

Attachment 2

SCE 2021 Postretirement Health and Life Benefits Report



SOUTHERN CALIFORNIA EDISON COMPANY

POSTRETIREMENT HEALTH AND LIFE BENEFITS

ACTUARIAL ACCOUNTING REPORT

PLAN YEAR: 2021

DATE OF REPORT: November 5, 2021

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SECTION I
EXECUTIVE SUMMARY



**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2021 PLAN YEAR**

This report provides accounting results for 2021 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 2021 are as follows (in thousands):

Liabilities as of 1/1/2021

Expected Postretirement Benefit Obligation (EPBO)	\$2,438,056
Accumulated Postretirement Benefit Obligation (APBO)	1,988,162

Net Periodic Postretirement Benefit Cost (NPPBC)

A) Service Cost – End of Year	\$ 39,884
B) Interest Cost	52,052
C) Expected Return on Plan Assets	105,965
D) Net Amortization Amounts	(36,737)
E) NPPBC [A) + B) – C) + D)]	<u>(\$ 50,766)</u>

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 2021 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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November 5, 2021

SECTION II
ACCOUNTING RESULTS

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POSTRETIREMENT HEALTH & LIFE BENEFITS ACTUARIAL ACCOUNTING REPORT FOR THE 2021 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 2021 PBOP liabilities and expense. Pursuant to this request, an actuarial valuation of PBOP liabilities was performed as of January 1, 2021, 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, 2021 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, 2021 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, 2021 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 2021 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 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 2021 FAS 87 valuation of the Southern California Edison Company Retirement Plan ("Retirement Plan"). The termination rates for Management employees and the retirement rates have been updated since the 2020 actuarial valuation to reflect the results of a recent experience study. All these assumptions are shown in Section V.

The mortality assumptions for the 2021 valuation (the Society of Actuaries Pri-2012 Mortality Tables (with fully generational projection reflecting Scale MP-2020 adjusted for COVID-19 slow recovery) with separate table for blue collar (union) and white collar (non-union) employees/retirees) updates the 2020 assumptions to fully implement the October, 2020 recommendations of the Society of Actuaries.

2. Discount Rate and Expected Investment Returns

The discount rate assumption for FAS 106 purposes is 2.67%. (The discount rate as of January 1, 2020 was 3.32%.) 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, 2.50% for the Represented VEBA, and 6.00% for all other non-taxable assets, resulting in an average return of approximately 4.0%.

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 2021 actuarial valuation are unchanged from the 2020 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. 2021 Claims Costs

All claims costs shown in this report are Edison's cost of coverage. For both PrimeCare and Flex retired members, combined per capita medical and Rx claims costs were developed by weighting projected historical self-insured claims experience, projected 2020 self-insured claims experience, projected historical fully insured HMO premium rates, 2021 fully insured HMO premium rates, projected historical Employer Group Waiver Plan (EGWP) costs, and projected 2021 EGWP costs. Self-insured medical claims experience in 2020 was loaded 10% to take into account the claims impact of COVID-19 in that year. The EGWP is a self-insured, customized Medicare Part D prescription drug plan, the claims costs for which 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/Rx 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.

Dental and vision claim costs were estimated based on the 2021 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, 2021 was supplied by Edison. Exhibit 6 shows a reconciliation of January 1, 2021 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, 2021 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, 2020 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

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 2021. 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, 2021
(in \$ thousands)**

	<u>Represented Employees</u>	<u>Management Employees*</u>	<u>Life Insurance</u>	<u>Total</u>
A. EPBO	\$ 804,403	\$1,596,619	\$ 37,034	\$2,438,056
B. APBO				
1. Retirees	397,715	843,267	37,034	1,278,016
2. Actives				
a. Fully Eligible	59,945	116,654	0	176,599
b. Other	<u>177,479</u>	<u>356,068</u>	<u>0</u>	<u>533,547</u>
c. Total Actives	\$ 237,424	\$ 472,722	\$ 0	\$ 710,146
3. Total APBO	\$ 635,139	\$1,315,989	\$ 37,034	\$1,988,162
C. Service Cost**	\$ 12,133	\$ 26,714	\$ 0	\$ 38,847

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

**Includes Service Cost for SONGS employees of \$0.27 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>
2021	\$ 25,958	\$ 49,878	\$ 2,011	\$ 77,847
2022	26,387	51,093	1,910	79,390
2023	26,703	52,657	1,825	81,185
2024	27,123	54,517	1,839	83,479
2025	27,543	55,923	1,855	85,321
2026	27,803	57,254	1,872	86,929
2027	28,024	58,497	1,890	88,411
2028	28,288	59,938	1,908	90,134
2029	28,458	61,319	1,925	91,702
2030	28,676	62,806	1,939	93,421

* Net of retiree contributions

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



Exhibit 3

Determination of 2021 Net Periodic Postretirement Benefit Cost (FAS 106)
(in \$ thousands)

	<u>Represented Employees</u>	<u>Management Employees</u>	<u>Life Insurance</u>	<u>Total</u>
A. Service Cost (EOY)**	\$ 12,457	\$ 27,427	\$ 0	\$ 39,884
B. Interest Cost at 2.67% on:				
1. APBO	\$ 16,958	\$ 35,137	\$ 989	\$ 53,084
2. Expected Benefit Payments	344	661	27	1,032
3. Total = (1) - (2)	\$ 16,614	\$ 34,476	\$ 962	\$ 52,052
C. Expected Return on Assets: *				
1. Market Value of Assets	\$ 36,707	\$ 69,799	\$ 859	\$107,365
2. Expected Benefit Payments	322	1,019	59	1,400
3. Expected Contributions	0	0	0	0
4. Total = (1) - (2) + (3)	\$ 36,385	\$ 68,780	\$ 800	\$105,965
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	(11,343)	(23,502)	(661)	(35,506)
4. Total = (1) + (2) + (3)	(\$ 12,595)	(\$ 22,588)	(\$ 1,554)	(\$ 36,737)
E. Net Periodic Postretirement Benefit Cost				
= (A) + (B3) - (C4) + (D4)	(\$ 19,909)	(\$ 29,465)	(\$ 1,392)	(\$ 50,766)

* Expected rates of return are 4.50% for the (taxable) 1992 and 1999 VEBAs and 2.50% for the Represented VEBA, and 6.00% for all other non-taxable assets

**Includes Service Cost for SONGS employees of \$0.27 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 1/1/2021				
1. APBO	\$ 635,139	\$1,315,989	\$ 37,034	\$1,988,162
2. Market Value of Assets	<u>1,468,279</u>	<u>1,233,085</u>	<u>14,322</u>	<u>2,715,686</u>
3. Funded Status = (2) - (1)	\$ 833,140	(\$ 82,904)	(\$ 22,712)	\$ 727,524
4. Unrecognized Transition (Asset)/Obligation	0	0	0	0
5. Unrecognized Prior Service Cost	(2,519)	891	(6,009)	(7,637)
6. Unrecognized Net (Gain)/Loss	(<u>374,542</u>)	(<u>377,378</u>)	<u>15,567</u>	(<u>736,353</u>)
7. (Accrued)/Prepaid Benefit Cost = (3) + (4) + (5) + (6)	\$ 456,079	(\$ 459,391)	(\$ 13,154)	(\$ 16,466)
B. Reconciliation of Funded Status				
1. (Accrued)/Prepaid Benefit Cost at 1/1/2020	\$ 423,336	(\$ 482,317)	(\$ 14,308)	(\$ 73,289)
2. NPPBC for 2020	(32,743)	(15,330)	(1,154)	(49,227)
3. Special termination benefits charges	0	0	0	0
4. 2020 Contributions	0	8,067	0	8,067
5. Adjustment	<u>0</u>	(<u>471</u>)	<u>0</u>	(<u>471</u>)
6. (Accrued)/Prepaid Benefit Cost at 12/31/2020 = (1)-(2)-(3)+(4)+(5)	\$ 456,079	(\$ 459,391)	(\$ 13,154)	(\$ 16,466)



Exhibit 5

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

	<u>Represented Employees</u>	<u>Management Employees</u>	<u>Life Insurance</u>	<u>Total</u>
A. APBO (Gain)/Loss For 2020				
1. APBO at 1/1/2020	\$ 617,814	\$1,270,880	\$ 34,901	\$1,923,595
2. Service Cost at EOY	11,459	25,923	0	37,382
3. Expected 2020 Benefit Payments	27,439	52,222	1,824	81,485
4. Interest Cost	20,059	41,333	1,129	62,521
5. Plan Amendment	0	0	0	0
6. Special Termination Benefit Charge	0	0	0	0
7. Adjustment	0	471	0	471
8. Expected APBO at 12/31/2020				
= (1)+(2)-(3)+(4)+(5)+(6)+(7)	\$ 621,893	\$1,286,385	\$ 34,206	\$1,942,484
9. Actual APBO at 1/1/2021	635,139	1,315,989	37,034	1,988,162
10. 2020 (Gain)/Loss = (9) - (8)	\$ 13,246	\$ 29,604	\$ 2,828	\$ 45,678
B. Asset (Gain)/Loss For 2020				
1. MV of Assets at 1/1/2020	\$1,356,512	\$1,092,043	\$ 14,197	\$2,462,752
2. 2020 Contribution*	0	8,067	0	8,067
3. Expected 2020 Benefit Payments	27,439	52,222	1,824	81,485
4. Expected Return on Assets	53,717	64,386	865	118,968
5. Expected MV of Assets at 12/31/2020				
= (1) + (2) - (3) + (4)	\$1,382,790	\$1,112,274	\$ 13,238	\$2,508,302
6. MV of Assets at 12/31/2020	1,468,279	1,233,085	14,322	2,715,686
7. 2020 Asset (Gain)/Loss				
= (5) - (6)	(\$ 85,489)	(\$ 120,811)	(\$ 1,084)	(\$ 207,384)
C. Unrecognized Net (Gain)/Loss and Amortization				
1. Net (Gain)/Loss at 1/1/2020	(\$ 311,591)	(\$ 305,285)	\$ 13,298	(\$ 603,578)
2. 2020 APBO (Gain)/Loss	13,246	29,604	2,828	45,678
3. 2020 Asset (Gain)/Loss	(85,489)	(120,811)	(1,084)	(207,384)
4. Total (Gain)/Loss = (2) + (3)	(\$ 72,243)	(\$ 91,207)	\$ 1,744	(\$ 161,706)
5. Net (Gain)/Loss Amortized in 2020	(9,292)	(19,114)	(525)	(28,931)
6. Net (Gain)/Loss at 12/31/2020	(374,542)	(377,378)	15,567	(736,353)
7. Max[APBO, Asset]	N/A	N/A	N/A	2,715,686
8. Corridor = 10% of (7)	N/A	N/A	N/A	271,569
9. Amortizable Net (Gain)/Loss **	(148,480)	(307,646)	(8,658)	(464,784)
10. Amortization Period	13.09	13.09	13.09	13.09
11. Amortization Amount	(\$ 11,343)	(\$ 23,502)	(\$ 661)	(\$ 35,506)

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

** Allocated based on APBO.

**Exhibit 6**

Development of Market Value of Assets as of December 31, 2020
(in \$ thousands)

	Represented	Management			Life	
	<u>VEBA</u>	<u>401(h)</u>	<u>VEBA</u>	<u>Total</u>	<u>VEBA</u>	<u>Total</u>
Assets at 12/31/2019	\$1,356,512	\$ 816,473	\$ 275,570	\$1,092,043	\$ 14,197	\$2,462,752
Net Change	111,767	137,547	3,495	141,042	125	252,934
Assets at 12/31/2020	\$1,468,279	\$ 954,020	\$ 279,065	\$1,233,085	\$ 14,322	\$2,715,686



Exhibit 7

Development of Prior Service Cost at January 1, 2021
(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	(\$ 2,644)	(\$ 147)	\$ 0	(\$ 2,791)
Amortization Amount	(\$ 1,375)	(\$ 78)	\$ 0	(\$ 1,453)
<u>Prior Service Cost #5</u>				
Unrecognized Amount	\$ 125	\$ 1,038	\$ 0	\$ 1,163
Amortization Amount	\$ 123	\$ 992	\$ 0	\$ 1,115
<u>Prior Service Cost #6</u>				
Unrecognized Amount	\$ 0	\$ 0	(\$ 1,641)	(\$ 1,641)
Amortization Amount	\$ 0	\$ 0	(\$ 275)	(\$ 275)
<u>Prior Service Cost #7</u>				
Unrecognized Amount	\$ 0	\$ 0	(\$ 4,368)	(\$ 4,368)
Amortization Amount	\$ 0	\$ 0	(\$ 618)	(\$ 618)
<u>Total Prior Service Cost</u>				
Unrecognized Amount	(\$ 2,519)	\$ 891	(\$ 6,009)	(\$ 7,637)
Amortization Amount	(\$ 1,252)	\$ 914	(\$ 893)	(\$ 1,231)

SECTION III
PLAN PROVISIONS



**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2021 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 2021, 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	\$6,870	\$6,870	\$6,870	\$3,490
Per Family	\$13,740	\$13,740	\$13,740	\$6,980
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 \$1,675/\$3,350 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 2021 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, 2021
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	131	2	0	0	0	0	0	0	133
25-29	418	57	2	0	0	0	0	0	477
30-34	548	219	145	3	0	0	0	0	915
35-39	491	336	451	142	3	0	0	0	1,423
40-44	350	296	488	257	97	2	0	0	1,490
45-49	236	192	335	180	190	37	9	0	1,179
50-54	232	137	271	143	193	84	161	5	1,226
55-59	149	101	223	118	150	71	214	187	1,213
60-64	69	98	156	77	94	30	87	229	840
Over 64	23	37	70	35	30	5	15	63	278
Total	2,647	1,475	2,141	955	757	229	486	484	9,174
Average Age In Years: 46.18 Average Service In Years: 12.69									

Excludes Non-Regulated Enterprises

Age-Service Distribution
Active Valuation Data as of January 1, 2021
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	100	3	0	0	0	0	0	0	103
25-29	260	53	3	0	0	0	0	0	316
30-34	255	96	115	4	0	0	0	0	470
35-39	150	114	277	166	7	0	0	0	714
40-44	86	82	191	196	93	0	0	0	648
45-49	39	43	120	160	139	12	5	0	518
50-54	29	15	92	84	92	31	76	3	422
55-59	17	16	57	61	57	29	139	107	483
60-64	3	5	29	27	24	10	63	129	290
Over 64	2	2	9	11	6	4	20	46	100
Total	941	429	893	709	418	86	303	285	4,064
Average Age In Years: 44.29 Average Service In Years: 15.03									

Excludes Non-Regulated Enterprises

Age-Service Distribution
Active Valuation Data as of January 1, 2021
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	231	5	0	0	0	0	0	0	236
25-29	678	110	5	0	0	0	0	0	793
30-34	803	315	260	7	0	0	0	0	1,385
35-39	641	450	728	308	10	0	0	0	2,137
40-44	436	378	679	453	190	2	0	0	2,138
45-49	275	235	455	340	329	49	14	0	1,697
50-54	261	152	363	227	285	115	237	8	1,648
55-59	166	117	280	179	207	100	353	294	1,696
60-64	72	103	185	104	118	40	150	358	1,130
Over 64	25	39	79	46	36	9	35	109	378
Total	3,588	1,904	3,034	1,664	1,175	315	789	769	13,238
Average Age In Years: 45.60 Average Service In Years: 13.41									

Excludes Non-Regulated Enterprises

Age Distribution
Retiree Valuation Data as of January 1, 2021
Management Group

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	16	10	3	31	60
50-54	12	5	1	9	14	79	120
55-59	207	164	6	37	61	263	738
60-64	706	470	9	57	155	650	2,047
Subtotal	925	639	32	113	233	1,023	2,965
65-69	1,004	608	14	115	218	836	2,795
70-74	1,214	556	21	197	255	839	3,082
Over 74	1,858	635	66	811	283	851	4,504
Subtotal	4,076	1,799	101	1,123	756	2,526	10,381
Total	5,001	2,438	133	1,236	989	3,549	13,346
Average Age	72.76	70.60	71.35	79.08	70.72	69.63	71.96

Excludes Non-Regulated Enterprises

Excludes Children

Includes Waivers

Age Distribution
Retiree Valuation Data as of January 1, 2021
Represented Group

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	18	18	0	12	48
50-54	0	0	2	6	1	25	34
55-59	81	16	1	26	7	150	281
60-64	408	57	1	52	23	375	916
Subtotal	489	73	22	102	31	562	1,279
65-69	667	91	2	83	32	458	1,333
70-74	766	98	2	161	33	466	1,526
Over 74	1,165	114	11	634	34	493	2,451
Subtotal	2,598	303	15	878	99	1,417	5,310
Total	3,087	376	37	980	130	1,979	6,589
Average Age	73.12	72.12	57.23	78.53	70.54	69.97	72.78

Excludes Non-Regulated Enterprises

Excludes Children

Includes Waivers



Age Distribution
Retiree Valuation Data as of January 1, 2021
All Inactives

Age	Retirees		Survivors		Spouses		Total
	Male	Female	Male	Female	Male	Female	
Under 50	0	0	34	28	3	43	108
50-54	12	5	3	15	15	104	154
55-59	288	180	7	63	68	413	1,019
60-64	1,114	527	10	109	178	1,025	2,963
Subtotal	1,414	712	54	215	264	1,585	4,244
65-69	1,671	699	16	198	250	1,294	4,128
70-74	1,980	654	23	358	288	1,305	4,608
Over 74	3,023	749	77	1,445	317	1,344	6,955
Subtotal	6,674	2,102	116	2,001	855	3,943	15,691
Total	8,088	2,814	170	2,216	1,119	5,528	19,935
Average Age	72.90	70.81	68.27	78.84	70.70	69.75	72.23

Excludes Non-Regulated Enterprises

Excludes Children

Includes Waivers

SECTION V
ACTUARIAL ASSUMPTIONS



**POSTRETIREMENT HEALTH & LIFE BENEFITS
ACTUARIAL ACCOUNTING REPORT
FOR THE 2021 PLAN YEAR**

A. Interest Rates

Discount Rate	2.67%
Expected Long-Term Rate of Return on assets	2.50% for the Represented VEBA, 4.50% for the Management VEBAs (after tax), and 6.00% for all other PBOP trusts (approximate 4.00% average expected return)

B. Spouse Assumption

Dependents of female employees are assumed to be 2 years older.
Dependents of male employees are assumed to be 2 years younger.

C. Mortality

The Society of Actuaries Pri-2012 Mortality Tables (with fully generational projection reflecting Scale MP-2020 adjusted for COVID-19 slow recovery) with separate table 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 at retirement.

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 2021 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, and Edison's blending of retiree and active employee claims experience for pre-65 retiree contribution development purposes. (the open enrollment total cost reflecting the blended active and retiree claim experience is assumed to be 75% of pre-65 retiree total cost without reflecting the active claim experience.)

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 2021 caps for Single coverage are as follows:

	<u>With 60&15 Pre-65/Post-65</u>	<u>Without 60&15 Pre-65/Post-65</u>
Region 1:	\$4,397/\$1,945	\$2,587/\$1,074
Region 2:	\$4,614/\$2,445	\$2,714/\$1,350
Region 3:	\$4,614/\$4,782	\$2,714/\$2,642
Region 4:	\$5,792/\$4,782	\$3,407/\$2,642

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 adult member basis, separately for capped early and capped regular retiree members, 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 100% and 85% credibility, respectively, to the waiver experience of non-grandfathered retirees, and 0% and 15% credibility to the experience of grandfathered retirees.

For non-grandfathered retirees (and their spouses) who attained, and employees who are assumed to attain, age 60 with at least 15 years of service (capped regular retirees), these amounts are \$6,239 and \$2,056 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 \$2,995 and \$865, 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
2022 Medicare Part B Premium Reimbursements		
- Retirees Prior To 1/1/89	N/A	\$1,782
- Retirees Between 1/1/89 - 12/31/92	N/A	382
2021 Dental Benefits*	\$ 566	\$ 566
2021 Vision Benefits*	78	78
2021 EAP Benefits	3	3

*Before Retiree Contributions

Table 2

Annual 2021 PrimeCare Per Participant Medical Claims Costs		
Age	Male	Female
Less than 45	\$ 6,931	\$ 6,931
45 – 49	8,232	8,232
50 – 54	10,015	10,015
55 – 59	12,385	12,385
60 – 64	15,184	15,184
65 - 69	5,004	5,004
70 - 74	5,716	5,716
75 – 79	6,256	6,256
80 - 84	6,693	6,693
85 - 89	7,041	7,041
90 and over	7,169	7,169

Table 3

Annual 2021 Flex Retiree Per Participant Medical Claims Costs (Net of Retiree Contributions)*
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Management		
Age	Male	Female
Less than 45	\$ 3,652	\$ 3,652
45 - 49	4,337	4,337
50 - 54	5,277	5,277
55 - 59	6,526	6,526
60 - 64	8,001	8,001
65 - 69	1,870	1,870
70 - 74	2,136	2,136
75 - 79	2,338	2,338
80 - 84	2,501	2,501
85 - 89	2,631	2,631
90 and over	2,679	2,679

Represented		
Age	Male	Female
Less than 45	\$ 3,725	\$ 3,725
45 - 49	4,424	4,424
50 - 54	5,382	5,382
55 - 59	6,656	6,656
60 - 64	8,160	8,160
65 - 69	1,907	1,907
70 - 74	2,179	2,179
75 - 79	2,385	2,385
80 - 84	2,551	2,551
85 - 89	2,684	2,684
90 and over	2,732	2,732

*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		
2021	2022	6.50%	7.00%	6.50%	7.00%	3.50%	4.58%
2022	2023	6.25	6.75	6.25	6.75	3.50	4.51
2023	2024	6.25	6.75	6.25	6.75	3.50	4.53
2024	2025	6.00	6.50	6.00	6.50	3.50	4.45
2025	2026	6.00	6.25	6.00	6.25	3.50	4.46
2026	2027	5.75	6.00	5.75	6.00	3.50	4.38
2027	2028	5.50	5.75	5.50	5.75	3.50	4.29
2028	2029	5.25	5.50	5.25	5.50	3.50	4.20
2029	and later	5.00	5.00	5.00	5.00	3.50	4.15

* 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
2021	2022	4.5%	4.5%	NA
2022	and later	4.5	4.5	5.00%

Table 6
Termination Rates for Management Group

Years of Service	Select Rate	Age	Ultimate Rate
0	0.10	20	0.130
1	0.10	21	0.125
2	0.10	22	0.117
		23	0.109
		24	0.101
		25	0.093
		26	0.085
		27	0.079
		28	0.073
		29	0.067
		30	0.061
		31	0.058
		32	0.055
		33	0.052
		34	0.051
		35	0.050
		36	0.049
		37	0.048
		38	0.047
		39	0.047
		40	0.046
		41	0.046
		42	0.045
		43	0.045
		44	0.044
		45	0.044
		46	0.043
		47	0.043
		48	0.042
		49	0.042
		50	0.041
		51	0.041
		52	0.040
		53	0.040
		54	0.040



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	7.5%
56	7.5
57	7.5
58	7.5
59	10.0
60	15.0
61	15.0
62	20.0
63	20.0
64	20.0
65	20.0
66	25.0
67	25.0
68	25.0
69	25.0
70	100.0

SECTION VI
FIVE-YEAR EXPENSE PROJECTION