



FIRE AND POLICE RETIREE HEALTH CARE FUND, SAN ANTONIO



Minutes of the Special Meeting of the Board of Trustees of the Fire and Police Retiree Health Care Fund, San Antonio October 6, 2020

PRESENT: Doug Berry, Fire Department Representative;
Henry Trevino, Fire Department Retiree Representative;
Andrew Estrada, Fire Department Representative;
Chris Lutton, Police Department Representative;
Alex Perez, Police Department Retiree Representative;
Mayoral Appointee Tom Silliman, City of San Antonio; and
Jason Sanchez, Police Department Representative.

ABSENT: Councilperson Melissa Cabello Havrda, City of San Antonio; and
Councilperson Jada Andrews-Sullivan, City of San Antonio.

OTHERS PRESENT: James Bounds, Executive Director,
Cecilia Puga Retiree Health Care; and
Frank Burney, Martin & Drought, P.C.

At 10:03 a.m., Secretary Trevino called the meeting to order. The roll was called, and a quorum was declared present. The election for Active Police Representative was certified by the Board and the oath of office administered to Jason Sanchez.

EXECUTIVE
SESSION: None.

ACTION
ITEMS:

1. Actuary Assumptions: Mr. Bounds advised the Board that Rudd & Wisdom had submitted the actuarial assumptions for the Health Fund as of January 1, 2020 at the September meeting. A motion was made by Trustee Trevino, with a second by Trustee Silliman, to approve the assumptions, which unanimously passed. The actuarial study will be presented at the October Board meeting.

Mr. Bounds also informed the Board that the dependents' COBRA rates, Children rates, and out-of-pocket/deductibles increases for CY 2021 will be presented at Benefits Committee later this month.

2. Next Meeting: The next regularly scheduled meeting will be October 26, 2020 at 10:00 a.m.

ADJOURNMENT: There being no further business, a motion was made by Trustee Lutton and second by Trustee Estrada that the meeting adjourn. The motion carried unanimously. The meeting adjourned at 10:14 a.m.

Enclosures

- Agenda
- Actuarial Assumption

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Brandon L. Fuller, F.S.A.
Shannon R. Hatfield, A.S.A.

Christopher S. Johnson, F.S.A.
Oliver B. Kiel, F.S.A.
Dustin J. Kim, A.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Amanda L. Murphy, F.S.A.

Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A., A.C.A.S.
Timothy B. Seifert, A.S.A.
Chelsea E. Stewart, A.S.A.
Raymond W. Tilotta
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

September 24, 2020

Board of Trustees
Fire and Police Retiree Health
Care Fund, San Antonio
11603 W. Coker Loop, Suite 130
San Antonio, TX 78216

Re: Recommended Actuarial Assumptions for
January 1, 2020 Actuarial Valuation

Dear Board Members:

As a part of the process of performing the January 1, 2020 actuarial valuation of the Fire and Police Retiree Health Care Fund, San Antonio (the Fund), we are presenting our recommended actuarial assumptions to you. They are based upon a review of (1) the actuarial assumptions we used for the January 1, 2019 actuarial valuation, (2) the recently completed four-year experience review and January 1, 2020 actuarial valuation of the San Antonio Fire and Police Pension Fund (the Pension Fund), and (3) the experience of the Fund during the fiscal year ending December 31, 2019. This report documents our review of the actuarial assumptions and recommended changes.

Summary of Key Changes

We recommend new assumed claims costs which average approximately 90% of the prior assumption for 2020, partially due to the anticipated effects of the pandemic with the delaying of some medical services. The recommended claims costs increase (trend) assumption includes a higher-than-normal 12% increase for 2021, as that year is expected to include some of the services that were postponed in 2020. The trend assumption increases after 2021 have a more typical pattern with the increases 0.25% higher than in the prior actuarial valuation for the five years 2022-2026, with the ultimate increase being 4.25% beginning in 2027, which is 0.25% lower than in the prior actuarial valuation. The reason for the 0.25% reduction in the ultimate trend increase is our recommendation for a 0.25% reduction in our underlying inflation assumption from 3% to 2.75%, which also is reflected in our economic assumptions.

We recommend most of the changes in the assumptions used by the Pension Fund in their January 1, 2020 actuarial valuation. These modified assumptions were the results of a four-

year experience review by their retained actuarial firm. However, there are some new differences in the assumptions we are recommending for the Fund compared to those used by the Pension Fund, primarily the investment return assumption, mortality assumption, and pay increases. The differences are described below.

Differences in Actuarial Assumptions

Investment Return – We recommend a reduction from 7.25% to 7%, while the Pension Fund stayed at 7.25%. There are two reasons for the difference: (1) the Fund has a somewhat more conservative asset allocation than the Pension Fund, and (2) we recommend a reduction in the underlying assumed rate of price inflation from 3% to 2.75%, while the Pension Fund stayed at 3%. More detail of the rationale for our recommendation appears later in this report.

Mortality – We agree with the basic group of mortality tables resulting from a first ever study of public pension plan mortality on a large-scale basis by the Society of Actuaries in 2019. We recommend the headcount-weighted versions of the table while the Pension Fund used the amount-weighted versions. The rationale for our recommendation appears later in this report.

General Compensation Increase – We recommend a reduction from 3% to 2.75% per year, the same as our price inflation assumption, while the Pension Fund changed from 3.75% to 3%. We had been assuming and continue to assume there would be no general compensation increase in excess of price inflation over the long-term future. The Pension Fund's previous assumption was that general compensation increases would be 0.75% greater than price inflation. Now the Pension Fund's assumption is similar to our recommendation, with the only difference being the underlying assumed price inflation.

Aggregate Payroll Increase – We recommend a reduction from 4% to 3.5% per year, while the Pension Fund changed from 3.5% to 3%. Our previous 4% assumption consisted of 3% for general compensation increase and 1% for growth in number. We now recommend 3.5% per year consisting of 2.75% for general compensation increase and 0.75% for growth in number. Exhibit 1 includes a history of the growth in number of actives and the gradual decline in the average growth rate over 10-year periods. The Pension Fund's assumption of 3% is now the same as their general compensation increase assumption of 3%.

Claims Costs Assumption

Our summary analysis of claims in Exhibit 2 on page 12 shows that the actual accrued claims plus claims-related expenses plus the costs related to the clinics for the fiscal year ending December 31, 2019 were about 8% less than expected based on our prior valuation. We expect some variance from year to year in the actual claims compared to the expected claims because of the relatively small size of the number of retirees and spouses covered by the Fund. Because

of the expected year-to-year variance of the Fund's experience, we relied again on Rudd and Wisdom's much larger experience database. The recommended claims costs assumption was based on Rudd and Wisdom's 2018 and 2019 experience databases, adjusted for benefit design differences and increased to make them appropriate for the fiscal year beginning January 1, 2020. There was also an adjustment for the anticipated effect of the pandemic in 2020. The comparison of the recommended assumption for 2020 to the prior assumption revealed that the recommended claims costs are mostly from 12% to 17% less than the prior assumption for 2020 at ages under 65 and 3% to 9% less at ages 65 and above. **The net effect of the recommended claims costs assumption will be to decrease projected benefits in 2020 by about 10% compared to the prior assumption.** A sample of the comparison is shown in Exhibit 3 on page 13.

Claims Costs Increase (Trend) Assumption

Because 2020 is very unusual with the delaying of some medical services because of the pandemic, the recommended claims costs increase (trend) assumption begins with a higher-than-normal 12% increase for 2021. We expect that 2021 will include some of the medical services that have been or are being postponed in 2020. After 2021, we are recommending a typical pattern of increases in the claims costs starting at 6.75% for 2022 and gradually decreasing 0.50% per year over the five years 2023 to 2027 to an ultimate annual increase of 4.25%.

The trend assumption for other Rudd and Wisdom client health plans prior to 2020 would often begin with an annual increase of 8.0% or 7.5%, then decreasing by 1% or 0.5% per year until attaining the ultimate annual increase. However, we are recommending a 6.75% increase for the 2022 increase to give some anticipation of the potential cost-reducing effect of the Fund's clinics. In addition, the ultimate trend assumption for other Rudd and Wisdom client health plans is usually higher than the 4.25% per year ultimate trend we are recommending for the Fund. We have used the somewhat lower 4.25% to anticipate the cost-reducing effect of the Fund's annual increasing of the deductible amount and the out-of-pocket maximum payment by the rate of increase in the medical component of the Consumer Price Index. We believe that the net effect of the combination of the recommended initial claims costs assumption and the recommended claims costs increase assumption is appropriate for the Fund.

Investment Return Assumption Rationale

The theoretical building block approach used in our review of the investment return assumption (Exhibit 1 on pages 7 and 8) is based upon the current target asset allocation, assumed real rates of return for each asset class, an assumed rate of investment expenses for each asset class and an assumed rate of inflation, with all assumptions for the long-term future.

The recommended investment return assumption is 7% net of investment-related expenses, 0.25% less than the assumption used in the prior actuarial valuation.

Exhibit 1 (page 7) shows the theoretical total annual rate of investment return developed with the building block approach. Assuming 2.75% inflation, the rate is 7.10% based on the current target allocation. We believe 2.75% is a reasonable rate of inflation for the long-term future, and that a 7% investment return, net of investment-related expenses, is a reasonable actuarial investment return assumption. It consists of a net real rate of return of 4.25% based on the Fund's current target asset allocation and 2.75% inflation.

Exhibit 1 includes a summary of both historical and forecast rates of inflation (page 8). Considering the average annual increases in the CPI-U over historical periods of 30 to 65 years and the Social Security forecasts, we believe that reasonable assumed rates of inflation for the long-term future range from 2.25% to 3.25%. Our recommended 2.75% assumption is in the middle of our range. For your reference, the investment return assumption as well as the inflation assumption for the large local and statewide retirement systems (page 10) is included in Exhibit 1.

On page 7, the investment-related expenses for the current target allocation are relatively high for a fund of the Fund's size at 0.81%. This reflects the significant investments in alternative classes, which have higher expenses than other asset classes. For the estimated investment-related expenses, there are two ways that expenses are paid. Either the Fund pays the fees directly or absorbs the costs indirectly in reductions in assets similar to the approach used by mutual funds. We relied on an analysis of both direct and indirect investment-related expenses for each asset class provided by the Meketa Investment Group.

Mortality Assumption Rationale

The Society of Actuaries conducted the first ever mortality study of public pension plans, releasing the final report in 2019. The study resulted in three sets of mortality tables: one for teachers, one for public safety, and one for general employees. We agree with the Pension Fund adoption of the total dataset tables for public safety for the actives and retirees. The naming convention uses the PubS-2010 acronym for the public safety amount-weighted set of tables. The research team developed two full sets of mortality tables, one set with amount-weighted rates and the other with headcount-weighted rates.

We believe it was appropriate for the Pension Fund to adopt and use the amount-weighted mortality tables because the retirement benefit amounts vary and are a function of salary. The headcount-weighted mortality tables are somewhat more appropriate for benefits unrelated to salary, such as a retiree medical program. Actuarial Standard of Practice No. 35 says that the actuary should select a mortality assumption that is appropriate for the purpose of the

measurement. In Section 12.5 of the Pub-2010 Public Retirement Plans Mortality Tables Report, it says, “it would not be necessarily inappropriate – or inconsistent – to use amount-weighted tables to measure pension obligations and the corresponding headcount-weighted tables to measure most postretirement medical obligations, even when the two covered populations are identical.” The difference in the two types of tables is subtle, but the amount-weighted mortality tables have slightly lower rates of mortality (or slightly longer remaining life expectancies) than the headcount-weighted mortality tables, more so for males than for females.

One other minor difference in the mortality assumption we are recommending for the Fund compared to that used by the Pension Fund is in the number of different tables used. The Pension Fund used three different postretirement sets of tables, one for healthy retirees and spouses, one for disabled retirees and spouses, and one for surviving spouses. To simplify, we are recommending the table for healthy retirees and spouses for all retirees, spouses, and surviving spouses.

Summary Recommendation

We recommend for your approval the actuarial assumptions and methods for the Fund’s January 1, 2020 actuarial valuation which are shown in Exhibits 3 and 4. For comparison we show the actuarial assumptions and methods used in the prior actuarial valuation of the Fund. For additional comparison, Exhibit 4 shows the actuarial assumptions and methods used by the Pension Fund in their January 1, 2020 actuarial valuation. **In our opinion, these recommended assumptions for the Fund’s January 1, 2020 actuarial valuation are reasonably related to the experience of the Fund and represent a reasonable estimate of anticipated experience of the Fund, in the aggregate and individually, over the long-term future.**

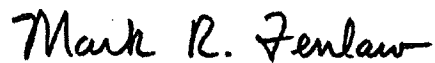
Characteristics of Assumptions

The results of an actuarial valuation do not determine either the year by year costs or the ultimate cost of your retiree health benefit program. The ultimate cost will be the total benefits and expenses paid by the Fund in excess of the total investment return of the Fund. However, the valuation results can determine whether the existing contribution arrangement (including the October 1, 2020 6% increase in scheduled contributions by members and the city) can reasonably be expected to be adequate over a long period of time or whether additional statutory mandatory adjustments in Texas state law governing the Fund will be required next year in order to have adequate contributions over a long period of time. The accuracy and usefulness of actuarial valuations are dependent upon the use of actuarial assumptions that will reasonably estimate the Fund’s future experience as it unfolds over a long period of time.

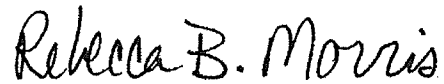
Board of Trustees
Page 6
September 24, 2020

We certify that we are members of the American Academy of Actuaries who meet Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

Sincerely,



Mark R. Fenlaw, F.S.A.



Rebecca B. Morris, A.S.A

MRF/RBM:nlg

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Exhibit 1

Fire and Police Retiree Health Care Fund, San Antonio Review of the Actuarial Economic Assumptions for the January 1, 2020 Actuarial Valuation Asset Allocation and Investment Return Assumption Development

	Gross Annual Real Rate of Investment Return (ROR) ^(A)	Investment Management Expenses ^(B)	Asset Allocation	
			12/31/19 Actual ^(C)	Current Target ^(C)
Equities				
Domestic Small/Mid Cap	7.0%	0.85%	4.4%	4%
Domestic Large Cap	6.5	0.04	6.5	6
International Developed	7.0	0.28	9.8	8
Emerging Markets	8.5	0.40	<u>5.8</u>	<u>6</u>
			26.5	24
Fixed Income				
Domestic Core Plus	2.5	0.33	15.9	16
Domestic High Yield	3.5	0.68	2.0	3
TIPS	2.0	0.04	8.5	8
Bank Loans	3.0	0.37	4.9	5
Emerging Market	3.0	0.72	<u>4.1</u>	<u>6</u>
			35.4	38
Alternatives				
Real Estate	5.5	1.97	7.0	8
Natural Resources	5.0	1.29	9.3	8
Private Equity	8.5	1.25	18.3	15
Private Debt	5.0	1.00	<u>2.4</u>	<u>6</u>
			37.0	37
Cash				
	0.5	0.10	<u>1.1</u>	<u>1</u>
			100.0%	100%
<u>Weighted Average Assumption</u>				
Gross Real ROR			5.35%	5.16%
Investment Expenses ^(D)			<u>-0.80</u>	<u>-0.81</u>
Net Real ROR			4.55%	4.35%
<u>Possible Theoretical Annual Investment Return Assumption (Total Net Annual ROR) – Net Real ROR Plus Assumed Annual Rate of Inflation</u>				
Assumed 3.00% Inflation			7.55%	7.35%
Assumed 2.75% Inflation			7.30%	7.10%

^(A) A gross annual real rate of investment return is the total annual rate of investment return, before any expenses, that is in excess of the assumed annual inflation rate. These are long-term assumptions made by Rudd and Wisdom, Inc.

^(B) These assumed investment management expenses are primarily based on information from the Meketa Investment Group for both direct and indirect expenses as of December 31, 2019.

^(C) This allocation is from the December 31, 2019 performance review and report by the Meketa Investment Group.

^(D) Weighted average investment management expenses, direct and indirect, plus 0.08% for custodial fees and investment consultant fees, based on information provided by Meketa.

Exhibit 1 (continued)

Price Inflation in the USA - Average Annual Rates of Increase in the CPI-U

<u>Years (Dec. to Dec.)</u>	<u>Number of Years</u>	<u>Average Annual Increase</u>
1954 – 2019	65	3.54%
1959 – 2019	60	3.68
1964 – 2019	55	3.91
1969 – 2019	50	3.91
1974 – 2019	45	3.62
1979 – 2019	40	3.07
1984 – 2019	35	2.58
1989 – 2019	30	2.40
1994 – 2019	25	2.18
1999 – 2019	20	2.14

Most inflation forecasts are for 10 years or less. For example, the average 10-year forecast in the June 2020 Livingston Survey published by the Federal Reserve Bank of Philadelphia was 2.0%. Similarly, the 2020 Wall Street Consensus Survey for the next decade included an average inflation forecast of 2.1%. However, 10 years is much too short a forecast period for a public employee defined benefit pension plan. In the 2020 annual report of the OASDI Trust Funds (Social Security), the ultimate inflation assumptions for their 75-year projections are 3.0%, 2.4%, and 1.8% for the low-cost, intermediate, and high-cost assumptions, respectively. Looking at the average annual increase in the CPI-U over historical periods of 30 to 65 years above and considering the Social Security forecasts, we believe that reasonable assumed rates of inflation for the long-term future would range from 2.25% to 3.25%. Shorter term considerations make the bottom half of that range more desirable.

Administrative Expenses of the Fund

<u>Plan Year</u>	<u>Administrative Expenses Paid by the Fund</u>	<u>Assumed Payroll</u>	<u>% of Payroll (2) ÷ (3)</u>
(1)	(2)	(3)	(4)
2019	\$ 1,465,394	\$ 299,605,819	0.49%
2018	1,398,589	290,148,967	0.48
2017	1,350,210	285,734,779	0.47
2017-2019	\$ 4,214,193	\$ 875,489,565	0.48%

The assumed future administrative expenses, excluding third party administrator claims-related expenses and expenses related to the Fund's clinics, will be added to the normal cost contribution rate. For the January 1, 2020 actuarial valuation we recommend assuming 0.48% of payroll, the same as in the prior valuation.

Exhibit 1 (continued)

**Comparison of 1/1/2019 Actuarial Economic Assumptions
with 1/1/2020 Actuarial Economic Assumptions**

<u>Actuarial Assumption¹</u>	<u>1/1/2019 Actuarial Economic Assumptions</u>	<u>1/1/2020 Actuarial Economic Assumptions</u>
Inflation (Price)	3.00%	2.75%
Net real rate of return ²	<u>4.25</u>	<u>4.25</u>
Net total investment return ²	7.25%	7.00%
Employee general pay increase ³	3.00%	2.75%
Aggregate payroll increase	4.00%	3.50%
Administrative expenses (% of payroll)	0.48%	0.48%

¹ All assumptions are annual rates.

² These assumptions are net of investment-related expenses.

³ For both actuarial valuation dates, the compensation increases consist of the assumed annual general pay increase in combination with promotion and longevity pay increases that vary by years of service.

Exhibit 1 (continued)

**Comparison of Investment Return and Inflation Assumptions
for Large Local and Statewide Retirement Systems**

System Name	Valuation Date	Investment Return Assumption	Rate of Inflation	Real Rate of Return
Austin Employees	12/31/2018	7.50%	2.75%	4.75%
Austin Fire	12/31/2018	7.70	3.50	4.20
Austin Police	12/31/2018	7.25	2.50	4.75
Dallas Employees	12/31/2018	7.75	2.75	5.00
Dallas Police and Fire	1/1/2019	7.25	2.75	4.50
El Paso Employees	9/1/2018	7.50	3.00	4.50
El Paso Fire	1/1/2020	7.75	3.00	4.75
El Paso Police	1/1/2020	7.75	3.00	4.75
Fort Worth Employees	12/31/2019	7.00	2.50	4.50
Houston Fire	7/1/2019	7.00	2.75	4.25
Houston Municipal	7/1/2019	7.00	2.25	4.75
Houston Police	7/1/2019	7.00	2.75	4.25
San Antonio Fire and Police	1/1/2020	7.25	3.00	4.25
Employees Retirement System	8/31/2019	7.50	2.50	5.00
Teacher Retirement System	8/31/2019	7.25	2.30	4.95
Texas County and District System	12/31/2019	8.00	3.00	5.00
Texas Municipal Retirement System	12/31/2019	6.75	2.50	4.25
Average		7.36	2.75	4.61

Exhibit 1 (continued)

**Increase in Number of Active Members
of the Fire and Police Pension Fund, San Antonio or of the
Fire and Police Retiree Health Care Fund, San Antonio**

<u>Date</u>	<u>Number of Active Members</u>	<u>One Year Growth Rate</u>	<u>Average Annual Growth Rate</u>	
			<u>Over 5 Years</u>	<u>Over 10 Years</u>
9/30/2000	3,222	-	-	-
9/30/2001	3,296	2.3%	-	-
9/30/2002	3,348	1.6	-	-
9/30/2003	3,415	2.0	-	-
9/30/2004	3,427	0.4	-	-
9/30/2005	3,397	-0.9	1.1%	-
9/30/2006	3,410	0.4	0.7	-
9/30/2007	3,517	3.1	1.0	-
9/30/2008	3,580	1.8	0.9	-
9/30/2009	3,735	4.3	1.7	-
9/30/2010	3,807	1.9	2.3	1.7%
9/30/2011	3,878	1.9	2.6	1.6
9/30/2012	3,901	0.6	2.1	1.5
9/30/2013	3,942	1.1	1.9	1.4
9/30/2014	3,943	0.0	1.1	1.4
9/30/2015	3,943*	0.0	0.7	1.5
12/31/2016	3,943*	0.0	0.3	1.5
12/31/2017	3,943*	0.0	0.2	1.1
12/31/2018	4,024	2.1	0.4	1.2
12/31/2019	4,081	1.4	0.7	0.9

* Assumed to be the same as at 9/30/2014 due to unusual circumstances, for purposes of determining projected aggregate payroll only.

Exhibit 2

Fire and Police Retiree Health Care Fund, San Antonio

Summary Analysis of Claims Experience for the Fiscal Year Ending December 31, 2019

A. Expected	
1. Expected Accrued Claims from the January 1, 2019 Actuarial Valuation (including estimated claims-related expenses)	\$37,871,807
B. Actual	
1. Actual Accrued Claims from Draft of the Financial Statements for the Fiscal Year (excluding claims-related expenses)	\$29,816,271
2. Actual Claims-Related Expenses for the Fiscal Year	1,413,990 ¹
3. Clinic Expenses for the Fiscal Year	<u>3,504,636</u>
4. Total	\$34,734,897
Ratio of Actual Accrued Claims (B4) to Expected Accrued Claims (A1)	91.7% ²

¹ The amount includes the standard claims-related expenses and amounts paid to reduce the cost of providing out-of-network services and dialysis services.

² The ratio of 91.7% means that the actual accrued claims and claims-related expenses were 8.3% less than expected.

Exhibit 3

Fire and Police Retiree Health Care Fund, San Antonio Comparison of Claims Costs Assumptions for the 12-Month Period Beginning January 1, 2020

Age	Male	Female
(A) Based on January 1, 2019 Valuation Assumption ⁽¹⁾		
47	\$ 7,385	\$ 9,401
52	9,572	10,677
57	11,356	11,728
62	14,717	13,405
67	8,217	7,519
72	7,917	7,246
77	7,618	6,974
82	7,438	6,810

(B) January 1, 2020 Valuation Assumption Recommended ⁽²⁾

47	\$ 6,145	\$ 7,870
52	7,936	8,927
57	9,734	9,940
62	12,316	11,744
67	7,704	6,814
72	7,513	6,651
77	7,322	6,489
82	7,207	6,392

Ratio: (B) to (A)

47	0.832	0.837
52	0.829	0.836
57	0.857	0.848
62	0.837	0.876
67	0.938	0.906
72	0.949	0.918
77	0.961	0.930
82	0.969	0.938

⁽¹⁾ From Rudd and Wisdom's 1/1/2019 valuation, increased by 7.5%, the trend rate for the 12 months beginning 1/1/2020. **The claims costs have been increased by 2% to reflect the expected claims-related expenses paid to the third party administrators.**

⁽²⁾ Claims costs based on Rudd and Wisdom's 2018 and 2019 experience databases, adjusted for benefit differences and Medicare coordination differences, and increased to make them appropriate for the fiscal year beginning 1/1/2020. **The claims costs have been increased by 2% to reflect the expected claims-related expenses paid to the third party administrators.**

Exhibit 3 (continued)

**Fire and Police Retiree Health Care Fund, San Antonio
Comparison of Annual Claims Cost Increase (Trend) Assumptions**

Fiscal year Beginning January 1	Annual Trend	Annual Trend
	1/1/2019 Valuation (Used)	1/1/2020 Valuation (Recommended)
2020	7.5%	N/A
2021	7.0%	12.00%
2022	6.5%	6.75%
2023	6.0%	6.25%
2024	5.5%	5.75%
2025	5.0%	5.25%
2026	4.5%	4.75%
2027+	4.5%	4.25%

Exhibit 4

Comparison of Actuarial Assumptions and Methods for the San Antonio Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund, San Antonio

Assumptions/Methods	Retiree Health Care Fund	
	Pension Fund 1/1/2020 Valuation Assumptions/Methods	1/1/2019 Valuation Assumptions/Methods
Investment return	7.25% net of investment expenses	7.25% net of investment expenses
Total pay increases, varying by service	14.0 to 3.0%	13.5 to 3.0%
Aggregate payroll increase		
General pay increase	3.0%	3.0%
Increase in # of members	0.0%	1.0%
Total	3.0%	4.0%
Mortality rates		
• preretirement	PubS-2010 employee table (amount weighted), generationally projected with SSA2019-2D	RP-2000 Combined Healthy Mortality Tables for males and females projected to 2024 (for all three categories)
• postretirement	PubS-2010 healthy retiree or disabled retiree table (amount weighted), generationally projected with SSA2019-2D	PubS-2010 employee table (headcount weighted), generationally projected with SSA2019-2D PubS-2010 healthy retiree table (headcount weighted), generationally projected with SSA2019-2D
• surviving spouses	Pub-2010 contingent survivor table (amount weighted), generationally projected with SSA2019-2D	PubS-2010 healthy retiree table (headcount weighted), generationally projected with SSA2019-2D

Exhibit 4 (continued)

Comparison of Actuarial Assumptions and Methods for the San Antonio Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund, San Antonio

Assumptions/Methods	Pension Fund			Retiree Health Care Fund		
	1/1/2020 Valuation			1/1/2020 Valuation		
	Assumptions/Methods	Fire	Police	Assumptions/Methods	Fire	Police
Turnover rates	Service			Service		
	0-1 yrs.	1.00%	2.25%	0-1 yrs.	1.00%	2.25%
	2	0.60	2.25	2	0.60	2.25
	3	0.50	2.25	3	0.50	2.25
	4-7	0.40	2.25	4-7	0.40	2.25
	8	0.40	2.00	8	0.40	2.00
Disability rates	9-11	0.40	0.50	9-11	0.40	0.50
	12-19	0.10	0.50	12-19	0.10	0.50
	Age	Fire	Police	Age	Fire	Police
20	0.01%	0.01%	20	0.01%	0.01%	
25	0.01	0.01	25	0.01	0.01	
30	0.01	0.01	30	0.01	0.01	
35	0.01	0.01	35	0.01	0.01	
40	0.02	0.02	40	0.02	0.02	
45	0.04	0.04	45	0.04	0.04	
49+	0.00	0.00	49+	0.00	0.00	

Exhibit 4 (continued)

Comparison of Actuarial Assumptions and Methods for the San Antonio Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund, San Antonio

Retirement rates	Pension Fund		Retiree Health Care Fund		
	1/1/2020 Valuation Assumptions/Methods	1/1/2019 Valuation Assumptions/Methods	1/1/2020 Valuation Assumptions/Methods	1/1/2020 Valuation Assumptions/Methods	
	Service	Fire	Police	Fire	Police
	20	1.5%	2.5%	1.5%	2.5%
	21	1.5	2.5	1.5	2.5
	22	1.5	2.5	2.0	2.5
	23	1.5	3.0	2.0	3.0
	24	1.5	3.0	2.0	3.0
	25	1.5	4.0	3.0	4.0
	26	2.0	5.0	5.0	5.0
	27	3.0	10.0	7.0	10.0
	28	3.0	12.0	9.0	12.0
	29	8.0	17.0	14.0	17.0
	30	10.0	27.0	20.0	27.0
	31	15.0	30.0	25.0	30.0
	32	30.0	50.0	25.0	50.0
	33	45.0	60.0	40.0	60.0
	34	45.0	50.0	50.0	50.0
	35	45.0	45.0	50.0	45.0
	36	35.0	45.0	50.0	45.0
	37	55.0	45.0	50.0	45.0
	38	30.0	45.0	50.0	45.0
	39	25.0	70.0	50.0	70.0
	40-43	35-100	100.0	100.0	100.0

Exhibit 4 (continued)

Comparison of Actuarial Assumptions and Methods for the San Antonio Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund, San Antonio

Assumptions/Methods	Pension Fund	Retiree Health Care Fund	
	1/1/2020 Valuation Assumptions/Methods	1/1/2019 Valuation Assumptions/Methods	1/1/2020 Valuation Assumptions/Methods
Percent married at termination	males 95%, females 60%	85%	85%
Age difference between spouses	Husband 3 years older	Husband 3 years older	Husband 3 years older
In-service death rate	10% of the rate at each age	.02% additional rate at each age	.02% additional rate at each age
Administrative expenses	\$3,400,000 added to the normal cost	0.48% of payroll added to the normal cost	0.48% of payroll added to the normal cost
Actuarial value of assets	Adjusted market value with 5-year smoothing	Adjusted market value with 5-year smoothing	Adjusted market value with 5-year smoothing
Actuarial cost method	Entry age	Entry age	Entry age
Amortization period	Solved for (13.7 years as of 1/1/2020)	30 years	30 years