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CITY OF GAINESVILLE
RETIREE HEALTH CARE PLAN

1998 ACTUARIAL VALUATION

SEPTEMBER 2000

Actuarial Concepts

Actuarial Concepts

Management Advisors

Benefits Specialists

September 19, 2000

Mr. Mark S. Benton
City of Gainesville
P. O. Box 490
Gainesville, Florida 32602

Dear Mr. Benton:

This report presents the results of the October 1, 1998, actuarial valuation of the City of Gainesville Retiree Health Care Plan incorporating current Plan provisions and most recently adopted actuarial assumptions. Actuarial Concepts was retained by the City to perform the actuarial valuation and prepare this report.

The major purpose of the valuation is to determine the liabilities and related annual funding for the Retiree Health Care Plan. The methodology involved in the valuation process is summarized in Section 1. The recommended contributions to the Plan are presented in Section 2.

A review of the valuation methodology is important in interpreting the welfare plan expense estimate, as well as in judging its limitations. The valuation is based on employer reimbursement of a certain percentage of medical costs, subject to such percentage being earned by a participant based on age at benefit commencement and number of years employed by the City.

The actuarial computations and report have been prepared in accordance with generally accepted actuarial principles and practices, with full reliance on the accuracy and completeness of the information provided for this purpose. The use of the valuation results for financial or administrative purposes, other than those outlined in the report, is not recommended without an advance review by Actuarial Concepts of the appropriateness of such application.

We would be pleased to discuss the results of the 1998 valuation and to provide any additional information that may be desired.

Very truly yours,

ACTUARIAL CONCEPTS

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SECTION 1
VALUATION METHODOLOGY

Date and Basis of Valuation

Actuarial present values (APVs) of projected medical benefits to be provided by the Retiree Medical Insurance Plan have been estimated as of October 1, 1998, based upon:

1. the provisions of the Plan, as in effect October 1, 1998, as summarized in Appendix A;
2. the actuarial assumptions and actuarial cost method, as summarized in Appendix B; and
3. the participant data provided by the City and Blue Cross Blue Shield of Florida (BCBSF), as summarized in Appendix C.

The employee data has been supplied by the City and BCBSF and provided as accurate for the current active and retiree group. While the employee information was reviewed for overall reasonableness, Actuarial Concepts has relied on the City and BCBSF for this information and does not assume responsibility for either its accuracy or completeness.

The 1998 actuarial valuation presents a statement of the financial status of the Plan as of October 1, 1998. Information in the report provides a basis for determining funding for the retiree medical plan. Results are presented and discussed in Section 2.

Changes Since Last Valuation

The mortality table for current retirees was changed from the 1971 Group Annuity Mortality Table, set back three years, to the 1983 Group Annuity Mortality Table. The retirement rates have been modified to reflect expected retirement behavior assuming participation in the Retiree Medical Plan as well as both City pension plans.

Per Capita Cost Structure

The methodology underlying the 1998 APV determinations of the Plan involves determining the discounted present value of a series of future health benefit costs payable over each current and expected retiree's future remaining lifetime.

Background

Prior to 1994, the City subsidized health premiums for all eligible retirees (as well as active employees) and their dependents, under a premium structure that had two components: one premium for single employees and a second premium for employees with spouses and/or dependents. No premium distinction was made as to whether the employee was retired or, if retired, whether the employee was eligible for Medicare. Medical expenses do vary, however, depending upon the characteristics of the dependent group, whether the employee is retired and whether the employee is eligible for Medicare.

Current Plan

In 1994, the City instituted cost-sharing with the retired employees for individual coverage only, based on a formula taking into account age and service at time of retirement. That is, the City pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree, i.e., the retiree's benefit accrual rate. Spouses and other dependents are still eligible for coverage, but the employee is responsible for the entire cost; there is no direct City subsidy.

Specifically, the following benefit accrual formula is applied to the individual premium:

- 2% per year for the first 10 years of service
- 3% per year for the next 10 years of service
- 2% per year for each year of service thereafter
- 2% increase for each year older than age 65 at coverage commencement
- 2% reduction for each year younger than age 65 at coverage commencement

The above components combined are limited to 50% (i.e., the City will provide no more than a 50% subsidy).

For example, an employee who retires with at least 20 years of service would have a subsidy rate of 50%. Under current premium costs, this would mean that the City would pay $71.80 and the employee would be responsible for paying the remaining $71.79 of the total $143.59 premium.

Transition Plan

Every current retiree and current active employee with more than 10 years of service as of April 1, 1995, is eligible for a plan of "transition benefits" that provide increased subsidies over those of the "ultimate" Retiree Health Care Plan.

Assumed Future Cost Escalation and Sharing

The valuation assumes that the City will be responsible for its proportionate percentage share of the future health premiums. The valuation also assumes current premium costs will escalate 9% during 1998, reducing to an ultimate level of 7% during 2002 and thereafter. This premium cost escalation would be assigned pro rata to the City and retiree. For an employee who retires, for example, at age 65 with 20 years of service, the cost at normal retirement date is split 80%/20%, with the City paying $114.87. Ten years from now, the $143.59 total premium is assumed to escalate to $298.63. The City would be responsible for 80% of this amount, or $238.90.

Assumed behavior regarding the future increases in the retiree-paid premium is significant in the estimation of future costs. As indicated above, this valuation analysis assumes that the percentage of current total costs that the current retiree premium represents would continue to exist in the future as costs (and related premiums) are increased. If total medical costs were to increase 15%, this valuation projection assumes that the retiree portion would also be increased by 15%, thus keeping the employer portion of the total cost intact.

It should be kept in mind that cost estimates are for the retiree participant only and thus are expected to be higher than costs for active employees. Note that these costs are used to project medical expenses for currently active employees but to be applicable only after retirement.

Note that the current premiums for the Plan are less than the expected premium based on premiums in 1994 and the valuation's assumed health care cost trend rate.

Because retirees cost more than the average premium, we have used the higher expected premiums to stand for post-retirement costs in this valuation.

Premium Trend Rate

The premium trend rate is assumed to be 9% for 1998 and assumed to reduce to an ultimate level of 7% in 2002.

The premium cost trend rate is an assumption about the annual rate of change in the per capita cost of health care benefits provided by the Plan. It implicitly considers estimates of medical cost inflation, changes in utilization and technological improvements.

In determining an appropriate medical cost inflation rate, the medical care component of the Consumer Price Index for Urban Consumers (CPI-U) was analyzed. The following table shows the levels of the CPI-U indices for "all items" and "medical care" only during December for the most recent 10 years:

CPI-U (1967=100) (Unadjusted)	All Items	% Change	Medical Care	% Change
December 1988	360.9		505.4	
December 1989	377.9	4.7%	548.4	8.5%
December 1990	400.9	6.1%	601.0	9.6%
December 1991	413.0	3.0%	648.5	7.9%
December 1992	425.2	3.0%	691.3	6.6%
December 1993	436.8	2.7%	728.6	5.4%
December 1994	448.4	2.7%	764.3	4.9%
December 1995	459.9	2.5%	794.1	3.9%
December 1996	475.0	3.3%	817.9	3.0%
December 1997	483.2	1.7%	840.8	2.8%

The increases in these indices from December 1988 to December 1997 were 33.9% (3.3% per year) for "all items" and 66.4% (5.8% per year) for "medical care" items. Therefore, during this period, the increase in costs for medical care is 176% of the CPI taken as a whole.

While this comparison is one measure of the increase in the cost of medical care, it is probably not a good measure of the cost increase experienced by group health plans. The medical care component of the CPI reflects how individuals spend their health care dollars, including the retiree payment of health insurance. Not reflected in this component is the amount of employer contributions nor the effect of increased use of health facilities. Neither does this component reflect the leveraged effect of employer-absorbed increases in total costs.

In addition to increasing prices, there are other factors affecting the costs of group health plans that result in cost increases exceeding the medical care component of the CPI:

1. Increased utilization, both in the frequency of services and in the scope or intensity of those services.

2. Cost shifting, resulting from the lack of full reimbursement to providers by Medicare and Medicaid.

3. Cost leveraging where, due to annual deductibles and coinsurance provisions, Plan costs increase more than medical expenses increase (e.g., if deductibles and coinsurance limits are frozen, a 10% increase in medical expenses might lead to a 15% increase in Plan costs).

In the late 1980s and early 1990s, most group health plans experienced cost increases of approximately 15–20% per year. This trend has slowed recently due to the continuing widespread implementation of cost containment features (e.g., pre-admission certification and concurrent review, increased deductible and coinsurance levels, restricted weekend admissions and mandatory second opinions on elective surgery). Many group health insurers continue to anticipate cost trends in excess of the medical component of the CPI. Over the last nine years, the average rate of increase of the medical component of the CPI was 5.8%, and has steadily decreased during that period. For valuation purposes, we have assumed the health care cost trend rate ultimately settles at 175% of a 4% long-term rate of inflation or 7.0% for the 1998 valuation.

SECTION 2
RECOMMENDED FUNDING

Funding Approach

The Entry Age Actuarial Cost Method was used. This method assigns total projected costs as a level percent of pay over each employee's anticipated work years. The funding arrangement consists of two components: one, an ongoing cost (called normal cost), and the other, a temporary cost to provide for payment of costs assigned to prior years but not funded during those years (called amortization payment).

Valuation Components

Actuarial Present Value (APV) of Future Benefits

The APV of future benefits is determined by first measuring what future subsidy would be available for each employee at various future dates (assuming future service credits earned and expected age at retirement) upon retirement or disablement. Then the future value of those benefit entitlements is determined by multiplying the various subsidy amounts by the then current value of the annuities associated with those amounts. Finally, the APV of those future benefit values is determined by applying discounts to recognize the time value of money and probabilities of death, withdrawal, termination of employment, etc.

APV of Total Future Normal Costs

The APV of future normal costs is that portion of the total APV of future benefits, as described above, that is assigned to future plan years by the Entry Age Actuarial Cost Method (described in Appendix B).

Actuarial Accrued Liability (AAL) and Unfunded Actuarial Accrued Liability (UAAL)

The AAL and the UAAL (the AAL less the actuarial value of assets) are actuarial values generated under the Entry Age Actuarial Cost Method, as described in Appendix B. These liability amounts are not the APV of benefits accrued to date by employees. They are actuarially determined amounts based on the accrual of Entry Age normal cost amounts due prior to the valuation date.

Normal Cost

The normal cost represents the ongoing long-term estimate of costs for the proposed schedule of City subsidies. It has been derived as a level percentage of each year's anticipated payroll. As determined by the Entry Age Actuarial Cost Method, it represents the current year's allocation of the APV of total future normal costs. In the absence of actuarial gains or losses, changes to the Plan or changes in the characteristics of the participating group, the normal cost percentage is expected to remain level over time.

Amortization Payment

The amortization payment is a temporary payment that will disappear at the end of the amortization period. It represents the funding of normal costs assigned to past periods. Once the past normal costs have been funded, amortization payments stop. The UAAL is being amortized over a period of 20 years from October 1, 1994. The amortization incorporates the assumption that Plan payroll will grow at the rate of 4% per year over the 20-year period and that payment will commence October 1, 1994.

Recommended City Contribution

The recommended funding of the City's Retiree Health Care consists of the ongoing normal cost plus the amortization payment associated with the 20-year funding of the UAAL.

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

Valuation Financial Values

1.	Actuarial Present Value (APV) of Future Benefits		
	(a)	Active Employees with less than 10 Years of Service	$2,177,871
	(b)	Active Employees with between 10 and 20 Years of Service	5,128,169
	(c)	Active Employees with at least 20 Years of Service	6,099,130
	(d)	Current Retirees and Disableds	11,734,280
	(e)	Total	$25,139,450
2.	APV of Future Normal Costs		2,281,908
3.	Actuarial Accrued Liability [(1)-(2)]		
	(a)	Active Employees with less than 10 Years of Service	$ 868,199
	(b)	Active Employees with between 10 and 20 Years of Service	4,357,089
	(c)	Active Employees with at least 20 Years of Service	5,897,974
	(d)	Current Retirees and Disableds	11,734,280
	(e)	Total	$22,857,542
4.	Actuarial Value of Assets		3,469,916
5.	Unfunded Actuarial Accrued Liability [(3)-(4)]		
	(a)	Active Employees with less than 10 Years of Service	868,199
	(b)	Active Employees with between 10 and 20 Years of Service	4,357,089
	(c)	Active Employees with at least 20 Years of Service	5,897,974
	(d)	Current Retirees and Disableds	8,264,364
	(e)	Total	$19,387,626
6.	Normal Cost		346,134
	Normal Cost Rate		0.52%
7.	UAAL Amortization Payment		$ 1,650,466
	UAAL Amortization Payment Rate		2.47%
8.	Recommended Contribution Increase [(6)+(7)]		$ 1,996,600
	Percentage of Payroll		2.99%

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

Development of Unfunded Actuarial Accrued Liability (UAAL)

1.	UAAL as of 4/01/94	$17,807,258
2.	Six-month Normal Cost	135,339
3.	Interest on (1) to 9/30/94	801,327
4.	Contributions	0
5.	Interest on (4) to 9/30/94	0
6.	Expected UAAL as of 9/30/94 [(1)+(2)+(3)-(4)-(5)]	$18,743,924
7.	Normal Cost	281,505
8.	Interest on (6) to 9/30/95	1,686,953
9.	Contributions	1,111,563
10.	Interest on (9) to 9/30/95	50,020
11.	Expected UAAL as of 9/30/95 [(6)+(7)+(8)-(9)-(10)]	$19,550,799
12.	Normal Cost	292,765
13.	Interest on (11) to 9/30/96	1,759,572
14.	Contributions	2,238,818
15.	Interest on (14) to 9/30/96	100,747
16.	Expected UAAL as of 9/30/96 [(11)+(12)+(13)-(14)-(15)]	$19,263,571
17.	Normal Cost	304,476
18.	Interest on (16) to 9/30/97	1,733,721
19.	Contributions	2,365,517
20.	Interest on (19) to 9/30/97	106,448
21.	Expected UAAL as of 9/30/97 [(16)+(17)+(18)-(19)-(20)]	$18,829,803
22.	Normal Cost	316,655
23.	Interest on (21) to 9/30/98	1,694,682
24.	Contributions	2,467,736
25.	Interest on (24) to 9/30/98	111,048
26.	Expected UAAL as of 9/30/98 [(21)+(22)+(23)-(24)-(25)]	$18,262,356
27.	Changes in UAAL due to:	
	(a) Premium Update	0
	(b) Assumptions Changes	167,808
	(c) Actuarial (Gain)/Loss	957,462
28.	UAAL as of 10/01/98 [(26)+(27a)+(27b)+(27c)]	$19,387,626

SECTION 3
OTHER CONSIDERATIONS

Risks and Limitations

Although the valuation results are based on what we believe to be reasonable assumptions, the valuation result is only an estimate of what future costs might actually be. Deviations in any of several factors influencing valuation results could result in actual costs being greater (or less) than estimated. Some of these factors include:

1. Future interest discounts lower than that assumed. We have assumed a long-term rate of interest of 9% per annum. To the extent that actual interest discounts are lower than 9%, the Plan's cost will be higher. (Note that the contrary is also true; that if actual interest rates are greater than 9% in the future, the Plan's cost will be less.)

2. Medical cost inflation risk. In our opinion, the major risk associated with the valuation estimate is that medical costs may continue to significantly exceed the underlying CPI rate. As described in Section 1, historically the medical cost rate has been substantially greater than the underlying CPI rate. If medical cost inflation is greater than assumed, Plan costs will be higher than estimated. For example, if medical cost increases were to reach an ultimate level of 8% per annum (rather than 7% per our assumptions), then we would expect net periodic postretirement benefit cost of approximately 20% more than that estimated.

3. Medicare coverage risk. We have assumed that the Medicare coverage structure would continue to be available to the City retirees. We think it likely that Medicare will continue to exist. However, it is unlikely that the coverage structure currently available will be available indefinitely. To the extent that Medicare substantially changes its reimbursement procedures (i.e., providing substantially lower Medicare equivalent benefits the City will be forced to revise its coverage structure. There is a very substantial risk that Medicare may be forced to decrease its retiree coverage structure in order to make adequate provision for its costs.

4. Marriage risk. All retirees were assumed to maintain their current marital status after retirement; therefore, health costs applicable to current circumstances will be applicable to future retirees. Of course, it is unlikely that no retirees will have changes in their marital status, and therefore this assumption may somewhat misstate the liability.

True Costs

The true costs of a retiree health plan cannot be determined until its future unfolds. No one can precisely predict the participant utilization rates, future health cost levels, mortality experience, etc. A reasonable approximation of this true cost can be provided through actuarial estimates based on past experience with similar groups and on the judgment of the actuary and plan sponsor.

As actual experience emerges under the Plan, the continued appropriateness of the techniques and assumptions employed should be examined, with modifications made as judged necessary, and the liability estimate adjusted consistent with the revised assumptions.

APPENDIX A

PLAN PROVISIONS SUMMARY

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

SUMMARY OF PLAN PROVISIONS THAT AFFECT THE VALUATION

Definitions

1.	Plan Year:	October 1 to September 30.
2.	Employees Eligible to Receive Benefits:	Any Employee retiring under the Normal, Early or Delayed Retirement provisions of the City of Gainesville General Employees' Pension Plan or the Consolidated Police Officers' & Firefighters' Retirement Plan; or who received benefits under the ICMA deferred compensation plan and who would have met retirement conditions under either retirement plan; or who becomes eligible to receive benefits under the City of Gainesville Disability Plan. If the employee is married at date of retirement or disablement, benefits are payable for each covered individual for life or until a surviving spouse becomes eligible for other coverage. Benefits are payable for dependent children until age 22.
3.	Credited Service:	The number of full and fractional years of employment, plus any unused sick leave.
4.	Retirement Date:	General Plan Normal Retirement Eligibility Date—the earlier of age 65 with 10 years of Credited Service and 20 years of Credited Service at any age. Early Retirement Eligibility Date—the attainment of age 55 with 15 years of Credited Service. Consolidated Plan Normal Retirement Eligibility Date—the earlier of age 55 with 10 years of Credited Service and 20 years of Credited Service at any age. Early Retirement Eligibility Date—none.

5. Benefit Accrual Percentage:	While actively employed by the City, eligible employees accrue a percentage the City will pay toward their individual Retiree Health Care Plan premium, which percentage is determined as follows: • 2% per year for the first 10 years of service, plus • 3% per year for the next 10 years of service, plus • 2% per year for each year of service beyond 20, plus • 2% per year for each year older than age 65 at coverage commencement, less • 2% per year for each year younger than age 65 at coverage commencement provided that the percentage does not exceed 50%.

Benefits

1. Deductible:	$200 per insured per plan year; no deductible is required after two family members have met the individual deductibles.
2. Out-of-Pocket Maximum:	$1,200 per plan year per individual insured.
3. Coordination of Benefits:	No more than 100% of covered expenses payable between Plan and Medicare.
4. Hospital, Physician/Surgeon, X-ray/Lab Services:	80% after deductible.
5. Outpatient Surgery:	80% after deductible.
6. Emergency Accident:	No deductible within 90 days, then 80% subject to deductible.
7. Nursing, Hospice/Home Health Care:	80% after deductible.
8. Prescription Drug:	80% after deductible; generic drugs, 100% after deductible.

9. Oral Dental Surgery: 80% after deductible.

10. Mental/Nervous: 80% after deductible; inpatient 40 days per calendar year; outpatient $2,000 per calendar year.

11. Lifetime Maximum: $1,500,000.

Basic Cost-sharing Provisions

The City will pay up to 50% of the actuarially determined cost for current and future retirees. No benefits are provided for spouses and dependent children. Note certain additional benefits may be available for current retirees and spouses/dependents as well as for current active employees with 10 or more years of service under the transition plan.

Retirement

Employee Contribution: Retired employees pay monthly premiums for 100% of the spouse/dependent premium and their remaining share of the individual premium once the City pays the portion determined under the benefit accrual formula.

Disability

Employee Contribution: Disabled employees pay monthly premiums for 50% of the total premium; the City pays the remainder.

Transition Cost-sharing Provisions

For Retirees as of April 1, 1995

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for Family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%.
4. Provide minimum Benefit Accrual Percentage of 50%.
5. Provide minimum Benefit Accrual Percentage of 80% for single coverage and 75% toward dependent coverage for disabled retirees.

<u>For Active Employees Eligible for Retirement as of April 1, 1995</u>

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%.
4. Provide minimum Benefit Accrual Percentage of 35%.

<u>For Active Employees as of April 1, 1995, Not Eligible for Retirement</u>

1. Increase maximum benefit accrual percentage from 50% to 80% for single coverage and 155% for family coverage.
2. Increase the Benefit accrual percentage by 8 percentage points for each year that age at 4/01/95 exceeds 65.
3. Increase Credited Service by 10% for each year of service over 10 to a maximum increase of 100%. Employees with less than 10 years of service at 4/01/95 no service adjustment would apply.

APPENDIX B

ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD SUMMARY

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD SUMMARY

Actuarial Assumptions

1. Discount Rate: 9% per annum, compounded annually, net of investment expenses.

2. Health Care Cost Trend Rate: 9% in 1998, reducing to an ultimate level of 6.5%:

Year	Increase in Net Cost of Plan's Health Care Benefits
1998	9.0%
1999	9.0
2000	8.0
2001	8.0
2002 & later	7.0

3. Mortality Rates: 1983 Group Annuity Mortality Table:

	Probability of Death Within One Year After Attaining Age Shown	
Age	Male	Female
25	0.05%	0.03%
35	0.09	0.05
45	0.22	0.10
55	0.61	0.25
65	1.56	0.71

4. Withdrawal Rates: General/GRU Employees

	Probability of Terminating Service (for reasons other than death, disability or retirement) Within One Year After Attaining Age Shown	
Age	Male	Female
25	14.2%	16.4%
35	8.9	11.1
45	7.6	9.8
55	5.2	7.4

Police/Fire Employees

Age	Probability of Terminating Service (for reasons other than death, disability or retirement) Within One Year After Attaining Age Shown	
	Male	Female
55	10.0%	10.0%
57	6.0	6.0
60	3.0	3.0
62	0.0	0.0

5. Disability Rates:

Age	Probability of Disability Within One Year After Attaining Age Shown	
	General/GRU	Police/Fire
25	0.15%	0.30%
35	0.26	0.53
45	0.62	1.23
55	1.82	3.64

6. Retirement Rates:

General/GRU Employees

Age	Probability of Retiring Within One Year After Attaining Age Shown	
	Male	Female
Under 55	15.0%	20.0%
55 - 59	25.0	30.0
60 - 64	40.0	40.0
65 and Over	100.0	100.0

Police/Fire Employees*

Age	Probability of Retiring Within One Year After Attaining Age Shown	
	Police	Fire
40-44	2.5%	2.5%
45-49	5.0	2.5
50-54	15.0	10.0
55-59	45.0	45.0
60	100.0	100.0

*Assuming that in the years following the later of attaining age 55 and completion of 25 years of service, that rate is 80%.

Early Retirement (General/GRU Employees Only)

Age	Probability of Early Retirement Within One Year After Attaining Age Shown: Male	Female
55	3.0%	4.0%
57	4.0	6.0
60	6.0	12.0
62	35.0	45.0

Retirees were assumed to have coverage start at the later of retirement and age 55.

7. Dependent Coverage and Ages: Retiring participants were assumed to elect the same coverage they currently have under the City Health Care Plan while active employees. Actual current spousal and dependent information was used and status was assumed to continue.

8. Growth Rate of Future Active Employee Payroll: 4% per year.

9. Actuarial Value of Assets: Market value.

10. Expenses: Assumed payable outside the Plan.

Actuarial Cost Method

The Entry Age Actuarial Cost method was used. Under this method, the cost of each employee's projected premium subsidy is funded through a series of annual payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. This level percentage, known as normal cost, is thus computed as though the Plan had always been in effect. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). The annual cost of a plan consists of two components: normal cost and a payment, which may vary between prescribed limits, toward the UAAL.

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL.

It is intended that the UAAL be amortized over a 20-year period from October 1, 1994, through monthly contributions expressed as a level percentage of each month's total payroll, incorporating an assumption that future payroll will grow at the rate of 4% per year. Payments are assumed to begin on October 1, 1994, and continue monthly for the 20 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 20-year period, but not less than 10 years.

Changes in Actuarial Assumptions Since Prior Valuation

The mortality table for current retirees was changed from the 1971 Group Annuity Mortality Table set back three years, to the 1983 Group Annuity Mortality Table. The retirement rates for General, Police and Fire employees have been modified.

APPENDIX C

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

FUND BALANCE AS OF 9/30/98

Equity in Pooled Cash	$3,469,916

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

ANALYSIS OF CHANGE IN ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets as of 3/31/94	$ 0
Add:	
General Government Contributions	558,295
GRU Contributions	314,041
Retiree Contributions	239,228
Interest on Investments	9,446
Gain/(Loss) on Investments	986
Transfers In/(Out)	300,000
Total Additions	$1,421,996
Deduct:	
General Government Claims	349,981
GRU Claims	299,628
Total Deductions	$ 649,609
Actuarial Value of Assets as of 9/30/95	772,387
Add:	
General Government Contributions	1,101,118
GRU Contributions	643,873
Retiree Contributions	493,827
Net Appreciation/(Depreciation)	(124,936)
Total Additions	$2,113,882
Deduct:	
General Government and GRU Claims	1,537,897
Total Deductions	$1,537,897
Actuarial Value of Assets as of 9/30/96	1,348,372

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

ANALYSIS OF CHANGE IN ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets as of 9/30/96	$1,348,372
Add:	
General Government Contributions	1,200,564
GRU Contributions	675,048
Retiree Contributions	489,905
Gain/(Loss) on Investments	136,614
Miscellaneous	1,356
Transfers In/(Out)	(185,000)
Total Additions	$2,318,487
Deduct:	
General Government Claims	840,825
GRU Claims	439,946
Total Deductions	$1,280,771
Actuarial Value of Assets as of 9/30/97	2,386,088
Add:	
General Government Contributions	1,238,880
GRU Contributions	696,914
Retiree Contributions	531,942
Gain/(Loss) on Investments	182,389
Unrealized Gain/(Loss)	8,480
Miscellaneous	168,000
Transfers In/(Out)	(37,100)
Total Additions	$2,789,505
Deduct:	
General Government Claims	1,025,744
GRU Claims	531,608
Insurance Premiums	62,345
Administrative Expenses	85,980
Total Deductions	$1,705,677
Actuarial Value of Assets as of 9/30/98	3,469,916

APPENDIX D

CENSUS DATA

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

SUMMARY OF CENSUS DATA USED IN THE VALUATION

The data used in the actuarial valuation was furnished by The City current as of October 1, 1998. A summary of the data follows:

1.	Future Retirees Under Age 65	
	(a) Currently Eligible Upon Retirement	269
	(b) Not Yet Eligible	1,341
	(c) Total	1,610
2.	Future Retirees Over Age 65	1
3.	Retired Participants Receiving Benefits	
	(a) Under Age 65	319
	(b) Over Age 65	175
4.	Disabled Participants Receiving Benefits	20
5.	Spouses Receiving Benefits	235
6.	Other Dependents Receiving Benefits	53
7.	Total Number of Participants and Dependents Included in Valuation	2,413

Statistical breakdowns for future retirees by age and service are presented on the following page.

CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

DISTRIBUTION OF FUTURE RETIREES BY ATTAINED AGE AND COMPLETED YEARS OF SERVICE AS OF 10/01/98

	Completed Years of Service											
Attained Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-39	40 & Over	Total
Under 25	29	13	4	9	0	0	0	0	0	0	0	55
25-29	34	25	14	41	28	2	0	0	0	0	0	144
30-34	32	20	19	32	64	44	2	0	1	0	0	214
35-39	19	19	11	25	68	119	35	0	0	0	0	296
40-44	16	9	16	14	62	73	87	33	10	0	0	320
45-49	11	10	12	10	29	60	55	47	37	1	0	272
50-54	9	3	4	12	21	36	28	27	34	7	0	181
55-59	3	0	1	2	12	19	21	8	18	8	3	95
60	0	0	1	2	0	1	5	0	2	1	1	13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2	2	0	0	0	0	0	4
[illegible]	0	0	0	0	0	2	0	1	1	0	0	4
64	0	0	0	0	1	1	0	1	0	0	0	3
65 & OVER	0	0	0	0	1	0	0	0	0	0	0	1
TOTAL	153	99	82	149	290	361	235	117	104	17	4	1611