

# **City of San José Police and Fire Department Postemployment Healthcare Plan**

## **Actuarial Valuation Funding Report as of June 30, 2022**

**Produced by Cheiron**

**January 2023**

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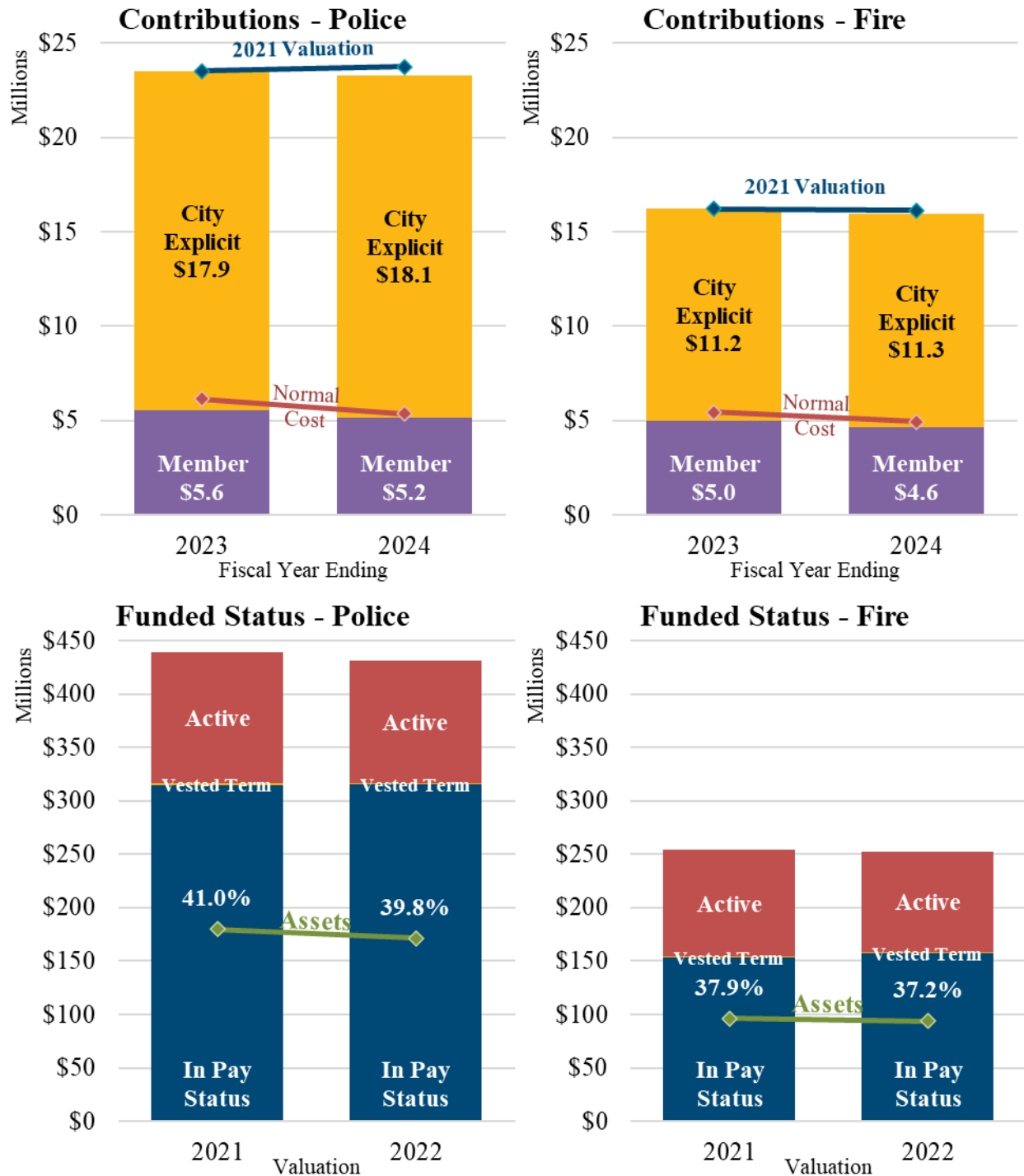
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**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
JUNE 30, 2022 ACTUARIAL VALUATION FUNDING REPORT**

**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**



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**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 2023 and 2024 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 projected contribution amount from the prior valuation is shown by the blue line. 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 \$4.1 million for FYE 2024.

The charts on the bottom of the previous page summarize the funded status as of the June 30, 2021 and June 30, 2022 actuarial valuations. The stacked bars represent the Actuarial Liability, with the liability separated into 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. The green lines represent the assets, and the funded ratio declined to 40% for Police and 37% for Fire.

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 plus the premium for the dental plan selected by the retiree. 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 2023 and 2024.

Table I-1				
Summary of Trust Contribution Amounts				
	FYE 2023	FYE 2024	% Change	
Police Department				
Members	\$ 5,567	\$ 5,187	-6.8%	
City	<u>17,943</u>	<u>18,108</u>	<u>0.9%</u>	
Total	\$ 23,510	\$ 23,295	-0.9%	
Fire Department				
Members	\$ 4,974	\$ 4,633	-6.9%	
City	<u>11,249</u>	<u>11,301</u>	<u>0.5%</u>	
Total	\$ 16,223	\$ 15,934	-1.8%	
Total Trust Contributions				
Members	\$ 10,541	\$ 9,820	-6.8%	
City	<u>29,192</u>	<u>29,409</u>	<u>0.7%</u>	
Grand Total	\$ 39,733	\$ 39,229	-1.3%	
Estimated City Optional Cap	\$ 28,714	\$ 29,843	3.9%	

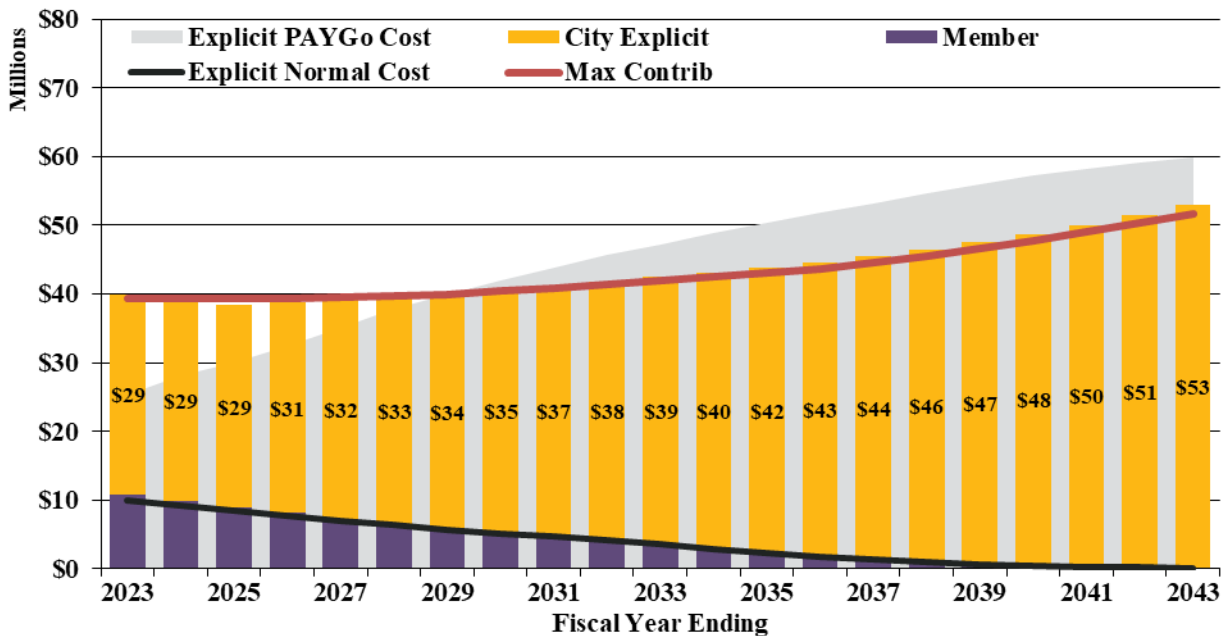
*Dollar amounts in thousands*

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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 2023-2043**



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 2029.

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**SECTION I – BOARD SUMMARY**

**Funded Status**

Table I-2 below summarizes the Actuarial Liability, Market Value of Assets, Unfunded Actuarial Liability, and funded percentage for the Plan as of June 30, 2021 compared to June 30, 2022. The Actuarial Liability for the explicit subsidy decreased 1.9% for Police and 0.7% for Fire. At the same time, assets decreased 4.8% for Police and 2.5% for Fire due primarily to investment returns. As a result, the Unfunded Actuarial Liability increased by 0.1% for Police and 0.4% for Fire and the funded percentage decreased from 41.0% to 39.8% for Police and from 37.9% to 37.2% for Fire. The funded percentages are for the explicit subsidy only.

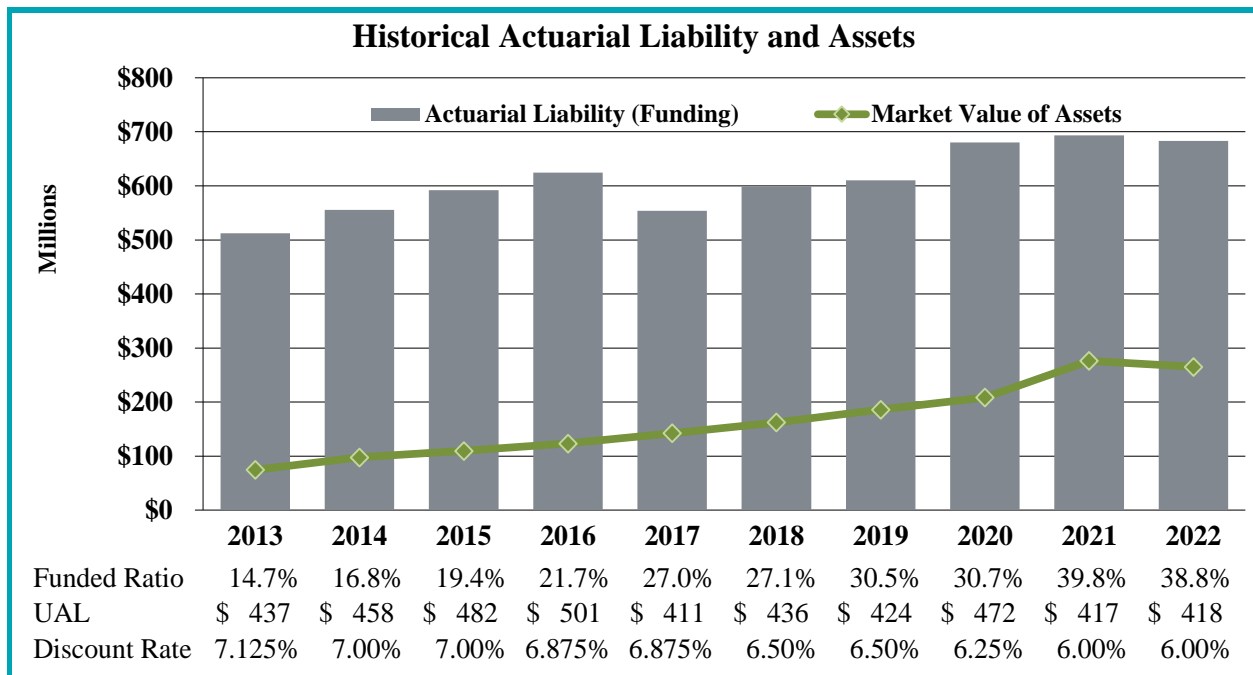
Table I-2				
Summary of Funded Status - Explicit Subsidy Only				
	6/30/2021	6/30/2022	% Change	
Police Department				
Actuarial Liability				
Actives	\$ 122,275	\$ 114,297	-6.5%	
Deferred Vested	2,581	1,370	-46.9%	
In Pay Status	<u>314,331</u>	<u>315,117</u>	0.3%	
Total	\$ 439,187	\$ 430,784	-1.9%	
Assets	180,002	171,369	-4.8%	
Unfunded Actuarial Liability	\$ 259,185	\$ 259,415	0.1%	
Funded Percentage	41.0%	39.8%	-1.2%	
Fire Department				
Actuarial Liability				
Actives	\$ 100,275	\$ 94,456	-5.8%	
Deferred Vested	905	925	2.2%	
In Pay Status	<u>153,125</u>	<u>157,172</u>	2.6%	
Total	\$ 254,305	\$ 252,553	-0.7%	
Assets	96,311	93,904	-2.5%	
Unfunded Actuarial Liability	\$ 157,994	\$ 158,649	0.4%	
Funded Percentage	37.9%	37.2%	-0.7%	
Grand Total				
Aggregate UAL	\$ 417,179	\$ 418,064	0.2%	
Aggregate Funded Percentage	39.8%	38.8%	-1.0%	

*Dollar amounts in thousands*

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**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. Over the last 10 years, the UAL for the explicit subsidy has been reduced by \$19 million. Assets increased \$190 million and the Actuarial Liability increased \$171 million. The increase in Actuarial Liability includes the impact of reducing the discount rate from 7.125% in 2013 to 6.00% in 2022. The increase in the assets has been primarily attributable to contributions and investment returns. In the future, growth in assets will become more dependent on investment returns as benefit payments grow to equal or exceed contributions.



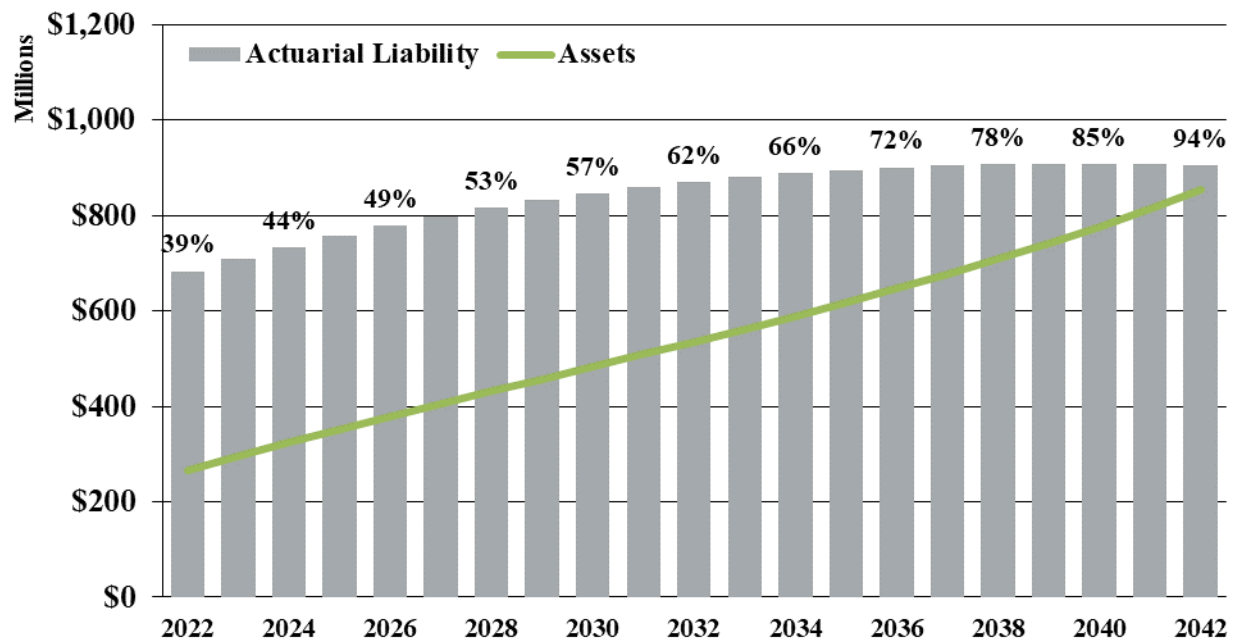
The chart on the next page shows a 20-year projection of assets and Actuarial Liability (AL), as well as the projected funded percentage for the explicit subsidy. If all assumptions are met in the future, including an expected return of 6.00% each year, and the City does not impose its optional cap on contributions, the funded percentage for the explicit subsidy is expected to reach 100% by 2043. If the City imposes its optional cap on contributions every year, the funded percentage for the explicit subsidy is not expected to reach 100% until 2071.



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**SECTION I – BOARD SUMMARY**

**Projected Assets and Actuarial Liability 2022-2042**



**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, 2022. The total UAL for the explicit subsidy increased about \$0.9 million since the prior year.

Table I-3	
Changes in Unfunded Actuarial Liability - Explicit Subsidy Only	
	Total
Unfunded Actuarial Liability, June 30, 2021	\$ 417,179
Unfunded Actuarial Liability, June 30, 2022	418,064
<b>Change in Unfunded Actuarial Liability</b>	<b>\$ 885</b>
<b><u>Sources of Changes</u></b>	
Contributions below Tread Water	\$ (4,249)
Investment Experience	45,355
Liability Experience	(57,707)
Assumption Changes	17,486
<b>Total Changes</b>	<b>\$ 885</b>

*Dollar amounts in thousands*

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Contributions in excess of the Tread Water amount reduced the UAL by \$4.2 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. Investment experience increased the UAL by about \$45.3 million. Liability experience decreased the UAL by about \$57.7 million, mainly due to lower-than-expected premiums for Medicare eligible health plans. Assumption changes increased the UAL by about \$17.5 million, primarily due to the impact of the higher inflation assumption on health care trends.

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**SECTION I – BOARD SUMMARY**

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

Table I-4 Summary of Valuation Results						
	June 30, 2021	June 30, 2022			Change	
		Police	Fire	Total		
Active Members						
Full Benefits	986	469	427	896	-9.1%	
Catastrophic Disability Only	752	624	226	850	13.0%	
Total Active Members	1,738	1,093	653	1,746	0.5%	
Deferred Vested Members	12	5	3	8	-33.3%	
In Pay Status or In-Lieu	2,273	1,465	872	2,337	2.8%	
Total	4,023	2,563	1,528	4,091	1.7%	
Full Benefit Member Payroll	\$ 143,954	\$ 72,166	\$ 62,855	\$ 135,021	-6.2%	
Total Payroll	253,435	165,637	97,758	263,395	3.9%	
Actuarial Liability - Explicit	\$ 693,492	\$ 430,784	\$ 252,553	\$ 683,337	-1.5%	
Market Value of Assets	276,313	171,369	93,904	265,273	-4.0%	
Unfunded Actuarial Liability	\$ 417,179	\$ 259,415	\$ 158,649	\$ 418,064	0.2%	
Funded Percentage	39.84%	39.78%	37.18%	38.82%	-1.0%	
Actuarial Liability - Implicit	\$ 64,716	\$ 44,969	\$ 23,751	\$ 68,719	6.2%	
	FYE 2023	FYE 2024			Change	
		Police	Fire	Total		
City's ADC Amount	\$ 29,192	\$ 18,108	\$ 11,301	\$ 29,410	0.7%	
City's ADC Rate	11.2%	10.6%	11.2%	10.8%	-0.3%	
City's Implicit Subsidy Payment	\$ 3,152	\$ 2,740	\$ 1,314	\$ 4,054	28.6%	

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION II – CERTIFICATION**

The purpose of this report is to present the annual actuarial valuation of the City of San José 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 November 3, 2022 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 4, 2021 Board meeting based on recommendations from our experience study covering plan experience through June 30, 2021. Please refer to the experience study report and our Board presentations for an explanation of the rationale for each assumption. We believe these assumptions are reasonable for the purpose of the funding valuation.

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

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Health care trends for this valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this valuation.

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

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**SECTION II – CERTIFICATION**

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

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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



William R. Hallmark, ASA, EA, FCA, MAAA  
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**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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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 for the Police Department are currently being paid entirely from the 401(h) account. For the Fire Department some benefit payments are paid from the 401(h) account and some are paid from the 115 Trust.

**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. 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.

<b>Table III-1 Market Value of Assets - Police Department</b>						
	Fiscal Year Ending 2021			Fiscal Year Ending 2022		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning	\$ 27,248	\$ 110,541	\$ 137,789	\$ 25,726	\$ 154,276	\$ 180,002
Contributions						
Member	6,743	0	6,743	6,592	0	6,592
City	0	15,320	15,320	0	16,735	16,735
Implicit subsidy	1,950	0	1,950	2,147	0	2,147
Total	\$ 8,693	\$ 15,320	\$ 24,013	\$ 8,739	\$ 16,735	\$ 25,474
Net Investment Earnings	6,562	28,448	35,010	(1,356)	(15,906)	(17,262)
Benefit Payments						
Explicit subsidy	14,796	0	14,796	14,594	0	14,594
Implicit subsidy	1,950	0	1,950	2,147	0	2,147
Total	\$ 16,746	\$ 0	\$ 16,746	\$ 16,741	\$ 0	\$ 16,741
Administrative Expenses	31	33	64	37	67	104
Market Value, End	\$ 25,726	\$ 154,276	\$ 180,002	\$ 16,331	\$ 155,038	\$ 171,369
Estimated Rate of Return	28.3%	22.6%	23.5%	-6.2%	-9.3%	-9.0%

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION III – ASSETS**

**Table III-2  
Market Value of Assets - Fire Department**

	Fiscal Year Ending 2021			Fiscal Year Ending 2022		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning	\$ 2,200	\$ 68,543	\$ 70,743	\$ 19	\$ 96,292	\$ 96,311
Transfer between funds	\$ 0	\$ 0	\$ 0	\$ 1,179	\$ (1,179)	\$ 0
Contributions						
Member	5,732	0	5,732	5,516	0	5,516
City	0	10,062	10,062	0	10,767	10,767
Implicit subsidy	1,065	0	1,065	1,114	0	1,114
Total	\$ 6,797	\$ 10,062	\$ 16,859	\$ 6,630	\$ 10,767	\$ 17,397
Net Investment Earnings	276	17,707	17,983	1,984	(12,021)	(10,037)
Benefit Payments						
Explicit subsidy	8,163	0	8,163	5,210	3,392	8,602
Implicit subsidy	1,065	0	1,065	1,114	0	1,114
Total	\$ 9,228	\$ 0	\$ 9,228	\$ 6,324	\$ 3,392	\$ 9,716
Administrative Expenses	26	20	46	9	42	51
Market Value, End	\$ 19	\$ 96,292	\$ 96,311	\$ 1,121	\$ 92,783	\$ 93,904
Estimated Rate of Return	28.3%	22.5%	22.6%	-27.8%	-9.3%	-9.5%

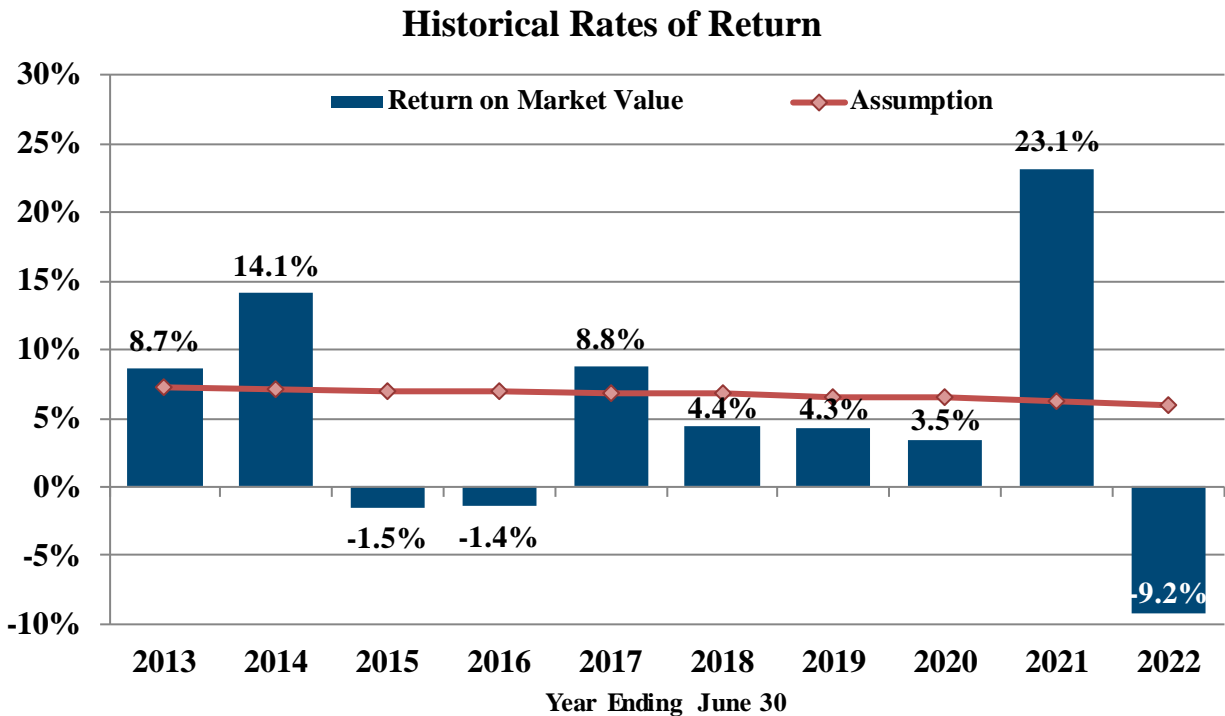
*Dollar amounts in thousands*

In the last year, investments, in aggregate, returned approximately -9.0% for Police and -9.5% for Fire compared to an expected rate of return of 6.00%, resulting in a total investment loss of approximately \$45.2 million.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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SECTION III – ASSETS

The chart below shows the actual investment return on the Market Value of Assets compared to the assumed return for the last 10 years. The compound average of the actual returns is about 5.1%.





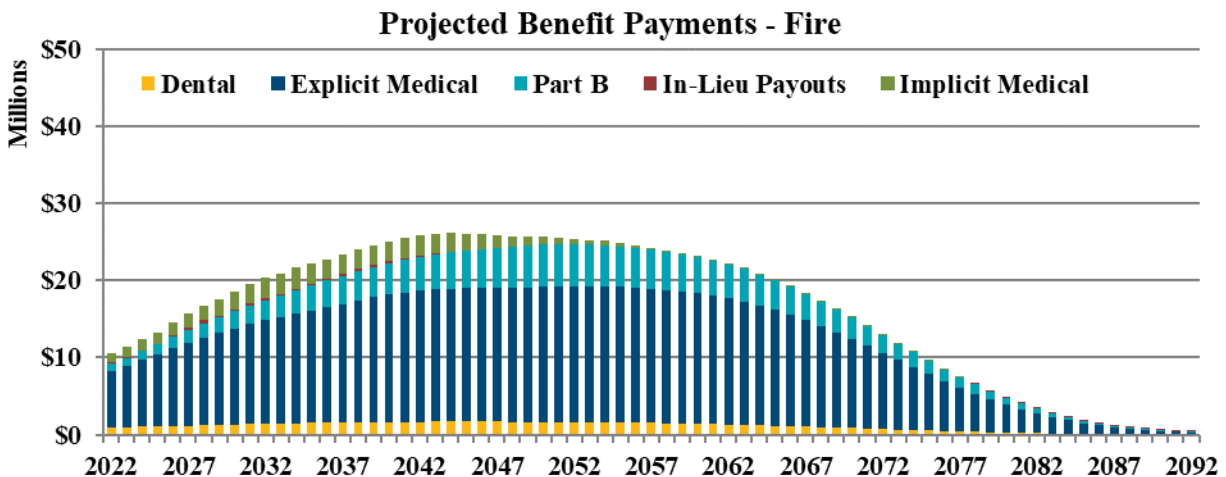
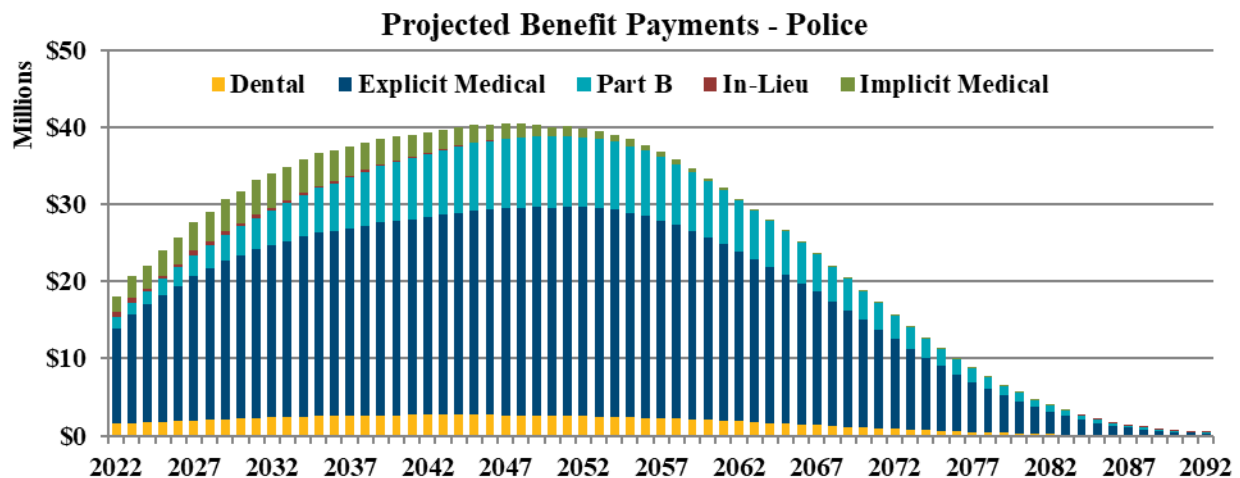
## SECTION IV – MEASURES OF LIABILITY

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.



**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**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			
2023	\$ 14,363	\$ 1,573	\$ 15,935	\$ 2,112	\$ 18,048	
2024	16,293	1,666	17,959	2,740	20,699	
2025	17,248	1,756	19,004	2,994	21,999	
2026	18,866	1,840	20,706	3,308	24,014	
2027	20,192	1,928	22,119	3,491	25,611	
2028	21,958	2,009	23,967	3,733	27,700	
2029	23,027	2,087	25,114	3,909	29,023	
2030	24,297	2,159	26,456	4,144	30,600	
2031	25,265	2,225	27,490	4,220	31,709	
2032	26,322	2,289	28,611	4,475	33,087	
2033	27,197	2,352	29,549	4,395	33,944	
2034	28,139	2,415	30,554	4,256	34,810	
2035	28,989	2,473	31,462	4,357	35,819	
2036	29,841	2,524	32,365	4,240	36,605	
2037	30,406	2,568	32,974	3,979	36,953	
2038	31,113	2,602	33,714	3,811	37,525	
2039	31,815	2,632	34,447	3,583	38,030	
2040	32,508	2,658	35,166	3,367	38,533	
2041	32,999	2,678	35,677	3,058	38,735	
2042	33,477	2,691	36,169	2,816	38,984	

*Dollar amounts in thousands*

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**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			
2023	\$ 8,632	\$ 908	\$ 9,540	\$ 1,126	\$	10,666
2024	9,114	970	10,084	1,314		11,399
2025	9,926	1,025	10,950	1,421		12,371
2026	10,677	1,077	11,754	1,459		13,213
2027	11,760	1,131	12,891	1,648		14,539
2028	12,711	1,184	13,895	1,756		15,651
2029	13,582	1,231	14,812	1,977		16,790
2030	14,197	1,270	15,467	2,064		17,531
2031	14,939	1,312	16,251	2,280		18,531
2032	15,665	1,356	17,021	2,450		19,471
2033	16,297	1,402	17,699	2,612		20,311
2034	16,811	1,448	18,258	2,639		20,897
2035	17,463	1,493	18,956	2,673		21,630
2036	18,022	1,532	19,554	2,569		22,123
2037	18,656	1,568	20,224	2,555		22,778
2038	19,275	1,597	20,872	2,537		23,410
2039	19,854	1,624	21,478	2,497		23,975
2040	20,370	1,645	22,015	2,576		24,591
2041	20,791	1,659	22,451	2,583		25,034
2042	21,266	1,673	22,939	2,605		25,544

*Dollar amounts in thousands*

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**SECTION IV – MEASURES OF LIABILITY**

**Present Value of Future Benefits**

The present value of future benefits represents the expected amount of money needed today, if all assumptions are met, to pay for all benefits both earned as of the valuation date and expected to be earned in the future by current plan members under the current plan provisions. Table IV-3 below shows the present value of future benefits as of June 30, 2021 and 2022.

<b>Table IV-3</b> <b>Present Value of Future Benefits</b>						
	June 30, 2021	June 30, 2022				
	Total	Actives	Deferred Vested	In Pay Status	Total	Change
<b>Police Department</b>						
Explicit Subsidy						
Pre-Medicare	\$ 154,566	\$ 69,860	\$ 475	\$ 72,609	\$ 142,944	-7.5%
Medicare Eligible	294,752	70,385	775	216,971	288,131	-2.2%
Dental	32,507	10,278	120	25,537	35,935	10.5%
<b>Total Explicit Subsidy</b>	<b>\$ 481,826</b>	<b>\$ 150,522</b>	<b>\$ 1,370</b>	<b>\$ 315,117</b>	<b>\$ 467,010</b>	<b>-3.1%</b>
<b>Fire Department</b>						
Explicit Subsidy						
Pre-Medicare	\$ 85,433	\$ 54,593	\$ 328	\$ 26,156	\$ 81,076	-5.1%
Medicare Eligible	189,338	67,029	523	118,189	185,741	-1.9%
Dental	20,635	9,236	74	12,828	22,138	7.3%
<b>Total Explicit Subsidy</b>	<b>\$ 295,405</b>	<b>\$ 130,858</b>	<b>\$ 925</b>	<b>\$ 157,172</b>	<b>\$ 288,955</b>	<b>-2.2%</b>
<b>Aggregate</b>						
Explicit Subsidy						
Pre-Medicare	\$ 239,999	\$ 124,452	\$ 803	\$ 98,764	\$ 224,020	-6.7%
Medicare Eligible	484,090	137,414	1,297	335,161	473,872	-2.1%
Dental	53,142	19,514	194	38,365	58,073	9.3%
<b>Total Explicit Subsidy</b>	<b>\$ 777,231</b>	<b>\$ 281,380</b>	<b>\$ 2,295</b>	<b>\$ 472,290</b>	<b>\$ 755,965</b>	<b>-2.7%</b>
Implicit Subsidy	72,892	36,476	291	39,702	76,469	4.9%
<b>Grand Total</b>	<b>\$ 850,123</b>	<b>\$ 317,857</b>	<b>\$ 2,586</b>	<b>\$ 511,991</b>	<b>\$ 832,433</b>	<b>-2.1%</b>

*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 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, 2021 and 2022 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.

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**SECTION IV – MEASURES OF LIABILITY**

<b>Table IV-4</b> <b>Explicit Subsidy Normal Cost</b>					
	June 30, 2021		June 30, 2022		
	Total	Full Benefits	Catastrophic	Total	% Change
<b>Police Department</b>					
Pre-Medicare	\$ 3,625	\$ 2,431	\$ 674	\$ 3,106	-14.3%
Medicare Eligible	2,186	2,031	0	2,031	-7.1%
Dental	349	341	0	341	-2.3%
<b>Total Normal Cost</b>	<b>\$ 6,161</b>	<b>\$ 4,803</b>	<b>\$ 674</b>	<b>\$ 5,478</b>	<b>-11.1%</b>
Valuation Pay	\$ 144,202	\$ 72,166	\$ 78,206	\$ 150,372	4.3%
<b>Total Normal Cost Rate</b>	<b>4.27%</b>	<b>6.85%</b>	<b>0.89%</b>	<b>3.64%</b>	<b>-14.8%</b>
<b>Fire Department</b>					
Pre-Medicare	\$ 2,539	\$ 2,068	\$ 216	\$ 2,284	-10.0%
Medicare Eligible	2,586	2,442	0	2,442	-5.6%
Dental	354	353	0	353	-0.5%
<b>Total Normal Cost</b>	<b>\$ 5,479</b>	<b>\$ 4,863</b>	<b>\$ 216</b>	<b>\$ 5,079</b>	<b>-7.3%</b>
Valuation Pay	\$ 89,261	\$ 62,855	\$ 28,002	\$ 90,858	1.8%
<b>Total Normal Cost Rate</b>	<b>6.14%</b>	<b>7.97%</b>	<b>0.79%</b>	<b>5.59%</b>	<b>-9.0%</b>
	FYE 2023		FYE 2024		
	Total	Full Benefits	Catastrophic	Total	% Change
<b>Police Department</b>					
Expected Pay	\$ 162,321	\$ 64,832	\$ 105,774	\$ 170,606	5.1%
<b>Total Normal Cost</b>	<b>\$ 6,148</b>	<b>\$ 4,441</b>	<b>\$ 941</b>	<b>\$ 5,382</b>	<b>-12.5%</b>
<b>Fire Department</b>					
Expected Pay	\$ 98,716	\$ 57,911	\$ 42,779	\$ 100,691	2.0%
<b>Total Normal Cost</b>	<b>\$ 5,447</b>	<b>\$ 4,616</b>	<b>\$ 338</b>	<b>\$ 4,953</b>	<b>-9.1%</b>
<b>Aggregate</b>					
Expected Pay	\$ 261,038	\$ 122,743	\$ 148,553	\$ 271,296	3.9%
<b>Total Normal Cost</b>	<b>\$ 11,596</b>	<b>\$ 9,057</b>	<b>\$ 1,279</b>	<b>\$ 10,336</b>	<b>-10.9%</b>

*Dollar amounts in thousands*

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**SECTION IV – MEASURES OF LIABILITY**

**Actuarial Liability**

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

Table IV-5 shows the Actuarial Liability as of June 30, 2021 and 2022 separately by component.

<b>Table IV-5 Actuarial Liability</b>						
	<b>June 30, 2021</b>		<b>June 30, 2022</b>			
	<b>Total</b>	<b>Actives</b>	<b>Deferred Vested</b>	<b>In Pay Status</b>	<b>Total</b>	<b>% Change</b>
<b>Police Department</b>						
Explicit Subsidy						
Pre-Medicare	\$ 127,003	\$ 47,318	\$ 475	\$ 72,609	\$ 120,403	-5.2%
Medicare Eligible	281,716	58,632	775	216,971	276,378	-1.9%
Dental	30,468	8,346	120	25,537	34,004	11.6%
<b>Total Explicit</b>	<b>\$ 439,187</b>	<b>\$ 114,296</b>	<b>\$ 1,370</b>	<b>\$ 315,117</b>	<b>\$ 430,784</b>	<b>-1.9%</b>
Implicit Subsidy	42,518	15,717	174	29,078	44,969	5.8%
<b>Total Police</b>	<b>\$ 481,704</b>	<b>\$ 130,013</b>	<b>\$ 1,544</b>	<b>\$ 344,195</b>	<b>\$ 475,753</b>	<b>-1.2%</b>
<b>Fire Department</b>						
Explicit Subsidy						
Pre-Medicare	\$ 64,895	\$ 36,907	\$ 328	\$ 26,156	\$ 63,391	-2.3%
Medicare Eligible	171,202	50,620	523	118,189	169,332	-1.1%
Dental	18,208	6,929	74	12,828	19,830	8.9%
<b>Total Explicit</b>	<b>\$ 254,305</b>	<b>\$ 94,456</b>	<b>\$ 925</b>	<b>\$ 157,172</b>	<b>\$ 252,553</b>	<b>-0.7%</b>
Implicit Subsidy	22,199	13,010	117	10,624	23,751	7.0%
<b>Total Fire</b>	<b>\$ 276,504</b>	<b>\$ 107,466</b>	<b>\$ 1,042</b>	<b>\$ 167,796</b>	<b>\$ 276,304</b>	<b>-0.1%</b>
<b>Aggregate</b>						
<b>Explicit Subsidy</b>	<b>\$ 693,492</b>	<b>\$ 208,752</b>	<b>\$ 2,295</b>	<b>\$ 472,290</b>	<b>\$ 683,337</b>	<b>-1.5%</b>
Implicit Subsidy	64,716	28,727	291	39,702	68,719	6.2%
<b>Grand Total</b>	<b>\$ 758,208</b>	<b>\$ 237,479</b>	<b>\$ 2,586</b>	<b>\$ 511,991</b>	<b>\$ 752,056</b>	<b>-0.8%</b>

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**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					
Explicit Subsidy Only					
	June 30, 2021		June 30, 2022		% Change
Police Department					
Actuarial Liability	\$	439,187	\$	430,784	-1.9%
Assets		<u>180,002</u>		<u>171,369</u>	-4.8%
Unfunded Actuarial Liability	\$	259,185	\$	259,415	0.1%
Funded Percentage		41.0%		39.8%	-2.9%
Fire Department					
Actuarial Liability	\$	254,305	\$	252,553	-0.7%
Assets		<u>96,311</u>		<u>93,904</u>	-2.5%
Unfunded Actuarial Liability	\$	157,994	\$	158,649	0.4%
Funded Percentage		37.9%		37.2%	-1.8%
Aggregate UAL					
Aggregate UAL	\$	417,179	\$	418,064	0.2%
Aggregate Funded Percentage		39.8%		38.8%	-2.6%



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**SECTION V – CONTRIBUTIONS**

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 on the following page shows the schedule of amortization bases for payment of the UAL.

Table V-2						
UAL Amortization						
	Outstanding		Remaining			FYE 2024
	Balance	Period	Phase-in	Phase-out		Payment
Police Department						
Fresh Start UAL	\$ 239,545	20	N/A	N/A	\$	15,978
2018 Changes	12,050	21	0	3		750
2019 Changes	(9,985)	22	0	3		(602)
2020 Changes	34,203	23	1	3		2,002
2021 Changes	(35,734)	24	2	3		(1,381)
2022 Changes	2,573	25	3	3		50
FYE 2023 Payment*	16,763					
Total Police UAL	\$ 259,415				\$	16,797
Fire Department						
Fresh Start UAL	\$ 149,722	20	N/A	N/A	\$	9,987
2018 Changes	10,103	21	0	3		629
2019 Changes	(5,656)	22	0	3		(341)
2020 Changes	15,065	23	1	3		882
2021 Changes	(23,413)	24	2	3		(905)
2022 Changes	2,422	25	3	3		47
FYE 2023 Payment*	10,406					
Total Fire UAL	\$ 158,649				\$	10,299
Grand Total	\$ 418,064				\$	27,096

\* FYE 2023 amortization payment discounted to 7/1/2022

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION V – CONTRIBUTIONS**

**Contributions for Administrative Expenses**

Contributions for administrative expenses are set equal to \$42.00 per member for FYE 2024 (increasing 3.00 percent per year). There are currently 4,091 members, resulting in estimated administrative expenses for FYE 2024 of \$171,822.

**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.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION V – CONTRIBUTIONS**

Table V-3 shows the components of the Actuarially Determined Contribution (ADC) amounts for the explicit subsidy for FYE 2024 and 2023.

<b>Table V-3</b> <b>City's Actuarially Determined Contribution (ADC)</b> <b>Explicit Subsidy Only</b>			
	<b>FYE 2023</b>	<b>FYE 2024</b>	<b>% Change</b>
<b>Police Department</b>			
Normal Cost Amount	\$ 6,148	\$ 5,382	-12.5%
Administrative Expense	103	108	4.4%
UAL Payment	<u>17,259</u>	<u>17,805</u>	3.2%
Total Contribution	\$ <b>23,510</b>	\$ <b>23,295</b>	-0.9%
Projected Member Contributions	<u>5,567</u>	<u>5,187</u>	-6.8%
<b>City's ADC Amount</b>	\$ <b>17,943</b>	\$ <b>18,108</b>	<b>0.9%</b>
Projected Total Payroll	162,321	170,606	5.1%
City's ADC Percentage	11.1%	10.6%	-4.0%
<b>Fire Department</b>			
Normal Cost Amount	\$ 5,447	\$ 4,953	-9.1%
Administrative Expense	62	64	3.7%
UAL Payment	<u>10,713</u>	<u>10,917</u>	1.9%
Total Contribution	\$ <b>16,223</b>	\$ <b>15,934</b>	-1.8%
Projected Member Contributions	<u>4,974</u>	<u>4,633</u>	-6.9%
<b>City's ADC Amount</b>	\$ <b>11,249</b>	\$ <b>11,301</b>	<b>0.5%</b>
Projected Total Payroll	98,716	100,691	2.0%
City's ADC Percentage	11.4%	11.2%	-1.5%
<b>Grand Totals</b>			
City's ADC Amount	\$ 29,192	\$ 29,410	0.7%
Projected Total Payroll	261,038	271,296	3.9%
City's ADC Percentage	11.2%	10.8%	-3.1%
City's Optional Cap	\$ 28,714	\$ 29,843	3.9%

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**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						
Police Department - Member Benefit Coverage Information						
Actuarial Valuation Date	Actuarial Liability		Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets		
	Retirees and Vested Terminated (A)	Active Members (B)		(A)	(B)	
6/30/2022	\$ 345,739	\$ 130,013	\$ 171,369	50%	0%	
6/30/2021	343,241	138,464	180,002	52%	0%	
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%	

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

Dollar amounts in thousands

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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

**Table VI-2**

**Fire Department - Member Benefit Coverage Information**

Actuarial Valuation Date	Actuarial Liability		Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets	
	Retirees and Vested Terminated	Active Members		(A)	(B)
	(A)	(B)			
6/30/2022	\$ 168,837	\$ 107,466	\$ 93,904	56%	0%
6/30/2021	162,834	113,670	96,311	59%	0%
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%

\* 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
6/30/2022	\$ (28,934)	\$ 36,673	\$ 7,739	\$ (11,836)	\$ (4,097)
6/30/2021	25,626	27,361	52,988	(21,845)	31,143
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

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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

**Table VI-4**

**Fire Department - Analysis of Financial Experience**

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

<b>Actuarial Valuation Date</b>	<b>Investment Income</b>	<b>Combined Liability Experience</b>	<b>Total Financial Experience</b>	<b>Assumption Changes</b>	<b>Total Experience</b>
6/30/2022	\$ (16,421)	\$ 19,851	\$ 3,430	\$ (6,488)	\$ (3,058)
6/30/2021	12,961	23,287	36,248	(14,737)	21,511
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:**

<b>Actuarial Valuation Date</b>	<b>Investment Income</b>	<b>Combined Liability Experience</b>	<b>Total Financial Experience</b>	<b>Non-Recurring Items</b>	<b>Total Experience</b>
6/30/2017	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

*The analysis was combined for Police and Fire for 6/30/2017 and earlier*

*Dollar amounts in thousands*

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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

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 equals the Market Value of Assets.

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 (c)	UAL as a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2022	\$ 171,369	\$ 475,753	\$ 304,384	36.0%	\$ 165,637	184%
6/30/2021	180,002	481,704	301,702	37.4%	157,594	191%
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%

*Dollar amounts in thousands*

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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

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 (c)	UAL as a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2022	\$ 93,904	\$ 276,304	\$ 182,399	34.0%	\$ 97,758	187%
6/30/2021	96,311	276,504	180,193	34.8%	95,841	188%
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	248,907	206,316	17.1%	83,517	247%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295%
6/30/2015	29,243	269,430	240,187	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%

*Dollar amounts in thousands*



**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

<b>Schedule of Active Member Data - Police</b>						
<b>Valuation Date</b>	<b>Active Member Counts</b>			<b>Annual Payroll</b>	<b>Average Annual Pay</b>	<b>Change in Average Pay</b>
	<b>Under 65</b>	<b>Age 65+</b>	<b>Total</b>			
2022	1,093	0	1,093	\$ 165,636,770	\$ 151,543	4.3%
2021	1,081	0	1,081	\$ 157,000,932	\$ 145,237	3.3%
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	

<b>Schedule of Active Member Data - Fire</b>						
<b>Valuation Date</b>	<b>Active Member Counts</b>			<b>Annual Payroll</b>	<b>Average Annual Pay</b>	<b>Change in Average Pay</b>
	<b>Under 65</b>	<b>Age 65+</b>	<b>Total</b>			
2022	653	0	653	\$ 97,757,818	\$ 149,706	2.9%
2021	657	0	657	\$ 95,556,891	\$ 145,444	2.9%
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	

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

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

Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in	Average Annual
	Count	Subsidy	Count	Count	Count	Subsidy	Count	Subsidy	Annual Subsidy	Annual Subsidy
<b><u>Medical</u></b>										
2021-22	1,403	\$ 13,091	68	27	1,444	\$ 13,143	41	\$ 53	0.4%	\$ 9,102
2020-21	1,353	12,410	74	24	1,403	13,091	50	681	5.5%	9,331
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
<b><u>Dental</u></b>										
2021-22	1,399	\$ 1,776	66	30	1,435	\$ 1,502	36	\$ (274)	-15.4%	\$ 1,047
2020-21	1,359	1,723	66	26	1,399	1,776	40	53	3.1%	1,269
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

*Annual subsidies are explicit amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION VI – ACTUARIAL SECTION OF THE ACFR**

**Schedule of Retirees and Beneficiaries Added to and Removed from Rolls  
Fire Department**

Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Subsidy			Count	Subsidy	Count	Subsidy		
<b><u>Medical</u></b>										
2021-22	832	\$ 7,525	54	30	856	\$ 7,545	24	\$ 20	0.3%	\$ 8,814
2020-21	825	7,332	36	29	832	7,525	7	192	2.6%	9,044
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
<b><u>Dental</u></b>										
2021-22	841	\$ 977	51	31	861	\$ 829	20	\$ (148)	-15.2%	\$ 962
2020-21	839	970	32	30	841	977	2	7	0.7%	1,161
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

*Annual subsidies are explicit amounts in thousands*

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

**Member Data**

<b>Police Department - Summary of Member Data</b>			
<b>Valuation Date</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>% Change</b>
<b>Active Employees Eligible for Full Benefits</b>			
Count	517	469	-9.28%
Average Age	46.7	47.2	1.08%
Average OPEB Benefit Service	18.7	19.1	1.99%
Total Payroll	\$ 85,177,803	\$ 80,983,115	-4.92%
<b>Active Employees Eligible for Catastrophic Disability Only</b>			
Count	564	624	10.64%
Average Age	31.7	32.4	2.03%
Average OPEB Benefit Service	3.4	3.9	13.91%
Total Payroll	\$ 71,823,129	\$ 84,653,655	17.86%
<b>Term Vested Members**</b>	<b>9</b>	<b>5</b>	<b>-44.44%</b>
<b>Retirees and Surviving Spouses with Coverage*</b>			
Medical and Dental Coverage	1,219	1,245	2.13%
Medical Coverage Only	1	1	0.00%
In-Lieu Medical with Dental Coverage	159	169	6.29%
Dental Coverage Only	21	21	0.00%
In-Lieu Medical Coverage Only	24	29	20.83%
<b>Total</b>	<b>1,424</b>	<b>1,465</b>	<b>2.88%</b>
<b>Total Count</b>	<b>2,514</b>	<b>2,563</b>	<b>1.95%</b>

\* Counts do not include dependent spouses.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

<b>Fire Department - Summary of Member Data</b>			
<b>Valuation Date</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>% Change</b>
<b>Active Employees Eligible for Full Benefits</b>			
Count	469	427	-8.96%
Average Age	47.1	47.6	1.05%
Average OPEB Benefit Service	17.4	17.8	2.17%
Total Payroll	\$ 72,131,382	\$ 68,540,498	-4.98%
<b>Active Employees Eligible for Catastrophic Disability Only</b>			
Count	188	226	20.21%
Average Age	35.6	35.7	0.23%
Average OPEB Benefit Service	4.8	4.8	1.20%
Total Payroll	\$ 23,425,509	\$ 29,217,320	24.72%
<b>Term Vested Members**</b>	<b>3</b>	<b>3</b>	<b>0.00%</b>
<b>Retirees and Surviving Spouses with Coverage*</b>			
Medical and Dental Coverage	780	792	1.54%
Medical Coverage Only	0	0	N/A
In-Lieu Medical with Dental Coverage	44	53	20.45%
Dental Coverage Only	17	16	-5.88%
In-Lieu Medical Coverage Only	8	11	37.50%
<b>Total</b>	<b>849</b>	<b>872</b>	<b>2.71%</b>
<b>Total Count</b>	<b>1,509</b>	<b>1,528</b>	<b>1.26%</b>

\* Counts do not include dependent spouses.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

<b>Police Department - Status Reconciliation</b>						
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
<b>Beginning of Year</b>	<b>1,081</b>	<b>9</b>	<b>838</b>	<b>137</b>	<b>449</b>	<b>2,514</b>
New Hires	93	0	0	0	0	93
Rehires	3	0	0	0	0	3
Non-Vested Termination	(25)	0	0	0	0	(25)
Vested Terminations	0	0	0	0	0	0
Service Retirements	(41)	(3)	44	0	0	0
Disabled Retirements	(6)	0	(1)	0	7	0
New Survivors	0	0	0	15	0	15
No longer covered	(12)	(1)	(11)	(5)	(11)	(40)
Data corrections	0	0	3	0	0	3
New Catastrophic Disability	0	0	0	0	0	0
<b>End of Year</b>	<b>1,093</b>	<b>5</b>	<b>873</b>	<b>147</b>	<b>445</b>	<b>2,563</b>

*Counts do not include dependent spouses*

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

<b>Fire Department - Status Reconciliation</b>						
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
<b>Beginning of Year</b>	<b>657</b>	<b>3</b>	<b>291</b>	<b>129</b>	<b>429</b>	<b>1,509</b>
New Hires	42	0	0	0	0	42
Rehires	0	0	0	0	0	0
Non-Vested Termination	(8)	0	0	0	0	(8)
Vested Terminations	(1)	1	0	0	0	0
Service Retirements	(37)	(1)	38	0	0	0
Disabled Retirements	0	0	(4)	0	4	0
New Survivors	0	0	0	16	0	16
No longer covered	0	0	(3)	(8)	(20)	(31)
Data corrections	0	0	0	0	0	0
New Catastrophic Disability	0	0	0	0	0	0
<b>End of Year</b>	<b>653</b>	<b>3</b>	<b>322</b>	<b>137</b>	<b>413</b>	<b>1,528</b>

*Counts do not include dependent spouses*

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

**Member Data as of June 30, 2022:**

<b>Police Department - Active Employees Eligible For Full Benefits</b>								
<b>Years of OPEB Benefit Service</b>								
<b>Age Group</b>	<b>&lt; 5</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 +</b>	<b>Total</b>
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	10	0	0	0	0	0	10
35 to 39	2	18	18	18	0	0	0	56
40 to 44	0	9	26	45	9	0	0	89
45 to 49	2	3	13	45	71	20	0	154
50 to 54	0	2	5	17	59	44	1	128
55 to 59	0	0	0	5	9	10	1	25
60 to 64	0	0	0	4	0	3	0	7
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>4</b>	<b>42</b>	<b>62</b>	<b>134</b>	<b>148</b>	<b>77</b>	<b>2</b>	<b>469</b>

<b>Fire Department - Active Employees Eligible For Full Benefits</b>								
<b>Years of OPEB Benefit Service</b>								
<b>Age Group</b>	<b>&lt; 5</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 +</b>	<b>Total</b>
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	3	3	0	0	0	0	6
35 to 39	0	13	15	8	0	0	0	36
40 to 44	1	12	56	36	4	0	0	109
45 to 49	1	2	20	38	46	4	0	111
50 to 54	0	1	10	23	77	17	2	130
55 to 59	0	0	1	3	19	9	0	32
60 to 64	0	0	0	0	2	1	0	3
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>2</b>	<b>31</b>	<b>105</b>	<b>108</b>	<b>148</b>	<b>31</b>	<b>2</b>	<b>427</b>

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

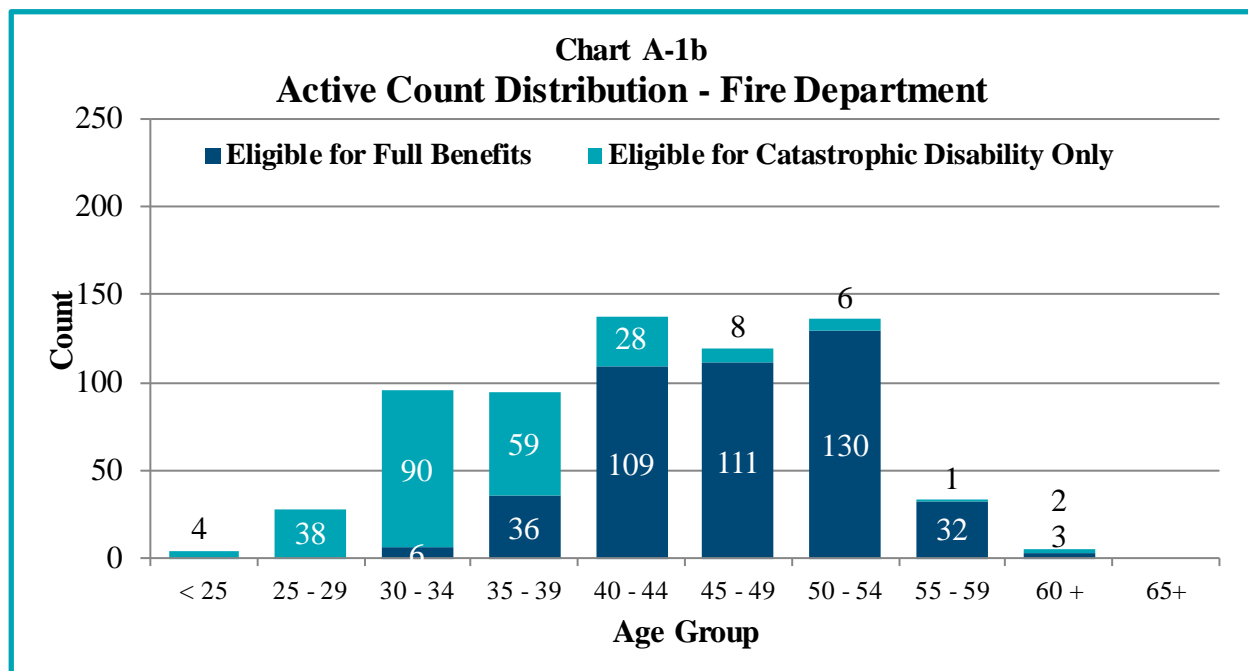
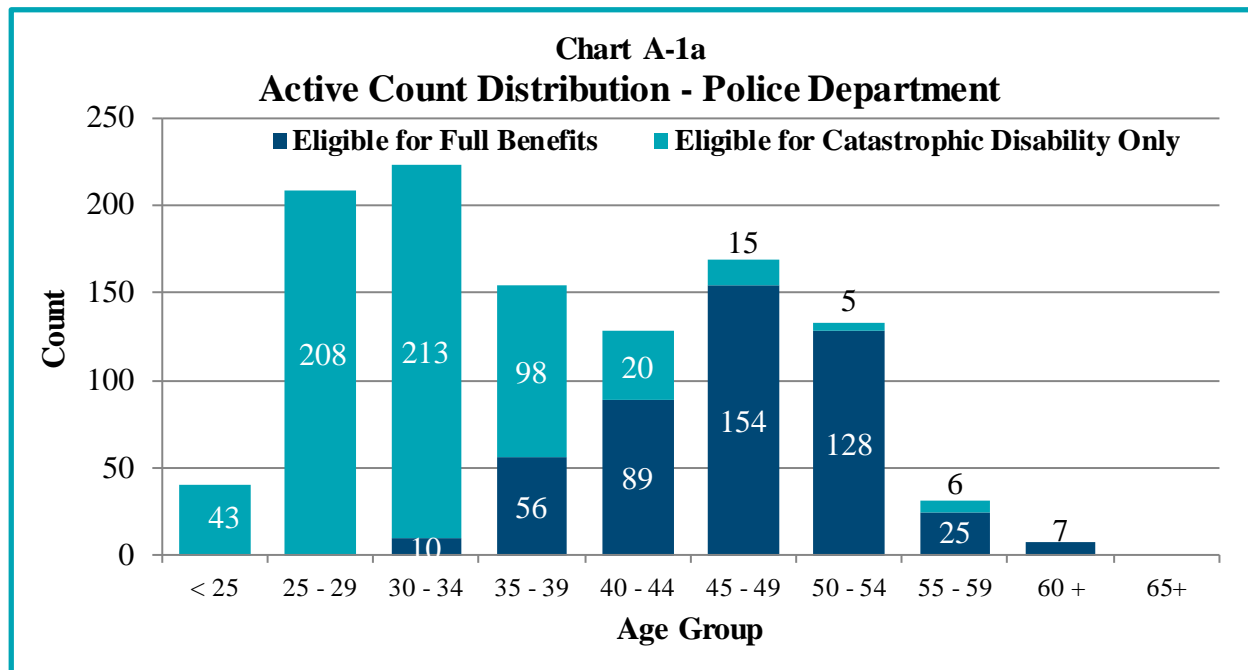
<b>Police Department - Active Employees Eligible for Catastrophic Disability Benefits Only</b>								
<b>Years of OPEB Benefit Service</b>								
<b>Age Group</b>	<b>&lt; 5</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 +</b>	<b>Total</b>
Under 25	40	0	0	0	0	0	0	40
25 to 29	195	13	0	0	0	0	0	208
30 to 34	152	61	0	0	0	0	0	213
35 to 39	56	39	2	1	0	0	0	98
40 to 44	21	14	1	3	0	0	0	39
45 to 49	6	4	0	2	2	1	0	15
50 to 54	2	0	1	0	1	1	0	5
55 to 59	3	0	0	0	2	1	0	6
60 to 64	0	0	0	0	0	0	0	0
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>475</b>	<b>131</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>624</b>

<b>Fire Department - Active Employees Eligible for Catastrophic Disability Benefits Only</b>								
<b>Years of OPEB Benefit Service</b>								
<b>Age Group</b>	<b>&lt; 5</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 +</b>	<b>Total</b>
Under 25	4	0	0	0	0	0	0	4
25 to 29	27	1	0	0	0	0	0	28
30 to 34	64	26	0	0	0	0	0	90
35 to 39	38	19	1	1	0	0	0	59
40 to 44	7	13	2	6	0	0	0	28
45 to 49	2	3	1	1	1	0	0	8
50 to 54	1	1	1	0	3	0	0	6
55 to 59	0	1	0	0	0	0	0	1
60 to 64	0	2	0	0	0	0	0	2
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>143</b>	<b>66</b>	<b>5</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>226</b>



CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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APPENDIX A – MEMBERSHIP INFORMATION

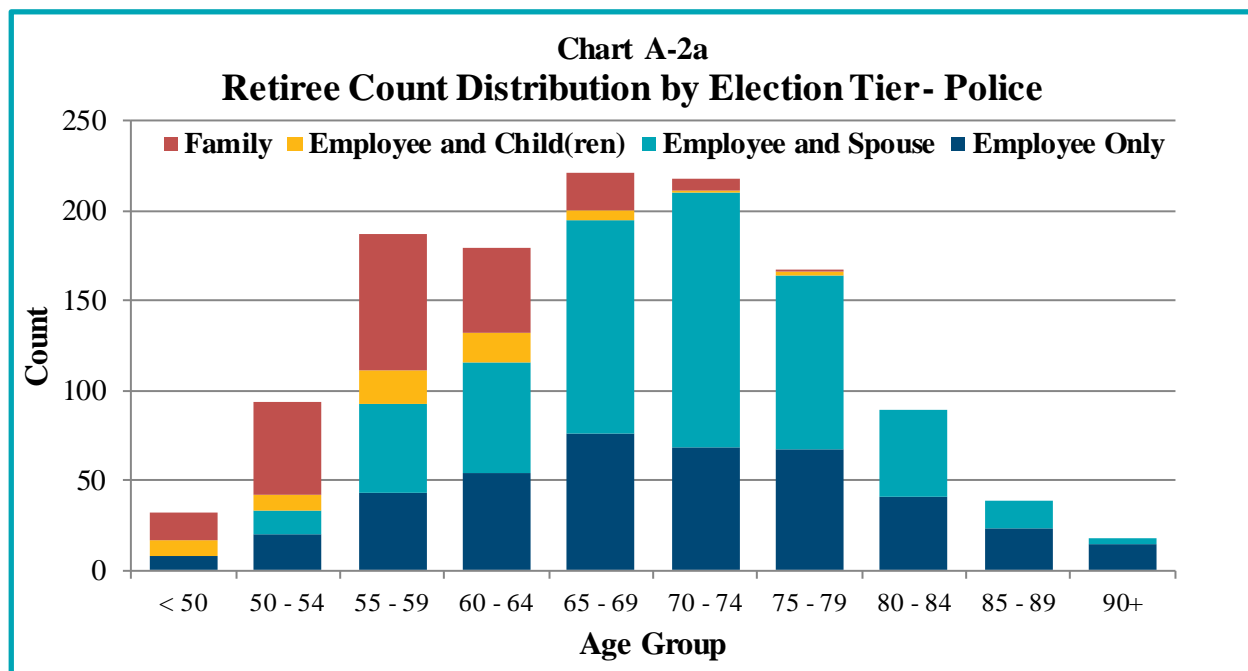


**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

Retirees, Disabled Retirees and Surviving Spouses					
Police Department					
Age Group	Males	Medical Insurance		Total	Dental Insurance
		Females			
Under 50	26	6	32	44	
50 to 54	85	9	94	144	
55 to 59	156	31	187	241	
60 to 64	149	31	180	215	
65 to 69	204	17	221	242	
70 to 74	187	31	218	226	
75 to 79	136	32	168	175	
80 to 84	67	22	89	90	
85 to 89	23	16	39	40	
Over 90	7	11	18	18	
Total	1,040	206	1,246	1,435	

*Counts do not include dependent spouses*

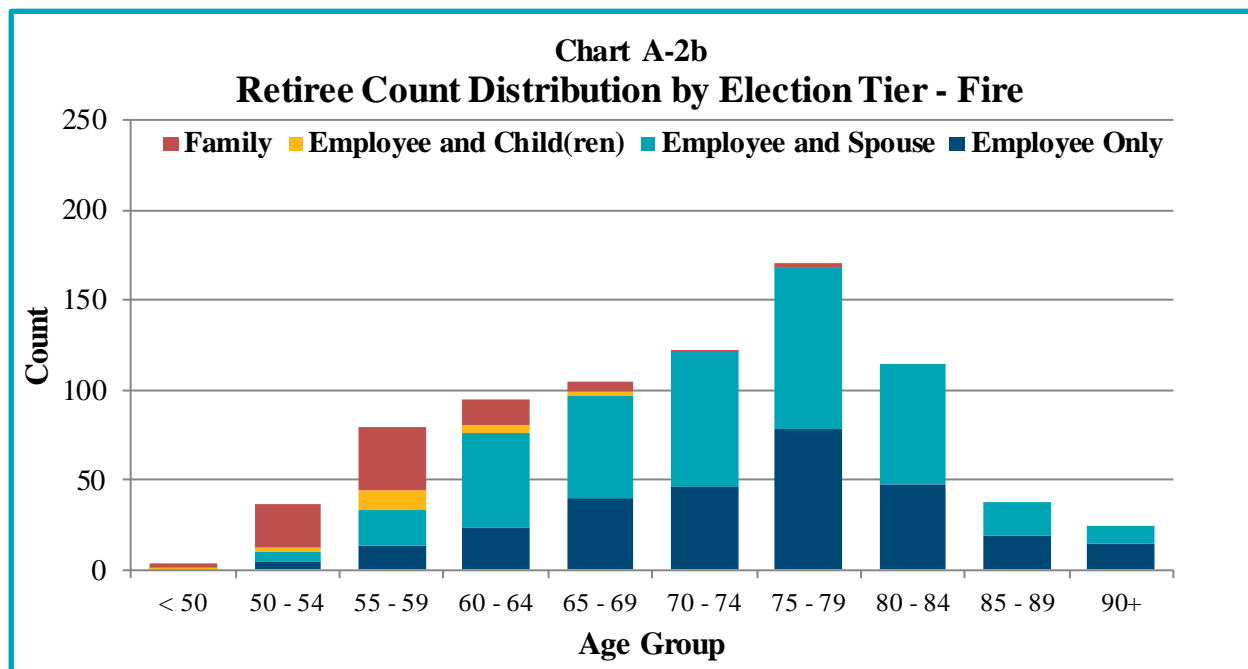


**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

<b>Retirees, Disabled Retirees and Surviving Spouses</b>				
<b>Age Group</b>	<b>Fire Department</b>			<b>Dental Insurance</b>
	<b>Males</b>	<b>Medical Insurance Females</b>	<b>Total</b>	
Under 50	3	1	4	8
50 to 54	32	5	37	49
55 to 59	72	8	80	98
60 to 64	79	16	95	103
65 to 69	90	15	105	110
70 to 74	99	23	122	126
75 to 79	127	44	171	178
80 to 84	95	20	115	119
85 to 89	24	14	38	43
Over 90	18	7	25	27
<b>Total</b>	<b>639</b>	<b>153</b>	<b>792</b>	<b>861</b>

*Counts do not include dependent spouses*



CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN  
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APPENDIX A – MEMBERSHIP INFORMATION

Police & Fire Department Vested Terminations*			
Age Group	Police	Fire	Total
Under 45	0	0	0
45 to 49	0	0	0
50 to 54	4	3	7
55 to 59	1	0	1
60 to 64	0	0	0
Over 65	0	0	0
<b>Total</b>	<b>5</b>	<b>3</b>	<b>8</b>

*\*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 November 3, 2022 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 6.3% 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 2022 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:	2.50%
Real GDP per Capita:	1.40%
Excess Medical Cost Growth:	1.00%

Expected GDP Share in 2031:	19.6%
Resistance Point:	21.0%
Year limited to GDP growth:	2075

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Annual Increase									
Fiscal Year Beginning	Pre- Medicare	Medicare Eligible	Dental	Part B Premiums	Fiscal Year Beginning	Pre- Medicare	Medicare Eligible	Dental	Part B Premiums
2023	<i>Varies by Plan</i>			1.52%	2053	4.59	4.62	3.50	3.70
2024	7.16%	4.27%	3.50%	6.23	2054	4.58	4.60	3.50	3.70
2025	6.82	4.38	3.50	7.08	2055	4.57	4.59	3.50	3.70
2026	6.49	4.49	3.50	7.88	2056	4.56	4.58	3.50	3.70
2027	6.15	4.60	3.50	6.85	2057	4.56	4.57	3.50	3.70
2028	5.81	4.70	3.50	6.01	2058	4.55	4.57	3.50	3.70
2029	5.48	4.81	3.50	5.66	2059	4.54	4.56	3.50	3.70
2030	5.14	4.92	3.50	5.73	2060	4.53	4.55	3.50	3.70
2031	4.97	4.97	3.50	6.13	2061	4.52	4.54	3.50	3.70
2032	4.97	4.97	3.50	5.97	2062	4.51	4.53	3.50	3.70
2033	4.97	4.97	3.50	5.81	2063	4.51	4.52	3.50	3.70
2034	4.97	4.97	3.50	5.64	2064	4.50	4.51	3.50	3.70
2035	4.97	4.97	3.50	5.48	2065	4.46	4.48	3.50	3.70
2036	4.96	4.97	3.50	5.32	2066	4.40	4.41	3.50	3.70
2037	4.90	4.97	3.50	5.16	2067	4.34	4.35	3.50	3.70
2038	4.85	4.96	3.50	5.00	2068	4.28	4.29	3.50	3.70
2039	4.81	4.91	3.50	4.84	2069	4.23	4.24	3.50	3.70
2040	4.79	4.85	3.50	4.68	2070	4.17	4.18	3.50	3.70
2041	4.76	4.81	3.50	4.52	2071	4.12	4.12	3.50	3.70
2042	4.74	4.79	3.50	4.36	2072	4.07	4.07	3.50	3.70
2043	4.72	4.76	3.50	4.20	2073	4.01	4.02	3.50	3.70
2044	4.71	4.74	3.50	4.04	2074	3.96	3.96	3.50	3.70
2045	4.69	4.73	3.50	3.88	2075+	3.94	3.94	3.50	3.70
2046	4.68	4.71	3.50	3.75					
2047	4.66	4.69	3.50	3.70					
2048	4.65	4.68	3.50	3.70					
2049	4.64	4.66	3.50	3.70					
2050	4.63	4.65	3.50	3.70					
2051	4.62	4.64	3.50	3.70					
2052	4.60	4.63	3.50	3.70					

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, 2023, the trend was developed using actual calendar year 2023 premiums and a trend assumption for calendar year 2024. The trend factors vary by plan as shown in the table below.

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Plan		FY Beginning 2023 Trend
<b>Pre-Medicare</b>		
	Kaiser Plans	6.65%
	Anthem Plans	10.93%
<b>Medicare</b>		
	Kaiser Plan	-3.82%
	Anthem HMO Plan	4.55%
	Anthem PPO Plan	4.55%
<b>Dental</b>		
	HMO Plan	1.76%
	PPO Plan	11.19%

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.

## APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

### Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the November 3, 2022 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 4, 2021 Board meeting based on recommendations from our experience study covering Plan experience through June 30, 2021. Please refer to the full experience study report for details, including the rationale for each assumption.

#### 1. Salary Increase Rate

Wage inflation component: Reflect currently bargained across-the-board increases and 3.00% per annum (0.50% real wage growth) thereafter. For this valuation, Fire members have bargained increases of 3.00% for FYE 2023. The bargaining agreement for Police members has expired.

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	6.50
2	6.25
3	5.75
4	5.25
5	4.25
6	2.50
7	1.50
8	1.00
9	0.80
10+	0.60

#### 2. Administrative Expenses

For FYE 2024, trust administrative expenses are assumed to equal \$42 per full benefit member and are assumed to increase at the wage inflation assumption of 3.00% per annum.



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**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.

<b>Tier 1 Rates of Retirement by Age and Service</b>				
<b>Age</b>	<b>Police</b>		<b>Fire</b>	
	<b>&lt;30 Years</b>	<b>30+ Years</b>	<b>&lt;30 Years</b>	<b>30+ Years</b>
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

<b>Tier 2 Rates of Retirement by Age and Service</b>				
<b>Age</b>	<b>Police</b>			
	<b>5 – 19 Years</b>	<b>20 – 24 Years</b>	<b>25 – 29 Years</b>	<b>30+ Years</b>
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

<b>Tier 2 Rates of Retirement by Age and Service</b>				
<b>Age</b>	<b>Fire</b>			
	<b>5 – 19 Years</b>	<b>20 – 24 Years</b>	<b>25 – 29 Years</b>	<b>30+ Years</b>
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

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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.

**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-2021 projection scale on a generational basis from the base year of 2010.

<b>Base Mortality Tables</b>		
<b>Category</b>	<b>Male</b>	<b>Female</b>
<b>Healthy Retirees</b>	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
<b>Disabled Retiree</b>	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
<b>Beneficiaries</b>	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for Healthy Retirees	1.032 times the 2010 Public General Above Median Income Mortality Table (Pub(g)-2010(A)) for Healthy Retirees
<b>Healthy Non-Annuitant</b>	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.

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<b>Rates of Disability at Selected Ages</b>		
<b>Age</b>	<b>Police</b>	<b>Fire</b>
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 Versus In-Lieu Credits**

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

<b>Future Retiree Participation</b>		
	<b>Coverage</b>	<b>In-Lieu</b>
Active Members	70%	30%
Terminated Vested Members	50%	50%

**8. Dependent Coverage Election**

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

<b>Assumed Future Retiree Tier Elections</b>				
<b>Coverage Tier</b>	<b>Pre-Medicare</b>		<b>Medicare</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Retiree Only	18%	52%	25%	75%
Retiree and Children	7%	23%	0%	0%
Retiree and Spouse	32%	15%	75%	25%
Retiree and Family	43%	10%	0%	0%

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

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**9. 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.

<b>Assumed Future Retiree In-Lieu Credit Tier</b>				
<b>Coverage Tier</b>	<b>Pre-Medicare</b>		<b>Medicare</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Retiree Only	22%	22%	40%	40%
Retiree and Children	0%	0%	0%	0%
Retiree and Spouse	23%	23%	60%	60%
Retiree and Family	55%	55%	0%	0%

**10. 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.

<b>Assumed Plan Elections for Future Retirees*</b>			
		<b>% Electing</b>	<b>% Electing</b>
<b>Pre-Medicare Medical Plans</b>			<b>Medicare-Eligible Medical Plans</b>
Kaiser DHMO	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 Select \$20 Co-pay	8%		
Anthem Traditional \$20 Co-pay	3%		
Anthem HDHP PPO	7%	<b>Dental Plans (All Retirees)</b>	
Anthem Select PPO	6%	Delta Dental PPO	99%
Anthem Classic PPO	2%	DeltaCare HMO	1%

\* Eligible for coverage and elect coverage

**11. 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

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by a factor of 1.5 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

**12. Married Percentage**

Percentage Married	
Gender	Percentage
Males	85%
Females	85%

**13. 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.

**14. 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 November 3, 2022 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 2022 and 2023. 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 2022 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.

The Inflation Reduction Act of 2022 (the Act) contains provisions that may impact the cost of benefits provided to Medicare eligible retirees. The Act provides for changes that could reduce costs and changes that could increase costs. Implementing regulations and market responses are likely to affect the net impact. Based on information currently available, we don't expect the Act to have a material impact on costs. However, we may adjust our assumptions in the future as more information emerges.

#### **1. Average Annual Claims and Expense Assumptions**

The following claim and expense assumptions were developed as of July 1, 2022 based on the premiums for 2022 and 2023. 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:

<b>Sample Claims Costs - Non-Medicare Eligible</b>						
<b>Age</b>	<b><u>Kaiser</u></b>		<b><u>Anthem HMO</u></b>		<b><u>Anthm PPO</u></b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
40	\$ 10,414	\$ 12,787	\$ 11,585	\$ 14,123	\$ 17,665	\$ 22,153
45	10,635	12,468	11,731	13,692	18,493	21,959
50	11,224	12,714	12,272	13,866	20,017	22,835
55	12,407	13,457	13,447	14,571	22,663	24,651
60	14,483	14,120	15,578	15,190	26,999	26,313
64	17,035	13,865	18,237	14,846	32,155	26,159

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Sample Claims Costs - Medicare Eligible						
Age	Kaiser Senior Adv		Anthem HMO		Anthem Select PPO	
	Male	Female	Male	Female	Male	Female
65	\$ 2,749	\$ 2,425	\$ 5,050	\$ 4,455	\$ 5,064	\$ 4,467
70	2,919	2,472	5,362	4,542	5,377	4,554
75	3,355	2,780	6,163	5,108	6,180	5,122
80	3,810	3,153	6,999	5,792	7,018	5,808
85	4,114	3,445	7,558	6,330	7,579	6,347

Sample Claims Costs - Dental	
Dental Blended	
Age	Unisex
All	\$ 622.79

**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.



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**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.

**9. Changes Since the 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 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:

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.

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.

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**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.

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 Plan pays 100% of the dental insurance premiums.

**Premiums:** Monthly premiums before adjustments for 2022 and 2023 are as follows.

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

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

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

<b>2023 Monthly Premiums</b>				
	<b>Single</b>	<b>Emp/Sp</b>	<b>Emp/Chd</b>	<b>Family</b>
<b>Medical</b>				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$ 643.72	\$ 1,287.42	\$ 1,126.50	\$ 1,931.14
Kaiser \$25 Co-pay	786.16	1,572.30	1,375.76	2,358.46
Kaiser HDHP	542.36	1,084.72	949.12	1,627.08
Anthem HMO Select \$20 Co-pay	761.32	1,674.88	1,370.38	2,360.04
Anthem HMO Traditional \$20 Co-pay	875.20	1,925.42	1,575.38	2,713.10
Anthem DHMO	586.94	1,291.32	1,056.50	1,819.58
Anthem HDHP	1,339.04	2,945.90	2,410.28	4,151.08
Anthem Select PPO	2,173.60	4,781.98	3,912.52	6,738.28
Anthem Classic PPO	2,324.74	5,114.46	4,184.52	7,206.70
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$ 232.29	\$ 464.58	\$ 464.58	\$ 696.87
Anthem Medicare PPO	487.81	975.62	975.62	1,463.43
Anthem Medicare HMO	444.53	889.06	889.06	1,333.59
<b>Dental</b>				
Delta Dental PPO	\$ 50.88	\$ 92.89	\$ 122.12	\$ 157.72
DeltaCare HMO	24.44	48.68	42.74	73.30

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

**Summary of 2023 Benefit Plans:**

<b>Medicare-Eligible Plans:</b>	<b>Kaiser</b>	<b>Anthem HMO</b>	<b>Anthem PPO</b>
Annual Out-of-Pocket Maximum	\$1,000 per year for any one member	\$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 Brand	\$10	\$10	\$10
Non-Formulary	\$10	\$25	\$25
Specialty Drug	N/A	\$40	\$40

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Non-Medicare Plans:	Kaiser			Anthem HMO		Anthem PPO*		
	High Deductible	DHMO	\$25 Co-Pay	\$20 Co-Pay	DHMO	Select PPO	Classic PPO	High Deductible
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 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.

**Cost-Sharing Provisions:**

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

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

**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.

Employee Group	VEBA Contribution Rate
Tier 1	5.0%
Tier 2	4.0%

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

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

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

## APPENDIX D – GLOSSARY OF TERMS

### 1. Actuarial Assumptions

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

### 2. Actuarial Cost Method

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

### 3. Actuarial Gain (Loss)

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

### 4. Actuarial Liability

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

### 5. Actuarial Present Value (Present Value)

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

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

### 6. Actuarial Valuation

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



**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.

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**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.

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**APPENDIX E – LIST OF ABBREVIATIONS**

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



*Classic Values, Innovative Advice*