

City of Palm Springs Other Post Employment Benefit Plan

**Governmental Accounting Standards Board
(GASB) Statement 75**

**Fiscal Year End: June 30, 2023
Measurement Date: June 30, 2022
Actuarial Valuation Date: June 30, 2022**

Published: November 20, 2023



November 20, 2023

Kristopher Mooney
Director of Finance & Treasurer
City of Palm Springs
3200 E. Tahquitz Canyon Way
Palm Springs, CA 92263

Re: GASB 75 Disclosure Report as of FYE June 30, 2023

Dear Mr. Mooney,

We present the FY23 GASB 75 report for the City of Palm Springs (the "City") Retiree Medical Plan. This report uses a July 1, 2021 to June 30, 2022 measurement period.

These results are based on census, asset data, and plan provision information supplied by the City. We have reviewed this information for completeness and consistency, but have not audited the information. Actuarial assumptions used are based on industry studies (e.g., CalPERS mortality, withdrawal, retirement, and morbidity). Economic and demographic assumptions are aligned with the City's pension GASB 68 valuation and disclosures, where appropriate.

Actuarial Consulting Group LLC (ACG) worked with the City to develop the assumptions used to calculate the results reported herein. ACG does not have any relationship with the City that would impair, or appear to impair, the objectivity of the work detailed in this report. We believe the assumptions and methods used by the City are reasonable for purposes of GASB 75 reporting and compliant with relevant GASB and AICPA guidance and American Academy of Actuaries standards of practice. Alternative assumptions are likely appropriate for other purposes, such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report was prepared by Gary E. Cline, an Associate of the Society of Actuaries, Fellow of the Conference of Consulting Actuaries, and a Member of the American Academy of Actuaries. Gary meets the Qualification Standards of the American Academy of Actuaries in order for rendering the actuarial opinions herein.

We would be happy to discuss these results at your earliest convenience.

Sincerely,



Gary E. Cline, ASA, MAAA, FCA, EA
Partner and Consulting Actuary

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Section I Executive Summary

A) OPEB Plan Overview

Cash Flow Overview of the Plan

The table below shows the cash flow demand statistic that help understand the liquidity risks associated with the Plan. Based on the level of assets, current benefit payments over the next 10 years, and the length of the benefit payment stream duration, the plan has high liquidity risk.

	June 30, 2023
Present Value of Future Benefits	\$139,834,075
Plan Fiduciary Net Position	\$0
Employers Share of Benefit Costs ⁽¹⁾	\$4,199,577
Expected Benefit Payments Next Year ⁽²⁾	\$4,549,245
Benefit Payment Stream Duration ⁽²⁾	18.20
20-Year Average Benefit Payment ⁽²⁾	\$6,492,902

(1) Explicit and Implicit benefits paid on behalf of retirees

(2) These values are estimates based on the current valuation projected benefit payment stream

The Present Value of Future Benefits is the sum of all expected future OPEB payments by the City discounted with interest at a rate of 4.09% to June 30, 2022, the measurement date. We estimate the City will pay \$114,698,907 over the next 18.20 years to cover half of the present value of all future benefits for current active employees and retirees.

GASB Accounting Overview of the Plan

The table below shows the level of Aggregate OPEB Expense/(Income) relative to the Service Cost, which is the cost of benefits earned during the year, a representation of the expectation of stability in the current OPEB Expense/(Income). Based on the level of assets relative to the Total OPEB Liability, the current year OPEB Expense is low relative to future expectations.

	June 30, 2023
Total OPEB Liability	\$120,503,280
Plan Fiduciary Net Position	\$0
Service Cost	\$2,828,136
Aggregate OPEB Expense	\$(431,606)

The Total OPEB Liability is the portion of the Present Value of Future Benefits that the City must recognize on their balance sheet as required by GASB 75. The Normal Cost (aka Service Cost) is the portion of the Present Value of Future Benefits that can be attributed to benefits earned during the measurement period. The Aggregate OPEB Expense is the GASB measurement for changes in the OPEB's plan Net Position, without the influence of the City's contributions to the plan.

Section I Executive Summary

B) Fiscal Year End 2023 Summary

Fiscal Year	2023	2022
Disclosure Elements Measured as of June 30:	2022	2021
<u>Present Value of Future Benefits (PVFB)</u>		
Active	\$ 44,260,267	\$ 84,267,706
Retiree	<u>95,573,808</u>	<u>87,933,899</u>
Total	\$ 139,834,075	\$ 172,201,605
<u>Total OPEB Liability (TOL)</u>		
Active	\$ 24,929,472	\$ 54,427,314
Retiree	<u>95,573,808</u>	<u>87,933,899</u>
Total	\$ 120,503,280	\$ 142,361,213
Plan Fiduciary Net Position (i.e., Fair Value of Assets)	\$ <u>0</u>	\$ <u>0</u>
Net OPEB Liability (NOL)	\$ 120,503,280	\$ 142,361,213
Plan Fiduciary Net Position as a percentage of the TOL	0%	0%
Total Covered Payroll	\$42,359,521	\$46,594,259
NOL as a Percentage of Covered Employee Payroll	284.5%	305.5%
Aggregate OPEB Expense	\$(431,606)	\$3,665,642
Actual Benefit Payments (Cash Cost of the Plan)	\$4,199,577	\$4,281,159
Census Data Measured as of June 30⁽¹⁾:		
Active Participants	479	442
Retired Participants and Beneficiaries	266	259
Inactive Participants with Deferred Benefits	<u>250</u>	<u>351</u>
Total Participants	995	1,052
Key Assumptions as of the Measurement Date:		
Discount Rate	4.09%	2.18%
<u>Initial Health Care Trend Rates</u>		
Basic (Pre-65)	7.00%	5.80%
Medicare (Post-65)	5.00%	5.80%
Ultimate rate	4.50%	3.90%
Year Ultimate Rate is Reached	2049	2076
CalPERS PEMHCA Minimum Trend Rate	4.00%	4.00%

(1) See Section IV for additional details on the census of participants.

The PVFB and TOL decreased substantially due to the increase in the discount rate. Although this doesn't impact annual benefit payments (cashflow), it does decrease annual accounting expense as the gain is recognized over an 8-year amortization period.

Turnover caused a shift in the TOL from active to retired employees as experienced employees have a higher liability than new hires. Inactive participants with deferred benefits are retirees that waived coverage. We assume they will continue to waive indefinitely and are excluded from valuation liabilities.

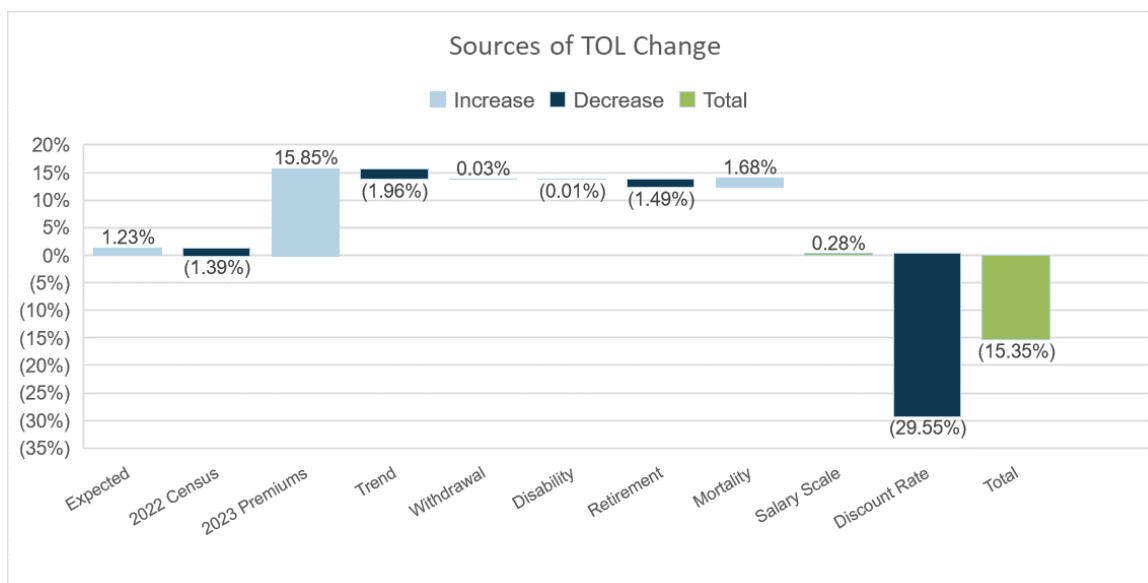
Section I Executive Summary

C) Changes in the Total OPEB Liability (TOL)

The Total OPEB Liability decreased \$21,857,933, from \$142,361,213 as of June 30, 2021 to \$120,503,280 as of June 30, 2022 primarily due to the rise in discount rate offset by actual 2023 premium increases. All of the sources of the TOL gain/loss are shown in the table below (*in thousands*):

Changes in the Actuarial Accrued Liability:	Amount	Percent
Liability Experience		
Expected Benefits Earned, Benefit Payments and Interest	\$ 1,748	1.23%
Actual Demographic and Other Experience	<u>(1,982)</u>	<u>(1.39%)</u>
Total Liability Experience	\$ (234)	0.16%
Changes in Assumptions		
2023 Actual Medical Premiums (per capita claims cost)	\$22,565	15.85%
Updated Healthcare Trend Rates ¹	(2,794)	(1.96%)
New Withdrawal Rates ¹	36	0.03%
New Disablement Rates ¹	(14)	(0.01%)
New Retirement Rates ¹	(2,123)	(1.49%)
New Retirement Rates ¹	2,386	1.68%
2.80% Salary Scale ¹	394	0.28%
3.86% Discount Rate ¹	<u>(42,074)</u>	<u>(29.55%)</u>
Total Changes in Assumptions	\$ (21,624)	(15.19%)
Changes in Benefit Terms		
Amendments	\$ 0	0.00%
Total Benefit Terms Change	\$ 0	0.00%
Total Change in the Actuarial Accrued Liability:		
Liability Experience	\$ (234)	(0.16%)
Changes in Assumptions	(21,624)	(15.19%)
Changes in Benefit Terms	<u>0</u>	<u>0.00%</u>
Total	\$ (21,858)	(15.35%)

1) Sources: 2022 Segal Health Trend Survey, 2019 CalPERS Experience Study, and S&P Muni Bond 20-yr Index



Section I Executive Summary

D) Liability Breakdown

Breakdown of explicit and implicit liabilities before and after Medicare eligibility age:

Measurement Date June 30, 2022	Explicit	Implicit	Total
<u>Present Value of Future Benefits</u>			
Active			
Pre-65	\$ 4,180,594	\$ 21,149,567	\$ 25,330,161
Post-65	<u>14,982,481</u>	<u>3,947,625</u>	<u>18,930,106</u>
Total	\$ 19,163,075	\$ 25,097,192	\$ 44,260,267
Retiree			
Pre-65	\$ 10,151,767	\$ 5,427,932	\$ 15,579,699
Post-65	<u>59,504,529</u>	<u>20,489,580</u>	<u>79,994,109</u>
Total	\$ 69,656,296	\$ 25,917,512	\$ 95,573,808
Total	\$ 88,819,371	\$ 51,014,704	\$ 139,834,075
<u>Total OPEB Liability (TOL)</u>			
Active			
Pre-65	\$ 3,102,913	\$ 10,261,821	\$ 13,364,734
Post-65	<u>9,655,658</u>	<u>1,909,080</u>	<u>11,564,738</u>
Total	\$ 12,758,571	\$ 12,170,901	\$ 24,929,472
Retiree			
Pre-65	\$ 10,151,767	\$ 5,427,932	\$ 15,579,699
Post-65	<u>59,504,529</u>	<u>20,489,580</u>	<u>79,994,109</u>
Total	\$ 69,656,296	\$ 25,917,512	\$ 95,573,808
Total	\$ 82,414,867	\$ 38,088,413	\$ 120,503,280
Preliminary FY24 Service Cost	\$ 688,596	\$ 1,015,915	\$ 1,704,511

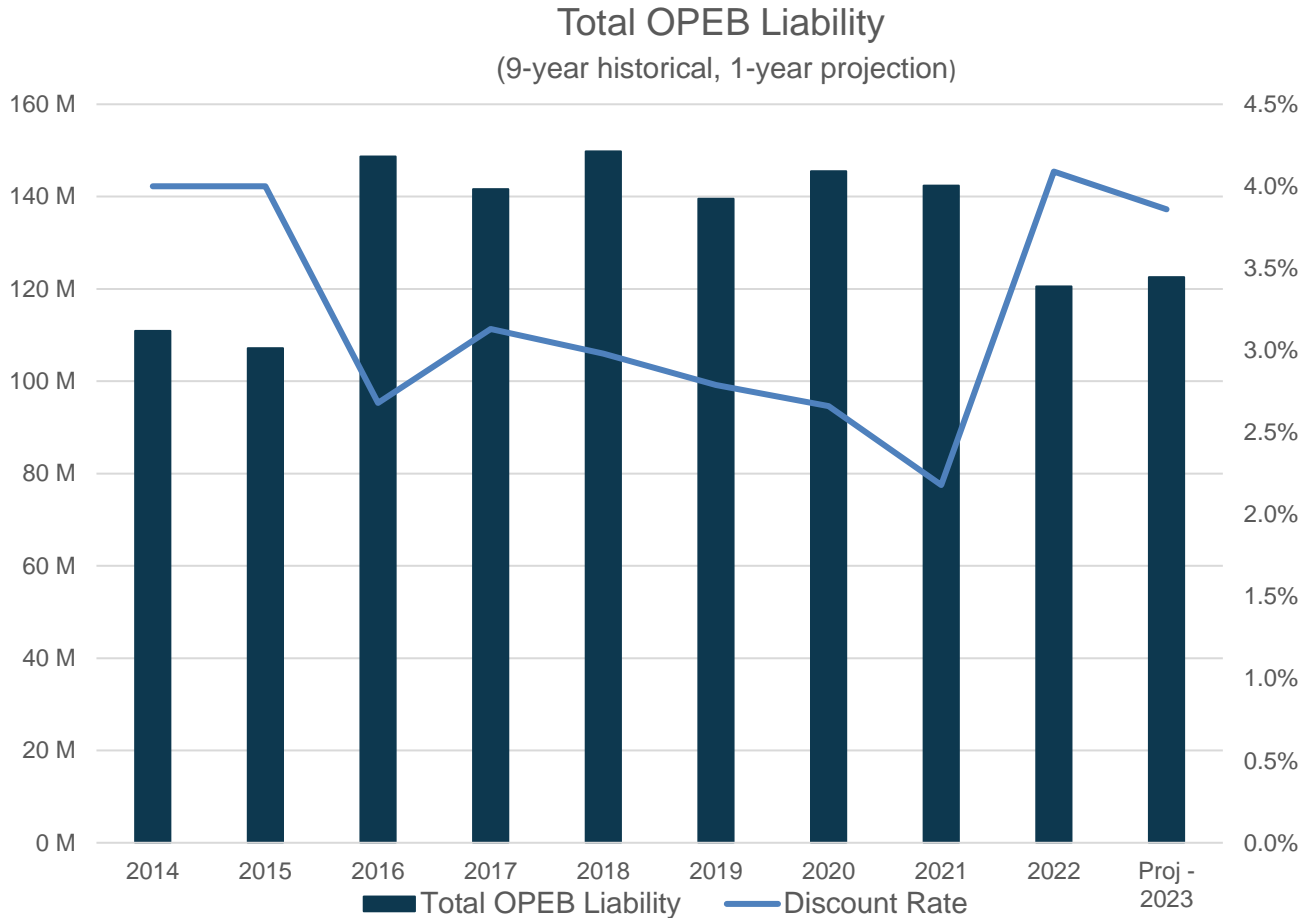
In this table we present the Active and Retiree Total OPEB Liability for each business unit:

TOL by Business Unit	Active	Retired	Total OPEB Liability	% of Total
Division				
Airport	\$ 2,893,251	\$ 4,563,306	\$ 7,456,557	6.19%
Safety	15,358,790	70,314,905	85,673,695	71.10%
Motor Vehicle	414,806	646,167	1,060,973	0.88%
Facilities Maintenance	533,703	835,779	1,369,482	1.14%
General	2,020,472	0	2,020,472	1.68%
Library	815,667	0	815,667	0.68%
Parks & Recreation	1,755,851	200,191	1,956,042	1.62%
Public Works	1,136,932	0	1,136,932	0.94%
Other	<u>0</u>	<u>19,013,460</u>	<u>19,013,460</u>	<u>15.78%</u>
Total OPEB Liability	\$ 24,929,472	\$ 95,573,808	\$ 120,503,280	100.00%

Section I Executive Summary

E) Total OPEB Liability History

The graph below illustrates the funded status of the plan for the past 9 years, including a projection for the funded status at the end of the next fiscal year:



Full actuarial valuations, where a new census is collected and assumptions are reviewed and updated, were performed in 2015, 2017, 2019, 2021, and 2022. During interim valuation years (2014, 2016, 2018, and 2020), liabilities were rolled forward using actuarial update procedures.

Generally, interim valuations of unfunded OPEB plans do not have actuarial gain/loss except for changes in the assumptions. Since GASB 75 requires the discount rate for unfunded plans to be based on high grade 20-year municipal general obligation (GO) bonds, the discount rate is the one assumption that is likely to change every year. The three most common municipal GO indices are published by Bond-Buyer, Fidelity, and S&P. The City has utilized the S&P Municipal Bond 20-Year High Grade Index since 2017 when GASB 75 was adopted.

GASB 75 replaced GASB 45 in 2017. Under GASB 45, the City was required to base the discount rate on the City’s expected internal (i.e., General Fund) rate of return, which was 4.00% in 2014 and 2015.

See pages 9 and 10 for an in-depth discussion of the discount rate and other key assumptions used in this valuation.

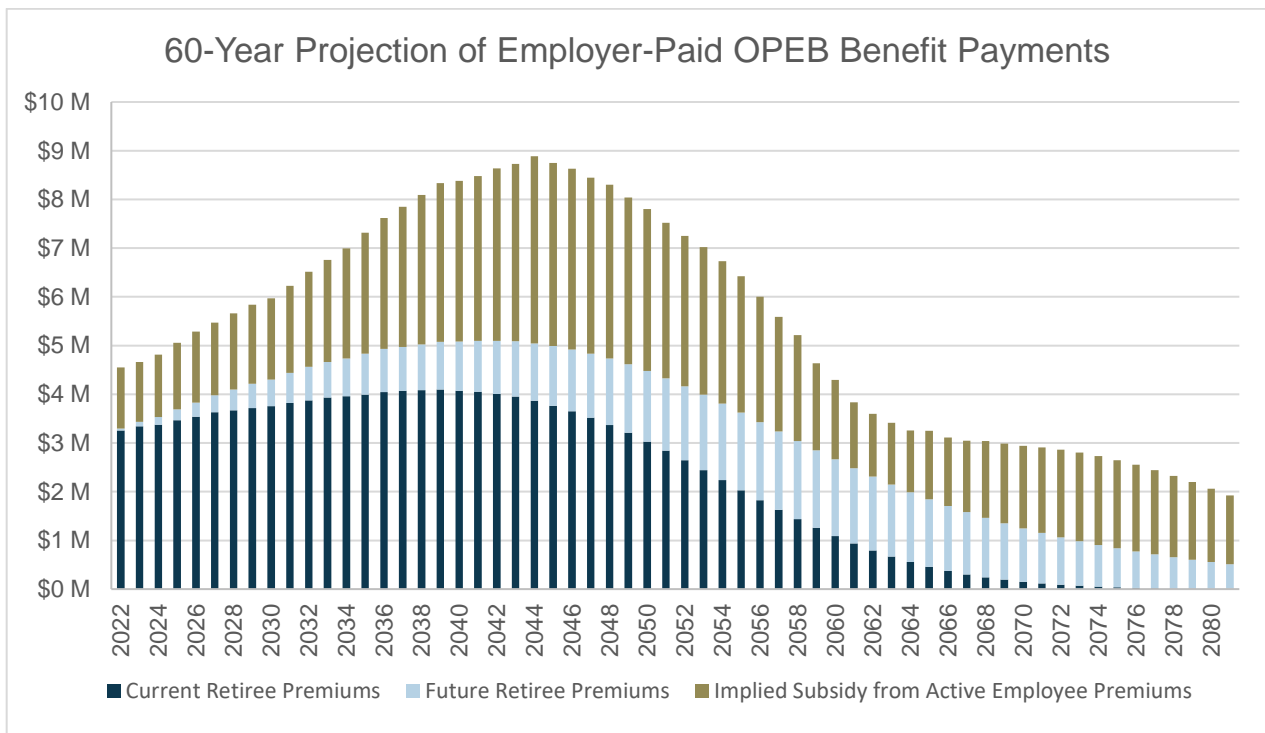
Section I Executive Summary

F) 10-Year Projection of Benefit Payments

In the table below we show the projected benefit payments that will be made on the behalf of current retirees (as of the valuation date) and future retirees (current active employees expected to retire after the valuation date). The explicit subsidy is the City's share of medical premiums and the implicit subsidy is the portion of active employee premiums subsidizing retiree premiums.

10-Year Projection of Annual Employer-Paid OPEB Plan Benefit Payments							
Plan Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Grand Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2023	\$3,256,368	\$42,348	\$3,298,716	\$10,995	\$1,239,534	\$1,250,529	\$4,549,245
2024	3,339,714	96,179	3,435,893	38,114	1,188,677	1,226,791	4,662,684
2025	3,373,677	157,732	3,531,409	79,143	1,200,870	1,280,013	4,811,422
2026	3,468,606	220,172	3,688,778	102,524	1,264,861	1,367,385	5,056,163
2027	3,542,304	284,316	3,826,620	169,046	1,290,792	1,459,838	5,286,458
2028	3,630,767	348,321	3,979,088	242,630	1,246,106	1,488,736	5,467,824
2029	3,673,706	423,533	4,097,239	286,127	1,277,581	1,563,708	5,660,947
2030	3,715,753	498,907	4,214,660	396,701	1,227,242	1,623,943	5,838,603
2031	3,754,507	549,335	4,303,842	442,141	1,220,899	1,663,040	5,966,882
2032	3,824,423	612,202	4,436,625	560,691	1,229,343	1,790,034	6,226,659

The projections do not include any benefit to be paid on behalf of current active employees prior to retirement (other than the implied subsidy), nor do they include any benefits for future new hires after the valuation date.



GASB requires this valuation exclude employees hired after the valuation date. Under this scenario, benefit payments are projected to decline to zero in 93 years. The City amended the plan during 2005-2007 to provide lower benefits to new hires. The result is lower projected payments even if new hires were included in the valuation.

Section II GASB 75 Disclosures

A) Changes in the Net OPEB Liability

Fiscal Year	2023	2022
Disclosure Elements Measured as of June 30:	2022	2021
Total OPEB Liability		
Service cost	\$2,828,136	\$3,220,216
Interest	3,119,598	3,889,600
Benefit Payments	(4,199,577)	(4,281,158)
Differences between Expected and Actual Experience	(1,982,014)	(10,408,386)
Changes in Assumptions	(21,624,076)	4,409,062
Change in Benefit Terms	0	0
Net Change in Total OPEB Liability	<u>(\$21,857,933)</u>	<u>(\$3,160,666)</u>
Total OPEB Liability – beginning (a)	\$142,361,213	\$145,521,879
Total OPEB Liability – ending (b)	\$120,503,280	\$142,361,213
Plan Fiduciary Net Position		
Employer Contributions	\$4,199,577	\$4,281,158
Employee Contributions	0	0
Net Investment Income	0	0
Benefit Payments	(4,199,577)	(4,281,158)
Administrative Expense	0	0
Other	0	0
Net Change in Net OPEB Liability	<u>\$0</u>	<u>\$0</u>
Plan Fiduciary Net Position – beginning (c)	\$0	\$0
Plan Fiduciary Net Position – ending (d)	\$0	\$0
Net OPEB Liability		
Net Change in the Net OPEB Liability	(\$21,857,933)	(\$3,160,666)
Net OPEB Liability – beginning (a – c)	\$142,361,213	\$145,521,879
Net OPEB Liability – ending (b – d)	\$120,503,280	\$142,361,213
Plan Sustainability Statistics		
Covered Employee Payroll	\$42,359,521	\$46,594,259
Contributions as a percent of Covered Payroll	9.91%	9.19%
NOL as a Percentage of Covered Employee Payroll	284.48%	305.53%

Section II GASB 75 Disclosures

B) Summary of Changes in the NOL

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Measurement as of June 30 2021:	\$142,361,213	\$ 0	\$142,361,213
Recognized Changes Resulting from:			
Service cost	\$ 2,828,136	\$ 0	\$ 2,828,136
Interest	3,119,598	0	3,119,598
Diff. between Exp. and Act. Experience	(1,982,014)	0	(1,982,014)
Changes in Assumptions	(21,624,076)	0	(21,624,076)
Change in Benefit Terms	0	0	0
Contributions – Employer	0	4,199,577	(4,199,577)
Contributions – Employee	0	0	0
Net Investment Income	0	0	0
Benefit Payments	(4,199,577)	(4,199,577)	0
Administrative Expense	0	0	0
Other	0	0	0
Net Changes	(\$21,857,933)	\$ 0	(\$21,857,933)
Measurement as of June 30, 2022:	\$120,503,280	\$ 0	\$120,503,280

Section II GASB 75 Disclosures

C) Significant Assumptions

Key Demographic Assumptions include rates of retirement, death, disability, termination of employment, percent married, and spouse/dependent age if actual birth dates are unavailable. These assumptions are aligned with those used for the City’s pension actuarial valuations. Other demographic assumptions include health plan election and participation rates. These other demographic assumptions are unique to OPEB and are based on studies of past experience of participants in the City’s OPEB plan.

Key Economic Assumptions include the discount rate, salary increase rate, healthcare cost trend rate, inflation rate, and per capita claims cost. The salary increase rate and inflation rate are also aligned with the City’s pension plan actuarial valuation, while the other assumptions are based on the unique characteristics of the OPEB plan.

Significant Assumptions are those with high risk, which means future experience is difficult to predict and changes in the assumption significantly impact the Total OPEB Liability. By this definition, the three considered to be the most significant assumptions are the discount rate, healthcare cost trend rate, and per capita claims cost.

Discount Rate – Our understanding is that the City is currently financing the plan on a pay-as-you-go bases. As discussed on page 5, unfunded plans base the discount rate on a bond index. In this valuation the discount rate is based on the S&P Municipal Bond 20-year High Grade Index.

Measurement Date	June 30, 2022	June 30, 2021
Discount Rate	4.09%	2.18%
S&P 20-yr Muni Bond 20-Yr High Grade Index	4.09%	2.18%

Per Capita Claims Cost – This represents the cost of medical benefits for a single individual and typically is based on an average of per capita health care claims during a trailing 3-year period. In lieu of claims data, this valuation uses current medical premiums as an estimate of current per capita claims cost. Premiums are not an ideal measure of per capita claims cost for OPEB valuations, since they often have a risk load to hedge against losses during the one-year period the premium covers. An OPEB valuation estimates medical costs over a much longer time horizon and, over time, gains and losses should offset each other, eliminating the need for a 1-year risk load.

Healthcare Cost Trend Rate – This represents the projected annual increase in per capita claims cost (premiums). The initial trend rate in this valuation is based on a survey¹ of providers representing over 80% of the commercially insured and self-insured market. The initial trend rate grades down to an ultimate trend rate of 4.50% over a period of 26 years. See Section VI on page 21 of this report for a complete list of the future trend rates used in this valuation.

See Section I, Exhibit C on page 3 of this report for an analysis of the current year gain/loss associated with the these and other assumptions in this valuation.

On the next page we show the sensitivity of the Total OPEB liability to a 1% change in the Discount Rate and the Trend Rates.

¹ 2022 Segal Health Plan Cost Trend Survey

Section II GASB 75 Disclosures

D) Sensitivity of the Total OPEB Liability

	Total OPEB Liability	Amount	Percent
Discount Rate			
+1.00%	\$104,737,715	(\$15,765,565)	(13.1%)
Base	\$120,503,280		
-1.00%	\$140,187,571	\$19,684,291	16.3%
Healthcare Trend Rate			
+1.00%	\$140,527,620	\$20,024,340	16.6%
Base	\$120,503,280		
-1.00%	\$104,419,912	(\$16,083,368)	(13.3%)

Sensitivity of the Total OPEB Liability to changes in the Discount Rate – The City’s Total OPEB Liability was calculated as if it were using a discount rate 1.00% higher (4.86%) or 1.00% lower (2.86%) than the current discount rate of 3.86%.

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Rate – The City’s Total OPEB Liability was calculated as if it were using a trend rate table that has rates 1.00% higher or 1.00% lower than the current assumed healthcare trend rates.

Section II GASB 75 Disclosures

E) Schedule of OPEB Expense

Measurement Period Ending:	June 30, 2022	June 30, 2021
Components of OPEB Expense:		
Service Cost	\$2,828,136	\$3,220,216
Interest (Exhibit 1)	3,119,598	3,899,600
Projected Earnings on OPEB Plan Investments (Exhibit 1)	0	0
Administrative Expense	0	0
Employee Contributions	0	0
Changes in Benefit Terms	0	0
(1)Diff. between Expected and Actual Experience	(4,268,231)	(4,022,628)
(1)Changes in Assumptions	(2,111,109)	568,454
(1)Diff. between Projected Actual Earnings on Assets	0	0
Aggregate OPEB Expense	<u>(\$431,606)</u>	<u>\$3,665,642</u>

(1) Recognition of Deferred Resources due to these items.

Section II GASB 75 Disclosures

F) Deferred Inflows/Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unrecognized Deferred Resources due to:		
Diff. between Expected and Actual Experience	\$ 0	\$19,497,976
Changes in Assumptions	8,974,414	20,072,131
Net Diff. between Projected and Actual Earnings	0	0
Contributions after the Measurement Date ⁽¹⁾	<u>4,536,682</u>	<u>0</u>
Total	<u>\$13,511,096</u>	<u>\$39,570,107</u>

(1) For the post-measurement date period June 30, 2022 to June 30, 2023

(2) See Exhibit 3 for more detail

Deferred Inflows and Outflows of Resources will be recognized in the Total OPEB Liability through OPEB Expense according to the schedule below:

Fiscal Year End June 30	Recognition of Deferred Outflows/(Inflows) of Resources
2024	(5,772,163)
2025	(4,842,203)
2026	(5,209,279)
2027	(4,832,607)
2028	(3,403,459)
Thereafter	<u>(6,535,982)</u>
Total Deferred Resources	(30,595,693)

Section II GASB 75 Disclosures

H) Reconciliation of the Net Position

Measurement as of:	June 30, 2022	June 30, 2021
Total OPEB Liability (TOL)	\$120,503,280	\$142,361,213
Plan Fiduciary Net Position (PFNP)	<u>0</u>	<u>0</u>
Net OPEB Liability (NOL)	\$120,503,280	\$142,361,213
Deferred Inflow of Resources ⁽¹⁾ due to (CR):		
Diff between Expected and Actual Experience	19,497,976	21,784,193
Changes in Assumptions	20,072,131	2,862,413
Net Diff between Projected and Actual Earnings	0	0
Deferred (Outflow) of Resources due to (DR):		
Diff between Expected and Actual Experience	0	0
Changes in Assumptions	8,974,414	11,277,663
Net Diff between Projected and Actual Earnings	0	0
Contributions after the Measurement Date	<u>4,536,682</u>	<u>4,199,577</u>
Net Position	\$146,562,291	\$151,530,579

(1) When accounting for Inflows and Outflows, Outflows should be debited and Inflows should be credited

Reconciliation of the Net Position	
Net Position at FYE 2022	\$151,530,579
OPEB Expense/(Credit) ⁽¹⁾	(431,606)
Total OPEB Contributions ⁽¹⁾	(4,199,577)
Change in Contributions after the Measurement Date ⁽²⁾	<u>(337,105)</u>
Net Position at FYE 2023	\$146,562,291

(1) For the measurement period 7/1/21 – 6/30/22

(2) The amount by which the FY23 Contributions after the Measurement Date increased or decreased over the FY22 Contributions after the Measurement Date

Breakdown of Post-Measurement Date Contributions	7/1/2022 to 6/30/2023	7/1/2021 to 6/30/2022
Direct Contributions to a Trust	\$ 0	\$ 0
Benefit Payments	3,286,153	3,331,105
Implied Subsidy ⁽¹⁾	1,250,529	868,472
Trust Reimbursements	<u>0</u>	<u>0</u>
Total Contributions after the Measurement Date	\$4,536,682	\$4,199,577

(1) Implied subsidy annual amount for the current year is reported on page 6.

Section III Supporting Exhibits

A) Supporting Calculations (Exhibit 1)

Interest on the Total OPEB Liability

	Amount for Period	Portion of Period	Interest Rate	Interest on the Total OPEB Liability
Beginning Total OPEB Liability	\$142,361,213	100%	2.18%	\$3,103,474
Service Cost	\$2,828,136	100%	2.18%	61,653
Benefit Payments	(\$4,199,577)	50%	2.18%	<u>(45,529)</u>
Total Interest on the TOL				\$3,119,598

Earnings on Plan Fiduciary Net Position

	Amount for Period	Portion of Period	Projected Rate of Return	Projected Earnings
Beginning Plan Fiduciary Net Position	\$ 0	100%	2.18%	\$ 0
Employer Contributions	\$4,199,577	50%	2.18%	45,529
Employee Contributions	\$0	50%	2.18%	0
Benefit Payments	(\$4,199,577)	50%	2.18%	(45,529)
Administrative Expense	(\$0)	50%	2.18%	(0)
Other	\$0	0%	2.18%	<u>0</u>
Earning on Plan Fiduciary Net Position				\$ 0

Section III Supporting Exhibits

B) Historical Contributions (Exhibit 2)

For the Past Fiscal Years¹

FYE June 30	Net OPEB Liability	Actual Employer Contribution	Covered Payroll	Contributions as a % of Payroll ¹	NOL as a % of Payroll
2014	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A
2018	\$141,642,158	\$3,280,004	\$34,929,760	9.39%	405.51%
2019	\$149,759,468	\$3,480,420	\$45,672,020	7.62%	327.90%
2020	\$139,517,316	\$3,698,318	\$46,516,674	7.95%	299.93%
2021	\$145,521,879	\$3,974,609	\$49,907,595	7.96%	291.58%
2022	\$142,361,213	\$4,281,159	\$46,594,259	9.19%	305.53%
2023	\$120,503,280	\$4,199,577	\$42,359,521	9.91%	284.48%

1) This Schedule will be built prospectively until it contains ten years.

Notes to the Schedule of Net OPEB Liability and Related Ratios

Assumption	FYE June 30, 2023	FYE June 30, 2022
Valuation Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry Age Normal, Level % of pay	Entry Age Normal, Level % of pay
General Inflation	2.50	2.50%
Discount Rate	4.09%	2.18%
Salary Increase	2.80%	3.00%
Medical Trend	<u>Pre-Medicare</u> – 6.95% for 2024, decreasing to an ultimate rate of 4.50% in 2049 <u>Post-Medicare</u> – 4.99% for 2024, decreasing to an ultimate rate of 4.50% in 2049	<u>Pre-Medicare</u> – 5.80% for 2023, decreasing to an ultimate rate of 3.90% in 2076 <u>Post-Medicare</u> – 5.80% for 2023, decreasing to an ultimate rate of 3.90% in 2076
Retirement Age	From 50 to 75	From 50 to 75
Mortality	CalPERS 2019 experience study	CalPERS 2017 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021	Mortality projected fully generational with Scale MW-2022

Section III Supporting Exhibits

C) Deferred Inflow/Outflows of Resources (Exhibit 3)

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognized in FY2023	Deferred Balances as of FYE 2023	
					Outflows	Inflows
Difference Between Expected and Actual Plan Experience						
2018	\$ 0	6.650	0.650	\$ 0	\$ 0	\$ 0
2019	0	6.650	1.650	0	0	0
2020	(20,708,241)	7.800	3.800	(2,654,903)	0	(10,088,629)
2021	0	7.800	4.800	0	0	0
2022	(10,408,386)	7.610	5.610	(1,367,725)	0	(7,672,936)
2023	<u>(1,982,014)</u>	8.070	7.070	<u>(245,603)</u>	<u>0</u>	<u>(1,736,411)</u>
Total	\$ (33,098,641)			\$ (4,268,231)	\$ 0	\$ (19,497,976)
Change in Assumptions						
2018	\$ (11,536,388)	6.650	0.650	\$ (1,734,795)	\$ 0	\$ (1,127,618)
2019	3,755,480	6.650	1.650	564,734	931,810	0
2020	6,018,257	7.800	3.800	771,571	2,931,973	0
2021	3,023,024	7.800	4.800	387,567	1,860,323	0
2022	4,409,062	7.610	5.610	579,377	3,250,308	0
2023	<u>(21,624,076)</u>	8.070	7.070	<u>(2,679,563)</u>	<u>0</u>	<u>(18,944,513)</u>
Total	\$ (15,954,641)			\$ (2,211,109)	\$ 8,974,414	\$ (20,072,131)
Net Difference Between Projected and Actual Earnings on Investments						
2019	\$ 0	5.000	0.000	\$ 0	\$ 0	\$ 0
2020	0	5.000	1.000	0	0	0
2021	0	5.000	2.000	0	0	0
2022	0	5.000	3.000	0	0	0
2023	<u>0</u>	5.000	4.000	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 0			\$ 0	\$ 0	\$ 0
Net Diff.					\$ 0	-
Totals	\$ (49,053,282)			\$ (6,379,340)	\$ 8,974,414	\$ (39,570,107)

Section IV Participant Data

A) Summary of Demographic Information

The City provided the census data as of June 30, 2022 that was used in this valuation. The accuracy of the results of this valuation are dependent on the accuracy of the participant data. While the participant data was reviewed for reasonableness, it was not verified through an audit. The participant information received is summarized in this section.

	6/30/2022	6/30/2021
Actives		
Average Age	43.3	43.9
Average Service	9.1	9.7
Total Participants	479	442
Retirees		
Average Age	68.1	71.1
Average Age at Retirement	56.8	56.9
Average Service at Retirement	23.6	n/a
Pre-Medicare Participants (Under 65)	103	120
Post-Medicare Participants (65+)	<u>163</u>	<u>139</u>
Total Participants	266	259
Inactive Participants with Deferred Benefits		
Total Participants	250	351
Covered Dependents of Retirees		
Spouses / Domestic Partners	133	n/a
Children	<u>29</u>	<u>n/a</u>
Total Covered Dependents	162	n/a
Total Plan Membership		
Total Participants	995	1,052
Total Participants and Dependents	1,157	n/a

Section IV Participant Data

B) Participants Distribution Tables

Distribution of participants by age and service:

Age	Retired	Active Participants – Service						Active Totals
	Participants	<5	5-9	10-14	15-19	20-24	25	
<25	0	10	0	0	0	0	0	10
25-29	0	41	7	0	0	0	0	48
30-34	1	34	22	3	0	0	0	59
35-39	0	34	18	15	15	0	0	82
40-44	0	18	18	14	16	6	1	73
45-49	0	21	9	5	15	18	2	70
50-54	7	14	11	4	12	13	5	59
55-59	32	7	7	4	8	8	2	36
60-64	63	9	7	2	9	1	3	31
65-69	64	1	2	0	3	0	1	7
>70	99	0	0	1	1	0	2	4
Total	266	189	101	48	79	46	16	479

Distribution of Participants by Bargaining Unit:

Age	Active	Retired	Total
Elected Official	4	6	10
Exempt	30	38	68
Fire Management	6	20	26
Fire Safety	54	20	74
General	179	66	245
Management	77	57	134
Police Management	10	15	25
Police Safety	119	44	163
Total	479	266	745

Distribution of Participants by Health Plan:

Age	Active	Retired Pre-65	Retired Post-65	Total
Blue Shield Safety PPO	157	84	16	257
Anthem Select Region 3	76	2	2	80
Anthem Traditional Region 3	2	2		4
Blue Shield Access+ Region 3	16	5	1	22
Health Net SmartCare Region 3	5			5
Kaiser Regions 1 and 3	77	2	7	86
PERS Gold Regions 1 and 3	43	11	6	60
PERS Platinum Regions 2 and 3	39	13	65	117
PERS Platinum Out-of-State		5	25	30
PORAC		1		1
UHC Alliance	20	5	3	28
UHC Harmony			11	11
Waived	44		44	163
Total	479	130	136	745

Section V Plan Provisions Summary

A) Plan Description

Retiree Medical Plans Provided and Eligibility

The City's only OPEB provided is medical coverage. Access to coverage and the amount of benefit provided by the City depend on the employment group, date employed, and date retired from the City. Retirees are generally categorized as Tier 1 or Tier 2, as shown in this chart.

Tier 1 Retirees	Retired After	Hired Before
Elected Officials & Exempt	7/1/1999	7/1/2007
Management	7/1/1999	9/7/2005
General	7/1/1999	12/7/2005
Fire Management	7/1/2000	7/1/2006
Fire Safety	1/1/1998	11/1/2006
Police Management	7/1/1998	10/20/2005
Polices Safety	11/1/1997	10/20/2005
Tier 2 Retirees	All those not Tier 1	

Access to coverage depends on employment group:

- All Tier 1 and Tier 2 miscellaneous retirees (including Elected Officials, Exempt, Management and General group members) are covered by plans in the CalPERS medical program as provided under the requirements of the Public Employees' Medical and Hospital Care Act (PEMHCA).
- All Police Safety, Fire Safety, Police Management and Fire Management retirees are eligible to continue cover in the Blue Shield PPO plan for Safety members. However, Tier 2 Police Safety and Tier 2 Fire Safety are not eligible to any City subsidies in retirement.
- Fire Management and Police Management retirees, both Tier 1 and Tier 2, also have access to CalPERS medical plans in retirement.

Retirement from the City under PERS

To be eligible for CalPERS medical coverage in retirement, whether Tier 1 or Tier 2, the employee must retire from the City under PERS and begin receiving their pension within 120 days of terminating employment with the City. Coverage is available for the retiree's lifetime. Surviving spouses may continue coverage for their lifetime. The retiree may enroll in a CalPERS medical plan within 60 days of retirement or during any future open enrollment period.

To be eligible for Safety medical plan coverage in retirement, safety employees must retire from the City under PERS. All safety retirees may continue this cover in retirement, whether or not they receive a direct premium subsidy for the City.¹ Survivors of eligible retirees may continue their coverage after the retiree's death.

Earliest eligibility for service retirement is age 50 and 5 years of service if hired within the CalPERS system before 1/1/13 and age 52 and 5 years of service if hired on or after 1/1/13. Earliest eligibility for disability retirement is any age and 5 years of service.

¹ Tier 2 employees receive month contributions from the City while actively employed, which accumulate in a Retiree Health Savings Plan (RHSP); the month credits vary based on bargaining agreements. These amounts accumulate until retirement and may then be applied toward the cost of retiree health coverage. In accordance with GASB 75, neither the RSHP contributions for active employees nor the RSHP balance are considered liabilities in this valuation.

Section V Plan Provisions Summary

A) Plan Description (continued)

Benefits Provided

The City's contribution toward the cost of medical coverage varies for each retiree based on employment group, date hired, and years of City Service.

Tier 1: The City contributes a percent of the premium as follows:

Group	Retired After	Hired Before	Premium % Paid by City	Duration	Included Parties	Plan
Elected Officials and Exempt	7/1/1999	7/1/2007	50% after 7.5 years 75% after 11.5 years 100% after 15.5 years	The % of premium paid by the City continues for the retiree's lifetime	Retiree & Spouse	CalPERS Medical
Management	7/1/1999	9/7/2005	75% after 20 years 100% after 25 years			
General	7/1/1999	12/7/2005				
Fire Management	7/1/2000	7/1/2006			Retiree & All Eligible Dependents	Blue Shield PPO
Fire Safety	1/1/1998	11/1/2006				
Police Management	7/1/1998	10/20/2005				
Police Safety	11/1/1997	10/20/2005				

Tier 2 – CalPERS Medical Program: The City will contribute the PEMHCA Minimum Employer Contribution (MEC) for the retiree's lifetime and that of his/her eligible covered surviving spouse, if any. The retiree is required to contribute the excess, if any, of the medical premium over the PEMHCA MEC.

PEMCHA MEC	2022	2023	2024
Monthly Rate	\$149	\$151	\$157

Tier 2 – Safety Program: The City provides access to coverage under the program, but does not provide a subsidy to offset premiums paid by covered participants and dependents.

PEMHCA Equal Benefits Rule

PEMHCA requires employers participating provide equal benefits to actives and retirees. The City confirms that it provides additional benefits for active employees through a pre-tax flexible benefit plan and that these benefits need not be provided to retired employees to meet PEMHCA requirements.

Benefits not valued

We have not valued an implied subsidy associated with child coverage due to the low incidence rates of family coverage.

Section V Plan Provisions Summary

A) Plan Description (continued)

Current Premium Rates

The current Region 1 premium rates under the CalPERS Program and the Safety Blue Shield PPO plan are shown below. If different rates apply where the member resides outside of the coverage area to which these rates apply, those rates are reflected in this valuation, but not listed here. The additional CalPERS administration fee is assumed to be separately expensed each year and has not been projected as an OPEB liability in this valuation.

2023 CalPERS Program Region 1 Premiums

Pre-Medicare Premiums	Single	Two Party	Family
Anthem Select	\$737.91	\$1,475.82	\$1,918.57
Anthem Traditional	942.73	1,885.46	2,451.10
Blue Shield Access+	738.29	1,476.58	1,919.55.
Blue Shield Trio**	661.49	1,322.98	1,719.87
Health Net SmartCare	755.29	1,510.58	1,963.75
Kaiser	754.64	1,509.28	1,962.06
PORAC	820.00	1,600.00	2,100.00
PERS Gold	680.37	1,360.74	1,768.96
PERS Platinum	992.59	1,985.18	2,580.73
UnitedHealthcare Alliance	790.46	1,580.92	2,055.20
UnitedHealthcare Harmony	713.55	1,427.10	1,855.23
Medicare Premiums	Single	Two Party	Family
Anthem Select Medicare Preferred	\$413.59	\$827.18	\$1,240.77
Anthem Medicare Preferred	413.59	827.18	1,240.77
Blue Shield Medicare PPO	361.90	723.80	1,085.70
Kaiser Sr. Advantage	283.25	566.50	849.75
PORAC	465.00	1,030.00	1,395.00
PERS Gold	392.71	785.42	1,178.13
PERS Platinum	420.02	840.04	1,260.06
UnitedHealthcare Medicare Advantage Edge	357.70	715.40	1,073.10
UnitedHealthcare Medicare Advantage	299.68	599.36	899.04

2023 Safety Program Premiums

Blue Shield PPO	Single	Two Party	Family
Pre-Medicare Premiums	\$1,139.16	\$2,187.66	\$2,327.15
Post-Medicare Premiums	863.81	1,577.80	1,586.12

Changes in Plan Provisions

The plan has not been amended since the last measurement date.

Section VI Actuarial Methodology

A) Actuarial Assumptions

- Discount Rate 4.09% as of June 30, 2022
2.18% as of June 30, 2021
Based on S&P Municipal Bond 20-year High-Grade Index
- Inflation We assumed 2.50% annual inflation.
- Payroll increases We assumed 2.80% annual pay increases

Calendar Year	Pre-Medicare	Post-Medicare
2023	Actual	Actual
2024	7.00%	5.00%
2025	6.90%	4.98%
2026	6.80%	4.96%
2027	6.70%	4.94%
2028	6.60%	4.92%
2029	6.50%	4.90%
2030	6.40%	4.88%
2031	6.30%	4.86%
2032	6.20%	4.84%
2033	6.10%	4.82%
2034	6.00%	4.80%
2035	5.90%	4.78%
2036	5.80%	4.76%
2037	5.70%	4.74%
2038	5.60%	4.72%
2039	5.50%	4.70%
2040	5.40%	4.68%
2041	5.30%	4.66%
2042	5.20%	4.64%
2043	5.10%	4.62%
2044	5.00%	4.60%
2045	4.90%	4.58%
2046	4.80%	4.56%
2047	4.70%	4.54%
2048	4.60%	4.52%
2049 and later	4.50%	4.50%

- PEMHCA Minimum 4.00% annual inflation
- Percent Married Future retirees are assumed to cover their current spouses.
- Spouse Age Difference We assumed male spouses were on average 3 years older than females
- Inactive with Deferred Benefits Eligible retirees who have not enrolled in a CalPERS medical plan are assumed to not return and elect coverage in the future.

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

- Plan Distribution for Calculating CalPERS Baseline Costs

Plan	Actives	Retirees (Pre-65)	Retirees (Post-65)
Anthem Select	27.34%	4.17%	0.84%
Anthem Traditional	0.72%	4.17%	0.84%
Blue Shield Access+	5.76%	12.50%	
Health Net SmartCare	1.80%		
Kaiser	27.70%	4.17%	5.88%
PERS Gold	15.47%	22.92%	5.04%
PERS Platinum	14.03%	27.08%	54.62%
PORAC		2.08%	
UHC Alliance	6.83%	10.42%	1.68%
UHC Harmony	0.36%		7.56%
PERS Platinum OOS	-	12.50%	23.53%
Total	100%	100%	100%

- Migration

Prior to Medicare eligibility age (Pre-65), actives are assumed to elect a health plan upon retirement based on the current distribution of the total active and retiree population. After Medicare Eligibility (Post-65), actives and retirees are assumed to elect a health plan based on the current retiree population.

- Average Annual per Capita Claims Cost (Baseline Cost)

	CalPERS HMO	CalPERS PPO	Blue Shield PPO
Pre-65	\$8,852	\$9,418	\$13,439
Post-65	\$3,834	\$4,800	\$11,205

- Morbidity Factors

CalPERS 2021 PEMCHA Implicit Subsidy Study

- Population for Curving

CalPERS 2021 PEMCHA Implicit Subsidy Study

- Age-Weighted Claims Cost

Age	CalPERS HMO	CalPERS PPO	Blue Shield PPO
50	\$9,426	\$9,271	\$13,228
55	\$11,633	\$11,125	\$15,873
60	\$14,056	\$13,406	\$19,128
64	\$15,654	\$14,882	\$21,234
65	\$3,834	\$5,223	\$12,192
70	\$3,834	\$4,311	\$10,063
75	\$3,834	\$4,844	\$11,308
80	\$3,834	\$5,326	\$12,432
85	\$3,834	\$5,550	\$12,956

- Medicare Advantage Plans

The claims cost associated with Medicare Advantage Plan premiums is assumed not to be impacted by age.

- Health Plan Participation

We assume all future retirees will participate upon retirement and all current retirees waiving coverage will continue to waive coverage indefinitely.

- Medicare Coverage

We assumed that all future retirees to enroll in Medicare upon becoming eligible.

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

➤ Mortality Rates ⁽¹⁾

The Mortality rates used in this valuation are those described in the 2019 CalPERS Experience Study for actives and retirees.

Mortality Before Retirement

Age	Healthy Miscellaneous		Healthy Police & Fire	
	Male	Female	Male	Female
55	0.2%	0.1%	0.1%	0.1%
60	0.3%	0.2%	0.2%	0.2%
65	0.4%	0.3%	0.3%	0.2%
70	0.6%	0.4%	0.6%	0.4%
75	0.9%	0.7%	1.1%	0.7%
80	1.5%	1.1%	2.0%	1.4%
85	0.0%	0.0%	0.0%	0.0%
90	0.0%	0.0%	0.0%	0.0%

Mortality After Retirement

Age	Healthy Misc., Police & Fire		Disabled Miscellaneous	
	Male	Female	Male	Female
55	0.4%	0.3%	0.1%	0.1%
60	0.6%	0.5%	0.1%	0.1%
65	0.9%	0.6%	0.1%	0.1%
70	1.3%	1.0%	0.1%	0.1%
75	2.4%	1.8%	0.1%	0.0%
80	4.4%	3.4%	0.1%	0.0%
85	8.3%	6.2%	0.1%	0.0%
90	14.5%	11.1%	0.1%	0.0%

Age	Disabled Fire		Disabled Police	
	Male	Female	Male	Female
55	3.1%	3.1%	4.8%	4.8%
60	4.4%	4.4%	6.0%	6.0%
65	6.1%	6.1%	7.3%	7.3%
70	8.2%	8.2%	8.5%	8.5%
75	10.9%	10.9%	9.8%	9.8%
80	14.2%	14.2%	11.2%	11.2%
85	0.0%	0.0%	0.0%	0.0%
90	0.0%	0.0%	0.0%	0.0%

➤ Mortality Projection ⁽¹⁾

MP-2021 projection scale

(1) Actuarial Consulting Group has not performed an experience study to review the reasonableness of these assumptions

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

➤ Withdrawal Rates ⁽¹⁾

Withdrawal rates used are those described in the 2019 CalPERS Experience Study for Public Agency Miscellaneous, Police Safety, and Fire Safety employees.

Miscellaneous Employees

Age	Years of Service			
	Male		Female	
	0 yrs	5 yrs	0 yrs	5 yrs
25	17.7%	8.0%	19.0%	10.4%
30	16.3%	7.2%	3.0%	5.8%
35	14.9%	6.2%	2.7%	5.0%
40	14.9%	5.6%	2.2%	4.6%
45	14.9%	5.0%	1.8%	4.1%
50	15.1%	4.6%	1.8%	3.4%

Police Safety Employees

Age	Years of Service			
	Male		Female	
	0 yrs	5 yrs	0 yrs	5 yrs
25	13.0%	2.7%	13.9%	4.0%
30	13.0%	2.7%	13.9%	4.0%
35	13.0%	2.7%	13.9%	4.0%
40	13.0%	2.7%	13.9%	4.0%
45	13.0%	2.7%	13.9%	4.0%
50	13.0%	1.1%	13.9%	1.3%

Fire Safety Employees

Age	Years of Service			
	Male		Female	
	0 yrs	5 yrs	0 yrs	5 yrs
25	10.2%	1.8%	13.2%	4.3%
30	10.2%	1.8%	13.2%	4.3%
35	10.2%	1.8%	13.2%	4.3%
40	10.2%	1.8%	13.2%	4.3%
45	10.2%	1.8%	13.2%	4.3%
50	10.2%	0.9%	13.2%	2.1%

(1) Actuarial Consulting Group has not performed an experience study to review the reasonableness of these assumptions

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

➤ Retirement Rates ⁽¹⁾

We used the CalPERS Public Agency retirement rates that were produced from their 2019 experience study.

Miscellaneous Classic
2.7% @ 55 Pension Formula
For those hired < 12/24/2012

Age	Years of Service				
	< 5	10	15	20	25+
50	1.1%	1.6%	2.2%	3.3%	3.4%
55	4.5%	5.8%	8.2%	13.8%	20.8%
60	8.7%	8.4%	9.6%	14.2%	16.5%
65	18.2%	20.1%	24.2%	26.4%	29.3%
70	22.7%	22.7%	22.7%	22.7%	22.7%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Miscellaneous Classic
2.0% @ 60 Pension Formula
For those hired > 12/24/2012
with Prior PERS Service

Age	Years of Service				
	< 5	10	15	20	25+
50	1.0%	1.1%	1.4%	1.4%	1.7%
55	1.2%	1.6%	2.4%	3.2%	3.6%
60	6.3%	6.9%	7.4%	9.0%	13.7%
65	13.8%	16.0%	21.4%	21.6%	23.7%
70	20.0%	20.0%	20.0%	20.0%	20.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Miscellaneous PEPRA
2.0% @ 62 Pension Formula
For those hired > 1/1/2013

Age	Years of Service				
	< 5	10	15	20	25+
50	0.0%	0.0%	0.0%	0.0%	0.0%
55	1.0%	1.9%	2.8%	3.6%	6.1%
60	3.1%	5.1%	7.1%	9.1%	11.1%
65	10.8%	14.1%	17.3%	20.6%	23.9%
70	12.0%	15.6%	19.3%	22.9%	26.5%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Police Safety Classic
3.0% @ 50 Pension Formula
For those hired < 6/17/2011

Age	Years of Service				
	< 5	10	15	20	25+
50	12.4%	10.3%	11.3%	14.3%	24.4%
55	6.9%	7.4%	8.1%	11.3%	20.9%
60	34.3%	18.0%	15.9%	18.8%	24.7%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Actuarial Consulting Group has not performed an experience study to review the reasonableness of these assumptions.

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

➤ Retirement Rates ⁽¹⁾

(Continued)

Police Safety Classic
3.0% @ 55 Pension Formula
For those hired > 6/17/2011
with Prior PERS Service

Age	Years of Service				
	< 5	10	15	20	25+
50	1.9%	5.3%	4.5%	5.4%	5.7%
55	0.6%	11.5%	14.1%	19.9%	23.1%
60	15.5%	15.5%	15.5%	15.5%	15.5%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Police Safety PEPR
2.7% @ 57 Pension Formula
For those hired > 1/1/2013

Age	Years of Service				
	< 5	10	15	20	25+
50	5.0%	5.0%	5.0%	5.0%	5.0%
55	6.1%	6.1%	6.1%	8.2%	12.0%
60	13.5%	13.5%	13.5%	13.5%	13.5%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Fire Safety Classic
3.0% @ 50 Pension Formula
For those hired < 12/17/2011

Age	Years of Service				
	< 5	10	15	20	25+
50	9.5%	4.8%	5.3%	9.3%	13.4%
55	4.2%	4.3%	4.9%	8.5%	13.2%
60	5.6%	4.4%	6.1%	13.1%	18.6%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

Fire Safety Classic
3.0% @ 55 Pension Formula
For those hired > 12/17/2011
with Prior PERS Service

Age	Years of Service				
	< 5	10	15	20	25+
50	0.3%	0.6%	1.3%	1.9%	2.5%
55	1.0%	6.7%	4.6%	7.3%	13.4%
60	16.2%	6.3%	9.9%	17.2%	20.8%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Actuarial Consulting Group has not performed an experience study to review the reasonableness of these assumptions

Section VI Actuarial Methodology

A) Actuarial Assumptions (Continued)

➤ Retirement Rates ⁽¹⁾ (Continued)

Fire Safety PEPRA
2.7% @ 57 Pension Formula
For those hired > 1/1/2013

Age	Years of Service				
	< 5	10	15	20	25+
50	1.0%	0.7%	0.7%	0.7%	0.7%
55	11.4%	7.4%	7.4%	7.4%	7.4%
60	15.7%	10.2%	10.2%	10.2%	10.2%
65	100.0%	100.0%	100.0%	100.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%

➤ Disability Retirement ⁽¹⁾

Age	Miscellaneous		Fire		Police	
	Male	Female	Male	Female	Male	Female
20	2.2%	1.7%	0.6%	0.6%	0.6%	0.3%
25	2.7%	2.0%	0.9%	0.9%	0.9%	0.5%
30	3.3%	2.3%	1.4%	1.2%	1.4%	0.6%
35	4.0%	2.9%	2.2%	1.9%	2.2%	1.0%
40	5.4%	4.2%	3.4%	3.1%	3.4%	1.8%
45	7.9%	6.1%	5.9%	5.2%	5.9%	3.4%
50	11.6%	9.4%	10.1%	8.0%	10.1%	6.2%
55	16.6%	14.4%	16.6%	12.4%	16.6%	11.1%

(1) Actuarial Consulting Group has not performed an experience study to review the reasonableness of these assumptions

Changes in Assumptions

The discount rate was raised from 2.18% to 4.09% based on a change in the S&P Municipal Bond 20-year High Grade index. The salary scale was lowered from 3.00% to 2.80% based on the 2019 CalPERS Actuarial Experience Study. The mortality base tables, mortality improvement projection scale, withdrawal, retirement, and disability rates were also updated based on the 2019 CalPERS Actuarial Experience Study. The Healthcare Trend Rates were updated based on a 2022 study of expected medical inflation. Morbidity rates were updated based on the 2019 CalPERS PEMCHA Morbidity study.

There have been no other changes to the assumptions since the last measurement date.

Section VI Actuarial Methodology

B) Methods and Models

Actuarial Cost Method	Entry Age Normal level percent of pay An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.
Valuation Model	Actuarial Consulting Group utilizes Proval, a licensed actuarial valuation software product from Winklevoss Technologies to project future retiree benefit payments and develop the OPEB liabilities presented in this report. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.
Amortization Methodology	We used straight-line amortization. For assumption changes and experience gains/losses, we assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses, we assumed 5 years.
Financial and Census Data	The City provided the participant data, financial information and plan descriptions used in this valuation. The actuary has checked the data for reasonableness, but has not independently audited the data. The actuary has no reason to believe the data is not complete and accurate, and knows of no further information that is essential to the preparation of the actuarial valuation.
Plan Fiduciary Net Position	n/a
Measurement Date	June 30, 2022
Valuation Date	June 30, 2022
Funding Policy	The City intends to pay as you go.

Section VI Actuarial Methodology

C) Considerations

Health Care Reform

Health care delivery is going through an evolution due to enactment of Health Care Reform. The Patient Protection and Affordable Care Act (PPACA), was signed March 23, 2010, with further changes enacted by the Health Care and Education Affordability Reconciliation Act (HCEARA), signed March 30, 2010. This valuation uses various assumptions that may have been modified based on considerations under PPACA. This section discusses particular legislative changes that were reflected in our assumptions. We have not identified any other specific provision of PPACA that would be expected to have a significant impact on the measured obligation. As additional guidance on the Act continues to be issued, we'll continue to monitor impacts.

Individual Mandate

Under PPACA, individuals (whether actively employed or otherwise) must be covered by health insurance or else pay a penalty tax to the government. While it is not anticipated that the Act will result in universal coverage, it has increased the overall portion of the population with coverage. We believe this will result in an increased demand on health care providers, resulting in higher trend for medical services for non-Medicare eligible retirees. (Medicare costs are constrained by Medicare payment mechanisms already in place, plus additional reforms added by PPACA and HCEARA.) The penalty tax was eliminated effective January 1, 2019 and this has effectively eliminated the individual mandate on a Federal level. The individual mandate still can apply at the state level (e.g., Massachusetts since 2006). California adopted the individual mandate effective January 1, 2020. The CBO estimates the impact this will have in 2019 is a decrease of enrollees of 2% of all insureds (18% of enrollees in the individual market) and expects this to grow to 5% (28%) by 2027.

Employer Mandate

Health Care Reform includes various provisions mandating employer coverage for active employees, with penalties for non-compliance. Those provisions do not directly apply to the postemployment coverage included in this valuation.

Section VI Actuarial Methodology

C) Considerations (continued)

Medicare Advantage Plans	Effective January 1, 2011, the Law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. Effective August 16, 2022, reduced Medicare Advantage Plan and Prescription Drug Plan Premiums beginning in 2023. the Inflation Reduction Act reduces the costs of certain drugs reducing the amounts consumers' coinsurance costs. We considered the effect of these reductions in federal payments to Medicare Advantage plans when setting our trend assumption.
Expansion of Child Coverage to Age 26	Health Care Reform mandates that coverage be offered to any child, dependent or not, through age 26, consistent with coverage for any other dependent. We assume that this change has been reflected in current premium rates. While this plan covers dependents, we do not currently assume non-spouse dependent coverage other than for firefighters. We believe the impact this assumption has on the valuation is immaterial due to the lack of retirees that have had or are expected to have non-spouse dependents for any significant amount of time during retirement.
Elimination of Annual or Lifetime Maximums	Health Care Reform provides that annual or lifetime maximums have to be eliminated for all "essential services." We assume that current premium rates already reflect the elimination of any historic maximums.

Section VII Glossary

A) Key Terms

Annual OPEB Expense	The amount recognized by an employer in each accounting period for contributions to a defined benefit OPEB plan on the modified accrual basis of accounting.
Deferred outflows and inflows of resources related to OPEB	Deferred outflows of resources and deferred inflows of resources related to OPEB arising from certain changes in the collective net OPEB liability or collective total OPEB liability
Covered Payroll	Annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate.
Net OPEB Liability (NOL)	The liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of the GASB Statements.
Normal Cost or Service Cost	The portion of the Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method. These terms are used interchangeably.
Other Postemployment Benefits (OPEB)	Retiree health care benefits and postemployment benefits provided separately from a pension plan (excluding termination benefits).
Plan Fiduciary Net Position (FNP)	Set equal to the market value of assets as of the measurement date.
Present Value of Future Benefits (PVFB)	The value, as of the valuation date, of the projected benefits payable to all members for their accrued service and their expected future service, discounted to reflect the time value (present value) of money and adjusted for the probabilities of retirement, withdrawal, death and disability.
Total OPEB Liability (TOL)	The portion of the actuarial present value of projected benefit payments that is attributed to past period of member service in conformity with the GASB Statements. The total OPEB liability is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria of the GASB Statements.
Implicit Subsidy	The implicit subsidy reflects the difference of premiums versus the true cost of coverage. The implicit subsidy exists when claims for active employees are combined with claims of retirees to develop a single flat premium paid by both groups, even though the true cost of coverage for members of these groups differs. Typically, retirees have increased costs and age when compared to actives, resulting in a subsidy for retiree costs.