

# **City of San José Federated Postemployment Healthcare Plan**

## **Actuarial Valuation Funding Report as of June 30, 2020**

**Produced by Cheiron**

**January 2021**

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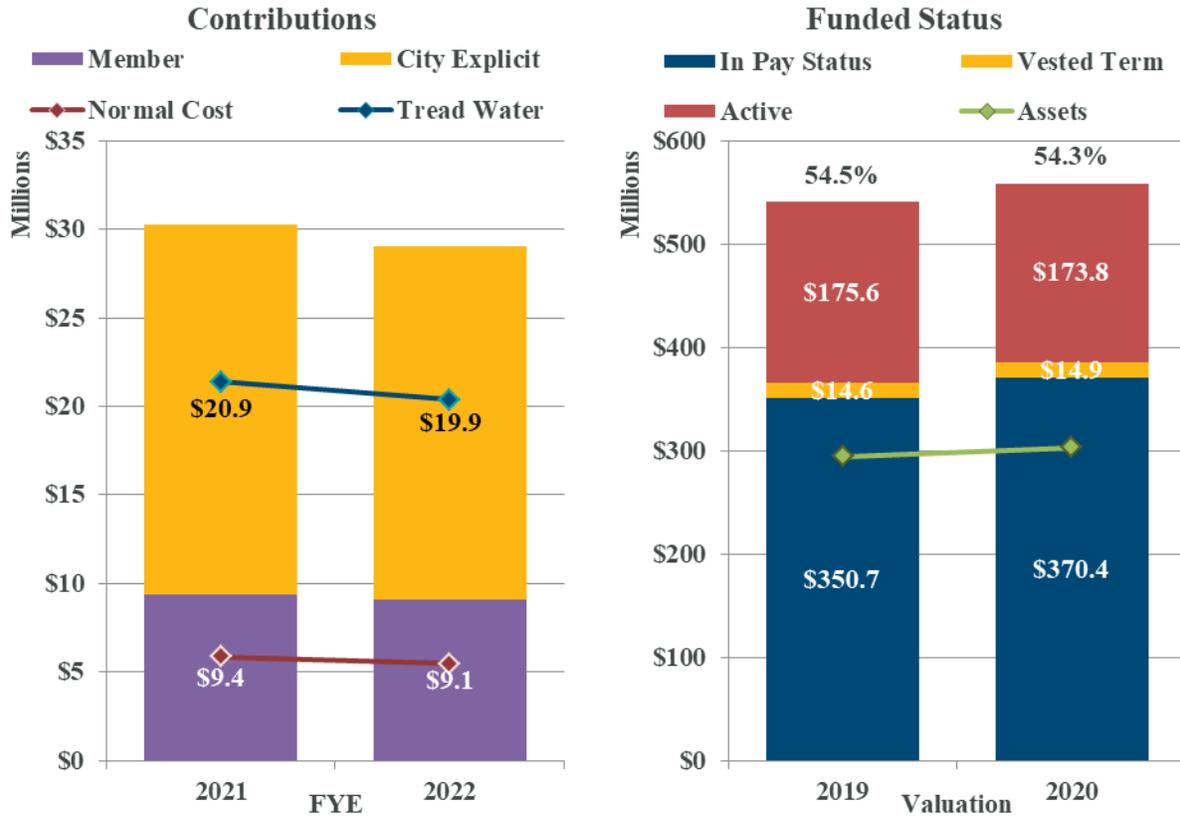
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**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION I – BOARD SUMMARY**

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 2021 and 2022. 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 Tread Water amount shown by the blue line represents the amount needed to pay the normal cost and interest on the UAL. Contributions above the Tread Water line reduce the principal of the UAL. 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 \$5.4 million for FYE 2022.

The chart on the right summarizes the funded status as of the June 30, 2019 and June 30, 2020 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.

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**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 by the Plan 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 2021 and 2022.

<b>Table I-1</b>				
<b>Summary of Contribution Amounts</b>				
	<b>FYE 2022</b>	<b>FYE 2021</b>	<b>% Change</b>	
Explicit Subsidy				
Members	\$ 9,076	\$ 9,356		-3.0%
City's Actuarially Determined Contribution	19,936	20,949		-4.8%
Estimated City Optional Cap	46,555	43,116		8.0%
Implicit Subsidy	\$ 5,439	\$ 4,991		9.0%

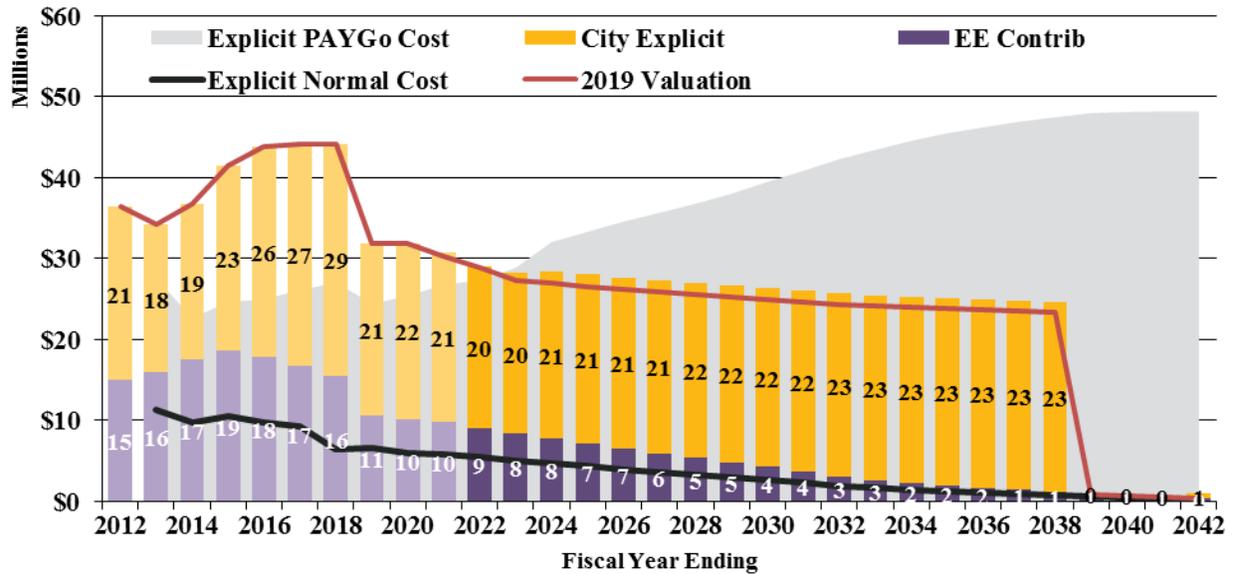
*Dollar amounts in thousands*

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**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 2019 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 2012-2042**



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 increase slightly as the member contributions decrease.

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**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, 2020 compared to June 30, 2019. The Actuarial Liability increased by 3.4% compared to an expected increase of 2.9%. The additional increase is primarily due to the reduction in the discount rate from 6.75% to 6.25% and changes in health plan election assumptions, offset by premium experience. At the same time, assets increased 3.0% primarily due to contributions. As a result, the Unfunded Actuarial Liability increased by about 3.8% and the funded percentage declined slightly from 54.5% to 54.3% for the explicit subsidy.

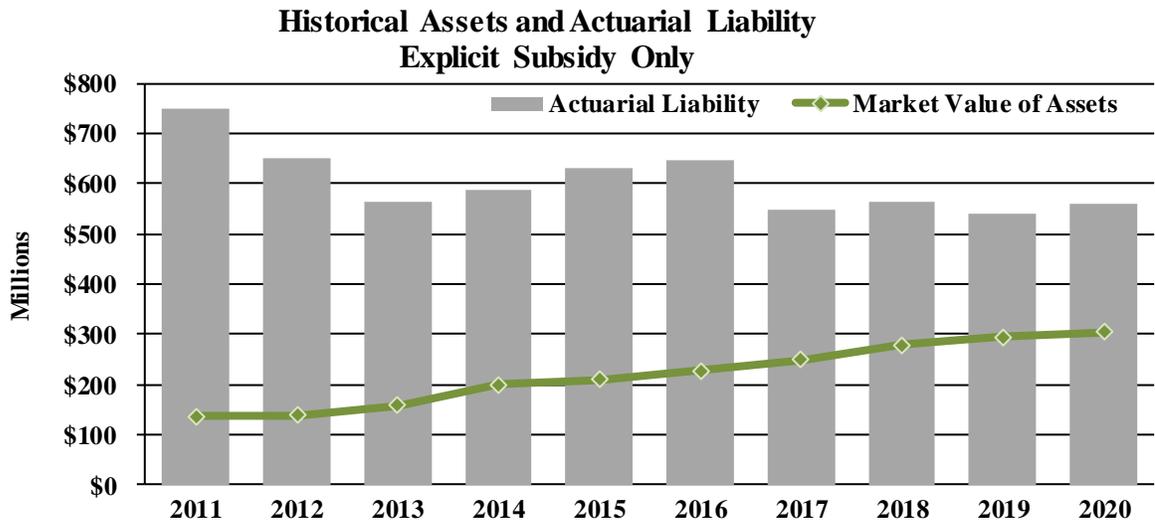
<b>Table I-2</b>				
<b>Summary of Funded Status - Explicit Subsidy Only</b>				
	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>Change</b>	
Actuarial Liability				
Actives	\$ 173,797	\$ 175,598		-1.0%
Deferred Vested	14,919	14,564		2.4%
In Pay Status	<u>370,361</u>	<u>350,653</u>		5.6%
Total Actuarial Liability	\$ 559,077	\$ 540,815		3.4%
Assets	303,313	294,489		3.0%
Unfunded Actuarial Liability	\$ 255,764	\$ 246,326		3.8%
Funded Percentage	54.3%	54.5%		-0.2%

*Dollar amounts in thousands*

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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 \$357 million due to a combination of a reduction in the Actuarial Liability of \$189 million and an increase in assets of \$168 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. In the future, growth in assets will become more dependent on investment returns as benefit payments grow to equal or exceed contributions.



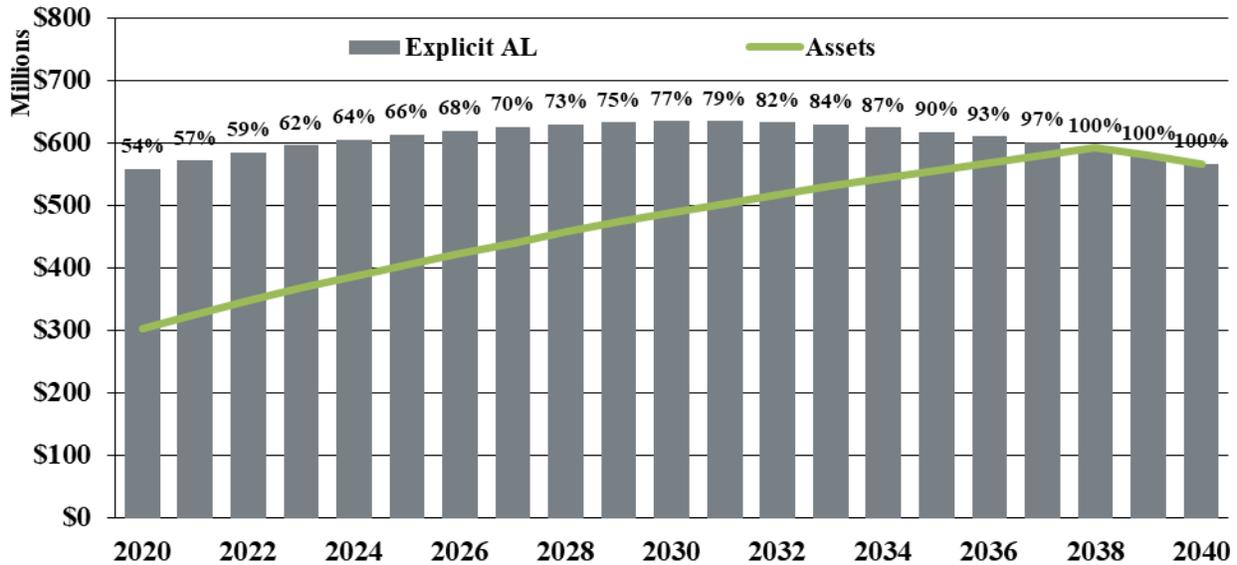
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Funded Ratio</b>	14.4%	18.6%	23.9%	30.0%	29.1%	30.7%	39.4%	42.6%	46.6%	54.3%
<b>UAL/(Surplus) (in millions)</b>	\$613.0	\$512.8	\$405.1	\$385.5	\$421.5	\$418.8	\$299.6	\$286.5	\$246.3	\$255.8
<b>Discount Rate</b>	7.50%	7.50%	7.25%	7.00%	7.00%	6.875%	6.875%	6.75%	6.75%	6.25%

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 6.25% each year, the funded percentage for the explicit subsidy is expected to exceed 100% by 2038.

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**SECTION I – BOARD SUMMARY**

**Projected Assets and Actuarial Liability 2020-2040**



**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, 2020. The total UAL increased about \$9.4 million since the prior year.

<b>Table I-3 Changes in Unfunded Actuarial Liability Explicit Subsidy Only</b>	
Unfunded Actuarial Liability, June, 30, 2019	\$ 246,326
Unfunded Actuarial Liability, June, 30, 2020	<u>255,764</u>
<b>Change in Unfunded Actuarial Liability</b>	<b>\$ 9,438</b>
<b><u>Sources of Changes</u></b>	
Tread Water less Contributions	\$ (10,850)
Investment Experience	17,738
Liability Experience	(32,917)
Assumption Changes	35,453
VEBA Transfers	<u>14</u>
<b>Total Changes</b>	<b>\$ 9,438</b>

*Dollar amounts in thousands*

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Liability experience decreased the UAL by about \$32.9 million, mainly driven by the decreases in the Medicare eligible premium rates offset by demographic experience. Assumption changes increased the UAL by about \$35.5 million, primarily due to plan election assumptions and lowering the discount rate from 6.75% to 6.25%. Contributions in excess of the Tread Water amount decreased the UAL by \$10.9 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 and the additional assets transferred to the VEBA increased the UAL by about 17.7 million.

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**SECTION I – BOARD SUMMARY**

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

<b>Table I-4 Summary of Valuation Results</b>			
	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>% Change</b>
<b>Active Members</b>			
Eligible for Full Benefits	1,445	1,581	-8.6%
Eligible for Catastrophic Disability Only	<u>2,151</u>	<u>1,919</u>	12.1%
Total Active Members	3,596	3,500	2.7%
Deferred Vested Members	156	165	-5.5%
Members in Pay Status (Medical and/or Dental)	3,682	3,618	1.8%
Members In-Lieu only	<u>46</u>	<u>28</u>	N/A
Total	7,480	7,311	2.3%
Full Benefit Member Payroll	\$ 130,725	\$ 135,090	-3.2%
Total Payroll	322,850	299,002	8.0%
<b>Actuarial Liability</b>			
Explicit Subsidy	\$ 559,077	\$ 540,815	3.4%
Implicit Subsidy	<u>91,342</u>	<u>90,937</u>	0.4%
Total Actuarial Liability	\$ 650,419	\$ 631,752	3.0%
Market Value of Assets	303,313	294,489	3.0%
Explicit Subsidy Unfunded Actuarial Liability	\$ 255,764	\$ 246,326	3.8%
Explicit Subsidy Funded Percentage	54.3%	54.5%	-0.4%
Total Unfunded Actuarial Liability	\$ 347,106	\$ 337,263	2.9%
Total Funded Percentage	46.6%	46.6%	0.0%
	<b>FYE 2022</b>	<b>FYE 2021</b>	<b>% Change</b>
City's Actuarially Determined Contribution	\$ 19,936	\$ 20,949	-4.8%
City's Actuarially Determined Contribution Rate	5.99%	6.80%	-0.8%
City's Implicit Subsidy Payment	\$ 5,439	\$ 4,991	9.0%

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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 December 17, 2020 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.

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**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



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Principal Consulting Actuary

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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.

<b>Table III-1</b>		
<b>Change in Market Value of Assets</b>		
<b>Fiscal Year Ending</b>	<u><b>6/30/2020</b></u>	<u><b>6/30/2019</b></u>
	<b>Total</b>	<b>Total</b>
Market value, beginning of year	\$ 294,488,947	\$ 277,256,160
Contributions		
Employee	10,692,150	10,577,720
City	21,790,130	22,071,342
Implicit subsidy	4,742,930	4,338,698
Total	<u>\$ 37,225,210</u>	<u>\$ 36,987,760</u>
Net investment earnings	3,077,272	9,471,928
Benefit payments		
Explicit subsidy	26,035,849	24,485,180
Implicit subsidy	4,742,930	4,338,698
Total	<u>\$ 30,778,779</u>	<u>\$ 28,823,878</u>
Administrative expenses	686,011	384,184
VEBA Transfer	13,338	18,839
<b>Market value, end of year</b>	<b>\$ 303,313,301</b>	<b>\$ 294,488,947</b>
Estimated Rate of Return	1.0%	3.2%

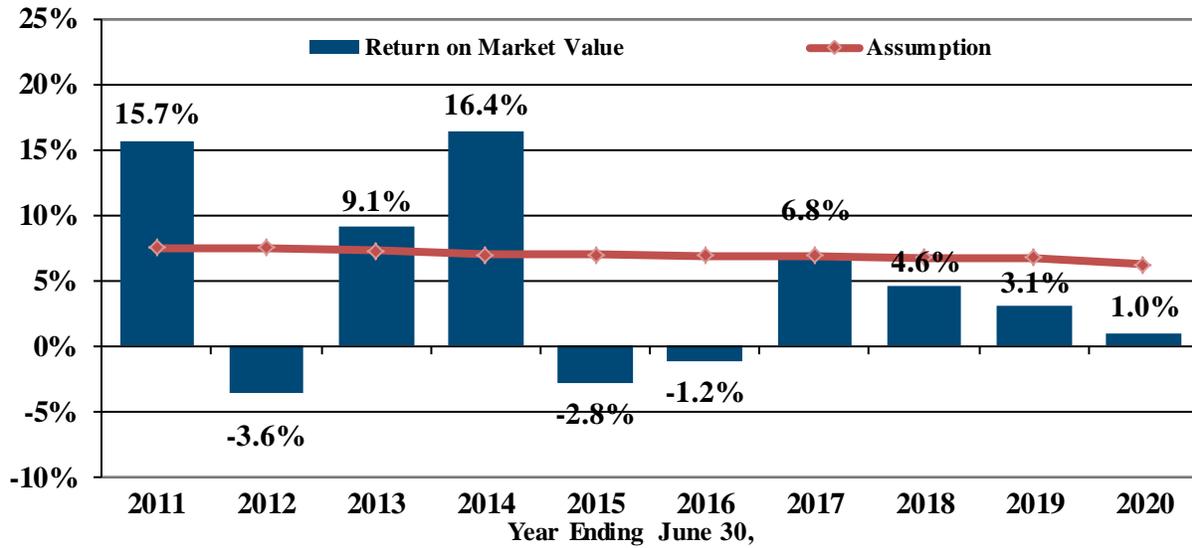
In the last year, investments, in aggregate, returned approximately 1.0% compared to an expected rate of return of 6.75%, resulting in an investment loss of approximately \$17.7 million.

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**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 4.7%.

**Historical Rates of Return**



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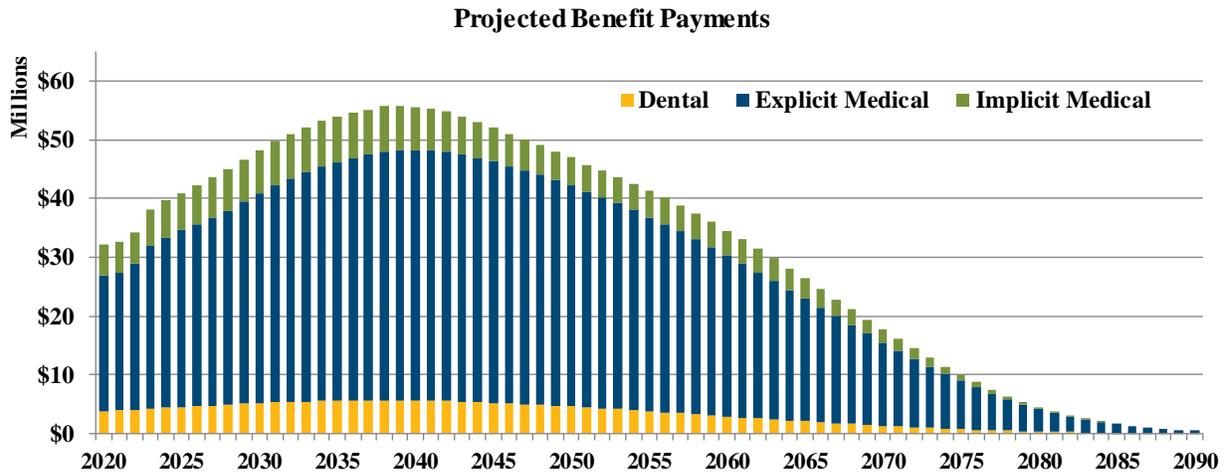
SECTION IV – MEASURES OF LIABILITY

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.



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**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).

<b>Table IV-1</b>					
<b>Expected Net Benefit Payments</b>					
<b>Fiscal Year</b>	<b>Explicit Subsidy</b>			<b>Implicit Subsidy</b>	<b>Total</b>
	<b>Ending</b>	<b>Medical</b>	<b>Dental</b>		
2021	\$ 23,104,300	\$ 3,728,375	\$ 26,832,675	\$ 5,287,332	\$ 32,120,007
2022	23,405,409	3,895,345	27,300,755	5,438,667	32,739,422
2023	24,836,121	4,057,119	28,893,240	5,448,593	34,341,833
2024	27,848,397	4,210,253	32,058,650	6,064,779	38,123,430
2025	28,974,858	4,358,145	33,333,003	6,417,054	39,750,057
2026	30,087,150	4,503,395	34,590,546	6,401,152	40,991,698
2027	31,025,845	4,642,520	35,668,365	6,629,890	42,298,255
2028	32,022,683	4,774,218	36,796,901	6,766,131	43,563,032
2029	33,111,804	4,906,840	38,018,644	6,933,133	44,951,777
2030	34,450,072	5,037,000	39,487,072	7,062,037	46,549,108
2031	35,697,294	5,163,167	40,860,462	7,264,641	48,125,102
2032	37,024,647	5,283,873	42,308,520	7,494,912	49,803,432
2033	38,062,536	5,384,530	43,447,066	7,535,558	50,982,624
2034	39,099,721	5,459,452	44,559,173	7,607,906	52,167,080
2035	39,990,635	5,513,896	45,504,531	7,731,244	53,235,775
2036	40,663,852	5,553,845	46,217,697	7,749,703	53,967,400
2037	41,334,448	5,584,946	46,919,394	7,812,733	54,732,127
2038	41,861,280	5,610,036	47,471,316	7,708,288	55,179,604
2039	42,375,057	5,620,300	47,995,358	7,790,533	55,785,890
2040	42,522,765	5,611,820	48,134,585	7,628,141	55,762,726

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**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, 2020 and June 30, 2019.

<b>Table IV-2</b>						
<b>Present Value of Future Benefits</b>						
	<b>June 30, 2020</b>				<b>June 30, 2019</b>	<b>% Change</b>
	<b>Actives</b>	<b>Deferred Vested</b>	<b>In Pay Status</b>	<b>Total</b>	<b>Total</b>	
Explicit Subsidy						
Non-Medicare Eligible	\$ 75,936	\$ 6,503	\$ 63,561	\$ 146,000	\$ 136,648	6.8%
Medicare Eligible	114,609	8,416	256,039	379,064	375,154	1.0%
Dental	<u>22,418</u>	<u>0</u>	<u>50,761</u>	<u>73,178</u>	<u>68,143</u>	7.4%
<b>Total Explicit Subsidy</b>	<b>\$ 212,962</b>	<b>\$ 14,919</b>	<b>\$ 370,361</b>	<b>\$ 598,242</b>	<b>\$ 579,945</b>	<b>3.2%</b>
Implicit Subsidy	<u>41,056</u>	<u>3,363</u>	<u>54,833</u>	<u>99,252</u>	<u>98,474</u>	0.8%
<b>Total</b>	<b>\$ 254,018</b>	<b>\$ 18,282</b>	<b>\$ 425,194</b>	<b>\$ 697,494</b>	<b>\$ 678,420</b>	<b>2.8%</b>

*Dollar amounts in thousands*

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**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, 2020 and June 30, 2019 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.

<b>Table IV-3</b>				
<b>Normal Cost</b>				
	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>% Change</b>	
<b>Explicit Subsidy</b>				
Non-Medicare Eligible	\$ 2,252	\$ 2,211	1.8%	
Medicare Eligible	2,803	2,900	-3.3%	
Dental	644	624	3.1%	
<b>Total Explicit Subsidy</b>	<b>\$ 5,698</b>	<b>\$ 5,735</b>	<b>-0.6%</b>	
Implicit Subsidy	1,110	1,079	2.9%	
<b>Total Normal Cost</b>	<b>\$ 6,808</b>	<b>\$ 6,813</b>	<b>-0.1%</b>	
Valuation Pay	\$ 126,822	\$ 130,749	-3.0%	
Explicit Subsidy Rate	4.49%	4.39%	2.3%	
Implicit Subsidy Rate	0.88%	0.82%	7.3%	
<b>Total Normal Cost Rate</b>	<b>5.37%</b>	<b>5.21%</b>	<b>3.1%</b>	
	<b>FYE 2022</b>	<b>FYE 2021</b>	<b>% Change</b>	
Expected Pay	\$ 121,017	\$ 124,746	-3.0%	
Explicit Subsidy	5,434	5,476	-0.8%	
Implicit Subsidy	1,065	1,023	4.1%	
<b>Total Normal Cost</b>	<b>\$ 6,499</b>	<b>\$ 6,499</b>	<b>0.0%</b>	

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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, 2020 and June 30, 2019 separately by component.

<b>Table IV-4 Actuarial Liability</b>						
	<u>June 30, 2020</u>			<u>June 30, 2019</u>		<b>% Change</b>
	<b>Actives</b>	<b>Deferred Vested</b>	<b>In Pay Status</b>	<b>Total</b>	<b>Total</b>	
Explicit Subsidy						
Non-Medicare Eligible	\$ 59,590	\$ 6,503	\$ 63,561	\$ 129,654	\$ 120,809	7.3%
Medicare Eligible	95,675	8,416	256,039	360,130	355,612	1.3%
Dental	18,532	0	50,761	69,293	64,394	7.6%
<b>Total Explicit Subsidy</b>	<b>\$ 173,797</b>	<b>\$ 14,919</b>	<b>\$ 370,361</b>	<b>\$ 559,077</b>	<b>\$ 540,815</b>	<b>3.4%</b>
Implicit Subsidy	33,146	3,363	54,833	91,342	90,937	0.4%
<b>Total</b>	<b>\$ 206,943</b>	<b>\$ 18,282</b>	<b>\$ 425,194</b>	<b>\$ 650,419</b>	<b>\$ 631,752</b>	<b>3.0%</b>

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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 \$51 per member for FYE 2022 (increasing 3.0 percent each year). There are currently 7,480 members, resulting in estimated administrative expenses for FYE 2022 of \$381,480.

**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 and the implicit subsidy.

<b>Table V-1</b>						
<b>Unfunded Actuarial Liability</b>						
	<b>June 30, 2020</b>			<b>June 30, 2019</b>		
	<b>Explicit</b>	<b>Implicit</b>	<b>Total</b>	<b>Explicit</b>	<b>Implicit</b>	<b>Total</b>
Actuarial Liability	\$ 559,077	\$ 91,342	\$ 650,419	\$ 540,815	\$ 90,937	\$ 631,752
Assets	<u>303,313</u>		<u>303,313</u>	<u>294,489</u>		<u>294,489</u>
<b>Unfunded Actuarial Liability</b>	<b>\$ 255,764</b>	<b>\$ 91,342</b>	<b>\$ 347,106</b>	<b>\$ 246,326</b>	<b>\$ 90,937</b>	<b>\$ 337,263</b>
<b>Funded Percentage</b>	<b>54.3%</b>	<b>0.0%</b>	<b>46.6%</b>	<b>54.5%</b>	<b>0.0%</b>	<b>46.6%</b>

*Dollar amounts in thousands*

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  
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**SECTION V – CONTRIBUTIONS**

<b>Table V-2 UAL Amortization</b>				
	<b>Outstanding Balance</b>	<b>Remaining</b>		<b>FYE 2022 Payment</b>
		<b>Period</b>	<b>Phase-in</b>	
2017 UAL	\$ 245,474	17	N/A	\$ 23,140
2018 Changes	1,314	18	1	117
2019 Changes	(33,969)	19	2	(2,012)
2020 Changes	19,233	20	3	587
FYE 2021 Payment*	<u>23,712</u>			
<b>Total 2019 UAL</b>	<b>\$ 255,764</b>			<b>\$ 21,832</b>

\* FYE 2021 amortization payment discounted to 7/1/2020

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 2022 and 2021.

<b>Table V-3 City's Actuarially Determined Contribution (ADC) Explicit Subsidy Only</b>				
	<b>FYE 2022</b>	<b>FYE 2021</b>	<b>% Change</b>	
Normal Cost	\$ 5,434	\$ 5,476	-0.8%	
Admin Expenses	381	329		
UAL Payment	<u>23,197</u>	<u>24,500</u>	-5.3%	
<b>Total Contribution</b>	<b>\$ 29,012</b>	<b>\$ 30,305</b>	<b>-4.3%</b>	
Projected Member Contributions	\$ 9,076	\$ 9,356	-3.0%	
<b>City's ADC Amount</b>	<b>\$ 19,936</b>	<b>\$ 20,949</b>	<b>-4.8%</b>	
Projected Payroll	332,536	307,972	8.0%	
<b>City's ADC Percentage</b>	<b>6.0%</b>	<b>6.8%</b>	<b>-0.8%</b>	

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE CAFR**

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Plan’s Comprehensive Annual Financial Report (CAFR) in order 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 CAFR.

<b>Actuarial Valuation Date</b>	<b>Actuarial Liability</b>		<b>Reported Assets</b>	<b>Portion of Liability Covered by Reported Assets</b>	
	<b>Retirees, Beneficiaries and Other Inactives (A)</b>	<b>Active Members (B)</b>		<b>(A)</b>	<b>(B)</b>
6/30/2020	\$ 443,476	\$ 206,943	\$ 303,313	68%	0%
6/30/2019	422,108	209,644	294,489	70%	0%
6/30/2018	426,984	223,130	277,256	65%	0%
6/30/2017	408,627	221,825	248,583	61%	0%
6/30/2016	450,793	313,468	225,845	50%	0%
6/30/2015	469,903	347,770	209,761	45%	0%
6/30/2014	435,826	293,580	199,776	46%	0%
6/30/2013	495,967	374,905	157,695	32%	0%
6/30/2012	611,267	485,353	137,798	23%	0%
6/30/2011	652,157	493,203	135,454	21%	0%

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE CAFR**

<b>Table VI-2</b>						
<b>Analysis of Financial Experience</b>						
<b>Gain or (Loss) for Year Ending on Valuation Date Due to:</b>						
<b>Actuarial Valuation Date</b>	<b>Investment Income</b>	<b>Combined Liability Experience</b>	<b>Total Financial Experience</b>	<b>Non-Recurring Items</b>	<b>Total Experience</b>	
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	
6/30/2011	10,131	(35,166)	(25,035)	(131,557)	(156,592)	

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE CAFR**

***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.

<b>Table VI-3 Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (b)</b>	<b>Unfunded Actuarial Liability (UAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (d)</b>	<b>UAL as Percentage of Covered Payroll ((b-a)/c)</b>
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%
6/30/2011	135,454	1,145,360	1,009,906	12%	228,936	441%

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE CAFR**

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			
2020	<sup>2</sup>	3,495	101	3,596	\$ 322,850,457	\$ 89,780	5.1%
2019	<sup>2</sup>	3,412	88	3,500	299,001,886	85,429	4.1%
2018	<sup>2</sup>	3,377	84	3,461	284,008,289	82,060	-2.6%
2017	<sup>2</sup>	3,321	89	3,410	287,339,424	84,264	-0.9%
2016	<sup>1</sup>	2,310	77	2,387	202,911,153	85,007	5.8%
2015	<sup>1</sup>	2,527	74	2,601	208,957,370	80,337	5.9%
2014	<sup>1</sup>	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	5.0%
2011		3,201	73	3,274	228,936,398	69,926	

<sup>1</sup> Does not include Tier 2B Active Employees

<sup>2</sup> Includes members that are only eligible for catastrophic disability benefits, does not include Tier 2B Active Employees

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE CAFR**

<b>Schedule of Retirees and Beneficiaries Added to and Removed from Rolls</b>										
<b>Period</b>	<b>Beginning of Period</b>		<b>Added to Rolls</b>	<b>Removed from Rolls</b>	<b>End of Period</b>		<b>Net Change</b>		<b>% Increase</b>	<b>Average</b>
	<b>Count</b>	<b>Annual Subsidy</b>	<b>Count</b>	<b>Count</b>	<b>Count</b>	<b>Annual Subsidy</b>	<b>Count</b>	<b>Annual Subsidy</b>	<b>in Annual Subsidy</b>	<b>Annual Subsidy</b>
<b><u>Medical</u></b>										
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
2010-11	2,245	20,521	429	117	2,557	25,519	312	4,998	24.4%	9,980
<b><u>Dental</u></b>										
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
2010-11	2,588	3,017	413	95	2,906	3,745	318	727	24.1%	1,289

*Annual subsidies are explicit amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

**Member Data**

<b>Valuation Date</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>% Change</b>
<b><i>Active Employees Eligible for Full Benefits</i></b>			
Count	1,445	1,581	-8.60%
Average Age	50.3	49.7	1.25%
Average OPEB Benefit Service	17.6	16.8	4.46%
Total Payroll	\$142,837,698	\$147,613,697	-3.24%
<b><i>Active Employees Eligible for Catastrophic Disability Only</i></b>			
Count	2,151	1,919	12.09%
Average Age	39.0	38.7	0.69%
Average OPEB Benefit Service	3.8	3.2	17.07%
Total Payroll	\$180,012,759	\$151,388,189	18.91%
<b><i>Retirees and Surviving Spouses with Medical Coverage *</i></b>			
Pre-65	913	900	1.44%
Post-65	2,144	2,009	6.72%
Total	3,057	2,909	5.09%
<b><i>Retirees and Surviving Spouses with Dental Coverage *</i></b>			
Total	3,454	3,405	1.44%
<b><i>Retirees and Surviving Spouses in In-Lieu Credit Program *</i></b>			
Total	199	134	48.51%
<b><i>Term Vested Members</i></b>	156	165	-5.45%

\* Counts do not include dependent spouses

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

	Status Reconciliation					Total
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	
<b>Beginning of Year</b>	<b>3,500</b>	<b>165</b>	<b>3,062</b>	<b>406</b>	<b>178</b>	<b>7,311</b>
New Hires	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Vested Terminations	(9)	9	0	0	0	0
Service Retirements	(99)	(17)	116	0	0	0
Disabled Retirements	(2)	0	(1)	0	3	0
New survivors	(1)	0	0	32	0	31
No longer covered	(211)	(1)	(77)	(29)	(10)	(328)
Data corrections	2	0	43	(1)	6	50
New Catastrophic Disability	416	0	0	0	0	416
<b>End of Year</b>	<b>3,596</b>	<b>156</b>	<b>3,143</b>	<b>408</b>	<b>177</b>	<b>7,480</b>

*Counts do not include dependent spouses*

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

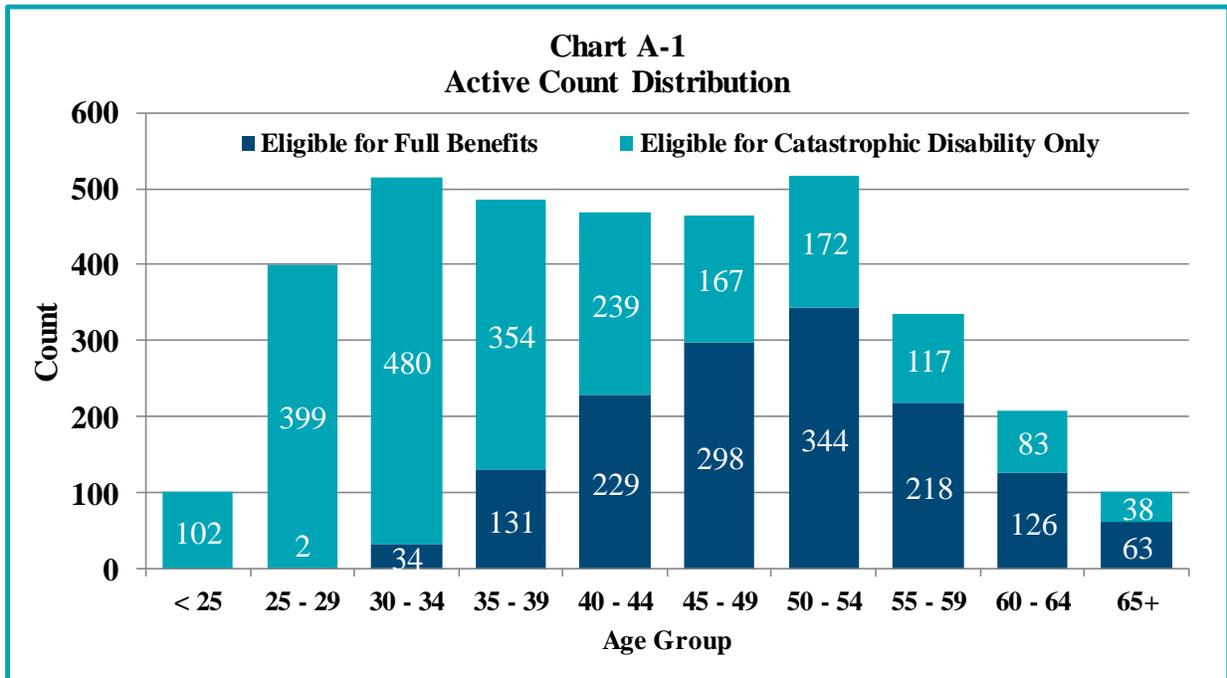
**Member Data as of June 30, 2020:**

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	2	0	0	0	0	0	0	2
30 to 34	0	23	11	0	0	0	0	0	34
35 to 39	2	43	75	10	1	0	0	0	131
40 to 44	0	31	91	80	26	1	0	0	229
45 to 49	2	22	57	97	107	13	0	0	298
50 to 54	0	22	52	95	113	56	6	0	344
55 to 59	1	18	45	53	72	22	7	0	218
60 to 64	0	10	34	32	22	17	8	3	126
<u>65 and up</u>	<u>0</u>	<u>2</u>	<u>8</u>	<u>24</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>1</u>	<u>63</u>
<b>Total</b>	<b>5</b>	<b>173</b>	<b>373</b>	<b>391</b>	<b>351</b>	<b>118</b>	<b>30</b>	<b>4</b>	<b>1,445</b>

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**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	102	0	0	0	0	0	0	0	102
25 to 29	375	24	0	0	0	0	0	0	399
30 to 34	380	98	2	0	0	0	0	0	480
35 to 39	248	90	11	4	1	0	0	0	354
40 to 44	163	63	6	7	0	0	0	0	239
45 to 49	110	40	4	3	10	0	0	0	167
50 to 54	115	34	7	5	8	1	2	0	172
55 to 59	78	25	4	3	2	3	2	0	117
60 to 64	40	35	5	1	2	0	0	0	83
65 and up	16	10	6	2	3	1	0	0	38
<b>Total</b>	<b>1,627</b>	<b>419</b>	<b>45</b>	<b>25</b>	<b>26</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>2,151</b>

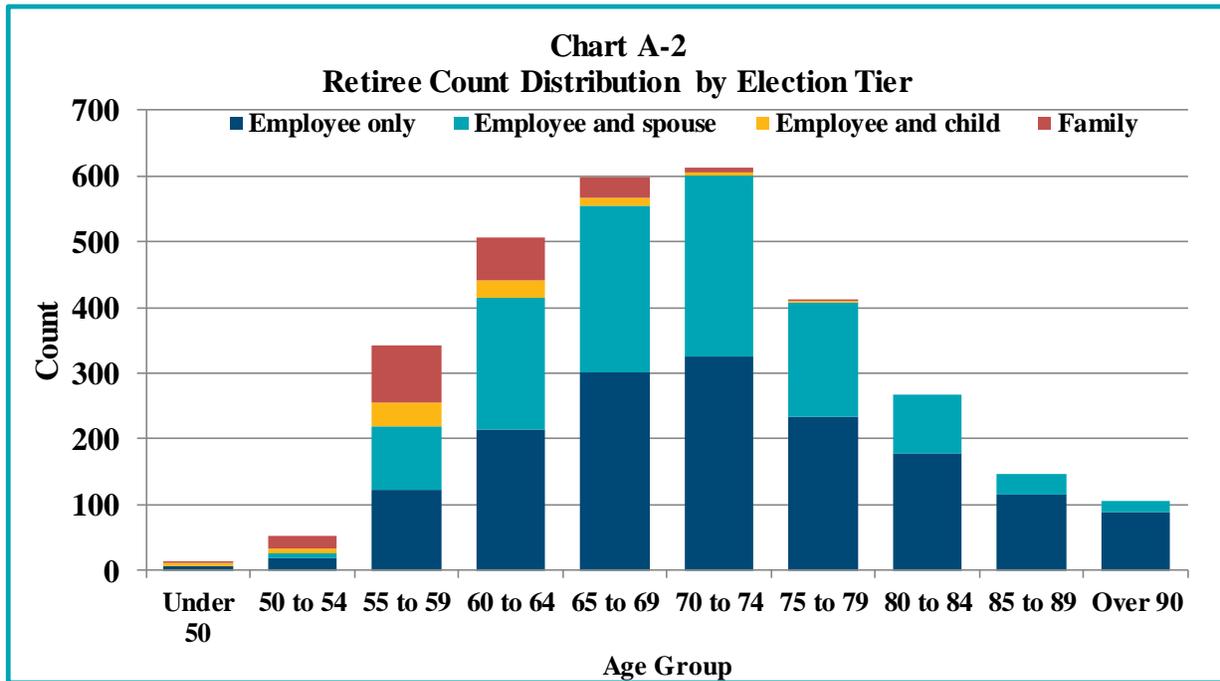


**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

Age Group	Retirees, Disabled Retirees and Surviving Spouses			Dental Insurance
	Males	Females	Total	
Under 50	5	8	13	17
50 to 54	28	24	52	69
55 to 59	193	149	342	340
60 to 64	265	241	506	536
65 to 69	320	278	598	668
70 to 74	332	282	614	705
75 to 79	222	191	413	478
80 to 84	128	139	267	311
85 to 89	66	81	147	176
<u>Over 90</u>	<u>41</u>	<u>64</u>	<u>105</u>	<u>154</u>
<b>Total</b>	<b>1,600</b>	<b>1,457</b>	<b>3,057</b>	<b>3,454</b>

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



**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

Medical Plan Elections as of July 1, 2020			
Medical Plan	Retirees & Surviving Spouses	Spouses	Total
<b>Pre-Medicare Medical Plans</b>			
Kaiser DHMO	102	76	178
Kaiser HDHP	74	47	121
Kaiser \$25 Co-pay	577	360	937
Kaiser \$15 Co-pay (Hawaii)	1	1	2
Kaiser \$25 Co-pay (Northwest)	7	7	14
Anthem DHMO	7	4	11
Anthem \$20 Co-pay	61	32	93
Anthem HDHP	40	30	70
Anthem Select PPO	38	13	51
Anthem Classic PPO	<u>6</u>	<u>1</u>	<u>7</u>
<b>Total</b>	<b>913</b>	<b>571</b>	<b>1,484</b>
<b>Medicare Medical Plans</b>			
Kaiser Senior Advantage	1287	481	1,768
Kaiser Senior Advantage (Hawaii)	4	1	5
Kaiser Senior Advantage (Northwest)	24	7	31
Anthem Medicare HMO	17	5	22
Anthem Medicare PPO	<u>812</u>	<u>299</u>	<u>1,111</u>
<b>Total</b>	<b>2,144</b>	<b>793</b>	<b>2,937</b>

Current Vested Terminations*			
Age Group	Male	Female	Total
Under 45	8	16	24
45 to 49	18	31	49
50 to 54	27	38	65
55 to 59	6	6	12
60 to 64	4	2	6
Over 65	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>63</b>	<b>93</b>	<b>156</b>

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

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**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 December 17, 2020 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

**1. Expected Return on Plan Assets**

6.25% per year. The Board expects a long-term rate of return of 6.2% 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 2020 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 2029:	20.0%
Resistance Point:	20.0%
Year limited to GDP growth:	2076

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Annual Increase							
To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	To Calendar Year	Pre-Medicare	Medicare Eligible	Dental
2021	<i>Actual Premiums Used</i>			2051	4.45	4.45	3.50
2022	7.66%	4.10%	3.50%	2052	4.44	4.44	3.50
2023	7.32	4.21	3.50	2053	4.43	4.43	3.50
2024	6.98	4.31	3.50	2054	4.42	4.42	3.50
2025	6.63	4.41	3.50	2055	4.41	4.41	3.50
2026	6.29	4.51	3.50	2056	4.40	4.40	3.50
2027	5.95	4.62	3.50	2057	4.39	4.39	3.50
2028	5.61	4.72	3.50	2058	4.39	4.39	3.50
2029	5.27	4.82	3.50	2059	4.38	4.38	3.50
2030	4.93	4.93	3.50	2060	4.37	4.37	3.50
2031	4.93	4.93	3.50	2061	4.36	4.36	3.50
2032	4.81	4.81	3.50	2062	4.35	4.35	3.50
2033	4.76	4.76	3.50	2063	4.34	4.34	3.50
2034	4.73	4.73	3.50	2064	4.34	4.34	3.50
2035	4.70	4.70	3.50	2065	4.33	4.33	3.50
2036	4.67	4.67	3.50	2066	4.32	4.32	3.50
2037	4.65	4.65	3.50	2067	4.32	4.32	3.50
2038	4.63	4.63	3.50	2068	4.26	4.26	3.50
2039	4.61	4.61	3.50	2069	4.20	4.20	3.50
2040	4.59	4.59	3.50	2070	4.14	4.14	3.50
2041	4.58	4.58	3.50	2071	4.09	4.09	3.50
2042	4.56	4.56	3.50	2072	4.04	4.04	3.50
2043	4.55	4.55	3.50	2073	3.98	3.98	3.50
2044	4.53	4.53	3.50	2074	3.93	3.93	3.50
2045	4.52	4.52	3.50	2075	3.88	3.88	3.50
2046	4.51	4.51	3.50	2076	3.83	3.83	3.50
2047	4.50	4.50	3.50	2077+	3.78	3.78	3.50
2048	4.48	4.48	3.50				
2049	4.47	4.47	3.50				
2050	4.46	4.46	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 6.75% to 6.25%.

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**Demographic Assumptions**

The OPEB assumptions were adopted by the Board of Administration at the December 17, 2020 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.

<b>Salary Merit Increases</b>			
<b>Years of Service</b>	<b>Merit/ Longevity</b>	<b>Years of Service</b>	<b>Merit/ Longevity</b>
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.

<b>Rates of Termination</b>			
<b>Years of Service</b>	<b>Termination Rate</b>	<b>Years of Service</b>	<b>Termination Rate</b>
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.

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**3. Rates of Refund**

Tier 1:

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

<b>Rates of Refund</b>			
<b>Years of Service</b>	<b>Under Age 35</b>	<b>Ages 35 - 44</b>	<b>Ages 45 and Older</b>
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.

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**5. Retirement Rates**

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

<b>Tier 1</b>			
<b>Rates of Retirement by Age and Service</b>			
<b>Age</b>	<b>Less than 15 Years of Service</b>	<b>15 or more Years of Service and less than 30 Years of Service</b>	<b>30 or more Years of Service</b>
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

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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.

<b>Tier 2 Rates of Retirement by Age and Service</b>					
<b>Age</b>	<b>Years of Service</b>				
	<b>5 – 10</b>	<b>11 – 20</b>	<b>21 – 25</b>	<b>26 – 34</b>	<b>35 +</b>
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.

<b>Rates of Disability at Selected Ages</b>	
<b>Age</b>	<b>Disability</b>
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.

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**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
<b>Healthy Annuitant</b>	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
<b>Healthy Non-Annuitant</b>	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
<b>Disabled Annuitant</b>	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, 2020 valuation is MP-2020.

**9. Married Percentage**

Percentage Married	
Gender	Percentage
Males	80%
Females	60%

**10. Administrative Expenses**

\$51 per member for FYE 2022, increasing at the wage inflation assumption of 3.00% per annum.

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**11. Percent of Retirees Electing Coverage**

80% of active members are assumed to elect coverage upon retirement and 20% are assumed to enter the In-Lieu credit program. 70% of term vested members are assumed to elect coverage upon retirement and 30% are assumed to enter the in-Lieu credit program. Retirees are assumed to continue in their current plan.

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. Their medical tier election assumptions are provided in the following table.

<b>Assumed Medical Tier Elections for Future Retirees who Elect In-Lieu Coverage*</b>			
	<b>% Electing</b>		<b>% Electing</b>
<b>Pre-Medicare Retirees</b>		<b>Medicare-Eligible Retirees</b>	
· Retiree Only	40%	· Retiree Only	60%
· Retiree Plus Spouse	15%	· Retiree Plus Spouse	40%
· Retiree Plus Family	45%	· Retiree Plus Family	0%

\* Eligible for coverage

There were no changes to plans in 2020.

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.

<b>Assumed Plan Elections for Future Retirees*</b>			
	<b>% Electing</b>		<b>% Electing</b>
<b>Pre-Medicare Medical Plans</b>		<b>Medicare-Eligible Medical Plans</b>	
· 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 \$20 Co-pay	6%		
· Anthem HDHP PPO	3%	<b>Dental Plans (All Retirees)</b>	
· Anthem Select PPO	4%	· Delta Dental PPO	98%
· Anthem Classic PPO	1%	· DeltaCare HMO	2%

\* Eligible for coverage and elect coverage

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**12. Family Composition**

85% of married males and 70% of married females will elect spouse coverage in a medical plan at retirement. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement.

Pre-Medicare, 32% of males and 21% of females will cover children.

**13. 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.

**14. Changes Since Last Valuation**

Plan elections assumptions and the administrative expense assumption were updated.

The assumed rate of mortality improvement was updated from MP-2019 to MP-2020.

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**Claim and Expense Assumptions**

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 17, 2020 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 2020 and 2021. 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 2020 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, 2020 based on the premiums for 2020 and 2021. 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>						
<u>Age</u>	<u>Kaiser</u>		<u>Anthem HMO</u>		<u>Anthm PPO</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	\$9,686	\$11,920	\$10,863	\$13,279	\$12,637	\$15,980
45	9,918	11,643	11,036	12,901	13,359	15,941
50	10,495	11,898	11,582	13,099	14,599	16,698
55	11,632	12,621	12,733	13,803	16,675	18,156
60	13,609	13,268	14,794	14,425	20,010	19,499
64	16,030	13,046	17,350	14,123	23,935	19,468

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<u>Sample Claims Costs - Medicare Eligible</u>						
Age	<u>Kaiser Senior Adv</u>		<u>Anthem HMO</u>		<u>Anthem PPO</u>	
	Male	Female	Male	Female	Male	Female
65	\$3,080	\$2,717	\$4,837	\$4,267	\$5,303	\$4,678
70	3,271	2,770	5,137	4,350	5,632	4,770
75	3,760	3,116	5,904	4,893	6,473	5,364
80	4,269	3,533	6,704	5,548	7,350	6,083
85	4,611	3,861	7,240	6,063	7,938	6,648

<u>Sample Claims Costs - Dental</u>	
<u>Dental Blended</u>	
Age	Unisex
All	694.98

**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.

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**9. Changes Since Last Valuation**

All claims costs were updated to reflect the changes in plan premiums and the populations covered. The claims curves were developed jointly for the Federated, Police, and Fire Postemployment Healthcare Plans of the City of San José.

## 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.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

**Eligibility:** Employees hired before September 2013 that 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:

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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 2020 and 2021 are as follows.

2020 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
<b>Medical</b>				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$574.36	\$1,148.72	\$1,005.14	\$1,723.08
Kaiser \$25 Co-pay	701.46	1,402.92	1,227.54	2,104.38
Kaiser HDHP	483.94	967.88	846.90	1,451.82
Anthem HMO \$20 Co-pay	671.12	1,476.46	1,208.02	2,080.46
Anthem DHMO	517.42	1,138.34	931.36	1,604.02
Anthem HDHP	905.36	1,991.82	1,629.66	2,806.66
Anthem Select PPO	1,469.66	3,233.24	2,645.38	4,555.94
Anthem Classic PPO	1,571.82	3,458.02	2,829.28	4,872.66
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$289.14	\$578.28	\$578.28	\$867.42
Anthem Medicare PPO	508.56	1,017.12	1,017.12	1,525.68
Anthem Medicare HMO	453.55	907.10	907.10	1,360.65
<b>Dental</b>				
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.*

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

<b>2021 Monthly Premiums</b>				
	<b>Single</b>	<b>Emp/Sp</b>	<b>Emp/Chd</b>	<b>Family</b>
<b>Medical</b>				
<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
<b>Dental</b>				
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.*

**Summary of 2021 Benefit Plans:**

<b>Medicare-Eligible Plans:</b>	<b>Kaiser</b>	<b>Anthem HMO</b>	<b>Anthem PPO</b>
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

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<b>Non-Medicare Plans:</b>	<b>Kaiser High Deductible</b>	<b>Kaiser DHMO</b>	<b>Kaiser \$25 Co-Pay</b>	<b>Anthem \$20 Co-Pay HMO</b>	<b>Anthem DHMO</b>	<b>Anthem Select PPO (In-Network)</b>	<b>Anthem Classic PPO (In-Network)</b>	<b>Anthem High Deductible (In-Network)</b>
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.

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**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.

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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.

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**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*