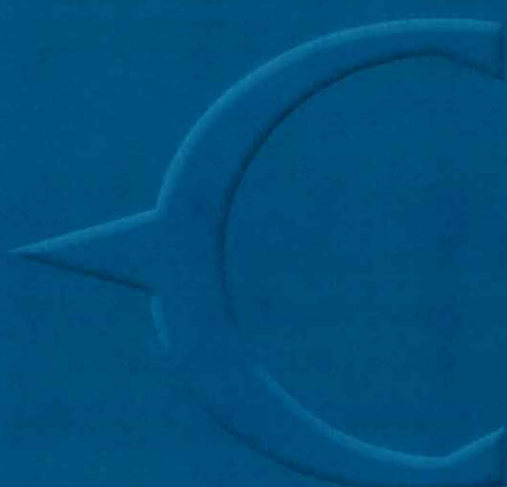




Classic Values, Innovative Advice



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

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

Produced by Cheiron

January 2020

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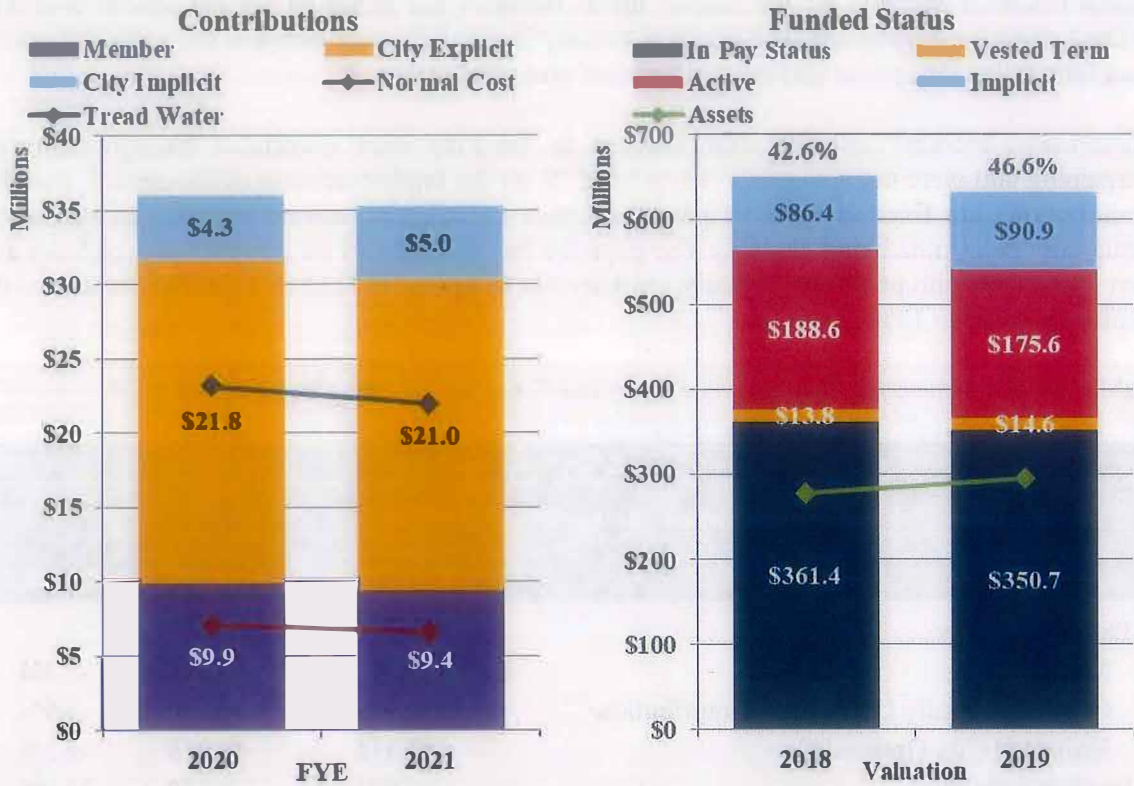
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**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

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

Dashboard



The charts above are intended to provide a quick overview of the current valuation results compared to the prior valuation results. The chart on the left shows contributions for FYE 2020 and 2021. The normal cost shown by the red line represents the expected cost of the 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.

The chart on the right summarizes 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 for the explicit subsidy broken into separate components for members currently receiving benefits, vested terminated members and active members. The light blue bar at the top represents the liability for the implicit subsidy.

More detail and discussion is provided in the next sections.

**CITY OF SAN JOSÉ FEDERATED 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 and were not actuarially determined. With the implementation of Measure F, member contributions are fixed at 7.5% of pay; the City’s contribution toward the explicit subsidy is actuarially determined; and, the City also pays the implicit subsidy on a pay-as-you-go basis as a part of active health premiums. Finally, the City has an option to limit its contribution toward the explicit subsidy to 14% of payroll.

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

Table I-1 Summary of Contribution Amounts			
	FYE 2021	FYE 2020	% Change
Explicit Subsidy			
Members	\$ 9,356	\$ 9,890	-5.4%
City's Actuarially Determined Contribution	20,949	21,790	-3.9%
Estimated City Optional Cap	43,116	43,218	-0.2%
Implicit Subsidy	\$ 4,991	\$ 4,339	15.0%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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SECTION I – BOARD SUMMARY

The chart below shows the historical and projected contributions to the Plan. The purple bars represent the member contributions, the gold bars are the City’s contributions to pre-fund the explicit subsidy, and the blue bars are the City contributions to pay the implicit subsidy. The gray area behind the bars represents the projected annual benefit payments. The black line represents the normal cost and the red line is the projection of the total contributions from the 2019 actuarial valuation. The significant reduction in contributions between FYE 2018 and FYE 2019 is due to the implementation of Measure F, including the VEBA elections and the new lowest cost health plan.

Historical and Projected Contributions FYE 2011-2041



Because the Plan is closed to new entrants, the member contributions are expected to decline as current active members retire or otherwise leave active employment with the City. The City’s actuarially determined contribution is expected to increase slightly as the member contributions decrease. The Plan has historically had positive net cash flow, but that is only expected to last for another year.

**CITY OF SAN JOSÉ FEDERATED 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, including both the explicit and implicit subsidies, decreased by 2.8%, primarily due to premium experience and changes in the trend assumptions. At the same time, assets increased over 6% due to contributions and investment earnings. As a result, the Unfunded Actuarial Liability decreased by about 9.5% and the funded percentage improved from 49.2% to 54.5% for the explicit subsidy and from 42.6% to 46.6% in total.

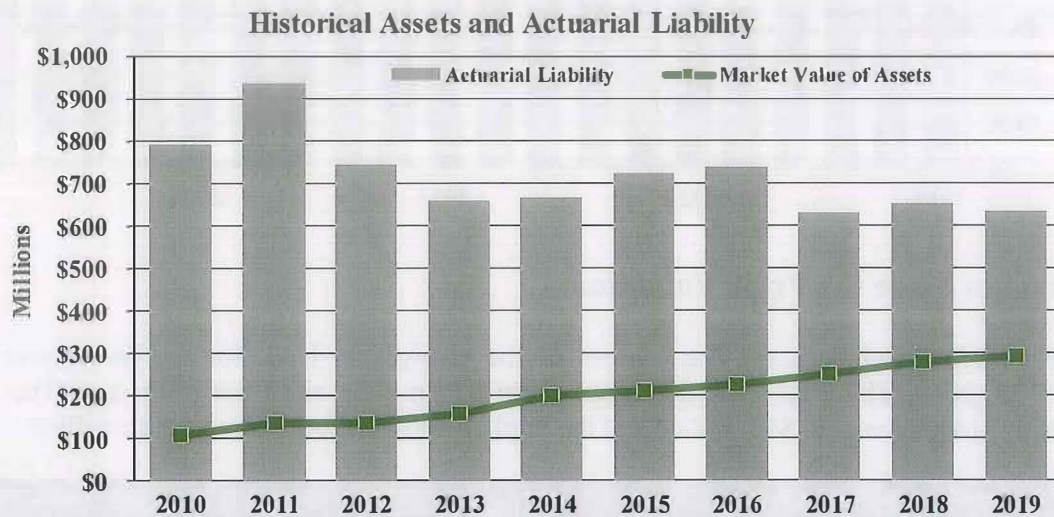
Table I-2 Summary of Funded Status			
	6/30/2019	6/30/2018	Change
Actuarial Liability			
Explicit Subsidy			
Actives	\$ 175,597	\$ 188,554	-6.9%
Deferred Vested	14,564	13,772	5.8%
In Pay Status	350,653	361,380	-3.0%
Total Explicit Subsidy	\$ 540,815	\$ 563,706	-4.1%
Implicit Subsidy	90,937	86,407	5.2%
Total Actuarial Liability	\$ 631,752	\$ 650,114	-2.8%
Assets	294,489	277,256	6.2%
Explicit Unfunded Actuarial Liability	\$ 246,326	\$ 286,450	-14.0%
Explicit Subsidy Funded Percentage	54.5%	49.2%	5.3%
Total Unfunded Actuarial Liability	\$ 337,263	\$ 372,858	-9.5%
Total Funded Percentage	46.6%	42.6%	4.0%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

The following chart shows the historical trend of assets and the Actuarial Liability on a funding basis for the City of San José Federated Postemployment Healthcare Plan. The Actuarial Liability grew from 2010 to 2011, reflecting the accumulation of additional benefits as well as rising health care costs and reductions in the discount rate and changes to other assumptions. The reduction in Actuarial Liability from 2011 to 2014 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 in 2015 was primarily due to the change in demographic assumptions. The decrease in the Actuarial Liability in 2017 was primarily due to plan changes and health assumption changes. The Actuarial Liability has remained relatively stable since 2017.



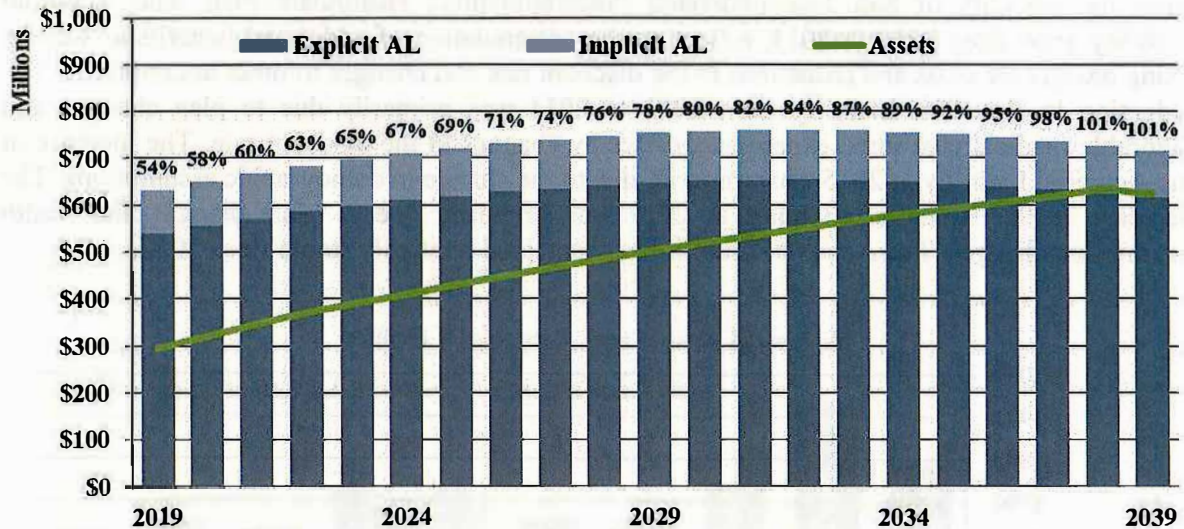
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Funded Ratio	13.7%	14.5%	18.6%	23.9%	30.0%	29.1%	30.7%	39.4%	42.6%	46.6%
UAL/(Surplus) (in millions)	\$681.5	\$800.5	\$604.7	\$501.3	\$465.2	\$511.9	\$510.9	\$381.9	\$372.9	\$337.3
Discount Rate	7.95%	7.50%	7.50%	7.25%	7.00%	7.00%	6.875%	6.875%	6.75%	6.75%

The chart on the following page shows a 20-year projection of assets and Actuarial Liability (AL), and also shows the projected funded percentage for the explicit subsidy. The AL for the implicit subsidy is shown in dark gray while the AL for the explicit subsidy is shown in a lighter gray. If all assumptions are met in the future including an expected return of 6.75% each year, the funded percentage for the explicit subsidy is expected to exceed 100% by 2038.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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SECTION I – BOARD SUMMARY

Projected Assets and Actuarial Liability 2019-2039



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 decreased about \$35 million since the prior year. The explicit subsidy UAL decreased \$40 million and the implicit subsidy UAL increased \$5 million.

	Implicit	Explicit	Total
Unfunded Actuarial Liability, June, 30, 2018	\$ 86,407	\$ 286,450	\$ 372,858
Unfunded Actuarial Liability, June, 30, 2019	90,937	246,326	337,263
Change in Unfunded Actuarial Liability	\$ 4,530	\$ (40,124)	\$ (35,595)
Sources of Changes			
Tread Water less Contributions	\$ 2,546	\$ (8,371)	\$ (5,826)
Investment Experience	0	10,654	10,654
Liability Experience	7,686	(33,324)	(25,638)
Assumption Changes	(5,702)	(9,103)	(14,805)
VEBA Transfers	0	20	20
Total Changes	\$ 4,530	\$ (40,124)	\$ (35,595)

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

Liability experience decreased the UAL by about \$25.6 million, mainly driven by the lower than expected increases in the Medicare eligible premium rates. Assumption changes decreased the UAL by about \$14.8 million, primarily due to health trend changes. Contributions in excess of the Tread Water amount decreased the UAL by \$5.8 million. The Tread Water amount equals normal cost plus the interest on the UAL. If all assumptions are met, contributions equal to the Tread Water amount would result in no change to the dollar amount of the UAL. Investment experience and the additional assets transferred to the VEBA increased the UAL by about 10.7 million.

Component	2019	2018	Change	Description
Liability Experience	2019	2018		
Assumption Changes	2019	2018		
Contributions in Excess of Tread Water	2019	2018		
Tread Water Amount	2019	2018		
Investment Experience	2019	2018		
Additional Assets Transferred to VEBA	2019	2018		
Total Change	2019	2018	Change	

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION I – BOARD SUMMARY

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

Table I-4 Summary of Valuation Results			
	June 30, 2019	June 30, 2018	% Change
Active Members			
Eligible for Full Benefits	1,581	1,750	-9.7%
Eligible for Catastrophic Disability Only	1,919	1,711	12.2%
Total Active Members	3,500	3,461	1.1%
Deferred Vested Members	165	164	0.6%
Members in Pay Status (Medical and/or Dental)	3,618	3,583	1.0%
Members In-Lieu only	28	23	N/A
Total	7,311	7,231	1.1%
Full Benefit Member Payroll	\$ 135,090	\$ 141,745	-4.7%
Total Payroll	299,002	298,985	0.0%
Actuarial Liability			
Explicit Subsidy	\$ 540,815	\$ 563,706	-4.1%
Implicit Subsidy	90,937	86,407	5.2%
Total Actuarial Liability	\$ 631,752	\$ 650,114	-2.8%
Market Value of Assets	294,489	277,256	6.2%
Explicit Subsidy Unfunded Actuarial Liability	\$ 246,326	\$ 286,450	-14.0%
Explicit Subsidy Funded Percentage	54.5%	49.2%	10.7%
Total Unfunded Actuarial Liability	\$ 337,263	\$ 372,858	-9.5%
Total Funded Percentage	46.6%	42.6%	9.3%
	FYE 2021	FYE 2020	% Change
City's Actuarially Determined Contribution	\$ 20,949	\$ 21,790	-3.9%
City's Actuarially Determined Contribution Rate	6.80%	7.06%	-0.3%
City's Implicit Subsidy Payment	\$ 4,991	\$ 4,339	15.0%

Dollar amounts in thousands

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

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

The health assumptions and discount rate assumption were adopted by the Board of Administration at the December 19, 2019 Board meeting based upon our recommendations. All other assumptions in this report were adopted at the November 21, 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 FEDERATED 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 FEDERATED 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. The 401(h) account has been depleted since the last valuation and all future benefits will be paid from the 115 Trust.

Statement of Change in Market Value of Assets

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

Table III-1 Change in Market Value of Assets				
Fiscal Year Ending	6/30/2019			6/30/2018
	401(h) Acct	115 Trust	Total	Total
Market value, beginning of year	\$ 9,417,520	\$ 267,838,640	\$ 277,256,160	\$ 248,583,178
Contributions				
Employee	0	10,577,720	10,577,720	15,544,890
City	0	22,071,342	22,071,342	28,578,332
Implicit subsidy	0	4,338,698	4,338,698	3,818,363
Total	\$ 0	\$ 36,987,760	\$ 36,987,760	\$ 47,941,585
Net investment earnings	43,067	9,044,677	9,087,744	12,165,301
Benefit payments				
Explicit subsidy	9,460,587	15,024,593	24,485,180	25,905,264
Implicit subsidy	0	4,338,698	4,338,698	3,818,363
Total	\$ 9,460,587	\$ 19,363,291	\$ 28,823,878	\$ 29,723,627
VEBA Transfer	0	18,839	18,839	1,710,277
Market value, end of year	\$ 0	\$ 294,488,947	\$ 294,488,947	\$ 277,256,160
Estimated Rate of Return	0.9%	3.1%	3.1%	4.6%

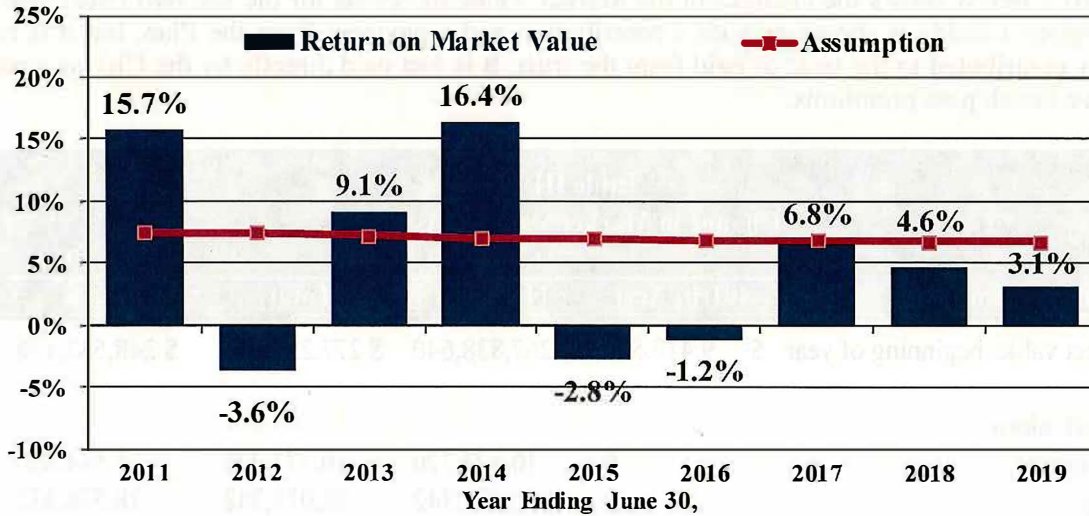
In the last year, investments, in aggregate, returned approximately 3.1% compared to an expected rate of return of 6.75%, resulting in an investment loss of approximately \$10.7 million. The assets in the 401(h) account returned approximately 0.9% while the assets in the 115 trust returned approximately 3.1%.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
 JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

SECTION III – ASSETS

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

Historical Rates of Return



CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT

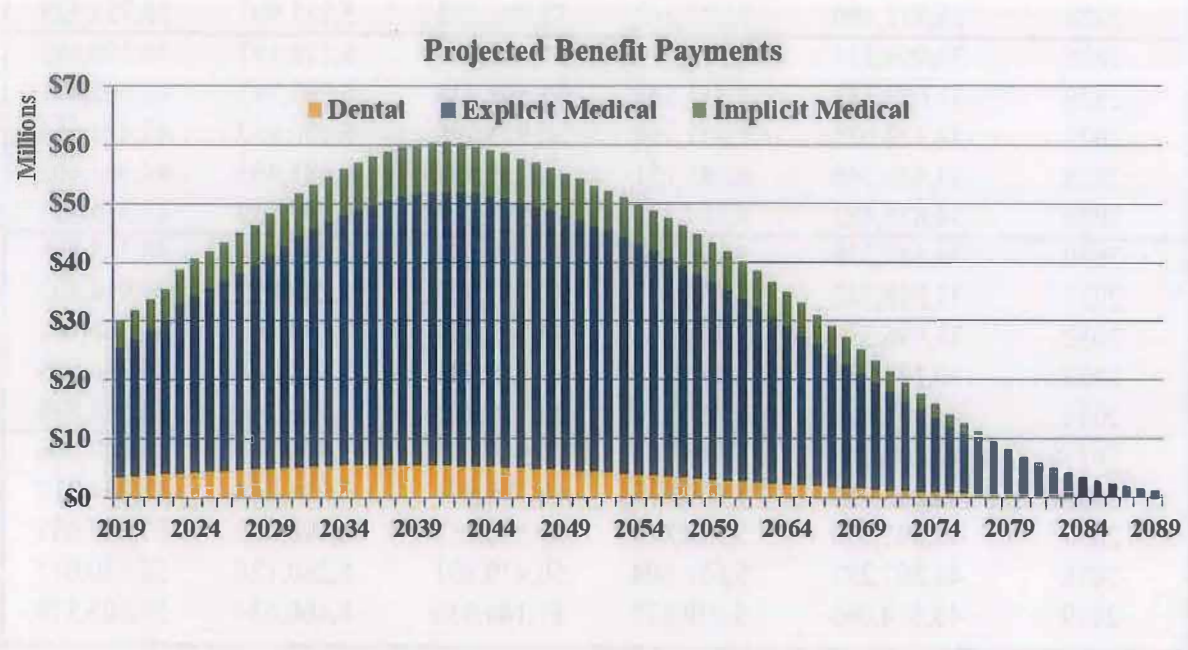
SECTION IV – MEASURES OF LIABILITY

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 chart below shows the projected benefit payments for the next 70 years.



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

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

Table IV-1 Expected Net Benefit Payments					
Fiscal Year Ending	Explicit Subsidy			Implicit Subsidy	Total
	Medical	Dental	Total		
2020	\$ 21,818,150	\$ 3,570,591	\$ 25,388,741	\$ 4,742,930	\$ 30,131,671
2021	23,066,114	3,746,944	26,813,057	4,991,241	31,804,298
2022	24,577,370	3,917,465	28,494,835	5,211,923	33,706,758
2023	26,049,805	4,077,279	30,127,084	5,308,615	35,435,698
2024	28,771,460	4,227,762	32,999,222	5,751,907	38,751,129
2025	30,059,331	4,373,075	34,432,406	6,118,197	40,550,603
2026	31,083,185	4,515,544	35,598,728	6,203,743	41,802,471
2027	32,322,035	4,651,762	36,973,796	6,450,857	43,424,654
2028	33,440,246	4,781,751	38,221,997	6,681,405	44,903,402
2029	34,635,482	4,913,332	39,548,814	6,797,539	46,346,353
2030	36,147,230	5,043,364	41,190,594	7,045,211	48,235,805
2031	37,548,943	5,168,547	42,717,490	7,240,812	49,958,302
2032	38,996,398	5,287,241	44,283,639	7,484,463	51,768,101
2033	40,172,388	5,386,253	45,558,641	7,578,344	53,136,986
2034	41,367,494	5,460,790	46,828,284	7,726,545	54,554,829
2035	42,441,545	5,515,746	47,957,291	7,889,715	55,847,006
2036	43,243,356	5,556,618	48,799,974	8,034,243	56,834,217
2037	44,041,840	5,588,813	49,630,653	8,196,402	57,827,055
2038	44,803,287	5,616,604	50,419,891	8,260,126	58,680,017
2039	45,514,065	5,630,870	51,144,936	8,460,634	59,605,570

**CITY OF SAN JOSÉ FEDERATED 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-2 below shows the present value of future benefits as of June 30, 2019 and June 30, 2018.

Table IV-2 Present Value of Future Benefits						
	June 30, 2019			June 30, 2018		% Change
	Actives	Deferred Vested	In Pay Status	Total	Total	
Explicit Subsidy						
Non-Medicare Eligible	\$ 75,616	\$ 5,962	\$ 55,071	\$ 136,648	\$ 139,059	-1.7%
Medicare Eligible	117,747	8,603	248,804	375,154	397,625	-5.7%
Dental	21,366	0	46,778	68,143	69,565	-2.0%
Total Explicit Subsidy	\$ 214,728	\$ 14,564	\$ 350,653	\$ 579,945	\$ 606,249	-4.3%
Implicit Subsidy	41,584	3,120	53,770	98,474	94,129	4.6%
Total	\$ 256,312	\$ 17,685	\$ 404,423	\$ 678,420	\$ 700,378	-3.1%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED 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 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-3 below shows the EA normal cost as of June 30, 2019 and June 30, 2018 separately by component, develops the normal cost rate, and applies the rate to the projected payroll for the fiscal year for which contributions are determined.

Table IV-3				
Normal Cost				
	June 30, 2019	June 30, 2018	% Change	
Explicit Subsidy				
Non-Medicare Eligible	\$ 2,211	\$ 2,252	-1.8%	
Medicare Eligible	2,900	3,399	-14.7%	
Dental	624	703	-11.3%	
Total Explicit Subsidy	\$ 5,735	\$ 6,354	-9.7%	
Implicit Subsidy	1,079	1,120	-3.7%	
Total Normal Cost	\$ 6,813	\$ 7,475	-8.8%	
Valuation Pay	\$ 130,749	\$ 137,190	-4.7%	
Explicit Subsidy Rate	4.39%	4.63%	-5.2%	
Implicit Subsidy Rate	0.82%	0.82%	0.4%	
Total Normal Cost Rate	5.21%	5.45%	-4.4%	
	FYE 2021	FYE 2020	% Change	
Expected Pay	\$ 124,746	\$ 131,868	-5.4%	
Explicit Subsidy	5,476	6,108	-10.3%	
Implicit Subsidy	1,023	1,077	-5.0%	
Total Normal Cost	\$ 6,499	\$ 7,185	-9.5%	

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED 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-4 below shows the Actuarial Liability as of June 30, 2019 and June 30, 2018 separately by component.

Table IV-4 Actuarial Liability						
	June 30, 2019				June 30, 2018	
	Actives	Deferred Vested	In Pay Status	Total	Total	% Change
Explicit Subsidy						
Non-Medicare Eligible	\$ 59,776	\$ 5,962	\$ 55,071	\$ 120,809	\$ 123,188	-1.9%
Medicare Eligible	98,205	8,603	248,804	355,612	375,158	-5.2%
Dental	17,616	0	46,778	64,394	65,361	-1.5%
Total Explicit Subsidy	\$ 175,597	\$ 14,564	\$ 350,653	\$ 540,815	\$ 563,706	-4.1%
Implicit Subsidy	34,047	3,120	53,770	90,937	86,407	5.2%
Total	\$ 209,644	\$ 17,685	\$ 404,423	\$ 631,752	\$ 650,114	-2.8%

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2019 ACTUARIAL VALUATION FUNDING REPORT**

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		
	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarial Liability	\$ 540,815	\$ 90,937	\$ 631,752	\$ 563,706	\$ 86,407	\$ 650,114
Assets	<u>294,489</u>		<u>294,489</u>	<u>277,256</u>		<u>277,256</u>
Unfunded Actuarial Liability	\$ 246,326	\$ 90,937	\$ 337,263	\$ 286,450	\$ 86,407	\$ 372,858
Funded Percentage	54.5%	0.0%	46.6%	49.2%	0.0%	42.6%

Dollar amounts in thousands

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

Table V-2 UAL Amortization				
	Outstanding Balance	Remaining		FYE 2021 Payment
		Period	Phase-in/out	
2017 UAL	\$ 253,099	18	N/A	\$ 23,915
2018 Changes	1,309	19	2	81
2019 Changes	(32,832)	20	3	(1,045)
FYE 2020 Payment*	<u>24,751</u>			
Total 2019 UAL	\$ 246,326			\$ 22,950

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

Dollar amounts in thousands

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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SECTION V – CONTRIBUTIONS

Contributions for Administrative Expenses

Contributions for administrative expenses are set equal to \$45 per member for FYE 2021 (increasing 3.0 percent each year). There are currently 7,311 members, resulting in estimated administrative expenses for FYE 2021 of \$328,995.

Contribution Amounts

The City pays the actuarially determined contribution for the explicit subsidy, but has the option to cap its contribution at 14% of Federated payroll, including the payroll for members covered by the VEBA instead of this Plan. The actuarially determined contribution is the normal cost, administrative expenses, and the amortization payment on the UAL less expected member contributions. Members contribute 7.50% of pay.

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

Table V-3 City's Actuarially Determined Contribution (ADC) Explicit Subsidy Only			
	FYE 2021	FYE 2020	% Change
Normal Cost + Admin Expenses	\$ 5,805	\$ 6,108	-5.0%
UAL Payment	24,500	25,572	-4.2%
Total Contribution	\$ 30,305	\$ 31,680	-4.3%
Projected Member Contributions	9,356	9,890	-5.4%
City's ADC Amount	\$ 20,949	\$ 21,790	-3.9%
Projected Payroll	307,972	308,702	-0.2%
City's ADC Percentage	6.8%	7.1%	-0.3%

Dollar amounts in thousands

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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 Member Benefit Coverage Information						
Actuarial Valuation Date	Actuarial Liability		Reported Assets	Portion of Liability Covered by Reported Assets		
	Retirees, Beneficiaries and Other Inactives (A)	Active Members (B)		(A)	(B)	
6/30/2019	\$ 422,108	\$ 209,644	\$ 294,489	70%	0%	
6/30/2018	426,984	223,130	\$ 277,256	65%	0%	
6/30/2017	408,627	221,825	\$ 248,583	61%	0%	
6/30/2016	450,793	313,468	\$ 225,845	50%	0%	
6/30/2015	469,903	347,770	\$ 209,761	45%	0%	
6/30/2014	435,826	293,580	\$ 199,776	46%	0%	
6/30/2013	495,967	374,905	\$ 157,695	32%	0%	
6/30/2012	611,267	485,353	\$ 137,798	23%	0%	
6/30/2011	652,157	493,203	\$ 135,454	21%	0%	
6/30/2010	515,284	411,087	\$ 108,011	21%	0%	

Dollar amounts in thousands

Table VI-2 Analysis of Financial Experience						
Actuarial Valuation Date	Gain or (Loss) for Year Ending on Valuation Date Due to:					
	Investment Income	Combined Liability Experience	Total Financial Experience	Non-Recurring Items	Total Experience	
6/30/2019	\$ (10,654)	\$ (34,979)	\$ (45,633)	\$ 14,784	\$ (30,849)	
6/30/2018	(5,915)	26,064	20,149	(11,137)	9,012	
6/30/2017	117	5,259	5,376	123,632	129,008	
6/30/2016	(16,044)	(11,608)	(27,652)	99,545	71,893	
6/30/2015	(19,264)	6,948	(12,316)	(64,155)	(76,471)	
6/30/2014	19,767	31,177	50,944	148,417	199,361	
6/30/2013	6,847	5,834	12,681	114,786	127,467	
6/30/2012	(14,897)	(27,919)	(42,816)	136,154	93,338	
6/30/2011	10,131	(35,166)	(25,035)	(131,557)	(156,592)	

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SECTION VI – ACTUARIAL SECTION OF THE CAFR

Schedule of Funding Progress

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

Table VI-3 Schedule of Funding Progress Unfunded						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2019	\$ 294,489	\$ 631,752	\$ 337,263	47%	\$ 299,002	113%
6/30/2018	277,256	650,114	372,858	43%	298,985	125%
6/30/2017	248,583	630,452	381,869	39%	287,339	133%
6/30/2016	225,845	764,261	538,416	30%	266,823	202%
6/30/2015	209,761	817,673	607,912	26%	251,430	242%
6/30/2014	199,776	729,406	529,630	27%	234,677	226%
6/30/2013	157,695	870,872	713,177	18%	226,098	315%
6/30/2012	137,798	1,096,620	958,822	13%	225,859	425%
6/30/2011	135,454	1,145,360	1,009,906	12%	228,936	441%
6/30/2010	108,011	926,371	818,360	12%	300,069	273%

Dollar amounts in thousands

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SECTION VI – ACTUARIAL SECTION OF THE CAFR

Schedule of Active Member Data							
Valuation Date		Active Member Counts			Annual Payroll	Average Annual Pay	Percent Change in Average Pay
		Under Age 65	Age 65+	Total			
2019	²	3,514	89	3,603	\$299,001,886	\$82,987	1.1%
2018	²	3,377	84	3,461	284,008,289	82,060	-2.6%
2017	²	3,321	89	3,410	287,339,424	84,264	-0.9%
2016	¹	2,310	77	2,387	202,911,153	85,007	5.8%
2015	¹	2,527	74	2,601	208,957,370	80,337	5.9%
2014	¹	2,800	64	2,864	217,167,654	75,827	3.7%
2013		3,028	65	3,093	226,097,882	73,100	-0.4%
2012		3,017	59	3,076	225,859,144	73,426	5.0%
2011		3,201	73	3,274	228,936,398	69,926	-11.2%
2010		3,721	97	3,818	300,811,165	78,788	N/A

¹ Does not include Tier 2B Active Employees

² Includes members that are only eligible for catastrophic disability benefits

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

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	2,923	\$ 20,565,618	124	138	2,909	\$ 21,588,408	-14	\$ 1,022,790	5.0%	\$ 7,421
2017-18	2,920	23,621,494	139	136	2,923	20,565,618	3	(3,055,876)	-12.9%	7,036
2016-17	2,821	21,844,128	210	111	2,920	23,621,494	99	1,777,366	8.1%	8,090
2015-16	2,769	21,341,423	183	131	2,821	21,844,128	52	502,705	2.4%	7,743
2014-15	2,737	21,940,885	152	120	2,769	21,341,423	32	(599,462)	-2.7%	7,707
2013-14	2,718	22,656,997	151	132	2,737	21,940,885	19	(716,112)	-3.2%	8,016
2012-13	2,680	25,223,474	158	120	2,718	22,656,997	38	(2,566,477)	-10.2%	8,336
2011-12	2,557	25,518,761	203	80	2,680	25,223,474	123	(295,287)	-1.2%	9,412
2010-11	2,245	20,520,530	429	117	2,557	25,518,761	312	4,998,231	24.4%	9,980
2009-10	2,078	17,710,949	243	76	2,245	20,520,530	167	2,809,581	15.9%	9,141
Dental										
2018-19	3,375	\$ 3,477,633	123	93	3,405	\$ 3,502,331	30	\$ 24,698	0.7%	\$ 1,029
2017-18	3,322	3,414,299	152	99	3,375	3,477,633	53	63,334	1.9%	1,030
2016-17	3,264	3,224,133	170	112	3,322	3,414,299	58	190,166	5.9%	1,028
2015-16	3,206	3,212,072	159	101	3,264	3,224,133	58	12,061	0.4%	988
2014-15	3,133	3,130,058	160	87	3,206	3,212,072	73	82,014	2.6%	1,002
2013-14	3,103	3,742,351	138	108	3,133	3,130,058	30	(612,293)	-16.4%	999
2012-13	3,044	3,924,332	144	85	3,103	3,742,351	59	(181,981)	-4.6%	1,206
2011-12	2,906	3,744,833	203	65	3,044	3,924,332	138	179,499	4.8%	1,289
2010-11	2,588	3,017,473	413	95	2,906	3,744,833	318	727,360	24.1%	1,289
2009-10	2,375	2,410,561	291	78	2,588	3,017,473	213	606,912	25.2%	1,166

Annual subsidies are explicit amounts

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APPENDIX A – MEMBERSHIP INFORMATION

Member Data

Valuation Date	June 30, 2019	June 30, 2018	% Change
<i>Active Employees Eligible for Full Benefits</i>			
Count	1,581	1,750	-9.66%
Average Age	49.7	49.2	0.99%
Average OPEB Benefit Service	16.8	16.4	2.89%
Total Payroll	\$147,613,697	\$155,082,892	-4.82%
<i>Active Employees Eligible for Catastrophic Disability Only</i>			
Count	1,919	1,711	12.16%
Average Age	38.7	38.7	0.14%
Average OPEB Benefit Service	3.2	3.1	5.21%
Total Payroll	\$151,388,189	\$128,925,397	17.42%
<i>Retirees and Surviving Spouses with Medical Coverage *</i>			
Pre-65	900	994	-9.46%
Post-65	2,009	1,929	4.15%
Total	2,909	2,923	-0.48%
<i>Retirees and Surviving Spouses with Dental Coverage *</i>			
Total	3,405	3,375	0.89%
<i>Retirees and Surviving Spouses in In-Lieu Credit Program *</i>			
Total	134	102	31.37%
<i>Term Vested Members</i>	165	164	0.61%

* Counts do not include dependent spouses

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

	Status Reconciliation					Total
	Active	Terminated Vested	Retiree	Surviving Spouse	Disabled	
Beginning of Year	3,461	164	3,004	418	184	7,231
New Hires	0	0	0	0	0	0
Rehires	2	(2)	0	0	0	0
Vested Terminations	(26)	26	0	0	0	0
Service Retirements	(102)	(14)	116	0	0	0
Disabled Retirements	0	(1)	(2)	0	3	0
New survivors	0	0	0	19	0	19
No longer covered	(247)	(8)	(69)	(21)	(10)	(355)
Data corrections	8	0	13	(10)	1	12
New Catastrophic Disability	404	0	0	0	0	404
End of Year	3,500	165	3,062	406	178	7,311

Counts do not include dependent spouses

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

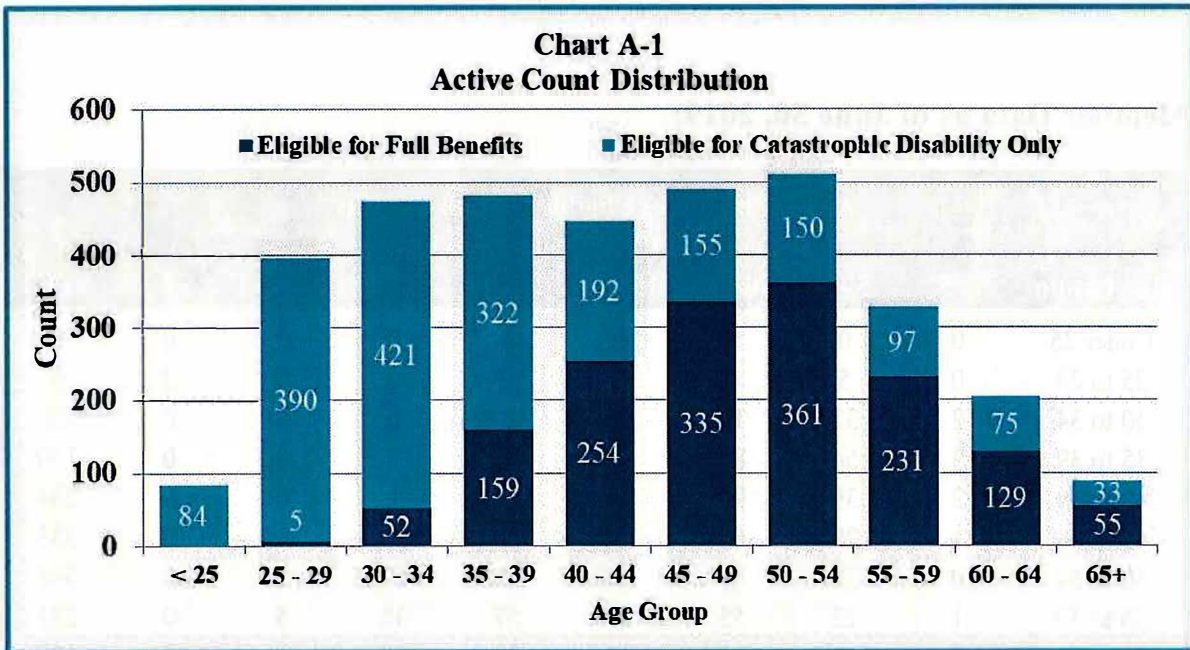
Member Data as of June 30, 2019:

Age Group	Active Employees Eligible for Full Benefits								Total
	Years of OPEB Benefit Service								
	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	
Under 25	0	0	0	0	0	0	0	0	0
25 to 29	0	5	0	0	0	0	0	0	5
30 to 34	2	32	18	0	0	0	0	0	52
35 to 39	3	54	82	19	1	0	0	0	159
40 to 44	2	39	99	91	22	1	0	0	254
45 to 49	1	29	65	132	88	19	1	0	335
50 to 54	0	23	59	105	105	67	2	0	361
55 to 59	1	22	55	59	57	32	5	0	231
60 to 64	0	7	41	38	22	12	6	3	129
<u>65 and up</u>	<u>0</u>	<u>2</u>	<u>12</u>	<u>19</u>	<u>12</u>	<u>5</u>	<u>4</u>	<u>1</u>	<u>55</u>
Total	9	213	431	463	307	136	18	4	1,581

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

Active Employees Eligible for Catastrophic Disability Benefit Only									
Years of OPEB Benefit Service									
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	Total
Under 25	84	0	0	0	0	0	0	0	84
25 to 29	379	11	0	0	0	0	0	0	390
30 to 34	382	38	1	0	0	0	0	0	421
35 to 39	257	59	4	2	0	0	0	0	322
40 to 44	158	29	3	1	1	0	0	0	192
45 to 49	124	16	5	7	3	0	0	0	155
50 to 54	112	18	8	5	2	5	0	0	150
55 to 59	74	12	4	1	2	4	0	0	97
60 to 64	50	18	4	1	2	0	0	0	75
<u>65 and up</u>	<u>14</u>	<u>6</u>	<u>8</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33</u>
Total	1,634	207	37	19	13	9	0	0	1,919

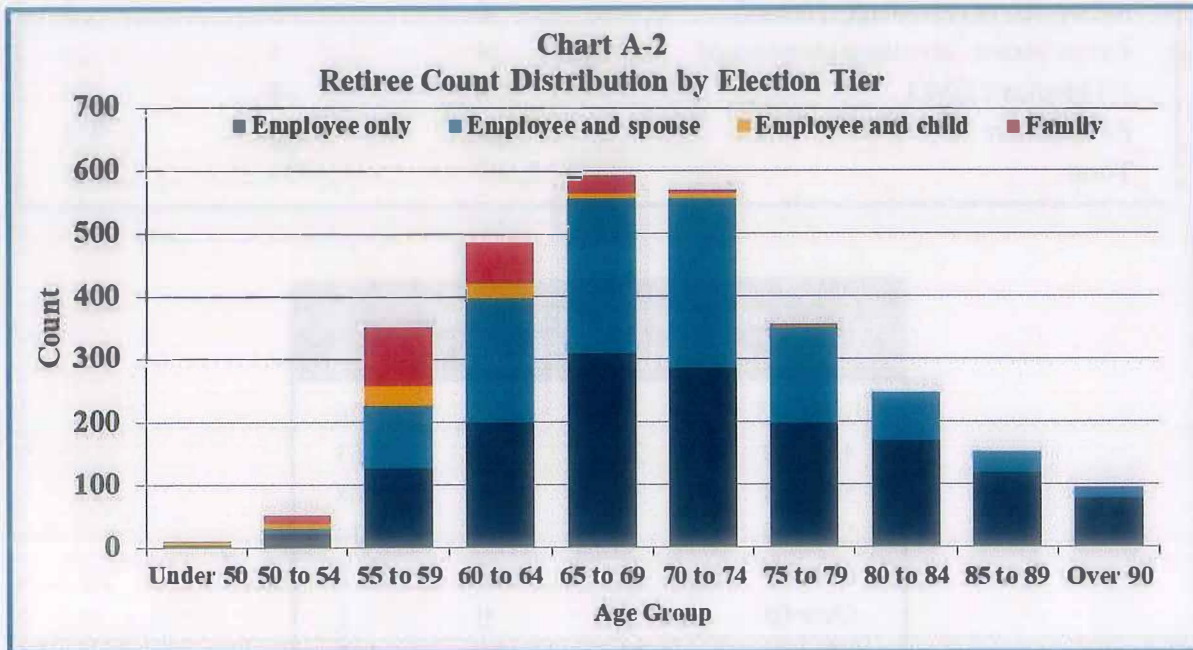


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APPENDIX A – MEMBERSHIP INFORMATION

Age Group	Retirees, Disabled Retirees and Surviving Spouses			Dental Insurance
	Males	Females	Total	
Under 50	2	8	10	12
50 to 54	25	26	51	62
55 to 59	193	158	351	361
60 to 64	269	219	488	531
65 to 69	315	278	593	685
70 to 74	320	249	569	681
75 to 79	182	174	356	437
80 to 84	118	128	246	296
85 to 89	71	81	152	188
Over 90	34	59	93	152
Total	1,529	1,380	2,909	3,405

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



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

Medical Plan Elections as of July 1, 2019			
Medical Plan	Retirees &		Total
	Surviving Spouses	Spouses	
Pre-Medicare Medical Plans			
Kaiser DHMO	105	71	176
Kaiser HDHP	82	53	135
Kaiser \$25 Co-pay	561	359	920
Kaiser \$15 Co-pay (Hawaii)	1	1	2
Kaiser \$25 Co-pay (Northwest)	6	8	14
Sutter Health DHMO	9	4	13
Sutter Health \$20 Co-pay	51	29	80
Sutter Health Vista	3	3	6
PPO / POS \$25 Co-pay	<u>82</u>	<u>52</u>	<u>134</u>
Total	900	580	1,480
Medicare Medical Plans			
Kaiser Senior Advantage	1167	445	1,612
Kaiser Senior Advantage (Hawaii)	6	1	7
Kaiser Senior Advantage (Northwest)	24	5	29
BS Medicare HMO	128	48	176
BS Medicare PPO / POS	<u>684</u>	<u>240</u>	<u>924</u>
Total	2,009	739	2,748

Current Vested Terminations*			
Age Group	Male	Female	Total
Under 45	9	17	26
45 to 49	21	32	53
50 to 54	35	33	68
55 to 59	7	7	14
60 to 64	1	2	3
Over 65	<u>1</u>	<u>0</u>	<u>1</u>
Total	74	91	165

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

CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

The expected return on Plan assets and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the December 19, 2019 Board meeting. Please refer to the presentation for that meeting for details, including the rationale for each assumption.

1. Expected Return on Plan Assets

6.75% 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 FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

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

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

3. Changes Since Last Valuation

The per-person cost trends were updated.

**CITY OF SAN JOSÉ FEDERATED POSTEMPLOYMENT HEALTHCARE PLAN
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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

The OPEB assumptions were adopted by the Board of Administration at the December 19, 2019 Board meeting based on our recommendations. The demographic assumptions shared with the pension plan shown below were adopted at the November 21, 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: 3.00%

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	Years of Service	Merit/ Longevity
0	3.75%	8	1.00
1	3.00	9	0.85
2	2.50	10	0.70
3	2.15	11	0.55
4	1.85	12	0.45
5	1.60	13	0.30
6	1.40	14	0.20
7	1.20	15+	0.10

2. Rates of Termination

Rates of termination are show in the following table.

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

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

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3. Rates of Refund

Tier 1:

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

Rates of Refund			
Years of Service	Under Age 35	Ages 35 - 44	Ages 45 and Older
0-4	100.00%	100.00%	100.00%
5	25.00	15.00	18.00
6	20.00	12.50	15.00
7	20.00	10.00	12.00
8	20.00	10.00	9.00
9	20.00	10.00	6.00
10	20.00	10.00	3.00
11	17.50	10.00	0.00
12	15.00	10.00	0.00
13	10.00	10.00	0.00
14	10.00	7.50	0.00
15	10.00	5.00	0.00
16	10.00	2.50	0.00
17+	10.00	0.00	0.00

Tier 2:

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

4. Deferred Vested Member Retirement Age

Tier 1 terminated vested members are assumed to retire at age 57 and Tier 2 terminated vested members are assumed to retire at age 62.

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5. Retirement Rates

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

Tier 1 Rates of Retirement by Age and Service			
Age	15 or more Years of Service and less than 30 Years of Service		
	Less than 15 Years of Service	15 or more Years of Service and less than 30 Years of Service	30 or more Years of Service
50	0.0%	0.0%	70.0%
51	0.0	0.0	70.0
52	0.0	0.0	70.0
53	0.0	0.0	70.0
54	0.0	0.0	70.0
55	10.0	35.0	50.0
56	10.0	20.0	45.0
57	10.0	20.0	40.0
58	5.0	15.0	35.0
59	5.0	15.0	30.0
60	5.0	15.0	30.0
61	10.0	20.0	30.0
62	15.0	20.0	30.0
63	20.0	20.0	30.0
64	20.0	20.0	30.0
65	20.0	20.0	30.0
66	25.0	30.0	30.0
67	25.0	35.0	30.0
68	25.0	35.0	30.0
69	25.0	35.0	30.0
70 & over	100.0	100.0	100.0

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Rates of retirement for Tier 2 members are based on age according to the following table – Tier 2. These rates are based on CalPERS retirement rates for its 2.0% at age 62 formula with adjustments based on professional judgment for differences between the CalPERS benefits and the benefits provided to Tier 2 members.

Tier 2						
Rates of Retirement by Age and Service						
Age	Years of Service					
	5 – 10	11 – 20	21 – 25	26 – 34	35 +	
55	3.0%	5.0%	7.0%	10.0%	15.0%	
56	2.0%	3.5%	4.0%	7.0%	10.5%	
57	2.5%	4.5%	5.0%	8.5%	12.75%	
58	3.0%	5.5%	7.0%	11.0%	16.5%	
59	3.5%	7.0%	9.0%	13.5%	20.25%	
60 – 61	4.0%	8.5%	10.0%	14.5%	21.75%	
62	7.5%	12.5%	17.5%	25.0%	100.0%	
63 – 69	5.0%	10.0%	15.0%	25.0%	100.0%	
70 & over	100.0%	100.0%	100.0%	100.0%	100.0%	

6. Disability Rates

Disability rates are equal to the 0.973 times the CalPERS 2017 non-industrial disability incidence rates for miscellaneous state agencies, blended 55% male and 45% female. Sample disability rates of active members are provided in the following table.

Rates of Disability at Selected Ages	
Age	Disability
25	0.0272
30	0.0303
35	0.0613
40	0.1366
45	0.2519
50	0.3240
55	0.2631
60+	0.2191

45% of disabilities are assumed to be duty related, and 55% are assumed to be non-duty related.

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7. Base Rates of Mortality

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

Category	Base Mortality Tables	
	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees	0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Employees
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table

8. Rates of Mortality Improvement

Future mortality improvements are reflected by applying the most recent projection scale issued by the Society of Actuaries on a generational basis from the base year of 2010 for the Pub2010 tables and 2009 for the CalPERS tables. The projection scale used for the June 30, 2019 valuation is MP-2019.

9. Married Percentage

Percentage Married	
Gender	Percentage
Males	80%
Females	60%

10. Administrative Expenses

\$45 per member for FYE 2021, increasing at the wage inflation assumption of 3.00% per annum.

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11. Percent of Retirees Electing Coverage

85% of active members are assumed to elect coverage upon retirement and 15% are assumed to enter the In-Lieu credit program. 60% of term vested members are assumed to elect coverage upon retirement and 40% 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	40%	· Retiree Only	60%
· Retiree Plus Spouse	15%	· Retiree Plus Spouse	40%
· Retiree Plus Family	45%	· 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.

Assumed Plan Elections for Future Retirees*			
	% Electing		% Electing
Pre-Medicare Medical Plans		Medicare-Eligible Medical Plans	
· Kaiser DHMO	11%	· Kaiser Senior Advantage	58%
· Kaiser \$25 Co-pay	64%	· Anthem Medicare HMO	8%
· Kaiser HDHP	8%	· Anthem Medicare PPO	34%
· Anthem DHMO	1%		
· Anthem \$20 Co-pay	4%	Dental Plans (All Retirees)	
· Anthem HDHP PPO	0%	· Delta Dental PPO	97%
· Anthem Select PPO	0%	· DeltaCare HMO	3%
· Anthem Classic PPO	12%		

* Eligible for coverage and elect coverage

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12. Family Composition

85% of married males and 70% of married females will elect spouse coverage in a medical plan at retirement. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement.

Pre-Medicare, 31% of males and 21% of females will cover children.

13. Dependent Age

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

14. Changes Since Last Valuation

In-Lieu elections were updated and an administrative expense assumption was added.

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.

Age	2018	2019	2020	2021	2022	2023
18-24	1,142	1,142	1,142	1,142	1,142	1,142
25-34	1,142	1,142	1,142	1,142	1,142	1,142
35-44	1,142	1,142	1,142	1,142	1,142	1,142
45-54	1,142	1,142	1,142	1,142	1,142	1,142
55-64	1,142	1,142	1,142	1,142	1,142	1,142
65-74	1,142	1,142	1,142	1,142	1,142	1,142
75-84	1,142	1,142	1,142	1,142	1,142	1,142
85-94	1,142	1,142	1,142	1,142	1,142	1,142
95-104	1,142	1,142	1,142	1,142	1,142	1,142
105-114	1,142	1,142	1,142	1,142	1,142	1,142

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 19, 2019 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, or 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:

<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>Kaiser DHMO</u>		<u>Kaiser \$25 Co-Pay</u>		<u>Kaiser HDHP</u>	
	Male	Female	Male	Female	Male	Female
40	6,949	8,844	8,228	10,438	5,444	6,782
45	7,402	8,866	8,730	10,437	5,655	6,689
50	8,149	9,340	9,575	10,963	6,073	6,914
55	9,370	10,210	10,973	11,952	6,827	7,419
60	11,305	11,015	13,203	12,865	8,083	7,879
64	13,566	11,033	15,817	12,865	9,591	7,804

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<u>Sample Claims Costs - Non-Medicare Eligible</u>						
Age	<u>Sutter/Anthem</u>		<u>Sutter/Anthem</u>		<u>Blue Shield/Anthem</u>	
	<u>DHMO</u>		<u>\$20 Co-Pay</u>		<u>PPO</u>	
	Male	Female	Male	Female	Male	Female
40	8,131	10,317	9,411	11,684	13,428	17,178
45	8,630	10,318	9,736	11,492	14,389	17,286
50	9,468	10,841	10,414	11,842	15,931	18,287
55	10,853	11,821	11,661	12,668	18,412	20,073
60	13,061	12,727	13,763	13,416	22,306	21,732
64	15,650	12,729	16,300	13,263	26,830	21,819

<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	3,367	2,971	5,641	4,977	5,965	5,262
70	3,576	3,029	5,991	5,074	6,335	5,365
75	4,110	3,406	6,885	5,706	7,281	6,034
80	4,667	3,863	7,819	6,471	8,267	6,842
85	5,040	4,221	8,444	7,071	8,929	7,477

<u>Sample Claims Costs - Dental</u>				
Age	<u>Delta Dental PPO</u>		<u>DeltaCare HMO</u>	
	Male	Female	Male	Female
All	684	684	309	309

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.

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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 Last Valuation

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

Assumption	2018	2019	2020	2021	2022	2023
6. Lifetime Maximums						
7. Geography						
8. Retiree Contributions						
9. Changes Since Last Valuation						

Assumption	2018	2019	2020	2021	2022	2023
6. Lifetime Maximums						
7. Geography						
8. Retiree Contributions						
9. Changes Since Last Valuation						

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

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

1. Actuarial Cost Method

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

2. Asset Valuation Method

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

3. Amortization Method

The Unfunded Actuarial Liability is the difference between the Actuarial Liability and the Actuarial Value of Assets. The Unfunded Actuarial Liability as of June 30, 2017 is amortized as a level dollar amount over a closed 20-year period. All future amortization bases will be amortized over 20-year periods with a 3-year phase-in and phase-out.

4. Contributions

The City will contribute the annual implicit subsidy as part of active employee health premiums and will prefund the explicit subsidy based on the normal cost, administrative expenses and amortization payment described above less expected employee contributions. The City has the option to limit its contribution towards the explicit subsidy to no more than 14% of total payroll.

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

5. Changes Since Last Valuation

None.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

POSTEMPLOYMENT HEALTHCARE PLAN

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

Medical: 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 September 30, 2012) are eligible for retirement at age 55 with five years of service or at any age with 30 years of service. Tier 2 employees (hired on or after September 30, 2012) are eligible for unreduced service retirement at age 65 with five years of service or reduced service retirement at age 55 with five years of service. Service credited thru reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits. Employees who retire with less than 15 years of service can elect coverage, but receive no explicit subsidy.

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

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

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

1. The employee has 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,
2. Both the member and the survivors were enrolled in the active medical plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

Dental: Employees who retire or become disabled directly from City service with at least five years of service or with a monthly pension equal to at least 37.5% of final compensation, and are enrolled in a City dental plan at retirement are eligible to elect dental coverage upon retirement. Spouses, domestic partners, or children of retired members are allowed to participate if they were enrolled in the City's dental plan at the time of the member's retirement.

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

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1. The employee has five years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,
2. Both the member and the survivors were enrolled in the active dental plan immediately before death; and,
3. The survivor will receive a monthly pension benefit.

Benefits for Retirees:

Medical: The Plan, through the 115 trust, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference if another plan is elected.

Dental: The Plan, through the 115 trust, pays 100% of the dental insurance premiums.

Premiums: Monthly premiums for calendar years 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.

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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

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

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

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Non-Medicare Plans:	Kaiser High Deductible	Kaiser DHMO	Kaiser \$25 Co-Pay	Anthem \$20 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.

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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.

Plan Component	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Medical	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	17,320
Dental	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Pharmacy	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Prescription	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Health Plan	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,360
Medical	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	17,320
Dental	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Pharmacy	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Prescription	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Health Plan	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,360

This table is not intended to be used for financial reporting purposes. It is provided for informational purposes only.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

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

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:

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

6. Actuarial Valuation

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

7. Actuarial Value of Assets

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

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APPENDIX D – GLOSSARY OF TERMS

8. Amortization Payment

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

9. Entry Age Normal Actuarial Cost Method

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

10. Normal Cost

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

11. Unfunded Actuarial Liability

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

12. Funded Percentage

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

13. Mortality Table

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

14. Discount Rate

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

15. Medical Trend

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

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APPENDIX E – LIST OF ABBREVIATIONS

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



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