

## CITY OF VALLEJO RETIREE HEALTHCARE PLAN

BARTEL SSOCIATES, LLC

June 30, 2012 GASB 45 Actuarial Valuation VPOA Benefit Study Preliminary Results

## **Bartel Associates, LLC**

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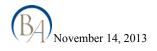
November 14, 2013

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#### **CURRENT & ALTERNATIVE BENEFIT SUMMARY**

■ Eligibility	Retire directly from City under CalPERS (age 50 and 5 years of CalPERS service or disability)		
■ Current VPOA Retiree Medical Benefit	Maximum City monthly contribution of 100% of Kaiser Bay Area non-Medicare monthly premium for coverage elected		
■ PEMHCA	2013 \$115 / month		
Minimum	2014 \$119 / month		
	2015+ Medical CPI increases		
	• PEMHCA minimum projected to exceed \$300 per month in 2036 assuming 4.50% medical CPI		





### **CURRENT & ALTERNATIVE BENEFIT SUMMARY**

- Retiree Medical Benefit VPOA 11/11/13 **Fact-Finding** Proposal
- Retirees before Ratification<sup>1</sup> and active employees hired before 2/1/09 who retire directly from City under CalPERS:
  - ➤ City contribution is greater of 100% of least expensive Medicare and non-Medicare eligible Bay Area premium for coverage elected or 66.67% of Kaiser Bay Area premium,

including future premium increases:			
Non-Medicare Eligible			
	100% Least	66.67%	City
<u>2014</u>	Expensive <sup>2</sup>	Kaiser	<b>Contribution</b>
Single	\$ 634.00	\$ 495.17	\$ 634.00
2-Party	1,186.00	990.34	1,186.00
Family	1,507.00	1,287.44	1,507.00
	M	edicare Eligibl	e
	100% Least	66.67%	City
<u>2014</u>	Expensive <sup>3</sup>	<u>Kaiser</u>	Contribution
Single	\$193.33	\$196.66	\$196.66
2-Party	386.66	393.31	393.31
Family	579.99	589.97	589.97

Assumed to be 1/1/14 for study.

PORAC for 2014. (Percent of Kaiser: 85% single, 80% 2-party, 78% family.) UnitedHealthcare for 2014. (Percent of Kaiser: 66% single, 66% 2-party, 66% family.)





## CURRENT & ALTERNATIVE BENEFIT SUMMARY

Retiree Medical Benefit VPOA 11/11/13 Fact-Finding Proposal (continued)	<ul> <li>Active employees hired on and after 2/1/09 and before Ratification who retire directly from City under CalPERS:         <ul> <li>City service &lt; 10 years - PEMHCA minimum</li> <li>City service ≥ 10 years - City contribution is greater of 100% of the least expensive Medicare and non-Medicare eligible Bay Area premiums for coverage elected or 66.67% of Kaiser Bay Area premium, including future premium increases</li> <li>Vesting schedule does not apply for industrial disability</li> </ul> </li> <li>Active employees hired on or after Ratification who retire directly from City under CalPERS - PEMHCA minimum plus 1.5% of pay VEBA contribution</li> </ul>
■ Implied Subsidy	• Study results do not include an estimate of the implied subsidy obligation, amount by which active premiums subsidize retiree premiums





## **ASSUMPTIONS**

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Assumption	VPOA Benefit Study
■ Valuation Date	• June 30, 2012
■ Valuation Assumptions	<ul> <li>Same as June 30, 2012 valuation</li> <li>Projection assumes number of actives provided by the City</li> <li>Projected POA active counts:</li> <li>FYE 2013 2014 2015 2016+</li> <li>Current Actives 80 75 70 65</li> <li>Future Hires 20 30 40</li> <li>Total 80 95 100 105</li> <li>Assume 85% of payroll was earned by pre-2/1/09 hires and 15% of payroll was earned by post-2/1/09 hires in 2012/13</li> </ul>
■ Discount Rate	<ul> <li>4.00% - OPEB not prefunded</li> <li>Prefunding sensitivity:</li> <li>4.00% for 2012/13, 6.00% for 2013/14+</li> <li>4.00% for 2012/13, 7.25% for 2013/14+</li> <li>VEBA contribution funded annually</li> </ul>





#### **ASSUMPTIONS**

_		VPOA Benefit Study		
Premiums	<ul> <li>2013 PEHMCA premiums used for 6/30/12 valuation and studies</li> <li>2014 PEHMCA premiums not used for 6/30/12 valuation and studies except for the maximum City contributions for fact-finding cost study</li> </ul>			
■ Medical Trend	Year <u>Begin</u> 2012 2013 2014 2015 2016 2017 2018 2019 2020	Increase from Non-Medicare Prem Prem 8.5% 8.0% 7.5% 7.0% 6.5% 6.0% 5.5%		





### **ASSUMPTIONS**

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Assumption	VPOA Benefit Study
■ PEMHCA Minimum Increases	• 4.5% annually
■ Prefunding Sensitivity	<ul> <li>\$9.6 million assumed prefunding on 1/1/14 for total plan:</li> <li>FY 2011/12: \$3,030,963</li> <li>FY 2012/13: \$4,037,936</li> <li>FY 2013/14: \$2,554,450<sup>4</sup></li> <li>Assets allocated to VPOA benefits based on ratio of VPOA alternative benefit Actuarial Accrued Liability to total plan Actuarial Accrued Liability. Current benefits are assumed for non-VPOA bargaining units.</li> <li>Full ARC funding for 2013/14 and thereafter</li> </ul>

<sup>&</sup>lt;sup>4</sup> ½ year of budgeted contributions for FY 2013/14, net of expected benefit payments. For the entire FY 2013/14, \$8,738,900 (budgeted contributions) - \$3,630,000 (expected benefit payments) = \$5,108,900.



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## **Initial OPEB Trust Contributions**

November 11, 2013 VPOA Fact-Finding Proposal

(Amounts in 000's)

<b>■ Discount Rate (2012/13)</b>	4.00%	4.00%
<b>■</b> Discount Rate (2013/14+)	6.00%	7.25%
<b>■ OPEB Funds (City Total)</b>		
•2011/12	\$ 3,031	\$ 3,031
•2012/13	4,038	4,038
•7/1/13-12/31/13 <sup>5</sup>	2,554	<u>2,554</u>
•Total (to be transferred to Trust)	9,623	9,623
■ AAL 6/30/12		
<ul> <li>VPOA Proposed Benefits - Actives</li> </ul>	11,859	9,895
<ul> <li>VPOA Proposed Benefits - Retirees</li> </ul>	23,402	<u>20,585</u>
<ul> <li>VPOA Proposed Benefits - Total</li> </ul>	35,261	30,480
<ul> <li>Non-VPOA Current Benefits</li> </ul>	<u>32,626</u>	<u>28,589</u>
•Plan Total	67,887	59,069
<b>■ VPOA Funding Allocation</b>	4,998	4,966

Net of scheduled benefit payments. Remaining 2013/14 budgeted contributions (\$4,369,450 including benefit payments) assumed to be contributed to the OPEB trust 1/1/14-6/30/14.

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## **BENEFIT STUDY RESULTS**



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## **VPOA Benefit Study**

## November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2013/14

(Amounts in 000's)

<b>■ Discount Rate (2012/13)</b>	4.00%	4.00%
<b>■ Discount Rate (2013/14+)</b>	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 706	\$ 559
UAAL Amortization	<u>2,000</u>	<u>1,969</u>
• ARC	2,706	2,528
• ARC + VEBA	2,737	2,559
■ Projected Payroll	11,488	11,488
■ ARC %		
Normal Cost	6.1%	4.9%
UAAL Amortization	<u>17.4%</u>	<u>17.1%</u>
<ul> <li>ARC % of Payroll</li> </ul>	23.6%	22.0%
• ARC + VEBA %	23.8%	22.3%





## **BENEFIT STUDY RESULTS**

## VPOA Benefit Study November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2014/15

(Amounts in 000's)

■ Discount Rate (2012/13)	4.00%	4.00%
<b>■ Discount Rate (2013/14+)</b>	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 701	\$ 554
UAAL Amortization	<u>1,752</u>	<u>1,664</u>
• ARC	2,453	2,218
• ARC + VEBA	2,503	2,268
■ Projected Payroll	12,521	12,521
■ ARC %		
Normal Cost	5.6%	4.4%
<ul> <li>UAAL Amortization</li> </ul>	<u>14.0%</u>	<u>13.3%</u>
<ul> <li>ARC % of Payroll</li> </ul>	19.6%	17.7%
• ARC + VEBA %	20.0%	18.1%





## **VPOA Benefit Study**

## November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2015/16

(Amounts in 000's)

<b>■ Discount Rate (2012/13)</b>	4.00%	4.00%
<b>■ Discount Rate (2013/14+)</b>	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 693	\$ 547
UAAL Amortization	<u>1,809</u>	<u>1,718</u>
• ARC	2,502	2,265
• ARC + VEBA	2,573	2,336
■ Projected Payroll	13,581	13,581
■ ARC %		
Normal Cost	5.1%	4.0%
<ul> <li>UAAL Amortization</li> </ul>	<u>13.3%</u>	<u>12.7%</u>
<ul> <li>ARC % of Payroll</li> </ul>	18.4%	16.7%
• ARC + VEBA %	18.9%	17.2%





## **BENEFIT STUDY RESULTS**

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## VPOA Benefit Study November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2016/17

(Amounts in 000's)

<b>■ Discount Rate (2012/13)</b>	4.00%	4.00%
<b>■</b> Discount Rate (2013/14+)	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 663	\$ 522
UAAL Amortization	<u>1,868</u>	<u>1,774</u>
• ARC	2,531	2,296
• ARC + VEBA	2,616	2,381
■ Projected Payroll	14,023	14,023
■ ARC %		
Normal Cost	4.7%	3.7%
<ul> <li>UAAL Amortization</li> </ul>	13.3%	<u>12.7%</u>
<ul> <li>ARC % of Payroll</li> </ul>	18.0%	16.4%
• ARC + VEBA %	18.7%	17.0%





## **VPOA Benefit Study**

## November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2017/18

(Amounts in 000's)

■ Discount Rate (2012/13)	4.00%	4.00%
<b>■ Discount Rate (2013/14+)</b>	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 632	\$ 497
UAAL Amortization	<u>1,929</u>	<u>1,832</u>
• ARC	2,561	2,329
• ARC + VEBA	2,662	2,430
■ Projected Payroll	14,479	14,479
■ ARC %		
Normal Cost	4.4%	3.4%
<ul> <li>UAAL Amortization</li> </ul>	<u>13.3%</u>	<u>12.7%</u>
<ul> <li>ARC % of Payroll</li> </ul>	17.7%	16.1%
• ARC + VEBA %	18.4%	16.8%





## **BENEFIT STUDY RESULTS**

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# VPOA Benefit Study November 11, 2013 VPOA Fact-Finding Proposal Fiscal Year 2018/19

(Amounts in 000's)

■ Discount Rate (2012/13)	4.00%	4.00%
■ Discount Rate (2013/14+)	6.00%	7.25%
■ ARC\$		
Normal Cost	\$ 597	\$ 469
UAAL Amortization	<u>1,992</u>	<u>1,891</u>
• ARC	2,589	2,360
• ARC + VEBA	2,706	2,477
■ Projected Payroll	14,949	14,949
■ ARC %		
Normal Cost	4.0%	3.1%
<ul> <li>UAAL Amortization</li> </ul>	<u>13.3%</u>	<u>12.6%</u>
<ul> <li>ARC % of Payroll</li> </ul>	17.3%	15.8%
• ARC + VEBA %	18.1%	16.6%





#### **DEFINITIONS**

#### ■ Normal Cost

• Value of benefits allocated to current year

### ■ Actuarial Accrued Liability (AAL)

• Obligation for benefits allocated to prior service

## ■ Unfunded Actuarial Accrued Liability (UAAL)

- Unfunded amount of AAL
- Assets must be in restricted trust to be considered for GASB 45
- City is not currently prefunding and has no OPEB trusts

## **■** Annual Required Contribution (ARC)

- Normal Cost, plus
- Amortization of UAAL

## **■** Entry Age Normal Funding Method

- Calculates a Normal Cost for each eligible active employee
- Normal Cost calculated as a level percentage of pay



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#### **DEFINITIONS**

#### **■** Trended Medical Premiums

 Expected medical premiums reflecting future increases based on the medical trend assumption



