



CITY OF
**PALO
ALTO**

CITY OF PALO ALTO
Finance Committee
Regular Meeting
Tuesday, June 04, 2024

Agenda Item

2. Accept June 30, 2023 Actuarial Valuation of Palo Alto's Retiree Healthcare and Other Post Employment Benefits and Recommend to the City Council to Approve Annual Actuarially Determined Contribution for Fiscal Year 2025 and 2026; CEQA Status – Not a Project



Finance Committee Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Administrative Services

Meeting Date: June 4, 2024

Report #:2402-2673

TITLE

Accept June 30, 2023 Actuarial Valuation of Palo Alto's Retiree Healthcare and Other Post Employment Benefits and Recommend to the City Council to Approve Annual Actuarially Determined Contribution for Fiscal Year 2025 and 2026; CEQA Status – Not a Project

RECOMMENDATION

Staff recommends that the Finance Committee recommend the City Council:

1. Review and accept the June 30, 2023 actuarial valuation of Palo Alto's Retiree Healthcare Plan (Attachment B); and
2. Approve funding of the annual Actuarial Determined Contribution (ADC) for Fiscal Year 2025 and Fiscal Year 2026 using a two-year phase-in of the adjusted assumptions.

EXECUTIVE SUMMARY

In accordance with the Governmental Accounting Standards Board (GASB), the City Council is required to review and approve the actuarial valuation for retiree healthcare plan on a bi-annual basis for the upcoming two fiscal years and approve funding of the annual Actuarial Determined Contribution (ADC). This current study presents the fund's status as of June 30, 2023 and will be used to inform the FY 2025 and FY 2026 annual operating budgets. This report was finalized after the development of the FY 2025 Proposed Budget therefore, funding levels in the FY 2025 Proposed Budget reflect the out years of the prior completed study as of June 30, 2021¹.

The City's retiree medical trust is held by the California Employers Retirement Benefit Trust (CERBT) Fund that is managed by CalPERS. The City continues to select CERBT's Strategy 1 asset allocation, currently projected at a 6.25% discount rate. With the adoption of the

¹ Finance Committee, June 7, 2022, Agenda item #3, CMR ID 14112:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=65179&repo=r-704298fc&searchid=5b3b872d-50f9-45a2-ab27-53454d1ae3cc>

Retiree Benefits Funding Policy² the City Council directed staff to calculate additional discretionary payments ("prefunding") equivalent to a 5.75% discount rate and transmit amounts above payments at a 6.25% discount rate to the CERBT Fund. Through FY 2024, a total of \$11.9 million in additional contributions are expected to be made to the CERBT due to this policy.

The June 30, 2023, valuation includes several changes that have impacted the CERBT fund status, primarily due to healthcare and economic fluctuations resulting from the COVID-19 pandemic and continued proactive funding contributions:

- Investment Returns: 2021-22 investment loss of -13.5%, compared to the 27.5% investment gains in 2020-21 (6.25% target);
- Projected Payroll: Higher than projected salary growth;
- Health Premiums: Higher than projected healthcare premiums; and
- Pre-Funding Policy: Actuarially Determined Contribution "ADC" (full ADC payments and pre-funding)

Compared to the favorable assumptions in the June 30, 2021 actuary study, these changes are advised to be taken in consideration of an uncertain environment. While the 2022-23 portfolio earnings yielded 6.4% and is within range of the 6.25% target, it is not known whether the recent change in healthcare premiums will be ongoing or an anomaly due to the significant governmental support of healthcare costs over the past two years. Because it is unknown whether these changes are the beginning of a trend, or merely a temporary anomaly, this report models short term significant rises in healthcare costs in alignment with inflation.

The outyears of the June 30, 2021 valuation report were used to develop the OPEB assumptions in the FY 2025 Proposed Budget. Based on these assumptions and the attached actuary report, \$5.2 million (\$3.3 million General Fund) should be added to the FY 2025 Budget to maintain pre-funding levels in alignment with City Council policy. On May 21, the Finance Committee ("Committee") recommended full funding of the ADC and a 2-year phase-in of prefunding levels in accordance with City Council policy as part of the FY 2025 Budget. This action reduces the funding need in FY 2025 to \$2.6 million (\$1.65 million General Fund). The below table provides a summary of the difference between the funding FY 2025 Proposed Budget in all funds between the June 30, 2021 and June 30, 2023 valuation reports. A more detailed discussion of these is included in this report.

² City Council, February 6, 2023, Agenda Item #3, Staff Report# 2212-0513:
<https://portal.laserfiche.com/Portal/DocView.aspx?id=61647&repo=r-704298fc&searchid=81eeeb05-1df1-4590-8ed4-5085f971df6d>

Table 1: Funding for the FY 2025 OPEB Obligations*

		FY25 Proposed ADC (6/30/21 valuation)	FY25 Adjusted ADC (6/30/23 valuation)	\$ Change
Actuarially Determined Contribution	<ul style="list-style-type: none"> Proactive contribution at discount rate of 5.75% 15-year amortization period as of June 30, 2021 (13 years remaining) 	\$16.8M	\$21.9M	\$5.1M

*Approximately 65% of costs are allocated to the General Fund

BACKGROUND

The City of Palo Alto offers its employees and retirees a Retiree Healthcare benefit plan which is managed and administered by the California Public Employees' Retirement System (CalPERS), a State of California Retiree Healthcare Trust program. Bi-annually staff contracts with an actuary firm that provides an actuarial report detailing the latest status of the City of Palo Alto's Retiree Healthcare plans for employees and retirees. The actuarial report is used to calculate the annual ADC and pre-funding based on Council policy to the trust. In addition, updates on the rate of return, funding status, and changes to the trust based on various impacts are detailed in the report. Unlike the pension actuary reports, this actuary details impacts by Fund and Department, which inform the development of the annual budget.

There are four groups of benefits within the CalPERS Retiree Healthcare benefit plans.

Attachment A outlines the different benefits levels by Group. These benefit levels are negotiated and approved as part of the employee contracts. Employees and retirees have an open enrollment window in October each year in which they can make changes to their healthcare plans that take effect in January of the following year.

CALPERS Projected Contribution Levels

The actuary report has two components to the annual billing of the employer portion of retiree healthcare contributions that comprise the Actuarial Determined Contribution (ADC), (1) the Normal Cost (NC), and (2) the Unfunded Actuarial Accrued Liability (UAAL).

- *NC*: This reflects a rate of contribution for the plan of retirement healthcare benefits provided to current employees based on the current set of assumptions.
- *Employer Amortization of UAAL*: This is an annual payment calculated to pay down an agency's unfunded accrued liability. Assuming every assumption in the actuarial valuation was accurate, an organization would eliminate its unfunded pension liability if it made these payments annually for 30 years. The City Council approved a closed period to amortize the entire net pension liability over a specific timeframe, and 22 years (before the adoption of a Retiree Benefit Funding Policy) of payments

remain as of June 30, 2021. The total liability will vary from one year to the next because of assumption changes and actuarial experience that is different from anticipated, such as actual investment returns that do not meet expectations.

As established by the City Council, the City's CERBT Fund is invested in a Strategy 1 asset allocation at a 6.25% discount rate. With the adoption of the Retiree Benefits Funding Policy, directed staff to calculate additional discretionary payments ("prefunding") equivalent to a 5.75% discount rate and transmit amounts above payments at a 6.25% discount rate to the CERBT Fund. The City's CERBT Fund was established in May 2008 at a level of \$33 million and it has grown to \$173.0 million as of March 31, 2024.

ANALYSIS

Summary of Actuarial Report June 30, 2023

Staff contracted with Foster and Foster Actuary Consultants for this retiree healthcare actuarial report (Attachment B) to determine the City's retiree healthcare liability and the ADC for Fiscal Years 2025 and 2026. The actuarial analysis is based on current employees' accrued benefit, and retired employees as of June 30, 2023.

This updated valuation includes several changes that have impacted the CERBT fund status, primarily due to healthcare and economic fluctuations resulting from the COVID-19 pandemic, inflation levels, and active employee salary growth. Most notably, investment returns for 2020-21 reached an unprecedented level of 27.5% for the period and then performance dropped to -13.5% for 2021-22. This volatile level of return had a significant impact on the overall status of the fund and is not expected to continue in future periods. Healthcare premiums are higher than anticipated due to significant current inflation levels and a return to pre-pandemic levels of utilization.

Discount Rate Assumptions

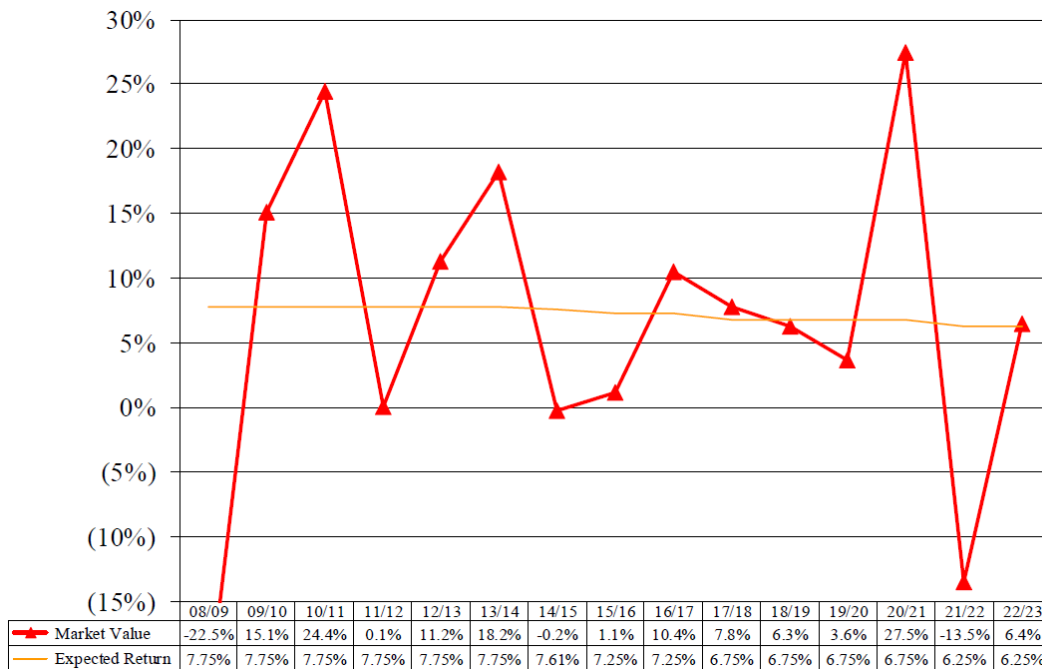
The City Council has taken steps to ensure long-term liability assumptions and costs for OPEB are being proactively addressed, including the adoption of a Retiree Benefit Funding Policy³ that invests at an estimated discount rate for OPEB of 6.25% and transmits additional contributions to prefund OPEB obligations at the equivalent of a 5.75% discount rate. Through FY 2024, a total of \$11.9 million in additional contributions are expected.

Discussed above, the ADC is impacted when actual experience differs from assumptions. One of the more significant impacts to ADC occurs when actual investment returns do not meet expectations. Chart 1 below presents historical returns since 2008-09.

³ City Council, February 6, 2023, Agenda Item #3:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=61647&repo=r-704298fc&searchid=81eeeb05-1df1-4590-8ed4-5085f971df6d>

Chart 1: Historical Returns of the OPEB Trust
(Market Value of Plan Assets (MVA) and Expected Return)



Projected Unfunded Actuarial Accrued Liability

This actuarial valuation includes the plan's "Funded Status." As of June 30, 2023, the CERBT Trust is funded at 56%, down 1,100 basis points from 67% in the June 30, 2021 actuarial valuation.

As of June 30, 2023, the Unfunded Actuarial Accrued Liability (UAAL) was \$120.5 million for all funds and \$77.9 million for the General Fund. Beginning with the June 30, 2013 valuations, the City aligned its actuarial analysis to align with GASB's rules regarding the "implied subsidy". The calculation of implied subsidy requires an agency to recognize that it pays the same medical premiums for active employees as those that are retired. The implied subsidy identifies and accounts for the agency paying the same blended premium for both active employees and retirees, even though the medical cost for active employees is lower than retirees.

Palo Alto had 902 active employees and 1,031 retirees as of June 30, 2023. The calculation increases the UAAL by \$15.1 million or 18.9%; without the implied subsidy the UAAL for all funds would be at \$76.8 million.

Table 2: Unfunded Actuarial Accrued Liability (UAAL)			
	<i>June 30, 2021</i>	<i>June 30, 2023</i>	<i>Projected June 30, 2024</i>
Citywide – UAAL	\$80,027	\$120,511	\$140,372
General Fund – UAAL	\$51,522	\$77,914	\$91,242
Citywide Funded Ratio	67%	56%	54%
Citywide UAAL % Chg. from prior valuation		50.6%	16.5%

Sensitivity Analysis: Discount Rate and Amortization Period

CalPERS recognizes the varying assumptions that may impact a plan's unfunded actuarial accrued liability and therefore a retiree healthcare plan's funding status, especially the implications of the discount rate and amortization assumptions. Therefore, in addition to the actuarial assumptions used to develop this annual evaluation, the actuary includes a sensitivity analysis of the retiree healthcare plan. Table 4 below reflects the impact on UAAL resulting from a reduction in the discount rate. Table 5 reflects the impact on ADC if the UAAL is amortized over different timeframes. It should be noted that the Council has adopted a Pension Funding Policy³ seeking to reach a 90% funded level by 2036, so with 13 remaining years as of this June 30, 2023 valuation, a shorter period than the sensitivity scenarios below. As illustrated by tables four and five, these alternative assumptions cause significant impacts. For example, changing from a discount rate of 6.25% to 5.75% causes UAAL to increase by almost 15%.

Table 3: Discount Rate Sensitivity			
	<i>6.25% (Current CERBT Strategy)</i>	<i>5.75%</i>	<i>5.25%</i>
Citywide – UAAL	\$120,511	\$137,059	\$155,266
General Fund – UAAL	\$77,914	\$89,088	\$100,923
Funded Ratio	56%	53%	50%

Table 4: Amortization Sensitivity, 6.25% Discount Rate		
	<i>20 Years (Current)</i>	<i>18 Years</i>
Normal Cost	\$7,489	\$7,489
UAAL Amortization*	\$8,933	\$9,617
Total ACD	\$16,416	\$17,105
ACD (% of payroll)	12.8%	13.4%
<i>*Includes administrative expenses</i>		

Funding for the FY 2025 Including Actuarial Determined Contribution (ADC)

This section outlines staff's recommended funding level for OPEB obligations beginning in FY 2025 for Finance Committee review and discussion. Staff recommend accepting the assumptions in this valuation report to inform the development of the FY 2025 and FY 2026 budgets, along with long range financial plans for the outyears. This is in alignment

with the Retire Benefit Policy, including tenants such as continuing to use a reduced discount rate of 5.75% and an accelerated, closed amortization schedule of 15 years (as of the June 30, 2021 valuation). Staff recommends the Finance Committee continue with this funding approach that adjusts assumptions based on current data and the principles noted above. Included below is an optional two-year phase-in of the June 30, 2023 valuation results that the Finance Committee directed staff to consider, on May 21, 2024, in the development of the FY 2025 Budget for City Council adoption in June 2024. Staff have also outlined the actuarial "baseline" scenario for consideration that represents the minimal investment required but is incompliant with City policy. Funding levels may be adjusted annually based on City Council direction and policy adjustment, as long as the baseline ADC is met.

Unlike the CalPERS pension plan, additional City contributions do not go into a separate Section 115 trust; instead, they remain in the plan and are included as assets in the CERBT each subsequent year, impacting the calculation of the ADC. This treatment of prefunding contributions included in assets and effectively reduce the ADC each future year.

Full ADC and Prefunding of FY 2025 OPEB Obligations

Staff recommend adjusting funding from the typical baseline calculation to better align with City Council policy to continue to proactively fund long-term liabilities. Recommended revisions to baseline assumptions include:

- *Exclude proactive contributions at a lower discount rate towards the ADC:* Consistent with the pension proactive funding, this would treat the proactive contributions assuming a lower discount rate of 5.75 as if in a separate "trust" or "saving account." ADC calculations will remain at consistent levels and these proactive contributions remain additive to baseline calculations of liability.
- *Continue to assume a shortened amortization period of 13 remaining years:* This amortization period aligns OPEB with the City's Pension Policy goals to reach a 90% funded status over 15 years as of the June 30, 2021 valuation (by FY 2036).

This results in an FY 2025 Adjusted ADC of \$21.9 million citywide (approximately \$13.9 million in the General Fund), a \$5.1 million increase from the \$16.8 million ADC from the June 30, 2021 valuation used to develop the FY 2025 Proposed Operating Budget.

Finance Committee Recommendation: Two-Year Phase-In

On May 21, 2024 the Finance Committee recommended a two-year phase-in of the financial impacts of the June 30, 2023 valuation. This recommendation mitigates the immediate impacts of this report's expense escalation and supports financial flexibility for the provision of services citywide while continuing to proactively prefund long-term obligations in alignment with City Council policy.

This results in an FY 2025 Adjusted ADC of \$19.4 million citywide (approximately \$12.2 million in the General Fund), a \$2.6 million (\$1.65 million in the General Fund) increase from the \$16.8 million ADC from the June 30, 2021 valuation used to develop the FY 2025 Proposed Operating Budget.

Prior Valuation Additional Normal Cost Contributions

In the prior valuation period the City Council approved factoring in funding for the addition of nearly 60 full-time staff since the June 30, 2021 valuation date. Based on the average salary reported in that valuation and the variable portion of ADC, or normal cost for current employees, the retiree healthcare cost of the additional staffing was approximately \$400,000 citywide (\$298,000 or 74% General Fund). This associated retiree health cost was included in the FY 2023 and FY 2024 Adopted budgets in alignment with the assumptions noted above. This funding was included to proactively address the expected deviation in actuarial assumptions though as noted, were insufficient to mitigate the full impact of the changes from the FY 2023 report. Staff recommends removing this additional retiree health cost as the position additions that prompted it are now included in the June 30, 2023 valuation. The \$416,000 programmed in the FY 2025 Proposed Budget for additional normal cost contributions partially offset the cost increase from the new valuation to bring it down to \$5.1 million for all funds.

FISCAL/RESOURCE IMPACT

The FY 2025 Proposed Budget includes an ADC of \$16.9 million, an increase of \$2.9 million from FY 2024 Adopted levels of \$14.0 million. Funding of the full ADC and two-year prefunding phase in recommended by the Finance Committee on May 21, 2024 increases the ACD in FY 2025 to \$19.4 million. This recommendation by the Finance Committee will be included as an amendment to the FY 2025 Proposed Budget for City Council consideration during the adoption of the budget on June 17, 2024. Staff will incorporate this direction on an ongoing basis beginning in FY 2026. Funding for future fiscal years is subject to City Council approval through the annual budget process.

STAKEHOLDER ENGAGEMENT

The transmittal of the OPEB actuarial valuation as of June 30, 2023 begins conversations regarding the fiscal outlook for the City's OPEB liabilities and the appropriate contribution for the FY 2025 Actuarial Determined Contribution and prefunding levels. Initial public discussion was held with the Finance Committee on May 21, 2024, prior to City Council review and adoption of the FY 2025 Budget, scheduled for June 17, 2024.

ENVIRONMENTAL REVIEW

Committee action on this item is not a project as defined by CEQA because accepting and approving an annual actuarially determined contribution is a fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. CEQA Guidelines section 15378(b)(4).

ATTACHMENTS

Attachment A: 4 Benefit Groups in the CalPERS Retiree Healthcare Benefits Plan

Attachment B: City of Palo Alto Retiree Healthcare Plan June 30, 2023 Actuarial Valuation
Contributions for FY 2025 and FY 2026

APPROVED BY:

Lauren Lai, Director of Administrative Services

Attachment A: 4 Benefit Groups in the CalPERS Retiree Healthcare benefit plans

City of Palo Alto Retiree Healthcare Benefit Plans and Tiers			
	Miscellaneous	Safety: Fire	Safety: Police
Group 1	Retired before January 1, 2007; eligibility starting at the age 50 and 5 years of service; full premium up to family coverage		Retired before March 1, 2009; eligibility starting at the age of 50 and 5 years of service; full premium up to family coverage
Group 2	Retired between January 1, 2007 and May 1, 2011; eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan	Retired between January 1, 2007 and December 1, 2011; eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan	Retired between March 1, 2009 and April 1, 2015 (POA), between January 1, 2007 and June 1, 2012 (PMA); eligibility starting at the age 50 and 5 years of service; same as Group 1, but premium limited to 2 nd most expensive medical plan
Group 3 (Retirees)	Retired after Group 2, did not elect into Group 4, benefit same as active employees		
Group 3 (Actives)	Currently active, not in Group 4. Flat Dollar Caps equal to actives	N/A (All active Group 3 IAFF & FCA elected into Group 4)	N/A (All active Group 3 POA & PMA elected into Group 4)
Group 4	Vesting Schedule: 10 years gets 50%, 20 years gets 100%, formula amount		



CITY OF PALO ALTO
RETIREE HEALTHCARE PLAN



June 30, 2023 Actuarial Valuation
Contributions for 2024/25 & 2025/26

Drew Ballard, FSA, EA, MAAA
Cathy Wandro, ASA, MAAA
Joseph Herm
Foster & Foster, Inc.

May 21, 2024

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BENEFIT SUMMARY

■ Eligibility	■ Retire directly from the City under CalPERS (age 50 ¹ and 5 years of CalPERS service or disability)
■ Medical Provider	■ CalPERS health plans (PEMHCA) ■ CalPERS administrative fees paid by City
■ Retiree Medical Benefit for Current Retirees: Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA) & Did Not Elect into Group 4	■ <u>GROUP 1 Retirees</u> : Retired < 1/1/07 (3/1/09 for PAPOA) <ul style="list-style-type: none"> • Benefit = Full premium up to family coverage ■ <u>GROUP 2 Retirees</u> : Retired after GROUP 1 and before 5/1/11 (12/1/11 IAFF/FCA, 6/1/12 PMA, 4/1/15 POA) <ul style="list-style-type: none"> • Benefit = Same as above but premium limited to 2nd most expensive Basic (non-Medicare) medical plan in PEMHCA Region 1 (PERS Platinum in 2023 and 2024) ■ <u>GROUP 3 Retirees</u> : Retired after GROUP 2 <ul style="list-style-type: none"> • Benefit = same amount as active employees, which may change from time to time and in the future as bargaining agreements change (see next section for cap amounts)

¹ Age 52 for Miscellaneous New Hires under PEPR A



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BENEFIT SUMMARY

■ Retiree Medical Benefit for Current Actives:	■ <u>GROUP 3 Future Retirees</u> : Currently active and did not elect into Group 4			
	<ul style="list-style-type: none">• No active Group 3 POA, PMA, IAFF or FCA• Only remaining Group 3 actives in MGMT, SEIU, UMPAPA (57 active members)• Benefit = up to full premium, but limited to flat dollar caps same as active contribution			
Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA)				Mgmt/UMPAPA/
		SEIU		Other Groups
				2023 & 2024
&		2023	2024	
	Single	\$ 906	\$ 943	\$ 871
Did Not Elect into Group 4	2-Party	1,812	1,885	1,742
	Family	2,350	2,444	2,260



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BENEFIT SUMMARY

■ Retiree Medical Benefit for those: Hired \geq 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA) & Employees Hired Before These Dates Electing into Group 4 ²	■ GROUP 4 Future Retirees: Government Code §22893 “Vesting Schedule” (based on all CalPERS Service) ³ :			
	<u>Years of Service</u>	<u>%</u>	<u>Years of Service</u>	<u>%</u>
	< 10	0%	13	65%
	10	50%	14	70%
	11	55%	↓	↓
	12	60%	\geq 20	100%
	■ 100% vesting for disability retirements ■ Vesting applies to 100/90 formula amounts, which are the maximum amounts payable by the City (retirees pay any difference between these amounts and actual premiums):			
		<u>2023</u>	<u>2024</u>	
	Single	\$ 883	\$ 983	
	2-Party	1,699	1,890	
	Family	2,124	2,366	
	■ If have 20 years City service do not need to retire directly from City			

² All currently active POA/PMA, IAFF/FCA are Group 4. Some Mgmt/Conf and some SEIU remained in Group 3, and some elected into Group 4.

³ Minimum 5 years City Service.



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BENEFIT SUMMARY

■ Dental, Vision & Medicare Part B	■ None
■ Surviving Spouse Benefit	■ 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS pension survivor allowance
■ Waived Re-election	■ Waived retirees/beneficiaries may re-elect coverage at a future date
■ Summary of Changes Since the Prior Valuation	■ None



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BENEFIT SUMMARY

■ Pay-As-You-Go (\$000s)	Fiscal Year	Cash	Implied Subsidy	Total
	2022/23	\$ 11,269	\$ 3,025	\$ 14,294
	2021/22	10,880	2,619	13,499
	2020/21	10,631	2,346	12,977
	2019/20	10,344	2,384	12,728
	2018/19	9,960	2,197	12,157
	2017/18	9,660	2,444	12,104
	2016/17	9,713	2,203	11,916
	2015/16	9,681	1,960	11,641
	2014/15	8,995	1,916	10,911
	2013/14	7,317	-	7,317
	2012/13	8,766	-	8,766
	2011/12	8,165	-	8,165



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BENEFIT SUMMARY

Monthly Benefit Cap Amounts

Group	2023			2024		
	Single	2-Party	Family	Single	2-Party	Family
Group 1 ⁴	\$1,210.71	\$2,421.42	\$3,147.85	\$1,339.70	\$2,679.40	\$3,483.22
Group 2	1,200.12	2,400.24	3,120.31	1,314.27	2,628.54	3,417.10
Group 3 SEIU	906.00	1,912.00	2,350.00	943.00	1,885.00	2,444.00
Group 3 Others ⁵	871.00	1,742.00	2,260.00	871.00	1,742.00	2,260.00
Group 4 (100% vest)	883.00	1,699.00	2,124.00	983.00	1,890.00	2,366.00
% Decrease from Group 1 (assumes Group 1 is in most expensive plan)						
Group 2	1%	1%	1%	2%	2%	2%
Group 3 SEIU	25%	25%	25%	30%	30%	30%
Group 3 Others	28%	28%	28%	35%	35%	35%
Group 4	27%	30%	33%	27%	29%	32%

⁴ No cap for Group 1. Amount shown is most expensive Non-Medicare Region 1 premium.

⁵ UMPAPA, Mgmt, IAFF, FCA, PMA, and PAPOA.



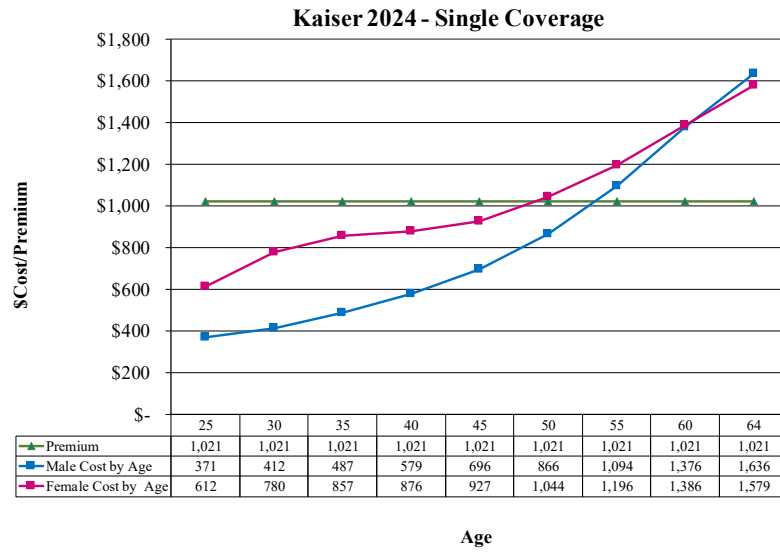
May 21, 2024

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IMPLIED SUBSIDY

- For PEMHCA, employer cost for allowing retirees to participate at active rates.
 - Kaiser 2024 Region 1 plan:



- The City included the implied subsidy beginning with the June 30, 2013 valuation.



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IMPLIED SUBSIDY

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May 21, 2024

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PARTICIPANT STATISTICS

Participant Statistics

	6/30/15	6/30/17	6/30/19	6/30/21	6/30/23
■ Actives					
• Count	955	967	930	874	902
• Average Age	45.3	45.6	44.8	45.0	44.6
• Average City Service	10.8	10.9	10.8	11.2	10.4
• Average PERS Service	11.9	11.9	11.7	12.1	11.4
• Average Salary	\$91,714	\$90,739	\$110,969	\$120,207	\$134,338
• Total Salary (000's)	\$87,586	\$87,745	\$103,201	\$105,061	\$121,173
■ Retirees:					
• Count ⁶	1,007 ⁷	959 ⁸	974	1,009	1,031
• Average Age	68.9	68.9	70.0	70.9	71.5
• Average Retirement Age					
○ Service	57.7	57.7	58.0	58.2	58.2
○ Disability	45.6	45.9	46.1	46.3	45.8

⁶ Excludes all waived retirees, regardless of age, except as noted.

⁷ Includes 68 waived retirees over 65.

⁸ Excludes all waived retirees over 65; includes 38 waived under 65 retirees.



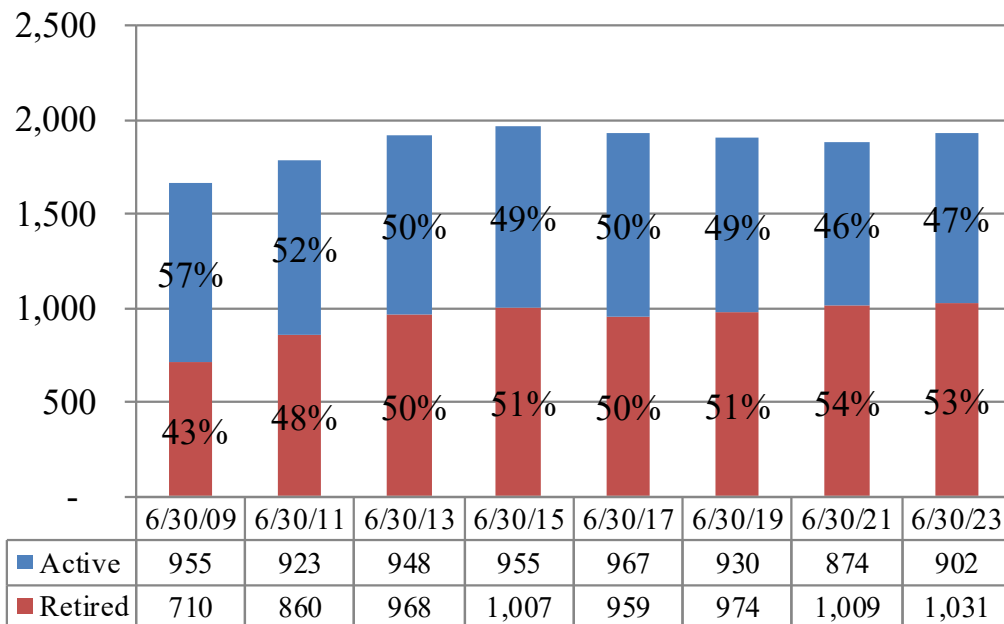
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PARTICIPANT STATISTICS

Historical Active and Retiree Counts⁹



⁹ Retiree count is subscribers: retirees and surviving spouses



May 21, 2024

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PARTICIPANT STATISTICS

Participant Statistics

June 30, 2023

	Group 1	Group 2	Group 3	Group 4	Total
■ Actives					
• Count	n/a	n/a	57	845	902
• Average Age	n/a	n/a	55.8	43.9	44.6
• Average Entry Age	n/a	n/a	31.5	34.4	34.2
• Average City Service	n/a	n/a	24.3	9.5	10.4
• Average PERS Service	n/a	n/a	24.4	10.5	11.4
• Average Salary	n/a	n/a	\$134,880	\$134,302	\$134,338
• Total Salary (000's) ¹⁰	n/a	n/a	7,688	113,485	121,173
■ Benefitting Retirees ¹¹ :					
• Count	396	280	165	190	1,031
• Average Age	79.3	70.7	65.7	61.5	71.5
• Avg Service Ret Age	57.3	57.8	59.1	59.0	58.2
• Avg Disability Ret Age	44.7	46.9	51.2	48.1	45.8

¹⁰ Based on June 30, 2023 PERSable pay rate.

¹¹ Excludes retirees who have waived coverage, regardless of age.



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PARTICIPANT STATISTICS

Participant Statistics

June 30, 2021

	Group 1	Group 2	Group 3	Group 4	Total
■ Actives					
• Count	n/a	n/a	69	805	874
• Average Age	n/a	n/a	54.1	44.2	45.0
• Average Entry Age	n/a	n/a	31.5	34.0	33.8
• Average City Service	n/a	n/a	22.6	10.2	11.2
• Average PERS Service	n/a	n/a	22.8	11.2	12.1
• Average Salary	n/a	n/a	\$114,220	\$120,720	\$120,207
• Total Salary (000's) ¹²	n/a	n/a	7,881	97,180	105,061
■ Benefitting Retirees ¹³ :					
• Count	429	290	152	138	1,009
• Average Age	77.8	68.8	64.0	61.4	70.9
• Avg Service Ret Age	57.5	57.9	59.1	59.4	58.2
• Avg Disability Ret Age	45.5	46.9	51.2	49.3	46.3

¹² Actual 2020/21 PERSable compensation.

¹³ Excludes retirees who have waived coverage, regardless of age.



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PARTICIPANT STATISTICS

Data Reconciliation¹⁴ **6/30/2021 to 6/30/2023**

	Actives	Retirees	Disabled	Benefic.	Total
■ June 30, 2021	874	786	144	79	1,883
• New Hires/Rehires	199	-	-	-	199
• Disabled	(8)	-	8	-	-
• Terminated ¹⁵	(100)	-	-	-	(100)
• Died with Beneficiary ¹⁶	-	(8)	(5)	13	-
• Died, no Beneficiary	-	(25)	(7)	(10)	(42)
• Retired/covered	(54)	54	-	-	-
• Retired/waived	(9)	-	-	-	(9)
• Waived Retiree	-	(9)	-	(1)	(10)
• Adjustment/Other	-	7	1	4	12
■ June 30, 2023	902	805	141	85	1,933

¹⁴ Excludes retirees who have waived coverage.

¹⁵ All actives in June 30, 2021 valuation and not in June 30, 2023 valuation assumed terminated.

¹⁶ Retirees in the June 30, 2021 valuation not in the June 30, 2023 valuation assumed deceased.



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PARTICIPANT STATISTICS

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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2021 ■ ADC for Fiscal Years 2022/23 & 2023/24 (end of year) ■ 1 year lag 	<ul style="list-style-type: none"> ■ June 30, 2023 ■ ADC for Fiscal Years 2024/25 & 2025/26 (end of year) ■ 1 year lag
■ Funding Policy	<ul style="list-style-type: none"> ■ Full Pre-funding through CalPERS trust (CERBT) Strategy #1 ■ City may contribute additional amounts based on lower discount rate 	<ul style="list-style-type: none"> ■ Same
■ Discount Rate	<ul style="list-style-type: none"> ■ 6.25%, net of expenses based on CERBT Strategy #1 	<ul style="list-style-type: none"> ■ Same
■ General Inflation	<ul style="list-style-type: none"> ■ 2.50% 	<ul style="list-style-type: none"> ■ Same



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Payroll Increases	<ul style="list-style-type: none"> ■ Aggregate Increases: 2.75% ■ Merit Increases: CalPERS 2000-2019 Experience Study 	<ul style="list-style-type: none"> ■ Same
■ Increase to Group 3 Flat Dollar Caps ¹⁷	<ul style="list-style-type: none"> ■ ½ of Medical Trend, not less than assumed inflation (2.50%) 	<ul style="list-style-type: none"> ■ Same
■ Medical Trend	<ul style="list-style-type: none"> ■ Non-Medicare: 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 ■ Medicare: 5.65% (non-Kaiser) and 4.60% (Kaiser) for 2023, decreasing to an ultimate rate of 3.75% in 2076 	<ul style="list-style-type: none"> ■ Non-Medicare: 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare: 7.50% (non-Kaiser) and 6.25% (Kaiser) for 2025, decreasing to an ultimate rate of 3.45% in 2076

¹⁷ Increase is for purposes of financial projection only and does not imply any obligation to increase the cap in the future.



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Participation at Retirement	<ul style="list-style-type: none"> ■ Group 3: 98% ■ Group 4: if eligible for City contribution: 95%; if not: 0% ■ Based on Plan experience¹⁸ 	■ Same
■ Retirement, Mortality, Termination, Disability	<ul style="list-style-type: none"> ■ CalPERS 2000-2019 Experience Study ■ Society of Actuaries mortality improvement scale MP-21 	■ Same
■ Age-related Claims Costs for Medicare Advantage Plans	<ul style="list-style-type: none"> ■ Included ■ Due to age-risk adjusted federal subsidies, no age-based claims costs were included for Medicare Advantage plans 	■ Same

¹⁸ Actual participation percentage for Group 3 since 6/30/17 is 100% for Miscellaneous (there are no active Safety members in Group 3). Actual participation percentage for Group 4 since 6/30/17 who are eligible for a City contribution is 91%. Group 4 still has limited actual experience. We recommend continued monitoring for Group 4.



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Basis for Assumptions (6/30/23 Valuation)	<ul style="list-style-type: none"> ■ No experience study performed for this Plan ■ CalPERS experience study covering 2000 to 2019 experience was used ■ Mortality improvement is a Society of Actuaries table ■ Inflation based on our estimate for the Plan's long time horizon ■ Capital market assumptions based on 2021 Foster & Foster stochastic analysis, taking into account capital market assumptions of investment advisory firms ■ Medical trends were based on expectations over the short term blended into long term medical trends developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends ■ Age-based claims costs are based on tables published by the Society of Actuaries and demographic data for the CalPERS health plans provided by CalPERS ■ Medical coverage and participation based in part on Plan experience 	



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

CERBT Investment Options

■ Asset Allocation

	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Long US Fixed Income	23%	41%	51%
TIPS	5%	5%	9%
Commodities	3%	3%	3%
Global REITs	<u>20%</u>	<u>17%</u>	<u>14%</u>
Total	100%	100%	100%
CalPERS' projected 20-year	6.0%	5.5%	5.0%

¹⁹ CalPERS assumes 2.25% price inflation.



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Discount Rate

■ Future expected returns

- Stochastic simulations of geometric average returns over 20 years – 5,000 trials
- 2.50% inflation assumption
- Projections based on 8 independent Investment Advisors 2021 10-year Capital Market Assumptions and where available, investment advisors long-term trends
- Confidence levels:

	Strategy 1	Strategy 2	Strategy 3
50% Confidence Level	6.25%	5.75%	5.25%
55% Confidence Level	6.00%	5.50%	5.00%
60% Confidence Level	5.75%	5.25%	4.75%

- Expected returns, 50th percentile:

	Strategy 1	Strategy 2	Strategy 3
Expected Real Rate of Return ²⁰	3.90%	3.39%	2.92%
Inflation Assumption	2.50%	2.50%	2.50%
Investment Expenses	<u>(0.05%)</u>	<u>(0.05%)</u>	<u>(0.05%)</u>
Nominal Rate of Return	6.35%	5.84%	5.37%
Rounded to nearest 0.25%	6.25%	5.75%	5.25%

- City currently in Strategy 1: Recommend 6.25% discount rate

²⁰ Includes investment expenses



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ACTUARIAL METHODS

Method	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Cost Method	■ Entry Age Normal Level % of Pay	■ Same
■ Unfunded Liability Amortization	■ 22 years closed period ■ Level % of pay (2.75% annual escalation) ■ Sensitivity analysis: 20 & 18 years	■ 20 years closed period ■ Level % of pay (2.75% annual escalation) ■ Sensitivity analysis: 18 years
■ Actuarial Asset Value	■ Market Value of Assets ²¹	■ Same
■ Future New Entrants	■ Closed group – no new participants	
■ Implied Subsidy	■ Implied subsidy valued	
■ Plan Continuation	■ For purposes of financial projections, the plan and benefits are assumed to continue unchanged. The calculation of this obligation does not imply that there is any legal liability to provide or continue providing the benefits valued.	

²¹ Using Market Value of Assets to determine the ADC will result in more volatile future ADCs than if a smoothed Market Value were used. For funding purposes, market value includes accrued contributions made for a previous fiscal year.



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ACTUARIAL METHODS

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ASSETS

Market Value of Plan Assets (MVA) **Invested in CERBT Strategy 1 Fund** (Amounts in 000's)

	2019/20	2020/21	2021/22	2022/23
■ MVA (Beg. of Year)	\$118,497	\$126,520	\$164,170	\$144,745
• Contributions	3,747	2,946 ²²	2,904	2,032
• Benefit Payments ²³	-	-	-	-
• Admin. Expenses	(59)	(71)	(80)	(72)
• Investment Return ²⁴	<u>4,335</u>	<u>34,776</u>	<u>(22,249)</u>	<u>9,356</u>
■ MVA (End of Year)	126,520	164,170	144,745	156,061
■ Approx. Annual Return	3.6%	27.5%	(13.5)%	6.4%

²² Includes \$1,358 paid on 1/10/2022; MVA shown is not the same as market value for financial reporting purposes.

²³ Benefit Payments made outside of trust by City in years other than 2018/19. Refer to Slide 5 for fiscal year amounts.

²⁴ Net of investment expenses.



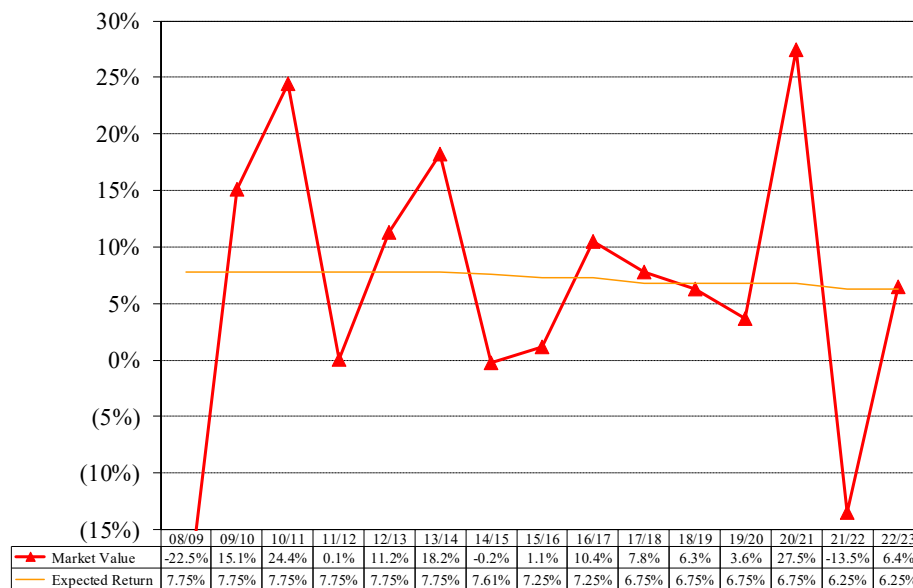
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ASSETS

Historical Returns



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RESULTS

Actuarial Obligations

(Amounts in 000's)

■ Valuation Date	6/30/2021	6/30/2023
■ Discount Rate	6.25%	6.25%
■ Present Value of Benefits (PVB)		
• Actives (future retirees)	\$131,926	\$154,864
• Retirees	<u>169,243</u>	<u>192,253</u>
• Total	301,169	347,117
■ Actuarial Accrued Liability (AAL)		
• Actives (future retirees)	74,954	84,319
• Retirees	<u>169,243</u>	<u>192,253</u>
• Total	244,197	276,572
■ Market Value of Assets (MVA)	<u>164,170</u>	<u>156,061</u>
■ Unfunded AAL (UAAL)	80,027	120,511
■ Funded Ratio	67%	56%
■ Normal Cost²⁵	6,316	7,614
■ Pay-As-You-Go Cost (Cash)	11,190	12,827
■ Pay-As-You-Go Cost (IS)	3,025	2,745

²⁵ Includes Administration fees.



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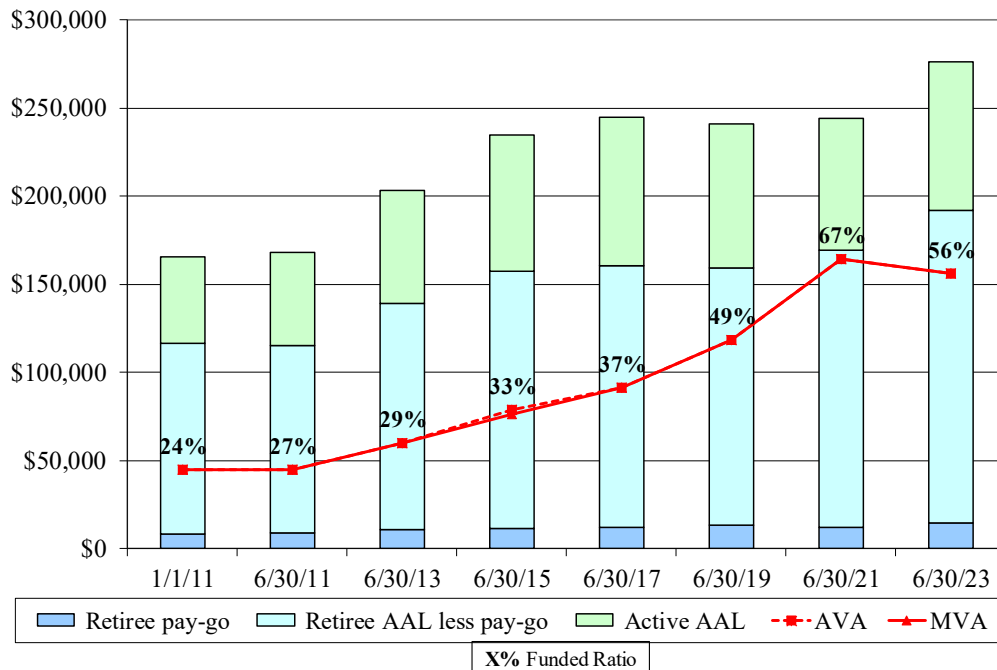
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RESULTS

Historical Funded Status

(Amounts in 000's)



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RESULTS

Actuarial Gain/Loss

(Amounts in \$000's)

	AAL	Assets	UAAL
■ Actual 6/30/21	\$244,197	\$164,170	\$80,027
■ Expected 6/30/23	260,018	184,228	75,790
■ Experience (Gains)/Losses			
• Premiums/Caps different than expected	286		286
• Demographic & other	(2,315)		(2,315)
■ Assumption Changes increasing/(decreasing) AAL			
• Medical Plan election percentages changed	1,269		1,269
• Updated medical trend	17,314		17,314
■ Contribution and Benefit Payment Gain		6,131	(6,131)
■ Investment Loss		(34,297)	34,297
■ Total UAAL (Gain)/Loss	16,554	(28,167)	44,721
■ Actual 6/30/23	276,572	156,061	120,511



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RESULTS

Actuarially Determined Contribution (ADC)

(Amounts in 000's)

	6/30/21 Valuation		6/30/23 Valuation	
	2022/23	2023/24	2024/25	2025/26
■ Discount Rate	6.25%		6.25%	
■ ADC - \$				
• Normal Cost	\$ 6,196	\$ 6,370	\$ 7,489	\$ 7,674
• Administrative Expenses ²⁶	120	126	125	133
• UAAL Amortization	<u>5,112</u>	<u>5,253</u>	<u>8,802</u>	<u>9,044</u>
• Total	11,428	11,749	16,416	16,851
■ Projected Payroll	110,919	113,969	127,929	131,447
■ ADC – Percent of Pay				
• Normal Cost	5.6%	5.6%	5.9%	5.8%
• Administrative Expenses	0.1%	0.1%	0.1%	0.1%
• UAAL Amortization	<u>4.6%</u>	<u>4.6%</u>	<u>6.9%</u>	<u>6.9%</u>
• Total	10.3%	10.3%	12.8%	12.8%

²⁶ Includes PEMHCA and CERBT administration fees.



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RESULTS

Actuarially Determined Contribution (ADC) Payment to Trust

(Amounts in 000's)

	6/30/23 Valuation	
	2024/25	2025/26
■ Discount Rate	6.25%	
■ ADC - \$		
• Normal cost	\$ 7,489	\$ 7,674
• Administrative expenses ²⁷	125	133
• UAAL amortization	<u>8,802</u>	<u>9,044</u>
• Total	16,416	16,851
• Less: Implied subsidy benefit payments	<u>2,745</u>	<u>2,871</u>
• Remaining ADC	13,671	13,980
• Less: Estimated cash benefit payments	<u>12,827</u>	<u>13,565</u>
• Total Trust contribution (If negative, indicates a reimbursement for City out-of-pocket payments may be requested.)	844	415

²⁷ Includes PEMHCA and CERBT administration fees.



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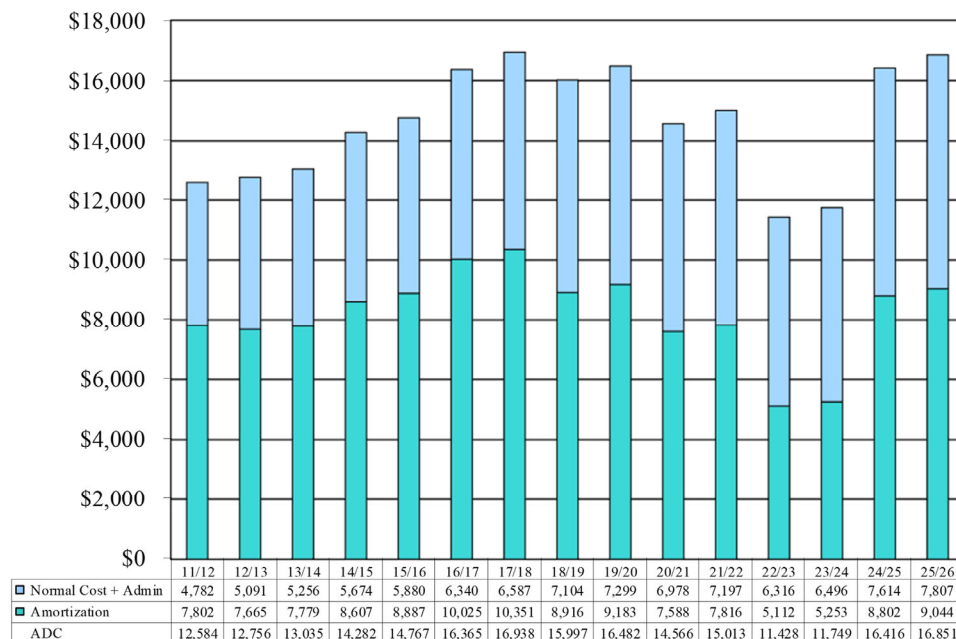
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RESULTS

Historical Recommended Funding Contributions

(Amounts in 000's)



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RESULTS

Amortization Bases & Payments

(Amounts in 000's)

	6/30/21 Valuation		6/30/23 Valuation	
	6/30/22	6/30/23	6/30/24	6/30/25
■ Discount Rate	6.25%		6.25%	
■ Payment Escalator	2.75%		2.75%	
■ UAAL Balance	\$ 76,159	\$ 75,807	\$ 122,790	\$ 121,662
■ Amortization Payment	5,112	5,253	8,802	9,044
■ Amortization Period (years)	22	21	20	19



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RESULTS

10 Year Contribution Projection

(Amounts in 000's)

FYE	ADC ²⁸	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implied Subsidy BP	Trust Pre-Funding	Total				
2025	\$16,416	\$12,827	\$2,745	\$844	\$16,416	\$127,929	12.8%	\$122,791	57%
2026	16,851	13,565	2,871	415	16,851	131,447	12.8%	121,662	59%
2027	17,318	14,286	3,017	15	17,318	135,062	12.8%	120,223	61%
2028	17,785	14,868	2,992	(75)	17,785	138,776	12.8%	118,444	62%
2029	18,276	15,590	3,089	(403)	18,276	142,593	12.8%	116,298	64%
2030	18,775	16,348	3,285	(858)	18,775	146,514	12.8%	113,755	66%
2031	19,271	16,933	3,312	(974)	19,271	150,543	12.8%	110,784	68%
2032	19,803	17,554	3,434	(1,185)	19,803	154,683	12.8%	107,350	69%
2033	20,347	18,086	3,516	(1,255)	20,347	158,937	12.8%	103,416	71%
2034	20,882	18,626	3,575	(1,319)	20,882	163,307	12.8%	98,944	73%

²⁸ Actuarially Determined Contribution



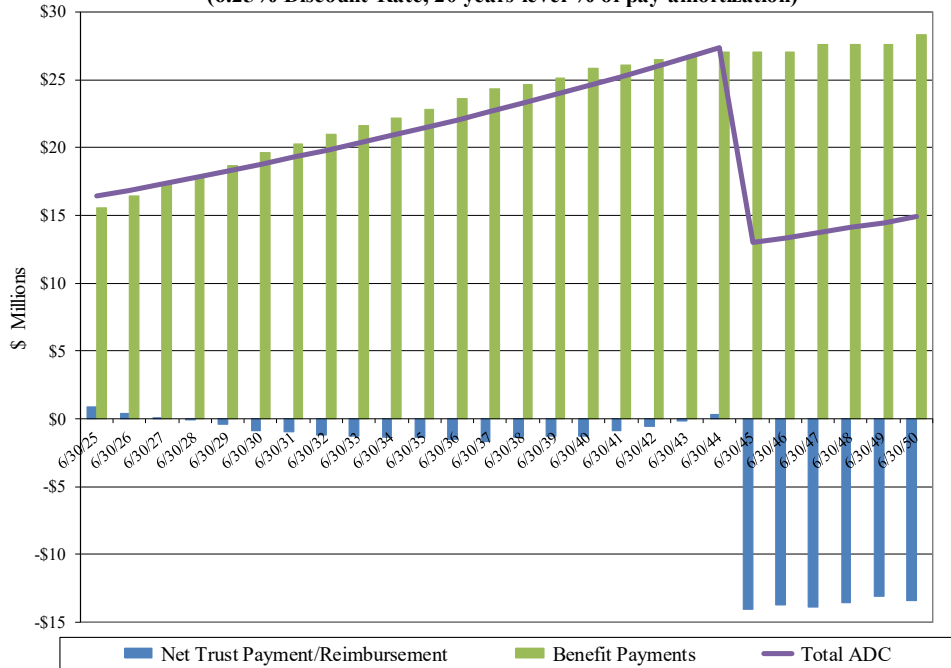
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RESULTS

ADC, Benefit and Trust Payment/Reimbursement Projection
(6.25% Discount Rate, 20 years level % of pay amortization)



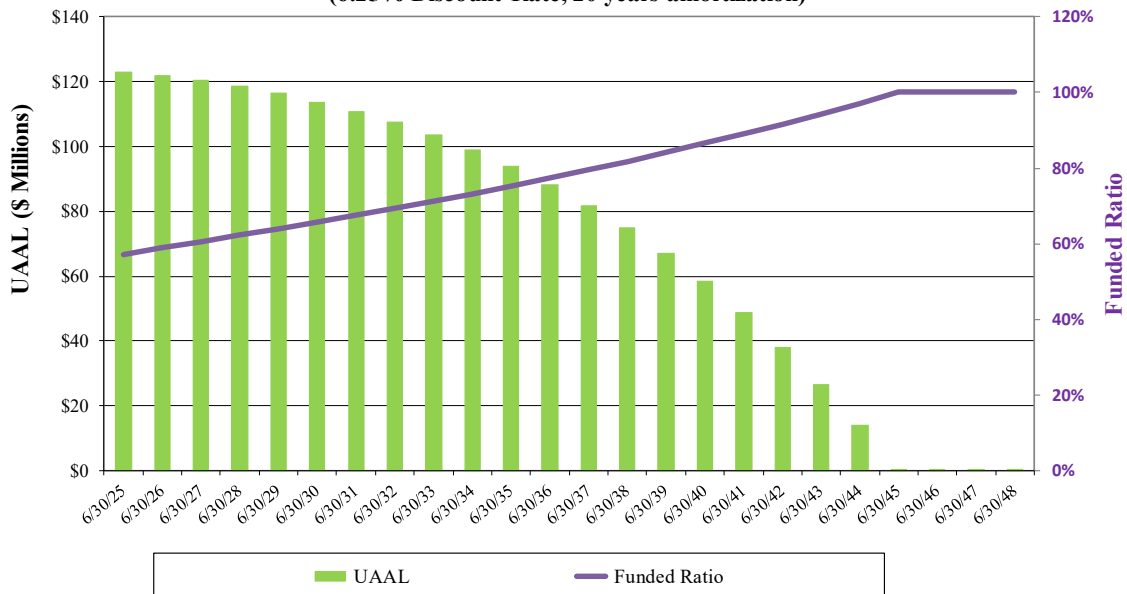
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RESULTS

UAAL and Funded Ratio Projection
(6.25% Discount Rate, 20 years amortization)



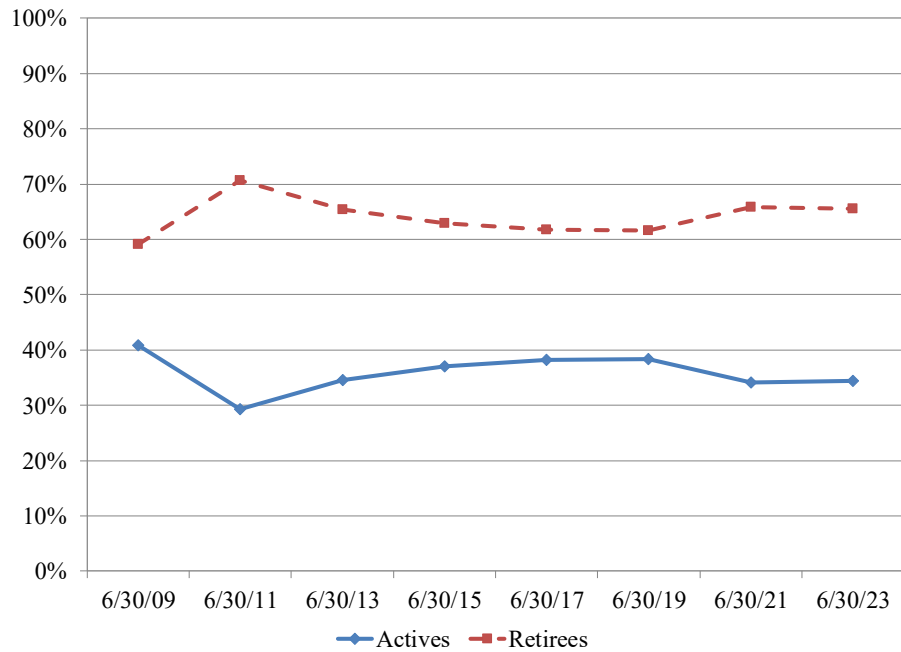
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RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees Miscellaneous



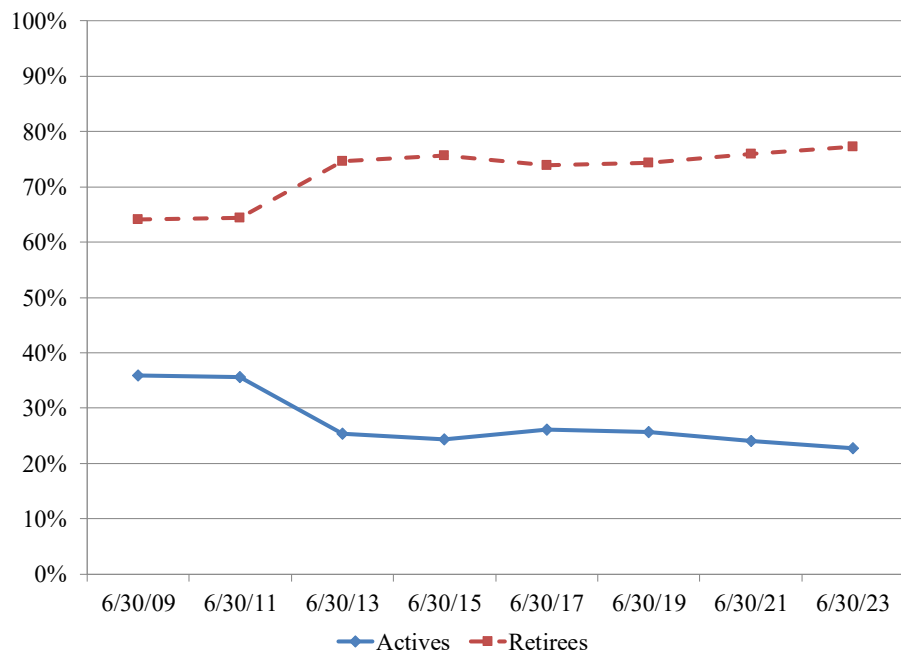
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RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees Safety



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RESULTS

**This chart excludes the Implied Subsidy
and is provided for informational purposes only**

(Amounts in 000's)

	Cash Benefit
■ Present Value of Benefits	\$ 294,841
■ Funded Status 6/30/23	
• Actuarial Accrued Liability	232,822
• Actuarial Value of Assets ²⁹	<u>156,061</u>
• Unfunded AAL	76,761
■ Funded Ratio	67.0%
■ ADC 2024/25	
• Normal Cost	6,570
• Administrative Expenses	125
• UAAL Amortization	<u>5,590</u>
• Total	12,285
• ADC % of Payroll	9.6%

²⁹ All assets allocated to the cash benefit for illustrative purposes only.



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RESULTS

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RESULTS - DETAILS

Actuarial Obligations by Pre/Post 65 Benefits

June 30, 2023

(Amounts in 000's)

	Benefits Paid Before Age 65	Benefits Paid On or After Age 65	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$78,087	\$76,777	\$154,864
• Retirees	<u>48,369</u>	<u>143,884</u>	<u>192,253</u>
• Total	126,456	220,661	347,117
■ Actuarial Accrued Liability			
• Actives (future retirees)	40,543	43,776	84,319
• Retirees	<u>48,369</u>	<u>143,884</u>	<u>192,253</u>
• Total	88,912	187,660	276,572
■ Normal Cost 2024/25³⁰	3,872	3,741	7,614

³⁰ Includes Administration fees.



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RESULTS - DETAILS

Actuarial Obligations by Group

June 30, 2023

(Amounts in 000's)

	Group 1	Group 2	Group 3	Group 4	Total
■ Present Value of Benefits					
• Actives (future retirees)	\$ -	\$ -	\$12,507	\$142,358	\$154,864
• Retirees	<u>47,911</u>	<u>53,548</u>	<u>36,227</u>	<u>54,567</u>	<u>192,253</u>
• Total	47,911	53,548	48,734	196,925	347,117
■ Actuarial Accrued Liability					
• Actives (future retirees)	-	-	10,597	73,722	84,319
• Retirees	<u>47,911</u>	<u>53,548</u>	<u>36,227</u>	<u>54,567</u>	<u>192,253</u>
• Total	47,911	53,548	46,824	128,289	276,572
■ Normal Cost 2024/25³¹	n/a	n/a	353	7,261	7,614
■ NC as % of Payroll	n/a	n/a	5.0%	6.0%	6.0%
■ Active Count	n/a	n/a	57	845	902
■ Projected Payroll	n/a	n/a	7,128	120,801	127,929

³¹ Includes Administration fees.



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RESULTS - DETAILS

Actuarial Obligations by Cash/Implied Subsidy

June 30, 2023

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$134,797	\$20,067	\$154,864
• Retirees	<u>160,044</u>	<u>32,209</u>	<u>192,253</u>
• Total	294,841	52,276	347,117
■ Actuarial Accrued Liability			
• Actives (future retirees)	72,778	11,542	84,319
• Retirees	<u>160,044</u>	<u>32,209</u>	<u>192,253</u>
• Total	232,822	43,751	276,572
■ Market Value of Assets³²	<u>131,374</u>	<u>24,687</u>	<u>156,061</u>
■ Unfunded AAL	101,448	19,064	120,511
■ Normal Cost 2024/25³³	6,695	919	7,614
■ Pay-As-You-Go Cost 2024/25	12,827	2,745	15,572

³² Allocated in proportion to AAL for illustrative purposes.

³³ Includes Administration fees.



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RESULTS - DETAILS

Actuarially Determined Contribution by Cash/Implied Subsidy

2024/25 Fiscal Year

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
■ ADC - \$			
• Normal Cost	\$ 6,570	\$ 919	\$ 7,489
• Administrative Expenses	125	-	125
• UAAL Amortization	<u>7,424</u>	<u>1,378</u>	<u>8,802</u>
• ADC	14,119	2,297	16,416
■ Projected Payroll	127,929	127,929	127,929
■ ADC - % of Payroll			
• Normal Cost	5.1%	0.7%	5.9%
• Administrative Expenses	0.1%	0.0%	0.1%
• UAAL Amortization	<u>5.8%</u>	<u>1.1%</u>	<u>6.9%</u>
• ADC	11.0%	1.8%	12.8%



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RESULTS - DETAILS

Actuarial Obligations by Misc/Safety

June 30, 2023

(Amounts in 000's)

	Misc	Safety	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$112,057	\$42,807	\$154,864
• Retirees	<u>120,219</u>	<u>72,034</u>	<u>192,253</u>
• Total	232,276	114,841	347,117
■ Actuarial Accrued Liability			
• Actives (future retirees)	63,059	21,260	84,319
• Retirees	<u>120,219</u>	<u>72,034</u>	<u>192,253</u>
• Total	183,278	93,294	276,572
■ Market Value of Assets³⁴	<u>103,418</u>	<u>52,643</u>	<u>156,061</u>
■ Unfunded AAL	79,860	40,651	120,511
■ Normal Cost 2024/25³⁵	5,495	2,118	7,614
■ Pay-As-You-Go Cost 2024/25	10,278	5,294	15,572

³⁴ Allocated in proportion to the Actuarial Accrued Liability.

³⁵ Includes Administration fees.



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RESULTS - DETAILS

Actuarially Determined Contribution by Misc/Safety

2024/25 Fiscal Year

(Amounts in 000's)

	Misc	Safety	Total
■ ADC - \$			
• Normal Cost	\$ 5,412	\$ 2,077	\$ 7,489
• Administrative Expenses	83	42	125
• UAAL Amortization	<u>5,848</u>	<u>2,954</u>	<u>8,802</u>
• ADC	11,344	5,072	16,416
■ Projected Payroll	101,964	25,965	127,929
■ ADC - % of Payroll			
• Normal Cost	5.3%	8.0%	5.9%
• Administrative Expenses	0.1%	0.2%	0.1%
• UAAL Amortization	<u>5.7%</u>	<u>11.4%</u>	<u>6.9%</u>
• ADC	11.1%	19.5%	12.8%



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RESULTS - DETAILS

Actuarial Obligations by Bargaining Unit

June 30, 2023

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ PVB								
• Actives	\$1,362	\$20,223	\$32,491	\$17,294	\$2,521	\$72,048	\$8,927	\$154,864
• Retirees	<u>2,714</u>	<u>34,636</u>	<u>52,789</u>	<u>25,202</u>	<u>2,593</u>	<u>65,881</u>	<u>8,438</u>	<u>192,253</u>
• Total	4,076	54,859	85,280	42,496	5,114	137,929	17,365	347,117
■ AAL								
• Actives	1,074	9,545	18,930	7,485	2,058	38,985	6,242	84,319
• Retirees	<u>2,714</u>	<u>34,636</u>	<u>52,789</u>	<u>25,202</u>	<u>2,593</u>	<u>65,881</u>	<u>8,438</u>	<u>192,253</u>
• Total	3,788	44,181	71,719	32,687	4,651	104,866	14,680	276,572
■ MVA³⁶	<u>2,137</u>	<u>24,930</u>	<u>40,469</u>	<u>18,444</u>	<u>2,624</u>	<u>59,173</u>	<u>8,283</u>	<u>156,061</u>
■ UAAL	1,651	19,251	31,250	14,243	2,027	45,693	6,397	120,511
■ NC 24/25³⁷	48	928	1,617	981	102	3,583	356	7,614
■ Pay-Go	205	2,624	4,315	1,771	174	5,749	734	15,572

³⁶ Allocated in proportion to the Actuarial Accrued Liability.

³⁷ Includes Administration fees.



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RESULTS - DETAILS

Actuarially Determined Contribution by Bargaining Unit

2024/25 Fiscal Year

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ ADC - \$								
• Normal Cost	\$ 46	\$ 908	\$ 1,585	\$ 966	\$ 99	\$ 3,536	\$ 350	\$ 7,489
• Admin. Expenses	2	20	32	15	2	48	7	125
• UAAL Amort	<u>119</u>	<u>1,393</u>	<u>2,265</u>	<u>1,045</u>	<u>150</u>	<u>3,363</u>	<u>468</u>	<u>8,802</u>
• ADC	166	2,321	3,881	2,026	252	6,947	824	16,416
■ Projected Payroll	803	10,826	34,117	11,174	1,880	59,705	9,424	127,929
■ ADC - %								
• Normal Cost	5.7%	8.4%	4.6%	8.6%	5.3%	5.9%	3.7%	5.9%
• Admin. Expenses	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
• UAAL Amort	<u>14.8%</u>	<u>12.9%</u>	<u>6.6%</u>	<u>9.3%</u>	<u>8.0%</u>	<u>5.6%</u>	<u>5.0%</u>	<u>6.9%</u>
• ADC	20.7%	21.4%	11.4%	18.1%	13.4%	11.6%	8.7%	12.8%



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RESULTS - DETAILS

Actuarially Determined Contribution by Bargaining Unit **2025/26 Fiscal Year** (Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ ADC - \$								
• Normal Cost	\$ 47	\$ 931	\$ 1,624	\$ 990	\$ 102	\$ 3,623	\$ 358	\$ 7,674
• Admin. Expenses	2	21	34	16	2	51	7	133
• UAAL Amort	<u>122</u>	<u>1,431</u>	<u>2,327</u>	<u>1,073</u>	<u>154</u>	<u>3,456</u>	<u>481</u>	<u>9,044</u>
• ADC	171	2,383	3,985	2,079	259	7,130	846	16,851
■ Projected Payroll	826	11,123	35,055	11,481	1,932	61,347	9,683	131,447
■ ADC - %								
• Normal Cost	5.7%	8.4%	4.6%	8.6%	5.3%	5.9%	3.7%	5.8%
• Admin. Expenses	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
• UAAL Amort	<u>14.8%</u>	<u>12.9%</u>	<u>6.6%</u>	<u>9.3%</u>	<u>8.0%</u>	<u>5.6%</u>	<u>5.0%</u>	<u>6.9%</u>
• ADC	20.7%	21.4%	11.4%	18.1%	13.4%	11.6%	8.7%	12.8%



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RESULTS - DETAILS

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SENSITIVITY ANALYSIS

Discount Rate Sensitivity

(Amounts in 000's)

	CERBT Strategy		
	#1 (Current)	#2	#3
■ Discount Rate	6.25%	5.75%	5.25%
■ Present Value of Benefits	\$347,117	\$375,439	\$407,741
■ Funded Status 6/30/23			
• Actuarial Accrued Liability	276,572	293,120	311,327
• Assets	<u>156,061</u>	<u>156,061</u>	<u>156,061</u>
• Unfunded AAL	120,511	137,059	155,266
■ Funded Ratio	56.4%	53.2%	50.1%
■ ADC 2024/25			
• Normal Cost	7,489	8,379	9,394
• Administrative Expenses	125	125	125
• UAAL Amortization ³⁸	<u>8,802</u>	<u>9,582</u>	<u>10,377</u>
• Total	16,416	18,085	19,896
• ADC % of Payroll	12.8%	14.1%	15.6%

³⁸ UAAL amortized over 20 years for all scenarios.



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SENSITIVITY ANALYSIS

Amortization Period Sensitivity

Discount Rate – 6.25%, Level % of Pay with 2.75% Payment Escalation

(Amounts in 000's)

■ Amortization Period	Current 20 Years	18 Years
■ Funded Status 6/30/23		
• Actuarial Accrued Liability	\$276,572	\$276,572
• Assets	<u>156,061</u>	<u>156,061</u>
• Unfunded AAL	120,511	120,511
■ Total Projected Payroll 2024/25	127,929	127,929
■ ADC 2024/25		
• Normal Cost	7,489	7,489
• Administrative Expenses	125	125
• UAAL Amortization	<u>8,802</u>	<u>9,492</u>
• Total	16,416	17,105
• ADC % of Payroll	12.8%	13.4%



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SENSITIVITY ANALYSIS

Amortization Period Sensitivity

Discount Rate – 5.75%, Level % of Pay with 2.75% Payment Escalation

(Amounts in 000's)

■ Amortization Period	Current 20 Years	18 Years
■ Funded Status 6/30/23		
• Actuarial Accrued Liability	\$293,120	\$293,120
• Assets	<u>156,061</u>	<u>156,061</u>
• Unfunded AAL	137,059	137,059
■ Total Projected Payroll 2024/25	127,929	127,929
■ ADC 2024/25		
• Normal Cost	8,379	8,379
• Administrative Expenses	125	125
• UAAL Amortization	<u>9,582</u>	<u>10,371</u>
• Total	18,085	18,875
• ADC % of Payroll	14.1%	14.8%



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SENSITIVITY ANALYSIS

Actuarial Obligations by Bargaining Unit – 5.75%

June 30, 2023

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ PVB								
• Actives	\$1,487	\$22,844	\$36,048	\$19,489	\$2,733	\$80,761	\$9,832	\$173,194
• Retirees	<u>2,865</u>	<u>36,463</u>	<u>55,395</u>	<u>26,661</u>	<u>2,773</u>	<u>69,183</u>	<u>8,905</u>	<u>202,245</u>
• Total	4,352	59,307	91,443	46,150	5,506	149,944	18,737	375,439
■ AAL								
• Actives	1,153	10,284	20,354	8,089	2,200	42,076	6,719	90,875
• Retirees	<u>2,865</u>	<u>36,463</u>	<u>55,395</u>	<u>26,661</u>	<u>2,773</u>	<u>69,183</u>	<u>8,905</u>	<u>202,245</u>
• Total	4,018	46,747	75,749	34,750	4,973	111,259	15,624	293,120
■ MVA³⁹	<u>2,139</u>	<u>24,889</u>	<u>40,330</u>	<u>18,501</u>	<u>2,648</u>	<u>59,236</u>	<u>8,318</u>	<u>156,061</u>
■ UAAL	1,879	21,858	35,419	16,249	2,325	52,023	7,306	137,059
■ NC 24/25⁴⁰	54	1,039	1,797	1,091	115	4,007	399	8,504
■ Pay-Go	205	2,624	4,315	1,771	174	5,749	734	15,572

³⁹ Allocated in proportion to the Actuarial Accrued Liability.

⁴⁰ Includes Administration fees.



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SENSITIVITY ANALYSIS

10 Year Contribution Projection – 5.75% 13 Year Amortization (Amounts in 000's)

FYE	ADC ⁴¹	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implied Subsidy BP	Trust Pre- Funding	Total				
2025	\$21,996	\$12,827	\$2,745	\$6,424	\$21,996	\$127,929	17.2%	\$140,372	54%
2026	22,551	13,565	2,871	6,115	22,551	131,447	17.2%	134,951	57%
2027	23,180	14,286	3,017	5,877	23,180	135,062	17.2%	128,847	60%
2028	23,812	14,868	2,992	5,952	23,812	138,776	17.2%	122,011	63%
2029	24,474	15,590	3,089	5,795	24,474	142,593	17.2%	114,390	67%
2030	25,147	16,348	3,285	5,514	25,147	146,514	17.2%	105,928	70%
2031	25,821	16,933	3,312	5,576	25,821	150,543	17.2%	96,567	73%
2032	26,538	17,554	3,434	5,550	26,538	154,683	17.2%	86,242	77%
2033	27,272	18,086	3,516	5,670	27,272	158,937	17.2%	74,886	80%
2034	27,999	18,626	3,575	5,798	27,999	163,307	17.1%	62,429	84%

⁴¹ Actuarially Determined Contribution



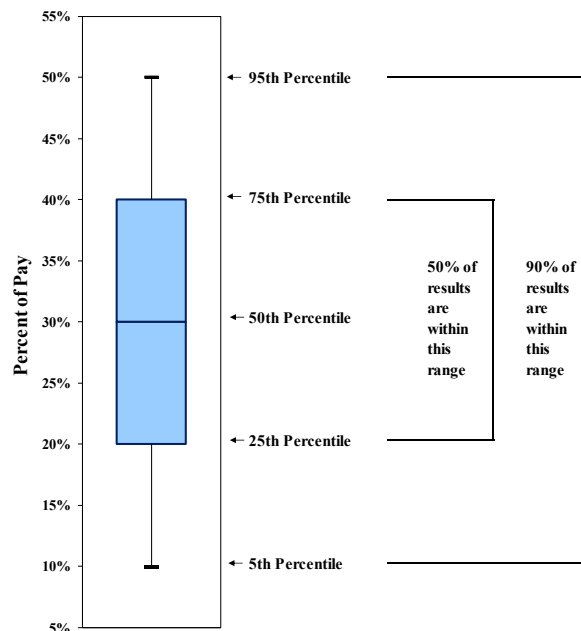
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COMPARISON TO OTHER AGENCIES

Foster & Foster California OPEB Database
Sample Percentile Graph

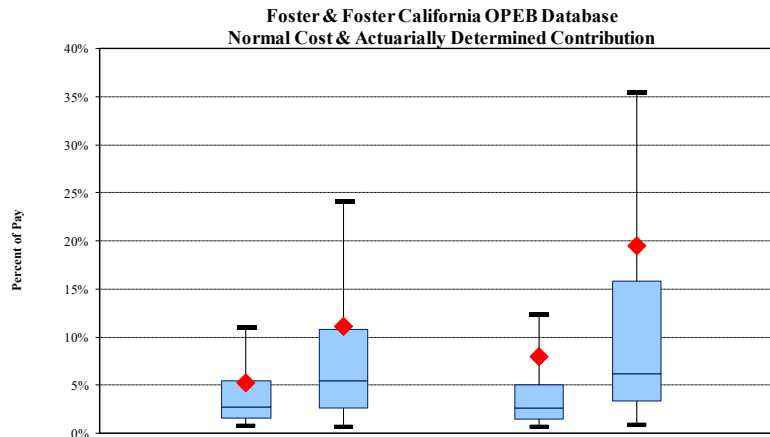


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COMPARISON TO OTHER AGENCIES



	Miscellaneous		Safety	
	NC	ADC	NC	ADC
95th Percentile	10.9%	24.2%	12.3%	35.5%
75th Percentile	5.4%	10.8%	5.0%	15.8%
50th Percentile	2.8%	5.4%	2.6%	6.2%
25th Percentile	1.5%	2.6%	1.5%	3.3%
5th Percentile	0.7%	0.7%	0.7%	0.9%
Percent of Pay (♦)	5.3%	11.1%	8.0%	19.5%
Percentile	74%	76%	88%	84%

Discount Rate = 6.25%, Average Amortization Period = 20.0 Years

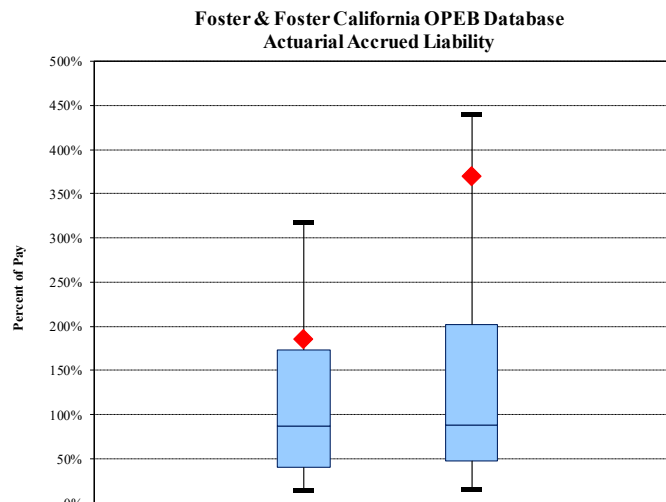


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COMPARISON TO OTHER AGENCIES



	Miscellaneous		Safety	
	NC	ADC	NC	ADC
95th Percentile	317%	440%	202%	369%
75th Percentile	173%	202%	88%	91%
50th Percentile	87%	88%	48%	15%
25th Percentile	40%	48%	15%	15%
5th Percentile	14%	15%	15%	15%
Percent of Pay (♦)	185%	369%	91%	91%
Percentile	79%	91%	91%	91%

Discount Rate = 6.25%



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ACTUARIAL CERTIFICATION

This report presents the City of Palo Alto Retiree Healthcare Plan ("Plan") June 30, 2023 actuarial valuation. The purpose of this valuation is to:

- Determine the June 30, 2023 Benefit Obligations,
- Determine the Plan's June 30, 2023 Funded Status, and
- Calculate the 2024/25 and 2025/26 Actuarially Determined Contributions.

The report provides information intended for funding the City's Plan, but may not be appropriate for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



Drew Ballard, FSA, MAAA, EA
Foster & Foster, Inc.



Catherine A. Wandro, ASA, MAAA
Foster & Foster, Inc.



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EXHIBITS

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PREMIUMS

2023 PEMHCA Monthly Premiums

Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,128.83	\$2,257.66	\$2,934.96	\$413.59	\$827.18	\$1,240.77
Anthem Traditional	1,210.71	2,421.42	3,147.85	413.59	827.18	1,240.77
Blue Shield Access+	1,035.21	2,070.42	2,691.55	361.90	723.80	1,085.70
Blue Shield Trio	888.94	1,777.88	2,311.24	361.90	723.80	1,085.70
Health Net SmartCare	1,174.50	2,349.00	3,053.70	n/a	n/a	n/a
Kaiser	913.74	1,827.48	2,375.72	283.25	566.50	849.75
Kaiser Summit	n/a	n/a	n/a	336.29	672.58	1,008.87
UnitedHealthcare Alliance	1,044.07	2,088.14	2,714.58	n/a	n/a	n/a
UnitedHealthcare Group	n/a	n/a	n/a	299.68	599.36	899.04
UnitedHealthcare Edge	n/a	n/a	n/a	357.70	715.40	1,073.10
Western Health Advantage	760.17	1,520.34	1,976.44	331.11	662.22	993.33
PERS Platinum	1,200.12	2,400.24	3,120.31	420.02	840.04	1,260.06
PERS Gold	825.61	1,651.22	2,146.59	392.71	785.42	1,178.13
PORAC	825.00	1,875.00	2,300.00	465.00	1,030.00	1,395.00



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PREMIUMS

2024 PEMHCA Monthly Premiums

Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,138.86	\$2,277.72	\$2,961.04	\$405.83	\$811.66	\$1,217.49
Anthem Traditional	1,339.70	2,679.40	3,483.22	405.83	811.66	1,217.49
Blue Shield Access+	1,076.84	2,153.68	2,799.78	392.68	785.36	1,178.04
Blue Shield Trio	946.84	1,893.68	2,461.78	392.68	785.36	1,178.04
Kaiser	1,021.41	2,042.82	2,655.67	324.79	649.58	974.37
Kaiser Summit	n/a	n/a	n/a	386.55	773.10	1,159.65
UnitedHealthcare Alliance	1,091.13	2,182.26	2,836.94	n/a	n/a	n/a
UnitedHealthcare Harmony	937.39	1,874.78	2,437.21	n/a	n/a	n/a
UnitedHealthcare Group	n/a	n/a	n/a	341.72	683.44	1,025.16
UnitedHealthcare Edge	n/a	n/a	n/a	366.01	732.02	1,098.03
Western Health Advantage	807.23	1,614.46	2,098.80	268.62	537.24	805.86
PERS Platinum	1,314.27	2,628.54	3,417.10	448.15	896.30	1,344.45
PERS Gold	914.82	1,829.64	2,378.53	406.60	813.20	1,219.80
PORAC	931.00	2,117.00	2,651.00	465.00	1,030.00	1,395.00



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PREMIUMS

PEMHCA Monthly Premium Increases/(Decreases) **Region 1**

Medical Plan	Non-Medicare Eligible		Medicare Eligible	
	2023	2024	2023	2024
Anthem Select	11.1%	0.9%	14.8%	(1.9%)
Anthem Traditional	(7.2%)	10.7%	14.8%	(1.9%)
Blue Shield Access+	(7.2%)	4.0%	2.5%	8.5%
Blue Shield Trio	(1.1%)	6.5%	2.5%	8.5%
Health Net SmartCare	1.9%	n/a	n/a	n/a
Kaiser	6.6%	11.8%	(6.4%)	14.7%
Kaiser Summit	n/a	n/a	n/a	14.9%
UnitedHealthcare Alliance	2.3%	4.5%	n/a	n/a
UnitedHealthcare Group	n/a	n/a	1.7%	14.0%
UnitedHealthcare Edge	n/a	n/a	3.0%	2.3%
Western Health Advantage	2.6%	6.2%	5.1%	(18.9%)
PERS Platinum	13.5%	9.5%	10.0%	6.7%
PERS Gold	17.7%	10.8%	4.1%	3.5%
PORAC	3.3%	12.8%	0.9%	0.0%



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PREMIUMS

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DATA SUMMARY

Participant Statistics by Bargaining Unit

June 30, 2023

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ Actives								
• Count	4	84	202	66	7	494	45	902
• Avg Age	48.0	39.1	46.9	38.9	48.9	44.8	50.5	44.6
• Avg City Svc	22.4	9.8	10.7	9.2	23.4	9.7	16.4	10.4
• Avg PERS Svc	22.4	10.3	12.4	10.2	24.2	10.4	17.6	11.4
• Avg Salary	\$190,356	\$122,075	\$159,976	\$160,358	\$254,449	\$114,477	\$198,351	\$134,338
• Total Salary ⁴²	\$761	\$10,254	\$32,315	\$10,584	\$1,781	\$56,552	\$8,926	\$121,173
■ Retirees ⁴³ :								
• Count	8	147	313	96	6	432	29	1,031
• Avg Age	64.3	71.4	73.0	66.4	53.2	72.6	62.9	71.5
• Avg Service Ret Age	55.8	54.7	58.1	52.5	50.4	59.7	58.2	58.2
• Avg Disab Ret Age	50.1	48.8	50.5	41.8	n/a	46.7	n/a	45.8

⁴² Amount in 000's. Based on June 30, 2023 PERSable pay rate.

⁴³ Excludes retirees who have waived coverage.



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DATA SUMMARY

Participant Statistics by Bargaining Unit

June 30, 2021

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ Actives								
• Count	4	80	195	68	6	477	44	874
• Avg Age	42.6	42.5	47.3	39.8	46.9	44.8	49.1	45.0
• Avg City Svc	18.1	12.8	10.6	10.2	22.1	10.6	17.3	11.2
• Avg PERS Svc	18.1	13.3	12.2	11.2	23.1	11.2	18.1	12.1
• Avg Salary	\$209,498	\$145,878	\$134,380	\$152,938	\$228,619	\$98,486	\$172,711	\$120,207
• Total Salary ⁴⁴	\$838	\$11,670	\$26,204	\$10,400	\$1,372	\$46,978	\$7,599	\$105,061
■ Retirees ⁴⁵ :								
• Count	6	148	307	89	5	430	24	1,009
• Avg Age	64.7	71.0	72.0	66.9	57.5	71.6	62.2	70.9
• Avg Service Ret Age	56.7	54.6	58.3	52.3	50.4	59.6	58.8	58.2
• Avg Disab Ret Age	50.1	48.8	50.5	42.0	n/a	48.0	n/a	46.3

⁴⁴ Amount in 000's. Actual 2020/21 PERSable compensations.

⁴⁵ Excludes retirees who have waived coverage.



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DATA SUMMARY

Participant Statistics by CalPERS Pension Category

June 30, 2023

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	738	72	92	902
• Average Age	45.6	40.3	39.9	44.6
• Average City Service	10.3	10.8	10.8	10.4
• Average PERS Service	11.3	11.8	11.2	11.4
• Average Salary	\$130,866	\$173,099	\$131,856	\$134,338
• Total Salary (000's) ⁴⁶	\$96,579	\$12,463	\$12,131	\$121,173
■ Retirees ⁴⁷ :				
• Count	751	113	167	1,031
• Average Age	72.4	65.9	71.2	71.5
• Avg Service Ret Age	59.2	52.2	54.7	58.2
• Avg Disability Ret Age	47.1	41.9	48.9	45.8

⁴⁶ Based on June 30, 23 PERSable payrate.

⁴⁷ Excludes retirees who have waived coverage.



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DATA SUMMARY

Participant Statistics by CalPERS Pension Category

June 30, 2021

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	711	76	87	874
• Average Age	45.7	40.7	42.7	45.0
• Average City Service	11.0	11.0	13.2	11.2
• Average PERS Service	11.9	12.0	13.7	12.1
• Average Salary	\$112,031	\$161,950	\$150,562	\$120,207
• Total Salary (000's) ⁴⁸	\$79,654	\$12,308	\$13,099	\$105,061
■ Retirees ⁴⁹ :				
• Count	739	105	165	1,009
• Average Age	71.6	66.3	70.7	70.9
• Avg Service Ret Age	59.2	52.0	54.5	58.2
• Avg Disability Ret Age	48.1	42.1	48.9	46.3

⁴⁸ Actual 2020/21 PERSable compensations.

⁴⁹ Excludes retirees who have waived coverage.



May 21, 2024

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DATA SUMMARY

Medical Plan Participation – June 30, 2023

Medical Plan	Actives		All Retirees					
			Under 65		65 or Older		Total	
<i>Miscellaneous/Safety</i>	M	S	M	S	M	S	M	S
Anthem Select	2%	2%	3%	-	1%	-	1%	-
Anthem Traditional	3%	1%	5%	4%	6%	5%	6%	5%
Blue Shield Access+	10%	3%	7%	3%	1%	1%	3%	2%
Blue Shield Trio	-	-	-	1%	-	-	-	-
Health Net SmartCare	-	-	1%	-	-	-	-	-
Kaiser	68%	50%	43%	26%	29%	21%	32%	23%
Kaiser Summit	-	-	-	-	2%	-	2%	-
UnitedHealthcare	-	-	1%	1%	17%	10%	13%	7%
UnitedHealthcare Edge	-	-	-	-	-	-	-	-
Western Health Advantage	-	1%	-	-	-	-	-	-
PERS Gold	7%	4%	4%	-	1%	-	1%	-
PERS Platinum	10%	2%	35%	16%	42%	47%	41%	34%
PORAC	-	37%	1%	49%	1%	16%	1%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%



May 21, 2024

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DATA SUMMARY

Medical Plan Participation – June 30, 2021

Medical Plan	Actives		All Retirees					
			Under 65		65 or Older		Total	
<i>Miscellaneous/Safety</i>	M	S	M	S	M	S	M	S
Anthem Select	6%	3%	5%	1%	-	-	2%	-
Anthem Traditional	4%	1%	9%	8%	6%	5%	6%	6%
Blue Shield Access+	-	-	3%	7%	-	-	1%	3%
Health Net SmartCare	1%	1%	1%	1%	-	-	-	-
Kaiser	65%	51%	40%	36%	30%	23%	32%	29%
UnitedHealthcare	-	-	1%	2%	18%	13%	14%	8%
Western Health Advantage	-	-	1%	-	-	-	-	-
PERSCare	-	-	4%	9%	25%	37%	20%	25%
PERS Choice	22%	3%	32%	3%	21%	15%	24%	10%
PERS Select	1%	1%	3%	-	-	-	1%	-
PORAC	-	40%	1%	32%	-	8%	-	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%



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DATA SUMMARY

Active Medical Coverage – Miscellaneous

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	3	3	5	-	11
Anthem Traditional	9	3	5	-	17
Blue Shield Access+	15	18	31	-	64
Blue Shield Trio	-	-	1	-	1
Health Net SmartCare	-	-	1	-	1
Kaiser	162	90	200	-	452
Western Health Advantage	-	-	1	-	1
PERS Gold	13	11	20	-	44
PERS Platinum	26	12	30	-	68
PORAC	1	-	-	-	1
Waived	-	-	-	78	78
Total	229	137	294	78	738
% as of June 30, 2023	31%	18%	40%	11%	100%
% as of June 30, 2021	30%	22%	40%	9%	100%



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DATA SUMMARY

Active Medical Coverage – Safety

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	1	-	2	-	3
Anthem Traditional	1	-	-	-	1
Blue Shield Access+	1	-	3	-	4
Blue Shield Trio	-	-	-	-	-
Health Net SmartCare	-	-	-	-	-
Kaiser	23	15	39	-	77
Western Health Advantage	-	-	1	-	1
PERS Gold	5	-	1	-	6
PERS Platinum	1	1	1	-	3
PORAC	7	7	43	-	57
Waived	-	-	-	12	12
Total	39	23	90	12	164
% as of June 30, 2023	24%	14%	55%	7%	100%
% as of June 30, 2021	20%	14%	63%	2%	100%



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E-12



DATA SUMMARY

Retiree Medical Coverage⁵⁰ - Miscellaneous

Medical Plan	Single		2-Party		Family		Total
	<65	65+	<65	65+	<65	65+	
Anthem Select	3	1	2	1	1	2	10
Anthem Traditional	7	11	2	21	-	2	43
Blue Shield Access+	5	2	5	5	2	-	19
Health Net SmartCare	1	-	-	-	-	-	1
Kaiser	21	94	45	68	8	6	242
Kaiser Summit	-	8	-	2	-	1	11
UnitedHealthcare	-	64	1	32	-	-	97
UnitedHealthcare Edge	-	2	-	1	-	-	3
Western Health Advantage	-	-	-	1	-	-	1
PERS Gold	1	1	2	2	4	-	10
PERS Platinum	19	129	32	111	10	7	308
PORAC	-	3	1	1	-	1	6
Total	57	315	90	245	25	19	751
% as of June 30, 2023	8%	42%	12%	33%	3%	2%	100%
% as of June 30, 2021	9%	41%	12%	32%	4%	2%	100%

⁵⁰ Approximately 77% of retirees have coverage in a region 1 plan. The rest are in other state regions or out of state.



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DATA SUMMARY

Retiree Medical Coverage⁵¹ - Safety

Medical Plan	Single		2-Party		Family		Total
	<65	65+	<65	65+	<65	65+	
Anthem Select	-	-	-	-	-	-	-
Anthem Traditional	1	-	1	7	3	2	14
Blue Shield Access+	1	-	2	-	1	1	5
Health Net SmartCare	-	-	-	-	-	-	-
Kaiser	7	12	11	21	12	1	64
Kaiser Summit	-	-	-	-	-	-	0
UnitedHealthcare	-	11	-	6	1	-	18
UnitedHealthcare Edge	-	-	-	-	-	-	0
Western Health Advantage	-	-	-	-	-	-	0
PERS Gold	-	-	-	-	-	-	0
PERS Platinum	7	39	6	37	5	2	96
PORAC	12	4	15	19	29	3	82
Total	28	66	35	90	52	9	280
% as of June 30, 2023	10%	24%	13%	32%	19%	3%	100%
% as of June 30, 2021	9%	25%	16%	29%	19%	2%	100%

⁵¹ Approximately 70% of retirees have coverage in a Region 1 plan. The rest are in other state regions or out of state.



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DATA SUMMARY

Retirees Medical Coverage by Age – Miscellaneous

Age	Single	2-Party	Family	Total
Under 50	-	1	-	1
50-54	2	3	4	9
55-59	12	19	9	40
60-64	43	67	12	122
65-69	63	68	11	142
70-74	73	66	5	144
75-79	76	65	3	144
80-84	59	22	-	81
85 & Over	44	24	-	68
Total	372	335	44	751
Average Age	74.5	71.2	64.0	72.4



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DATA SUMMARY

Retirees Medical Coverage by Age – Police

Age	Single	2-Party	Family	Total
Under 50	3	1	6	10
50-54	-	1	7	8
55-59	3	1	6	10
60-64	9	6	9	24
65-69	3	13	5	21
70-74	10	6	-	16
75-79	3	7	-	10
80-84	3	4	-	7
85 & Over	4	3	-	7
Total	38	42	33	113
Average Age	68.1	70.5	57.5	65.9



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DATA SUMMARY

Retirees Medical Coverage by Age – Fire

Age	Single	2-Party	Family	Total
Under 50	-	-	-	-
50-54	-	1	7	8
55-59	6	10	11	27
60-64	7	15	6	28
65-69	3	14	4	21
70-74	5	11	-	16
75-79	7	12	-	19
80-84	17	9	-	26
85 & Over	11	11	-	22
Total	56	83	28	167
Average Age	76.7	71.7	59.0	71.2



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DATA SUMMARY

Retirees Medical Coverage by Age – Total

Age	Single	2-Party	Family	Total
Under 50	3	2	6	11
50-54	2	5	18	25
55-59	21	30	26	77
60-64	59	88	27	174
65-69	69	95	20	184
70-74	88	83	5	176
75-79	86	84	3	173
80-84	79	35	-	114
85 & Over	59	38	-	97
Total	466	460	105	1,031
Average Age	74.3	71.2	60.6	71.5



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DATA SUMMARY

Actives by Age and Service – Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	8	4	-	-	-	-	-	12
25-29	21	26	4	-	-	-	-	51
30-34	18	49	37	1	-	-	-	105
35-39	15	21	30	16	3	-	-	85
40-44	7	23	35	22	10	10	1	108
45-49	8	14	23	19	19	21	1	105
50-54	2	12	18	13	13	19	13	90
55-59	1	13	14	16	13	22	10	89
60-64	5	5	9	10	10	10	15	64
≥ 65	2	2	4	3	8	6	4	29
Total	87	169	174	100	76	88	44	738



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DATA SUMMARY

Actives by Age and Service – Police

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	1	-	-	-	-	-	1
25-29	1	8	1	-	-	-	-	10
30-34	-	7	5	-	-	-	-	12
35-39	1	1	6	2	2	-	-	12
40-44	1	1	2	8	4	-	-	16
45-49	-	-	1	2	1	7	1	12
50-54	-	-	-	1	1	2	1	5
55-59	-	-	1	-	-	-	1	2
60-64	-	-	1	-	-	1	-	2
≥ 65	-	-	-	-	-	-	-	-
Total	3	18	17	13	8	10	3	72



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DATA SUMMARY

Actives by Age and Service – Fire

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	1	2	-	-	-	-	-	3
25-29	9	11	-	-	-	-	-	20
30-34	2	7	3	-	-	-	-	12
35-39	2	1	4	5	1	-	-	13
40-44	-	-	1	4	6	1	-	12
45-49	-	-	2	2	3	1	-	8
50-54	-	-	-	2	3	10	5	20
55-59	-	-	-	-	1	1	1	3
60-64	-	-	-	-	-	1	-	1
≥ 65	-	-	-	-	-	-	-	-
Total	14	21	10	13	14	14	6	92



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DATA SUMMARY

Actives by Age and Service – Total

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	9	7	-	-	-	-	-	16
25-29	31	45	5	-	-	-	-	81
30-34	20	63	45	1	-	-	-	129
35-39	18	23	40	23	6	-	-	110
40-44	8	24	38	34	20	11	1	136
45-49	8	14	26	23	23	29	2	125
50-54	2	12	18	16	17	31	19	115
55-59	1	13	15	16	14	23	12	94
60-64	5	5	10	10	10	12	15	67
≥ 65	2	2	4	3	8	6	4	29
Total	104	208	201	126	98	112	53	902



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation	June 30, 2023 Valuation																																										
■ Retirement	<p>■ CalPERS 2000-2019 Experience Study- Expected retirement age for each tier</p> <table> <tr> <th></th><th>Misc</th><th>Fire & Police</th></tr> <tr> <td>Tier 1</td><td>2.7%@55</td><td>3%@50</td></tr> <tr> <td>Exp. RetAge</td><td>60.7</td><td>56.4 & 54.0</td></tr> <tr> <td>Tier 2</td><td>2%@60</td><td>3%@55</td></tr> <tr> <td>Exp. RetAge</td><td>63.0</td><td>57.7 & 56.4</td></tr> <tr> <td>PEPRA</td><td>2.5%@67</td><td>2.7%@57</td></tr> <tr> <td>Exp. RetAge</td><td>62.4</td><td>57.1 & 56.7</td></tr> </table>		Misc	Fire & Police	Tier 1	2.7%@55	3%@50	Exp. RetAge	60.7	56.4 & 54.0	Tier 2	2%@60	3%@55	Exp. RetAge	63.0	57.7 & 56.4	PEPRA	2.5%@67	2.7%@57	Exp. RetAge	62.4	57.1 & 56.7	<p>■ CalPERS 2000-2019 Experience Study - Expected retirement age for each tier</p> <table> <tr> <th></th><th>Misc</th><th>Fire & Police</th></tr> <tr> <td>Tier 1</td><td>2.7%@55</td><td>3%@50</td></tr> <tr> <td>Exp. RetAge</td><td>61.2</td><td>56.1 & 53.9</td></tr> <tr> <td>Tier 2</td><td>2%@60</td><td>3%@55</td></tr> <tr> <td>Exp. RetAge</td><td>63.1</td><td>57.7 & 57.2</td></tr> <tr> <td>PEPRA</td><td>2.5%@67</td><td>2.7%@57</td></tr> <tr> <td>Exp. RetAge</td><td>62.5</td><td>57.2 & 56.5</td></tr> </table>		Misc	Fire & Police	Tier 1	2.7%@55	3%@50	Exp. RetAge	61.2	56.1 & 53.9	Tier 2	2%@60	3%@55	Exp. RetAge	63.1	57.7 & 57.2	PEPRA	2.5%@67	2.7%@57	Exp. RetAge	62.5	57.2 & 56.5
	Misc	Fire & Police																																										
Tier 1	2.7%@55	3%@50																																										
Exp. RetAge	60.7	56.4 & 54.0																																										
Tier 2	2%@60	3%@55																																										
Exp. RetAge	63.0	57.7 & 56.4																																										
PEPRA	2.5%@67	2.7%@57																																										
Exp. RetAge	62.4	57.1 & 56.7																																										
	Misc	Fire & Police																																										
Tier 1	2.7%@55	3%@50																																										
Exp. RetAge	61.2	56.1 & 53.9																																										
Tier 2	2%@60	3%@55																																										
Exp. RetAge	63.1	57.7 & 57.2																																										
PEPRA	2.5%@67	2.7%@57																																										
Exp. RetAge	62.5	57.2 & 56.5																																										
■ Spousal Coverage at Retirement	<p>■ 70% of covered retirees are assumed to cover spouses</p> <p>■ Based on Plan experience</p>	■ Same																																										
■ Waived Retiree Re-election	■ 0%	■ Same																																										



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation				June 30, 2023 Valuation			
■ Medical Trend	<u>Increase from Prior Year</u>				<u>Increase from Prior Year</u>			
	Calendar Year	Pre-Medicare	Post-Medicare Other	Post-Medicare Kaiser	Year	Pre-Medicare	Post-Medicare Other	Post-Medicare Kaiser
	2019-20		n/a		2021		n/a	
	2021	Actual Premiums			2022	n/a		
	2022	Actual Premiums			2023	Actual Premiums		
	2023	6.50%	5.65%	4.60%	2024	Actual Premiums		
	2024	6.25%	5.45%	4.45%	2025	8.50%	7.50%	6.25%
	2025	6.00%	5.25%	4.60%	2026	7.90%	6.90%	5.65%
	2026	5.75%	5.05%	4.45%	2027	7.35%	6.50%	5.45%
	2027	5.55%	4.90%	4.35%	2028	6.75%	6.10%	5.25%
	2028	5.35%	4.75%	4.25%	2029	6.20%	5.70%	5.05%
	2029	5.15%	4.60%	4.20%	2030	5.60%	5.25%	4.85%
	2030	4.95%	4.45%	4.05%	2031	5.05%	4.85%	4.65%
	2031-35	4.80%	4.35%	4.00%	2032-38	4.45%	4.45%	4.45%
	2036-45	4.65%	4.25%	3.95%	2039-40	4.35%	4.35%	4.35%
	2046-55	4.50%	4.20%	3.90%	2041	4.30%	4.30%	4.30%
	2056-65	4.35%	4.15%	3.85%	↓	↓	↓	↓
	2066-75	4.05%	3.95%	3.80%	2076+	3.45%	3.45%	3.45%
	2076+	3.75%	3.75%	3.75%				



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation			June 30, 2023 Valuation		
■ Medical Plan at Retirement & Retirees Attaining age 65	■ Miscellaneous:	<65	65+	■ Miscellaneous:	<65	65+
	Anthem Traditional	10%	5%	Anthem Traditional	10%	5%
	Blue Shield Access+	5%	0%	Blue Shield Access+	5%	0%
	Kaiser	50%	30%	Kaiser	45%	30%
	PERS Choice	30%	20%	PERS Gold	5%	0%
	PERSCare	5%	25%	PERS Platinum	35%	45%
	UnitedHealthcare	0%	20%	UnitedHealthcare	0%	20%
	■ Safety:	<65	65+	■ Safety:	<65	65+
	Anthem Traditional	10%	5%	Anthem Traditional	5%	5%
	Blue Shield Access+	5%	0%	Blue Shield Access+	5%	0%
	Kaiser	40%	25%	Kaiser	30%	25%
	PERS Choice	0%	15%	PERS Gold	0%	0%
	PERSCare	10%	35%	PERS Platinum	15%	45%
	PORAC	35%	10%	PORAC	45%	15%
	UnitedHealthcare	0%	10%	UnitedHealthcare	0%	10%
	■ Based on Plan experience			■ Based on Plan experience		



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation		June 30, 2023 Valuation	
■ Family Coverage at Retirement (for future retirees)	■ Misc: 15% until age 65 5% age 65-75 ■ Safety: 50% until age 65 5% age 65-80 ■ Based on Plan experience		■ Same	
■ Spouse Age	■ Actives – Males 3 years older than females ■ Retirees – Males 3 years older than females if spouse birth date not available		■ Same	
■ Surviving Spouse Participation	■ 100%		■ Same	



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Medicare Eligibility	<ul style="list-style-type: none"> ■ Actives and retirees hired before 4/1/86: <ul style="list-style-type: none"> • Miscellaneous – 80% • Safety – 90% ■ Actives and retirees hired on or after 4/1/86: 100% ■ Retirees before 65 with unknown hire date: 90% ■ Everyone eligible for Medicare will elect Part B coverage 	■ Same
■ Future New Participants	■ None – Closed Group	■ Same
■ Retirees Missing Fund	■ No retirees missing Fund information.	■ Same



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation	June 30, 2023 Valuation
■ Retirees Missing Department	<ul style="list-style-type: none"> ■ Assumed to have the same department as the prior valuation ■ Liability for retirees assumed to be 75% GF allocated proportionately across all Departments 	■ Same
■ Actuarial Models	■ Our valuation was performed using and relying on ProVal, an actuarial model leased from Wintech. Our use of ProVal is consistent with its intended purpose. We have reviewed and understand ProVal and its operation, sensitivities and dependencies.	
■ Data Quality	■ Our valuation used census data provided by the City and CalPERS OPEB data extract. We reviewed the data for reasonableness and resolved any questions with the City. We believe the resulting data can be relied on for all purposes of this valuation without limitation.	



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ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2021 Valuation				June 30, 2023 Valuation		
■ Sample Medical Claims Costs 2024	■ Sample estimated monthly claims costs:						
	Region 1 – Non-Medicare Eligible						
		Kaiser		PERS Platinum		PORAC	
	Age	M	F	M	F	M	F
	55	\$1,094	\$1,196	\$1,197	\$1,307	\$1,083	\$1,184
	60	1,376	1,386	1,503	1,513	1,364	1,373
	65	1,704	1,633	1,858	1,780	1,691	1,619
	70	1,917	1,829	2,058	1,964	1,952	1,861
	75	2,158	2,053	2,292	2,181	2,235	2,125
	80	2,487	2,347	2,640	2,492	2,578	2,432
	85	2,790	2,634	2,959	2,795	2,893	2,731
	Region 1 – Medicare Eligible						
		Kaiser		PERS Platinum		PORAC	
	Age	M	F	M	F	M	F
	65	n/a	n/a	\$447	\$428	\$408	\$391
	70	n/a	n/a	484	463	442	423
	75	n/a	n/a	516	495	471	452
	80	n/a	n/a	532	514	486	469
	85	n/a	n/a	526	512	480	468



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ADDITIONAL ACTUARIAL ASSUMPTIONS

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RESULTS BY FUND

Actuarial Obligations – June 30, 2023 – 6.25% Discount Rate

(Amounts in 000's)

FUND	AAL	Assets ⁵²	UAAL
■ Airport	\$ 443	\$ 250	\$ 193
■ CIP	4,957	2,797	2,160
■ Elec ⁵³	31,933	18,019	13,914
■ Gas ⁵³	12,636	7,130	5,506
■ GF	178,807	100,893	77,914
■ ISF – Technology	6,254	3,529	2,725
■ ISF – Vehicle	2,214	1,249	965
■ ISF – Printing & Mailing	125	70	55
■ ISF – Workers Comp	115	65	50
■ PARKING	656	371	285
■ Refuse	5,246	2,960	2,286
■ Storm Drain	2,344	1,324	1,020
■ Water ⁵³	10,435	5,890	4,545
■ WWC ⁵³	3,028	1,708	1,320
■ WWT	17,379	9,806	7,573
■ Total	276,572	156,061	120,511

⁵² Assets allocated in proportion to AAL.

⁵³ AAL for UTL employees allocated to Elec, Gas, Water, and WWC in proportion to each Fund's AAL.



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RESULTS BY FUND

Actuarially Determined Contribution (ADC) – 6.25% Discount Rate

(Amounts in 000's)

FUND	2024/25	2025/26
■ Airport	\$ 61	\$ 63
■ CIP	440	452
■ Elec ⁵³	1,764	1,811
■ Gas ⁵³	781	802
■ GF	10,325	10,600
■ ISF – Technology	442	453
■ ISF – Vehicle	148	152
■ ISF – Printing & Mailing	11	11
■ ISF – Workers Comp	16	17
■ PARKING	76	77
■ Refuse	242	248
■ Storm Drain	172	177
■ Water ⁵³	616	631
■ WWC ⁵³	100	103
■ WWT	1,222	1,254
■ Total	16,416	16,851



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RESULTS BY GF DEPARTMENT

Actuarial Obligations – June 30, 2023 – 6.25% Discount Rate

(Amounts in 000's)

GF Department	AAL	Assets ⁵⁴	UAAL
■ ASD	\$ 9,447	\$ 5,331	\$ 4,116
■ ATT	2,674	1,509	1,166
■ AUD	141	79	61
■ CLK	713	402	311
■ COU	1,257	709	548
■ CSD	16,738	9,445	7,293
■ DSD	5,734	3,236	2,498
■ FIR	50,675	28,590	22,083
■ HRD	2,727	1,539	1,188
■ LIB	6,637	3,746	2,892
■ MGR	2,772	1,564	1,208
■ PLA	6,764	3,817	2,947
■ POL	55,075	31,078	23,998
■ PWD	17,453	9,848	7,605
■ Total	178,807	100,893	77,914

⁵⁴ Assets allocated in proportion to AAL.



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RESULTS BY GF DEPARTMENT

Actuarially Determined Contribution (ADC) – 6.25% Discount Rate

(Amounts in 000's)

GF Department	2024/25	2025/26
■ ASD	\$ 584	\$ 599
■ ATT	157	162
■ AUD	4	4
■ CLK	36	37
■ COU	69	71
■ CSD	1,059	1,086
■ DSD	478	491
■ FIR	2,588	2,657
■ HRD	157	161
■ LIB	492	505
■ MGR	186	191
■ PLA	420	431
■ POL	3,175	3,260
■ PWD	920	945
■ Total	10,325	10,600



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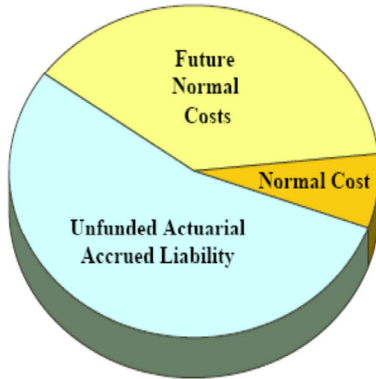
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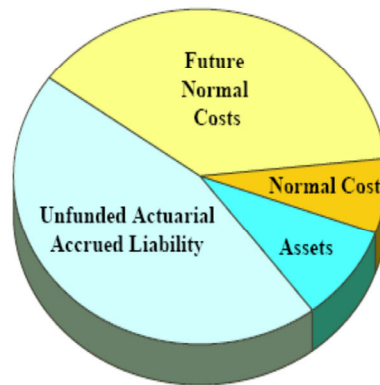
DEFINITIONS

Present Value of Benefits

**Present Value of Benefits
(Without Plan Assets)**



**Present Value of Benefits
(With Plan Assets)**



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DEFINITIONS

- | | |
|--|---|
| <p>■ Actuarially Determined Contribution (ADC)</p> | <p>■ Contribution for the current period including:</p> <ul style="list-style-type: none"> • Normal Cost • Administrative expenses • Amortization of: <ul style="list-style-type: none"> □ Initial Unfunded AAL □ AAL for plan, assumption, and method changes □ Experience gains/losses (difference between expected and actual) □ Contribution gains/losses (difference between ADC and actual) |
|--|---|



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