plan. You are responsible for informing us of other plans or companies, and of notifying us when there is a change to this information or for the tax filing status of the Company (e.g., a change from S corporation to C corporation status or vice versa).

3. BILLING PROCEDURES AND COLLECTIONS

- **Statements, Late Charges, Stopping of Work** – The Trust, through the Trustee, will be billed on an ongoing basis for work performed by JBS. Statements are due upon receipt, and become delinquent and subject to late charges if payment is not received by our office within 10 days. If payment is past due in excess of 10 days, we reserve the right to stop all work until your account is brought current. In addition, balances not paid within 10 days of the invoice date will bear a late charge equal to 1.5% of the outstanding balance for each month or partial month until paid in full. JBS is not responsible for any late tax filings or penalties, fines, taxes, or other charges that may be assessed. If we do not receive the data provided by the Sponsor electronically in the format requested, we reserve the right to assess an additional processing fee.
- **Collection Costs, Arbitration, and Governing Law** - In the event of a dispute arising from this Agreement, you and we agree to submit to resolution by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Such arbitration shall be binding and final. This agreement is made, or to be performed in the State of Minnesota, and shall be interpreted, construed, and enforced in accordance with the substantive law of the State of Minnesota.

- **Costs and Expenses** - In addition to the fees quoted in the attached Fee Schedule, you are responsible for payment of any out-of-pocket expenses we may incur on your behalf, such as messenger service fees, overnight delivery fees, IRS user fees, and travel expenses.

4. ENTIRE AGREEMENT

This Service Agreement (along with the Sold Case Paperwork provided by Hartford) contains the entire agreement between you and JBS with respect to your Plan. This agreement may be modified only by mutual written consent between you and JBS. We will commence work under this agreement upon receipt of a signed copy of this Service Agreement. If you have questions regarding this letter, please call 800-682-3826.

5. ACCEPTANCE

The items and conditions of this Service Agreement are agreed to and accepted by an Authorized Plan Representative on behalf of the Plan and by the Employer:

Dated: _____

County of San Joaquin, CA
Sponsor of the
County of San Joaquin CA
Retiree Health Reimbursement Plan and Trust

By: _____

Dated: 5/20/2010

Employee Benefits of St. Cloud, Inc.
a Division of July Business Services, Inc.

By: Lynette A Golly

SERVICE AGREEMENT

FEE PAYMENT AUTHORIZATION FORM

Plan: **COUNTY OF SAN JOAQUIN, CA**
Post Employment Health Reimbursement Plan

Company: **COUNTY OF SAN JOAQUIN, CA**

Pursuant to the attached "Fringe Benefit Plan Administration Services" Agreement, Employee Benefits of St. Cloud, Inc., a division of July Business Services, Inc. (JBS) has been engaged by the "Plan" to provide Fringe Benefit Plan administration and compliance services. The specific services are outlined in the "Fringe Benefit Plan Administration Services" Agreement. The purpose of this agreement is for the Plan and Company to acknowledge the fees associated with the compliance services provided by JBS and to authorize JBS to deduct fees for these services directly from participant accounts (either by design, or in the event of non-payment by the Company).

1. **Fees** - For the performance of these services, JBS will charge the following fees:

• **Plan Implementation Fee (Document and Set-up)**	**$250****
• **Administrative Fees – Per Participant**	**$10 Annually****
• **Claims Adjudication**	**.10% of assets****

**To be paid by The Hartford

2. **Payment of Fees** - Fees will be paid as follows (please choose how you would like us to invoice your fees) – If Hartford pays the fees – Hartford will pay directly, without invoice:

☐ **Bill Client**	☐ **Take Directly from Participants' Accounts**
☐ All Participants	☐ All Participants
☐ Active Participants Only	☐ Active Participants Only

The amounts taken from the participant's accounts will be done with the accounts set up with The Hartford. If for any reason our fees cannot be deducted from participant accounts, the undersigned acknowledges that the "Plan" and the "Company" are still liable for payment.

3. **EFT/ACH Authorization for Contributions and Reimbursements**

Unless otherwise negotiated, I will authorize JBS to receive information via an electronic transaction from The Hartford for either required contributions to the plan and/or reimbursement to participants from the plan.

4. **Additional Services – see the attached schedule – initial items that are applicable. These will be fees that will be billable to the County should it elect to have JBS provide these services.**

By: _____ _____

Print Name: **Cynthia M. Clays** **Date**
Title: **Director of Human Resources**
Address: **44 N. Joaquin Street**
Room 330
Stockton, CA 95202
Phone: **209-468-3270**
Fax: **209-468-0508**

ADDITIONAL SERVICE REQUEST

☐	**Direct expenses** (postage, travel, other direct costs incurred at client's request)	**Reimbursable at cost**
☐	**Additional processing or rework** (Due to errors in data from client)	**Additional fee of 50% of original fee billed**
☐	**Hourly Consultation Fee**	**$125/hr**
☐	**COBRA Administration**	
	• Setup Fee (Each Benefit)	**$100.00**
	• Monthly Base Fee	**$50.00**
	• Continuation Packet	**$15.00/Packet**
	• Monthly COBRA Administration Fee	**$7.00/participant/month**
☐	**Full Set of HIPAA Compliance Forms**	**$250.00**
	Includes:	
	• Business Associate Agreement	
	• Privacy Officer Documentation	
	• Authorization Form	
	• Authorized Representative Form	
	• Certification of Continued Coverage	
☐	**HIPAA Credited Coverage Certificate**	**$5.00 per certificate**
☐	**Medicare D Notices (annual requirement)**	**$250**
☐	**990 Annual IRS Government Reporting Form**	**$650**
☐	**Enrollment Meetings**	**$500 plus Expenses** Enrollment Kits Provided Electronically by Hartford

County of San Joaquin, California
Post Employment Health Reimbursement Plan

Participant Plan Highlights

This is a brief overview of important features of your Plan. More detailed information can be found in your Summary Plan Description or is available by contacting your benefits administrator.

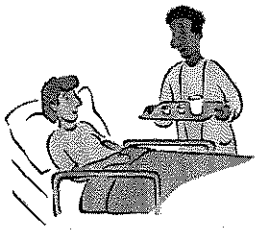
Joining the Plan - You will be eligible to have contributions made on your behalf if you meet the eligibility provisions under the Plan.

Your Contributions to the Plan - You cannot contribute to the Plan.

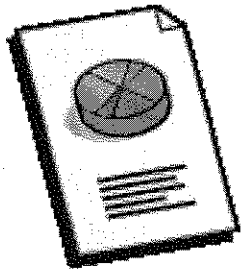
County Contributions to the Plan – The County will make contributions to the Plan in accordance with the Adoption Agreement.

Types of Benefits Available - Under the Plan, once you terminate employment, for any reason, you will have the option of choosing to receive a distribution from the Plan (tax free) to pay for any of the following expenses that you may have:

- Medical Insurance Premiums
- COBRA Premiums
- Medicare Premiums
- Medicare Supplemental Insurance Premiums
- Long Term Care Insurance Premiums
- Dental Insurance Premiums
- Vision Care Insurance Premiums
- Out-of-pocket expenses to the extent eligible under Code Section 213(d)



Reimbursements - You will still be responsible for the payment of your own bills, we will simply *reimburse you* for your expenses. You must make a claim within 365 days from the date you incur the expense.



Statement of Account—Reporting – You will receive quarterly statements directly from the Hartford, sent directly to your address on file, until such time as you no longer have an account balance in the Plan.

Payments - Payments will be mailed to you at the address we have on file. You will have the opportunity to choose to have a direct ACH deposit at the time of the transfer to your individual account. Reimbursements will be made on the 25th day of each month, providing you have submitted a claim by the 20th of the month.

Forfeiture – Your account balance will not be subject to forfeiture unless you die without a spouse and/or dependent. At such time, the forfeited amount (if any) shall be distributed to the other participants of the Plan on a per capita basis.

Beneficiary - Any amounts remaining in your account at the time of your death will be paid to your spouse or dependent upon his/her proper claim for reimbursement of eligible expenses. Your spouse or dependent(s) will have the same amount of time to spend down the account balance as you would have if you were still alive.

Points of Contact - If you have any questions, you may contact our administrator, EBSC at 940 Industrial Drive South, Suite 111, Sauk Rapids, MN 56379; Phone: 1-800-682-3826; Fax: 1-800-889-3057; or email at Claims@EBSC-online.org.

EXHIBIT A
Eligible Health Care Expenses

Attention: This list of Eligible Expenses is applicable to and for use with only the County of San Joaquin, California Retiree Medical Expense and Insurance Premium Reimbursement Plan.

Medical and dental expenses that qualify as expenses for medical care under IRS rules generally qualify as eligible expenses for reimbursement under a Health Reimbursement Arrangement. Those may take the form of co-pays, deductibles, and medical expenses not covered by other insurance. Often expenses that qualify for deductions under IRS rules are eligible expenses, but in some instances expenses that are deductible will not be reimbursable and expenses that are not deductible will be reimbursable.

Some specific examples are identified below. The following is not an exhaustive list and there may be other expenses that are eligible if they satisfy the IRS rules.

Dental & Orthodontic Care

Allowable expenses:

- Dental Treatment
- Artificial teeth/Dentures
- Braces, orthodontic devices

Expenses specifically disallowed by the IRS or courts:

- Teeth whitening
- Toothbrushes and toothpaste, even if special type is recommended by dentist

Therapy Treatments

Allowable expenses:

- X-ray treatments
- Treatment for alcoholism or drug dependency
- Legal sterilization
- Acupuncture
- Vaccinations
- Physical therapy (as a medical treatment)
- Fee to use swimming pool for exercises prescribed by physician to alleviate specific medical condition such as rheumatoid arthritis
- Speech therapy
- Smoking cessation programs and prescribed drugs to alleviate nicotine withdrawal

Expenses specifically disallowed by the IRS or courts:

- Physical treatments unrelated to a specific health problem (e.g., massage for general well being)
- Any illegal treatment
- Cosmetic Surgery
- Treatment for baldness (unless it is for a specific medical condition and not for cosmetic purposes)

Fees/Services

Allowable expenses:

- Physician's fees and hospital services
- Nursing services for care of a specific medical ailment
- Cost of a nurse's room and board if paid by the taxpayer where nurse's services qualify
- The Social Security tax paid with respect to wages of a nurse where nurse's services qualify
- Services of chiropractors
- Christian Science practitioner fees
- Diagnostic tests

Expenses specifically disallowed by the IRS or courts:

- Payments to domestic help, companion, babysitter, chauffeur, etc. who primarily render services of a non-medical nature
- Nursemaids or practical nurses who render general care for healthy infants
- Fees for exercise, athletic, or health club membership when there is no specific health reason for needing membership
- Marriage counseling provided by clergyman

Hearing Expenses

Allowable expenses:

- Hearing aids and hearing aid battery
- Special telephone equipment

Medicine and Drugs

Allowable expenses:

- Medicine and drugs that require a prescription
- Insulin
- Over the counter medicine and drugs when used to alleviate or treat personal injuries or sickness

Expenses specifically disallowed by the IRS or courts:

- Medicine and drugs for personal, general health, or cosmetic purposes
- Dietary supplements if for general health

(including Antacids, antihistamines, aspirin/pain relievers, bandages, cold medicines, acne medicine, etc.)

Medical Equipment

Allowable expenses:

- Blood Sugar test kits
- Wheelchair or autoette (cost of operating/maintaining)
- Crutches (purchased or rented)
- Special mattress & plywood boards prescribed to alleviate arthritis
- Oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition
- Artificial limbs
- Support hose (if medically necessary)
- Wigs (where necessary to mental health of individual who loses hair because of disease)
- Excess cost of orthopedic shoes over cost of ordinary shoes

Expenses specifically disallowed by the IRS or courts:

- Wigs, when not medically necessary for mental health
- Vacuum cleaner purchased by an individual with dust allergy
- Mechanical exercise device not specifically prescribed by physician

Physicals

Allowable expenses:

- Physicals and other well visits
- Immunizations

Expenses specifically disallowed by the IRS or courts:

- Physicals for employment purposes

Vision Care

Allowable expenses:

- Optometrist's or ophthalmologist's fees
- Eyeglasses and prescription sunglasses
- Insurance for replacement or lost or damaged contact lenses
- Contact lens and contact lens solutions
- Laser eye surgery

Assistance for the Handicapped

Allowable expenses:

- Cost of guide for a blind person
- Cost of note-taker for a deaf child in school
- Cost of Braille books and magazines in excess of cost of regular editions
- Seeing eye dog (cost of buying, training and maintaining)
- Household visual alert system for deaf person
- Excess costs of specifically equipping automobile for handicapped person over cost of ordinary automobile; device for lifting handicapped person into automobile
- Special devices, such as tape recorder and typewriter, for a blind person

Psychiatric Care

Allowable expenses:

- Services of psychotherapists, psychiatrists and psychologists

Expenses specifically disallowed by the IRS or courts:

- Psychoanalysis undertaken to satisfy curriculum requirements of a student

Miscellaneous Charges

Allowable expenses:

- X-rays
- Expenses of services connected with donating an organ
- Medically prescribed diet
- The cost of a medically prescribed weight loss program
- Breast reconstructive surgery following mastectomy as part of treatment for cancer
- Contraceptives
- Fertility Treatments
- Medical records charges

Expenses specifically disallowed by the IRS or courts:

- Expenses of divorce when doctor or psychiatrist recommends divorce
- Cost of toiletries, cosmetics, and sundry items (e.g., soap, toothbrushes)
- Cost of special foods taken as a substitute for regular diet, when the special diet is not medically necessary or taxpayer cannot show cost in excess of cost of a normal diet
- Maternity clothes
- Diaper service
- Distilled water purchased to avoid drinking fluoridated County water supply
- Installation of power steering in automobile
- Pajamas purchased to wear in hospital
- Mobile telephone used for personal calls as well as calls to physician
- Union dues for sick benefits for members
- Contributions to state disability funds
- Auto insurance providing medical coverage for all persons injured in or by the taxpayer's automobile, where amounts allocable to taxpayer and dependent is not stated separately
- Long-term care services
- Funeral expenses

Insurance

Allowable expenses:

- Health insurance premiums (including individual and non-employer sponsored coverage and including continuation premiums)
- Long term care insurance premiums

Expenses specifically disallowed by the IRS or courts:

- Premiums paid on a pre-tax basis through an employer's flex plan