



**BARTHEL**  
ASSOCIATES, LLC

**CITY OF ALAMEDA**  
**SAFETY RETIREE HEALTHCARE PLAN**

January 1, 2013 GASB 45 Actuarial Valuation  
Alternative Funding Study

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**Bartel Associates, LLC**

April 14, 2015

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## BENEFIT SUMMARY

■ Eligibility	■ Retire directly from City under CalPERS ■ Service or disability				
■ Retiree Medical Benefit <sup>1</sup>	<b>Retired</b>	<b>&lt; 1/1/11</b>		<b>≥ 1/1/11</b>	
	<b>Hired</b>	<b>&lt; 7/1/95</b>	<b>≥ 7/1/95</b>	<b>≤ 6/7/11</b>	<b>&gt; 6/7/11</b>
	Benefit	Full premium for retiree and spouse		Up to higher of Kaiser or Blue Shield Bay Area for coverage elected up to 2-party	Up to higher of Kaiser or Blue Shield Bay Area for single coverage
	Post-Medicare Cap	n/a		Based on Medicare premiums	
	PEMHCA minimum if: <sup>2</sup>	< 15 YOS (APOA only)	< 20 YOS (APOA & APMA)	< 5 YOS	< 10 YOS

<sup>1</sup> Additionally City pays full dental premium for retiree and spouse.

<sup>2</sup> Service based on City service.



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## FUNDING SCENARIO

### Summary

- Retire ≤ 1/1/19:
  - No pre-funding
  - City pays all benefits
- Retire > 1/1/19:
  - City contributions to trust:
    - \$5 million 1/1/16
    - \$250k annually for 10 years (2016 to 2025)
  - Employee contributions to trust beginning 1/1/16
    - Level % of pay contributions
    - Hired ≤ 6/7/11: 2.0% in 2016, 3.0% in 2017, 4.0% in 2018+
    - Hired > 6/7/11: 1.0% in 2016, 2.0% in 2017+
  - Benefits paid from trust commencing in 2019 (for employees retiring > 1/1/19 only)



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## ASSUMPTION SUMMARY

- Calculations based on 1/1/13 actuarial valuation data and assumptions (full assumptions listed in Exhibit)
- Safety only – Miscellaneous excluded from current calculations
- Assumes trust earns 6.25%
- Select and Ultimate discount rates based on portion of Accrued Liability funded
- Implied Subsidy not included in projections
- Projected 2013/14 Safety payroll – \$21,194,000



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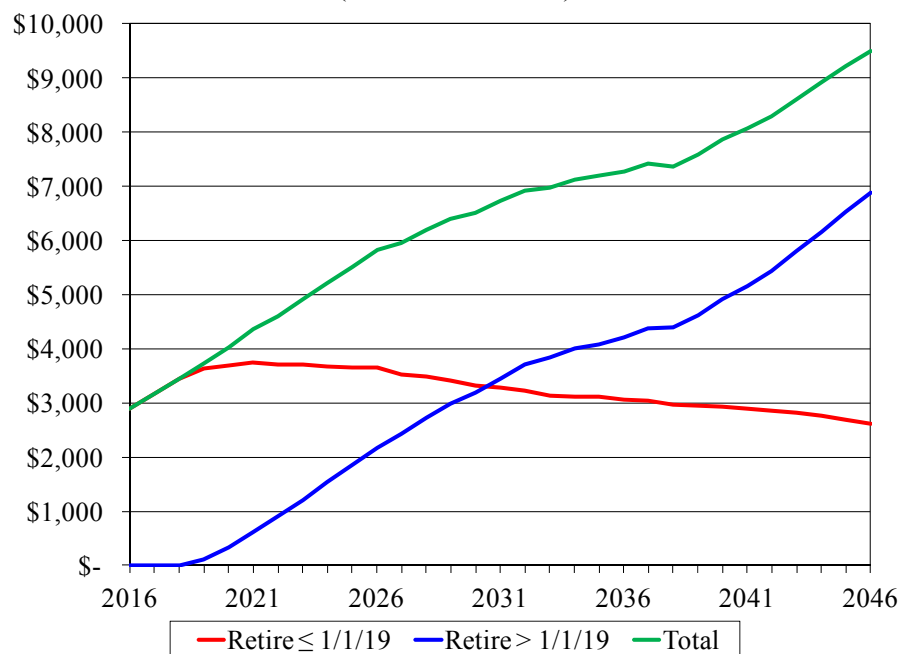
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## RESULTS

### Projected Pay-As-You-Go Cost Total

(Amounts in 000's)



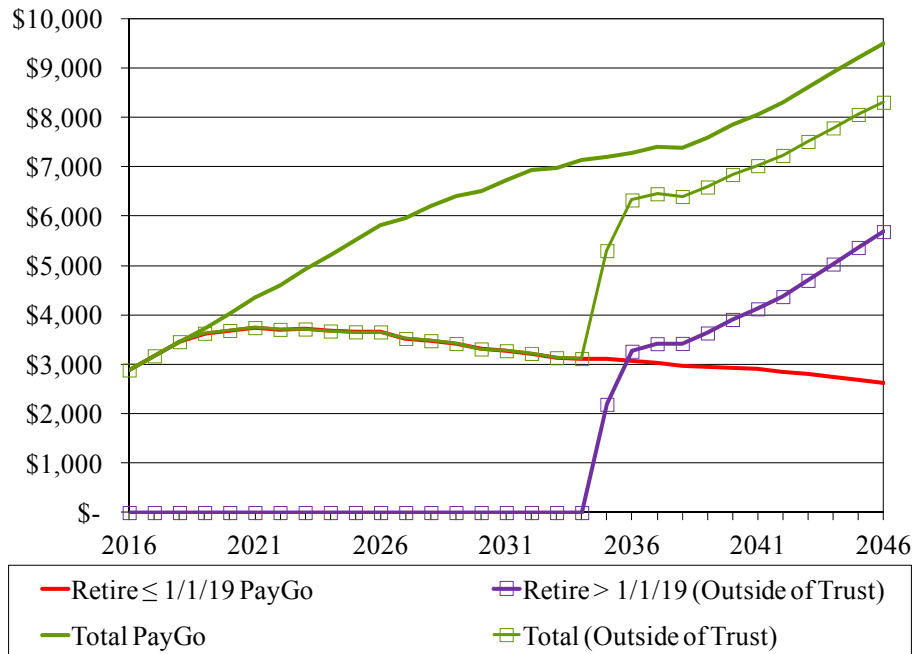
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## RESULTS

### Projected Pay-As-You-Go Cost Paid Outside of Trust (Amounts in 000's)



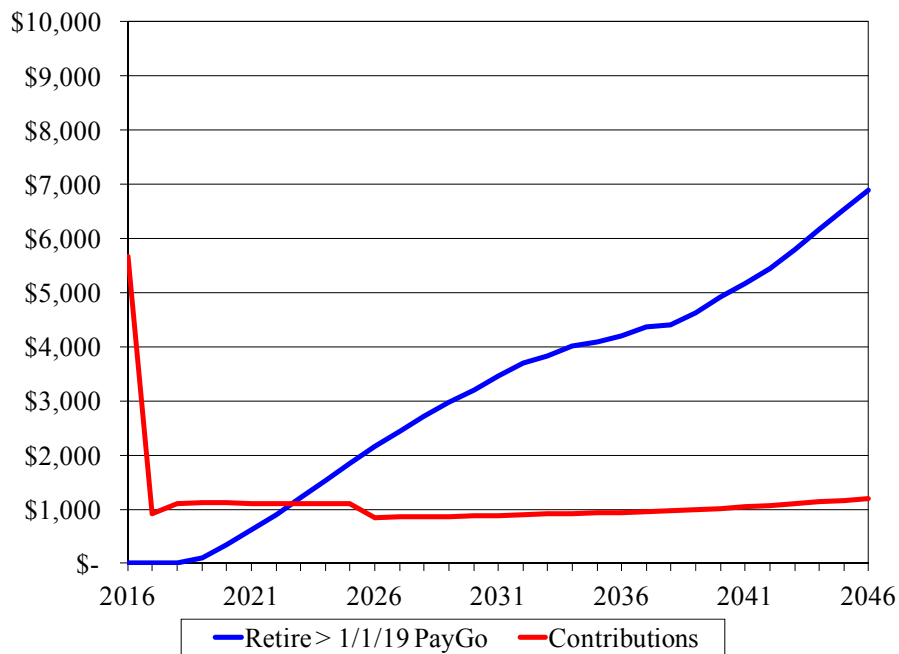
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## RESULTS

### Projected Pay-As-You-Go and Projected Contributions Retire $\geq$ 1/1/19 (Amounts in 000's)



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## RESULTS

### **Projected Pay-As-You-Go Cost**

(Amounts in 000's)

Calendar Year <sup>3</sup>	PayGo Paid Outside of Trust			Total Safety PayGo
	Retire ≤ 1/1/19	Retire > 1/1/19	Total	
2019	\$ 3,629	\$ -	\$ 3,629	\$ 3,731
2022	3,708	-	3,708	4,606
2025	3,659	-	3,659	5,509
2028	3,478	-	3,478	6,196
2031	3,275	-	3,275	6,733
2034	3,116	-	3,116	7,130
2037	3,036	3,418	6,454	7,412
2040	2,933	3,909	6,842	7,857
2043	2,812	4,700	7,512	8,610
2046	2,619	5,687	8,306	9,507

<sup>3</sup> Each 3rd year provided.



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## RESULTS

### **Projected Funded Status**

**For Retirees > 1/1/19**

(Amounts in 000's)

January 1 <sup>4</sup>	Actuarial Accrued Liability (AAL) <sup>5</sup>	Assets	Unfunded AAL	Funded %
2019	\$ 42,291	\$ 8,920	\$ 33,371	21.1%
2022	58,459	13,239	45,220	22.6%
2025	74,731	15,572	59,159	20.8%
2028	91,062	14,731	76,331	16.2%
2031	107,973	10,813	97,160	10.0%
2034	125,907	3,885	122,021	3.1%
2037	145,481	-	145,481	-
2040	169,360	-	169,360	-
2043	196,837	-	196,837	-
2046	227,968	-	227,968	-

<sup>4</sup> Each 3rd year provided.

<sup>5</sup> Select and Ultimate discount rates based on portion of AAL funded: 4.65% in 2019 decreasing to 4.0% in 2037+



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## RESULTS

### Projected Funded Status

**All Safety**  
(Amounts in 000's)

January 1 <sup>6</sup>	Actuarial Accrued Liability (AAL)			Assets	Unfunded AAL	Funded %
	Retire ≤ 1/1/19 <sup>7</sup>	Retire > 1/1/19 <sup>8</sup>	Total			
2019	\$ 64,481	\$ 42,291	\$ 106,772	\$ 8,920	\$ 97,852	8.4%
2022	60,804	58,459	119,263	13,239	106,024	11.1%
2025	56,619	74,731	131,350	15,572	115,778	11.8%
2028	52,181	91,062	143,243	14,731	128,512	10.3%
2031	47,856	107,973	155,829	10,813	145,016	6.9%
2034	43,607	125,907	169,514	3,885	165,629	2.3%
2037	39,191	145,481	184,672	-	184,672	-
2040	34,565	169,360	203,925	-	203,925	-
2043	29,658	196,837	226,495	-	226,495	-
2046	24,590	227,968	252,558	-	252,558	-

<sup>6</sup> Each 3rd year provided.

<sup>7</sup> 4.0% discount rate for all years

<sup>8</sup> Select and Ultimate discount rates based on portion of AAL funded: 4.65% in 2019 decreasing to 4.0% in 2037+.



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## EXHIBIT – PREMIUMS

### 2013 PEMHCA Monthly Premiums

Bay Area

Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$784.63	\$1,569.26	\$2,040.04	\$261.32	\$522.64	\$783.96
Blue Shield NetValue	670.21	1,340.42	1,742.55	261.32	522.64	783.96
Kaiser	668.63	1,337.26	1,738.44	288.37	576.74	865.11
PERS Choice	667.03	1,334.06	1,734.28	325.74	651.48	977.22
PERS Select	487.20	974.40	1,266.72	325.74	651.48	977.22
PERSCare	1,083.11	2,166.22	2,816.09	370.43	740.86	1,111.29
PORAC	581.00	1,088.00	1,382.00	418.00	833.00	1,331.00



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# EXHIBIT – PREMIUMS

## **2014 PEMHCA Monthly Premiums** Bay Area

Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$ 657.33	\$1,314.66	\$1,709.06	\$341.12	\$682.24	\$1,023.36
Anthem Traditional	728.41	1,456.82	1,893.07	341.12	682.24	1,023.36
Blue Shield	836.59	1,673.18	2,175.13	298.21	596.42	894.63
Blue Shield NetValue	704.01	1,408.02	1,830.43	298.21	596.42	894.63
Kaiser	742.72	1,485.44	1,931.07	294.97	589.94	884.91
UnitedHealthcare	764.24	1,528.48	1,987.02	193.33	386.66	579.99
PERS Choice	690.77	1,381.54	1,796.00	307.23	614.46	921.69
PERS Select	661.52	1,323.04	1,719.95	307.23	614.46	921.69
PERSCare	720.04	1,440.08	1,872.10	327.36	654.72	982.08
PORAC	634.00	1,186.00	1,507.00	397.00	791.00	1,264.00



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# EXHIBIT – DATA SUMMARY

## **Participant Statistics – January 1, 2013<sup>9</sup>**

	Police	Fire	Total
■ Actives			
• Count	80	98	178
• Average Age	38.7	41.9	40.5
• Average City Service	10.4	13.3	12.0
• Average Pay	\$ 109,400	\$ 116,800	\$ 113,500
• Total Pay (000's)	8,756	11,445	20,201
■ Retirees			
• Service Retired	64	59	123
• Disabled	46	27	73
• Survivor	<u>9</u>	<u>18</u>	<u>27</u>
• Total Count	119	104	223
• Average Age	60.9	68.7	64.5
• Average Retirement Age			
➢ Service Retired	52.4	54.6	53.5
➢ Disabled	42.5	51.2	45.7
• Average Monthly Benefit	\$ 993	\$ 794	\$ 898

<sup>9</sup> Includes 7 actives hired after 1/1/13 (4 Police & 3 Fire) and 2 retirees retired after 1/1/13 (2 Police).



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# EXHIBIT – DATA SUMMARY

## **Medical Plan Participation – Safety**<sup>10</sup> Non-Waived Participants

Medical Plan	Actives	Retirees	
		< 65	≥ 65
Blue Shield	39%	38%	15%
Blue Shield NetValue	3%	1%	0%
Kaiser	52%	32%	52%
PERS Choice	5%	9%	15%
PERS Select	0%	0%	0%
PERSCare	1%	14%	18%
PORAC	1%	6%	1%
Total	100%	100%	100%

<sup>10</sup> Excludes non-PERS retirees.



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# EXHIBIT – DATA SUMMARY

## **Actives by Age and City Service** Safety

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	5	1	-	-	-	-	-	6
25-29	5	11	1	-	-	-	-	17
30-34	5	11	9	5	-	-	-	30
35-39	2	2	6	11	-	-	-	21
40-44	1	1	3	16	23	5	-	49
45-49	-	-	1	8	10	17	-	36
50-54	-	-	-	-	4	9	-	13
55-59	-	-	-	-	2	3	1	6
60-64	-	-	-	-	-	-	-	-
≥ 65	-	-	-	-	-	-	-	-
Total	18	26	20	40	39	34	1	178



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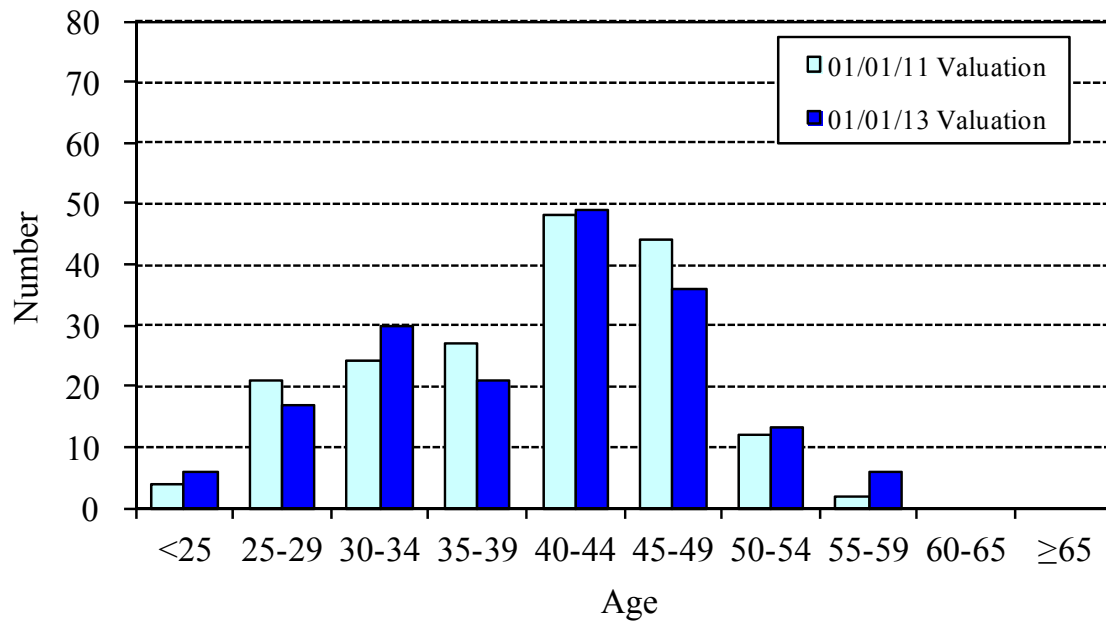
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## EXHIBIT – DATA SUMMARY

### Active Age Distribution Safety



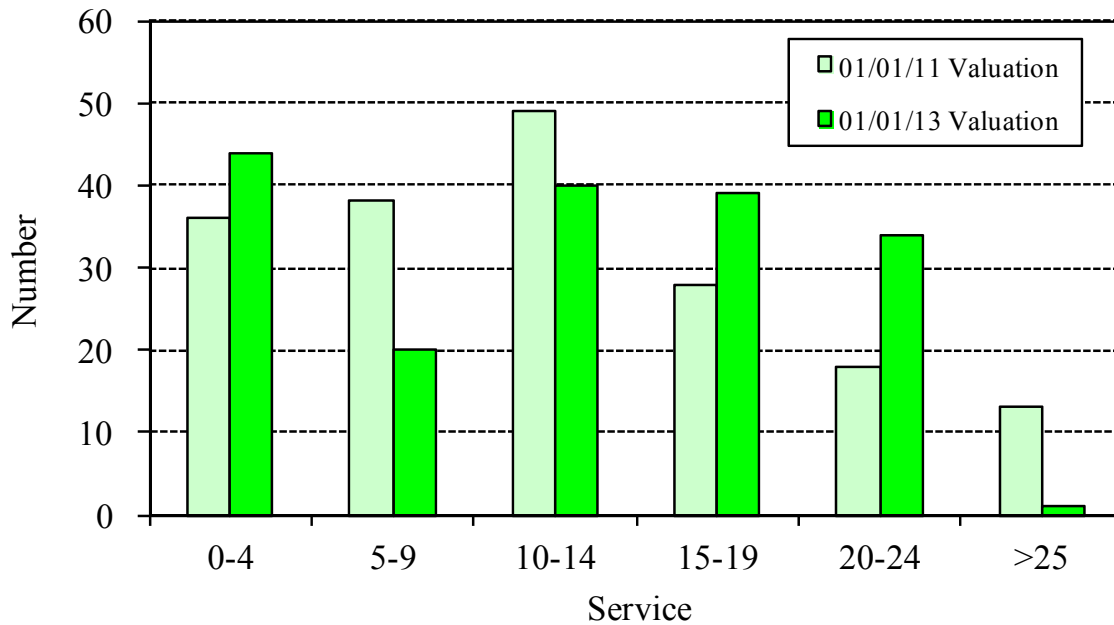
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## EXHIBIT – DATA SUMMARY

### Active Service Distribution Safety



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## EXHIBIT – DATA SUMMARY

### **Retiree Medical Coverage by Age Group** Safety

Age	Single	2-Party	Family	Waived	Total
Under 50	5	6	4	6	21
50-54	7	9	11	2	29
55-59	3	15	14	-	32
60-64	10	17	1	1	29
65-69	8	29	3	1	41
70-74	11	19	-	-	30
75-79	8	8	2	-	18
80-84	11	8	-	-	19
Over 85	2	2	-	-	4
Total	65	113	35	10	223

Average Age	68.4	66.3	56.3	47.4	64.5
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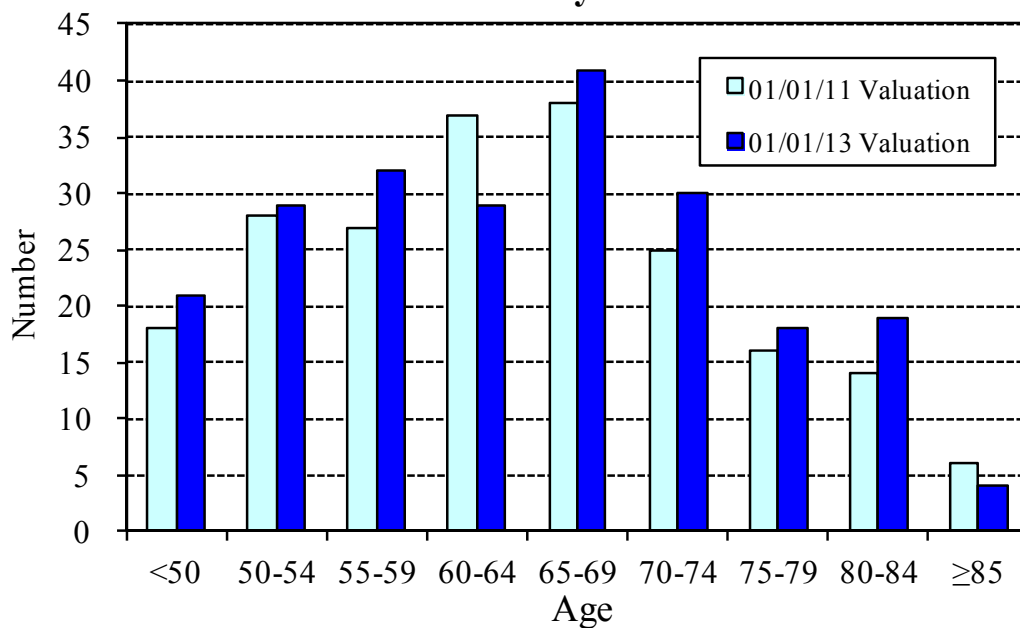
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## EXHIBIT – DATA SUMMARY

### **Retiree Age Distribution** Safety



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# EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2013 Valuation																																				
■ Discount Rate	<ul style="list-style-type: none"><li>• 4.00% –Assets in City investments</li><li>• 6.25% - Trust return on assets</li></ul>																																				
■ General Inflation	<ul style="list-style-type: none"><li>• 3.00%</li></ul>																																				
■ Payroll Increase	<ul style="list-style-type: none"><li>• Aggregate Increases – 3.25%</li><li>• Merit Increases – CalPERS 1997-2007 Experience Study</li></ul>																																				
■ Medical Trend	<table><tr><td></td><td colspan="2"><u>Increase from Prior Year</u></td></tr><tr><td></td><td><u>Non-Medicare</u></td><td><u>Medicare</u></td></tr><tr><td><u>Year</u></td><td></td><td></td></tr><tr><td>2013</td><td></td><td>Premiums</td></tr><tr><td>2014</td><td></td><td>Premiums</td></tr><tr><td>2015</td><td>8.0%</td><td>8.3%</td></tr><tr><td>2016</td><td>7.5%</td><td>7.8%</td></tr><tr><td>2017</td><td>7.0%</td><td>7.2%</td></tr><tr><td>2018</td><td>6.5%</td><td>6.7%</td></tr><tr><td>2019</td><td>6.0%</td><td>6.1%</td></tr><tr><td>2020</td><td>5.5%</td><td>5.6%</td></tr><tr><td>2021+</td><td>5.0%</td><td>5.0%</td></tr></table>		<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>	<u>Year</u>			2013		Premiums	2014		Premiums	2015	8.0%	8.3%	2016	7.5%	7.8%	2017	7.0%	7.2%	2018	6.5%	6.7%	2019	6.0%	6.1%	2020	5.5%	5.6%	2021+	5.0%	5.0%
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2019	6.0%	6.1%																																			
2020	5.5%	5.6%																																			
2021+	5.0%	5.0%																																			
■ Dental Trend	<ul style="list-style-type: none"><li>• 3.00%</li></ul>																																				



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# EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2013 Valuation												
■ Service Retirement	<div>● CalPERS 1997-2007 Experience Study</div> <table><tr><td></td><td><u>Benefit</u><sup>11</sup></td><td>CalPERS Hire Age</td><td>Exp. Ret Age</td></tr><tr><td>Police</td><td>3%@50</td><td>27.6</td><td>54.0</td></tr><tr><td>Fire</td><td>3%@50</td><td>28.0</td><td>55.0</td></tr></table>		<u>Benefit</u> <sup>11</sup>	CalPERS Hire Age	Exp. Ret Age	Police	3%@50	27.6	54.0	Fire	3%@50	28.0	55.0
	<u>Benefit</u> <sup>11</sup>	CalPERS Hire Age	Exp. Ret Age										
Police	3%@50	27.6	54.0										
Fire	3%@50	28.0	55.0										
■ CalPERS Service	<div>● Actual CalPERS service</div>												
■ Mortality, Withdrawal, Disability	<div>● CalPERS 1997-2007 Experience Study</div> <div>● Mortality improvement projected with Scale AA</div>												
■ Medicare Eligibility	<div>● 100%</div> <div>● Everyone eligible for Medicare will elect Part B coverage</div>												

<sup>11</sup> 2%@62 for Miscellaneous hires after 1/1/13; 2.7%@57 for Safety hires after 1/1/13.



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# EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2013 Valuation
■ Participation at Retirement	<ul style="list-style-type: none"> <li>• Safety/Appointed Officials – 100%</li> </ul>
■ Waived Retiree Re-election	<ul style="list-style-type: none"> <li>• Pre-65 – 20% re-elect at age 65</li> <li>• Post-65 – 0%</li> </ul>
■ Medical Plan at Retirement	<ul style="list-style-type: none"> <li>• Currently covered – Same as current elections</li> <li>• Currently waived – Blue Shield Bay Area</li> </ul>
■ Dependent Coverage at Retirement	<ul style="list-style-type: none"> <li>• Spousal coverage:               <ul style="list-style-type: none"> <li>➢ Currently covered – Same as current elections</li> <li>➢ Currently waived – 80% elect spousal coverage</li> </ul> </li> <li>• Family coverage – None</li> <li>• Surviving spouse coverage – 100%</li> </ul>
■ Spouse Age	<ul style="list-style-type: none"> <li>• Current actives – Males 3 years older than females</li> <li>• Current retirees – Males 3 years older than females if spouse birth date not available</li> </ul>

