



CITY OF
**PALO
ALTO**

**CITY OF PALO ALTO
Finance Committee
Regular Meeting
Tuesday, May 19, 2026**

Agenda Item

2. **Accept the Bi-Annual Actuarial Valuation Report of Palo Alto's Retiree Healthcare and Other Post Employment Benefits (OPEB) ~~Actuarial Evaluation~~ ~~Bi Annual Evaluation~~ as of June 30, 2025 and Recommend that the City Council Approve the Annual Actuarially Determined Contribution for Fiscal Years 2027 and 2028; CEQA Status – Not a Project *Agenda Item Reordered, Late Packet Report Added, Title Updated, Staff Presentation***



CITY OF
**PALO
ALTO**

Finance Committee Staff Report

Report Type: ACTION ITEMS

Lead Department: City Clerk

Meeting Date: May 19, 2026

Report #:2605-6340

TITLE

Other Post Employment Benefits (OPEB) Actuarial Evaluation Bi-Annual Report

This will be a late packet report published on May 14, 2026.



CITY OF
**PALO
ALTO**

Finance Committee Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Administrative Services

Meeting Date: May 19, 2026

Report #:2512-5689

TITLE

Accept the Bi-Annual Actuarial Valuation Report of Palo Alto's Retiree Healthcare and Other Post-Employment Benefits (OPEB) as of June 30, 2025 and Recommend that the City Council Approve Annual Actuarially Determined Contribution for Fiscal Years 2027 and 2028; CEQA Status – Not a Project

RECOMMENDATION

Staff recommends that the Finance Committee:

1. Review and accept the June 30, 2025 actuarial valuation of Palo Alto's Retiree Healthcare Plan (Attachment B); and
2. Recommend funding the annual Actuarially Determine Contribution (ADC) for Fiscal Year 2027 and 2028

EXECUTIVE SUMMARY

The June 30, 2025 actuarial valuation updates the City's Other Post Employment Benefits (OPEB) liabilities, funded status, and Actuarially Determined Contributions (ADCs) for FY 2026/27 and FY 2027/28. Under the baseline 6.25% valuation discount rate, the total ADC is \$18.8 million for FY 2027. Consistent with City Council direction through the Retiree Benefits Funding Policy¹, staff uses a more conservative 5.75% discount rate and an accelerated amortization with 11 remaining years as of June 30, 2025. On that basis, the adjusted FY 2027 ADC is \$26.1 million.

As of June 30, 2025, the City's actuarial accrued liability for OPEB is \$325.2 million, assets are \$201.1 million, and the resulting unfunded actuarial accrued liability (UAAL) is \$124.1 million, for a funded ratio of 62%.

¹City Council, June 7, 2022; SR # 14502;

<https://recordsportal.paloalto.gov/WebLink/DocView.aspx?id=64042&dbid=0&repo=PaloAlto&searchid=ee592823-f85b-480c-a259-248cd01a3b75>

BACKGROUND

The City of Palo Alto offers its employees and retirees a Retiree Healthcare benefit plan which is managed and administered by the California Public Employees' Retirement System (CalPERS), a State of California Retiree Healthcare Trust program. Bi-annually staff contracts with an actuary firm that provides an actuarial report detailing the latest status of the City of Palo Alto's Retiree Healthcare plans for employees and retirees. The actuarial report is used to calculate the annual ADC and pre-funding to the trust based on baseline assumptions and Council policy. In addition, updates on the rate of return, funding status, and changes to the trust based on various impacts are detailed in the report. This valuation details impacts by Fund and Department, which inform the development of the annual budget. The FY 2027 Proposed Operating Budget incorporated the June 30, 2025 valuation. This staff report transmits the full valuation. This staff report transmits the full valuation in accordance with GASB Statement No. 75, which requires a biennial measurement of the City's retiree healthcare liability.

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

CALPERS Projected Contribution Levels

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

- NC: This reflects a rate of contribution for the plan of retirement healthcare benefits provided to current employees based on the current set of assumptions.
- Employer Amortization of UAAL: This is an annual payment calculated to pay down an agency's unfunded accrued liability. If every assumption in the actuarial valuation was accurate, an organization would eliminate its unfunded pension liability if it made these payments annually for 30 years. The City Council approved a closed period to amortize the entire net pension liability over a specific timeframe. The total liability will vary from one year to the next because of assumption changes and actuarial experience that is different from anticipated, such as actual investment returns that do not meet expectations.

As established by the City Council, the City's California Employers' Retiree Benefit Trust (CERBT) Fund is invested in a Strategy 1 asset allocation at a 6.25% discount rate. With the adoption of the Retiree Benefits Funding Policy, directed staff to calculate additional discretionary payments ("prefunding") equivalent to a 5.75% discount rate and transmit amounts above

payments at a 6.25% discount rate to the CERBT Fund. The City's CERBT Fund was established in May 2008 at a level of \$33 million and it has grown to \$220.0 million as of March 31, 2026.

Consistent with prior City Council policy, this valuation displays both the baseline ADC at the actuarial 6.25% discount rate and an Adjusted ADC reflecting the City policy funding at a 5.75% discount rate with shortened amortization.

ANALYSIS

Summary of Actuarial Valuation as of June 30, 2025

Staff contracted with Foster and Foster Actuary Consultants for this retiree healthcare actuarial report (Attachment B) to determine the City's retiree healthcare liability and the ADC for Fiscal Years 2027 and 2028. The actuarial analysis is based on current employees' accrued benefit, and retired employees as of June 30, 2025.

The updated valuation includes several changes that impact the CERBT fund status. The primary drivers of change are healthcare and economic fluctuations. This valuation also reflects the impacts of inflation levels, active employee salary growth and investment returns.

Table 1: Key Actuarial Results		
Measure	Prior Valuation (June 30, 2023)	Current Valuation (June 30, 2025)
ADC (6.25%, baseline)	FY 2025: \$16.4M FY 2026: \$16.9M	FY 2027: \$18.8M FY 2028: \$19.3M
Adjusted ADC (5.75%, City Policy)	FY 2025: \$19.4M* FY 2026: \$22.6M	FY 2027: \$26.1M FY 2028: \$26.8M
Implied Subsidy	FY 2025: \$3.0M* FY 2026: \$2.8M	FY 2027: \$3.2M FY 2028: \$3.1M
Unfunded Actuarial Accrued Liability (UAAL)	\$120.5M	\$124.1M
Funded Ratio	56.4%	61.8%

*The City Council adopted a phased approach to smooth the financial impact of the increase in FY 2025, using an adjusted ADC of \$19.4M and Implied Subsidy of \$3.0 million.

Projected Unfunded Actuarial Accrued Liability

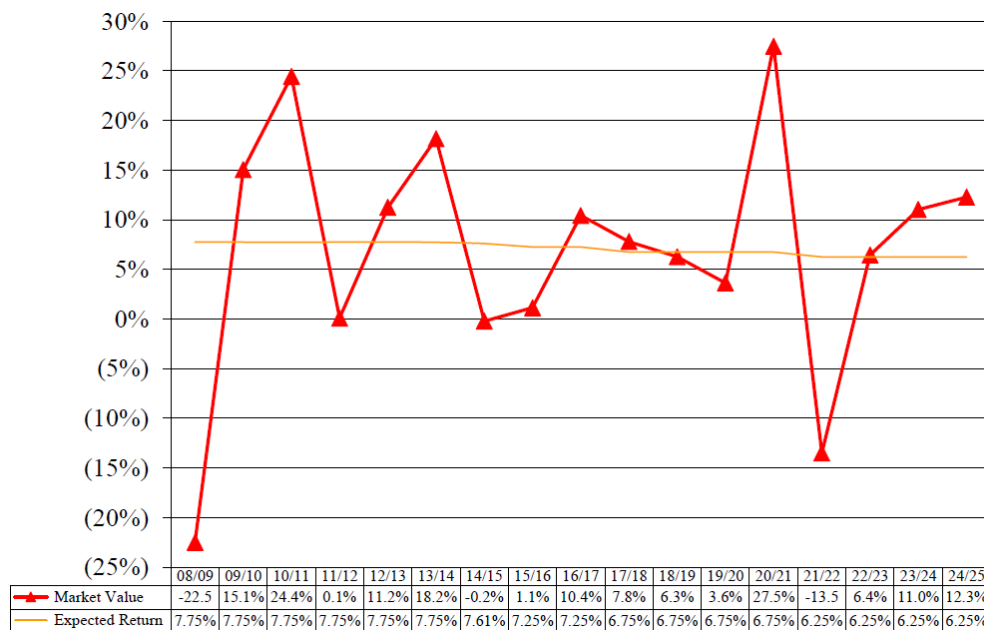
This actuarial valuation includes the plan's funded status. As of June 30, 2025, the CERBT Trust is funded at 61.8%, up 600 basis points from 56.4% in the June 30, 2023 actuarial valuation. As of June 30, 2025, the Unfunded Actuarial Accrued Liability (UAAL) was \$124.1 million for all funds and \$80.6 million for the General Fund. Beginning with the June 30, 2013 valuations, the City aligned its actuarial analysis to align with GASB's rules regarding the "implied subsidy" (GASB Statement No. 75 or GASB 75). The calculation of implied subsidy requires an agency to recognize that it pays the same medical premiums for active employees as those that are retired. The implied subsidy identifies and accounts for the agency paying the same blended premium for both active employees and retirees, even though the medical cost for active

employees is lower than retirees. Palo Alto had 974 active employees and 1,050 retirees as of June 30, 2025.

Discount Rate Assumptions

The City Council has taken steps to ensure long-term liability assumptions and costs for OPEB are being proactively addressed, including the adoption of a Retiree Benefit Funding Policy that invests at an estimated discount rate for OPEB of 6.25% and transmits additional contributions to prefund OPEB obligations at the equivalent of a 5.75% discount rate. Through FY 2026, a total of \$23.2 million in additional contributions are expected. One of the most significant variables impacting the ADC is investment returns. Chart 1 below presents historical returns since FY 2009.

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



Sensitivity Analysis: Discount Rate and Amortization Period

CalPERS recognizes the varying assumptions that may impact a plan's unfunded actuarial accrued liability and therefore a retiree healthcare plan's funding status, especially the implications of a lower discount rate and a reduced amortization period. Therefore, in addition to the actuarial assumptions used to develop this annual evaluation, the report includes a sensitivity analysis of the retiree healthcare plan. That analysis can be found on page 43 of the report, in the table titled "Discount Rate Sensitivity", and on pages 44 and 45 in the tables titled "Amortization Period Sensitivity". The Council has adopted a Pension Funding Policy seeking to reach a 90% funded level by 2036, so there are 11 remaining years to meet that goal. As of the June 30, 2025 valuation including the Council policy directed assumptions (5.75% discount rate

and shortened amortization period), the City is on track to meet the goal of reaching 90% funded level by 2036.

FISCAL/RESOURCE IMPACT

The recommendation in this report does not require additional appropriation beyond amounts already assumed in the FY 2027 Proposed Operating Budget and is in alignment with the City Council Retiree Benefit Funding Policy. Based on this policy, the adjusted ADC, calculated using a 5.75% discount rate and accelerated amortization, is programmed in the FY 2027 Proposed Operating Budget. The FY 2027 Proposed Budget includes an ADC of \$26.1 million, an increase of \$3.5 million from FY 2026 Adopted levels of \$22.6 million. The FY 2028 ADC in this valuation is \$26.8 million, which is recommended to be included in the FY 2028 Long Range Financial Forecast and development of the FY 2028 budget.

STAKEHOLDER ENGAGEMENT

The transmittal of the OPEB actuarial valuation report serves as the starting point for the Finance Committee's review of the fiscal outlook for the City's OPEB liabilities and recommendation on the appropriate contribution to the FY 2027 Actuarially Determined Contribution and prefunding levels. This item and the Finance Committee's recommendation will be transmitted to the City Council as part of the adoption of the FY 2027 Budget.

ENVIRONMENTAL REVIEW

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

ATTACHMENTS

Attachment A: Benefit Groups in CalPERS Retiree Healthcare Benefit Plans

Attachment B: June 30, 2025 OPEB Actuarial Valuation

APPROVED BY:

Lauren Lai, Administrative Services Director

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

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



**CITY OF PALO ALTO
RETIREE HEALTHCARE PLAN**



**June 30, 2025 Actuarial Valuation
Contributions for 2026/27 & 2027/28**

Drew Ballard, FSA, EA, MAAA
Braelen Ballard, FSA, EA, MAAA
Joseph Herm
Foster & Foster, Inc.

March 11, 2026

CONTENTS

Topic	Page
Benefit Summary	1
Implicit Subsidy	7
Participant Statistics	9
Actuarial Assumptions Highlights	15
Actuarial Methods	20
Assets	21
Results	23
Results – Details	35
Sensitivity Analysis	43
Actuarial Certification	49
Exhibits	50



BENEFIT SUMMARY

<p>■ Eligibility</p>	<p>■ Retire directly from the City under CalPERS (age 50¹ and 5 years of CalPERS service or disability)</p>
<p>■ Medical Provider</p>	<p>■ CalPERS health plans (PEMHCA) ■ CalPERS administrative fees paid by City</p>
<p>■ Retiree Medical Benefit for Current Retirees:</p> <p>Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA)</p> <p>&</p> <p>Did Not Elect into Group 4</p>	<p>■ <u>GROUP 1 Retirees</u>: Retired < 1/1/07 (3/1/09 for PAPOA)</p> <ul style="list-style-type: none"> • Benefit = Full premium up to family coverage <p>■ <u>GROUP 2 Retirees</u>: Retired after GROUP 1 and before 5/1/11 (12/1/11 IAFF/FCA, 6/1/12 PMA, 4/1/15 POA)</p> <ul style="list-style-type: none"> • Benefit = Same as above but premium limited to 2nd most expensive Basic (non-Medicare) medical plan in PEMHCA Region 1 (PERS Platinum in 2025 and Anthem Traditional in 2026) <p>■ <u>GROUP 3 Retirees</u>: Retired after GROUP 2</p> <ul style="list-style-type: none"> • Benefit = same amount as active employees, which may change from time to time and in the future as bargaining agreements change (see next section for cap amounts)

¹ Age 52 for Miscellaneous New Hires under PEPR



March 11, 2026



BENEFIT SUMMARY

<p>■ Retiree Medical Benefit for Current Actives:</p> <p>Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA)</p> <p>&</p> <p>Did Not Elect into Group 4</p>	<p>■ <u>GROUP 3 Future Retirees</u>: Currently active and did not elect into Group 4</p> <ul style="list-style-type: none"> • No active Group 3 POA, PMA, IAFF or FCA • Only remaining Group 3 actives in MGMT, SEIU, UMPAPA (36 active members) • Benefit = up to full premium, but limited to flat dollar caps same as active contribution <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><u>SEIU</u></th> <th style="text-align: center;"><u>Mgmt/UMPAPA/ Other Groups</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>2025</u></th> <th style="text-align: center;"><u>2026</u></th> <th style="text-align: center;"><u>2025 & 2026</u></th> </tr> </thead> <tbody> <tr> <td>Single</td> <td style="text-align: right;">\$ 943</td> <td style="text-align: right;">\$ 943</td> <td style="text-align: right;">\$ 943</td> </tr> <tr> <td>2-Party</td> <td style="text-align: right;">1,885</td> <td style="text-align: right;">1,885</td> <td style="text-align: right;">1,885</td> </tr> <tr> <td>Family</td> <td style="text-align: right;">2,444</td> <td style="text-align: right;">2,444</td> <td style="text-align: right;">2,444</td> </tr> </tbody> </table>		<u>SEIU</u>		<u>Mgmt/UMPAPA/ Other Groups</u>		<u>2025</u>	<u>2026</u>	<u>2025 & 2026</u>	Single	\$ 943	\$ 943	\$ 943	2-Party	1,885	1,885	1,885	Family	2,444	2,444	2,444
	<u>SEIU</u>		<u>Mgmt/UMPAPA/ Other Groups</u>																		
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March 11, 2026



BENEFIT SUMMARY

<p>■ Retiree Medical Benefit for those:</p> <p>Hired ≥ 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA)</p> <p>&</p> <p>Employees Hired Before These Dates Electing into Group 4²</p>	<p>■ GROUP 4 Future Retirees: Government Code §22893 “Vesting Schedule” (based on all CalPERS Service)³:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><u>%</u></th> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><u>%</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 10</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">13</td> <td style="text-align: center;">65%</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">50%</td> <td style="text-align: center;">14</td> <td style="text-align: center;">70%</td> </tr> <tr> <td style="text-align: center;">11</td> <td style="text-align: center;">55%</td> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> </tr> <tr> <td style="text-align: center;">12</td> <td style="text-align: center;">60%</td> <td style="text-align: center;">≥ 20</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p>■ 100% vesting for disability retirements</p> <p>■ Vesting applies to 100/90 formula amounts, which are the maximum amounts payable by the City (retirees pay any difference between these amounts and actual premiums):</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>2025</u></th> <th style="text-align: center;"><u>2026</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Single</td> <td style="text-align: center;">\$ 1,060</td> <td style="text-align: center;">\$ 1,084</td> </tr> <tr> <td style="padding-left: 20px;">2-Party</td> <td style="text-align: center;">2,039</td> <td style="text-align: center;">2,057</td> </tr> <tr> <td style="padding-left: 20px;">Family</td> <td style="text-align: center;">2,551</td> <td style="text-align: center;">2,638</td> </tr> </tbody> </table> <p>■ If have 20 years City service do not need to retire directly from City</p>	<u>Years of Service</u>	<u>%</u>	<u>Years of Service</u>	<u>%</u>	< 10	0%	13	65%	10	50%	14	70%	11	55%	↓	↓	12	60%	≥ 20	100%		<u>2025</u>	<u>2026</u>	Single	\$ 1,060	\$ 1,084	2-Party	2,039	2,057	Family	2,551	2,638
<u>Years of Service</u>	<u>%</u>	<u>Years of Service</u>	<u>%</u>																														
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² All currently active POA/PMA, IAFF/FCA are Group 4. Some Mgmt/Conf and some SEIU remained in Group 3, and some elected into Group 4.

³ Minimum 5 years City Service.



March 11, 2026



BENEFIT SUMMARY

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



March 11, 2026



BENEFIT SUMMARY

■ Pay-As-You-Go (\$000s)	Fiscal	Cash	Implicit	Total
	Year		Subsidy	
	2024/25	\$ 13,163	\$ 2,745	\$ 15,908
	2023/24	11,800	3,073	14,873
	2022/23	11,269	3,025	14,294
	2021/22	10,880	2,619	13,499
	2020/21	10,631	2,346	12,977
	2019/20	10,344	2,384	12,728
	2018/19	9,960	2,197	12,157
	2017/18	9,660	2,444	12,104
	2016/17	9,713	2,203	11,916
	2015/16	9,681	1,960	11,641
	2014/15	8,995	1,916	10,911
	2013/14	7,317	-	7,317
	2012/13	8,766	-	8,766
	2011/12	8,165	-	8,165



March 11, 2026

5



BENEFIT SUMMARY

Monthly Benefit Cap Amounts

Group	2025			2026		
	Single	2-Party	Family	Single	2-Party	Family
Group 1 ⁴	\$1,500.40	\$3,000.80	\$3,901.04	\$1,670.14	\$3,340.28	\$4,342.36
Group 2	1,476.10	2,952.20	3,837.86	1,612.08	3,224.16	4,191.41
Group 3 SEIU	943.00	1,885.00	2,444.00	943.00	1,885.00	2,444.00
Group 3 Others ⁵	943.00	1,885.00	2,444.00	943.00	1,885.00	2,444.00
Group 4 (100% vest)	1,060.00	2,039.00	2,551.00	1,084.00	2,057.00	2,638.00
% Decrease from Group 1 (assumes Group 1 is in most expensive plan)						
Group 2	2%	2%	2%	3%	3%	3%
Group 3 SEIU	37%	37%	37%	44%	44%	44%
Group 3 Others	37%	37%	37%	44%	44%	44%
Group 4	29%	32%	35%	35%	38%	39%

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

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



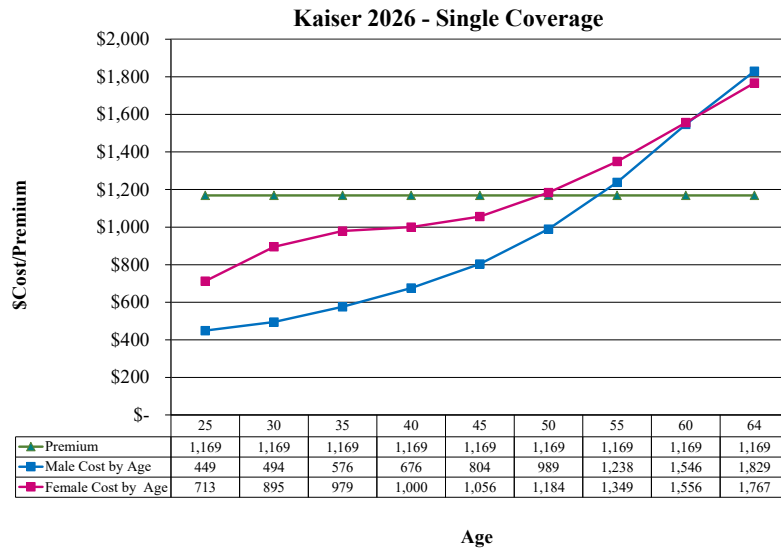
March 11, 2026

6



IMPLICIT SUBSIDY

- For PEMHCA, employer cost for allowing retirees to participate at active rates.
 - Kaiser 2026 Region 1 plan:



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



March 11, 2026



IMPLICIT SUBSIDY

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March 11, 2026



PARTICIPANT STATISTICS

Participant Statistics

	6/30/17	6/30/19	6/30/21	6/30/23	6/30/25
■ Actives					
• Count	967	930	874	902	974
• Average Age	45.6	44.8	45.0	44.6	44.4
• Average City Service	10.9	10.8	11.2	10.4	9.7
• Average PERS Service	11.9	11.7	12.1	11.4	10.8
• Average Salary	\$90,739	\$110,969	\$120,207	\$134,338	\$153,088
• Total Salary (000's)	87,745	103,201	105,061	121,173	149,108
■ Retirees:					
• Count ⁶	959 ⁷	974	1,009	1,031	1,050
• Average Age	68.9	70.0	70.9	71.5	72.1
• Average Retirement Age					
○ Service	57.7	58.0	58.2	58.2	58.3
○ Disability	45.9	46.1	46.3	45.8	45.7

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

⁷ Excludes all waived retirees over 65; includes 38 waived under 65 retirees.



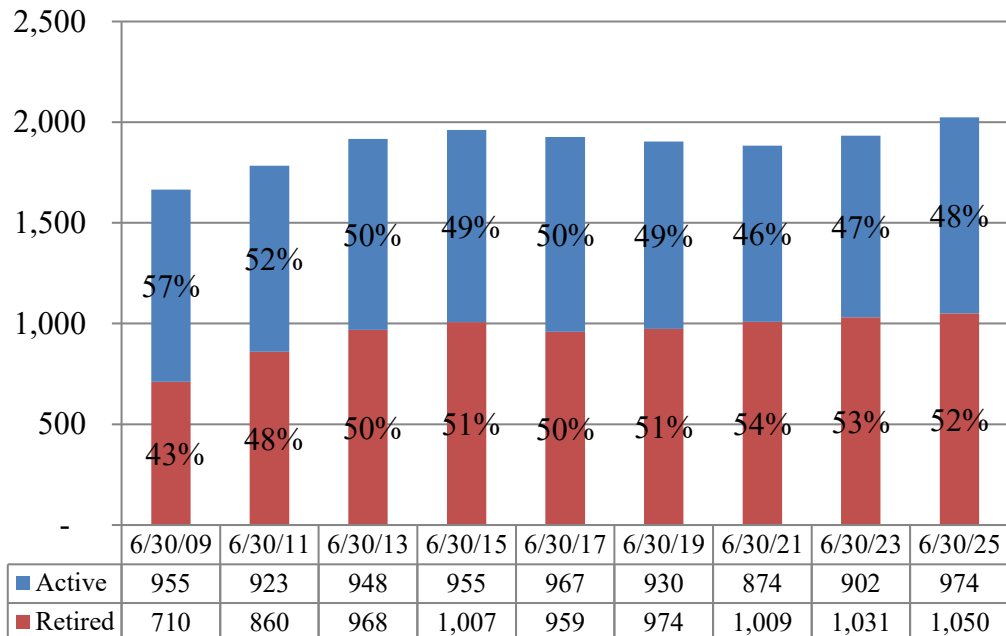
March 11, 2026

9



PARTICIPANT STATISTICS

Historical Active and Retiree Counts⁸



⁸ Retiree count is subscribers: retirees and surviving spouses



March 11, 2026

10



PARTICIPANT STATISTICS

Participant Statistics June 30, 2025

	Group 1	Group 2	Group 3	Group 4	Total
■ Actives					
• Count	n/a	n/a	36	938	974
• Average Age	n/a	n/a	56.1	43.9	44.4
• Average Entry Age	n/a	n/a	30.2	34.9	34.7
• Average City Service	n/a	n/a	25.9	9.1	9.7
• Average PERS Service	n/a	n/a	25.9	10.2	10.8
• Average Salary	n/a	n/a	\$ 142,757	\$ 153,484	\$ 153,088
• Total Salary (000's) ⁹	n/a	n/a	5,139	143,968	149,108
■ Benefitting Retirees ¹⁰ :					
• Count	353	273	178	246	1,050
• Average Age	80.7	72.7	67.3	62.5	72.1
• Avg Service Ret Age	57.0	57.8	59.4	59.3	58.3
• Avg Disability Ret Age	44.1	46.9	52.2	46.9	45.7

⁹ Based on June 30, 2025 PERSable pay rate.

¹⁰ Excludes retirees who have waived coverage, regardless of age.



March 11, 2026

11



PARTICIPANT STATISTICS

Participant Statistics June 30, 2023

	Group 1	Group 2	Group 3	Group 4	Total
■ Actives					
• Count	n/a	n/a	57	845	902
• Average Age	n/a	n/a	55.8	43.9	44.6
• Average Entry Age	n/a	n/a	31.5	34.4	34.2
• Average City Service	n/a	n/a	24.3	9.5	10.4
• Average PERS Service	n/a	n/a	24.4	10.5	11.4
• Average Salary	n/a	n/a	\$134,880	\$134,302	\$134,338
• Total Salary (000's) ¹¹	n/a	n/a	7,688	113,485	121,173
■ Benefitting Retirees ¹² :					
• Count	396	280	165	190	1,031
• Average Age	79.3	70.7	65.7	61.5	71.5
• Avg Service Ret Age	57.3	57.8	59.1	59.0	58.2
• Avg Disability Ret Age	44.7	46.9	51.2	48.1	45.8

¹¹ Actual June 30, 2023 PERSable pay rate.

¹² Excludes retirees who have waived coverage, regardless of age.



March 11, 2026

12



PARTICIPANT STATISTICS

**Data Reconciliation¹³
6/30/2023 to 6/30/2025**

	Actives	Retirees	Disabled	Benefic.	Total
■ June 30, 2023	902	805	141	85	1,933
• New Hires/Rehires	220	-	-	-	220
• Disabled	(8)	-	8	-	-
• Terminated	(74)	-	-	-	(74)
• Died with Beneficiary	-	(7)	(1)	8	-
• Died, no Beneficiary	-	(29)	(11)	(8)	(48)
• Retired/covered	(61)	61	-	-	-
• Retired/waived	(5)	-	-	-	(5)
• Waived Retiree	-	(4)	(3)	(2)	(9)
• Adjustment/Other	<u>-</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>7</u>
■ June 30, 2025	974	829	136	85	2,024

¹³ Excludes retirees who have waived coverage.



March 11, 2026



PARTICIPANT STATISTICS

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March 11, 2026



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2023 Valuation	June 30, 2025 Valuation
<ul style="list-style-type: none"> ■ Valuation Date 	<ul style="list-style-type: none"> ■ June 30, 2023 ■ ADC for Fiscal Years 2024/25 & 2025/26 (end of year) ■ 1 year lag 	<ul style="list-style-type: none"> ■ June 30, 2025 ■ ADC for Fiscal Years 2026/27 & 2027/28 (end of year) ■ 1 year lag
<ul style="list-style-type: none"> ■ Funding Policy 	<ul style="list-style-type: none"> ■ Full Pre-funding through CalPERS trust (CERBT) Strategy #1 ■ City may contribute additional amounts based on lower discount rate 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Discount Rate 	<ul style="list-style-type: none"> ■ 6.25%, net of expenses based on CERBT Strategy #1 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ General Inflation 	<ul style="list-style-type: none"> ■ 2.50% 	<ul style="list-style-type: none"> ■ Same



March 11, 2026

15



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

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



March 11, 2026

16



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2023 Valuation	June 30, 2025 Valuation
<ul style="list-style-type: none"> ■ Participation at Retirement 	<ul style="list-style-type: none"> ■ Group 3: 98% ■ Group 4: if eligible for City contribution: 95%; if not: 0% ■ Based on Plan experience 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Retirement, Mortality, Termination, Disability 	<ul style="list-style-type: none"> ■ CalPERS 2000-2019 Experience Study ■ Society of Actuaries mortality improvement scale MP-21 	<ul style="list-style-type: none"> ■ CalPERS 2000-2023 Experience Study ■ Society of Actuaries mortality improvement scale MP-21
<ul style="list-style-type: none"> ■ Implicit Subsidy 	<ul style="list-style-type: none"> ■ Included ■ Due to age-risk adjusted federal subsidies, no age-based claims costs were included for Medicare Advantage plans 	<ul style="list-style-type: none"> ■ Same



March 11, 2026



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2023 Valuation	June 30, 2025 Valuation
<ul style="list-style-type: none"> ■ Basis for Assumptions (6/30/25 Valuation) 	<ul style="list-style-type: none"> ■ No experience study performed for this Plan ■ CalPERS experience study covering 2000 to 2023 experience was used ■ Mortality improvement is a Society of Actuaries table ■ Inflation based on our estimate for the Plan's long time horizon ■ Capital market assumptions based on 2021 Foster & Foster stochastic analysis, taking into account capital market assumptions of investment advisory firms ■ Medical trends were based on expectations over the short term blended into long term medical trends developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends ■ Age-based claims costs are based on tables published by the Society of Actuaries and demographic data for the CalPERS health plans provided by CalPERS ■ Medical coverage and participation based in part on Plan experience 	



March 11, 2026



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Discount Rate

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

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

- Expected returns, 50th percentile:

	Strategy 1	Strategy 2	Strategy 3
Expected Real Rate of Return ¹⁴	3.90%	3.39%	2.92%
Inflation Assumption	2.50%	2.50%	2.50%
Investment Expenses	<u>(0.05%)</u>	<u>(0.05%)</u>	<u>(0.05%)</u>
Nominal Rate of Return	6.35%	5.84%	5.37%
Rounded to nearest 0.25%	6.25%	5.75%	5.25%

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

¹⁴ Includes investment expenses



March 11, 2026



ACTUARIAL METHODS

Method	June 30, 2023 Valuation	June 30, 2025 Valuation
■ Cost Method	■ Entry Age Normal Level % of Pay	■ Same
■ Unfunded Liability Amortization	<ul style="list-style-type: none"> ■ 20 years closed period ■ Level % of pay (2.75% annual escalation) ■ Sensitivity analysis: 18 years 	<ul style="list-style-type: none"> ■ 18 years closed period ■ Level % of pay (2.75% annual escalation) ■ Sensitivity analysis: 16 years
■ Actuarial Asset Value	■ Market Value of Assets	■ Same
■ Future New Entrants	■ Closed group – no new participants	
■ Implicit Subsidy	■ Implicit subsidy valued	
■ Plan Continuance	■ For purposes of financial projections, the plan and benefits are assumed to continue unchanged. The calculation of this obligation does not imply that there is any legal liability to provide or continue providing the benefits valued.	



March 11, 2026



ASSETS

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

	2021/22	2022/23	2023/24	2024/25
■ MVA (Beg. of Year)	\$164,170	\$144,745	\$156,061	\$175,207
• Contributions	2,904	2,032	1,928	4,282
• Benefit Payments	-	-	-	-
• Admin. Expenses	(80)	(72)	(80)	(60)
• Net Investment Return	<u>(22,249)</u>	<u>9,356</u>	<u>17,299</u>	<u>21,684</u>
■ MVA (End of Year)	144,745	156,061	175,207	201,112
■ Approx. Annual Return	(13.5)%	6.4%	11.0%	12.3%

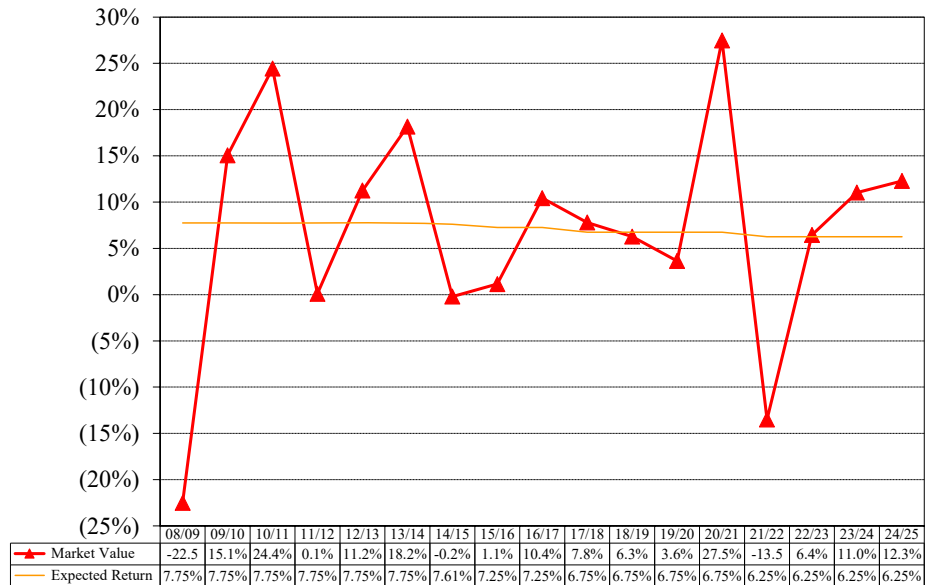


March 11, 2026



ASSETS

Historical Returns



March 11, 2026



RESULTS

Actuarial Obligations

(Amounts in 000's)

■ Valuation Date	6/30/2023	6/30/2025
■ Discount Rate	6.25%	6.25%
■ Present Value of Benefits (PVB)		
• Actives (future retirees)	\$154,864	\$180,922
• Retirees	<u>192,253</u>	<u>232,197</u>
• Total	347,117	413,119
■ Actuarial Accrued Liability (AAL)		
• Actives (future retirees)	84,319	93,000
• Retirees	<u>192,253</u>	<u>232,197</u>
• Total	276,572	325,197
■ Market Value of Assets (MVA)	<u>156,061</u>	<u>201,112</u>
■ Unfunded AAL (UAAL)	120,511	124,085
■ Funded Ratio	56%	62%
■ Normal Cost ¹⁵	7,614	9,260
■ Pay-As-You-Go Cost (Cash)	12,827	15,466
■ Pay-As-You-Go Cost (IS)	2,745	3,163

¹⁵ Includes Administration fees.



March 11, 2026

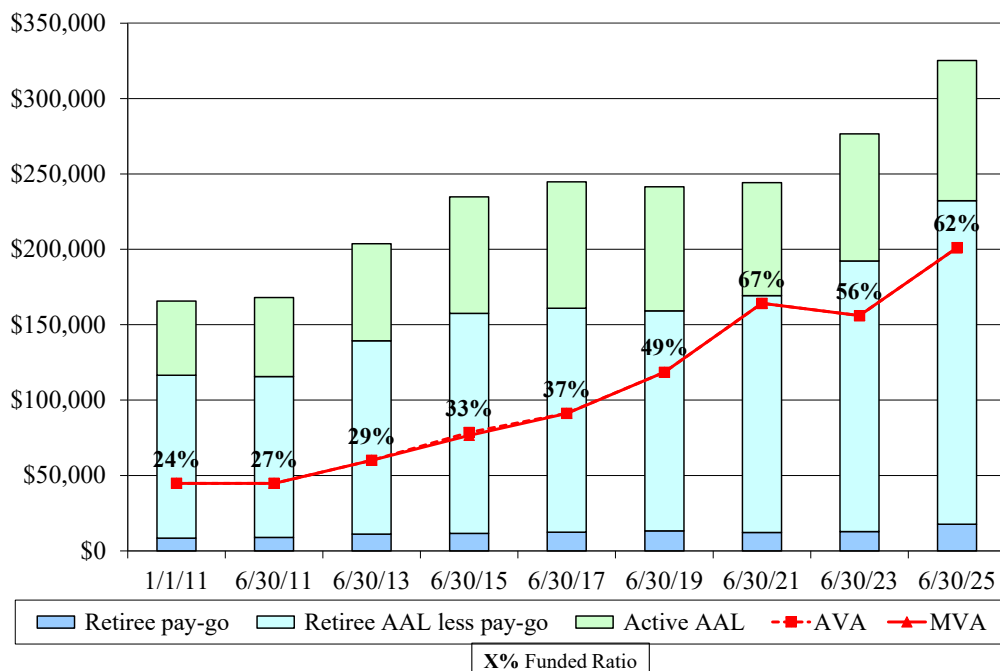
23



RESULTS

Historical Funded Status

(Amounts in 000's)



March 11, 2026

24



RESULTS

Actuarial Gain/Loss

(Amounts in \$000's)

	AAL	Assets	UAAL
■ Actual 6/30/23	\$276,572	\$156,061	\$120,511
■ Expected 6/30/25	295,578	172,984	122,594
■ Experience (Gains)/Losses			
• Premiums/Caps different than expected	26,748		26,748
• Demographic & other	3,977		3,977
■ Assumption Changes increasing/(decreasing) AAL			
• Medical Plan election percentages changed	(90)		(90)
• Updated CalPERS decrement assumptions	(1,016)		(1,016)
■ Contribution and Benefit Payment Gain		9,499	(9,499)
■ Investment Gain		18,629	(18,629)
■ Total UAAL (Gain)/Loss	29,619	28,128	1,491
■ Actual 6/30/25	325,197	201,112	124,085



March 11, 2026

25



RESULTS

Actuarially Determined Contribution (ADC)

(Amounts in 000's)

	6/30/23 Valuation		6/30/25 Valuation	
	2024/25	2025/26	2026/27	2027/28
■ Discount Rate	6.25%		6.25%	
■ ADC - \$				
• Normal Cost	\$ 7,489	\$ 7,674	\$9,110	\$9,352
• Administrative Expenses ¹⁶	125	133	151	158
• UAAL Amortization	<u>8,802</u>	<u>9,044</u>	<u>9,492</u>	<u>9,753</u>
• Total	16,416	16,851	18,752	19,263
■ Projected Payroll	127,929	131,447	157,422	161,751
■ ADC – Percent of Pay				
• Normal Cost	5.9%	5.8%	5.8%	5.8%
• Administrative Expenses	0.1%	0.1%	0.1%	0.1%
• UAAL Amortization	<u>6.9%</u>	<u>6.9%</u>	<u>6.0%</u>	<u>6.0%</u>
• Total	12.8%	12.8%	11.9%	11.9%

¹⁶ Includes PEMHCA and CERBT administration fees.



March 11, 2026

26



RESULTS

Actuarially Determined Contribution (ADC) Payment to Trust

(Amounts in 000's)

	6/30/25 Valuation	
	2026/27	2027/28
■ Discount Rate	6.25%	
■ ADC - \$		
• Normal cost	\$9,110	\$9,352
• Administrative expenses ¹⁷	151	158
• UAAL amortization	<u>9,492</u>	<u>9,753</u>
• Total	18,752	19,263
• Less: Implicit subsidy benefit payments	<u>3,163</u>	<u>3,110</u>
• Remaining ADC	15,589	16,153
• Less: Estimated cash benefit payments	<u>15,466</u>	<u>16,202</u>
• Total Trust contribution	123	(49)
(If negative, indicates a reimbursement for City out-of-pocket payments may be requested.)		

¹⁷ Includes PEMHCA and CERBT administration fees.



March 11, 2026

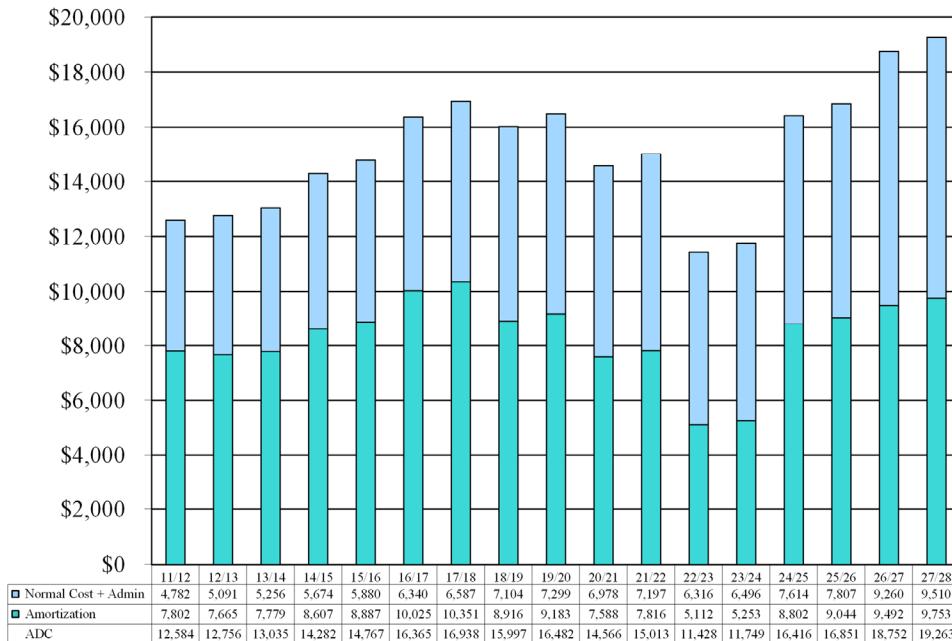
27



RESULTS

Historical Recommended Funding Contributions

(Amounts in 000's)



March 11, 2026

28



RESULTS

Amortization Bases & Payments

(Amounts in 000's)

	6/30/23 Valuation		6/30/25 Valuation	
	6/30/24	6/30/25	6/30/26	6/30/27
■ Discount Rate	6.25%		6.25%	
■ Payment Escalator	2.75%		2.75%	
■ UAAL Balance	\$ 122,790	\$ 121,662	\$ 122,796	\$ 120,979
■ Amortization Payment	8,802	9,044	9,492	9,753
■ Amortization Period (years)	20	19	18	17



March 11, 2026

29



RESULTS

10 Year Contribution Projection

(Amounts in 000's)

FYE	ADC ¹⁸	Contribution				Total	Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implicit Subsidy BP	Trust Pre-Funding						
2027	\$18,752	\$15,466	\$3,163	\$123	\$18,752	\$157,422	11.9%	\$122,796	63%	
2028	19,263	16,202	3,110	(49)	19,263	161,751	11.9%	120,979	65%	
2029	19,808	17,066	3,218	(476)	19,808	166,199	11.9%	118,787	67%	
2030	20,343	17,938	3,390	(985)	20,343	170,769	11.9%	116,190	69%	
2031	20,900	18,684	3,429	(1,213)	20,900	175,466	11.9%	113,155	70%	
2032	21,467	19,425	3,553	(1,511)	21,467	180,291	11.9%	109,648	72%	
2033	22,057	20,068	3,621	(1,632)	22,057	185,249	11.9%	105,630	74%	
2034	22,623	20,688	3,590	(1,655)	22,623	190,343	11.9%	101,062	76%	
2035	23,232	21,407	3,628	(1,803)	23,232	195,578	11.9%	95,901	77%	
2036	23,842	22,169	3,783	(2,110)	23,842	200,956	11.9%	90,103	79%	

¹⁸ Actuarially Determined Contribution



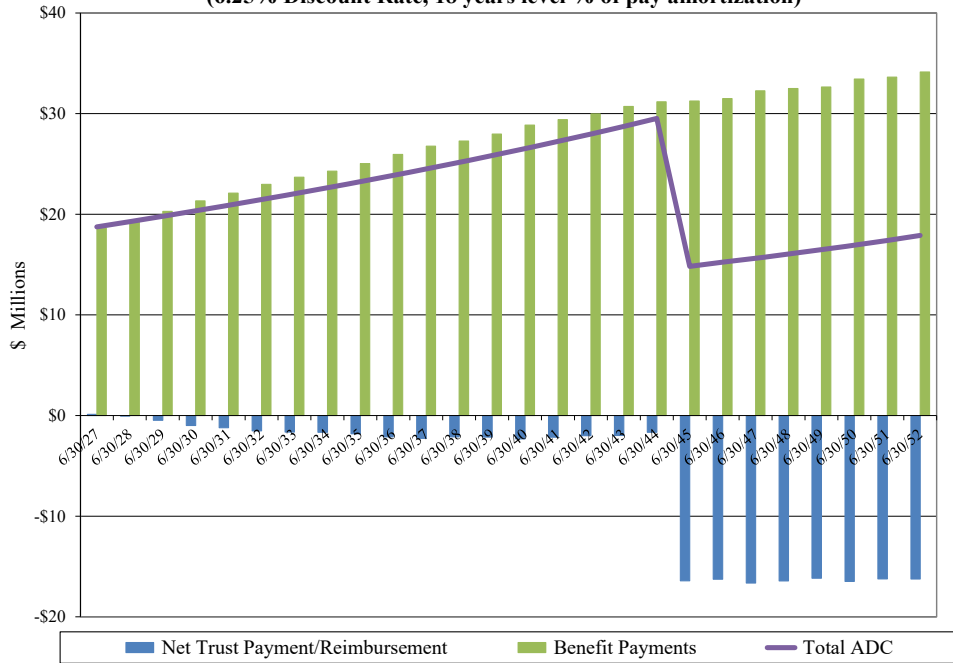
March 11, 2026

30



RESULTS

ADC, Benefit and Trust Payment/Reimbursement Projection
(6.25% Discount Rate, 18 years level % of pay amortization)



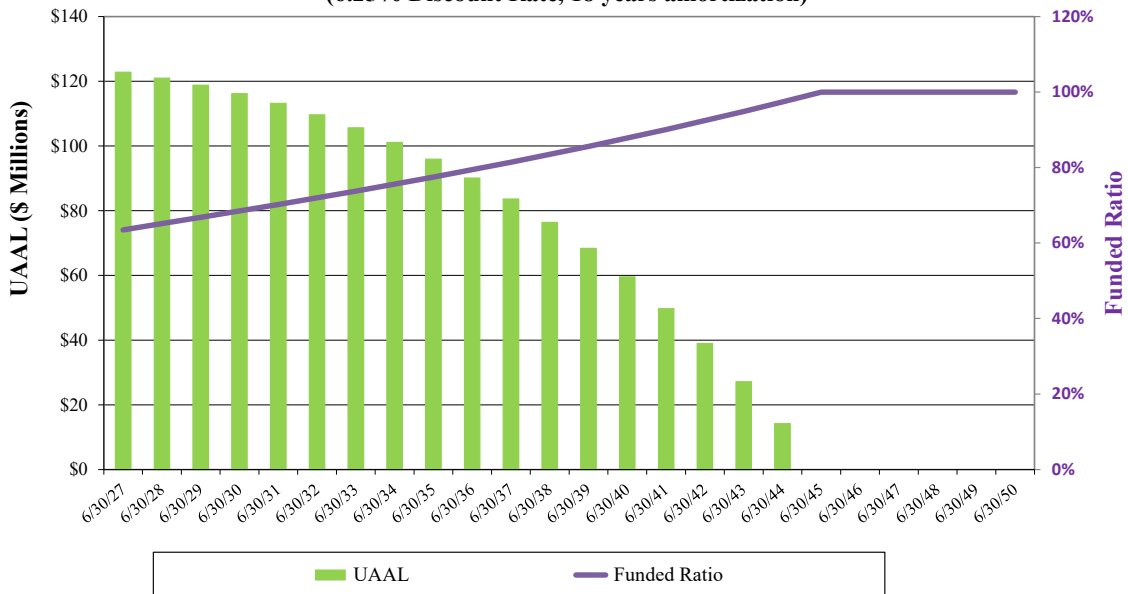
March 11, 2026

31



RESULTS

UAAL and Funded Ratio Projection
(6.25% Discount Rate, 18 years amortization)



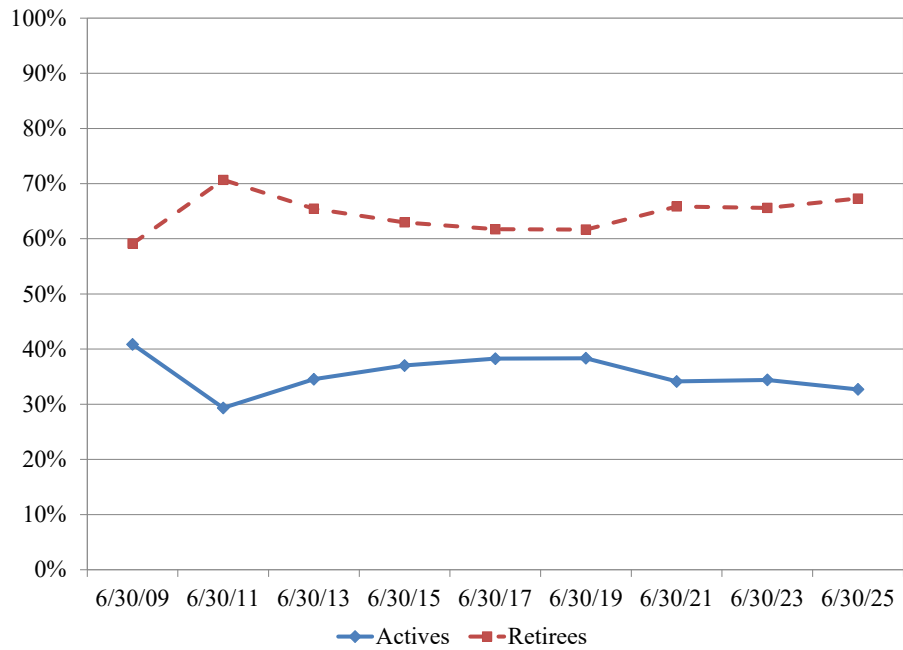
March 11, 2026

32



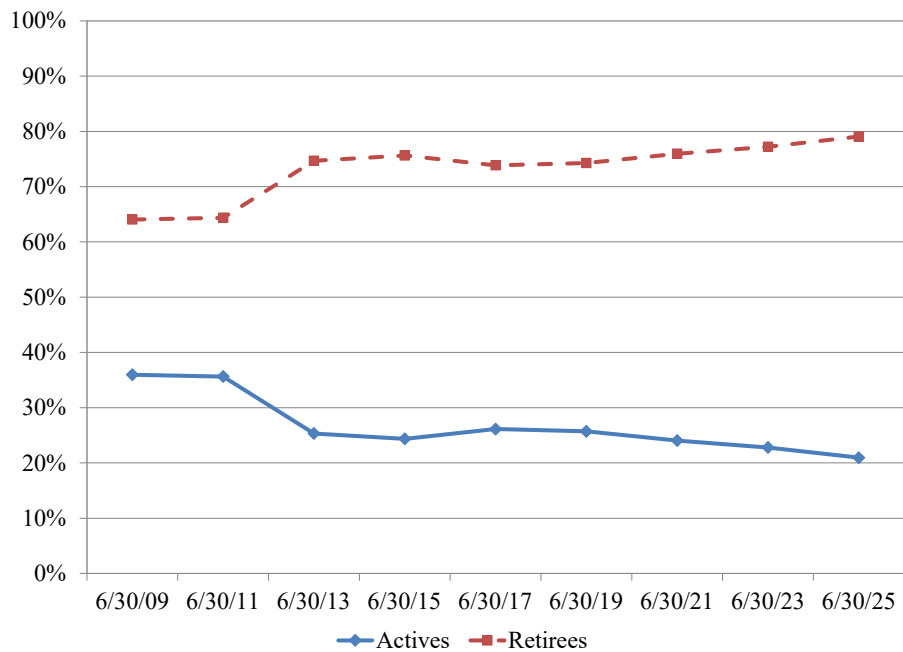
RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees
Miscellaneous



RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees
Safety



RESULTS - DETAILS

Actuarial Obligations by Pre/Post 65 Benefits

June 30, 2025

(Amounts in 000's)

	Benefits Paid Before Age 65	Benefits Paid On or After Age 65	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$84,792	\$96,131	\$180,922
• Retirees	<u>53,045</u>	<u>179,153</u>	<u>232,197</u>
• Total	137,837	275,284	413,119
■ Actuarial Accrued Liability			
• Actives (future retirees)	41,029	51,972	93,000
• Retirees	<u>53,045</u>	<u>179,153</u>	<u>232,197</u>
• Total	94,074	231,125	325,197
■ Normal Cost 2026/27¹⁹	4,386	4,873	9,260

¹⁹ Includes Administration fees.



March 11, 2026



RESULTS - DETAILS

Actuarial Obligations by Group

June 30, 2025

(Amounts in 000's)

	Group 1	Group 2	Group 3	Group 4	Total
■ Present Value of Benefits					
• Actives (future retirees)	\$ -	\$ -	\$8,692	\$172,230	\$180,922
• Retirees	<u>49,937</u>	<u>60,320</u>	<u>41,342</u>	<u>80,598</u>	<u>232,197</u>
• Total	49,937	60,320	50,034	252,828	413,119
■ Actuarial Accrued Liability					
• Actives (future retirees)	-	-	7,534	85,466	93,000
• Retirees	<u>49,937</u>	<u>60,320</u>	<u>41,342</u>	<u>80,598</u>	<u>232,197</u>
• Total	49,937	60,320	48,876	166,064	325,197
■ Normal Cost 2026/27²⁰	n/a	n/a	226	9,034	9,260
■ NC as % of Payroll	n/a	n/a	4.7%	5.9%	5.9%
■ Active Count	n/a	n/a	36	938	974
■ Projected Payroll	n/a	n/a	4,787	152,634	157,422

²⁰ Includes Administration fees.



March 11, 2026



RESULTS - DETAILS

Actuarial Obligations by Cash/Implicit Subsidy

June 30, 2025

(Amounts in 000's)

	Cash Subsidy	Implicit Subsidy	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$161,377	\$19,546	\$180,922
• Retirees	<u>197,984</u>	<u>34,213</u>	<u>232,197</u>
• Total	359,361	53,759	413,119
■ Actuarial Accrued Liability			
• Actives (future retirees)	82,437	10,563	93,000
• Retirees	<u>197,984</u>	<u>34,213</u>	<u>232,197</u>
• Total	280,421	44,776	325,197
■ Normal Cost 2026/27²¹	8,325	934	9,260
■ Pay-As-You-Go Cost 2026/27	15,466	3,163	18,628

²¹ Includes Administration fees.



March 11, 2026



RESULTS - DETAILS

Actuarial Obligations by Misc/Safety

June 30, 2025

(Amounts in 000's)

	Misc	Safety	Total
■ Present Value of Benefits			
• Actives (future retirees)	\$130,006	\$50,917	\$180,922
• Retirees	<u>142,593</u>	<u>89,604</u>	<u>232,197</u>
• Total	272,599	140,521	413,119
■ Actuarial Accrued Liability			
• Actives (future retirees)	69,268	23,732	93,000
• Retirees	<u>142,593</u>	<u>89,604</u>	<u>232,197</u>
• Total	211,861	113,336	325,197
■ Normal Cost 2026/27²²	6,681	2,579	9,260
■ Pay-As-You-Go Cost 2026/27	12,192	6,436	18,628

²² Includes Administration fees.



March 11, 2026



RESULTS - DETAILS

Actuarial Obligations by Bargaining Unit

June 30, 2025

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ PVB								
• Actives	\$1,529	\$24,319	\$38,933	\$19,775	\$3,188	\$83,849	\$9,328	\$180,922
• Retirees	<u>2,933</u>	<u>42,974</u>	<u>63,749</u>	<u>33,137</u>	<u>2,896</u>	<u>75,689</u>	<u>10,817</u>	<u>232,197</u>
• Total	4,462	67,293	102,682	52,912	6,084	159,538	20,145	413,119
■ AAL								
• Actives	1,242	10,573	21,028	7,747	2,539	43,738	6,133	93,000
• Retirees	<u>2,933</u>	<u>42,974</u>	<u>63,749</u>	<u>33,137</u>	<u>2,896</u>	<u>75,689</u>	<u>10,817</u>	<u>232,197</u>
• Total	4,175	53,547	84,777	40,884	5,435	119,427	16,950	325,197
■ MVA²³	<u>2,582</u>	<u>33,115</u>	<u>52,429</u>	<u>25,284</u>	<u>3,361</u>	<u>73,857</u>	<u>10,482</u>	<u>201,112</u>
■ UAAL	1,593	20,432	32,348	15,600	2,074	45,570	6,468	124,085
■ NC 26/27²⁴	55	1,171	2,080	1,125	136	4,260	434	9,260
■ Pay-Go	229	3,277	5,329	2,090	231	6,625	847	18,628

²³ Allocated in proportion to the Actuarial Accrued Liability.

²⁴ Includes Administration fees.



March 11, 2026

39



RESULTS - DETAILS

Actuarially Determined Contribution by Bargaining Unit

2026/27 Fiscal Year

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ ADC - \$								
• Normal Cost	\$53	\$1,147	\$2,041	\$1,106	\$134	\$4,204	\$426	\$9,110
• Admin. Expenses	2	25	39	19	3	56	8	151
• UAAL Amort	<u>120</u>	<u>1,548</u>	<u>2,453</u>	<u>1,198</u>	<u>160</u>	<u>3,518</u>	<u>494</u>	<u>9,492</u>
• ADC	175	2,719	4,532	2,323	297	7,778	928	18,752
■ Projected Payroll	934	13,419	44,161	12,917	2,367	73,257	10,365	157,422
■ ADC - %								
• Normal Cost	5.6%	8.5%	4.6%	8.6%	5.7%	5.7%	4.1%	5.8%
• Admin. Expenses	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
• UAAL Amort	<u>12.9%</u>	<u>11.5%</u>	<u>5.6%</u>	<u>9.3%</u>	<u>6.8%</u>	<u>4.8%</u>	<u>4.8%</u>	<u>6.0%</u>
• ADC	18.7%	20.3%	10.3%	18.0%	12.5%	10.6%	9.0%	11.9%



March 11, 2026

40



RESULTS - DETAILS

Actuarially Determined Contribution by Bargaining Unit
2027/28 Fiscal Year
 (Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ ADC - \$								
• Normal Cost	\$54	\$1,177	\$2,095	\$1,135	\$137	\$4,316	\$437	\$9,352
• Admin. Expenses	2	26	41	20	3	59	8	158
• UAAL Amort	<u>124</u>	<u>1,591</u>	<u>2,520</u>	<u>1,231</u>	<u>165</u>	<u>3,615</u>	<u>508</u>	<u>9,753</u>
• ADC	180	2,794	4,656	2,386	305	7,990	953	19,263
■ Projected Payroll	960	13,788	45,376	13,272	2,432	75,271	10,650	161,751
■ ADC - %								
• Normal Cost	5.6%	8.5%	4.6%	8.6%	5.6%	5.7%	4.1%	5.8%
• Admin. Expenses	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
• UAAL Amort	<u>12.9%</u>	<u>11.5%</u>	<u>5.6%</u>	<u>9.3%</u>	<u>6.8%</u>	<u>4.8%</u>	<u>4.8%</u>	<u>6.0%</u>
• ADC	18.7%	20.3%	10.3%	18.0%	12.5%	10.6%	8.9%	11.9%



March 11, 2026

41



RESULTS - DETAILS

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March 11, 2026

42



SENSITIVITY ANALYSIS

Discount Rate Sensitivity

(Amounts in 000's)

	CERBT Strategy		
	#1 (Current)	#2	#3
■ Discount Rate	6.25%	5.75%	5.25%
■ Present Value of Benefits	\$413,119	\$447,440	\$486,698
■ Funded Status 6/30/23			
• Actuarial Accrued Liability	325,197	344,709	366,190
• Assets	<u>201,112</u>	<u>201,112</u>	<u>201,112</u>
• Unfunded AAL	124,085	143,597	165,078
■ Funded Ratio	61.8%	58.3%	54.9%
■ ADC 2026/27			
• Normal Cost	\$9,110	\$10,192	\$11,430
• Administrative Expenses	151	151	151
• UAAL Amortization ²⁵	<u>9,492</u>	<u>10,600</u>	<u>11,738</u>
• Total	18,752	20,943	23,318
• ADC % of Payroll	11.9%	13.3%	14.8%

²⁵ UAAL amortized over 18 years for all scenarios.



March 11, 2026

43



SENSITIVITY ANALYSIS

Amortization Period Sensitivity

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

(Amounts in 000's)

■ Amortization Period	Current 18 Years	16 Years
■ Funded Status 6/30/25		
• Actuarial Accrued Liability	\$325,197	\$325,197
• Assets	<u>201,112</u>	<u>201,112</u>
• Unfunded AAL	124,085	124,085
■ Total Projected Payroll 2026/27	157,422	157,422
■ ADC 2026/27		
• Normal Cost	9,110	9,110
• Administrative Expenses	151	151
• UAAL Amortization	<u>9,492</u>	<u>10,359</u>
• Total	18,752	19,620
• ADC % of Payroll	11.9%	12.5%



March 11, 2026

44



SENSITIVITY ANALYSIS

Amortization Period Sensitivity

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

(Amounts in 000's)

■ Amortization Period	Current 18 Years	16 Years
■ Funded Status 6/30/25		
• Actuarial Accrued Liability	\$344,709	\$344,709
• Assets	<u>201,112</u>	<u>201,112</u>
• Unfunded AAL	143,597	143,597
■ Total Projected Payroll 2026/27	157,422	157,422
■ ADC 2026/27		
• Normal Cost	10,192	10,192
• Administrative Expenses	151	151
• UAAL Amortization	<u>10,600</u>	<u>11,613</u>
• Total	20,943	21,957
• ADC % of Payroll	13.3%	13.9%



March 11, 2026

45



SENSITIVITY ANALYSIS

Actuarial Obligations by Bargaining Unit – 5.75%

June 30, 2025

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ PVB								
• Actives	\$1,663	\$27,613	\$43,459	\$22,394	\$3,465	\$94,310	\$10,298	\$203,201
• Retirees	<u>3,094</u>	<u>45,259</u>	<u>66,816</u>	<u>35,157</u>	<u>3,085</u>	<u>79,413</u>	<u>11,415</u>	<u>244,239</u>
• Total	4,757	72,872	110,275	57,551	6,550	173,723	21,713	447,440
■ AAL								
• Actives	1,331	11,433	22,693	8,392	2,720	47,289	6,613	100,470
• Retirees	<u>3,094</u>	<u>45,259</u>	<u>66,816</u>	<u>35,157</u>	<u>3,085</u>	<u>79,413</u>	<u>11,415</u>	<u>244,239</u>
• Total	4,425	56,692	89,509	43,549	5,805	126,702	18,028	344,709
■ MVA²⁶	<u>2,582</u>	<u>33,076</u>	<u>52,222</u>	<u>25,408</u>	<u>3,387</u>	<u>73,921</u>	<u>10,518</u>	<u>201,112</u>
■ UAAL	1,843	23,616	37,287	18,141	2,418	52,781	7,510	143,597
■ NC 26/27²⁷	61	1,312	2,311	1,254	153	4,769	482	10,342
■ Pay-Go	229	3,277	5,329	2,090	231	6,625	847	18,628

²⁶ Allocated in proportion to the Actuarial Accrued Liability.

²⁷ Includes Administration fees.



March 11, 2026

46



SENSITIVITY ANALYSIS

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

FYE	ADC ²⁸	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implicit Subsidy BP	Trust Pre-Funding	Total				
2027	\$26,131	\$15,466	\$3,163	\$7,502	\$26,131	\$157,422	16.6%	\$142,810	60%
2028	26,805	16,202	3,110	7,493	26,805	161,751	16.6%	135,233	63%
2029	27,565	17,066	3,218	7,281	27,565	166,199	16.6%	126,786	67%
2030	28,318	17,938	3,390	6,990	28,318	170,769	16.6%	117,407	70%
2031	29,101	18,684	3,429	6,988	29,101	175,466	16.6%	107,031	73%
2032	29,900	19,425	3,553	6,922	29,900	180,291	16.6%	95,587	77%
2033	30,728	20,068	3,621	7,039	30,728	185,249	16.6%	83,001	81%
2034	31,536	20,688	3,590	7,258	31,536	190,343	16.6%	69,194	84%
2035	32,395	21,407	3,628	7,360	32,395	195,578	16.6%	54,083	88%
2036	33,261	22,169	3,783	7,309	33,261	200,956	16.6%	37,577	92%

²⁸ Actuarially Determined Contribution



March 11, 2026



SENSITIVITY ANALYSIS

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March 11, 2026



ACTUARIAL CERTIFICATION

This report presents the City of Palo Alto Retiree Healthcare Plan (“Plan”) June 30, 2025 actuarial valuation. The purpose of this valuation is to:

- Determine the June 30, 2025 Benefit Obligations,
- Determine the Plan’s June 30, 2025 Funded Status, and
- Calculate the 2026/27 and 2027/28 Actuarially Determined Contributions.

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

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

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

Respectfully submitted,



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



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



March 11, 2026

49



EXHIBITS

<u>Topic</u>	<u>Page</u>
Premiums	E- 1
Data Summary	E- 5
Additional Actuarial Assumptions	E-23
Results by Fund	E-31
Results by GF Department	E-33
Definitions	E-35



March 11, 2026

50



PREMIUMS

2025 PEMHCA Monthly Premiums

Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,256.65	\$2,513.30	\$3,267.29	\$487.56	\$975.12	\$1,462.68
Anthem Traditional	1,500.40	3,000.80	3,901.04	487.56	975.12	1,462.68
Blue Shield Access+	1,170.17	2,340.34	3,042.44	448.28	896.56	1,344.84
Blue Shield Trio	1,134.79	2,269.58	2,950.45	448.28	896.56	1,344.84
Kaiser	1,112.90	2,225.80	2,893.54	n/a	n/a	n/a
Kaiser Senior Advantage	n/a	n/a	n/a	343.08	686.16	1,029.24
Kaiser SA Summit	n/a	n/a	n/a	408.31	816.62	1,224.93
UnitedHealthcare Alliance	1,184.58	2,369.16	3,079.91	n/a	n/a	n/a
UnitedHealthcare Harmony	1,005.02	2,010.04	2,613.05	n/a	n/a	n/a
UnitedHealthcare Group	n/a	n/a	n/a	442.25	884.50	1,326.75
Western Health Advantage	914.27	1,828.54	2,377.10	n/a	n/a	n/a
PERS Platinum	1,476.10	2,952.20	3,837.86	584.70	1,169.40	1,754.10
PERS Gold	1,013.70	2,027.40	2,635.62	546.13	1,092.26	1,638.39
PORAC	975.00	2,218.00	2,777.00	507.00	1,123.00	1,521.00



March 11, 2026

E-1



PREMIUMS

2026 PEMHCA Monthly Premiums

Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,336.29	\$2,672.58	\$3,474.35	\$571.70	\$1,143.40	\$1,715.10
Anthem Traditional	1,612.08	3,224.16	4,191.41	571.70	1,143.40	1,715.10
Blue Shield Access+	1,301.95	2,603.90	3,385.07	539.43	1,078.80	1,618.29
Blue Shield Trio	1,166.58	2,333.16	3,033.11	539.43	1,078.80	1,618.29
Kaiser	1,168.86	2,337.72	3,039.04	n/a	n/a	n/a
Kaiser Senior Advantage	n/a	n/a	n/a	356.83	713.66	1,070.49
Kaiser SA Summit	n/a	n/a	n/a	426.31	852.62	1,278.93
UnitedHealthcare Alliance	1,290.06	2,580.12	3,354.16	n/a	n/a	n/a
UnitedHealthcare Harmony	1,133.09	2,266.18	2,946.03	n/a	n/a	n/a
UnitedHealthcare Group	n/a	n/a	n/a	481.29	962.58	1,443.87
Western Health Advantage	969.58	1,939.16	2,520.91	n/a	n/a	n/a
PERS Platinum	1,670.14	3,340.28	4,342.36	665.50	1,331.00	1,996.50
PERS Gold	1,120.58	2,241.16	2,913.51	597.57	1,195.14	1,792.71
PORAC	1,063.00	2,418.00	3,027.00	597.00	1,322.00	1,791.00



March 11, 2026

E-2



PREMIUMS

PEMHCA Monthly Premium Increases/(Decreases)
Region 1

Medical Plan	Non-Medicare Eligible		Medicare Eligible	
	2025	2026	2025	2026
Anthem Select	10.3%	6.3%	20.1%	17.3%
Anthem Traditional	12.0%	7.4%	20.1%	17.3%
Blue Shield Access+	8.7%	11.3%	14.2%	20.3%
Blue Shield Trio	19.9%	2.8%	14.2%	20.3%
Kaiser	9.0%	5.0%	n/a	n/a
Kaiser Senior Advantage	n/a	n/a	5.6%	4.0%
Kaiser SA Summit	n/a	n/a	5.6%	4.4%
UnitedHealthcare Alliance	8.6%	8.9%	n/a	n/a
UnitedHealthcare Harmony	7.2%	12.7%	n/a	n/a
UnitedHealthcare Group	n/a	n/a	29.4%	8.8%
Western Health Advantage	13.3%	6.0%	n/a	n/a
PERS Platinum	12.3%	13.1%	30.5%	13.8%
PERS Gold	10.8%	10.5%	34.3%	9.4%
PORAC	4.7%	9.0%	9.0%	17.8%



March 11, 2026

E-3



PREMIUMS

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March 11, 2026

E-4



DATA SUMMARY

Participant Statistics by Bargaining Unit
June 30, 2025

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ Actives								
• Count	4	87	226	68	8	538	43	974
• Avg Age	50.0	39.0	46.0	38.6	49.4	44.7	50.2	44.4
• Avg City Svc	24.4	9.6	9.9	8.4	22.0	9.1	14.8	9.7
• Avg PERS Svc	24.4	10.4	12.1	9.1	22.4	9.8	17.0	10.8
• Avg Salary	\$221,156	\$146,096	\$185,085	\$179,933	\$280,303	\$128,974	\$228,314	\$153,088
• Total Salary ²⁹	\$885	\$12,710	\$41,829	\$12,235	\$2,242	\$69,388	\$9,818	\$149,108
■ Retirees³⁰:								
• Count	8	145	320	97	7	435	38	1,050
• Avg Age	66.3	71.7	73.9	65.4	56.0	73.4	63.9	72.1
• Avg Service Ret Age	55.8	54.6	58.2	52.3	51.9	59.9	58.6	58.3
• Avg Disab Ret Age	50.1	48.9	49.4	42.0	n/a	46.5	n/a	45.7

²⁹ Amount in 000's. Based on June 30, 2025 PERSable pay rate.

³⁰ Excludes retirees who have waived coverage.



March 11, 2026

E-5



DATA SUMMARY

Participant Statistics by Bargaining Unit
June 30, 2023

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UMPAPA	Total
■ Actives								
• Count	4	84	202	66	7	494	45	902
• Avg Age	48.0	39.1	46.9	38.9	48.9	44.8	50.5	44.6
• Avg City Svc	22.4	9.8	10.7	9.2	23.4	9.7	16.4	10.4
• Avg PERS Svc	22.4	10.3	12.4	10.2	24.2	10.4	17.6	11.4
• Avg Salary	\$190,356	\$122,075	\$159,976	\$160,358	\$254,449	\$114,477	\$198,351	\$134,338
• Total Salary ³¹	\$761	\$10,254	\$32,315	\$10,584	\$1,781	\$56,552	\$8,926	\$121,173
■ Retirees³²:								
• Count	8	147	313	96	6	432	29	1,031
• Avg Age	64.3	71.4	73.0	66.4	53.2	72.6	62.9	71.5
• Avg Service Ret Age	55.8	54.7	58.1	52.5	50.4	59.7	58.2	58.2
• Avg Disab Ret Age	50.1	48.8	50.5	41.8	n/a	46.7	n/a	45.8

³¹ Amount in 000's. Based on June 30, 2023 PERSable pay rate.

³² Excludes retirees who have waived coverage.



March 11, 2026

E-6



DATA SUMMARY

Participant Statistics by CalPERS Pension Category
June 30, 2025

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	802	77	95	974
• Average Age	45.3	40.0	40.0	44.4
• Average City Service	9.5	10.1	10.8	9.7
• Average PERS Service	10.7	10.7	11.4	10.8
• Average Salary	\$148,524	\$195,926	\$156,897	\$153,088
• Total Salary (000's) ³³	\$119,116	\$15,086	\$14,905	\$149,108
■ Retirees ³⁴ :				
• Count	771	116	163	1,050
• Average Age	73.2	65.5	71.4	72.1
• Avg Service Ret Age	59.3	52.3	54.6	58.3
• Avg Disability Ret Age	46.6	42.1	49.0	45.7

³³ Based on June 30, 2025 PERSable payrate.

³⁴ Excludes retirees who have waived coverage.



March 11, 2026

E-7



DATA SUMMARY

Participant Statistics by CalPERS Pension Category
June 30, 2023

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	738	72	92	902
• Average Age	45.6	40.3	39.9	44.6
• Average City Service	10.3	10.8	10.8	10.4
• Average PERS Service	11.3	11.8	11.2	11.4
• Average Salary	\$130,866	\$173,099	\$131,856	\$134,338
• Total Salary (000's) ³⁵	\$96,579	\$12,463	\$12,131	\$121,173
■ Retirees ³⁶ :				
• Count	751	113	167	1,031
• Average Age	72.4	65.9	71.2	71.5
• Avg Service Ret Age	59.2	52.2	54.7	58.2
• Avg Disability Ret Age	47.1	41.9	48.9	45.8

³⁵ Based on June 30, 2023 PERSable payrate.

³⁶ Excludes retirees who have waived coverage.



March 11, 2026

E-8



DATA SUMMARY

Medical Plan Participation – June 30, 2025

Medical Plan	Actives		All Retirees					
	M	S	Under 65		65 or Older		Total	
<i>Miscellaneous/Safety</i>	M	S	M	S	M	S	M	S
Anthem Select	2%	1%	3%	-	1%	-	1%	-
Anthem Traditional	1%	1%	2%	4%	6%	5%	5%	4%
Blue Shield Access+	12%	4%	11%	3%	3%	2%	4%	2%
Blue Shield Trio	-	1%	1%	1%	-	-	-	-
Kaiser	67%	46%	47%	27%	28%	21%	32%	24%
Kaiser Summit	-	-	-	1%	3%	1%	3%	1%
UnitedHealthcare	3%	-	-	-	16%	9%	13%	5%
UnitedHealthcare Harmony	1%	-	-	-	-	-	-	-
Western Health Advantage	-	1%	-	-	-	-	-	-
PERS Gold	6%	5%	6%	-	1%	-	2%	-
PERS Platinum	8%	1%	30%	12%	41%	40%	39%	30%
PORAC	-	40%	-	52%	1%	22%	1%	34%
Total	100%	100%	100%	100%	100%	100%	100%	100%



March 11, 2026

E-9



DATA SUMMARY

Medical Plan Participation – June 30, 2023

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



March 11, 2026

E-10



DATA SUMMARY

Active Medical Coverage – Miscellaneous

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	5	1	5	-	11
Anthem Traditional	3	-	2	-	5
Blue Shield Access+	23	20	42	-	85
Blue Shield Trio	-	-	1	-	1
Kaiser	179	99	193	-	471
UnitedHealthcare Alliance	10	3	6	-	19
UnitedHealthcare Harmony	5	2	2	-	9
Western Health Advantage	-	-	1	-	1
PERS Gold	20	7	16	-	43
PERS Platinum	23	10	21	-	54
PORAC	1	-	-	-	1
Waived	-	-	-	102	102
Total	269	142	289	102	802
% as of June 30, 2025	33%	18%	36%	13%	100%
% as of June 30, 2023	31%	18%	40%	11%	100%



March 11, 2026

E-11



DATA SUMMARY

Active Medical Coverage – Safety

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	1	-	1	-	2
Anthem Traditional	1	-	-	-	1
Blue Shield Access+	1	-	5	-	6
Blue Shield Trio	-	-	1	-	1
Kaiser	21	9	46	-	76
UnitedHealthcare Alliance	-	-	-	-	-
UnitedHealthcare Harmony	-	-	-	-	-
Western Health Advantage	-	-	1	-	1
PERS Gold	5	1	2	-	8
PERS Platinum	-	-	2	-	2
PORAC	17	12	37	-	66
Waived	-	-	-	9	9
Total	46	22	95	9	172
% as of June 30, 2025	27%	13%	55%	5%	100%
% as of June 30, 2023	24%	14%	55%	7%	100%



March 11, 2026

E-12



DATA SUMMARY

Retiree Medical Coverage - Miscellaneous

Medical Plan	Single		2-Party		Family		Total
	<65	65+	<65	65+	<65	65+	
Anthem Select	2	4	2	1	-	2	11
Anthem Traditional	3	16	-	16	-	2	37
Blue Shield Access+	4	4	10	12	4	-	34
Blue Shield Trio	-	-	-	-	1	-	1
Kaiser	21	91	39	78	14	5	248
Kaiser Summit	-	12	-	6	-	1	19
UnitedHealthcare Alliance	-	63	-	35	-	-	98
UnitedHealthcare Harmony	-	-	-	-	-	-	0
Western Health Advantage	-	-	-	-	-	-	0
PERS Gold	2	2	4	3	4	1	16
PERS Platinum	17	126	26	122	5	5	301
PORAC	-	3	-	2	-	1	6
Total	49	321	81	275	28	17	771
% as of June 30, 2025	6%	42%	10%	36%	4%	2%	100%
% as of June 30, 2023	8%	42%	12%	33%	3%	2%	100%



March 11, 2026

E-13



DATA SUMMARY

Retiree Medical Coverage - Safety

Medical Plan	Single		2-Party		Family		Total
	<65	65+	<65	65+	<65	65+	
Anthem Select	-	-	-	-	-	-	0
Anthem Traditional	1	-	1	5	2	3	12
Blue Shield Access+	1	1	1	2	1	-	6
Blue Shield Trio	-	-	-	-	1	-	1
Kaiser	5	13	11	23	13	1	66
Kaiser Summit	-	1	1	1	-	-	3
UnitedHealthcare Alliance	-	8	-	6	-	1	15
UnitedHealthcare Harmony	-	-	-	-	-	-	0
Western Health Advantage	-	-	-	-	-	-	0
PERS Gold	-	-	-	-	-	-	0
PERS Platinum	4	36	4	31	5	2	82
PORAC	11	8	13	26	33	3	94
Total	22	67	31	94	55	10	279
% as of June 30, 2025	8%	24%	11%	34%	20%	3%	100%
% as of June 30, 2023	10%	24%	13%	32%	19%	3%	100%



March 11, 2026

E-14



DATA SUMMARY

Retirees Medical Coverage by Age – Miscellaneous

Age	Single	2-Party	Family	Total
Under 50	-	-	-	-
50-54	2	5	4	11
55-59	11	15	10	36
60-64	36	61	14	111
65-69	54	78	9	141
70-74	74	69	6	149
75-79	71	63	-	134
80-84	70	45	2	117
85 & Over	52	20	-	72
Total	370	356	45	771
Average Age	75.6	71.9	63.7	73.2



March 11, 2026

E-15



DATA SUMMARY

Retirees Medical Coverage by Age – Police

Age	Single	2-Party	Family	Total
Under 50	3	2	10	15
50-54	-	1	7	8
55-59	3	-	6	9
60-64	6	8	6	20
65-69	6	14	4	24
70-74	8	5	2	15
75-79	4	9	-	13
80-84	3	3	-	6
85 & Over	3	3	-	6
Total	36	45	35	116
Average Age	68.7	70.6	55.7	65.5



March 11, 2026

E-16



DATA SUMMARY

Retirees Medical Coverage by Age – Fire

Age	Single	2-Party	Family	Total
Under 50	-	-	1	1
50-54	-	2	5	7
55-59	6	6	10	22
60-64	4	12	10	26
65-69	4	20	4	28
70-74	3	9	-	12
75-79	5	15	-	20
80-84	14	7	-	21
85 & Over	17	9	-	26
Total	53	80	30	163
Average Age	77.7	71.9	59.1	71.4



March 11, 2026

E-17



DATA SUMMARY

Retirees Medical Coverage by Age – Total

Age	Single	2-Party	Family	Total
Under 50	3	2	11	16
50-54	2	8	16	26
55-59	20	21	26	67
60-64	46	81	30	157
65-69	64	112	17	193
70-74	85	83	8	176
75-79	80	87	-	167
80-84	87	55	2	144
85 & Over	72	32	-	104
Total	459	481	110	1,050
Average Age	75.3	71.7	59.9	72.1



March 11, 2026

E-18



DATA SUMMARY

Actives by Age and Service – Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	8	7	-	-	-	-	-	15
25-29	12	41	2	-	-	-	-	55
30-34	18	55	41	2	-	-	-	116
35-39	7	41	41	15	-	-	-	104
40-44	6	35	22	24	11	2	-	100
45-49	7	29	28	20	24	20	6	134
50-54	7	14	15	13	11	21	12	93
55-59	4	14	13	14	16	12	17	90
60-64	1	13	9	8	14	3	19	67
≥ 65	2	5	1	5	7	2	6	28
Total	72	254	172	101	83	60	60	802



March 11, 2026

E-19



DATA SUMMARY

Actives by Age and Service – Police

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	-	-	-	-	-	-	-
25-29	-	10	2	-	-	-	-	12
30-34	-	6	8	1	-	-	-	15
35-39	2	4	5	1	-	-	-	12
40-44	1	2	1	4	5	-	-	13
45-49	-	1	1	6	3	3	2	16
50-54	-	1	-	-	-	1	3	5
55-59	-	-	-	-	1	1	-	2
60-64	-	-	-	-	-	1	-	1
≥ 65	-	-	1	-	-	-	-	1
Total	3	24	18	12	9	6	5	77



March 11, 2026

E-20



DATA SUMMARY

Actives by Age and Service – Fire

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	3	-	-	-	-	-	3
25-29	-	13	2	-	-	-	-	15
30-34	-	14	6	-	-	-	-	20
35-39	-	3	3	3	3	-	-	12
40-44	-	1	2	5	2	2	-	12
45-49	1	1	1	3	4	3	-	13
50-54	-	-	1	2	1	3	6	13
55-59	-	-	-	-	-	3	3	6
60-64	-	-	-	-	1	-	-	1
≥ 65	-	-	-	-	-	-	-	-
Total	1	35	15	13	11	11	9	95



March 11, 2026

E-21



DATA SUMMARY

Actives by Age and Service – Total

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	8	10	-	-	-	-	-	18
25-29	12	64	6	-	-	-	-	82
30-34	18	75	55	3	-	-	-	151
35-39	9	48	49	19	3	-	-	128
40-44	7	38	25	33	18	4	-	125
45-49	8	31	30	29	31	26	8	163
50-54	7	15	16	15	12	25	21	111
55-59	4	14	13	14	17	16	20	98
60-64	1	13	9	8	15	4	19	69
≥ 65	2	5	2	5	7	2	6	29
Total	76	313	205	126	103	77	74	974



March 11, 2026

E-22



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation	June 30, 2025 Valuation																								
<p>■ Retirement</p>	<p>■ CalPERS 2000-2019 Experience Study- Expected retirement age for each tier</p> <table border="0"> <tr> <td></td> <td align="center"><u>Misc</u></td> <td align="center"><u>Fire & Police</u></td> </tr> <tr> <td>Tier 1</td> <td align="center">2.7%@55</td> <td align="center">3%@50</td> </tr> <tr> <td>Tier 2</td> <td align="center">2%@60</td> <td align="center">3%@55</td> </tr> <tr> <td>PEPRA</td> <td align="center">2.5%@67</td> <td align="center">2.7%@57</td> </tr> </table>		<u>Misc</u>	<u>Fire & Police</u>	Tier 1	2.7%@55	3%@50	Tier 2	2%@60	3%@55	PEPRA	2.5%@67	2.7%@57	<p>■ CalPERS 2000-2023 Experience Study - Expected retirement age for each tier</p> <table border="0"> <tr> <td></td> <td align="center"><u>Misc</u></td> <td align="center"><u>Fire & Police</u></td> </tr> <tr> <td>Tier 1</td> <td align="center">2.7%@55</td> <td align="center">3%@50</td> </tr> <tr> <td>Tier 2</td> <td align="center">2%@60</td> <td align="center">3%@55</td> </tr> <tr> <td>PEPRA</td> <td align="center">2.5%@67</td> <td align="center">2.7%@57</td> </tr> </table>		<u>Misc</u>	<u>Fire & Police</u>	Tier 1	2.7%@55	3%@50	Tier 2	2%@60	3%@55	PEPRA	2.5%@67	2.7%@57
	<u>Misc</u>	<u>Fire & Police</u>																								
Tier 1	2.7%@55	3%@50																								
Tier 2	2%@60	3%@55																								
PEPRA	2.5%@67	2.7%@57																								
	<u>Misc</u>	<u>Fire & Police</u>																								
Tier 1	2.7%@55	3%@50																								
Tier 2	2%@60	3%@55																								
PEPRA	2.5%@67	2.7%@57																								
<p>■ Spousal Coverage at Retirement</p>	<p>■ 70% of covered retirees are assumed to cover spouses ■ Based on Plan experience</p>	<p>■ Same</p>																								
<p>■ Waived Retiree Re-election</p>	<p>■ 0%</p>	<p>■ Same</p>																								



March 11, 2026

E-23



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation				June 30, 2025 Valuation			
<p>■ Medical Trend</p>	<u>Increase from Prior Year</u>				<u>Increase from Prior Year</u>			
		<u>Pre-Medicare</u>	<u>Post-Medicare Other</u>	<u>Post-Medicare Kaiser</u>		<u>Pre-Medicare</u>	<u>Post-Medicare Other</u>	<u>Post-Medicare Kaiser</u>
	<u>Year</u>				<u>Year</u>			
	2023	Actual Premiums			2023	n/a		
	2024	Actual Premiums			2024	n/a		
	2025	8.50%	7.50%	6.25%	2025	Actual Premiums		
	2026	7.90%	6.90%	5.65%	2026	Actual Premiums		
	2027	7.35%	6.50%	5.45%	2027	7.35%	6.50%	5.45%
	2028	6.75%	6.10%	5.25%	2028	6.75%	6.10%	5.25%
	2029	6.20%	5.70%	5.05%	2029	6.20%	5.70%	5.05%
	2030	5.60%	5.25%	4.85%	2030	5.60%	5.25%	4.85%
	2031	5.05%	4.85%	4.65%	2031	5.05%	4.85%	4.65%
	2032-38	4.45%	4.45%	4.45%	2032-38	4.45%	4.45%	4.45%
	2039-40	4.35%	4.35%	4.35%	2039-40	4.35%	4.35%	4.35%
	2041	4.30%	4.30%	4.30%	2041	4.30%	4.30%	4.30%
	↓	↓	↓	↓	↓	↓	↓	↓
	2076+	3.45%	3.45%	3.45%	2076+	3.45%	3.45%	3.45%



March 11, 2026

E-24



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation	June 30, 2025 Valuation
■ Medical Plan at Retirement & Retirees Attaining age 65	■ Miscellaneous: <u>65</u> <u>65+</u>	■ Miscellaneous: <u>65</u> <u>65+</u>
	Anthem Traditional 10% 5%	Anthem Traditional 5% 5%
	Blue Shield Access+ 5% 0%	Blue Shield Access+ 10% 0%
	Kaiser 45% 30%	Kaiser 50% 30%
	PERS Gold 5% 0%	PERS Gold 5% 0%
	PERS Platinum 35% 45%	PERS Platinum 30% 45%
	UnitedHealthcare 0% 20%	UnitedHealthcare 0% 20%
	■ Safety: <u>65</u> <u>65+</u>	■ Safety: <u>65</u> <u>65+</u>
	Anthem Traditional 5% 5%	Anthem Traditional 5% 5%
	Blue Shield Access+ 5% 0%	Blue Shield Access+ 5% 0%
	Kaiser 30% 25%	Kaiser 30% 25%
	PERS Gold 0% 0%	PERS Gold 0% 0%
	PERS Platinum 15% 45%	PERS Platinum 10% 40%
	PORAC 45% 15%	PORAC 50% 20%
	UnitedHealthcare 0% 10%	UnitedHealthcare 0% 10%
	■ Based on Plan experience	■ Based on Plan experience



March 11, 2026

E-25



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation	June 30, 2025 Valuation
■ Family Coverage at Retirement (for future retirees)	■ Misc: 15% until age 65 5% age 65-75 ■ Safety: 50% until age 65 5% age 65-80 ■ Based on Plan experience	■ Same
■ Spouse Age	■ Actives – Males 3 years older than females ■ Retirees – Males 3 years older than females if spouse birth date not available	■ Same



March 11, 2026

E-26



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation	June 30, 2025 Valuation
<ul style="list-style-type: none"> ■ Medicare Eligibility 	<ul style="list-style-type: none"> ■ Actives and retirees hired before 4/1/86: <ul style="list-style-type: none"> • Miscellaneous – 80% • Safety – 90% ■ Actives and retirees hired on or after 4/1/86: 100% ■ Retirees before 65 with unknown hire date: 90% ■ Everyone eligible for Medicare will elect Part B coverage 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Future New Participants 	<ul style="list-style-type: none"> ■ None – Closed Group 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Retirees Missing Fund 	<ul style="list-style-type: none"> ■ No retirees missing Fund information. 	<ul style="list-style-type: none"> ■ Same



March 11, 2026

E-27



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation	June 30, 2025 Valuation
<ul style="list-style-type: none"> ■ Retirees Missing Department 	<ul style="list-style-type: none"> ■ Assumed to have the same department as the prior valuation ■ Liability for retirees assumed to be 75% GF allocated proportionately across all Departments 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Actuarial Models 	<ul style="list-style-type: none"> ■ 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. 	
<ul style="list-style-type: none"> ■ Data Quality 	<ul style="list-style-type: none"> ■ Our valuation used census data provided by the City and CalPERS OPEB data extract. We reviewed the data for reasonableness and resolved any questions with the City. We believe the resulting data can be relied on for all purposes of this valuation without limitation. 	



March 11, 2026

E-28



ADDITIONAL ACTUARIAL ASSUMPTIONS

	June 30, 2023 Valuation				June 30, 2025 Valuation			
■ Sample Medical Claims Costs 2026	■ Sample estimated monthly claims costs:							
	<u>Region 1 – Non-Medicare Eligible</u>							
		<u>Kaiser</u>		<u>PERS Platinum</u>		<u>PORAC</u>		
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
	55	\$1,238	\$1,349	\$1,618	\$1,760	\$1,390	\$1,516	
	60	1,546	1,556	2,013	2,026	1,739	1,751	
	65	1,904	1,826	2,474	2,373	2,146	2,057	
	70	2,280	2,134	2,957	2,770	2,574	2,408	
	75	2,675	2,463	3,465	3,193	3,023	2,782	
	80	3,080	2,812	3,986	3,641	3,483	3,178	
	85	3,451	3,152	4,463	4,079	3,905	3,565	
	<u>Region 1 – Medicare Eligible</u>							
		<u>Kaiser</u>		<u>PERS Platinum</u>		<u>PORAC</u>		
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
	65	n/a	n/a	\$608	\$582	\$545	\$523	
70	n/a	n/a	658	630	591	565		
75	n/a	n/a	701	672	629	604		
80	n/a	n/a	723	698	649	627		
85	n/a	n/a	715	696	642	625		



March 11, 2026

E-29



ADDITIONAL ACTUARIAL ASSUMPTIONS

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March 11, 2026

E-30



RESULTS BY FUND

Actuarial Obligations – June 30, 2025 – 6.25% Discount Rate

(Amounts in 000's)

FUND	AAL	Assets ³⁷	UAAL
■ Airport	\$ 550	\$ 340	\$ 210
■ CIP	5,784	3,577	2,207
■ Elec ³⁸	35,297	21,830	13,467
■ Gas ³⁸	14,517	8,978	5,539
■ GF	211,171	130,594	80,577
■ ISF – Technology	8,111	5,016	3,095
■ ISF – Vehicle	2,668	1,650	1,018
■ ISF – Printing & Mailing	159	99	60
■ ISF – Workers Comp	137	85	52
■ PARKING	945	584	361
■ Refuse	6,135	3,793	2,342
■ Storm Drain	2,770	1,714	1,056
■ Water ³⁸	12,505	7,732	4,773
■ WWC ³⁸	5,302	3,279	2,023
■ WWT	<u>19,146</u>	<u>11,841</u>	<u>7,305</u>
■ Total	325,197	201,112	124,085

³⁷ Assets allocated in proportion to AAL.

³⁸ AAL for UTL employees allocated to Elec, Gas, Water, and WWC in proportion to each Fund's AAL.



March 11, 2026

E-31



RESULTS BY FUND

Actuarially Determined Contribution (ADC) – 6.25% Discount Rate

(Amounts in 000's)

FUND	2026/27	2027/28
■ Airport	\$ 70	\$ 72
■ CIP	502	515
■ Elec	1,993	2,048
■ Gas	858	882
■ GF	11,906	12,229
■ ISF – Technology	511	525
■ ISF – Vehicle	146	150
■ ISF – Printing & Mailing	8	8
■ ISF – Workers Comp	18	18
■ PARKING	97	100
■ Refuse	284	292
■ Storm Drain	172	177
■ Water	732	752
■ WWC	356	366
■ WWT	<u>1,099</u>	<u>1,129</u>
■ Total	18,752	19,263



March 11, 2026

E-32



RESULTS BY GF DEPARTMENT

Actuarial Obligations – June 30, 2025 – 6.25% Discount Rate

(Amounts in 000's)

GF Department	AAL	Assets ³⁹	UAAL
■ ASD	\$ 10,845	\$ 6,707	\$ 4,138
■ ATT	2,647	1,637	1,010
■ AUD	149	93	56
■ CLK	806	499	307
■ COU	1,439	890	549
■ CSD	19,288	11,929	7,360
■ DSD	8,311	5,139	3,171
■ FIR	59,859	37,017	22,842
■ HRD	2,825	1,747	1,078
■ LIB	7,448	4,606	2,842
■ MGR	2,925	1,809	1,116
■ PLA	8,325	5,148	3,176
■ POL	67,043	41,461	25,582
■ PWD	<u>19,261</u>	<u>11,912</u>	<u>7,350</u>
■ Total	211,171	130,594	80,577

³⁹ Assets allocated in proportion to AAL.



March 11, 2026

E-33



RESULTS BY GF DEPARTMENT

Actuarially Determined Contribution (ADC) – 6.25% Discount Rate

(Amounts in 000's)

GF Department	2026/27	2027/28
■ ASD	\$ 664	\$ 682
■ ATT	154	158
■ AUD	4	4
■ CLK	45	46
■ COU	68	70
■ CSD	1,184	1,216
■ DSD	656	673
■ FIR	2,936	3,016
■ HRD	182	187
■ LIB	644	661
■ MGR	224	230
■ PLA	490	504
■ POL	3,657	3,757
■ PWD	<u>998</u>	<u>1,025</u>
■ Total	11,906	12,229



March 11, 2026

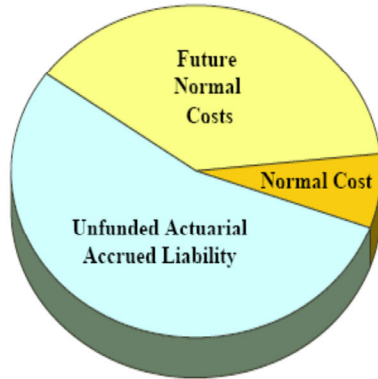
E-34



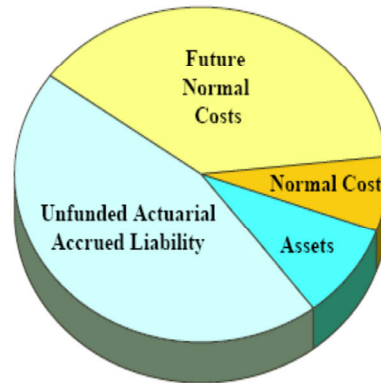
DEFINITIONS

Present Value of Benefits

Present Value of Benefits
(Without Plan Assets)



Present Value of Benefits
(With Plan Assets)



March 11, 2026

E-35



DEFINITIONS

<ul style="list-style-type: none">■ Actuarially Determined Contribution (ADC)	<ul style="list-style-type: none">■ Contribution for the current period including:<ul style="list-style-type: none">● Normal Cost● Administrative expenses● Amortization of:<ul style="list-style-type: none">□ Initial Unfunded AAL□ AAL for plan, assumption, and method changes□ Experience gains/losses (difference between expected and actual)□ Contribution gains/losses (difference between ADC and actual)
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March 11, 2026

E-36





**FY 2027 PROPOSED
BUDGET HEARINGS**

**Other Post Employment Benefits (OPEB)
June 30, 2025 Actuarial Valuation**

OPEB ACTUARIAL VALUATION

The City completes a biennial actuarial valuation of its Other Post-Employment Benefits (OPEB), primarily retiree healthcare. The valuation provides an updated view of:

- Long-term liabilities
- Trust assets
- Funded status
- Required annual contributions

This report supports the City's budget planning for FY 2027 and FY 2028.

VALUATION IMPACT SUMMARY

- Cost escalation
 - \$3.5 M increase from FY 2026
 - Included in FY 2027 Proposed Budget
- Funded status improved
 - From 56% to 62%
- On track to meet City policy goal of 90% funded by 2036

	FY 2026 Adopted	FY 2027 Proposed	% change	\$ change
ADC (5.75%, City Policy)	\$22.6 M	\$26.1 M	15.5%	\$3.5 M
Unfunded Actuarial Accrued Liability	\$120.5 M	\$124.1 M	3.0%	\$3.6 M
Funded Status	56.4%	61.8%	9.6%	-

CITY POLICY FUNDING GOAL

- City Council policy requires contributions above the baseline valuation approach to prefund liabilities and improve long-term funded status.
 - 5.75% discount rate
 - Shortened amortization
- 90% funded by 2036

10 Year Contribution Projection – 5.75%

11 Year Amortization

(Amounts in 000's)

FYE	ADC ²⁸	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implicit Subsidy BP	Trust Pre-Funding	Total				
2027	\$26,131	\$15,466	\$3,163	\$7,502	\$26,131	\$157,422	16.6%	\$142,810	60%
2028	26,805	16,202	3,110	7,493	26,805	161,751	16.6%	135,233	63%
2029	27,565	17,066	3,218	7,281	27,565	166,199	16.6%	126,786	67%
2030	28,318	17,938	3,390	6,990	28,318	170,769	16.6%	117,407	70%
2031	29,101	18,684	3,429	6,988	29,101	175,466	16.6%	107,031	73%
2032	29,900	19,425	3,553	6,922	29,900	180,291	16.6%	95,587	77%
2033	30,728	20,068	3,621	7,039	30,728	185,249	16.6%	83,001	81%
2034	31,536	20,688	3,590	7,258	31,536	190,343	16.6%	69,194	84%
2035	32,395	21,407	3,628	7,360	32,395	195,578	16.6%	54,083	88%
2036	33,261	22,169	3,783	7,309	33,261	200,956	16.6%	37,577	92%

STAFF RECOMMENDATION

- Staff recommends that the Finance Committee:
 - Review and accept the June 30, 2025 actuarial valuation of Palo Alto's Retiree Healthcare; and
 - Recommend funding the annual Actuarially Determined Contribution (ADC) for Fiscal Year 2027 and 2028



City of Palo Alto Retiree Healthcare Plan

June 30, 2025 Actuarial Valuation

May 19, 2026

Presented By:
Drew Ballard, FSA, EA, MAAA

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Overview

➤ **June 30, 2025 Retiree Healthcare Valuation Report (OPEB)**

- OPEB = Other Post-Employment Benefits
- Purpose: Funding
 - Biennial valuations
 - 2026/27 and 2027/28 trust contributions
 - City pre-funding with CalPERS CERBT trust since March 2008
 - Actuarially Determined Contribution (ADC):
 - Normal Cost
 - Amortization of Unfunded Actuarial Accrued Liability
 - Determines underlying liabilities for accounting disclosures (2025/26 and 2026/27)

Benefit Summary

- Retire directly from City
- Portion of retiree medical premium paid by City
- Generally, cover most of premium for retiree and dependents
- Approx 96% of actives have 'Group 4' benefit:
 - 5 years City service required
 - 2026 monthly caps:

Single	2-Party	Family
\$943	\$1,885	\$2,444
 - Vesting schedule (CalPERS Service): 50% at 10 years, increasing by 5% per year until 100% at 20 years

Funding Basics

Contributions

+

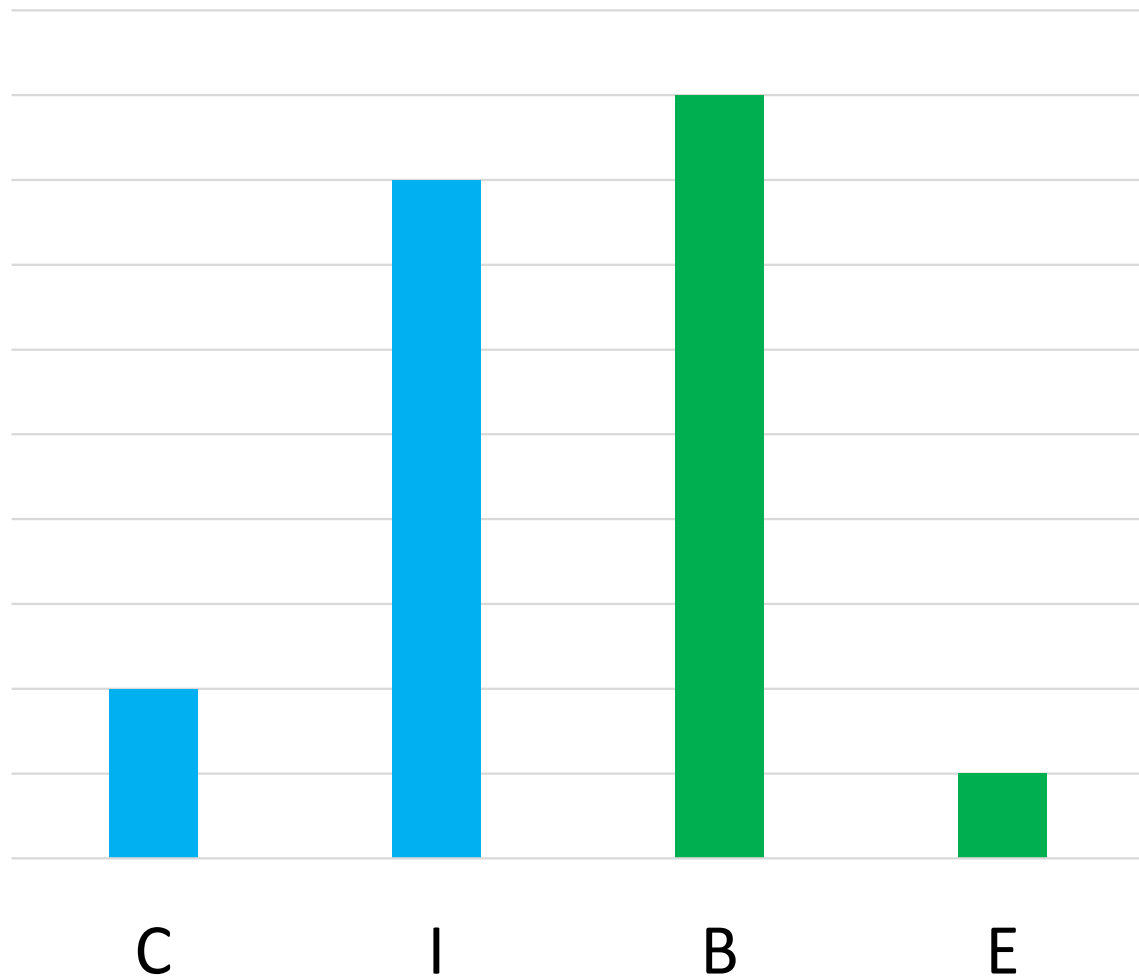
Ivestment Income

=

Benefit Payments

+

Expenses



Gain/Loss Summary (in 000s)

	AAL	Assets	UAAL
■ Actual 6/30/23	\$276,572	\$156,061	\$120,511
■ Expected 6/30/25	295,578	172,984	122,594
■ Experience (Gains)/Losses			
• Premiums/Caps different than expected	26,748		26,748
• Demographic & other	3,977		3,977
■ Assumption Changes increasing/(decreasing) AAL			
• Medical Plan election percentages changed	(90)		(90)
• Updated CalPERS decrement assumptions	(1,016)		(1,016)
■ Contribution and Benefit Payment Gain		9,499	(9,499)
■ Investment Gain		18,629	(18,629)
■ Total UAAL (Gain)/Loss	29,619	28,128	1,491
■ Actual 6/30/25	325,197	201,112	124,085

- Primary gain/loss contributors
 - Gain: Investment performance
(11.0% and 12.3% returns compared to 6.25% assumption)
 - Loss: CalPERS medical premium increases larger than expected, especially for non-Kaiser Medicare retirees

CalPERS Premium Increases

Medical Plan	Non-Medicare Eligible		Medicare Eligible	
	2025	2026	2025	2026
Anthem Select	10.3%	6.3%	20.1%	17.3%
Anthem Traditional	12.0%	7.4%	20.1%	17.3%
Blue Shield Access+	8.7%	11.3%	14.2%	20.3%
Blue Shield Trio	19.9%	2.8%	14.2%	20.3%
Kaiser	9.0%	5.0%	n/a	n/a
Kaiser Senior Advantage	n/a	n/a	5.6%	4.0%
Kaiser SA Summit	n/a	n/a	5.6%	4.4%
UnitedHealthcare Alliance	8.6%	8.9%	n/a	n/a
UnitedHealthcare Harmony	7.2%	12.7%	n/a	n/a
UnitedHealthcare Group	n/a	n/a	29.4%	8.8%
Western Health Advantage	13.3%	6.0%	n/a	n/a
PERS Platinum	12.3%	13.1%	30.5%	13.8%
PERS Gold	10.8%	10.5%	34.3%	9.4%
PORAC	4.7%	9.0%	9.0%	17.8%

Baseline ADC (in 000s)

	6/30/23 Valuation		6/30/25 Valuation	
	2024/25	2025/26	2026/27	2027/28
■ Discount Rate	6.25%		6.25%	
■ ADC - \$				
• Normal Cost	\$ 7,489	\$ 7,674	\$9,110	\$9,352
• Administrative Expenses	125	133	151	158
• UAAL Amortization	<u>8,802</u>	<u>9,044</u>	<u>9,492</u>	<u>9,753</u>
• Total	16,416	16,851	18,752	19,263
■ Projected Payroll	127,929	131,447	157,422	161,751
■ ADC – Percent of Pay				
• Normal Cost	5.9%	5.8%	5.8%	5.8%
• Administrative Expenses	0.1%	0.1%	0.1%	0.1%
• UAAL Amortization	<u>6.9%</u>	<u>6.9%</u>	<u>6.0%</u>	<u>6.0%</u>
• Total	12.8%	12.8%	11.9%	11.9%

- Baseline assumptions
 - 6.25% discount rate
 - 18-Year Amortization Period

Baseline ADC (in 000s)

	6/30/25 Valuation	
	2026/27	2027/28
■ Discount Rate	6.25%	
■ ADC - \$		
• Normal cost	\$9,110	\$9,352
• Administrative expenses	151	158
• UAAL amortization	<u>9,492</u>	<u>9,753</u>
• Total	18,752	19,263
• Less: Implicit subsidy benefit payments	<u>3,163</u>	<u>3,110</u>
• Remaining ADC	15,589	16,153
• Less: Estimated cash benefit payments	<u>15,466</u>	<u>16,202</u>
• Total Trust contribution	123	(49)
(If negative, indicates a reimbursement for City out-of-pocket payments may be requested.)		

- Baseline assumptions
 - 6.25% discount rate
 - 18-Year Amortization Period

Projection – City Funding Policy (in 000s)

FYE	ADC	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implicit Subsidy BP	Trust Pre- Funding	Total				
2027	\$26,131	\$15,466	\$3,163	\$7,502	\$26,131	\$157,422	16.6%	\$142,810	60%
2028	26,805	16,202	3,110	7,493	26,805	161,751	16.6%	135,233	63%
2029	27,565	17,066	3,218	7,281	27,565	166,199	16.6%	126,786	67%
2030	28,318	17,938	3,390	6,990	28,318	170,769	16.6%	117,407	70%
2031	29,101	18,684	3,429	6,988	29,101	175,466	16.6%	107,031	73%
2032	29,900	19,425	3,553	6,922	29,900	180,291	16.6%	95,587	77%
2033	30,728	20,068	3,621	7,039	30,728	185,249	16.6%	83,001	81%
2034	31,536	20,688	3,590	7,258	31,536	190,343	16.6%	69,194	84%
2035	32,395	21,407	3,628	7,360	32,395	195,578	16.6%	54,083	88%
2036	33,261	22,169	3,783	7,309	33,261	200,956	16.6%	37,577	92%

- Alternate assumptions
 - 5.75% discount rate
 - 11-Year Amortization Period

Thank you.

Questions?



FOSTER & FOSTER
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