

RETIREE HEALTH PROJECTIONS

CITY OF TEMPE



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Summary of Results

Current Benefits (Advance Funding at 7% Discount Rate)

Current Benefits (No Advance Funding at 3.5% Discount Rate)

Terminate Benefits at Age 65 (Advance Funding at 7% Discount Rate)

Eliminate Prescription Drugs at Age 65 (Advance Funding at 7% Discount Rate)

Move to PPO Catastrophic Plan at Age 65 (Advance Funding at 7% Discount Rate)

Increase Dependent Contribution from 30% to 40% (Advance Funding at 7% Discount Rate)

Increase Retiree Contribution \$100 per Month (Advance Funding at 7% Discount Rate)

City of Tempe

Executive Summary

We started with two base projections to illustrate the two funding options (e.g., pay-as-you-go and advanced funding) using discount rates that you provided to us. As we discussed previously, if the city continues with the pay-as-you-go approach, it is limited to using the rate of return that you expect on all unrestricted city assets. You have indicated to us that a 3.5% discount rate is appropriate. If the city moves to pre-funding the retiree's benefits, a reasonable long-term rate on corporate investments can be used. While you have asked us to illustrate the effect of three different discount rates (i.e., 7%, 8% and 9%), we have used 7% as the base projection for advanced funding.

The tables below set forth the key results of our analysis.

Expected expenditures (millions)	Fiscal 2005	Fiscal 2029	25 Years
Claims and expenses for retirees	\$5.7	\$40.8	\$486.6
Retiree contributions	1.7	4.7	73.1
Net cost to City (pay-as-you-go)	4.0	36.1	413.5
Net OPEB cost	Fiscal 2005	Fiscal 2029	25 Years
Assuming pay-as-you-go funding	\$36.2	\$42.3	\$1,016.7
Assuming advance funding	19.6	18.5	470.6

The net OPEB cost is the amount that Statement 45 of the Governmental Accounting Standards Board (GASB) would require the City to recognize as an expense/expenditure in its June 30, 2006 financial statement for the provision of post-employment medical, dental and life insurance benefits, if the City were to comply with Statement 45 for this fiscal year. Our determination of the OPEB cost is described in detail under the heading "Approach."

The pay-as-you-go funding scenario produces larger OPEB costs because Statement 45 allows the use of a higher discount rate when plans are advance funded. See "Detailed Review" for more information.

In its RFP, the City requested an analysis of several proposed changes to the plan. The tables below set forth the key results of our analysis based on advanced funding, using a 7% discount rate. Please keep in mind that each scenario assumes only that change. Combining the changes would produce additional savings; however, the additional savings are not necessarily additive.

City of Tempe

Net Cost to City (millions)	Fiscal 2005	Fiscal 2029	25 Years
Current Plan (pay-as-you-go)	\$4.0	36.1	413.5
1(a). Terminate Benefits at Age 65	3.2 (20%)	3.9 (89%)	100.1 (76%)
1(b). Eliminate Prescription Drug Coverage at Age 65	3.3 (16%)	17.9 (50%)	241.5 (42%)
1(c) Move to PPO Catastrophic Plan at Age 65	3.8 (4%)	32.5 (10%)	380.2 (8%)
2. Increase Dependent Contribution to 40% from 30%	3.8 (4%)	35.2 (2%)	401.9 (3%)
3. Increase Retiree Contribution \$100 per month	3.3 (17%)	30.3 (16%)	347.8 (16%)
Net OPEB Cost (advance funding)	Fiscal 2005	Fiscal 2029	25 Years
Current Plan	\$19.6	18.5	470.6
1(a). Terminate Benefits at Age 65	3.4 (83%)	3.7 (80%)	88.6 (81%)
1(b). Eliminate Prescription Drug Coverage at Age 65	10.5 (46%)	10.3 (44%)	257.2 (45%)
1(c) Move to PPO Catastrophic Plan at Age 65	17.7 (9%)	16.8 (9%)	427.5 (9%)
2. Increase Dependent Contribution to 40% from 30%	19.0 (3%)	18.0 (3%)	458.2 (3%)
3. Increase Retiree Contribution \$100 per month	16.5 (16%)	15.6 (16%)	397.4 (16%)

Detailed Review

The cost calculations illustrated in this report:

1. Include projected claims, fees and expenses allocated to post-retirement medical benefits.
2. Do not include costs for active employees until after their expected retirement.
3. Do not include costs for new hires.
4. Do not include costs for dental, vision, disability, employee assistance, pensions or any other benefits.

We have prepared projections under six benefit/contribution options:

1. Current benefits and retiree contributions
2. All benefits are eliminated at age 65 for retirees
3. Prescription drug benefits are eliminated at age 65 for retirees
4. At age 65, retirees are required to move to the PPO Catastrophic plan
5. Increase dependent contributions from 30% to 40%
6. Increase retiree contributions \$100 per month

For each of those benefit/contribution options, we have run the projections under four different discount rates (3.5%, 7%, 8%, and 9%). A summary of the first fiscal year results under all of the different scenarios is provided in the first projection exhibit at the end of this report.

Our projections illustrate expected benefits, plan expenses, retiree contributions, city costs, projected net present values, and OPEB Costs under the three primary actuarial cost methods permitted by Statement 45.

All of our projections are based on assumptions with regard to the survival of plan members, the average per-capita claim costs, and so forth. Those assumptions are disclosed in the appendices attached to this report. One of the most important assumptions is the discount rate, which is used by the model to compute the present value of future post-retirement benefits. The higher the discount rate, the lower the present values, and therefore the OPEB cost.

GASB 45 stipulates that the selection of the discount rate be determined, in part, on whether the plan benefits are funded in advance. If the employer contributions are at least as great as the OPEB cost for the year, and if they are deposited in an irrevocable trust for the exclusive purpose of paying post-retirement health benefits, the guidance states that the discount rate may be a reasonable long-term rate on the expected investments in that trust. If the employer does not utilize a trust, the City is limited to using the rate of return expected on all unrestricted employer assets. If the employer uses a trust, but funds at a level below the OPEB cost, then a blended rate may be used.

At the request of the City, we have provided several discount rate scenarios to illustrate the impact of the discount rate on the costs. Note that additional funding for active employee benefits will still be required and is not illustrated in this report.

Assumption Changes

We have made several changes to our assumptions from our draft report dated April 9, 2006.

The changes are summarized as follows:

1. With input from the City and because of the effect of the change in administrators on the historical claim trends, we lowered the trend assumption for the self-funded PPO plans from 18.5% in 2006 to 15%. The assumption still decreases to 7%. For the fully insured HMO plan, we lowered the first year trend to 15.65% to reflect the benefit changes that will be effective July 1, 2006.

2. Based on further discussions with Human Resources, we have changed the first year expense inflation assumption to 0%, since the City did not realize any increases in TPA fees or network access fees for the fiscal year beginning July 1, 2006.
3. We have increased the 2005 per-capita claim costs for the self-funded PPO plans to reflect the increased claims due to the increase in the stop-loss deductible.
4. We have reflected the planned change in retiree-only contributions for the High PPO plan to increase to \$30 per month starting July 1, 2007 and to \$40 per month starting July 1, 2008.
5. We have assumed that current employees will stay in the plan that they are currently in when they reach retirement.

The change in retiree-only contributions (#4) is based on plan changes that are scheduled to take place in the future. Please keep in mind that in order to reflect plan changes in a valuation for GASB 43 and 45 purposes, the changes must have actually been made to the plan and communicated to the employees and retirees. Since the purpose of this report is to illustrate the effects of GASB 43 and 45 on the City and to be used as a planning tool, we have reflected all of the planned changes whether or no they have been implemented. Until these changes have been implemented and communicated, our calculations may not be used in the City's financial statement.

Background

The City maintains three self-funded PPO medical plans and one fully insured HMO plan covering current and retired employees and their dependents. To be eligible for City-subsidized coverage, retired employees must meet the following eligibility requirements:

- Retire in good standing;
- Have a minimum of ten years of service with the City, or effective July 1, 2004, has been a City elected official for eight consecutive years;
- Be enrolled in one of the City's health plans;
- Must be receiving retirement benefits from one of the city-sponsored state retirement programs; and
- Effective for employees retiring on or after July 21, 1997, are not currently working for the City in a full or part-time budgeted position.

For the health plan, enrollees may choose between one of the following options:

- High Option PPO – No in-network deductible, a \$500 in-network annual out-of-pocket maximum, and 100% coverage for most in-network benefits after a copay for some benefits.
- Low Option PPO – \$200 in-network deductible, a \$1,000 in-network annual out-of-pocket maximum, and 90% coverage for most in-network benefits after a copay for some benefits.
- Catastrophic Option PPO – \$1,000 in-network deductible, a \$3,500 in-network annual out-of-pocket maximum, and 90% coverage for most in-network benefits after a copay for some benefits.
- HMO

The employee's contribution rate depends on the health plan chosen and the dependents covered. The retiree's contribution rate also depends on whether the retiree or spouse is over age 65. In addition, the City receives a subsidy from the State of Arizona for each retiree covered under the medical plan, which varies based on the dependents covered and whether the retiree or spouse is over age 65.

Approach and Methodology

Our general approach is to apply assumed retirement probabilities and survivorship factors to the current profile of covered members, along with projected medical claims costs and expenses, to estimate total medical benefits and expenses paid on behalf of current and future retirees and their dependents for each of the next 25 fiscal years (July 2005 through June 2029).

Our projections are based on employee and retiree census information, claim histories for the self-funded medical plans, enrollment summaries, contribution tables, and expense reports that were provided by the City. We have reviewed the data for reasonableness, but have not audited it. To the extent that there are material inaccuracies in the data, our results are accordingly affected.

The City provided us with a current census of active and retired employees, including age, current plan elected, and dependent status. The data was taken as of March 1, 2006. Because the census was taken after the start of the projections, we have assumed that anyone hired after 7/1/05 has a hire date of 6/30/05. As of the start of our projection, there are 1,545 full-time permanent employees and 523 retirees that are currently receiving medical benefits. We excluded 68 active employees and 32 retirees that are not enrolled in one of the medical plans.

We were also given claim histories and enrollment summaries separately for the self-funded PPO plans from January 2004 through December 2005. From this data, we were able to calculate benefit-adjusted claim costs per employee for each month in the data. The average claim costs for the fiscal year beginning July 1, 2005 are illustrated in Appendix A. To develop the total expected claims for each year in the projection, we adjusted these values for medical trend and for the risk factors for each covered family (see Appendix B).

Our assumptions regarding employee turnover due to termination, death, and permanent disability are shown in Appendix B for selected ages. Those assumptions are age-specific and were derived from industry data and adjusted to be consistent with actual City experience.

We were also provided with expense records, from which we calculated the expected administrative expenses for the self-funded plans. We included the following expenses, which are shown in Appendix A, in our projections:

- Medical TPA fees
- Network access fees
- Case management fees
- Pharmacy benefit management administration and dispensing fees
- Medical stop loss coverage premiums

Retiree contribution tables for the fiscal year beginning July 1, 2005 were provided by the City, and utilized by us to project the retiree costs for the 25-year period. We assumed that the retiree contributions would rise at the same rate as the City cost. The City also provided the state subsidy for each retiree, from which we calculated the average subsidy per retiree (under and over 65) and per spouse. Based on guidance from the City, we assumed that the subsidy received from the state will remain level. For the purposes of this study we have assumed that the state subsidy can be recognized as a cost reduction. Based on the proposed guidance from the GASB regarding Medicare Part D, we believe it would be prudent to look further into this issue for the next valuation for the City.

Our actuarial model computes a present value of all future net costs (after recognition of retiree contributions), and allocates a portion of that present value to the current fiscal year. The methodology of that allocation is called an "Actuarial Cost Method." GASB 45 allows the employer a choice between six different cost methods. The three primary methods are known as "Projected Unit Credit," "Entry Age Normal," and "Aggregate." The other three methods are variations of the primary methods, and do not produce different results in the first year of application.

To assist the City in selecting the most appropriate method, we have projected OPEB costs under all three primary methods through fiscal 2029. Of the three, the Entry Age Normal (EAN) method produces a uniformly lower OPEB cost than the other two. For this reason, we presume that the City would prefer that method.

For current employees, the EAN method spreads the present value of future retirement benefits (PVB) as a level percentage of salary from the employee's date of hire to his/her expected retirement date. For this calculation, we have assumed that salaries have and will increase at the rate of 3% per year. The portion of the PVB attributable to the current fiscal year is called the "Normal Cost" (NC). The portion attributable to service prior to the current fiscal year is called the "Actuarial Accrued Liability" (AAL).

For current retirees, we do not spread the PVB over the working career. Instead, the entire PVB is allocated to service prior to the current fiscal year, and is therefore included in the AAL.

For the current fiscal year, the OPEB cost is equal to the Normal Cost plus a 30-year amortization of the Actuarial Accrued Liability, adjusted with interest to the end of the fiscal year at the discount rate. The amortization of the AAL is calculated as a level percentage of payroll that is assumed to increase 3% per year.

Medicare Modernization Act

We are aware that the City has applied for a CMS subsidy for retirees who do not enroll in Medicare Part D. The GASB has issued proposed guidance on how to reflect the impact of payments from the federal government pursuant to the Medicare Modernization Act. It has been proposed that a Medicare Part D payment to an employer is a voluntary exchange transaction between the federal government and the employer. The GASB further proposes that "an OPEB plan should apply the measurement requirements of Statement 43 to determine the actuarial accrued liabilities, the ARC, and the annual OPEB cost *without reduction* for Medicare Part D payments."

While the guidance is not final yet, we have followed the guidance and have not reflected the expected Part D payments in our analysis.

Notes to the Financial Statements

Once the City elects to comply with Statement 45, certain disclosures regarding the plan and its funding status must be included as footnotes to the financial statement. Those disclosures are described in paragraphs 24 through 26 of Statement 45. Appendix C contains the actuarial elements of those disclosures that may be derived from our report. Please note that the June 30, 2006 statement, if it were to comply with GASB 45, would need additional disclosures not contained in this report, such as employer contributions for the year, value of assets and the net OPEB obligation at year-end.

Summary of Results

We projected total plan costs, city contributions, and retiree contributions under the current plan, as well as several different options designed to help reduce the burden of GASB 45. A summary exhibit is attached showing the first fiscal year ARC and projected GASB net present value for each of the benefit/contribution options and discount rates. In addition, detailed exhibits illustrating our calculations for all options under the 7% discount rate are attached, as well as the current benefits/contributions under the 3.5% discount rate. Detailed exhibits for the other discount rate scenarios are readily available at the request of the City.

It should be noted that actual plan costs, city costs, and retiree costs will depend on future economic conditions (for example, inflation, employee turnover and city growth). Our projections are intended to be a decision-making tool for the City management, and not predictions of future results. To the extent that those conditions vary from our projection assumptions, actual future results will accordingly differ.

Summary of Results

City of Tempe

Summary of Results

	Annual Required Contribution		
	Total by Option		
	3.5%	7.0%	9.0%
No Change	36,199,426	19,557,249	17,088,187
Option 1(a)	3,755,216	3,407,617	3,362,203
Option 1(b)	17,792,778	10,501,896	9,422,339
Option 1(c)	41,515,979	17,732,589	14,334,119
Option 2	35,333,523	19,048,963	16,632,880
Option 3	30,667,597	16,510,749	14,415,005
			12,792,568
			Option 3
			592,793,455
			233,993,226
			187,957,487

	No Change by Fund		
	3.5%	7.0%	9.0%
10000	29,692,102	15,896,132	13,864,670
26000	75,443	32,785	26,586
30000	351,568	210,592	188,496
31000	2,746,042	1,576,643	1,395,333
33000	15,046	4,633	3,346
35000	1,128,923	627,971	548,519
36000	80,074	35,374	28,564
39000	515,068	288,441	257,395
40000	1,047,518	575,917	503,390
42000	99,107	51,243	43,351
43000	204,490	102,568	86,844
44000	139,104	71,670	61,260
45000	26,154	12,777	10,634
46000	24,161	10,692	8,582
Grant	29,842	30,933	31,232
Unknown	24,786	28,879	29,983
Total	36,199,426	19,557,249	17,088,187
			15,175,336
			Total
			699,503,095
			277,067,252
			222,730,574
			182,331,012

	No Change by Employee Group		
	3.5%	7.0%	9.0%
General	22,302,790	12,183,695	10,665,629
Police	9,677,321	4,927,969	4,241,971
Fire	4,219,316	2,445,585	2,180,587
Total	36,199,426	19,557,249	17,088,187
			15,175,336
			Total
			699,503,095
			277,067,252
			222,730,574
			182,331,012



City of Tempe

Summary of Results

	Annual Required Contribution		
	Total by Option		
	3.5%	7.0%	9.0%
No Change	36,199,426	19,557,249	17,088,187
Option 1(a)	3,755,216	3,407,617	3,362,203
Option 1(b)	17,792,778	10,501,896	9,422,339
Option 1(c)	41,515,979	17,732,589	14,334,119
Option 2	35,333,523	19,048,963	16,632,880
Option 3	30,667,597	16,510,749	14,415,005
Total	3,755,216	3,407,617	3,362,203
	3,333,158	8,588,919	3,333,158
	15,175,336	11,746,889	15,175,336
	9.0%	9.0%	9.0%

	Option 1(a) by Fund		
	3.5%	7.0%	9.0%
10000	3,374,587	3,023,770	2,973,546
26000	2,135	1,523	1,396
30000	19,638	20,317	20,781
31000	170,542	173,894	176,333
33000	455	235	193
35000	75,085	76,210	77,070
36000	2,502	1,823	1,670
39000	16,591	13,943	13,622
40000	68,291	70,378	71,750
42000	2,573	2,129	2,019
43000	8,624	8,366	8,378
44000	5,497	5,735	5,877
45000	4,462	3,442	3,202
46000	576	422	384
Grant	3,039	4,463	4,901
Unknown	619	967	1,080
Total	3,755,216	3,407,617	3,362,203
	1,227,159	1,205,555	1,205,555
	1,468,375	1,512,952	1,566,861
	637,625	643,696	652,853
	3,333,158	3,362,203	3,407,617
	9.0%	9.0%	9.0%

	Projected GASB Net Present Value		
	Total by Option		
	3.5%	7.0%	9.0%
No Change	699,503,095	277,067,252	222,730,574
Option 1(a)	81,861,664	52,310,037	46,962,546
Option 1(b)	350,384,432	151,539,911	124,946,095
Option 1(c)	627,522,925	251,726,261	203,092,247
Option 2	682,489,009	269,743,074	216,700,181
Option 3	592,793,455	233,993,226	187,957,487
Total	81,861,664	52,310,037	46,962,546
	9.0%	9.0%	9.0%

	Option 1(a) by Employee Group		
	Option 1(a) by Fund		
	3.5%	7.0%	9.0%
General	25,110,447	18,078,457	16,713,670
Police	40,779,423	24,064,352	21,137,899
Fire	15,971,795	10,167,228	9,110,977
Total	81,861,664	52,310,037	46,962,546
	9.0%	9.0%	9.0%



City of Tempe

Summary of Results

	Annual Required Contribution	
	Total by Option	
	3.5%	7.0%
No Change	36,199,426	19,557,249
Option 1(a)	3,755,216	3,407,617
Option 1(b)	17,792,778	10,501,896
Option 1(c)	41,515,979	17,732,589
Option 2	35,333,523	19,048,963
Option 3	30,667,597	16,510,749
	14,415,005	12,792,568

	Option 1(b) by Fund	
	3.5%	7.0%
10000	14,781,165	8,703,644
26000	32,417	14,278
30000	162,449	103,181
31000	1,287,696	787,129
33000	6,584	2,078
35000	533,759	320,655
36000	35,474	16,226
39000	220,865	122,443
40000	486,168	286,938
42000	43,724	23,458
43000	92,546	49,384
44000	61,486	33,444
45000	14,416	7,934
46000	10,321	4,618
Grant	13,807	15,142
Unknown	9,902	11,346
Total	17,792,778	10,501,896

	Option 1(b) by Employee Group	
	3.5%	7.0%
General	10,170,816	5,888,605
Police	5,336,925	3,126,212
Fire	2,285,037	1,487,080
Total	17,792,778	10,501,896

	Projected GASB Net Present Value	
	Total by Option	
	3.5%	7.0%
No Change	36,199,426	19,557,249
Option 1(a)	3,755,216	3,407,617
Option 1(b)	17,792,778	10,501,896
Option 1(c)	41,515,979	17,732,589
Option 2	35,333,523	19,048,963
Option 3	30,667,597	16,510,749
	14,415,005	12,792,568
	Option 1(b) by Fund	
	3.5%	7.0%
10000	10,000	7,119,110
26000	26,000	9,590
30000	94,175	87,180
31000	710,376	650,243
33000	1,514	1,109
35000	287,191	260,772
36000	16,226	13,263
39000	108,797	98,536
40000	256,905	233,552
42000	20,099	17,387
43000	42,749	37,559
44000	29,218	25,959
45000	6,836	5,934
46000	3,722	3,017
Grant	15,142	15,932
Unknown	11,346	11,728
Total	17,792,778	10,501,896
	Option 1(b) by Employee Group	
	3.5%	7.0%
General	188,306,826	81,522,336
Police	1112,368,232	46,994,070
Fire	49,709,374	23,023,505
Total	350,384,432	151,539,911



City of Tempe

Summary of Results

	Annual Required Contribution	
	Total by Option	
	3.5%	7.0%
No Change	36,199,426	19,557,249
Option 1(a)	3,755,216	3,407,617
Option 1(b)	17,792,778	10,501,896
Option 1(c)	41,515,979	17,732,589
Option 2	35,333,523	19,048,963
Option 3	30,667,597	16,510,749
	14,415,005	12,792,568

	Projected GASB Net Present Value	
	Total by Option	
	3.5%	7.0%
No Change	699,503,095	277,067,252
Option 1(a)	81,861,664	52,310,037
Option 1(b)	350,384,432	151,539,911
Option 1(c)	627,522,925	251,726,261
Option 2	682,489,009	269,743,074
Option 3	592,793,455	233,993,226

	Option 1(c) by Fund	
	3.5%	7.0%
10000	34,153,770	14,458,945
26000	76,853	29,064
30000	404,220	188,412
31000	3,156,257	1,413,247
33000	15,929	4,137
35000	1,270,535	563,715
36000	77,747	31,575
39000	568,018	251,458
40000	1,200,056	517,837
42000	97,113	45,882
43000	218,055	92,143
44000	148,918	64,702
45000	32,632	11,800
46000	22,767	9,421
Grant	41,992	27,497
Unknown	31,116	22,755
Total	41,515,979	17,732,589

	Option 1(c) by Employee Group	
	3.5%	7.0%
General	24,902,158	10,914,634
Police	11,450,385	4,559,155
Fire	5,163,436	2,258,799
Total	41,515,979	17,732,589

	Option 1(c) by Fund	
	3.5%	7.0%
10000	518,444,112	205,845,326
26000	1,039,768	339,324
30000	6,061,742	2,705,588
31000	47,028,693	20,146,272
33000	253,119	54,347
35000	18,834,942	7,829,330
36000	36,000	14,073,265
39000	39,000	8,476,103
40000	40,000	17,969,707
42000	42,000	1,127,033
43000	43,000	2,963,780
44000	44,000	1,093,773
45000	45,000	2,137,889
46000	46,000	45,000
Grant	715,066	448,811
Unknown	529,860	189,031
Total	627,522,925	251,726,261

	Option 1(c) by Employee Group	
	3.5%	7.0%
General	362,511,575	149,101,205
Police	182,300,180	67,790,786
Fire	82,711,170	34,834,270
Total	627,522,925	251,726,261



City of Tempe

Summary of Results

	Annual Required Contribution		
	Total by Option		
	3.5%	7.0%	9.0%
No Change	36,199,426	19,557,249	17,088,187
Option 1(a)	3,755,216	3,407,617	3,362,203
Option 1(b)	17,792,778	10,501,896	9,422,339
Option 1(c)	41,515,979	17,732,589	14,334,119
Option 2	35,333,523	19,048,963	16,632,880
Option 3	30,667,597	16,510,749	14,415,005
			12,792,568

	Projected GASSB Net Present Value		
	Total by Option		
	3.5%	7.0%	9.0%
No Change	699,503,095	277,067,252	222,730,574
Option 1(a)	81,861,664	52,310,037	46,962,546
Option 1(b)	350,384,432	151,539,911	124,946,095
Option 1(c)	627,522,925	251,726,261	203,092,247
Option 2	682,489,009	269,743,074	216,700,181
Option 3	592,793,455	233,993,226	187,957,487
			153,758,760

	Option 2 by Fund		
	3.5%	7.0%	9.0%
1,0000	28,971,890	15,472,945	13,485,122
2,6000	73,691	32,003	25,948
3,0000	343,422	205,356	183,710
31000	2,684,892	1,540,139	1,362,638
33000	14,693	4,521	3,264
35000	1,103,498	613,065	535,290
36000	78,249	34,543	27,888
39000	503,219	281,514	251,139
40000	1,024,631	563,047	492,075
42000	96,788	50,009	42,300
43000	200,006	100,355	84,987
44000	135,658	69,722	59,546
45000	25,545	12,461	10,366
46000	23,624	10,449	8,386
Grant	29,025	30,078	30,366
Unknown	24,692	28,757	29,853
Total	35,333,523	19,048,963	16,632,880
			14,760,906
			14,760,906

	Option 2 by Employee Group		
	3.5%	7.0%	9.0%
General	3,5%	3.5%	3.5%
Police	21,793,694	11,893,467	10,408,379
Fire	9,427,012	4,779,405	4,107,999
Total	35,333,523	19,048,963	16,632,880
			14,760,906
			14,760,906

	Option 2 by Employee Group		
	3.5%	7.0%	9.0%
General	398,569,066	162,276,368	131,207,087
Police	195,245,582	70,880,688	55,779,345
Fire	88,674,361	36,586,019	29,713,748
Total	682,489,009	269,743,074	216,700,181
			177,277,399



City of Tempe

Summary of Results

Annual Required Contribution		
	Total by Option	9.0%
3.5%	7.0%	9.0%
No Change	36,199,426	19,557,249
Option 1(a)	3,755,216	3,407,617
Option 1(b)	17,792,778	10,501,896
Option 1(c)	41,515,979	17,732,589
Option 2	35,333,523	19,048,963
Option 3	30,667,597	16,510,749
	14,415,005	12,792,568

Projected GASB Net Present Value		
	Total by Option	9.0%
3.5%	7.0%	9.0%
No Change	699,503,095	277,067,252
Option 1(a)	81,861,664	52,310,037
Option 1(b)	350,384,432	151,539,911
Option 1(c)	627,522,925	251,726,261
Option 2	682,489,009	269,743,074
Option 3	592,793,455	233,993,226
	187,957,487	153,758,760

Option 3 by Fund		
	Total by Option	9.0%
3.5%	7.0%	9.0%
10000	25,167,232	13,431,967
26000	63,463	27,473
30000	298,633	178,102
31000	2,321,217	1,326,210
33000	12,630	3,868
35000	956,906	529,883
36000	67,613	29,734
39000	435,525	242,889
40000	885,570	483,995
42000	83,228	42,836
43000	170,546	84,733
44000	117,635	60,579
45000	22,314	10,890
46000	20,487	9,041
Grant	25,315	26,165
Unknown	19,283	22,386
Total	30,667,597	16,510,749
	14,415,005	12,792,568

Option 3 by Employee Group		
	Total by Option	9.0%
3.5%	7.0%	9.0%
General	343,964,686	139,507,759
Police	171,041,293	62,286,554
Fire	77,787,476	32,198,913
Total	592,793,455	233,993,226
	187,957,487	153,758,760

**Current Benefits
Advance Funding at 7% Discount Rate**

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	10,871	3,236	7,635	5,643,039	1,679,598	3,963,441
2006	507	12,422	3,428	8,994	6,347,666	1,751,605	4,596,060
2007	498	14,017	3,595	10,422	7,040,665	1,805,598	5,235,067
2008	488	15,583	3,726	11,857	7,682,580	1,836,887	5,845,693
2009	478	17,194	3,844	13,349	8,306,809	1,857,305	6,449,505
2010	467	18,727	3,928	14,799	8,851,257	1,856,715	6,994,542
2011	456	20,048	4,018	16,030	9,253,675	1,854,811	7,398,864
2012	444	21,216	4,079	17,136	9,545,018	1,835,256	7,709,762
2013	431	22,306	4,161	18,145	9,762,986	1,821,055	7,941,931
2014	418	23,430	4,255	19,175	9,955,596	1,808,048	8,147,549
2015	405	24,743	4,376	20,367	10,184,815	1,801,097	8,383,718
2016	391	26,392	4,505	21,888	10,500,162	1,792,144	8,708,018
2017	376	28,253	4,608	23,645	10,838,743	1,767,740	9,071,003
2018	362	30,192	4,760	25,432	11,140,598	1,756,236	9,384,363
2019	346	32,022	4,865	27,158	11,335,386	1,722,041	9,613,345
2020	331	34,141	5,021	29,120	11,561,896	1,700,315	9,861,581
2021	315	36,600	5,181	31,419	11,823,432	1,673,678	10,149,754
2022	299	39,124	5,392	33,732	12,019,905	1,656,572	10,363,332
2023	283	41,914	5,584	36,330	12,207,573	1,626,267	10,581,305
2024	267	44,908	5,774	39,134	12,358,318	1,589,010	10,769,308
2025	251	47,848	5,971	41,877	12,397,450	1,547,151	10,850,299
2026	235	50,972	6,193	44,779	12,389,545	1,505,194	10,884,350
2027	219	54,593	6,459	48,135	12,401,387	1,467,115	10,934,273
2028	204	58,440	6,762	51,679	12,357,102	1,429,784	10,927,319
2029	188	62,630	7,078	55,551	12,275,608	1,387,379	10,888,230
25-Year Totals				258,181,213	42,528,600	215,652,613	



25-Year Projection of Post-retirement Health Costs for Current Employees and Dependents

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	12,056	3,087	8,968	39,166	10,030	29,136
2006	1,467	15	12,981	3,252	9,728	138,806	34,779	104,027
2007	1,395	24	13,870	3,307	10,563	267,137	63,690	203,447
2008	1,330	34	14,691	3,345	11,346	426,272	97,066	329,206
2009	1,269	50	15,863	3,411	12,452	668,512	143,740	524,772
2010	1,209	68	17,338	3,510	13,828	1,019,204	206,350	812,854
2011	1,151	88	18,350	3,530	14,820	1,425,017	274,153	1,150,865
2012	1,094	112	19,387	3,593	15,794	1,938,282	359,175	1,579,107
2013	1,035	139	20,519	3,653	16,866	2,573,961	458,251	2,115,710
2014	978	167	21,420	3,708	17,712	3,271,838	566,349	2,705,489
2015	922	195	22,372	3,772	18,600	4,044,695	682,002	3,362,694
2016	868	224	23,705	3,879	19,826	4,965,383	812,557	4,152,826
2017	815	254	25,239	3,999	21,240	6,039,159	956,849	5,082,310
2018	762	283	26,756	4,127	22,630	7,185,531	1,108,238	6,077,293
2019	713	311	28,430	4,272	24,158	8,444,945	1,269,007	7,175,938
2020	665	338	30,254	4,417	25,837	9,817,547	1,433,344	8,384,203
2021	620	365	32,481	4,603	27,878	11,418,487	1,618,016	9,800,471
2022	574	390	34,985	4,802	30,182	13,215,150	1,814,094	11,401,057
2023	531	415	37,432	4,991	32,441	15,062,469	2,008,333	13,054,136
2024	489	439	40,109	5,206	34,903	17,118,532	2,222,108	14,896,424
2025	446	461	42,985	5,431	37,554	19,339,686	2,443,699	16,895,987
2026	406	481	45,812	5,659	40,153	21,566,744	2,664,062	18,902,682
2027	368	496	48,776	5,907	42,869	23,827,411	2,885,680	20,941,732
2028	333	509	51,877	6,163	45,714	26,080,889	3,098,495	22,982,394
2029	300	520	55,343	6,457	48,886	28,487,784	3,323,637	25,164,147
25-Year Totals						228,382,607	30,553,703	197,828,904

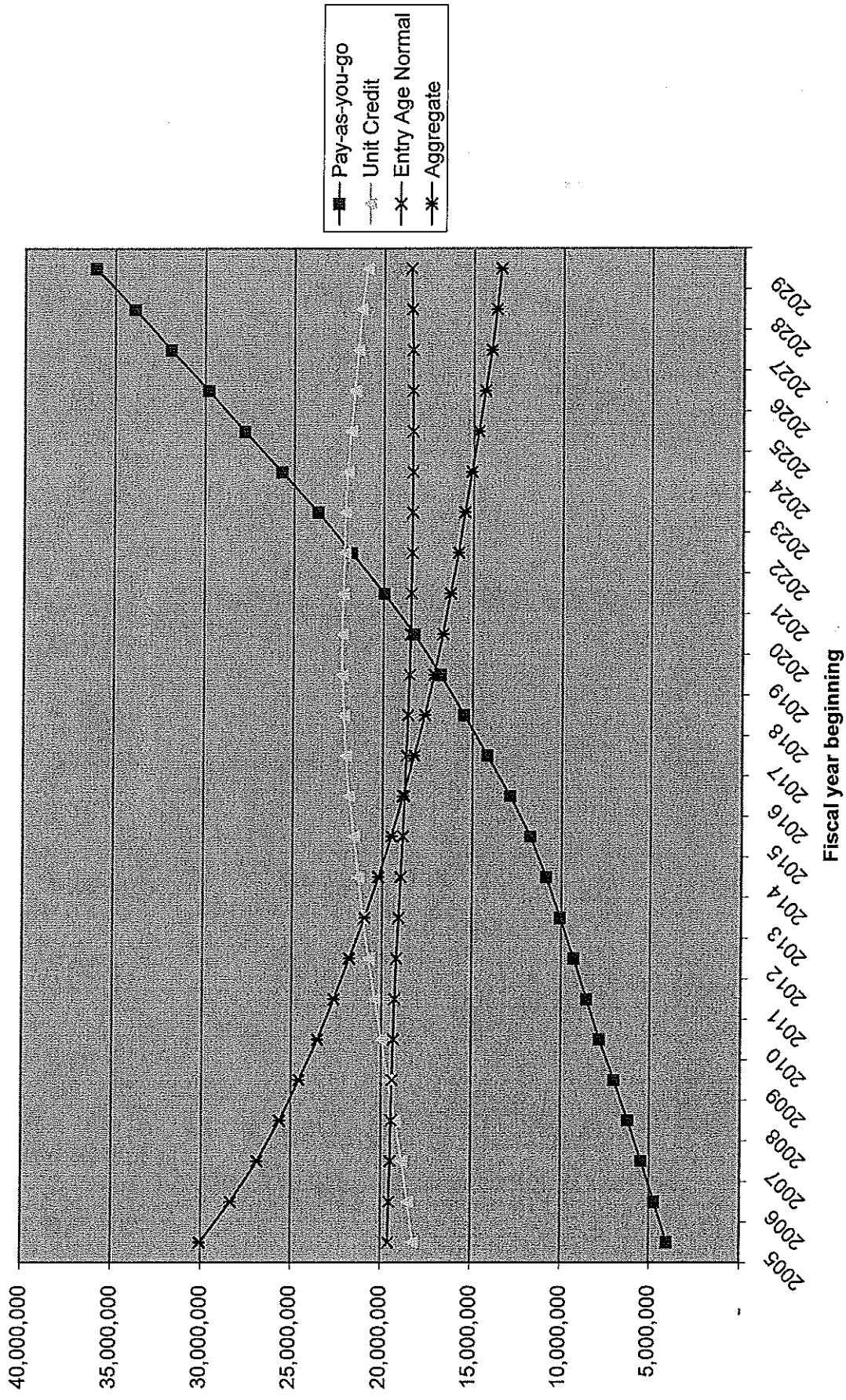
25-Year Projection of GASB Costs for Retirees, Employees and Dependents

7.00% Discount Rate

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected GASB Net Present Value	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,682,205	1,689,628	3,992,577	277,067,252	18,173,314	19,557,249	30,050,616
2006	1,467	522	6,486,472	1,786,385	4,700,087	292,332,006	18,484,545	19,515,069	28,339,957
2007	1,395	521	7,307,802	1,869,288	5,438,515	307,933,438	18,825,978	19,461,978	26,870,822
2008	1,330	523	8,108,852	1,933,953	6,174,899	323,863,136	19,202,633	19,425,944	25,625,718
2009	1,269	528	8,975,322	2,001,045	6,974,277	340,146,190	19,596,371	19,383,578	24,538,090
2010	1,209	535	9,870,461	2,063,066	7,807,396	356,742,175	19,983,782	19,323,497	23,527,799
2011	1,151	544	10,678,692	2,128,964	8,549,729	373,638,094	20,360,469	19,251,154	22,615,319
2012	1,094	556	11,483,301	2,194,431	9,288,869	390,948,853	20,715,861	19,170,728	21,785,259
2013	1,035	570	12,336,948	2,279,306	10,057,641	408,706,792	21,039,063	19,058,356	20,962,242
2014	978	585	13,227,434	2,374,397	10,853,037	426,912,562	21,314,774	18,961,682	20,204,618
2015	922	600	14,229,510	2,483,098	11,746,412	445,569,973	21,576,533	18,850,655	19,487,726
2016	868	615	15,465,544	2,604,700	12,860,844	464,609,288	21,846,843	18,762,074	18,851,299
2017	815	631	16,877,902	2,724,589	14,153,313	483,828,578	22,009,170	18,667,225	18,228,249
2018	762	644	18,326,129	2,864,474	15,461,655	503,056,277	22,136,606	18,581,503	17,642,584
2019	713	658	19,780,331	2,991,048	16,789,283	522,276,556	22,236,951	18,518,945	17,132,318
2020	665	669	21,379,443	3,133,659	18,245,784	541,468,945	22,256,804	18,465,221	16,658,542
2021	620	681	23,241,919	3,291,694	19,950,225	560,498,185	22,208,751	18,430,922	16,253,244
2022	574	689	25,235,055	3,470,666	21,764,389	579,096,385	22,146,770	18,400,948	15,827,001
2023	531	698	27,270,042	3,634,600	23,635,441	597,119,873	22,117,384	18,385,564	15,468,581
2024	489	706	29,476,850	3,811,118	25,665,732	614,469,574	22,006,929	18,377,838	15,101,510
2025	446	712	31,737,135	3,990,849	27,746,286	630,933,604	21,824,251	18,371,102	14,704,214
2026	406	716	33,956,289	4,169,256	29,787,033	646,397,975	21,604,599	18,376,974	14,339,387
2027	368	716	36,228,799	4,352,794	31,876,004	660,833,888	21,418,629	18,393,464	13,978,928
2028	333	713	38,437,991	4,528,279	33,909,713	674,119,465	21,247,177	18,425,004	13,695,315
2029	300	709	40,763,392	4,711,016	36,052,377	686,231,348	20,910,341	18,469,610	13,447,088
25-Year Totals			486,563,821	73,082,303	413,481,517		525,244,528	470,586,286	485,336,424

* Advance Funding Equal to OPEB Cost Assumed

**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires**



City of Tempe

**Current Benefits
No Advance Funding at 3.5% Discount Rate**

25-Year Projection of Post-retirement Health Costs for Current Retirees and Dependents

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	10,871	3,236	7,635	5,643,039	1,679,598	3,963,441
2006	507	12,422	3,428	8,994	6,347,666	1,751,605	4,596,060
2007	498	14,017	3,595	10,422	7,040,665	1,805,598	5,235,067
2008	488	15,583	3,726	11,857	7,682,580	1,836,887	5,845,693
2009	478	17,194	3,844	13,349	8,306,809	1,857,305	6,449,505
2010	467	18,727	3,928	14,799	8,851,257	1,856,715	6,994,542
2011	456	20,048	4,018	16,030	9,253,675	1,854,811	7,398,864
2012	444	21,216	4,079	17,136	9,545,018	1,835,256	7,709,762
2013	431	22,306	4,161	18,145	9,762,986	1,821,055	7,941,931
2014	418	23,430	4,255	19,175	9,955,596	1,808,048	8,147,549
2015	405	24,743	4,376	20,367	10,184,815	1,801,097	8,383,718
2016	391	26,392	4,505	21,888	10,500,162	1,792,144	8,708,018
2017	376	28,253	4,608	23,645	10,838,743	1,767,740	9,071,003
2018	362	30,192	4,760	25,432	11,140,598	1,756,236	9,384,363
2019	346	32,022	4,865	27,158	11,335,386	1,722,041	9,613,345
2020	331	34,141	5,021	29,120	11,561,896	1,700,315	9,861,581
2021	315	36,600	5,181	31,419	11,823,432	1,673,678	10,149,754
2022	299	39,124	5,392	33,732	12,019,905	1,656,572	10,363,332
2023	283	41,914	5,584	36,330	12,207,573	1,626,267	10,581,305
2024	267	44,908	5,774	39,134	12,358,318	1,589,010	10,769,308
2025	251	47,848	5,971	41,877	12,397,450	1,547,151	10,850,299
2026	235	50,972	6,193	44,779	12,389,545	1,505,194	10,884,350
2027	219	54,593	6,459	48,135	12,401,387	1,467,115	10,934,273
2028	204	58,440	6,762	51,679	12,357,102	1,429,784	10,927,319
2029	188	62,630	7,078	55,551	12,275,608	1,387,379	10,888,230
25-Year Totals				258,181,213	42,528,600	215,652,613	

**25-Year Projection of Post-retirement Health Costs
for Current Employees and Dependents**

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	12,056	3,087	8,968	39,166	10,030	29,136
2006	1,467	15	12,981	3,252	9,728	138,806	34,779	104,027
2007	1,395	24	13,870	3,307	10,563	267,137	63,690	203,447
2008	1,330	34	14,691	3,345	11,346	426,272	97,066	329,206
2009	1,269	50	15,863	3,411	12,452	668,512	143,740	524,772
2010	1,209	68	17,338	3,510	13,828	1,019,204	206,350	812,854
2011	1,151	88	18,350	3,530	14,820	1,425,017	274,153	1,150,865
2012	1,094	112	19,387	3,593	15,794	1,938,282	359,175	1,579,107
2013	1,035	139	20,519	3,653	16,866	2,573,961	458,251	2,115,710
2014	978	167	21,420	3,708	17,712	3,271,838	566,349	2,705,489
2015	922	195	22,372	3,772	18,600	4,044,695	682,002	3,362,694
2016	868	224	23,705	3,879	19,826	4,965,383	812,557	4,152,826
2017	815	254	25,239	3,999	21,240	6,039,159	956,849	5,082,310
2018	762	283	26,756	4,127	22,630	7,185,531	1,108,238	6,077,293
2019	713	311	28,430	4,272	24,158	8,444,945	1,269,007	7,175,938
2020	665	338	30,254	4,417	25,837	9,817,547	1,433,344	8,384,203
2021	620	365	32,481	4,603	27,878	11,418,487	1,618,016	9,800,471
2022	574	390	34,985	4,802	30,182	13,215,150	1,814,094	11,401,057
2023	531	415	37,432	4,991	32,441	15,062,469	2,008,333	13,054,136
2024	489	439	40,109	5,206	34,903	17,118,532	2,222,108	14,896,424
2025	446	461	42,985	5,431	37,554	19,339,686	2,443,699	16,895,987
2026	406	481	45,812	5,659	40,153	21,566,744	2,664,062	18,902,682
2027	368	496	48,776	5,907	42,869	23,827,411	2,885,680	20,941,732
2028	333	509	51,877	6,163	45,714	26,080,889	3,098,495	22,982,394
2029	300	520	55,343	6,457	48,886	28,487,784	3,323,637	25,164,147
25-Year Totals					228,382,607	30,553,703	197,828,904	

25-Year Projection of GASB Costs for Retirees, Employees and Dependents

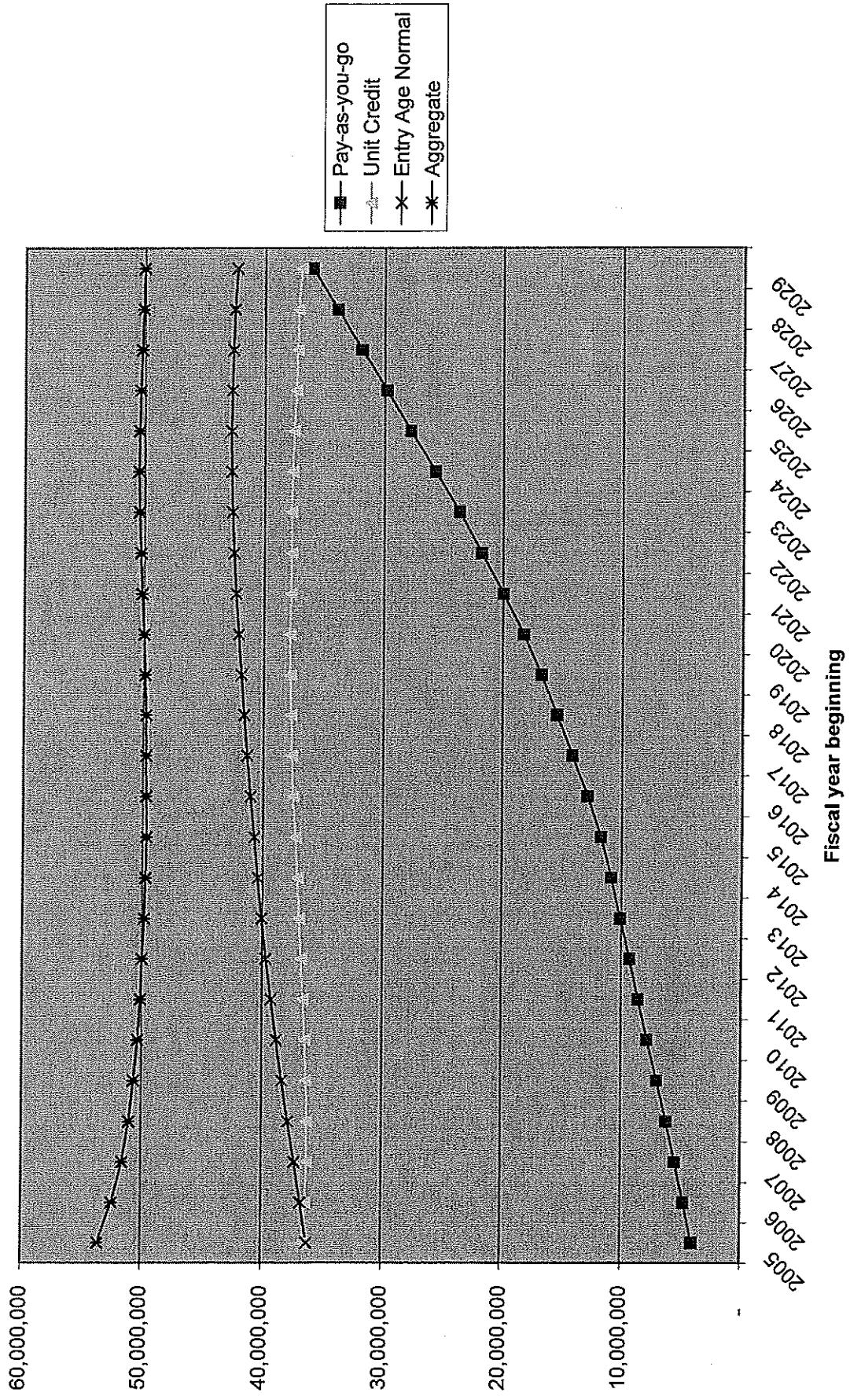
3.50% Discount Rate

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Sponsor Cost	Projected Net Present Value	Projected GASB Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,682,205	1,689,628	3,992,577	699,503,095	36,562,749	36,199,426	53,563,952
2006	1,467	522	6,486,472	1,786,385	4,700,087	719,923,858	36,320,699	36,727,559	52,406,233
2007	1,395	521	7,307,802	1,869,288	5,438,515	740,339,561	36,203,250	37,242,465	51,550,659
2008	1,330	523	8,108,852	1,933,953	6,174,899	760,718,576	36,205,057	37,785,219	50,987,322
2009	1,269	528	8,975,322	2,001,045	6,974,277	781,061,695	36,291,417	38,315,852	50,617,299
2010	1,209	535	9,870,461	2,063,066	7,807,396	801,303,578	36,422,122	38,803,409	50,309,411
2011	1,151	544	10,678,692	2,128,964	8,549,729	821,406,353	36,586,196	39,258,457	50,105,879
2012	1,094	556	11,483,301	2,194,431	9,288,869	841,457,513	36,765,358	39,687,641	49,990,418
2013	1,035	570	12,336,948	2,279,306	10,057,641	861,458,499	36,943,695	40,048,896	49,836,825
2014	978	585	13,227,434	2,374,397	10,853,037	881,377,411	37,094,707	40,409,730	49,749,237
2015	922	600	14,229,510	2,483,098	11,746,412	901,184,288	37,268,855	40,726,808	49,688,470
2016	868	615	15,465,544	2,604,700	12,860,844	920,775,532	37,493,075	41,063,429	49,723,715
2017	815	631	16,877,902	2,724,589	14,153,313	939,918,703	37,601,586	41,353,178	49,735,239
2018	762	644	18,326,129	2,864,474	15,461,655	958,416,991	37,695,521	41,616,477	49,759,929
2019	713	658	19,780,331	2,991,048	16,789,283	976,231,678	37,784,880	41,882,961	49,864,170
2020	665	669	21,379,443	3,133,659	18,245,784	993,319,218	37,798,110	42,125,316	49,983,427
2021	620	681	23,241,919	3,291,694	19,950,225	1,009,523,052	37,746,953	42,359,416	50,168,072
2022	574	689	25,235,055	3,470,666	21,764,389	1,024,560,008	37,706,973	42,537,441	50,260,904
2023	531	698	27,270,042	3,634,600	23,635,441	1,038,277,617	37,738,054	42,683,184	50,404,740
2024	489	706	29,476,850	3,811,118	25,665,732	1,050,571,830	37,678,896	42,775,062	50,471,894
2025	446	712	31,737,135	3,990,849	27,746,286	1,061,230,824	37,543,019	42,789,036	50,421,323
2026	406	716	33,956,289	4,169,256	29,787,033	1,070,146,233	37,378,529	42,752,513	50,351,493
2027	368	716	36,228,799	4,352,794	31,876,004	1,077,297,529	37,280,421	42,659,182	50,218,169
2028	333	713	38,437,991	4,528,279	33,909,713	1,082,573,905	37,214,055	42,520,478	50,132,415
2029	300	709	40,763,392	4,711,016	36,052,377	1,085,965,963	36,927,944	42,330,008	50,029,385
25-Year Totals			486,563,821	73,082,303	413,481,517		928,252,123	1,016,653,144	1,260,330,580

* No Advance Funding Assumed



**Comparison of GASB OPEB Expenses
With Pay As You Go Funding
No New Hires**



Option 1(a)
Terminate Benefits at Age 65
Advance Funding at 7% Discount Rate

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Terminate Benefits at Age 65

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	291	11,285	3,484	7,801	4,591,180	1,417,329	3,173,852
2006	275	14,326	4,176	10,150	4,048,438	1,180,044	2,868,394
2007	256	16,346	4,423	11,923	4,332,001	1,172,253	3,159,748
2008	237	18,377	4,642	13,736	4,523,582	1,142,595	3,380,986
2009	216	20,570	4,861	15,709	4,658,299	1,100,820	3,557,479
2010	188	22,982	5,073	17,910	4,645,376	1,025,301	3,620,075
2011	166	25,332	5,358	19,974	4,485,633	948,809	3,536,824
2012	142	27,116	5,532	21,584	4,181,283	852,994	3,328,288
2013	122	28,802	5,791	23,011	3,801,994	764,398	3,037,595
2014	98	31,048	6,203	24,845	3,415,647	682,400	2,733,247
2015	86	33,694	6,736	26,959	3,098,782	619,453	2,479,329
2016	72	36,956	7,257	29,699	2,910,866	571,583	2,339,283
2017	65	40,431	7,591	32,840	2,767,944	519,700	2,248,244
2018	55	44,291	8,125	36,165	2,661,675	488,305	2,173,370
2019	42	48,179	8,474	39,704	2,339,378	411,482	1,927,897
2020	36	51,872	9,092	42,780	2,021,739	354,373	1,667,366
2021	28	56,527	9,575	46,952	1,822,702	308,739	1,513,963
2022	24	62,667	10,813	51,854	1,630,401	281,318	1,349,083
2023	19	69,337	11,755	57,581	1,471,740	249,520	1,222,220
2024	15	75,756	12,544	63,212	1,282,555	212,373	1,070,182
2025	10	81,532	13,288	68,243	1,032,234	168,235	863,999
2026	7	88,423	14,346	74,077	786,435	127,591	658,844
2027	5	96,733	16,016	80,717	588,664	97,466	491,197
2028	4	106,694	19,076	87,618	449,645	80,393	369,251
2029	4	118,659	19,571	99,088	441,970	72,895	369,075
25-Year Totals				67,990,163	14,850,371	53,139,793	

**25-Year Projection of Post-retirement Health Costs
for Current Employees and Dependents**

Terminate Benefits at Age 65

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	5	12,860	3,419	9,440	29,415	7,821	21,594
2006	1,457	10	14,061	3,590	10,471	105,973	27,055	78,919
2007	1,384	15	15,623	3,692	11,930	200,957	47,494	153,463
2008	1,315	19	17,369	3,849	13,521	300,806	66,652	234,154
2009	1,248	26	19,260	4,017	15,243	440,076	91,784	348,292
2010	1,185	34	21,307	4,186	17,121	646,838	127,079	519,759
2011	1,125	37	23,050	4,253	18,797	823,799	151,993	671,806
2012	1,060	45	25,043	4,454	20,588	1,031,137	183,402	847,735
2013	1,002	50	26,966	4,548	22,418	1,288,659	217,321	1,071,338
2014	939	52	28,687	4,691	23,995	1,467,752	240,026	1,227,726
2015	879	52	30,497	4,870	25,627	1,590,132	253,915	1,336,217
2016	818	57	32,728	5,109	27,619	1,787,760	279,065	1,508,695
2017	765	60	35,222	5,291	29,931	2,053,000	308,407	1,744,593
2018	713	61	37,859	5,498	32,360	2,290,994	332,737	1,958,257
2019	661	63	40,592	5,747	34,845	2,522,967	357,200	2,165,768
2020	613	61	43,320	5,978	37,342	2,676,130	369,293	2,306,836
2021	567	67	46,790	6,313	40,477	2,996,982	404,351	2,592,632
2022	527	70	50,598	6,541	44,057	3,475,136	449,222	3,025,914
2023	485	67	54,213	6,775	47,439	3,711,092	463,753	3,247,339
2024	440	69	58,272	7,144	51,128	3,956,760	485,070	3,471,690
2025	397	67	62,735	7,436	55,299	4,247,319	503,466	3,743,853
2026	354	62	67,077	7,758	59,319	4,310,044	498,500	3,811,544
2027	315	58	71,520	8,156	63,365	4,276,772	487,690	3,789,082
2028	280	49	76,010	8,523	67,487	4,064,148	455,718	3,608,430
2029	249	47	81,305	9,091	72,214	3,920,091	438,326	3,481,765
25-Year Totals						54,214,741	7,247,340	46,967,400

25-Year Projection of GASB Costs for Retirees, Employees and Dependents

*Terminate Benefits at Age 65
7.00% Discount Rate*

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected GASB Net Present Value	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost**
2005	1,545	295	4,620,596	1,425,150	3,195,446	52,310,037	3,260,436	3,407,617	5,945,964
2006	1,457	285	4,154,411	1,207,099	2,947,312	52,666,344	3,305,565	3,415,326	5,566,125
2007	1,384	271	4,532,958	1,219,747	3,313,211	53,304,265	3,352,583	3,423,685	5,270,432
2008	1,315	256	4,824,388	1,209,248	3,615,140	53,608,352	3,401,817	3,433,078	5,007,117
2009	1,248	242	5,098,375	1,192,604	3,905,771	53,621,406	3,453,087	3,443,646	4,768,026
2010	1,185	223	5,292,214	1,152,380	4,139,833	53,334,744	3,504,409	3,454,003	4,561,438
2011	1,125	203	5,309,432	1,100,802	4,208,631	52,785,899	3,551,181	3,463,914	4,373,062
2012	1,060	188	5,212,420	1,036,396	4,176,023	52,127,471	3,597,973	3,473,677	4,177,130
2013	1,002	172	5,090,653	981,720	4,108,933	51,456,682	3,640,039	3,483,628	4,019,418
2014	939	150	4,883,400	922,426	3,960,973	50,808,336	3,678,398	3,493,132	3,843,497
2015	879	138	4,688,914	873,368	3,815,547	50,267,657	3,713,614	3,502,901	3,685,239
2016	818	129	4,698,626	850,648	3,847,978	49,839,561	3,751,371	3,514,251	3,528,163
2017	765	125	4,820,944	828,107	3,992,837	49,347,951	3,786,771	3,526,736	3,407,678
2018	713	117	4,952,670	821,043	4,131,627	48,672,084	3,818,066	3,539,890	3,289,849
2019	661	105	4,862,346	768,681	4,093,664	47,805,342	3,846,897	3,553,958	3,175,777
2020	613	97	4,697,869	723,667	3,974,202	46,917,197	3,873,597	3,569,510	3,078,282
2021	567	96	4,819,684	713,090	4,106,595	46,090,454	3,902,478	3,586,458	2,990,270
2022	527	94	5,105,537	730,540	4,374,997	45,068,891	3,923,286	3,603,810	2,931,548
2023	485	86	5,182,832	713,273	4,469,559	43,698,181	3,931,565	3,621,142	2,864,768
2024	440	84	5,239,315	697,443	4,541,872	42,133,706	3,936,554	3,638,594	2,768,411
2025	397	77	5,279,553	671,701	4,607,852	40,384,916	3,931,316	3,656,304	2,680,960
2026	354	69	5,096,479	626,091	4,470,388	38,445,461	3,918,204	3,675,046	2,577,777
2027	315	62	4,865,436	585,156	4,280,279	36,512,438	3,903,780	3,695,242	2,479,755
2028	280	53	4,513,793	536,111	3,977,682	34,640,754	3,886,734	3,717,313	2,407,048
2029	249	51	4,362,061	511,221	3,850,840	32,951,060	3,877,433	3,741,179	2,340,258
25-Year Totals			122,204,904	22,097,711	100,107,193		92,747,157	88,634,089	91,737,992

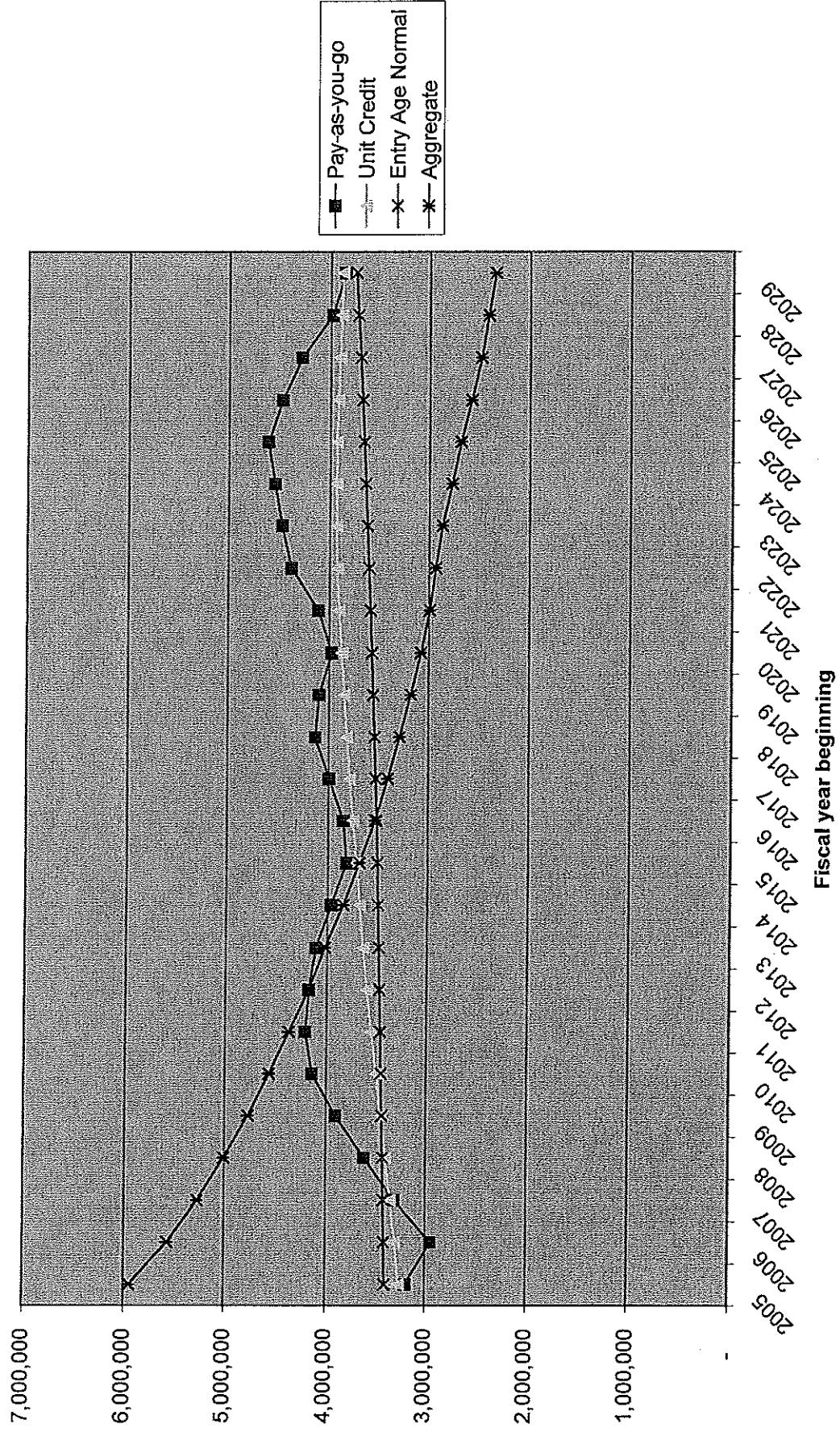
* Advance Funding Equal to OPEB Cost Assumed

45 Study 2006(Final Projections)\City of Tempe Scenarios\GASB Model2 - Tempe - Drop at 65 at 7.0.xls\Exhibit IIIA

Lewis & Ellis, Inc. • Actuaries & Consultants



**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires
Terminate Benefits at Age 65**



Option 1(b)
Eliminate Prescription Drug Coverage at Age 65
Advance Funding at 7% Discount Rate

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Eliminate Rx Drug Coverage at Age 65

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	9,623	3,236	6,388	4,995,379	1,679,598	3,315,781
2006	507	10,837	3,428	7,409	5,537,714	1,751,605	3,786,108
2007	498	12,068	3,595	8,473	6,061,770	1,805,598	4,256,172
2008	488	13,183	3,726	9,457	6,499,459	1,836,887	4,662,572
2009	478	14,289	3,844	10,445	6,903,506	1,857,305	5,046,201
2010	467	15,235	3,928	11,307	7,200,815	1,856,715	5,344,100
2011	456	15,853	4,018	11,834	7,317,227	1,854,811	5,462,416
2012	444	16,255	4,079	12,176	7,313,401	1,835,256	5,478,144
2013	431	16,489	4,161	12,329	7,217,043	1,821,055	5,395,988
2014	418	16,646	4,255	12,391	7,072,958	1,808,048	5,264,910
2015	405	16,957	4,376	12,582	6,980,003	1,801,097	5,178,906
2016	391	17,631	4,505	13,126	7,014,551	1,792,144	5,222,407
2017	376	18,501	4,608	13,893	7,097,558	1,767,740	5,329,818
2018	362	19,341	4,760	14,581	7,136,648	1,756,236	5,380,412
2019	346	19,863	4,865	14,998	7,031,253	1,722,041	5,309,212
2020	331	20,649	5,021	15,628	6,992,685	1,700,315	5,292,370
2021	315	21,773	5,181	16,592	7,033,619	1,673,678	5,359,942
2022	299	22,795	5,392	17,403	7,003,141	1,656,572	5,346,568
2023	283	23,994	5,584	18,411	6,988,485	1,626,267	5,362,217
2024	267	25,283	5,774	19,509	6,957,598	1,589,010	5,368,588
2025	251	26,253	5,971	20,282	6,802,181	1,547,151	5,255,030
2026	235	27,243	6,193	21,050	6,621,828	1,505,194	5,116,634
2027	219	28,663	6,459	22,204	6,510,990	1,467,115	5,043,875
2028	204	30,126	6,762	23,365	6,370,179	1,429,784	4,940,395
2029	188	31,800	7,078	24,722	6,232,973	1,387,379	4,845,594
25-Year Totals					168,892,962	42,528,600	126,364,362

**25-Year Projection of Post-retirement Health Costs
for Current Employees and Dependents**

Eliminate Rx Drug Coverage at Age 65

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	11,442	3,087	8,354	37,170	10,030	27,140
2006	1,467	15	12,215	3,252	8,962	130,614	34,779	95,835
2007	1,395	24	12,768	3,307	9,461	245,913	63,690	182,223
2008	1,330	34	13,079	3,345	9,734	379,502	97,066	282,436
2009	1,269	50	13,793	3,411	10,382	581,275	143,740	437,534
2010	1,209	68	14,923	3,510	11,413	877,228	206,350	670,877
2011	1,151	88	15,366	3,530	11,835	1,193,250	274,153	919,097
2012	1,094	112	15,821	3,593	12,228	1,581,756	359,175	1,222,581
2013	1,035	139	16,374	3,653	12,720	2,053,970	458,251	1,595,719
2014	978	167	16,512	3,708	12,805	2,522,204	566,349	1,955,854
2015	922	195	16,631	3,772	12,859	3,006,745	682,002	2,324,744
2016	868	224	17,191	3,879	13,312	3,600,960	812,557	2,788,403
2017	815	254	17,934	3,999	13,935	4,291,303	956,849	3,334,454
2018	762	283	18,544	4,127	14,417	4,979,958	1,108,238	3,871,720
2019	713	311	19,256	4,272	14,984	5,719,784	1,269,007	4,450,778
2020	665	338	20,049	4,417	15,632	6,506,160	1,433,344	5,072,816
2021	620	365	21,293	4,603	16,691	7,485,548	1,618,016	5,867,531
2022	574	390	22,792	4,802	17,990	8,609,631	1,814,094	6,795,537
2023	531	415	24,036	4,991	19,045	9,672,009	2,008,333	7,663,676
2024	489	439	25,445	5,206	20,239	10,859,920	2,222,108	8,637,812
2025	446	461	26,951	5,431	21,520	12,125,889	2,443,699	9,682,191
2026	406	481	28,162	5,659	22,503	13,257,886	2,664,062	10,593,824
2027	368	496	29,333	5,907	23,425	14,329,019	2,885,680	11,443,339
2028	333	509	30,432	6,163	24,269	15,299,537	3,098,495	12,201,042
2029	300	520	31,789	6,457	25,332	16,363,297	3,323,637	13,039,660
25-Year Totals						145,710,527	30,553,703	115,156,824

City of Tempe

Exhibit III

**25-Year Projection of GASB Costs
for Retirees, Employees and Dependents**

*Eliminate Rx Drug Coverage at Age 65
7.00% Discount Rate*

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected GASB Net Present Value	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,032,550	1,689,628	3,342,921	151,539,911	9,797,063	10,501,896	16,435,965
2006	1,467	522	5,668,328	1,786,385	3,881,943	158,689,760	9,957,791	10,489,674	15,500,406
2007	1,395	521	6,307,683	1,869,288	4,438,395	165,782,530	10,133,272	10,473,995	14,696,950
2008	1,330	523	6,878,961	1,933,953	4,945,009	172,796,195	10,324,702	10,465,419	14,016,032
2009	1,269	528	7,484,780	2,001,045	5,483,735	179,776,772	10,525,142	10,455,133	13,421,248
2010	1,209	535	8,078,043	2,063,066	6,014,977	186,688,726	10,723,394	10,437,379	12,868,763
2011	1,151	544	8,510,477	2,128,964	6,381,513	193,534,996	10,916,236	10,413,992	12,369,778
2012	1,094	556	8,895,156	2,194,431	6,700,725	200,481,358	11,097,522	10,387,061	11,915,865
2013	1,035	570	9,271,013	2,279,306	6,991,707	207,583,769	11,263,908	10,345,282	11,465,795
2014	978	585	9,595,162	2,374,397	7,220,765	214,882,356	11,409,580	10,311,597	11,051,482
2015	922	600	9,986,748	2,483,098	7,503,650	222,454,904	11,547,072	10,272,324	10,659,432
2016	868	615	10,615,511	2,604,700	8,010,811	230,264,911	11,686,629	10,243,164	10,311,380
2017	815	631	11,388,860	2,724,589	8,664,272	238,097,008	11,780,110	10,212,010	9,970,638
2018	762	644	12,116,606	2,864,474	9,252,132	245,801,406	11,858,674	10,185,714	9,650,338
2019	713	658	12,751,037	2,991,048	9,759,990	253,437,025	11,923,634	10,169,366	9,371,272
2020	665	669	13,498,845	3,133,659	10,365,186	261,081,805	11,955,701	10,157,566	9,112,153
2021	620	681	14,519,167	3,291,694	11,227,473	268,635,699	11,958,334	10,154,410	8,890,478
2022	574	689	15,612,771	3,470,666	12,142,105	275,826,409	11,950,551	10,153,155	8,657,342
2023	531	698	16,660,494	3,634,600	13,025,894	282,574,367	11,949,827	10,158,312	8,461,301
2024	489	706	17,817,518	3,811,118	14,006,400	288,880,483	11,910,545	10,166,603	8,260,519
2025	446	712	18,928,071	3,990,849	14,937,221	294,613,784	11,835,210	10,175,650	8,043,196
2026	406	716	19,879,714	4,169,256	15,710,457	299,785,568	11,738,826	10,190,874	7,843,622
2027	368	716	20,840,009	4,352,794	16,487,214	304,519,534	11,653,034	10,211,389	7,646,418
2028	333	713	21,669,716	4,528,279	17,141,437	308,781,394	11,571,247	10,239,445	7,491,228
2029	300	709	22,596,270	4,711,016	17,885,255	312,664,851	11,419,824	10,274,149	7,355,368
25-Year Totals			314,603,489	73,082,303	241,521,186		282,887,828	257,245,561	265,466,968

* Advance Funding Equal to OPEB Cost Assumed

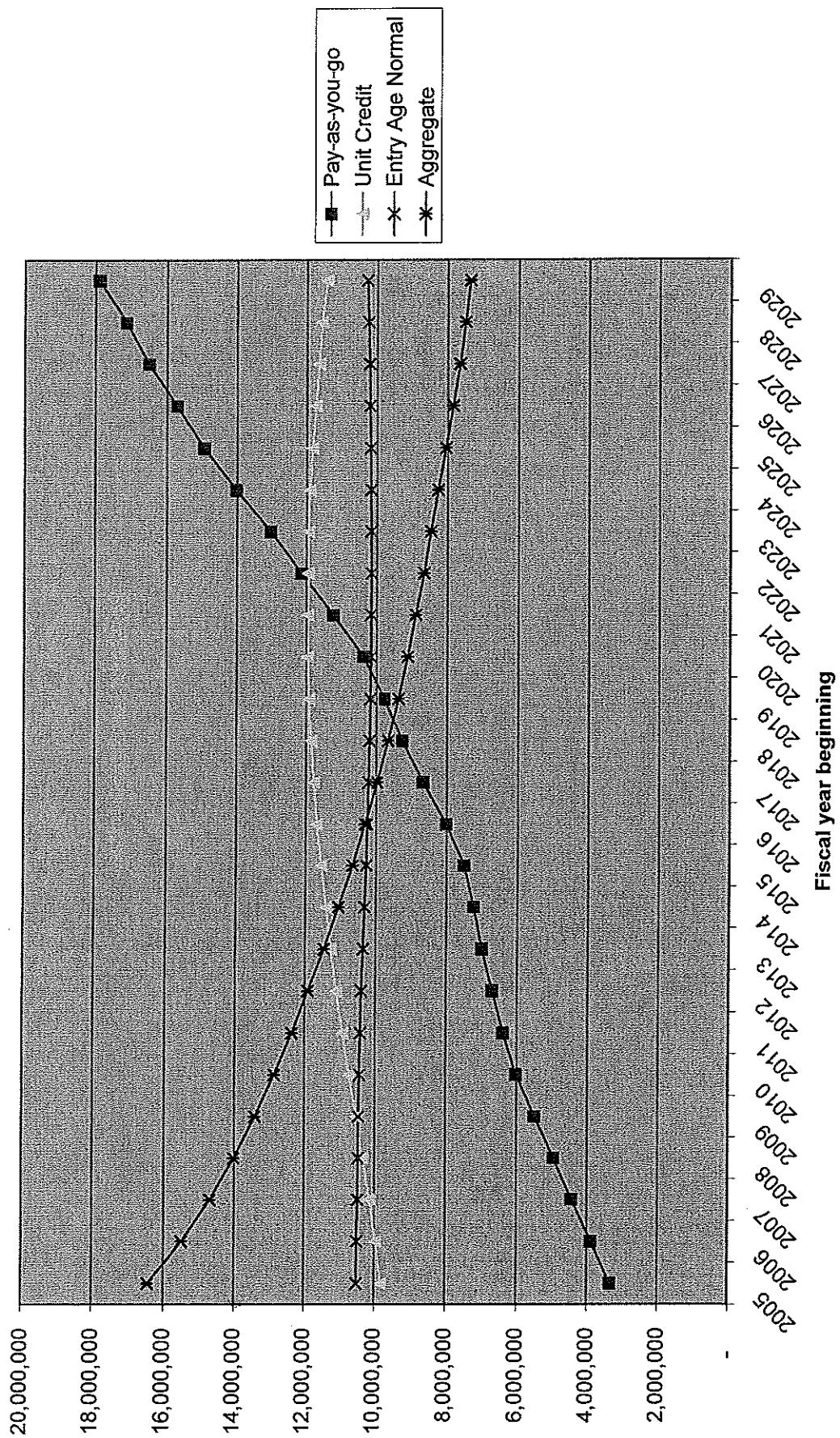
45 Study 2006\Final Projections\City of Tempe Scenarios\GASB Model2 - Tempe - Remove Rx at 65 at 7.0.xls\Exhibit A

Lewis & Ellis, Inc. • Actuaries & Consultants



**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires**

Eliminate Prescription Drug Coverage at Age 65



Option 1(c)
Move to PPO Catastrophic Plan at Age 65
Advance Funding at 7% Discount Rate

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Move to PPO Catastrophic Plan at Age 65

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	10,247	2,907	7,340	5,319,154	1,509,141	3,810,013
2006	507	11,652	2,995	8,657	5,954,253	1,530,443	4,423,810
2007	498	13,091	3,062	10,029	6,575,567	1,538,029	5,037,538
2008	488	14,470	3,093	11,378	7,134,112	1,524,756	5,609,356
2009	478	15,874	3,103	12,771	7,669,339	1,499,254	6,170,085
2010	467	17,172	3,055	14,116	8,116,155	1,444,069	6,672,086
2011	456	18,224	3,013	15,210	8,411,526	1,390,926	7,020,600
2012	444	19,106	2,913	16,192	8,595,838	1,310,782	7,285,056
2013	431	19,882	2,836	17,046	8,702,059	1,241,380	7,460,679
2014	418	20,653	2,758	17,895	8,775,754	1,171,768	7,603,986
2015	405	21,597	2,716	18,880	8,889,695	1,118,082	7,771,614
2016	391	22,877	2,686	20,191	9,101,819	1,068,790	8,033,029
2017	376	24,358	2,636	21,722	9,344,354	1,011,105	8,333,249
2018	362	25,880	2,623	23,257	9,549,638	967,887	8,581,751
2019	346	27,225	2,486	24,739	9,637,052	879,989	8,757,063
2020	331	28,841	2,420	26,421	9,767,170	819,630	8,947,540
2021	315	30,800	2,348	28,453	9,950,016	758,455	9,191,561
2022	299	32,767	2,336	30,431	10,066,923	717,673	9,349,251
2023	283	34,965	2,290	32,674	10,183,638	667,074	9,516,564
2024	267	37,323	2,220	35,103	10,270,833	610,960	9,659,873
2025	251	39,535	2,108	37,427	10,243,567	546,077	9,697,490
2026	235	41,874	2,012	39,862	10,178,207	489,015	9,689,192
2027	219	44,673	1,927	42,746	10,147,928	437,695	9,710,233
2028	204	47,634	1,902	45,732	10,072,017	402,155	9,669,862
2029	188	50,886	1,895	48,991	9,973,784	371,381	9,602,403
25-Year Totals				222,630,397	25,026,516	197,603,881	

**25-Year Projection of Post-retirement Health Costs
for Current Employees and Dependents**

Move to PPO Catastrophic Plan at Age 65

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	11,649	2,861	8,788	37,845	9,295	28,549
2006	1,467	15	12,508	2,966	9,542	133,751	31,716	102,035
2007	1,395	24	13,270	2,955	10,315	255,589	56,914	198,675
2008	1,330	34	13,908	2,886	11,022	403,547	83,729	319,817
2009	1,269	50	14,908	2,848	12,060	628,252	120,010	508,242
2010	1,209	68	16,243	2,870	13,374	954,849	168,681	786,168
2011	1,151	88	17,049	2,737	14,312	1,323,994	212,577	1,111,417
2012	1,094	112	17,875	2,694	15,181	1,787,135	269,388	1,517,748
2013	1,035	139	18,795	2,630	16,165	2,357,722	329,958	2,027,765
2014	978	167	19,427	2,534	16,893	2,967,423	387,101	2,580,322
2015	922	195	20,085	2,438	17,648	3,631,300	440,734	3,190,566
2016	868	224	21,138	2,411	18,727	4,427,801	505,069	3,922,732
2017	815	254	22,383	2,391	19,992	5,355,836	572,066	4,783,769
2018	762	283	23,572	2,367	21,205	6,330,495	635,765	5,694,730
2019	713	311	24,898	2,355	22,543	7,395,675	699,580	6,696,095
2020	665	338	26,347	2,316	24,032	8,549,929	751,410	7,798,518
2021	620	365	28,209	2,348	25,861	9,916,890	825,440	9,091,450
2022	574	390	30,336	2,382	27,954	11,459,264	899,715	10,559,549
2023	531	415	32,341	2,355	29,986	13,014,002	947,566	12,066,436
2024	489	439	34,551	2,361	32,190	14,746,234	1,007,692	13,738,542
2025	446	461	36,922	2,352	34,570	16,611,765	1,058,238	15,553,527
2026	406	481	39,162	2,311	36,852	18,436,490	1,087,789	17,348,702
2027	368	496	41,479	2,273	39,207	20,262,764	1,110,134	19,152,630
2028	333	509	43,861	2,199	41,661	22,050,823	1,105,667	20,945,156
2029	300	520	46,566	2,172	44,394	23,969,638	1,117,944	22,851,694
25-Year Totals						197,009,014	14,434,177	182,574,836



25-Year Projection of GASB Costs for Retirees, Employees and Dependents

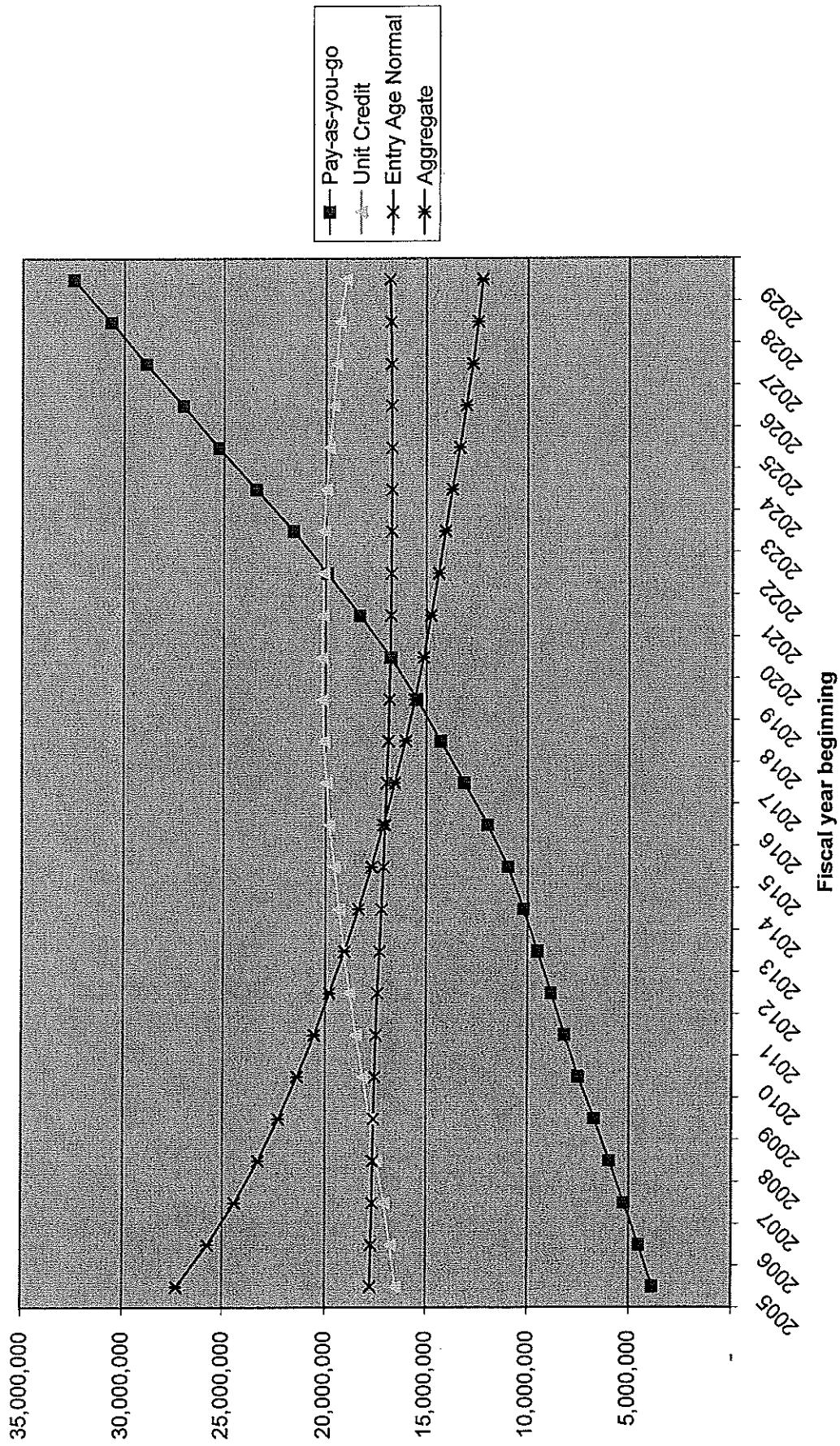
*Move to PPO Catastrophic Plan at Age 65
7.00% Discount Rate*

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected Net Present Value	Projected GASB Credit OPEB Cost*	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,356,999	1,518,437	3,838,562	251,726,261	16,485,264	17,732,589	27,302,141	
2006	1,467	522	6,088,004	1,562,159	4,525,845	265,376,460	16,766,437	17,696,305	25,747,955	
2007	1,395	521	6,831,156	1,594,943	5,236,213	279,271,242	17,074,709	17,650,668	24,413,204	
2008	1,330	523	7,537,658	1,608,485	5,929,173	293,403,848	17,414,281	17,620,004	23,281,996	
2009	1,269	528	8,297,591	1,619,263	6,678,327	307,808,933	17,769,261	17,583,892	22,293,862	
2010	1,209	535	9,071,004	1,612,750	7,458,254	322,447,443	18,118,679	17,532,076	21,375,991	
2011	1,151	544	9,735,520	1,603,503	8,132,017	337,303,886	18,458,397	17,469,263	20,546,987	
2012	1,094	556	10,382,973	1,580,170	8,802,803	352,503,334	18,778,548	17,399,199	19,792,863	
2013	1,035	570	11,059,781	1,571,337	9,488,444	368,072,877	19,069,984	17,300,576	19,045,137	
2014	978	585	11,743,177	1,558,869	10,184,308	384,023,056	19,319,325	17,216,231	18,356,822	
2015	922	600	12,520,995	1,558,815	10,962,180	400,369,940	19,555,587	17,119,273	17,705,512	
2016	868	615	13,529,620	1,573,859	11,955,761	417,056,469	19,798,759	17,042,277	17,127,305	
2017	815	631	14,700,189	1,583,171	13,117,018	433,883,287	19,946,384	16,959,951	16,561,250	
2018	762	644	15,880,134	1,603,652	14,276,482	450,686,768	20,063,218	16,885,947	16,029,159	
2019	713	658	17,032,728	1,579,569	15,453,159	467,467,134	20,155,379	16,832,409	15,565,570	
2020	665	669	18,317,099	1,571,041	16,746,058	484,204,962	20,177,109	16,786,855	15,135,133	
2021	620	681	19,866,906	1,583,896	18,283,010	500,777,052	20,139,050	16,758,566	14,766,908	
2022	574	689	21,526,188	1,617,388	19,908,800	516,919,352	20,087,573	16,734,133	14,379,653	
2023	531	698	23,197,640	1,614,640	21,583,000	532,509,884	20,063,528	16,722,651	14,054,018	
2024	489	706	25,017,066	1,618,652	23,398,415	547,459,947	19,967,237	16,717,922	13,720,521	
2025	446	712	26,855,332	1,604,315	25,251,017	561,578,635	19,805,876	16,714,156	13,359,561	
2026	406	716	28,614,697	1,576,803	27,037,893	574,769,285	19,610,506	16,721,718	13,028,099	
2027	368	716	30,410,693	1,547,829	28,862,864	587,034,920	19,443,580	16,738,813	12,700,601	
2028	333	713	32,122,840	1,507,822	30,615,018	598,271,386	19,288,351	16,769,455	12,442,918	
2029	300	709	33,943,423	1,489,326	32,454,097	608,481,963	18,987,188	16,811,891	12,217,379	
25-Year Totals			419,639,411	39,460,693	380,178,717	476,344,214	427,516,818	440,950,551		

* Advance Funding Equal to OPEB Cost Assumed



**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires
Move to PPO Catastrophic Plan at Age 65**



Option 2
Increase Dependent Contributions to 40%
Advance Funding at 7% Discount Rate

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Increase Dependent Contribution to 40%

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	10,871	3,575	7,296	5,643,039	1,855,947	3,787,092
2006	507	12,422	3,810	8,612	6,347,666	1,947,001	4,400,665
2007	498	14,017	4,012	10,005	7,040,665	2,015,124	5,025,542
2008	488	15,583	4,179	11,404	7,682,580	2,060,178	5,622,402
2009	478	17,194	4,333	12,860	8,306,809	2,093,546	6,213,264
2010	467	18,727	4,446	14,281	8,851,257	2,101,234	6,750,023
2011	456	20,048	4,566	15,483	9,253,675	2,107,382	7,146,292
2012	444	21,216	4,648	16,567	9,545,018	2,091,181	7,453,837
2013	431	22,306	4,756	17,550	9,762,986	2,081,759	7,681,228
2014	418	23,430	4,881	18,548	9,955,596	2,074,201	7,881,396
2015	405	24,743	5,036	19,707	10,184,815	2,073,093	8,111,722
2016	391	26,392	5,200	21,192	10,500,162	2,068,878	8,431,283
2017	376	28,253	5,326	22,927	10,838,743	2,043,244	8,795,499
2018	362	30,192	5,515	24,677	11,140,598	2,035,042	9,105,557
2019	346	32,022	5,646	26,376	11,335,386	1,998,616	9,336,770
2020	331	34,141	5,840	28,301	11,561,896	1,977,677	9,584,219
2021	315	36,600	6,037	30,562	11,823,432	1,950,290	9,873,142
2022	299	39,124	6,299	32,824	12,019,905	1,935,366	10,084,538
2023	283	41,914	6,534	35,379	12,207,573	1,903,181	10,304,392
2024	267	44,908	6,766	38,143	12,358,318	1,861,918	10,496,400
2025	251	47,848	7,005	40,843	12,397,450	1,815,066	10,582,384
2026	235	50,972	7,275	43,697	12,389,545	1,768,218	10,621,327
2027	219	54,593	7,602	46,992	12,401,387	1,726,787	10,674,600
2028	204	58,440	7,974	50,467	12,357,102	1,686,026	10,671,076
2029	188	62,630	8,359	54,270	12,275,608	1,638,431	10,637,177
25-Year Totals				258,181,213	48,909,385	209,271,828	

25-Year Projection of Post-retirement Health Costs for Current Employees and Dependents

Increase Dependent Contribution to 40%

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	12,056	3,387	8,669	39,166	11,003	28,162
2006	1,467	15	12,981	3,590	9,391	138,806	38,387	100,419
2007	1,395	24	13,870	3,655	10,214	267,137	70,403	196,735
2008	1,330	34	14,691	3,714	10,977	426,272	107,758	318,513
2009	1,269	50	15,863	3,805	12,058	668,512	160,362	508,151
2010	1,209	68	17,338	3,934	13,404	1,019,204	231,266	787,938
2011	1,151	88	18,350	3,971	14,379	1,425,017	308,405	1,116,613
2012	1,094	112	19,387	4,055	15,332	1,938,282	405,384	1,532,898
2013	1,035	139	20,519	4,137	16,382	2,573,961	518,946	2,055,015
2014	978	167	21,420	4,213	17,207	3,271,838	643,519	2,628,319
2015	922	195	22,372	4,301	18,071	4,044,695	777,511	3,267,185
2016	868	224	23,705	4,438	19,267	4,965,383	929,534	4,035,849
2017	815	254	25,239	4,590	20,648	6,039,159	1,098,323	4,940,836
2018	762	283	26,756	4,752	22,004	7,185,531	1,276,295	5,909,235
2019	713	311	28,430	4,937	23,494	8,444,945	1,466,395	6,978,550
2020	665	338	30,254	5,120	25,133	9,817,547	1,661,627	8,155,920
2021	620	365	32,481	5,353	27,128	11,418,487	1,881,740	9,536,746
2022	574	390	34,985	5,603	29,381	13,215,150	2,116,516	11,098,634
2023	531	415	37,432	5,840	31,591	15,062,469	2,350,114	12,712,354
2024	489	439	40,109	6,110	33,999	17,118,532	2,607,901	14,510,631
2025	446	461	42,985	6,392	36,593	19,339,686	2,876,005	16,463,680
2026	406	481	45,812	6,677	39,134	21,566,744	3,143,487	18,423,257
2027	368	496	48,776	6,988	41,788	23,827,411	3,413,727	20,413,684
2028	333	509	51,877	7,309	44,568	26,080,889	3,674,455	22,406,434
2029	300	520	55,343	7,676	47,667	28,487,784	3,951,110	24,536,674
25-Year Totals					228,382,607	35,720,173	192,662,434	

**25-Year Projection of GASB Costs
for Retirees, Employees and Dependents**

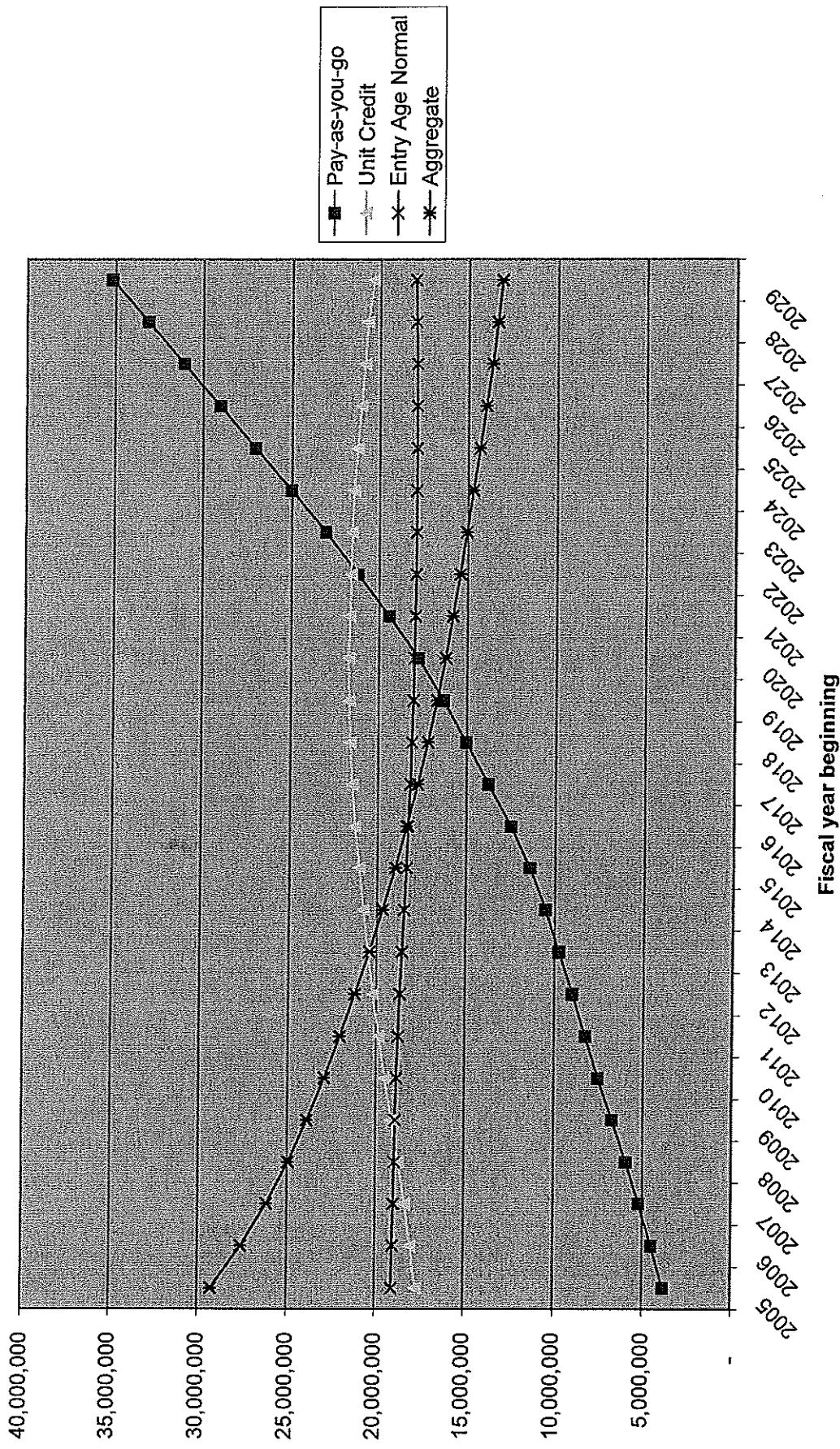
*Increase Dependent Contribution to 40%
7.00% Discount Rate*

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected GASB Net Present Value	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,682,205	1,866,950	3,815,255	269,743,074	17,697,844	19,048,963	29,256,239
2006	1,467	522	6,486,472	1,985,388	4,501,084	284,678,559	18,001,181	19,007,314	27,590,796
2007	1,395	521	7,307,802	2,085,526	5,222,276	299,950,101	18,334,023	18,955,019	26,160,492
2008	1,330	523	8,108,852	2,167,936	5,940,916	315,544,643	18,701,249	18,919,359	24,948,298
2009	1,269	528	8,975,322	2,253,907	6,721,414	331,487,437	19,085,176	18,877,522	23,889,418
2010	1,209	535	9,870,461	2,332,500	7,537,961	347,738,873	19,462,964	18,818,393	22,905,829
2011	1,151	544	10,678,692	2,415,787	8,262,905	364,283,266	19,830,320	18,747,295	22,017,468
2012	1,094	556	11,483,301	2,496,565	8,986,736	381,235,879	20,176,869	18,668,301	21,209,347
2013	1,035	570	12,336,948	2,600,705	9,736,242	398,626,439	20,492,004	18,558,064	20,408,084
2014	978	585	13,227,434	2,717,719	10,509,715	416,459,042	20,760,796	18,463,171	19,670,485
2015	922	600	14,229,510	2,850,604	11,378,906	434,739,841	21,015,991	18,354,264	18,972,542
2016	868	615	15,465,544	2,998,413	12,467,132	453,401,198	21,279,550	18,267,251	18,352,936
2017	815	631	16,877,902	3,141,567	13,736,335	472,243,181	21,437,686	18,174,092	17,746,355
2018	762	644	18,326,129	3,311,337	15,014,792	491,091,228	21,561,793	18,089,847	17,176,170
2019	713	658	19,780,331	3,465,011	16,315,320	509,936,192	21,659,487	18,028,206	16,679,392
2020	665	669	21,379,443	3,639,304	17,740,139	528,755,028	21,678,513	17,975,178	16,218,140
2021	620	681	23,241,919	3,832,030	19,409,889	547,417,337	21,631,099	17,941,098	15,823,555
2022	574	689	25,235,055	4,051,883	21,183,172	565,658,805	21,570,120	17,911,223	15,408,580
2023	531	698	27,270,042	4,253,295	23,016,747	583,342,878	21,540,951	17,895,594	15,059,635
2024	489	706	29,476,850	4,469,820	25,007,030	600,368,171	21,432,498	17,887,425	14,702,269
2025	446	712	31,737,135	4,691,071	27,046,064	616,526,470	21,253,518	17,880,211	14,315,477
2026	406	716	33,956,289	4,911,704	29,044,584	631,706,656	21,038,424	17,885,301	13,960,297
2027	368	716	36,228,799	5,140,514	31,088,284	645,882,170	20,856,290	17,900,749	13,609,370
2028	333	713	38,437,991	5,360,481	33,077,511	658,935,951	20,688,459	17,930,887	13,333,258
2029	300	709	40,763,392	5,589,541	35,173,851	670,845,824	20,358,962	17,973,771	13,091,597
25-Year Totals			486,563,821	84,629,558	401,934,262		511,545,765	458,158,498	472,506,028

* Advance Funding Equal to OPEB Cost Assumed



**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires
Increase Dependent Contributions to 40%**



Option 3
Increase Retiree Contributions \$100 per Month
Advance Funding at 7% Discount Rate

**25-Year Projection of Post-retirement Health Costs
for Current Retirees and Dependents**

Increase Retiree Contribution Rate \$100 per Month

Fiscal Year Beginning	Expected Retirees at Year-End	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	515	10,871	4,571	6,300	5,643,039	2,372,588	3,270,451
2006	507	12,422	4,942	7,480	6,347,666	2,525,527	3,822,139
2007	498	14,017	5,294	8,722	7,040,665	2,659,386	4,381,279
2008	488	15,583	5,616	9,966	7,682,580	2,768,999	4,913,581
2009	478	17,194	5,928	11,265	8,306,809	2,864,181	5,442,629
2010	467	18,727	6,205	12,522	8,851,257	2,932,682	5,918,575
2011	456	20,048	6,482	13,566	9,253,675	2,992,075	6,261,599
2012	444	21,216	6,721	14,494	9,545,018	3,023,997	6,521,022
2013	431	22,306	6,988	15,318	9,762,986	3,058,440	6,704,546
2014	418	23,430	7,280	16,150	9,955,596	3,093,421	6,862,176
2015	405	24,743	7,612	17,131	10,184,815	3,133,444	7,051,371
2016	391	26,392	7,968	18,424	10,500,162	3,170,057	7,330,105
2017	376	28,253	8,314	19,939	10,838,743	3,189,394	7,649,349
2018	362	30,192	8,725	21,467	11,140,598	3,219,366	7,921,233
2019	346	32,022	9,108	22,915	11,335,386	3,223,917	8,111,469
2020	331	34,141	9,561	24,580	11,561,896	3,237,719	8,324,176
2021	315	36,600	10,038	26,561	11,823,432	3,242,903	8,580,529
2022	299	39,124	10,590	28,534	12,019,905	3,253,419	8,766,485
2023	283	41,914	11,145	30,769	12,207,573	3,246,051	8,961,522
2024	267	44,908	11,725	33,184	12,358,318	3,226,579	9,131,739
2025	251	47,848	12,338	35,509	12,397,450	3,196,921	9,200,529
2026	235	50,972	13,005	37,966	12,389,545	3,161,204	9,228,340
2027	219	54,593	13,748	40,845	12,401,387	3,123,077	9,278,311
2028	204	58,440	14,562	43,878	12,357,102	3,079,113	9,277,989
2029	188	62,630	15,425	47,205	12,275,608	3,023,260	9,252,349
25-Year Totals					258,181,213	76,017,719	182,163,494



25-Year Projection of Post-retirement Health Costs for Current Employees and Dependents

Increase Retiree Contribution Rate \$100 per Month

Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Average Annual Cost per Retiree	Average Annual Contribution per Retiree	Average Annual Sponsor Cost per Retiree	Projected Claims and Expenses	Projected Retiree Contribution	Projected Sponsor Pay-As-You-Go Cost
2005	1,545	6	12,056	4,356	7,700	39,166	14,150	25,015
2006	1,467	15	12,981	4,691	8,289	138,806	50,165	88,641
2007	1,395	24	13,870	4,922	8,948	267,137	94,791	172,346
2008	1,330	34	14,691	5,141	9,550	426,272	149,180	277,092
2009	1,269	50	15,863	5,391	10,473	668,512	227,175	441,337
2010	1,209	68	17,338	5,673	11,665	1,019,204	333,478	685,726
2011	1,151	88	18,350	5,871	12,479	1,425,017	455,925	969,093
2012	1,094	112	19,387	6,103	13,284	1,938,282	610,130	1,328,153
2013	1,035	139	20,519	6,339	14,180	2,573,961	795,168	1,778,793
2014	978	167	21,420	6,582	14,838	3,271,838	1,005,310	2,266,528
2015	922	195	22,372	6,847	15,525	4,044,695	1,237,935	2,806,761
2016	868	224	23,705	7,169	16,535	4,965,383	1,501,747	3,463,635
2017	815	254	25,239	7,519	17,719	6,039,159	1,799,249	4,239,910
2018	762	283	26,756	7,894	18,863	7,185,531	2,119,869	5,065,662
2019	713	311	28,430	8,303	20,128	8,444,945	2,466,261	5,978,684
2020	665	338	30,254	8,730	21,524	9,817,547	2,832,877	6,984,671
2021	620	365	32,481	9,217	23,264	11,418,487	3,240,282	8,178,205
2022	574	390	34,985	9,740	25,244	13,215,150	3,679,276	9,535,874
2023	531	415	37,432	10,274	27,157	15,062,469	4,134,351	10,928,118
2024	489	439	40,109	10,860	29,249	17,118,532	4,634,882	12,483,650
2025	446	461	42,985	11,480	31,505	19,339,686	5,165,204	14,174,481
2026	406	481	45,812	12,131	33,680	21,566,744	5,711,037	15,855,707
2027	368	496	48,776	12,833	35,944	23,827,411	6,268,743	17,558,668
2028	333	509	51,877	13,573	38,303	26,080,889	6,823,940	19,256,949
2029	300	520	55,343	14,386	40,958	28,487,784	7,404,997	21,082,787
25-Year Totals					228,382,607	62,756,123	165,626,484	

**25-Year Projection of GASB Costs
for Retirees, Employees and Dependents**

*Increase Retiree Contribution Rate \$100 per Month
7.00% Discount Rate*

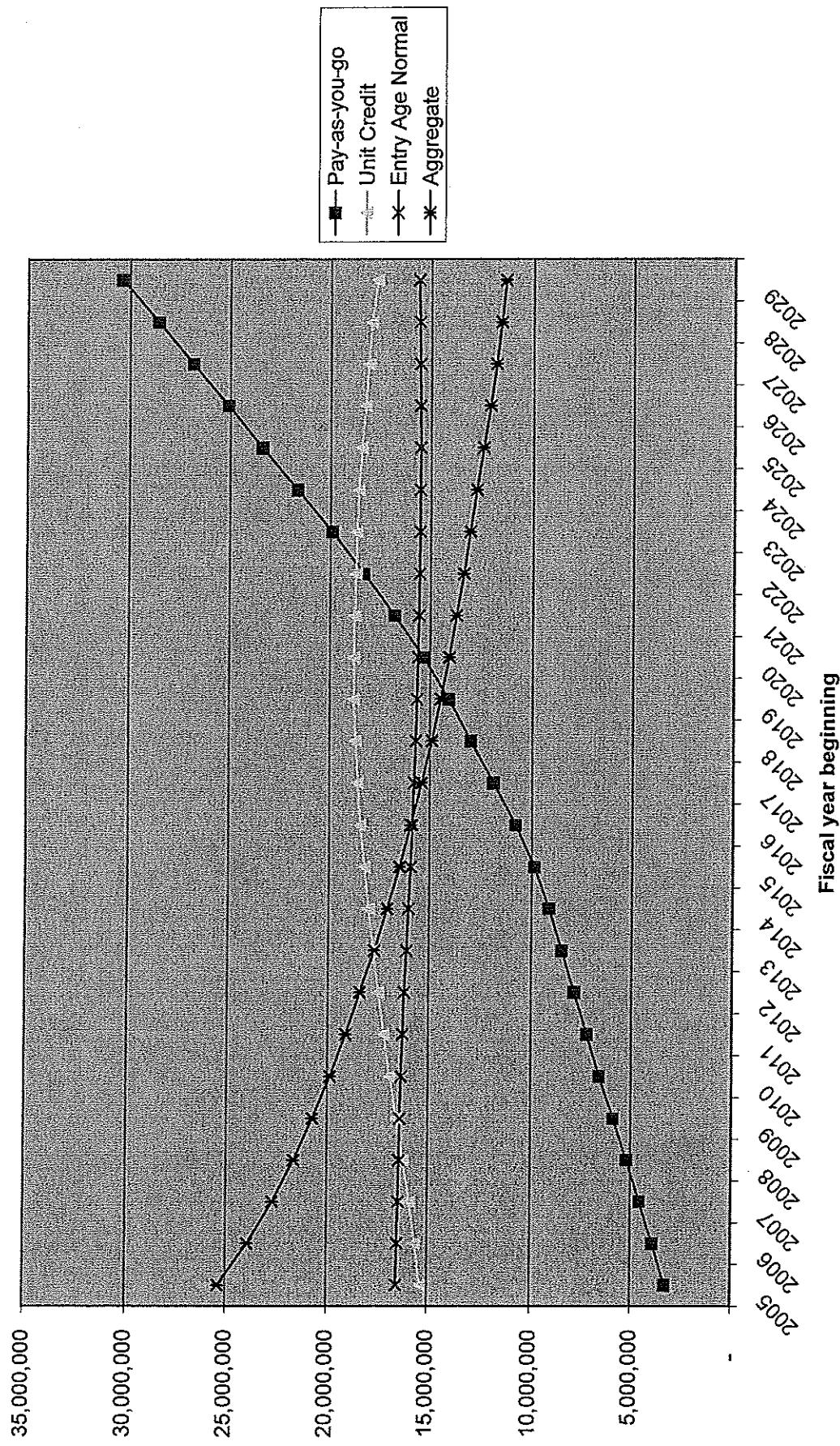
Fiscal Year Beginning	Expected Employees at BOY	Expected Retirees at EOY	Projected Claims & Expenses	Projected Retiree Conts	Projected Sponsor Cost	Projected Net Present Value	Projected GASB Credit OPEB Cost*	Projected Unit Credit OPEB Cost*	Projected Entry Age Normal OPEB Cost*	Projected Aggregate OPEB Cost*
2005	1,545	522	5,682,205	2,386,738	3,295,467	233,993,226	15,340,390	16,510,749	25,378,823	
2006	1,467	522	6,486,472	2,575,692	3,910,780	246,963,894	15,602,605	16,475,290	23,934,105	
2007	1,395	521	7,307,802	2,754,178	4,553,625	260,206,024	15,890,385	16,430,783	22,693,364	
2008	1,330	523	8,108,852	2,918,179	5,190,673	273,710,139	16,207,822	16,400,577	21,641,827	
2009	1,269	528	8,975,322	3,091,356	5,883,966	287,500,576	16,539,899	16,365,236	20,723,285	
2010	1,209	535	9,870,461	3,266,160	6,604,301	301,539,194	16,866,964	16,315,136	19,870,058	
2011	1,151	544	10,678,692	3,448,000	7,230,692	315,815,395	17,185,196	16,254,804	19,099,438	
2012	1,094	556	11,483,301	3,634,127	7,849,174	330,442,987	17,485,492	16,187,755	18,398,423	
2013	1,035	570	12,336,948	3,853,608	8,483,339	345,454,747	17,758,819	16,093,659	17,703,356	
2014	978	585	13,227,434	4,098,731	9,128,703	360,861,345	17,992,443	16,012,858	17,063,515	
2015	922	600	14,229,510	4,371,378	9,858,132	376,678,835	18,214,498	15,920,103	16,458,073	
2016	868	615	15,465,544	4,671,804	10,793,740	392,849,022	18,443,872	15,846,127	15,920,584	
2017	815	631	16,877,902	4,988,643	11,889,259	409,183,322	18,582,797	15,766,808	15,394,393	
2018	762	644	18,326,129	5,339,235	12,986,894	425,527,810	18,692,587	15,695,211	14,899,774	
2019	713	658	19,780,331	5,690,178	14,090,153	441,881,008	18,779,865	15,643,025	14,468,832	
2020	665	669	21,379,443	6,070,596	15,308,847	458,237,712	18,799,132	15,598,260	14,068,708	
2021	620	681	23,241,919	6,483,185	16,758,734	474,478,757	18,760,569	15,569,734	13,726,414	
2022	574	689	25,235,055	6,932,696	18,302,359	490,356,901	18,710,242	15,544,771	13,366,432	
2023	531	698	27,270,042	7,380,402	19,889,640	505,749,776	18,686,608	15,532,073	13,063,730	
2024	489	706	29,476,850	7,861,462	21,615,388	520,578,257	18,593,907	15,525,715	12,753,722	
2025	446	712	31,737,135	8,362,125	23,375,011	534,659,604	18,440,266	15,520,180	12,418,189	
2026	406	716	33,956,289	8,872,241	25,084,047	547,906,477	18,255,276	15,525,260	12,110,077	
2027	368	716	36,228,799	9,391,819	26,836,979	560,312,791	18,098,933	15,539,301	11,805,654	
2028	333	713	38,437,991	9,903,053	28,534,938	571,774,299	17,955,580	15,566,048	11,566,129	
2029	300	709	40,763,392	10,428,256	30,335,136	582,281,730	17,672,675	15,603,794	11,356,487	
25-Year Totals			486,563,821	138,773,842	347,789,978	443,556,821	397,443,256	409,883,392		

* Advance Funding Equal to OPEB Cost Assumed



**Comparison of GASB OPEB Expenses
With Advance Funding
No New Hires**

Increase Retiree Contributions \$100 per Month



Appendix A
Actuarial Assumptions

1. Medical claims (Current Plan)

Average Plan experience, adjusted for age factors from the Lewis & Ellis, Inc. Group Medical Manual. For the 2006 fiscal year, the age-neutral adult monthly claim costs are:

High Option PPO:	\$317.47
Low Option PPO:	\$285.60
Catastrophic PPO:	\$253.87

For the fully insured Cigna HMO, age-neutral monthly claim costs were calculated from actual premiums, adjusted for age factors, which is \$251.03.

Appendix B shows claim costs at sample ages.

2. Stop loss premiums

Average per enrollee per month based on actual premiums as of July 1, 2005.

Specific:	\$17.43
Aggregate:	\$1.63

3. Other expenses

For the self-funded plans, expenses per enrollee per month in the fiscal year beginning July 1, 2005 are:

Network Access Fees:	\$4.60
Case Management:	\$1.21
TPA Fees:	\$10.00
PBM Fees:	\$1.86

Admin expenses for the fully insured plan is included in the premium rate charged by Cigna and therefore reflected in the claim cost assumptions.

4. Contributions

Actual contribution rates as of July 1, 2005. Assumed to increase at the same rate as medical claims.

City of Tempe

5. State Subsidy	Average of current state subsidies per retiree and per dependent. Assumed to remain level. Treated in the model as an additional retiree contribution.
6. Discount rate	3.5%, 7%, 8%, and 9%
7. Mortality	RP-2000 Combined Healthy Mortality Table (Sex Distinct)
8. Employee turnover	Derived from City experience, averaging 6.2% per annum. See Appendix B.
9. Salary Increase	3% per annum
10. Retirement age	10 years of service with the City and the following:

Elected Officials:

- Age 65 with 5 years of service under EORP
- Age 62 with 10 years of service under EORP
- 20 years of service under EORP

Public Safety Personnel:

- Age 62 with 15 years of services under PSPRS
- 20 years of service under PSPRS

Arizona State Retirement System:

- Age 65
- Age 62 with 10 years of service under ASRS
- Age plus years of service under ASRS equaling 80

Since prior service under the state retirement systems was not available, our projections were based only on the years of City Service.

City of Tempe

11. Participation

95% of eligible retirees are assumed to choose to participate. It was also assumed that current retirees will continue with their current medical plan option and current active employees will retire with their current medical plan option.

12. Dependent status, current retirees

Current status is assumed to persist in all future years, except that coverage of dependent children is assumed to end at the later of the retiree reaching age 63 or 3 years. Husbands and wives are their actual age.

13. Dependent status, current actives

After retirement, 57% of eligible retirees are assumed to have a covered spouse the same age as the retiree. It was assumed that 13% of eligible retirees will have children covered after retirement.