



BARTTEL
ASSOCIATES, LLC

TOWN OF LOS GATOS RETIREE HEALTHCARE PLAN

**June 30, 2021 Actuarial Valuation
Final Results**

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June 15, 2022

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BENEFIT SUMMARY

■ Eligibility	<ul style="list-style-type: none"> • Retire directly from Town under CalPERS (service or disability) • Town Council members in CalPERS eligible
■ Retiree Medical Benefit Tier 1	<ul style="list-style-type: none"> • Maximum Town contribution is Kaiser 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 2/1/16 ➢ 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 - \$1,847.16 for family coverage (B/B/B) for 2021



BENEFIT SUMMARY

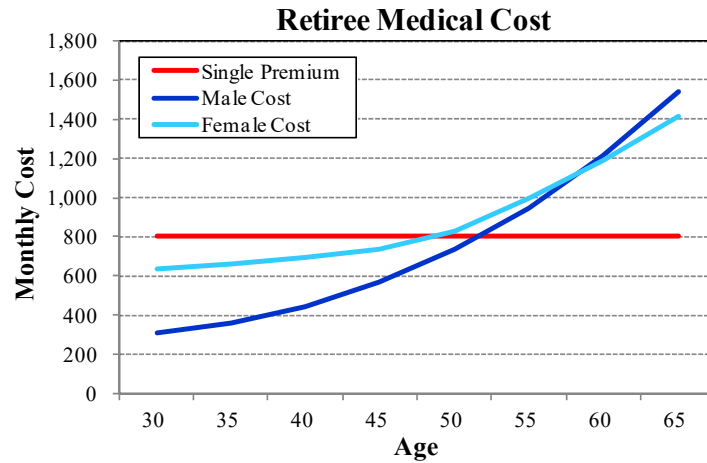
■ Retiree Medical Benefit Tier 2	<ul style="list-style-type: none"> • PEMHCA minimum amount for: <table border="1" data-bbox="730 1260 1214 1617"> <thead> <tr> <th>Employee Group</th><th>Hired After</th></tr> </thead> <tbody> <tr> <td>TEA</td><td>8/22/18</td></tr> <tr> <td>AFSCME</td><td>7/1/18</td></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
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																		
■ PEMHCA Minimum Amount	2021 \$143 / month 2022 \$149 / month 2023 \$151 / month (estimated) 2024+ Medical CPI increases																		
■ Surviving Spouse Benefit	<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

■ Funding Policy

- Contribute at least full ADC¹ 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 16 years for 2022/23

■ Pay-As-You-Go Cost (000's)

<u>Fiscal Year</u>	<u>Cash Subsidy</u>	<u>Implicit Subsidy</u>	<u>PEMHCA Fees</u>	<u>Total PayGo</u>	<u>Trust Paid</u>	<u>Town Paid</u>
2020/21	\$1,279	\$216	\$11	\$1,506	\$0	\$1,506
2019/20	1,199	201	8	1,408	0	1,408
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

¹ Actuarially Determined Contribution (ADC) is GASBS 75's terminology for the recommended funding contribution.



FUNDING POLICY

■ Town Contributions ('000's)

<u>Fiscal Year</u>	<u>Town PayGo</u>	<u>Trust Prefund</u>	<u>Total Contrib</u>	<u>ARC/ADC</u>	<u>Discount Rate</u>
2020/21	\$1,506	\$591	\$2,097	\$1,859	6.75%
2019/20	1,408	1,100	2,508	2,172	6.75%
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
2008/09	346	400	746	1,801	S&U



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2021

CalPERS Classification	Misc		Safety		Total	
■ Actives						
• Participating	88	78%	26	70%	114	76%
• Waived Coverage	<u>25</u>	<u>22%</u>	<u>11</u>	<u>30%</u>	<u>36</u>	<u>24%</u>
• Total Actives	113	100%	37	100%	150 ²	100%
• Average Age	45.4		42.2		44.6	
• Average Town Service	8.0		9.9		8.5	
• Total Payroll (000's)	\$11,229		\$5,324		\$16,553	
■ Retirees						
• Participating	101	77%	41	79%	142	77%
• Waived Coverage	<u>31</u>	<u>23%</u>	<u>11</u>	<u>21%</u>	<u>42</u>	<u>23%</u>
• Total Retirees	132	100%	52	100%	184	100%
• Average Age	73.1		63.8		70.4	
• Average Service Retirement Age	59.9		53.7		58.6	
• Average Disabled Retirement Age	49.8		45.8		46.0	
■ Retirees/Actives	117%		141%		123%	

² 37 active employees on 6/30/21 are in Tier 2.



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

Participant Reconciliation

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2019	149	139	17	19	175
• Terminations ⁴	(13)	-	-	-	-
• New Retirees & Survivors	(15)	13	2	0	15
• Retiree Deaths with Survivor	-	(1)	(0)	1	-
• Retiree Deaths without Survivor ⁵	-	(2)	(0)	(4)	(6)
• New Participants	29	-	-	-	-
■ June 30, 2021	150	149	19	16	184

⁴ Active employees reported for the 6/30/19 valuation and not reported for the 6/30/21 valuation were assumed to be terminations or deaths before retirement.

⁵ Retirees reported for the 6/30/19 valuation and not reported for the 6/30/21 valuation were assumed to be deaths without covered survivors.



PARTICIPANT SUMMARY



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ASSETS

Market Value of Plan Assets (Trust Only)

(Amounts in 000's)

Market Value of Assets (MVA)	2017/18	2018/19	2019/20	2020/21	Projected 2021/22
■ MVA at Beginning of Year	\$13,601	\$16,277	\$18,380	\$20,124	\$26,235
• Trust Prefunding Contributions	1,600	1,100	1,100	591	149 ⁶
• Investment Earnings	1,088	1,017	660	5,539	1,650
• Benefit Payments	0	0	0	0	0
• Investment Expenses	(5)	(6)	(7)	(8)	(11)
• CERBT Admin Expenses	(7)	(8)	(9)	(11)	(13)
■ MVA at End of Year	16,277	18,380	20,124	26,235	28,009
■ Estimated Annual Return	8.0%	6.2%	3.6%	27.5%	6.25%

⁶ Provided by the Town



ASSETS

Actuarial Value of Plan Assets (AVA)

(Amounts in 000's)

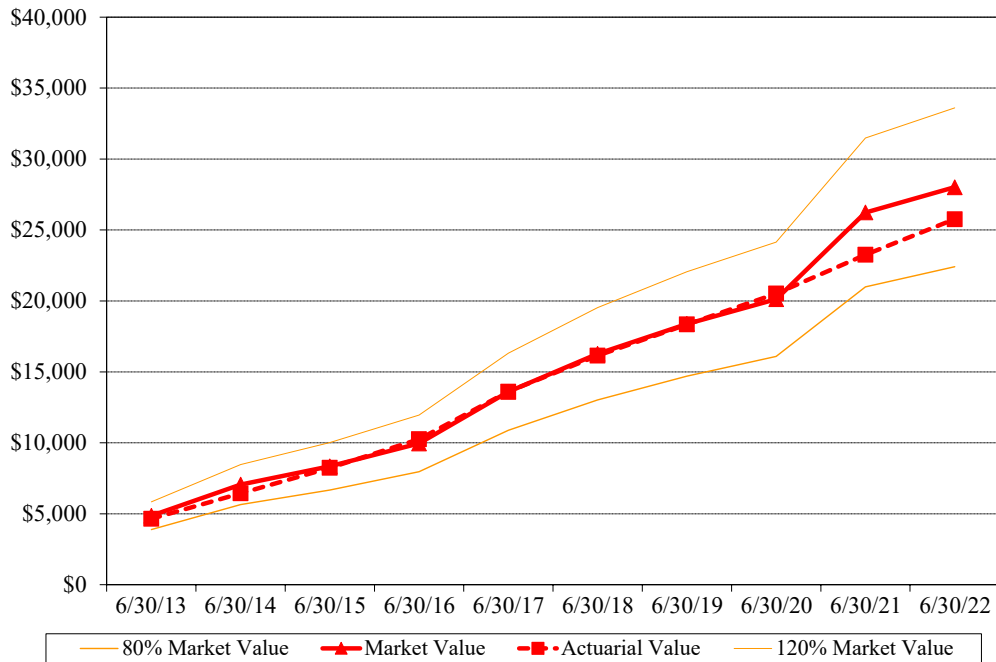
	Actual 6/30/21	Projected 6/30/22
■ Market Value of Assets	\$26,235	\$28,009
■ Unrecognized (Gain)/Loss		
• 1 year prior – 80%	(3,338)	-
• 2 years prior – 60%	353	(2,503)
• 3 years prior – 40%	35	235
• 4 years prior – 20%	(33)	18
■ Adjustment to MVA	(2,983)	(2,250)
■ AVA	23,252	25,759
■ Ratio: AVA/MVA	89%	92%



ASSETS

Historical Plan Assets

(Amounts in 000's)



VALUATION RESULTS

Actuarial Obligations

Actuarial Obligations (Amounts in 000's)	Actual 6/30/19	Actual 6/30/21	Projected 6/30/22
■ Discount Rate	6.75%	6.25%	6.25%
■ Present Value of Benefits			
• Actives (future retirees)	\$19,848	\$18,251	
• Retirees	<u>16,952</u>	<u>18,809</u>	
• Total	36,800	37,060	
■ Actuarial Accrued Liability			
• Actives (future retirees)	10,065	9,911	
• Retirees	<u>16,952</u>	<u>18,809</u>	
• Total	27,017	28,720	\$29,913
■ Actuarial (Smoothed) Asset Value	<u>18,341</u>	<u>23,252</u>	<u>25,759</u>
■ Unfunded AAL	8,676	5,468	4,154
■ Funded Percentage	67.9%	81.0%	86.1%
■ Normal Cost⁷ (2020/21 and 2022/23)	1,203	n/a	1,022

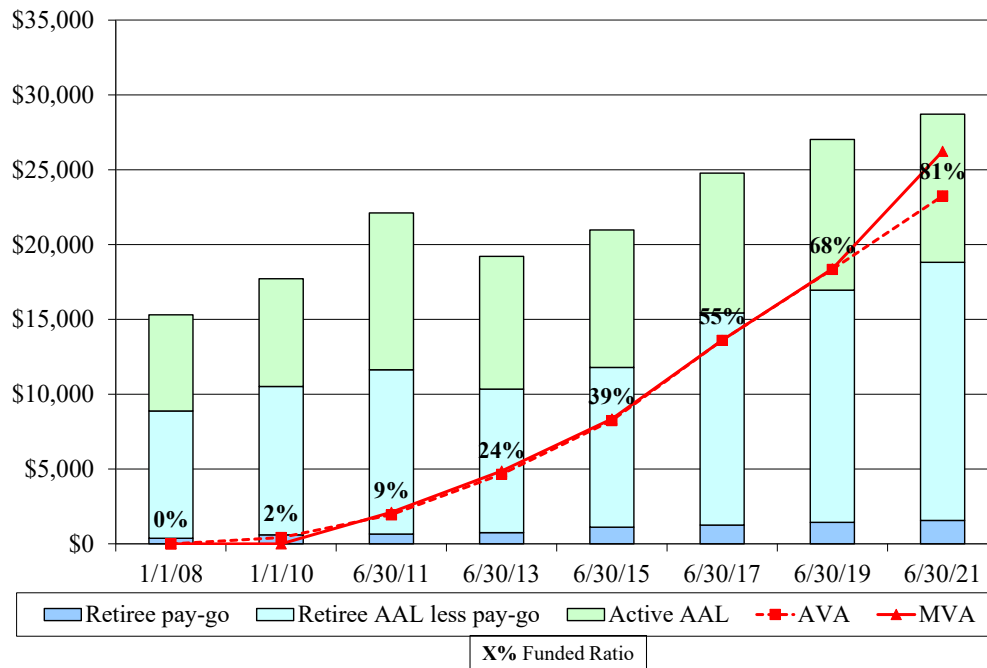
⁷ Including estimated administrative expenses.



VALUATION RESULTS

Funded Status

(Amounts in 000's)



VALUATION RESULTS

Actuarial Obligations

June 30, 2021

Actuarial Obligations (Amounts in 000's)	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ Discount Rate	6.25%	6.25%	6.25%
■ Present Value of Benefits			
• Actives (future retirees)	\$14,329	\$3,922	\$18,251
• Retirees	<u>17,133</u>	<u>1,676</u>	<u>18,809</u>
• Total	31,462	5,598	37,060
■ Actuarial Accrued Liability			
• Actives (future retirees)	7,817	2,094	9,911
• Retirees	<u>17,133</u>	<u>1,676</u>	<u>18,809</u>
• Total	24,950	3,770	28,720
■ Actuarial (Smoothed) Asset Value ⁸	<u>20,200</u>	<u>3,052</u>	<u>23,252</u>
■ Unfunded AAL	4,750	718	5,468
■ Normal Cost 2022/23⁹	814	208	1,022

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

⁹ Including estimated administrative expenses.



VALUATION RESULTS

Actuarial Obligations by Tier – Actives Only June 30, 2021

■ Benefit Tier	Tier 1	Tier 2	Total
■ Active Count	113	37	150
■ Projected 2022/23 Active Employee Payroll	\$14,583,000	\$2,893,000	\$17,476,000
■ 2022/23 Normal Cost	\$937,000	\$67,000	\$1,004,000
■ Normal Cost as % of Payroll	6.4%	2.3%	5.7%
■ Actuarial Accrued Liability	\$9,866,000	\$45,000	\$9,911,000



VALUATION RESULTS

Estimated Gains & Losses

Actuarial Gains & Losses (Amounts in 000's)	Accrued Liability	(Assets) (AVA)	Unfunded (UAAL)
■ 6/30/19 Actual Amounts	\$27,017	\$(18,341)	\$ 8,676
■ 6/30/21 Expected Amounts	30,155	(21,949)	8,206
■ Experience Losses (Gains)			
• Actual versus expected premiums ¹⁰	(3,019)	-	(3,019)
• Demographic, primarily more retirees than expected	530	-	530
• Asset loss (gain)	-	(1,303)	(1,303)
■ Assumption Changes			
• Implicit subsidy added for Tier 1 Medicare eligible	382		382
• Mortality improvement scale updated	(88)	-	(88)
• CalPERS new demographic assumptions	(91)	-	(91)
• Lower Kaiser Medicare healthcare trend	(599)	-	(599)
• Retiree & family participation rates at retirement	395	-	395
• Inflation, discount rate & salaries decrease 25 b.p.	282	-	282
• Discount rate lowered additional 25 b.p.	773	-	773
■ Total Changes	(1,435)	(1,303)	(2,738)
■ 6/30/21 Actual Amounts	28,720	(23,252)	5,468

¹⁰ Includes the impact of actual versus expected premiums and changes in claims aging factors.



VALUATION RESULTS

Actuarially Determined Contributions (ADC)¹¹

(Amounts in 000's)

Actuarially Determined Contribution	<u>6/30/19 Valuation</u>		<u>6/30/21 Valuation</u>	
	2020/21	2021/22	2022/23	2023/24 ¹²
■ Discount Rate	6.75%	6.75%	6.25%	6.25%
■ ADC - \$				
• Normal Cost	\$1,191	\$1,171	\$1,004	\$1,001
• Administrative Expenses	12	13	18	19
• UAAL Amortization	<u>656</u>	<u>676</u>	<u>350</u>	<u>407</u>
• Total ADC	1,859	1,860	1,372	1,427
■ Projected Payroll	16,853	17,359	17,476	17,957
■ ADC - %				
• Normal Cost	7.0%	6.7%	5.7%	5.6%
• Administrative Expenses	0.1%	0.1%	0.1%	0.1%
• UAAL Amortization	<u>3.9%</u>	<u>3.9%</u>	<u>2.0%</u>	<u>2.3%</u>
• Total ADC%	11.0%	10.7%	7.9%	7.9%
■ UAAL Amortization Years	18	17	16	15

¹¹ 1-year lag period between valuation date and first fiscal year ADC. Due to rounding, the numbers may not add.

¹² Assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and makes no trust contributions in 2022/23.



VALUATION RESULTS

Actuarially Determined Contribution (ADC)¹³

2022/23 Fiscal Year

(Amounts in 000's)

Actuarially Determined Contribution	Cash Subsidy	Implicit Subsidy	Total Subsidy
■ Discount Rate	6.25%	6.25%	6.25%
■ ADC - \$			
• Normal Cost	\$796	\$208	\$1,004
• Administrative Expenses	18	-	18
• UAAL Amortization	<u>303</u>	<u>47</u>	<u>350</u>
• Total ADC	1,117	255	1,372
■ Projected Payroll	17,476	17,476	17,476
■ ADC - %			
• Normal Cost	4.6%	1.2%	5.7%
• Administrative Expenses	0.1%	0.0%	0.1%
• UAAL Amortization	<u>1.7%</u>	<u>0.3%</u>	<u>2.0%</u>
• Total ADC	6.4%	1.5%	7.9%
■ UAAL Amortization Years	16	16	16

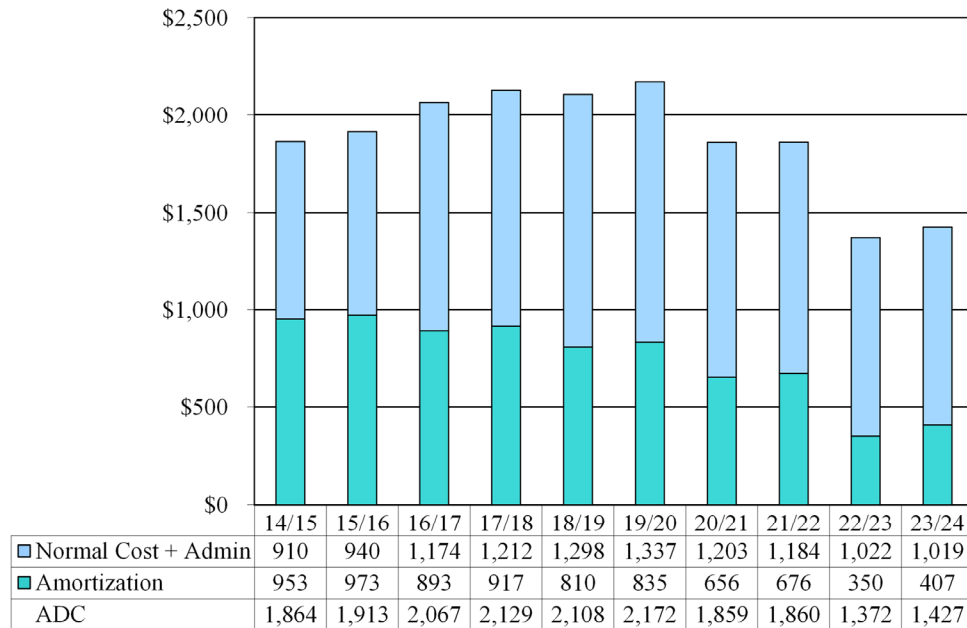
¹³ Due to rounding the numbers may not add.



VALUATION RESULTS

Actuarially Determined Contributions (ADC)

(Amounts in \$000's)



VALUATION RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year End	Cash Subsidy ¹⁴			Implicit Subsidy	Total Benefit Payments
	Current Actives	Current Retirees	Total Cash		
2023	\$114	\$1,308	\$1,422	\$201	\$1,623
2024	194	1,299	1,493	181	1,674
2025	278	1,290	1,568	176	1,744
2026	362	1,320	1,682	214	1,896
2027	457	1,326	1,783	239	2,022
2028	564	1,315	1,879	266	2,144
2029	656	1,328	1,984	332	2,316
2030	726	1,308	2,034	340	2,374
2031	820	1,248	2,068	324	2,393
2032	942	1,260	2,202	444	2,646

¹⁴ Does not include estimated PEMHCA administrative fees.



VALUATION RESULTS

Total Payments Projection

(Amounts in 000's)

Fiscal Year End	Cash Benefit Payments	PEMHCA Admin Expense	Implicit Subsidy Payments	Total Benefit Payments	Percent of Payroll
2023	\$1,422	\$4	\$201	\$1,627	9.3%
2024	1,493	4	181	1,678	9.3%
2025	1,568	4	176	1,748	9.5%
2026	1,682	5	214	1,901	10.0%
2027	1,783	5	239	2,027	10.4%
2028	1,879	5	266	2,149	10.7%
2029	1,984	6	332	2,322	11.3%
2030	2,034	6	340	2,380	11.3%
2031	2,068	6	324	2,399	11.0%
2032	2,202	7	444	2,653	11.9%



VALUATION RESULTS

Contribution Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End	Actuarially Determined Contribution					Town Contributions ¹⁵			
	Normal Cost	UAAL Amort	ADC	Projected Payroll	ADC % Pay	Cash Subsidy	Implicit Subsidy	Trust Funding	Total Contrib
2023	\$1,022	\$350	\$1,372	\$17,476	7.9%	\$1,426	\$201	\$(1,627)	\$-
2024	1,019	407	1,427	17,957	7.9%	1,497	181	(70)	1,608
2025	1,002	325	1,327	18,450	7.2%	1,572	176	(245)	1,503
2026	983	228	1,211	18,958	6.4%	1,687	214	(476)	1,425
2027	962	211	1,173	19,479	6.0%	1,788	239	(615)	1,412
2028	942	189	1,130	20,015	5.6%	1,884	266	(754)	1,396
2029	926	160	1,086	20,565	5.3%	1,990	332	(904)	1,418
2030	906	119	1,025	21,131	4.9%	2,040	340	(1,015)	1,365
2031	885	70	955	21,712	4.4%	2,074	324	(1,119)	1,279
2032	869	16	885	22,309	4.0%	2,209	444	(1,324)	1,329

¹⁵ Projection assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and thereafter contributes the ADC to the trust and requests reimbursements for cash benefit payments. Normal cost includes expenses partly based on asset value. Cash subsidy includes PEMHCA administrative expenses. Negative trust funding indicates reimbursement requested.



VALUATION RESULTS

Funded Status Projection - ADC Funding

(Amounts in 000's)

Fiscal Year End	Actuarial Value of Assets (AVA) ¹⁶						Funded Status		
	BOY AVA	Trust Funding	Cash Subsidy Reimbursed	Implicit Subsidy Payments	Expected Earnings	EOY AVA	BOY AAL	BOY UAAL ¹⁷	BOY Fund%
2023	\$25,759	\$ -	\$(1,426)	\$(201)	\$2,385	26,517	\$29,913	\$4,154	86%
2024	26,517	-	(70)	-	2,411	28,858	31,113	4,596	85%
2025	28,858	-	(245)	-	2,626	31,239	32,333	3,475	89%
2026	31,239	-	(476)	-	1,885	32,648	33,539	2,300	93%
2027	32,648	-	(615)	-	1,968	34,001	34,643	1,995	94%
2028	34,001	-	(754)	-	2,050	35,297	35,664	1,663	95%
2029	35,297	-	(904)	-	2,127	36,520	36,602	1,305	96%
2030	36,520	-	(1,015)	-	2,201	37,706	37,404	884	98%
2031	37,706	-	(1,119)	-	2,274	38,861	38,176	470	99%
2032	38,861	-	(1,324)	-	2,342	39,879	38,955	94	100%

¹⁶ Projection assumes Town requests cash and implicit subsidy benefit payment reimbursements from the trust in 2022/23 and thereafter contributes the ADC to the trust and requests reimbursements for cash benefit payments.

¹⁷ UAAL is amortized over 16 years for 2022/23 and decreases by 1 year for each year thereafter.



June 15, 2022

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VALUATION RESULTS

CERBT Investment Options

■ 2018 Asset Allocation

	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
TIPS	5%	5%	16%
Commodities	3%	4%	5%
REITs	8%	8%	8%
Total	100%	100%	100%

■ 2022 Asset Allocation (approved March 14, 2022)

	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
TIPS	5%	5%	9%
Commodities	3%	3%	3%
REITs	20%	17%	14%
Total	100%	100%	100%



June 15, 2022

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VALUATION RESULTS

Discount Rate

- Future expected returns
 - Stochastic simulations of geometric average returns over 20 years
 - 5,000 trials
 - 2.50% inflation assumption
 - Projections based on 8 independent Investment Advisors 2021 10-year Capital Market Assumptions and where available, investment advisors long-term trends
 - Confidence levels (based on 2022 asset allocations):

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

- Town currently in Strategy 1
 - Recommend 6.25% discount rate



VALUATION RESULTS

CERBT Prefunding

(Amounts in 000's)

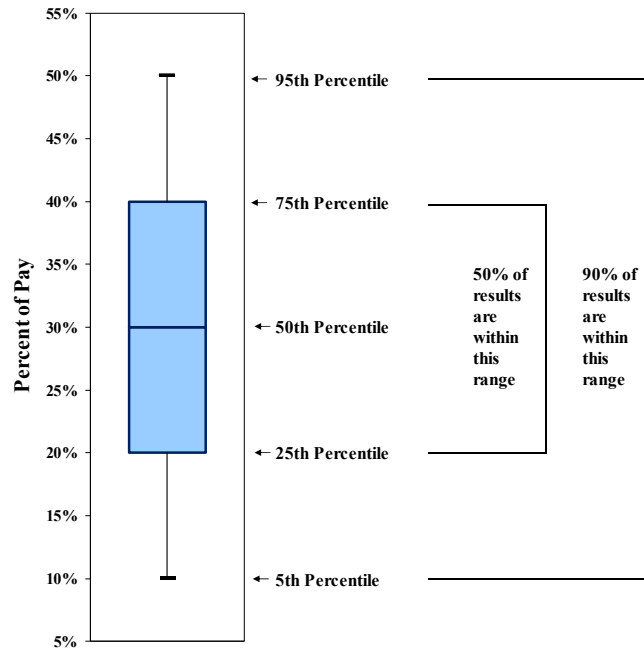
■ Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Discount Rate	6.25%	5.75%	5.25%
■ Present Value of Benefits	\$37,060	\$39,876	\$43,055
■ Funded Status - 6/30/21			
• Actuarial Accrued Liability	28,720	30,376	32,194
• Actuarial Value of Assets	<u>23,252</u>	<u>23,252</u>	<u>23,252</u>
• Unfunded AAL	5,468	7,124	8,942
• Funded Percentage	81.0%	76.5%	72.2%
■ ADC 2022/23			
• Normal Cost + Admin. Expenses	1,022	1,117	1,222
• UAAL Amortization ¹⁸	<u>350</u>	<u>476</u>	<u>605</u>
• Total ADC	1,372	1,593	1,827
■ ADC% 2022/23	7.9%	9.1%	10.5%

¹⁸ Amortized as a level percentage of payroll over a 16-year period.



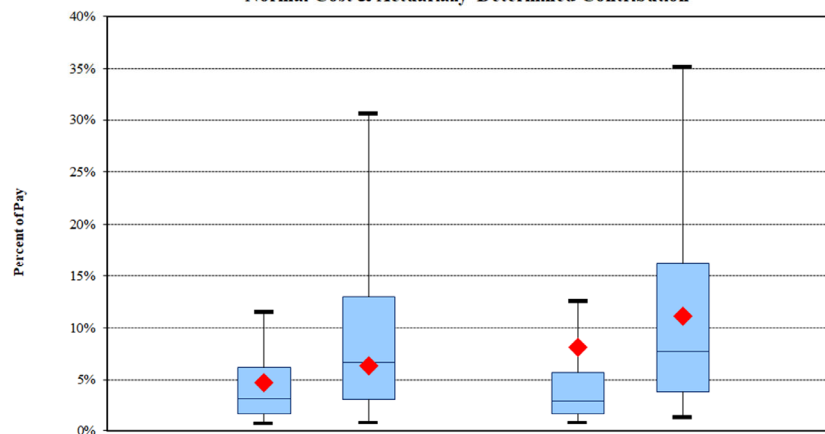
BARTEL ASSOCIATES OPEB DATABASE

Bartel Associates OPEB Database
Sample Percentile Graph



BARTEL ASSOCIATES OPEB DATABASE

Bartel Associates OPEB Database
Normal Cost & Actuarially Determined Contribution



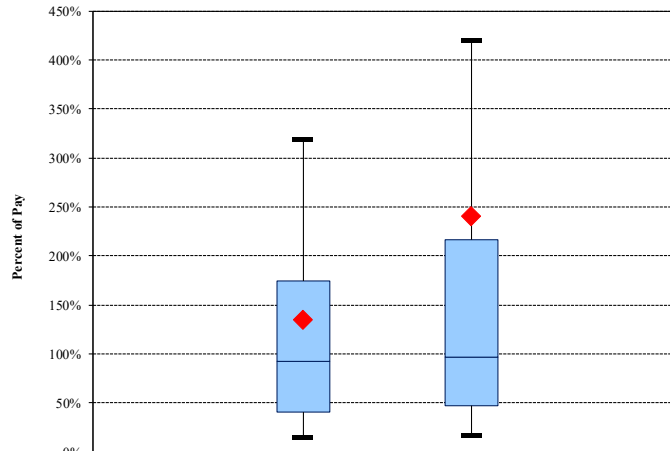
	Miscellaneous		Safety	
	NC	ADC	NC	ADC
95th Percentile	11.6%	30.7%	12.6%	35.2%
75th Percentile	6.2%	13.0%	5.7%	16.3%
50th Percentile	3.2%	6.7%	2.9%	7.7%
25th Percentile	1.8%	3.1%	1.7%	3.9%
5th Percentile	0.8%	0.9%	0.9%	1.4%
Percent of Pay (♦)	4.7%	6.3%	8.2%	11.1%
Percentile	67%	52%	87%	65%

Discount Rate = 6.25%, Average Amortization Period = 16.0 Years



BARTEL ASSOCIATES OPEB DATABASE

Bartel Associates OPEB Database Actuarial Accrued Liability




	Miscellaneous	Safety
95th Percentile	319%	420%
75th Percentile	174%	217%
50th Percentile	92%	97%
25th Percentile	40%	47%
5th Percentile	14%	16%

Percent of Pay (♦) 135% 240%

Percentile 65% 80%

Discount Rate = 6.25%

 June 15, 2022

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ACTUARIAL CERTIFICATION

This report presents the Town of Los Gatos Retiree Healthcare Plan ("Plan") June 30, 2021 actuarial valuation. The purpose of this valuation is to calculate the June 30, 2021 funded status and 2022/23 and 2023/24 Actuarially Determined Contributions and provide the basis for the Town's GASBS 75 accounting information report for the fiscal years ending on June 30, 2022 and June 30, 2023. The report 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.

Information under Governmental Accounting Standards Board Statement No. 75 (GASBS 75) has been provided under a separate report.

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,



Mary Elizabeth Redding, FSA, EA, FCA,MAAA
Vice President
Bartel Associates, LLC
June 15, 2022



Katherine Moore, ASA, MAAA
Associate Actuary
Bartel Associates, LLC
June 15, 2022

 June 15, 2022

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EXHIBITS

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Participant Statistics	E-3
Actuarial Assumptions	E-15
Actuarial Methods	E-27
Definitions	E-29



PREMIUMS

2021 PEMHCA Monthly Premiums Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$925.60	\$1,851.20	\$2,406.56	\$383.37	\$766.74	\$1,150.11
Anthem Traditional	1,307.86	2,615.72	3,400.44	383.37	766.74	1,150.11
Blue Shield Access+	1,170.08	2,340.16	3,042.21	n/a	n/a	n/a
Health Net SmartCare	1,120.21	2,240.42	2,912.55	n/a	n/a	n/a
Kaiser	813.64	1,627.28	2,115.46	324.48	648.96	973.44
UnitedHealthcare	941.17	1,882.34	2,447.04	311.56	623.12	934.68
Western Health Adv.	757.02	1,514.04	1,968.25	n/a	n/a	n/a
PERS Choice	935.84	1,871.68	2,433.18	349.97	699.94	1,049.91
PERS Select	566.67	1,133.34	1,473.34	349.97	699.94	1,049.91
PERSCare	1,294.69	2,589.38	3,366.19	381.25	762.50	1,143.75
PORAC	799.00	1,725.00	2,199.00	513.00	1,022.00	1,635.00



PREMIUMS

2022 PEMHCA Monthly Premiums **Region 1**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,015.81	\$2,031.62	\$2,641.11	\$360.19	\$720.38	\$1,080.57
Anthem Traditional	1,304.00	2,608.00	3,390.40	360.19	720.38	1,080.57
Blue Shield Access+	1,116.01	2,232.02	2,901.63	353.11	706.22	1,059.33
Health Net SmartCare	1,153.00	2,306.00	2,997.80	n/a	n/a	n/a
Kaiser	857.06	1,714.12	2,228.36	302.53	605.06	907.59
UnitedHealthcare	1,020.28	2,040.56	2,652.73	294.65	589.30	883.95
UnitedHealthcare Edge	n/a	n/a	n/a	347.21	694.42	1,041.63
Western Health Adv.	741.26	1,482.52	1,927.28	314.94	629.88	944.82
PERS Platinum	1,057.01	2,114.02	2,748.23	381.94	763.88	1,145.82
PERS Gold	701.23	1,402.46	1,823.20	377.41	754.82	1,132.23
PORAC	799.00	1,725.00	2,219.00	461.00	919.00	1,471.00



PARTICIPANT STATISTICS

Medical Plan Participation **Miscellaneous Non-Waived Participants**

Medical Plan	June 30, 2019			June 30, 2021		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	15%	13%	1%	13%	14%	3%
Anthem HMO Traditional	3%	4%	0%	2%	0%	0%
Blue Shield Access+	0%	0%	0%	0%	0%	0%
Health Net SmartCare	1%	0%	0%	0%	0%	0%
Kaiser Permanente	63%	42%	30%	65%	41%	29%
UnitedHealthcare	0%	0%	16%	0%	0%	15%
Western Health Advantage	0%	0%	0%	0%	0%	0%
PERS Choice	17%	33%	30%	16%	36%	29%
PERS Select	1%	4%	0%	3%	0%	3%
PERSCare	0%	4%	23%	1%	9%	21%
Total	100%	100%	100%	100%	100%	100%



PARTICIPANT STATISTICS

Medical Plan Participation **Safety Non-Waived Participants**

Medical Plan	June 30, 2019			June 30, 2021		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	10%	10%	0%	8%	5%	5%
Anthem HMO Traditional	0%	0%	7%	0%	0%	0%
Blue Shield Access+	0%	0%	0%	0%	0%	0%
Health Net SmartCare	0%	0%	0%	0%	0%	0%
Kaiser Permanente	57%	33%	20%	54%	36%	21%
UnitedHealthcare	0%	0%	0%	0%	0%	0%
Western Health Advantage	0%	0%	0%	0%	0%	0%
PERS Choice	3%	24%	20%	4%	23%	21%
PERS Select	0%	0%	7%	0%	0%	5%
PERSCare	0%	0%	13%	4%	0%	11%
PORAC	30%	33%	33%	30%	36%	37%
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	3	5		11
Anthem HMO Traditional	2				2
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	25	8	24		57
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	5	3	6		14
PERS Select	1	1	1		3
PERSCare	1				1
Waived				25	25
Total	37	15	36	25	113



PARTICIPANT STATISTICS

Active Medical Coverage Safety

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem HMO Select		1	1		2
Anthem HMO Traditional					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	5	2	7		14
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	1				1
PERS Select					0
PERSCare	1				1
PORAC		2	6		8
Waived				11	11
Total	7	5	14	11	37



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					0
Blue Shield Access+					0
Health Net SmartCare					0
Kaiser Permanente	4	3	2		9
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	5	3			8
PERS Select					0
PERSCare	1	1			2
Waived				3	3
Total	12	7	3	3	25



PARTICIPANT STATISTICS

Retiree Medical Coverage Safety - Under Age 65

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	3	3	2		8
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	2	1	2		5
PERS Select					0
PERSCare					0
PORAC	2	3	3		8
Waived				4	4
Total	7	7	8	4	26



PARTICIPANT STATISTICS

Retiree Medical Coverage Miscellaneous - Age 65 & Over

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	17	6			23
UnitedHealthcare	6	6			12
Western Health Advantage					0
PERS Choice	11	12			23
PERS Select		1	1		2
PERSCare	10	7			17
Waived				28	28
Total	44	33	2	28	107



PARTICIPANT STATISTICS

Retiree Medical Coverage Safety - 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	2	2			4
UnitedHealthcare					0
Western Health Advantage					0
PERS Choice	3	1			4
PERS Select		1			1
PERSCare	1		1		2
PORAC	2	5			7
Waived				7	7
Total	8	10	1	7	26



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						1
25-29	4	7	2					13
30-34		8	5					13
35-39	1	4	6	1				12
40-44	1	6	5	1	2	1		16
45-49		2	6	3	2	2		15
50-54	2	4	4	3	2	1		16
55-59	1	2	5	2	4			14
60-64		4	3			1	1	9
≥ 65	1					1	2	4
Total	10	38	36	10	10	6	3	113



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		2						2
25-29	2	2						4
30-34	1	2	2					5
35-39		1		3				4
40-44			1	1	1			3
45-49	1	1	5		1	5		13
50-54		1			1	1		3
55-59						1		1
60-64								0
≥ 65		1			1			2
Total	4	10	8	4	4	7	0	37



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	1	2		5
60-64	9	6	1	3	19
65-69	12	8	2	3	25
70-74	11	11		8	30
75-79	11	9		5	25
80-84	6	2		7	15
85+	4	3		5	12
Total	56	40	5	31	132



PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group Safety

Age	Single	2-Party	Family	Waived	Total
Under 50			4	1	5
50-54	1	1	3	3	8
55-59	1	4	1		6
60-64	5	2			7
65-69	2	5	1	2	10
70-74	2	3		1	6
75-79	2	2		2	6
80-84	2			2	4
85+					0
Total	15	17	9	11	52



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Valuation Date	<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"> • June 30, 2021 • 2022/23 and 2023/24 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
■ 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
■ 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"> • 2.50% annually • Basis for aggregate payroll and discount rate assumptions



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Discount Rate	<ul style="list-style-type: none"> 6.75% 	<ul style="list-style-type: none"> 6.25%
■ 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"> 2.75% annually Inflation plus 0.25% For Normal Cost calculation and UAAL amortization
■ 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"> CalPERS 2000-2019 Experience Study Added to aggregate payroll increase assumption for Normal Cost calculation
■ Administration Expenses	<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) 	<ul style="list-style-type: none"> CERBT - 0.05% of assets included in ADC PEMHCA - 0.25% of retiree premium included in ADC (2021/22 PEMHCA administrative fee)



June 15, 2022

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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation		June 30, 2021 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>Non Medicare</u>	<u>Kaiser Other</u>
	2017	n/a		2020	n/a
	2018	n/a		2021	Actual Premiums
	2019	Premiums		2022	Actual Premiums
	2020	Premiums		2023	6.50% 4.60% 5.65%
	2021	7.25%	6.30%	2024	6.25% 4.45% 5.45%
	2022	7.00%	6.10%	2025	6.00% 4.35% 5.25%
	2023	6.75%	5.90%	2026	5.75% 4.25% 5.05%
	2024	6.50%	5.70%	2027	5.55% 4.20% 4.90%
	2025	6.25%	5.50%	2028	5.35% 4.15% 4.75%
	2026	6.00%	5.30%	2029	5.15% 4.10% 4.60%
	2027	5.80%	5.15%	2030	4.95% 4.05% 4.45%
	2028	5.60%	5.00%	2031-2035	4.80% 4.00% 4.35%
	2029	5.40%	4.85%	2036-2045	4.65% 3.95% 4.25%
	2030	5.20%	4.70%	2046-2055	4.50% 3.90% 4.20%
	2031-2035	5.05%	4.60%	2056-2065	4.35% 3.85% 4.15%
	2036-2045	4.90%	4.50%	2066-2075	4.05% 3.80% 3.95%
	2046-2055	4.75%	4.45%	2076+	3.75% 3.75% 3.75%
	2056-2065	4.60%	4.40%		
	2066-2075	4.30%	4.20%		
	2076+	4.00%	4.00%		



June 15, 2022

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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Medical Trend (continued)	■ n/a	■ PEMHCA medical premiums after 2022 and estimated claims after 2021 do not take into account buy-downs (CalPERS subsidizations of premium rates from reserves). ¹⁹
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study • Mortality Improvement Scale 2019 	<ul style="list-style-type: none"> • CalPERS 2000-2019 Experience Study • Mortality Improvement Scale 2021
■ Service Retirement	<ul style="list-style-type: none"> • CalPERS 1997-2015 Experience Study 	<ul style="list-style-type: none"> • CalPERS 2000-2019 Experience Study

¹⁹ Applies to Basic plans: Anthem Select, Anthem Traditional, Blue Shield Trio, Health Net Salud y Mas, UnitedHealthcare Alliance, Western Health Advantage, and PERS Platinum; Medicare Advantage plan: Anthem Medicare Preferred; Medicare Supplement plans: PERS Platinum and PERS Gold.



June 15, 2022

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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Participation at Retirement	<ul style="list-style-type: none"> • Tier 1 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% 	<ul style="list-style-type: none"> • Tier 1 Actives: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived - 100% • Tier 2 Actives: <ul style="list-style-type: none"> ➢ Participating - 60% ➢ Waived - 40% • Retirees: <ul style="list-style-type: none"> ➢ Participating - 100% ➢ Waived: <ul style="list-style-type: none"> - < 65 - 0% elect at 65 - ≥ 65 - 0%



June 15, 2022

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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2019 Valuation	June 30, 2021 Valuation
■ 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 • Participants with PERS Choice and PERSCare move to PERS Platinum • Participants with PERS Select move to PERS Gold
■ 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, 2019 Valuation	June 30, 2021 Valuation
■ 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 to not be married ➢ 2-party coverage if assumed to be married 	<ul style="list-style-type: none"> • Same
■ 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, 2019 Valuation	June 30, 2021 Valuation
■ 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 - 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"> Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity Family coverage: <ul style="list-style-type: none"> ➤ Current Tier 1 actives: <ul style="list-style-type: none"> - Misc - 10% until age 65 - Safety - 35% until age 65 ➤ Current retirees <ul style="list-style-type: none"> - Current coverage until 65 ➤ No coverage after age 65
■ 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 ASSUMPTIONS

Assumption	June 30, 2021 Valuation								
■ Medical Claims Costs 2022 Calendar Year	● Sample estimated monthly claims costs:								
	<u>Region 1</u>								
		<u>Anthem Select</u>		<u>Anthem Traditional</u>		<u>Kaiser</u>		<u>UnitedHealthcare</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	\$423	\$804	\$526	\$1,001	\$347	\$661	\$424	\$807
	35	495	832	616	1,035	407	683	497	835
	45	686	896	854	1,115	564	736	688	899
	55	1,134	1,138	1,412	1,416	932	934	1,138	1,142
	60	1,535	1,387	1,911	1,727	1,261	1,139	1,541	1,392
	64	1,881	1,615	2,342	2,010	1,545	1,326	1,888	1,621
	65	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	70	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
75	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2021 Valuation					
■ Medical Claims Costs 2022 Calendar Year	• Sample estimated monthly claims costs:					
	<u>Region 1</u>					
	<u>PERS Platinum</u>		<u>PERS Gold</u>		<u>PORAC</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
	25	\$364	\$715	\$285	\$573	\$324 \$643
	35	429	742	337	595	383 666
	45	604	803	481	646	542 720
	55	1,031	1,035	836	840	928 929
	60	1,420	1,277	1,162	1,042	1,278 1,147
	64	1,750	1,492	1,436	1,220	1,576 1,341
	65	378	329	379	330	436 377
	70	420	364	421	365	484 417
	75	452	393	453	394	521 450
	80	468	410	469	412	540 470



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2021 Valuation
■ Basis for Assumptions	<ul style="list-style-type: none"> ■ 2021 CalPERS experience study covering 2000 to 2019 experience ■ Mortality improvement based on Society of Actuaries table ■ Inflation based on the Plan's very long time horizon ■ Participation and coverage take into account Plan experience ■ Capital market assumptions based on 2021 Bartel Associates stochastic analysis, taking into account capital market assumptions of investment advisory firms ■ PEMHCA medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model. ■ Short-term medical trend developed in consultation with Axene Health Partners' healthcare actuaries ■ Long-term medical trend developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2021 Valuation
■ Data Quality	■ Our valuation used census data provided by the Town and CalPERS OPEB data extract. We reviewed the data for reasonableness and resolved any questions with the Town. We believe the resulting data can be relied on for all purposes of this valuation without limitation.
■ Actuarial Modeling	■ 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
■ COVID-19	■ No adjustments to the assumptions have been made for COVID-19 since there is not yet enough data to evaluate the future impacts



ACTUARIAL METHODS

Method	June 30, 2019 Valuation	June 30, 2021 Valuation
■ 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
■ 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"> • Investment gains and losses spread over a 5-year fixed period • Not less than 80% nor more than 120% of market value
■ Amortization Method	<ul style="list-style-type: none"> • Level percent of payroll 	<ul style="list-style-type: none"> • Same
■ Amortization Periods	<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 	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 2008/09 ARC • 16-year fixed (closed) period for 6/30/22 projected UAAL for 2022/23 ADC



ACTUARIAL METHODS

Method	June 30, 2019 Valuation	June 30, 2021 Valuation
■ Implicit Subsidy	<ul style="list-style-type: none"> • Implicit subsidy estimate included for non-Medicare eligible retirees 	<ul style="list-style-type: none"> • Implicit subsidy estimate included for non-Medicare eligible retirees and Tier 1 Medicare eligible retirees in non-Medicare Advantage plans. • Due to age-risk adjusted federal subsidies, no age-based claims cost were included for Medicare Advantage plans.
■ Projections	<ul style="list-style-type: none"> • Valuation Results - closed group, no new hires • Projections - Simplified open group projection 	<ul style="list-style-type: none"> • Same



DEFINITIONS

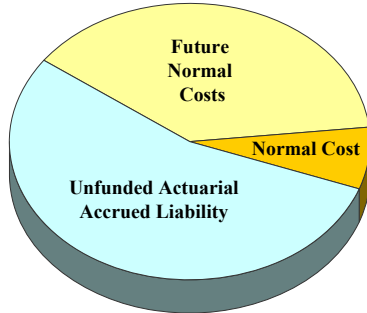
■ Actuarial Obligations	<ul style="list-style-type: none"> • The Present Value of Benefits (PVB) is calculated as follows: <ul style="list-style-type: none"> ➢ Project future employer-provided retiree benefits for current retirees and current active employees (future retirees) ➢ Discount projected benefits 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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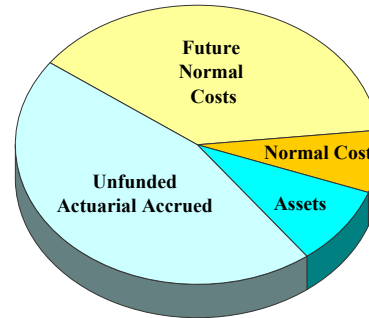
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

■ **PayGo Cost**

- 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

■ **Terminology
Used in
Report**

- 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