

# San José Police and Fire Postemployment Healthcare Plan



## Preliminary Actuarial Valuation Results June 30, 2024

December 5, 2024

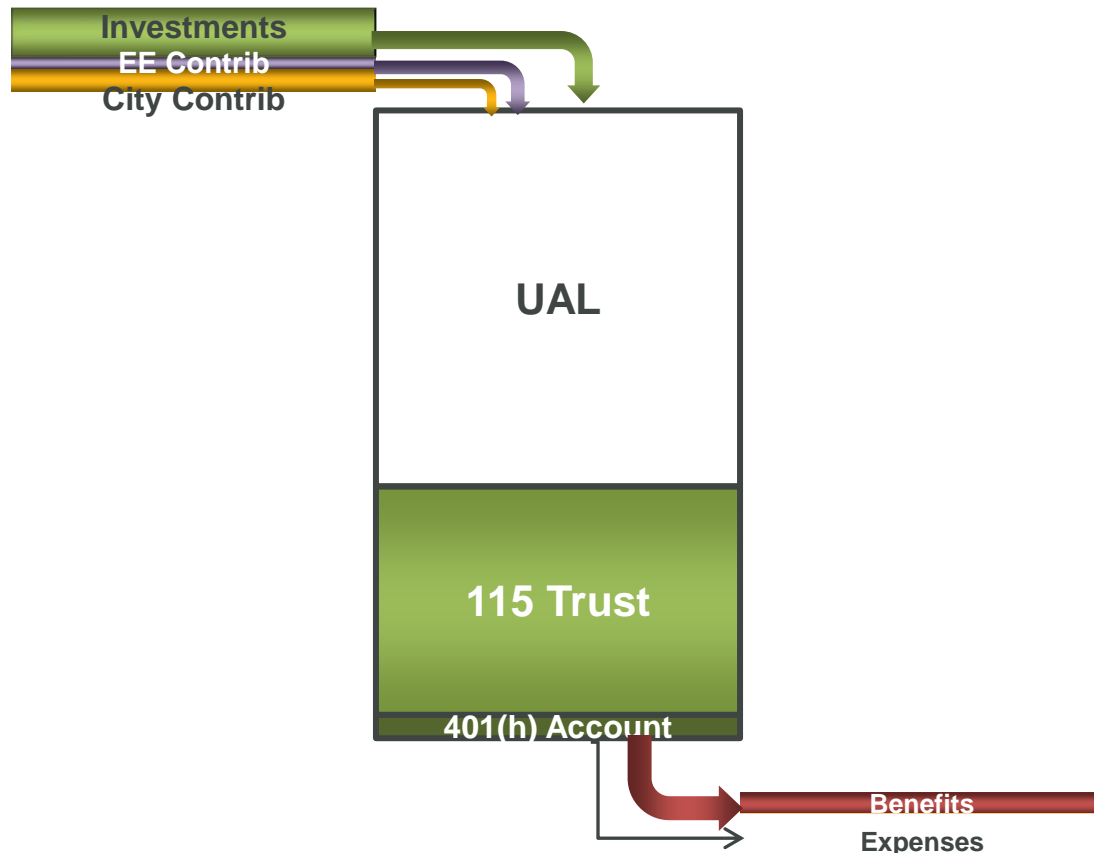
Bill Hallmark, ASA, EA, MAAA, FCA  
Jacqui King, FSA, EA, MAAA



- Background
- Preliminary Valuation Results
  - Membership
  - Contributions
  - Funded Status
  - Changes in UAL



## Explicit Subsidy Funding



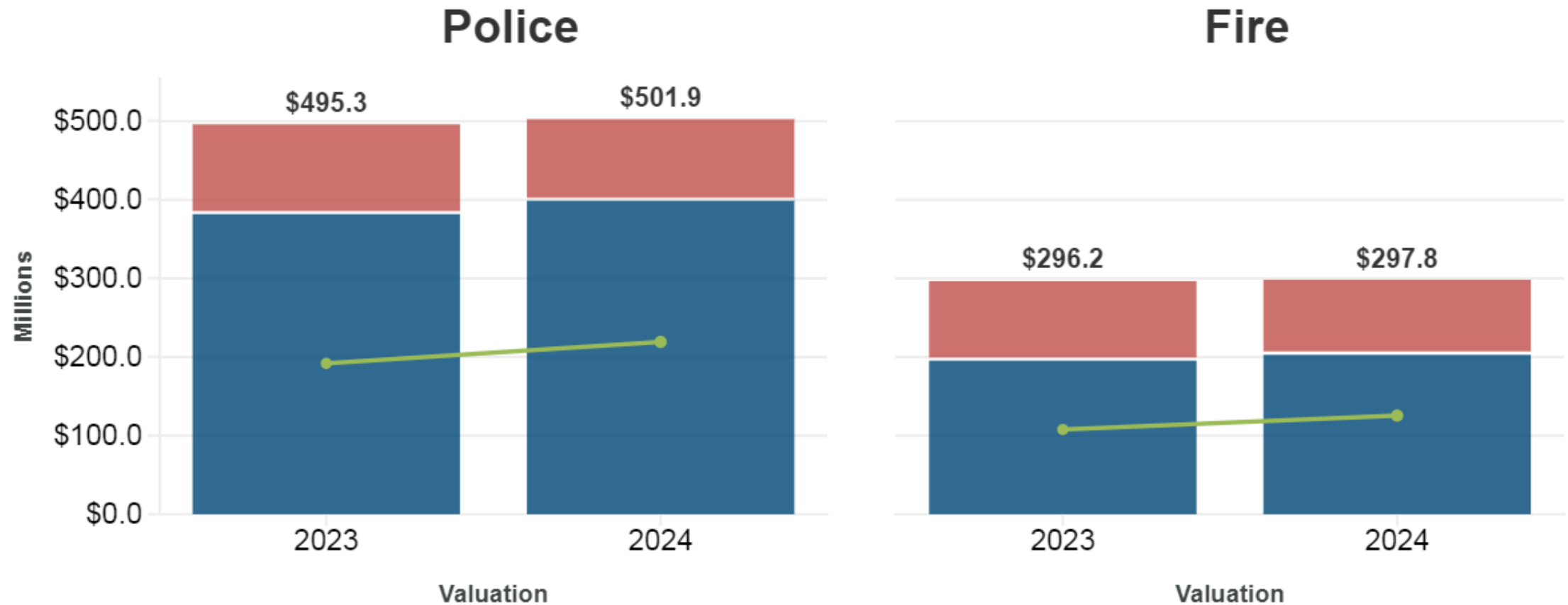
- Primary purpose of valuation is to set City contributions
  - 2024 valuation develops contributions for FYE 2026
- Project future benefit payments
  - Plan provisions, census data, and actuarial assumptions
- Determine funding target
  - Actuarial cost method and assumptions
- Set City contributions
  - Plan provisions, actuarial methods, and discount rate
  - Member contributions are fixed

# Preliminary Valuation Results – Explicit Subsidy



## Funded Status

Assets In Pay Status Deferred Vested Active



# Funded Status



Unfunded Actuarial Liability - Explicit Subsidy Only						
	Police Department			Fire Department		
	2023	2024	% Change	2023	2024	% Change
<u>Actuarial Liability</u>						
Actives	\$ 118,037	\$ 107,370	-9.0%	\$ 103,774	\$ 97,117	-6.4%
Deferred Vested	1,014	1,021	0.7%	1,115	1,496	34.2%
In Pay Status	<u>376,261</u>	<u>393,489</u>	<u>4.6%</u>	<u>191,314</u>	<u>199,231</u>	<u>4.1%</u>
Total	\$ 495,312	\$ 501,880	1.3%	\$ 296,203	\$ 297,844	0.6%
Assets	<u>191,682</u>	<u>218,894</u>	<u>14.2%</u>	<u>107,682</u>	<u>125,313</u>	<u>16.4%</u>
<b>Unfunded Actuarial Liability</b>	<b>\$ 303,630</b>	<b>\$ 282,986</b>	<b>-6.8%</b>	<b>\$ 188,521</b>	<b>\$ 172,531</b>	<b>-8.5%</b>
<b>Funded Percentage</b>	<b>38.7%</b>	<b>43.6%</b>	<b>4.9%</b>	<b>36.4%</b>	<b>42.1%</b>	<b>5.7%</b>

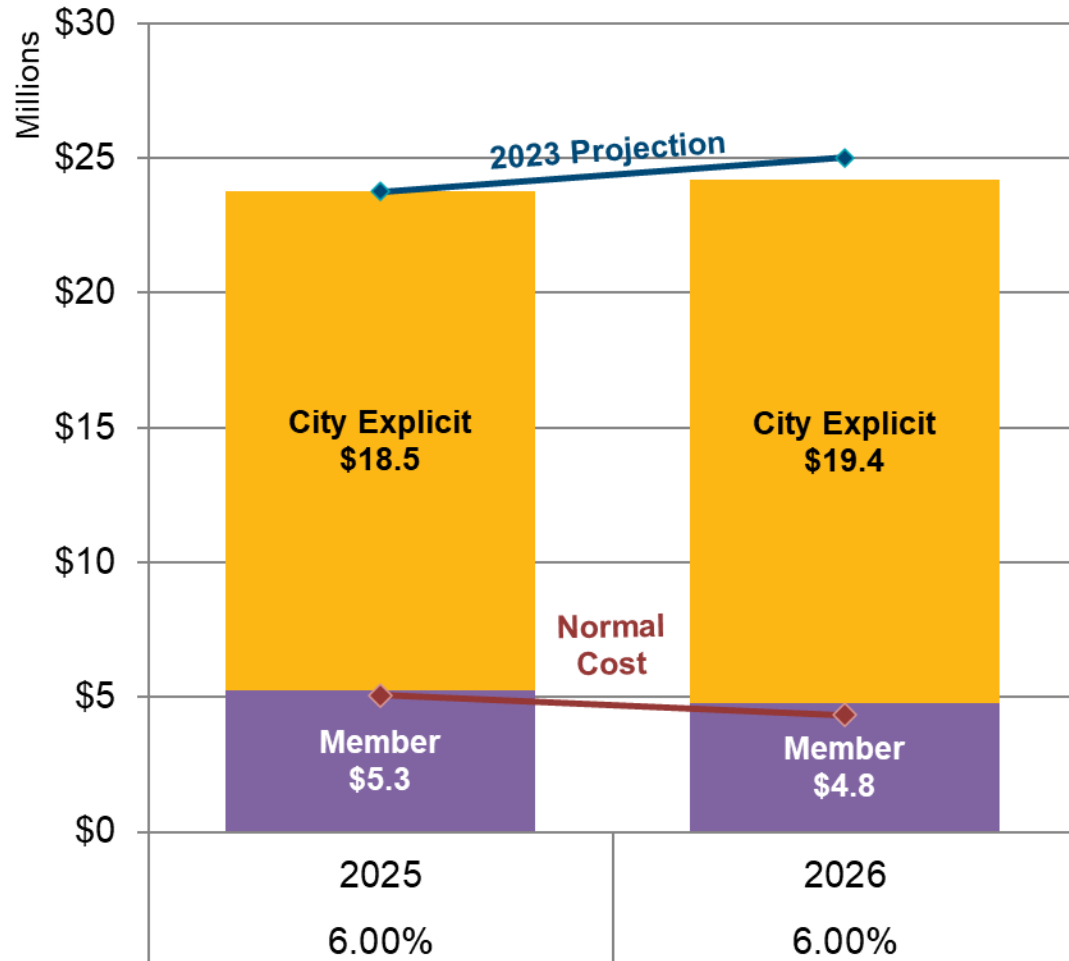
*Dollar amounts in thousands*

- Actuarial Liability increased less than expected due to better-than-expected experience
- Assets increased due to contributions and investment returns
- The funded status for the explicit subsidy decreased
  - From 38.7% to 43.6% for Police; and,
  - From 36.4% to 42.1% for Fire

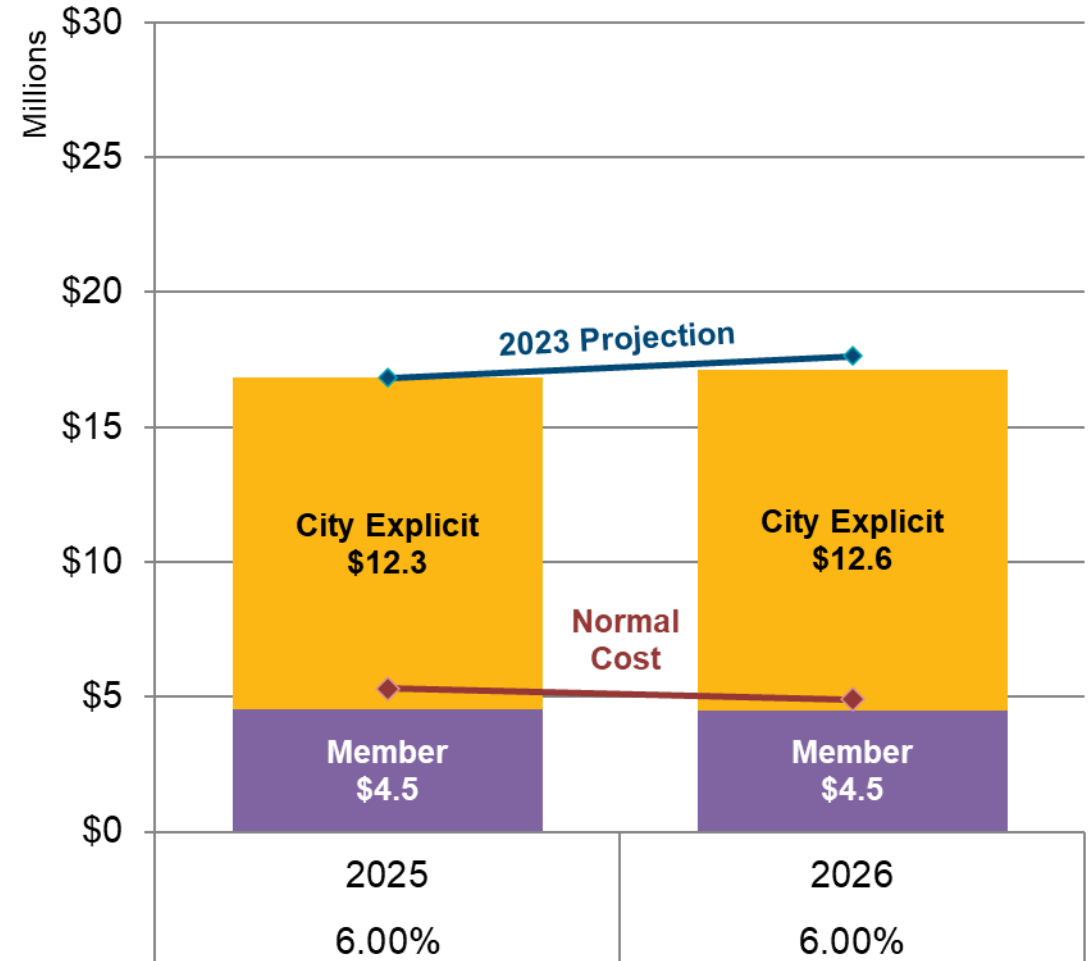
# Preliminary Valuation Results – Explicit Subsidy



## Police Contributions



## Fire Contributions

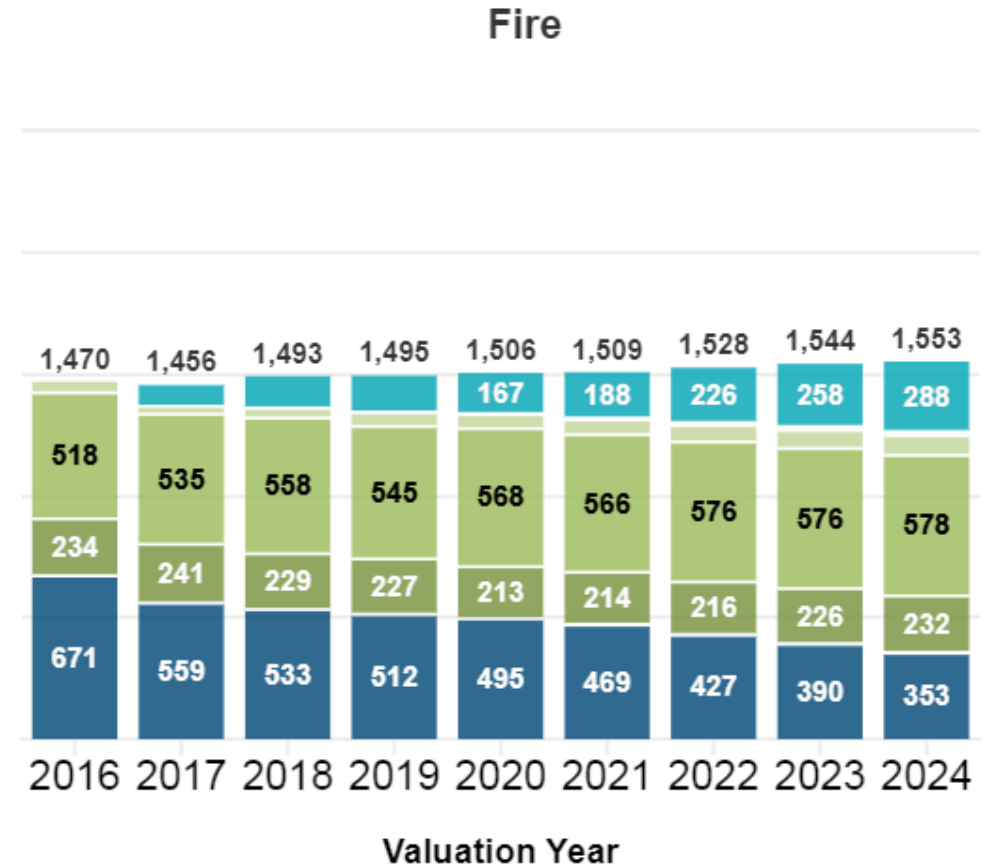
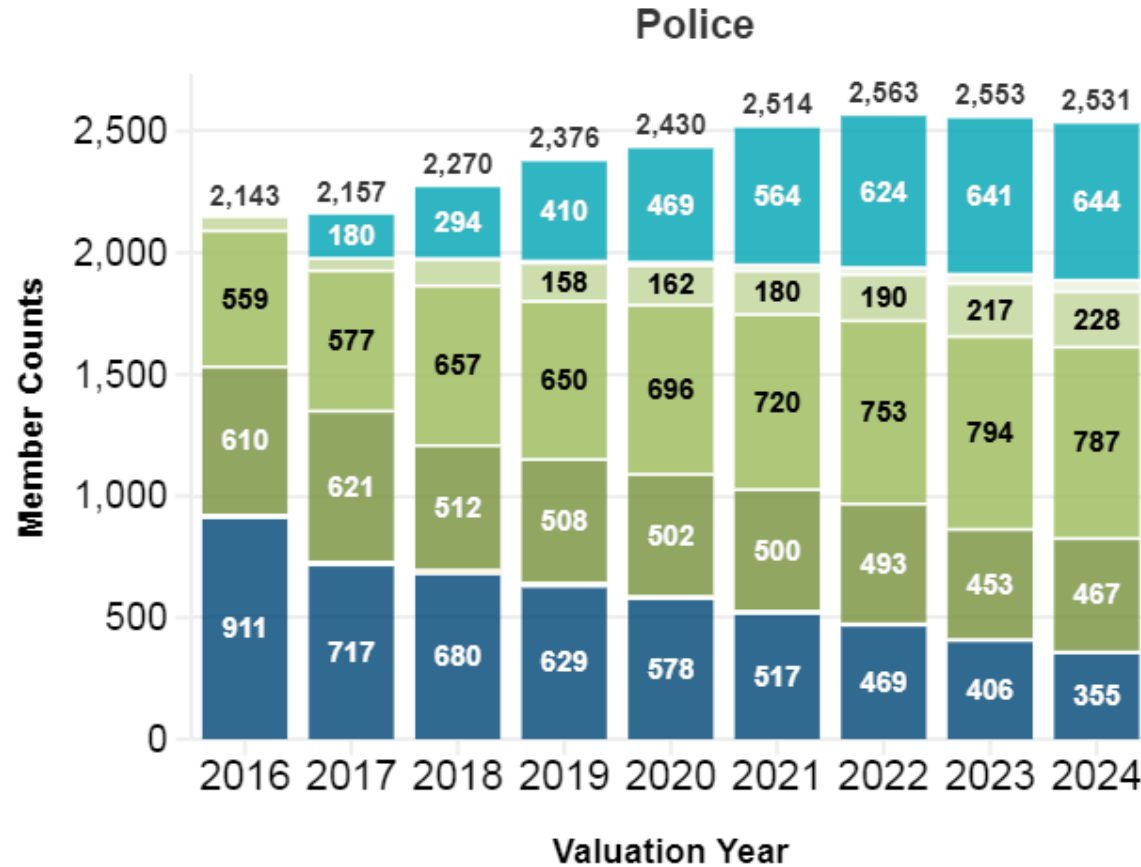


# Membership Trends



## Membership Trends

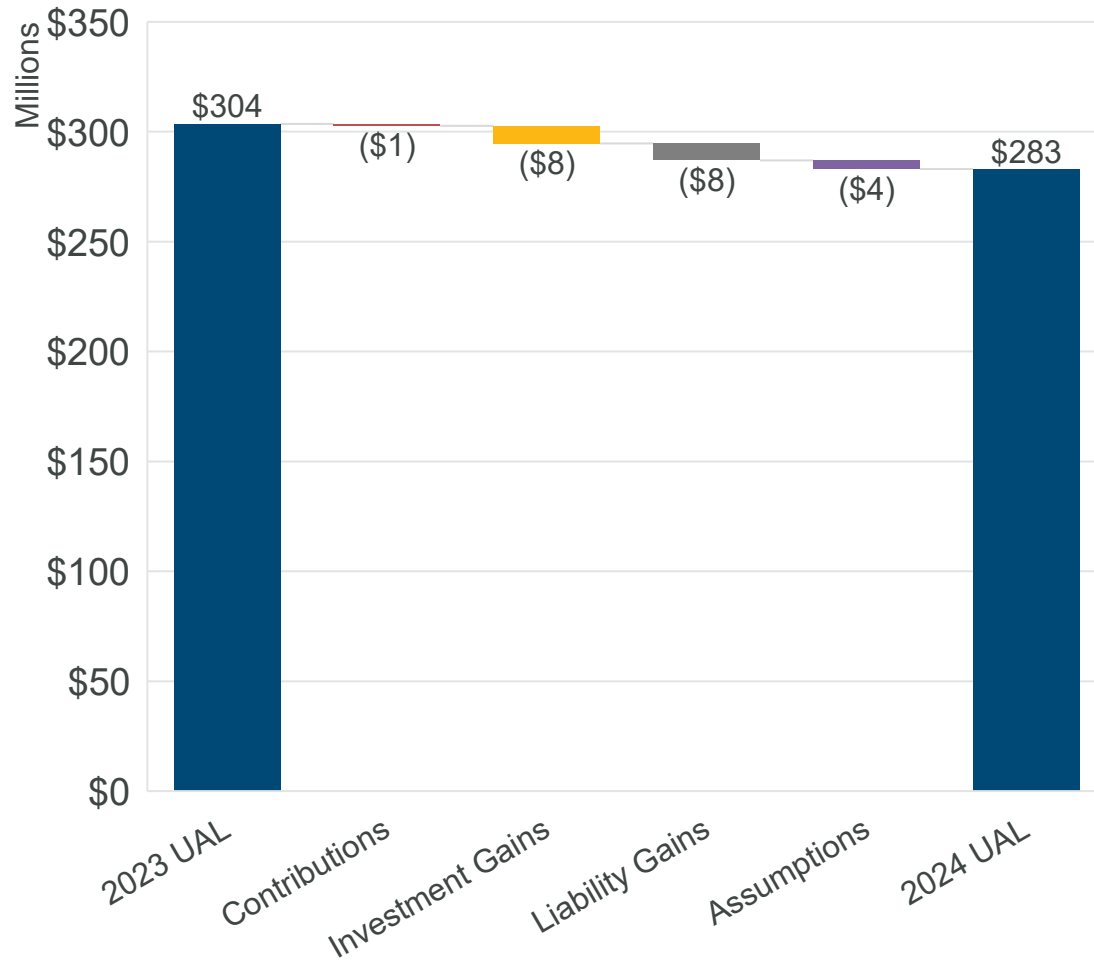
■ Full Active 
 ■ Deferred Vested 
 ■ Pre-Medicare 
 ■ Medicare 
 ■ Dental Only 
 ■ In Lieu Only 
 ■ Catastrophic



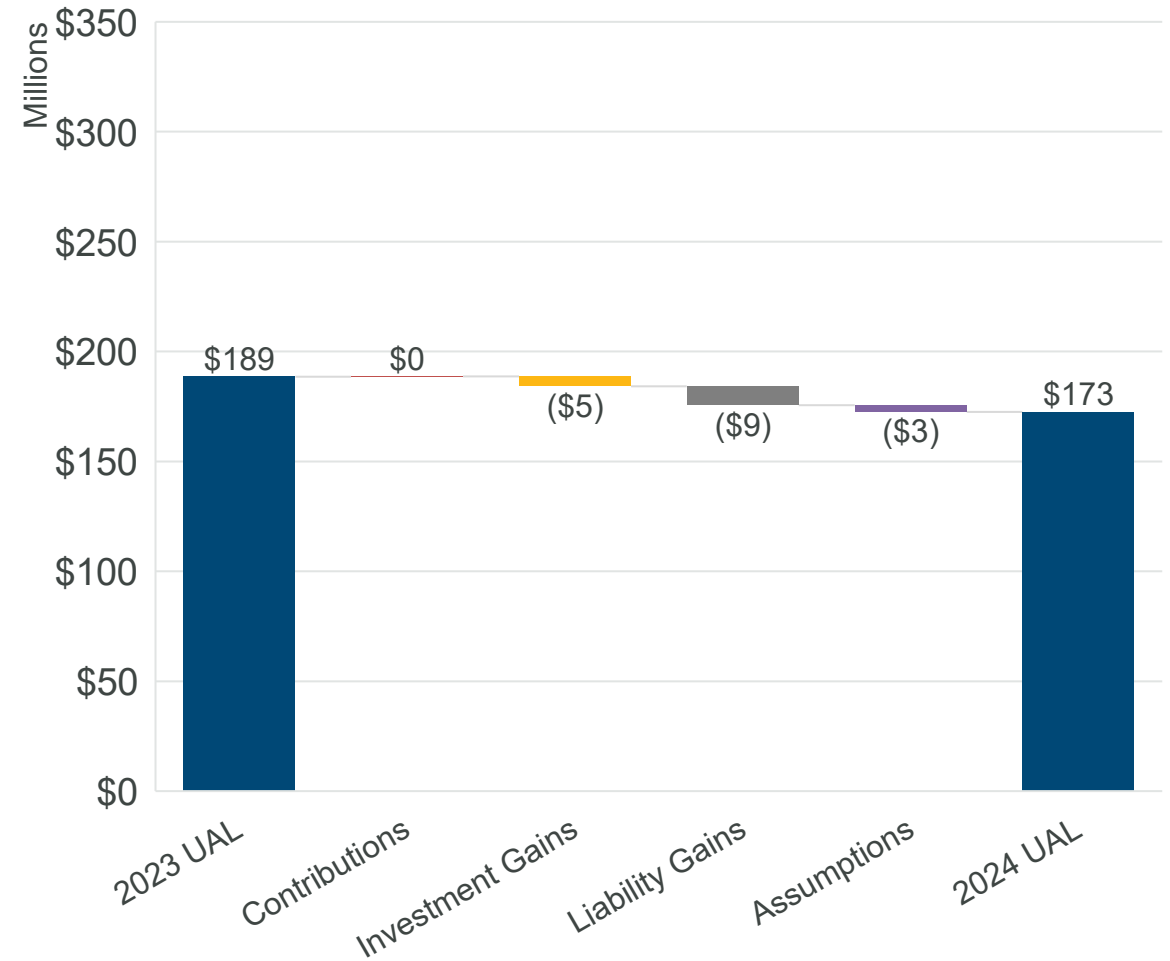
# Changes in UAL – Explicit Subsidy



## Change in Police Explicit Subsidy UAL



## Change in Fire Explicit Subsidy UAL

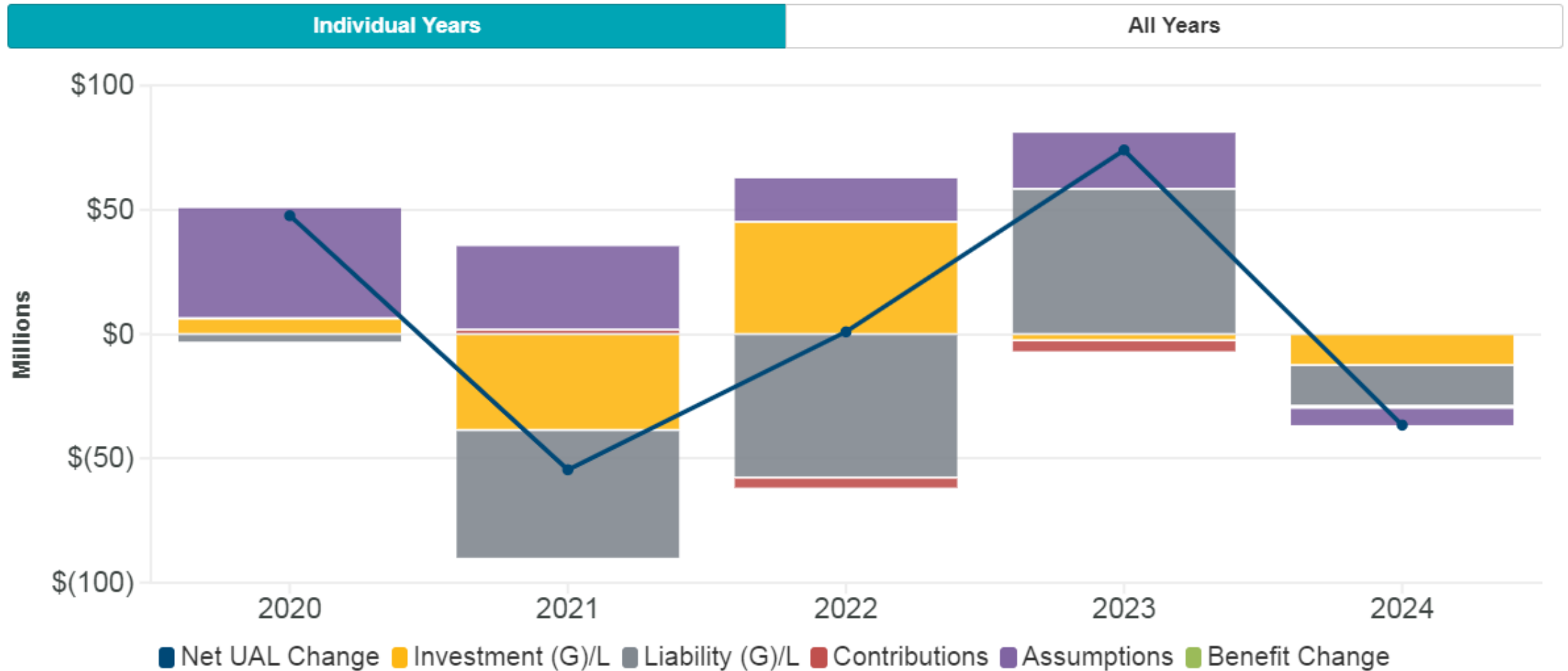




# Historical Changes in UAL – Explicit Subsidy



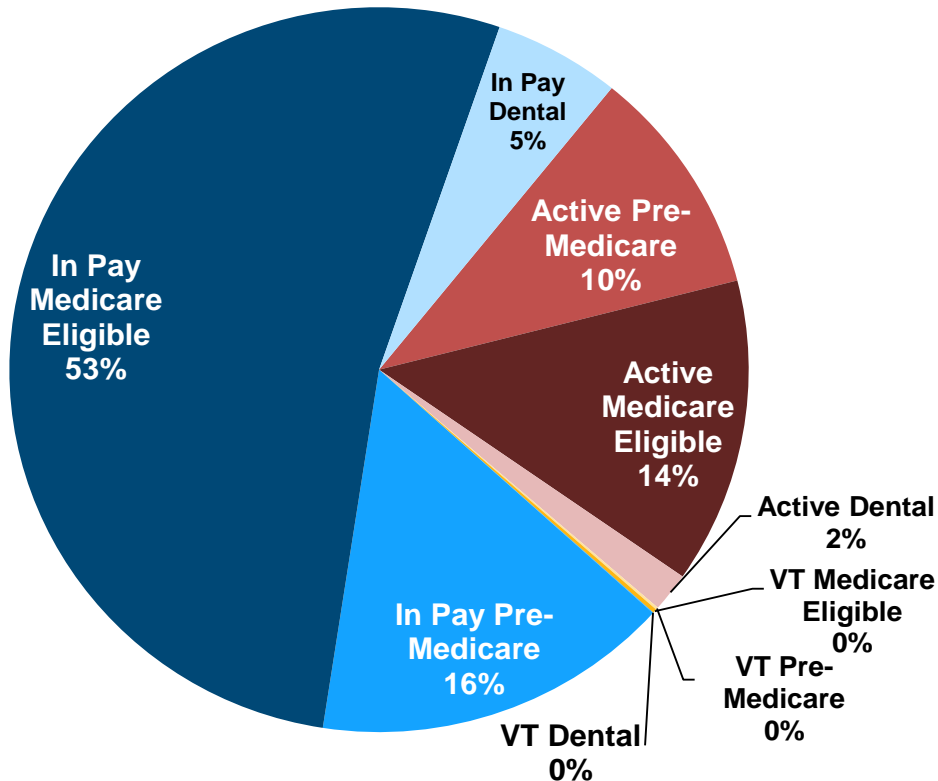
## Changes in UAL



# Actuarial Liability by Benefit



## Actuarial Liability



- Liability Breakdown

- 74% currently in pay status
- 67% medical benefits after eligibility for Medicare
- 26% medical benefits prior to eligibility for Medicare
- 7% dental benefits

# Explicit Subsidy Contributions



Summary of Contribution Amounts Payments Throughout the Year						
	Police Department			Fire Department		
	2025	2026	% Change	2025	2026	% Change
Explicit Subsidy						
Members	\$ 5,252	\$ 4,783	-8.9%	\$ 4,549	\$ 4,500	-1.1%
City's ADC	18,507	19,415	4.9%	12,270	12,638	3.0%

*Dollar amounts in thousands*

- Member contributions are generally declining as members eligible for full benefits retire
- City's explicit subsidy contribution increased by \$1.3 million
- In aggregate, City's explicit subsidy contribution is about \$277,000 lower than the City's optional contribution cap



The purpose of this presentation is to show the preliminary results of the June 30, 2024 Actuarial Valuation for the City of San José's Police and Fire Postemployment Healthcare Plan.

This presentation was prepared exclusively for the Board of Administration for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

In preparing our presentation, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Health care trends for this valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

# Certification (continued)



We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this valuation.

This presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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

John L. Colberg, FSA, EA, MAAA  
Principal Consulting Actuary

Jacqueline R. King, FSA, EA, MAAA  
Consulting Actuary