

City of San José Federated Postemployment Healthcare Plan

Actuarial Valuation Funding Report as of June 30, 2021

Produced by Cheiron

January 2022

TABLE OF CONTENTS

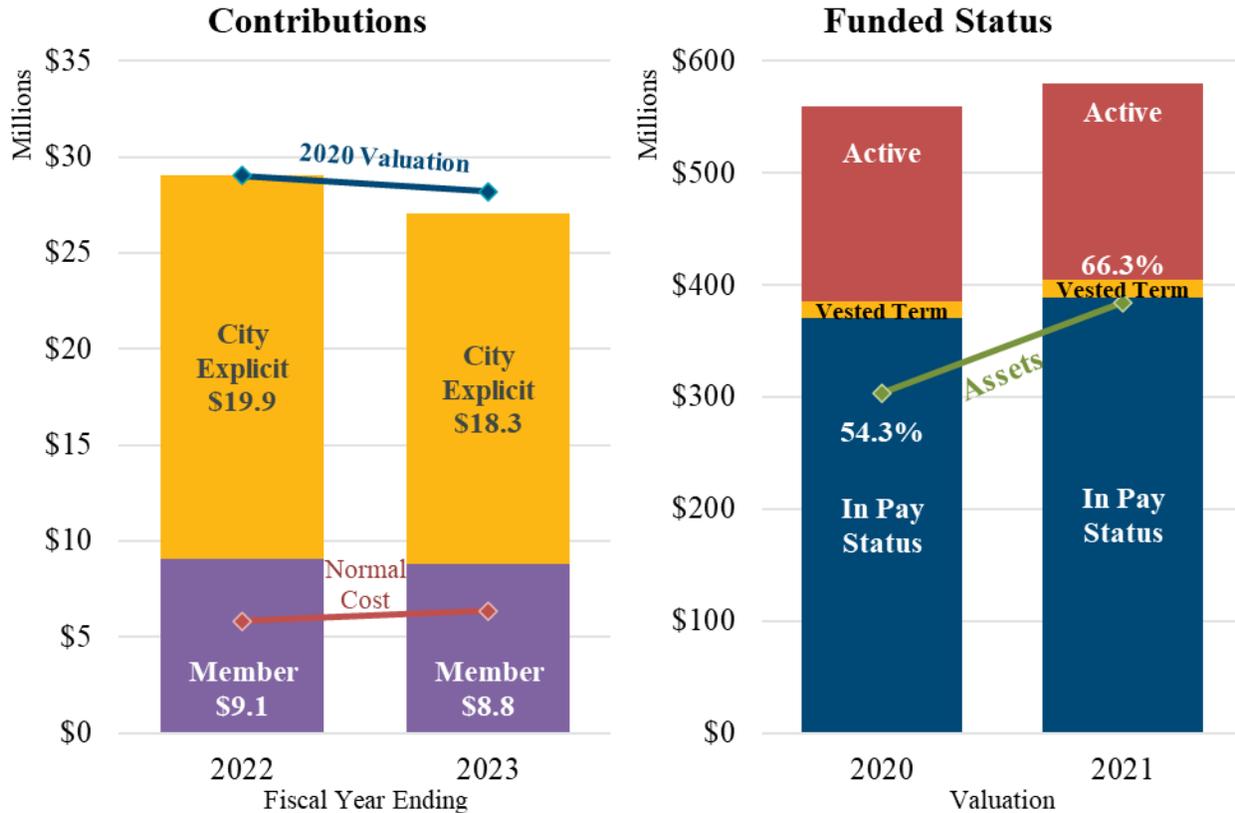
<i>Section</i>		<i>Page</i>
Section I	Board Summary	1
Section II	Certification	9
Section III	Assets	11
Section IV	Measures of Liability	13
Section V	Contributions.....	18
Section VI	Actuarial Section of the ACFR.....	21
 <i>Appendices</i>		
Appendix A	Membership Information	26
Appendix B	Actuarial Assumptions and Methods	31
Appendix C	Summary of Plan Provisions.....	44
Appendix D	Glossary of Terms.....	50
Appendix E	List of Abbreviations	52

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

This report measures assets and liabilities of the City of San José Federated Postemployment Healthcare Plan for funding purposes only. There is a separate report for financial reporting.

Dashboard



The charts above are intended to provide a quick overview of the current valuation results compared to the prior valuation results. The chart on the left shows contributions to the 115 Trust for FYE 2022 and 2023. The normal cost shown by the red line represents the expected cost of the explicit subsidy benefits attributable to the current year of service. All contributions above the normal cost go toward paying off the Unfunded Actuarial Liability (UAL). The projected contribution amount from the prior valuation is shown by the blue line. The implicit subsidy payment is not shown as it is funded on a pay-as-you-go basis as a part of the health premiums for active employees. The City’s implicit subsidy payment is approximately \$5.2 million for FYE 2023.

The chart on the right summarizes the funded status as of the June 30, 2020 and June 30, 2021 actuarial valuations. The stacked bars represent the Actuarial Liability for the explicit subsidy, with the liability broken into separate components for members currently receiving benefits, vested terminated members, and active members. These amounts are only for the portion of the plan that is intended to be pre-funded, so they do not include the implicit subsidy. The green line represents the assets and the funded percentage is shown next to the green line.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Contributions

There are two components to the benefits under the Plan: the explicit subsidy and the implicit subsidy. The explicit subsidy (or premium subsidy) is paid from the Trust and is the premium for health coverage selected by the retiree, up to 100% of the premium for the lowest cost plan offered to active employees. The implicit subsidy is the difference between the expected claims cost for a retiree or spouse and the total (retiree plus city) premium.

Historically, member and City contributions to the Plan were negotiated through collective bargaining and were not actuarially determined. With the implementation of Measure F, member contributions are fixed at 7.5% of pay; the City’s contribution toward the explicit subsidy is actuarially determined; and, the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. Finally, the City has an option to limit its contribution toward the explicit subsidy to 14% of payroll.

Table I-1 shows the contribution amounts for the fiscal years ending in 2022 and 2023.

Table I-1			
Summary of Trust Contribution Amounts			
	FYE 2023	FYE 2022	% Change
Explicit Subsidy			
Members	\$ 8,807	\$ 9,076	-3.0%
City's Actuarially Determined Contribution	<u>18,260</u>	<u>19,936</u>	-8.4%
Total	\$ 27,067	\$ 29,012	-6.7%
Estimated City Optional Cap	\$ 48,963	\$ 46,555	5.2%

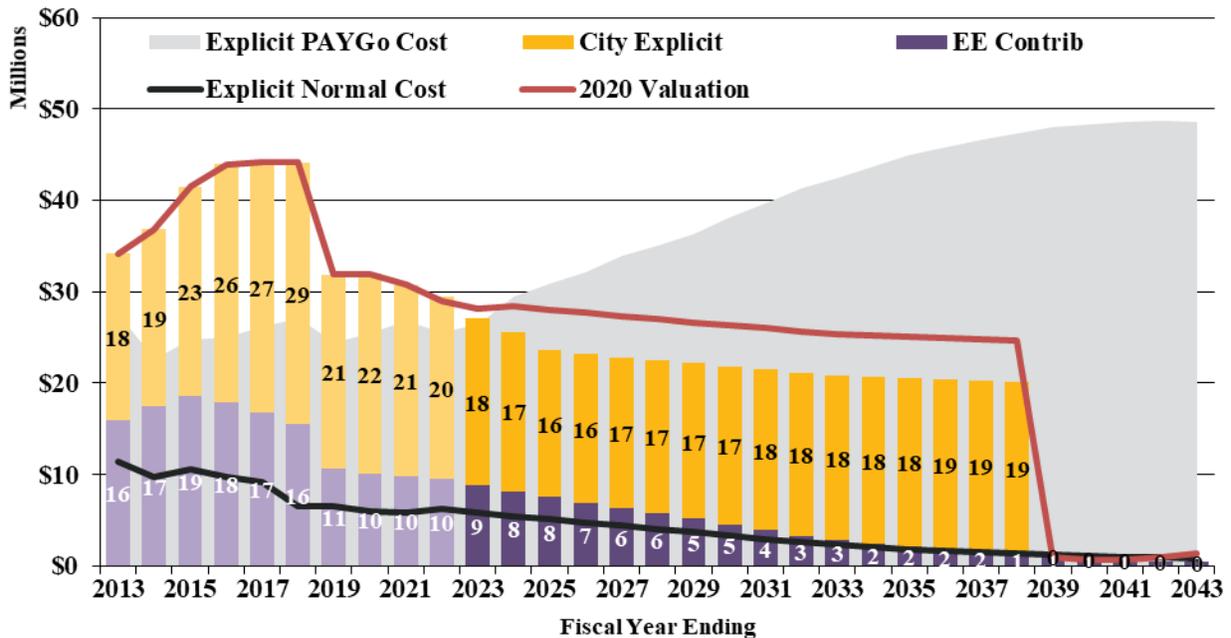
Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

The chart below shows the historical and projected contributions to the Plan. The purple bars represent the member contributions and the gold bars are the City’s contributions to pre-fund the explicit subsidy. The gray area behind the bars represents the projected annual benefit payments. The black line represents the normal cost and the red line is the projection of the total contributions from the 2020 actuarial valuation. The significant reduction in contributions between FYE 2018 and FYE 2019 is due to the implementation of Measure F, including the VEBA elections, the new lowest cost health plan, and the adoption of actuarially determined contributions.

Historical and Projected Trust Contributions FYE 2013-2043



Because the full benefit tier of the Plan is closed to new entrants, the member contributions are expected to decline as current active members eligible for full benefits retire or otherwise leave active employment with the City. The City’s actuarially determined contribution is expected to decline slightly over the next few years as the amortization of the current year’s gains are phased in and then increase slightly thereafter as the member contributions decrease.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Funded Status

Table I-2 below summarizes the Actuarial Liability, Market Value of Assets, Unfunded Actuarial Liability, and funded percentage for the Plan as of June 30, 2021 compared to June 30, 2020. The Actuarial Liability increased by 3.7% compared to an expected increase of 2.4%. The additional increase is primarily due to assumption changes, offset by premium experience. At the same time, assets increased 26.8% primarily due to large investment gains. As a result, the Unfunded Actuarial Liability decreased by about 23.6% and the funded percentage increased from 54.3% to 66.3% for the explicit subsidy.

Table I-2			
Summary of Funded Status - Explicit Subsidy Only			
	6/30/2021	6/30/2020	Change
Actuarial Liability			
Actives	\$ 175,356	\$ 173,797	0.9%
Deferred Vested	15,793	14,919	5.9%
In Pay Status	<u>388,789</u>	<u>370,361</u>	5.0%
Total Actuarial Liability	\$ 579,938	\$ 559,077	3.7%
Assets	384,613	303,313	26.8%
Unfunded Actuarial Liability	\$ 195,325	\$ 255,764	-23.6%
Funded Percentage	66.3%	54.3%	12.1%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

The following chart shows the historical trend of assets and the Actuarial Liability on a funding basis. Over the last 10 years, the UAL for the explicit subsidy has been reduced by \$317.4 million due to a combination of a reduction in the Actuarial Liability of \$70.6 million and an increase in assets of \$246.8 million. The reduction in Actuarial Liability was primarily due to plan changes and favorable medical cost trend experience. The increase in the assets has been primarily attributable to contributions and recent investment returns. In the future, growth in assets will become more dependent on investment returns as benefit payments grow to equal or exceed contributions.

**Historical Assets and Actuarial Liability
Explicit Subsidy Only**



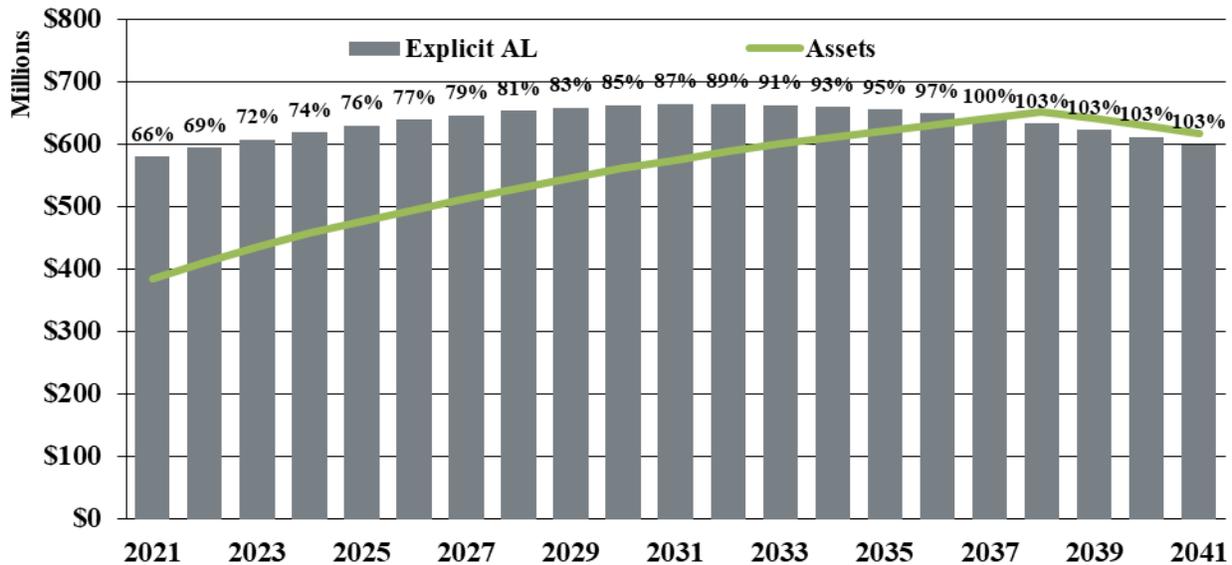
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Funded Ratio	21.2%	28.0%	34.1%	33.2%	35.0%	45.3%	49.2%	54.5%	54.3%	66.3%
UAL/(Surplus) (in millions)	\$512.8	\$405.1	\$385.5	\$421.5	\$418.8	\$299.6	\$286.5	\$246.3	\$255.8	\$195.3
Discount Rate	7.50%	7.25%	7.00%	7.00%	6.875%	6.875%	6.75%	6.75%	6.25%	6.00%

The chart on the following page shows a 20-year projection of assets and Actuarial Liability (AL), and also shows the projected funded percentage for the explicit subsidy. If all assumptions are met in the future including an expected return of 6.00% each year, the funded percentage for the explicit subsidy is expected to exceed 100% by 2037.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Projected Assets and Actuarial Liability 2021-2041



Changes Since the Prior Valuation

Table I-3 below breaks out the sources of the changes in UAL for the fiscal year ending June 30, 2021. The total UAL decreased about \$60.4 million since the prior year.

Table I-3 Changes in Unfunded Actuarial Liability Explicit Subsidy Only	
Unfunded Actuarial Liability, June, 30, 2020	\$ 255,764
Unfunded Actuarial Liability, June, 30, 2021	195,325
Change in Unfunded Actuarial Liability	\$ (60,439)
<u>Sources of Changes</u>	
Tread Water less Contributions	\$ (10,092)
Investment Experience	(57,618)
Liability Experience	(38,437)
Assumption Changes	45,703
VEBA Transfers	5
Total Changes	\$ (60,439)

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Contributions in excess of the Tread Water amount decreased the UAL by \$10.1 million. The Tread Water amount equals normal cost plus the interest on the UAL. If all assumptions are met, contributions equal to the Tread Water amount would result in no change to the dollar amount of the UAL. Investment experience decreased the UAL by about \$57.6 million. Liability experience decreased the UAL by about \$38.4 million, mainly due to lower-than-expected premiums for dental and Medicare eligible health plans offset by demographic experience. Assumption changes increased the UAL by about \$45.7 million, primarily due to the recognition of additional future increases in Medicare eligible premiums due to the aging of the plan population as well as the reduction in the discount rate from 6.25% to 6.00%.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Table I-4 below provides a summary of the results of this valuation compared to the prior valuation.

Table I-4 Summary of Valuation Results			
	June 30, 2021	June 30, 2020	% Change
Active Members			
Eligible for Full Benefits	1,344	1,445	-7.0%
Eligible for Catastrophic Disability Only	<u>2,285</u>	<u>2,151</u>	6.2%
Total Active Members	3,629	3,596	0.9%
Deferred Vested Members	152	156	-2.6%
Members in Pay Status (Medical and/or Dental)	3,692	3,682	0.3%
Members In-Lieu only	<u>58</u>	<u>46</u>	26.1%
Total	7,531	7,480	0.7%
Full Benefit Member Payroll	\$ 126,946	\$ 130,725	-2.9%
Total Payroll	339,546	322,850	5.2%
Actuarial Liability - Explicit	\$ 579,938	\$ 559,077	3.7%
Market Value of Assets	<u>384,613</u>	<u>303,313</u>	26.8%
Unfunded Actuarial Liability	\$ 195,325	\$ 255,764	-23.6%
Funded Percentage	66.3%	54.3%	12.1%
Actuarial Liability - Implicit	68,425	91,342	-25.1%
	FYE 2023	FYE 2022	% Change
City's Actuarially Determined Contribution	\$ 18,260	\$ 19,936	-8.4%
City's Actuarially Determined Contribution Rate	5.22%	5.99%	-0.8%
City's Implicit Subsidy Payment	\$ 5,223	\$ 5,439	-4.0%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION II – CERTIFICATION

The purpose of this report is to present the annual actuarial valuation of the City of San José Federated Postemployment Healthcare Plan. This report is for the use of the Board in setting actuarially determined amounts for the City to contribute to the Plan. There is a separate report for accounting and financial reporting under GASB Statements 74 and 75.

In preparing our report, 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.

The health assumptions and discount rate assumption were adopted by the Board of Administration at the November 18, 2021 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 21, 2019 Board meeting based on recommendations from our Experience Study covering Plan experience through June 30, 2019. Please refer to the experience study report and our Board presentations for an explanation of the rationale for each assumption. We believe these assumptions are reasonable for the purpose of the funding valuation.

The liability measures and funding ratios in this report are for the purpose of establishing contribution amounts. These measures are not appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan’s benefit obligations.

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.

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.

Deterministic projections in this valuation report were developed using H-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience on the future financial status of the Plan. H-scan uses standard roll-forward techniques that implicitly assume a stable active population.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION II – CERTIFICATION

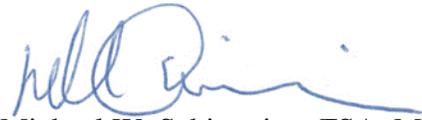
Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in Plan provisions or applicable law.

This report and its contents have 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 report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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



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



Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary



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

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION III – ASSETS

Historically, assets were invested in two separate trust vehicles: a 401(h) account within the pension plan and a separate 115 Trust. The 401(h) account has been depleted and all future benefits will be paid from the 115 Trust.

Statement of Change in Market Value of Assets

Table III-1 below shows the changes in the Market Value of Assets for the last two fiscal years. The implicit subsidy is shown as both a contribution and a payment from the Plan, but it is not actually contributed to the trust or paid from the trust. It is just paid directly by the City as a part of active health plan premiums.

Table III-1		
Change in Market Value of Assets		
Fiscal Year Ending	<u>6/30/2021</u>	<u>6/30/2020</u>
	Total	Total
Market value, beginning of year	\$ 303,313,301	\$ 294,488,947
Contributions		
Employee	10,275,430	10,692,150
City	20,948,983	21,790,130
Implicit subsidy	<u>5,287,332</u>	<u>4,742,930</u>
Total	\$ 36,511,745	\$ 37,225,210
Net investment earnings	77,360,485	3,077,272
Benefit payments		
Explicit subsidy	26,583,889	26,035,849
Implicit subsidy	<u>5,287,332</u>	<u>4,742,930</u>
Total	\$ 31,871,221	\$ 30,778,779
Administrative expenses	696,954	686,011
VEBA Transfer	4,658	13,338
Market value, end of year	\$ 384,612,698	\$ 303,313,301
Estimated Rate of Return	24.5%	1.0%

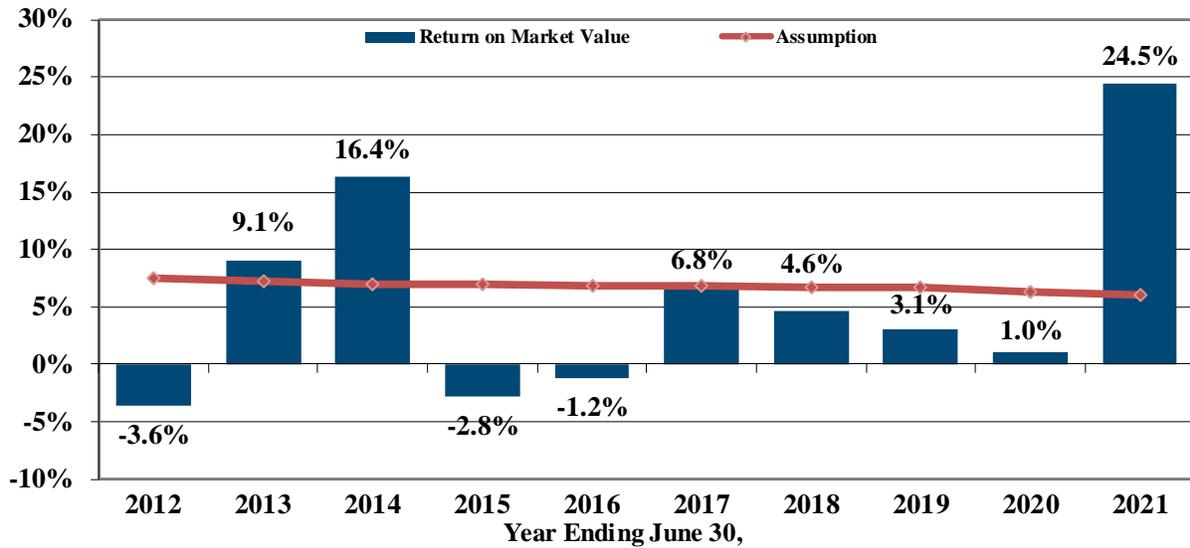
In the last year, investments, in aggregate, returned approximately 24.5% compared to an expected rate of return of 6.25%, resulting in an investment gain of approximately \$57.6 million.

CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT

SECTION III – ASSETS

The chart below shows the actual investment return on the Market Value of Assets compared to the assumed return for the last 10 years. The compound average of the actual returns is about 5.5%.

Historical Rates of Return



CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT

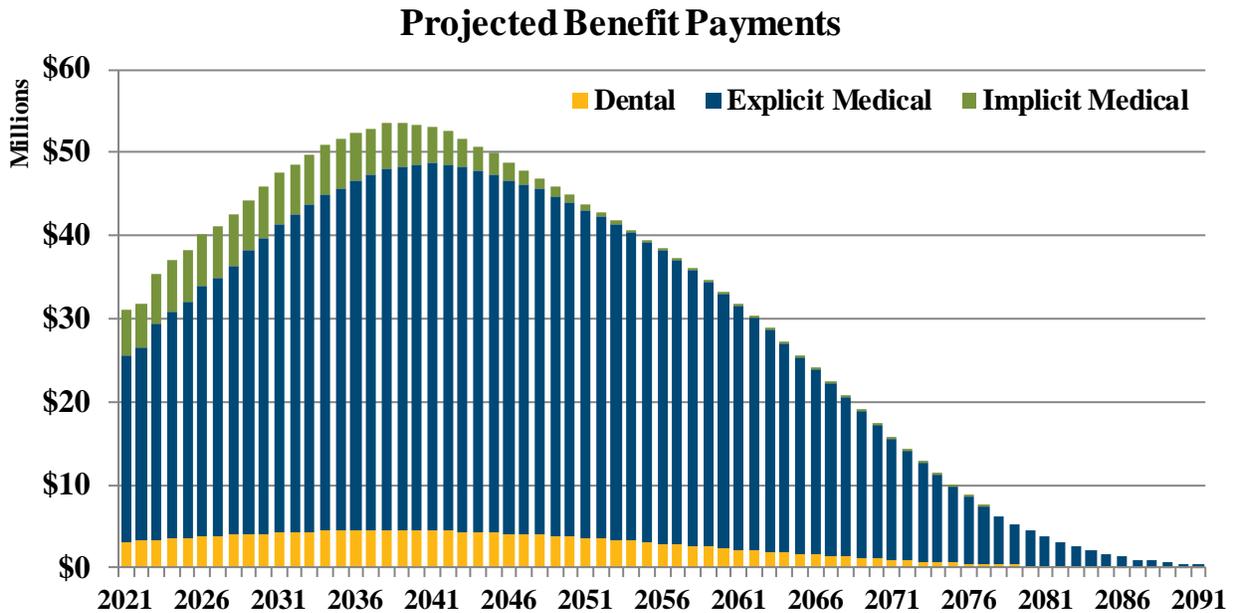
SECTION IV – MEASURES OF LIABILITY

This section presents detailed information on liability measures for the Plan for funding purposes, including:

- Projected benefit payments,
- Present value of future benefits,
- Normal cost, and
- Actuarial Liability.

Projected Benefit Payments

The projected benefit payments are the fundamental basis for the valuation representing the amount that is expected to be paid in each future year for members in the Plan as of the valuation date if all assumptions are met. The chart below shows the projected benefit payments for the next 70 years.



**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Table IV-1 below shows the same projected benefit payments for the next 20 years. These payments include the expected annual implicit subsidy as well as expected Plan premium payments (the explicit subsidy).

Table IV-1 Expected Net Benefit Payments					
Fiscal Year	Explicit Subsidy			Implicit	
	Ending	Medical	Dental	Total	Subsidy
2022	\$ 22,456,991	\$ 3,096,990	\$ 25,553,981	\$ 5,446,164	\$ 31,000,145
2023	23,223,745	3,231,935	26,455,681	5,223,034	31,678,715
2024	26,140,021	3,357,616	29,497,637	5,849,026	35,346,663
2025	27,387,550	3,480,054	30,867,604	6,117,255	36,984,858
2026	28,516,281	3,600,048	32,116,329	6,093,081	38,209,410
2027	30,168,429	3,715,235	33,883,664	6,240,134	40,123,798
2028	31,184,993	3,824,614	35,009,607	6,189,779	41,199,386
2029	32,384,426	3,934,061	36,318,487	6,208,931	42,527,419
2030	34,096,432	4,042,357	38,138,789	6,163,889	44,302,678
2031	35,518,565	4,148,801	39,667,366	6,189,322	45,856,688
2032	37,049,060	4,250,356	41,299,416	6,251,704	47,551,121
2033	38,170,103	4,334,117	42,504,221	6,119,131	48,623,352
2034	39,333,203	4,397,698	43,730,901	6,079,335	49,810,236
2035	40,472,518	4,445,214	44,917,732	6,054,793	50,972,524
2036	41,251,891	4,480,031	45,731,922	5,903,796	51,635,718
2037	42,086,462	4,507,288	46,593,750	5,836,881	52,430,630
2038	42,744,588	4,529,520	47,274,108	5,620,975	52,895,082
2039	43,476,935	4,539,557	48,016,492	5,526,057	53,542,549
2040	43,812,905	4,534,465	48,347,369	5,230,757	53,578,126
2041	44,065,614	4,514,953	48,580,567	4,822,231	53,402,798

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Present Value of Future Benefits

The present value of future benefits represents the expected amount of money needed today if all assumptions are met to pay for all benefits both earned as of the valuation date and expected to be earned in the future by current Plan members under the current Plan provisions. Table IV-2 below shows the present value of future benefits as of June 30, 2021 and June 30, 2020.

Table IV-2 Present Value of Future Benefits						
	June 30, 2021			June 30, 2020		% Change
	Actives	Deferred Vested	In Pay Status	Total	Total	
Explicit Subsidy						
Non-Medicare Eligible	\$ 79,073	\$ 6,881	\$ 59,812	\$ 145,766	\$ 146,000	-0.2%
Medicare Eligible	118,072	8,911	285,999	412,982	379,064	8.9%
Dental	18,476	0	42,979	61,455	73,178	-16.0%
Total Explicit Subsidy	\$ 215,620	\$ 15,793	\$ 388,789	\$ 620,202	\$ 598,242	3.7%
Implicit Subsidy	38,934	3,177	34,068	76,179	99,252	-23.2%
Total	\$ 254,554	\$ 18,969	\$ 422,858	\$ 696,381	\$ 697,494	-0.2%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Normal Cost

Under the Entry Age (EA) actuarial cost method, the present value of future benefits for each individual is spread over the individual’s expected working career as a level percentage of the individual’s expected pay. The normal cost rate is determined by taking the value, as of entry age into the Plan, of each member’s projected future benefits divided by the value, also at entry age, of the member’s expected future salary. The normal cost rate is multiplied by current salary to determine each member’s normal cost. The normal cost of the Plan is the sum of the normal costs for each individual. The normal cost represents the expected amount of money needed to fund the benefits attributed to the next year of service under the Entry Age actuarial cost method.

Table IV-3 below shows the EA normal cost as of June 30, 2021 and June 30, 2020 separately by component, develops the normal cost rate, and applies the rate to the projected payroll for the fiscal year for which contributions are determined.

Table IV-3					
Explicit Subsidy Normal Cost					
	June 30, 2021			June 30, 2020	% Change
	Full Benefits	Catastrophic	Total	Total	
Non-Medicare Eligible	\$ 2,280	\$ 155	\$ 2,435	\$ 2,252	8.1%
Medicare Eligible	2,914	0	2,914	2,803	4.0%
Dental	541	0	541	644	-16.0%
Total Normal Cost	\$ 5,735	\$ 155	\$ 5,890	\$ 5,698	3.4%
Valuation Pay	\$ 123,301	\$ 179,328	\$ 329,796	\$ 313,211	5.3%
Total Normal Cost Rate	4.65%	0.09%	1.79%	1.82%	-1.6%
	FYE 2023			FYE 2022	% Change
	Full Benefits	Catastrophic	Total	Total	
Expected Pay	\$ 117,424	\$ 232,308	\$ 349,732	\$ 332,536	5.2%
Total Normal Cost	\$ 5,460	\$ 209	\$ 5,669	\$ 5,434	4.3%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Actuarial Liability

The Actuarial Liability represents the expected amount of money needed today, if all assumptions are met, to pay for benefits attributed to service prior to the valuation date under the Entry Age actuarial cost method. As such, it is the amount of assets targeted by the actuarial cost method for the Plan to hold as of the valuation date. It is not the amount necessary to settle the obligation.

Table IV-4 below shows the Actuarial Liability as of June 30, 2021 and June 30, 2020 separately by component.

Table IV-4 Actuarial Liability						
	June 30, 2021				June 30, 2020	% Change
	Actives	Deferred Vested	In Pay Status	Total	Total	
Explicit Subsidy						
Non-Medicare Eligible	\$ 61,455	\$ 6,881	\$ 59,812	\$ 128,148	\$ 129,654	-1.2%
Medicare Eligible	98,637	8,911	285,999	393,547	360,130	9.3%
Dental	15,264	0	42,979	58,243	69,293	-15.9%
Total Explicit Subsidy	\$ 175,356	\$ 15,793	\$ 388,789	\$ 579,938	\$ 559,077	3.7%
Implicit Subsidy	31,181	3,177	34,068	68,425	91,342	-25.1%
Total	\$ 206,536	\$ 18,969	\$ 422,858	\$ 648,363	\$ 650,419	-0.3%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION V – CONTRIBUTIONS

Contributions for Administrative Expenses

Under the contribution allocation procedure employed by the Plan, there are three components to the contribution toward the explicit subsidy: the normal cost, administrative expenses, and an amortization payment on the Unfunded Actuarial Liability (UAL). The normal cost was developed in Section IV. This section develops the administrative expenses, the UAL contribution, and the City’s actuarially determined contribution for the explicit subsidy. The implicit subsidy is funded on a pay-as-you-go basis through the payment of active health premiums.

Contributions for administrative expenses are set equal to \$90 per member for FYE 2023 (increasing 3.0 percent each year). There are currently 7,531 members, resulting in estimated administrative expenses for FYE 2023 of \$677,790.

Amortization of the Unfunded Actuarial Liability

The difference between the Actuarial Liability and the Market Value of Assets is the Unfunded Actuarial Liability (UAL). Table V-1 calculates the UAL and funded percentage for the explicit subsidy.

Table V-1 Unfunded Actuarial Liability Explicit Subsidy Only		
	June 30, 2021	June 30, 2020
Actuarial Liability	\$ 579,938	\$ 559,077
Assets	<u>384,613</u>	<u>303,313</u>
Unfunded Actuarial Liability	\$ 195,325	\$ 255,764
Funded Percentage	66.3%	54.3%

The UAL for the explicit subsidy as of June 30, 2017 is amortized as a level dollar amount over 20 years. Subsequent amortization bases are amortized over 20 years with a three-year phase in and out. Table V-2 on the following page shows the schedule of amortization bases for payment of the UAL.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION V – CONTRIBUTIONS

Table V-2 UAL Amortization						
	Outstanding Balance	Period	Remaining		FYE 2023 Payment	
			Phase-in	Phase-out		
2017 UAL	\$ 236,964	16	N/A	N/A	\$	22,775
2018 Changes	1,276	17	0	3		115
2019 Changes	(34,018)	18	1	3		(2,963)
2020 Changes	19,829	19	2	3		1,152
2021 Changes	(51,230)	20	3	3		(1,531)
FYE 2022 Payment*	22,504					
Total 2021 UAL	\$ 195,325				\$	19,547

* FYE 2022 amortization payment discounted to 7/1/2021

Dollar amounts in thousands

Contribution Amounts

The City pays the actuarially determined contribution for the explicit subsidy, but has the option to cap its contribution at 14% of Federated payroll, including the payroll for members only covered for catastrophic disability. The actuarially determined contribution is the normal cost, administrative expenses, and the amortization payment on the UAL less expected member contributions. Members eligible for full benefits contribute 7.50% of pay.

Table V-3 shows the components of the Actuarially Determined Contribution (ADC) amounts for the explicit subsidy for FYE 2023 and 2022.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION V – CONTRIBUTIONS

Table V-3				
City's Actuarially Determined Contribution (ADC)				
Explicit Subsidy Only				
	FYE 2023	FYE 2022	% Change	
Normal Cost	\$ 5,669	\$ 5,434	4.3%	
Admin Expenses	678	381	78.0%	
UAL Payment	<u>20,720</u>	<u>23,197</u>	-10.7%	
Total Contribution	\$ 27,067	\$ 29,012	-6.7%	
Projected Member Contributions	\$ 8,807	\$ 9,076	-3.0%	
City's ADC Amount	\$ 18,260	\$ 19,936	-8.4%	
Projected Payroll	349,732	332,536	5.2%	
City's ADC Percentage	5.2%	6.0%	-0.8%	

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE ACFR

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Plan’s Annual Comprehensive Financial Report (ACFR) to receive recognition for excellence in financial reporting. The schedules in this section are listed by the GFOA for inclusion in the Actuarial Section of the Plan’s ACFR. Liability amounts shown in these exhibits include both the explicit and implicit subsidies.

Table VI-1							
Member Benefit Coverage Information							
Actuarial Valuation Date	Actuarial Liability			Reported Assets	Portion of Liability Covered by Reported Assets		
	Retirees, Beneficiaries and Other Inactives (A)	Active Members (B)	Reported Assets (B)				
6/30/2021	\$ 441,827	\$ 206,536	\$ 384,613	87%	0%		
6/30/2020	443,476	206,943	303,313	68%	0%		
6/30/2019	422,108	209,644	294,489	70%	0%		
6/30/2017	426,984	223,130	277,256	65%	0%		
6/30/2016	408,627	221,825	248,583	61%	0%		
6/30/2015	450,793	313,468	225,845	50%	0%		
6/30/2014	469,903	347,770	209,761	45%	0%		
6/30/2013	435,826	293,580	199,776	46%	0%		
6/30/2012	495,967	374,905	157,695	32%	0%		

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE ACFR

**Table VI-2
Analysis of Financial Experience**

Gain or (Loss) for Year Ending on Valuation Date Due to:

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2021	\$ 57,618	\$ 39,962	\$ 97,580	\$ (21,995)	\$ 75,585
6/30/2020	(17,738)	69,483	51,745	(34,497)	17,248
6/30/2019	(10,654)	(34,979)	(45,633)	14,784	(30,849)
6/30/2018	(5,915)	26,064	20,149	(11,137)	9,012
6/30/2017	117	5,259	5,376	123,632	129,008
6/30/2016	(16,044)	(11,608)	(27,652)	99,545	71,893
6/30/2015	(19,264)	6,948	(12,316)	(64,155)	(76,471)
6/30/2014	19,767	31,177	50,944	148,417	199,361
6/30/2013	6,847	5,834	12,681	114,786	127,467
6/30/2012	(14,897)	(27,919)	(42,816)	136,154	93,338

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The Actuarial Liability is compared to the Actuarial Value of Assets to determine the funding ratio.

Table VI-3 Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2021	\$ 384,613	\$ 648,363	\$ 263,750	59%	\$ 339,546	78%
6/30/2020	303,313	650,419	347,106	47%	322,850	108%
6/30/2019	294,489	631,752	337,263	47%	299,002	113%
6/30/2018	277,256	650,114	372,858	43%	298,985	125%
6/30/2017	248,583	630,452	381,869	39%	287,339	133%
6/30/2016	225,845	764,261	538,416	30%	266,823	202%
6/30/2015	209,761	817,673	607,912	26%	251,430	242%
6/30/2014	199,776	729,406	529,630	27%	234,677	226%
6/30/2013	157,695	870,872	713,177	18%	226,098	315%
6/30/2012	137,798	1,096,620	958,822	13%	225,859	425%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Schedule of Active Member Data							
Valuation Date		Active Member Counts			Annual Payroll	Average Annual Pay	% Change in Average Pay
		Under Age 65	Age 65+	Total			
2021	²	3,508	121	3,629	\$ 339,546,040	\$ 93,565	4.2%
2020	²	3,495	101	3,596	322,850,457	89,780	5.1%
2019	²	3,412	88	3,500	299,001,886	85,429	4.1%
2018	²	3,377	84	3,461	284,008,289	82,060	-2.6%
2017	²	3,321	89	3,410	287,339,424	84,264	-0.9%
2016	¹	2,310	77	2,387	202,911,153	85,007	5.8%
2015	¹	2,527	74	2,601	208,957,370	80,337	5.9%
2014	¹	2,800	64	2,864	217,167,654	75,827	3.7%
2013		3,028	65	3,093	226,097,882	73,100	-0.4%
2012		3,017	59	3,076	225,859,144	73,426	

¹ Does not include Tier 2B Active Employees

² Includes members that are only eligible for catastrophic disability benefits

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls										
Period	Beginning of Period		Added to Rolls Count	Removed from Rolls Count	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy			Count	Annual Subsidy	Count	Annual Subsidy		
Medical										
2020-21	3,057	\$ 23,648	107	117	3,047	\$ 23,464	(10)	\$ (184)	-0.8%	\$ 7,701
2019-20	2,909	21,588	254	106	3,057	23,648	148	2,059	9.5%	7,736
2018-19	2,923	20,566	124	138	2,909	21,588	(14)	1,023	5.0%	7,421
2017-18	2,920	23,621	139	136	2,923	20,566	3	(3,056)	-12.9%	7,036
2016-17	2,821	21,844	210	111	2,920	23,621	99	1,777	8.1%	8,090
2015-16	2,769	21,341	183	131	2,821	21,844	52	503	2.4%	7,743
2014-15	2,737	21,941	152	120	2,769	21,341	32	(599)	-2.7%	7,707
2013-14	2,718	22,657	151	132	2,737	21,941	19	(716)	-3.2%	8,016
2012-13	2,680	25,223	158	120	2,718	22,657	38	(2,566)	-10.2%	8,336
2011-12	2,557	25,519	203	80	2,680	25,223	123	(295)	-1.2%	9,412
Dental										
2020-21	3,454	\$ 3,561	120	109	3,465	\$ 3,558	11	\$ (3)	-0.1%	\$ 1,027
2019-20	3,405	3,502	158	109	3,454	3,561	49	58	1.7%	1,031
2018-19	3,375	3,478	123	93	3,405	3,502	30	25	0.7%	1,029
2017-18	3,322	3,414	152	99	3,375	3,478	53	63	1.9%	1,030
2016-17	3,264	3,224	170	112	3,322	3,414	58	190	5.9%	1,028
2015-16	3,206	3,212	159	101	3,264	3,224	58	12	0.4%	988
2014-15	3,133	3,130	160	87	3,206	3,212	73	82	2.6%	1,002
2013-14	3,103	3,742	138	108	3,133	3,130	30	(612)	-16.4%	999
2012-13	3,044	3,924	144	85	3,103	3,742	59	(182)	-4.6%	1,206
2011-12	2,906	3,745	203	65	3,044	3,924	138	179	4.8%	1,289

Annual subsidies are explicit amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Member Data

Valuation Date	June 30, 2021	June 30, 2020	% Change
<i>Active Employees Eligible for Full Benefits</i>			
Count	1,344	1,445	-6.99%
Average Age	50.7	50.3	0.85%
Average OPEB Benefit Service	17.8	17.6	1.09%
Total Payroll	\$138,542,350	\$142,837,698	-3.01%
<i>Active Employees Eligible for Catastrophic Disability Only</i>			
Count	2,285	2,151	6.23%
Average Age	39.4	39.0	1.03%
Average OPEB Benefit Service	3.9	3.8	3.96%
Total Payroll	\$201,003,690	\$180,012,759	11.66%
<i>Retirees and Surviving Spouses with Medical Coverage *</i>			
Pre-65	853	913	-6.57%
Post-65	2,194	2,144	2.33%
Total	3,047	3,057	-0.33%
<i>Retirees and Surviving Spouses with Dental Coverage *</i>			
Total	3,465	3,454	0.32%
<i>Retirees and Surviving Spouses in In-Lieu Credit Program *</i>			
Total	237	199	19.10%
<i>Term Vested Members</i>	152	156	-2.56%

* Counts do not include dependent spouses

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

	Status Reconciliation					Total
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	
Beginning of Year	3,596	156	3,143	408	177	7,480
New Hires	0	0	0	0	0	0
Rehires	23	(2)	0	0	0	21
Vested Terminations	(14)	14	0	0	0	0
Service Retirements	(88)	(11)	99	0	0	0
Disabled Retirements	0	0	(1)	0	1	0
New survivors	(1)	(1)	(11)	41	0	28
No longer covered	(185)	(4)	(79)	(25)	(6)	(299)
Data corrections	2	0	3	0	0	5
New Catastrophic Disability	296	0	0	0	0	296
End of Year	3,629	152	3,154	424	172	7,531

Counts do not include dependent spouses

Counts include members in In-Lieu credit program and those eligible for catastrophic disability only

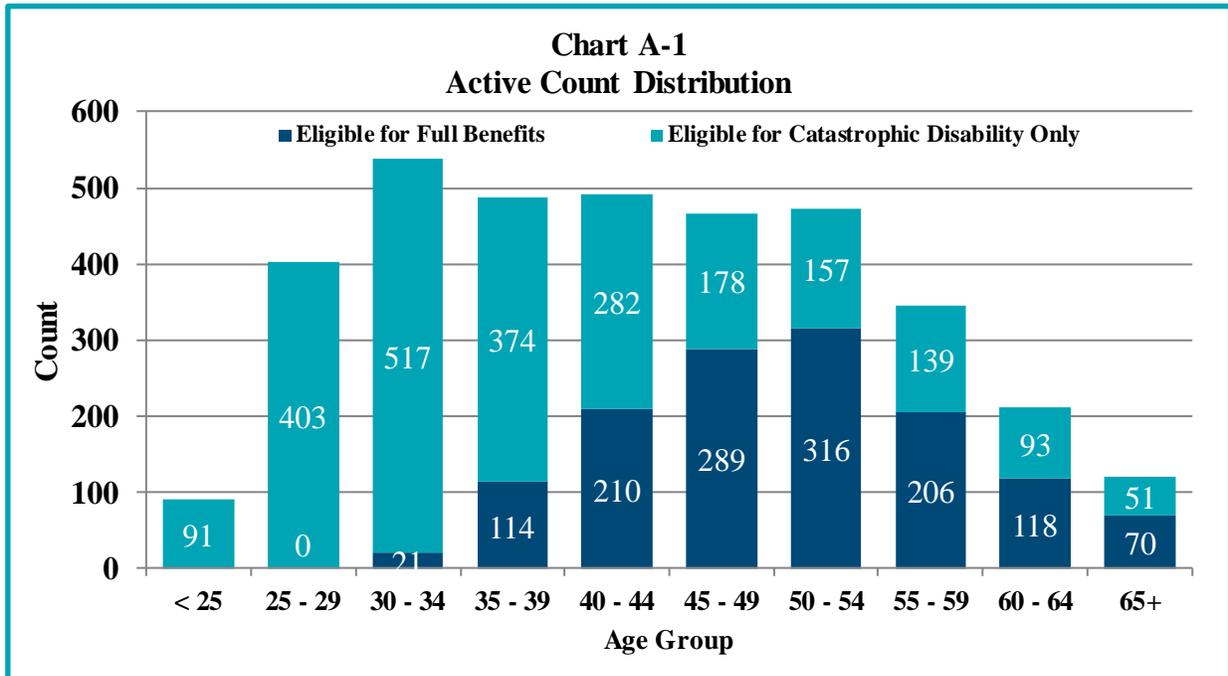
Member Data as of June 30, 2021:

Age Group	Active Employees Eligible for Full Benefits								Total
	Years of OPEB Benefit Service								
	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	
Under 25	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	15	6	0	0	0	0	0	21
35 to 39	5	40	57	12	0	0	0	0	114
40 to 44	1	28	90	50	41	0	0	0	210
45 to 49	1	20	52	70	134	12	0	0	289
50 to 54	0	22	50	66	130	42	6	0	316
55 to 59	0	15	43	36	88	18	6	0	206
60 to 64	1	8	41	17	36	6	7	2	118
<u>65 and up</u>	<u>0</u>	<u>2</u>	<u>11</u>	<u>16</u>	<u>25</u>	<u>10</u>	<u>5</u>	<u>1</u>	<u>70</u>
Total	8	150	350	267	454	88	24	3	1,344

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Active Employees Eligible for Catastrophic Disability Benefit Only									
Years of OPEB Benefit Service									
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	Total
Under 25	91	0	0	0	0	0	0	0	91
25 to 29	376	27	0	0	0	0	0	0	403
30 to 34	388	129	0	0	0	0	0	0	517
35 to 39	239	127	7	1	0	0	0	0	374
40 to 44	181	94	2	4	1	0	0	0	282
45 to 49	113	56	4	1	4	0	0	0	178
50 to 54	88	60	4	3	1	1	0	0	157
55 to 59	90	37	3	1	4	3	1	0	139
60 to 64	47	37	6	0	2	0	1	0	93
65 and up	19	19	6	3	2	2	0	0	51
Total	1,632	586	32	13	14	6	2	0	2,285

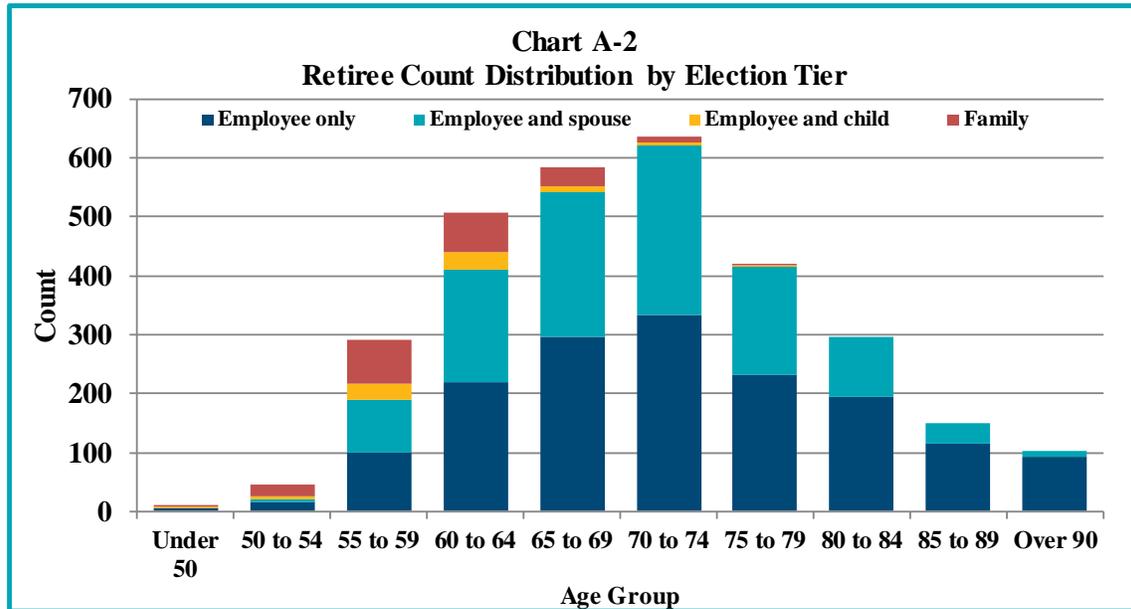


**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Age Group	Retirees, Disabled Retirees and Surviving Spouses			Dental Insurance
	Males	Females	Total	
Under 50	3	7	10	16
50 to 54	29	16	45	56
55 to 59	165	127	292	308
60 to 64	277	229	506	540
65 to 69	302	282	584	666
70 to 74	354	283	637	708
75 to 79	224	197	421	496
80 to 84	147	150	297	342
85 to 89	68	83	151	186
<u>Over 90</u>	<u>37</u>	<u>67</u>	<u>104</u>	<u>147</u>
Total	1,606	1,441	3,047	3,465

Counts do not include dependent spouses or members in In-Lieu credit program



**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Medical Plan Elections as of July 1, 2021			
Medical Plan	Retirees & Surviving Spouses	Spouses	Total
Pre-Medicare Medical Plans			
Kaiser DHMO	82	65	147
Kaiser HDHP	80	50	130
Kaiser \$25 Co-pay	532	344	876
Kaiser \$15 Co-pay (Hawaii)	3	1	4
Kaiser \$25 Co-pay (Northwest)	7	7	14
Anthem DHMO	8	3	11
Anthem Select \$20 Co-pay	63	31	94
Anthem Traditional \$20 Co-pay	0	0	0
Anthem HDHP	43	29	72
Anthem Select PPO	29	9	38
Anthem Classic PPO	<u>6</u>	<u>1</u>	<u>7</u>
Total	853	540	1,393
Medicare Medical Plans			
Kaiser Senior Advantage	1335	497	1,832
Kaiser Senior Advantage (Hawaii)	4	1	5
Kaiser Senior Advantage (Northwest)	25	9	34
Anthem Medicare HMO	15	7	22
Anthem Medicare PPO	<u>815</u>	<u>304</u>	<u>1,119</u>
Total	2,194	818	3,012

Current Vested Terminations*			
Age Group	Male	Female	Total
Under 45	7	11	18
45 to 49	20	31	51
50 to 54	22	41	63
55 to 59	8	6	14
60 to 64	3	2	5
Over 65	<u>0</u>	<u>1</u>	<u>1</u>
Total	60	92	152

* Includes term vested participants with at least 15 years of OPEB benefit service (37.5% pension multiplier)

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

The expected return on Plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the November 18, 2021 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1. Expected Return on Plan Assets

6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa’s 20-year capital market assumptions and the System’s current investment policy.

2. Per Person Cost Trends

Medical trends were developed using the 2021 Society of Actuaries Long-Run Medical Cost Trend Model with the following parameters:

Initial trend rate:	
Non-Medicare Eligible:	8.00%
Medicare Eligible:	4.00%
Inflation:	2.25%
Real GDP per Capita:	1.50%
Excess Medical Cost Growth:	1.10%
Expected GDP Share in 2030:	20.3%
Resistance Point:	20.0%
Year limited to GDP growth:	2075

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Annual Increase							
To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	To Calendar Year	Pre-Medicare	Medicare Eligible	Dental
2022	<i>Actual Premiums Used</i>			2052	4.44	4.44	3.50
2023	7.66%	4.10%	3.50%	2053	4.43	4.43	3.50
2024	7.32	4.21	3.50	2054	4.42	4.42	3.50
2025	6.98	4.31	3.50	2055	4.41	4.41	3.50
2026	6.63	4.41	3.50	2056	4.40	4.40	3.50
2027	6.29	4.51	3.50	2057	4.39	4.39	3.50
2028	5.95	4.62	3.50	2058	4.38	4.38	3.50
2029	5.61	4.72	3.50	2059	4.37	4.37	3.50
2030	5.27	4.82	3.50	2060	4.37	4.37	3.50
2031	4.93	4.93	3.50	2061	4.36	4.36	3.50
2032	4.79	4.79	3.50	2062	4.35	4.35	3.50
2033	4.75	4.75	3.50	2063	4.34	4.34	3.50
2034	4.71	4.71	3.50	2064	4.33	4.33	3.50
2035	4.69	4.69	3.50	2065	4.33	4.33	3.50
2036	4.66	4.66	3.50	2066	4.32	4.32	3.50
2037	4.64	4.64	3.50	2067	4.26	4.26	3.50
2038	4.62	4.62	3.50	2068	4.20	4.20	3.50
2039	4.60	4.60	3.50	2069	4.15	4.15	3.50
2040	4.59	4.59	3.50	2070	4.09	4.09	3.50
2041	4.57	4.57	3.50	2071	4.04	4.04	3.50
2042	4.56	4.56	3.50	2072	3.99	3.99	3.50
2043	4.54	4.54	3.50	2073	3.93	3.93	3.50
2044	4.53	4.53	3.50	2074	3.88	3.88	3.50
2045	4.52	4.52	3.50	2075	3.83	3.83	3.50
2046	4.50	4.50	3.50	2076	3.78	3.78	3.50
2047	4.49	4.49	3.50	2077	3.78	3.78	3.50
2048	4.48	4.48	3.50	2078+	3.78	3.78	3.50
2049	4.47	4.47	3.50				
2050	4.46	4.46	3.50				
2051	4.45	4.45	3.50				

Actual premium increases for 2021 were reflected with the above rates applying after 2021. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

3. Changes Since Last Valuation

The per-person cost trends were updated.

The discount rate assumption was lowered from 6.25% to 6.00%.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the November 18, 2021 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 21, 2019 Board meeting based on recommendations from our experience study covering Plan experience through June 30, 2019. Please refer to the full experience study report for details, including the rationale for each assumption.

1. Salary Increase Rate

Wage inflation component: 3.00%

In addition, the following merit component is added based on an individual member’s years of service.

Salary Merit Increases			
Years of Service	Merit/ Longevity	Years of Service	Merit/ Longevity
0	3.75%	8	1.00
1	3.00	9	0.85
2	2.50	10	0.70
3	2.15	11	0.55
4	1.85	12	0.45
5	1.60	13	0.30
6	1.40	14	0.20
7	1.20	15+	0.10

2. Rates of Termination

Rates of termination are show in the following table.

Rates of Termination			
Years of Service	Termination Rate	Years of Service	Termination Rate
0	15.00%	8	5.50
1	12.75	9	4.75
2	11.75	10	4.25
3	10.75	11	4.00
4	9.75	12	3.75
5	8.75	13	3.50
6	7.75	14	3.25
7	6.50	15+	3.25

Termination rates do not apply once a member is eligible for retirement.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. Rates of Refund

Tier 1:

Rates of vested terminated employees electing a refund of contributions are shown in the following table.

Rates of Refund			
Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older
0-4	100.00%	100.00%	100.00%
5	25.00	15.00	18.00
6	20.00	12.50	15.00
7	20.00	10.00	12.00
8	20.00	10.00	9.00
9	20.00	10.00	6.00
10	20.00	10.00	3.00
11	17.50	10.00	0.00
12	15.00	10.00	0.00
13	10.00	10.00	0.00
14	10.00	7.50	0.00
15	10.00	5.00	0.00
16	10.00	2.50	0.00
17+	10.00	0.00	0.00

Tier 2:

Vested terminated employees are expected to take a refund if it exceeds the actuarial present value of their deferred benefit payment.

4. Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

5. Retirement Rates

Rates of retirement for Tier 1 members are based on age according to the following table – Tier 1.

Tier 1			
Rates of Retirement by Age and Service			
Age	Less than 15 Years of Service	15 or more Years of Service and less than 30 Years of Service	30 or more Years of Service
50	0.0%	0.0%	70.0%
51	0.0	0.0	70.0
52	0.0	0.0	70.0
53	0.0	0.0	70.0
54	0.0	0.0	70.0
55	10.0	35.0	50.0
56	10.0	20.0	45.0
57	10.0	20.0	40.0
58	5.0	15.0	35.0
59	5.0	15.0	30.0
60	5.0	15.0	30.0
61	10.0	20.0	30.0
62	15.0	20.0	30.0
63	20.0	20.0	30.0
64	20.0	20.0	30.0
65	20.0	20.0	30.0
66	25.0	30.0	30.0
67	25.0	35.0	30.0
68	25.0	35.0	30.0
69	25.0	35.0	30.0
70 & over	100.0	100.0	100.0

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Rates of retirement for Tier 2 members are based on age according to the following table – Tier 2. These rates are based on CalPERS retirement rates for its 2.0% at age 62 formula with adjustments based on professional judgment for differences between the CalPERS benefits and the benefits provided to Tier 2 members.

Tier 2 Rates of Retirement by Age and Service					
Age	Years of Service				
	5 – 10	11 – 20	21 – 25	26 – 34	35 +
55	3.0%	5.0%	7.0%	10.0%	15.0%
56	2.0%	3.5%	4.0%	7.0%	10.5%
57	2.5%	4.5%	5.0%	8.5%	12.75%
58	3.0%	5.5%	7.0%	11.0%	16.5%
59	3.5%	7.0%	9.0%	13.5%	20.25%
60 – 61	4.0%	8.5%	10.0%	14.5%	21.75%
62	7.5%	12.5%	17.5%	25.0%	100.0%
63 – 69	5.0%	10.0%	15.0%	25.0%	100.0%
70 & over	100.0%	100.0%	100.0%	100.0%	100.0%

6. Disability Rates

Disability rates are equal to the 0.973 times the CalPERS 2017 non-industrial disability incidence rates for miscellaneous state agencies, blended 55% male and 45% female. Sample disability rates of active members are provided in the following table.

Rates of Disability at Selected Ages	
Age	Disability
25	0.0272
30	0.0303
35	0.0613
40	0.1366
45	0.2519
50	0.3240
55	0.2631
60+	0.2191

45% of disabilities are assumed to be duty related, and 55% are assumed to be non-duty related.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

7. Base Rates of Mortality

Base mortality rates are based on the sex-distinct employee and retiree mortality tables shown below.

Category	Base Mortality Tables	
	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

8. Rates of Mortality Improvement

Future mortality improvements are reflected by applying the most recent projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010 for the Pub2010 tables and 2009 for the CalPERS tables. The projection scale used for the June 30, 2021 valuation is MP-2021.

9. Married Percentage

Percentage Married	
Gender	Percentage
Males	80%
Females	60%

10. Percent of Future Retirees Electing Coverage Versus In-Lieu Credits

Upon retirement, members are assumed to elect coverage or enter the In-Lieu credit program according to the following table.

Future Retiree Participation		
	Coverage	In-Lieu
Active Members	80%	20%
Terminated Vested Members	60%	40%

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

11. Dependent Coverage Elections

Upon retirement, members who elect coverage are assumed to cover dependents according to the following table.

Assumed Future Retiree Tier Elections				
Coverage Tier	Pre-Medicare		Medicare	
	Male	Female	Male	Female
Retiree Only	31%	55%	35%	64%
Retiree and Children	4%	9%	0%	0%
Retiree and Spouse	37%	24%	65%	36%
Retiree and Family	28%	12%	0%	0%

12. In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is based on the tier of coverage for which they qualify. Their medical tier qualification assumptions are provided in the following table.

Assumed Future Retiree In-Lieu Credit Tier				
Coverage Tier	Pre-Medicare		Medicare	
	Male	Female	Male	Female
Retiree Only	35%	35%	55%	55%
Retiree and Children	0%	0%	0%	0%
Retiree and Spouse	20%	20%	45%	45%
Retiree and Family	45%	45%	0%	0%

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

13. Health Plan Election

Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current Pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the following table.

Assumed Plan Elections for Future Retirees*			
	% Electing		% Electing
Pre-Medicare Medical Plans		Medicare-Eligible Medical Plans	
· Kaiser DHMO	10%	· Kaiser Senior Advantage	60%
· Kaiser \$25 Co-pay	67%	· Anthem Medicare HMO	1%
· Kaiser HDHP	8%	· Anthem Medicare PPO	39%
· Anthem DHMO	1%		
· Anthem Select \$20 Co-pay	5%		
· Anthem Traditional \$20 Co-pay	1%		
· Anthem HDHP PPO	3%	Dental Plans (All Retirees)	
· Anthem Select PPO	4%	· Delta Dental PPO	98%
· Anthem Classic PPO	1%	· DeltaCare HMO	2%

* Eligible for coverage and elect coverage

The Anthem \$20 Copay Traditional HMO plan was added effective January 1, 2022.

14. Dependent Age

For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

15. Administrative Expenses

\$90 per member for FYE 2023, increasing at the wage inflation assumption of 3.00% per annum.

16. Changes Since Last Valuation

Plan elections assumptions and the administrative expense assumption were updated.

The assumed rate of mortality improvement was updated from MP-2020 to MP-2021.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 18, 2021 Board meeting based upon our recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2021 and 2022. For non-Medicare adults, the premiums for each coverage tier (retiree only, retiree plus spouse, retiree plus child(ren) and retiree plus family) were blended based on enrollment data for the 2021 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. The pre-Medicare adult claims curves were then loaded for the cost of children; the load for children decreases by retiree age since older retirees have fewer children. The impact of children on Medicare costs was assumed to be de minimis. All claims costs are developed jointly for the Federated, Police, and Fire Postemployment Healthcare Plans of the City of San José.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

1. Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2021 based on the premiums for 2021 and 2022. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the Pre-Medicare cost trend rates.

The following tables show the claims costs for each medical plan as of the valuation date:

<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>Kaiser</u>		<u>Anthem HMO</u>		<u>Anthm PPO</u>	
	Male	Female	Male	Female	Male	Female
40	\$10,056	\$12,370	\$11,610	\$14,047	\$14,780	\$18,672
45	10,291	12,078	11,653	13,535	15,607	18,613
50	10,885	12,338	12,073	13,604	17,037	19,481
55	12,058	13,082	13,103	14,182	19,441	21,164
60	14,101	13,747	15,051	14,678	23,310	22,715
64	16,605	13,515	17,525	14,269	27,868	22,668

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

<u>Sample Claims Costs - Medicare Eligible</u>						
Age	<u>Kaiser Senior Adv</u>		<u>Anthem HMO</u>		<u>Anthem Select PPO</u>	
	Male	Female	Male	Female	Male	Female
65	\$2,922	\$2,578	\$4,873	\$4,299	\$5,041	\$4,447
70	3,103	2,628	5,175	4,383	5,353	4,534
75	3,566	2,956	5,948	4,929	6,153	5,099
80	4,050	3,352	6,754	5,590	6,987	5,783
85	4,374	3,663	7,294	6,108	7,546	6,319

<u>Sample Claims Costs - Dental</u>	
<u>Dental Blended</u>	
Age	Unisex
All	576.46

2. Medicare Part D Subsidy

Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

3. Medicare Part B

All Medicare eligible retirees are assumed to participate in Medicare Part B.

4. Medicare Eligibility

All retirees who turn age 65 are assumed to be eligible for Medicare.

5. Annual Limits

Assumed to increase at the same rate as trend.

6. Lifetime Maximums

Are not assumed to have any financial impact.

7. Geography

Implicitly assumed to remain the same as current retirees.

8. Retiree Contributions

Retirees pay the difference between the actual premium for the elected medical plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

9. Changes Since Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered. Any implicit subsidy calculated for Medicare-eligible members is treated as an explicit subsidy reflecting additional anticipated increases in Medicare-eligible premiums attributable to the aging of the Medicare-eligible population.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1. Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The Actuarial Liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and Actuarial Liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and Actuarial Liability for the Plan. The Actuarial Liability for the Plan represents the target amount of assets the Plan should have as of the valuation date according to the actuarial cost method.

2. Asset Valuation Method

The Actuarial Value of Assets equals the Market Value of Assets.

3. Amortization Method

The Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Actuarial Value of Assets. The Unfunded Actuarial Liability as of June 30, 2017 is amortized as a level dollar amount over a closed 20-year period. All subsequent amortization bases are amortized over 20-year periods with a 3-year phase-in and phase-out.

4. Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses and amortization payment described above less expected employee contributions. The City has the option to limit its contribution towards the explicit subsidy to no more than 14% of total payroll.

Active members that are eligible for full benefits will contribute 7.50% of pay.

5. Changes Since Last Valuation

None.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

Eligibility: Employees hired before September 2013 who did not elect to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Medical: Employees who retire (include deferred vested members) with at least 15 years of service with the City (“OPEB benefit service”), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before September 30, 2012) are eligible for retirement at age 55 with five years of service or at any age with 30 years of service. Tier 2 employees (hired on or after September 30, 2012) are eligible for unreduced service retirement at age 65 with five years of service or reduced service retirement at age 55 with five years of service. Service credited thru reciprocity agreements counts towards an employee’s required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits. Employees who retire with less than 15 years of service can elect coverage, but receive no explicit subsidy.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City’s medical plan at the time of the member’s retirement. Dependent children are eligible to receive coverage until the age of 26.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met:

1. The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,
2. Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

Dental: Employees who retire or become disabled directly from City service with at least five years of service or with a monthly pension equal to at least 37.5% of final compensation, and are enrolled in a City dental plan at retirement are eligible to elect dental coverage upon retirement. Spouses, domestic partners, or children of retired members are allowed to participate if they were enrolled in the City’s dental plan at the time of the member’s retirement.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met:

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

1. The employee has five years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,
2. Both the member and the survivors were enrolled in the active dental plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

Benefits for Retirees:

Medical: The Plan, through the 115 trust, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference if another plan is elected.

Dental: The Plan, through the 115 trust, pays 100% of the dental insurance premiums.

Premiums: Monthly premiums for calendar years 2021 and 2022 are as follows.

2021 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
Medical				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$610.44	\$1,220.88	\$1,068.28	\$1,831.32
Kaiser \$25 Co-pay	745.52	1,491.04	1,304.64	2,236.56
Kaiser HDHP	514.34	1,028.68	900.10	1,543.02
Anthem HMO \$20 Co-pay	724.82	1,594.58	1,304.68	2,246.90
Anthem DHMO	558.80	1,229.40	1,005.86	1,732.34
Anthem HDHP	977.80	2,151.16	1,760.04	3,031.20
Anthem Select PPO	1,587.22	3,491.90	2,857.00	4,920.42
Anthem Classic PPO	1,697.56	3,734.68	3,055.62	5,262.48
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$262.90	\$525.80	\$525.80	\$788.70
Anthem Medicare PPO	480.04	960.08	960.08	1,440.12
Anthem Medicare HMO	425.71	851.42	851.42	1,277.13
Dental				
Delta Dental PPO	\$50.88	\$111.92	\$122.12	\$157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 Co-pay Anthem HMO.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

2022 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
Medical				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$607.66	\$1,215.32	\$1,063.40	\$1,822.98
Kaiser \$25 Co-pay	742.12	1,484.24	1,298.70	2,226.36
Kaiser HDHP	511.98	1,023.96	895.96	1,535.94
Anthem HMO Select \$20 Co-pay	661.56	1,455.40	1,190.80	2,050.78
Anthem HMO Traditional \$20 Co-pay	760.52	1,673.12	1,368.94	2,357.58
Anthem DHMO	510.02	1,234.30	1,122.10	1,581.14
Anthem HDHP	1,163.58	2,559.88	2,094.44	3,607.12
Anthem Select PPO	1,888.78	4,155.36	3,399.82	5,855.30
Anthem Classic PPO	2,020.10	4,444.26	3,636.18	6,262.34
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$260.92	\$521.84	\$521.84	\$782.76
Anthem Medicare PPO	465.06	930.12	930.12	1,395.18
Anthem Medicare HMO	423.76	847.52	847.52	1,271.28
Dental				
Delta Dental PPO	\$42.24	\$92.90	\$101.36	\$130.90
DeltaCare HMO	24.44	48.86	42.74	73.30

Anthem HMO Medicare family rates assume the children are on the Non-Medicare \$20 Co-pay Anthem HMO.

Summary of 2022 Benefit Plans:

Medicare-Eligible Plans:	Kaiser	Anthem HMO	Anthem PPO
Annual Out-of-Pocket Maximum	Single \$1,500 Family \$3,000	\$1,000 per member	\$0
Annual Deductible	None	None	None
Office Visit copay	\$25	\$25	\$0
Emergency Room copay	\$50	\$100	\$0
Hospital Care copay	\$250	\$100	\$0
Prescription Drug retail copay (30-day supply):			
Generic	\$10	\$10	\$10
Brand	\$10	\$25	\$25
Non-Formulary	N/A	\$40	\$40

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Non-Medicare Plans:	Kaiser High Deductible	Kaiser DHMO	Kaiser \$25 Co-Pay	Anthem \$20 Co-Pay HMO	Anthem DHMO	Anthem Select PPO (In-Network)	Anthem Classic PPO (In-Network)	Anthem High Deductible (In-Network)
Annual Out-of-Pocket Maximum (single/family)	\$5,950/ \$11,900	\$4,000/ \$8,000	\$1,500/ \$3,000	\$1,500/ \$3,000	\$4,000/ \$8,000	\$2,100/ \$4,200	\$2,100/ \$4,200	\$4,000/ \$8,000
Annual Deductible (single/family)	\$3,000/ \$6,000	\$1,500/ \$3,000	None	None	\$1,500/ \$3,000	\$100/\$200	\$100/\$200	\$2,500/ \$5,000
Office Visit copay	30%*	\$40	\$25	\$20	\$20	\$25	\$25	20%*
Emergency Room copay	30%*	30%*	\$100	\$100	30%*	\$100	\$100	20%*
Hospital Care copay	30%*	30%*	\$100	\$100	30%*	10%*	10%*	20%*
Prescription Drug retail copay (30-day supply):								
Generic	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Brand	\$30	\$30	\$25	\$30	\$30	\$25	\$25	\$30
Non-Formulary	N/A	N/A	N/A	\$60	\$60	\$40	\$40	\$60

* After deductible is paid.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Cost-Sharing Provisions:

It is assumed for the purpose of this valuation that the City of San José will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting benefit provisions, contributions or both.

CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX C – SUMMARY OF PLAN PROVISIONS

VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

Eligibility: Employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

Medical: VEBA funds can be used to reimburse members for eligible healthcare expenses.

VEBA members on service-connected disability will receive benefits from the Postemployment Healthcare Plan only up to age 65 once VEBA funds are exhausted

Note: The summary of major plan provisions is designed to outline principal plan benefits. If the Department of Retirement Services should find the plan summary not in accordance with the actual provisions, the actuary should immediately be alerted so the proper provisions are valued.

APPENDIX D – GLOSSARY OF TERMS

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and, other relevant items.

2. Actuarial Cost Method

A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an Actuarial Liability.

3. Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

4. Actuarial Liability

The portion of the actuarial present value of projected benefits that will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

5. Actuarial Present Value (Present Value)

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{rcl}
 \text{Amount} & \text{Probability} & \frac{1}{(1+\text{Discount Rate})} \\
 \$100 & \text{of Payment} & \\
 \times & (1 - .01) & 1/(1+.1) \\
 & & = \$90
 \end{array}$$

6. Actuarial Valuation

The determination, as of a specified date, of the normal cost, Actuarial Liability, Actuarial Value of Assets, and related actuarial present values for a pension plan.

7. Actuarial Value of Assets

The value of cash, investments, and other property belonging to a pension plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

APPENDIX D – GLOSSARY OF TERMS

8. Amortization Payment

The portion of the pension plan contribution, which is designed to pay interest and principal on the Unfunded Actuarial Liability in order to pay for that liability in a given number of years.

9. Entry Age Normal Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated as a level percentage of pay from the individual's date of entry into the plan to the individual's assumed cessation of employment.

10. Normal Cost

That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

11. Unfunded Actuarial Liability

The excess of the Actuarial Liability over the Actuarial Value of Assets.

12. Funded Percentage

The ratio of the Actuarial Value of Assets to the Actuarial Liability.

13. Mortality Table

A set of percentages that estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

14. Discount Rate

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

15. Medical Trend

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2021 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX E – LIST OF ABBREVIATIONS

Actuarial Accrued Liability (AAL)
Actuarial Valuation Report (AVR)
Annual Required Contribution (ARC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Deferred Retirement Option Plan (DROP)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)



Classic Values, Innovative Advice