



TOWN OF LOS GATOS
RETIREE HEALTHCARE PLAN

BARTEL
ASSOCIATES, LLC

June 30, 2019 Actuarial Valuation
Final Results

Bartel Associates, LLC
Joseph R. D'Onofrio, FSA
Wai Man Yam, Actuarial Analyst
Katherine Moore, Associate Actuary
March 13, 2020

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BENEFIT SUMMARY

<p>■ Eligibility</p>	<ul style="list-style-type: none"> • Retire directly from Town under CalPERS (service or disability) • Town Council members in CalPERS eligible
<p>■ Retiree Medical Benefit Tier 1</p>	<ul style="list-style-type: none"> • Maximum Town contribution is Kaiser Bay Area/Region 1 single premium plus 90% of difference between Kaiser premium for coverage elected (2-party and family) and single premium using: <ul style="list-style-type: none"> ➢ Non-Medicare premium for employees who retired before 2/1/16¹ ➢ Non-Medicare and Medicare premiums for employees who retired on or after 2/1/16 • Town contribution uses PEMHCA 5% unequal method <ul style="list-style-type: none"> ➢ Town joined PEMHCA in 1991 ➢ Maximum annual increase of \$100 per month - \$1,647.16 for family coverage (B/B/B) for 2019

¹ The prior valuation as of 6/30/17 assumed the Town contribution for Medicare eligible retirees who retired before 2/1/16 was based on the Kaiser Bay Area Medicare premium rather than the non-Medicare premium.



BENEFIT SUMMARY

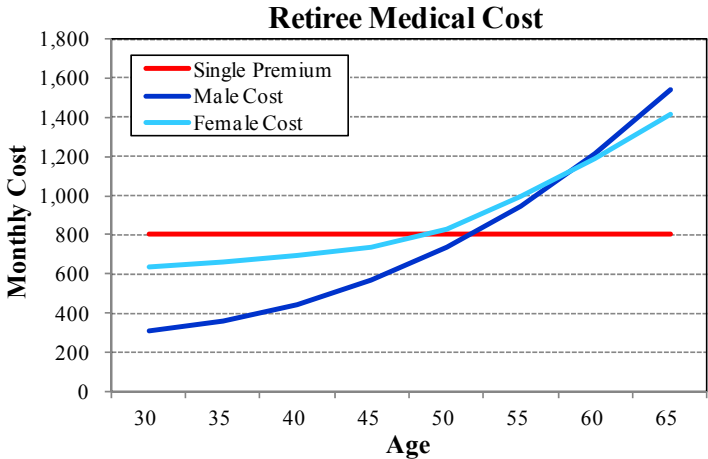
<p>■ Retiree Medical Benefit Tier 2</p>	<ul style="list-style-type: none"> • PEMHCA minimum amount for: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Employee Group</th> <th>Hired After</th> </tr> </thead> <tbody> <tr> <td>TEA</td> <td>8/22/18</td> </tr> <tr> <td>AFSCME</td> <td>7/1/18</td> </tr> <tr> <td>POA</td> <td>10/1/18</td> </tr> <tr> <td>Management</td> <td>10/1/18</td> </tr> <tr> <td>Confidential</td> <td>10/1/18</td> </tr> <tr> <td>Town Manager</td> <td>10/1/18</td> </tr> <tr> <td>Town Attorney</td> <td>10/1/18</td> </tr> <tr> <td>Town Council</td> <td>10/1/18</td> </tr> </tbody> </table> 	Employee Group	Hired After	TEA	8/22/18	AFSCME	7/1/18	POA	10/1/18	Management	10/1/18	Confidential	10/1/18	Town Manager	10/1/18	Town Attorney	10/1/18	Town Council	10/1/18
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Town Council	10/1/18																		
<p>■ PEMHCA Minimum Amount</p>	<p>2019 \$136 / month 2020 \$139 / month 2021 \$143 / month (estimated) 2022+ Medical CPI increases</p>																		
<p>■ Surviving Spouse Benefit</p>	<ul style="list-style-type: none"> • Retiree benefit paid to surviving spouse of retiree with CalPERS joint and survivor payment option • Retiree benefit paid to spouse of active employee who died while eligible to retire receiving CalPERS survivor benefit 																		



BENEFIT SUMMARY

■ **Implicit Subsidy**

- Retirees pay blended medical premiums rather than expected medical costs by age and gender
- Active premiums subsidize non-Medicare eligible retiree medical costs (“implicit subsidy”)



- Implicit subsidy required by Actuarial Standards of Practice for actuarial valuations for PEMHCA plans after 3/31/15



BENEFIT SUMMARY



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FUNDING POLICY

<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Contribute at least full ADC² less cash subsidy and implicit subsidy benefit payments with OPEB trust (CERBT Investment Strategy #1) • Cash subsidy and implicit subsidy benefit payments and PEMHCA administrative fees currently paid by the Town and not reimbursed from OPEB trust • Unfunded Liability amortized over 18 years for 2020/21 																																																																													
<p>■ Pay-As-You-Go Cost (000's)</p>	<table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Cash Subsidy</th> <th>Implicit Subsidy</th> <th>PEMHCA Fees</th> <th>Total PayGo</th> <th>Trust Paid</th> <th>Town Paid</th> </tr> </thead> <tbody> <tr><td>2018/19</td><td>\$1,104</td><td>\$195</td><td>\$8</td><td>\$1,307</td><td>\$0</td><td>\$1,307</td></tr> <tr><td>2017/18</td><td>1,138</td><td>188</td><td>9</td><td>1,335</td><td>0</td><td>1,335</td></tr> <tr><td>2016/17</td><td>1,040</td><td>229</td><td>9</td><td>1,278</td><td>0</td><td>1,278</td></tr> <tr><td>2015/16</td><td>943</td><td>253</td><td>n/a</td><td>1,196</td><td>0</td><td>1,196</td></tr> <tr><td>2014/15</td><td>859</td><td>n/a</td><td>n/a</td><td>859</td><td>0</td><td>859</td></tr> <tr><td>2013/14</td><td>754</td><td>n/a</td><td>n/a</td><td>754</td><td>0</td><td>754</td></tr> <tr><td>2012/13</td><td>687</td><td>n/a</td><td>n/a</td><td>687</td><td>0</td><td>687</td></tr> <tr><td>2011/12</td><td>636</td><td>n/a</td><td>n/a</td><td>636</td><td>0</td><td>636</td></tr> <tr><td>2010/11</td><td>581</td><td>n/a</td><td>n/a</td><td>581</td><td>0</td><td>581</td></tr> <tr><td>2009/10</td><td>400</td><td>n/a</td><td>n/a</td><td>400</td><td>0</td><td>400</td></tr> </tbody> </table>	Fiscal Year	Cash Subsidy	Implicit Subsidy	PEMHCA Fees	Total PayGo	Trust Paid	Town Paid	2018/19	\$1,104	\$195	\$8	\$1,307	\$0	\$1,307	2017/18	1,138	188	9	1,335	0	1,335	2016/17	1,040	229	9	1,278	0	1,278	2015/16	943	253	n/a	1,196	0	1,196	2014/15	859	n/a	n/a	859	0	859	2013/14	754	n/a	n/a	754	0	754	2012/13	687	n/a	n/a	687	0	687	2011/12	636	n/a	n/a	636	0	636	2010/11	581	n/a	n/a	581	0	581	2009/10	400	n/a	n/a	400	0	400
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² Actuarially Determined Contribution (ADC) is GASBS 75's terminology for the recommended funding contribution.



FUNDING POLICY

<p>■ Town Contributions ('000's)</p>	<table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Town PayGo</th> <th>Trust Prefund</th> <th>Total Contrib</th> <th>ARC/ADC</th> <th>Discount Rate</th> </tr> </thead> <tbody> <tr><td>2018/19</td><td>\$1,307</td><td>\$1,100</td><td>\$2,407</td><td>\$2,108</td><td>6.75%</td></tr> <tr><td>2017/18</td><td>1,335</td><td>1,600</td><td>2,935</td><td>2,129</td><td>7.25%</td></tr> <tr><td>2016/17</td><td>1,278</td><td>2,600</td><td>3,878</td><td>2,067</td><td>7.25%</td></tr> <tr><td>2015/16</td><td>1,196</td><td>1,500</td><td>2,696</td><td>1,913</td><td>7.25%</td></tr> <tr><td>2014/15</td><td>859</td><td>1,300</td><td>2,159</td><td>1,864</td><td>7.25%</td></tr> <tr><td>2013/14</td><td>754</td><td>1,300</td><td>2,054</td><td>2,619</td><td>S&U</td></tr> <tr><td>2012/13</td><td>687</td><td>1,200</td><td>1,887</td><td>2,492</td><td>S&U</td></tr> <tr><td>2011/12</td><td>636</td><td>1,060</td><td>1,696</td><td>2,129</td><td>S&U</td></tr> <tr><td>2010/11</td><td>581</td><td>850</td><td>1,431</td><td>1,990</td><td>S&U</td></tr> <tr><td>2009/10</td><td>400</td><td>550</td><td>950</td><td>1,953</td><td>S&U</td></tr> </tbody> </table>	Fiscal Year	Town PayGo	Trust Prefund	Total Contrib	ARC/ADC	Discount Rate	2018/19	\$1,307	\$1,100	\$2,407	\$2,108	6.75%	2017/18	1,335	1,600	2,935	2,129	7.25%	2016/17	1,278	2,600	3,878	2,067	7.25%	2015/16	1,196	1,500	2,696	1,913	7.25%	2014/15	859	1,300	2,159	1,864	7.25%	2013/14	754	1,300	2,054	2,619	S&U	2012/13	687	1,200	1,887	2,492	S&U	2011/12	636	1,060	1,696	2,129	S&U	2010/11	581	850	1,431	1,990	S&U	2009/10	400	550	950	1,953	S&U
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PARTICIPANT SUMMARY

Eligible Participants - June 30, 2019

CalPERS Classification	Misc		Safety		Total	
■ Actives						
• Participating	87	78%	30	79%	117	79%
• Waived Coverage	<u>24</u>	<u>22%</u>	<u>8</u>	<u>21%</u>	<u>32</u>	<u>21%</u>
• Total Actives	111	100%	38	100%	149 ³	100%
• Average Age	44.8		43.1		44.4	
• Average Town Service	8.0		10.7		8.7	
• Total Payroll (000's)	\$10,364		\$5,522		\$15,886	
■ Retirees						
• Participating	94	74%	36	75%	130	74%
• Waived Coverage	<u>33</u>	<u>26%</u>	<u>12</u>	<u>25%</u>	<u>45</u>	<u>26%</u>
• Total Retirees	127	100%	48	100%	175	100%
• Average Age	72.3		64.6		70.2	
• Average Service Retirement Age	59.9		53.4		58.6	
• Average Disabled Retirement Age	49.8		46.3		46.5	
■ Retirees/Actives	114%		126%		117%	

³ 10 active employees on 6/30/19 are in Tier 2.



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2017

CalPERS Classification	Misc		Safety		Total	
■ Actives						
• Participating	83	74%	29	81%	112	76%
• Waived Coverage	<u>29</u>	<u>26%</u>	<u>7</u>	<u>19%</u>	<u>36</u>	<u>24%</u>
• Total Actives	112	100%	36	100%	148	100%
• Average Age	44.3		42.9		43.9	
• Average Town Service	7.7		11.0		8.5	
• Total Payroll (000's)	\$9,400		\$4,651		\$14,051	
■ Retirees						
• Participating	90	71%	32	71%	122	71%
• Waived Coverage	<u>37</u>	<u>29%</u>	<u>13</u>	<u>29%</u>	<u>50</u>	<u>29%</u>
• Total Retirees	127	100%	45	100%	172	100%
• Average Age	71.1		63.3		69.0	
• Average Service Retirement Age	59.8		53.6		58.6	
• Average Disabled Retirement Age	49.8		46.4		46.6	
■ Retirees/Actives	112%		125%		116%	



PARTICIPANT SUMMARY

Participant Reconciliation
Miscellaneous

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2017	112	113	1	13	127
• Terminations ⁴	(16)	-	-	-	-
• New Retirees & Survivors	(6)	6	0	0	6
• Retiree Deaths with Survivor	-	(3)	(0)	3	-
• Retiree Deaths without Survivor ⁵	-	(4)	(0)	(2)	(6)
• New Participants	21	-	-	-	-
■ June 30, 2019	111	112	1	14	127

⁴ Active employees reported for the 6/30/17 valuation and not reported for the 6/30/19 valuation were assumed to be terminations and deaths before retirement.

⁵ Retirees reported for the 6/30/17 valuation and not reported for the 6/30/19 valuation were assumed to be deaths without covered survivors.



PARTICIPANT SUMMARY

Participant Reconciliation
Safety

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2017	36	25	16	4	45
• Terminations ⁶	(1)	-	-	-	-
• New Retirees & Survivors	(3)	2	1	0	3
• Retiree Deaths with Survivor	-	(0)	(1)	1	-
• Retiree Deaths without Survivor ⁷	-	(0)	(0)	(0)	(0)
• New Participants	6	-	-	-	-
■ June 30, 2019	38	27	16	5	48

⁶ Active employees reported for the 6/30/17 valuation and not reported for the 6/30/19 valuation were assumed to be terminations and deaths before retirement.

⁷ Retirees reported for the 6/30/17 valuation and not reported for the 6/30/19 valuation were assumed to be deaths without covered survivors.



ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2015/16	2016/17	2017/18	2018/19
■ Market Value at Beginning of Year	\$8,346	\$9,958	\$13,601	\$16,277
• Town Contributions				
➢ Trust Prefunding Contributions	1,500	2,600	1,600	1,100
➢ Town Cash Subsidy Benefit Payments	943	1,040	1,138	1,104
➢ Town Implicit Subsidy Benefit Payments	253	229	188	195
➢ PEMHCA Administrative Fees	n/a	9	9	8
➢ Total Contributions	2,696	3,878	2,935	2,407
• Investment Earnings	119	1,053	1,088	1,017
• Benefit Payments				
➢ Cash Subsidy Benefit Payments	(943)	(1,040)	(1,138)	(1,104)
➢ Implicit Subsidy Benefit Payments	(253)	(229)	(188)	(195)
➢ Total Benefit Payments	(1,196)	(1,269)	(1,326)	(1,299)
• Investment Expenses	(3)	(4)	(5)	(6)
• CERBT Administrative Expenses	(4)	(5)	(7)	(8)
• PEMHCA Administrative Fees	n/a	(9)	(9)	(8)
■ Market Value at End of Year	9,958	13,601	16,277	18,380
■ Estimated Annual Return	1.4%	10.5%	8.0%	6.2%
■ CERBT #1 Annual Return	1.0%	10.6%	8.0%	6.2%



ASSETS

Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2015/16	2016/17	2017/18	2018/19
■ Actuarial Value at Beginning of Year	\$8,238	\$10,261	\$13,605	\$16,149
• Town Contributions	2,696	3,878	2,935	2,407
• Expected Net Earnings	598	745	919	1,091
• Benefit Payments	(1,196)	(1,269)	(1,326)	(1,299)
• Administrative Expenses	n/a	(9)	(16)	(16)
■ Expected AVA at End of Year	10,336	13,606	16,117	18,332
■ Accrued Market Value at End of Year	9,958	13,601	16,277	18,380
■ MVA - Expected AVA	(379)	(5)	160	48
■ 1/5 of (MVA - Expected AVA)	(76)	(1)	32	10
■ Preliminary AVA	10,261	13,605	16,149	18,341
■ Minimum AVA (80% of MVA)	7,966	10,881	13,021	14,704
■ Maximum AVA (120% of MVA)	11,949	16,321	19,532	22,056
■ Actuarial Value at End Year	10,261	13,605	16,149	18,341
■ Actuarial Value Estimated Net Return	6.3%	7.2%	7.0%	6.8%
■ AVA/MVA	103%	100%	99%	100%



VALUATION RESULTS

Actuarial Obligations

Actuarial Obligations (Amounts in 000's)	6/30/17 Valuation		6/30/19 Valuation		
	Actual 6/30/17	Projected 6/30/19	Actual 6/30/19	Projected 6/30/20	Projected 6/30/21
■ Discount Rate	6.75%	6.75%	6.75%	6.75%	6.75%
■ Present Value of Benefits					
• Actives	\$19,569	n/a	\$19,848	n/a	n/a
• Retirees	<u>15,436</u>	<u>n/a</u>	<u>16,952</u>	<u>n/a</u>	<u>n/a</u>
• Total	35,005	\$37,106	36,800	\$37,794	\$38,814
■ Actuarial Accrued Liability					
• Actives	9,337	n/a	10,065	n/a	n/a
• Retirees	<u>15,436</u>	<u>n/a</u>	<u>16,952</u>	<u>n/a</u>	<u>n/a</u>
• Total	24,773	28,061	27,017	28,568	30,155
■ Actuarial Value of Assets	<u>13,605</u>	<u>17,084</u>	<u>18,341</u>	<u>20,259</u>	<u>21,949</u>
■ Unfunded AAL	11,168	10,977	8,676	8,309	8,206
■ Funded Percentage	54.9%	60.9%	67.9%	70.9%	72.8%
■ Annual Cost for Following Year					
• Normal Cost	1,247	1,323	1,217	1,191	1,171
• PEMHCA Administrative Fees	4	4	2	2	2
• CERBT Administrative Expenses	<u>8</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>11</u>
• Annual Cost	1,259	1,337	1,228	1,203	1,184



VALUATION RESULTS

Actuarial Obligations

June 30, 2019

Actuarial Obligations (Amounts in 000's)	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ Discount Rate	6.75%	6.75%	6.75%
■ Present Value of Benefits			
• Actives	\$16,486	\$3,362	\$19,848
• Retirees	<u>15,694</u>	<u>1,258</u>	<u>16,952</u>
• Total	32,180	4,620	36,800
■ Actuarial Accrued Liability			
• Actives	8,358	1,707	10,065
• Retirees	<u>15,694</u>	<u>1,258</u>	<u>16,952</u>
• Total	24,052	2,965	27,017
■ Actuarial Value of Assets⁸	<u>16,328</u>	<u>2,013</u>	<u>18,341</u>
■ Unfunded AAL	7,724	952	8,676
■ Annual Cost 2020/21			
• Normal Cost	993	197	1,191
• PEMHCA Administrative Fee	2	n/a	2
• CERBT Administrative Expenses	<u>10</u>	<u>n/a</u>	<u>10</u>
• Annual Cost	1,005	197	1,203

⁸ Actuarial Value of Assets allocated to cash subsidy and implicit subsidy in proportion to Actuarial Accrued Liability.



VALUATION RESULTS

Estimated Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL	(AVA)	UAAL	Fund%
■ 6/30/17 Actual Amounts	\$24,773	\$(13,605)	\$11,168	54.9%
■ 6/30/19 Expected Amounts	28,061	(17,084)	10,977	60.9%
■ Plan Grandfather Benefits	1,167	-	1,167	
■ Experience Losses (Gains)				
• Actual versus expected premiums ⁹	(1,251)	-	(1,251)	
• Demographic & other	(88)	-	(88)	
• Asset loss (gain)	-	(1,257)	(1,257)	
■ Assumption Changes				
• Mortality improvement	(160)	-	(160)	
• Participation at retirement ¹⁰	(231)	-	(231)	
• Remove ACA high cost plan excise tax	<u>(481)</u>	<u>-</u>	<u>(481)</u>	
■ Total Changes	(1,044)	(1,257)	(2,301)	7.0%
■ 6/30/19 Actual Amounts	27,017	(18,341)	8,676	67.9%

⁹ Includes the impact of actual versus expected premiums and changes in claims aging factors.

¹⁰ Includes change in family coverage at retirement assumption.



VALUATION RESULTS



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VALUATION RESULTS

Actuarially Determined Contributions (ADC)

(Amounts in 000's)

Actuarially Determined Contribution	<u>6/30/17 Valuation</u>		<u>6/30/19 Valuation</u>	
	2018/19	2019/20	2020/21 ¹¹	2021/22
■ Discount Rate	6.75%	6.75%	6.75%	6.75%
■ ADC - \$				
• Annual Cost	\$1,298	\$1,337	\$1,203	\$1,184
• UAAL Amortization	<u>810</u>	<u>835</u>	<u>656</u>	<u>676</u>
• Total ADC	2,108	2,172	1,859	1,860
■ Projected Payroll¹²	14,688	15,129	16,853	17,359
■ ADC - %				
• Annual Cost	8.8%	8.8%	7.1%	6.8%
• UAAL Amortization	<u>5.5%</u>	<u>5.5%</u>	<u>3.9%</u>	<u>3.9%</u>
• Total ADC%	14.4%	14.4%	11.0%	10.7%
■ UAAL Amortization Years	20	19	18	17

¹¹ 1-year lag period between valuation date and first fiscal year ADC.

¹² For 2020/21, reported 2018/19 PERSable payroll projected 2 years using the aggregate payroll assumption of 3.00%.



VALUATION RESULTS

Actuarially Determined Contribution (ADC)

2020/21 Fiscal Year

(Amounts in 000's)

Actuarially Determined Contribution	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ Discount Rate	6.75%	6.75%	6.75%
■ ADC - \$			
• Annual Cost	\$1,005	\$197	\$1,203
• UAAL Amortization	<u>585</u>	<u>72</u>	<u>656</u>
• Total ADC	1,590	269	1,859
■ Projected Payroll	16,853	16,853	16,853
■ ADC - %			
• Annual Cost	6.0%	1.2%	7.1%
• UAAL Amortization	<u>3.5%</u>	<u>0.4%</u>	<u>3.9%</u>
• Total ADC%	9.4%	1.6%	11.0%
■ UAAL Amortization Years	18	18	18



VALUATION RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year End	Cash Subsidy ¹³			Implicit Subsidy	Total Benefit Payments
	Current Actives	Current Retirees	Total Cash		
2020	\$ 49	\$1,163	\$1,212	\$230	\$1,442
2021	129	1,137	1,266	216	1,482
2022	212	1,138	1,350	211	1,561
2023	291	1,151	1,442	210	1,652
2024	387	1,157	1,544	222	1,766
2025	488	1,163	1,651	230	1,881
2026	579	1,184	1,763	240	2,003
2027	681	1,208	1,889	277	2,166
2028	797	1,203	2,000	279	2,279
2029	912	1,217	2,129	324	2,453
PVB ¹⁴	16,486	15,694	32,180	4,620	36,800

¹³ Does not include estimated PEMHCA administrative fees.

¹⁴ Present Value of Benefits for all years, including those after the 10 years shown. The Present Value of Benefits is the discounted value of future expected Town benefit payments using the valuation discount rate.



VALUATION RESULTS

Total Payments Projection

(Amounts in 000's)

Fiscal Year End	Cash Benefit Payments	PEMHCA Admin Expense	Total Cash Payments	Implicit Subsidy Payments	Total Benefit Payments	Percent of Payroll
2020	\$1,212	\$2	\$1,214	\$230	\$1,444	8.8%
2021	1,266	2	1,268	216	1,484	8.8%
2022	1,350	2	1,352	211	1,563	9.0%
2023	1,442	2	1,444	210	1,654	9.3%
2024	1,544	2	1,546	222	1,768	9.6%
2025	1,651	2	1,653	230	1,883	9.9%
2026	1,763	2	1,765	240	2,005	10.3%
2027	1,889	2	1,891	277	2,168	10.8%
2028	2,000	3	2,003	279	2,282	11.0%
2029	2,129	3	2,132	324	2,456	11.5%



VALUATION RESULTS

Contribution Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End ¹⁵	Actuarially Determined Contribution					Town Contributions ¹⁶			
	Annual Cost	UAAL Amort	ADC	Projected Payroll	ADC % Pay	Cash Subsidy	Implicit Subsidy	Trust Funding	Total Contrib
2020	\$1,337	\$835	\$2,172	\$15,129	14.4%	\$1,214	\$230	\$728	\$2,172
2021	1,203	656	1,859	16,853	11.0%	1,268	216	375	1,859
2022	1,184	676	1,860	17,359	10.7%	1,352	211	297	1,860
2023	1,171	695	1,866	17,880	10.4%	1,444	210	212	1,866
2024	1,156	716	1,872	18,416	10.2%	1,546	222	104	1,872
2025	1,140	737	1,877	18,969	9.9%	1,653	230	0	1,883
2026	1,120	758	1,878	19,538	9.6%	1,765	240	0	2,005
2027	1,101	767	1,868	20,124	9.3%	1,891	277	0	2,168
2028	1,079	755	1,834	20,728	8.8%	2,003	279	0	2,282
2029	1,057	721	1,778	21,349	8.3%	2,132	324	0	2,456

¹⁵ ADC for the fiscal year ending 6/30/20 was determined by the 6/30/17 actuarial valuation.

¹⁶ Projection assumes Town pays benefit payments and PEMHCA administrative fees directly from Town assets and does not request reimbursement from the OPEB trust.



VALUATION RESULTS

Funded Status Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End	Actuarial Value of Assets ¹⁷						Funded Status		
	BOY AVA	Trust Funding	CS Payments	IS Payments	Expected Earnings	EOY AVA	BOY AAL	BOY UAAL ¹⁸	BOY Fund%
2020	\$18,341	\$728	\$(0)	\$(0)	\$1,190	\$20,259	\$27,017	\$8,676	68%
2021	20,259	375	(0)	(0)	1,315	21,949	28,568	8,309	71%
2022	21,949	297	(0)	(0)	1,425	23,671	30,155	8,206	73%
2023	23,671	212	(0)	(0)	1,536	25,419	31,749	8,078	75%
2024	25,419	104	(0)	(0)	1,648	27,171	33,342	7,923	76%
2025	27,171	0	(0)	(0)	1,762	28,933	34,909	7,738	78%
2026	28,933	0	(0)	(0)	1,875	30,808	36,446	7,513	79%
2027	30,808	0	(0)	(0)	1,995	32,803	37,940	7,132	81%
2028	32,803	0	(0)	(0)	2,124	34,927	39,346	6,543	83%
2029	34,927	0	(0)	(0)	2,261	37,188	40,707	5,780	86%

¹⁷ Projection assumes Town pays benefit payments and PEMHCA administrative fees directly from Town assets and does not request reimbursement from the OPEB trust. Expected earnings is shown net of investment and CERBT administrative expenses.

¹⁸ UAAL is amortized over 18 years for 2020/21 and decreases by 1 year for each year thereafter.



VALUATION RESULTS

CERBT Prefunding¹⁹
CERBT Target Investment Allocation

■ CERBT Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Global Equity	59%	40%	22%
■ Fixed Income	25%	43%	49%
■ TIPS	5%	5%	16%
■ REITs	8%	8%	8%
■ Commodities	<u>3%</u>	<u>4%</u>	<u>5%</u>
■ Total	100%	100%	100%
■ Long-Term Expected Real Return ²⁰	4.14%	3.54%	2.83%
■ Long-Term Inflation Assumption	2.75%	2.75%	2.75%
■ Assumed Investment Expenses	<u>(0.05%)</u>	<u>(0.05%)</u>	<u>(0.05%)</u>
■ Long-Term Expected Net Nominal Return	6.84%	6.24%	5.53%
■ Recommended Discount Rate	6.75%	6.25%	5.50%

¹⁹ Bartel Associates is not an investment advisor and cannot recommend specific OPEB trusts. CERBT funds are shown for illustrative purposes only. Other OPEB trust options are available.

²⁰ Using Bartel Associates' 2017 capital market assumptions which are based on a survey of various investment advisors' expected asset class returns.



VALUATION RESULTS

CERBT Prefunding
 (Amounts in 000's)

■ Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Discount Rate	6.75%	6.25%	5.50%
■ Present Value of Benefits	\$36,800	\$39,792	\$45,057
■ Funded Status - 6/30/19			
• Actuarial Accrued Liability	27,017	28,649	31,414
• Actuarial Value of Assets	<u>18,341</u>	<u>18,341</u>	<u>18,341</u>
• Unfunded AAL	8,676	10,308	13,073
• Funded Percentage	67.9%	64.0%	58.4%
■ ADC 2020/21			
• Annual Cost	1,203	1,322	1,528
• UAAL Amortization ²¹	<u>656</u>	<u>761</u>	<u>922</u>
• Total ADC	1,859	2,082	2,451
■ ADC% 2020/21	11.0%	12.4%	14.5%

²¹ Amortized as a level percentage of payroll over a 18-year period.



VALUATION RESULTS

Implicit Subsidy Illustration


(Amounts in 000's)

2020/21	Pay-As-You-Go Cost			Town Contribution		
	Actives	OPEB	Total	Actives	OPEB ²²	Total
■ Before Implicit Subsidy						
• Cash Subsidy ²³	\$2,000	\$1,268	\$3,268	\$2,000	\$1,590	\$3,590
• Implicit Subsidy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Total	2,000	1,268	3,268	2,000	1,590	3,590
■ After Implicit Subsidy						
• Cash Subsidy	2,000	1,268	3,268	2,000	1,590	3,590
• Implicit Subsidy ²⁴	<u>(216)</u>	<u>216</u>	<u>0</u>	<u>(216)</u>	<u>269</u>	<u>53</u>
• Total	1,784	1,484	3,268	1,784	1,859	3,643
■ Change						
• Cash Subsidy	0	0	0	0	0	0
• Implicit Subsidy	<u>(216)</u>	<u>216</u>	<u>0</u>	<u>(216)</u>	<u>269</u>	<u>53</u>
• Total	(216)	216	0	(216)	269	53

²² The Town contribution is shown as the ADC for purposes of this illustration.

²³ Estimate of Town's active employee cash subsidy.

²⁴ The Town's active premium pay-as-you go-cost is offset by the estimated retiree implicit subsidy pay-as-you-go cost.

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ACTUARIAL CERTIFICATION

This report presents the Town of Los Gatos Retiree Healthcare Plan ("Plan") June 30, 2019 actuarial valuation. The purpose of this valuation is to calculate the June 30, 2019 funded status and 2020/21 and 2021/22 Actuarially Determined Contributions and provide the basis for the Town's GASBS 75 accounting information report for the fiscal years ending on June 30, 2020 and June 30, 2021. The report may not be appropriate for other purposes.

Future valuations may differ significantly if the Plan's experience differs from the assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The scope of the valuation did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the Town as summarized in this report, which we relied on but 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 completed using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy's Qualification Standards, we certify the actuarial results and opinions herein.


Respectfully submitted,



Joseph R. D'Onofrio, FSA, EA, FCA, MAAA
Assistant Vice President
Bartel Associates, LLC
March 13, 2020



Katherine Moore, ASA, MAAA
Associate Actuary
Bartel Associates, LLC
March 13, 2020

 March 13, 2020

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EXHIBITS

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PREMIUMS

2018 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/M
Anthem HMO Select	\$856.41	\$1,712.82	\$2,226.67	n/a	n/a	n/a
Anthem HMO Traditional	925.47	1,850.94	2,406.22	\$370.34	\$740.68	\$1,111.02
Blue Shield Access+	889.02	1,778.04	2,311.45	n/a	n/a	n/a
Health Net SmartCare	863.48	1,726.96	2,245.05	n/a	n/a	n/a
Kaiser Permanente	779.86	1,559.72	2,027.64	316.34	632.68	992.28
UnitedHealthcare	1,371.84	2,743.68	3,566.78	330.76	661.52	992.28
Western Health Advantage	792.56	1,585.12	2,060.66	n/a	n/a	n/a
PERS Choice	800.27	1,600.54	2,080.70	345.97	691.94	1,037.91
PERS Select	717.50	1,435.00	1,865.50	345.97	691.94	1,037.91
PERSCare	882.45	1,764.90	2,294.37	382.30	764.60	1,146.90
PORAC	734.00	1,540.00	1,970.00	487.00	970.00	1,551.00



PREMIUMS

2019 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/M
Anthem HMO Select	\$831.44	\$1,662.88	\$2,161.74	n/a	n/a	n/a
Anthem HMO Traditional	1,111.13	2,222.26	2,888.94	\$357.44	\$714.88	\$1,072.32
Blue Shield Access+	970.90	1,941.80	2,524.34	n/a	n/a	n/a
Health Net SmartCare	901.55	1,803.10	2,344.03	n/a	n/a	n/a
Kaiser Permanente	768.25	1,536.50	1,997.45	323.74	647.48	971.22
UnitedHealthcare	n/a	n/a	n/a	299.37	598.74	898.11
Western Health Advantage	767.01	1,534.02	1,994.23	n/a	n/a	n/a
PERS Choice	866.27	1,732.54	2,252.30	360.41	720.82	1,081.23
PERS Select	543.19	1,086.38	1,412.29	360.41	720.82	1,081.23
PERSCare	1,131.68	2,263.36	2,942.37	394.83	789.66	1,184.49
PORAC	774.00	1,623.00	2,076.00	513.00	1,022.00	1,635.00



PREMIUMS

2020 PEMHCA Monthly Premiums
Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/M
Anthem HMO Select	\$868.98	\$1,737.96	\$2,259.35	\$388.15	\$776.30	\$1,164.45
Anthem HMO Traditional	1,184.84	2,369.68	3,080.58	388.15	776.30	1,164.45
Blue Shield Access+	1,127.77	2,255.54	2,932.20	n/a	n/a	n/a
Blue Shield Trio	833.00	1,666.00	2,165.80	n/a	n/a	n/a
Health Net SmartCare	1,000.52	2,001.04	2,601.35	n/a	n/a	n/a
Kaiser Permanente	768.49	1,536.98	1,998.07	339.43	678.86	1,018.29
UnitedHealthcare	899.94	1,799.88	2,339.84	327.03	654.06	981.09
Western Health Advantage	731.96	1,463.92	1,903.10	n/a	n/a	n/a
Anthem EPO Del Norte	861.18	1,722.36	2,239.07	n/a	n/a	n/a
PERS Choice	861.18	1,722.36	2,239.07	351.39	702.78	1,054.17
PERS Select	520.29	1,040.58	1,352.75	351.39	702.78	1,054.17
PERSCare	1,133.14	2,266.28	2,946.16	384.78	769.56	1,154.34
PORAC	774.00	1,699.00	2,199.00	513.00	1,022.00	1,635.00



PREMIUMS

PEMHCA Monthly Premium Increases
Bay Area/Region 1 - 2019 to 2020

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	4.5%	n/a	7.5%	n/a
Anthem HMO Traditional	6.6%	8.6%	7.5%	6.5%
Blue Shield Access+	16.2%	n/a	7.5%	n/a
Blue Shield Trio	n/a	n/a	n/a	n/a
Health Net SmartCare	11.0%	n/a	7.5%	n/a
Kaiser Permanente	0.0%	4.8%	7.5%	6.5%
UnitedHealthcare	n/a	9.2%	7.5%	6.5%
Western Health Advantage	(4.6%)	n/a	7.5%	n/a
Anthem EPO Del Norte	n/a	n/a	n/a	n/a
PERS Choice	(0.6%)	(2.5%)	7.5%	6.5%
PERS Select	(4.2%)	(2.5%)	7.5%	6.5%
PERSCare	0.1%	(2.5%)	7.5%	6.5%
PORAC (single)	0.0%	0.0%	7.5%	6.5%



PREMIUMS

PEMHCA Monthly Premium Increases
Bay Area/Region 1 - 2018 to 2020

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	1.5%	n/a	15.6%	n/a
Anthem HMO Traditional	28.0%	4.8%	15.6%	13.4%
Blue Shield Access+	26.9%	n/a	15.6%	n/a
Blue Shield Trio	n/a	n/a	n/a	n/a
Health Net SmartCare	15.9%	n/a	15.6%	n/a
Kaiser Permanente	(1.5%)	7.3%	15.6%	13.4%
UnitedHealthcare	(34.4%)	(1.1%)	15.6%	13.4%
Western Health Advantage	(7.6%)	n/a	15.6%	n/a
Anthem EPO Del Norte	n/a	n/a	n/a	n/a
PERS Choice	(7.6%)	1.6%	15.6%	13.4%
PERS Select	(27.5%)	1.6%	15.6%	13.4%
PERSCare	28.4%	0.6%	15.6%	13.4%
PORAC (single)	5.4%	5.3%	15.6%	13.4%



PARTICIPANT STATISTICS

Medical Plan Participation
Miscellaneous Non-Waived Participants

Medical Plan	June 30, 2017			June 30, 2019		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	13%	8%	0%	15%	13%	1%
Anthem HMO Traditional	8%	0%	0%	3%	4%	0%
Blue Shield Access+	3%	11%	0%	0%	0%	0%
Health Net SmartCare	3%	8%	0%	1%	0%	0%
Kaiser Permanente	57%	31%	27%	63%	42%	30%
UnitedHealthcare	0%	0%	17%	0%	0%	16%
Western Health Advantage	n/a	n/a	n/a	0%	0%	0%
PERS Choice	12%	34%	33%	17%	33%	30%
PERS Select	2%	0%	0%	1%	4%	0%
PERSCare	2%	8%	23%	0%	4%	23%
Total	100%	100%	100%	100%	100%	100%



PARTICIPANT STATISTICS

Medical Plan Participation
Safety Non-Waived Participants

Medical Plan	June 30, 2017			June 30, 2019		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	17%	11%	0%	10%	10%	0%
Anthem HMO Traditional	0%	0%	0%	0%	0%	7%
Blue Shield Access+	0%	5%	0%	0%	0%	0%
Health Net SmartCare	0%	0%	0%	0%	0%	0%
Kaiser Permanente	48%	21%	23%	57%	33%	20%
UnitedHealthcare	0%	0%	8%	0%	0%	0%
Western Health Advantage	n/a	n/a	n/a	0%	0%	0%
PERS Choice	4%	26%	23%	3%	24%	20%
PERS Select	0%	0%	0%	0%	0%	7%
PERSCare	0%	0%	8%	0%	0%	13%
PORAC	31%	37%	38%	30%	33%	33%
Total	100%	100%	100%	100%	100%	100%



PARTICIPANT STATISTICS

Active Medical Coverage
Miscellaneous

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem HMO Select	3	2	7		12
Anthem HMO Traditional	2		1		3
Blue Shield Access+					0
Health Net SmartCare			1		1
Kaiser Permanente	26	9	20		55
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	6	4	5		15
PERS Select			1		1
PERSCare					0
Waived				24	24
Total	37	15	35	24	111
Election %	43%	17%	40%		
Waived %				22%	



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PARTICIPANT STATISTICS

Active Medical Coverage
Safety

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem HMO Select			3		3
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	5	3	9		17
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	1				1
PERS Select					0
PERSCare					0
PORAC		2	7		9
Waived				8	8
Total	6	5	19	8	38
Election %	20%	17%	63%		
Waived %				21%	



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PARTICIPANT STATISTICS

**Retiree Medical Coverage
Miscellaneous - Under Age 65**

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select	2		1		3
Anthem HMO Traditional	1				1
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	5	4	1		10
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	4	4			8
PERS Select		1			1
PERSCare	1				1
Waived				5	5
Total	13	9	2	5	29
Election %	54%	38%	8%		
Waived %				17%	



PARTICIPANT STATISTICS

**Retiree Medical Coverage
Safety - Under Age 65**

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select		1	1		2
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	4	2	1		7
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	3	2			5
PERS Select					0
PERSCare					0
PORAC	1	3	3		7
Waived				6	6
Total	8	8	5	6	27
Election %	38%	38%	24%		
Waived %				22%	



PARTICIPANT STATISTICS

Retiree Medical Coverage
Miscellaneous - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select		1			1
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	15	6			21
UnitedHealthcare	5	6			11
Western Health Advantage					0
PERS Choice	11	10			21
PERS Select					0
PERSCare	8	8			16
Waived				28	28
Total	39	31	0	28	98
Election %	56%	44%	0%		
Waived %				29%	



March 13, 2020

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PARTICIPANT STATISTICS

Retiree Medical Coverage
Safety - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select					0
Anthem HMO Traditional		1			1
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	2	1			3
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	3				3
PERS Select		1			1
PERSCare	1		1		2
PORAC	1	4			5
Waived				6	6
Total	7	7	1	6	21
Election %	47%	47%	6%		
Waived %				29%	



March 13, 2020

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PARTICIPANT STATISTICS

Actives by Age and Town Service
Miscellaneous

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	1	2						3
25-29	2	10	2					14
30-34		8	2					10
35-39	2	6	2	1	1			12
40-44	2	9	3	2	2	2		20
45-49		5	3	2	2	1		13
50-54	1	5	2	4	2		1	15
55-59		4	4	1	5	1		15
60-64	1	1			2		3	7
≥ 65				1			1	2
Total	9	50	18	11	14	4	5	111



PARTICIPANT STATISTICS

Actives by Age and Town Service
Safety

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25		1						1
25-29	1	2						3
30-34		4	1					5
35-39		1	1	3				5
40-44				2	1	2		5
45-49		4	3		2	3		12
50-54				1		2		3
55-59					1	1		2
60-64					1			1
≥ 65		1						1
Total	1	13	5	6	5	8	0	38



PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group

Miscellaneous

Age	Single	2-Party	Family	Waived	Total
Under 50					0
50-54		1			1
55-59	2				2
60-64	11	8	2	5	26
65-69	10	9		3	22
70-74	13	12		8	33
75-79	9	7		7	23
80-84	3	2		3	8
85+	4	1		7	12
Total	52	40	2	33	127

Average Age	71.5	70.5	63.2	76.2	72.3
Election %	55%	43%	2%		
Waived %				26%	



PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group

Safety

Age	Single	2-Party	Family	Waived	Total
Under 50	2		3	1	6
50-54	1	1	1	3	6
55-59	2	2	1		5
60-64	3	5		2	10
65-69	1	2	1	1	5
70-74	4	2		1	7
75-79		2		2	4
80-84	1	1		1	3
85+	1			1	2
Total	15	15	6	12	48

Average Age	65.5	66.8	52.4	66.7	64.6
Election %	42%	42%	16%		
Waived %				25%	



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Valuation Date 	<ul style="list-style-type: none"> • June 30, 2017 • 2018/19 and 2019/20 ADCs • ADC calculated as of beginning of the year with interest to end of year • 1-year lag period between valuation date and first fiscal year ADC 	<ul style="list-style-type: none"> • June 30, 2019 • 2020/21 and 2021/22 ADCs • ADC calculated as of beginning of the year with interest to end of year • 1-year lag period between valuation date and first fiscal year ADC
<ul style="list-style-type: none"> ■ Funding Policy 	<ul style="list-style-type: none"> • Prefund full ADC less cash and implicit subsidy benefit payments with CERBT #1 • Benefit payments currently made from Town assets 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ General Inflation 	<ul style="list-style-type: none"> • 2.75% annually • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation																																				
<ul style="list-style-type: none"> ■ Target Asset Allocation and Expected Long-Term Real Returns 	<ul style="list-style-type: none"> • 2017 capital market assumptions • 2017 CERBT #1 target asset allocation <table border="1"> <thead> <tr> <th><u>CERBT #1</u></th> <th><u>Mix</u></th> <th><u>Return</u></th> </tr> </thead> <tbody> <tr> <td>Global Equity</td> <td>57%</td> <td>4.82%</td> </tr> <tr> <td>Fixed Income</td> <td>27%</td> <td>1.47%</td> </tr> <tr> <td>TIPS</td> <td>5%</td> <td>1.29%</td> </tr> <tr> <td>REITs</td> <td>8%</td> <td>3.76%</td> </tr> <tr> <td>Commodities</td> <td>3%</td> <td>0.84%</td> </tr> </tbody> </table>	<u>CERBT #1</u>	<u>Mix</u>	<u>Return</u>	Global Equity	57%	4.82%	Fixed Income	27%	1.47%	TIPS	5%	1.29%	REITs	8%	3.76%	Commodities	3%	0.84%	<ul style="list-style-type: none"> • 2017 capital market assumptions • 2019 CERBT #1 target asset allocation <table border="1"> <thead> <tr> <th><u>CERBT #1</u></th> <th><u>Mix</u></th> <th><u>Return</u></th> </tr> </thead> <tbody> <tr> <td>Global Equity</td> <td>59%</td> <td>4.82%</td> </tr> <tr> <td>Fixed Income</td> <td>25%</td> <td>1.47%</td> </tr> <tr> <td>TIPS</td> <td>5%</td> <td>1.29%</td> </tr> <tr> <td>REITs</td> <td>8%</td> <td>3.76%</td> </tr> <tr> <td>Commodities</td> <td>3%</td> <td>0.84%</td> </tr> </tbody> </table>	<u>CERBT #1</u>	<u>Mix</u>	<u>Return</u>	Global Equity	59%	4.82%	Fixed Income	25%	1.47%	TIPS	5%	1.29%	REITs	8%	3.76%	Commodities	3%	0.84%
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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation																								
■ Discount Rate	<ul style="list-style-type: none"> • 6.75% • 2017 capital market assumptions • 2.75% assumed inflation • 4 bp investment expenses with no administrative expenses • 50% confidence level <table> <tr> <td>Expected Real Return</td> <td align="right">4.08%</td> </tr> <tr> <td>Assumed Inflation</td> <td align="right">2.75%</td> </tr> <tr> <td>Assumed Expenses</td> <td align="right"><u>(0.04%)</u></td> </tr> <tr> <td>Expected Nominal Return</td> <td align="right">6.79%</td> </tr> <tr> <td>Rounding Margin</td> <td align="right"><u>(0.04%)</u></td> </tr> <tr> <td>Discount Rate</td> <td align="right">6.75%</td> </tr> </table>	Expected Real Return	4.08%	Assumed Inflation	2.75%	Assumed Expenses	<u>(0.04%)</u>	Expected Nominal Return	6.79%	Rounding Margin	<u>(0.04%)</u>	Discount Rate	6.75%	<ul style="list-style-type: none"> • 6.75% • 2017 capital market assumptions • 2.75% assumed inflation • 5 bp investment expenses with no administrative expenses • 50% confidence level <table> <tr> <td>Expected Real Return</td> <td align="right">4.14%</td> </tr> <tr> <td>Assumed Inflation</td> <td align="right">2.75%</td> </tr> <tr> <td>Assumed Expenses</td> <td align="right"><u>(0.05%)</u></td> </tr> <tr> <td>Expected Nominal Return</td> <td align="right">6.84%</td> </tr> <tr> <td>Rounding Margin</td> <td align="right"><u>(0.09%)</u></td> </tr> <tr> <td>Discount Rate</td> <td align="right">6.75%</td> </tr> </table>	Expected Real Return	4.14%	Assumed Inflation	2.75%	Assumed Expenses	<u>(0.05%)</u>	Expected Nominal Return	6.84%	Rounding Margin	<u>(0.09%)</u>	Discount Rate	6.75%
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Expected Nominal Return	6.84%																									
Rounding Margin	<u>(0.09%)</u>																									
Discount Rate	6.75%																									
■ Aggregate Payroll Increases	<ul style="list-style-type: none"> • 3.00% annually • Inflation plus 0.25% • For Normal Cost calculation and UAAL amortization 	<ul style="list-style-type: none"> • Same 																								



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
■ Merit Payroll Increases	<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation 	<ul style="list-style-type: none"> • Same
■ Administration Expenses	<ul style="list-style-type: none"> • CERBT - 0.06% of assets added to Normal Cost • PEMHCA - 0.33% of retiree premium added to Normal Cost (2017/18 PEMHCA administrative fee) 	<ul style="list-style-type: none"> • CERBT - 0.05% of assets added to Normal Cost • PEMHCA - 0.27% of retiree premium added to Normal Cost (2019/20 PEMHCA administrative fee)
■ CalPERS Service	<ul style="list-style-type: none"> • Total CalPERS service • Used for CalPERS demographic assumptions 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
■ PPACA High Cost Plan Excise Tax	<ul style="list-style-type: none"> • 2% cash subsidy load 	<ul style="list-style-type: none"> • Repealed 12/20/19
■ Medical Trend Basis	<ul style="list-style-type: none"> • Short-term healthcare trend was developed in consultation with Axene Health Partners' healthcare actuaries • Long-term healthcare trend developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation		June 30, 2019 Valuation			
■ Medical Trend	<u>Increase from Prior Year</u>		<u>Increase from Prior Year</u>			
	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	2017	Premiums		2017	n/a	
	2018	Premiums		2018	n/a	
	2019	7.50%	6.50%	2019	Premiums	
	2020	7.50%	6.50%	2020	Premiums	
	2021	7.25%	6.30%	2021	7.25%	6.30%
	2022	7.00%	6.10%	2022	7.00%	6.10%
	2023	6.75%	5.90%	2023	6.75%	5.90%
	2024	6.50%	5.70%	2024	6.50%	5.70%
	2025	6.25%	5.50%	2025	6.25%	5.50%
	2026	6.00%	5.30%	2026	6.00%	5.30%
	2027	5.80%	5.15%	2027	5.80%	5.15%
	2028	5.60%	5.00%	2028	5.60%	5.00%
	2029	5.40%	4.85%	2029	5.40%	4.85%
2030	5.20%	4.70%	2030	5.20%	4.70%	
2031-2035	5.05%	4.60%	2031-2035	5.05%	4.60%	
2036-2045	4.90%	4.50%	2036-2045	4.90%	4.50%	
2046-2055	4.75%	4.45%	2046-2055	4.75%	4.45%	
2056-2065	4.60%	4.40%	2056-2065	4.60%	4.40%	
2066-2075	4.30%	4.20%	2066-2075	4.30%	4.20%	
2076+	4.00%	4.00%	2076+	4.00%	4.00%	



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation							
■ Medical Claims Costs 2020 Calendar Year	<ul style="list-style-type: none"> • Sample estimated monthly claims costs: 								
	<u>Region 1 - Non-Medicare Eligible</u>								
		<u>Anthem Select</u>		<u>Anthem Trad</u>		<u>BS Access+</u>		<u>HN SmartCare</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
	25	\$322	\$564	\$429	\$751	\$375	\$657	\$360	\$631
	35	410	696	547	928	479	812	460	780
	45	586	854	781	1,139	684	997	656	957
	55	973	1,132	1,296	1,511	1,135	1,322	1,089	1,269
	60	1,227	1,287	1,635	1,716	1,431	1,502	1,374	1,442
	65	1,390	1,393	1,852	1,858	1,622	1,627	1,557	1,561
■ Medical Claims Costs 2020 Calendar Year	<ul style="list-style-type: none"> • Sample estimated monthly claims costs: 								
	<u>Region 1 - Non-Medicare Eligible</u>								
		<u>Kaiser</u>		<u>UHC</u>		<u>PERSChoice</u>		<u>PERS Select</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
	25	\$281	\$492	\$337	\$591	\$252	\$471	\$175	\$341
	35	358	607	430	730	332	592	235	432
	45	512	745	614	896	495	738	359	545
	55	849	988	1,020	1,188	861	1,001	642	747
	60	1,071	1,122	1,286	1,350	1,105	1,149	831	862
	65	1,214	1,215	1,457	1,461	1,264	1,254	954	944



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation			
■ Medical Claims Costs 2020 Calendar Year	<ul style="list-style-type: none"> • Sample estimated monthly claims costs: 				
	<u>Region 1 - Non-Medicare Eligible</u>				
		<u>PERSCare</u>		<u>PORAC</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
	25	\$326	\$596	\$308	\$557
	35	425	746	399	694
	45	625	925	582	860
	55	1,072	1,245	987	1,154
60	1,369	1,424	1,256	1,317	
65	1,560	1,550	1,429	1,431	
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study 		<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study 		
	<ul style="list-style-type: none"> • Mortality Improvement Scale 2017 for postretirement mortality 		<ul style="list-style-type: none"> • Mortality Improvement Scale 2019 		



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation																								
<ul style="list-style-type: none"> ■ Service Retirement 	<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study <table border="0"> <tr> <td style="padding-left: 40px;"><u>CalPERS</u></td> <td style="padding-left: 40px;"><u>Misc</u></td> </tr> <tr> <td>Hired < 9/15/12</td> <td>2.5%@55</td> </tr> <tr> <td>Hired ≥ 9/15/12</td> <td>2%@60</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> </tr> <tr> <td>➢ Classic Member</td> <td>2%@60</td> </tr> <tr> <td>➢ New Member</td> <td>2%@62</td> </tr> <tr> <td colspan="2" style="padding-top: 10px;"><u>CalPERS</u></td> </tr> <tr> <td colspan="2" style="padding-left: 40px;"><u>Safety</u></td> </tr> <tr> <td>Hired < 1/1/13</td> <td>3%@50</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> </tr> <tr> <td>➢ Classic Member</td> <td>3%@50</td> </tr> <tr> <td>➢ New Member</td> <td>2.7%@57</td> </tr> </table>	<u>CalPERS</u>	<u>Misc</u>	Hired < 9/15/12	2.5%@55	Hired ≥ 9/15/12	2%@60	Hired ≥ 1/1/13		➢ Classic Member	2%@60	➢ New Member	2%@62	<u>CalPERS</u>		<u>Safety</u>		Hired < 1/1/13	3%@50	Hired ≥ 1/1/13		➢ Classic Member	3%@50	➢ New Member	2.7%@57	<ul style="list-style-type: none"> • Same
<u>CalPERS</u>	<u>Misc</u>																									
Hired < 9/15/12	2.5%@55																									
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Hired ≥ 1/1/13																										
➢ Classic Member	3%@50																									
➢ New Member	2.7%@57																									



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Participation at Retirement 	<ul style="list-style-type: none"> • Actives: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived - 90% • Retirees: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived: <ul style="list-style-type: none"> - < 65 - 20% elect at 65 - ≥ 65 - 0% 	<ul style="list-style-type: none"> • Tier I Actives: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived - 80% • Tier 2 Actives: <ul style="list-style-type: none"> ➢ Participating - 60% ➢ Waived: <ul style="list-style-type: none"> - Agency service < 3 months - 60% - Agency service ≥ 3 months - 40% • Retirees: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived: <ul style="list-style-type: none"> - < 65 - 20% elect at 65 - ≥ 65 - 0%



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Medical Plan at Retirement 	<ul style="list-style-type: none"> • Participating: <ul style="list-style-type: none"> ➢ Current plan election ➢ UnitedHealthcare when eligible for Medicare if Medicare eligible plan not available for current plan election • Waived - Kaiser 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Marital Status at Retirement 	<ul style="list-style-type: none"> • Actives: <ul style="list-style-type: none"> ➢ Married if currently elect 2-party or family coverage ➢ Waived - 80% married • Retirees - based on spouse information if provided 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Retiree Coverage Election at Retirement 	<ul style="list-style-type: none"> • Covered - based on current coverage election • Waived <ul style="list-style-type: none"> ➢ Single coverage if assumed not married ➢ 2-party coverage if assumed married 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Spouse Age 	<ul style="list-style-type: none"> • Actives - males 3 years older than females • Retirees - males 3 years older than females if spouse birth date not provided 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Spouse & Dependent Coverage at Retirement 	<ul style="list-style-type: none"> • Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity • Family coverage: <ul style="list-style-type: none"> ➢ Current actives: <ul style="list-style-type: none"> - Misc - 10% until age 65 - Safety - 25% until age 65 ➢ Current retirees <ul style="list-style-type: none"> - Current coverage until 65 ➢ No coverage after age 65 	<ul style="list-style-type: none"> • Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity • Family coverage: <ul style="list-style-type: none"> ➢ Current actives: <ul style="list-style-type: none"> - Misc - 5% until age 65 - Safety - 25% until age 65 ➢ Current retirees <ul style="list-style-type: none"> - Current coverage until 65 ➢ No coverage after age 65
<ul style="list-style-type: none"> ■ Medicare Eligibility 	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • Medicare eligible retirees will elect Part B coverage 	<ul style="list-style-type: none"> • Same



ACTUARIAL METHODS

Method	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Cost Method 	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Actuarial Value of Assets 	<ul style="list-style-type: none"> • Investment gains and losses spread over a 5-year rolling period • Not less than 80% nor more than 120% of market value 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Amortization Method 	<ul style="list-style-type: none"> • Level percent of payroll 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Amortization Periods 	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 2008/09 ARC • 20-year fixed (closed) period for 6/30/18 projected UAAL for 2018/19 ADC 	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 2008/09 ARC • 18-year fixed (closed) period for 6/30/20 projected UAAL for 2020/21 ADC



ACTUARIAL METHODS

Method	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Implicit Subsidy 	<ul style="list-style-type: none"> ● Implicit subsidy estimate included for non-Medicare eligible retirees 	<ul style="list-style-type: none"> ● Same
<ul style="list-style-type: none"> ■ Projections 	<ul style="list-style-type: none"> ● Valuation Results - closed group, no new hires ● Projections: <ul style="list-style-type: none"> ➢ Simplified open group projection ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ Normal cost percentage of 8.7% for new hires ➢ No additional retirees from new hires over the 10-year projection period 	<ul style="list-style-type: none"> ● Valuation Results - closed group, no new hires ● Projections: <ul style="list-style-type: none"> ➢ Simplified open group projection ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ Normal cost percentage of 1.6% for new hires²⁵ ➢ No additional retirees from new hires over the 10-year projection period

²⁵ Normal cost percentage of pay if all actives hired in the past 3 years received Tier 2 benefit.



DEFINITIONS

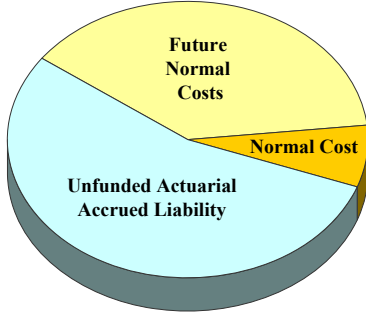
<ul style="list-style-type: none"> ■ Actuarial Obligations 	<ul style="list-style-type: none"> ● The Present Value of Benefits (PVB) is calculated as follows: <ul style="list-style-type: none"> ➢ Project future employer-provided retiree benefits for current retirees and current active employees (future retirees) ➢ Discount projected benefits to valuation date using the discount rate ➢ Discount rate is the expected long-term net rate of return on assets for benefits projected to be paid from the OPEB trust and the expected long-term net rate of return on Town investments for benefits projected to be paid from Town assets ➢ Allocate the PVB to past, current, and future working periods using the Entry Age Normal Cost Method ● Normal Cost (NC) is portion of the PVB allocated to one fiscal year ● Actuarial Accrued Liability (AAL) is the portion of the PVB allocated to prior Town service, that is, the accumulation of prior years' NCs ● Unfunded AAL (UAAL) is AAL less the Actuarial Value of Assets ● Actuarial Value of Assets (AVA) smooths market value of assets (MVA) volatility by spreading investment gains and losses over 5 years
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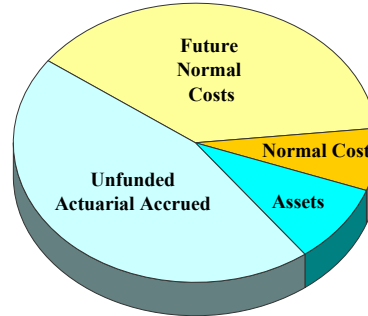
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

<p>■ PayGo Cost</p>	<ul style="list-style-type: none"> ● Cash Subsidy is the Town’s pay-as-you-go cash payments for its portion of retiree premiums ● Implicit Subsidy is the difference between the expected cost of retiree healthcare benefits, by age and gender, and retiree premiums, that is, it is the portion of retiree healthcare costs subsidized by active employee premiums
<p>■ Terminology Used in Report</p>	<ul style="list-style-type: none"> ● AAL - Actuarial Accrued Liability ● ADC - Actuarially Determined Contribution ● AVA - Actuarial Value of Assets ● GASBS 75 - Governmental Accounting Standards Board Statement No. 75 ● MVA - Market Value of Assets ● NC - Normal Cost ● OPEB - Other (than pensions) Postemployment Benefits ● PVB - Present Value of Benefits ● UAAL - Unfunded Actuarial Accrued Liability

