

January 23, 2019

Ms. Elena Adair
Finance Director
City of Alameda
2263 Santa Clara Avenue, Room 220
Alameda, CA 94501-4477

Re: City of Alameda Other Post-Employment Benefits (OPEB) Plan

Dear Ms. Adair:

The City of Alameda (the "City") sponsors a retiree health program for its employees. The City provides retiree medical benefits to all union groups and provides retiree dental benefits to Safety (Fire and Police) retirees only. The City requested that The Nyhart Company provide an estimate of the cost impact of changing the dental plan offered to Safety retirees from the current Delta Dental plan, with \$1,100 per member maximum, to the Delta Dental Plan with \$2,600 per member maximum. Our analysis is based on the benefit provisions and actuarial assumptions outlined in the GASB 75 report for the fiscal year ending June 30, 2018. The figures shown below also reflect the treatment of the dental premiums as composite rates rather than tiered (i.e. single, employee and spouse) rates and reflect actual dental premiums through 2019.

The liabilities shown below are as of June 30, 2018 based on rolling forward the liabilities from the most recent actuarial valuation (June 30, 2016). The impact of the change is below:

City of Alameda OPEB (with Current Delta Dental Plan)				
	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Present Value of Future Benefits	\$16,169,490	\$68,222,134	\$65,336,343	\$149,678,702
Total (Accrued) OPEB Liability	11,902,238	49,937,721	50,916,120	112,722,222
Normal Cost	580,262	1,732,721	1,483,426	3,809,267
Present Value of Future Normal Costs	3,686,990	16,551,692	12,936,797	33,147,213

City of Alameda OPEB (with Proposed Delta Dental Plan)				
	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Present Value of Future Benefits	\$16,169,490	\$68,599,753	\$65,718,433	\$150,438,411
Total (Accrued) OPEB Liability	11,902,238	50,243,988	51,240,030	113,352,399
Normal Cost	580,262	1,740,138	1,489,694	3,822,952
Present Value of Future Normal Costs	3,686,990	16,615,627	12,988,709	33,263,060

Impact of Change in Dollars				
	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Present Value of Future Benefits	\$0	\$377,619	\$382,090	\$759,709
Total (Accrued) OPEB Liability	0	306,267	323,910	630,177
Normal Cost	0	7,417	6,269	13,686
Present Value of Future Normal Costs	0	63,935	51,911	115,846

	Impact of Change as Percentage Increase			
	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Present Value of Future Benefits	0.00%	0.55%	0.58%	0.51%
Total OPEB Liability	0.00	0.61	0.64	0.56
Normal Cost/Service Cost	0.00	0.43	0.42	0.36
Present Value of Future Normal Costs	0.00	0.39	0.40	0.35

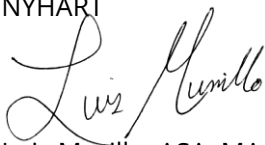
Key assumptions used to determine the expected impact of the costs are provided below. The full detail of benefit provisions and assumptions used are found in the GASB 75 report for the fiscal year ending June 30, 2018.

Key Assumptions	
Actuarial Cost Method	Entry Age Normal Level Percent of Pay
Discount Rate	3.98%
Payroll Increase	3% per year
Retirement	From most recent CalPERS pension valuation
Withdrawal	From most recent CalPERS pension valuation
Mortality	From most recent CalPERS pension valuation
Dental Trend Rates	Rates reflect actual premiums through 2019 and 3.0% thereafter

The results are estimates and may vary significantly if assumptions are modified or actual experience is different than assumed.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,
NYHART



Luis Murillo, ASA, MAAA
Consulting Actuary