

**Santa Clara Valley  
Transportation Authority  
Amalgamated Transit  
Union Local 265  
Spousal Medical Fund**

**Actuarial Analysis  
as of January 1, 2018**

**Produced by Cheiron**

**July 2018**

## TABLE OF CONTENTS

Letter of Transmittal .....	i
Section I - Summary of Results .....	1
Section II - Projections.....	6
Appendix A - Member Data, Assumptions and Methods.....	7
Appendix B - Substantive Plan Provisions .....	15
Appendix C - Glossary of Terms .....	20

***Via Electronic Mail***

July 31, 2018

Maria Chávez  
Santa Clara Valley Transportation Authority  
Employee Services Department  
3331 North First Street, Building A  
San Jose, CA 95134-1906

***Re: Santa Clara VTA Amalgamated Transit Union, Local 265 Spousal Medical Fund***

Dear Ms. Chávez:

Cheiron has been retained by the Santa Clara Valley Transportation Authority (VTA) Board of Pensions (BOP) to review the status of the Amalgamated Transit Union, Local 265 Spousal Medical Fund. The Fund is established to pay for the medical premiums for qualified Clerical employees and spouses of members represented by the Amalgamated Transit Union (ATU), Local 265.

The report presents the actuarial review and analysis of ATU Local 265 Spousal Medical Fund (the Plan) as of January 1, 2018.

Appendix A describes the member data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied, on information (some oral and some written) supplied by VTA. This information includes, but is not limited to the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The results of this report rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly. This analysis report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

The results of this analysis report reflect only the financial condition of the Fund as of the valuation date. We recommend reviewing forecasts of the plan's financial condition under alternative scenarios. Such forecasts, however, are beyond the scope of this assignment.

This report was prepared for the BOP for the purposes described herein. This analysis report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We hereby certify that, to the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices

Ms. Maria Chavez  
July 31, 2017  
Page ii

which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,  
Cheiron



Graham Schmidt, ASA, FCA, MAAA, EA  
Consulting Actuary



Michael W. Schionning, FSA, MAAA  
Principal Consulting Actuary



Heather Fantz, ASA, MAAA, EA  
Associate Actuary

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION I – SUMMARY OF RESULTS**

The Santa Clara BOP has engaged Cheiron to provide a review of VTA’s Amalgamated Transit Union, Local 265 Spousal Medical Fund. The primary purpose of performing this actuarial analysis is to:

- Compute the present value of future benefit payments associated with the Plan.
- Demonstrate the extent to which the current contribution rate will be sufficient to support the current level of benefits.
- Show the sensitivity of the results to changes in the plan design, trend assumptions, and investment return assumptions.

We have determined costs, liabilities, and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

***Analysis Results***

Table I-1 shows the present value of future benefits of active members and members who are currently receiving benefits.

<b>Table I-1 Summary of Principal Plan Results</b>			
	<b>June 30, 2016</b>	<b>January 1, 2018</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Active Participants	1,536	1,579	2.80%
Inactive Participants	342	391	14.33%
<b>Total</b>	<b>1,878</b>	<b>1,970</b>	4.90%
<b><u>Present Value of Future Benefits</u></b>			
Active Participants	\$ 19,647,215	\$ 20,870,318	6.23%
Inactive Participants	14,277,965	16,439,515	15.14%
<b>Total</b>	<b>\$ 33,925,180</b>	<b>\$ 37,309,833</b>	9.98%

The current agreement with the employees states, “*Should the assets of the Fund be insufficient to provide benefits, such benefits shall cease and no cost shall be incurred by the Fund, VTA or ATU, Local 265.*” However, in order to evaluate the sustainability of the Plan, it is necessary to project the benefits without regard to the sufficiency of the assets. Therefore, we have projected the current benefit levels using the annual trend factors shown in Appendix A applied to the medical premiums.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION I – SUMMARY OF RESULTS**

The table below presents the key results of the 2018 analysis. The presence of a shortfall demonstrates that the current level of contributions is not sufficient to fully fund the projected benefits for the current members. The shortfall has decreased by 9.1% since the prior analysis.

<b>Table I-2 Analysis of Funding Adequacy at 7.00% Discount Rate</b>		
	<b>June 30, 2016</b>	<b>January 1, 2018</b>
Present Value of Future Benefits	\$33,925,180	\$37,309,833
Current Assets	13,904,000	17,319,958
Present Value of Future Contributions (PVFC)	<u>11,174,467</u>	<u>11,946,538</u>
Total Assets (current assets plus PVFC)	25,078,467	29,266,496
Shortfall / (Surplus)	8,846,713	8,043,337

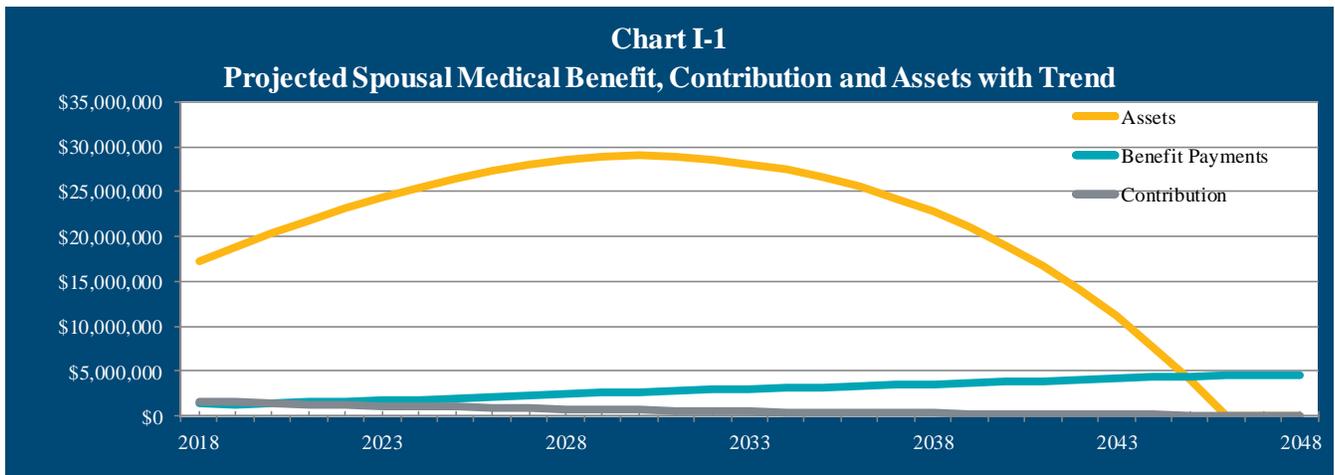
The decrease in the shortfall is primarily due to better than expected asset returns. The asset returns were large enough to offset the loss on the present value of future benefits shown in the table below.

<b>Table I-3 Actuarial Present Value of Future Benefits (Gain)/Loss</b>	
	<b>PVFB</b>
PVFB, June 30, 2016	\$ 33,925,180
PVFB, January 1, 2018	37,309,833
PVFB Increase / (Decrease)	3,384,653
Change due to:	
Assumption Changes	\$ 45,815
Updated Premiums	(1,993,091)
Passage of Time (Interest less benefits)	1,043,218
Actuarial (Gain)/Loss	<u>4,288,711</u>
<b>Total</b>	<b>\$ 3,384,653</b>

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION I – SUMMARY OF RESULTS**

The chart below shows the projected Fund balance using the medical trend factors shown in Appendix A. The projections are based on a closed group projection (i.e., assuming no new future entrants to the Fund), an assumption that Fund investments will earn 7.00% annually, and ATU members will continue to contribute \$0.40 per hour worked. Based on these assumptions, the projections show that the current level of benefits cannot be maintained without additional sources of financing. However, changes in the assumptions, especially the return on Fund investments or the rate of growth in the covered premiums, will lead to different results.



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION I – SUMMARY OF RESULTS**

The discount rate, or the assumed rate of return on the assets, is a key economic assumption, and has a substantial impact on the determination of present value of benefits. A lower discount rate leads to a higher present value of future benefits, and a lower return on the assets will result in the asset balance running out sooner.

For illustrative purposes, Table I-4 below shows the determination of the present value of benefits and the actuarial cost of the Plan under several more conservative discount rates, or expected asset returns. It also shows the projected “run-out” date of the assets, assuming the same expected rate of return on the assets. Finally, the table shows the hourly contribution that would be necessary to fully cover the projected benefits for the current participants in the program (i.e. current beneficiaries and future beneficiaries of current active employees.)

Under the 7.00% scenario, the “Run-Out” year was 2040 for the prior valuation and the contribution rate to fully fund the benefit was \$0.72 per hour.

<b>Table I-4 Summary of Results under Different Discount Rates</b>			
<b>Results as of January 1, 2018</b>	<b>7.00%</b>	<b>6.00%</b>	<b>5.00%</b>
Present Value of Future Benefits	\$37,309,833	\$44,653,470	\$54,495,845
Current Assets	17,319,958	17,319,958	17,319,958
Present Value of Future Contributions (PVFC)	<u>11,946,538</u>	<u>12,703,034</u>	<u>13,559,907</u>
Total Assets (current assets plus PVFC)	29,266,496	30,022,992	30,879,865
Shortfall / (Surplus)	8,043,337	14,630,478	23,615,980
"Run Out" Year	2045	2042	2040
Contribution rate necessary to Fully Fund Present			
Value of Future Benefits for Current Members	\$0.67 / hour	\$0.86 / hour	\$1.10 / hour

The table shows that the financial status of the Fund has improved and the time until the plan is expected to run out of assets has extended by five years since the previous valuation.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION I – SUMMARY OF RESULTS**

Similar to the discount rate, the medical trend rate - or the expected annual growth in medical premiums - is a key assumption in the projection of future benefits. A higher trend rate leads to a higher present value of future benefits, and a quicker run-out of the assets.

Table I-5 below shows the same results as in Table I-4 for several different medical trends: the present value of benefits, the shortfall/(surplus), the “Run-Out” year and the contribution necessary to fully fund the projected benefits. In each case, the assumed rate of premium increase in each year has been adjusted by plus or minus 1%. These projections have been performed assuming the Fund investments will earn 7.0% annually.

<b>Table I-5</b>			
<b>Summary of Results under Different Medical Trend Rates</b>			
<b>Results as of January 1, 2018 with a 7.00% Discount Rate</b>			
<b>Ultimate Trend Rate</b>	<b>-1% 3.50%</b>	<b>Baseline 4.50%</b>	<b>+1% 5.50%</b>
Present Value of Future Benefits	\$30,884,076	\$37,309,833	\$45,516,468
Current Assets	17,319,958	17,319,958	17,319,958
Present Value of Future Contributions (PVFC)	11,946,538	11,946,538	11,946,538
Total Assets (current assets plus PVFC)	29,266,496	29,266,496	29,266,496
Shortfall / (Surplus)	1,617,580	8,043,337	16,249,972
"Run Out" Year	2057	2045	2041
Contribution rate necessary to Fully Fund Present			
Value of Future Benefits for Current Members	\$0.45 / hour	\$0.67 / hour	\$0.94 / hour

In post-retirement benefit programs there is sometimes an additional cost which must be measured - referred to as the implicit subsidy - associated with members of healthcare plans in which the premium rates that are charged to a retired member (or his/her spouse) are determined based on the combined demographics of the active and retiree populations. The rates actually charged to the retirees (and their spouses) will be lower than the rates that would be charged if the retiree group were rated separately, due to the higher average age - and associated higher medical costs - of the retiree group as compared to the overall combined population.

However, the implicit subsidy associated with the premium rates being charged to the beneficiaries of the Fund are already being included in the GASB 45/75 valuations for VTA. Therefore, these subsidies are already being computed and recognized in another report, and are not reflected in this analysis.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**SECTION II – PROJECTIONS**

Table II-1 shows the projection of benefits based on a closed group projection (i.e. assuming no new future entrants to the Fund).

<b>Table II-1 Projection of Estimated Benefits</b>	
<b>Fiscal year Ending</b>	<b>SMF Payments</b>
2019	\$1,397,753
2020	1,313,434
2021	1,432,520
2022	1,536,107
2023	1,622,863
2024	1,722,072
2025	1,832,656
2026	1,985,437
2027	2,128,776
2028	2,277,105
2029	2,428,934
2030	2,568,365
2031	2,728,912
2032	2,879,757
2033	2,962,890
2034	3,075,611
2035	3,163,487
2036	3,249,911
2037	3,340,658
2038	3,440,048
2039	3,550,193
2040	3,669,251
2041	3,785,836
2042	3,871,622
2043	4,029,616
2044	4,213,772
2045	4,342,963
2046	4,449,558
2047	4,546,539
2048	4,571,950
2049	4,610,166
2050	4,602,331
2051	4,584,286
2052	4,595,791
2053	4,549,295
2054	4,405,566
2055	4,324,401
2056	4,258,215
2057	4,158,698
2058	4,084,940

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS AND METHODS**

**Member Data:**

The data for this valuation was provided by the VTA staff as of January 1, 2018. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Participant Data			
	June 30, 2016	January 1, 2018	% Change
<u>Active Employees</u>			
Count	1,536	1,579	2.80%
Average Age	46.9	46.01	-1.90%
Average Service	11.9	11.1	-6.89%
<u>Inactive Participants</u>			
Retirees with eligible spouse	251	295	17.53%
Average Age	69.8	69.7	-0.21%
Beneficiaries eligible for benefits	62	68	9.68%
Average Age	77.6	78.3	0.88%
Disabled Participants eligible for benefits	29	28	-3.45%
Average Age	73.8	73.3	-0.65%

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS AND METHODS**

**Member Data as of January 1, 2018:**

Age	ATU Eligible Active Employees							Total
	Service							
	Under 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 and Up	
Under 25	35	1	0	0	0	0	0	36
25 - 29	87	16	3	0	0	0	0	106
30 - 34	123	46	24	0	0	0	0	193
35 - 39	99	52	35	18	0	0	0	204
40 - 44	65	37	15	34	9	0	0	160
45 - 49	50	35	32	55	17	6	1	196
50 - 54	50	30	26	61	34	25	13	239
55 - 59	37	19	24	66	27	18	31	222
60 - 64	16	12	12	41	27	12	35	155
65 and Up	2	6	12	26	9	2	11	68
<b>Total</b>	<b>564</b>	<b>254</b>	<b>183</b>	<b>301</b>	<b>123</b>	<b>63</b>	<b>91</b>	<b>1,579</b>

Eligible Retirees			
Service and Disability Retirees			
Age	Male	Female	Total
Under 50	0	0	0
50 - 54	0	0	0
55 - 59	16	5	21
60 - 64	44	4	48
65 - 69	95	21	116
70 - 74	71	14	85
75 - 79	37	19	56
80 - 84	23	12	35
85 - 89	5	16	21
90 and Up	4	5	9
<b>Total</b>	<b>295</b>	<b>96</b>	<b>391</b>

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS AND METHODS**

<b>Medical Plan Election</b>		
<b>Medical Plan</b>	<b>Retirees &amp; Beneficiaries</b>	<b>Percent Electing Plan</b>
Anthem HMO Traditional Bay Area	1	0.3%
Blue Shield Access+ Plus Bay Area	1	0.3%
Blue Shield Access+ Other Northern California	1	0.3%
Kaiser Permanente Bay Area	207	52.9%
Kaiser Permanente Los Angeles Area	2	0.5%
Kaiser Permanente Other Northern California	16	4.1%
Kaiser Permanente Out of State	12	3.1%
Kaiser Permanente Sacramento Area	15	3.8%
Kaiser Permanente Other Southern California	17	4.3%
PERSCare Bay Area	4	1.0%
PERSCare Other Northern California	4	1.0%
PERSCare Out of State	14	3.6%
PERSCare Other Southern California	2	0.5%
PERS Choice Out of State	6	1.5%
PERS Choice Other Southern California	1	0.3%
PERS Select Other Northern California	3	0.8%
United Healthcare Bay Area	33	8.4%
United Healthcare Other Northern California	15	3.8%
United Healthcare Out of State	35	9.0%
United Healthcare Other Southern California	2	0.5%
<b>Total</b>	<b>391</b>	<b>100.00%</b>

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS, AND METHODS**

**Actuarial Assumptions:**

The demographic and most of the economic assumptions for the ATU members were adopted by the Retirement Board based on recommendations included in an Experience Study performed by Cheiron covering the period from January 1, 2012 through December 31, 2016.

**Economic Assumptions:**

1. **Expected Return on Trust Assets:** 7.00% per year
2. **Per Hour Contribution Growth Rate:** 0.00% per year
3. **Annual contribution:** Based on the most recent annual contribution (\$1,656,000 for the calendar year ending 12/31/2017) adjusted for expected changes in active headcount in future years.
4. **Medical Premium Cost Trends:**

Annual Increase	
To Year Beginning January 1	Medical Premiums
	<i>Actual</i>
2019	<i>Premiums Used</i>
2020	8.00%
2021	7.70%
2022	7.50%
2023	7.20%
2024	6.90%
2025	6.70%
2026	6.40%
2027	6.10%
2028	5.80%
2029	5.60%
2030	5.30%
2031	5.00%
2032	4.80%
2033	4.50%

In addition, we assume that the CalPERS Minimum Employer Contribution (MEC) increases at the rate of 3.75% per year.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS, AND METHODS**

**Demographic Assumptions:**

**1. Retirement Rates:**

Retirement rates among eligible ATU members are assumed to occur in accordance with the rates shown in the following table:

Age	Less Than 25 Years of Service	25 or More Years of Service
52	8.0%	16.0%
53	8.0%	16.0%
54	8.0%	16.0%
55	8.0%	16.0%
56	5.0%	16.0%
57	5.0%	16.0%
58	5.0%	16.0%
59	5.0%	16.0%
60	5.0%	16.0%
61	15.0%	16.0%
62	15.0%	27.0%
63	15.0%	27.0%
64	20.0%	27.0%
65	25.0%	27.0%
66	25.0%	27.0%
67	25.0%	38.0%
68	25.0%	38.0%
69	25.0%	38.0%
70+	100.0%	100.0%

Employees hired after January 1, 2016 are eligible to retire at age 52 with five years of service.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS, AND METHODS**

**2. Termination/Refund Rates:**

No terminations are assumed for participants who are eligible for retirement. Rates of termination from causes other than death, disability, and service retirement for ATU members are as follows:

Years of Service	Male Rate	Female Rate
0	8%	13%
1	5%	8%
2	4%	6%
3	3%	5%
4-7	3%	4%
8-19	2%	4%
20+	2%	2%

**3. Rate of Mortality:**

*Healthy Active and Retired Employees:*

Rates of mortality for active and retired Members and their spouses, beneficiaries, and survivors are given by the Retired Pensioners (RP) 2014 Adjusted to 2006 Healthy Employee and Annuitant Blue Collar mortality tables with generational improvements using Scale MP-2017.

*Disabled Employees:*

Rates of mortality for all disabled Members are given by the RP-2014 Adjusted to 2006 Disabled Annuitant mortality tables with generational improvements using Scale MP-2017.

**4. Disability Rates:**

Disability rates are as follows:

Male Rate	Female Rate
0.80%	2.25%

Disability rates are not applied until a member has at least 10 years of eligibility service.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS, AND METHODS**

- 5. Percent of Retirees Electing Coverage:** For active members, 8% are assumed to waive coverage at retirement and 92% retain coverage.
- 6. Plan Election:** Future retirees' plan elections are assumed to mirror current retiree plan elections. For those who currently waive coverage, 8% are assumed to waive coverage, and 92% are assumed to enroll in a plan at retirement. For those enrolling in a plan at retirement, a blended premium based on current retiree enrollment is used. A breakout of retiree elections, upon which the active blended premium is based, can be seen in the member data section above.
- 7. Family Composition:** 85% of members are assumed to be married at retirement and 30% of them are assumed to cover a spouse at retirement.
- 8. Dependent Age:** For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be three years younger than their partner.

**Changes since the last analysis:**

The assumptions outlined in this report that changed following the 2017 Experience Study are rates of retirement, termination, disability, and mortality. For a full review of these changes, see Cheiron's Actuarial Experience Study for January 1, 2012 through December 31, 2016 report dated October 2017.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX A – MEMBER DATA, ASSUMPTIONS, AND METHODS**

**Methodology:**

The claims costs are based on the fully insured premiums charged to the Authority for the retiree population in 2018. The net monthly premium for the most commonly selected plans for each qualified spouse and Clerical retiree is used to develop the expected cost of medical benefits. The net premium is a flat amount across gender (as shown in the next section).

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 or any related legislation and regulations.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX B – SUBSTANTIVE PLAN PROVISIONS**

**Summary of Key Substantive Plan Provisions:**

**Eligibility:**

To be eligible to receive a contribution towards healthcare premiums, an individual must be a spouse (or registered domestic partner) of a retired ATU member. The spouse (or registered domestic partner) must be married to the retiree for the continuous five-year period immediately preceding the date of retirement. Retired ATU Clerical members are also eligible to receive a payment from the Fund, but their spouses are not. Surviving spouses of active ATU members are also eligible for benefits, if the member met the “Rule of 70” requirements at the time of death.

In order for the member to qualify for a benefit, the member must have retired directly from the ATU; therefore, terminated vested members and members who have transferred within VTA to a position not covered by the ATU are not eligible for future retiree benefits.

In order for the spouse or retired Clerical member to qualify for a benefit, the ATU member must have retired directly from the ATU; therefore, spouses of terminated vested members are not eligible for spousal benefits. Spouses are not eligible if the member had a period of Transit Related Employment, unless the member returned to work in an ATU represented position and earned at least five years of Eligibility Service in an ATU position immediately prior to his/her retirement or death.

Spouses are not eligible to begin receiving benefits from the Fund until they reach age 55. In addition, a spouse cannot receive benefits from the Fund if he/she is eligible to be covered under another medical plan as a result of his/her status as an active employee or retiree. Non-qualified spouses may still be covered under the VTA’s medical plans, but they must pay the full amount of the nominal premium.

To receive medical benefits the spouse must be enrolled in one of the VTA’s medical benefit programs. Benefits will cease upon the death of the spouse or registered domestic partner (or Clerical retiree). The benefits of a surviving spouse will cease upon his/her remarriage. The benefits of a registered domestic partner will also cease upon the termination of partnership.

**Benefit:**

For eligible clerical workers and spouses of living retirees, the entire medical premium is paid from the Fund less a \$150 participant contribution. For eligible surviving spouses of ATU members, the employee contribution is \$150 plus the difference between the premium amount for the elected plan and the Non-Medicare Kaiser Bay Area premium (or the Non-Medicare Kaiser Out-of-State rate if the surviving spouse elects an out of state plan). Additionally, under PEMHCA, VTA is required to contribute the MEC amount toward surviving spouses. Therefore, the Fund’s contribution toward surviving spouse premiums is the entire medical premium less the employee contribution less the MEC. For the 2018 calendar year, the MEC is \$133 and it increases to \$136 in calendar year 2019.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX B – SUBSTANTIVE PLAN PROVISIONS**

**Contributions:**

ATU represented employees contribute \$0.40 per hour worked for each active ATU member.

**Net Premiums:**

The Fund pays partial medical premium costs for qualified members. The net monthly benefit amounts payable from the Fund (after deducting the flat \$150 member premium copay) for the most commonly selected plans for the calendar years 2018 and 2019 are as follows:

Medical Plan	2018		2019	
	Basic	Medicare	Basic	Medicare
Anthem HMO Traditional Bay Area	\$775.47	\$220.34	\$961.13	\$207.44
Blue Shield Access+ Plus Bay Area	739.02	220.34	820.90	207.44
Blue Shield Access+ Other Northern California	744.43	220.34	826.81	207.44
Kaiser Permanente Bay Area	629.86	166.34	618.25	173.74
Kaiser Permanente Los Angeles Area	492.70	166.34	468.64	173.74
Kaiser Permanente Other Northern California	645.43	166.34	633.13	173.74
Kaiser Permanente Out of State	807.05	166.34	814.68	173.74
Kaiser Permanente Sacramento Area	553.96	166.34	537.99	173.74
Kaiser Permanente Other Southern California	516.80	166.34	478.63	173.74
PERSCare Bay Area	732.45	232.30	981.68	244.83
PERSCare Other Northern California	716.93	232.30	935.83	244.83
PERSCare Out of State	568.98	232.30	663.47	244.83
PERSCare Other Southern California	583.50	232.30	757.29	244.83
PERS Choice Out of State	511.45	195.97	480.41	210.41
PERS Choice Other Southern California	548.96	195.97	571.11	210.41
PERS Select Other Northern California	541.78	195.97	361.34	210.41
United Healthcare Bay Area	1221.84	180.76	618.25	173.74
United Healthcare Other Northern California	1055.55	180.76	633.13	173.74
United Healthcare Out of State *	807.05	180.76	814.68	149.37
United Healthcare Other Southern California	466.66	180.76	496.65	149.37
Active Blended Premium	646.12	175.14	628.26	176.34

\* There is no pre-Medicare Out of State plan for United HealthCare. It is assumed that participants will elect the Kaiser Out of State plan until they reach Medicare eligibility.

**Fund Adequacy:**

Future contributions to the Fund are fixed. In the event that the Fund balance becomes inadequate to support the benefit level, benefits will be curtailed or terminated. Neither VTA nor the ATU has any liability to the Fund.

**Changes since the last Valuation:**

None



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX B – SUBSTANTIVE PLAN PROVISIONS**

**Summary of Plan Benefits**

<b>Pre-Medicare Benefits</b>				
Benefit Option Name:	Anthem Blue Cross HMO	Blue Shield Access+	Kaiser	UnitedHealthCare
Last Modified:	1/1/2018	1/1/2018	1/1/2018	1/1/2018
Provider Network:	Anthem Blue Cross	Blue Shield of CA	Kaiser	UnitedHealthCare
<b><u>In-Network (INN) Benefits</u></b>				
Deductible (Individual / Family)	\$0/\$0	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	0%	0%	0%	0%
Copays				
Office Visit - Primary Care (PCP)	\$15	\$15	\$15	\$15
OV - Specialist Care Provider (SCP)	\$15	\$15	\$15	\$15
Urgent Care (UC)	\$15	\$15	\$15	\$15
Emergency Room (ER) Non-admitted	\$50	\$50	\$50	\$50
Outpatient Surgery	\$0	\$0	\$15 per procedure	\$0
Hospital Inpatient	\$0	\$0	\$0	\$0
Out-of-Pocket Max (Individual / Family)	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000
<b><u>Out-of-Network (OON) Benefits</u></b>				
Deductible (Individual / Family)	No Coverage	No Coverage	No Coverage	No Coverage
Coinsurance	No Coverage	No Coverage	No Coverage	No Coverage
Out-of-Pocket Max (Individual / Family)	No Coverage	No Coverage	No Coverage	No Coverage
<b>Annual Maximum INN / OON</b>	Unlimited	Unlimited	Unlimited	Unlimited
<b><u>Prescription Drugs</u></b>				
Separate Deductible then the following Copays				
Retail (30 Days) - Generic/Formulary /Non-Form.	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20	\$5/\$20/\$50
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10/\$40/\$100	\$10/\$40/\$100	\$10/\$40	\$10/\$40/\$100
Out-of-Pocket Max (Individual)	\$1,000	\$1,000	\$5,850/\$11,700	\$1,000
<b><u>Selected Detail Benefits</u></b>				
Psychiatry	INN: \$15 Copay; OON: No Coverage			
Rehabilitation (i.e., speech, occup. physical):	INN: \$15 Copay; OON: No Coverage			
Chiropractors:	\$15 Copay	\$15 Copay	\$15 Copay	\$15 Copay
Durable Medical Equipment (DME):	\$0	\$0	\$0	\$0
Preventive Care:	INN: No Cost; OON: Not Covered			
<b><u>Medical Management</u></b>				
PCP referral to specialists required:	Yes	Yes; Members may self-refer	Yes	Yes
Inpatient:	Anthem Blue Cross HMO	Blue Shield of CA	Kaiser	UnitedHealthCare
Outpatient:	Anthem Blue Cross HMO	Blue Shield of CA	Kaiser	UnitedHealthCare
Case Management:	Anthem Blue Cross HMO	Blue Shield of CA	Kaiser	UnitedHealthCare
Disease Management:	Yes; select conditions	Yes; select conditions	Yes; select conditions	Yes; select conditions
Wellness	Yes	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes	Yes



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX B – SUBSTANTIVE PLAN PROVISIONS**

<b>Pre-Medicare Benefits</b>			
<b>Benefit Option Name :</b>	<b>PERS Care</b>	<b>PERS Choice</b>	<b>PERS Select</b>
<b>Last Modified:</b>	1/1/2018	1/1/2018	1/1/2018
<b>Provider Network:</b>	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
<b><u>In-Network (INN) Benefits</u></b>			
Deductible (Individual / Family)	\$500/\$1000	\$500/\$1000	\$500/\$1000
Coinsurance	10%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	\$20	\$20	\$20
OV - Specialist Care Provider (SCP)	\$20	\$20	\$20
Urgent Care (UC)	\$20	\$20	\$20
Emergency Room (ER) Non-admitted	\$50 then Ded. & Coins.	\$50 then Ded. & Coins.	\$50 then Ded. & Coins.
Outpatient Surgery	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max for Coins. (Individual / Family)	\$2,000/\$4,000	\$3000/\$6000	\$3000/\$6000
Out-of-Pocket Max - Total (Individual / Family)	\$5,350/\$10,700	\$5,350/\$10,700	\$5,350/\$10,700
<b><u>Out-of-Network (OON) Benefits</u></b>			
Deductible (Individual / Family)	\$500/\$1000	\$500/\$1000	\$500/\$1000
Coinsurance	40%	40%	40%
Out-of-Pocket Max (Individual / Family)	Unlimited	Unlimited	Unlimited
<b>Annual Maximum INN / OON</b>	Unlimited	Unlimited	Unlimited
<b><u>Prescription Drugs</u></b>			
Separate Deductible then the following Copays			
Retail (30 Days) - Generic/Formulary /Non-Form.	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20/\$50
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10/\$40/\$100	\$10/\$40/\$100	\$10/\$40/\$100
Out-of-Pocket Max (Individual)	\$1,000	\$1,000	\$1,000
<b><u>Selected Detail Benefits</u></b>			
Psychiatry	INN: \$20 Copay; OON: Ded. & Coins.	INN: \$20 Copay; OON: Ded. & Coins.	INN: \$20 Copay; OON: Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Chiropractors:	\$15 Copay	\$15 Copay	\$15 Copay
Durable Medical Equipment (DME):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.
<b><u>Medical Management</u></b>			
PCP referral to specialists required:	No	No	No
Inpatient:	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Outpatient:	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Case Management:	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Disease Management:	Yes; select conditions	Yes; select conditions	Yes; select conditions
Wellness	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX B – SUBSTANTIVE PLAN PROVISIONS**

<b>Medicare Eligible Benefits</b>					
<b>Benefit Option Name:</b>	<b>Kaiser</b>	<b>UnitedHealthcare</b>	<b>PERS Care</b>	<b>PERS Choice</b>	<b>PERS Select</b>
<b>Last Modified:</b>	1/1/2018	1/1/2018	1/1/2018	1/1/2018	1/1/2018
<b>Provider Network:</b>	Kaiser	UnitedHealthCare	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
<b><u>In-Network (INN) Benefits</u></b>					
Deductible (Individual / Family)	\$0/\$0	\$0/\$0	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	0%	0%	20%	20%	20%
Copays					
Office Visit - Primary Care (PCP)	\$10	\$10	No Cost	No Cost	No Cost
OV - Specialist Care Provider (SCP)	\$10	\$10	No Cost	No Cost	No Cost
Urgent Care (UC)	\$10	\$25	No Cost	No Cost	No Cost
Emergency Room (ER) Non-admitted	\$50	\$50	No Cost	No Cost	No Cost
Outpatient Surgery	\$10 per procedure	\$0	No Cost	No Cost	No Cost
Hospital Inpatient	\$0	\$0	No Cost	No Cost	No Cost
Out-of-Pocket Max (Individual / Family)	\$1500 per person	\$1500 per person	\$3000/N/A	N/A	N/A
<b><u>Out-of-Network (OON) Benefits</u></b>					
Deductible (Individual / Family)	No Coverage	\$0/\$0	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	No Coverage	0%	20%	20%	20%
Out-of-Pocket Max (Individual / Family)	No Coverage	\$1500 per person	Unlimited	Unlimited	Unlimited
<b>Annual Maximum INN / OON</b>	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
<b><u>Prescription Drugs</u></b>					
Separate Deductible then the following Copays					
Retail (30 Days) - Generic/Formulary /Non-Form.	\$5/\$20	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20/\$50
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10/\$40	\$10/\$40/\$100	\$10/\$40/\$100	\$10/\$40/\$100	\$10/\$40/\$100
Out-of-Pocket Max (Individual)	Unlimited	\$1,000	\$1,000	\$1,000	\$1,000
<b><u>Selected Detail Benefits</u></b>					
Psychiatry	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: \$10 Copay	No Cost	No Cost	No Cost
Rehabilitation (i.e., speech, occup. physical):	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: \$10 Copay	No Cost	No Cost	No Cost
Chiropractors:	\$10 Copay	\$10 Copay	No Cost	No Cost	No Cost
Hearing Aids:	ear every 3 years	ear every 3 years	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Durable Medical Equipment (DME):	\$0	\$0	No Cost	No Cost	No Cost
Preventive Care:	INN: No Cost; OON: Not Covered	INN: No Cost; OON: \$0 Copay	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.
<b><u>Medical Management</u></b>					
PCP referral to specialists required:	Yes	No	No	No	No
Inpatient:	Kaiser	UnitedHealthCare	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Outpatient:	Kaiser	UnitedHealthCare	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Case Management:	Kaiser	UnitedHealthCare	Anthem Blue Cross	Anthem Blue Cross	Anthem Blue Cross
Disease Management:	Yes; select conditions	Yes; select conditions	Yes; select conditions	Yes; select conditions	Yes; select conditions
Wellness	Yes	Yes	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes	Yes	Yes
<b><u>Medicare Integration:</u></b>					
Non- Medicare Benefits Covered:	Yes, same as NME	Yes, same as NME	Yes, same as NME	Yes, same as NME	Yes, same as NME
Non- Medicare Providers Covered:	Only if in-network	Only if in-network	No	No	No
Pharmacy Covered:	Only if in-network	Only if in-network	Only if in-network	Only if in-network	Only if in-network



**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
 AMALGAMATED TRANSIT UNION, LOCAL 265 SPOUSAL MEDICAL FUND  
 ACTUARIAL ANALYSIS AS OF JANUARY 1, 2018**

**APPENDIX C – GLOSSARY OF TERMS**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and, other relevant items.

**2. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{ccccccc}
 \text{Amount} & & \text{Probability} & & \frac{1}{(1+\text{Discount Rate})} & & \\
 & & \text{of Payment} & & & & \\
 \\
 \$100 & \times & (1 - .01) & \times & 1/(1+.1) & = & \$90
 \end{array}$$

**3. Mortality Table**

A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

**4. Discount Rate**

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

**5. Medical Trend**

The assumed increase in dollar related values in the future due to the increase in the cost of health care.



*Classic Values, Innovative Advice*