

San José Federated Postemployment Healthcare Plan

Preliminary Actuarial Valuation Results June 30, 2025

December 18, 2025

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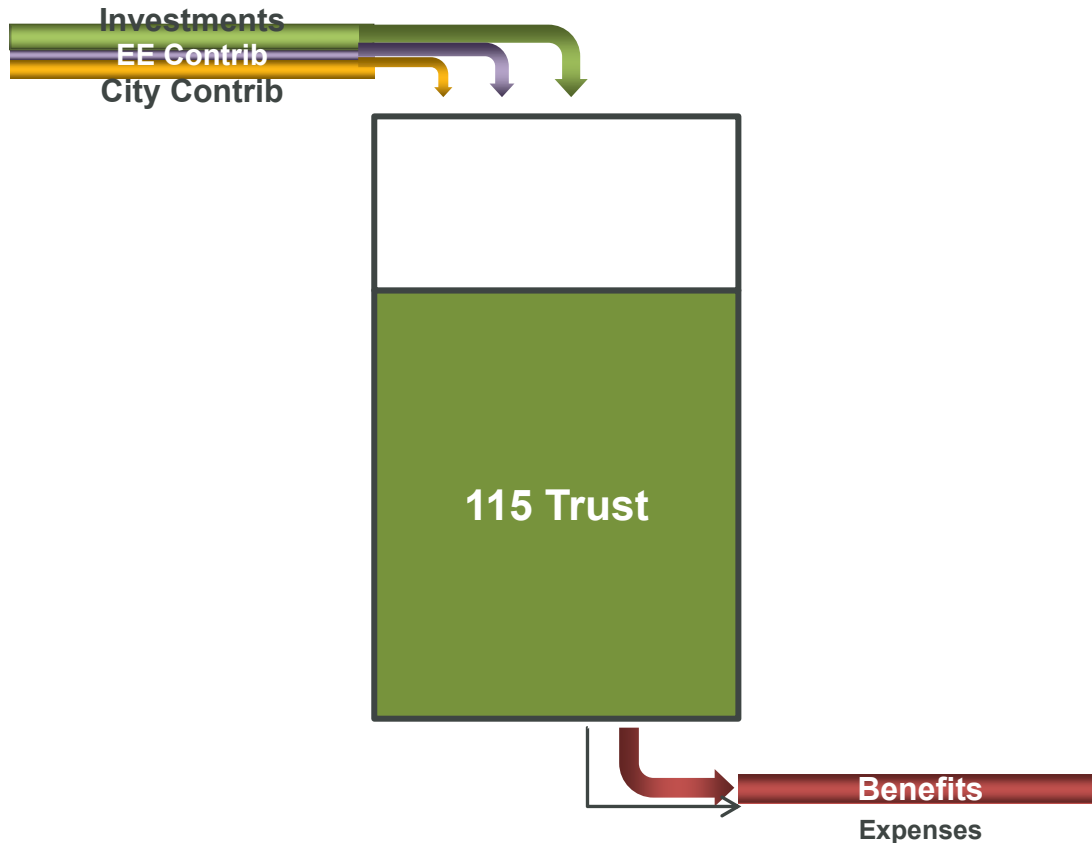


- Background
- Preliminary Valuation Results
 - Membership
 - Changes in UAL
 - Funded Status
 - Contributions

A Dynamic System



Explicit Subsidy Funding



- Primary purpose of valuation is to set City contributions
 - 2025 valuation develops contributions for FYE 2027
- 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 at 7.5% of pay

Membership



Membership

6/30/2024 6/30/2025 % Change

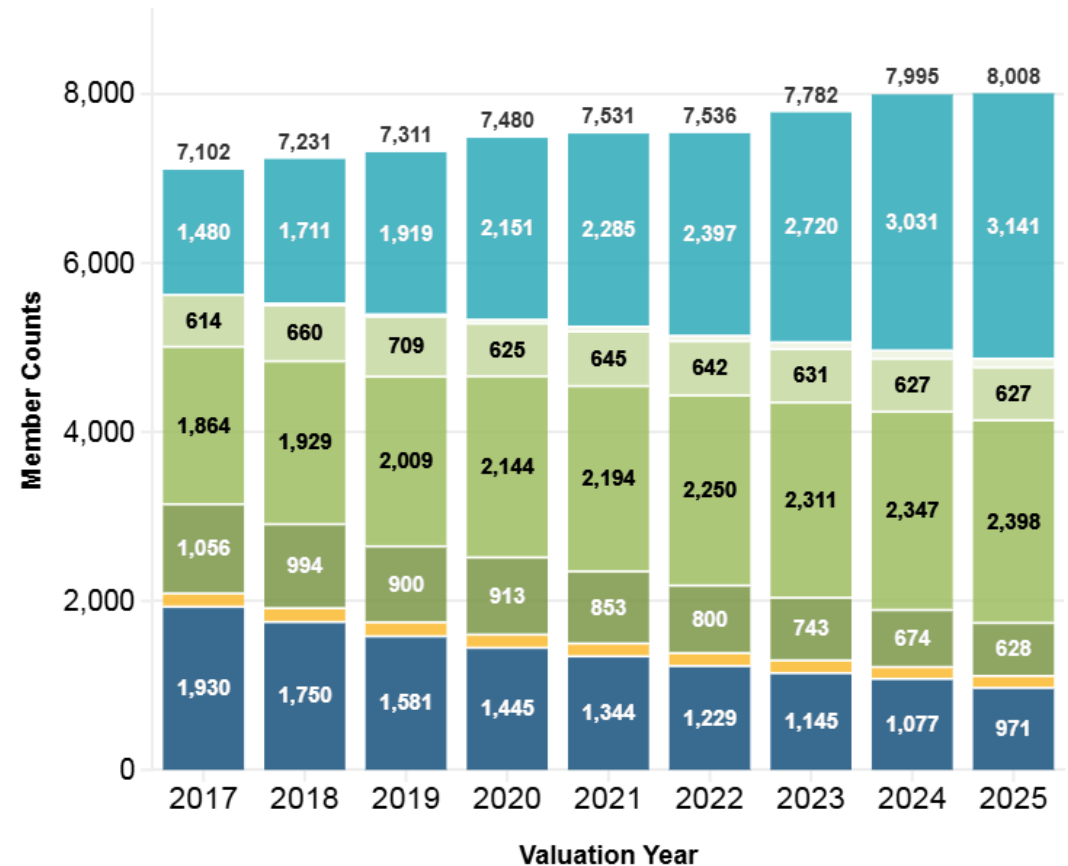
Active Members

Eligible for Full Benefits	1,077	971	-9.8%
Eligible for Catastrophic Disability Only	3,031	3,141	3.6%
Total Active Members	4,108	4,112	0.1%
Deferred Vested Members	141	140	-0.7%
Members in Pay Status (Medical and/or Dental)	3,648	3,653	0.1%
Members In-Lieu only	98	103	5.1%
Total	7,995	8,008	0.2%
Full Benefit Member Payroll	\$123,038	\$116,469	-5.3%
Total Payroll	\$454,295	\$476,761	4.9%

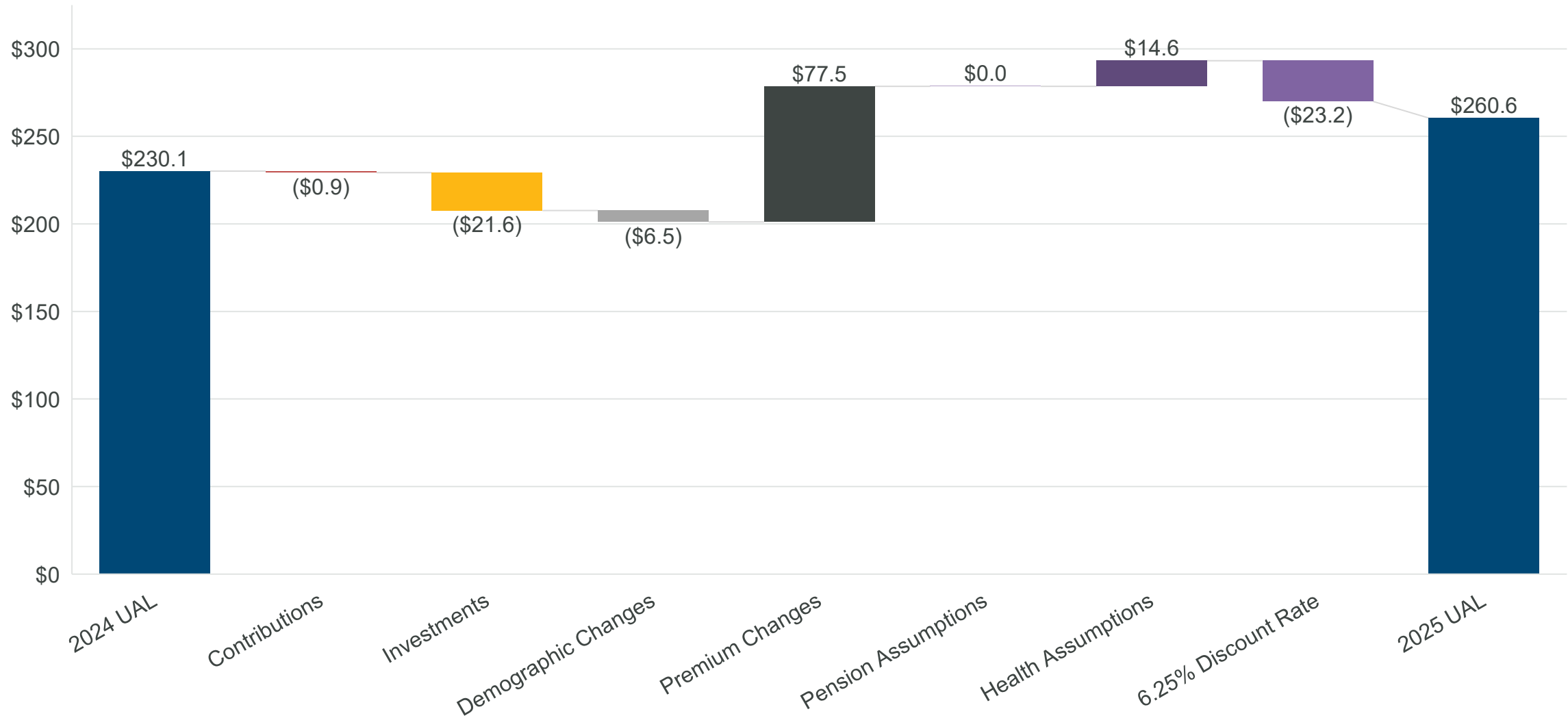
Dollar amounts in thousands

Membership Trends

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



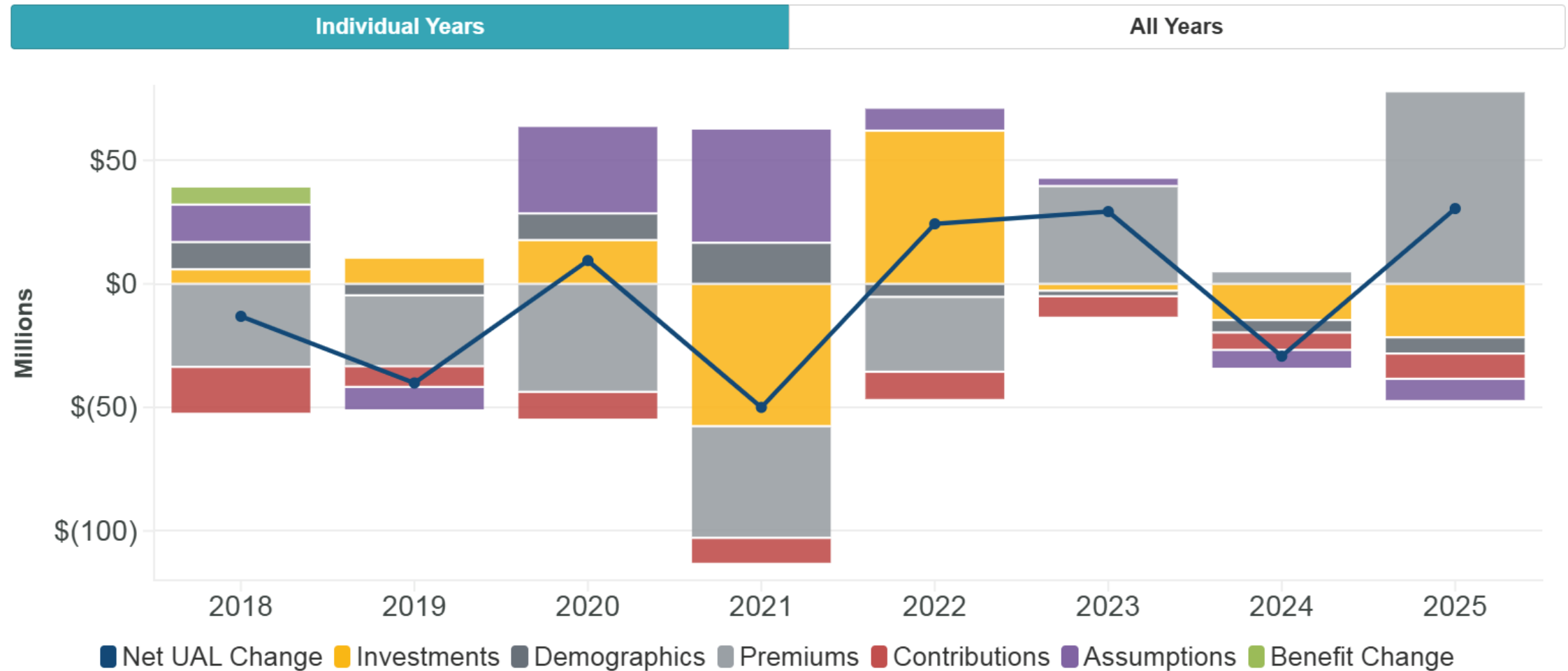
Changes in UAL – Explicit Subsidy Only



Historical Changes in UAL – Explicit Subsidy



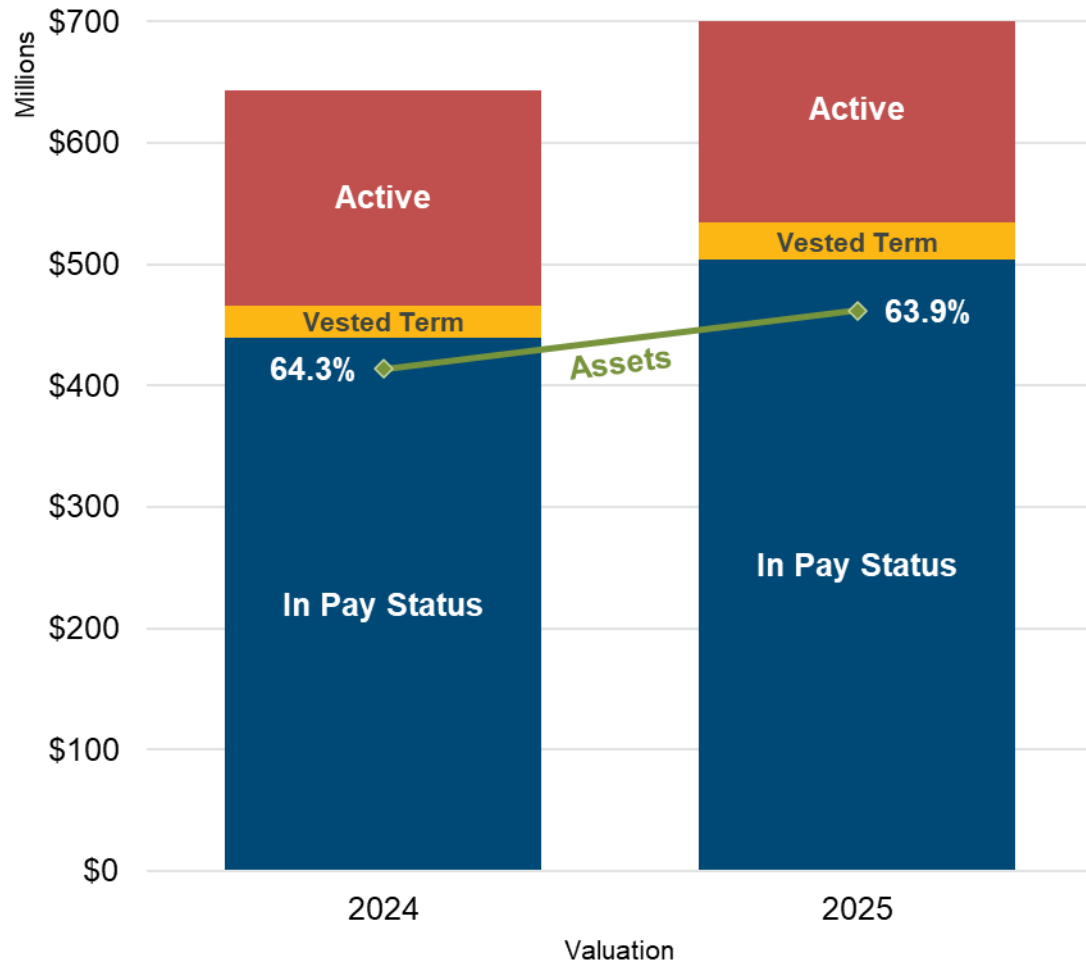
Changes in UAL



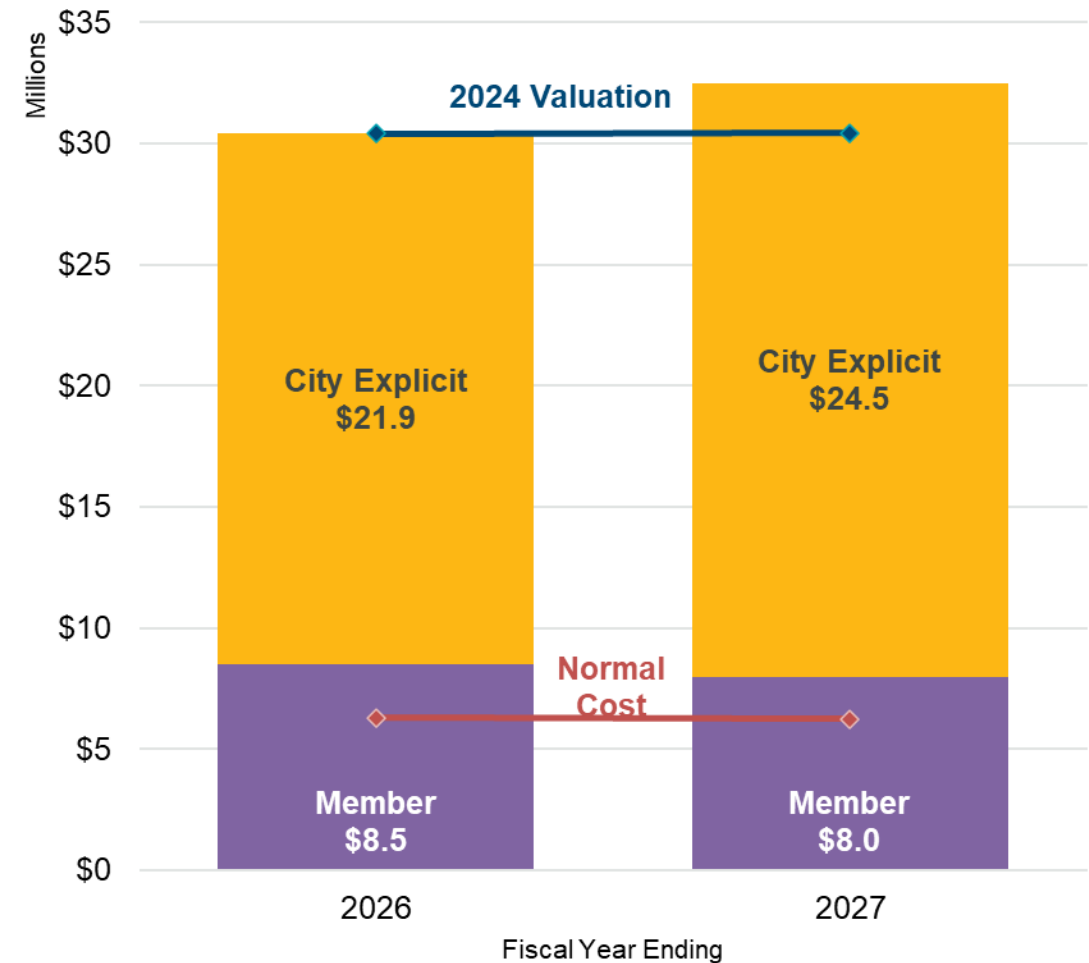
Preliminary Valuation Results – Explicit Subsidy Only



Explicit Subsidy Funded Status



Contributions





The purpose of this presentation is to present the preliminary results of the June 30, 2025 Actuarial Valuation for the City of San José's Federated 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.

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Consulting Actuary

Appendix: Contribution Summary



- Member contributions are generally declining as members eligible for full benefits retire
- City's explicit subsidy contribution increased by \$2.6 million
- City's optional contribution cap is almost three times the Actuarially Determined Contribution for FYE 2027
- City's implicit subsidy contribution also increased by \$0.04 million to \$7.03 million

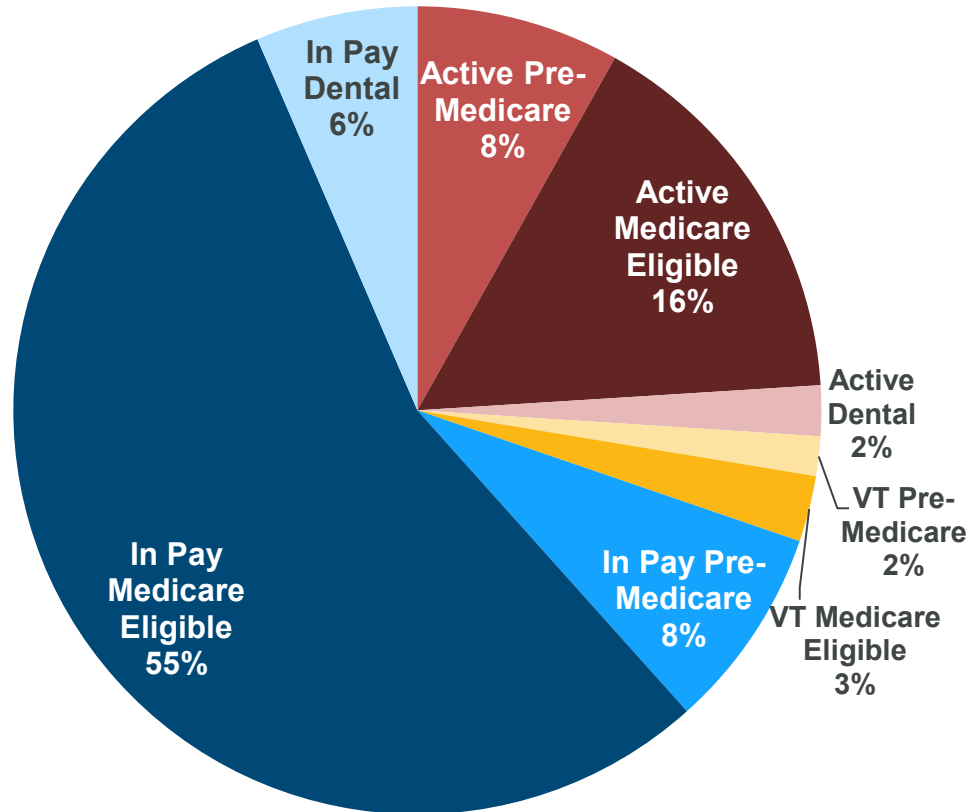
Summary of Contribution Amounts			
	FYE 2026	FYE 2027	% Change
Explicit Subsidy			
Members	\$ 8,489	\$ 7,959	-6.2%
City's Actuarially Determined Contribution	<u>21,929</u>	<u>24,533</u>	<u>11.9%</u>
Total Explicit Subsidy Contribution	\$ 30,418	\$ 32,492	6.8%
Estimated City Optional Cap	65,509	68,749	4.9%
Implicit Subsidy	\$ 6,984	\$ 7,028	0.6%

Dollar amounts in thousands

Appendix: Actuarial Liability by Benefit



Actuarial Liability



- Liability Breakdown

- 69% currently In pay status
- 74% medical benefits after eligibility for Medicare
- 18% medical benefits prior to eligibility for Medicare
- 8% dental benefits