

Attachment 2

SCE 2020 Postretirement Health and Life Benefits Report



SOUTHERN CALIFORNIA EDISON COMPANY

POSTRETIREMENT HEALTH AND LIFE BENEFITS

ACTUARIAL ACCOUNTING REPORT

PLAN YEAR: 2020

DATE OF REPORT: OCTOBER 12, 2020



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SECTION I
EXECUTIVE SUMMARY

**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2020 PLAN YEAR**

This report provides accounting results for 2020 with respect to Southern California Edison's (Edison's) postretirement welfare benefits, as measured under Accounting Standards Codification (ASC) 715-60 (referred to throughout the report as the Statement of Financial Accounting Standards No. 106: Employers Accounting for Postretirement Benefits Other than Pensions (FAS106)). The liabilities and components of the Net Periodic Postretirement Benefit Cost (NPPBC) for 2020 are as follows (in thousands):

Liabilities as of 1/1/2020

Expected Postretirement Benefit Obligation (EPBO)	\$2,331,055
Accumulated Postretirement Benefit Obligation (APBO)	1,923,595

Net Periodic Postretirement Benefit Cost (NPPBC)

A) Service Cost – End of Year	\$ 37,382
B) Interest Cost	62,521
C) Expected Return on Plan Assets	118,968
D) Net Amortization Amounts	<u>(30,162)</u>
E) NPPBC [A) + B) – C) + D)]	(\$ 49,227)

Actuarial computations under FAS 106 are for purposes of fulfilling certain employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of FAS 106. Determinations for purposes other than meeting the financial accounting requirements of FAS 106 may differ significantly from the results reported herein.

In preparing this actuarial valuation, Aon has relied on information provided to us concerning plan participants, plan assets and plan provisions. Aon considers this information provided to be reasonable. However, we have not audited or independently verified this information.

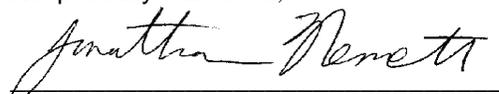
The actuarial assumptions, and accounting methods and policies are the responsibility of the plan sponsor. Aon believes the actuarial assumptions used in the calculations are individually reasonable and reasonable in the aggregate. It should be noted, however, that Actuarial Standards of Practice defines an actuary's best estimate assumption as one that falls within a "range" of potential assumptions. Thus, a different set of actuarial assumptions drawn from the best estimate range could result in reasonable valuation results different from those presented herein.

Aon's relationship with the plan and plan sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

This report was prepared by the actuaries whose signatures appear below and, unless otherwise indicated, reflects known information as of the signature date. They certify that, to the best of their knowledge, the methods and assumptions used in the determination of Edison's 2020 liabilities and annual cost for postretirement benefits other than pensions are reasonable and conform to Actuarial Standard of Practice No. 6: Measuring Retiree Group Benefit Obligations, and ASOP No. 41: Actuarial Communications.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein

Respectfully submitted,


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Senior Vice President


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Vice President

October 12, 2020

SECTION II
ACCOUNTING RESULTS



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**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2020 PLAN YEAR**

A. Introduction

Statement of Financial Accounting Standards No. 106 (FAS 106) requires accounting for postretirement benefits other than pensions (PBOP) on an accrual basis. Southern California Edison (Edison) requested that Aon determine its 2020 PBOP liabilities and expense. Pursuant to this request, an actuarial valuation of PBOP liabilities was performed as of January 1, 2020, reflecting the plan provisions in effect at that date.

B. Key FAS 106 Components

A description of some of the key components of FAS 106 follows:

1. Expected Postretirement Benefit Obligation (EPBO)

The EPBO is equal to the actuarial present value of future benefit payments. It is estimated by projecting all future liabilities of current active employees who will retire in the future and retired employees at a given level of trend selected in accordance with FAS 106. These liabilities are then discounted based on the discount rate assumption. Exhibit 1 shows the EPBO as of the January 1, 2020 valuation date.

2. Accumulated Postretirement Benefit Obligation (APBO)

The APBO is equal to the actuarial present value of future benefit payments that are considered accrued to date. For retired employees and active employees who are eligible to retire, the APBO equals their EPBO. Exhibit 1 shows the APBO as of the January 1, 2020 valuation date.

3. Net Periodic Postretirement Benefit Cost

The total FAS 106 net periodic postretirement benefit cost accrued during any year is comprised of the following components:

Service Cost: The cost of benefit accruals attributed to the current year, developed on the same basis as the APBO. Service cost will generally be the expected postretirement benefit obligation divided by the expected credited service at eligibility for full benefits. There is no service cost where a participant is currently eligible for full benefits or is currently receiving benefits. Service cost includes interest to the end of the year. Exhibit 1 shows the service cost as of the January 1, 2020 valuation date (without interest to the end of the year).

Interest Cost: Interest on the liability for benefits attributed to past service (i.e. the APBO), adjusted for benefit payments.

Expected Return on Plan Assets: For a funded plan, the expected return on plan assets is based on market related value at the beginning of the year, adjusted for contributions and benefit payments.

Net Amortization Amounts:

Transition (Asset)/Obligation: The (excess asset) or unfunded liability for benefits attributed to credited service prior to the transition date - - amortized over 20 years. (The transition (asset)/obligation equaled the APBO less assets and accrued/(prepaid) postretirement benefit cost at the transition date.) It has now been extinguished due to plan amendments that reduced benefit liabilities.

Prior Service Cost: The increase/decrease in liability due to amendments after the transition date - - amortized over expected future employee service to full eligibility date. (Decreases in liability due to amendments generally first reduce any existing unrecognized positive prior service cost and then any remaining unrecognized transition obligation.)

Gain/Loss: Changes in unfunded APBO due to plan experience and changes in assumptions - - amortized to the extent that the accumulated unrecognized gain/loss exceeds a corridor. (The corridor is set by the sponsor but cannot exceed 10% of the greater of the APBO, or the market related value of assets.) The excess is amortized over expected future employee service.

The net periodic postretirement benefit cost equals the annual service cost plus the interest cost plus the net amortization amounts minus the expected return on plan assets. Exhibit 3 develops Southern California Edison's 2020 net periodic postretirement benefit cost.

C. Assumptions As To Future Experience

To determine the actuarial present value of the liabilities for postretirement benefits, estimates must be made of the benefits that will be paid in future years on behalf of (1) existing retirees and, (2) after retirement, on behalf of all currently active employees. In addition, it is necessary to estimate the premiums that retirees will be required to contribute in order to receive the projected level of coverage. These benefits and contributions are then discounted to the valuation date using actuarial assumptions selected in accordance with FAS 106. These assumptions are summarized in Section V.

For these calculations, experience is analyzed, and actuarial assumptions are developed. Assumptions include: mortality rates for active and retired employees, withdrawal rates,

disability retirement rates, retirement rates, the long-term average rate of earnings on Trust fund assets, the percentage of retirees with spouses at retirement, current health benefit costs, and the trend in future health benefit costs. The major actuarial assumptions underlying the PBOP liabilities and expense are as follows:

1. Mortality, Termination, Disability and Retirement Rates, and Dependent Assumptions

The mortality, termination, disability and retirement rates used in the postretirement health and life insurance benefit valuations are consistent with those used for the 2020 FAS 87 valuation of the Southern California Edison Company Retirement Plan (“Retirement Plan”). These assumptions are shown in Section V.

The mortality assumption (formerly the Society of Actuaries RP Mortality Tables for blue collar (union) and white collar (non-union) employees/retirees with full generational projection) has been updated since the January 1, 2019 actuarial valuation to fully implement the new mortality tables and projection scales issued by the Society of Actuaries in October, 2019.

2. Discount Rate and Expected Investment Returns

The discount rate assumption for FAS 106 purposes is 3.32%. (The discount rate as of January 1, 2019 was 4.35%.) The assumptions for the expected return on assets, which have been updated since the prior year, are 4.50% for the (taxable) 1992 and 1999 VEBAs, 4.00% for the Represented VEBA, and 6.50% for all other non-taxable assets, resulting in an average return of approximately 4.90%.

3. Health Care Cost Gross Trend Rates

Trend rates reflect expected increases in per capita health benefit claims costs from factors such as health care cost inflation, increasing utilization, cost shifting by healthcare providers, governmental agencies, and technological and pharmacological advances. Assumed trend rates (i.e., gross rates) for the 2020 actuarial valuation are unchanged from the 2019 FAS106 valuation. These assumptions are shown in Section V.

Health care cost trend rates do not take into account anticipated changes in the future demographic composition of the employees, retirees or their eligible dependents. That variable is provided for by the age adjustment factors applied to Edison's composite claims costs. The trend rates also do not reflect any future changes in plan provisions or legislation.

These assumptions in combination reflect the actuary's best judgment of future events.

D. 2020 Claims Costs

All claims costs shown in this report are Edison's cost of coverage. For both PrimeCare and Flex the medical claims costs were developed by averaging the projected historical self-insured 2019 and prior claim experience with the 2020 fully insured premium rates. Prescription drug claims costs for 2020 under the self-insured, customized Medicare Part D

prescription drug plan (referred to throughout this report as an Employer Group Waiver Plan or “EGWP”) reflect a new vendor contract which, in general, reduces drug prices. These EGWP claims costs are based on vendor provided estimates.

Primecare and Flex per capita claims costs shown in this report are net of retiree contributions. Relativity factors were applied to the medical claims costs to develop claims costs by quinquennial age group. In addition, for Flex retirees, claim costs were further adjusted for estimated cost differences between Management and Represented retirees.

Excise taxes on high cost health benefit options (the so-called “Cadillac Tax”) have now been repealed. Even before repeal, for reasons discussed in prior year Aon reports, no loading of future benefit costs was considered necessary to reflect the expected impact of these excise taxes on future Edison benefit costs.

Dental and vision claim costs were estimated based on the 2020 price tags utilized by Southern California Edison for benefit pricing purposes.

E. Market Related Value of Assets

The market related value of assets is determined at market value. Asset data as of January 1, 2020 was supplied by Edison. Exhibit 6 shows a reconciliation of January 1, 2020 asset data with prior year’s assets. The assets shown are net of estimated claims reimbursements payable to Edison, but do not take into account payments receivable under the EGWP program, or amounts payable from the plan for incurred but unpaid claims, both of which are reflected in plan liabilities.

F. Plan Provisions

Postretirement health and life benefit plan provisions (including any substantive commitments), which are reflected in the January 1, 2020 actuarial valuation, are described in Section III. As required by FAS106, this valuation assumes that those plans provisions will continue in effect. However, this assumption does not imply any obligation by Edison to continue the plans.

There were no plan amendments since the January 1, 2019 actuarial valuation.

Employees hired after December 31, 2017 are not eligible for the postretirement health benefits that were applicable to retirees and employees as of that date. These more recently hired employees instead receive notional Healthcare Reimbursement Account (HRA) credits of \$200 per month while in post-December 31, 2017 service. (As summarized in Section V, additional actuarial valuation assumptions are necessary to reflect these benefits. These assumptions are unchanged from the prior year)

G. Demographic Data

PBOP liabilities and expense as of the January 1, 2020 valuation date reflect active and retiree census data from February, 2020 which was judged appropriate for actuarial valuation

purposes. A summary of the census data is shown in Section IV. This data was found to be reasonable and consistent with other data available to the actuary.

The data for active excludes any new hires in 2020. The data for retirees excludes retirement plan participants with deferred vested benefits since they are not eligible for postretirement health and life insurance benefits. The census data includes Management and Represented participants.

H. Non-Regulated Enterprises

The valuation excludes employees and retirees of all non-regulated enterprises. (The valuation includes all SONGS employees and retirees.)

I. Projected Annual Postretirement Incurred Costs

A ten-year projection of annual postretirement health and life incurred costs is shown in Exhibit 2. These amounts are net of retiree contributions.

Exhibit 1

**Expected, Accumulated Postretirement Benefit Obligation
And Service Cost At January 1, 2020
(in \$ thousands)**

	<u>Represented Employees</u>	<u>Management Employees*</u>	<u>Life Insurance</u>	<u>Total</u>
A. EPBO	\$ 769,666	\$1,526,488	\$ 34,901	\$2,331,055
B. APBO				
1. Retirees	395,375	832,297	34,901	1,262,573
2. Actives				
a. Fully Eligible	64,700	115,650	0	180,350
b. Other	<u>157,739</u>	<u>322,933</u>	<u>0</u>	<u>480,672</u>
c. Total Actives	\$ 222,439	\$ 438,583	\$ 0	\$ 661,022
3. Total APBO	\$ 617,814	\$1,270,880	\$ 34,901	\$1,923,595
C. Service Cost**	\$ 11,091	\$ 25,090	\$ 0	\$ 36,181

* Includes "Pay-as you-go" management retirees

**Includes Service Cost for SONGS employees of \$0.57 million.

Exhibit 2

10 Year Projected Postretirement Incurred Costs*
(in \$ thousands)

<u>Year</u>	<u>Represented Employees</u>	<u>Management Employees**</u>	<u>Life Insurance</u>	<u>Total</u>
2020	\$ 27,439	\$ 52,222	\$ 1,824	\$ 81,485
2021	28,076	54,126	1,834	84,036
2022	28,797	55,849	1,843	86,489
2023	29,255	57,630	1,853	88,738
2024	29,765	59,669	1,863	91,297
2025	30,162	61,201	1,875	93,238
2026	30,377	62,494	1,889	94,760
2027	30,573	63,740	1,903	96,216
2028	30,846	65,035	1,916	97,797
2029	30,999	66,381	1,929	99,309

* Net of retiree contributions

** Includes "Pay-as you-go" management retirees

Exhibit 3

Determination of 2020 Net Periodic Postretirement Benefit Cost (FAS 106)
(in \$ thousands)

	<u>Represented</u> <u>Employees</u>	<u>Management</u> <u>Employees</u>	<u>Life</u> <u>Insurance</u>	<u>Total</u>
A. Service Cost (EOY)**	\$ 11,459	\$ 25,923	\$ 0	\$ 37,382
B. Interest Cost at 3.32% on:				
1. APBO	\$ 20,511	\$ 42,193	\$ 1,159	\$ 63,863
2. Expected Benefit Payments	<u>452</u>	<u>860</u>	<u>30</u>	<u>1,342</u>
3. Total = (1) - (2)	\$ 20,059	\$ 41,333	\$ 1,129	\$ 62,521
C. Expected Return on Assets: *				
1. Market Value of Assets	\$ 54,260	\$ 65,471	\$ 923	\$120,654
2. Expected Benefit Payments	543	1,085	58	1,686
3. Expected Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4. Total = (1) - (2) + (3)	\$ 53,717	\$ 64,386	\$ 865	\$118,968
D. Amortization Amounts:				
1. Transition (Asset)/Obligation	\$ 0	\$ 0	\$ 0	\$ 0
2. Prior Service Cost	(1,252)	914	(893)	(1,231)
3. Net (Gain)/Loss	<u>(9,292)</u>	<u>(19,114)</u>	<u>(525)</u>	<u>(28,931)</u>
4. Total = (1) + (2) + (3)	(\$ 10,544)	(\$ 18,200)	(\$ 1,418)	(\$ 30,162)
E. Net Periodic Postretirement Benefit Cost				
= (A) + (B3) - (C4) + (D4)	(\$ 32,743)	(\$ 15,330)	(\$ 1,154)	(\$ 49,227)

* Expected rates of return are 4.5% for the (taxable) 1992 and 1999 VEBAs and 4.0% for the Represented VEBA, and 6.50% for all other non-taxable assets

**Includes Service Cost for SONGS employees of \$0.57 million.



Exhibit 4

Development of (Accrued)/Prepaid Benefit Cost (FAS 106)
(in \$ thousands)

	<u>Represented Employees</u>	<u>Management Employees</u>	<u>Life Insurance</u>	<u>Total</u>
A. Funded Status at 1/1/2020				
1. APBO	\$ 617,814	\$1,270,880	\$ 34,901	\$1,923,595
2. Market Value of Assets	<u>1,356,512</u>	<u>1,092,043</u>	<u>14,197</u>	<u>2,462,752</u>
3. Funded Status = (2) - (1)	\$ 738,698	(\$ 178,837)	(\$ 20,704)	\$ 539,157
4. Unrecognized Transition (Asset)/Obligation	0	0	0	0
5. Unrecognized Prior Service Cost	(3,771)	1,805	(6,902)	(8,868)
6. Unrecognized Net (Gain)/Loss	<u>(311,591)</u>	<u>(305,285)</u>	<u>13,298</u>	<u>(603,578)</u>
7. (Accrued)/Prepaid Benefit Cost = (3) + (4) + (5) + (6)	\$ 423,336	(\$ 482,317)	(\$ 14,308)	(\$ 73,289)
B. Reconciliation of Funded Status				
1. (Accrued)/Prepaid Benefit Cost at 1/1/2019	\$ 393,838	(\$ 485,413)	(\$ 14,964)	(\$ 106,539)
2. NPPBC for 2019	(29,498)	6,644	(656)	(23,510)
3. Special termination benefits charges	0	120	0	120
4. 2019 Contributions	0	10,249	0	10,249
5. Adjustment	<u>0</u>	<u>(389)</u>	<u>0</u>	<u>(389)</u>
6. (Accrued)/Prepaid Benefit Cost at 12/31/2019 = (1)-(2)-(3)+(4)+(5)	\$ 423,336	(\$ 482,317)	(\$ 14,308)	(\$ 73,289)

Exhibit 5

Development of Unrecognized Net (Gains)/Losses (FAS 106)
(in \$ thousands)

	<u>Represented</u> <u>Employees</u>	<u>Management</u> <u>Employees</u>	<u>Life</u> <u>Insurance</u>	<u>Total</u>
A. APBO (Gain)/Loss For 2019				
1. APBO at 1/1/2019	\$ 580,854	\$ 1,191,125	\$ 31,168	\$ 1,803,147
2. Service Cost at EOY	8,695	20,848	0	29,543
3. Expected 2019 Benefit Payments	28,816	53,930	1,785	84,531
4. Interest Cost	24,647	50,654	1,318	76,619
5. Plan Amendment	0	0	0	0
6. Special Termination Benefit Charge	0	120	0	120
7. Adjustment	0	389	0	389
8. Expected APBO at 12/31/2019 = (1)+(2)-(3)+(4)+(5)+(6)+(7)	\$ 585,380	\$ 1,209,206	\$ 30,701	\$ 1,825,287
9. Actual APBO at 1/1/2020	<u>617,814</u>	<u>1,270,880</u>	<u>34,901</u>	<u>1,923,595</u>
10. 2019 (Gain)/Loss = (9) - (8)	\$ 32,434	\$ 61,674	\$ 4,200	\$ 98,308
B. Asset (Gain)/Loss For 2019				
1. MV of Assets at 1/1/2019	\$ 1,195,042	\$ 921,695	\$ 12,965	\$ 2,129,702
2. 2019 Contribution*	0	10,249	0	10,249
3. Expected 2019 Benefit Payments	28,816	53,930	1,785	84,531
4. Expected Return on Assets	<u>56,088</u>	<u>54,492</u>	<u>786</u>	<u>111,366</u>
5. Expected MV of Assets at 12/31/2019 = (1) + (2) - (3) + (4)	\$ 1,222,314	\$ 932,506	\$ 11,966	\$ 2,166,786
6. MV of Assets at 12/31/2019	<u>1,356,512</u>	<u>1,092,043</u>	<u>14,197</u>	<u>2,462,752</u>
7. 2019 Asset (Gain)/Loss = (5) - (6)	(\$ 134,198)	(\$ 159,537)	(\$ 2,231)	(\$ 295,966)
C. Unrecognized Net (Gain)/Loss and Amortization				
1. Net (Gain)/Loss at 1/1/2019	(\$ 215,327)	(\$ 218,702)	\$ 11,034	(\$ 422,995)
2. 2019 APBO (Gain)/Loss	32,434	61,674	4,200	98,308
3. 2019 Asset (Gain)/Loss	<u>(134,198)</u>	<u>(159,537)</u>	<u>(2,231)</u>	<u>(295,966)</u>
4. Total (Gain)/Loss = (2) + (3)	(\$ 101,764)	(\$ 97,863)	\$ 1,969	(\$ 197,658)
5. Net (Gain)/Loss Amortized in 2019	(5,500)	(11,280)	(295)	(17,075)
6. Net (Gain)/Loss at 12/31/2019	(311,591)	(305,285)	13,298	(603,578)
7. Max[APBO, Asset]	N/A	N/A	N/A	2,462,752
8. Corridor = 10% of (7)	N/A	N/A	N/A	246,275
9. Amortizable Net (Gain)/Loss **	(114,757)	(236,063)	(6,483)	(357,303)
10. Amortization Period	12.35	12.35	12.35	12.35
11. Amortization Amount	(\$ 9,292)	(\$ 19,114)	(\$ 525)	(\$ 28,931)

* Includes claims for "Pay-as-you-go" management retirees.

** Allocated based on APBO.

Development of Market Value of Assets as of December 31, 2019
(in \$ thousands)

	Represented	Management			Life	Total
	<u>VEBA</u>	<u>401(h)</u>	<u>VEBA</u>	<u>Total</u>	<u>VEBA</u>	
Assets at 12/31/2018	\$1,195,042	\$ 675,982	\$ 245,713	\$ 921,695	\$ 12,965	\$2,129,702
Net Change	161,470	140,491	29,857	170,348	1,232	333,050
Assets at 12/31/2019	\$1,356,512	\$ 816,473	\$ 275,570	\$1,092,043	\$ 14,197	\$2,462,752

Development of Prior Service Cost at January 1, 2020
(in \$ thousands)

	<u>Represented Employees</u>	<u>Management Employees</u>	<u>Life Insurance</u>	<u>Total</u>
<u>Prior Service Cost #1</u>				
Unrecognized Amount	\$ 0	\$ 0	\$ 0	\$ 0
Amortization Amount	\$ 0	\$ 0	\$ 0	\$ 0
<u>Prior Service Cost #2</u>				
Unrecognized Amount	\$ 0	\$ 0	\$ 0	\$ 0
Amortization Amount	\$ 0	\$ 0	\$ 0	\$ 0
<u>Prior Service Cost #3</u>				
Unrecognized Amount	\$ 0	\$ 0	\$ 0	\$ 0
Amortization Amount	\$ 0	\$ 0	\$ 0	\$ 0
<u>Prior Service Cost #4</u>				
Unrecognized Amount	(\$ 4,019)	(\$ 225)	\$ 0	(\$ 4,244)
Amortization Amount	(\$ 1,375)	(\$ 78)	\$ 0	(\$ 1,453)
<u>Prior Service Cost #5</u>				
Unrecognized Amount	\$ 248	\$ 2,030	\$ 0	\$ 2,278
Amortization Amount	\$ 123	\$ 992	\$ 0	\$ 1,115
<u>Prior Service Cost #6</u>				
Unrecognized Amount	\$ 0	\$ 0	(\$ 1,916)	(\$ 1,916)
Amortization Amount	\$ 0	\$ 0	(\$ 275)	(\$ 275)
<u>Prior Service Cost #7</u>				
Unrecognized Amount	\$ 0	\$ 0	(\$ 4,986)	(\$ 4,986)
Amortization Amount	\$ 0	\$ 0	(\$ 618)	(\$ 618)
<u>Total Prior Service Cost</u>				
Unrecognized Amount	(\$ 3,771)	\$ 1,805	(\$ 6,902)	(\$ 8,868)
Amortization Amount	(\$ 1,252)	\$ 914	(\$ 893)	(\$ 1,231)

SECTION III
PLAN PROVISIONS

**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2020 PLAN YEAR**

A. Eligibility

- Retired employees who were hired before 8/1/83 and attained at least age 55 in service, and their eligible dependents.
- Retired employees who were hired on or after 8/1/83, attained at least age 55 in service, and had completed at least 10 years of service at retirement, and their eligible dependents.
- Eligible retirees and survivors may participate in any available health care plan in their geographic area.
- Employees who retire under special early retirement windows or through severance programs may have retiree health care eligibility with different provisions.
- In addition, survivors of certain retired and active employees are eligible for health benefits:
 - Surviving spouses or eligible domestic partners of eligible retirees, and their eligible dependents.
 - Surviving spouses or eligible domestic partners of active employees who were at least age 55 or had at least 25 years of service when they died, and their eligible dependents.
- Eligibility for postretirement life insurance benefits is limited to former Represented employees who retired before January 1, 2016 and former Management employees who retired before January 1, 2017.

B. Benefits

1. Medical

Edison retirees prior to 1991 are referred to as PrimeCare retirees. Retirees in 1991 and beyond are referred to as Flex retirees.

All medical plans cover physician services, physical examinations, blood products and tests, prescription drugs, diabetic counseling, medical equipment, home health care, hospital room & board, special care units, services and supplies, hospice services, immunizations, maternity services, occupational therapy, radiation therapy, reconstructive surgery, speech therapy, sterilization, X-rays and laboratory tests, acupuncture, chiropractic and treatment for mental illness and substance abuse. Specific limitations and restrictions may apply to certain types of services or treatments.

PrimeCare Retirees:

For participants who retired before January 1, 1991, Edison provides the option of enrolling in point-of-service (POS) managed care networks and HMOs (where available). A summary of the key cost-sharing provisions associated with the POS Plans is as follows:

	<u>With POS Providers</u>	<u>Without POS Providers</u>	<u>Out of Area</u>
Coinsurance	100%	80%	90%
Calendar Year Deductible	\$0	\$0	\$0
Annual Out-Of-Pocket Limit			
Per Person	\$1,500	\$1,500	\$1,500
Lifetime Maximum	Unlimited	Unlimited	Unlimited

Flex Retirees:

For participants who were hired before January 1, 2018 and retired after December 31, 1990, in 2020, Edison provides the option of enrolling in Preferred Provider Organization (PPO) managed care networks, an Exclusive Provider Organizations (EPO – for out of state residents) and HMOs (where available). A summary of the key cost-sharing provisions associated with the Pre-Medicare Plans follows:

	<u>90/70 PPO</u>	<u>80/60 PPO</u>	<u>70/50 PPO</u>	<u>HMO/EPO</u>
Coinsurance*	10%/30%	20%/40%	30%/50%	NA
Calendar Year Deductible				
Per Person	\$525	\$1,100	\$2,725	None
Per Family	\$1,050	\$2,200	\$5,450	None
Annual Out-of-Pocket Limit				
Per Person	\$6,540	\$6,540	\$6,540	\$3,355
Per Family	\$13,080	\$13,080	\$13,080	\$6,710
Lifetime Maximum	None	None	None	None

*In Network/Out of Network (of R&C). In network office visit copays = \$40 PPO / \$30 HMO.

Coverage options for retirees who are eligible for Medicare benefits include a 90%/70%, 80%/60%, and 70%/50% PPOs, UHC Senior Supplement and Senior Supplement 3500 options, and Kaiser, UHC, and HealthNet Medicare Advantage HMOs (if available in the retirees geographic area), all of which may serve as the lowest cost option.

The UHC Senior Supplement (Plan K) covers 50% of charges up to the Medicare Part A deductible amount, but 0% of charges up to the Medicare Part B deductible. Once the Part B deductible is reached, the plan pays 90% of all additional Medicare approved charges not covered by Medicare. Under the Senior Supplement 3500 option, after the deductible of \$3,500 is met, the plan pays 100% of all Medicare Allowable charges.

Under all options, except the Kaiser Medicare Advantage HMO, prescription drug benefits are provided separately, subject to 10%/20% coinsurance payments for generic/brand name prescription drugs and pharmacy stop loss amounts of \$1,610/\$3,220 for single/family coverage. Deductibles, copayments, and out-of-pocket limits are indexed.

HRA Retirees:

Employees hired (or rehired) after December 31, 2017 receive Healthcare Reimbursement Account (HRA) credits of \$200 for each month of post-2017 service. Interest is not credited on the accounts, which may be used for reimbursement of subscriber and dependent healthcare spending after retirement.

2. Dental Benefits

There are two options: Delta Dental, an indemnity plan
Cigna, an HMO

Both plans cover oral examinations, X-rays, preventive services, basic services, prosthodontic services and orthodontic services, at differing percentages.

3. Vision Benefits

Services are provided through the Vision Service Plan (VSP). There is a deductible of \$20 per calendar year. The plan covers eye examinations, frames, and standard and contact lenses on a payment schedule.

4. Term Life Insurance Benefits

All Edison employees who retired on or after October 1, 1978, but before January 1, 2016 for Represented employees and before January 1, 2017 for Management employees, receive the following postretirement group term life insurance amounts:

<u>Retirement Category</u>	<u>Benefit</u>
For those who retired on or after 10/01/78, but before 08/01/83 (On or after 10/01/79 for IBEW employees)	\$ 2,500
For those who retired on or after 08/01/83 (Including IBEW employees)	\$ 5,000

Edison employees who retired on or after October 1, 1978, who were enrolled for paid-up insurance before October 1, 1978 (before October 1, 1979 for IBEW employees) and who were age 50 or older within the six months before or after May 1, 1978 (May 1, 1979 for IBEW employees) also receive additional life insurance benefits, which are partially paid by Edison.

The portion of the postretirement life coverage paid for by Edison is 25% of the face amount of preretirement coverage less the amount of paid-up insurance purchased by the employee while working.

5. Medicare Part B Premium Reimbursement

For those who retired before January 1, 1989, Edison reimburses the retiree for his or her own Medicare Part B premiums, including future increases in those premiums.

For those who retired on or after January 1, 1989 and before January 1, 1993, Edison provides a reimbursement to the retiree for his or her own Medicare Part B premiums at the 1992 premium level. The retiree pays any increases in the Medicare Part B premium above the 1992 level.

For those who retire on or after January 1, 1993, reimbursement for Medicare Part B premiums is not available.

6. Retiree Contributions

Employees retiring before 1991 pay nothing for all postretirement health benefit coverage. These are referred to as PrimeCare retirees. Employees retiring after 1990 are referred to as Flex retirees. Employees retiring in 1991 and 1992 are required to contribute for Dental, but not for Medical coverage. Employees retiring after 1992 must contribute for all health coverage. Contribution amounts vary depending on date of retirement, age and service, plan option selected, eligibility for Medicare, coverage tier (single, family, etc.), and geographic area.

Employees who retired between 1993 and 2008, as well as employees as of December 31, 2008 who were retirement eligible, or who had completed at least 25 years of service as of that date, are referred to in this report as Grandfathered Flex retirees. Post-2008 retirees who did not meet these criteria are referred to as Non-Grandfathered Flex retirees.

Grandfathered Flex retirees who select the lowest cost healthcare option available in their geographic area generally pay 15% of the cost (i.e., the “price tag”) of that option for their own medical coverage and 20% of that cost for dependents’ medical coverage. Retirees selecting higher cost options pay additional amounts equal to the difference between the cost of the option they select and the cost of the lowest cost option available to them in their geographic region.

All employees retiring after 1992 pay 50% of the cost of dental and vision benefits.

Retiree contributions for pre-65 medical coverage are determined on the basis of the aggregate experience of all active employees and Flex retirees who are not eligible for Medicare. Retiree contributions for post-65 medical coverage are determined on the basis of per capita claims costs reflecting the implementation of the EGWP.

Relative value pricing methodology is used, as appropriate, to help mitigate the effects of cost differences between the retiree populations selecting various options, and to help ensure claims data credibility. Relative values may be subject to change.

Required contributions for Non-Grandfathered Flex retirees are similar to required contributions for Grandfathered Flex Retirees, but with the following differences. Edison medical benefit contributions for Non-Grandfathered Flex retirees are capped at 2008 levels, indexed to the Consumer Price Index (or, if higher, 50% of the increase in the cost of the lowest cost option, limited in any year to CPI plus 2%). In addition, 50% cost sharing applies to these retirees if they retire before age 60, or with less than 15 years of service.

The 2020 medical cost cap amounts for the four separate geographic regions that have unique sets of medical benefit options are described in Section V of this report.

There are no required contributions for HRA Retirees.

SECTION IV
DEMOGRAPHIC DATA

Age-Service Distribution
Active Valuation Data as of January 1, 2020
Management Group

Age	Completed Years of Service								Total
	00-04	05-09	10-14	15-19	20-24	25-29	30-34	Over 34	
Under 25	100	0	0	0	0	0	0	0	100
25-29	328	63	4	0	0	0	0	0	395
30-34	481	295	156	4	0	0	0	0	936
35-39	410	410	423	127	3	0	0	0	1,373
40-44	318	330	446	214	103	1	0	0	1,412
45-49	222	222	291	157	171	70	7	0	1,140
50-54	187	148	258	130	182	136	140	12	1,193
55-59	122	146	208	104	141	85	223	206	1,235
60-64	61	127	138	70	79	38	92	184	789
Over 64	18	41	57	22	20	7	14	54	233
Total	2,247	1,782	1,981	828	699	337	476	456	8,806
Average Age In Years:		46.31		Average Service In Years:		12.92			

Excludes Non-Regulated Enterprises

Age-Service Distribution
Active Valuation Data as of January 1, 2020
Represented Group

Age	Completed Years of Service								Total
	00-04	05-09	10-14	15-19	20-24	25-29	30-34	Over 34	
Under 25	114	2	0	0	0	0	0	0	116
25-29	264	49	3	0	0	0	0	0	316
30-34	248	94	162	4	0	0	0	0	508
35-39	145	117	309	134	5	0	0	0	710
40-44	75	84	223	156	96	1	0	0	635
45-49	50	43	157	112	135	23	2	0	522
50-54	26	21	88	75	65	66	77	4	422
55-59	13	20	61	45	47	60	123	127	496
60-64	5	6	31	20	18	22	67	111	280
Over 64	2	2	13	5	5	9	12	39	87
Total	942	438	1,047	551	371	181	281	281	4,092
Average Age In Years:		44.04		Average Service In Years:		14.89			

Excludes Non-Regulated Enterprises

Age-Service Distribution
Active Valuation Data as of January 1, 2020
All Actives

Age	Completed Years of Service								Total
	00-04	05-09	10-14	15-19	20-24	25-29	30-34	35 +	
Under 25	214	2	0	0	0	0	0	0	216
25-29	592	112	7	0	0	0	0	0	711
30-34	729	389	318	8	0	0	0	0	1,444
35-39	555	527	732	261	8	0	0	0	2,083
40-44	393	414	669	370	199	2	0	0	2,047
45-49	272	265	448	269	306	93	9	0	1,662
50-54	213	169	346	205	247	202	217	16	1,615
55-59	135	166	269	149	188	145	346	333	1,731
60-64	66	133	169	90	97	60	159	295	1,069
Over 64	20	43	70	27	25	16	26	93	320
Total	3,189	2,220	3,028	1,379	1,070	518	757	737	12,898
Average Age In Years:		45.59			Average Service In Years:		13.54		

Excludes Non-Regulated Enterprises

**Age Distribution
Retiree Valuation Data as of January 1, 2020
Management Group**

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	14	9	1	33	57
50-54	12	14	0	10	17	83	136
55-59	248	205	6	42	79	309	889
60-64	744	478	9	56	165	675	2,127
Subtotal	1,004	697	29	117	262	1,100	3,209
65-69	1,025	626	13	112	227	861	2,864
70-74	1,213	518	21	190	244	795	2,981
Over 74	1,787	604	67	819	265	832	4,374
Subtotal	4,025	1,748	101	1,121	736	2,488	10,219
Total	5,029	2,445	130	1,238	998	3,588	13,428
Average Age	72.33	70.10	72.63	79.19	70.14	69.25	71.57

Excludes Non-Regulated Enterprises
Excludes Children
Includes Waivers

**Age Distribution
Retiree Valuation Data as of January 1, 2020
Represented Group**

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	16	17	0	13	46
50-54	2	0	2	6	1	34	45
55-59	99	17	1	33	9	165	324
60-64	464	70	1	43	24	402	1,004
Subtotal	565	87	20	99	34	614	1,419
65-69	681	88	2	95	33	475	1,374
70-74	761	90	3	166	31	444	1,495
Over 74	1,127	112	10	626	31	495	2,401
Subtotal	2,569	290	15	887	95	1,414	5,270
Total	3,134	377	35	986	129	2,028	6,689
Average Age	72.71	71.77	57.70	78.33	69.89	69.55	72.39

Excludes Non-Regulated Enterprises
 Excludes Children
 Includes Waivers

**Age Distribution
Retiree Valuation Data as of January 1, 2020
All Inactives**

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	30	26	1	46	103
50-54	14	14	2	16	18	117	181
55-59	347	222	7	75	88	474	1,213
60-64	1,208	548	10	99	189	1,077	3,131
Subtotal	1,569	784	49	216	296	1,714	4,628
65-69	1,706	714	15	207	260	1,336	4,238
70-74	1,974	608	24	356	275	1,239	4,476
Over 74	2,914	716	77	1,445	296	1,327	6,775
Subtotal	6,594	2,038	116	2,008	831	3,902	15,489
Total	8,163	2,822	165	2,224	1,127	5,616	20,117
Average Age	72.47	70.32	69.46	78.81	70.11	69.36	71.84

Excludes Non-Regulated Enterprises
Excludes Children
Includes Waivers

SECTION V
ACTUARIAL ASSUMPTIONS

**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2020 PLAN YEAR**

A. Interest Rates

Discount Rate	3.32%
Expected Long-Term Rate of Return on assets	4.90% (approximate average expected return)

B. Spouse Assumption

Dependents of female employees are assumed to be 3 years older.
Dependents of male employees are assumed to be 3 years younger.

C. Mortality

Society of Actuaries Pri-2012 Mortality Tables (with fully generational projection reflecting Scale MP-2019) with separate tables for blue collar (union) and white collar (non-union) employees/retirees.

D. Plan Participation

The valuation assumes that all retirees will continue to participate in available health benefit options, consistent with current elections (including “no coverage” elections).

E. Dependent Assumption

75% of male and female employees are assumed to be married or have eligible domestic partners.

F. Life Insurance Administrative Fees: 10%

G. Retiree Contributions

For Grandfathered Flex retirees, contributions are assumed to remain a constant percentage of total cost. To adjust gross claims costs for retiree contributions, determined under the plan’s Lowest Cost Option pricing methodology, the average future price tag of the Lowest Cost Option available in each geographic area was assumed to be 15%/20% lower than the average future cost of all postretirement health benefit options available in that area for retirees under/over age 65.

For Non-Grandfathered Flex retirees, Edison’s contributions for coverage are capped at 2008 levels, indexed at the greater of CPI or 50% of the increase in the lowest cost option (maximum of CPI + 2%). For valuation purposes, Aon assumed cap indexing of 3.50% for post-65 and higher indexing for pre-65 retirees to reflect the company use of blended active and pre-65 experience for open enrollment pricing purposes.

H. Claims Costs

The estimated 2020 average per capita Edison claims costs for postretirement health benefits for all Primecare and Grandfathered Flex retirees are shown in Tables 1, 2, and 3. These claims costs, which are the average amounts across all geographic regions and options, are net of retiree contributions. These claim costs also reflect retirees who waive coverage.

I. Medical Cost Cap Amounts

Cap amounts on employer cost applicable to Non-Grandfathered Flex retirees are different for each of the four distinct geographic regions that have unique sets of benefit options. Cap amount also vary depending on whether or not an employee had attained age 60 and completed 15 years of service at retirement. The 2020 caps for Single coverage are as follows:

	<u>With 60&15</u> <u>Pre-65/Post-65</u>	<u>Without 60&15</u> <u>Pre-65/Post-65</u>
Region 1:	\$4,319/\$1,932	\$2,540/\$1,067
Region 2:	\$4,531/\$2,429	\$2,666/\$1,342
Region 3:	\$4,531/\$4,752	\$2,666/\$2,625
Region 4:	\$5,688/\$4,752	\$3,346/\$2,625

If per capita net Edison paid claims costs would otherwise be lower than the existing cap amounts, retiree contribution amounts are reduced so that Edison paid cost will be consistent with these cap amounts.

A single set of assumed caps is used for valuation purposes reflecting: (1) average caps for all for four regions, (2) assumed average coverage waivers, and (3) the blending of active and pre-65 retiree claims experience for retiree contribution development purposes. These average caps are developed on a per person basis, separately for capped early and capped regular, and for pre-Medicare and Medicare eligible, retirees and spouses, based on the actual distribution of residences for combined grandfathered and non-grandfathered retirees with that Medicare-related coverage. Children are not included in this calculation, but their costs are reflected in these averages. The assumed average coverage waivers give 90% and 75% credibility, respectively, to the waiver experience of non-grandfathered retirees, and 10% and 25% credibility to the experience of grandfathered retirees.

For non-grandfathered retirees (and their spouses) who attained, and employees who are assumed to attain, age with at least 15 years of service (capped regular retirees), these amounts are \$6,260 and \$1,967 for pre-65 and post-65 benefits, respectively. For non-grandfathered retirees and employees who do not meet these age and service requirements (capped early retirees), these amounts are \$3,067 and \$912, respectively.

J. HRA Reimbursements

HRAs are assumed to be used for healthcare expense reimbursements, on average, 24 months following retirement. Retirees are assumed to utilize 90% of their accounts for reimbursements, forfeiting the remaining 10%.

K. Trend Rates

See attached Tables 4 and 5.

L. Termination Rates

See attached Tables 6 and 7.

M. Retirement Rates

See attached Table 8.

N. Disability Rates

Sample rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.03%	0.03%
35	0.04	0.07
45	0.16	0.24
55	0.69	0.64
60	1.15	0.90

Table 1

Annual Postretirement Per Participant Claims Costs

Benefit	Claims Costs	
	Pre-65	Post-65
2021 Medicare Part B Premium Reimbursements	N/A	\$1,735
- Retirees Prior To 1/1/89	N/A	382
- Retirees Between 1/1/89 - 12/31/92		
2020 Dental Benefits*	\$ 562	\$ 562
2020 Vision Benefits*	80	80
2020 EAP Benefits	3	3

*Before Retiree Contributions

Table 2

Annual 2020 PrimeCare Per Participant Medical Claims Costs

Age	Male	Female
Less than 45	\$ 7,420	\$ 7,420
45 – 49	8,813	8,813
50 – 54	10,721	10,721
55 – 59	13,257	13,257
60 – 64	16,253	16,253
65 - 69	4,826	4,826
70 - 74	5,513	5,513
75 – 79	6,034	6,034
80 - 84	6,456	6,456
85 - 89	6,791	6,791
90 and over	6,914	6,914

Table 3

Annual 2020 Flex Retiree Per Participant Medical Claims Costs (Net of Retiree Contributions)*		
Management		
Age	Male	Female
Less than 45	\$ 3,645	\$ 3,645
45 - 49	4,329	4,329
50 - 54	5,266	5,266
55 - 59	6,512	6,512
60 - 64	7,984	7,984
65 - 69	1,831	1,831
70 - 74	2,091	2,091
75 - 79	2,289	2,289
80 - 84	2,449	2,449
85 - 89	2,576	2,576
90 and over	2,623	2,623

Represented		
Age	Male	Female
Less than 45	\$ 3,718	\$ 3,718
45 - 49	4,415	4,415
50 - 54	5,372	5,372
55 - 59	6,642	6,642
60 - 64	8,143	8,143
65 - 69	1,867	1,867
70 - 74	2,133	2,133
75 - 79	2,335	2,335
80 - 84	2,498	2,498
85 - 89	2,628	2,628
90 and over	2,675	2,675

*Applicable for grandfathered retirees only

Table 4

Medical Trend Rates and Future Annual Increases in Cap Amounts

Years		PrimeCare Retirees		Grandfathered Flex Retirees		Assumed Cap Amount Increases	Assumed Pre-65 Adjusted Cap Amount Increases*
From	To	Pre-65	Post-65	Pre-65	Post-65		
2020	2021	6.50%	7.00%	6.50%	7.00%	3.50%	4.67%
2021	2022	6.50	7.00	6.50	7.00	3.50	4.59
2022	2023	6.25	6.75	6.25	6.75	3.50	4.61
2023	2024	6.25	6.75	6.25	6.75	3.50	4.52
2024	2025	6.00	6.50	6.00	6.50	3.50	4.54
2025	2026	6.00	6.25	6.00	6.25	3.50	4.45
2026	2027	5.75	6.00	5.75	6.00	3.50	4.35
2027	2028	5.50	5.75	5.50	5.75	3.50	4.25
2028	2029	5.25	5.50	5.25	5.50	3.50	4.16
2029	and later	5.00	5.00	5.00	5.00	3.50	4.20

* For valuation purposes, assumed medical cost cap amounts are further increased to reflect the blending of active and pre-65 retiree claims experience for retiree contribution development purposes.

Table 5
Other Trend Rates

Years		Benefit		
From	To	Dental	Vision	Medicare Part B
2020 2021	2021 and later	4.5% 4.5	4.5% 4.5	NA 5.00%

Table 6

Termination Rates for Management Group

Years of Service	Select Rate	Age	Ultimate Rate
0	0.15	20	0.130
1	0.15	21	0.125
2	0.14	22	0.120
		23	0.115
		24	0.110
		25	0.105
		26	0.100
		27	0.095
		28	0.090
		29	0.085
		30	0.080
		31	0.077
		32	0.074
		33	0.071
		34	0.068
		35	0.065
		36	0.062
		37	0.059
		38	0.056
		39	0.053
		40	0.050
		41	0.048
		42	0.046
		43	0.044
		44	0.042
		45	0.040
		46	0.038
		47	0.036
		48	0.034
		49	0.032
		50	0.030
		51	0.030
		52	0.030
		53	0.030
		54	0.030

Table 7

Termination Rates for Represented Group

Years of Service	Select Rate	Age	Ultimate Rate
0	0.100	20	0.045
1	0.060	21	0.045
2	0.045	22	0.045
		23	0.045
		24	0.045
		25	0.030
		26	0.030
		27	0.030
		28	0.030
		29	0.030
		30	0.030
		31	0.030
		32	0.030
		33	0.030
		34	0.030
		35	0.025
		36	0.025
		37	0.025
		38	0.025
		39	0.025
		40	0.020
		41	0.020
		42	0.020
		43	0.020
		44	0.020
		45	0.020
		46	0.020
		47	0.020
		48	0.020
		49	0.020
		50	0.020
		51	0.020
		52	0.020
		53	0.020
		54	0.020

Table 8
Retirement Rates

Age	Rate
55	10.00%
56	10.00
57	10.00
58	15.00
59	15.00
60	15.00
61	20.00
62	20.00
63	20.00
64	20.00
65	30.00
66	30.00
67	30.00
68	30.00
69	30.00
70	100.00

SECTION VI
FIVE-YEAR EXPENSE PROJECTION