

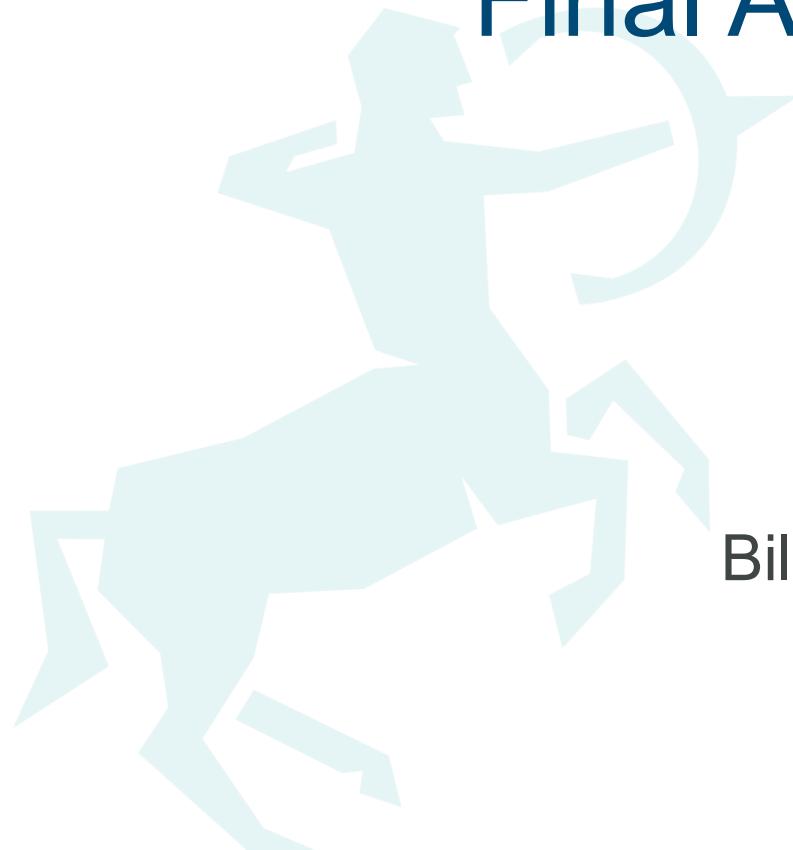
# San José Federated Postemployment Healthcare Plan



## Final Actuarial Valuation Results June 30, 2025

January 22, 2026

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



# Agenda



Schedule

Summary of Valuation Results

Membership Trends

Changes in UAL

Baseline Projections

Appendix

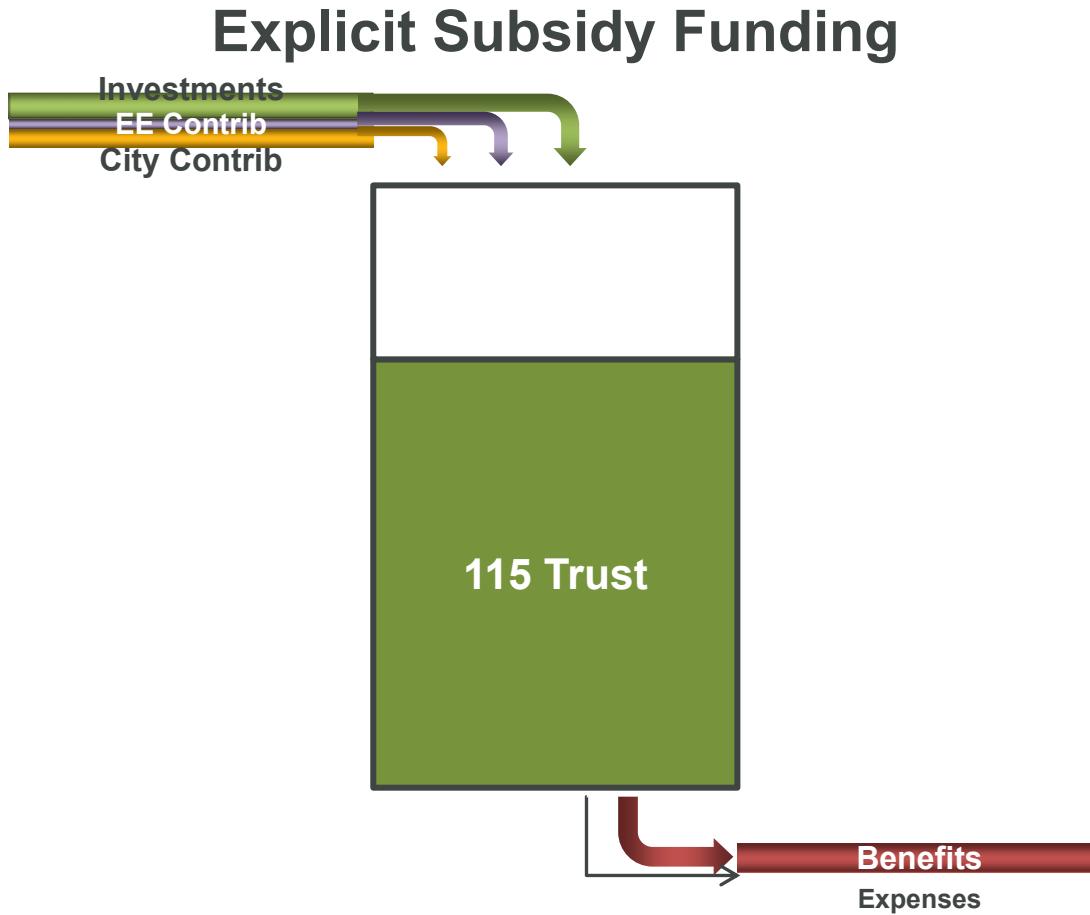


- October Board Meeting
  - Pension Economic Assumption Review
- November Board Meeting
  - Preliminary Pension Valuation Results
  - OPEB Assumptions Review
- December Board Meeting
  - Final Pension Valuation Presentation
  - Final Pension Valuation Report
  - Preliminary OPEB Valuation Results
- **January Board Meeting**
  - **Final OPEB Valuation Presentation**
  - **Final OPEB Valuation Report**
  - **5-Year City Contribution Projections**

# Final Results

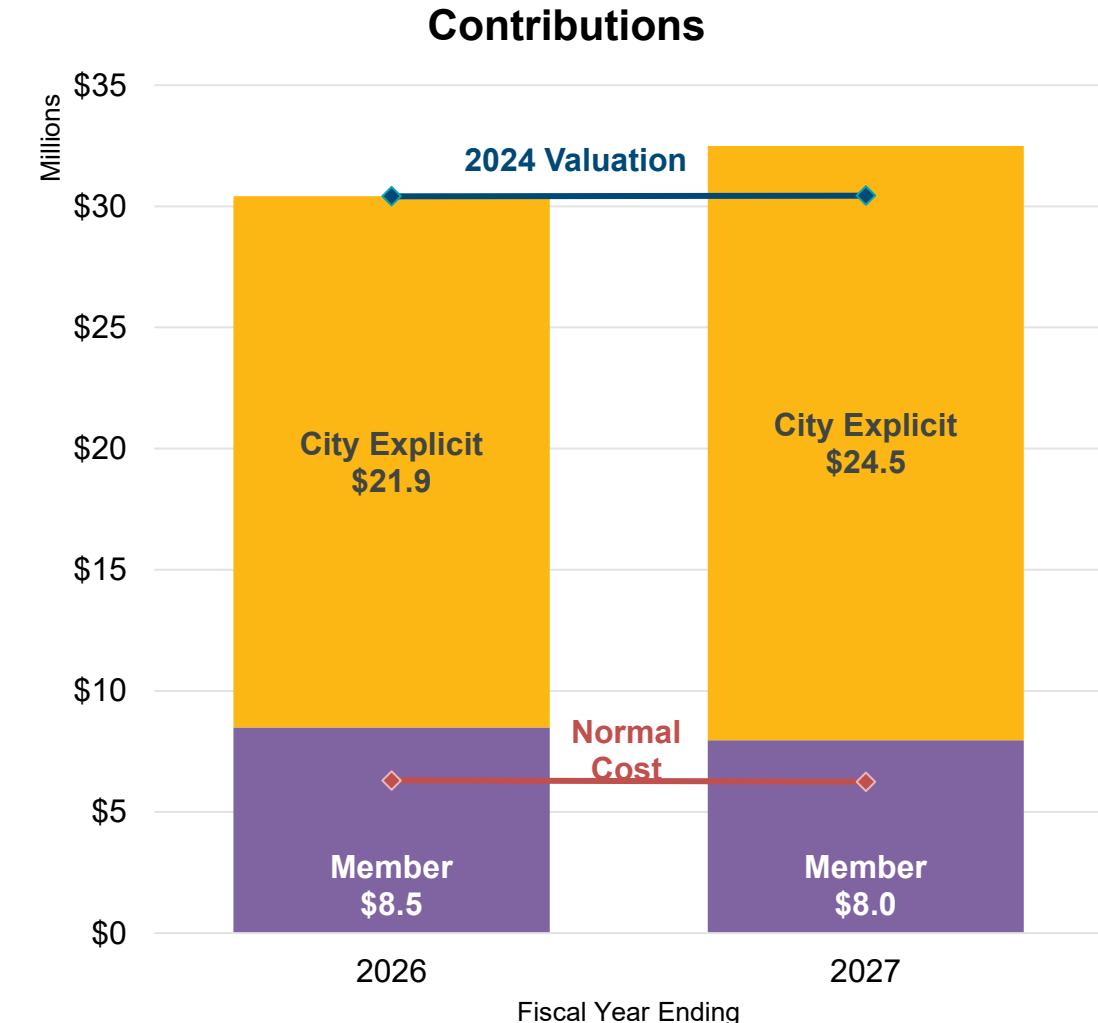
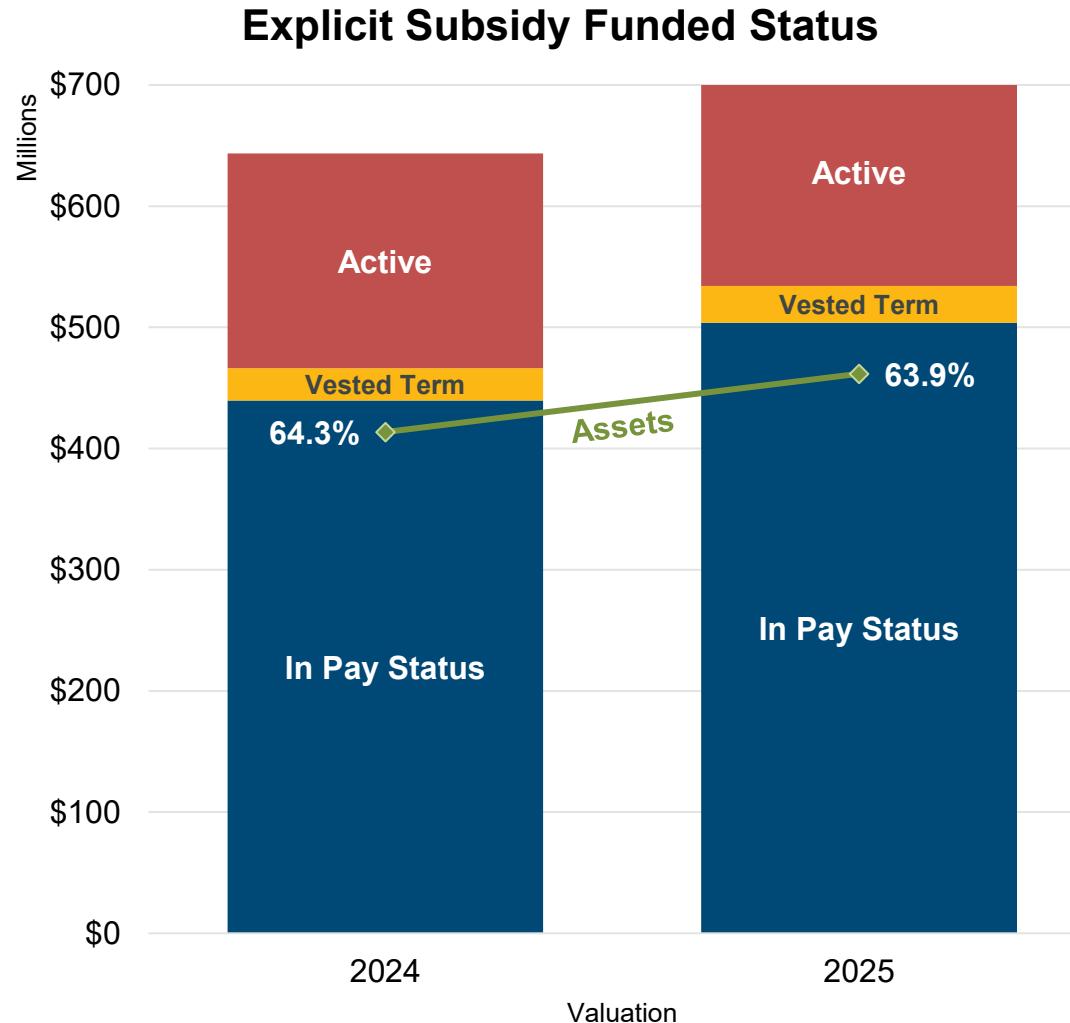


# A Dynamic System



- 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

# Final Valuation Results – Explicit Subsidy Only

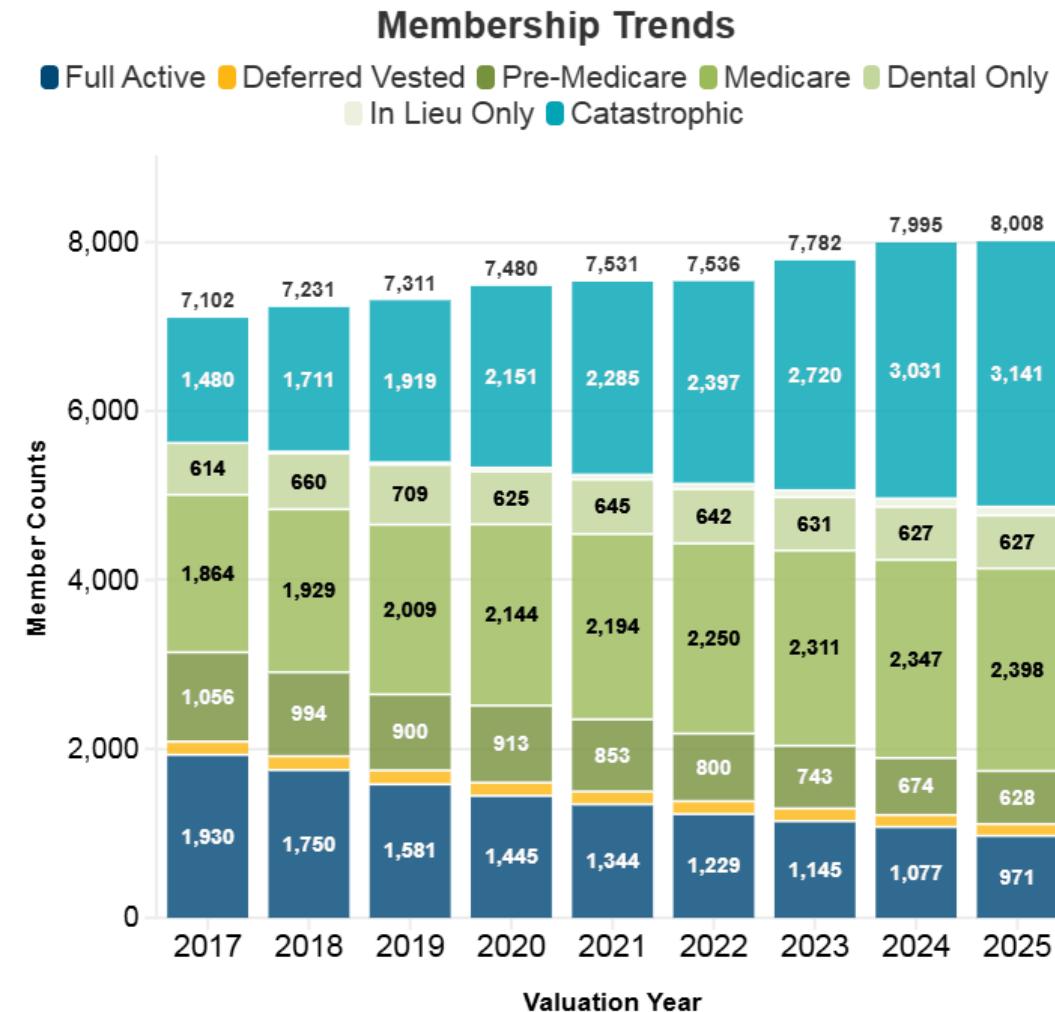


# Membership



| Membership                                       |              |              |             |
|--|--------------|--------------|-------------|
|  | 6/30/2024    | 6/30/2025    | % Change    |
| <b>Active Members</b>                            |              |              |             |
| Eligible for Full Benefits                       | 1,077        | 971          | -9.8%       |
| Eligible for Catastrophic<br>Disability Only     | <u>3,031</u> | <u>3,141</u> | 3.6%        |
| Total Active Members                             | 4,108        | 4,112        | 0.1%        |
| Deferred Vested Members                          | 141          | 140          | -0.7%       |
| Members in Pay Status<br>(Medical and/or Dental) | 3,648        | 3,653        | 0.1%        |
| Members In-Lieu only                             | <u>98</u>    | <u>103</u>   | 5.1%        |
| <b>Total</b>                                     | <b>7,995</b> | <b>8,008</b> | <b>0.2%</b> |
| Full Benefit Member Payroll                      | \$123,038    | \$116,469    | -5.3%       |
| Total Payroll                                    | \$454,295    | \$476,761    | 4.9%        |

Dollar amounts in thousands

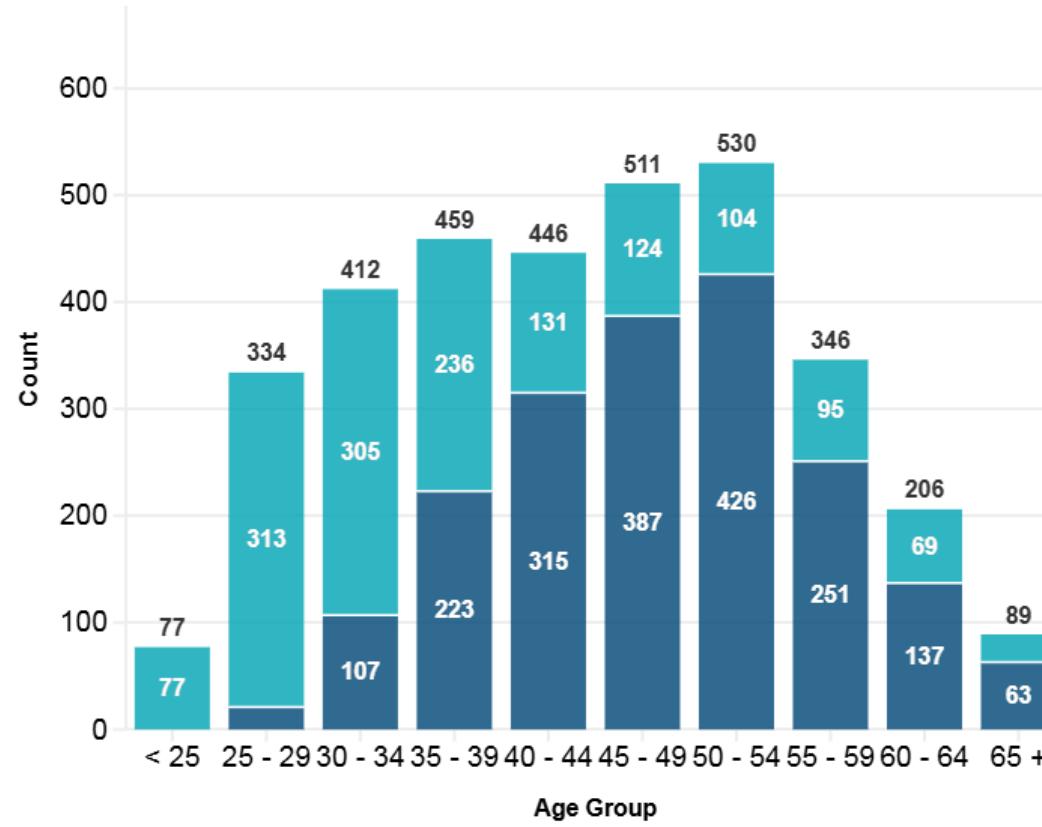


# Member Distributions



## Active Count Distribution

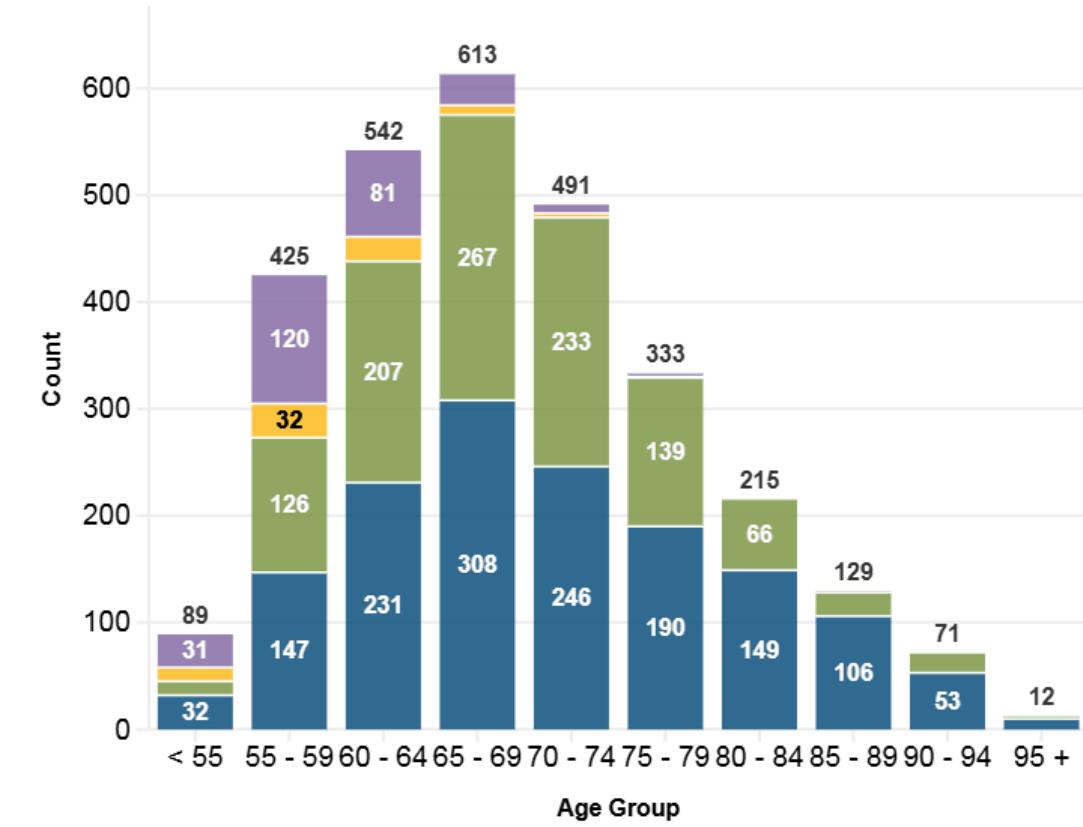
Valuation Year **2017** 2020 2023 2025



Eligibility: ■ Full Benefits ■ Catastrophic Disability Only

## Retiree Count Distribution

Valuation Year **2017** 2020 2023 2025



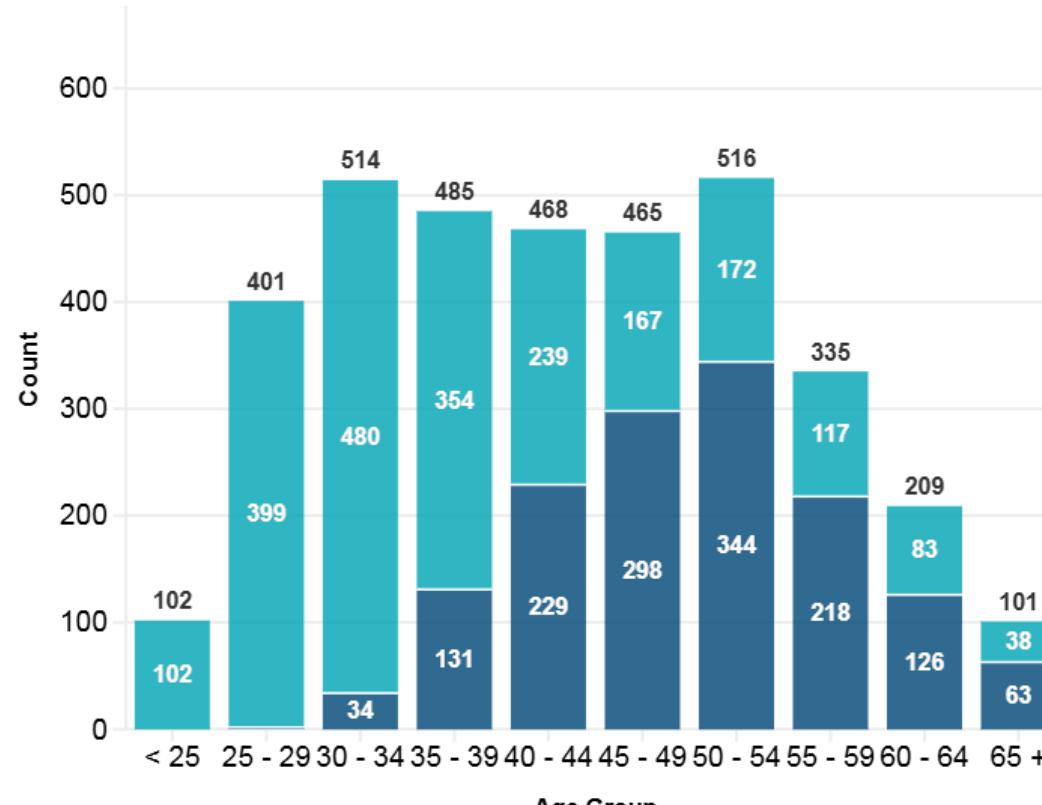
Coverage Tier: ■ EE Only ■ EE + Spouse ■ EE + Children ■ Family

# Member Distributions



## Active Count Distribution

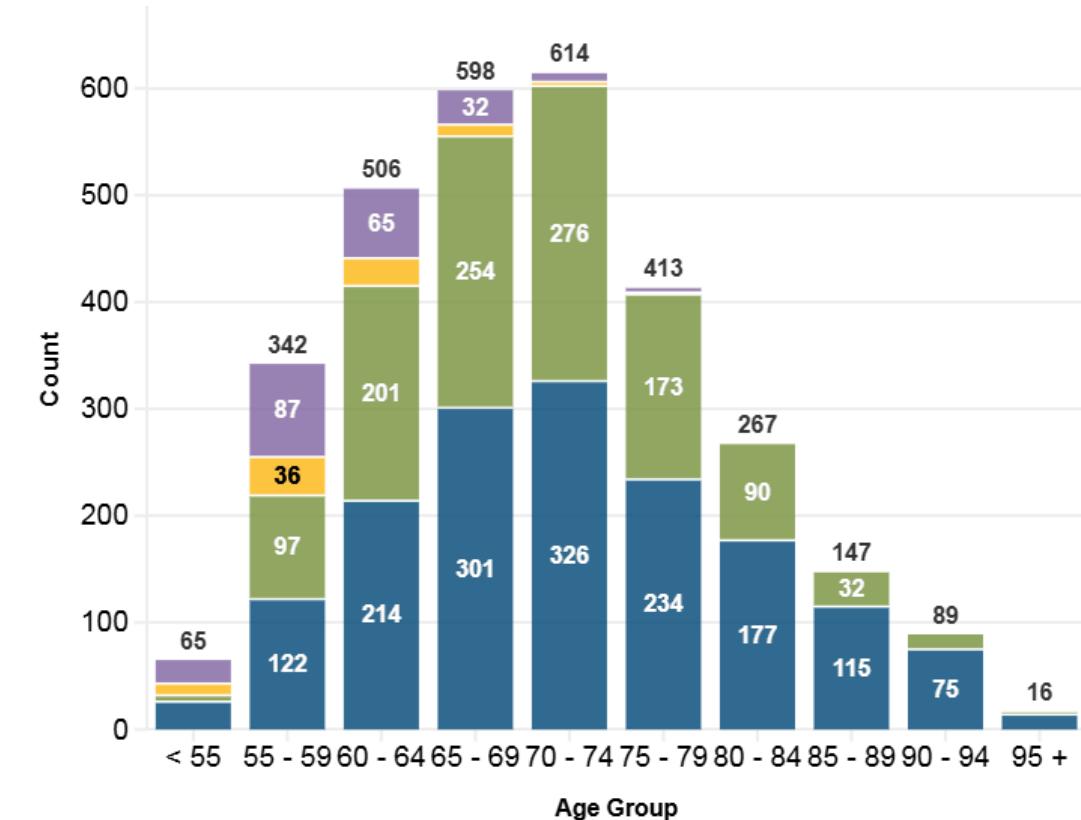
Valuation Year 2017 2020 2023 2025



Eligibility: ■ Full Benefits ■ Catastrophic Disability Only

## Retiree Count Distribution

Valuation Year 2017 2020 2023 2025



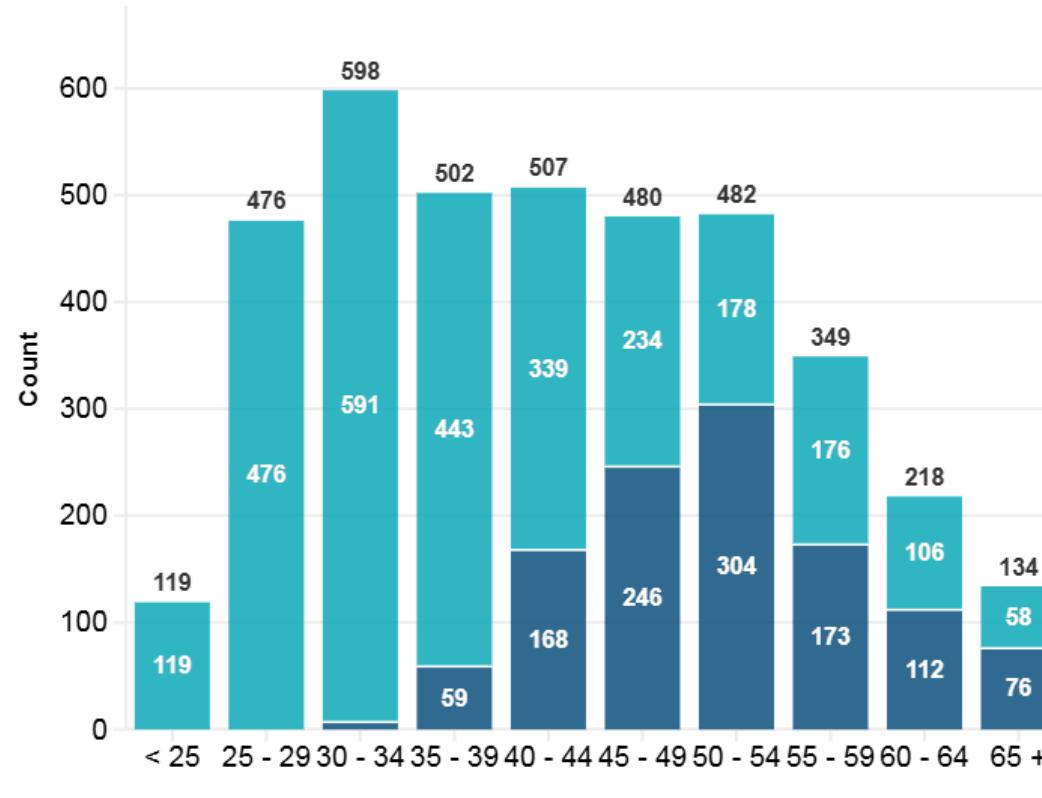
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# Member Distributions



## Active Count Distribution

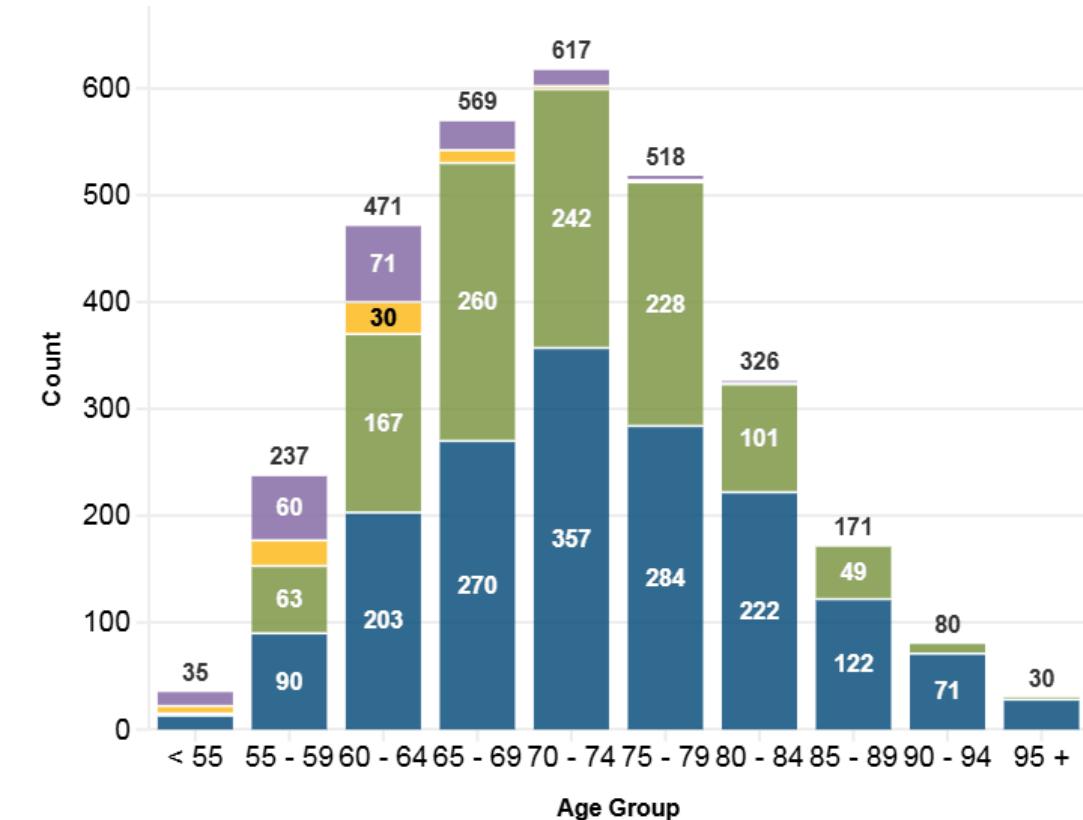
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## Retiree Count Distribution

Valuation Year 2017 2020 2023 2025

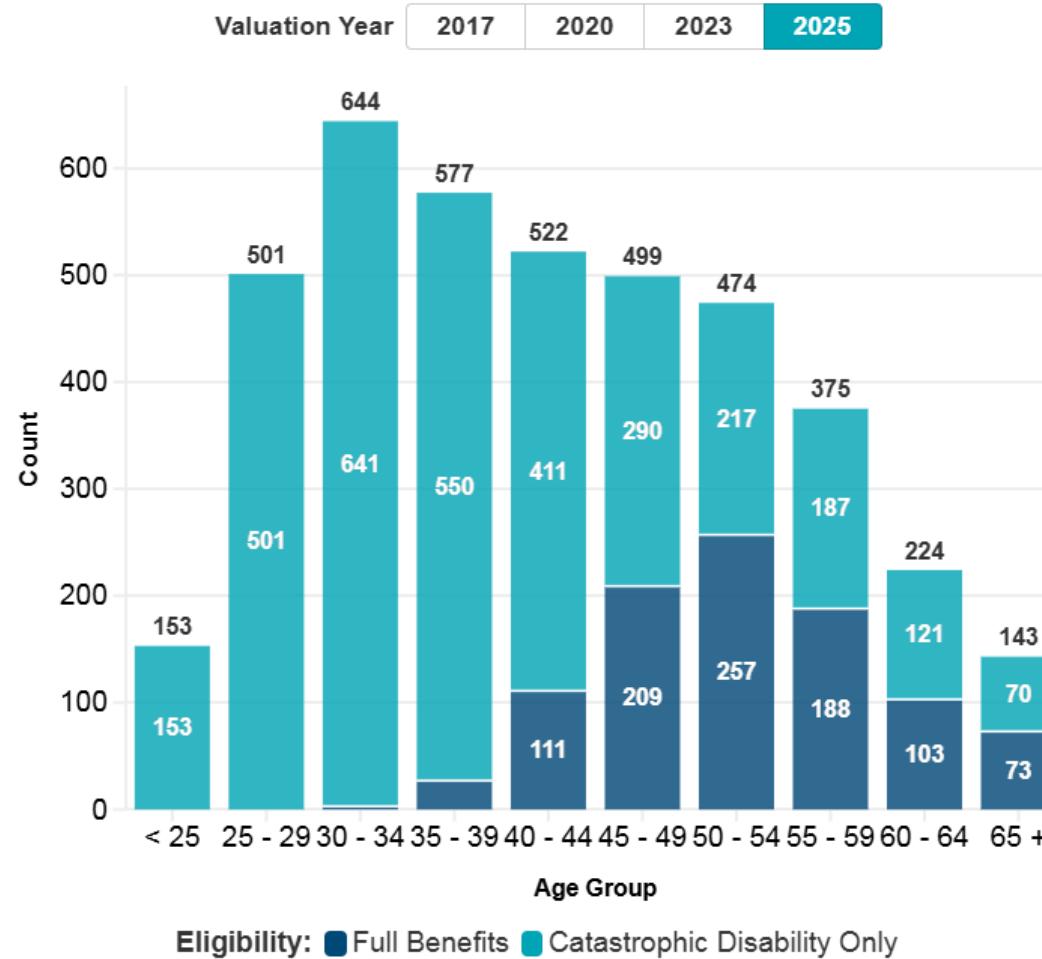


Coverage Tier: ■ EE Only ■ EE + Spouse ■ EE + Children ■ Family

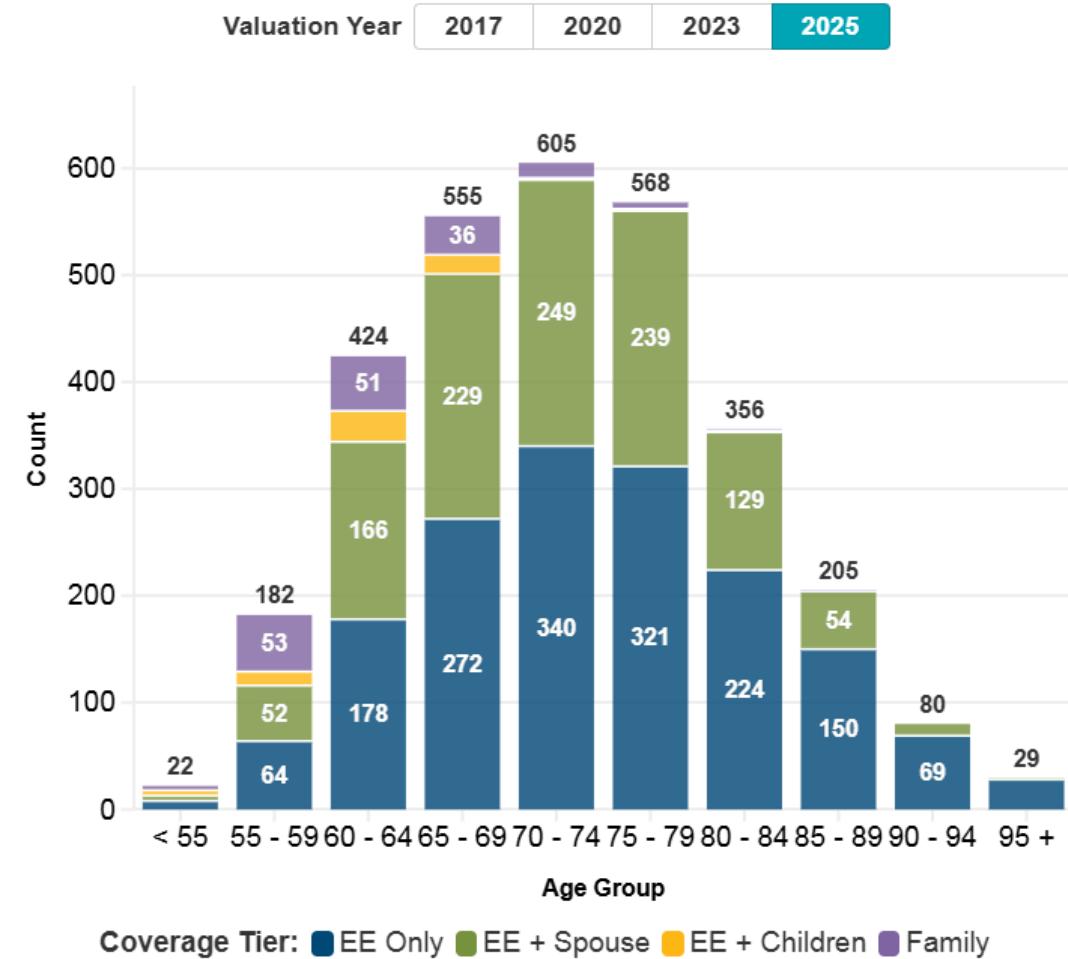
# Member Distributions



## Active Count Distribution



## Retiree Count Distribution



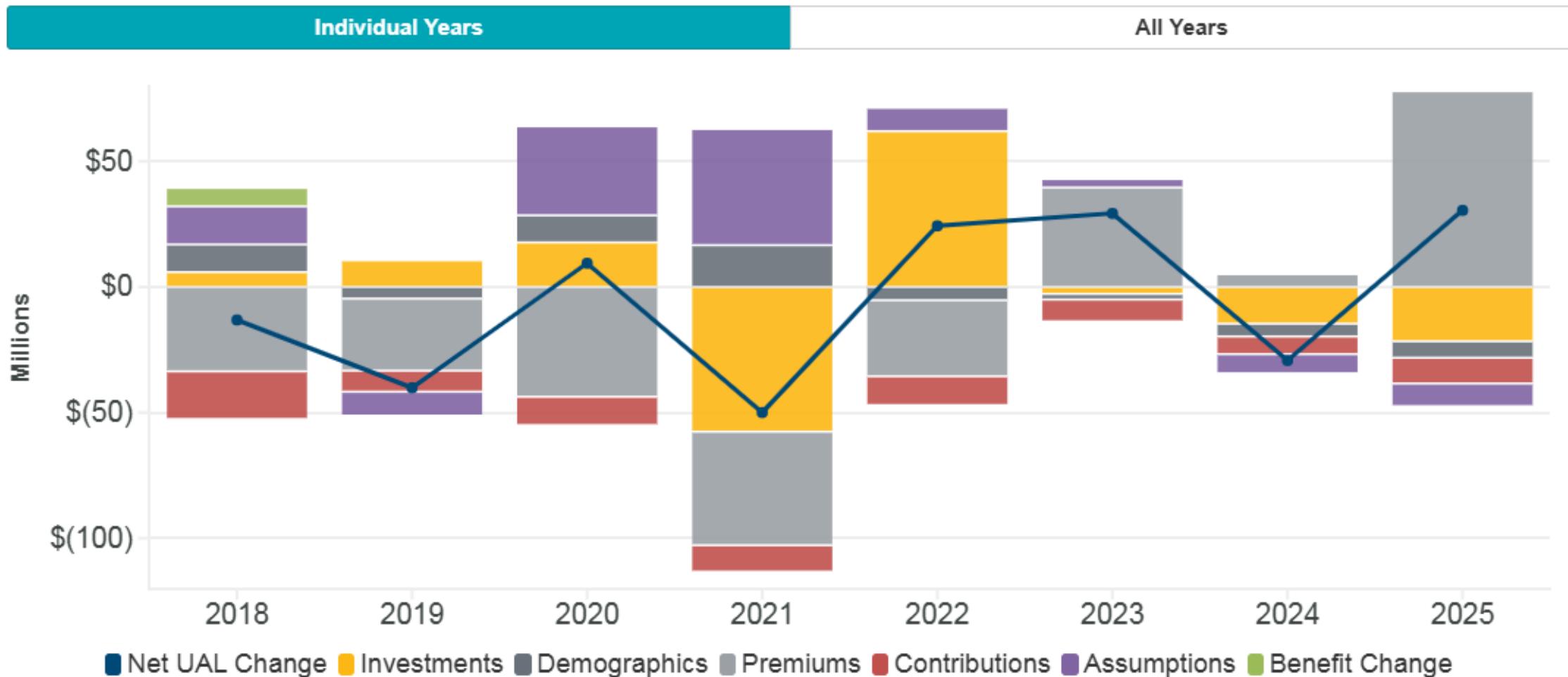
# Changes in UAL – Explicit Subsidy Only



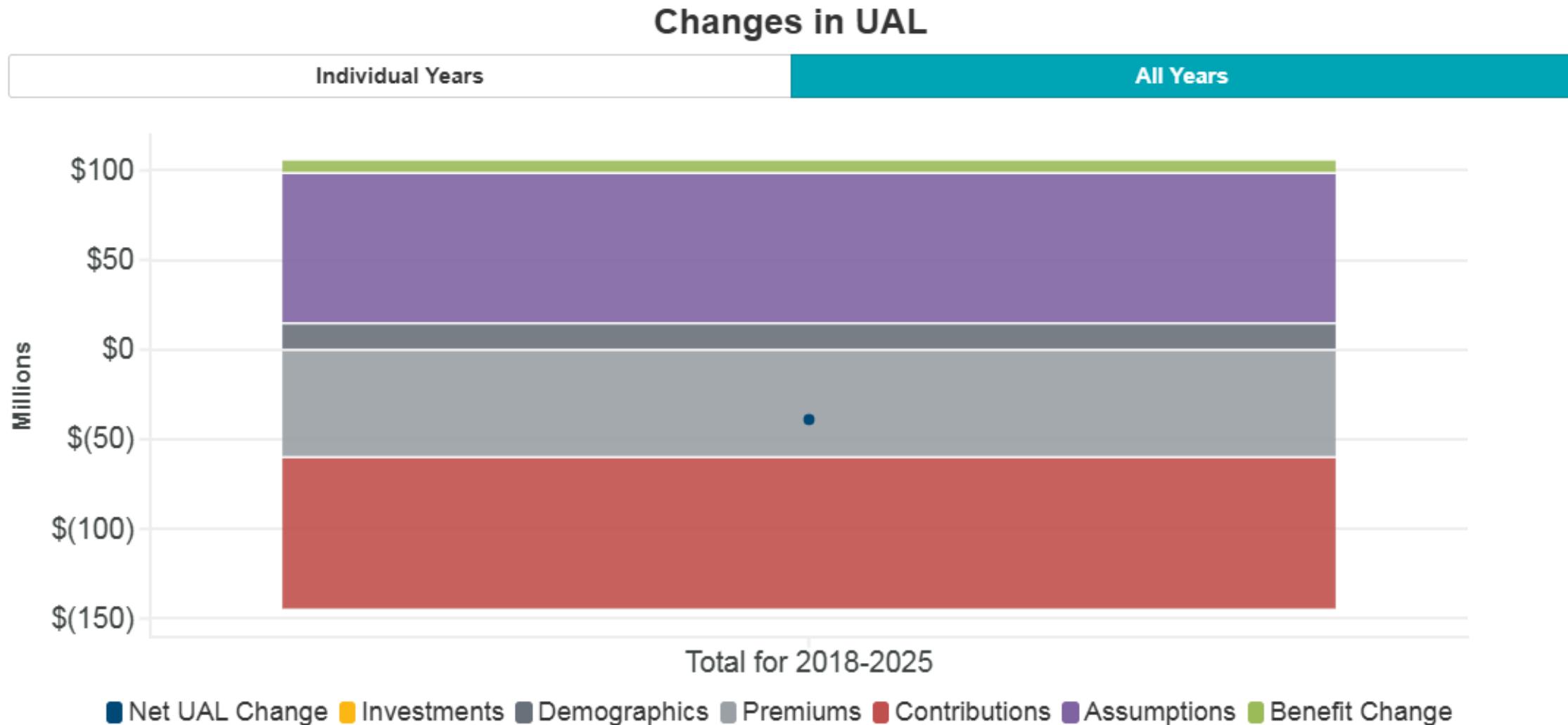
# Historical Changes in UAL – Explicit Subsidy Only



## Changes in UAL



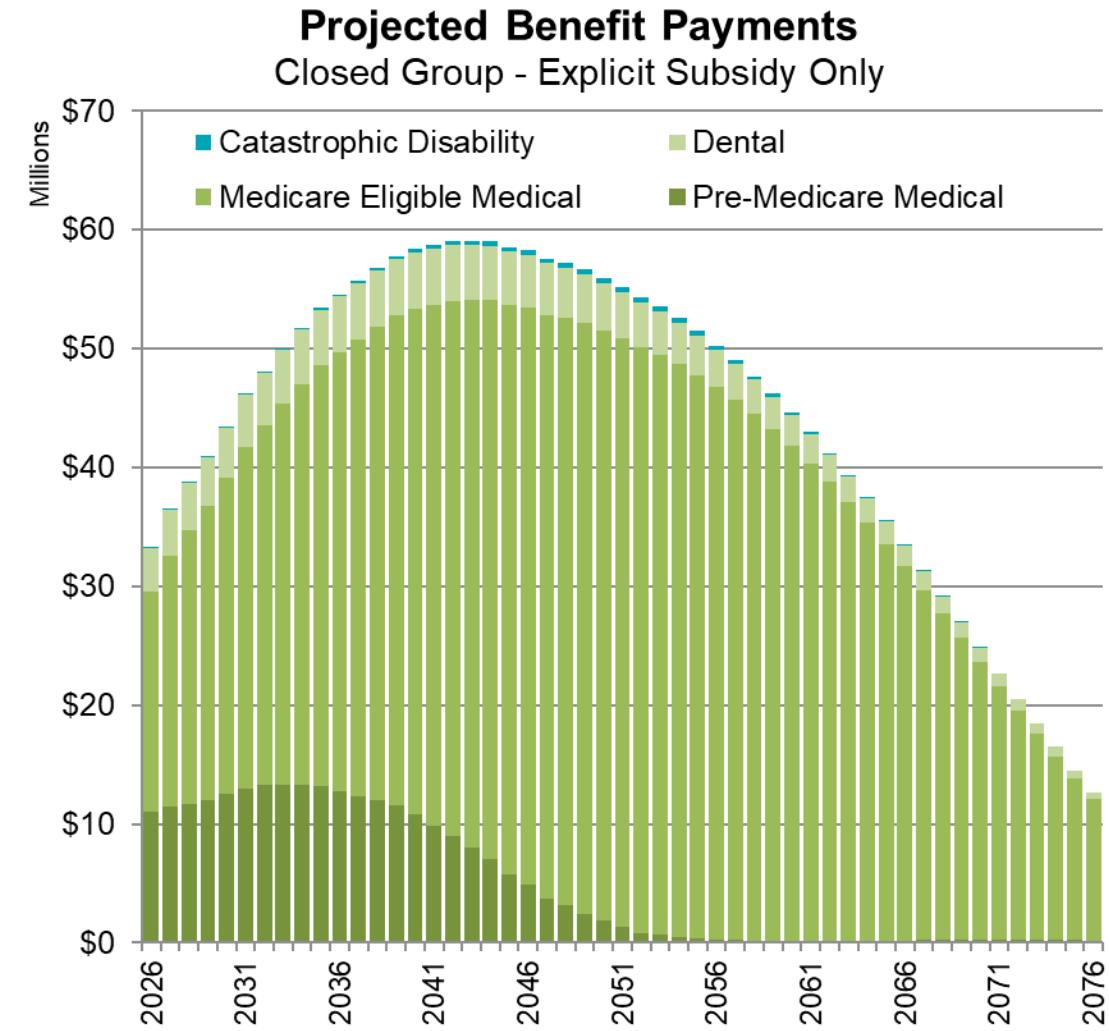
# Historical Changes in UAL – Explicit Subsidy Only



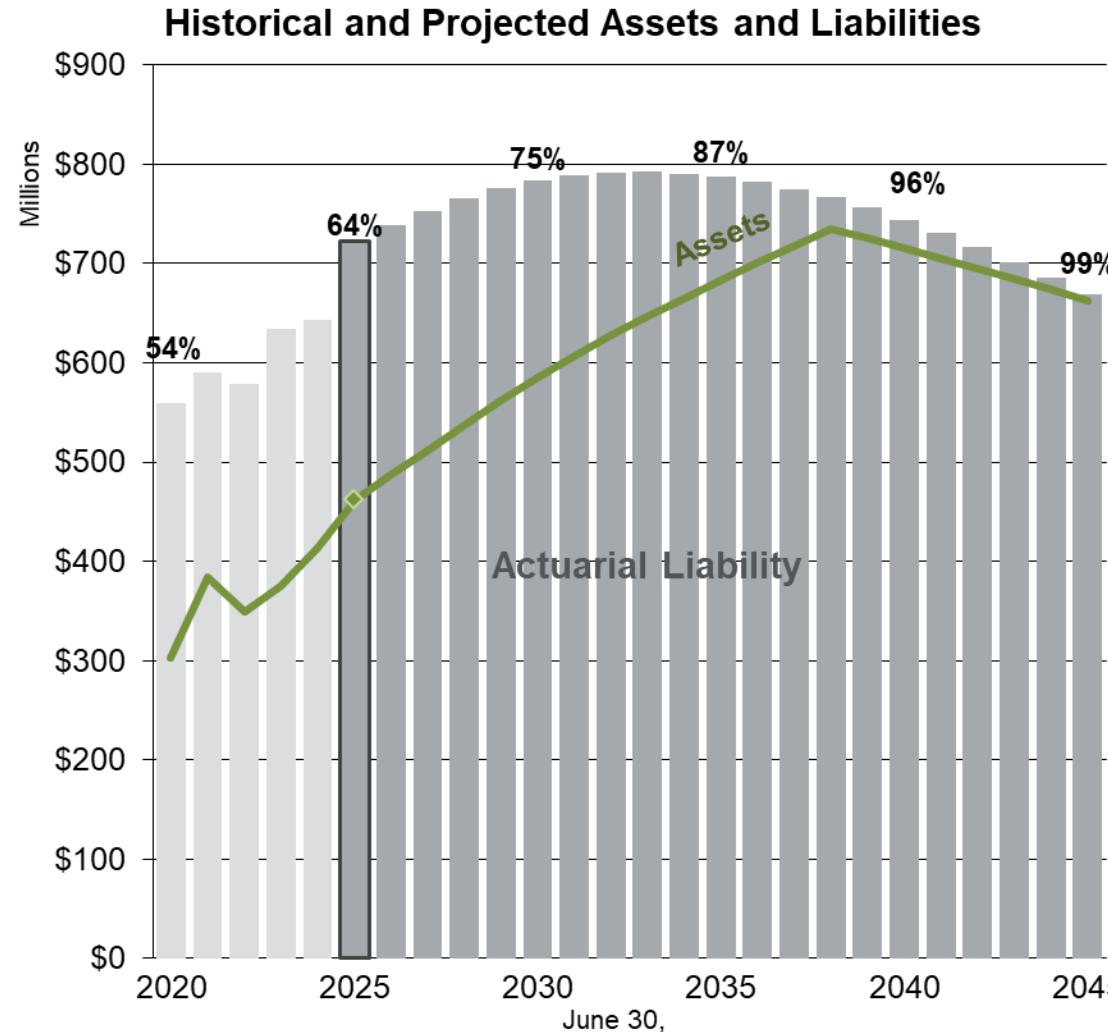
# Projected Benefit Payments



- Full Benefits – Closed Group
  - Benefit payments expected to increase for the next 17 years before starting to decline
  - Benefit payments are expected to continue far into the future
- Catastrophic Disability – Open Group
  - Projected benefit payments are very small compared to the total benefit payments
    - No payments yet
    - Payments stop at age 65

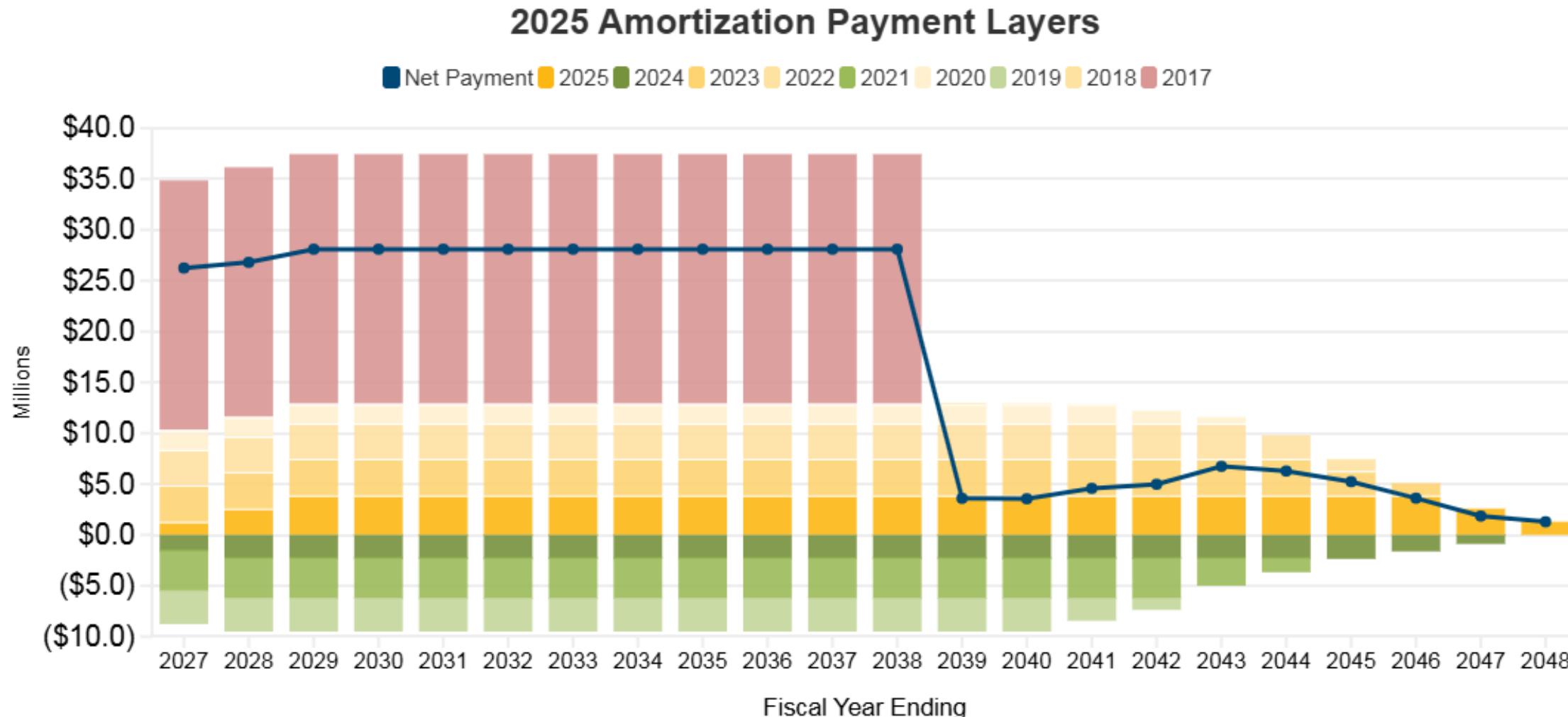


# Projected Assets and Liabilities

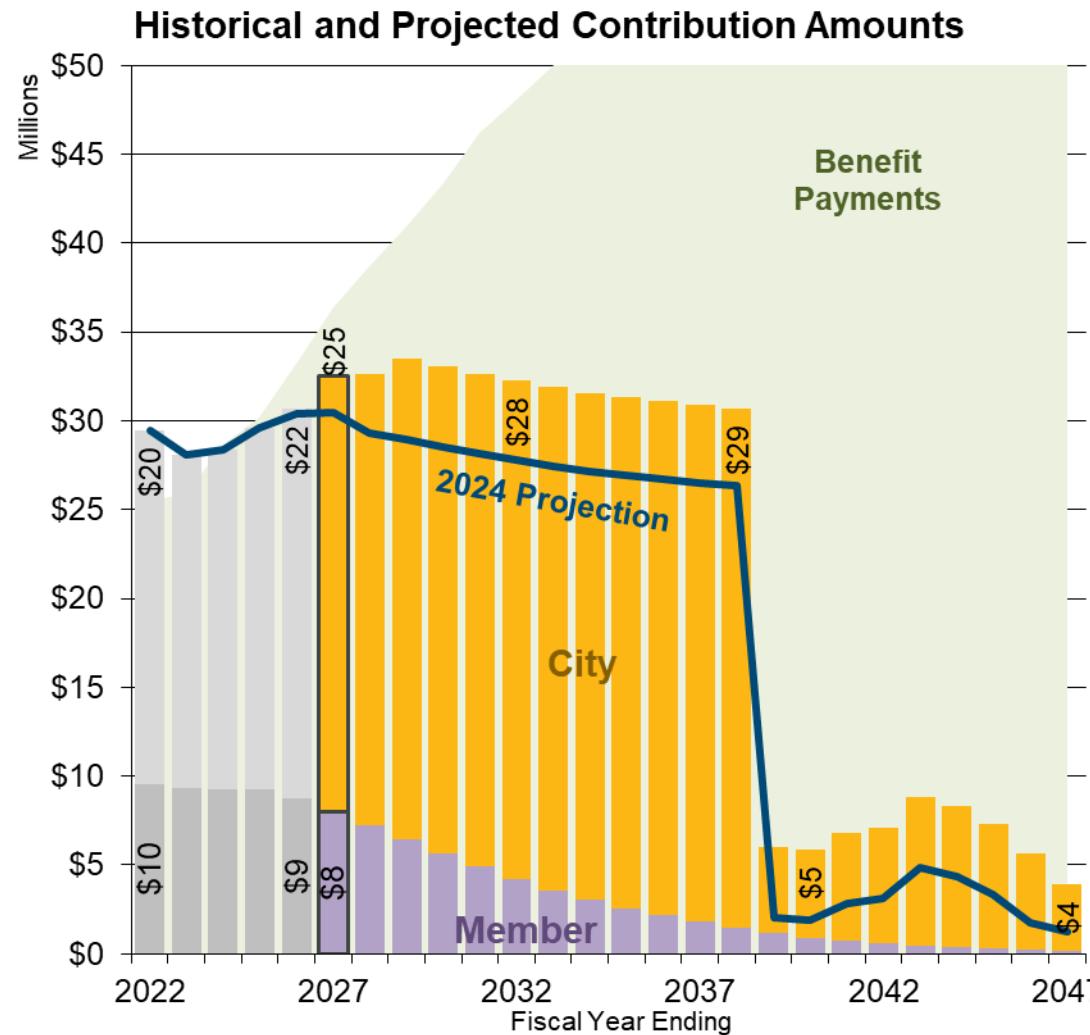


- Liabilities are projected to peak in 2033
  - Liability increases due to new benefits and interest
  - Liability decreases due to benefit payments
- Assets are projected to grow faster than liabilities, paying off the 2017 UAL in 2038
  - Contributions and investment returns increase assets
  - Benefit payments reduce assets

# Amortization Schedule to Payoff UAL



# Projected Contributions



- Member contributions are expected to decline as active membership eligible for full benefits declines
- City contributions are the total ADC minus member contributions
  - Total ADC is expected to increase through FYE 2029 and then gradually decline through FYE 2038
  - Because member contributions are expected to decline more rapidly than the total ADC, the City contribution is expected to gradually increase through FYE 2038 to \$29 million before dropping significantly
- Benefit payments from the trust are expected to increase significantly, resulting in a growing net negative cash flow
  - Will need to manage liquidity
  - Will become more sensitive to short-term investment returns

# Questions



# Certification



- The purpose of this presentation is to present the 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.

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

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

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

# Appendix – Contributions



| <b>Summary of Contribution Amounts</b>     |                 |                 |                 |  |
|--|-----------------|-----------------|-----------------|--|
|  | <b>FYE 2026</b> | <b>FYE 2027</b> | <b>% Change</b> |  |
| <b>Explicit Subsidy</b>                    |                 |                 |                 |  |
| 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%            |  |

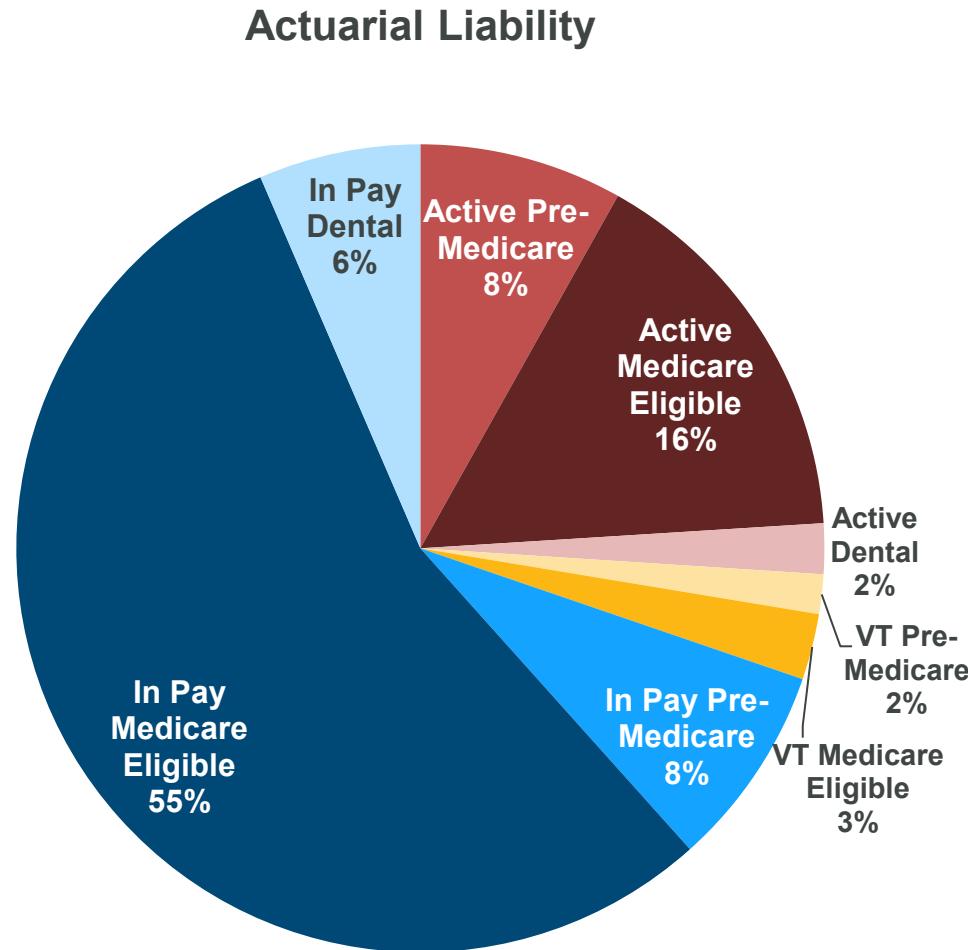
*Dollar amounts in thousands*

| <b>FYE</b> | <b>Throughout Year</b> | <b>Beginning of Year*</b> |
|------------|------------------------|---------------------------|
| 2026       | \$ 21,929              | \$ 21,275                 |
| 2027       | 24,533                 | 23,801                    |
| 2028       | 25,432                 | 24,672                    |
| 2029       | 27,070                 | 26,261                    |
| 2030       | 27,418                 | 26,600                    |
| 2031       | 27,745                 | 26,917                    |

*\* Assumes full discount*

*Dollar amounts in thousands*

# Appendix: Actuarial Liability by Benefit



- **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