Classic Values, Innovative Advice

City of San José Federated Postemployment Healthcare Plan

Actuarial Valuation Funding Report as of June 30, 2024

Produced by Cheiron

January 2025

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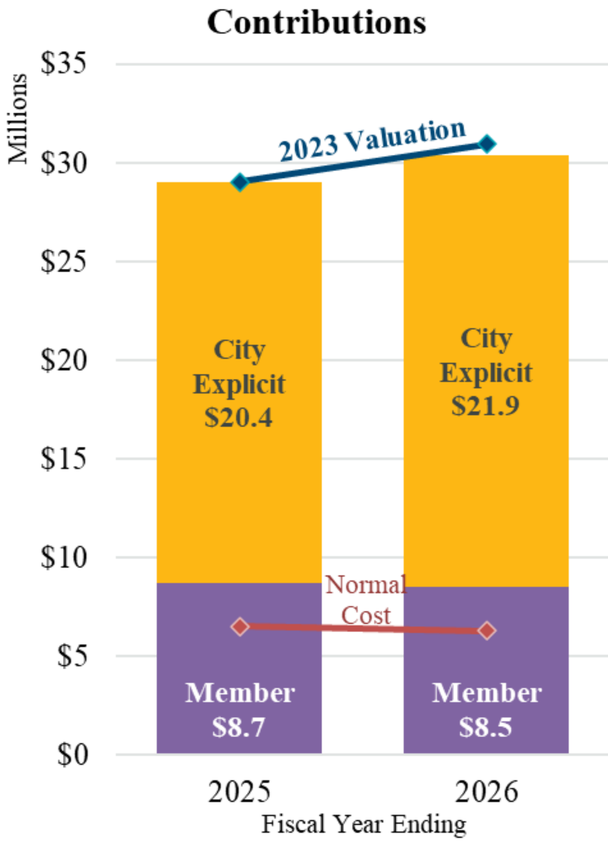
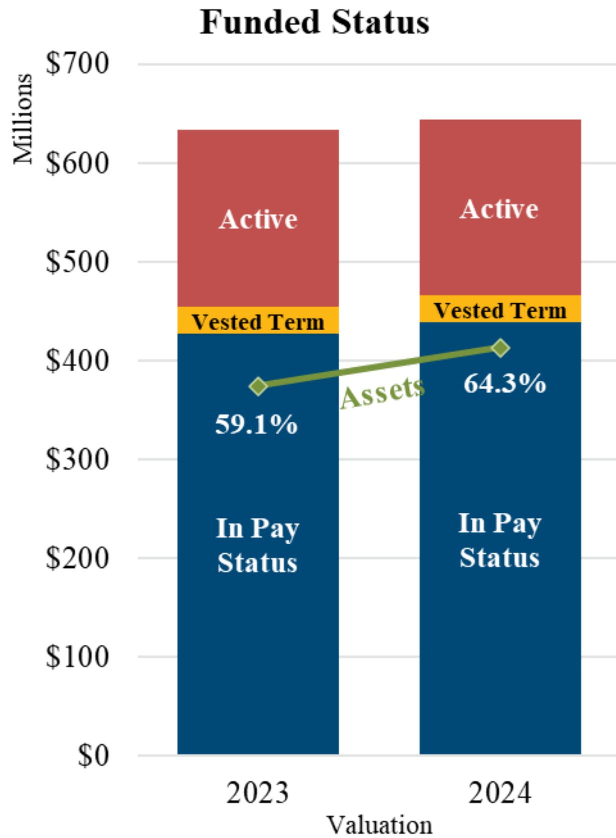
SECTION I – BOARD SUMMARY

This report measures the 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 2025 and 2026. 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 blue line shows the projected contribution amount from the 2023 valuation. 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 $7.0 million for FYE 2026.

The chart on the right summarizes the funded status as of the June 30, 2023 and June 30, 2024 actuarial valuations. The stacked bars represent the Actuarial Liability for the explicit subsidy, with the liability separated into components for members currently receiving benefits, vested terminated members, and active members. These amounts are only for the portion of the plan that is intended to be pre-funded, so they do not include the implicit subsidy. The green line represents the assets, and the funded percentage is shown next to the green line.

Contributions

The benefits under the Plan have two components: the explicit subsidy and the implicit subsidy. The explicit subsidy (or premium subsidy) is paid from the Trust. It 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.

Before FYE 2019, 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 Federated payroll.

Table I-1 shows the contribution amounts for the fiscal years ending in 2025 and 2026.

Table I-1
Summary of Trust Contribution Amounts

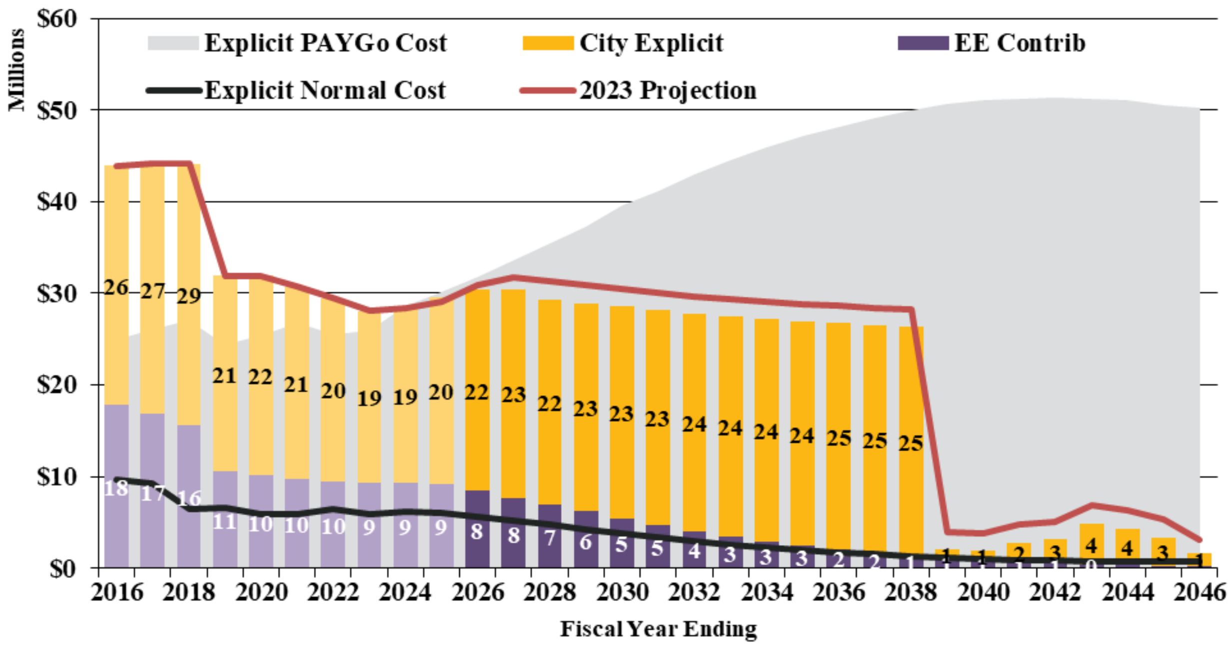
	FYE 2025	FYE 2026	% Change
Explicit Subsidy			
Members	$ 8,683	$ 8,489	-2.2%
City's Actuarially Determined Contribution	20,352	21,929	7.8%
Total	$ 29,035	$ 30,418	4.8%
Estimated City Optional Cap	$ 58,979	$ 65,509	11.1%

Dollar amounts in thousands

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 2023 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 2016-2046



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 gradually as the member contributions decrease. The large decrease in 2039 is due to the full amortization of the initial amortization base established in 2017.

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, 2024 compared to June 30, 2023. The Actuarial Liability increased by 1.5% while assets increased 10.4% due to contributions and investment returns. As a result, the Unfunded Actuarial Liability decreased by about 11.3% and the funded percentage for the explicit subsidy increased from 59.1% to 64.3%.

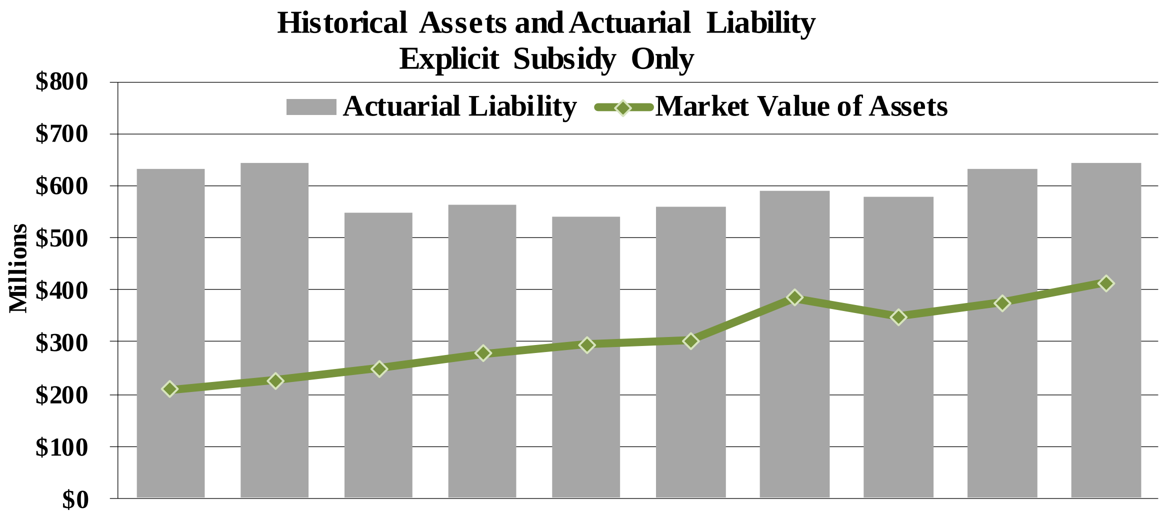
Table I-2
Summary of Funded Status - Explicit Subsidy Only

	6/30/2023	6/30/2024	Change
Actuarial Liability			
Actives	$ 179,131	$ 177,429	-1.0%
Deferred Vested	27,322	26,576	-2.7%
In Pay Status	427,520	439,630	2.8%
Total Actuarial Liability	$ 633,973	$ 643,635	1.5%
Assets	374,611	413,541	10.4%
Unfunded Actuarial Liability	$ 259,362	$ 230,094	-11.3%
Funded Percentage	59.1%	64.3%	5.2%

Dollar amounts in thousands

SECTION I – BOARD SUMMARY

The following chart shows the historical trend of assets and the Actuarial Liability for the explicit subsidy. Over the last 10 years, the UAL for the explicit subsidy has been reduced by $191.4 million primarily due to a combination of contributions to the Plan and health premiums not growing as much as anticipated. Changes in UAL are becoming more dependent on investment returns as the level of assets grows, but fluctuations in health premiums will also remain a significant factor.

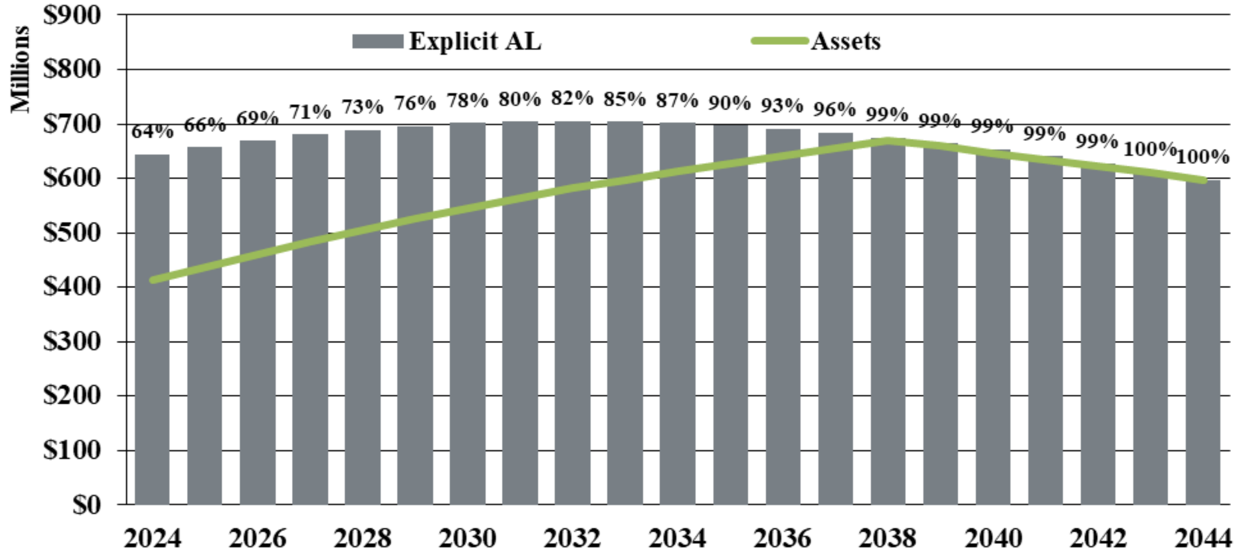


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Funded Ratio	**33.2%**	**35.0%**	**45.3%**	**49.2%**	**54.5%**	**54.3%**	**65.1%**	**60.3%**	**59.1%**	**64.3%**
UAL/(Surplus) *(in millions)*	**$421.5**	**$418.8**	**$299.6**	**$286.5**	**$246.3**	**$255.8**	**$205.8**	**$230.1**	**$259.4**	**$230.1**
Discount Rate	**7.00%**	**6.875%**	**6.875%**	**6.75%**	**6.75%**	**6.25%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**

The chart on the following page shows a 20-year projection of assets and Actuarial Liability (AL) and the projected funded percentage for the explicit subsidy. If all assumptions are met in the future, including an expected return of 6.00% each year, the Actuarial Liability for the explicit subsidy is expected to peak within 10 years, and the funded percentage is expected to reach 100% by 2043.

SECTION I – BOARD SUMMARY

Projected Assets and Actuarial Liability 2024-2044



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, 2024. The total UAL decreased by about $29.3 million since the prior year.

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

Unfunded Actuarial Liability, June, 30, 2023	$ 259,362
Unfunded Actuarial Liability, June, 30, 2024	230,094
Change in Unfunded Actuarial Liability	**$ (29,268)**
Sources of Changes	
Tread Water less Contributions	$ (7,048)
Investment Experience	(14,620)
Demographic Experience	(5,065)
Premium Experience	4,662
Assumption Changes	(7,197)
Total Changes	**$ (29,268)**

Dollar amounts in thousands

SECTION I – BOARD SUMMARY

Contributions in excess of the Tread Water amount reduced the UAL by $7.0 million. The Tread Water amount equals the 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. In addition, investment experience reduced the UAL by about $14.6 million, demographic experience by about $5.1 million, and assumption changes, primarily health care trend assumptions, by about $7.2 million. Higher-than-expected premiums for Medicare-eligible health plans increased the UAL by $4.7 million.

Table I-4 below summarizes the results of this valuation compared to the prior valuation.

Table I-4
Summary of Valuation Results

	June 30, 2023	June 30, 2024	% Change
Active Members			
Eligible for Full Benefits	1,145	1,077	-5.9%
Eligible for Catastrophic Disability Only	2,720	3,031	11.4%
Total Active Members	3,865	4,108	6.3%
Deferred Vested Members	150	141	-6.0%
Members in Pay Status (Medical and/or Dental)	3,685	3,648	-1.0%
Members In-Lieu only	82	98	19.5%
Total	7,782	7,995	2.7%
Full Benefit Member Payroll	$ 123,671	$ 123,038	-0.5%
Total Payroll	409,009	454,295	11.1%
Actuarial Liability - Explicit	$ 633,973	$ 643,635	1.5%
Market Value of Assets	374,611	413,541	10.4%
Unfunded Actuarial Liability	$ 259,362	$ 230,094	-11.3%
Funded Percentage	59.1%	64.3%	5.2%
Actuarial Liability - Implicit	79,013	76,750	-2.9%
	FYE 2025	**FYE 2026**	**% Change**
City's Actuarially Determined Contribution	$ 20,352	$ 21,929	7.7%
City's Actuarially Determined Contribution Rate	4.83%	4.69%	-0.1%
City's Implicit Subsidy Payment	$ 6,830	$ 6,984	2.2%

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 Federated Postemployment Healthcare Plan. This report is for the use of the Board in setting actuarially determined amounts for the City to contribute to the Plan. There is a separate report for accounting and financial reporting under GASB Statements 74 and 75.

In preparing our report, we relied on information, some oral and some written, supplied by the Plan. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The health assumptions and discount rate assumption were adopted by the Board of Administration at the November 21, 2024 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 16, 2023 Board meeting based on recommendations from our Experience Study covering Plan experience through June 30, 2023. 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 the assumptions or output of ProVal that would affect this valuation.

Healthcare 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 the 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.

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Consulting Actuary

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Principal Consulting Actuary

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 paid directly by the city as a part of active health plan premiums.

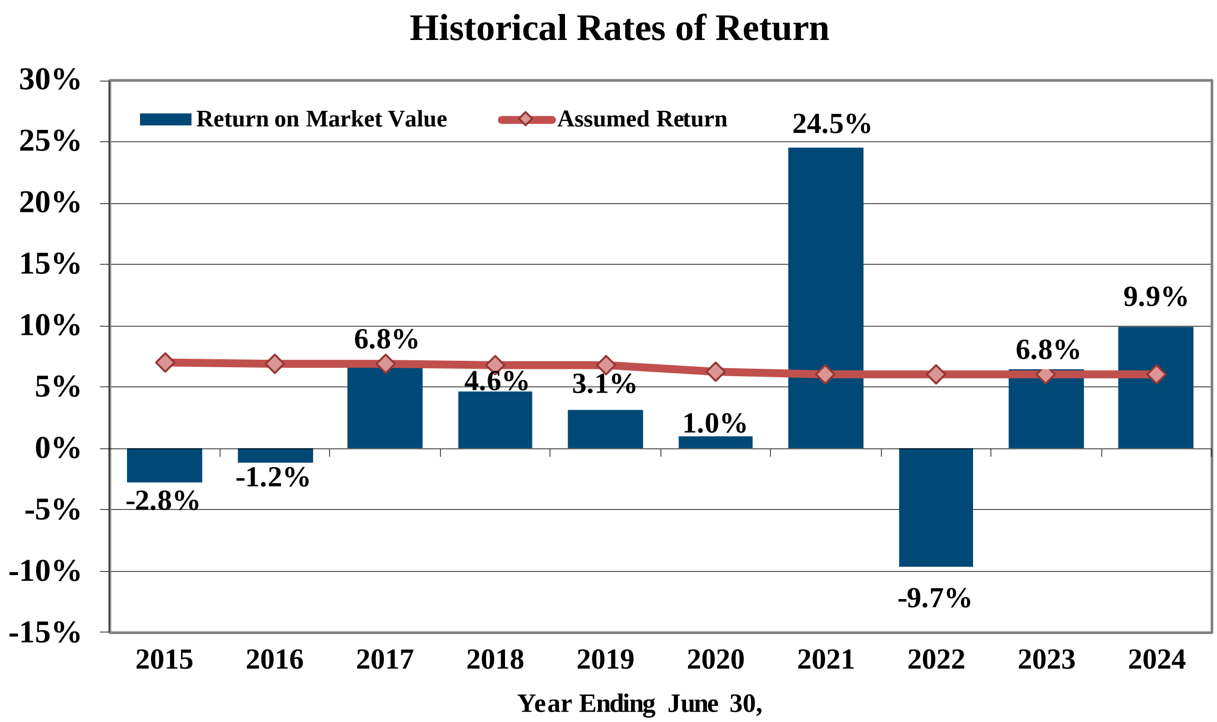
Table III-1
Change in Market Value of Assets

Fiscal Year Ending	6/30/2023	6/30/2024
Market value, beginning of year	$ 349,124,320	$ 374,611,276
Contributions		
Employee	9,841,192	9,890,542
City	17,626,466	18,950,280
Implicit subsidy	5,370,230	6,406,373
Total	$ 32,837,888	$ 35,247,195
Net investment earnings	24,268,269	37,149,298
Benefit payments		
Explicit subsidy	25,498,496	26,228,611
Implicit subsidy	5,370,230	6,406,373
Total	$ 30,868,726	$ 32,634,984
Administrative expenses	750,475	831,537
Market value, end of year	**$ 374,611,276**	**$ 413,541,248**
Estimated Rate of Return	6.8%	9.9%

In the last year, investments earned approximately 9.9% compared to an expected rate of return of 6.0%, resulting in an investment gain of approximately $14.6 million.

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 4.0%.



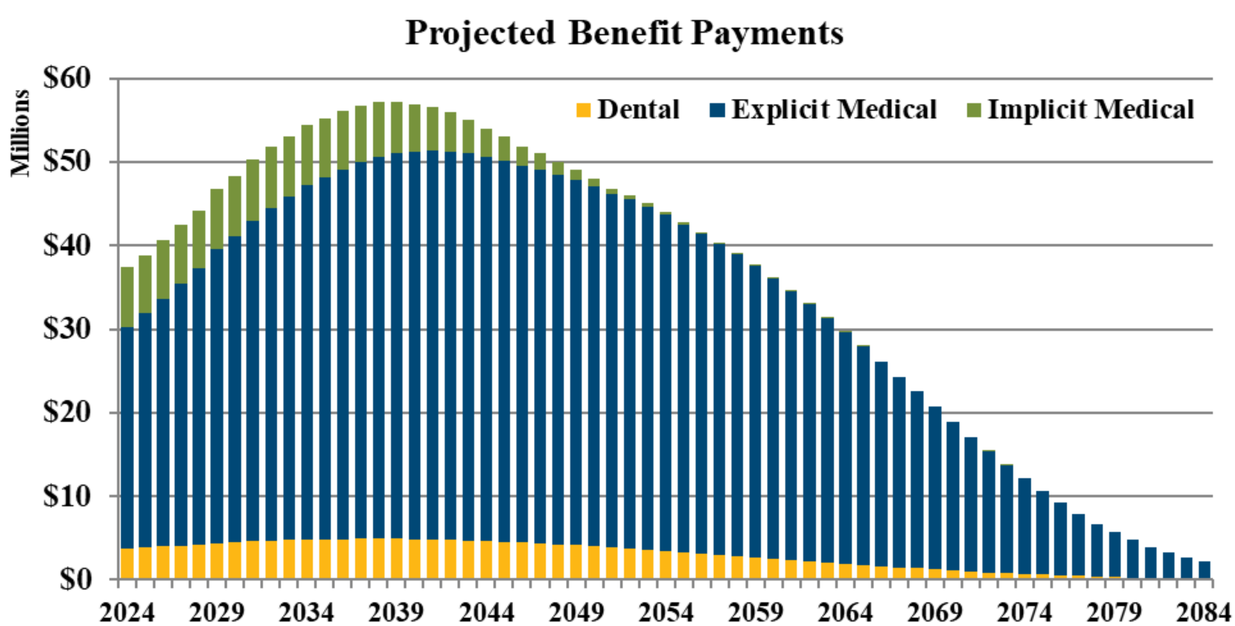
SECTION IV – MEASURES OF LIABILITY

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 60 years.



SECTION IV – MEASURES OF LIABILITY

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

Table IV-1
Expected Net Benefit Payments

Fiscal Year Ending	Explicit Subsidy Medical	Explicit Subsidy Dental	Explicit Subsidy Total	Implicit Subsidy	Total
2025	$ 26,465,405	$ 3,699,424	$ 30,164,829	$ 7,285,207	$ 37,450,036
2026	28,012,950	3,843,319	31,856,268	6,983,539	38,839,807
2027	29,667,785	3,983,682	33,651,466	7,009,331	40,660,797
2028	31,371,246	4,112,403	35,483,649	7,063,382	42,547,031
2029	32,960,204	4,241,927	37,202,130	7,039,634	44,241,764
2030	35,232,775	4,366,714	39,599,489	7,144,770	46,744,259
2031	36,630,500	4,485,227	41,115,727	7,130,275	48,246,002
2032	38,377,544	4,595,062	42,972,606	7,333,138	50,305,744
2033	39,810,563	4,688,866	44,499,430	7,289,042	51,788,472
2034	41,121,954	4,767,210	45,889,165	7,189,045	53,078,210
2035	42,380,052	4,825,276	47,205,328	7,168,586	54,373,914
2036	43,278,966	4,866,606	48,145,572	7,058,612	55,204,185
2037	44,165,116	4,896,955	49,062,071	6,982,442	56,044,514
2038	44,997,069	4,918,681	49,915,750	6,761,476	56,677,226
2039	45,730,179	4,926,282	50,656,461	6,549,200	57,205,660
2040	46,123,152	4,917,823	51,040,975	6,200,712	57,241,688
2041	46,325,542	4,892,792	51,218,334	5,706,042	56,924,376
2042	46,517,474	4,852,191	51,369,665	5,220,840	56,590,506
2043	46,450,850	4,796,988	51,247,838	4,656,866	55,904,703
2044	46,319,421	4,730,099	51,049,520	4,056,857	55,106,377

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, 2023 and June 30, 2024.

Table IV-2
Present Value of Future Benefits

	June 30, 2023	June 30, 2024				
	Total	Actives	Deferred Vested	In Pay Status	Total	% Change
Explicit Subsidy						
Non-Medicare Eligible	$ 150,928	$ 73,271	$ 10,521	$ 58,008	$ 141,800	-6.0%
Medicare Eligible	452,334	120,593	16,055	333,074	469,722	3.8%
Dental	69,269	18,986	0	48,548	67,534	-2.5%
Total Explicit Subsidy	**$ 672,531**	**$ 212,850**	**$ 26,576**	**$ 439,630**	**$ 679,056**	**1.0%**
Implicit Subsidy	87,504	41,604	5,991	37,009	84,604	-3.3%
Total	**$ 760,035**	**$ 254,454**	**$ 32,567**	**$ 476,639**	**$ 763,660**	**0.5%**

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 member's expected future salary. The normal cost rate is multiplied by the member's current salary to determine each member's normal cost. The Plan's normal cost 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, 2023 and June 30, 2024 separately by component, develops the normal cost rate, and applies the rate to the projected payroll for the fiscal year for which contributions are determined.

Table IV-3
Explicit Subsidy Normal Cost

	June 30, 2023	June 30, 2024			
	Total	**Full Benefits**	**Catastrophic**	**Total**	**% Change**
Non-Medicare Eligible	$ 2,400	$ 2,118	$ 172	$ 2,290	-4.6%
Medicare Eligible	2,943	2,900	0	2,900	-1.5%
Dental	532	495	0	495	-7.0%
Total Normal Cost	**$ 5,875**	**$ 5,513**	**$ 172**	**$ 5,685**	**-3.2%**
Valuation Pay	$ 397,265	$ 119,505	$ 283,240	$ 441,250	11.1%
Total Normal Cost Rate	**1.48%**	**4.61%**	**0.06%**	**1.29%**	**-12.8%**
	FYE 2025	**FYE 2026**			
	Total	**Full Benefits**	**Catastrophic**	**Total**	**% Change**
Expected Pay	$ 421,279	$ 113,185	$ 354,739	$ 467,924	11.1%
Total Normal Cost	**$ 5,694**	**$ 5,218**	**$ 213**	**$ 5,431**	**-4.6%**

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-4 below shows the Actuarial Liability as of June 30, 2023 and June 30, 2024 separately by component.

Table IV-4
Actuarial Liability

	June 30, 2023	June 30, 2024				
	Total	Actives	Deferred Vested	In Pay Status	Total	% Change
Explicit Subsidy						
Non-Medicare Eligible	$ 134,290	$ 58,200	$ 10,521	$ 58,008	$ 126,729	-5.6%
Medicare Eligible	433,485	102,971	16,055	333,074	452,100	4.3%
Dental	66,198	16,258	0	48,548	64,806	-2.1%
Total Explicit Subsidy	**$ 633,973**	**$ 177,429**	**$ 26,576**	**$ 439,630**	**$ 643,635**	**1.5%**
Implicit Subsidy	79,013	33,751	5,991	37,008	76,750	-2.9%
Total	**$ 712,986**	**$ 211,180**	**$ 32,567**	**$ 476,638**	**$ 720,385**	**1.0%**

Dollar amounts in thousands

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 $109 per member for FYE 2026 (increasing 3.0 percent each year). There are currently 7,995 members, resulting in estimated administrative expenses for FYE 2026 of $871,455.

SECTION V – CONTRIBUTIONS

Amortization of the Unfunded Actuarial Liability

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

Table V-1
Unfunded Actuarial Liability
Explicit Subsidy Only

	June 30, 2023		June 30, 2024	
Actuarial Liability	$	633,973	$	643,635
Assets		374,611		413,541
Unfunded Actuarial Liability	**$**	**259,362**	**$**	**230,094**
Funded Percentage		**59.1%**		**64.3%**

The UAL for the explicit subsidy as of June 30, 2017 is amortized as a level dollar amount over 20 years (13 years remaining). Subsequent amortization bases are amortized over 20 years with a three-year phase-in and phase-out. Table V-2 below shows the schedule of amortization bases for payment of the UAL.

Table V-2
UAL Amortization

	Outstanding		Remaining			FYE 2026	
	Balance		Period	Phase-in	Phase-out	Payment	
2017 UAL	$	207,578	13	N/A	N/A	$	24,142
2018 Changes		1,144	14	0	3		121
2019 Changes		(30,805)	15	0	3		(3,141)
2020 Changes		18,621	16	0	3		1,831
2021 Changes		(40,736)	17	0	3		(3,876)
2022 Changes		36,874	18	1	3		3,404
2023 Changes		38,231	19	2	3		2,354
2024 Changes		(22,690)	20	3	3		(719)
FYE 2025 Payment*		21,877					
Total 2024 UAL	**$**	**230,094**				**$**	**24,116**

** FYE 2025 amortization payment discounted to 7/1/2024*

Dollar amounts in thousands

SECTION V – CONTRIBUTIONS

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 2025 and 2026.

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

	FYE 2025	FYE 2026	% Change
Normal Cost	$ 5,694	$ 5,431	-4.6%
Admin Expenses	817	871	6.6%
UAL Payment	22,524	24,116	7.1%
Total Contribution	**$ 29,035**	**$ 30,418**	4.8%
Projected Member Contributions	$ 8,683	$ 8,489	-2.2%
City's ADC Amount	**$ 20,352**	**$ 21,929**	**7.7%**
Projected Payroll	421,279	467,924	11.1%
City's ADC Percentage	**4.8%**	**4.7%**	**-0.1%**

Dollar amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE ACFR

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

Table VI-1

Member Benefit Coverage Information

	Actuarial Liability				
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives (A)	Active Members (B)	Reported Assets	Portion of Liability Covered by Reported Assets (A)	Portion of Liability Covered by Reported Assets (B)
6/30/2024	$ 509,206	$ 211,180	$ 413,541	81%	0%
6/30/2023	498,969	214,017	374,611	75%	0%
6/30/2022	447,880	202,790	349,124	78%	0%
6/30/2021	452,454	210,406	384,613	85%	0%
6/30/2020	443,476	206,943	303,313	68%	0%
6/30/2019	422,108	209,644	294,489	70%	0%
6/30/2018	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%

Dollar amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Table VI-2

Analysis of Financial Experience

Actuarial Valuation Date	Gain or (Loss) for Year Ending on Valuation Date Due to: Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2024	$ 14,620	$ 857	$ 15,477	$ 8,932	$ 24,409
6/30/2023	2,748	(44,086)	(41,338)	(3,395)	(44,733)
6/30/2022	(62,035)	36,504	(25,531)	(9,273)	(34,804)
6/30/2021	57,618	25,838	83,456	(22,368)	61,088
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)

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.

Table VI-3

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2024	$ 413,541	$ 720,385	$ 306,844	57%	$ 454,295	68%
6/30/2023	374,611	712,986	338,375	53%	409,009	83%
6/30/2022	349,124	650,670	301,546	54%	360,936	84%
6/30/2021	384,613	662,860	278,247	58%	339,546	82%
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%

Dollar amounts in thousands

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Schedule of Active Member Data

Valuation Date		Active Member Counts			Annual Payroll	Average Annual	% Change in Average Pay
		Under Age 65	Age 65+	Total			
2024	[2]	3,958	150	4,108	$ 454,294,901	$ 110,588	11.1%
2023	[2]	3,731	134	3,865	409,009,078	105,824	13.1%
2022	[2]	3,502	124	3,626	360,935,782	99,541	10.9%
2021	[2]	3,508	121	3,629	339,546,040	93,565	4.2%
2020	[2]	3,495	101	3,596	322,850,457	89,780	5.1%
2019	[2]	3,412	88	3,500	299,001,886	85,429	4.1%
2018	[2]	3,377	84	3,461	284,008,289	82,060	-2.6%
2017	[2]	3,321	89	3,410	287,339,424	84,264	-0.9%
2016	[1]	2,310	77	2,387	202,911,153	85,007	5.8%
2015	[1]	2,527	74	2,601	208,957,370	80,337	5.9%

[1] *Does not include Tier 2B active employees*

[2] *Includes members that are only eligible for catastrophic disability benefits*

SECTION VI – ACTUARIAL SECTION OF THE ACFR

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy [1]	Count	Count	Count	Annual Subsidy [1]	Count	Annual Subsidy [1]		
Medical										
2023-24	3,054	22,754	83	116	3,021	$ 24,182	(33)	$ 1,428	6.3%	$ 8,004
2022-23	3,050	22,818	109	105	3,054	22,754	4	$ (64)	-0.3%	7,451
2021-22	3,047	23,464	112	109	3,050	22,818	3	(646)	-2.8%	7,481
2020-21	3,057	23,648	107	117	3,047	23,464	(10)	(184)	-0.8%	7,701
2019-20	2,909	21,588	254	106	3,057	23,648	148	2,059	9.5%	7,736
2018-19	2,923	20,566	124	138	2,909	21,588	(14)	1,023	5.0%	7,421
2017-18	2,920	23,621	139	136	2,923	20,566	3	(3,056)	-12.9%	7,036
2016-17	2,821	21,844	210	111	2,920	23,621	99	1,777	8.1%	8,090
2015-16	2,769	21,341	183	131	2,821	21,844	52	503	2.4%	7,743
2014-15	2,737	21,941	152	120	2,769	21,341	32	(599)	-2.7%	7,707
Dental										
2023-24	3,445	3,511	80	114	3,411	$ 3,494	(34)	$ (17)	-0.5%	$ 1,024
2022-23	3,457	2,936	88	100	3,445	3,511	(12)	575	19.6%	1,019
2021-22	3,465	3,558	103	111	3,457	2,936	(8)	(622)	-17.5%	849
2020-21	3,454	3,561	120	109	3,465	3,558	11	(3)	-0.1%	1,027
2019-20	3,405	3,502	158	109	3,454	3,561	49	58	1.7%	1,031
2018-19	3,375	3,478	123	93	3,405	3,502	30	25	0.7%	1,029
2017-18	3,322	3,414	152	99	3,375	3,478	53	63	1.9%	1,030
2016-17	3,264	3,224	170	112	3,322	3,414	58	190	5.9%	1,028
2015-16	3,206	3,212	159	101	3,264	3,224	58	12	0.4%	988
2014-15	3,133	3,130	160	87	3,206	3,212	73	82	2.6%	1,002

[1] *Annual subsidies are explicit amounts in thousands*

APPENDIX A – MEMBERSHIP INFORMATION

Member Data

Valuation Date	June 30, 2023	June 30, 2024	% Change
Active Employees Eligible for Full Benefits			
Count	1,145	1,077	-5.9%
Average Age	52.0	52.5	1.1%
Average OPEB Benefit Service	19.2	20.0	4.0%
Total Payroll (Thousands)	$136,471	$137,295	0.6%
Active Employees Eligible for Catastrophic Disability Only			
Count	2,720	3,031	11.4%
Average Age	39.4	39.3	-0.2%
Average OPEB Benefit Service	4.2	4.4	4.6%
Total Payroll (Thousands)	$272,538	$317,000	16.3%
Retirees and Surviving Spouses with Medical Coverage *			
Pre-65	743	674	-9.3%
Post-65	2,311	2,347	1.6%
Total	3,054	3,021	-1.1%
Retirees and Surviving Spouses with Dental Coverage *			
Total	3,445	3,411	-1.0%
Retirees and Surviving Spouses in In-Lieu Credit Program *			
Total	284	309	8.8%
Term Vested Members	150	141	-6.0%

** Counts do not include dependent spouses*

APPENDIX A – MEMBERSHIP INFORMATION

Status Reconciliation

	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
Beginning of Year	**3,865**	**150**	**3,172**	**428**	**167**	**7,782**
New Hires	502	0	0	0	0	502
Rehires	30	(1)	(1)	0	0	28
Vested Terminations	(7)	7	0	0	0	0
Service Retirements	(60)	(13)	73	0	0	0
Disabled Retirements	0	0	0	0	0	0
New Survivors	0	0	0	19	0	19
No Longer Covered	(222)	(2)	(76)	(34)	(5)	(339)
Data Corrections	0	0	(2)	(1)	6	3
End of Year	**4,108**	**141**	**3,166**	**412**	**168**	**7,995**

Counts do not include dependent spouses
Counts include members in In-Lieu credit program and those only eligible for catastrophic disability benefits

Member Data as of June 30, 2024:

Active Employees Eligible for Full Benefits

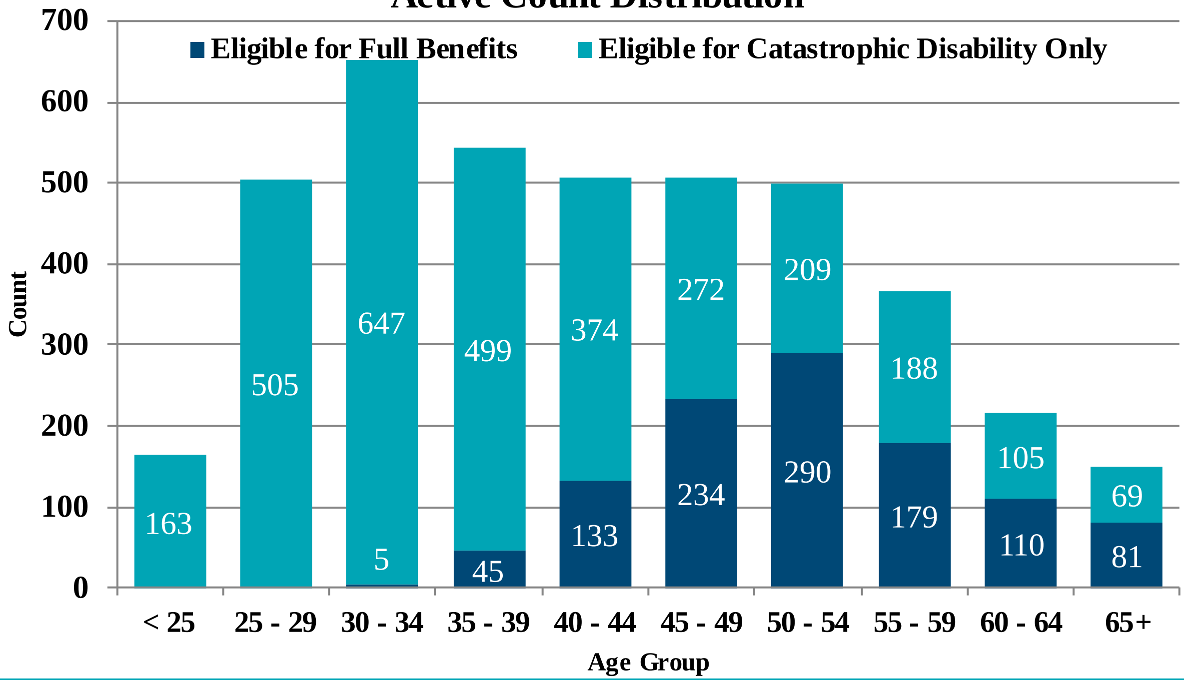
	Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 – 34	35+	Total
Under 25	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	1	4	0	0	0	0	0	5
35 to 39	2	7	22	14	0	0	0	0	45
40 to 44	3	6	44	64	15	1	0	0	133
45 to 49	1	2	33	92	86	19	1	0	234
50 to 54	0	2	26	60	121	78	3	0	290
55 to 59	1	1	17	50	62	41	7	0	179
60 to 64	0	2	16	35	31	22	4	0	110
65 and up	0	0	8	26	22	16	2	7	81
Total	**7**	**21**	**170**	**341**	**337**	**177**	**17**	**7**	**1,077**

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	163	0	0	0	0	0	0	0	163
25 to 29	458	47	0	0	0	0	0	0	505
30 to 34	431	211	5	0	0	0	0	0	647
35 to 39	239	239	20	1	0	0	0	0	499
40 to 44	153	183	32	4	2	0	0	0	374
45 to 49	140	106	21	3	1	1	0	0	272
50 to 54	89	96	12	5	4	3	0	0	209
55 to 59	87	80	16	3	1	0	1	0	188
60 to 64	46	52	5	1	0	1	0	0	105
65 and up	20	36	8	4	0	1	0	0	69
Total	**1,826**	**1,050**	**119**	**21**	**8**	**6**	**1**	**0**	**3,031**

Chart A-1
Active Count Distribution

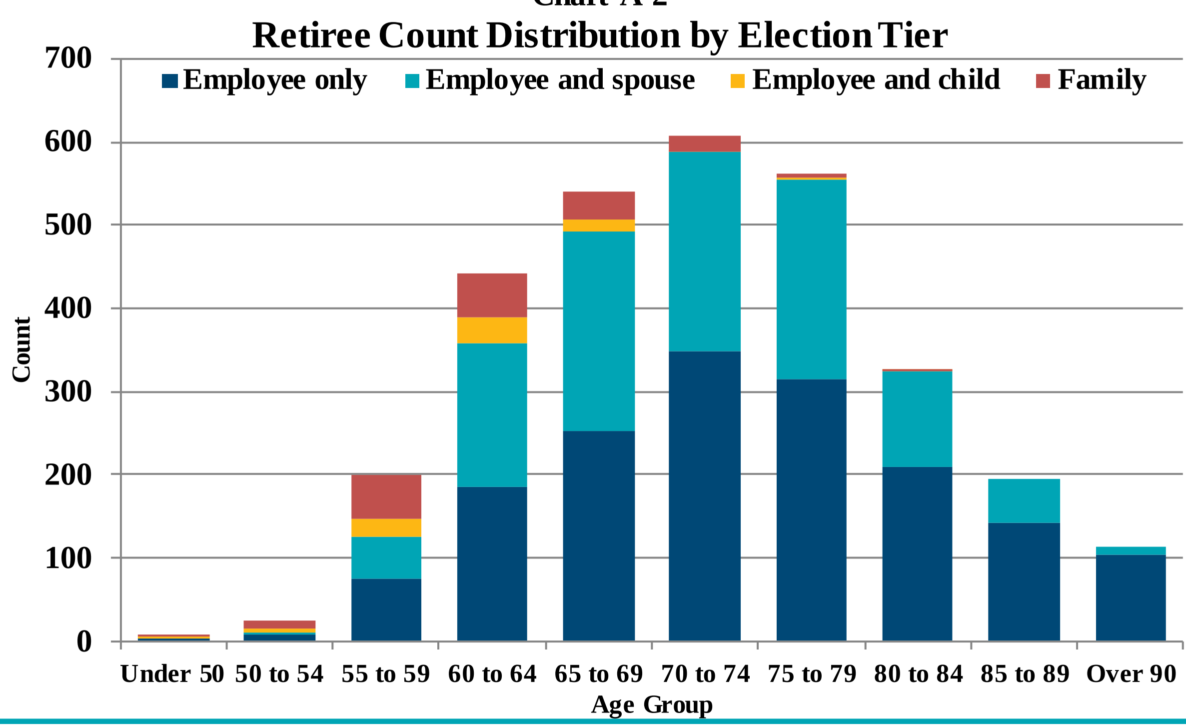


APPENDIX A – MEMBERSHIP INFORMATION

Retirees, Disabled Retirees and Surviving Spouses				
	Medical Insurance			Dental Insurance
Age Group	Males	Females	Total	
Under 50	1	5	6	9
50 to 54	14	10	24	30
55 to 59	108	93	201	218
60 to 64	251	192	443	477
65 to 69	288	253	541	586
70 to 74	320	287	607	695
75 to 79	302	259	561	645
80 to 84	163	165	328	383
85 to 89	85	111	196	220
Over 90	42	72	114	148
Total	**1,574**	**1,447**	**3,021**	**3,411**

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

Chart A-2



APPENDIX A – MEMBERSHIP INFORMATION

Medical Plan Elections as of June 30, 2024

Medical Plan	Retirees & Surviving Spouses	Spouses	Total
Pre-Medicare Medical Plans			
Kaiser DHMO	52	47	99
Kaiser HDHP	65	42	107
Kaiser $25 Co-pay	432	281	713
Kaiser $15 Co-pay (Hawaii)	1	0	1
Kaiser $25 Co-pay (Northwest)	5	5	10
Anthem DHMO	11	10	21
Anthem Select $20 Co-pay	36	20	56
Anthem Traditional $20 Co-pay	28	17	45
Anthem HDHP	30	17	47
Anthem Select PPO	10	1	11
Anthem Classic PPO	4	0	4
Total	**674**	**440**	**1,114**
Medicare Medical Plans			
Kaiser Senior Advantage	1,445	533	1,978
Kaiser Senior Advantage (Hawaii)	4	2	6
Kaiser Senior Advantage (Northwest)	25	7	32
Anthem Medicare PPO	873	320	1,193
Total	**2,347**	**862**	**3,209**

Current Vested Terminations*

Age Group	Male	Female	Total
Under 45	3	9	12
45 to 49	15	21	36
50 to 54	29	38	67
55 to 59	9	10	19
60 to 64	2	3	5
Over 65	1	1	2
Total	**59**	**82**	**141**

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

The expected return on Plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the November 21, 2024 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1. **Expected Return on Plan Assets**

   6.00% per year. The Board expects a long-term rate of return of 6.5% based on Meketa's 10-year capital market assumptions and the Plan's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2. **Per Person Cost Trends**

   Medical trends were developed using the 2024 Society of Actuaries Long-Run Medical Cost Trend Model with the following parameters:

Initial trend rate for the 2025 calendar year:	
Non-Medicare Eligible:	7.00%
Medicare Eligible:	7.50%
Inflation:	2.50%
Real GDP per Capita:	1.40%
Excess Medical Cost Growth:	0.90%
Expected GDP Share in 2033:	19.8%
Resistance Point:	17.7%
Year limited to GDP growth:	2075

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Annual Increase							
Fiscal Year Beginning	Pre-Medicare	Medicare Eligible	Dental	Fiscal Year Beginning	Pre-Medicare	Medicare Eligible	Dental
2025	*Varies by Plan*			2055	4.40	4.40	3.50
2026	6.85%	5.60%	3.50%	2056	4.40	4.40	3.50
2027	6.54	5.49	3.50	2057	4.39	4.39	3.50
2028	6.24	5.38	3.50	2058	4.39	4.39	3.50
2029	5.94	5.27	3.50	2059	4.38	4.38	3.50
2030	5.63	5.15	3.50	2060	4.38	4.38	3.50
2031	5.33	5.04	3.50	2061	4.37	4.37	3.50
2032	5.02	4.93	3.50	2062	4.37	4.37	3.50
2033	4.71	4.71	3.50	2063	4.36	4.36	3.50
2034	4.54	4.54	3.50	2064	4.36	4.36	3.50
2035	4.54	4.54	3.50	2065	4.33	4.33	3.50
2036	4.53	4.53	3.50	2066	4.29	4.29	3.50
2037	4.52	4.52	3.50	2067	4.24	4.24	3.50
2038	4.51	4.51	3.50	2068	4.20	4.20	3.50
2039	4.50	4.50	3.50	2069	4.16	4.16	3.50
2040	4.50	4.50	3.50	2070	4.12	4.12	3.50
2041	4.49	4.49	3.50	2071	4.08	4.08	3.50
2042	4.48	4.48	3.50	2072	4.03	4.03	3.50
2043	4.47	4.47	3.50	2073	3.99	3.99	3.50
2044	4.47	4.47	3.50	2074	3.95	3.95	3.50
2045	4.46	4.46	3.50	2075+	3.94	3.94	3.50
2046	4.45	4.45	3.50				
2047	4.45	4.45	3.50				
2048	4.44	4.44	3.50				
2049	4.44	4.44	3.50				
2050	4.43	4.43	3.50				
2051	4.42	4.42	3.50				
2052	4.42	4.42	3.50				
2053	4.41	4.41	3.50				
2054	4.41	4.41	3.50				

The table above shows the trend increases on a fiscal year basis; premium rates change on a calendar year basis. For the fiscal year beginning July 1, 2025, the trend was developed using the actual calendar year 2025 premiums and a trend assumption for the calendar year 2026. The trend factors vary by plan as shown in the table on the next page.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Plan	FY Beginning 2025 Trend
Pre-Medicare	
Kaiser Plans	6.93%
Anthem Plans	6.02%
Medicare	
Kaiser Plan	7.19%
Anthem PPO Plan	7.24%
Dental	
HMO Plan	1.76%
PPO Plan	1.75%

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximums (where applicable) are assumed to increase at the above trend rates.

3. Changes Since Last Valuation

The per-person cost trends were updated.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the November 21, 2024 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 16, 2023 Board meeting based on recommendations from our experience study covering Plan experience through June 30, 2023. Please refer to the full experience study report and the November 16, 2023 Board presentation for details, including the rationale for each demographic assumption.

1. Salary Increase Rate

Wage inflation component
Reflect currently bargained increases for FYE 2025, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.

Merit Increases
In addition to the wage inflation component shown above, the following merit component is added based on an individual member's years of service:

Salary Merit Increases			
Years of Service	**Merit/ Longevity**	**Years of Service**	**Merit/ Longevity**
0	3.25%	10	1.00
1	3.25	11	0.85
2	3.05	12	0.70
3	2.75	13	0.55
4	2.40	14	0.45
5	2.10	15	0.40
6	1.85	16	0.35
7	1.60	17	0.30
8	1.35	18+	0.25
9	1.20		

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

2. Rates of Termination

Rates of termination are shown in the following table.

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

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

3. Rates of Refund

Tier 1:
Rates of vested terminated employees electing a refund of contributions are shown in the following table.

Rates of Refund		
Years of Service	Younger than Age 45	Ages 45 and Older
0-4	100.0%	100.0%
5	20.0	15.0
6	18.0	12.5
7	16.5	10.0
8	15.0	8.0
9	13.5	6.0
10	12.0	5.0
11	10.0	5.0
12	8.0	5.0
13	6.0	5.0
14	3.0	2.5
15+	0.0	0.0

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

Tier 2:
Vested terminated employees are expected to take a refund if it exceeds the actuarial present value of their deferred benefit payment.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

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.

5. Rates of Retirement for Tier 1 Members

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

Tier 1
Rates of Retirement by Age and Service

	Years of Service			
Age	Less than 15	15 to 24	25 to 29	30 or more
50	0.0%	0.0%	0.0%	75.0%
51	0.0	0.0	0.0	60.0
52	0.0	0.0	0.0	55.0
53	0.0	0.0	0.0	55.0
54	0.0	0.0	0.0	55.0
55	7.0	25.0	55.0	55.0
56	7.0	14.0	25.0	55.0
57	7.0	14.0	25.0	40.0
58	7.0	14.0	25.0	30.0
59	7.0	14.0	25.0	30.0
60	7.0	14.0	25.0	30.0
61	10.0	14.0	25.0	20.0
62	15.0	14.0	25.0	20.0
63	15.0	14.0	20.0	20.0
64	15.0	14.0	20.0	20.0
65	20.0	18.0	30.0	20.0
66	20.0	18.0	40.0	20.0
67	20.0	25.0	50.0	20.0
68	25.0	25.0	50.0	20.0
69	25.0	25.0	50.0	20.0
70+	100.0	100.0	100.0	100.0

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

6. Rates of Retirement for Tier 2 Members

Rates of retirement for Tier 2 members are based on age and service according to the following table.

Tier 2
Rates of Retirement by Age and Service

	Years of Service			
Age	Less than 15	15 to 24	25 to 34	35 or more
55	5.0%	5.0%	7.5%	100%
56	5.0	5.0	7.5	100
57	5.0	5.0	7.5	100
58	5.0	5.0	7.5	100
59	5.0	7.5	10.0	100
60	5.0	10.0	15.0	100
61	5.0	10.0	15.0	100
62	15.0	25.0	50.0	100
63	7.5	15.0	25.0	100
64	12.5	15.0	25.0	100
65	17.5	30.0	50.0	100
66	17.5	30.0	50.0	100
67	17.5	30.0	50.0	100
68	17.5	30.0	50.0	100
69	17.5	30.0	50.0	100
70+	100.0	100.0	100.0	100

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

7. Disability Rates

Disability rates are equal to the 0.956 times the CalPERS 2021 non-industrial disability incidence rates for miscellaneous public agencies, blended 55% male and 45% female. Sample disability rates of active members are provided in the following table.

Rates of Disability at Selected Ages	
Age	**Disability**
25	0.0233%
30	0.0289
35	0.0529
40	0.1187
45	0.2325
50	0.3174
55	0.2508
60	0.2075
65+	0.2394

50% of disabilities are assumed to be duty related, and 50% are assumed to be non-duty related.

8. Base Rates of Mortality

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

Base Mortality Tables		
Category	**Male**	**Female**
Healthy Retirees and Beneficiaries	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	1.020 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees
Disabled Retirees	0.990 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees	0.920 times the 2010 Public General Mortality Table (PubG-2010) for Disabled Retirees

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Mortality Improvement

Future mortality improvements are reflected by applying the MP-2021 projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010.

10. Married Percentage

Percentage Married	
Gender	Percentage
Males	80%
Females	60%

11. Dependent Age

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

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

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

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

13. Dependent Coverage Elections

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

Assumed Future Retiree Tier Elections				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree Only	31%	53%	35%	62%
Retiree and Children	4%	9%	0%	0%
Retiree and Spouse	37%	26%	65%	38%
Retiree and Family	28%	12%	0%	0%

100% of members eligible for dental are assumed to elect spousal coverage.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

14. In-Lieu Assumptions

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. The amount of the In-Lieu credit is 25% of the subsidy for the tier of coverage for which the retiree qualifies. Future retiree medical tier qualification assumptions are provided in the following table.

Assumed Future Retiree In-Lieu Credit Tier				
	Pre-Medicare		Medicare	
Coverage Tier	Male	Female	Male	Female
Retiree Only	30%	30%	45%	45%
Retiree and Children	0%	0%	0%	0%
Retiree and Spouse	30%	30%	55%	55%
Retiree and Family	40%	40%	0%	0%

15. Health Plan Election

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

Assumed Plan Elections for Future Retirees*			
	% Electing		% Electing
Pre-Medicare Medical Plans		**Medicare-Eligible Medical Plans**	
Kaiser DHMO	8%	Kaiser Senior Advantage	61%
Kaiser $25 Co-pay	67%	Anthem Medicare PPO	39%
Kaiser HDHP	8%		
Anthem DHMO	1%		
Anthem Select $20 Co-pay	5%		
Anthem Traditional $20 Co-pay	2%		
Anthem HDHP PPO	5%	**Dental Plans (All Retirees)**	
Anthem Select PPO	3%	Delta Dental PPO	98%
Anthem Classic PPO	1%	DeltaCare HMO	2%

** Eligible for coverage and elect coverage*

16. Voluntary Employees' Beneficiary Association Balance Drawdown

Members are assumed to draw down their VEBA balances by the blended active and retiree member plus spouse premium, without factoring in the lowest cost premium, and increased by a factor of 1.75 to estimate the adjustment from a blended active and retiree premium to a retiree-only premium.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

17. Administrative Expenses

$109 per member for FYE 2026, increasing at the ultimate wage inflation assumption of 3.00% per annum.

18. Changes Since Last Valuation

Future retiree tier election assumptions were updated.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the November 21, 2024 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 2024 and 2025. 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 2024 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.

The claim costs and trend assumptions reflect the Inflation Reduction Act of 2022 (the Act) including associated regulations and market responses to date. As the regulations and market responses evolve, the impact on future costs could vary significantly from those assumed in this valuation.

1. Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2024 based on the premiums for 2024 and 2025. 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	$13,137	$15,957	$18,338	$21,876	$23,180	$28,809
45	13,246	15,424	18,101	20,833	24,012	28,359
50	13,793	15,564	18,412	20,634	25,716	29,252
55	15,045	16,294	19,609	21,175	28,829	31,322
60	17,360	16,929	22,137	21,596	34,061	33,201
64	20,271	16,503	25,490	20,763	40,363	32,842

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Sample Claims Costs - Medicare Eligible				
	Kaiser Senior Adv		Anthem Select PPO	
Age	Male	Female	Male	Female
65	$3,092	$2,728	$5,528	$4,876
70	3,284	2,781	5,870	4,972
75	3,774	3,128	6,747	5,591
80	4,286	3,547	7,661	6,341
85	4,629	3,876	8,274	6,929

Sample Claims Costs - Dental	
	Dental Blended
Age	Unisex
All	703.11

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 Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations 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, 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 the total payroll.

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

5. **Changes Since Last Valuation**

   None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

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

Medical: Employees who retire (including 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.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

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

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 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 pays 100% of the dental insurance premiums.

In-Lieu: Upon retirement, members may elect to receive credits equal to 25% of the premium subsidy the Plan would have paid in-lieu of the actual subsidy. These credits may be used at a future date to supplement the Plan's premium subsidy for the coverage elected.

Premiums: Monthly premiums for calendar years 2024 and 2025 are as follows.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

2024 Monthly Premiums	Single	Emp/Sp	Emp/Chd	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 708.38	$ 1,416.74	$ 1,239.66	$ 2,125.12
Kaiser $25 Co-pay	865.12	1,730.22	1,513.94	2,595.34
Kaiser HDHP	596.84	1,193.68	1,044.46	1,790.52
Anthem HMO Select $20 Co-pay	940.24	2,068.48	1,692.42	2,914.64
Anthem HMO Traditional $20 Co-pay	1,080.88	2,377.90	1,945.60	3,350.68
Anthem DHMO	724.88	1,594.78	1,304.78	2,247.18
Anthem HDHP	1,653.72	3,638.18	2,976.70	5,126.58
Anthem Select PPO	2,684.40	5,905.74	4,831.96	8,321.78
Anthem Classic PPO	2,871.06	6,316.36	5,167.88	8,900.28
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 270.09	$ 540.18	$ 540.18	$ 810.27
Anthem Medicare PPO	502.69	1,005.38	1,005.38	1,508.07
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

2025 Monthly Premiums	Single	Emp/Sp	Emp/Chd	Family
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 756.94	$ 1,513.88	$ 1,324.66	$ 2,270.82
Kaiser $25 Co-pay	924.42	1,848.84	1,617.74	2,773.26
Kaiser HDHP	637.74	1,275.48	1,116.06	1,913.22
Anthem HMO Select $20 Co-pay	987.26	2,171.90	1,777.04	3,060.38
Anthem HMO Traditional $20 Co-pay	1,134.92	2,496.80	2,042.88	3,518.22
Anthem DHMO	761.12	1,674.52	1,370.02	2,359.54
Anthem HDHP	1,736.42	3,820.10	3,125.54	5,382.92
Anthem Select PPO	2,818.62	6,201.04	5,073.56	8,737.88
Anthem Classic PPO	3,014.62	6,632.18	5,426.28	9,345.30
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 294.02	$ 588.04	$ 588.04	$ 882.06
Anthem Medicare PPO	547.69	1,095.38	1,095.38	1,643.07
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

Summary of 2025 Benefit Plans:

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

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Non-Medicare Plans:	Kaiser High Deductible	Kaiser DHMO	Kaiser $25 Co-Pay	Anthem HMO $20 Co-Pay	Anthem HMO DHMO	Anthem PPO* Select PPO	Anthem PPO* Classic PPO	Anthem PPO* High Deductible
Annual Out-of-Pocket Maximum (single/family)	$6,050/ $12,100	$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 Brand	$10	$10	$10	$10	$10	$10	$10	$10
Non-Preferred	$30	$30	$25	$30	$30	$25	$25	$30
Specialty	N/A	N/A	N/A	$60	$60	$40	$40	$60

* *In-Network benefits*
** *After deductible is paid.*

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Cost-Sharing Provisions:

For the purpose of this valuation, it is assumed 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, retiree-paid premiums, or both.

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).

Employee Group	VEBA Contribution Rate
Tier 1 and Tier 2A (Hired before September 2013)	
Management:	2.5%
Non-Management	3.5%
Tier 2B	
Not Unit 99	2.0%
Unit 99	N/A

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 receive single coverage benefits from the Postemployment Healthcare Plan 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.

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.

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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