



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

### **Actuarial Valuation Funding Report as of June 30, 2023**

**Produced by Cheiron**

**January 2024**

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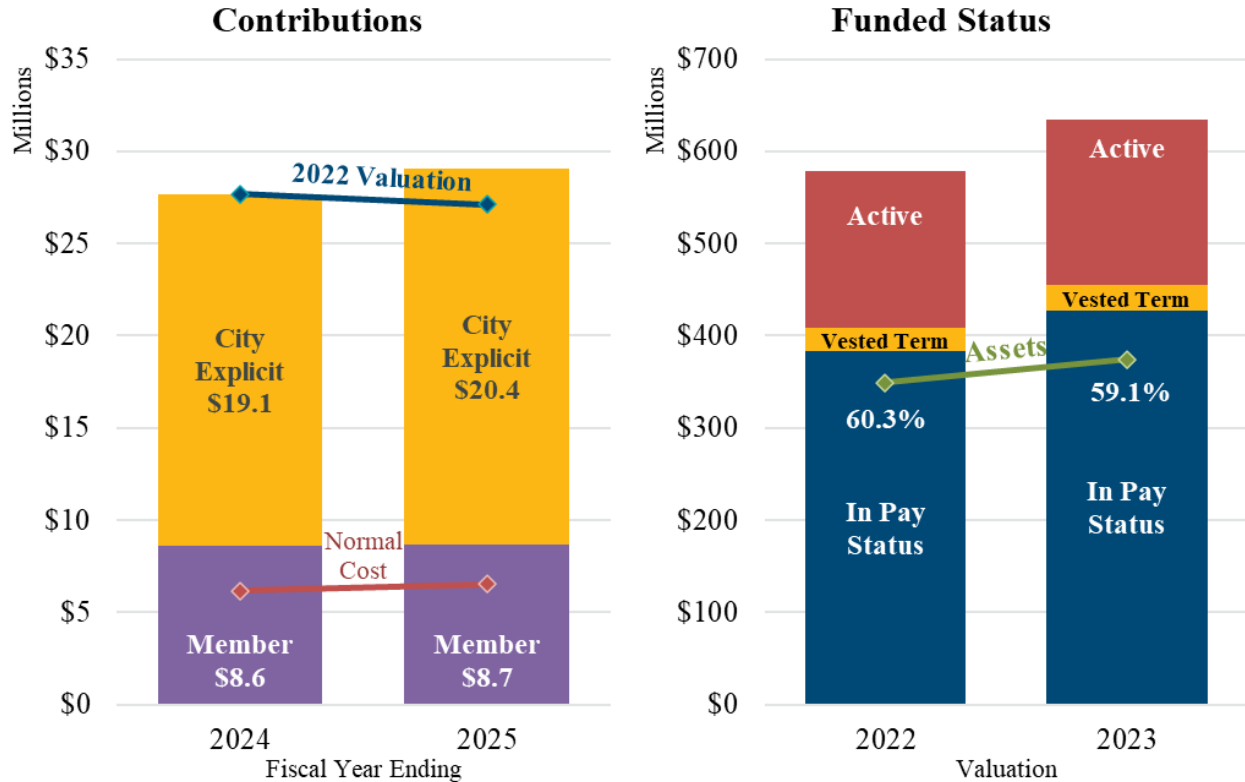
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**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
JUNE 30, 2023 ACTUARIAL VALUATION FUNDING REPORT**

**SECTION I – BOARD SUMMARY**

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

**Dashboard**



The charts above are intended to provide a quick overview of the current valuation results compared to the prior valuation results. The chart on the left shows contributions to the 115 Trust for FYE 2024 and 2025. The normal cost shown by the red line represents the expected cost of the explicit subsidy benefits attributable to the current year of service. All contributions above the normal cost go toward paying off the Unfunded Actuarial Liability (UAL). The projected contribution amount from the prior valuation is shown by the blue line. The implicit subsidy payment is not shown as it is funded on a pay-as-you-go basis as a part of the health premiums for active employees. The City’s implicit subsidy payment is approximately \$6.8 million for FYE 2025.

The chart on the right summarizes the funded status as of the June 30, 2022 and June 30, 2023 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.

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**SECTION I – BOARD SUMMARY**

**Contributions**

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

Prior to 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 2024 and 2025.

<b>Table I-1</b>			
<b>Summary of Trust Contribution Amounts</b>			
	<b>FYE 2024</b>	<b>FYE 2025</b>	<b>% Change</b>
Explicit Subsidy			
Members	\$ 8,578	\$ 8,683	1.2%
City's Actuarially Determined Contribution	<u>19,095</u>	<u>20,352</u>	6.6%
Total	\$ 27,673	\$ 29,035	4.9%
Estimated City Optional Cap	\$ 52,047	\$ 58,979	13.3%

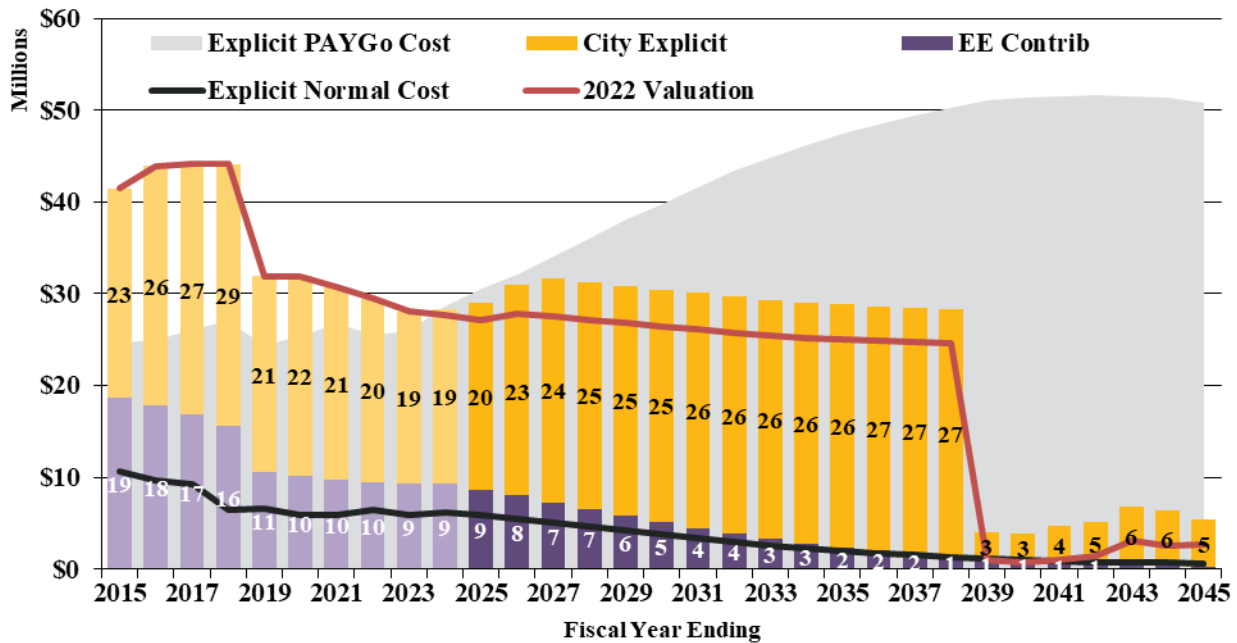
*Dollar amounts in thousands*

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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 2022 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 2015-2045**



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 through FYE 2027 as the payment on actuarial losses for the last two years is phased in, and then increase more gradually thereafter as the member contributions decrease. The large decrease in 2039 is due to the full amortization of the initial amortization base established in 2017.

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**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, 2023 compared to June 30, 2022. The Actuarial Liability increased by 9.5% compared to an expected increase of 2.5%. The increase is primarily due to premium experience. At the same time, assets increased 7.3% due to contributions and investment returns. As a result, the Unfunded Actuarial Liability increased by about 12.7% and the funded percentage for the explicit subsidy decreased from 60.3% to 59.1%.

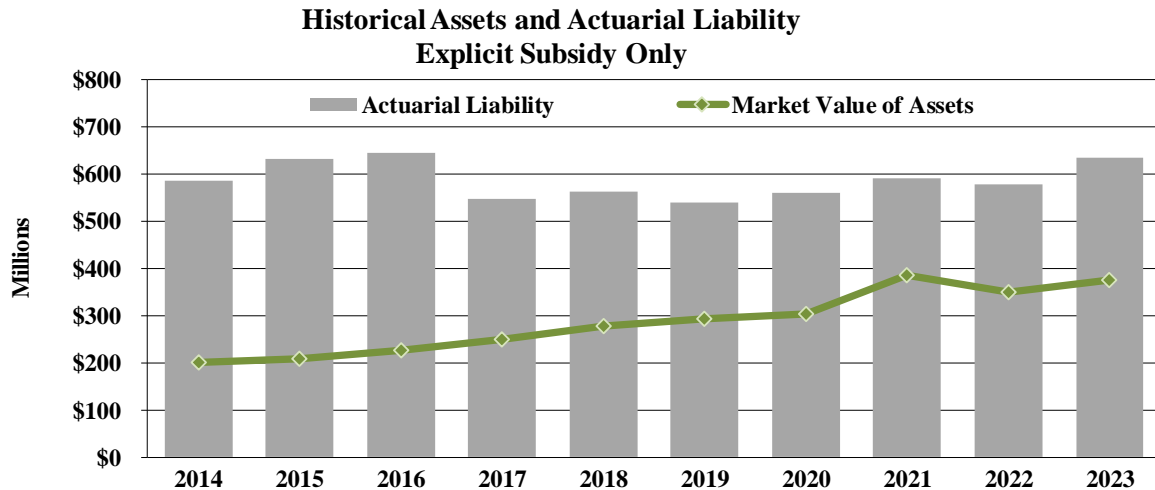
Table I-2				
Summary of Funded Status - Explicit Subsidy Only				
	6/30/2022	6/30/2023	Change	
Actuarial Liability				
Actives	\$ 170,687	\$ 179,131		4.9%
Deferred Vested	25,120	27,322		8.8%
In Pay Status	<u>383,402</u>	<u>427,520</u>		11.5%
Total Actuarial Liability	\$ 579,209	\$ 633,973		9.5%
Assets	349,124	374,611		7.3%
Unfunded Actuarial Liability	\$ 230,085	\$ 259,362		12.7%
Funded Percentage	60.3%	59.1%		-1.2%

*Dollar amounts in thousands*

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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 \$126.1 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.



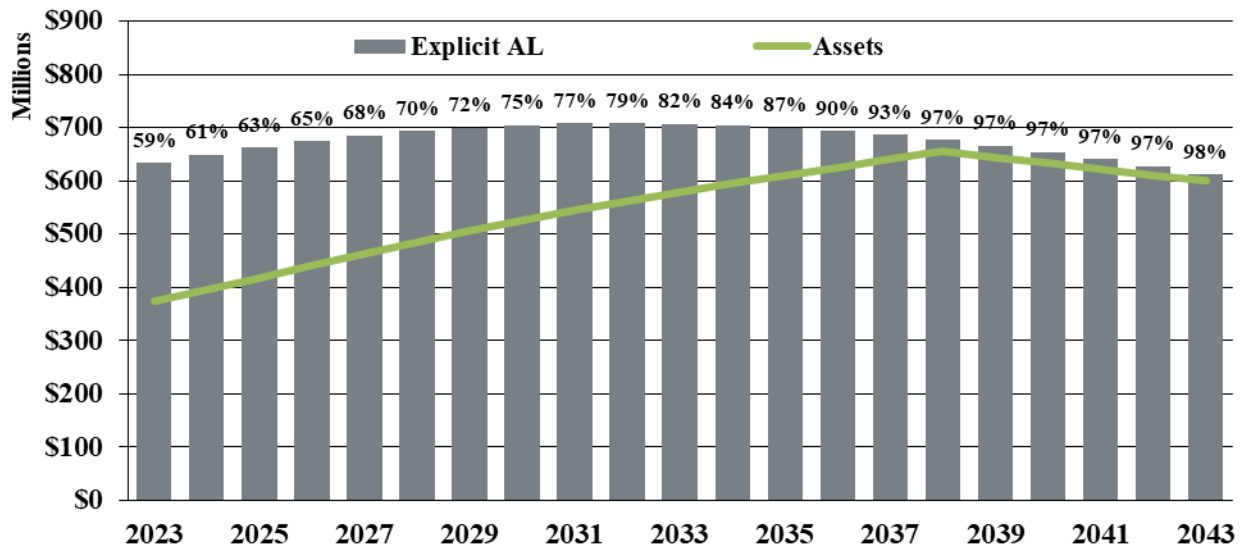
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Funded Ratio</b>	34.1%	33.2%	35.0%	45.3%	49.2%	54.5%	54.3%	65.1%	60.3%	59.1%
<b>UAL/(Surplus) (in millions)</b>	\$385.5	\$421.5	\$418.8	\$299.6	\$286.5	\$246.3	\$255.8	\$205.8	\$230.1	\$259.4
<b>Discount Rate</b>	7.00%	7.00%	6.875%	6.875%	6.75%	6.75%	6.25%	6.00%	6.00%	6.00%

The chart on the following page shows a 20-year projection of assets and Actuarial Liability (AL), and also shows the projected funded percentage for the explicit subsidy. If all assumptions are met in the future including an expected return of 6.00% each year, the Actuarial Liability for the explicit subsidy is expected to peak within 10 years and the funded percentage is expected to reach 98% by 2043.

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**SECTION I – BOARD SUMMARY**

**Projected Assets and Actuarial Liability 2023-2043**



**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, 2023. The total UAL increased about \$29.3 million since the prior year.

Table I-3 Changes in Unfunded Actuarial Liability Explicit Subsidy Only	
Unfunded Actuarial Liability, June, 30, 2022	\$ 230,085
Unfunded Actuarial Liability, June, 30, 2023	259,362
<b>Change in Unfunded Actuarial Liability</b>	<b>\$ 29,277</b>
<b><u>Sources of Changes</u></b>	
Tread Water less Contributions	\$ (8,266)
Investment Experience	(2,748)
Liability Experience	37,363
Assumption Changes	2,928
<b>Total Changes</b>	<b>\$ 29,277</b>

*Dollar amounts in thousands*



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Contributions in excess of the Tread Water amount reduced the UAL by \$8.3 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 decreased the UAL by about \$2.7 million. Liability experience increased the UAL by about \$37.4 million, mainly due to higher-than-expected premiums for health plans. Assumption changes increased the UAL by about \$2.9 million, primarily due to plan and coverage election assumptions and increases in health care trends.

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

<b>Table I-4 Summary of Valuation Results</b>				
	<b>June 30, 2022</b>	<b>June 30, 2023</b>	<b>% Change</b>	
Active Members				
Eligible for Full Benefits	1,229	1,145	-6.8%	
Eligible for Catastrophic Disability Only	2,397	2,720	13.5%	
Total Active Members	3,626	3,865	6.6%	
Deferred Vested Members	153	150	-2.0%	
Members in Pay Status (Medical and/or Dental)	3,692	3,685	-0.2%	
Members In-Lieu only	65	82	26.2%	
Total	7,536	7,782	3.3%	
Full Benefit Member Payroll	\$ 124,037	\$ 123,671	-0.3%	
Total Payroll	360,936	409,009	13.3%	
Actuarial Liability - Explicit	\$ 579,209	\$ 633,973	9.5%	
Market Value of Assets	349,124	374,611	7.3%	
Unfunded Actuarial Liability	\$ 230,085	\$ 259,362	12.7%	
Funded Percentage	60.3%	59.1%	-1.2%	
Actuarial Liability - Implicit	71,461	79,013	10.6%	
	<b>FYE 2024</b>	<b>FYE 2025</b>	<b>% Change</b>	
City's Actuarially Determined Contribution	\$ 19,095	\$ 20,352	6.6%	
City's Actuarially Determined Contribution Rate	5.14%	4.83%	-0.3%	
City's Implicit Subsidy Payment	\$ 5,973	\$ 6,830	14.3%	

*Dollar amounts in thousands*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION II – CERTIFICATION**

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

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

The health assumptions and discount rate assumption were adopted by the Board of Administration at the November 16, 2023 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 assumptions or output of ProVal that would affect this valuation.

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

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

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

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**SECTION II – CERTIFICATION**

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

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

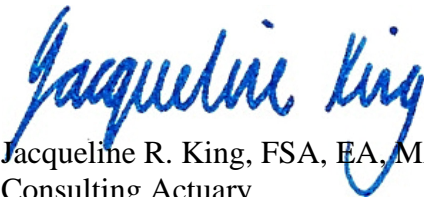
This report was prepared for the Board for the purposes described herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



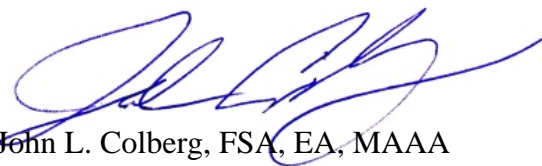
William R. Hallmark, ASA, EA, FCA, MAAA  
Consulting Actuary



B. Taylor Stevens, ASA, MAAA  
Associate Actuary



Jacqueline R. King, FSA, EA, MAAA  
Consulting Actuary



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

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**SECTION III – ASSETS**

**Statement of Change in Market Value of Assets**

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

<b>Table III-1 Change in Market Value of Assets</b>		
<b>Fiscal Year Ending</b>	<b>6/30/2022</b>	<b>6/30/2023</b>
Market value, beginning of year	\$ 384,612,698	\$ 349,124,320
Contributions		
Employee	9,864,688	9,841,192
City	19,318,940	17,626,466
Implicit subsidy	5,467,884	5,370,230
Total	\$ 34,651,512	\$ 32,837,888
Net investment earnings	(38,287,194)	24,268,269
Benefit payments		
Explicit subsidy	25,620,161	25,498,496
Implicit subsidy	5,467,884	5,370,230
Total	\$ 31,088,045	\$ 30,868,726
Administrative expenses	764,651	750,475
<b>Market value, end of year</b>	<b>\$ 349,124,320</b>	<b>\$ 374,611,276</b>
Estimated Rate of Return	-9.7%	6.8%

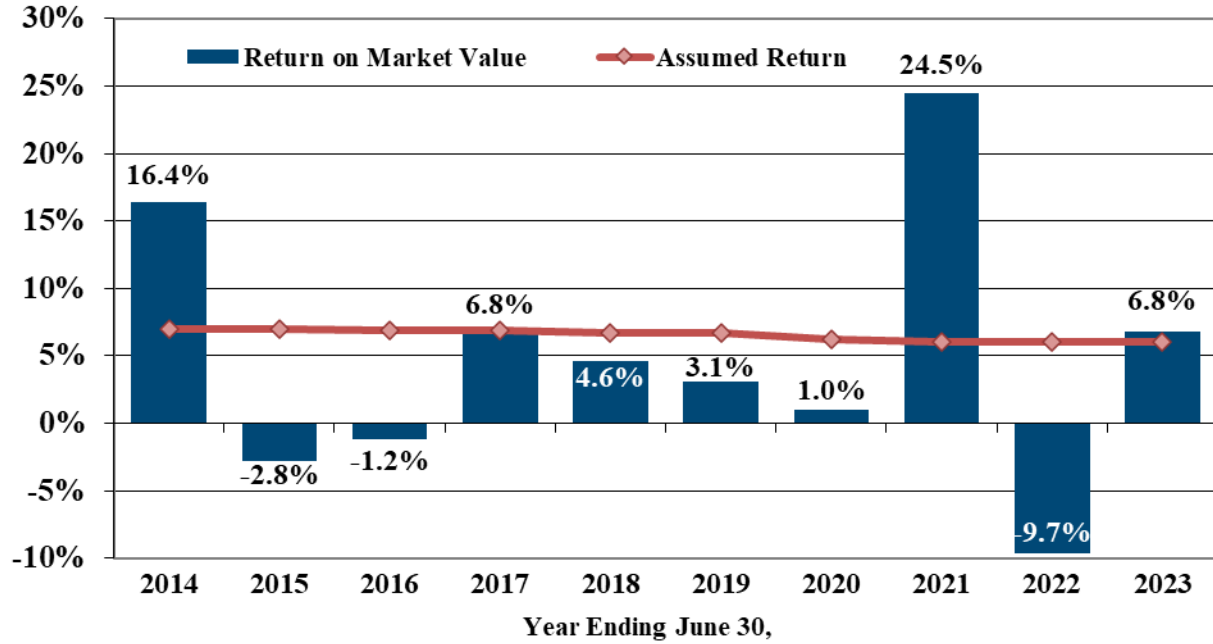
In the last year, investments, in aggregate, returned approximately 6.8% compared to an expected rate of return of 6.00%, resulting in an investment gain of approximately \$2.7 million.

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SECTION III – ASSETS

The chart below shows the actual investment return on the Market Value of Assets compared to the assumed return for the last 10 years. The compound average of the actual returns is about 4.6%.

Historical Rates of Return



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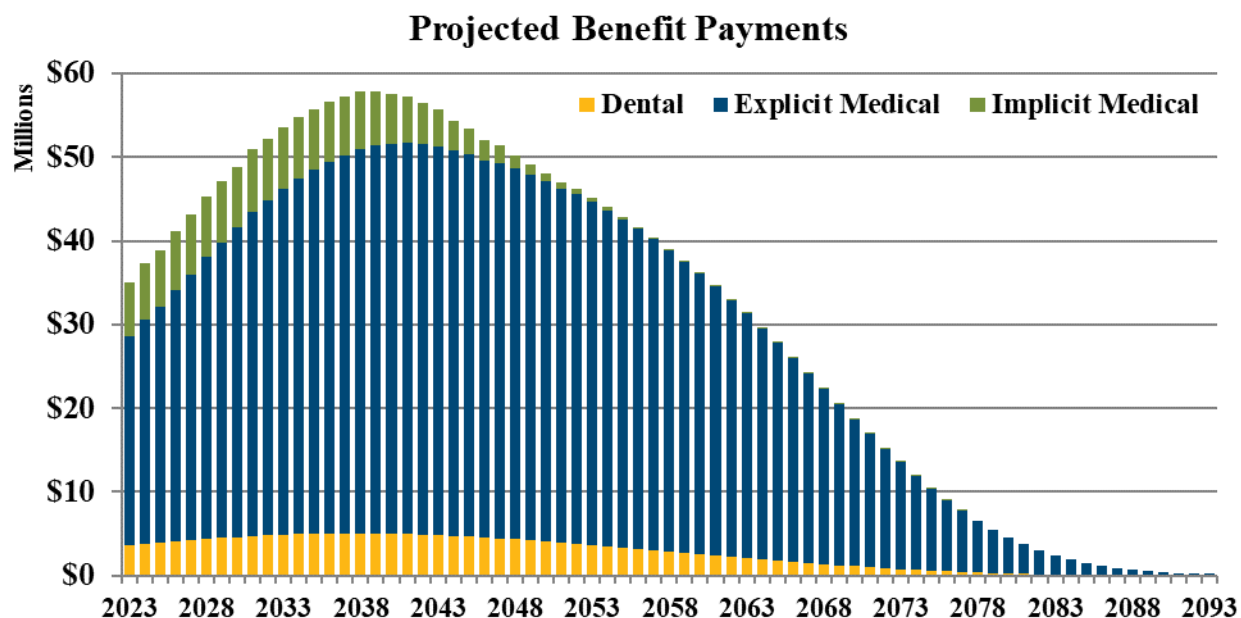
**SECTION IV – MEASURES OF LIABILITY**

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

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

**Projected Benefit Payments**

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



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**SECTION IV – MEASURES OF LIABILITY**

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

Table IV-1 Expected Net Benefit Payments						
Fiscal Year Ending	Explicit Subsidy			Implicit Subsidy	Total	
	Medical	Dental	Total			
2024	\$ 24,917,418	\$ 3,710,216	\$ 28,627,634	\$ 6,406,373	\$ 35,034,007	
2025	26,687,596	3,853,257	30,540,853	6,829,941	37,370,795	
2026	28,109,548	3,992,978	32,102,526	6,820,798	38,923,324	
2027	29,912,483	4,131,578	34,044,061	7,038,648	41,082,709	
2028	31,723,999	4,262,044	35,986,043	7,142,504	43,128,547	
2029	33,698,764	4,393,547	38,092,311	7,216,670	45,308,981	
2030	35,306,717	4,518,786	39,825,503	7,311,437	47,136,940	
2031	36,927,511	4,638,367	41,565,878	7,315,263	48,881,140	
2032	38,642,835	4,748,367	43,391,202	7,489,639	50,880,841	
2033	39,931,678	4,842,716	44,774,394	7,406,139	52,180,532	
2034	41,241,292	4,920,217	46,161,509	7,361,644	53,523,153	
2035	42,489,182	4,977,350	47,466,532	7,339,684	54,806,216	
2036	43,460,178	5,017,933	48,478,110	7,264,850	55,742,960	
2037	44,333,122	5,047,542	49,380,664	7,196,978	56,577,643	
2038	45,179,195	5,067,783	50,246,978	7,026,290	57,273,268	
2039	45,937,265	5,073,476	51,010,742	6,859,249	57,869,991	
2040	46,311,151	5,062,895	51,374,046	6,505,942	57,879,988	
2041	46,512,615	5,035,172	51,547,786	5,971,746	57,519,532	
2042	46,697,809	4,991,638	51,689,446	5,518,360	57,207,807	
2043	46,606,835	4,933,402	51,540,238	4,911,933	56,452,171	

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**SECTION IV – MEASURES OF LIABILITY**

**Present Value of Future Benefits**

The present value of future benefits represents the expected amount of money needed today if all assumptions are met to pay for all benefits both earned as of the valuation date and expected to be earned in the future by current Plan members under the current Plan provisions. Table IV-2 below shows the present value of future benefits as of June 30, 2022 and June 30, 2023.

<b>Table IV-2 Present Value of Future Benefits</b>						
	<u>June 30, 2022</u>	<u>June 30, 2023</u>				
	<b>Total</b>	<b>Actives</b>	<b>Deferred Vested</b>	<b>In Pay Status</b>	<b>Total</b>	<b>% Change</b>
Explicit Subsidy						
Non-Medicare Eligible	\$ 135,911	\$ 77,968	\$ 11,233	\$ 61,727	\$ 150,928	11.0%
Medicare Eligible	416,179	120,034	16,089	316,210	452,334	8.7%
Dental	64,419	19,687	0	49,582	69,269	7.5%
<b>Total Explicit Subsidy</b>	<b>\$ 616,509</b>	<b>\$ 217,689</b>	<b>\$ 27,322</b>	<b>\$ 427,520</b>	<b>\$ 672,531</b>	<b>9.1%</b>
Implicit Subsidy	79,311	43,377	6,283	37,844	87,504	10.3%
<b>Total</b>	<b>\$ 695,820</b>	<b>\$ 261,066</b>	<b>\$ 33,605</b>	<b>\$ 465,364</b>	<b>\$ 760,035</b>	<b>9.2%</b>

*Dollar amounts in thousands*



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**SECTION IV – MEASURES OF LIABILITY**

**Normal Cost**

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

Table IV-3 below shows the EA normal cost as of June 30, 2022 and June 30, 2023 separately by component, develops the normal cost rate, and applies the rate to the projected payroll for the fiscal year for which contributions are determined.

<b>Table IV-3</b>					
<b>Explicit Subsidy Normal Cost</b>					
	<b>June 30, 2022</b>		<b>June 30, 2023</b>		
	<b>Total</b>	<b>Full Benefits</b>	<b>Catastrophic</b>	<b>Total</b>	<b>% Change</b>
Non-Medicare Eligible	\$ 2,187	\$ 2,243	\$ 157	\$ 2,400	9.7%
Medicare Eligible	2,923	2,943	0	2,943	0.7%
Dental	525	532	0	532	1.3%
<b>Total Normal Cost</b>	<b>\$ 5,635</b>	<b>\$ 5,718</b>	<b>\$ 157</b>	<b>\$ 5,875</b>	<b>4.3%</b>
Valuation Pay	\$ 350,572	\$ 120,120	\$ 243,480	\$ 397,265	13.3%
<b>Total Normal Cost Rate</b>	<b>1.61%</b>	<b>4.76%</b>	<b>0.06%</b>	<b>1.48%</b>	<b>-8.1%</b>
	<b>FYE 2024</b>		<b>FYE 2025</b>		
	<b>Total</b>	<b>Full Benefits</b>	<b>Catastrophic</b>	<b>Total</b>	<b>% Change</b>
Expected Pay	\$ 371,764	\$ 115,778	\$ 305,501	\$ 421,279	13.3%
<b>Total Normal Cost</b>	<b>\$ 5,392</b>	<b>\$ 5,511</b>	<b>\$ 183</b>	<b>\$ 5,694</b>	<b>5.6%</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-4 below shows the Actuarial Liability as of June 30, 2022 and June 30, 2023 separately by component.

Table IV-4 Actuarial Liability						
	June 30, 2022	June 30, 2023				
	Total	Actives	Deferred Vested	In Pay Status	Total	% Change
Explicit Subsidy						
Non-Medicare Eligible	\$ 120,717	\$ 61,330	\$ 11,233	\$ 61,727	\$ 134,290	11.2%
Medicare Eligible	397,078	101,185	16,089	316,211	433,485	9.2%
Dental	61,414	16,616	0	49,582	66,198	7.8%
<b>Total Explicit Subsidy</b>	<b>\$ 579,209</b>	<b>\$ 179,131</b>	<b>\$ 27,322</b>	<b>\$ 427,520</b>	<b>\$ 633,973</b>	<b>9.5%</b>
Implicit Subsidy	71,461	34,886	6,283	37,844	79,013	10.6%
<b>Total</b>	<b>\$ 650,670</b>	<b>\$ 214,017</b>	<b>\$ 33,605</b>	<b>\$ 465,364</b>	<b>\$ 712,986</b>	<b>9.6%</b>

*Dollar amounts in thousands*

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**SECTION V – CONTRIBUTIONS**

**Contributions for Administrative Expenses**

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

Contributions for administrative expenses are set equal to \$105 per member for FYE 2025 (increasing 3.0 percent each year). There are currently 7,782 members, resulting in estimated administrative expenses for FYE 2025 of \$817,110.

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**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.

<b>Table V-1</b> <b>Unfunded Actuarial Liability</b> <b>Explicit Subsidy Only</b>			
	<b>June 30, 2022</b>		<b>June 30, 2023</b>
Actuarial Liability	\$	579,209	\$ 633,973
Assets		<u>349,124</u>	<u>374,611</u>
<b>Unfunded Actuarial Liability</b>	<b>\$</b>	<b>230,085</b>	<b>\$ 259,362</b>
<b>Funded Percentage</b>		<b>60.3%</b>	<b>59.1%</b>

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

<b>Table V-2</b> <b>UAL Amortization</b>						
	<b>Outstanding</b>		<b>Remaining</b>			<b>FYE 2025</b>
	<b>Balance</b>	<b>Period</b>	<b>Phase-in</b>	<b>Phase-out</b>		<b>Payment</b>
2017 UAL	\$ 217,950	14	N/A	N/A	\$	24,142
2018 Changes	1,190	15	0	3		121
2019 Changes	(31,939)	16	0	3		(3,141)
2020 Changes	19,245	17	0	3		1,831
2021 Changes	(41,982)	18	1	3		(3,876)
2022 Changes	36,866	19	2	3		2,270
2023 Changes	37,145	20	3	3		1,177
FYE 2024 Payment*	20,886					
<b>Total 2023 UAL</b>	<b>\$ 259,362</b>				<b>\$</b>	<b>22,524</b>

\* FYE 2024 amortization payment discounted to 7/1/2023

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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 2024 and 2025.

<b>Table V-3</b> <b>City's Actuarially Determined Contribution (ADC)</b> <b>Explicit Subsidy Only</b>				
	<b>FYE 2024</b>	<b>FYE 2025</b>	<b>% Change</b>	
Normal Cost	\$ 5,393	\$ 5,694	5.6%	
Admin Expenses	776	817	5.3%	
UAL Payment	21,504	22,524	4.7%	
Total Contribution	<b>\$ 27,673</b>	<b>\$ 29,035</b>	4.9%	
Projected Member Contributions	\$ 8,578	\$ 8,683	1.2%	
<b>City's ADC Amount</b>	<b>\$ 19,095</b>	<b>\$ 20,352</b>	<b>6.6%</b>	
Projected Payroll	371,764	421,279	13.3%	
<b>City's ADC Percentage</b>	<b>5.1%</b>	<b>4.8%</b>	<b>-0.3%</b>	

*Dollar amounts in thousands*

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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						
Member Benefit Coverage Information						
Actuarial Valuation Date	Actuarial Liability		Active Members (B)	Reported Assets	Portion of Liability Covered by Reported Assets	
	Retirees, Beneficiaries and Other Inactives (A)				(A)	(B)
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%
6/30/2014	435,826		293,580	199,776	46%	0%

*Dollar amounts in thousands*

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

**Table VI-2**

**Analysis of Financial Experience**

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

<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>
6/30/2023	\$ 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)
6/30/2014	19,767	31,177	50,944	148,417	199,361

*Dollar amounts in thousands*

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

***Schedule of Funding Progress***

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

Table VI-3						
Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as Percentage of Covered Payroll ((b-a)/c)
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%
6/30/2014	199,776	729,406	529,630	27%	234,677	226%

*Dollar amounts in thousands*



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

Schedule of Active Member Data							
Valuation Date		Active Member Counts			Annual Payroll	Average Annual Pay	% Change in Average Pay
		Under Age 65	Age 65+	Total			
2023	<sup>2</sup>	3,731	134	3,865	\$ 409,009,078	\$ 105,824	13.1%
2022	<sup>2</sup>	3,502	124	3,626	360,935,782	99,541	10.9%
2021	<sup>2</sup>	3,508	121	3,629	339,546,040	93,565	4.2%
2020	<sup>2</sup>	3,495	101	3,596	322,850,457	89,780	5.1%
2019	<sup>2</sup>	3,412	88	3,500	299,001,886	85,429	4.1%
2018	<sup>2</sup>	3,377	84	3,461	284,008,289	82,060	-2.6%
2017	<sup>2</sup>	3,321	89	3,410	287,339,424	84,264	-0.9%
2016	<sup>1</sup>	2,310	77	2,387	202,911,153	85,007	5.8%
2015	<sup>1</sup>	2,527	74	2,601	208,957,370	80,337	5.9%
2014	<sup>1</sup>	2,800	64	2,864	217,167,654	75,827	3.7%

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

<sup>2</sup> Includes members that are only eligible for catastrophic disability benefits

**CITY OF SAN JOSÉ FEDERATED 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										
Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy		
<b><u>Medical</u></b>										
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
2013-14	2,718	22,657	151	132	2,737	21,941	19	(716)	-3.2%	8,016
<b><u>Dental</u></b>										
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
2013-14	3,103	3,742	138	108	3,133	3,130	30	(612)	-16.4%	999

*Annual subsidies are explicit amounts in thousands*

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

**Member Data**

Valuation Date	June 30, 2022	June 30, 2023	% Change
<b>Active Employees Eligible for Full Benefits</b>			
Count	1,229	1,145	-6.83%
Average Age	51.3	52.0	1.22%
Average OPEB Benefit Service	18.5	19.2	3.92%
Total Payroll (Thousands)	\$136,076	\$136,471	0.29%
<b>Active Employees Eligible for Catastrophic Disability Only</b>			
Count	2,397	2,720	13.48%
Average Age	39.4	39.4	-0.02%
Average OPEB Benefit Service	4.1	4.2	1.74%
Total Payroll (Thousands)	\$224,860	\$272,538	21.20%
<b>Retirees and Surviving Spouses with Medical Coverage *</b>			
Pre-65	800	743	-7.13%
Post-65	2,250	2,311	2.71%
Total	3,050	3,054	0.13%
<b>Retirees and Surviving Spouses with Dental Coverage *</b>			
Total	3,457	3,445	-0.35%
<b>Retirees and Surviving Spouses in In-Lieu Credit Program *</b>			
Total	257	284	10.51%
<b>Term Vested Members</b>	153	150	-1.96%

\* Counts do not include dependent spouses

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

	Status Reconciliation					Total
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	
<b>Beginning of Year</b>	<b>3,626</b>	<b>153</b>	<b>3,167</b>	<b>420</b>	<b>170</b>	<b>7,536</b>
New Hires	540	0	0	0	0	540
Rehires	22	(1)	0	0	0	21
Vested Terminations	(15)	15	0	0	0	0
Service Retirements	(67)	(15)	82	0	0	0
Disabled Retirements	0	0	0	0	0	0
New Survivors	0	0	0	27	0	27
No Longer Covered	(241)	(2)	(75)	(24)	(5)	(347)
Data Corrections	0	0	(2)	5	2	5
<b>End of Year</b>	<b>3,865</b>	<b>150</b>	<b>3,172</b>	<b>428</b>	<b>167</b>	<b>7,782</b>

*Counts do not include dependent spouses*

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

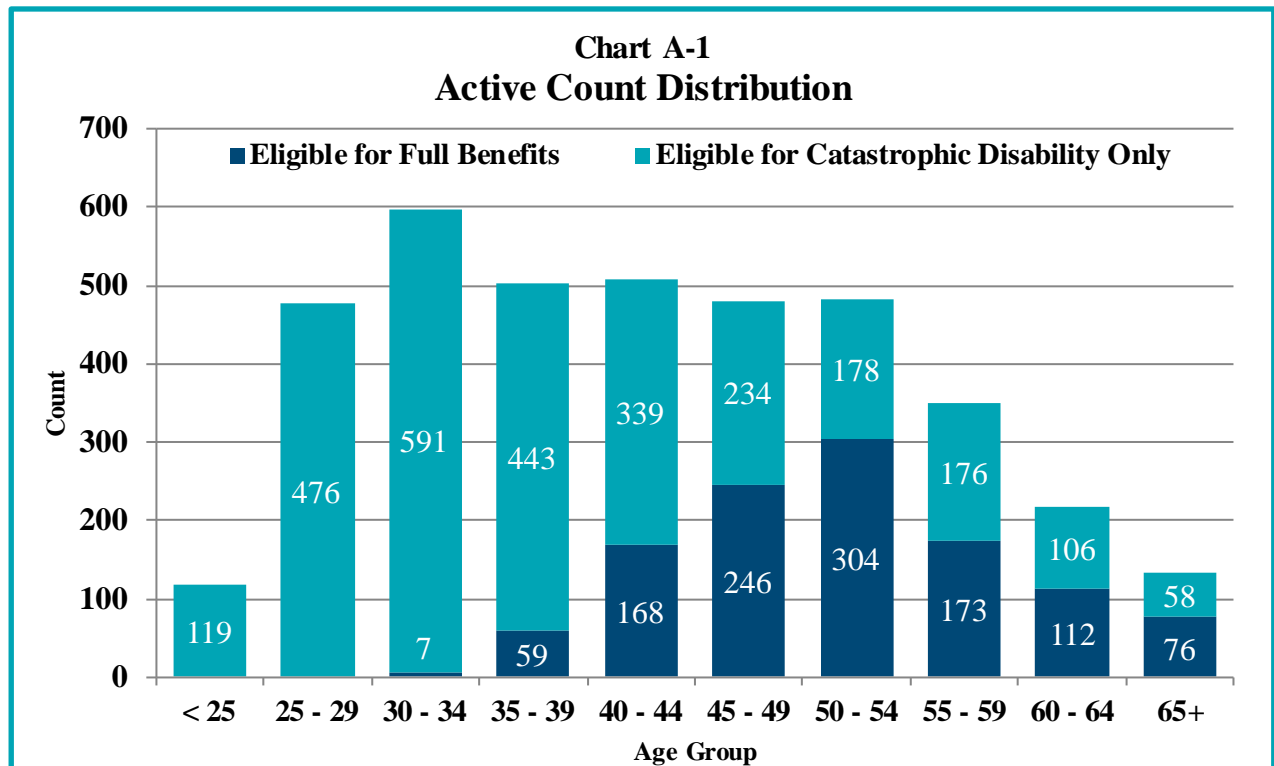
**Member Data as of June 30, 2023:**

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	2	5	0	0	0	0	0	7
35 to 39	3	10	32	14	0	0	0	0	59
40 to 44	3	5	60	63	35	2	0	0	168
45 to 49	0	6	34	83	109	14	0	0	246
50 to 54	1	4	28	75	132	59	5	0	304
55 to 59	0	1	22	41	75	30	4	0	173
60 to 64	1	4	24	32	35	10	6	0	112
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>21</u>	<u>28</u>	<u>11</u>	<u>5</u>	<u>4</u>	<u>76</u>
<b>Total</b>	<b>8</b>	<b>32</b>	<b>212</b>	<b>329</b>	<b>414</b>	<b>126</b>	<b>20</b>	<b>4</b>	<b>1,145</b>

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

<b>Active Employees Eligible for Catastrophic Disability Benefit Only</b>									
<b>Age Group</b>	<b>Years of OPEB Benefit Service</b>								<b>Total</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 – 34</b>	<b>35+</b>	
Under 25	119	0	0	0	0	0	0	0	119
25 to 29	439	37	0	0	0	0	0	0	476
30 to 34	379	211	1	0	0	0	0	0	591
35 to 39	221	209	12	1	0	0	0	0	443
40 to 44	161	160	11	5	2	0	0	0	339
45 to 49	120	103	6	1	4	0	0	0	234
50 to 54	90	73	5	5	3	2	0	0	178
55 to 59	85	80	5	2	1	1	2	0	176
60 to 64	54	45	4	2	0	1	0	0	106
65 and up	<u>17</u>	<u>31</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>58</u>
<b>Total</b>	<b>1,685</b>	<b>949</b>	<b>48</b>	<b>20</b>	<b>11</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>2,720</b>

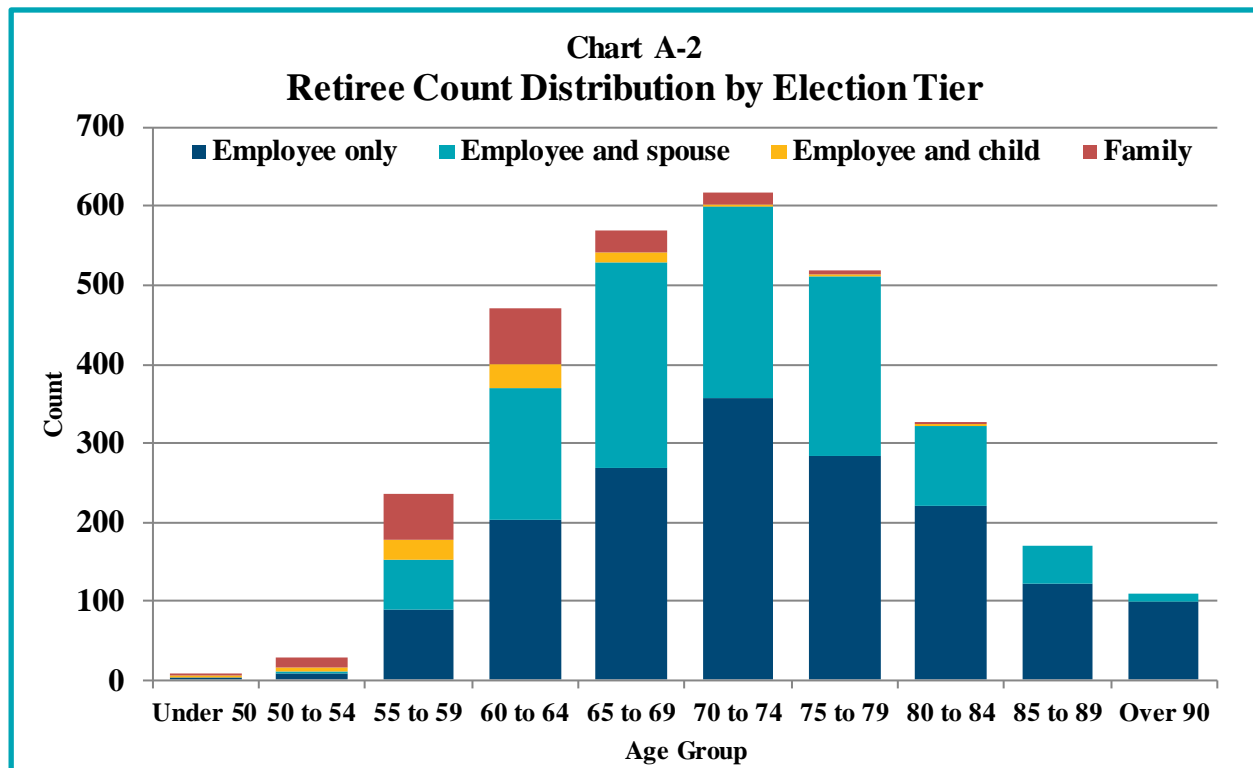


**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX A – MEMBERSHIP INFORMATION**

<b>Retirees, Disabled Retirees and Surviving Spouses</b>				
<b>Age Group</b>	<b><u>Medical Insurance</u></b>			<b><u>Dental Insurance</u></b>
	<b>Males</b>	<b>Females</b>	<b>Total</b>	
Under 50	1	6	7	10
50 to 54	15	13	28	36
55 to 59	131	106	237	254
60 to 64	265	206	471	503
65 to 69	299	270	569	633
70 to 74	326	291	617	687
75 to 79	277	241	518	608
80 to 84	159	167	326	368
85 to 89	71	100	171	199
<u>Over 90</u>	<u>43</u>	<u>67</u>	<u>110</u>	<u>147</u>
<b>Total</b>	<b>1,587</b>	<b>1,467</b>	<b>3,054</b>	<b>3,445</b>

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



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**APPENDIX A – MEMBERSHIP INFORMATION**

<b>Medical Plan Elections as of July 1, 2023</b>			
<b>Medical Plan</b>	<b>Retirees &amp; Surviving Spouses</b>	<b>Spouses</b>	<b>Total</b>
<b>Pre-Medicare Medical Plans</b>			
Kaiser DHMO	66	48	114
Kaiser HDHP	71	48	119
Kaiser \$25 Co-pay	466	289	755
Kaiser \$15 Co-pay (Hawaii)	2	0	2
Kaiser \$25 Co-pay (Northwest)	6	7	13
Anthem DHMO	10	9	19
Anthem Select \$20 Co-pay	38	22	60
Anthem Traditional \$20 Co-pay	25	19	44
Anthem HDHP	35	18	53
Anthem Select PPO	18	5	23
Anthem Classic PPO	<u>6</u>	<u>1</u>	<u>7</u>
<b>Total</b>	<b>743</b>	<b>466</b>	<b>1,209</b>
<b>Medicare Medical Plans</b>			
Kaiser Senior Advantage	1405	526	1,931
Kaiser Senior Advantage (Hawaii)	5	3	8
Kaiser Senior Advantage (Northwest)	26	9	35
Anthem Medicare HMO	30	6	36
Anthem Medicare PPO	<u>845</u>	<u>305</u>	<u>1,150</u>
<b>Total</b>	<b>2,311</b>	<b>849</b>	<b>3,160</b>

<b>Current Vested Terminations*</b>			
<b>Age Group</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Under 45	4	11	15
45 to 49	22	20	42
50 to 54	25	42	67
55 to 59	9	10	19
60 to 64	3	2	5
Over 65	<u>1</u>	<u>1</u>	<u>2</u>
<b>Total</b>	<b>64</b>	<b>86</b>	<b>150</b>

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

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**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 16, 2023 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 8.0% based on Meketa's 20-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 2023 Society of Actuaries Long-Run Medical Cost Trend Model with the following parameters:

Initial trend rate:

Non-Medicare Eligible:	10.00%
Medicare Eligible:	6.00%

Inflation:	2.50%
Real GDP per Capita:	1.40%
Excess Medical Cost Growth:	1.00%

Expected GDP Share in 2032:	19.8%
Resistance Point:	19.0%
Year limited to GDP growth:	2075



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Annual Increase							
Fiscal Year Beginning	Pre- Medicare	Medicare Eligible	Dental	Fiscal Year Beginning	Pre- Medicare	Medicare Eligible	Dental
2024	<i>Varies by Plan</i>			2054	4.51	4.51	3.50
2025	8.60%	5.72%	3.50%	2055	4.50	4.50	3.50
2026	8.05	5.60	3.50	2056	4.49	4.49	3.50
2027	7.49	5.49	3.50	2057	4.49	4.49	3.50
2028	6.93	5.37	3.50	2058	4.48	4.48	3.50
2029	6.37	5.26	3.50	2059	4.47	4.47	3.50
2030	5.81	5.15	3.50	2060	4.47	4.47	3.50
2031	5.25	5.03	3.50	2061	4.46	4.46	3.50
2032	4.87	4.87	3.50	2062	4.45	4.45	3.50
2033	4.75	4.75	3.50	2063	4.45	4.45	3.50
2034	4.73	4.73	3.50	2064	4.44	4.44	3.50
2035	4.71	4.71	3.50	2065	4.41	4.41	3.50
2036	4.70	4.70	3.50	2066	4.35	4.35	3.50
2037	4.68	4.68	3.50	2067	4.30	4.30	3.50
2038	4.67	4.67	3.50	2068	4.25	4.25	3.50
2039	4.66	4.66	3.50	2069	4.20	4.20	3.50
2040	4.64	4.64	3.50	2070	4.15	4.15	3.50
2041	4.63	4.63	3.50	2071	4.10	4.10	3.50
2042	4.62	4.62	3.50	2072	4.05	4.05	3.50
2043	4.61	4.61	3.50	2073	4.01	4.01	3.50
2044	4.60	4.60	3.50	2074	3.96	3.96	3.50
2045	4.59	4.59	3.50	2075+	3.94	3.94	3.50
2046	4.58	4.58	3.50				
2047	4.57	4.57	3.50				
2048	4.56	4.56	3.50				
2049	4.55	4.55	3.50				
2050	4.54	4.54	3.50				
2051	4.53	4.53	3.50				
2052	4.52	4.52	3.50				
2053	4.52	4.52	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, 2024, the trend was developed using actual calendar year 2024 premiums and a trend assumption for calendar year 2025. The trend factors vary by plan as shown in the table on the next page.

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<b>Plan</b>	<b>FY Beginning 2024 Trend</b>
<b>Pre-Medicare</b>	
Kaiser Plans	9.44%
Anthem Plans	15.42%
<b>Medicare</b>	
Kaiser Plan	10.63%
Anthem PPO Plan	4.43%
<b>Dental</b>	
HMO Plan	1.76%
PPO Plan	1.75%

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

**3. Changes Since Last Valuation**

The per-person cost trends were updated.

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## **Demographic Assumptions**

The OPEB assumptions were adopted by the Board of Administration at the November 16, 2023 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 for details, including the rationale for each assumption.

### **1. Salary Increase Rate**

#### Wage inflation component

Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, 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		

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**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.

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**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				
Age	Years of Service			
	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

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**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				
Age	Years of Service			
	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

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**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.

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

<b>Category</b>	<b>Base Mortality Tables</b>	
	<b>Male</b>	<b>Female</b>
<b>Healthy Retirees and Beneficiaries</b>	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
<b>Healthy Non-Annuitant</b>	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees
<b>Disabled Retirees</b>	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

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

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



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**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				
Coverage Tier	Pre-Medicare		Medicare	
	Male	Female	Male	Female
Retiree Only	30%	30%	50%	50%
Retiree and Children	0%	0%	0%	0%
Retiree and Spouse	30%	30%	50%	50%
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
<b>Pre-Medicare Medical Plans</b>			<b>Medicare-Eligible Medical Plans</b>
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%	<b>Dental Plans (All Retirees)</b>	
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 1.65 to estimate the adjustment from a blended active and retiree premium to a retiree only premium.

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**17. Administrative Expenses**

\$105 per member for FYE 2025, increasing at the ultimate wage inflation assumption of 3.00% per annum.

**18. Changes Since Last Valuation**

Plan election assumptions and the administrative expense assumption were updated.

The wage inflation assumption was updated to reflect currently bargained agreements for FYE 2024 through FYE 2026.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Please refer to our demographic experience study report for more detail and an explanation of the rationale for these changes.

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**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 16, 2023 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 2023 and 2024. 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 2023 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 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, 2023 based on the premiums for 2023 and 2024. 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><u>Sample Claims Costs - Non-Medicare Eligible</u></b>						
<b>Age</b>	<b><u>Kaiser</u></b>		<b><u>Anthem HMO</u></b>		<b><u>Anthem PPO</u></b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
40	\$11,671	\$14,267	\$14,768	\$17,885	\$19,801	\$24,778
45	11,857	13,862	14,839	17,247	20,676	24,520
50	12,446	14,077	15,394	17,352	22,324	25,449
55	13,684	14,834	16,728	18,109	25,216	27,420
60	15,900	15,503	19,237	18,760	29,982	29,222
64	18,649	15,180	22,415	18,250	35,666	29,017

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<u>Sample Claims Costs - Medicare Eligible</u>						
Age	<u>Kaiser Senior Adv</u>		<u>Anthem HMO</u>		<u>Anthem Select PPO</u>	
	Male	Female	Male	Female	Male	Female
65	\$2,786	\$2,458	\$5,366	\$4,734	\$5,234	\$4,617
70	2,959	2,506	5,699	4,826	5,558	4,707
75	3,400	2,818	6,550	5,428	6,388	5,294
80	3,861	3,196	7,437	6,155	7,253	6,003
85	4,170	3,492	8,032	6,727	7,833	6,560

<u>Sample Claims Costs - Dental</u>	
<u>Dental Blended</u>	
Age	Unisex
All	697.31

**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 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 total payroll.

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

### **5. Changes Since Last Valuation**

None.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

**POSTEMPLOYMENT HEALTHCARE PLAN**

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

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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 2023 and 2024 are as follows.



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2023 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
<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.*

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

2024 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
<b>Medical</b>				
<u>Non-Medicare Monthly Rates</u>				
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
<u>Medicare-Eligible Monthly Rates</u>				
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
Anthem Medicare HMO	N/A	N/A	N/A	N/A
<b>Dental</b>				
Delta Dental PPO	\$ 50.88	\$ 111.92	\$ 122.12	\$ 157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

**Summary of 2024 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

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

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)	\$3,200/ \$6,400	\$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.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS**

**Cost-Sharing Provisions:**

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

CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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APPENDIX C – SUMMARY OF PLAN PROVISIONS

**VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)**

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

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:

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

**6. Actuarial Valuation**

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

**7. Actuarial Value of Assets**

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

## APPENDIX D – GLOSSARY OF TERMS

### 8. Amortization Payment

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

### 9. Entry Age Normal Actuarial Cost Method

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

### 10. Normal Cost

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

### 11. Unfunded Actuarial Liability

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

### 12. Funded Percentage

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

### 13. Mortality Table

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

### 14. Discount Rate

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

### 15. Medical Trend

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



**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN  
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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)



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