

**DRAFT**



**City of South Pasadena**



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**Retiree Healthcare Plan  
June 30, 2021 Actuarial Valuation  
Recommended Contributions for 2022/23 &  
2023/24**

January 23, 2023

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411 Borel Avenue, Suite 620  
San Mateo, California 94402  
Phone: 650/377-1600



**City of South Pasadena  
Retiree Healthcare Plan  
June 30, 2021 Actuarial Valuation**

The purpose of this report is to present the funded status of the City of South Pasadena’s Retiree Healthcare Plan as of June 30, 2021 and provide recommended employer contributions for the 2022/23 and 2023/24 fiscal years.

The City provides healthcare benefits to its retirees through CalPERS “PEMHCA” program. The City contributes the single premium up to a cap of \$625 per month (\$915 for management). PSEA and management employees hired after 7/1/20 will be limited to each year’s required PEMHCA minimum amount, \$151 in 2023. More details can be found in the benefit summary section of this report. In addition, the City incurs an “implicit subsidy” since the per capita healthcare costs (expected claims) are higher for pre-Medicare retirees than the premium charged by PEMHCA. Actuarial Standard of Practice No. 6 (ASOP 6) requires implicit subsidy be valued for agencies participating in pooled plans such as CalPERS’ PEMHCA.

The City started pre-funding its OPEB benefits with CalPERS’ OPEB trust (CERBT) in the fiscal year 2021/22. This valuation assumes ongoing contributions to the trust. Contributions less than the recommended amounts could potentially lead to a lower discount rate used for the City’s GASBS 75 accounting reporting.

GASBS 75 accounting information is provided in a separate report.

**VALUATION RESULTS**

**Funded Status:** The funded status of the plan is equal to the percentage of actuarial accrued liability (AAL) currently funded by plan assets. The following table summarizes the Plan’s funded status:

	<b><u>June 30, 2021 Valuation</u></b>	
	<b><u>6/30/2021</u></b>	<b><u>Projected to 6/30/2022</u></b>
■ Discount rate		<b>6.25%</b>
■ Actuarial accrued liability		
• Future retirees	\$ 3,168,409	
• Retirees	<u>8,169,926</u>	
• Total	11,338,335	\$11,660,092
■ Plan assets	<u>-</u>	<u>1,141,509</u>
■ Unfunded actuarial accrued liability (UAAL)	11,338,335	10,518,583
■ Funded status	0.0%	9.8%

The actuarial accrued liability has decreased from the previous valuation primarily because of the higher discount rate used, reflecting the City’s decision to pre-fund this liability. The plan change effective 7/1/20, limiting benefits to the single premium amount, also reduced plan liabilities.

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**Plan Assets:** Plan assets are invested with the CERBT Strategy 1. Following is a reconciliation of the value of plan assets from June 30, 2021 through June 30, 2022, as provided by CERBT.

	<u>2021/22</u>
■ Market value of Assets (beginning of year)	\$ 0
● Contributions	1,125,000
● Benefits paid	-
● Administrative expenses	(20)
● Investment expenses	(15)
● Net investment earnings	<u>16,544</u>
■ Market value of assets (end of year)	1,141,509

**Recommended Contribution:** The unfunded liability is amortized over time. The City's recommended contribution is determined by the sum of the current employer Normal Cost plus expected administrative expenses plus an amortization of the unfunded liability, assumed payable in the middle of the fiscal year. In other words, the contribution is the value of benefits earned during the year plus an amount to keep the plan on track for funding. For the City's June 30, 2021 valuation, we calculated the 2022/23 recommended contribution using a 20-year<sup>1</sup> closed period amortization (as a level % of pay) of the projected June 30, 2022 unfunded AAL.

	<u>June 30, 2021 Valuation</u>	
■ Discount rate	6.25%	
■ Fiscal year	<u>2022/23</u>	<u>2023/24</u>
■ Normal cost	\$ 323,537	\$ 332,435
■ Estimated administrative expenses	7,205	7,581
■ UAAL amortization	<u>731,507</u>	<u>751,624</u>
■ Recommended total contribution	1,062,249	1,091,640
■ Recommended total contribution	1,062,249	1,091,640
■ Minus: Estimated cash benefit payments <sup>2</sup>	(571,321)	(608,813)
■ Minus: Implicit subsidy benefit payments	(186,405)	(196,776)
■ Minus: Estimated PEMHCA and other administrative expenses	<u>(6,634)</u>	<u>(6,975)</u>
■ Net recommended trust contribution	297,889	279,076

<sup>1</sup> 20 years remaining in amortization period for 2022/23; 19 years remaining for 2023/24.

<sup>2</sup> Exhibit shows estimated cash benefit payments, but the actual net trust contribution should be based on the actual benefit payments and administrative expenses paid by the employer.

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**Projected Benefit Payments:** Following is a 10-year projection of benefit payments:

<b>Year</b>	<b>Cash Benefit Payments</b>	<b>Implicit Subsidy Benefit Payments</b>	<b>Total Benefit Payments</b>
2022/23	\$571,321	\$186,405	\$757,726
2023/24	608,813	196,776	805,589
2024/25	630,429	207,536	837,965
2025/26	660,164	236,873	897,037
2026/27	672,715	243,490	916,205
2027/28	691,972	250,231	942,203
2028/29	702,991	265,810	968,801
2029/30	725,414	284,222	1,009,636
2030/31	739,310	275,490	1,014,800
2031/32	758,182	261,531	1,019,713

## BASIC DEFINITIONS

**Present Value of Benefits (PVB):** When an actuary prepares an actuarial valuation, they first gather participant data (including active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2021). Using this data and actuarial assumptions, the actuary projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die or become disabled, as well as what salary increases, general (and healthcare) inflation and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's present value of benefits. It represents the amount the plan needs as of the valuation date to pay all future benefits – if all assumptions are met and no future contributions (employee or employer) are made. The City's June 30, 2021 retiree healthcare present value of benefits is \$14,191,473 using a 6.25% discount rate, with \$8,169,926 of this for former employees who have already retired.

**Actuarial Accrued Liability (AAL):** This represents the portion of the present value of benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date. The City's June 30, 2021 retiree healthcare actuarial accrued liability is \$11,338,335 using a 6.25% discount rate, with \$8,169,926 of this for former employees who have already retired.

**Plan Assets:** This includes funds that have been segregated and restricted in a trust so they can only be used to pay plan benefits. As of June 30, 2021, the City's plan assets were \$0. The City has begun prefunding its OPEB benefits via the California Employers' Retiree Benefit Trust (CERBT) fund. The City made an initial contribution of \$1,125,000 in June 2022 and has enrolled in CERBT Strategy 1.

**Unfunded Actuarial Accrued Liability (UAAL):** This is the difference between the actuarial accrued liability and plan assets. This represents the amount of the actuarial accrued liability that must still be funded. If the plan assets exceed the actuarial accrued liability, the plan has surplus assets. As of June 30, 2021, the City has \$11,338,335 in unfunded actuarial accrued liability (\$11,338,335 AAL less \$0 plan assets).

**Normal Cost (NC):** The Normal Cost represents the portion of the present value of benefits expected to be earned (on an actuarial, not actual, basis) in the coming year. The City's 2022/23 retiree healthcare Normal Cost, payable in the middle of the year, is \$323,537 using a 6.25% discount rate.

**Actuarial Cost Method:** This is the method in which benefits are actuarially earned (allocated) to each year of service. It has no effect on the present value of benefits, but has significant effect on the actuarial accrued liability and normal cost. The City's June 30, 2021 retiree healthcare valuation was prepared using the Entry Age Normal cost method. Under the Entry Age Normal cost method, the Plan's normal cost is developed as a level percent of payroll throughout the participant's working lifetime.

**Implicit Subsidy:** An implicit subsidy exists when the premium for a group of early retirees is determined by aggregating their experience with active employees. Actuarial Standard of Practice No. 6 (ASOP 6) requires that the implicit subsidy for retirees be included in the AAL. We valued the implicit subsidy for the City's retiree healthcare plan.

**SUMMARY OF RETIREE HEALTHCARE BENEFITS**

<b>Benefit Summary</b>															
<p>■ Eligibility – Future Retirees</p>	<p>■ Full-time employees retiring directly from City under CalPERS</p> <ul style="list-style-type: none"> <li>• Miscellaneous Classic &amp; Safety – Age 50 and 5 years of CalPERS service or disability</li> <li>• Miscellaneous PEPRA – Age 52 and 5 years of CalPERS service or disability</li> </ul>														
<p>■ Retiree Medical Benefit – Future Retirees</p>	<p>■ Single party premium up to:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%;">POA &amp; Fire</th> <th style="width: 20%;">PSEA</th> <th style="width: 30%;">Management</th> </tr> </thead> <tbody> <tr> <td>Hired before 7/1/2020</td> <td rowspan="2" style="text-align: center;">\$625/month</td> <td style="text-align: center;">\$625/month</td> <td style="text-align: center;">\$915/month</td> </tr> <tr> <td>Hired on or after 7/1/2020</td> <td style="text-align: center;">PEMHCA minimum</td> <td style="text-align: center;">PEMHCA minimum</td> </tr> </tbody> </table>					POA & Fire	PSEA	Management	Hired before 7/1/2020	\$625/month	\$625/month	\$915/month	Hired on or after 7/1/2020	PEMHCA minimum	PEMHCA minimum
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Hired on or after 7/1/2020		PEMHCA minimum	PEMHCA minimum												
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	POA & Fire	PSEA	Management												
Surviving Spouse	\$625/month	PEMHCA minimum	PEMHCA minimum												
<p>■ Other</p>	<p>■ No City paid dental, vision, life insurance or Medicare Part B reimbursement</p>														

**Premiums**  
**2021 PEMHCA Monthly Premiums**  
**Region 3**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$639.10	\$1,278.20	\$1,661.66	\$383.37	\$766.74	\$1,150.11
Anthem Traditional	984.21	1,968.42	2,558.95	383.37	766.74	1,150.11
Blue Shield Access+	834.88	1,669.76	2,170.69	n/a	n/a	n/a
Blue Shield Trio	660.49	1,320.98	1,717.27	n/a	n/a	n/a
Health Net Salud y Mas	412.88	825.76	1,073.49	n/a	n/a	n/a
Health Net SmartCare	691.48	1,382.96	1,797.85	n/a	n/a	n/a
Kaiser	669.84	1,339.69	1,741.60	324.48	648.96	973.44
UnitedHealthcare	720.89	1,441.78	1,874.31	311.56	623.12	934.68
PERSCare	1,036.07	2,072.14	2,693.78	381.25	762.50	1,143.75
PERS Choice	761.23	1,522.46	1,979.20	349.97	699.94	1,049.91
PERS Select	459.94	919.88	1,195.84	349.97	699.94	1,049.91
PORAC	725.00	1,450.00	1,894.00	513.00	1,022.00	1,635.00

**2022 PEMHCA Monthly Premiums**  
**Region 3**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$676.48	\$1,352.96	\$1,758.85	\$360.19	\$720.38	\$1,080.57
Anthem Traditional	935.57	1,871.14	2,432.48	360.19	720.38	1,080.57
Blue Shield Access+	779.87	1,559.74	2,027.66	353.11	706.22	1,059.33
Blue Shield Trio	668.13	1,336.26	1,737.14	353.11	706.22	1,059.33
Health Net Salud y Mas	463.87	927.74	1,206.06	n/a	n/a	n/a
Health Net SmartCare	764.96	1,529.92	1,988.90	n/a	n/a	n/a
Kaiser	719.78	1,439.56	1,871.43	302.53	605.06	907.59
UnitedHealthcare Alliance	771.85	1,543.70	2,006.81	n/a	n/a	n/a
UnitedHealthcare Harmony	714.28	1,428.56	1,857.13	n/a	n/a	n/a
UnitedHealthcare MA	n/a	n/a	n/a	294.65	589.30	883.95
UnitedHealthcare MA Edge	n/a	n/a	n/a	347.21	694.42	1,041.63
PERS Platinum	863.37	1,726.74	2,244.76	381.94	763.88	1,145.82
PERS Gold	575.56	1,151.12	1,496.46	377.41	754.82	1,132.23
PORAC	775.00	1,475.00	1,894.00	461.00	919.00	1,471.00



**ACTUARIAL METHODS AND ASSUMPTIONS**

**Actuarial Methods**

The actuarial cost method used for this valuation is the Entry Age Normal (“EAN”) cost method. Under the EAN cost method, the normal cost for each participant is determined as a level percentage of payroll throughout the participant’s working career.

The projected June 30, 2022 unfunded actuarial accrued liability (UAAL) was amortized as a level % of pay amount over a fixed, closed 20-year period. Other amortization periods are possible and would produce a different recommended contribution amount. Individual UAAL bases are not currently maintained.

The actuarial value of assets is equal to the market value of assets.

The Plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the Plan exists.

The implicit subsidy was calculated in compliance with Actuarial Standards of Practice (ASOP) No. 6 and its associated Practice Note.

To the best of our knowledge, the City has not adopted a formal funding policy for annual contributions to the Trust.

**Actuarial Assumptions**

An actuary must follow current actuarial standards of practice, which generally call for explicit assumptions, meaning each individual assumption represents the actuary's best estimate.

<b>Actuarial Assumption</b>	<b>June 30, 2019 Valuation</b>	<b>June 30, 2021 Valuation</b>
• Discount Rate	• 3.50 % (Bond Buyer 20-Bond Index)	• 6.25%, assets in CERBT Strategy 1 portfolio
• General Inflation Rate	• 2.75% per year	• 2.50% per year
• Aggregate Payroll Increases	• 3.00% per year	• 2.75% per year
• Mortality	• CalPERS 1997-2015 Experience Study • Mortality projected with Mortality Improvement Society of Actuaries Scale MP-2020	• CalPERS 2000-2019 Experience Study • Mortality projected with Mortality Improvement Society of Actuaries Scale MP-2021
• Disability, Termination, Retirement	• CalPERS 1997-2015 Experience Study for applicable employee category	• CalPERS 2000-2019 Experience Study for applicable employee category

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<b>Actuarial Assumption</b>	<b>June 30, 2019 Valuation</b>	<b>June 30, 2021 Valuation</b>																																																																																																																																														
<ul style="list-style-type: none"> <li>Participation at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>90% of employees receiving City Subsidy (hired before 7/1/2020)</li> <li>50% of Employees receiving PEMHCA minimum</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> <li>Will continue to monitor</li> </ul>																																																																																																																																														
<ul style="list-style-type: none"> <li>Spouse Coverage</li> </ul>	<ul style="list-style-type: none"> <li>Future Retirees: 70% elect spouse coverage</li> <li>Current Retirees: Same as current coverage election</li> </ul>	<ul style="list-style-type: none"> <li>Future Retirees: 40% elect spouse coverage</li> <li>Current Retirees: Same as current coverage election</li> </ul>																																																																																																																																														
<ul style="list-style-type: none"> <li>Medical Plan at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>Future Retirees: Same as current plan election</li> <li>Waived assumed to elect Blue Shield Access+</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>																																																																																																																																														
<ul style="list-style-type: none"> <li>Medicare Eligibility</li> </ul>	<ul style="list-style-type: none"> <li>All retirees not yet 65 assumed to be eligible for Medicare</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>																																																																																																																																														
<ul style="list-style-type: none"> <li>Waived Retiree Re-Election</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>																																																																																																																																														
<ul style="list-style-type: none"> <li>Medical Trend</li> </ul>	<p style="text-align: center;"><u>Increase from Prior Year</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"><u>Year</u></th> <th colspan="2"><u>Non-Medicare</u></th> <th><u>Medicare</u></th> </tr> <tr> <th><u>Kaiser</u></th> <th><u>Non- Kaiser</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>2021</td> <td colspan="3" style="text-align: center;">Actual Premiums</td> </tr> <tr> <td>2022</td> <td>7.00%</td> <td>5.00%</td> <td>6.10%</td> </tr> <tr> <td>2023</td> <td>6.75%</td> <td>4.85%</td> <td>5.90%</td> </tr> <tr> <td>2024</td> <td>6.50%</td> <td>4.70%</td> <td>5.70%</td> </tr> <tr> <td>2025</td> <td>6.25%</td> <td>4.60%</td> <td>5.50%</td> </tr> <tr> <td>2026</td> <td>6.00%</td> <td>4.50%</td> <td>5.30%</td> </tr> <tr> <td>2027</td> <td>5.80%</td> <td>4.45%</td> <td>5.15%</td> </tr> <tr> <td>2028</td> <td>5.60%</td> <td>4.40%</td> <td>5.00%</td> </tr> <tr> <td>2029</td> <td>5.40%</td> <td>4.35%</td> <td>4.85%</td> </tr> <tr> <td>2030</td> <td>5.20%</td> <td>4.30%</td> <td>4.70%</td> </tr> <tr> <td>2031-35</td> <td>5.05%</td> <td>4.25%</td> <td>4.60%</td> </tr> <tr> <td>2036-45</td> <td>4.90%</td> <td>4.20%</td> <td>4.50%</td> </tr> <tr> <td>2046-55</td> <td>4.75%</td> <td>4.15%</td> <td>4.45%</td> </tr> <tr> <td>2056-65</td> <td>4.60%</td> <td>4.10%</td> <td>4.40%</td> </tr> <tr> <td>2066-75</td> <td>4.30%</td> <td>4.05%</td> <td>4.20%</td> </tr> <tr> <td>2076+</td> <td>4.00%</td> <td>4.00%</td> <td>4.00%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Non-Medicare</u>		<u>Medicare</u>	<u>Kaiser</u>	<u>Non- Kaiser</u>		2021	Actual Premiums			2022	7.00%	5.00%	6.10%	2023	6.75%	4.85%	5.90%	2024	6.50%	4.70%	5.70%	2025	6.25%	4.60%	5.50%	2026	6.00%	4.50%	5.30%	2027	5.80%	4.45%	5.15%	2028	5.60%	4.40%	5.00%	2029	5.40%	4.35%	4.85%	2030	5.20%	4.30%	4.70%	2031-35	5.05%	4.25%	4.60%	2036-45	4.90%	4.20%	4.50%	2046-55	4.75%	4.15%	4.45%	2056-65	4.60%	4.10%	4.40%	2066-75	4.30%	4.05%	4.20%	2076+	4.00%	4.00%	4.00%	<p style="text-align: center;"><u>Increase from Prior Year<sup>3</sup></u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"><u>Year</u></th> <th colspan="2"><u>Non-Medicare</u></th> <th><u>Medicare</u></th> </tr> <tr> <th><u>Kaiser</u></th> <th><u>Non- Kaiser</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>2021</td> <td colspan="3" style="text-align: center;">Actual Premiums</td> </tr> <tr> <td>2022</td> <td>6.50%</td> <td>4.60%</td> <td>5.65%</td> </tr> <tr> <td>2023</td> <td>6.25%</td> <td>4.45%</td> <td>5.45%</td> </tr> <tr> <td>2024</td> <td>6.00%</td> <td>4.35%</td> <td>5.25%</td> </tr> <tr> <td>2025</td> <td>5.75%</td> <td>4.25%</td> <td>5.05%</td> </tr> <tr> <td>2026</td> <td>5.55%</td> <td>4.20%</td> <td>4.90%</td> </tr> <tr> <td>2027</td> <td>5.35%</td> <td>4.15%</td> <td>4.75%</td> </tr> <tr> <td>2028</td> <td>5.15%</td> <td>4.10%</td> <td>4.60%</td> </tr> <tr> <td>2029</td> <td>4.95%</td> <td>4.05%</td> <td>4.45%</td> </tr> <tr> <td>2030</td> <td>4.80%</td> <td>4.00%</td> <td>4.35%</td> </tr> <tr> <td>2031-35</td> <td>4.65%</td> <td>3.95%</td> <td>4.25%</td> </tr> <tr> <td>2036-45</td> <td>4.50%</td> <td>3.90%</td> <td>4.20%</td> </tr> <tr> <td>2046-55</td> <td>4.35%</td> <td>3.85%</td> <td>4.15%</td> </tr> <tr> <td>2056-65</td> <td>4.05%</td> <td>3.80%</td> <td>3.95%</td> </tr> <tr> <td>2066-75</td> <td>3.75%</td> <td>3.75%</td> <td>3.75%</td> </tr> <tr> <td>2076+</td> <td>3.75%</td> <td>3.75%</td> <td>3.75%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Non-Medicare</u>		<u>Medicare</u>	<u>Kaiser</u>	<u>Non- Kaiser</u>		2021	Actual Premiums			2022	6.50%	4.60%	5.65%	2023	6.25%	4.45%	5.45%	2024	6.00%	4.35%	5.25%	2025	5.75%	4.25%	5.05%	2026	5.55%	4.20%	4.90%	2027	5.35%	4.15%	4.75%	2028	5.15%	4.10%	4.60%	2029	4.95%	4.05%	4.45%	2030	4.80%	4.00%	4.35%	2031-35	4.65%	3.95%	4.25%	2036-45	4.50%	3.90%	4.20%	2046-55	4.35%	3.85%	4.15%	2056-65	4.05%	3.80%	3.95%	2066-75	3.75%	3.75%	3.75%	2076+	3.75%	3.75%	3.75%
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2023	6.75%	4.85%	5.90%																																																																																																																																													
2024	6.50%	4.70%	5.70%																																																																																																																																													
2025	6.25%	4.60%	5.50%																																																																																																																																													
2026	6.00%	4.50%	5.30%																																																																																																																																													
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2031-35	5.05%	4.25%	4.60%																																																																																																																																													
2036-45	4.90%	4.20%	4.50%																																																																																																																																													
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2056-65	4.60%	4.10%	4.40%																																																																																																																																													
2066-75	4.30%	4.05%	4.20%																																																																																																																																													
2076+	4.00%	4.00%	4.00%																																																																																																																																													
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<sup>3</sup> Medical premiums after 2022 and estimated claims after 2021 do not take into account buy-downs (CalPERS subsidizations of premium rates from reserves).

**City of South Pasadena, Retiree Healthcare Plan**  
**June 30, 2021 Actuarial Valuation**  
Page 9

<b>Actuarial Assumption</b>	<b>June 30, 2019 Valuation</b>	<b>June 30, 2021 Valuation</b>																																																																																										
<ul style="list-style-type: none"> <li>Fixed Dollar Cap Increase</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>																																																																																										
<ul style="list-style-type: none"> <li>PEMHCA Minimum Increase</li> </ul>	<ul style="list-style-type: none"> <li>4.25% annually</li> </ul>	<ul style="list-style-type: none"> <li>4.00% annually</li> </ul>																																																																																										
<ul style="list-style-type: none"> <li>Administrative Expenses</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>CERBT – 0.05% of assets</li> <li>PEMHCA – 0.33% of retiree premium</li> <li>The Advantage Group - \$6 per retiree payment</li> <li>Included in recommended contributions</li> </ul>																																																																																										
<ul style="list-style-type: none"> <li>Medical Claims Costs 2022 (HMO/Medicare Advantage)</li> </ul>	<ul style="list-style-type: none"> <li>Sample estimated monthly claims costs (Region 3):</li> </ul> <table border="1"> <thead> <tr> <th rowspan="2"><u>Age</u></th> <th colspan="2"><u>Anthem Select</u></th> <th colspan="2"><u>Blue Shield</u></th> <th colspan="2"><u>Kaiser</u></th> <th colspan="2"><u>UHC Alliance</u></th> </tr> <tr> <th><u>M</u></th> <th><u>F</u></th> <th><u>M</u></th> <th><u>M</u></th> <th><u>M</u></th> <th><u>F</u></th> <th><u>M</u></th> <th><u>F</u></th> </tr> </thead> <tbody> <tr> <td>25</td> <td>\$281</td> <td>\$536</td> <td>\$287</td> <td>\$546</td> <td>\$292</td> <td>\$555</td> <td>\$321</td> <td>\$611</td> </tr> <tr> <td>35</td> <td>329</td> <td>554</td> <td>336</td> <td>564</td> <td>341</td> <td>574</td> <td>376</td> <td>631</td> </tr> <tr> <td>45</td> <td>457</td> <td>597</td> <td>466</td> <td>608</td> <td>473</td> <td>618</td> <td>521</td> <td>680</td> </tr> <tr> <td>55</td> <td>756</td> <td>758</td> <td>771</td> <td>772</td> <td>783</td> <td>785</td> <td>861</td> <td>864</td> </tr> <tr> <td>60</td> <td>1,022</td> <td>924</td> <td>1,043</td> <td>942</td> <td>1,059</td> <td>957</td> <td>1,166</td> <td>1,054</td> </tr> <tr> <td>64</td> <td>1,253</td> <td>1,076</td> <td>1,278</td> <td>1,097</td> <td>1,298</td> <td>1,114</td> <td>1,429</td> <td>1,226</td> </tr> </tbody> </table>		<u>Age</u>	<u>Anthem Select</u>		<u>Blue Shield</u>		<u>Kaiser</u>		<u>UHC Alliance</u>		<u>M</u>	<u>F</u>	<u>M</u>	<u>M</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	25	\$281	\$536	\$287	\$546	\$292	\$555	\$321	\$611	35	329	554	336	564	341	574	376	631	45	457	597	466	608	473	618	521	680	55	756	758	771	772	783	785	861	864	60	1,022	924	1,043	942	1,059	957	1,166	1,054	64	1,253	1,076	1,278	1,097	1,298	1,114	1,429	1,226																			
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**City of South Pasadena, Retiree Healthcare Plan**  
**June 30, 2021 Actuarial Valuation**  
**Page 10**

<b>Actuarial Assumption</b>	<b>June 30, 2019 Valuation</b>	<b>June 30, 2021 Valuation</b>
<ul style="list-style-type: none"> <li>● Actuarial Modeling</li> </ul>	<ul style="list-style-type: none"> <li>● 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</li> </ul>	
<ul style="list-style-type: none"> <li>● Data Quality</li> </ul>	<ul style="list-style-type: none"> <li>● Our valuation used census data provided by the City. 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</li> </ul>	
<ul style="list-style-type: none"> <li>● COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>● No adjustments to the assumptions have been made for COVID-19 since there is not yet enough data to evaluate the future impacts</li> </ul>	
<ul style="list-style-type: none"> <li>● Basis for Assumptions</li> </ul>	<ul style="list-style-type: none"> <li>● No experience study performed for this Plan</li> <li>● CalPERS 2000 to 2019 experience study was used</li> <li>● Mortality improvement is a Society of Actuaries table</li> <li>● Inflation based on our estimate for the Plan’s long time horizon</li> <li>● Capital market assumptions based on 2021 Foster &amp; Foster stochastic analysis, taking into account capital market assumptions of investment advisory firms</li> <li>● Claims cost factors from Axene Health Partners’ healthcare actuaries. Due to age-risk adjusted federal subsidies to Medicare Advantage plans, age-based claims cost or implied subsidy were included for those plans.</li> <li>● Short-term medical trend was developed in consultation with Axene Health Partners’ healthcare actuaries. Long term medical trend developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends</li> <li>● Medical coverage and participation assumptions based in part on Plan experience</li> </ul>	

**SUMMARY OF PARTICIPANT DATA**

**Participant Statistics**

	6/30/2019	6/30/2021
■ Actives		
● Counts	129	139
● Average		
➤ Age	42.5	41.8
➤ City Service	10.2	9.7
■ Retirees		
● Counts	119	117
● Average		
➤ Age	73.7	73.6
➤ Retirement Age <sup>4</sup>	58.5	59.1

**Eligible Active Members**  
**June 30, 2021**

Age	City Service							Total
	<1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	2	2	-	-	-	-	-	4
25-29	2	11	3	-	-	-	-	16
30-34	1	14	5	1	-	-	-	21
35-39	2	11	6	9	-	-	-	28
40-44	2	6	2	9	2	1	-	22
45-49	-	1	2	1	2	-	2	8
50-54	3	3	5	1	-	1	5	18
55-59	-	-	-	2	1	2	8	13
60-64	1	1	1	-	2	-	2	7
≥ 65	-	-	-	1	1	-	-	2
Total	13	49	24	24	8	4	17	139

<sup>4</sup> Service Retirees Only

**Medical Plan Participation**  
**Non-Waived Participants**  
**June 30, 2021**

Medical Plan	Actives	Retirees		
		< 65	≥ 65	Total
Anthem Select	9%	7%	0%	2%
Blue Shield Access+	13%	0%	0%	0%
Blue Shield Trio	3%	4%	0%	0%
Health Net Salud y Más	9%	0%	0%	0%
Health Net SmartCare	3%	0%	0%	0%
Kaiser	39%	25%	17%	20%
UnitedHealthcare	0%	0%	13%	9%
PERS Choice	7%	25%	16%	19%
PERS Select	5%	7%	1%	3%
PERSCare	3%	7%	47%	35%
PORAC	9%	25%	6%	11%
Total	100%	100%	100%	100%

**Eligible Actives Medical Coverage**  
**June 30, 2021**

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	2	5	2	-	9
Blue Shield Access+	9	3	2	-	14
Blue Shield Trio	2	-	1	-	3
Health Net Salud y Más	-	2	7	-	9
Health Net SmartCare	-	2	1	-	3
Kaiser	22	5	14	-	41
PERS Choice	5	1	2	-	8
PERS Select	-	-	6	-	6
PERSCare	2	1	-	-	3
PORAC	4	1	4	-	9
Waived	-	-	-	34	34
Total	46	20	39	34	139

**Total Retiree Medical Coverage (Under Age 65)**

**June 30, 2021**

<b>Medical Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>	<b>Waived</b>	<b>Total</b>
Anthem Select	1	1	-	-	2
Blue Shield Access+	1	-	-	-	1
Kaiser	5	2	-	-	7
UnitedHealthcare	-	-	-	-	-
PERS Choice	4	3	-	-	7
PERS Select	-	2	-	-	2
PERSCare	2	-	-	-	2
PORAC	6	1	-	-	7
Waived	-	-	-	5	5
<b>Total</b>	<b>19</b>	<b>9</b>	<b>-</b>	<b>5</b>	<b>33</b>

**Total Retiree Medical Coverage (Over Age 65)**

**June 30, 2021**

<b>Medical Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>	<b>Waived</b>	<b>Total</b>
Anthem Select	-	-	-	-	-
Blue Shield Access+	-	-	-	-	-
Kaiser	7	5	-	-	12
UnitedHealthcare	7	2	-	-	9
PERS Choice	7	4	-	-	11
PERS Select	1	-	-	-	1
PERSCare	24	8	-	-	32
PORAC	1	3	-	-	4
Waived	-	-	-	15	15
<b>Total</b>	<b>47</b>	<b>22</b>	<b>-</b>	<b>15</b>	<b>84</b>

**ACTUARIAL CERTIFICATION**

This report presents the City of South Pasadena Retiree Healthcare Plan (“Plan”) June 30, 2021 actuarial valuation. The purpose of this valuation is to:

- Determine the Plan’s June 30, 2021 funded status, and
- Calculate the 2022/23 and 2023/24 recommended contributions.

This report provides information intended for plan funding 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 and participant data provided by the City and asset information provided by CERBT 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,

**DRAFT**

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Mary Elizabeth Redding  
FSA, EA, MAAA  
Foster & Foster, Inc.  
January 23, 2023

**DRAFT**

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Drew D. Ballard  
ASA, EA, MAAA  
Foster & Foster, Inc.  
January 23, 2023

**DRAFT**

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Tak Frazita  
FSA, EA, MAAA  
Foster & Foster, Inc.  
January 23, 2023