



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

**Actuarial Valuation Funding
Report as of June 30, 2019**

Produced by Cheiron

January 2020

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
Section I	Board Summary	1
Section II	Certification	9
Section III	Assets	11
Section IV	Measures of Liability	14
Section V	Contributions.....	20
Section VI	Actuarial Section of the CAFR.....	23

Appendices

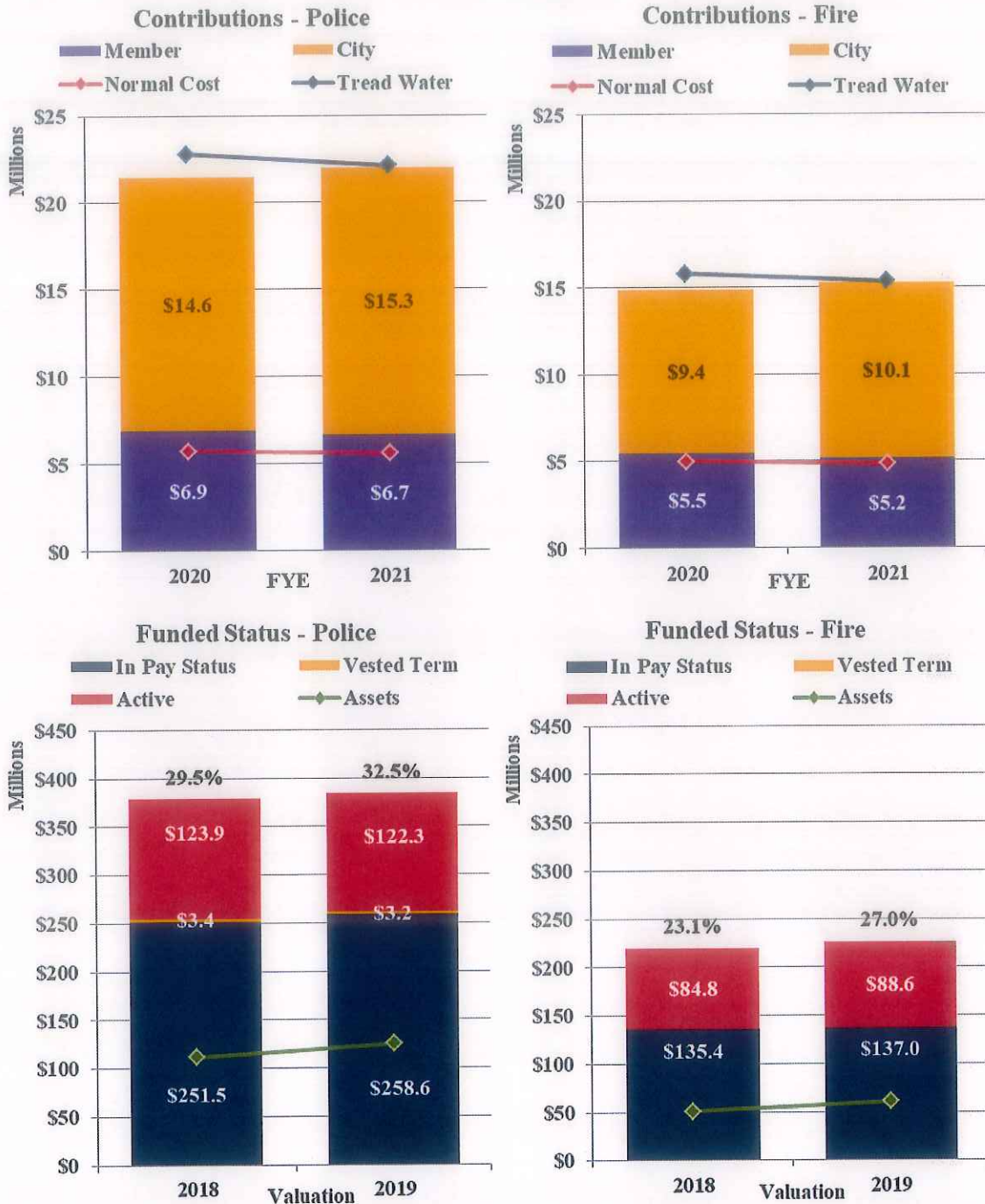
Appendix A	Membership Information	30
Appendix B	Actuarial Assumptions and Methods	39
Appendix C	Summary of Plan Provisions.....	52
Appendix D	Glossary of Terms.....	58
Appendix E	List of Abbreviations	61

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

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

Dashboard



CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

SECTION I – BOARD SUMMARY

The charts on the previous page are intended to provide a quick overview of the current valuation results compared to the prior valuation results. The charts on the top show contributions for FYE 2020 and 2021 for Police (left chart) and Fire (right chart). The normal cost shown by the red line represents the expected cost of the explicit premium subsidy benefits attributable to the current year of service. All contributions above the normal cost go toward paying off the Unfunded Actuarial Liability (UAL). The Tread Water amount shown by the blue line represents the amount needed to pay the normal cost and interest on the UAL. Contributions above the Tread Water line reduce the principal of the UAL. Since the top of the gold bar is below the Tread Water line, the dollar amount of the UAL is expected to grow slightly. As the amortization period shortens, this relationship will change and the UAL will be paid off. The implicit subsidy is not shown on these charts as it is funded on a pay-as-you-go basis as a part of the health premiums for active employees. The City's implicit subsidy payment is approximately \$3.5 million for FYE 2021.

The charts on the bottom summarize the funded status as of the June 30, 2018 and June 30, 2019 actuarial valuations. The stacked bars represent the Actuarial Liability, with the liability broken into separate components for members currently receiving benefits, vested terminated members, and active members. These liability amounts are only for the portion of the plan that is intended to be pre-funded, so they do not include the implicit subsidy.

More detail and discussion is provided in the following sections.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Contributions

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

Historically, member and City contributions to the plan were negotiated through collective bargaining separately for Police and Fire and were not actuarially determined. With the implementation of Measure F, member contributions became fixed at 8.0% of pay; the City’s contribution toward the explicit subsidy is actuarially determined separately for Police and Fire; the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. In addition, the City has the option to limit its contribution for the explicit subsidy to 11% of Police and Fire payroll. Because the Board’s role is related to the funding of the explicit subsidy, the focus of this report is on the status of that funding and the development of the Actuarially Determined Contribution (ADC) for the pre-funded benefits.

Table I-1 shows the contribution amounts for the fiscal years ending in 2020 and 2021.

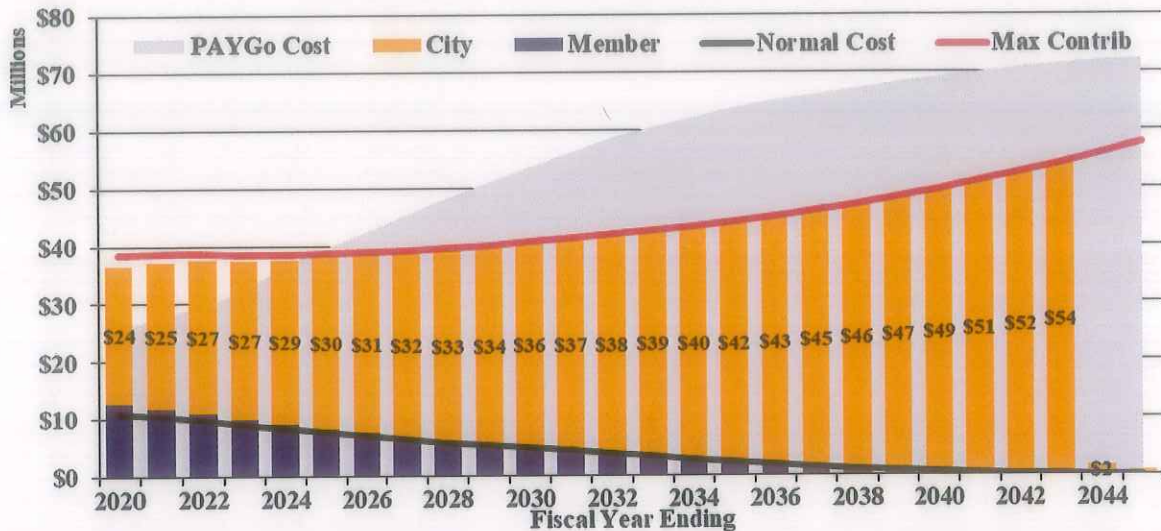
Table I-1			
Summary of Trust Contribution Amounts			
	FYE 2021	FYE 2020	% Change
Police Department			
Members	\$ 6,666	\$ 6,871	-3.0%
City	<u>15,320</u>	<u>14,595</u>	<u>5.0%</u>
Total	\$ 21,986	\$ 21,466	2.4%
Fire Department			
Members	\$ 5,196	\$ 5,477	-5.1%
City	<u>10,062</u>	<u>9,408</u>	<u>7.0%</u>
Total	\$ 15,258	\$ 14,885	2.5%
Total Trust Contributions			
Members	\$ 11,862	\$ 12,348	-3.9%
City	<u>25,382</u>	<u>24,003</u>	<u>5.7%</u>
Grand Total	\$ 37,244	\$ 36,351	2.5%
Estimated City Optional Cap	\$ 26,783	\$ 24,808	8.0%

Dollar amounts in thousands

SECTION I – BOARD SUMMARY

The chart below shows the projected contributions to the Plan. The purple bars represent the member contributions, and the gold bars are the City’s contributions to the trust. The red line represents the sum of member contributions and the City’s optional cap. To the extent the bars rise above the red line, the projected contributions exceed the City’s optional cap. The gray area behind the bars represents the projected annual benefit payments.

Projected Contributions FYE 2020-2045



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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Funded Status

Table I-2 below summarizes the Actuarial Liability, Market Value of Assets, Unfunded Actuarial Liability, and funded percentage for the Plan as of June 30, 2019 compared to June 30, 2018. The Actuarial Liability for the explicit subsidy increased 1.4% for Police and 2.6% for Fire. At the same time, assets increased 11.9% for Police and 19.9% for Fire due to contributions and investment returns. As a result, the Unfunded Actuarial Liability decreased by 3.0% for Police and 2.5% for Fire and the funded percentage improved from 29.5% to 32.5% for Police and from 23.1% to 27.0% for Fire.

Table I-2			
Summary of Funded Status - Explicit Subsidy Only			
	6/30/2019	6/30/2018	% Change
Police Department			
Actuarial Liability			
Actives	\$ 122,325	\$ 123,877	-1.3%
Deferred Vested	3,181	3,392	-6.2%
In Pay Status	258,563	251,461	2.8%
Total	\$ 384,069	\$ 378,730	1.4%
Assets	124,990	111,659	11.9%
Unfunded Actuarial Liability	\$ 259,079	\$ 267,071	-3.0%
Funded Percentage	32.5%	29.5%	3.1%
Fire Department			
Actuarial Liability			
Actives	\$ 88,561	\$ 84,792	4.4%
Deferred Vested	496	0	
In Pay Status	136,954	135,404	1.1%
Total	\$ 226,011	\$ 220,196	2.6%
Assets	60,967	50,861	19.9%
Unfunded Actuarial Liability	\$ 165,044	\$ 169,335	-2.5%
Funded Percentage	27.0%	23.1%	3.9%
Grand Total			
Aggregate UAL	\$ 424,123	\$ 436,407	-2.8%
Aggregate Funded Percentage	30.5%	27.1%	3.3%

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

The chart below shows the historical trend of assets and the Actuarial Liability (excluding the implicit subsidy) on a funding basis for the City of San José Police and Fire Department Postemployment Healthcare Plan. The reduction in the Actuarial Liability from 2010 to 2013 was primarily due to plan changes and favorable medical cost trend experience, offset by changes in the discount rate. The increase in the Actuarial Liability from 2014 through 2016 was primarily the expected growth of the Actuarial Liability with some adjustments due to changes in assumptions. The decrease in the Actuarial Liability in 2017 was primarily due to plan changes and health assumption changes. The increase in the Actuarial Liability in 2018 is primarily due to assumption changes, including the reduction of the discount rate from 6.875% to 6.5%.

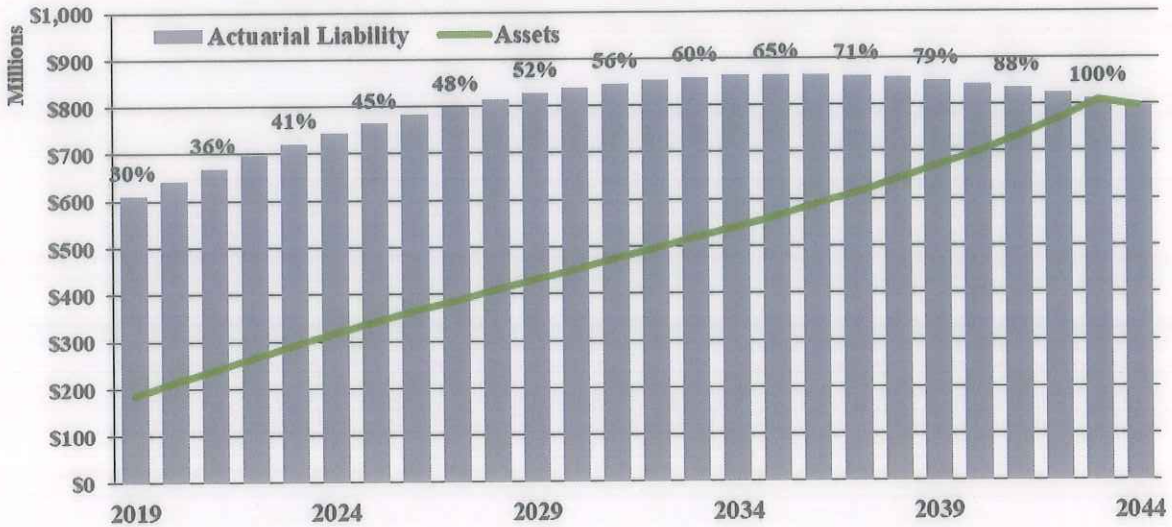


The chart on the next page shows a 25-year projection of assets and Actuarial Liability (AL), and also shows the projected funded percentage for the explicit subsidy. If all assumptions are met in the future including an expected return of 6.50% each year, the funded percentage for the explicit subsidy is expected to reach about 100% by 2043.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
 JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

SECTION I – BOARD SUMMARY

Projected Assets and Actuarial Liability 2019-2044



Changes Since the Prior Valuation

Table I-3 below breaks out the sources of the changes in UAL for the fiscal year ending June 30, 2019. The total UAL for the explicit subsidy decreased about \$12.3 million since the prior year.

	Total
Unfunded Actuarial Liability, June 30, 2018	\$ 436,407
Unfunded Actuarial Liability, June 30, 2019	424,123
Change in Unfunded Actuarial Liability	\$ (12,283)
Sources of Changes	
Contributions below Tread Water	\$ 1,818
Investment Experience	4,044
Experience Changes	(26,541)
Assumption Changes	8,396
Total Changes	\$ (12,283)

Dollar amounts in thousands

The primary sources of the decrease in the UAL was plan experience (\$26.5 million decrease), mainly driven by the lower than expected increases in the Medicare eligible premium rates.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Investment experience increased the UAL by about \$4.0 million and assumption changes increased the UAL by about \$8.4 million. The assumption changes were primarily due to health trend changes and demographic assumption updates. In addition, contributions fell short of the Tread Water level (normal cost plus interest on the UAL) by about \$1.8 million.

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

Table I-4 Summary of Valuation Results					
	June 30, 2019			June 30, 2018	% Change
	Police	Fire	Total		
Active Members					
Full Benefits	629	512	1,141	1,213	-5.9%
Catastrophic Disability Only	410	150	560	425	31.8%
Total Active Members	1,039	662	1,701	1,638	3.8%
Deferred Vested Members	13	2	15	15	0.0%
Members in Pay Status or In-Lieu	1,324	831	2,155	2,110	2.1%
Total	2,376	1,495	3,871	3,763	2.9%
Full Benefit Member Payroll	\$ 89,916	\$ 67,741	\$ 157,657	\$ 163,722	-3.7%
Total Payroll	146,865	88,953	235,818	218,429	8.0%
Actuarial Liability - Explicit Subsidy	\$ 384,069	\$ 226,011	\$ 610,080	\$ 598,926	1.9%
Market Value of Assets	124,990	60,967	185,957	162,519	14.4%
Unfunded Actuarial Liability	\$ 259,079	\$ 165,045	\$ 424,123	\$ 436,407	-2.8%
Funded Percentage	32.54%	26.98%	30.48%	27.14%	3.3%
Actuarial Liability - Implicit Subsidy	\$ 51,369	\$ 31,880	\$ 83,249	\$ 148,348	-43.9%
	FYE 2021				
	Police	Fire	Total	FYE 2020	% Change
City's ADC Amount	\$ 15,320	\$ 10,062	\$ 25,382	\$ 24,003	5.7%
City's ADC Rate	10.1%	11.0%	10.4%	10.6%	-0.2%
City's Implicit Subsidy Payment	\$ 1,993	\$ 1,481	\$ 3,473	\$ 6,732	-48.4%

Dollar amounts in thousands

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

SECTION II – CERTIFICATION

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

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

The health assumptions and discount rate assumption were adopted by the Board of Administration at the January 9, 2020 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 7, 2019 Board meeting based on recommendations from our experience study covering plan experience through June 30, 2019. Please refer to the Experience Study Report and our Board presentations for an explanation of the rationale for each assumption.

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.

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.

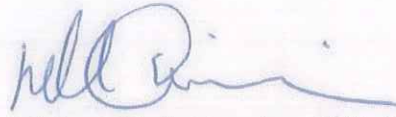
CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

SECTION II – CERTIFICATION

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.



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



Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary



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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION III – ASSETS

Assets are invested in two separate trust vehicles: a 401(h) account within the pension plan and a separate 115 Trust. All City contributions are made to the 115 Trust while member contributions are being made to the 401(h) account and benefit payments are currently being made from the 401(h) account.

Statement of Change in Market Value of Assets

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

Table III-1 Market Value of Assets - Police Department						
	Fiscal Year Ending 2019			Fiscal Year Ending 2018		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning of Year	\$ 37,561	\$ 74,098	\$ 111,659	\$ 39,108	\$ 60,818	\$ 99,926
Contributions						
Member	7,636	0	7,636	9,294	0	9,294
City	0	14,086	14,086	0	11,265	11,265
Total	<u>\$ 7,636</u>	<u>\$ 14,086</u>	<u>\$ 21,722</u>	<u>\$ 9,294</u>	<u>\$ 11,265</u>	<u>\$ 20,559</u>
Net Investment Earnings	1,133	4,098	5,231	2,636	2,511	5,147
Benefit Payments	13,536	0	13,536	13,414	0	13,414
Administrative Expenses	58	28	86	63	52	115
One-Time VEBA Transfer	0	0	0	0	444	444
Market Value, End of Year	<u>\$ 32,736</u>	<u>\$ 92,254</u>	<u>\$ 124,990</u>	<u>\$ 37,561</u>	<u>\$ 74,098</u>	<u>\$ 111,659</u>
Estimated Rate of Return	3.3%	4.6%	4.3%	7.1%	3.5%	4.7%

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION III – ASSETS

Table III-2 Market Value of Assets - Fire Department						
	Fiscal Year Ending 2019			Fiscal Year Ending 2018		
	401(h)	115 Trust	Total	401(h)	115 Trust	Total
Market Value, Beginning of Year	\$ 5,454	\$ 45,407	\$ 50,861	\$ 6,768	\$ 35,823	\$ 42,591
Contributions						
Member	5,680	0	5,680	6,833	0	6,833
City	0	8,942	8,942	0	0	0
Total	\$ 5,680	\$ 8,942	\$ 14,622	\$ 6,833	\$ -	\$ 6,833
Net Investment Earnings	154	2,520	2,674	421	9,903	10,324
Benefit Payments	7,151	0	7,151	8,556	0	8,556
Administrative Expenses	22	17	39	12	31	43
One-Time VEBA Transfer	0	0	0	0	288	288
Market Value, End of Year	\$ 4,115	\$ 56,852	\$ 60,967	\$ 5,454	\$ 45,407	\$ 50,861
Estimated Rate of Return	3.3%	4.6%	4.5%	7.1%	3.4%	3.9%

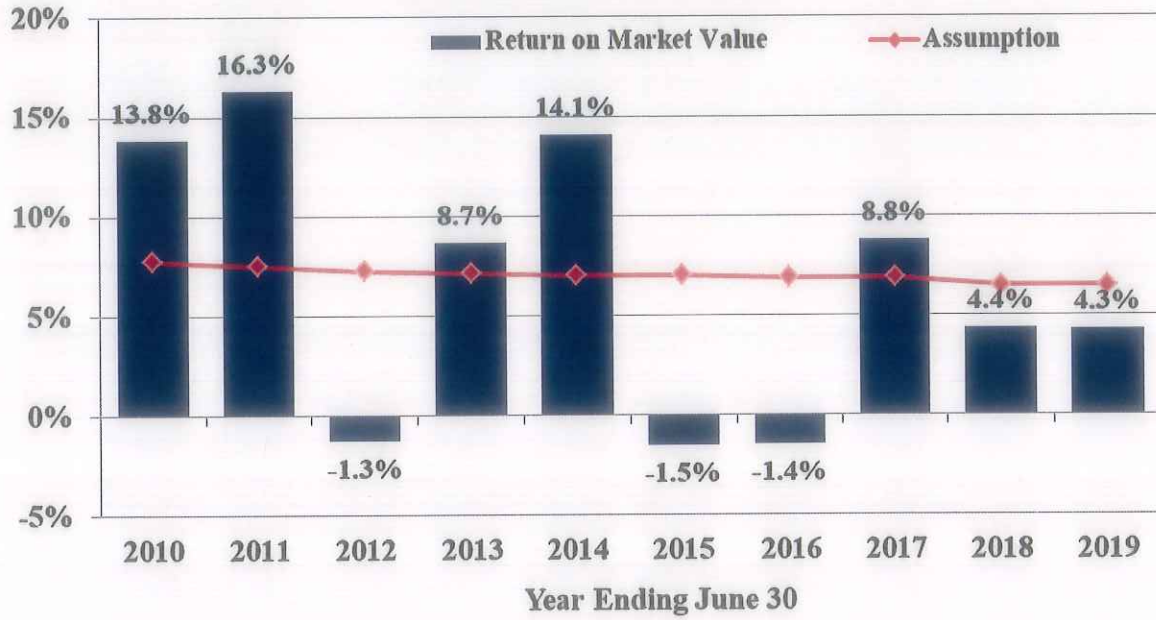
Dollar amounts in thousands

In the last year, investments, in aggregate, returned approximately 4.3% for Police and 4.5% for Fire compared to an expected rate of return of 6.50%, resulting in a total investment loss of approximately \$3.9 million. The assets in the 401(h) account returned approximately 3.1% for Police and 2.8% for Fire, while the assets in the 115 trust returned approximately 4.6% for Police and 4.6% for Fire.

The chart on the following page shows the actual investment return on the Market Value of Assets compared to the assumed return for the last 10 years. The average of the actual returns is about 6.6%.

SECTION III – ASSETS

Historical Rates of Return



**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

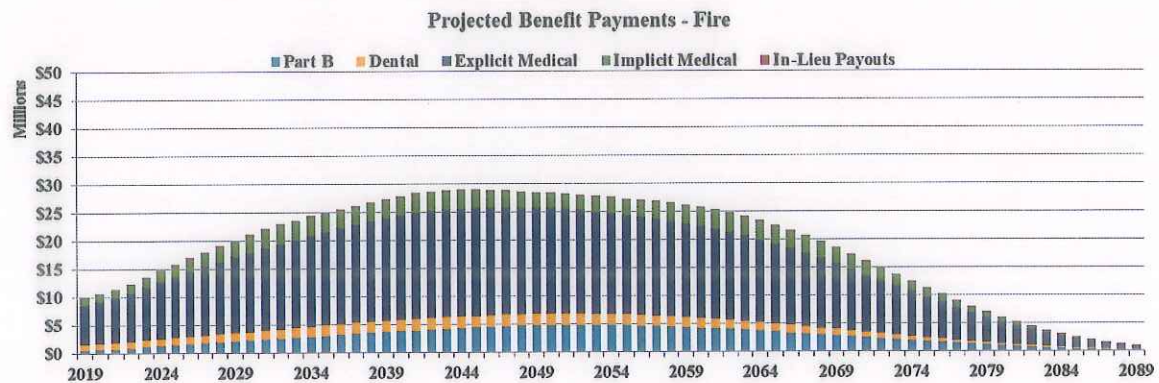
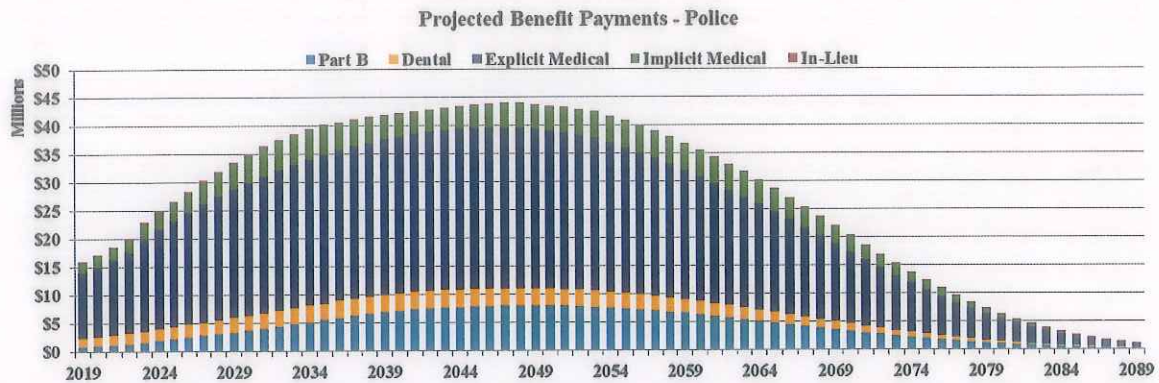
SECTION IV – MEASURES OF LIABILITY

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

- Projected Benefit Payments,
- Present value of future benefits,
- Normal cost, and
- Actuarial Liability.

Projected Benefit Payments

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



**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Tables IV-1 and IV-2 show the expected net benefit payments for the next 20 years for the Police and Fire Departments respectively. These payments include the expected annual implicit subsidy as well as expected plan premium payments (the explicit subsidy).

Table IV-1						
Expected Net Benefit Payments - Police Department						
Fiscal Year	Ending June 30	Explicit Subsidy			Implicit Subsidy	Total Expected Payments
		Medical	Dental	Total		
2020	\$	12,359	\$ 1,546	\$ 13,905	\$ 1,927	\$ 15,832
2021		12,441	1,650	14,091	1,993	16,084
2022		13,458	1,761	15,219	2,006	17,225
2023		14,459	1,888	16,346	2,022	18,369
2024		16,423	2,000	18,423	2,479	20,902
2025		17,701	2,112	19,813	2,798	22,610
2026		18,772	2,211	20,982	3,100	24,083
2027		19,863	2,316	22,179	3,395	25,574
2028		20,956	2,413	23,369	3,737	27,106
2029		21,887	2,504	24,391	4,091	28,482
2030		22,860	2,587	25,447	4,443	29,890
2031		23,581	2,662	26,243	4,720	30,963
2032		24,298	2,736	27,034	5,066	32,100
2033		24,882	2,809	27,691	5,181	32,872
2034		25,470	2,880	28,350	5,222	33,572
2035		26,013	2,942	28,955	5,207	34,162
2036		26,475	2,997	29,472	5,069	34,541
2037		26,673	3,044	29,717	4,713	34,430
2038		26,974	3,082	30,056	4,498	34,554
2039		27,292	3,114	30,406	4,344	34,750

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Table IV-2										
Expected Net Benefit Payments - Fire Department										
Fiscal Year	Ending June 30	Explicit Subsidy			Implicit Subsidy	Total Expected Payments				
		Medical	Dental	Total						
2020	\$	7,557	\$	971	\$	8,528	\$	1,420	\$	9,948
2021		7,559		1,029		8,588		1,481		10,068
2022		8,139		1,091		9,230		1,446		10,676
2023		8,664		1,158		9,822		1,464		11,286
2024		9,472		1,226		10,698		1,697		12,394
2025		10,198		1,289		11,487		1,857		13,343
2026		10,885		1,350		12,235		1,941		14,176
2027		11,645		1,416		13,061		2,156		15,217
2028		12,316		1,477		13,793		2,267		16,060
2029		12,962		1,531		14,493		2,498		16,991
2030		13,469		1,577		15,047		2,712		17,759
2031		14,089		1,628		15,717		3,030		18,747
2032		14,674		1,679		16,353		3,247		19,601
2033		15,199		1,734		16,933		3,366		20,300
2034		15,607		1,789		17,395		3,363		20,758
2035		16,137		1,843		17,980		3,398		21,378
2036		16,516		1,887		18,403		3,320		21,723
2037		16,987		1,934		18,920		3,203		22,123
2038		17,394		1,969		19,363		3,151		22,514
2039		17,816		2,003		19,819		3,087		22,906

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Present Value of Future Benefits

The present value of future benefits represents the expected amount of money needed today, if all assumptions are met, to pay for all benefits both earned as of the valuation date and expected to be earned in the future by current plan members under the current plan provisions. Table IV-3 below shows the present value of future benefits as of June 30, 2019 and June 30, 2018.

Table IV-3 Present Value of Future Benefits						
	June 30, 2019			June 30, 2018		% Change
	Actives	Deferred Vested	In Pay Status	Total	Total	
Police Department						
Explicit Subsidy	\$ 162,489	\$ 3,181	\$ 258,563	\$ 424,233	\$ 418,932	1.3%
Implicit Subsidy	23,641	482	31,118	55,241	105,443	-47.6%
Total Police	\$ 186,130	\$ 3,663	\$ 289,681	\$ 479,474	\$ 524,375	-8.6%
Fire Department						
Explicit Subsidy	\$ 128,460	\$ 496	\$ 136,954	\$ 265,910	\$ 261,184	1.8%
Implicit Subsidy	20,361	78	17,357	37,795	69,026	-45.2%
Total Fire	\$ 148,821	\$ 574	\$ 154,311	\$ 303,705	\$ 330,210	-8.0%
Total Explicit Subsidy	\$ 290,949	\$ 3,677	\$ 395,517	\$ 690,143	\$ 680,117	1.5%
Total Implicit Subsidy	44,001	560	48,475	93,036	174,469	-46.7%
Grand Total	\$ 334,951	\$ 4,237	\$ 443,992	\$ 783,179	\$ 854,585	-8.4%

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Normal Cost

Under the Entry Age (EA) actuarial cost method, the present value of future benefits for each individual is spread over the individual's expected working career as a level percentage of the individual's expected pay. The normal cost rate is determined by taking the value, as of entry age into the Plan, of each member's projected future benefits divided by the value, also at entry age, of the each member's expected future salary. The normal cost rate is multiplied by current salary to determine each member's normal cost. The normal cost of the Plan is the sum of the normal costs for each individual. The normal cost represents the expected amount of money needed to fund the benefits attributed to the next year of service under the Entry Age actuarial cost method. Table IV-4 shows the EA normal cost as of June 30, 2019 and June 30, 2018 separately by component.

Table IV-4 Normal Cost						
	June 30, 2019		June 30, 2018		% Change	
	Amount	Percent	Amount	Percent	Amount	
Police Department						
Explicit Subsidy						
Non-Medicare Eligible	\$ 3,346	3.84%	\$ 3,342	3.69%	0.1%	
Medicare Eligible	2,163	2.48%	2,189	2.42%	-1.2%	
Dental	468	0.54%	505	0.56%	-7.3%	
Total Explicit Subsidy	\$ 5,977	6.86%	\$ 6,036	6.67%	-1.0%	
Implicit Subsidy	659	0.76%	1,879	2.08%	-64.9%	
Total Police	\$ 6,635	7.62%	\$ 7,915	8.75%	-16.2%	
Fire Department						
Explicit Subsidy						
Non-Medicare Eligible	\$ 2,290	3.49%	\$ 2,345	3.44%	-2.3%	
Medicare Eligible	2,308	3.52%	2,192	3.22%	5.3%	
Dental	421	0.64%	429	0.63%	-1.8%	
Total Explicit Subsidy	\$ 5,019	7.65%	\$ 4,966	7.29%	1.1%	
Implicit Subsidy	761	1.16%	1,657	2.43%	-54.0%	
Total Fire	\$ 5,781	8.81%	\$ 6,623	9.72%	-12.7%	
Total Explicit Subsidy	\$ 10,996	14.51%	\$ 11,002	13.96%	-0.1%	
Total Implicit Subsidy	1,420	1.92%	3,536	4.51%	-59.8%	
Grand Total	\$ 12,416	16.43%	\$ 14,538	18.47%	-14.6%	

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION IV – MEASURES OF LIABILITY

Actuarial Liability

The Actuarial Liability represents the expected amount of money needed today, if all assumptions are met, to pay for benefits attributed to service prior to the valuation date under the Entry Age actuarial cost method. As such, it is the amount of assets targeted by the actuarial cost method for the Plan to hold as of the valuation date. It is not the amount necessary to settle the obligation. Table IV-5 shows the Actuarial Liability as of June 30, 2019 and June 30, 2018 separately by component.

Table IV-5 Actuarial Liability						
	June 30, 2019				June 30, 2018	
	Actives	Deferred Vested	In Pay Status	Total	Total	% Change
Police Department						
Explicit Subsidy						
Non-Medicare Eligible	\$ 51,693	\$ 1,139	\$ 58,035	\$ 110,867	\$ 114,744	-3.4%
Medicare Eligible	59,817	1,732	176,933	238,483	229,661	3.8%
Dental	10,815	310	23,594	34,719	34,325	1.1%
Total Explicit Subsidy	\$ 122,325	\$ 3,181	\$ 258,563	\$ 384,069	\$ 378,730	1.4%
Implicit Subsidy	19,769	482	31,118	51,369	93,087	-44.8%
Total Police	\$ 142,094	\$ 3,663	\$ 289,681	\$ 435,438	\$ 471,817	-7.7%
Fire Department						
Explicit Subsidy						
Non-Medicare Eligible	\$ 36,293	\$ 183	\$ 20,993	\$ 57,469	\$ 57,800	-0.6%
Medicare Eligible	44,447	267	102,996	147,709	141,714	4.2%
Dental	7,821	46	12,965	20,833	20,681	0.7%
Total Explicit Subsidy	\$ 88,561	\$ 496	\$ 136,954	\$ 226,011	\$ 220,196	2.6%
Implicit Subsidy	14,446	78	17,357	31,880	55,261	-42.3%
Total Fire	\$ 103,007	\$ 574	\$ 154,311	\$ 257,891	\$ 275,457	-6.4%
Total Explicit Subsidy	\$ 210,886	\$ 3,677	\$ 395,517	\$ 610,080	\$ 598,926	1.9%
Total Implicit Subsidy	34,214	560	48,475	83,249	148,348	-43.9%
Grand Total	\$ 245,101	\$ 4,237	\$ 443,992	\$ 693,329	\$ 747,274	-7.2%

Dollar amounts in thousands

SECTION V – CONTRIBUTIONS

Amortization of the Unfunded Actuarial Liability

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

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

Table V-1			
Unfunded Actuarial Liability			
	June 30, 2019	June 30, 2018	% Change
Police Department			
Actuarial Liability	\$ 384,069	\$ 378,730	1.4%
Assets	<u>124,990</u>	<u>111,659</u>	11.9%
Unfunded Actuarial Liability	\$ 259,079	\$ 267,071	-3.0%
Funded Percentage	32.5%	29.5%	10.4%
Fire Department			
Actuarial Liability	\$ 226,011	\$ 220,196	2.6%
Assets	<u>60,967</u>	<u>50,861</u>	19.9%
Unfunded Actuarial Liability	\$ 165,044	\$ 169,335	-2.5%
Funded Percentage	27.0%	23.1%	16.8%
Aggregate UAL	\$ 424,123	\$ 436,406	-2.8%
Aggregate Funded Percentage	30.5%	27.1%	12.3%

Dollar amounts in thousands

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION V – CONTRIBUTIONS

Table V-2 UAL Amortization				
	Outstanding Balance	Remaining Period Phase-in/out		FYE 2021 Payment
Police Department				
Fresh Start UAL	\$ 241,512	23	N/A	\$ 14,921
2018 Changes	11,785	24	2	468
2019 Changes	(9,366)	25	3	(188)
FYE 2020 Payment*	15,148			
Total 2019 Police UAL	\$ 259,079			\$ 15,201
Fire Department				
Fresh Start UAL	\$ 150,952	23	N/A	\$ 9,326
2018 Changes	9,881	24	2	392
2019 Changes	(5,305)	25	3	(107)
FYE 2020 Payment*	9,518			
Total 2019 Fire UAL	\$ 165,045			\$ 9,612
Grand Total	\$ 424,123			\$ 24,813

* FYE 2020 amortization payment discounted to 7/1/2019

Dollar amounts in thousands

Contributions for Administrative Expenses

Contributions for administrative expenses are set to be \$41 per member for FYE 2021 (increasing 3.25 percent per year). There are currently 3,311 members, resulting in estimated administrative expenses for FYE 2021 of \$135,751.

Contribution Amounts

The City pays the actuarially determined contribution for the explicit subsidy, but has the option to cap its contribution at 11% of Police and Fire payroll, including the payroll for members covered by the VEBA instead of this Plan. The actuarially determined contribution is the normal cost plus administrative expenses plus the amortization payment on the UAL less expected member contributions. Members contribute 8.00% of pay.

Table V-3 shows the components of the Actuarially Determined Contribution (ADC) amounts for the explicit subsidy for FYE 2021 and 2020.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION V – CONTRIBUTIONS

Table V-3				
City's Actuarially Determined Contribution (ADC)				
Explicit Subsidy Only				
	FYE 2021	FYE 2020	% Change	
Police Department				
Projected Full Benefit Payroll	\$ 83,320	\$ 85,887	-3.0%	
Normal Cost Rate	6.86%	6.67%	2.9%	
Normal Cost Amount	\$ 5,716	\$ 5,728	-0.2%	
Administrative Expense	81	106	-24.0%	
UAL Payment	16,189	15,632	3.6%	
Total Contribution	\$ 21,985	\$ 21,466	2.4%	
Projected Member Contributions	6,666	6,871	-3.0%	
City's ADC Amount	\$ 15,320	\$ 14,595	5.0%	
Projected Total Payroll	151,638	136,175	11.4%	
City's ADC Percentage	10.1%	10.7%	-5.7%	
Fire Department				
Projected Full Benefit Payroll	\$ 64,947	\$ 68,461	-5.1%	
Normal Cost Rate	7.65%	7.29%	4.9%	
Normal Cost Amount	\$ 4,966	\$ 4,989	-0.5%	
Administrative Expense	55	73	-24.6%	
UAL Payment	10,237	9,822	4.2%	
Total Contribution	\$ 15,258	\$ 14,885	2.5%	
Projected Member Contributions	5,196	5,477	-5.1%	
City's ADC Amount	\$ 10,062	\$ 9,408	7.0%	
Projected Total Payroll	91,844	89,354	2.8%	
City's ADC Percentage	11.0%	10.5%	4.1%	
Grand Totals				
City's ADC Amount	\$ 25,382	\$ 24,003	5.7%	
Projected Total Payroll	243,482	225,528	8.0%	
City's ADC Percentage	10.4%	10.6%	-2.1%	
City's Optional Cap	\$ 26,783	\$ 24,808	8.0%	

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Plan’s Comprehensive Annual Financial Report (CAFR) in order to receive recognition for excellence in financial reporting. The schedules in this section are listed by the GFOA for inclusion in the Actuarial Section of the Plan’s CAFR.

**Table VI-1
Police Department - Member Benefit Coverage Information**

Actuarial Valuation Date	Actuarial Liability		Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets	
	Retirees and Vested Terminated (A)	Active Members (B)		(A)	(B)
6/30/2019	\$ 293,344	\$ 142,094	\$ 124,990	43%	0%
6/30/2018	305,606	166,211	111,659	37%	0%
6/30/2017	280,546	150,792	99,926	36%	0%
6/30/2016	307,941	188,002	97,412	32%	0%
6/30/2015	290,354	179,969	85,322	29%	0%
6/30/2014	275,902	180,568	70,102	25%	0%
6/30/2013	268,633	183,266	57,832	22%	0%
6/30/2012	374,949	268,590	49,797	13%	0%
6/30/2011	381,819	262,855	43,108	11%	0%
6/30/2010	358,073	252,508	N/A	N/A	N/A

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

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

**Table VI-2
Fire Department - Member Benefit Coverage Information**

Actuarial Valuation Date	Actuarial Liability		Market Value of Assets *	Portion of Liability Covered by Actuarial Value of Assets	
	Retirees and Vested Terminated	Active Members		(A)	(B)
	(A)	(B)		(A)	(B)
6/30/2019	\$ 154,885	\$ 103,007	\$ 60,967	39%	0%
6/30/2018	161,946	113,510	50,861	31%	0%
6/30/2017	147,204	101,704	42,591	29%	0%
6/30/2016	164,063	118,866	37,795	23%	0%
6/30/2015	161,381	108,049	29,243	18%	0%
6/30/2014	153,132	97,108	23,503	15%	0%
6/30/2013	153,366	95,261	17,203	11%	0%
6/30/2012	225,919	127,862	16,587	7%	0%
6/30/2011	240,872	118,249	17,600	7%	0%
6/30/2010	210,538	125,189	N/A	N/A	N/A

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

Dollar amounts in thousands

**Table VI-3
Police Department - Analysis of Financial Experience**

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

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2019	\$ (2,839)	\$ 64,974	\$ 62,135	\$ (6,817)	\$ 55,318
6/30/2018	(2,442)	3,712	1,270	(22,819)	(21,549)

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

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-4
Fire Department - Analysis of Financial Experience
Gain or (Loss) for the Year Ending on Valuation Date Due to:

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Assumption Changes	Total Experience
6/30/2019	\$ (1,205)	\$ 34,915	\$ 33,710	\$ (1,749)	\$ 31,961
6/30/2018	(1,548)	(311)	(1,859)	(13,568)	(15,427)

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

Dollar amounts in thousands

Table VI-5
Police and Fire Department - Analysis of Financial Experience
Gain or (Loss) for the Year Ending on Valuation Date Due to:

Actuarial Valuation Date	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience
6/30/2017	2,647	(15,108)	\$ (12,461)	29,245	16,784
6/30/2016	(2,914)	(2,728)	\$ (5,642)	4,864	(778)
6/30/2015	582	7,990	\$ 8,572	(3,449)	5,123
6/30/2014	2,802	16,222	\$ 19,024	13,689	32,713
6/30/2013	2,437	(4,536)	\$ (2,099)	258,939	256,840
6/30/2012	(6,011)	4,760	\$ (1,251)	58,173	56,922
6/30/2011	(2,661)	5,967	\$ 3,306	1,146	4,452
6/30/2010	(3,067)	(11,242)	\$ (14,309)	(122,599)	(136,908)

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

Dollar amounts in thousands

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The Actuarial Liability is compared to the Actuarial Value of Assets to determine the funding ratio. Since the June 30, 2017 valuation, the Actuarial Value of Assets is equal to the Market Value of Assets.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

**Table VI-6
Police Department - Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b - a)	Funded Ratio (a ÷ b)	Annual Covered Payroll (d)	UAL as a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2019	\$ 124,990	\$ 435,438	\$ 310,448	28.7%	\$ 146,865	211%
6/30/2018	111,659	471,817	360,158	23.7%	131,888	273%
6/30/2017	99,926	431,338	331,412	23.2%	120,299	275%
6/30/2016	97,412	495,943	398,531	19.6%	111,029	359%
6/30/2015	85,322	470,323	385,001	18.1%	109,783	351%
6/30/2014	70,102	456,470	386,368	15.4%	112,947	342%
6/30/2013	57,832	451,899	394,067	12.8%	109,783	359%
6/30/2012	49,797	643,539	593,742	7.7%	107,929	550%
6/30/2011	43,108	644,674	601,566	6.7%	121,736	494%
6/30/2010	N/A	610,581	N/A	N/A	N/A	N/A

Dollar amounts in thousands

**Table VI-7
Fire Department - Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b - a)	Funded Ratio (a ÷ b)	Annual Covered Payroll (d)	UAL as a Percentage of Covered Payroll ((b - a) ÷ c)
6/30/2019	\$ 60,967	\$ 257,891	\$ 196,925	23.6%	\$ 88,953	221%
6/30/2018	50,861	275,456	224,595	18.5%	86,541	260%
6/30/2017	42,591	248,908	206,317	17.1%	83,517	247%
6/30/2016	37,795	282,929	245,134	13.4%	83,043	295%
6/30/2015	29,243	269,430	240,187	10.9%	74,950	320%
6/30/2014	23,503	250,239	226,736	9.4%	75,242	301%
6/30/2013	17,203	248,627	231,424	6.9%	74,862	309%
6/30/2012	16,587	353,781	337,194	4.7%	64,696	521%
6/30/2011	17,600	359,121	341,521	4.9%	68,991	495%
6/30/2010	N/A	335,727	N/A	N/A	N/A	N/A

Dollar amounts in thousands

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-8
Schedule of Active Member Data - Police

Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under 65	Age 65+	Total			
2019	1,039	0	1,039	\$ 146,865,241	\$ 141,352	4.4%
2018	974	0	974	131,888,184	135,409	1.0%
2017	897	0	897	120,299,327	134,113	10.0%
2016	911	0	911	111,028,782	121,876	3.1%
2015	929	0	929	109,868,577	118,265	4.4%
2014	997	0	997	112,946,895	113,287	6.1%
2013	1,028	0	1,028	109,783,295	106,793	6.5%
2012	1,076	0	1,076	107,929,300	100,306	-7.6%
2011	1,122	0	1,122	121,735,722	108,499	-10.8%
2010	1,295	0	1,295	157,605,258	121,703	

Table VI-9
Schedule of Active Member Data - Fire

Valuation Date	Active Member Counts			Annual Payroll	Average Annual Pay	Change in Average Pay
	Under 65	Age 65+	Total			
2019	662	0	662	\$ 88,952,979	\$ 134,370	3.1%
2018	664	0	664	86,541,114	130,333	1.0%
2017	646	0	646	83,370,711	129,057	4.3%
2016	671	0	671	83,043,310	123,761	7.5%
2015	648	0	648	74,613,261	115,144	0.5%
2014	657	0	657	75,241,817	114,523	3.9%
2013	679	0	679	74,861,955	110,253	9.4%
2012	642	0	642	64,696,203	100,773	-10.5%
2011	613	0	613	68,990,536	112,546	-12.6%
2010	725	1	726	93,453,215	128,723	

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-10										
Police Department - Schedule of Retirees and Beneficiaries										
Added to and Removed from Rolls										
Period	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Increase in Annual Subsidy	Average Annual Subsidy
	Count	Annual Subsidy			Count	Count	Count	Annual Subsidy		
Medical										
2018-19	1,233	\$ 10,632,870	69	60	1,242	\$ 11,216,786	9	\$ 583,916	5.5%	\$ 9,031
2017-18	1,198	12,718,518	73	38	1,233	10,632,870	35	(2,085,648)	-16.4%	8,624
2016-17	1,169	12,037,441	56	27	1,198	12,718,518	29	681,078	5.7%	10,616
2015-16	1,141	11,640,679	60	32	1,169	12,037,441	28	396,761	3.4%	10,297
2014-15	1,106	11,899,604	71	36	1,141	11,640,679	35	(258,925)	-2.2%	10,202
2013-14	1,083	11,801,848	50	27	1,106	11,899,604	23	97,756	0.8%	10,759
2012-13	1,037	12,823,451	66	20	1,083	11,801,848	46	(1,021,603)	-8.0%	10,897
2011-12	991	12,266,722	77	31	1,037	12,823,451	46	556,729	4.5%	12,366
2010-11	N/A	N/A	N/A	N/A	991	12,266,722	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dental										
2018-19	1,269	\$ 1,625,889	70	24	1,315	\$ 1,693,224	46	\$ 67,335	4.1%	\$ 1,288
2017-18	1,248	1,605,396	59	38	1,269	1,625,889	21	20,493	1.3%	1,281
2016-17	1,220	1,509,608	50	22	1,248	1,605,396	28	95,789	6.3%	1,286
2015-16	1,199	1,497,139	42	21	1,220	1,509,608	21	12,468	0.8%	1,237
2014-15	1,139	1,428,059	79	19	1,199	1,497,139	60	69,081	4.8%	1,249
2013-14	1,111	1,352,967	45	17	1,139	1,428,059	28	75,092	5.6%	1,254
2012-13	1,070	1,384,063	53	10	1,111	1,352,967	41	(31,096)	-2.2%	1,218
2011-12	1,028	1,330,289	50	11	1,070	1,384,063	42	53,774	4.0%	1,294
2010-11	N/A	N/A	N/A	N/A	1,028	1,330,289	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION VI – ACTUARIAL SECTION OF THE CAFR

Table VI-11										
Schedule of Retirees and Beneficiaries - Fire 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	Annual Subsidy	Count		
<u>Medical</u>										
2018-19	803	\$ 6,518,064	27	31	799	\$ 6,790,517	(4)	\$ 272,453	4.2%	\$ 8,499
2017-18	776	7,455,411	47	20	803	6,518,064	27	(937,347)	-12.6%	8,117
2016-17	752	6,976,403	42	18	776	7,455,411	24	479,008	6.9%	9,607
2015-16	758	6,965,107	28	34	752	6,976,403	(6)	11,296	0.2%	9,277
2014-15	743	7,095,176	35	20	758	6,965,107	15	(130,068)	-1.8%	9,189
2013-14	749	7,736,739	29	35	743	7,095,176	(6)	(641,564)	-8.3%	9,549
2012-13	752	8,665,479	28	31	749	7,736,739	(3)	(928,740)	-10.7%	10,329
2011-12	745	8,838,250	30	23	752	8,665,479	7	(172,771)	-2.0%	11,523
2010-11	N/A	N/A	N/A	N/A	745	8,838,250	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>Dental</u>										
2018-19	828	\$ 961,884	26	26	828	\$ 963,334	0	\$ 1,450	0.2%	\$ 1,163
2017-18	808	942,196	39	19	828	961,884	20	19,688	2.1%	1,162
2016-17	798	893,441	30	20	808	942,196	10	48,756	5.5%	1,166
2015-16	793	891,245	23	18	798	893,441	5	2,195	0.2%	1,120
2014-15	778	875,826	29	14	793	891,245	15	15,420	1.8%	1,124
2013-14	779	948,537	23	24	778	875,826	(1)	(72,711)	-7.7%	1,126
2012-13	785	1,014,672	18	23	779	948,537	(6)	(66,135)	-6.5%	1,218
2011-12	770	994,744	20	7	785	1,014,672	15	19,928	2.0%	1,293
2010-11	N/A	N/A	N/A	N/A	770	994,744	N/A	N/A	N/A	N/A
2009-10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Annual subsidies are explicit amounts

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX A – MEMBERSHIP INFORMATION

Member Data

Police Department - Summary of Member Data			
Valuation Date	June 30, 2019	June 30, 2018	% Change
Active Employees Eligible for Full Benefits			
Count	629	680	-7.50%
Average Age	46.0	45.6	0.82%
Average OPEB Benefit Service	18.0	17.8	1.20%
Total Payroll	\$ 98,280,535	\$ 99,405,066	-1.13%
Active Employees Eligible for Catastrophic Disability Only			
Count	410	294	39.46%
Average Age	31.4	31.6	-0.53%
Average OPEB Benefit Service	3.0	3.0	-2.43%
Total Payroll	\$ 48,584,706	\$ 32,483,118	49.57%
Term Vested Members**	13	15	-13.33%
Retirees and Surviving Spouses with Coverage*			
Medical and Dental Coverage	1,157	1,161	-0.34%
Medical Coverage Only	1	8	-87.50%
In-Lieu Medical with Dental Coverage	76	60	26.67%
Dental Coverage Only	82	48	70.83%
In-Lieu Medical Coverage Only	8	4	100.00%
Total	1,324	1,281	3.36%
Total Count	2,376	2,270	4.67%

* Counts do not include dependent spouses.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Fire Department - Summary of Member Data			
Valuation Date	June 30, 2019	June 30, 2018	% Change
Active Employees Eligible for Full Benefits			
Count	512	533	-3.94%
Average Age	45.8	45.1	1.61%
Average OPEB Benefit Service	16.3	15.7	4.20%
Total Payroll	\$ 72,439,802	\$ 72,805,706	-0.50%
Active Employees Eligible for Catastrophic Disability Only			
Count	150	131	14.50%
Average Age	34.6	34.5	0.32%
Average OPEB Benefit Service	3.9	3.6	6.98%
Total Payroll	\$ 16,513,177	\$ 13,735,408	20.22%
Term Vested Members**	2	0	N/A
Retirees and Surviving Spouses with Coverage*			
Medical and Dental Coverage	772	787	-1.91%
Medical Coverage Only	0	0	N/A
In-Lieu Medical with Dental Coverage	24	15	60.00%
Dental Coverage Only	32	26	23.08%
In-Lieu Medical Coverage Only	3	1	200.00%
Total	831	829	0.24%
Total Count	1,495	1,493	0.13%

* Counts do not include dependent spouses.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Police Department - Status Reconciliation						
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
Beginning of Year	974	15	711	112	458	2,270
New Hires	0	0	0	0	0	0
Rehires	9	0	0	0	0	9
Non-Vested Termination	(14)	0	0	0	0	(14)
Vested Terminations	(1)	1	0	0	0	0
Service Retirements	(48)	(3)	51	0	0	0
Disabled Retirements	(4)	0	(5)	0	9	0
New Survivors	0	0	0	11	0	11
No longer covered	(5)	0	(10)	(1)	(12)	(28)
Data corrections	2	0	0	0	0	2
New Catastrophic Disability	126	0	0	0	0	126
End of Year	1,039	13	747	122	455	2,376

Counts do not include dependent spouses

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

Fire Department - Status Reconciliation						
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	Total
Beginning of Year	664	0	249	129	451	1,493
New Hires	0	0	0	0	0	0
Rehires	1	0	0	0	0	1
Non-Vested Termination	(3)	0	0	0	0	(3)
Vested Terminations	(2)	2	0	0	0	0
Service Retirements	(16)	0	16	0	0	0
Disabled Retirements	(2)	0	(5)	0	7	0
New Survivors	0	0	0	7	0	7
No longer covered	(2)	0	(5)	(10)	(9)	(26)
Data corrections	1	0	0	0	1	2
New Catastrophic Disability	21	0	0	0	0	21
End of Year	662	2	255	126	450	1,495

Counts do not include dependent spouses

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Member Data as of June 30, 2019:

Police Department - Active Employees Eligible For Full Benefits								
Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	4	0	0	0	0	0	4
30 to 34	1	21	9	0	0	0	0	31
35 to 39	4	18	56	8	0	0	0	86
40 to 44	1	12	37	58	14	0	0	122
45 to 49	0	6	20	53	118	14	0	211
50 to 54	0	0	9	18	88	25	1	141
55 to 59	0	0	1	4	14	11	1	31
60 to 64	0	0	0	1	1	1	0	3
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	6	61	132	142	235	51	2	629

Fire Department - Active Employees Eligible For Full Benefits								
Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	1	0	0	0	0	0	1
30 to 34	0	16	6	0	0	0	0	22
35 to 39	0	42	41	2	0	0	0	85
40 to 44	1	19	60	28	4	0	0	112
45 to 49	0	5	32	47	54	3	0	141
50 to 54	0	1	10	34	68	16	2	131
55 to 59	0	0	0	3	10	5	0	18
60 to 64	0	0	0	1	1	0	0	2
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	1	84	149	115	137	24	2	512

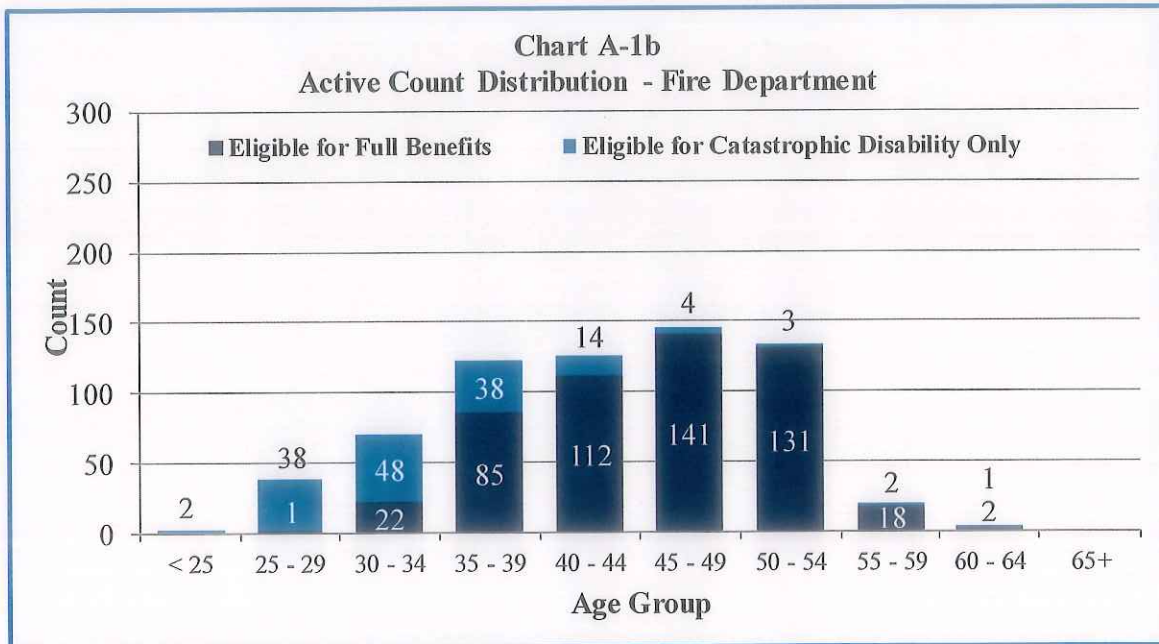
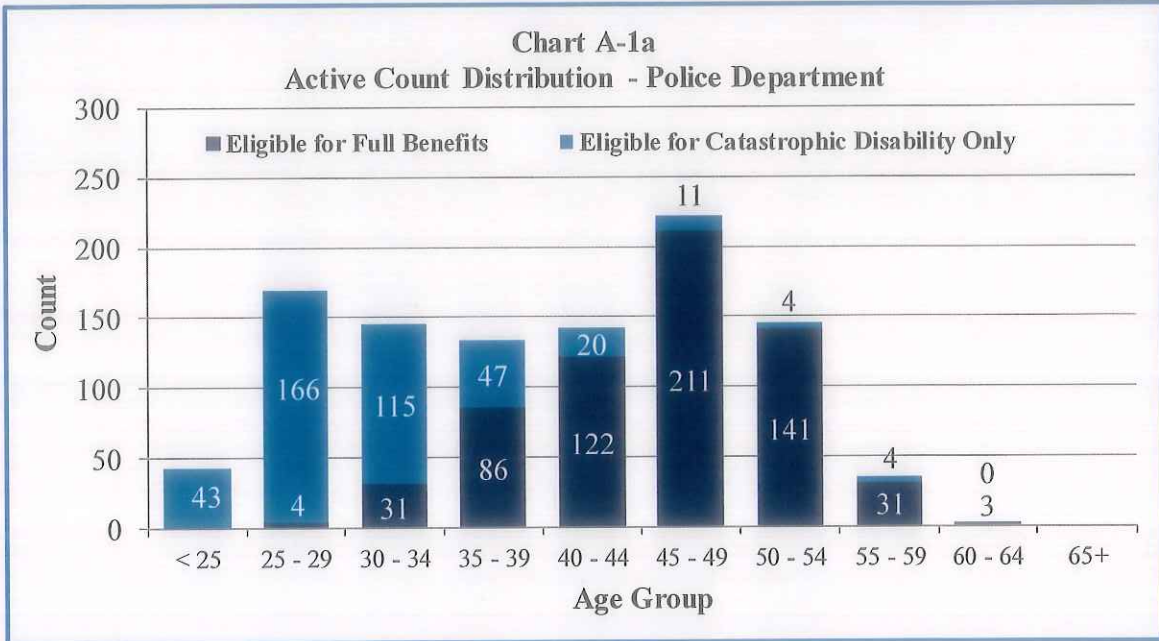
**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Police Department - Active Employees Eligible for Catastrophic Disability Benefits Only								
Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	43	0	0	0	0	0	0	43
25 to 29	158	8	0	0	0	0	0	166
30 to 34	91	24	0	0	0	0	0	115
35 to 39	34	9	4	0	0	0	0	47
40 to 44	14	0	4	2	0	0	0	20
45 to 49	4	0	1	1	5	0	0	11
50 to 54	1	0	0	0	2	1	0	4
55 to 59	1	0	0	1	2	0	0	4
60 to 64	0	0	0	0	0	0	0	0
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	346	41	9	4	9	1	0	410

Fire Department - Active Employees Eligible for Catastrophic Disability Benefits Only								
Years of OPEB Benefit Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +	Total
Under 25	2	0	0	0	0	0	0	2
25 to 29	38	0	0	0	0	0	0	38
30 to 34	47	1	0	0	0	0	0	48
35 to 39	28	2	8	0	0	0	0	38
40 to 44	8	2	4	0	0	0	0	14
45 to 49	0	1	0	3	0	0	0	4
50 to 54	1	1	0	1	0	0	0	3
55 to 59	1	1	0	0	0	0	0	2
60 to 64	0	0	0	1	0	0	0	1
<u>65 and up</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	125	8	12	5	0	0	0	150

APPENDIX A – MEMBERSHIP INFORMATION

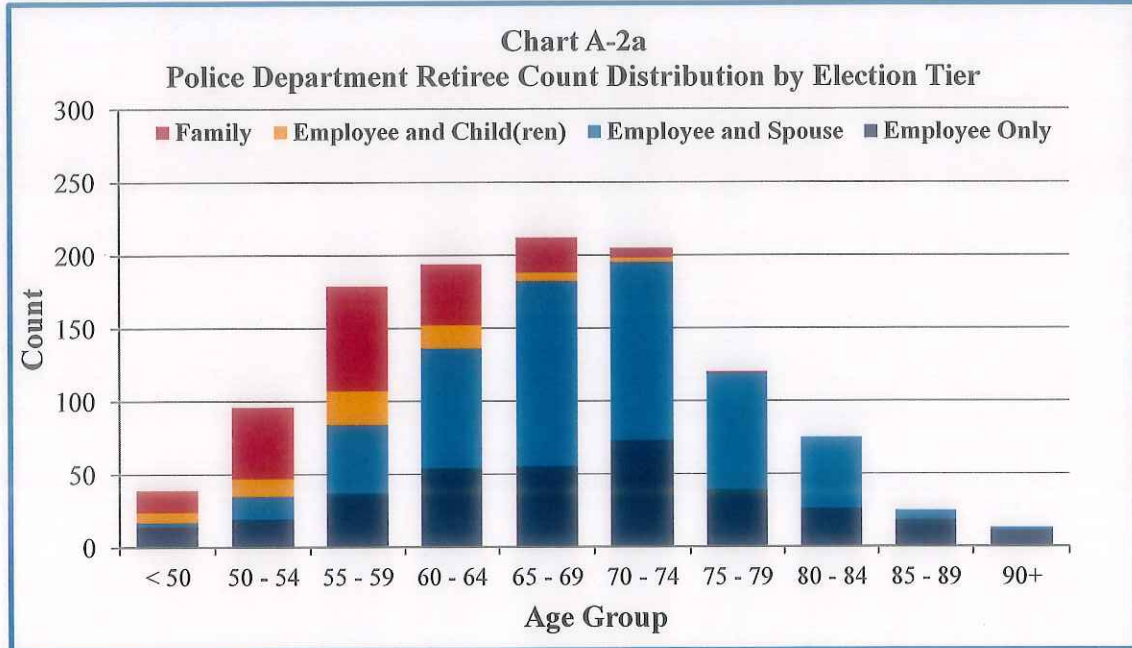


**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Police Department - Retirees, Disabled Retirees and Surviving Spouses					
Age Group	Males	Medical Insurance		Total	Dental Insurance
		Females			
Under 50	31	8	39	55	
50 to 54	82	14	96	140	
55 to 59	144	35	179	218	
60 to 64	175	19	194	218	
65 to 69	198	14	212	229	
70 to 74	174	31	205	214	
75 to 79	102	18	120	122	
80 to 84	60	15	75	79	
85 to 89	12	13	25	27	
Over 90	6	7	13	13	
Total	984	174	1,158	1,315	

Counts do not include dependent spouses

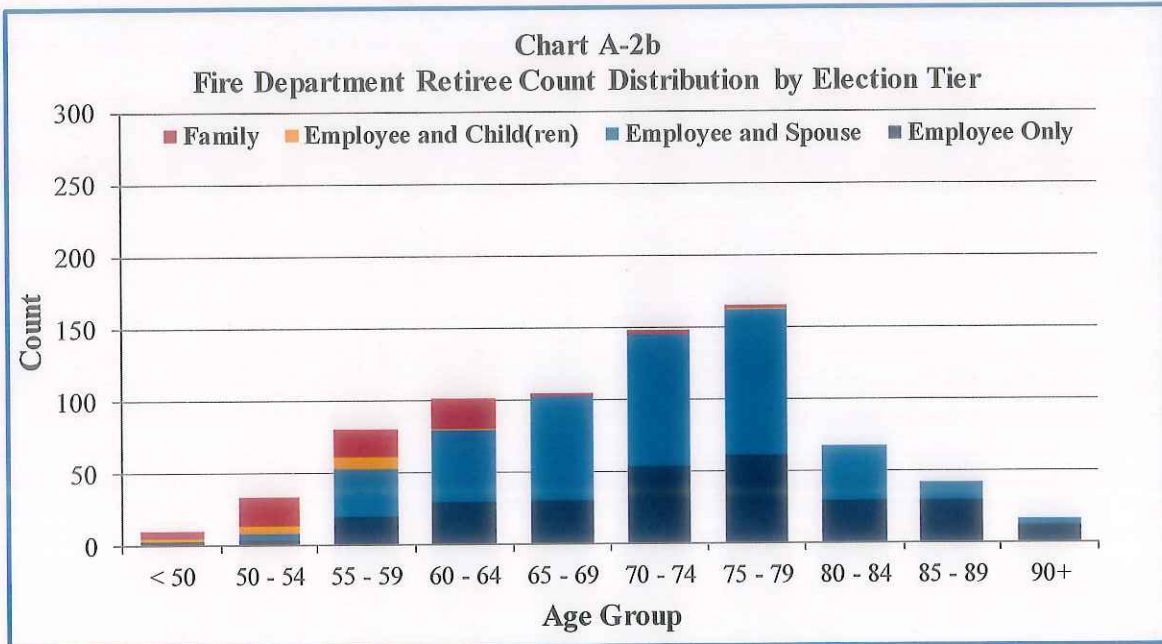


**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Fire Department - Retirees, Disabled Retirees and Surviving Spouses				
Age Group	Medical Insurance		Total	Dental Insurance
	Males	Females		
Under 50	6	4	10	12
50 to 54	27	7	34	40
55 to 59	71	10	81	95
60 to 64	89	13	102	108
65 to 69	90	15	105	112
70 to 74	125	23	148	155
75 to 79	134	31	165	170
80 to 84	55	13	68	73
85 to 89	26	16	42	45
<u>Over 90</u>	<u>9</u>	<u>8</u>	<u>17</u>	<u>18</u>
Total	632	140	772	828

Counts do not include dependent spouses



CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX A – MEMBERSHIP INFORMATION

Police & Fire Department Vested Terminations*			
Age Group	Police	Fire	Total
Under 45	0	0	0
45 to 49	5	1	6
50 to 54	7	1	8
55 to 59	1	0	1
60 to 64	0	0	0
Over 65	0	0	0
Total	13	2	15

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

The expected return on Plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the January 9, 2020 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1. Expected Return on Plan Assets

6.50% per year. The Board expects a long-term rate of return of 7.6% based on Meketa's 20-year capital market assumptions and the System's current investment policy.

2. Per Person Cost Trends

Medical trends were developed using the 2019 Getzen model published by the Society of Actuaries using the following parameters:

Initial trend rate:

Non-Medicare Eligible:	8.00%
Medicare Eligible:	4.00%
Inflation:	2.50%
Real GDP per Capita:	1.40%
Excess Medical Cost Growth:	1.00%
Expected GDP Share in 2028:	20.5%
Resistance Point:	20.0%
Year limited to GDP growth:	2075

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	Part B Premiums	Annual Increase				
					To Calendar Year	Pre-Medicare	Medicare Eligible	Dental	Part B Premiums
2020		<i>Actual Premiums Used</i>			2050	4.54	4.54	3.50	3.70
2021	7.66%	4.11%	3.50%	3.73%	2051	4.53	4.53	3.50	3.70
2022	7.33	4.22	3.50	0.04	2052	4.52	4.52	3.50	3.70
2023	6.99	4.32	3.50	0.06	2053	4.51	4.51	3.50	3.70
2024	6.66	4.43	3.50	0.06	2054	4.51	4.51	3.50	3.70
2025	6.32	4.54	3.50	5.97	2055	4.50	4.50	3.50	3.70
2026	5.98	4.65	3.50	5.90	2056	4.49	4.49	3.50	3.70
2027	5.65	4.76	3.50	6.18	2057	4.48	4.48	3.50	3.70
2028	5.31	4.87	3.50	8.02	2058	4.48	4.48	3.50	3.70
2029	4.97	4.97	3.50	7.73	2059	4.47	4.47	3.50	3.70
2030	4.81	4.81	3.50	7.44	2060	4.46	4.46	3.50	3.70
2031	4.78	4.78	3.50	7.16	2061	4.46	4.46	3.50	3.70
2032	4.76	4.76	3.50	6.87	2062	4.45	4.45	3.50	3.70
2033	4.74	4.74	3.50	6.58	2063	4.44	4.44	3.50	3.70
2034	4.72	4.72	3.50	6.29	2064	4.44	4.44	3.50	3.70
2035	4.71	4.71	3.50	6.00	2065	4.43	4.43	3.50	3.70
2036	4.69	4.69	3.50	5.72	2066	4.42	4.42	3.50	3.70
2037	4.68	4.68	3.50	5.43	2067	4.37	4.37	3.50	3.70
2038	4.66	4.66	3.50	5.14	2068	4.32	4.32	3.50	3.70
2039	4.65	4.65	3.50	4.85	2069	4.27	4.27	3.50	3.70
2040	4.64	4.64	3.50	4.56	2070	4.22	4.22	3.50	3.70
2041	4.63	4.63	3.50	4.28	2071	4.17	4.17	3.50	3.70
2042	4.61	4.61	3.50	3.99	2072	4.12	4.12	3.50	3.70
2043	4.60	4.60	3.50	3.70	2073	4.07	4.07	3.50	3.70
2044	4.59	4.59	3.50	3.70	2074	4.03	4.03	3.50	3.70
2045	4.58	4.58	3.50	3.70	2075	3.98	3.98	3.50	3.70
2046	4.57	4.57	3.50	3.70	2076+	3.94	3.94	3.50	3.70
2047	4.56	4.56	3.50	3.70					
2048	4.55	4.55	3.50	3.70					
2049	4.55	4.55	3.50	3.70					

Actual premium increases for 2020 were reflected in the valuation. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

3. Changes Since the Last Valuation

The per-person cost trends were updated.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the January 9, 2020 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 7, 2019 Board meeting based on recommendations from our experience study covering Plan experience through June 30, 2019. Please refer to the full experience study report for details, including the rationale for each assumption.

1. Salary Increase Rate

Wage inflation component: 3.25%

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

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

2. Administrative Expenses

For FYE 2021, trust administrative expenses are assumed to equal \$41 per full benefit member and are assumed to increase at the wage inflation assumption of 3.25% per annum.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. Retirement Rates

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

Tier 1 Rates of Retirement by Age and Service				
Age	Police		Fire	
	<30 Years	30+ Years	<30 Years	30+ Years
50	55.0%	100.0%	35.0%	100.0%
51	45.0	100.0	35.0	100.0
52	40.0	100.0	35.0	100.0
53	30.0	100.0	35.0	100.0
54	30.0	100.0	35.0	100.0
55	30.0	100.0	30.0	100.0
56	30.0	100.0	25.0	100.0
57	30.0	100.0	20.0	100.0
58 – 61	50.0	100.0	27.5	100.0
62+	100.0	100.0	100.0	100.0

Tier 2 Rates of Retirement by Age and Service				
Age	Police			
	5 – 19 Years	20 – 24 Years	25 – 29 Years	30+ Years
50 – 56	2.0%	2.0%	2.0%	5.0%
57 – 59	7.5	10.0	20.0	100.0
60 – 61	10.0	20.0	35.0	100.0
62 – 64	25.0	50.0	75.0	100.0
65+	100.0	100.0	100.0	100.0

Tier 2 Rates of Retirement by Age and Service				
Age	Fire			
	5 – 19 Years	20 – 24 Years	25 – 29 Years	30+ Years
50 – 56	1.0%	1.0%	1.0%	2.5%
57 – 59	5.0	7.5	15.0	100.0
60 – 61	7.5	15.0	25.0	100.0
62 – 64	20.0	35.0	50.0	100.0
65+	100.0	100.0	100.0	100.0

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

4. Rates of Termination

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

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

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

5. Rates of Mortality

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

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

6. Disability Rates

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

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

100% of disabilities are assumed to be duty related.

7. Percent of Retirees Electing Coverage

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

Members who elect to receive the In-Lieu credits are assumed to remain in the In-Lieu credit program for five years, after which they are assumed to elect coverage and use their In-Lieu credits. Their medical tier election assumptions are provided in the following table.

Assumed Medical Tier Elections for Future Retirees who Elect In-Lieu Coverage*			
	% Electing		% Electing
Pre-Medicare Retirees		Medicare-Eligible Retirees	
· Retiree Only	25%	· Retiree Only	60%
· Retiree Plus Spouse	25%	· Retiree Plus Spouse	40%
· Retiree Plus Family	50%	· Retiree Plus Family	0%

* Eligible for coverage

The Sutter Health and Blue Shield plans will no longer be offered as of 1/1/2020. They are replaced with Anthem plan options effective 1/1/2020.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Assumed Plan Elections for Future Retirees*			
	% Electing		% Electing
Pre-Medicare Medical Plans		Medicare-Eligible Medical Plans	
· Kaiser DHMO	8%	· Kaiser Senior Advantage	41%
· Kaiser \$25 Co-pay	56%	· Anthem Medicare HMO	6%
· Kaiser HDHP	5%	· Anthem Medicare PPO	53%
· Anthem DHMO	1%		
· Anthem \$20 Co-pay	7%		
· Anthem HDHP PPO	0%	Dental Plans (All Retirees)	
· Anthem Select PPO	0%	· Delta Dental PPO	99%
· Anthem Classic PPO	23%	· DeltaCare HMO	1%

* Eligible for coverage and elect coverage

8. Married Percentage

Percentage Married	
Gender	Percentage
Males	85%
Females	85%

9. Dependent Age

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

10. Enrollment by Rating Tier

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

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

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

11. Changes Since the Last Valuation

In-Lieu elections and the administrative expense assumption were updated.

Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2019. Please refer to the full experience study report for detail on the specific changes.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Health Plan Benefit Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the January 9, 2020 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 2019 and 2020. 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 2019 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 separately for the Federated, Police, and Fire Postemployment Healthcare Plans of the City of San José.

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

1. Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2019 based on the premiums for 2019 and 2020. 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:

Age	Sample Claims Costs - Non-Medicare Eligible					
	Kaiser DHMO		Kaiser \$25 Co-Pay		Kaiser HDHP	
	Male	Female	Male	Female	Male	Female
40	6,607	8,184	10,184	12,496	6,594	8,053
45	6,817	8,036	10,392	12,178	6,692	7,819
50	7,273	8,264	10,959	12,412	7,016	7,933
55	8,123	8,821	12,105	13,129	7,705	8,352
60	9,567	9,326	14,122	13,768	8,944	8,721
64	11,315	9,207	16,604	13,515	10,484	8,534

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>Sutter/Anthem DHMO</u>		<u>Sutter/Anthem \$20 Co-Pay</u>		<u>Blue Shield/Anthem PPO</u>	
	Male	Female	Male	Female	Male	Female
	40	9,456	11,559	10,701	13,118	14,575
45	9,606	11,230	10,908	12,775	15,360	18,301
50	10,082	11,402	11,489	13,008	16,736	19,127
55	11,083	12,014	12,676	13,747	19,064	20,750
60	12,876	12,555	14,773	14,403	22,825	22,243
64	15,101	12,292	17,359	14,129	27,265	22,179

<u>Sample Claims Costs - Medicare Eligible</u>						
Age	<u>Kaiser Senior Adv</u>		<u>BS/Anthem PPO</u>		<u>BS/Anthem HMO</u>	
	Male	Female	Male	Female	Male	Female
65	3,288	2,900	5,607	4,946	5,936	5,236
70	3,491	2,957	5,954	5,043	6,303	5,338
75	4,013	3,326	6,843	5,671	7,245	6,004
80	4,557	3,771	7,770	6,431	8,226	6,808
85	4,921	4,121	8,392	7,028	8,884	7,440

<u>Sample Claims Costs - Dental</u>				
Age	<u>Delta Dental PPO</u>		<u>DeltaCare HMO</u>	
	Male	Female	Male	Female
All	727	727	316	316

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.

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

6. Lifetime Maximums

Are not assumed to have any financial impact.

7. Geography

Implicitly assumed to remain the same as current retirees.

8. Retiree Contributions

Retirees pay the difference between the actual premium for the elected medical plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

9. Changes Since the Last Valuation

All claims costs were updated to reflect the changes in plan premiums and the populations covered.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1. Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The Actuarial Liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and Actuarial Liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and Actuarial Liability for the Plan. The Actuarial Liability for the Plan represents the target amount of assets the Plan should have as of the valuation date according to the actuarial cost method.

2. Asset Valuation Method

The Actuarial Value of Assets equals the Market Value of Assets.

3. Amortization Method

The Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Actuarial Value of Assets. The Unfunded Actuarial Liability as of June 30, 2017 was amortized as a level percent of payroll over a closed 25-year period. All future amortization bases will be amortized over 25-year periods with a 3-year phase-in and phase-out.

4. Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses, and the amortization payment described above less expected employee contributions. The City has the option to limit its contribution to no more than 11% of total payroll.

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

5. Changes Since the Last Valuation

None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

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

Medical/Dental:

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City's medical plan at the time of the member's retirement. Dependent children are eligible to receive coverage until the age of 26.

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

The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,

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

The survivor will receive a monthly pension benefit.

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Benefits for Retirees:

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

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

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

Premiums: Monthly premiums before adjustments for 2019 and 2020 are as follows.

2019 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
Medical				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$528.20	\$1,056.40	\$924.36	\$1,584.60
Kaiser \$25 Co-pay	645.08	1,290.16	1,128.88	1,935.24
Kaiser HDHP	445.04	890.08	778.82	1,335.12
Blue Shield PPO \$25 Co-pay	1,435.38	2,870.74	2,511.94	4,306.12
Sutter Health \$20 Co-pay	652.28	1,304.56	1,141.44	1,956.78
Sutter Health DHMO	534.06	1,068.12	934.56	1,602.12
Sutter Health Vista	445.74	891.50	780.04	1,337.22
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$300.80	\$601.60	\$601.60	\$902.40
Blue Shield Medicare PPO	528.57	1,057.14	1,057.14	1,585.71
Blue Shield Medicare HMO	602.56	1,205.12	1,205.12	1,807.68
Dental				
Delta Dental PPO	\$50.88	\$111.92	\$122.12	\$157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

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

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

2020 Monthly Premiums				
	Single	Emp/Sp	Emp/Chd	Family
Medical				
<u>Non-Medicare Monthly Rates</u>				
Kaiser DHMO	\$574.36	\$1,148.72	\$1,005.14	\$1,723.08
Kaiser \$25 Co-pay	701.46	1,402.92	1,227.54	2,104.38
Kaiser HDHP	483.94	967.88	846.90	1,451.82
Anthem HMO \$20 Co-pay	671.12	1,476.46	1,208.02	2,080.46
Anthem DHMO	517.42	1,138.34	931.36	1,604.02
Anthem HDHP	905.36	1,991.82	1,629.66	2,806.66
Anthem Select PPO	1,469.66	3,233.24	2,645.38	4,555.94
Anthem Classic PPO	1,571.82	3,458.02	2,829.28	4,872.66
<u>Medicare-Eligible Monthly Rates</u>				
Kaiser Senior Advantage	\$289.14	\$578.28	\$578.28	\$867.42
Anthem Medicare PPO	508.56	1,017.12	1,017.12	1,525.68
Anthem Medicare HMO	453.55	907.10	907.10	1,360.65
Dental				
Delta Dental PPO	\$50.88	\$111.92	\$122.12	\$157.72
DeltaCare HMO	24.44	48.86	42.74	73.30

Summary of 2020 Benefit Plans:

Medicare-Eligible Plans:	Kaiser	Anthem HMO	Anthem PPO
Annual Out-of-Pocket Maximum	Single \$1,500 Family \$3,000	\$1,000 per member	\$0
Annual Deductible	None	None	None
Office Visit copay	\$25	\$25	\$0
Emergency Room copay	\$50	\$100	\$0
Hospital Care copay	\$250	\$100	\$0
Prescription Drug retail copay (30-day supply):			
Generic	\$10	\$10	\$10
Brand	\$10	\$25	\$25
Non-Formulary	N/A	\$40	\$40

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
 JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Non-Medicare Plans:	Kaiser High Deductible	Kaiser DHMO	Kaiser S25 Co-Pay	Anthem S20 Co-Pay HMO	Anthem DHMO	Anthem Select PPO (In-Network)	Anthem Classic PPO (In-Network)	Anthem High Deductible (In-Network)
Annual Out-of-Pocket Maximum (single/family)	\$5,950/ \$11,900	\$4,000/ \$8,000	\$1,500/ \$3,000	\$1,500/ \$3,000	\$4,000/ \$8,000	\$2,100/ \$4,200	\$2,100/ \$4,200	\$4,000/ \$8,000
Annual Deductible (single/family)	\$3,000/ \$6,000	\$1,500/ \$3,000	None	None	\$1,500/ \$3,000	\$100/\$200	\$100/\$200	\$2,500/ \$5,000
Office Visit copay	30%*	\$40	\$25	\$20	\$20	\$25	\$25	20%*
Emergency Room copay	30%*	30%*	\$100	\$100	30%*	\$100	\$100	20%*
Hospital Care copay	30%*	30%*	\$100	\$100	30%*	10%*	10%*	20%*
Prescription Drug retail copay (30-day supply):								
Generic	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Brand	\$30	\$30	\$25	\$30	\$30	\$25	\$25	\$30
Non-Formulary	N/A	N/A	N/A	\$60	\$60	\$40	\$40	\$60

* After deductible is paid.

**CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Cost-Sharing Provisions:

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

APPENDIX C – SUMMARY OF PLAN PROVISIONS

CATASTROPHIC DISABILITY HEALTHCARE PROGRAM

Eligibility: Employees hired after June 2013 or employees who elected to opt-in to the Voluntary Employees' Beneficiary Association (VEBA).

Contributions: Employees are required to make mandatory contributions into the VEBA on a pre-tax basis.

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

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

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

APPENDIX D – GLOSSARY OF TERMS

1. Actuarial Assumptions

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

2. Actuarial Cost Method

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

3. Actuarial Gain (Loss)

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

4. Actuarial Liability

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

5. Actuarial Present Value (Present Value)

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

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

6. Actuarial Valuation

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

APPENDIX D – GLOSSARY OF TERMS

7. Actuarial Value of Assets

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

8. Amortization Payment

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

9. Entry Age Normal Actuarial Cost Method

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

10. Normal Cost

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

11. Unfunded Actuarial Liability

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

12. Funded Percentage

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

13. Mortality Table

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

14. Discount Rate

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

APPENDIX D – GLOSSARY OF TERMS

15. Medical Trend

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

CITY OF SAN JOSÉ POLICE AND FIRE DEPARTMENT POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

APPENDIX E – LIST OF ABBREVIATIONS

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



Classic Values, Innovative Advice