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3a(2)

City of San José Police and Fire Department Postemployment Healthcare Plan

Actuarial Valuation Funding Report as of June 30, 2020

Produced by Cheiron

January 2021

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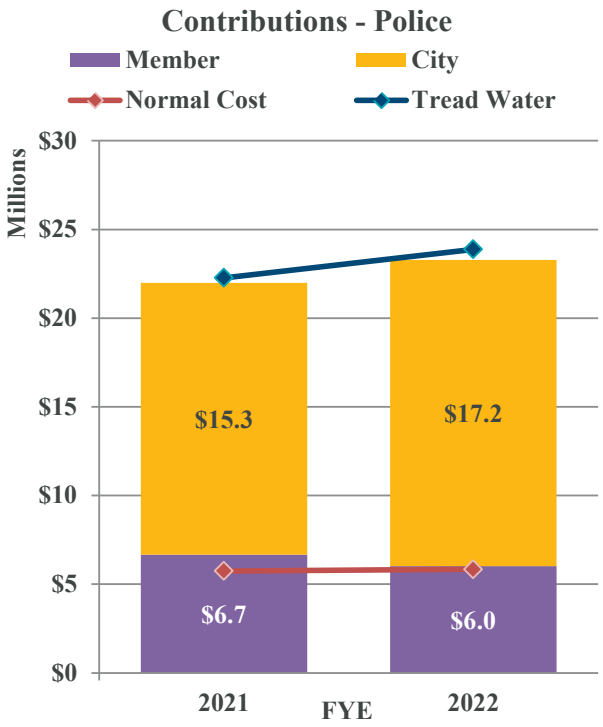
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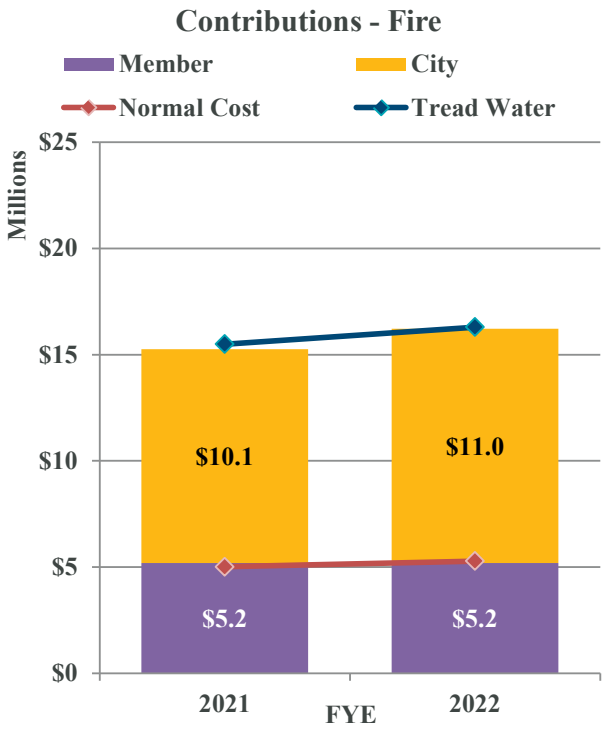
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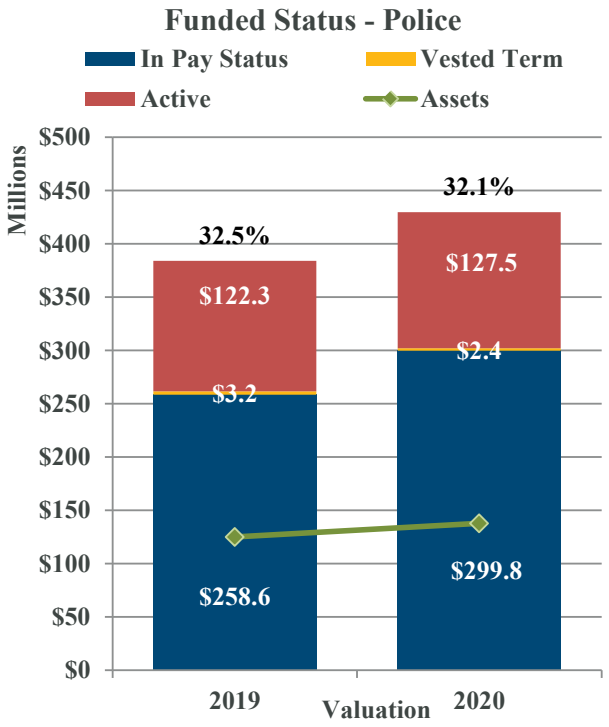
SECTION I – BOARD SUMMARY

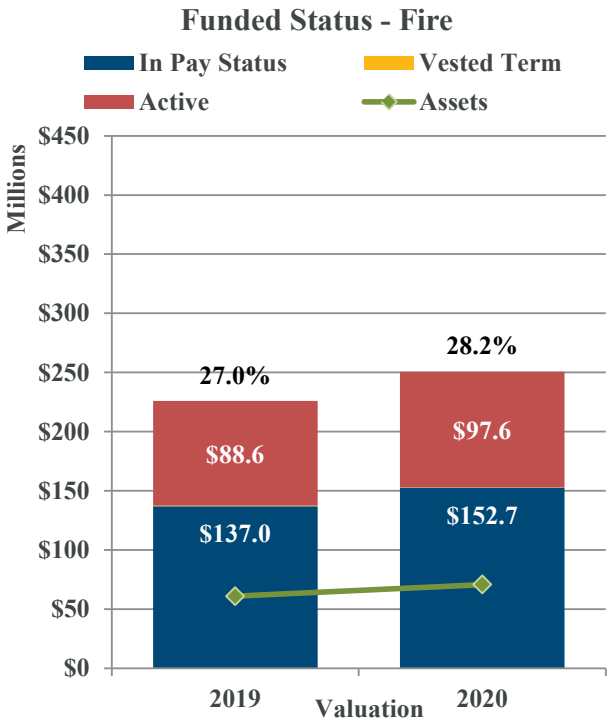
This report measures assets and liabilities of the City of San José Police and Fire Department Postemployment Healthcare Plan for funding purposes only. There are separate reports for financial reporting.

Dashboard









SECTION I – BOARD SUMMARY

The charts on the previous page are intended to provide a quick overview of the current valuation results compared to the prior valuation results. The charts on the top show contributions for FYE 2021 and 2022 for Police (left chart) and Fire (right chart). The normal cost shown by the red line represents the expected cost of the explicit premium 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. Since the top of the gold bar is about equal to the Tread Water line for Fire and slightly below the Tread Water line for Police, the dollar amount of the UAL is expected to increase slightly. As the remaining amortization periods shorten, contributions will exceed the Tread Water line and the UAL will be paid off. The implicit subsidy is not shown on these charts 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 $3.0 million for FYE 2022.

The charts on the bottom of the previous page summarize the funded status as of the June 30, 2019 and June 30, 2020 actuarial valuations. The stacked bars represent the Actuarial Liability, with the liability broken into separate components for members currently receiving benefits, vested terminated members, and active members. These liability amounts are only for the portion of the plan that is intended to be pre-funded, so they do not include the implicit subsidy.

More detail and discussion is provided in the following sections.

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 became fixed at 8.0% of pay, and the City's contribution toward the explicit subsidy became actuarially determined separately for Police and Fire. However, the City has the option to limit its contribution for the explicit subsidy to 11% of Police and Fire payroll. Finally, the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. Because the Board's role is related to the funding of the explicit subsidy, the focus of this report is on the status of that funding and the development of the Actuarially Determined Contribution (ADC) for the pre-funded benefits.

Table I-1 shows the contribution amounts for the fiscal years ending in 2021 and 2022.

Table I-1
Summary of Trust Contribution Amounts

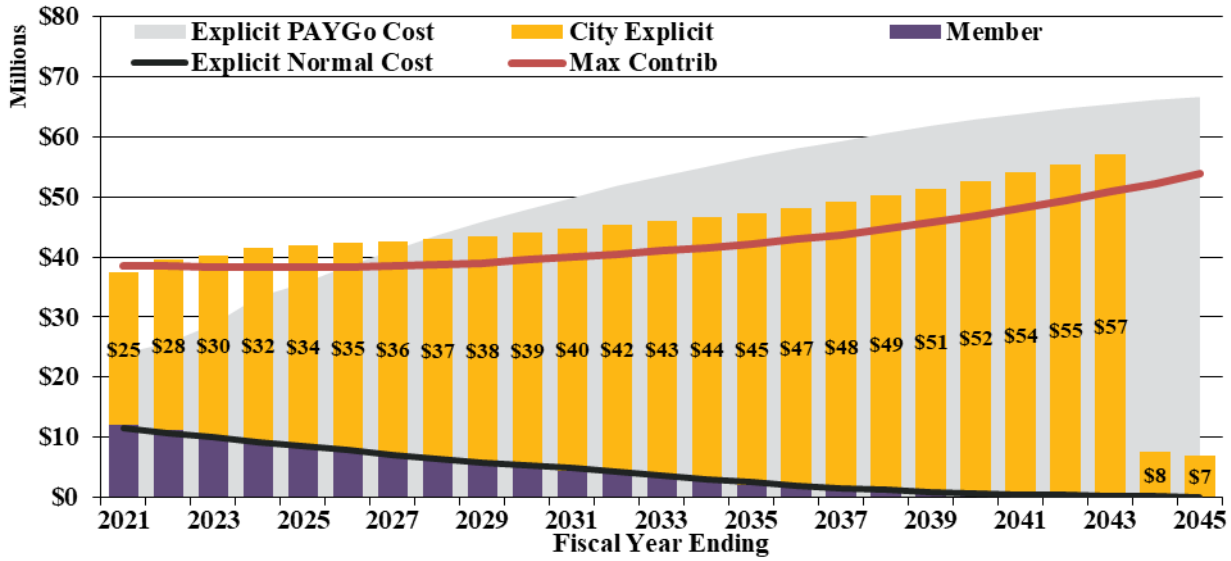
	FYE 2022	FYE 2021	% Change
Police Department			
Members	$ 6,030	$ 6,666	-9.5%
City	17,245	15,320	12.6%
Total	$ 23,275	$ 21,986	5.9%
Fire Department			
Members	$ 5,187	$ 5,196	-0.2%
City	11,027	10,062	9.6%
Total	$ 16,214	$ 15,258	6.3%
Total Trust Contributions			
Members	$ 11,217	$ 11,862	-5.4%
City	28,272	25,382	11.4%
Grand Total	$ 39,489	$ 37,244	6.0%
Estimated City Optional Cap	$ 27,282	$ 26,783	1.9%

Dollar amounts in thousands

SECTION I – BOARD SUMMARY

The chart below shows the 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 red line represents the sum of member contributions and the City's optional cap. To the extent the bars rise above the red line, the projected contributions exceed the City's optional cap. The gray area behind the bars represents the projected annual benefit payments.

Projected Contributions FYE 2021-2045



Because new entrants are only entitled to catastrophic disability benefits and do not contribute to the Plan, the member contributions are expected to decline as current active members who are eligible for full benefits retire or otherwise leave active employment with the City. The City's actuarially determined contribution is expected to increase faster than payroll as the member contributions decrease. The Plan has historically had positive net cash flow, but we only expect that to last through FYE 2027.

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 for the explicit subsidy increased 11.9% for Police and 10.9% for Fire. At the same time, assets increased 10.2% for Police and 16.0% for Fire due primarily to contributions. As a result, the Unfunded Actuarial Liability increased by 12.7% for Police and 8.9% for Fire and the funded percentage decreased from 32.5% to 32.1% for Police and improved from 27.0% to 28.2% for Fire.

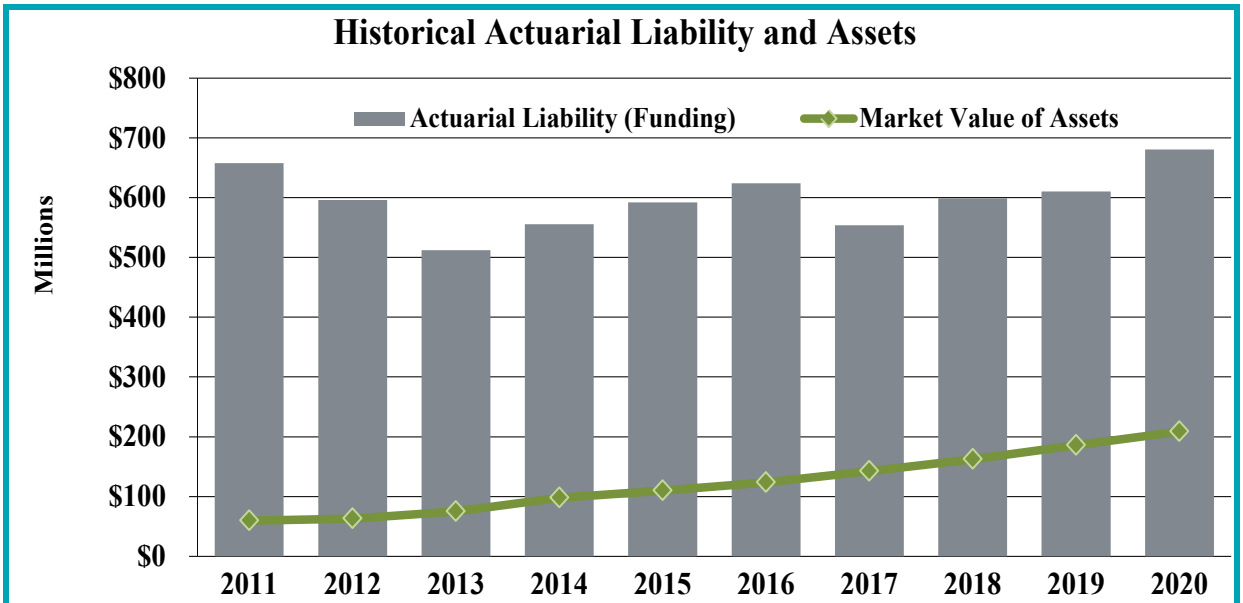
Table I-2
Summary of Funded Status - Explicit Subsidy Only

	6/30/2020	6/30/2019	% Change
Police Department			
Actuarial Liability			
Actives	$ 127,495	$ 122,325	4.2%
Deferred Vested	2,435	3,181	-23.5%
In Pay Status	299,826	258,563	16.0%
Total	$ 429,756	$ 384,069	11.9%
Assets	137,789	124,990	10.2%
Unfunded Actuarial Liability	$ 291,967	$ 259,079	12.7%
Funded Percentage	32.1%	32.5%	-0.5%
Fire Department			
Actuarial Liability			
Actives	$ 97,632	$ 88,561	10.2%
Deferred Vested	270	496	-45.6%
In Pay Status	152,651	136,954	11.5%
Total	$ 250,553	$ 226,011	10.9%
Assets	70,743	60,967	16.0%
Unfunded Actuarial Liability	$ 179,810	$ 165,044	8.9%
Funded Percentage	28.2%	27.0%	1.3%
Grand Total			
Aggregate UAL	$ 471,778	$ 424,123	11.2%
Aggregate Funded Percentage	30.7%	30.5%	0.2%

Dollar amounts in thousands

SECTION I – BOARD SUMMARY

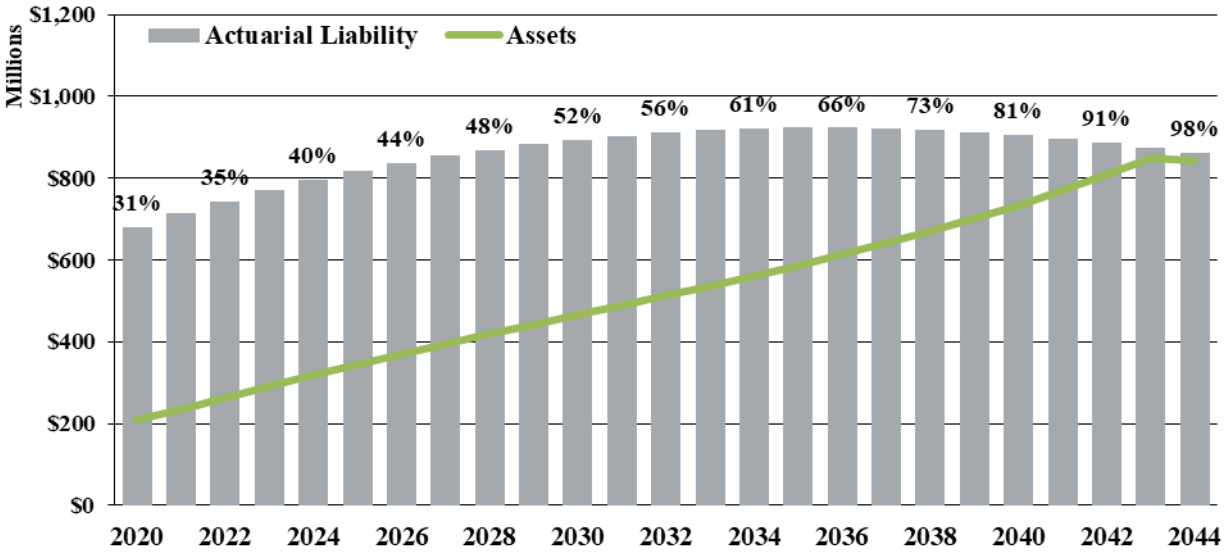
The chart below shows the historical trend of assets and the Actuarial Liability (excluding the implicit subsidy) on a funding basis for the City of San José Police and Fire Department Postemployment Healthcare Plan. The reduction in the Actuarial Liability from 2011 to 2013 was primarily due to plan changes and favorable medical cost trend experience, offset by changes in the discount rate. The increase in the Actuarial Liability from 2014 through 2016 was primarily the expected growth of the Actuarial Liability with some adjustments due to changes in assumptions. The decrease in the Actuarial Liability in 2017 was primarily due to plan changes and health assumption changes. The increase in the Actuarial Liability from 2018 to 2020 is primarily due to assumption changes, including the reduction of the discount rate from 6.875% to 6.50% in 2018 and from 6.50% to 6.25% in 2020.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Funded Ratio	9.2%	11.1%	14.7%	16.8%	19.4%	21.7%	27.0%	27.1%	30.5%	30.7%
UAL	$ 597	$ 530	$ 437	$ 462	$ 477	$ 489	$ 411	$ 436	$ 424	$ 472
Discount Rate	7.50%	7.25%	7.13%	7.000%	7.00%	6.88%	6.875%	6.500%	6.50%	6.25%

The chart on the next page shows a 25-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 and the City does not impose its optional cap on contributions, the funded percentage for the explicit subsidy is expected to reach about 98% by 2044. If the City imposes its optional cap on contributions every year, the funded percentage for the explicit subsidy is expected to only reach 75% by 2044.

Projected Assets and Actuarial Liability 2020-2044



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 for the explicit subsidy increased about $47.7 million since the prior year.

Table I-3
Changes in Unfunded Actuarial Liability - Explicit Subsidy Only

		Total
Unfunded Actuarial Liability, June 30, 2019	$	424,123
Unfunded Actuarial Liability, June 30, 2020		471,778
Change in Unfunded Actuarial Liability	**$**	**47,654**
Sources of Changes		
Contributions below Tread Water	$	161
Investment Experience		6,253
Liability Experience		(3,019)
Assumption Changes		44,259
Total Changes	**$**	**47,654**

Dollar amounts in thousands

The primary sources of the increase in the UAL were the assumption changes ($44.3 million increase), mainly due to reducing the discount rate from 6.50% to 6.25% and plan election

SECTION I – BOARD SUMMARY

assumptions. Investment experience also increased the UAL by about $6.3 million. Contributions were below the Tread Water level (normal cost plus interest on the UAL) by about $0.2 million. Liability experience decreased the UAL by about $3.0 million, mainly driven by the decreases in the Medicare eligible premium rates offset by demographic experience.

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, 2020				
	Police	Fire	Total	June 30, 2019	Change
Active Members					
Full Benefits	578	495	1,073	1,141	-6.0%
Catastrophic Disability Only	469	167	636	560	13.6%
Total Active Members	1,047	662	1,709	1,701	0.5%
Deferred Vested Members	9	1	10	15	-33.3%
Members in Pay Status or In-Lieu	1,374	843	2,217	2,155	2.9%
Total	2,430	1,506	3,936	3,871	1.7%
Full Benefit Member Payroll	$ 82,773	$ 67,891	$ 150,664	$ 157,657	-4.4%
Total Payroll	147,269	93,529	240,798	235,818	2.1%
Actuarial Liability - Explicit	$ 429,756	$ 250,553	$ 680,308	$ 610,080	11.5%
Market Value of Assets	137,789	70,743	208,531	185,957	12.1%
Unfunded Actuarial Liability	$ 291,967	$ 179,810	$ 471,777	$ 424,123	11.2%
Funded Percentage	32.06%	28.23%	30.65%	30.48%	0.2%
Actuarial Liability - Implicit	$ 38,347	$ 20,359	$ 58,706	$ 83,249	-29.5%

	FYE 2022				
	Police	Fire	Total	FYE 2021	Change
City's ADC Amount	$ 17,245	$ 11,027	$ 28,271	$ 25,382	11.4%
City's ADC Rate	11.4%	11.4%	11.4%	10.4%	1.0%
City's Implicit Subsidy Payment	$ 1,978	$ 1,062	$ 3,040	$ 3,473	-12.5%

Dollar amounts in thousands

SECTION II – CERTIFICATION

The purpose of this report is to present the annual actuarial valuation of the City of San José Police and Fire Postemployment Department 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 are separate reports 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 January 7, 2021 Board meeting based upon our recommendations. Price inflation and wage inflation assumptions were adopted at the December 3, 2020 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 7, 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.

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.

This valuation 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.



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SECTION III – ASSETS

Assets are invested in two separate trust vehicles: a 401(h) account within the pension plan and a separate 115 Trust. All City contributions are made to the 115 Trust while member contributions are made to the 401(h) account. Benefit payments are currently being paid from the 401(h) account, but some benefit payments will likely need to be paid from the 115 trust in the near future.

Statement of Change in Market Value of Assets

Table III-1 and Table III-2 show the changes in the Market Value of Assets for the last two fiscal years for Police and Fire separately. In addition to the amounts shown, the implicit subsidy is paid directly by the City as a part of the active health plan premiums.

Table III-1
Market Value of Assets - Police Department

	Fiscal Year Ending 2020			Fiscal Year Ending 2019		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning	$ 32,736	$ 92,254	$ 124,990	$ 37,561	$ 74,098	$ 111,659
Contributions						
Member	7,331	0	7,331	7,636	0	7,636
City	0	14,595	14,595	0	14,086	14,086
Total	$ 7,331	$ 14,595	$ 21,926	$ 7,636	$ 14,086	$ 21,722
Net Investment Earnings	1,103	3,723	4,826	1,133	4,098	5,231
Benefit Payments	13,876	0	13,876	13,536	0	13,536
Administrative Expenses	46	31	77	58	28	86
Market Value, End	$ 27,248	$ 110,541	$ 137,789	$ 32,736	$ 92,254	$ 124,990
Estimated Rate of Return	3.7%	3.5%	3.5%	3.3%	4.6%	4.3%

Dollar amounts in thousands

SECTION III – ASSETS

Table III-2
Market Value of Assets - Fire Department

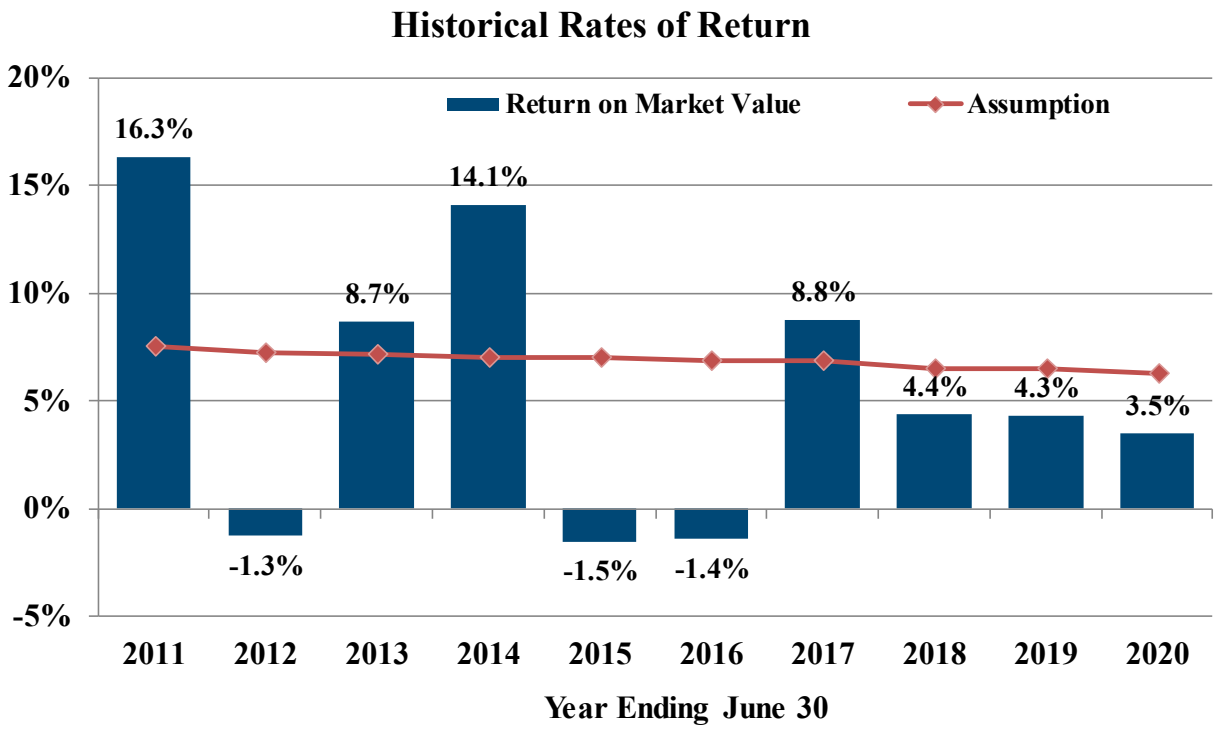
	Fiscal Year Ending 2020			Fiscal Year Ending 2019		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning	$ 4,115	$ 56,852	$ 60,967	$ 5,454	$ 45,407	$ 50,861
Contributions						
Member	5,804	0	5,804	5,680	0	5,680
City	0	9,408	9,408	0	8,942	8,942
Total	$ 5,804	$ 9,408	$ 15,212	$ 5,680	$ 8,942	$ 14,622
Net Investment Earnings	115	2,302	2,417	154	2,520	2,674
Benefit Payments	7,808	0	7,808	7,151	0	7,151
Administrative Expenses	26	19	45	22	17	39
Market Value, End	$ 2,200	$ 68,543	$ 70,743	$ 4,115	$ 56,852	$ 60,967
Estimated Rate of Return	3.7%	3.5%	3.5%	3.3%	4.6%	4.5%

Dollar amounts in thousands

In the last year, investments, in aggregate, returned approximately 3.5% for Police and 3.5% for Fire compared to an expected rate of return of 6.50%, resulting in a total investment loss of approximately $6.3 million. The assets in the 401(h) account returned approximately 3.7%, while the assets in the 115 trust returned approximately 3.5%.

The chart on the following page shows the actual investment return on the Market Value of Assets compared to the assumed return for the last 10 years. The average of the actual returns is about 5.40%.

SECTION III – ASSETS



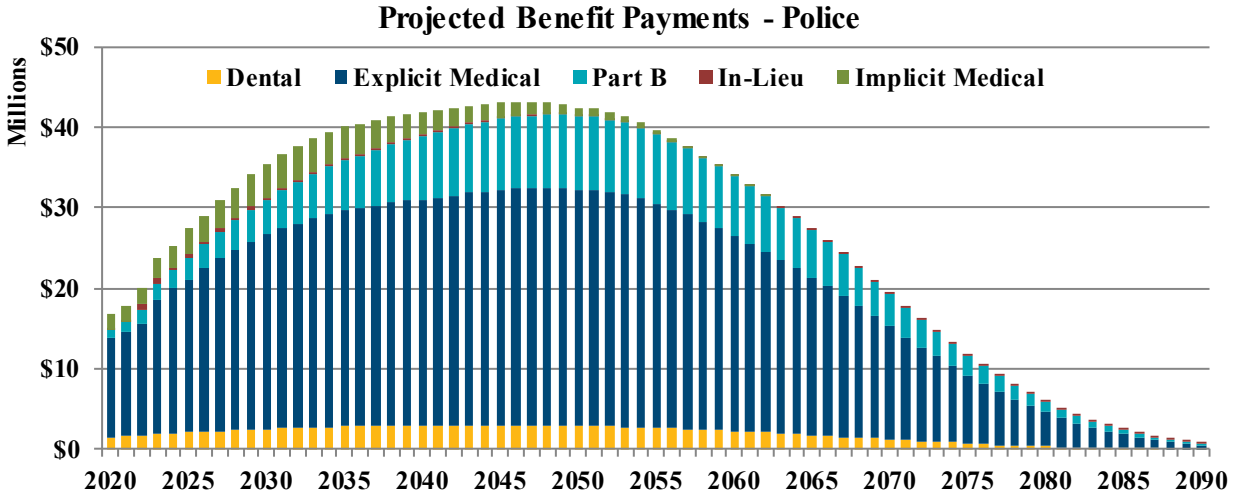
SECTION IV – MEASURES OF LIABILITY

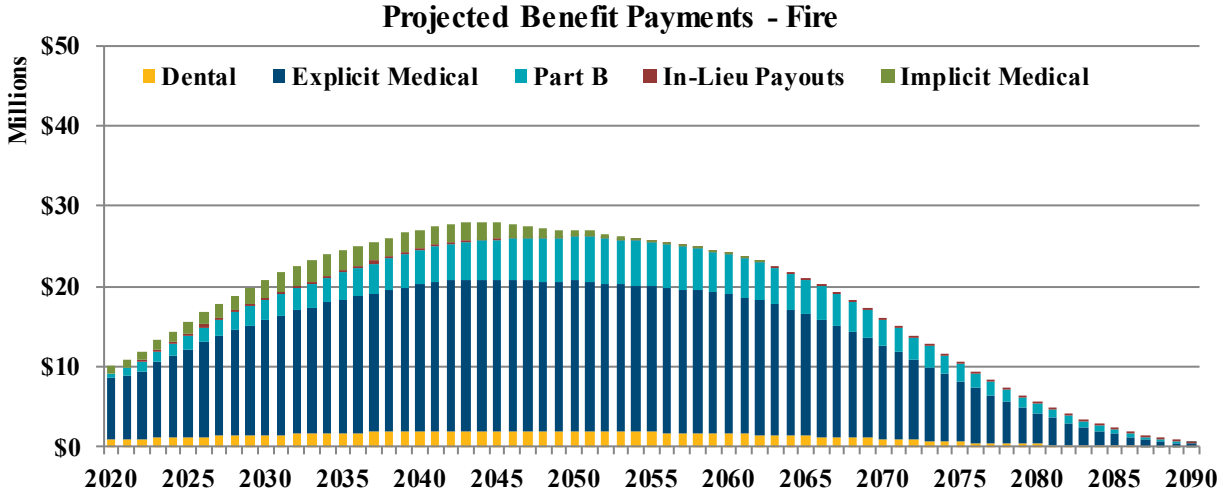
This section presents detailed information on liability measures for the Plan for funding purposes, including:

- 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 charts below show the projected benefit payments for the next 70 years.





SECTION IV – MEASURES OF LIABILITY

Tables IV-1 and IV-2 show the expected net benefit payments for the next 20 years for the Police and Fire Departments respectively. 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 - Police Department

Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy	Total Expected Payments
	Medical	Dental	Total		
2021	$ 13,241	$ 1,575	$ 14,816	$ 1,950	$ 16,766
2022	14,228	1,680	15,908	1,978	17,886
2023	16,183	1,798	17,981	2,000	19,981
2024	19,387	1,908	21,294	2,494	23,789
2025	20,528	2,010	22,538	2,744	25,282
2026	22,268	2,103	24,372	2,974	27,346
2027	23,654	2,204	25,858	3,140	28,997
2028	25,165	2,297	27,462	3,371	30,833
2029	26,434	2,384	28,818	3,628	32,446
2030	27,709	2,464	30,173	3,905	34,078
2031	28,735	2,536	31,271	4,067	35,338
2032	29,876	2,608	32,483	4,253	36,736
2033	30,739	2,678	33,417	4,261	37,678
2034	31,658	2,748	34,406	4,185	38,591
2035	32,486	2,808	35,294	4,175	39,469
2036	33,293	2,863	36,155	3,992	40,148
2037	33,801	2,909	36,709	3,577	40,287
2038	34,496	2,946	37,442	3,426	40,868
2039	35,122	2,978	38,099	3,221	41,320
2040	35,665	3,006	38,671	2,884	41,554

Dollar amounts in thousands

SECTION IV – MEASURES OF LIABILITY

Table IV-2
Expected Net Benefit Payments - Fire Department

Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy	Total Expected Payments
	Medical	Dental	Total		
2021	$ 8,218	$ 969	$ 9,187	$ 1,065	$ 10,252
2022	8,790	1,030	9,820	1,062	10,882
2023	9,723	1,092	10,815	1,047	11,862
2024	10,914	1,157	12,071	1,233	13,304
2025	11,857	1,218	13,075	1,326	14,401
2026	12,878	1,276	14,155	1,360	15,514
2027	13,885	1,339	15,224	1,524	16,748
2028	14,775	1,397	16,172	1,616	17,789
2029	15,623	1,448	17,071	1,847	18,918
2030	16,236	1,492	17,727	2,006	19,734
2031	17,016	1,539	18,555	2,252	20,808
2032	17,784	1,588	19,371	2,424	21,796
2033	18,399	1,640	20,039	2,566	22,605
2034	18,928	1,692	20,621	2,581	23,202
2035	19,598	1,744	21,342	2,604	23,946
2036	20,128	1,786	21,913	2,486	24,400
2037	20,728	1,828	22,557	2,410	24,966
2038	21,306	1,862	23,168	2,390	25,558
2039	21,846	1,894	23,740	2,338	26,078
2040	22,331	1,918	24,249	2,400	26,649

Dollar amounts in thousands

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-3 below shows the present value of future benefits as of June 30, 2020 and June 30, 2019.

Table IV-3
Present Value of Future Benefits

	June 30, 2020					
	Actives	Deferred Vested	In Pay Status	Total	June 30, 2019	Change
Police Department						
Explicit Subsidy	$ 168,725	$ 2,435	$ 299,826	$ 470,985	$ 424,233	11.0%
Implicit Subsidy	18,980	288	22,140	41,409	55,241	-25.0%
Total Police	**$ 187,705**	**$ 2,723**	**$ 321,966**	**$ 512,394**	**$ 479,474**	**6.9%**
Fire Department						
Explicit Subsidy	$ 138,691	$ 270	$ 152,651	$ 291,612	$ 265,910	9.7%
Implicit Subsidy	16,922	31	8,135	25,088	37,795	-33.6%
Total Fire	**$ 155,612**	**$ 302**	**$ 160,786**	**$ 316,701**	**$ 303,705**	**4.3%**
Aggregate						
Explicit Subsidy	**$ 307,415**	**$ 2,705**	**$ 452,477**	**$ 762,598**	**$ 690,143**	**10.5%**
Implicit Subsidy	35,902	320	30,275	66,497	93,036	-28.5%
Grand Total	**$ 343,317**	**$ 3,025**	**$ 482,752**	**$ 829,094**	**$ 783,179**	**5.9%**

Dollar amounts in thousands

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 each 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-4 shows the EA normal cost as of June 30, 2020 and June 30, 2019 separately by component both as a dollar amount and a percent of payroll.

Table IV-4
Normal Cost

	June 30, 2020		June 30, 2019		% Change
	Amount	Percent	Amount	Percent	Amount
Police Department					
Explicit Subsidy					
Non-Medicare Eligible	$ 3,521	4.38%	$ 3,346	3.84%	5.2%
Medicare Eligible	2,196	2.73%	2,163	2.48%	1.5%
Dental	436	0.54%	468	0.54%	-6.9%
Total Explicit Subsidy	**$ 6,152**	**7.66%**	**$ 5,977**	**6.86%**	**2.9%**
Implicit Subsidy	531	0.66%	659	0.76%	-19.4%
Total Police	**$ 6,683**	**8.32%**	**$ 6,635**	**7.62%**	**0.7%**
Fire Department					
Explicit Subsidy					
Non-Medicare Eligible	$ 2,437	3.70%	$ 2,290	3.49%	6.4%
Medicare Eligible	2,447	3.72%	2,308	3.52%	6.0%
Dental	412	0.63%	421	0.64%	-2.1%
Total Explicit Subsidy	**$ 5,297**	**8.04%**	**$ 5,019**	**7.65%**	**5.5%**
Implicit Subsidy	623	0.95%	761	1.16%	-18.2%
Total Fire	**$ 5,919**	**8.99%**	**$ 5,781**	**8.81%**	**2.4%**
Total Explicit Subsidy	**$ 11,449**	**15.70%**	**$ 10,996**	**14.51%**	**4.1%**
Total Implicit Subsidy	1,153	1.61%	1,420	1.92%	-18.8%
Grand Total	**$ 12,603**	**17.31%**	**$ 12,416**	**16.43%**	**1.5%**

Dollar amounts in thousands

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-5 shows the Actuarial Liability as of June 30, 2020 and June 30, 2019 separately by component.

Table IV-5
Actuarial Liability

	June 30, 2020					
	Actives	Deferred Vested	In Pay Status	Total	June 30, 2019	% Change
Police Department						
Explicit Subsidy						
Pre-Medicare	$ 54,561	$ 877	$ 67,436	$ 122,874	$ 110,867	10.8%
Medicare Eligible	62,502	1,335	207,589	271,426	238,483	13.8%
Dental	10,433	222	24,801	35,456	34,719	2.1%
Total Explicit	**$ 127,495**	**$ 2,435**	**$ 299,826**	**$ 429,756**	**$ 384,069**	**11.9%**
Implicit Subsidy	15,918	288	22,140	38,347	51,369	-25.4%
Total Police	**$ 143,413**	**$ 2,723**	**$ 321,966**	**$ 468,102**	**$ 435,438**	**7.5%**
Fire Department						
Explicit Subsidy						
Pre-Medicare	$ 39,896	$ 100	$ 22,714	$ 62,710	$ 57,469	9.1%
Medicare Eligible	49,699	147	116,901	166,748	147,709	12.9%
Dental	8,035	23	13,036	21,095	20,833	1.3%
Total Explicit	**$ 97,631**	**$ 270**	**$ 152,651**	**$ 250,553**	**$ 226,011**	**10.9%**
Implicit Subsidy	12,193	31	8,135	20,359	31,880	-36.1%
Total Fire	**$ 109,823**	**$ 302**	**$ 160,786**	**$ 270,912**	**$ 257,891**	**5.0%**
Aggregate						
Explicit Subsidy	**$ 225,126**	**$ 2,705**	**$ 452,477**	**$ 680,308**	**$ 610,080**	**11.5%**
Implicit Subsidy	28,111	320	30,275	58,706	83,249	-29.5%
Grand Total	**$ 253,237**	**$ 3,025**	**$ 482,752**	**$ 739,014**	**$ 693,329**	**6.6%**

Dollar amounts in thousands

SECTION V – CONTRIBUTIONS

Amortization of the Unfunded Actuarial Liability

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.

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

	June 30, 2020	June 30, 2019	% Change
Police Department			
Actuarial Liability	$ 429,756	$ 384,069	11.9%
Assets	137,789	124,990	10.2%
Unfunded Actuarial Liability	**$ 291,967**	**$ 259,079**	12.7%
Funded Percentage	**32.1%**	**32.5%**	-1.5%
Fire Department			
Actuarial Liability	$ 250,553	$ 226,011	10.9%
Assets	70,743	60,967	16.0%
Unfunded Actuarial Liability	**$ 179,810**	**$ 165,044**	8.9%
Funded Percentage	**28.2%**	**27.0%**	4.7%
Aggregate UAL	**$ 471,777**	**$ 424,123**	11.2%
Aggregate Funded Percentage	**30.7%**	**30.5%**	0.6%

Dollar amounts in thousands

The UAL for the explicit subsidy as of June 30, 2017 was amortized as a level percentage of payroll over 25 years. Subsequent amortization bases are also amortized over 25 years, but payment levels are phased in and out over three years. Table V-2 shows the schedule of amortization bases for payment of the UAL.

SECTION V – CONTRIBUTIONS

Table V-2
UAL Amortization

	Outstanding Balance	Remaining Period	Remaining Phase-in	FYE 2022 Payment
Police Department				
Fresh Start UAL	$ 241,812	22	N/A	$ 15,399
2018 Changes	12,068	23	1	724
2019 Changes	(9,780)	24	2	(392)
2020 Changes	32,180	25	3	646
FYE 2021 Payment*	15,687			
Total 2020 Police UAL	**$ 291,967**			**$ 16,377**
Fire Department				
Fresh Start UAL	$ 151,139	22	N/A	$ 9,625
2018 Changes	10,118	23	1	607
2019 Changes	(5,540)	24	2	(222)
2020 Changes	14,174	25	3	284
FYE 2021 Payment*	9,919			
Total 2020 Fire UAL	**$ 179,810**			**$ 10,294**
Grand Total	**$ 471,777**			**$ 26,671**

* *FYE 2021 amortization payment discounted to 7/1/2020* *Dollar amounts in thousands*

Contributions for Administrative Expenses

Contributions for administrative expenses are set to be $41.00 per member for FYE 2022 (increasing 3.00 percent per year). There are currently 3,936 members, resulting in estimated administrative expenses for FYE 2022 of $161,376.

Contribution Amounts

The City pays the actuarially determined contribution for the explicit subsidy, but has the option to cap its contribution at 11% of Police and Fire payroll, including the payroll for members only eligible for catastrophic disability benefits. The actuarially determined contribution is the normal cost plus administrative expenses plus the amortization payment on the UAL less expected member contributions. Members eligible for full benefits contribute 8.00% of pay.

Table V-3 on the following page shows the components of the Actuarially Determined Contribution (ADC) amounts for the explicit subsidy for FYE 2022 and 2021.

SECTION V – CONTRIBUTIONS

Table V-3
City's Actuarially Determined Contribution (ADC)
Explicit Subsidy Only

	FYE 2022	FYE 2021	% Change
Police Department			
Projected Full Benefit Payroll	$ 75,371	$ 83,320	-9.5%
Normal Cost Rate	7.66%	6.86%	11.7%
Normal Cost Amount	$ 5,774	$ 5,716	1.0%
Administrative Expense	100	81	23.6%
UAL Payment	17,400	16,189	7.5%
Total Contribution	**$ 23,274**	**$ 21,985**	5.9%
Projected Member Contributions	6,030	6,666	-9.5%
City's ADC Amount	**$ 17,245**	**$ 15,320**	**12.6%**
Projected Total Payroll	151,687	151,638	0.0%
City's ADC Percentage	11.4%	10.1%	12.5%
Fire Department			
Projected Full Benefit Payroll	$ 64,844	$ 64,947	-0.2%
Normal Cost Rate	8.04%	7.65%	5.2%
Normal Cost Amount	$ 5,215	$ 4,966	5.0%
Administrative Expense	62	55	12.0%
UAL Payment	10,938	10,237	6.8%
Total Contribution	**$ 16,214**	**$ 15,258**	6.3%
Projected Member Contributions	5,187	5,196	-0.2%
City's ADC Amount	**$ 11,027**	**$ 10,062**	**9.6%**
Projected Total Payroll	96,335	91,844	4.9%
City's ADC Percentage	11.4%	11.0%	4.5%
Grand Totals			
City's ADC Amount	$ 28,271	$ 25,382	11.4%
Projected Total Payroll	248,022	243,482	1.9%
City's ADC Percentage	11.4%	10.4%	9.3%
City's Optional Cap	$ 27,282	$ 26,783	1.9%

Dollar amounts in thousands

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.

Table VI-1

Police Department - Member Benefit Coverage Information

Actuarial Valuation Date	Actuarial Liability: Retirees and Vested Terminated (A)	Actuarial Liability: Active Members (B)	Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets: (A)	Portion of Liability Covered by Actuarial Value of Assets: (B)
6/30/2020	$ 324,689	$ 143,413	$ 137,789	42%	0%
6/30/2019	293,344	142,094	124,990	43%	0%
6/30/2018	305,606	166,211	111,659	37%	0%
6/30/2017	280,546	150,792	99,926	36%	0%
6/30/2016	307,941	188,002	97,412	32%	0%
6/30/2015	290,354	179,969	85,322	29%	0%
6/30/2014	275,902	180,568	70,102	25%	0%
6/30/2013	268,633	183,266	57,832	22%	0%
6/30/2012	374,949	268,590	49,797	13%	0%
6/30/2011	381,819	262,855	43,108	11%	0%

** Actuarial Value of Assets for 6/30/2016 and earlier*

Dollar amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-2
Fire Department - Member Benefit Coverage Information

Actuarial Valuation Date	Actuarial Liability: Retirees and Vested Terminated (A)	Actuarial Liability: Active Members (B)	Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets (A)	Portion of Liability Covered by Actuarial Value of Assets (B)
6/30/2020	$ 161,088	$ 109,823	$ 70,743	44%	0%
6/30/2019	154,885	103,007	60,967	39%	0%
6/30/2018	161,946	113,510	50,861	31%	0%
6/30/2017	147,204	101,704	42,591	29%	0%
6/30/2016	164,063	118,866	37,795	23%	0%
6/30/2015	161,381	108,049	29,243	18%	0%
6/30/2014	153,132	97,108	23,503	15%	0%
6/30/2013	153,366	95,261	17,203	11%	0%
6/30/2012	225,919	127,862	16,587	7%	0%
6/30/2011	240,872	118,249	17,600	7%	0%

** Actuarial Value of Assets for 6/30/2016 and earlier* *Dollar amounts in thousands*

Table VI-3
Police Department - Analysis of Financial Experience
Gain or (Loss) for the Year Ending on Valuation Date Due to:

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2020	$ (4,115)	$ 17,054	$ 12,938	$ (30,044)	$ (17,106)
6/30/2019	(2,839)	64,974	62,135	(6,817)	55,318
6/30/2018	(2,442)	3,712	1,270	(22,819)	(21,549)

The analysis was combined for Police and Fire for 6/30/2017 and earlier *Dollar amounts in thousands*

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-4

Fire Department - Analysis of Financial Experience

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

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2020	$ (2,137)	$ 19,190	$ 17,052	$ (18,287)	$ (1,235)
6/30/2019	(1,205)	34,915	33,710	(1,749)	31,961
6/30/2018	(1,548)	(311)	(1,859)	(13,568)	(15,427)

The analysis was combined for Police and Fire for 6/30/2017 and earlier *Dollar amounts in thousands*

Table VI-5

Police and Fire Department - Analysis of Financial Experience

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

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2017	2,647	(15,108)	$ (12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	$ (5,642)	4,864	(778)
6/30/2015	582	7,990	$ 8,572	(3,449)	5,123
6/30/2014	2,802	16,222	$ 19,024	13,689	32,713
6/30/2013	2,437	(4,536)	$ (2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	$ (1,251)	58,173	56,922
6/30/2011	(2,661)	5,967	$ 3,306	1,146	4,452

The analysis was combined for Police and Fire for 6/30/2017 and earlier *Dollar amounts in thousands*

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. Since the June 30, 2017 valuation, the Actuarial Value of Assets is equal to the Market Value of Assets.

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-6

Police Department - 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 a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2020	$ 137,789	$ 468,102	$ 330,314	29.4%	$ 147,269	224%
6/30/2019	124,990	435,438	310,448	28.7%	146,865	211%
6/30/2018	111,659	471,817	360,158	23.7%	131,888	273%
6/30/2017	99,926	431,338	331,412	23.2%	120,299	275%
6/30/2016	97,412	495,943	398,531	19.6%	111,029	359%
6/30/2015	85,322	470,323	385,001	18.1%	109,783	351%
6/30/2014	70,102	456,470	386,368	15.4%	112,947	342%
6/30/2013	57,832	451,899	394,067	12.8%	109,783	359%
6/30/2012	49,797	643,539	593,742	7.7%	107,929	550%
6/30/2011	43,108	644,674	601,566	6.7%	121,736	494%

Dollar amounts in thousands

Table VI-7

Fire Department - 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 a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2020	$ 70,743	$ 270,912	$ 200,169	26.1%	$ 93,529	214%
6/30/2019	60,967	257,891	196,925	23.6%	88,953	221%
6/30/2018	50,861	275,456	224,595	18.5%	86,541	260%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295%
6/30/2015	29,243	269,429	240,186	10.9%	74,950	320%
6/30/2014	23,503	250,240	226,737	9.4%	75,242	301%
6/30/2013	17,203	248,627	231,424	6.9%	74,862	309%
6/30/2012	16,587	353,781	337,194	4.7%	64,696	521%
6/30/2011	17,600	359,121	341,521	4.9%	68,991	495%

Dollar amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Schedule of Active Member Data - Police

Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under 65	Age 65+	Total			
2020	1,047	0	1,047	$ 147,268,605	$ 140,658	-0.5%
2019	1,039	0	1,039	146,865,241	141,352	4.4%
2018	974	0	974	131,888,184	135,409	1.0%
2017	897	0	897	120,299,327	134,113	10.0%
2016	911	0	911	111,028,782	121,876	3.1%
2015	929	0	929	109,868,577	118,265	4.4%
2014	997	0	997	112,946,895	113,287	6.1%
2013	1,028	0	1,028	109,783,295	106,793	6.5%
2012	1,076	0	1,076	107,929,300	100,306	-7.6%
2011	1,122	0	1,122	121,735,722	108,499	

Schedule of Active Member Data - Fire

Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under 65	Age 65+	Total			
2020	662	0	662	$ 93,529,264	$ 141,283	5.1%
2019	662	0	662	88,952,979	134,370	3.1%
2018	664	0	664	86,541,114	130,333	1.0%
2017	646	0	646	83,370,711	129,057	4.3%
2016	671	0	671	83,043,310	123,761	7.5%
2015	648	0	648	74,613,261	115,144	0.5%
2014	657	0	657	75,241,817	114,523	3.9%
2013	679	0	679	74,861,955	110,253	9.4%
2012	642	0	642	64,696,203	100,773	-10.5%
2011	613	0	613	68,990,536	112,546	

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Police Department - Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy		
Medical										
2019-20	1,242	$ 11,217	132	21	1,353	$ 12,410	111	$ 1,193	10.6%	$ 9,172
2018-19	1,233	10,633	69	60	1,242	11,217	9	584	5.5%	9,031
2017-18	1,198	12,719	73	38	1,233	10,633	35	(2,086)	-16.4%	8,624
2016-17	1,169	12,037	56	27	1,198	12,719	29	681	5.7%	10,616
2015-16	1,141	11,641	60	32	1,169	12,037	28	397	3.4%	10,297
2014-15	1,106	11,900	71	36	1,141	11,641	35	(259)	-2.2%	10,202
2013-14	1,083	11,802	50	27	1,106	11,900	23	98	0.8%	10,759
2012-13	1,037	12,823	66	20	1,083	11,802	46	(1,022)	-8.0%	10,897
2011-12	991	12,267	77	31	1,037	12,823	46	557	4.5%	12,366
2010-11	N/A	N/A	N/A	N/A	991	12,267	N/A	N/A	N/A	N/A
Dental										
2019-20	1,315	$ 1,693	71	27	1,359	$ 1,723	44	$ 30	1.8%	$ 1,268
2018-19	1,269	1,626	70	24	1,315	1,693	46	67	4.1%	1,288
2017-18	1,248	1,605	59	38	1,269	1,626	21	20	1.3%	1,281
2016-17	1,220	1,510	50	22	1,248	1,605	28	96	6.3%	1,286
2015-16	1,199	1,497	42	21	1,220	1,510	21	12	0.8%	1,237
2014-15	1,139	1,428	79	19	1,199	1,497	60	69	4.8%	1,249
2013-14	1,111	1,353	45	17	1,139	1,428	28	75	5.6%	1,254
2012-13	1,070	1,384	53	10	1,111	1,353	41	(31)	-2.2%	1,218
2011-12	1,028	1,330	50	11	1,070	1,384	42	54	4.0%	1,294
2010-11	N/A	N/A	N/A	N/A	1,028	1,330	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Schedule of Retirees and Beneficiaries - Fire
Added to and Removed from Rolls

Period	Beginning of Period Count	Beginning of Period Annual Subsidy	Added to Rolls Count	Removed from Rolls Count	End of Period Count	End of Period Annual Subsidy	Net Change Count	Net Change Annual Subsidy	% Increase in Annual Subsidy	Average Annual Subsidy
Medical										
2019-20	799	$ 6,791	41	15	825	$ 7,332	26	$ 542	8.0%	$ 8,888
2018-19	803	6,518	27	31	799	6,791	(4)	272	4.2%	8,499
2017-18	776	7,455	47	20	803	6,518	27	(937)	-12.6%	8,117
2016-17	752	6,976	42	18	776	7,455	24	479	6.9%	9,607
2015-16	758	6,965	28	34	752	6,976	(6)	11	0.2%	9,277
2014-15	743	7,095	35	20	758	6,965	15	(130)	-1.8%	9,189
2013-14	749	7,737	29	35	743	7,095	(6)	(642)	-8.3%	9,549
2012-13	752	8,665	28	31	749	7,737	(3)	(929)	-10.7%	10,329
2011-12	745	8,838	30	23	752	8,665	7	(173)	-2.0%	11,523
2010-11	N/A	N/A	N/A	N/A	745	8,838	N/A	N/A	N/A	N/A
Dental										
2019-20	828	$ 963	26	15	839	$ 970	11	$ 7	0.7%	$ 1,156
2018-19	828	962	26	26	828	963	0	1	0.2%	1,163
2017-18	808	942	39	19	828	962	20	20	2.1%	1,162
2016-17	798	893	30	20	808	942	10	49	5.5%	1,166
2015-16	793	891	23	18	798	893	5	2	0.2%	1,120
2014-15	778	876	29	14	793	891	15	15	1.8%	1,124
2013-14	779	949	23	24	778	876	(1)	(73)	-7.7%	1,126
2012-13	785	1,015	18	23	779	949	(6)	(66)	-6.5%	1,218
2011-12	770	995	20	7	785	1,015	15	20	2.0%	1,293
2010-11	N/A	N/A	N/A	N/A	770	995	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts in thousands

APPENDIX A – MEMBERSHIP INFORMATION

Member Data

Police Department - Summary of Member Data			
Valuation Date	**June 30, 2020**	**June 30, 2019**	**% Change**
Active Employees Eligible for Full Benefits			
Count	578	629	-8.11%
Average Age	46.4	46	0.82%
Average OPEB Benefit Service	18.4	18.0	2.21%
Total Payroll	$ 90,768,550	$ 98,280,535	-7.64%
Active Employees Eligible for Catastrophic Disability Only			
Count	469	410	14.39%
Average Age	31.7	31.4	0.94%
Average OPEB Benefit Service	3.3	3.0	11.06%
Total Payroll	$ 56,500,055	$ 48,584,706	16.29%
Term Vested Members**	9	13	-30.77%
Retirees and Surviving Spouses with Coverage*			
Medical and Dental Coverage	1,197	1,157	3.46%
Medical Coverage Only	1	1	0.00%
In-Lieu Medical with Dental Coverage	141	76	85.53%
Dental Coverage Only	21	82	-74.39%
In-Lieu Medical Coverage Only	14	8	75.00%
Total	**1,374**	**1,324**	3.78%
Total Count	**2,430**	**2,376**	**2.27%**

** Counts do not include dependent spouses.*

*** Includes only those members with 20 or more years of OPEB benefit service.*

APPENDIX A – MEMBERSHIP INFORMATION

Fire Department - Summary of Member Data			
Valuation Date	**June 30, 2020**	**June 30, 2019**	**% Change**
Active Employees Eligible for Full Benefits			
Count	495	512	-3.32%
Average Age	46.5	46	1.58%
Average OPEB Benefit Service	16.9	16.3	3.77%
Total Payroll	$ 73,995,442	$ 72,439,802	2.15%
Active Employees Eligible for Catastrophic Disability Only			
Count	167	150	11.33%
Average Age	34.9	34.6	0.81%
Average OPEB Benefit Service	4.3	3.9	11.23%
Total Payroll	$ 19,533,822	$ 16,513,177	18.29%
Term Vested Members**	1	2	-50.00%
Retirees and Surviving Spouses with Coverage*			
Medical and Dental Coverage	781	772	1.17%
Medical Coverage Only	0	0	N/A
In-Lieu Medical with Dental Coverage	40	24	66.67%
Dental Coverage Only	18	32	-43.75%
In-Lieu Medical Coverage Only	4	3	33.33%
Total	**843**	**831**	1.44%
Total Count	**1,506**	**1,495**	**0.74%**

** Counts do not include dependent spouses.*

*** Includes only those members with 20 or more years of OPEB benefit service.*

APPENDIX A – MEMBERSHIP INFORMATION

Police Department - Status Reconciliation

	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
Beginning of Year	**1,039**	**13**	**747**	**122**	**455**	**2,376**
New Hires	0	0	0	0	0	0
Rehires	4	0	0	0	0	4
Non-Vested Termination	(28)	0	0	0	0	(28)
Vested Terminations	(1)	1	0	0	0	0
Service Retirements	(47)	(5)	52	0	0	0
Disabled Retirements	(2)	0	1	0	2	1
New Survivors	0	0	0	11	0	11
No longer covered	(8)	0	(13)	(3)	(8)	(32)
Data corrections	0	0	5	0	3	8
New Catastrophic Disability	90	0	0	0	0	90
End of Year	**1,047**	**9**	**792**	**130**	**452**	**2,430**

Counts do not include dependent spouses

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

Fire Department - Status Reconciliation

	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
Beginning of Year	**662**	**2**	**255**	**126**	**450**	**1,495**
New Hires	0	0	0	0	0	0
Rehires	2	0	0	0	0	2
Non-Vested Termination	(3)	0	0	0	0	(3)
Vested Terminations	0	0	0	0	0	0
Service Retirements	(18)	0	18	0	0	0
Disabled Retirements	0	0	(4)	0	4	0
New Survivors	0	0	0	7	0	7
No longer covered	(2)	0	(1)	(3)	(11)	(17)
Data corrections	0	(1)	2	0	0	1
New Catastrophic Disability	21	0	0	0	0	21
End of Year	**662**	**1**	**270**	**130**	**443**	**1,506**

Counts do not include dependent spouses

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

APPENDIX A – MEMBERSHIP INFORMATION

Member Data as of June 30, 2020:

Police Department - Active Employees Eligible For Full Benefits Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0
30 to 34	0	20	2	0	0	0	0	22
35 to 39	2	14	62	4	0	0	0	82
40 to 44	0	8	33	46	16	0	0	103
45 to 49	0	5	28	44	117	13	0	207
50 to 54	0	0	10	15	85	25	0	135
55 to 59	0	0	2	4	13	7	1	27
60 to 64	0	0	0	1	0	1	0	2
65 and up	0	0	0	0	0	0	0	0
Total	**2**	**47**	**137**	**114**	**231**	**46**	**1**	**578**

Fire Department - Active Employees Eligible For Full Benefits Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	1	0	0	0	0	0	1
30 to 34	0	11	4	0	0	0	0	15
35 to 39	0	38	33	0	0	0	0	71
40 to 44	0	25	61	24	2	0	0	112
45 to 49	1	3	25	43	44	6	0	122
50 to 54	0	3	15	31	76	20	1	146
55 to 59	0	0	0	6	12	7	2	27
60 to 64	0	0	0	1	0	0	0	1
65 and up	0	0	0	0	0	0	0	0
Total	**1**	**81**	**138**	**105**	**134**	**33**	**3**	**495**

APPENDIX A – MEMBERSHIP INFORMATION

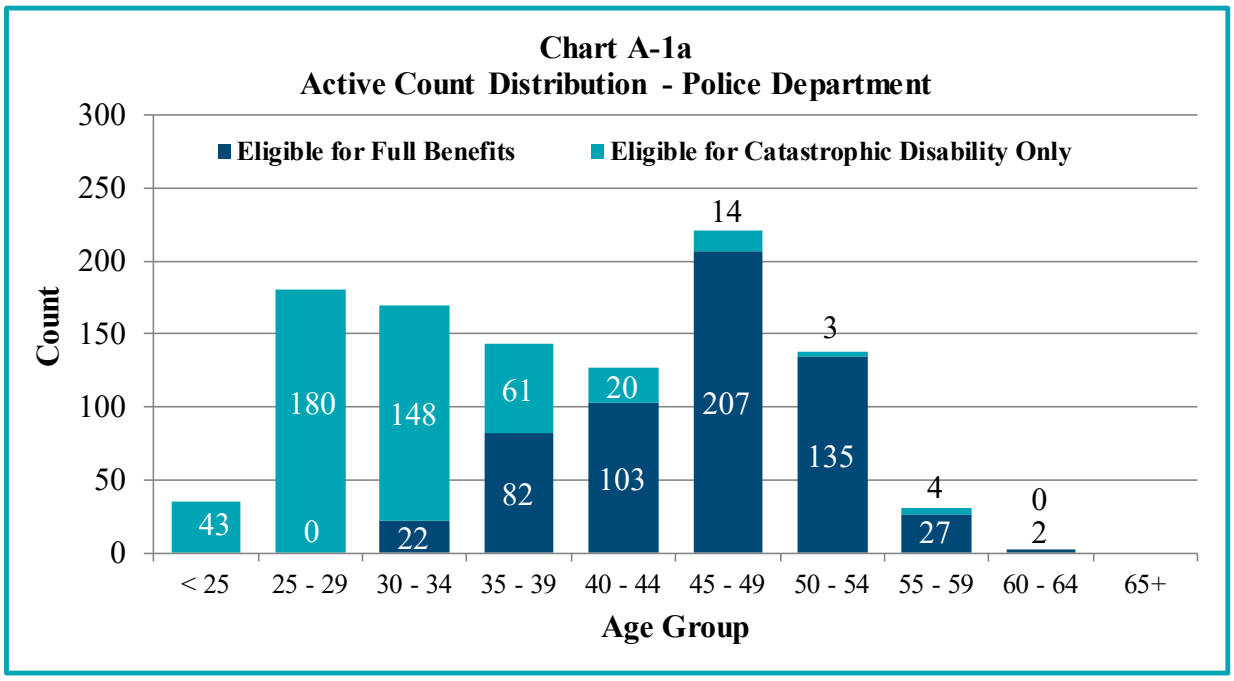
Police Department - Active Employees Eligible for Catastrophic Disability Benefits Only
Years of OPEB Benefit Service

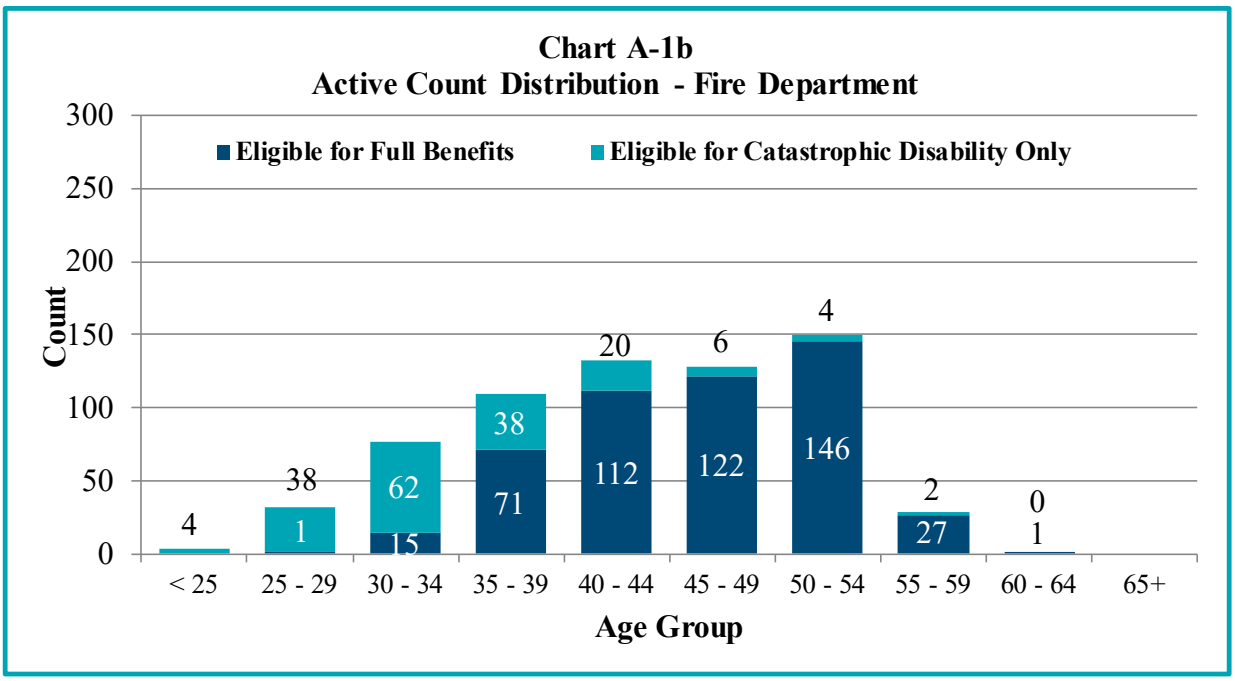
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	35	0	0	0	0	0	0	35
25 to 29	171	9	0	0	0	0	0	180
30 to 34	110	38	0	0	0	0	0	148
35 to 39	40	17	4	0	0	0	0	61
40 to 44	15	5	2	2	0	0	0	24
45 to 49	5	2	2	1	3	1	0	14
50 to 54	1	0	0	0	2	0	0	3
55 to 59	1	0	0	1	2	0	0	4
60 to 64	0	0	0	0	0	0	0	0
65 and up	0	0	0	0	0	0	0	0
Total	**378**	**71**	**8**	**4**	**7**	**1**	**0**	**469**

Fire Department - Active Employees Eligible for Catastrophic Disability Benefits Only
Years of OPEB Benefit Service

Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	4	0	0	0	0	0	0	4
25 to 29	28	3	0	0	0	0	0	31
30 to 34	55	7	0	0	0	0	0	62
35 to 39	25	8	5	0	0	0	0	38
40 to 44	9	5	6	0	0	0	0	20
45 to 49	2	1	1	1	1	0	0	6
50 to 54	1	1	0	1	1	0	0	4
55 to 59	1	1	0	0	0	0	0	2
60 to 64	0	0	0	0	0	0	0	0
65 and up	0	0	0	0	0	0	0	0
Total	**125**	**26**	**12**	**2**	**2**	**0**	**0**	**167**

APPENDIX A – MEMBERSHIP INFORMATION





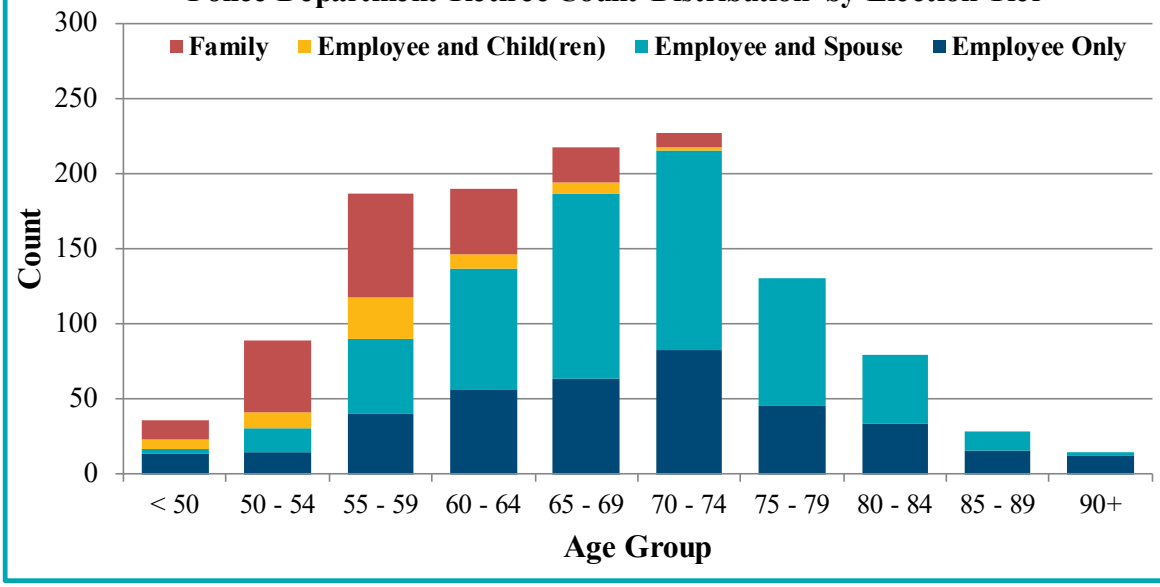
APPENDIX A – MEMBERSHIP INFORMATION

Police Department - Retirees, Disabled Retirees and Surviving Spouses

Age Group	Medical Insurance Males	Medical Insurance Females	Medical Insurance Total	Dental Insurance
Under 50	27	9	36	53
50 to 54	77	12	89	141
55 to 59	155	32	187	224
60 to 64	168	22	190	220
65 to 69	203	14	217	227
70 to 74	191	36	227	236
75 to 79	109	21	130	133
80 to 84	61	18	79	81
85 to 89	16	12	28	28
Over 90	7	8	15	16
Total	**1,014**	**184**	**1,198**	**1,359**

Counts do not include dependent spouses

Chart A-2a
Police Department Retiree Count Distribution by Election Tier

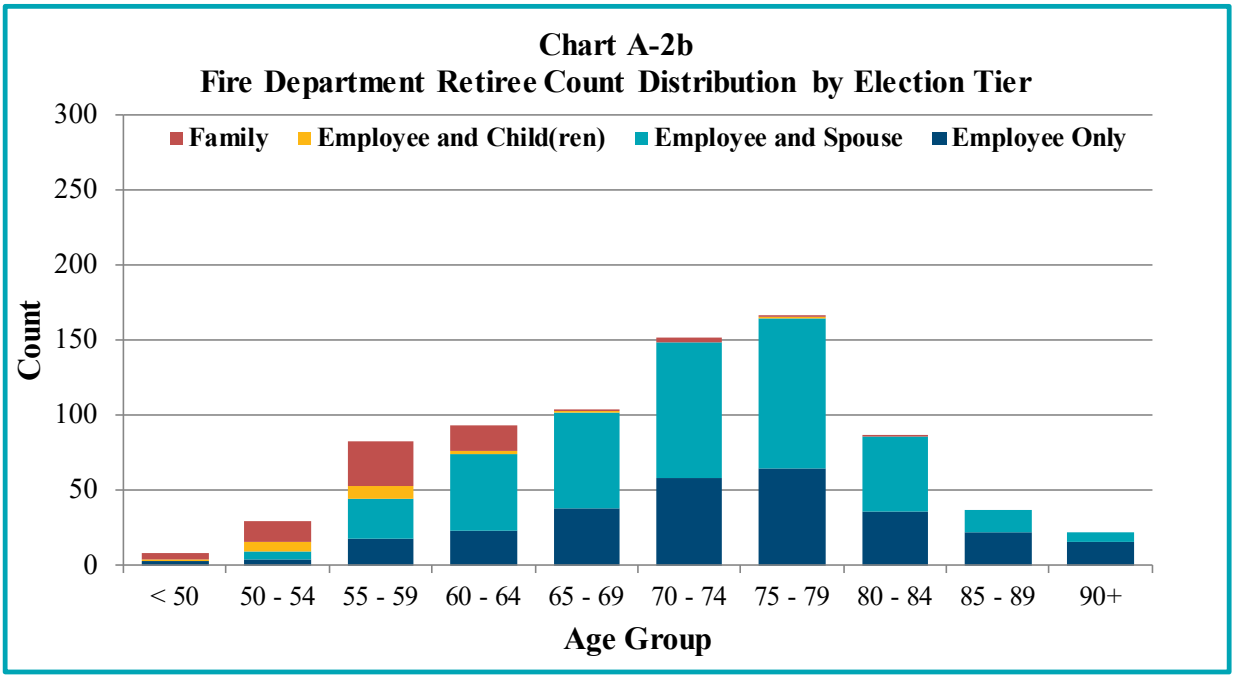


APPENDIX A – MEMBERSHIP INFORMATION

Fire Department - Retirees, Disabled Retirees and Surviving Spouses

Age Group	Medical Insurance Males	Medical Insurance Females	Medical Insurance Total	Dental Insurance
Under 50	5	3	8	10
50 to 54	23	6	29	38
55 to 59	72	11	83	102
60 to 64	83	10	93	96
65 to 69	88	16	104	111
70 to 74	124	28	152	156
75 to 79	132	34	166	170
80 to 84	73	14	87	93
85 to 89	24	13	37	39
Over 90	11	11	22	24
Total	**635**	**146**	**781**	**839**

Counts do not include dependent spouses



APPENDIX A – MEMBERSHIP INFORMATION

Police & Fire Department Vested Terminations*			
Age Group	Police	Fire	Total
Under 45	0	0	0
45 to 49	2	1	3
50 to 54	7	0	7
55 to 59	0	0	0
60 to 64	0	0	0
Over 65	0	0	0
Total	**9**	**1**	**10**

**Includes only those term vested participants with at least 20 years of OPEB benefit service*

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 January 7, 2021 Board meeting. Price inflation and wage inflation assumptions were adopted at the December 3, 2020 Board meeting based upon our recommendations. 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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Annual Increase									
To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	Part B Premiums	To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	Part B Premiums
2021		*Actual Premiums Used*			2051	4.45	4.45	3.50	3.87
2022	7.66%	4.10%	3.50%	6.20%	2052	4.44	4.44	3.50	3.87
2023	7.32	4.21	3.50	5.71	2053	4.43	4.43	3.50	3.86
2024	6.98	4.31	3.50	5.94	2054	4.42	4.42	3.50	3.86
2025	6.63	4.41	3.50	6.06	2055	4.41	4.41	3.50	3.86
2026	6.29	4.51	3.50	5.66	2056	4.40	4.40	3.50	3.85
2027	5.95	4.62	3.50	5.86	2057	4.39	4.39	3.50	3.85
2028	5.61	4.72	3.50	5.73	2058	4.39	4.39	3.50	3.84
2029	5.27	4.82	3.50	5.69	2059	4.38	4.38	3.50	3.84
2030	4.93	4.93	3.50	5.57	2060	4.37	4.37	3.50	3.84
2031	4.93	4.93	3.50	5.45	2061	4.36	4.36	3.50	3.83
2032	4.81	4.81	3.50	5.33	2062	4.35	4.35	3.50	3.83
2033	4.76	4.76	3.50	5.21	2063	4.34	4.34	3.50	3.82
2034	4.73	4.73	3.50	5.09	2064	4.34	4.34	3.50	3.82
2035	4.70	4.70	3.50	4.97	2065	4.33	4.33	3.50	3.82
2036	4.67	4.67	3.50	4.85	2066	4.32	4.32	3.50	3.81
2037	4.65	4.65	3.50	4.73	2067	4.32	4.32	3.50	3.81
2038	4.63	4.63	3.50	4.62	2068	4.26	4.26	3.50	3.80
2039	4.61	4.61	3.50	4.50	2069	4.20	4.20	3.50	3.80
2040	4.59	4.59	3.50	4.38	2070	4.14	4.14	3.50	3.80
2041	4.58	4.58	3.50	4.26	2071	4.09	4.09	3.50	3.79
2042	4.56	4.56	3.50	4.14	2072	4.04	4.04	3.50	3.79
2043	4.55	4.55	3.50	4.02	2073	3.98	3.98	3.50	3.78
2044	4.53	4.53	3.50	3.90	2074	3.93	3.93	3.50	3.78
2045	4.52	4.52	3.50	3.90	2075	3.88	3.88	3.50	3.78
2046	4.51	4.51	3.50	3.89	2076	3.83	3.83	3.50	3.77
2047	4.50	4.50	3.50	3.89	2077+	3.78	3.78	3.50	3.89
2048	4.48	4.48	3.50	3.88					
2049	4.47	4.47	3.50	3.88					
2050	4.46	4.46	3.50	3.88					

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

3. Changes Since the Last Valuation

The per-person cost trends were updated.

The discount rate assumption was lowered from 6.50% to 6.25%.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the January 7, 2021 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 7, 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% for Police Department Members
4.25% through FYE 2022 and 3.00% for all other years for Fire Department Members

The following merit component is added to wage inflation, based on an individual member's years of service:

Merit Salary Increases	
Years of Service	Merit/ Longevity
0	6.50%
1	6.25
2	5.75
3	5.25
4	4.50
5	3.75
6	2.75
7	1.75
8	1.25
9	1.00
10	0.75
11+	0.50

2. Administrative Expenses

For FYE 2022, trust administrative expenses are assumed to equal $41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.00% per annum.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. Retirement Rates

Rates of retirement are based on age and service according to the following Tables. Tier 1 rates only apply when the member is eligible for unreduced pension benefits.

Tier 1 Rates of Retirement by Age and Service

	Police		Fire	
Age	<30 Years	30+ Years	<30 Years	30+ Years
50	55.0%	100.0%	35.0%	100.0%
51	45.0	100.0	35.0	100.0
52	40.0	100.0	35.0	100.0
53	30.0	100.0	35.0	100.0
54	30.0	100.0	35.0	100.0
55	30.0	100.0	30.0	100.0
56	30.0	100.0	25.0	100.0
57	30.0	100.0	20.0	100.0
58 – 61	50.0	100.0	27.5	100.0
62+	100.0	100.0	100.0	100.0

Tier 2 Rates of Retirement by Age and Service
Police

Age	5 – 19 Years	20 – 24 Years	25 – 29 Years	30+ Years
50 – 56	2.0%	2.0%	2.0%	5.0%
57 – 59	7.5	10.0	20.0	100.0
60 – 61	10.0	20.0	35.0	100.0
62 – 64	25.0	50.0	75.0	100.0
65+	100.0	100.0	100.0	100.0

Tier 2 Rates of Retirement by Age and Service
Fire

Age	5 – 19 Years	20 – 24 Years	25 – 29 Years	30+ Years
50 – 56	1.0%	1.0%	1.0%	2.5%
57 – 59	5.0	7.5	15.0	100.0
60 – 61	7.5	15.0	25.0	100.0
62 – 64	20.0	35.0	50.0	100.0
65+	100.0	100.0	100.0	100.0

Tier 1 vested terminated members are assumed to retire at age 50 if they have 25 or more years of service or at age 55 if they have less than 25 years of service. Tier 2 vested terminated members are assumed to retire at age 60.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

4. Rates of Termination

Sample rates of refund/termination are show in the following table.

Rates of Termination*		
Service	Police	Fire
0	13.75%	8.50%
1	11.75	4.00
2	10.00	2.75
3	8.50	1.75
4	7.50	1.25
5	6.75	1.00
6	6.00	0.90
7	5.50	0.80
8	5.00	0.70
9	4.75	0.60
10	4.50	0.50
11	4.25	0.50
12	3.75	0.50
13	3.25	0.50
14	2.75	0.50
15	2.25	0.50
16	1.75	0.50
17	1.50	0.50
18	1.25	0.50
19+	1.00	0.50

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

5. Rates of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2019 projection scale on a generational basis from the base year of 2010 (2009 for beneficiary tables).

Category	Base Mortality Tables Male	Female
Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for Healthy Retirees	1.002 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for Healthy Retirees
Disabled Retiree	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees	0.915 times the Public Safety Mortality Table (PubS-2010) for Disabled Retirees
Beneficiaries	0.948 times the CalPERS 2009 Healthy Annuitant Mortality Table	1.048 times the CalPERS 2009 Healthy Annuitant Mortality Table
Healthy Non-Annuitant	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for Healthy Employees	0.979 times the 2010 Public Safety Above Median Income Mortality Table (Pub(s)-2010(A)) for Healthy Employees

6. Disability Rates

For Police, disability rates are equal to the CalPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. For Fire, disability rates are equal to the CalPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. Sample disability rates of active participants are provided in the following table.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Rates of Disability at Selected Ages		
Age	Police	Fire
25	0.16%	0.03%
30	0.45	0.08
35	0.74	0.15
40	1.03	0.28
45	1.32	0.50
50	2.70	5.08
55	6.88	7.54
60	8.71	10.77
65	10.47	14.84

100% of disabilities are assumed to be duty related.

7. Percent of Retirees Electing Coverage

70% of active members are assumed to elect coverage upon retirement and 30% are assumed to enter the In-Lieu credit program. 50% of term vested members are assumed to elect coverage upon retirement and 50% 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.

Assumed Medical Tier Elections for Future Retirees who Elect In-Lieu Coverage*			
	% Electing		% Electing
Pre-Medicare Retirees		**Medicare-Eligible Retirees**	
· Retiree Only	25%	· Retiree Only	50%
· Retiree Plus Spouse	20%	· Retiree Plus Spouse	50%
· Retiree Plus Family	55%	· 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.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Assumed Plan Elections for Future Retirees*			
	% Electing		% Electing
Pre-Medicare Medical Plans		**Medicare-Eligible Medical Plans**	
· Kaiser DHMO	4%	· Kaiser Senior Advantage	43%
· Kaiser $25 Co-pay	62%	· Anthem Medicare HMO	1%
· Kaiser HDHP	6%	· Anthem Medicare PPO	56%
· Anthem DHMO	2%		
· Anthem $20 Co-pay	9%		
· Anthem HDHP PPO	7%	**Dental Plans (All Retirees)**	
· Anthem Select PPO	8%	· Delta Dental PPO	99%
· Anthem Classic PPO	2%	· DeltaCare HMO	1%

** Eligible for coverage and elect coverage*

8. Married Percentage

Percentage Married	
Gender	Percentage
Males	85%
Females	85%

9. Dependent Age

For current retirees, actual spouse date of birth was used when available. For future retirees, husbands are assumed to be three years older than their wives.

10. Enrollment by Rating Tier

For current retirees, their actual enrollment by rating tier is used to value the explicit subsidy. For future retirees, the following assumptions are used:

Assumed Rating Tier Elections for Future Retirees				
	Single	Emp/Sp	Emp/Ch	Family
Pre-Medicare Medical Plans				
Males	20%	34%	7%	39%
Females	52%	13%	22%	13%
Medicare Medical Plans				
Males	27%	73%	0%	0%
Females	74%	26%	0%	0%

100% of employees with a spouse will elect spouse coverage in a dental plan at retirement.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

11. Changes Since the Last Valuation

Plan elections assumptions and the administrative expense assumption were updated.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the January 7, 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 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 but the load for children for Police and Fire was developed separately from the load for Federated.

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 and 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:

Sample Claims Costs - Non-Medicare Eligible						
	Kaiser		Anthem HMO		Anthem PPO	
Age	Male	Female	Male	Female	Male	Female
40	$9,859	$12,126	$10,860	$13,267	$12,467	$15,764
45	10,089	11,840	11,025	12,885	13,178	15,725
50	10,670	12,094	11,564	13,076	14,401	16,472
55	11,819	12,823	12,705	13,771	16,449	17,909
60	13,821	13,475	14,752	14,384	19,738	19,234
64	16,275	13,246	17,296	14,079	23,609	19,203

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Sample Claims Costs - Medicare Eligible						
	Kaiser Senior Adv		Anthem HMO		Anthem PPO	
Age	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

Sample Claims Costs - Dental	
Dental Blended	
Age	Unisex
All	698.92

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.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

9. Changes Since the 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. However, prior to age 65 the Police and Fire claims curves reflect that this population has a higher number of children covered.

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 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-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 the amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11% of total payroll.

   Active members that are eligible for full benefits will contribute 8.00% of pay.

5. **Changes Since the Last Valuation**

   None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

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

Medical/Dental:

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 August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through 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 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:

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,

Both the member and the survivors were enrolled in the active medical plan immediately before death; and,

The survivor will receive a monthly pension benefit.

Employees who separate from service after July 5, 1992 with 20 years of service, leaving contributions in the retirement plan, are eligible to elect medical and/or dental coverage upon retirement.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Benefits for Retirees:

Medical: The Retirement System, through the medical benefit account, 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.

To the extent that the elected plan premium is less than the maximum subsidy amount, Medicare-eligible retirees receive reimbursement of Medicare Part B premiums for themselves and their covered spouse, if applicable.

Dental: The Retirement System, through the medical benefit account, pays 100% of the dental insurance premiums.

Premiums: Monthly premiums before adjustments for 2020 and 2021 are as follows.

2020 Monthly Premiums

	Single	Emp/Sp	Emp/Chd	Family
Medical				
Non-Medicare Monthly Rates				
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
Medicare-Eligible Monthly Rates				
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
Dental				
Delta Dental PPO	$50.88	$111.92	$122.12	$157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

APPENDIX C – SUMMARY OF PLAN PROVISIONS

2021 Monthly Premiums	Single	Emp/Sp	Emp/Chd	Family
Medical				
Non-Medicare Monthly Rates				
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
Medicare-Eligible Monthly Rates				
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

Summary of 2021 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

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.*

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.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or 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:

Amount		Probability of Payment	$\frac{1}{(1+\text{Discount Rate})}$		
$100	x	(1 - .01)	1/(1+.1)	=	$90

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.

APPENDIX D – GLOSSARY OF TERMS

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.

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.

APPENDIX D – GLOSSARY OF TERMS

15. Medical Trend

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

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)



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