

**DRAFT**

# **City of Burlingame Retiree Healthcare Plan**

**June 30, 2025 Actuarial Valuation  
for 2026/27 and 2027/28 Plan Funding**

**—**  
**November 2025**



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## Executive Summary

### Background

The City pays a portion of medical premiums for employees who retire directly from the City. The City payment varies based on employee's bargaining unit, hire and retirement date, Medicare status, coverage level, and City service. Employees hired after various dates in 2010 to 2012 (depending on bargaining unit) will receive only the minimum required payment (by California Government Code) of \$158 per month in 2025.

Agencies are not required to fund these benefits in a trust. The City is funding through the CERBT OPEB trust with CalPERS. Advantages to funding through a trust include:

- ▼ Aligns the cost of providing benefits with the period in which they are earned (service with the City), rather than waiting until employees retire and then start paying benefits (pay-as-you go approach)
- ▼ Better secures benefits that have been communicated and/or promised to employees and retirees
- ▼ Anticipated lower long-term benefit cost due to higher investment earnings in the trust vs. City investments.

The Governmental Accounting Standards Board (GASB) Statement 75 requires actuarial valuations are prepared every 2 years. This report provides the June 30, 2025 plan funded status and recommendations for future trust contributions.

### Changes Since Previous Valuation

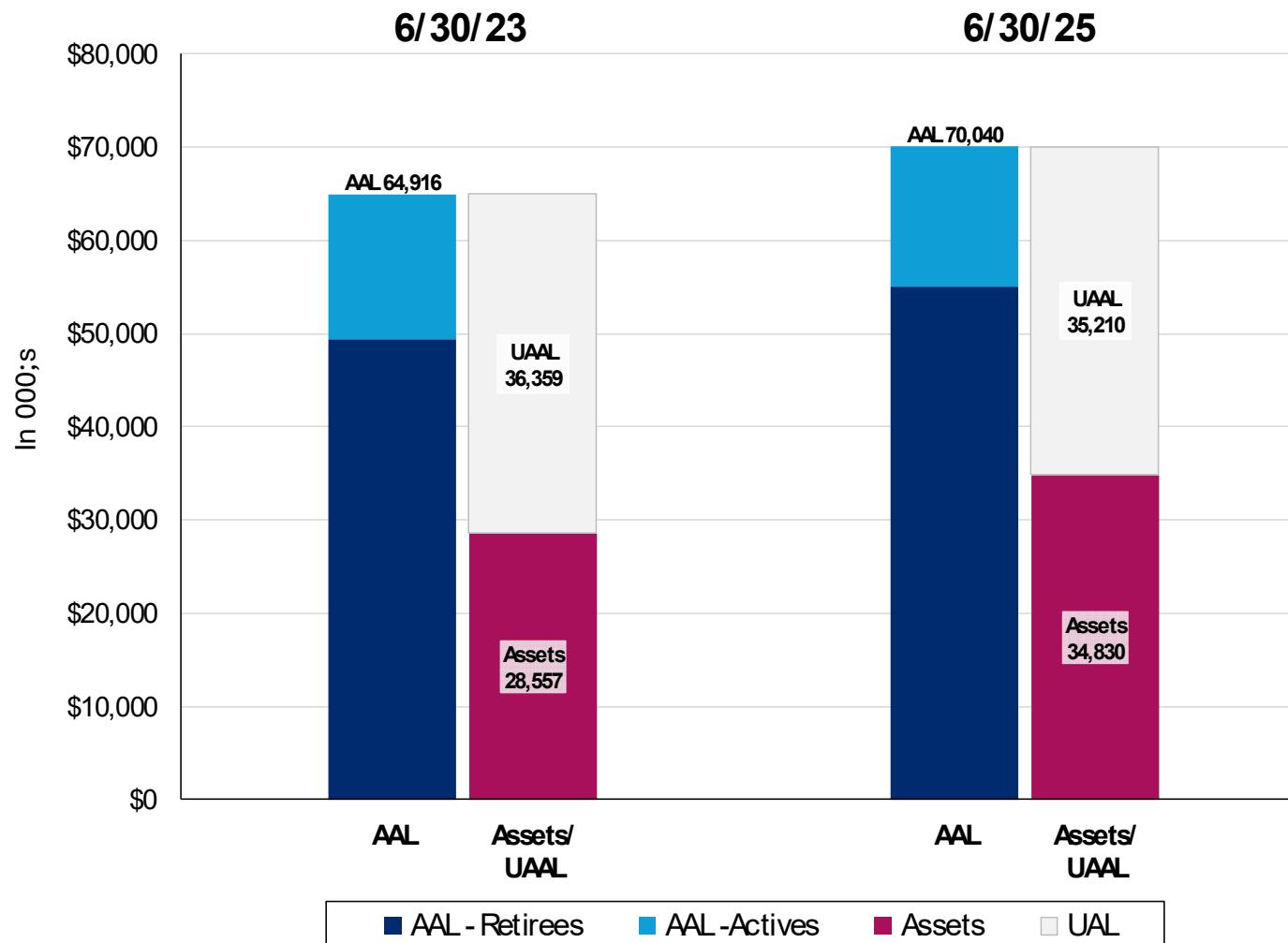
Key changes since the previous (June 30, 2023) valuation include:

- ▼ Investment returns for 2023/24 and 2024/25 of 8.2% and 10.6% exceeded the 5.75% annual assumed return.
- ▼ Significant premium increases over the last 2 years, including roughly 20% and 40% increases for under age 65 retirees and Medicare retirees over age 65 respectively, for the most popular retiree plan (PERS Platinum).
- ▼ Discount rate changed from 5.75% to 6.10% to reflect a significant increase in investment advisors' future expected returns.

## Executive Summary (Continued)

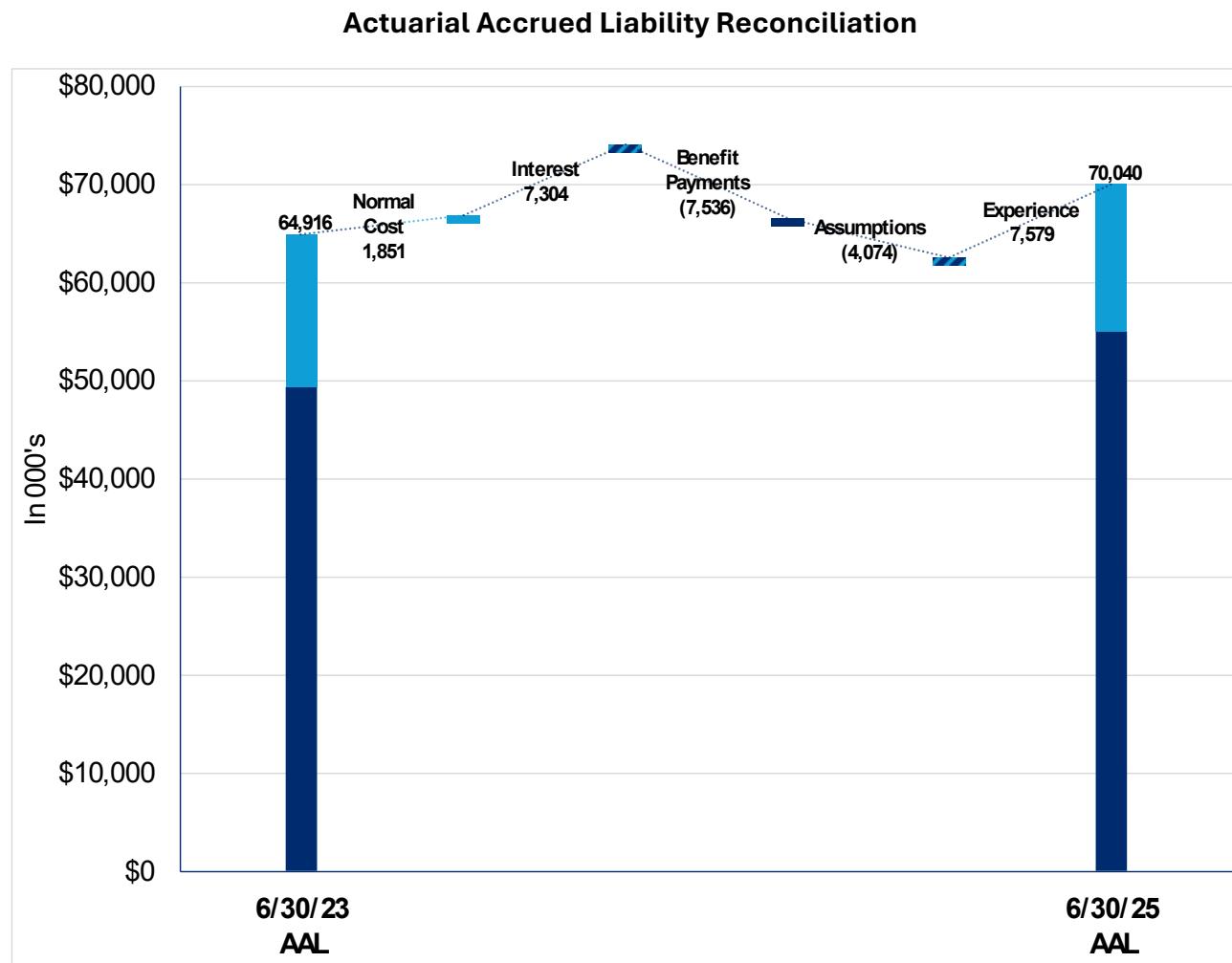
### Funded Status

The Actuarial Accrued Liability (AAL) is a target asset value and represents the portion of benefits accrued or earned by participants. As of June 30, 2025, the AAL was \$70,040,000, assets \$34,830,000, with an Unfunded Actuarial Accrued Liability (UAAL) of \$35,210,000. Comparison of the June 30, 2023 and June 30, 2025 AAL, assets and UAAL follows.



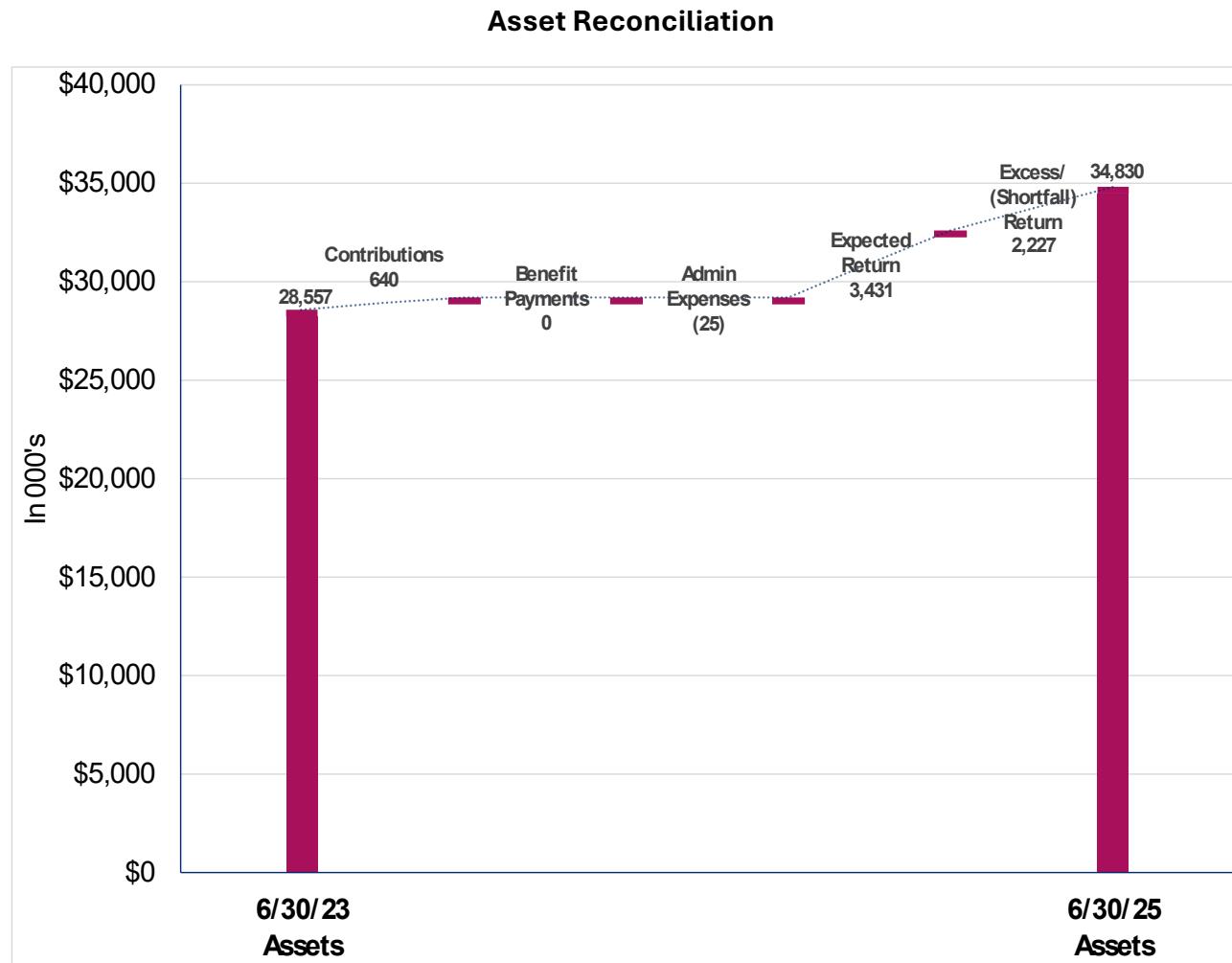
## Executive Summary (Continued)

Each year the Actuarial Accrued Liability increases by Normal Cost (the value of benefits accruing for active employees) and interest, and decreases by benefits paid. For each valuation, there are potential actuarial assumption changes and plan experience changes. Following are changes in the Actuarial Accrued Liability from the prior valuation:



## Executive Summary (Continued)

Assets increase by contributions made, decrease with any benefits and expenses paid, and increase/(decrease) with investment return. Following are the changes in assets since the prior valuation. Investment return is broken down into expected return and excess/shortfall return above/below expected:

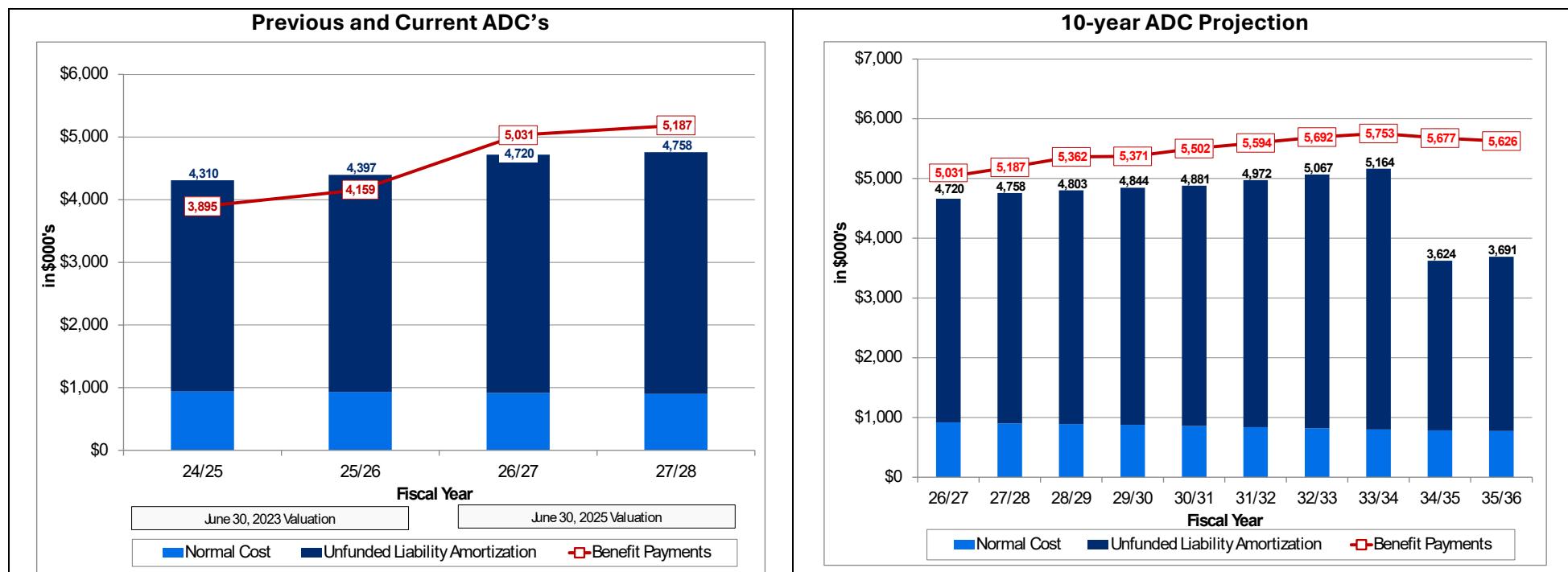


## Executive Summary (Continued)

### Actuarially Determined Contributions (ADC)

The Actuarially Determined Contribution is calculated as the Normal Cost (cost of benefits accruing for active employees plus administrative expenses) plus an amortization payment on the Unfunded Actuarially Accrued Liability. These components represent a payment for the ongoing cost of the plan, plus a payment to make up for any accumulated shortfall. If a plan is overfunded, the amortization payment would be a credit. The unfunded liability payment represents an approximate 10-year payoff.

Benefit payments are the portion of premiums paid by the City to current retirees. City contributions to the trust and benefits paid to retirees (that are not reimbursed by the trust) are payments toward OPEB. Since the ADC exceeded benefit payments in prior years, the City historically paid benefits payments to retirees and also contributed to the trust. Now that the funded status of the plan improved, the benefits paid are expected to exceed the ADC, and trust assets could be used to pay a portion of retiree benefit payments (which is the purpose of the trust). The City's OPEB cost would be reduced from an amount that exceeds benefit payments, to an amount less than benefit payments. Following are the ADC's from the previous and current valuations, along with a 10-year projection.



## Section I – Benefit Summary

City medical coverage is provided through CalPERS medical pool, the Public Employees' Medical and Hospital Care Act (PEMHCA). Retiree healthcare eligibility requires service retirement (age 50 with 5 years CalPERS service) or disability retirement directly from the City under CalPERS, and enrollment in PEMHCA plan. Benefits are paid for the retiree's lifetime, and if the surviving spouse receives a CalPERS pension survivor annuity, over the surviving spouse lifetime. For eligible retirees, the City pays premiums up to the caps summarized below. The PEMHCA minimum is a required payment (by California Government Code) which is \$158 per month in 2025, and will be indexed by healthcare component of CPI in future years.

### Cash Benefits

	Tier 1/1a										Tier 2							Tier 3 <sup>1</sup>							
	Hired before	Cap Varies Based on Retirement Date	Retirement < Date PLUS 5 years' service with City (Tier 1)	Cap						Hired	Cap	Vesting Schedule				Special Disability Retirement	Industrial	Hired on or after	Cap						
				Retire > Date PLUS 5 years' service with City (Tier 1a)								Service Retirement													
				Pre Medicare (Basic Rate, for EE <65yrs old, no matter age of spouse/dependents)			Post Medicare (Medicare Supplemental/Combination Rate, for EE >65yrs and spouse/dependents <65yrs)					Service Retirement													
				EE Only	EE+1	Family	EE Only	EE+1	Family			<10	10-14	15-19	20+										
AFSCME 829 Administrative Unit	3/31/08	Kaiser Family (Basic Rate)	Kaiser	3rd highest cost plan (incl. PORAC)	3rd highest cost plan (incl. PORAC)		3rd highest cost actual enrollment Medicare suppl./combo plan (incl. PORAC)	3rd highest cost actual enrollment Medicare suppl./combo plan (incl. PORAC)	Kaiser actual enrollment Medicare suppl./combo plan	3/31/08 to 1/1/12	EE+1 Least Cost Premium (Basic if EE <65yrs, Combo if EE is >65yrs and spouse is <65yrs, Medicare if both >65yrs)	PEMHCA minimum	EE Only Least Cost Premium	75% EE +1 Least Cost Premium	EE+1 Least Cost Premium	None	1/1/12	PEMHCA minimum							
AFSCME 829 Maintenance Unit (formerly 2190)																									
BAMM - AFSCME 829 Council/ Dept Head/ Unrep																									
Teamsters																									
Police Admin	6/26/06	1/1/14								6/26/06 to 11/1/10	50% EE +1 Least Cost Premium	75% EE +1 Least Cost Premium	EE+1 Least Cost Premium	0-20 years 75% EE+1 Lowest Premium; 100% if injury occurred specific Police duties or yrs service 20+	11/1/10										
Police Sergeants																									
POA		1/1/17																							

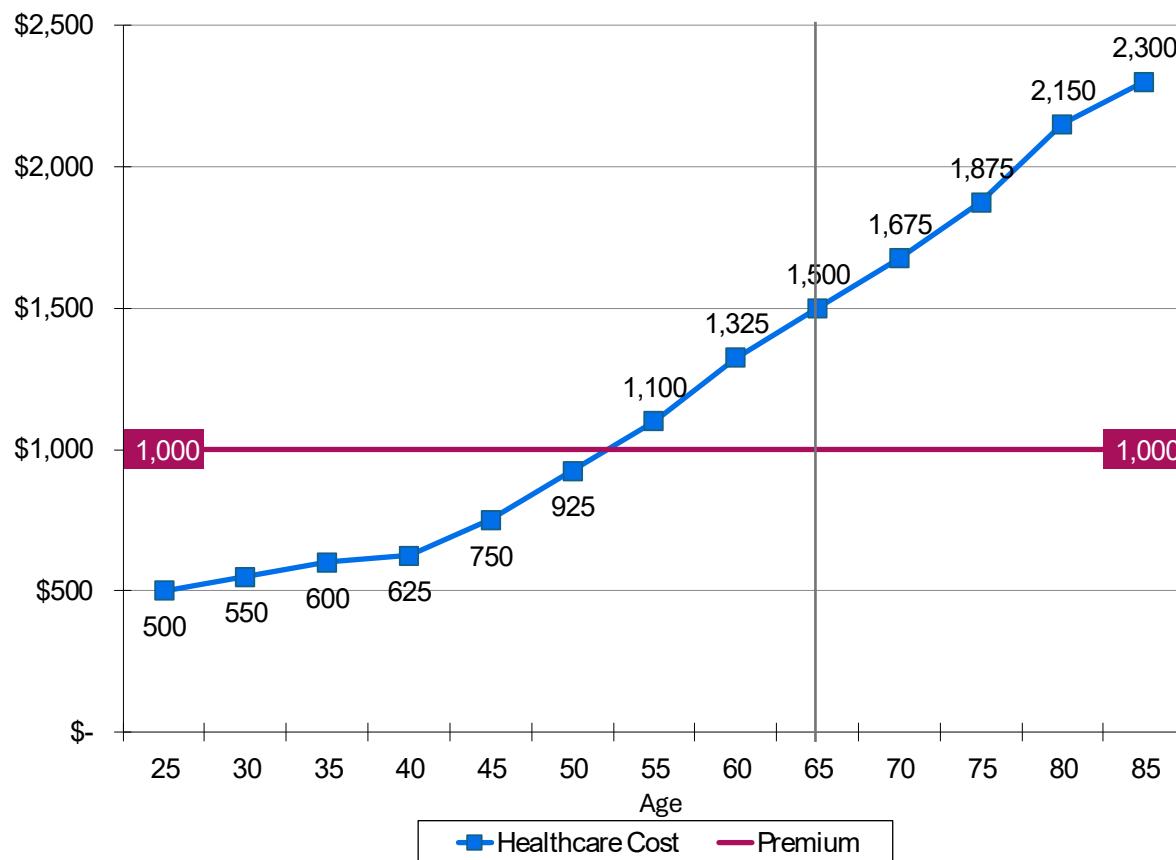
<sup>1</sup> Tier 3 employees also receive a City HRA contribution equal to a percentage of base pay which depends on City service (2% during first 5 years, 3% for years 5-19, and 5.5% thereafter). This defined contribution plan is not OPEB and is not included in the results of this report.

## Section I – Benefit Summary (Continued)

### Implicit Subsidy Benefits

Actuarial Standards of Practice No. 6 requires age-specific costs to be included in an actuarial valuation of pooled health plans such as PEMHCA. The implicit subsidy is the amount by which the retiree age specific cost exceeds the premium.

Below is a simplified illustration of the implicit subsidy for a plan with a \$1,000 monthly premium. Note that the active premium at younger ages (e.g., \$1,000 at age 25 in this example) exceeds the age specific cost (\$500 at age 25 in this example). This excess (\$1,000 less \$500, or \$500) represents a portion of the healthcare premium (typically mostly paid by the agency) for the active employee, that is used to pay retiree costs. This is the implicit subsidy. For non-Medicare eligible retirees, age related costs continue to escalate, with the same \$1,000 premium being charged.



## Section I – Benefit Summary (Continued)

### 2025 Monthly Premiums

PEMHCA

Plan	Region 1					
	Basic			Medicare		
	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 Senior Advantage 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	442.25	884.50	1,326.75
UnitedHealthcare Harmony	1,005.02	2,010.04	2,613.05	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 Gold	1,013.70	2,027.40	2,635.62	546.13	1,092.26	1,638.39
PERS Platinum	1,476.10	2,952.20	3,837.86	584.70	1,169.40	1,754.10
PORAC	975.00	2,218.00	2,777.00	507.00	1,123.00	1,521.00

## Section I – Benefit Summary (Continued)

### 2026 Monthly Premiums

PEMHCA

Plan	Region 1					
	Basic			Medicare		
	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	1,078.86	1,618.29
Blue Shield Trio	1,166.58	2,333.16	3,033.11	539.43	1,078.86	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 Senior Advantage 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	481.29	962.58	1,443.87
UnitedHealthcare Harmony	1,133.09	2,266.18	2,946.03	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 Gold	1,120.58	2,241.16	2,913.51	597.57	1,195.14	1,792.71
PERS Platinum	1,670.14	3,340.28	4,342.36	665.50	1,331.00	1,996.50
PORAC	1,063.00	2,418.00	3,027.00	597.00	1,322.00	1,791.00

## Section I – Benefit Summary (Continued)

### Premium Increases

Recent premium increases are as follows:

Plan	Premium Increases - Region 1			
	2024 to 2025		2025 to 2026	
	Basic	Medicare	Basic	Medicare
Anthem Select	10%	20%	6%	17%
Anthem Traditional	12%	20%	7%	17%
Blue Shield Access+	9%	14%	11%	20%
Blue Shield Trio	20%	14%	3%	20%
Kaiser	9%	n/a	5%	n/a
Kaiser Senior Advantage	n/a	6%	n/a	4%
Kaiser Senior Advantage Summit	n/a	6%	n/a	4%
UnitedHealthcare Alliance	9%	29%	9%	9%
UnitedHealthcare Harmony	7%	29%	13%	9%
Western Health Advantage	13%	n/a	6%	n/a
PERS Gold	11%	34%	11%	9%
PERS Platinum	12%	30%	13%	14%

## Section II – Participant Data

The following table compares data used in the June 30, 2023 and June 30, 2025 actuarial valuations.

	June 30, 2023	June 30, 2025
<b>Actives</b>		
Counts		
Tier 1	-	-
Tier 1a	59	40
Tier 2	17	14
Tier 3	160	175
Total	236	229
Average		
Age	43.6	43.0
City Service	8.9	8.6
CalPERS Service	10.7	9.8
Pay	\$ 106,700	\$ 116,000
Total Pay (in \$000's)	25,176	26,557
<b>Benefitting Retirees</b>		
Counts		
Tier 1	n/a	212
Tier 1a	n/a	64
Tier 2	n/a	-
Tier 3	n/a	7
Total	287	283
Average		
Age	72.2	72.9
Service Retirement Age	57.7	57.8
Disability Retirement Age	45.9	45.6

<sup>1</sup> Annualized pay based on Reported Member Summary Report.

## Section II – Participant Data (Continued)

Participant medical plans and coverage (single, dual, and family coverage) in the June 30, 2025 actuarial valuation are as follows:

Medical Plan	Actives						Retirees										
	Actives			Total		Under Age 65			Total		Over Age 65			Total			
	Single	Dual	Family	Count	Percent	Single	Dual	Family	Count	Percent	Single	Dual	Family	Count	Percent	Count	Percent
Anthem Blue Cross																	
Basic																	
Traditional	1	-	-	1	1%	1	4	1	6	10%	3	-	-	3	1%		
Medicare	-	-	-	-	0%	-	-	-	-	0%	6	11	1	18	8%		
Blue Shield																	
Access	8	9	13	30	16%	4	8	4	16	28%	6	3	-	9	4%		
Kaiser																	
Basic	57	17	45	119	61%	4	6	4	14	24%	-	-	-	-	0%		
Medicare																	
Sr Adv	-	-	-	-	0%	-	-	-	-	0%	29	18	5	52	23%		
Sr Adv Summit	-	-	-	-	0%	-	-	-	-	0%	-	5	-	5	2%		
United Healthcare	1	1	1	3	2%	-	-	-	-	0%	19	19	-	38	17%		
PERS Gold	9	2	3	14	7%	1	-	-	1	2%	-	3	-	3	1%		
PERS Platinum	10	7	8	25	13%	7	8	4	19	33%	46	45	-	91	41%		
PORAC	-	-	-	-	0%	-	-	2	2	3%	1	5	-	6	3%		
Waived	-	-	-	37	n/a	-	-	-	5	n/a	-	-	-	20	n/a		
<b>Total</b>	<b>86</b>	<b>36</b>	<b>70</b>	<b>229</b>	<b>100%</b>	<b>17</b>	<b>26</b>	<b>15</b>	<b>63</b>	<b>100%</b>	<b>110</b>	<b>109</b>	<b>6</b>	<b>245</b>	<b>100%</b>		

## Section II – Participant Data (Continued)

The distribution of active age/service and retiree ages in the June 30, 2025 actuarial valuation are as follows.

Age Group	Actives											Retirees Total	
	Years of Agency Service												
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 +	Total		
Under 25	5	6	-	-	-	-	-	-	-	-	11	-	
25 - 29	8	20	6	-	-	-	-	-	-	-	34	-	
30 - 34	7	19	6	-	-	-	-	-	-	-	32	-	
35 - 39	3	11	4	4	1	-	-	-	-	-	23	-	
40 - 44	2	5	5	4	5	2	-	-	-	-	23	-	
45 - 49	4	7	7	6	8	3	2	-	-	-	37	3	
50 - 54	-	4	2	1	5	4	5	-	-	-	21	8	
55 - 59	2	4	3	6	2	3	3	-	1	-	24	19	
60 - 64	-	5	3	1	5	3	-	-	-	-	17	33	
65 - 69	-	1	1	1	1	-	-	-	-	1	5	53	
70 - 74	-	-	-	1	-	-	-	-	-	-	1	58	
75 - 79	-	-	-	-	-	-	-	-	-	-	-	61	
80 - 84	-	-	-	-	-	-	-	-	-	-	-	40	
85 and Over	-	-	-	-	-	-	1	-	-	-	1	33	
<b>Total</b>	<b>31</b>	<b>82</b>	<b>37</b>	<b>24</b>	<b>27</b>	<b>15</b>	<b>11</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>229</b>	<b>308</b>	

## Section III – Plan Assets

### Asset Allocation

The City prefunds benefits through the CERBT (CalPERS Employers' Retiree Benefit Trust). The CERBT provides 3 investment portfolios with the following asset allocations. The City is in Strategy 2.

	Strategy 1	Strategy 2	Strategy 3
<b>Target Asset Allocation</b>			
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
REITS	20%	17%	14%
TIPS	5%	5%	9%
Commodities	3%	3%	3%
<b>Total</b>	100%	100%	100%
<b>Expected Return</b>	6.30%	6.10%	5.80%

## Section III – Plan Assets (Continued)

### Asset Reconciliation

Following is the reconciliation of assets since the prior actuarial valuation (amounts in \$000's):

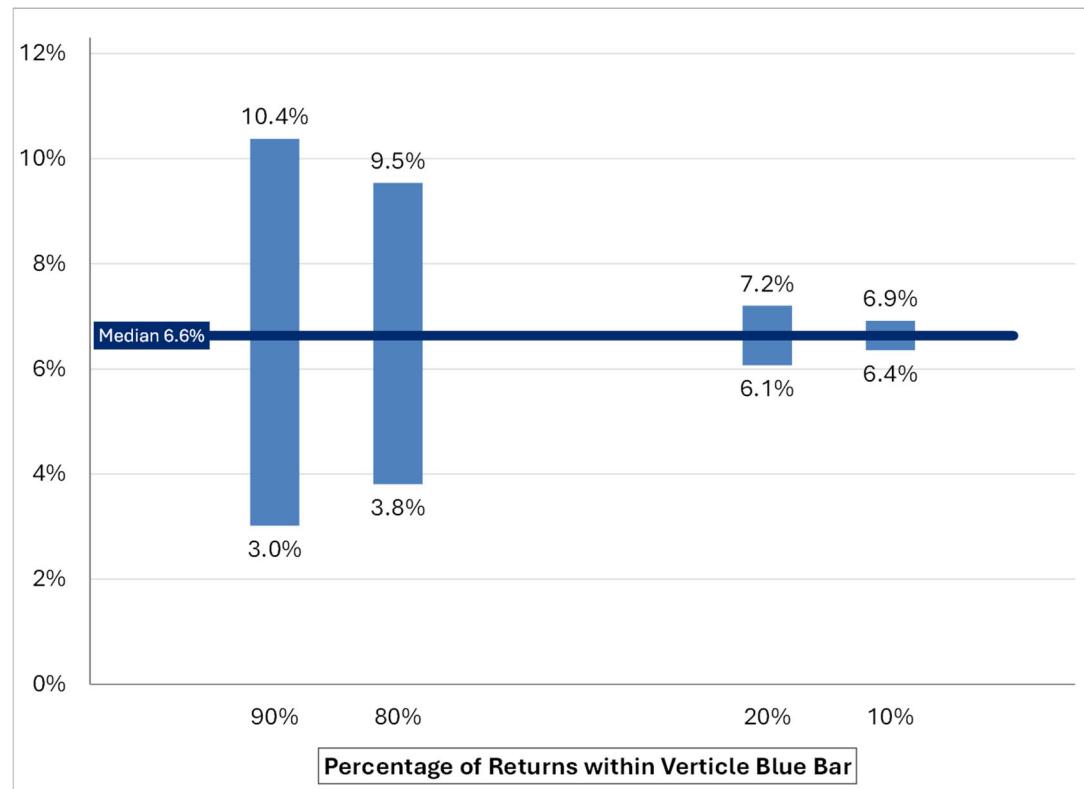
	2023/24	2024/25
<b>Assets</b> (Beginning of Year)	\$ 28,557	\$ 31,246
<b>Receipts</b>		
Contributions	360	280
Investment Income	2,354	3,328
Investment Expenses	(10)	(14)
Subtotal Receipts	2,704	3,594
<b>Disbursements</b>		
Benefit Payments	-	-
Administrative Expenses	(15)	(10)
Subtotal Disbursements	(15)	(10)
<b>Assets</b> (End of Year)	\$ 31,246	\$ 34,830
<b>Return on Assets</b>	8.2 %	10.6 %

## Section III – Plan Assets (Continued)

### Long Term Expected Return

We've developed long-term expected future investment returns using stochastic modeling. Investment return assumptions are based on the 2025 Horizon Actuarial Services LLC Capital Market assumption survey using a 20-year time perspective. It should be noted that there has been a significant increase in investment advisors' future expected returns over the last 4 years (primarily occurring in the 2022 survey).

Results of our analysis are summarized in the following chart. The median return is 6.6%. Sample return ranges are also provided with the blue vertical bars. For example, the model projects that 90% average 20-year returns will be between 3.0% and 10.4%; 10% will be between 6.4% and 6.9%.



## Section III – Plan Assets (Continued)

### Discount Rate

The discount rate represents a long-term expectation of the return on plan assets. If future investment returns are equal to the discount rate selected (and all other assumptions are met), then funds contributed to the trust over time will accumulate to the amounts necessary to pay plan benefits.

The median return is the return that the model expects will be in the middle of all future returns, i.e. half of observed returns will be above the median, and half below. So selecting a discount rate based on the 6.6% median return means there is a 50% likelihood future returns will fall below this assumption. We recommend some consideration be given to likely ranges of future returns. For example, as illustrated in the chart, 90% of future returns will be in the range 3.0% to 10.4%. While selecting a discount rate on the lower end (at 3.0%) would dramatically increase the likelihood of achieving the assumed return, we think it is overly conservative, likely not feasible for budgeting contributions, and results in significant future gains which ultimately would frontload plan contributions. As we look to the right-hand side of the chart the 20% and 10% ranges provide some level of assurance the assumption will be met without these drawbacks. Based on this, we would recommend a 6.1% discount rate, which represents the 60%<sup>1</sup> confidence level return (i.e., the return is expected to be achieved over the long term 60% of the time).

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<sup>1</sup> The 20% chart entry has 40% of expected returns below the bar, 20% within the bar, and 40% above the bar. This means that a 6.1% discount rate will result in returns exceeding the assumption 60% (1 – 40%) of the time.

## Section IV – Funded Status

The Present Value of Projected Benefits (PVPB) represents the amount that, if set aside in a trust, would be sufficient to pay all benefits to current participants if all actuarial assumptions are met. The Actuarial Accrued Liability (AAL) is a target asset value and represents the portion of benefits accrued or earned by participants. Since the AAL is a target asset value, the funded status is measured by comparing assets to the AAL. The difference between the AAL and assets is known as the Unfunded Accrued Liability. Assets are measured at Market Value. Following is the plan funded status for the previous and current valuations (amounts in \$000's):

	June 30, 2023	June 30, 2025	Change
<b>Present Value of Projected Benefits</b>			
Actives	\$ 22,657	\$ 22,076	\$ (581)
Retirees	49,337	55,045	5,708
<b>Total</b>	<b>71,994</b>	<b>77,121</b>	<b>5,127</b>
<b>Actuarial Accrued Liability (AAL)</b>			
Actives	15,579	14,995	(584)
Retirees	49,337	55,045	5,708
<b>Total</b>	<b>64,916</b>	<b>70,040</b>	<b>5,124</b>
<b>Plan Assets</b>			
Market Value of Assets	28,557	34,830	6,273
<b>Funded Status</b>			
Unfunded Liability	\$ 36,359	\$ 35,210	\$ (1,149)
Funded Ratio (AAL/Assets)	44.0%	49.7%	5.7%

## Section IV – Funded Status (Continued)

The June 30, 2025 funded status by cash and implicit subsidy benefits (with assets allocated based on the AAL) is as follows (amounts in \$000's):

	<b>Cash Benefit</b>	<b>Implicit Subsidy</b>	<b>Total</b>
<b>Present Value of Projected Benefits</b>			
Actives	\$ 15,083	\$ 6,993	\$ 22,076
Retirees	<u>46,692</u>	<u>8,353</u>	<u>55,045</u>
<b>Total</b>	<b>61,775</b>	<b>15,346</b>	<b>77,121</b>
<b>Actuarial Accrued Liability (AAL)</b>			
Actives	11,131	3,864	14,995
Retirees	<u>46,692</u>	<u>8,353</u>	<u>55,045</u>
<b>Total</b>	<b>57,823</b>	<b>12,217</b>	<b>70,040</b>
<b>Plan Assets</b>			
Market Value of Assets (allocated on AAL)	28,755	6,075	34,830
<b>Funded Status</b>			
Unfunded AAL	\$ 29,068	\$ 6,142	\$ 35,210
Funded Ratio (Assets/AAL)	49.7 %	49.7 %	49.7 %

## Section IV – Funded Status (Continued)

The June 30, 2025 funded status by benefit tiers (with assets allocated based on the AAL) is as follows (amounts in \$000's):

	Tier 1	Tier 1a	Tier 2	Tier 3	Total
<b>Present Value of Projected Benefits</b>					
Actives	\$ -	\$ 13,615	\$ 3,416	\$ 5,044	\$ 22,076
Retirees	35,554	19,142	-	349	55,045
<b>Total</b>	<b>35,554</b>	<b>32,758</b>	<b>3,416</b>	<b>5,394</b>	<b>77,121</b>
<b>Actuarial Accrued Liability (AAL)</b>					
Actives	-	11,196	2,337	1,462	14,995
Retirees	35,554	19,142	-	349	55,045
<b>Total</b>	<b>35,554</b>	<b>30,338</b>	<b>2,337</b>	<b>1,811</b>	<b>70,040</b>
<b>Plan Assets</b>					
Market Value of Assets (allocated on AAL)	17,680	15,087	1,162	901	34,830
<b>Funded Status</b>					
Unfunded AAL	\$ 17,873	\$ 15,251	\$ 1,175	\$ 910	\$ 35,210
Funded Ratio (Assets/AAL)	49.7 %	49.7 %	49.7 %	49.8 %	49.7 %

## Section V – Recommended Contributions and Projections

### Actuarially Determined Contributions (ADC)

The Actuarially Determined Contribution is calculated as the Normal Cost (cost of benefits accruing for active employees, plus administrative expenses) plus an amortization of the Unfunded Actuarially Accrued Liability. These components represent a payment for the ongoing cost of the plan, plus a payment to make up for any accumulated shortfall. If a plan is overfunded, the amortization amount would be a credit. The unfunded liability payment is approximately equal to a 10-year amortization payment.

Following are ADC's for the 2 years covered under this valuation (amounts in \$000's):

	FY 26/27	FY 27/28
<b>Actuarially Determined Contribution (ADC)</b>		
Normal Cost	\$ 918	\$ 900
Unfunded Liability Payment	3,802	3,857
ADC	4,720	4,758
<b>Projected Payroll</b>	28,037	\$ 28,808
<b>Actuarially Determined Contribution (ADC)</b>		
Normal Cost	3.3%	3.1%
Unfunded Liability Payment	13.6%	13.4%
ADC	16.8%	16.5%

### Trust Contributions

The ADC is the amount that should be contributed to the trust if all benefits are paid from the trust. However, benefits are paid monthly by the agency to retirees outside of the trust. These benefit payments represent payments towards the ADC. Additionally, Implicit Subsidy payments are made during the year through the payment of active premiums. Typically, agencies look to the Net (of Implicit Subsidy) ADC to determine the trust contribution. Under this approach there are 2 methods:

- ▼ Method 1: Contribute the Net ADC to the trust and get reimbursed from the trust for all Cash Benefit payments made during the year. Under this method, the Net ADC contribution to the trust covers the ADC, regardless of how much in benefit payments are made from the trust.
- ▼ Method 2: Determine the initial trust contribution as the ADC less expected benefits to be paid. Under this method, to pay exactly the ADC in a given year, a true-up/down should be made at the end of the year so that total contributions (ADC less expected benefit payments, plus actual benefit payments) is equal to the ADC.

## Section V – Recommended Contributions and Projections (Continued)

The following table provides the details under these 2 methods for the 2 ADC years provided in this valuation (amounts in \$000's):

	FY 26/27	FY 27/28
<b>Expected Benefit Payments</b>		
Cash Benefits	\$ 3,940	\$ 4,065
Implicit Subsidy	1,092	1,122
Total	5,031	5,187
<b>ADC Net of Implicit Subsidy Payments</b>		
ADC	4,720	4,758
Reduction for Implicit Subsidy Payments	(1,092)	(1,122)
Net ADC	3,628	3,635
<b>Trust Contribution</b>		
Method 1 (Cash Benefits Paid by the Trust)		
Trust Contribution	3,628	3,635
Method 2 (No Benefits Paid from Trust)		
Net ADC	3,628	3,635
Expected Cash Benefits Payments	(3,940)	(4,065)
Estimated Trust Contribution/(Reimbursement)	(312)	(430)
Net City Cash Payments (Estimated Trust Contribution + Cash Benefit Payments)	\$ 3,628	\$ 3,635

## Section V – Recommended Contributions and Projections (Continued)

### Amortization Bases

The amortization of the unfunded liability is based on a multilevel approach. This means in each valuation the remaining scheduled payments from the previous valuation are maintained, with additional layer(s) added so that the unfunded liability determined in the new valuation is scheduled to be paid off. Following is the schedule of amortization bases (balances and payments/credits are in '000s):

Base	Amortization Period					7/1/26 Balance	Payment/Credit	
	Date Established	Initial Period	Escalator	Ramp Up	Remaining Period		26/27	27/28
Fresh Start	6/30/21	n/a	2.75%	None	8	\$ 9,226	\$ 1,326	\$ 1,362
(Gain)/Loss	6/30/23	15	2.75%	None	13	23,012	2,195	2,255
Investment (Gain)/Loss	6/30/25	15	2.75%	5-year	15	(2,363)	(48)	(98)
Assumptions	6/30/25	15	2.75%	None	15	(4,323)	(368)	(378)
Experience G/L	6/30/25	15	2.75%	None	15	8,196	698	717
Contribution (Gain)/Loss Subsequent to 6/30/25 Valuation Date	n/a	n/a	n/a	n/a	n/a	-	-	-
<b>Totals</b>						\$ 33,749	\$ 3,802	\$ 3,857

Notes:

- ▼ Unfunded liability changes established under this June 30, 2025 valuation are amortized over 15 years.
- ▼ To minimize large ADC fluctuations, investment gains and losses are amortized with a 5-year ramp up.
- ▼ All amortizations are as level percentage of aggregate projected payroll.

## Section V – Recommended Contributions and Projections (Continued)

### Projections

Projected benefit payments are as follows (amounts in \$000's):

Year	Benefit		
	Cash Benefit	Implicit Subsidy	Total
2026/27	\$ 3,940	\$ 1,092	\$ 5,031
2027/28	4,065	1,122	5,187
2028/29	4,207	1,155	5,362
2029/30	4,259	1,112	5,371
2030/31	4,374	1,128	5,502
2031/32	4,459	1,135	5,594
2032/33	4,540	1,152	5,692
2033/34	4,578	1,175	5,753
2034/35	4,560	1,117	5,677
2035/36	4,561	1,065	5,626

## Section VI – Actuarial Methods and Assumptions

ACTUARIAL METHODS	
Actuarial Value of Assets	Market Value of Assets in OPEB trust
Actuarial Cost Method	<p>The level percent of payroll Entry Age Normal Cost Method was used (required method for GASB 75).</p> <p>For each employee, the normal cost is the annual amount from the employee's hire age to retirement age (developed as a level percentage of the employee's projected payroll) that will accumulate to the expected value of benefits at retirement. The Actuarial Accrued Liability is the accumulation, as of the valuation date, of the past normal costs.</p> <p>For each inactive participant, there is no normal cost, and the Actuarial Accrued is simply the present value, as of the valuation date, of all expected future payments.</p> <p>The total plan normal cost and accrued liability is simply the sum of all participant's respective amounts.</p>
Unfunded/(overfunded) Actuarial Accrued Liability	Excess of Actuarial Accrued Liability over Actuarial Value of Assets
Amortization of Unfunded/(Overfunded) Actuarial Accrued Liability	<p>6/30/21 valuation unfunded liability amortized over 12 years from 2022/23 forward</p> <p>Subsequent (6/30/23 valuation forward) unfunded liability changes amortized over 15 years (5-year ramp up on investment gains/losses starting with the 6/30/25 valuation)</p> <p>Level percentage of payroll amortization</p>
Actuarially Determined Contribution	<p>Equal to the sum of:</p> <ul style="list-style-type: none"> <li>▶ Normal Cost</li> <li>▶ Administrative expenses</li> <li>▶ Amortization payment/(credit) on unfunded/(overfunded) actuarial accrued liability</li> </ul>

## Section VI – Actuarial Methods and Assumptions (Continued)

### ACTUARIAL METHODS

#### Implicit Subsidy

The age-related medical costs are developed by multiplying premiums by factors from the latest CalPERS Health Plan (PEMHCA) Implicit Subsidy Data:

Age	HMO		PPO	
	Male	Female	Male	Female
50	1.41	1.20	1.16	1.20
55	1.49	1.35	1.24	1.26
60	1.76	1.52	1.44	1.38
64	1.96	1.64	1.56	1.40
70	2.17	2.02	1.74	1.61
75	2.42	2.33	1.96	1.82
80	2.64	2.29	2.11	1.98
85	2.71	2.26	2.37	2.13

In accordance with Actuarial Standards of Practice (ASOP) No. 6, age-related costs are not valued for Medicare Advantage plans (all HMO plans)

#### Justification for Assumptions

##### Economic

Discount rate based on Capital Market model using Horizon Actuarial 2025 Survey

Medical trend based on Society of Actuaries Getzen Model

##### Demographic

CalPERS 2000-2019 Experience Study. Assumptions are reviewed to ensure they are reasonable and represent the long-term expectations for the Plan. Past experience and anticipated future experience based on industry-specific knowledge and professional judgment are used to verify the reasonability of each of these assumptions.

Participation and medical plan elections based on Plan experience.

## Section VI – Actuarial Methods and Assumptions (Continued)

ACTUARIAL ASSUMPTION	6/30/23 Valuation				6/30/25 Valuation																																																										
Discount Rate	5.75%				6.10%																																																										
Funding Policy	City pays full ADC with CERBT Trust Strategy 2				Same																																																										
Healthcare Trend	<u>Medical</u> Based on Society of Actuaries Getzen model: <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Non-Medicare</th> <th colspan="2">Medicare</th> </tr> <tr> <th>All Plans</th> <th>Kaiser</th> <th>Non-Kaiser</th> <th></th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>8.50%</td> <td>6.25%</td> <td>7.50%</td> <td></td> </tr> <tr> <td>2026</td> <td>7.90%</td> <td>5.65%</td> <td>6.90%</td> <td></td> </tr> <tr> <td>:</td> <td>:</td> <td>:</td> <td>:</td> <td></td> </tr> <tr> <td>2030</td> <td>5.60%</td> <td>4.85%</td> <td>5.25%</td> <td></td> </tr> <tr> <td>2031</td> <td>5.05%</td> <td>4.65%</td> <td>4.85%</td> <td></td> </tr> <tr> <td>2032-2038</td> <td>4.45%</td> <td>4.45%</td> <td>4.45%</td> <td></td> </tr> <tr> <td>2039-2040</td> <td>4.35%</td> <td>4.35%</td> <td>4.35%</td> <td></td> </tr> <tr> <td>2041</td> <td>4.30%</td> <td>4.30%</td> <td>4.30%</td> <td></td> </tr> <tr> <td>:</td> <td>:</td> <td>:</td> <td>:</td> <td></td> </tr> <tr> <td>2076+</td> <td>3.45%</td> <td>3.45%</td> <td>3.45%</td> <td></td> </tr> </tbody> </table>					Non-Medicare		Medicare		All Plans	Kaiser	Non-Kaiser		2025	8.50%	6.25%	7.50%		2026	7.90%	5.65%	6.90%		:	:	:	:		2030	5.60%	4.85%	5.25%		2031	5.05%	4.65%	4.85%		2032-2038	4.45%	4.45%	4.45%		2039-2040	4.35%	4.35%	4.35%		2041	4.30%	4.30%	4.30%		:	:	:	:		2076+	3.45%	3.45%	3.45%	
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2076+	3.45%	3.45%	3.45%																																																												
PEMHCA Minimum Increase	3.50%				Same																																																										
Inflation	2.50%				Same																																																										

## Section VI – Actuarial Methods and Assumptions (Continued)

ACTUARIAL ASSUMPTION	6/30/23 Valuation	6/30/25 Valuation
Pay Increases	<u>Individual</u> Merit Increases – CalPERS 2000-2019 Experience Study <u>Aggregate</u> 2.75%	Same
Mortality/Turnover/ Disability/Retirement	CalPERS 2000-2019 Experience Study	Same
Mortality Improvement	Society of Actuaries MP-2021	Same
Participation at Retirement	Tier 1 & 2: currently covered - 100%; currently waived – 80% Tier 3: 60%	Tier 1 & 2: 100% Tier 3: 60%
Spouse Coverage	Actives: currently covered - same; currently waived – 80% Retirees: based on current coverage election	Based on current coverage
Family Coverage	Family coverage stops at 65 Actives: Miscellaneous – 20%; Safety – 30% Retirees: based on current coverage election	Tier 1 & 2: Based on current coverage until age 65 Tier 3: not applicable
Medical Plan at Retirement	Future Retirees: Based on current plan election	Same (Kaiser for waived actives)
Waived Retiree Re-Elections	None	Same
Implicit Subsidy	Based on demographic data and Society of Actuaries studies	Based on HMO and PPO factors published by CalPERS and individual plan enrollment
Administrative Fees	PEMHCA: 0.30% of retiree premiums (rounded 5-year average) CERBT: 0.05% of assets	PEMHCA: 0.08% of retiree premiums (actual 2025 fees) CERBT: 0.04% of assets
Surviving Spouse Participation	100%	Same
Medicare Eligibility	Actives: 100% Retirees: pre-65 – 100%; post-65 - based on current coverage	Same

## Section VII – Actuarial Certification

Rael & Letson has prepared this report for the City of Burlingame to provide information regarding funding for the Retiree Medical Plan (“Plan”). This report should not be relied upon for any other purpose than as stated herein. The report has been prepared as of June 30, 2025 to provide the following:

- ▼ June 30, 2025 Actuarial Liabilities and Plan Funded Status
- ▼ 2026/27 and 2027/28 Actuarially Determined Contributions

We have relied on plan provisions, participant data, and assets provided by the City. We reviewed this information for reasonableness and consistency but have not audited. We have no reason to doubt the information provided to us is appropriate for this report, but we are not responsible for its accuracy. We are not aware of any events subsequent to this data collection, that would materially effect the findings presented in this report.

We have also relied on third-party actuarial valuation software to generate this report. We reviewed sample life calculations and have no reason to doubt the underlying valuation model, or the results being generated by that model.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: Plan experience differing from actuarial assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the Plan; and changes in Plan provisions or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential ranges.

This report may only be provided to other parties in its entirety.

To the best of our knowledge, the information supplied in this report is complete and accurate and is in accordance with generally accepted actuarial principles and practices. We are members of the American Academy of Actuaries, and each meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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Kateryna Pryor, ASA, MAAA  
Actuary

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Doug Pryor, ASA, EA, MAAA  
Consulting Actuary

## Section VIII – Appendices

## Appendix A - Glossary of Terms

<b>Actuarial Accrued Liability (AAL)</b>	Present value of benefits earned up to the valuation date, calculated using the Plan's funding method and assumptions.
<b>Actuarial Value of Assets (AVA)</b>	Value of the Plan's trust assets in cash, investments and other property used by the actuary for purposes of the annual valuation.
<b>ADC</b>	<u>Actuarially Determined Contribution</u> Recommended annual contribution to OPEB trust to fund benefits.
<b>Cash Benefit</b>	Portion of the retiree premium paid by the agency.
<b>Experience Gains and Losses</b>	Differences between actual experience and expected experience based on the actuarial assumptions (i.e., for investment return, when participants are expected to retire, terminate, become disabled and die).
<b>Implicit Subsidy Benefit</b>	The implicit subsidy is the amount by which the retiree age specific cost exceeds the premium.
<b>Normal Cost</b>	Present value of benefits expected to be earned in the coming plan year.
<b>OPEB</b>	<u>Other (than pension) Post Employment Benefits.</u>
<b>PEMHCA</b>	<u>Public Employees' Medical and Hospital Care Act</u> (CalPERS medical pool)
<b>PEMHCA Minimum</b>	Public agencies participating in PEMHCA are required to provide employees who retire directly from the agency with a minimum monthly agency paid benefit for those retirees who elect coverage (\$158 per month in 2025).
<b>Present Value of Projected Benefits (PVPB)</b>	Present value of all future benefits expected to be paid to participants as of the valuation date.
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	Amount by which the Actuarial Accrued Liability exceeds the Actuarial Value of Assets.

Rael &  
Letson