

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

**Actuarial Valuation
as of June 30, 2013**

Produced by Cheiron

January 29, 2014



Classic Values, Innovative Advice

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January 29, 2014

VIA EMAIL

Board of Administration
City of San José Police and Fire Department Retirement Plan
1737 North First Street, Suite 580
San José, California 95112

***Re: City of San José Police and Fire Department Postemployment Healthcare Plan
Valuation***

Dear Members of the Board:

The purpose of this report is to present the June 30, 2013 actuarial valuation of the City of San José Police and Fire Department Postemployment Healthcare Plan. This report is for the use of the Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

Appendix A describes the member data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the City. 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 Number 23.

Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the City of San José's staff.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we 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 valuation report was prepared for the Board for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

This valuation report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.



Board of Administration
January 29, 2014

Sincerely,
Cheiron



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



Michael W. Schionning, FSA, MAAA
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Principal Consulting Actuary

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION I
BOARD SUMMARY**

The Board of Administration of the City of San José Police and Fire Department Retirement Plan has engaged Cheiron to provide a valuation of the City of San José Police and Fire Department Postemployment Healthcare Plan. The primary purpose of performing this actuarial valuation is to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Postemployment Benefit (OPEB) Obligation (NOO) of the Postemployment Healthcare Plan under GASB 43 and 45 for the fiscal year ending June 30, 2014;
- Determine employee and City contribution rates based on the Plan's funding policy for the fiscal year ending June 30, 2015;
- Provide information for financial statement disclosures under GASB 43 and 45;
- Provide projections of contributions, assets, actuarial liability, ARC, and NOO to illustrate the long-term effect of the funding strategy; and
- Show the sensitivity of the valuation results to changes in health trend assumptions.

We have determined costs, measured liabilities, and projected trends for the Plan using actuarial assumptions and methods that have been adopted by the Board or are prescribed by the collective bargaining agreement.

Contribution Policy

The City has negotiated contracts with its labor unions that require both employee and City contributions to fund the Plan. We understand the agreements call for a five-year transition from the prior 10-year cash flow funding policy to the current policy of actuarially funding the explicit subsidy. For the Police Department, this transition began with the 2009-10 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2008. The transition has been completed so Police contribution rates are based entirely on contributing the full Annual Required Contribution (ARC), excluding the implicit subsidy and subject to the annual rate increases described below. For the Fire Department, this transition began with the 2011-12 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2010.

In addition, we understand that annual increases to the City and member contribution rates are limited to 1.35% of payroll and 1.25% of payroll respectively. We have interpreted the bargaining agreement to apply these restrictions beyond the transition period, so they have been applied to the Police contribution rates as well as the Fire contribution rates.

Furthermore, the bargaining agreement states that if the City or member rates exceed 11% or 10% of payroll respectively, the parties are to meet and confer on how to address any contributions above those two percentages. This report does not restrict the contribution rates to

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BOARD SUMMARY

those limits, and we expect the bargaining parties to meet and confer on how to address the contribution amounts shown in this report that exceed those limits.

The contributions for retiree medical benefits (explicit subsidy only) are split evenly between employees and the City, and the contributions for retiree dental benefits are split with the City contributing 75% of the total contribution and employees contributing 25% of the total contribution. In addition, the City pays the implicit subsidy on a pay-as-you-go basis.

Accounting Policy

The Board's current policy sets the Annual Required Contribution (ARC) for the fiscal year immediately following the valuation date equal to the normal cost plus a rolling 30-year amortization of the unfunded actuarial liability (including the implicit subsidy). Once actual contributions reach that level, it is anticipated that the ARC will change to the contribution basis.

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**SECTION I
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Valuation Results

The table below presents the key results of the 2013 valuation.

Table I-1 Summary of Key Valuation Results (dollars in thousands)		
Funding Valuation Basis¹		
Valuation Date	6/30/2013	6/30/2012
Discount Rate	7.125%	7.25%
Actuarial Liability (AL)	511,999	596,223
Actuarial Value of Assets (AVA)	75,035	66,385
Unfunded Actuarial Liability (UAL)	436,964	529,839
AVA Funding Ratio	14.7%	11.1%
Market Value of Assets (MVA)	74,716	62,978
Unfunded Liability (MVA basis)	437,283	533,245
MVA Funded Ratio	14.6%	10.6%
Fiscal Year Ending	6/30/2015	6/30/2014
Member Contribution Rate	9.83%	8.69%
City Contribution Rate	10.69%	9.42%
City Contribution Amount (BOY)	\$ 19,441	\$ 17,073
GASB Valuation Basis²		
Valuation Date	6/30/2013	6/30/2012
Discount Rate	6.00%	4.40%
Actuarial Liability (AL)	\$ 700,525	\$ 997,321
Actuarial Value of Assets (AVA)	75,035	66,385
Unfunded Actuarial Liability (UAL)	\$ 625,490	\$ 930,936
AVA Funding Ratio	10.7%	6.7%
Market Value of Assets (MVA)	\$ 74,716	\$ 62,978
Unfunded Liability (MVA basis)	625,810	934,343
MVA Funded Ratio	10.7%	6.3%
Fiscal Year Ending	6/30/2014	6/30/2013
City ARC		
-- if paid as percent of pay	17.76%	29.70%
-- if paid as dollar amount (MOY)	\$ 32,798	\$ 55,824
<i>Expected/Actual City Contribution²</i>	\$ 20,256	\$ 15,807
<i>Expected/Actual Net Benefit Payments²</i>	\$ 21,950	\$ 23,934

¹ Excludes implicit subsidy

Dollar amounts in thousands

² Includes implicit subsidy

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**SECTION I
BOARD SUMMARY**

The discount rate on a funding basis decreased from 7.25% to 7.125% while the discount rate on a GASB basis increased from 4.40% to 6.00% in this valuation. There were also changes in other assumptions and changes to the plan since the prior valuation. These changes, together with other experience during the year, resulted in a decrease in the UAL of approximately \$93 million on a funding basis and \$305 million on a GASB basis. More detail on the effects of these changes can be found in the Funding and GASB valuation results section of this report.

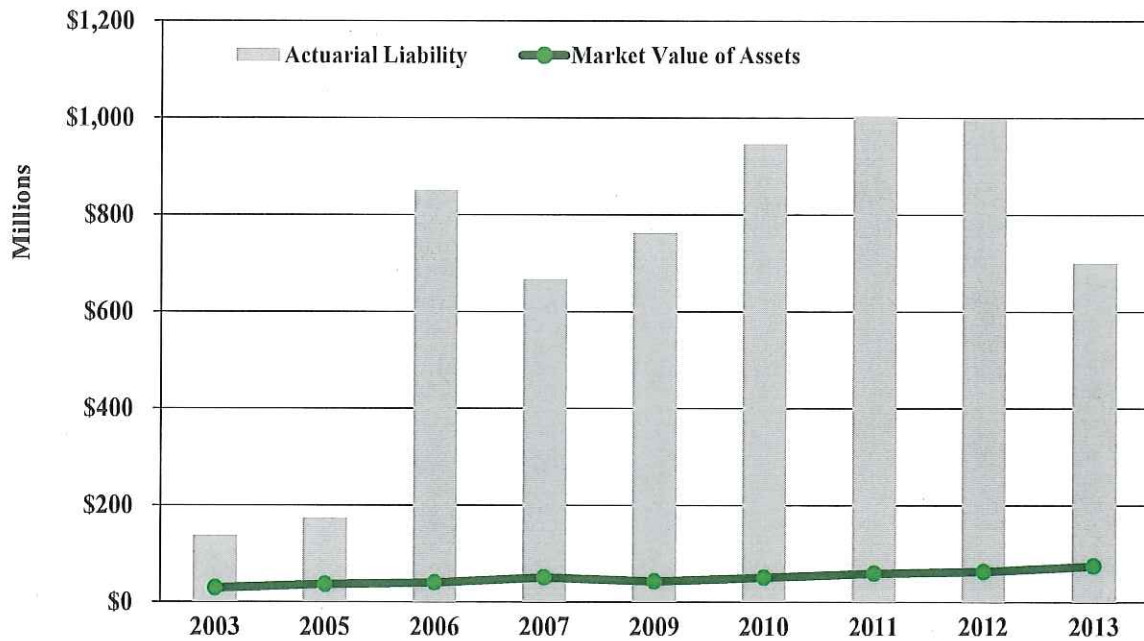
**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION I
BOARD SUMMARY**

Historical Trends

The chart below shows the historical trend of assets and the actuarial liability on a GASB basis for the City of San José Police and Fire Department Postemployment Healthcare Plan. While the Plan has been partially funded for many years, the first valuation complying with GASB 43 and 45 was performed in 2006, which resulted in a significantly lower discount rate and significantly higher measure of the plan’s liability.

City of San José Police and Fire Department Postemployment Healthcare Plan



* 2006 was the first GASB 43/45 valuation.

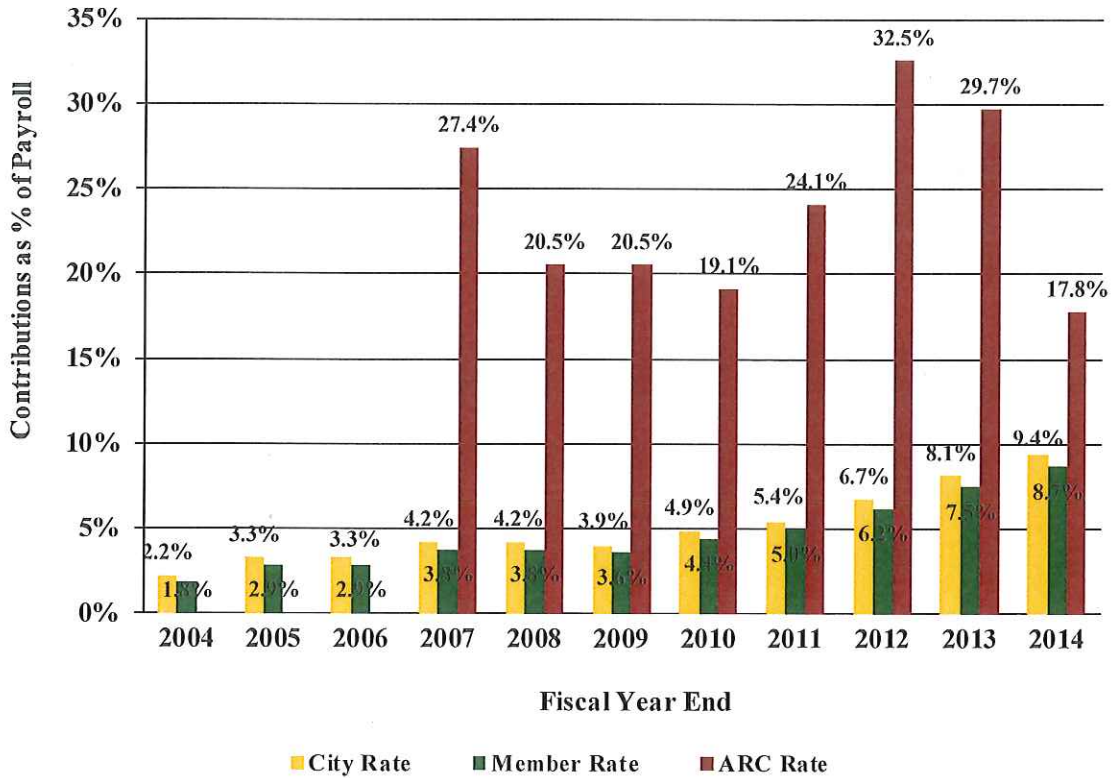
	2003	2005	2006	2007	2009	2011	2012	2013
Funded Ratio	24.1%	20.9%	4.5%	6.8%	7.3%	6.0%	6.7%	10.7%
UAL/(Surplus)	\$ 103.7	\$ 136.6	\$ 812.8	\$ 620.8	\$ 706.0	\$ 943.1	\$ 930.9	\$ 625.5
<i>(in millions)</i>								
Discount Rate	8.00%	8.00%	5.30%	6.40%	6.70%	5.70%	4.40%	6.00%

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**SECTION I
BOARD SUMMARY**

The chart below shows the historical trend in member and City contribution rates. The City's ARC is also shown as a percentage of payroll beginning with the fiscal year ending June 30, 2007.

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



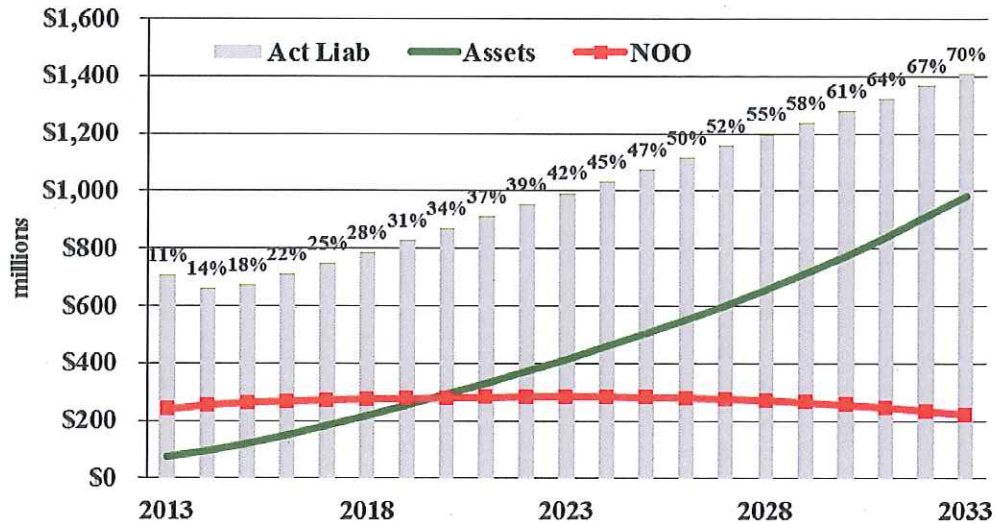
Projected Trends

The charts on the following pages project the assets, actuarial liability, contributions and accounting results under GASB 43 and 45 for the next 20 years.

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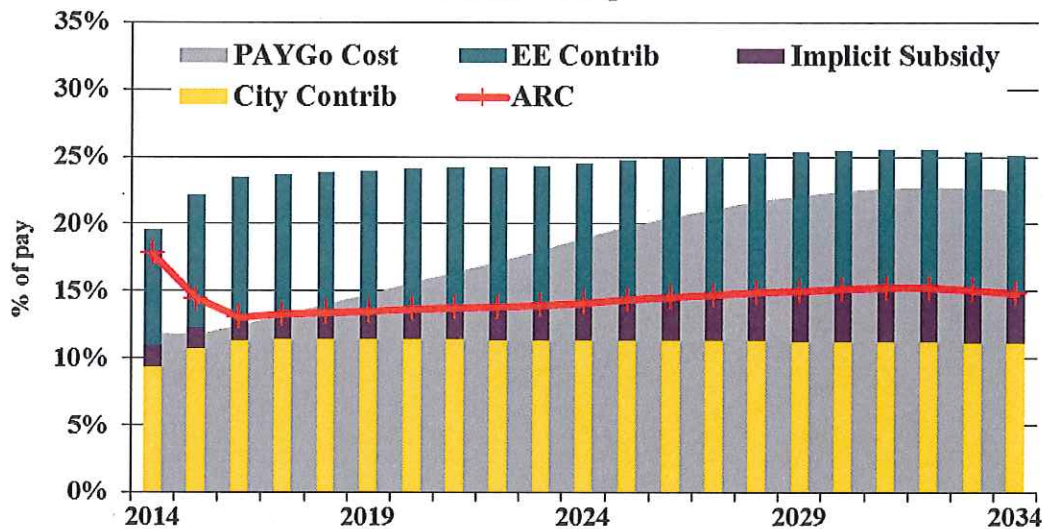
SECTION I
BOARD SUMMARY

Assets and Liabilities



The chart above shows the actuarial liability (gray bars) on a GASB basis increasing from about \$0.7 billion to about \$1.4 billion over the next 20 years. The green line shows assets increasing from \$75 million to almost \$1.0 billion over the same period. The labels on top of the gray bars show the funded status increasing from 11% to 70% over the 20-year projection. The red line shows the Net OPEB Obligation (NOO) increasing from \$239 million to about \$284 million after 10 years before declining to \$220 million after 20 years.

Plan Funding



The second chart shows the projected contribution rates for the City and employees compared to the ARC and pay-as-you-go costs as a percentage of pay. Benefit payments are shown by the gray area and increase from 12% to 23% of projected payroll. The yellow bars represent the City's

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**SECTION I
BOARD SUMMARY**

contributions. The City's contribution is expected to grow to approximately 11.40% of pay in FYE 2017 ignoring the 11% cap in the bargaining agreement. It is then expected to remain relatively level as a percentage of payroll over the remainder of the projection period. In addition, the City contributes an amount equal to the implicit subsidy for each year as shown by the purple bars. Similarly, employee contributions are expected to grow to approximately 10.50% of pay in FYE 2017 ignoring the 10% cap in the bargaining agreement and then remain relatively level for the remainder of the projection period. The ARC, shown by the red line, is expected to decrease to approximately 13% of pay by FYE 2016 before gradually increasing as the annual implicit subsidy is expected to increase through the end of the projection period.

The table below shows the expected net benefit payments for the next 21 years. The payments are separated into the explicit subsidy payments (health and dental premium payments) on which the contributions are based and the implicit subsidy payments, which are only included in the GASB calculations and disclosures.

Fiscal Year Ending June 30	Explicit Medical	Dental	Total Explicit Subsidy	Implicit Subsidy	Total Expected Payments
2014	\$ 17,145,204	\$ 1,941,976	\$ 19,087,180	\$ 2,863,280	\$ 21,950,460
2015	16,966,898	2,033,233	19,000,131	3,101,372	22,101,503
2016	18,524,178	2,142,091	20,666,269	3,268,744	23,935,013
2017	20,310,919	2,270,840	22,581,759	3,677,362	26,259,121
2018	22,327,039	2,416,969	24,744,008	4,100,465	28,844,473
2019	24,463,455	2,572,996	27,036,451	4,418,147	31,454,598
2020	26,702,897	2,735,312	29,438,209	5,021,497	34,459,706
2021	29,049,259	2,905,912	31,955,171	5,477,294	37,432,465
2022	31,658,259	3,096,809	34,755,068	5,796,004	40,551,072
2023	34,464,135	3,305,206	37,769,341	6,294,403	44,063,744
2024	37,418,955	3,520,098	40,939,053	7,018,031	47,957,084
2025	40,239,640	3,727,613	43,967,253	7,908,131	51,875,384
2026	42,931,558	3,928,171	46,859,729	8,658,658	55,518,387
2027	45,608,193	4,131,791	49,739,984	9,478,485	59,218,469
2028	48,188,512	4,330,001	52,518,513	10,464,308	62,982,821
2029	50,639,294	4,524,097	55,163,391	11,205,639	66,369,030
2030	52,955,062	4,708,707	57,663,769	12,106,081	69,769,850
2031	55,151,006	4,881,903	60,032,909	12,860,205	72,893,114
2032	57,286,914	5,048,383	62,335,297	13,468,671	75,803,968
2033	59,463,088	5,216,258	64,679,346	13,488,870	78,168,216
2034	61,736,604	5,391,978	67,128,582	13,236,695	80,365,277

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**SECTION I
BOARD SUMMARY**

In this valuation, the amount of the estimated implicit subsidy increased from \$172,014 for the fiscal year ending June 30, 2013 to \$2,863,280 for the fiscal year ending June 30, 2014, primarily due to the change to four-tiered premiums.

The remainder of this report provides additional detail. First, we present the assets. Second, we develop the contribution requirements under the Plan's funding policy. Third, we develop the GASB valuation results and illustrate the sensitivity of the GASB results to health care trend rates. We conclude with disclosure information to satisfy the GASB OPEB accounting and financial reporting requirements.

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

Market Value of Assets

Table II-1 below shows the changes in the aggregate market value of assets for the last two fiscal years. In the last year, investment earnings were about 8.7%, resulting in an actuarial gain of approximately \$1.0 million.

Table II-1		
Market Value of Assets		
Year Ending	6/30/2013	6/30/2012
Market Value, Beginning of Year	\$ 62,978,197	\$ 59,669,283
Contributions		
Member	13,497,706	11,473,635
City	15,635,412	16,454,985
Implicit Subsidy	172,014	4,750,160
Total	\$ 29,305,132	\$ 32,678,780
Net Investment Earnings	6,367,119	(891,129)
Benefit Payments		
Premium Payments	23,762,478	23,728,577
Implicit Subsidy	172,014	4,750,160
Total	\$ 23,934,492	\$ 28,478,737
Market Value, End of Year	\$ 74,715,956	\$ 62,978,197

Actuarial Value of Assets

To determine on-going contribution amounts, most pension funds use an actuarial value of assets that smooths year-to-year market value returns in order to reduce the volatility of contribution rates. The same approach is used for this OPEB valuation although, given the size of the current assets, the smoothing effect is minimal. As the assets grow, smoothing will become more important in controlling the volatility of contribution rates.

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return over a five-year period. The dollar amount of the expected return on the market value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss. Table II-2 shows the development of the actuarial value of assets as of the valuation date.

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**SECTION II
ASSETS**

Table II-2 Development of Actuarial Value of Assets			
			Total
Market Value of Assets at 6/30/2013			\$ 74,715,956
Investment Return Assumption for Year Ending 6/30/2013			7.25%
Expected Investment Earnings			5,333,899
Actual Investment Earnings			<u>6,367,119</u>
Investment Gain or (Loss)			\$ 1,033,220
Deferred Gains / (Losses)	Initial Balance	Percent Deferred	
Current Year	1,033,220	80%	826,576
Prior Year	(6,149,197)	60%	(3,689,518)
2nd Prior Year	4,667,350	40%	1,866,940
3rd Prior Year	3,384,603	20%	<u>676,921</u>
Total			\$ (319,081)
Preliminary Actuarial Value of Assets			\$ 75,035,037
Minimum Actuarial Value of Assets (80% of Market Value)			59,772,765
Maximum Actuarial Value of Assets (120% of Market Value)			89,659,147
Actuarial Value of Assets			\$ 75,035,037
Ratio of AVA / MVA			100.4%

Asset Values by Department

The market value of assets is reported separately for the Police and Fire Departments. Within each department, the dental assets were set equal to 10% of the total assets as of June 30, 2010. Since that date, contributions (excluding the implicit subsidy) are allocated to medical and dental in proportion to the contribution rates, and benefit payments are allocated to medical and dental in proportion to the expected payments from the prior valuation. Tables II-3 and II-4 on the following page show the development of the market value of assets and actuarial value of assets for medical and dental within the Police and Fire Departments respectively.

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**SECTION II
ASSETS**

Table II-3			
Market Value of Assets – Police Department			
	Medical	Dental	Total
Market Value, 6/30/2012	\$ 42,884,864	\$ 4,357,278	\$ 47,242,142
Contributions			
Member	8,649,317	394,146	9,043,463
City	9,656,777	1,295,719	10,952,496
Implicit Subsidy	121,246	0	121,246
Total	\$ 18,427,340	\$ 1,689,865	\$ 20,117,205
Net Investment Earnings	4,400,288	446,033	4,846,321
Benefit Payments			
Premium Payments	(12,997,399)	(1,500,822)	(14,498,221)
Implicit Subsidy	(121,246)	0	(121,246)
Total	\$ 13,118,645	\$ 1,500,822	\$ 14,619,467
Market Value, 6/30/2013	\$ 52,593,847	\$ 4,992,354	\$ 57,586,201
Ratio of AVA / MVA	100.4%	100.4%	100.4%
Actuarial Value of Assets	\$ 52,818,453	\$ 5,013,675	\$ 57,832,128

Table II-4			
Market Value of Assets – Fire Department			
	Medical	Dental	Total
Market Value, 6/30/2012	\$ 14,482,914	\$ 1,253,141	\$ 15,736,055
Contributions			
Member	4,264,701	189,542	4,454,243
City	4,114,289	568,627	4,682,916
Implicit Subsidy	50,768	0	50,768
Total	\$ 8,429,758	\$ 758,169	\$ 9,187,927
Net Investment Earnings	1,401,786	119,012	1,520,798
Benefit Payments			
Premium Payments	(8,242,618)	(1,021,639)	(9,264,257)
Implicit Subsidy	(50,768)	0	(50,768)
Total	\$ 8,293,386	\$ 1,021,639	\$ 9,315,025
Market Value, 6/30/2013	\$ 16,021,072	\$ 1,108,683	\$ 17,129,755
Ratio of AVA / MVA	100.4%	100.4%	100.4%
Actuarial Value of Assets	\$ 16,089,492	\$ 1,113,417	\$ 17,202,909

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SECTION III
FUNDING VALUATION RESULTS

This section of the report calculates the contribution requirements under the contracts negotiated between the City and its labor unions for the fiscal year ending June 30, 2015. The City has negotiated separate contracts with the Police and Fire Unions that require both employee and City contributions to fund the Plan.

We understand the agreements call for a five-year transition from the 10-year cash flow funding policy used previously to actuarially funding the explicit subsidy. For the Police Department, this transition began with the 2009-10 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2008. The transition to the new method was completed as part of the last valuation effective with contribution amounts for the fiscal year ending June 30, 2014. For the Fire Department, this transition began with the 2011-12 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2010. The transition to the new method will be complete effective with contribution amounts for the fiscal year ending June 30, 2016.

We also understand that annual increases to the City and member contribution rates are limited to 1.35% of payroll and 1.25% of payroll respectively. We interpret the language of the bargaining agreement to apply these limits to annual changes in contribution rates indefinitely.

Furthermore, the bargaining agreement states that if the City or member rates exceed 11% and 10% of payroll respectively, the parties shall meet and confer on how to address any contributions above those two percentages. We have not limited contribution rates to these caps in this valuation. We expect the bargaining parties to address how the contribution rates for Police that exceed these amounts are to be handled.

The contributions for retiree medical benefits are split evenly between employees and the City, and the contributions for retiree dental benefits are split such that the City contributes 75% and members contribute 25% of the total contribution. In addition, the City pays the implicit subsidy on a pay-as-you-go basis.

The following tables develop the UAL for the Police and Fire Departments for the explicit subsidy of medical and dental benefits based on the funding discount rate of 7.125%.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**SECTION III
FUNDING VALUATION RESULTS**

Table III-1			
Unfunded Actuarial Liability – Police Department			
Funding Basis			
	Medical	Dental	Total
Present Value of Future Benefits			
Retirees and Beneficiaries	\$ 183,584,160	\$ 18,336,538	\$ 201,920,698
Term Vested Members	1,058,882	83,143	1,142,025
Active Employees	<u>174,059,813</u>	<u>14,719,208</u>	<u>188,779,021</u>
Total	\$ 358,702,855	\$ 33,138,889	\$ 391,841,744
Present Value of Future Normal Costs	<u>58,523,387</u>	<u>4,945,002</u>	<u>63,468,389</u>
Actuarial Liability	\$ 300,179,468	\$ 28,193,887	\$ 328,373,355
Actuarial Value of Assets	<u>52,818,453</u>	<u>5,013,675</u>	<u>57,832,128</u>
Unfunded Actuarial Liability	\$ 247,361,015	\$ 23,180,212	\$ 270,541,227

Table III-2			
Unfunded Actuarial Liability – Fire Department			
Funding Basis			
	Medical	Dental	Total
Present Value of Future Benefits			
Retirees and Beneficiaries	\$ 107,564,578	\$ 10,891,314	\$ 118,455,892
Term Vested Members	253,659	20,442	274,101
Active Employees	<u>107,261,089</u>	<u>9,020,853</u>	<u>116,281,942</u>
Total	\$ 215,079,326	\$ 19,932,609	\$ 235,011,935
Present Value of Future Normal Costs	<u>47,416,609</u>	<u>3,969,339</u>	<u>51,385,948</u>
Actuarial Liability	\$ 167,662,717	\$ 15,963,270	\$ 183,625,987
Actuarial Value of Assets	<u>16,089,492</u>	<u>1,113,417</u>	<u>17,202,909</u>
Unfunded Actuarial Liability	\$ 151,573,225	\$ 14,849,853	\$ 166,423,078

The UAL for the Police Department is amortized over a fixed, closed period of 30 years beginning with the June 30, 2008 UAL. Consequently, the UAL as of June 30, 2013 is amortized over a period of 25 years.

The UAL for the Fire Department is amortized over a fixed, closed period of 30 years beginning with the June 30, 2010 UAL. Consequently, the UAL as of June 30, 2013 is amortized over a period of 27 years. The following table shows the amortization schedule as of June 30, 2013.

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**SECTION III
FUNDING VALUATION RESULTS**

Table III-3				
Amortization Schedule – Funding Basis				
Amortization Base	Remaining Period	Outstanding Balance	Amortization Payment	Amortization Rate
Police Department - Medical	25	\$ 247,361,015	\$ 16,081,766	14.36%
Police Department - Dental	25	23,180,212	1,507,023	1.35%
Fire Department - Medical	27	151,573,225	9,396,167	12.31%
Fire Department - Dental	27	14,849,853	920,556	1.21%

Due to the one-year lag between the valuation date and the effective date of new contribution rates, the amortization payments shown in the table above are assumed to be made 18 months after the valuation date and have been adjusted for interest accordingly. The amortization rate is calculated by dividing the amortization payment by the projected payroll for the 2014-15 fiscal year.

The table below develops the total normal cost rate for each of the groups based on the active employees on the valuation date and the expected pay for those employees for the year following the valuation date.

Table III-4			
Total Normal Cost Rates – Funding Basis			
	Normal Cost Amount	Expected Payroll for Current Actives	Normal Cost Rate
Police Department - Medical	\$ 6,417,396	\$ 104,080,171	6.17%
Police Department - Dental	551,297	104,080,171	0.53%
Fire Department - Medical	4,260,481	71,328,985	5.97%
Fire Department - Dental	361,818	71,328,985	0.51%

The table on the following page develops the contribution rates for members and the City prior to any adjustment for caps or the phase-in of the new funding method.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION III
FUNDING VALUATION RESULTS**

Table III-5				
Preliminary Contribution Rates – Funding Basis				
	FYE 2015			FYE 2014
	Medical	Dental	Total	Total
Police Department				
Normal Cost	6.17%	0.53%	6.70%	8.34%
Amortization Payment	<u>14.36%</u>	<u>1.35%</u>	<u>15.71%</u>	<u>18.34%</u>
Total	20.53%	1.88%	22.41%	26.69%
Contribution Allocation without Annual Caps				
Member	10.27%	0.47%	10.74%	12.74%
City	<u>10.26%</u>	<u>1.41%</u>	<u>11.67%</u>	<u>13.95%</u>
Total	20.53%	1.88%	22.41%	26.69%
Fire Department				
Normal Cost	5.97%	0.51%	6.48%	7.69%
Amortization Payment	<u>12.31%</u>	<u>1.21%</u>	<u>13.52%</u>	<u>17.04%</u>
Total	18.28%	1.72%	20.00%	24.73%
Contribution Allocation without Phase-In or Annual Caps				
Member	9.14%	0.43%	9.57%	11.79%
City	<u>9.14%</u>	<u>1.29%</u>	<u>10.43%</u>	<u>12.94%</u>
Total	18.28%	1.72%	20.00%	24.73%

To calculate the phased-in contribution rates for the Fire Department, contributions under the prior funding method must be calculated. For Police Department members, the phase-in is complete so this calculation is no longer necessary. The prior funding method developed contributions as a level percentage of payroll over the next 10 years equal to the present value of the expected benefit payments over the next 10 years. The table on the following page develops these contribution rates for the Fire Department.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION III
FUNDING VALUATION RESULTS**

Table III-6			
Fire Contribution Rates – Old Funding Basis			
10-Year Projected Cash Flows			
Fiscal Year Ending	Medical	Dental	Payroll
2014	\$ 6,844,339	\$ 783,337	\$ 74,861,955
2015	6,741,205	813,779	76,359,194
2016	7,299,214	850,375	77,886,378
2017	7,912,056	891,209	80,612,401
2018	8,592,327	937,020	83,433,835
2019	9,298,029	984,912	86,354,019
2020	10,051,704	1,036,593	89,376,410
2021	10,846,827	1,092,065	92,504,585
2022	11,706,634	1,152,643	95,742,245
2023	12,634,211	1,218,915	99,093,224
Present Value as of June 30, 2013	\$ 63,719,430	\$ 6,859,589	\$ 607,694,669
Development of Contribution Rate			
	Medical	Dental	Total
Actuarial Value of Assets	\$ 16,089,492	\$ 1,113,417	\$ 17,202,909
Unfunded Actuarial Liability	47,629,938	5,746,172	53,376,111
Present Value of 10-Year Payroll	607,694,669	607,694,669	607,694,669
Total Contribution Rate	7.84%	0.95%	8.78%

The tables on the following page calculate the phased-in contribution rates and then apply the caps to those rates. The Fire Department is in the fourth year of the five-year phase-in period. The caps limit the annual increase in the City and member contribution rates to 1.35% and 1.25% of payroll respectively. In addition, we understand the MOAs indicate that if the contribution rates exceed 11% for the City or 10% for the members, the parties should meet and confer on how to address any contributions above these amounts. The full contribution rates exceed these caps for both the Police and Fire Departments. After applying the phase-in and the annual increase limits, the Fire Department contribution rates are below these caps, but the Police Department contribution rates exceed the caps.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**SECTION III
FUNDING VALUATION RESULTS**

Table III-7			
Police Contribution Rates –Funding Basis			
Reflecting Annual Caps			
	Medical	Dental	Total
Calculated FYE 2015 Contribution Rate			
Member	10.27%	0.47%	10.74%
City	<u>10.26%</u>	<u>1.41%</u>	<u>11.67%</u>
Total	20.53%	1.88%	22.41%
FYE 2014 Contribution Rates			
Member	9.11%	0.40%	9.51%
City	<u>9.12%</u>	<u>1.19%</u>	<u>10.31%</u>
Total	18.23%	1.59%	19.82%
Capped FYE 2015 Contribution Rates			
Member	10.27%	0.47%	10.74%
City	<u>10.26%</u>	<u>1.40%</u>	<u>11.66%</u>
Total	20.53%	1.87%	22.40%

Table III-8			
Fire Contribution Rates –Funding Basis			
Reflecting Phase-In and Annual Caps			
	Medical	Dental	Total
Old Funding Basis	7.84%	0.95%	8.78%
New Funding Basis	18.28%	1.72%	20.00%
Percentage New	80%	80%	80%
Phased-In FYE 2015 Contribution Rates			
Member	8.10%	0.39%	8.49%
City	<u>8.09%</u>	<u>1.18%</u>	<u>9.27%</u>
Total	16.19%	1.57%	17.76%
FYE 2014 Contribution Rates			
Member	7.05%	0.30%	7.36%
City	<u>7.05%</u>	<u>0.91%</u>	<u>7.97%</u>
Total	14.11%	1.21%	15.32%
Capped FYE 2015 Contribution Rates			
Member	8.10%	0.39%	8.49%
City	<u>8.09%</u>	<u>1.18%</u>	<u>9.27%</u>
Total	16.19%	1.57%	17.76%

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION III
FUNDING VALUATION RESULTS**

Effects of Changes

The tables below provide estimates of the major factors contributing to the change in actuarial liability and the change in contribution amounts before application of the phase-in and caps since the last valuation report. The liability and contribution amounts for medical and dental benefits have been combined in the reconciliation.

Table III-9	
Reconciliation of Actuarial Liability – Funding Basis	
Actuarial Liability as of June 30, 2012	\$ 596,223
Normal Cost	14,895
Benefit Payments	(23,934)
Interest	42,904
Expected Actuarial Liability, June 30, 2013	\$ 630,088
Actuarial Liability as of June 30, 2013	511,999
Gain or (Loss)	\$ (118,089)
Changes due to:	
Demographic experience	\$ 4,674
Change in claims cost assumptions	(35,943)
Change in trend assumptions	(25,325)
Plan changes effective 1/1/2014	(78,663)
Change in funding assumptions	8,299
Change in discount rate	8,871
Total Changes	\$ (118,089)

Dollar amounts in thousands

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION III
FUNDING VALUATION RESULTS**

Table III-10			
Effects of Changes - Contribution Amounts Without Phase-In/Caps			
	Normal Cost	Amortization	
	Rate	Payment	Total
Unadjusted FYE 2014 Contribution	\$ 15,219	\$ 33,539	\$ 48,759
Expected FYE 2015 Contribution	\$ 15,752	\$ 34,713	\$ 50,465
Calculated FYE 2015 Contribution	<u>12,451</u>	<u>27,916</u>	<u>40,366</u>
Net Change	\$ (3,301)	\$ (6,798)	\$ (10,099)
Changes due to:			
Demographic experience	\$ 564	\$ 1,533	\$ 2,097
Change in claims cost assumptions	(953)	(2,328)	(3,281)
Change in trend assumptions	(790)	(1,640)	(2,430)
Plan changes effective 1/1/2014	(2,128)	(5,094)	(7,222)
Change in funding assumptions	(374)	537	164
Change in discount rate	<u>380</u>	<u>193</u>	<u>573</u>
Total Changes	\$ (3,301)	\$ (6,798)	\$ (10,099)

Dollar amounts in thousands

- *Demographic experience* refers to the change in actual data and elections from June 30, 2012 to June 30, 2013 as compared to the changes expected in the prior valuation.
- *Change in claims cost assumptions* refers to the change in expected current healthcare claims and expense costs based on the 2013 and 2014 medical premium experience.
- *Change in trend assumptions* refers to the changes to assumed rates of increase in future healthcare claims and expenses.
- *Plan changes effective 1/1/2014* refers to the adoption of the four-tier rate structure effective January 1, 2014.
- *Change in funding assumptions* refers to the change in the demographic and wage inflation assumptions.
- *Change in discount rate* refers to the change in the discount rate from 7.25% to 7.125%.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION IV
GASB VALUATION RESULTS**

GASB's OPEB Requirements

The Governmental Accounting Standards Board (GASB) Statement 43 governs financial reporting for post-employment benefits plans other than pension plans and a companion Statement (Number 45) governs the employer accounting and financial reporting for these plans.

For plans where the contribution equals the Annual Required Contribution under GASB 43 based on a discount rate equal to the expected return on plan assets, the discount rate for GASB purposes is also the expected return on plan assets. Where the contribution equals the pay-as-you-go cost (annual benefit payments), the discount rate for GASB purposes is equal to the expected return on the City's unrestricted assets. Where the contribution is between these two amounts, GASB requires the use of a blended discount rate that is prorated between the expected return on plan assets and the expected return on City assets. For FYE 2014, the full ARC will not be contributed, and the table below develops the blended discount rate that is used in the remainder of the GASB calculations.

Table IV-1 Development of Blended Discount Rate	
Expected FYE 2014 Contributions	
Member Contribution	\$15,950,231
City Contribution	\$17,285,156
Implicit Subsidy	\$2,863,280
Total Contribution	\$36,098,667
FYE 2014 Full ARC	
Normal Cost (Middle of Year)	\$14,119,186
Amortization of UAL	\$28,339,924
Total ARC	\$42,459,110
Pay-as-you-go Costs	
Pay-as-you-go Cost	\$21,950,467
Contribution in Excess of Pay-Go	\$14,148,200
Full ARC in Excess of Pay-Go	\$20,508,643
Weight to System Return	68.987%
Expected Returns	
Expected Return on Plan Assets	7.125%
Expected Return on City Assets	3.500%
Blended Discount Rate	6.000%

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION IV
GASB VALUATION RESULTS**

The development of the unfunded actuarial liability based on the blended discount rate is shown in the table below for retiree medical and dental benefits. For GASB purposes, the implicit subsidy is included as part of the liability.

Table IV-2				
Unfunded Actuarial Liability (UAL) – GASB Basis				
	Medical		Dental	Total
	Implicit	Explicit		
Present Value of Future Benefits				
Retirees and Beneficiaries	\$ 52,982,820	\$ 333,722,201	\$ 33,232,703	\$ 420,232,285
Term Vested Members	294,561	1,638,187	128,572	1,766,759
Active Employees	<u>69,591,828</u>	<u>370,494,664</u>	<u>31,085,839</u>	<u>471,172,331</u>
Total	\$ 122,869,209	\$ 705,855,052	\$ 64,447,114	\$ 893,171,375
Present Value of Future Normal Costs	<u>25,959,330</u>	<u>153,832,757</u>	<u>12,853,829</u>	<u>192,645,916</u>
Actuarial Liability	\$ 96,909,879	\$ 552,022,295	\$ 51,593,285	\$ 700,525,459
Actuarial Value of Assets	<u>10,408,573</u>	<u>59,110,803</u>	<u>5,515,662</u>	<u>75,035,037</u>
Unfunded Actuarial Liability	\$ 86,501,306	\$ 492,911,492	\$ 46,077,623	\$ 625,490,422

The Annual Required Contribution (ARC) under GASB 43 and 45 consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the unfunded actuarial liability (UAL).

For GASB purposes, the UAL is amortized as a level percentage of payroll over 30 years. In the table below, the Annual Required Contribution (ARC) for the fiscal year ending June 30, 2014 is developed using a blended discount rate of 6.00%. The prior year's calculation is shown for comparison.

Table IV-3		
GASB ARC		
Fiscal Year Ending	6/30/2014	6/30/2013
Discount Rate	6.00%	4.40%
Total Normal Cost	\$ 19,043,996	\$ 33,961,961
UAL Amortization	<u>29,704,653</u>	<u>35,846,961</u>
Total Cost	\$ 48,748,649	\$ 69,808,922
Employee Contributions	<u>15,950,231</u>	<u>13,984,443</u>
Total ARC	\$ 32,798,418	\$ 55,824,479

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**SECTION IV
GASB VALUATION RESULTS**

Reconciliation

Table IV-4 provides an estimate of the major factors contributing to the change in liability since the last valuation report. Medical and dental liabilities have been combined in the reconciliation table below.

Table IV-4 Reconciliation of Actuarial Liability – GASB Basis	
Actuarial Liability as of June 30, 2012	\$ 997,321
Normal Cost	33,962
Benefit Payments	(23,934)
Interest	44,100
Expected Actuarial Liability, June 30, 2013	\$ 1,051,449
Actuarial Liability as of June 30, 2013	700,525
Gain or (Loss)	\$ (350,923)
Changes due to:	
Demographic experience	\$ 4,536
Change in claims cost assumptions	(102,585)
Change in trend assumption	(39,179)
Plan changes effective 1/1/2014	(31,783)
Change in demographic assumptions and wage inflation	13,251
Change in discount rate	(195,163)
Total Changes	\$ (350,923)

Dollar amounts in thousands

- *Demographic experience* refers to the change in actual data and elections from June 30, 2012 to June 30, 2013 as compared to the changes expected in the prior valuation.
- *Change in claims cost assumptions* refers to the change in expected current healthcare claims and expense costs based on the 2013 and 2014 medical premium experience.
- *Change in trend assumptions* refers to the changes to assumed rates of increase in future healthcare claims and expenses. *Plan changes effective 1/1/2014* refers to the adoption of the four-tier rate structure effective January 1, 2014.
- *Change in funding assumption* refers to the change in the demographic and wage inflation assumptions.
- *Change in Discount Rate* refers to the change in the discount rate from 4.40% to 6.00%.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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SECTION V
SENSITIVITY OF RESULTS

The measure of liability and ARC produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the health care trend rates on the GASB actuarial liability and the ARC to provide some measure of sensitivity.

Table V-1			
Sensitivity to Healthcare Trend Rates - Unfunded Actuarial Liability (GASB basis)			
Health Care Trend Rate	-1%	Base	+1%
Present Value of Future Benefits			
Retirees and Beneficiaries	\$ 373,825	\$ 420,232	\$ 475,497
Term Vested Members	1,707	1,767	2,510
Active Employees	370,492	471,172	606,315
Total	\$ 746,024	\$ 893,171	\$ 1,084,322
Present Value of Future Normal Costs			
	147,318	192,646	255,049
Actuarial Liability	\$ 598,706	\$ 700,525	\$ 829,273
Actuarial Value of Assets	75,035	75,035	75,035
UAL	\$ 523,671	\$ 625,490	\$ 754,238

Dollar amounts in thousands

Table V-2			
Sensitivity to Healthcare Trend Rates - GASB ARC for FYE 2014			
Health Care Trend Rate	-1%	Base	+1%
Total Normal Cost	\$ 14,250	\$ 19,044	\$ 23,259
UAL Amortization	24,869	29,705	35,819
Total Cost	\$ 39,120	\$ 48,749	\$ 59,078
Employee Contributions	15,950	15,950	15,950
Total ARC	\$ 23,169	\$ 32,798	\$ 43,127

Dollar amounts in thousands

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**SECTION VI
ACCOUNTING DISCLOSURES**

Statements No. 43 and 45 of the Governmental Accounting Standards Board (GASB) established standards for accounting and financial reporting of Other Postemployment Benefit (OPEB) information by governmental employers and plans. In accordance with those statements, we have prepared the following disclosures.

Net OPEB Obligation

Table VI-1 below shows the development of the Net OPEB Obligation for the fiscal year ending June 30, 2013 and projects the Net OPEB Obligation for the fiscal year ending June 30, 2014.

Table VI-1		
Development of Net OPEB Obligation		
(dollars in thousands)		
	Projected	
	6/30/2014	6/30/2013
1. Net OPEB Obligation, beginning of year	\$ 239,213,166	\$ 198,107,778
2. Annual Required Contribution	\$ 32,798,418	\$ 55,824,479
3. Interest on Net OPEB Obligation	14,352,790	8,716,742
4. Adjustment to Annual Required Contribution	(11,360,277)	(7,628,408)
5. Annual OPEB Cost (2.) + (3.) - (4.)	\$ 35,790,932	\$ 56,912,814
6. Employer Contributions	17,393,205	15,635,412
7. Implicit Rate Subsidy	2,863,280	172,014
8. Net OPEB Obligation, end of year	\$ 254,747,612	\$ 239,213,166
<i>(1.) + (5.) - (6.) - (7.)</i>		

Table VI-2 shows the solvency test and Table VI-3 shows the analysis of financial experience, both as recommended by the Government Finance Officers Association for inclusion in the plan's Comprehensive Annual Financial Report.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION VI
ACCOUNTING DISCLOSURES**

Table VI-2 Solvency Test (dollars in thousands)						
Actuarial Liability						
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives		Active Members	Reported Assets	Portion of Liability Covered by Reported Assets	
	(A)	(B)			(A)	(B)
6/30/2013	\$ 421,999	\$ 278,526	\$ -	0%	0%	0%
6/30/2012	600,869	396,452	-	0%	0%	0%
6/30/2011	622,691	381,104	60,709	10%	0%	0%
6/30/2010	568,611	377,697	58,586	10%	0%	0%
6/30/2009	436,249	325,355	55,618	13%	0%	0%
6/30/2007	336,899	329,328	45,393	13%	0%	0%
6/30/2006	422,457	428,761	38,381	9%	0%	0%

Table VI-3 Analysis of Financial Experience		
Type of Activity	Gain or (Loss) for Year Ending	
	6/30/2013	6/30/2012
Investment Income	\$ 2,437	\$ (6,011)
Liability Experience	(4,536)	4,760
Gain or (Loss) During Year from Financial Experience	\$ (2,099)	\$ (1,251)
Non-Recurring Gain or (Loss) Items	258,939	58,173
Composite Gain or (Loss) During Year	\$ 256,840	\$ 56,922

Dollar amounts in thousands

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the actuarial liability 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. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION VI
ACCOUNTING DISCLOSURES**

**Table VI-4
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)	(UAAL) as Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ 75,035	\$ 700,525	\$ 625,490	11%	\$ 184,645	339%
6/30/2012	66,385	997,321	930,936	7%	187,959	495%
6/30/2011	60,709	1,003,795	943,086	6%	190,726	494%
6/30/2010	58,586	946,308	887,722	6%	222,699	399%
6/30/2009	55,618	761,604	705,986	7%	243,196	290%
6/30/2007	45,393	666,227	620,834	7%	227,734	273%
6/30/2006	38,381	851,218	812,837	5%	218,521	372%

Dollar amounts in thousands

Schedule of Employer Contributions

The schedule of employer contributions shows whether the employer has made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense. Note the Table VI-5 provides the information in a format for the City's reporting while Table VI-6 provides the format for the Plan's reporting.

**Table VI-5
Schedule of Employer Contributions - City
City**

Fiscal Year Ending	Annual OPEB Cost (AOC)	Contributions Plus Implicit Subsidy	Percentage of AOC Contributed	Net OPEB Obligation
2014	\$ 35,791	To Be Determined	To Be Determined	To Be Determined
2013	56,913	\$ 15,807	28%	\$ 239,213
2012	65,747	21,205	32%	198,108
2011	64,105	17,001	27%	154,566
2010	51,734	15,546	30%	106,990
2009	50,651	13,063	26%	71,314
2008	48,191	13,624	28%	34,138

Dollar amounts in thousands

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**SECTION VI
ACCOUNTING DISCLOSURES**

Table VI-6					
Schedule of Employer Contributions - Plan					
Fiscal Year Ending	Annual Required Contribution (ARC)	City Contributions to Trust	Implicit Subsidy	Total Contributions	Percentage of ARC Contributed
2014	\$ 32,798		<== To Be Determined ==>		
2013	55,824	\$ 15,635	\$ 172	\$ 15,807	28%
2012	62,079	16,455	4,750	21,205	34%
2011	62,322	12,062	4,939	17,001	27%
2010	50,438	11,284	4,262	15,546	31%
2009	50,119	9,888	3,175	13,063	26%
2008	61,344	10,618	3,006	13,624	22%

Dollar amounts in thousands

We have also provided a *Note to Required Supplementary Information* for the financial statements.

Table VI-7	
Note to Required Supplementary Information	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	June 30, 2013
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level percentage of pay open
Single Equivalent Amortization Period	30 years
Asset Valuation Method	Five-year smoothed value
Actuarial Assumptions:	
Payroll Growth Rate	3.50%
Discount Rate	6.00%
Ultimate Rate of Medical Inflation	4.25%

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

Member Data:

Valuation Date	June 30, 2013	June 30, 2012	% Change
Active Employees			
Count	1,707	1,718	-0.64%
Average Age	41.6	41.5	0.24%
Average Service	13.6	13.6	0.00%
Total Payroll	\$184,645,250	\$172,625,503	6.96%
Retirees and Spouses with Medical Coverage			
Pre-65	1,779	1,802	-1.28%
Post 65	1,388	1,310	5.95%
Total	3,167	3,112	1.77%
Retirees with Dental Coverage			
	1,890	1,852	2.05%
Term Vested Members*	11	5	120.00%

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

Active Member Data as of June 30, 2013:

Age Group	Eligible Active Employees							Total
	Years of Service							
	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	
Under 25	15	0	0	0	0	0	0	15
25 to 29	61	35	0	0	0	0	0	96
30 to 34	90	122	27	0	0	0	0	239
35 to 39	32	87	139	25	0	0	0	283
40 to 44	17	43	139	238	26	0	0	463
45 to 49	1	10	52	161	172	24	0	420
50 to 54	1	1	6	51	91	15	2	167
55 to 59	0	0	2	8	9	3	0	22
60 to 64	0	0	1	0	0	0	1	2
65 and up	0	0	0	0	0	0	0	0
Total	217	298	366	483	298	42	3	1,707

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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**APPENDIX A
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Inactive Member Data as of June 30, 2013:

Retirees, Disabled Retirees and Surviving Spouses						
Age Group	<u>Medical Insurance</u>			<u>Dental Insurance</u>		
	Males	Females	Total	Males	Females	Total
Under 50	51	16	67	51	17	68
50 to 54	148	34	182	151	35	186
55 to 59	287	23	310	293	26	319
60 to 64	306	27	333	312	27	339
65 to 69	344	39	383	358	43	401
70 to 74	233	30	263	236	31	267
75 to 79	126	33	159	133	38	171
80 to 84	63	21	84	63	22	85
85 to 89	22	16	38	23	18	41
<u>Over 90</u>	<u>6</u>	<u>7</u>	<u>13</u>	<u>6</u>	<u>7</u>	<u>13</u>
Total	1,586	246	1,832	1,626	264	1,890

Medical Plan Elections			
Medical Plan	Retirees & Surviving Spouses		Total
Pre-Medicare Medical Plans			
Kaiser DHMO	74	144	218
Kaiser \$25 Copay	378	310	688
HMO \$45 Copay	35	31	66
HMO \$25 Copay	212	181	393
PPO / POS \$30 Copay	14	9	23
PPO / POS \$25 Copay	<u>178</u>	<u>90</u>	<u>268</u>
Total	892	887	1,779
Medical-Medicare Medical Plans			
Kaiser Senior Advantage	342	161	503
BS Medicare HMO	78	31	109
BS Medicare PPO/POS	487	242	729
UHC Medicare Advantage	9	1	10
UHC Senior Supplement	<u>24</u>	<u>13</u>	<u>37</u>
Total	940	448	1,388

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Current Vested Terminations*			
Age Group	Male	Female	Total
Under 45	1	0	1
45 to 49	6	2	8
50 to 54	1	1	2
55 to 59	0	0	0
60 to 64	0	0	0
Over 65	<u>0</u>	<u>0</u>	<u>0</u>
Total	8	3	11

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

	Status Reconciliation					Total
	Active	Terminated		Surviving		
		Vested	Retiree	Spouse	Disabled	
Beginning of Year	1,718	5	830	196	826	3,575
New Hires	107					107
Rehires	3					3
Non-vested terminations	(60)					(60)
Vested Terminations	(6)	6				0
Service Retirements	(32)	(3)	35			0
Disabled Retirements	(23)		(20)		43	0
Death			(5)	(6)	(22)	(33)
New Survivors				13		13
No longer covered						0
Data corrections		3	1	(3)	2	3
End of Year	1,707	11	841	200	849	3,608

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Economic Assumptions:

1. **Expected Return on Plan Assets:** 7.125% per year
2. **Expected Return on Employer Assets:** 3.50% per year
3. **Blended Discount Rate:** 6.00% per year
4. **Per Person Cost Trends:**

To Calendar Year	Pre- Medicare	Annual Increase		Part B Premiums
		Medicare Eligible	Dental	
2014	8.50%	6.50%	4.00%	0.00%
2015	8.20	6.34	4.00	5.53
2016	7.89	6.18	4.00	4.25
2017	7.59	6.02	4.00	4.77
2018	7.29	5.86	4.00	5.38
2019	6.98	5.70	4.00	5.49
2020	6.68	5.54	4.00	5.51
2021	6.38	5.38	4.00	5.78
2022	6.07	5.21	4.00	7.00
2023	5.77	5.05	4.00	6.81
2024	5.46	4.89	4.00	6.69
2025	5.16	4.73	4.00	6.58
2026	4.86	4.57	4.00	6.47
2027	4.55	4.41	4.00	6.36
2028	4.25	4.25	4.00	6.25
2029	4.25	4.25	4.00	6.13
2030	4.25	4.25	4.00	6.02
2031	4.25	4.25	4.00	5.91
2032	4.25	4.25	4.00	5.80
2033	4.25	4.25	4.00	5.68
2034	4.25	4.25	4.00	5.57
2035	4.25	4.25	4.00	5.46
2036	4.25	4.25	4.00	5.35
2037+	4.25	4.25	4.00	4.10

Actual premium increases for 2014 were reflected with the above rates applying after. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

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Demographic Assumptions:

1. Retirement Rates:

The following rates of retirement are assumed for members eligible to retire.

Rates of Retirement by Age				
Age	Police			Fire
	Tier 1	Tier 2 <30 Years	Tier 2 30+ Years	
50	45.00%	30.00%	50.00%	27.50%
51 – 54	35.00	30.00	50.00	22.50
55 - 59	35.00	30.00	50.00	22.50
60 - 61	50.00	50.00	100.00	22.50
62 - 69	100.00	50.00	100.00	100.00
70 & over	100.00	100.00	100.00	100.00

These retirement rates apply only to those eligible for unreduced benefits.

Terminated vested members are assumed to retire at age 55.

2. Termination Rates:

Sample rates of termination are shown in the following table.

Rates of Termination		
Service	Police	Fire
0	9.50%	9.50%
1	8.00	7.00
2	6.50	4.50
3	5.50	2.00
4	4.50	1.30
5	3.50	1.10
6	2.50	1.00
7	2.00	0.90
8	1.50	0.80
9	1.30	0.70
10	1.00	0.60
11+	1.00	0.50

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

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3. Rate of Mortality:

Healthy Lives:

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the male and female RP-2000 combined employee and annuitant mortality tables. To reflect mortality improvements since the date of the table and to project future mortality improvements, the tables are projected to 2010 using scale AA and set back three years for males and no setback for females.

Rates of Mortality for Active and Retired Healthy Lives at Selected Ages		
Age	Male	Female
25	0.0308%	0.0180%
30	0.0363	0.0239
35	0.0535	0.0425
40	0.0860	0.0607
45	0.1099	0.0957
50	0.1491	0.1412
55	0.2179	0.2507
60	0.3954	0.4808
65	0.7529	0.9231
70	1.4103	1.5923
75	2.3454	2.5937
80	4.1153	4.2767
85	7.4274	7.2923
90	12.8097	12.7784
95	21.0194	19.0654

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Disabled Lives:

Mortality rates for disabled retirees are based on the male RP-2000 combined employee and annuitant mortality table. To reflect mortality improvements since the date of the table and to project future mortality improvements, the tables are projected to 2010 using scale AA and set back two years.

Rates of Mortality for Disabled Lives at Selected Ages	
Age	Mortality
50	0.1583%
55	0.2383
60	0.4488
65	0.8695
70	1.5521
75	2.6125
80	4.6195
85	8.2794
90	14.3228
95	22.6746

4. Disability Rates:

Sample rates of disability for active participants are show in the following table.

Rates of Disability at Selected Ages		
Age	Police	Fire
25	0.09%	0.09%
30	0.13	0.13
35	0.32	0.20
40	0.52	0.31
45	0.84	0.51
50	1.96	2.50
55	6.44	6.50
60	8.04	12.70
65	8.50	19.00

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5. Salary Increase Rate:

Wage inflation component is assumed to be 3.50% annually beginning in fiscal year ending June 30, 2016 (2% for the fiscal years ending June 30, 2014 and 2015). In addition, the following merit component is added based on an individual member's years of service.

Salary Merit Increases	
Years of Service	Merit/ Longevity
0	9.25%
1	7.55
2	6.75
3	5.75
4	5.00
5	4.25
6	3.75
7	3.25
8	2.75
9	2.25
10+	2.00

6. Percent of Retirees Electing Coverage: 100% of future retirees are assumed to elect coverage at retirement. Retirees are assumed to continue coverage in their 2013 plan. 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 proportions shown below.

Assumed Plan Elections for Future Retirees			
	% Electing		% Electing
Pre-Medicare Medical Plans		Medicare-Eligible Medical Plans	
• Kaiser DHMO	5%	• Kaiser Senior Advantage	40%
• Kaiser \$25 Co-pay	45%	• BS Medicare HMO	7%
• HMO \$45 Co-pay	5%	• BS Medicare PPO / POS	50%
• HMO \$25 Co-pay	20%	• UHC Medicare Advantage	2%
• PPO / POS \$30 Co-pay	5%	• UHC Senior Supplement	1%
• PPO / POS \$25 Co-pay	20%	Dental Plans (All Retirees)	
		• Delta Dental PPO	97%
		• DeltaCare HMO	3%

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7. **Family Composition:** 95% of married males and 70% of married females will elect spouse coverage in a medical plan at retirement.
8. **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.
9. **Married Percentage:**

Percentage Married	
Gender	Percentage
Males	85%
Females	85%

10. **Administrative Expenses:** Included in the average monthly premiums.

Changes since Last Valuation

The expected return on plan assets was reduced from 7.25% to 7.125%. The blended discount rate was increased from 4.40% to 6.10%. Plan election rates were also updated based on recent plan enrollment data and updated plan options.

Trend assumptions were revised slightly, including a reduction in the ultimate rate of medical cost growth from 4.50% to 4.25%.

Wage Inflation for FYE 2014-2015, merit salary scale, retirement, termination and disability rates were changed following the experience study adopted by the City of San José Police and Fire Department Retirement Plan Board.

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Claim and Expense Assumptions:

- 1. Average Annual Claims and Expense Assumptions:** The following claim and expense assumptions were developed as of July 1, 2013 based on the premiums in effect on that date. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the Pre-Medicare cost trend rates.

The following tables show the claims costs for each medical plan as of the valuation date:

<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>Kaiser DHMO</u>		<u>Kaiser \$25 Co-Pay</u>		<u>HMO \$45 Co-pay</u>	
	Male	Female	Male	Female	Male	Female
40	2,526	4,490	3,256	5,787	2,972	5,282
45	3,163	4,754	4,077	6,127	3,721	5,592
50	4,190	5,638	5,400	7,266	4,929	6,632
55	5,506	6,719	7,096	8,659	6,477	7,904
60	7,156	8,021	9,223	10,337	8,418	9,435
64	9,244	9,910	11,913	12,772	10,874	11,658

<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>HMO \$25 Co-pay</u>		<u>PPO/POS \$30 Co-pay</u>		<u>PPO/POS \$25 Co-pay</u>	
	Male	Female	Male	Female	Male	Female
40	3,626	6,446	3,395	6,035	3,777	6,714
45	4,541	6,824	4,252	6,389	4,730	7,108
50	6,014	8,093	5,631	7,577	6,265	8,430
55	7,903	9,644	7,400	9,030	8,233	10,047
60	10,272	11,513	9,618	10,780	10,700	11,993
64	13,268	14,225	12,423	13,319	13,822	14,818

<u>Sample Claims Costs - Medicare Eligible</u>						
Age	<u>Kaiser Senior Adv</u>		<u>BS Med HMO</u>		<u>BS Med PPO/POS</u>	
	Male	Female	Male	Female	Male	Female
65	2,697	2,877	5,445	5,807	6,007	6,407
70	3,167	3,177	6,393	6,412	7,053	7,075
75	3,541	3,425	7,149	6,914	7,887	7,628
80	3,763	3,536	7,595	7,137	8,380	7,874
85	3,813	3,499	7,697	7,063	8,492	7,792

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<u>Sample Claims Costs - Medicare Eligible</u>				
Age	<u>UHC Med Adv</u>		<u>UHC Senior Supp</u>	
	Male	Female	Male	Female
65	4,378	4,669	5,007	5,340
70	5,141	5,156	5,879	5,897
75	5,748	5,560	6,574	6,358
80	6,108	5,739	6,985	6,563
85	6,189	5,679	7,078	6,495

<u>Sample Claims Costs - Dental</u>				
Age	<u>Delta Dental PPO</u>		<u>DeltaCare HMO</u>	
	Male	Female	Male	Female
All	616	616	319	319

2. **Medicare Part D Subsidy:** Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.
3. **Medicare Part B Premiums:** Assumed that Medicare eligible retirees participate in Medicare Part B.
4. **Medicare Eligibility:** All retirees who turn age 65 are assumed to be eligible for Medicare.
5. **Annual Limits:** Assumed to increase at the same rate as trend.
6. **Lifetime Maximums:** Are not assumed to have any financial impact.
7. **Geography:** Implicitly assumed to remain the same as current retirees.
8. **Retiree Contributions:** Retirees pay the difference between the actual premium for the elected plan and the lowest cost plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

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Methodology:

The Entry Age Normal 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 postemployment 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 cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2013, adjusted to reflect the actual premium increases for 2014. For non-Medicare adults, the premiums for single and family coverage were blended based on enrollment data for the 2013 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 impact of children was assumed to be de minimis. All claims costs are developed jointly for the Federated and Police and Fire Postemployment Healthcare Plans of the City of San José; the combined population participates in the same health insurance plans and pays the same premiums.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

Changes since Last Valuation:

The claims costs process was modified slightly to reflect actual rates for the year following the valuation date.

**APPENDIX B
SUBSTANTIVE PLAN PROVISIONS**

Summary of Key Substantive Plan Provisions:

Eligibility:

Employees who retire (include deferred vested members) at age 55 with 15 years of service, or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement.

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.

Benefits for Retirees:

Medical: The Retirement System, through the medical benefit account, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference if another plan is elected.

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

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

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SUBSTANTIVE PLAN PROVISIONS**

Premiums: Monthly premiums before adjustments for 2013 and 2014 are as follows.

2013 Monthly Premiums		
	Single	Family
Medical		
<u>Non-Medicare Monthly Rates</u>		
Kaiser DHMO	\$457.70	\$1,139.70
Kaiser \$25 Co-pay	583.80	1,453.70
Blue Shield HMO \$45 Co-pay	520.12	1,336.08
Blue Shield HMO \$25 Co-pay	623.56	1,601.82
Blue Shield PPO or POS \$30 Co-pay	587.86	1,510.74
Blue Shield PPO or POS \$25 Co-pay	755.20	1,940.82
<u>Medicare-Eligible Monthly Rates</u>		
Kaiser Senior Advantage	\$256.01	\$512.02
Blue Shield Medicare HMO	503.42	1,006.86
Blue Shield Medicare PPO / POS	617.62	1,235.28
UHC Medicare Advantage	485.95	971.90
UHC Senior Supplement	501.78	1,003.56
Dental		
Delta Dental PPO	\$102.18	\$102.18
DeltaCare HMO	46.84	46.84

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2014 Monthly Premiums		
	Single	Emp/Sp
Medical		
<u>Non-Medicare Monthly Rates</u>		
Kaiser DHMO	\$471.12	\$942.24
Kaiser \$25 Co-pay	575.34	1,150.68
Blue Shield HMO \$45 Co-pay	561.00	1,122.00
Blue Shield HMO \$25 Co-pay	630.50	1,261.00
Blue Shield PPO or POS \$30 Co-pay	625.10	1,250.20
Blue Shield PPO or POS \$25 Co-pay	764.60	1,529.20
<u>Medicare-Eligible Monthly Rates</u>		
Kaiser Senior Advantage	\$278.50	\$557.00
Blue Shield Medicare HMO	530.86	1,061.74
Blue Shield Medicare PPO / POS	616.00	1,232.00
UHC Medicare Advantage	485.95	971.90
UHC Senior Supplement	501.78	1,003.56
Dental		
Delta Dental PPO	\$48.92	\$107.62
DeltaCare HMO	27.16	54.30

Changes since Last Valuation:

The premium structure was changed from a 2-tier basis where premiums are set for single and family coverage to a 4-tier basis where premiums are set for single, member plus spouse, member plus child or children, and member plus spouse and children.

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Summary of 2013 Benefit Plans:

Non-Medicare Plans:	Kaiser \$25 Co-Pay	Kaiser DHMO	BS HMO \$25 Co-Pay	BS HMO \$45 Co-Pay	BS PPO \$25 Co-Pay	BS PPO \$30 Co-Pay
Annual Out-of-Pocket Maximum	\$1,500/\$3,000	\$4,000/\$8,000	\$1,000/\$2,000	\$3,500/\$7,000	\$2,000/\$4,000	\$7,000/\$14,000
Annual Deductible	None	\$1,500/\$3,000	None	Rx only*	\$100/\$200	\$3,500/\$7,000
Office Visit	\$25	\$40	\$25	\$45	\$25	\$30
Emergency Room	\$100	30% coinsurance	\$100	\$200	\$100	\$100 + 20%
Hospital Care	\$100	30% coinsurance	\$100	50% coinsurance	Tier 1 – \$100 + 10% Tier 2 – 30%	Tier 1 – \$250 + 20% Tier 2 – 40%
Prescription Drug (30-day supply):						
Generic	\$10	\$10	\$10	\$15	\$10	\$15
Brand	\$25	\$30	\$25	\$30*	\$25	\$30*
Non-Formulary	N/A	N/A	\$40	50%*	\$40	50%*
				*\$250 deductible		*\$250 deductible

Medicare-Eligible Plans:	Kaiser	BS HMO	BS PPO	UHC Medicare Advantage	UHC Senior Supplement
Annual Out-of-Pocket Maximum	\$1,500/\$3,000	\$1,000/\$2,000	\$2,000/\$4,000	\$6,700	None
Annual Deductible	None	None	\$100/\$200	None	\$250 outside US only
Office Visit	\$25	\$25	\$25	\$25	No charge
Emergency Room	\$50	\$100	\$100	\$50	No charge
Hospital Care	\$250	\$100	\$100 + 10% coinsurance	No charge	No charge
Prescription Drug (30-day supply):					
Generic	\$10	\$10	\$10	\$15	\$5
Brand	\$10	\$25	\$25	\$20	\$10
Non-Formulary	N/A	\$40	\$40	\$20	Not covered

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.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
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APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Active Plan Funding:

Member Contribution: Contribute 50% of the health premium subsidy and 25% of the dental premium subsidy as determined at each actuarial valuation. However, the annual increase in contribution rate is limited to 1.25% of payroll.

City's Contribution: Contribute 50% of the health premium subsidy and 75% of the dental premium subsidy as determined at each actuarial valuation. However, the annual increase in contribution rate is limited to 1.25% of payroll.

**APPENDIX C
 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 which 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 won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

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

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 C
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 which 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 POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2013

APPENDIX D
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)