



Request for Qualifications for Actuarial Services  
RFQ 2017-002  
Issued November 28, 2017

Responses to Questions Received by SAFCA  
December 8, 2017

***Section 2 Submittal Instructions and Schedule***

Submittal Date is changed to 3:00pm December 14, 2017

- 1. Please provide a copy of SAFCA's most recent valuation (if any).***

Attached please find a copy of SAFCA's Retiree Healthcare Plan, a June 30, 2014 PEHMCA Study, Preliminary Results

- 2. Does SAFCA offer its retirees any OPEB other than the PEMHCA statutory minimum? If so, please describe these benefits. Do you use the PEMHCA "equal" or "unequal" method?***

Yes, an employee hired before June 2, 2015 is eligible to receive more than the PEMHCA statutory minimum, there are 4-6 employees who are eligible, and an employment letter of agreement for each eligible employee documents the methodology. SAFCA uses the PEMHCA "unequal" method.

Health Resolution Summary as of 8/2017 (Benefit Start Date of 7/1/2015)

Contribution Type – Unequal  
Active Share Type – Minimum PA Contribution  
Retiree Share Type – Fixed Amount  
Retiree Employer Share Percent – 5%  
Active Subscribers – 13  
Active Covered Lives – 28  
Retired Subscribers – 0  
Retired Covered Lives – 0

- 3. Please clarify – is the 2017/18 fiscal year the first year for which GASB accounting reporting for the Agency's OPEB is needed? If accounting information is also needed for the 2016/17 fiscal year, would the Agency be reporting under GASB 45 or under GASB 75? (Note that GASB 75 is required for years beginning with the 17/18 fiscal year, but may be early adopted.)***

Yes, 2017/18 is the first fiscal year for GASB reporting and the first year that OPEB liability will be included in SAFCA's Financial Statements. Accounting information will also be needed for 2016/17 and both fiscal years will be reporting under GASB 75.

**4. Please provide additional information regarding the "walk-away liability calculations proposed by CalPERS". Is this in reference to the SAFCA's OPEB or pension plan?**

The first bullet point in the Scope of Services is changed to:

- Please create a walk away liability calculation for OPEB liability FY16/17 and FY17/18.

**5. Please provide the number of active employees, terminated/reciprocal, and retirees currently covered by the OPEB plan.**

Currently, SAFCA has 3 retirees (none of which are receiving retiree health benefits) and 15 active employees, 3 terminated/reciprocal.

**6. Will an in-person meeting be required to present the results of the GASB 75 actuarial valuation and/or OPEB funding study?**

Yes, an in person meeting will be required. In addition, SAFCA may require a presentation of the findings to the SAFCA Board of Directors for the OPEB funding study.

**7. What is SAFCA's target timing for completion of the "walk-away" liability analysis?**

SAFCA needs to have the analysis completed no later than September 30, 2018 in order for the OPEB and pension liabilities to be included in the FY17/18 Financial Statements.

**8. The RFP requests a review of SAFCA's current pension funding liability with CalPERS (5th bullet under item 4. Scope of Services). Is SAFCA looking for pension consulting services in addition to OPEB, or should the scope only reference OPEB actuarial services?**

SAFCA is looking for OPEB liability and pension actuarial consulting services, please include both services.

The fifth bullet in the Scope of Services is changed to be separated into two separate bullet points:

- Review SAFCA's current pension funding liability with CalPERS
- Provide actuarial support necessary to assist in SAFCA's evaluation of options for the creation of a Section 115 trust compared to joining PARSAC or CalPERS trust funds (CERBT).

**9. What is SAFCA's target timing for completion of the pension funding/115 trust analysis?**

SAFCA would like to complete the Section 115 Trust analysis for OPEB liability funding by December of 2018.

**10. Please confirm that SAFCA only needs a GASB 75 report for FY2018 (based on 6/30/2017 measurement date) and does not also need FY2017 information (based on 6/30/2016 measurement date).**

In order to comply with GASB 75, FY18 will be the first year that the OPEB liability will be included in the FY18 Financial Statements. However, FY17 is needed in order to calculate FY18.



## RETIREE HEALTHCARE PLAN

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June 30, 2014 PEMHCA Study  
Preliminary Results

**Bartel Associates, LLC**  
Doug Pryor, Vice President & Actuary  
Adam Zimmerer, Actuarial Analyst  
Matthew Childs, Actuarial Analyst

December 2, 2014

### Agenda

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## BENEFIT SUMMARY

	<b>City of Sacramento</b>	<b>SAFCA with PEMHCA</b>												
<ul style="list-style-type: none"> <li>■ Eligibility</li> </ul>	<ul style="list-style-type: none"> <li>■ Retire directly from the City:                             <ul style="list-style-type: none"> <li>● Age 50 &amp; 10 years City service, or</li> <li>● 30 years City service, or</li> <li>● Industrial disability, or</li> <li>● Death in line of duty</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Retire directly from the SAFCA:                             <ul style="list-style-type: none"> <li>● Age 50 &amp; 5 years CalPERS service, or</li> <li>● Disability, or</li> <li>● Death</li> </ul> </li> </ul>												
<ul style="list-style-type: none"> <li>■ Healthcare<sup>1</sup> Benefit<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ Retiree only - \$300/mo</li> <li>■ Retiree + Dependents - \$365/mo</li> <li>■ Vesting:                             <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>City Service</u></th> <th style="text-align: left;"><u>%</u></th> </tr> </thead> <tbody> <tr> <td>&lt;10</td> <td>-</td> </tr> <tr> <td>10</td> <td>50%</td> </tr> <tr> <td>15</td> <td>75%</td> </tr> <tr> <td>20+</td> <td>100%</td> </tr> <tr> <td>ID&amp;D</td> <td>100%</td> </tr> </tbody> </table> </li> </ul>	<u>City Service</u>	<u>%</u>	<10	-	10	50%	15	75%	20+	100%	ID&D	100%	<ul style="list-style-type: none"> <li>■ Same as City benefit, except                             <ul style="list-style-type: none"> <li>● SAFCA service used for vesting schedule</li> <li>● Benefit cannot be lower than PEMHCA minimum                                     <ul style="list-style-type: none"> <li>➤ \$119/mo in 2014</li> <li>➤ \$122/mo in 2015</li> </ul> </li> </ul> </li> </ul>
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20+	100%													
ID&D	100%													

<sup>1</sup> Includes medical, dental and vision.

<sup>2</sup> City 2<sup>nd</sup> tier for actives hired on or after 6/30/13.



December 2, 2014



## BENEFIT SUMMARY

	<b>City of Sacramento</b>	<b>SAFCA with PEMHCA</b>
<ul style="list-style-type: none"> <li>■ Surviving Spouse Benefit</li> </ul>	<ul style="list-style-type: none"> <li>■ Same benefit continues to surviving spouse</li> </ul>	
<ul style="list-style-type: none"> <li>■ Other OPEB</li> </ul>	<ul style="list-style-type: none"> <li>■ No contribution for life insurance or Medicare Part B premiums</li> </ul>	
<ul style="list-style-type: none"> <li>■ Former SAFCA Employees</li> </ul>	<ul style="list-style-type: none"> <li>■ Former SAFCA employees currently receiving benefits as retirees not included.</li> <li>■ SAFCA/City cost sharing, if any, still to be determined.</li> </ul>	



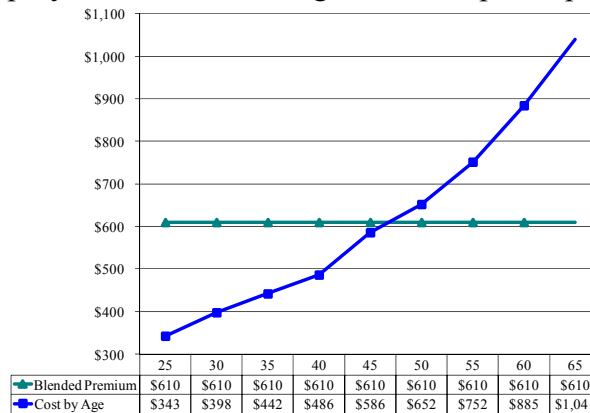
December 2, 2014



## IMPLIED SUBSIDY

### ■ Background

- For PEMHCA, employer cost for allowing retirees to participate at active rates:



- GASB 45 defers to actuarial standards of practice.
- Actuarial Standards of Practice No. 6<sup>3</sup> (ASOP 6) allows community rated plans to value their liability using premiums, resulting in no implied subsidy.

<sup>3</sup> Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.

## IMPLIED SUBSIDY

- In May 2014 Actuarial Standards Board released Final revised ASOP 6:
  - Requires implied subsidy valued for community rated plans such as PEMHCA.
  - Mandatory for all valuations with measurement dates on or after March 31, 2015
- Claims data requested from CalPERS, but not yet available
- Bartel Associates developed estimated claims:
  - Public agency client data used, approx 110,000 total participants & spouses
  - 2014 & 2015 PEMHCA premiums used to develop age/regional claims:
    - Relative age claims costs based on combination of 2013 SOA research paper “Health Care Costs-From Birth to Death” and GRS 2012 State of California GASB 45 actuarial report
    - Regional cost factors based on 2013 PEMHCA premiums
    - Plan risk based on participant demographics
    - 10% pre-65 disabilities assumed Medicare eligible
- Valuation includes an implied subsidy

**PARTICIPANT STATISTICS**

**Participant Statistics – June 30, 2014**

	<b>Total</b>
■ Actives	
• Count	12
• Average	
➢ Age	48.8
➢ SAFCA Service	6.3
➢ Salary	\$ 111,020
• Total Salary (\$000's)	1,332

**ACTUARIAL ASSUMPTIONS HIGHLIGHTS**

<b>June 30, 2014 PEMHCA Study</b>																																								
■ Valuation Date	<ul style="list-style-type: none"> <li>■ June 30, 2014</li> <li>■ Fiscal Years 2014/15 &amp; 2015/16</li> </ul>																																							
■ Discount Rate	<ul style="list-style-type: none"> <li>■ 4.00% – Pay-as-you-go</li> <li>■ Sensitivity – 7.25%, full pre-funding with CERBT</li> </ul>																																							
■ Retirement, Mortality, Termination, Disability	<ul style="list-style-type: none"> <li>■ CalPERS - 1997-2011 Experience Study</li> <li>■ Post Retirement Mortality Projection Scale AA</li> </ul>																																							
■ Medical Trend	<table border="0"> <thead> <tr> <th></th> <th align="center" colspan="2"><u>Increase from Prior Year</u></th> </tr> <tr> <th></th> <th align="center"><u>Year</u></th> <th align="center"><u>Non-Medicare</u></th> <th align="center"><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td></td> <td>2014</td> <td align="center" colspan="2">Actual 2014 Premiums</td> </tr> <tr> <td></td> <td>2015</td> <td align="center" colspan="2">Actual 2015 Premiums</td> </tr> <tr> <td></td> <td>2016</td> <td align="center">7.5%</td> <td align="center">7.8%</td> </tr> <tr> <td></td> <td>2017</td> <td align="center">7.0%</td> <td align="center">7.2%</td> </tr> <tr> <td></td> <td>2018</td> <td align="center">6.5%</td> <td align="center">6.7%</td> </tr> <tr> <td></td> <td>2019</td> <td align="center">6.0%</td> <td align="center">6.1%</td> </tr> <tr> <td></td> <td>2020</td> <td align="center">5.5%</td> <td align="center">5.6%</td> </tr> <tr> <td></td> <td>2021+</td> <td align="center">5.0%</td> <td align="center">5.0%</td> </tr> </tbody> </table>		<u>Increase from Prior Year</u>			<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>		2014	Actual 2014 Premiums			2015	Actual 2015 Premiums			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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## ACTUARIAL ASSUMPTIONS HIGHLIGHTS

<b>June 30, 2014 PEMHCA Study</b>																									
■ Cap Increase Rates	<ul style="list-style-type: none"> <li>■ Dollar Cap: 3%</li> <li>■ PEMHCA Minimum: 4.5% after 2015</li> </ul>																								
■ Participation at Retirement	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Years SAFCA Service</th> <th style="text-align: center; border-bottom: 1px solid black;">Participation %</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">≤ 10</td><td style="text-align: center;">60.0%</td></tr> <tr><td style="text-align: center;">11</td><td style="text-align: center;">63.5%</td></tr> <tr><td style="text-align: center;">12</td><td style="text-align: center;">67.0%</td></tr> <tr><td style="text-align: center;">13</td><td style="text-align: center;">70.5%</td></tr> <tr><td style="text-align: center;">14</td><td style="text-align: center;">74.0%</td></tr> <tr><td style="text-align: center;">15</td><td style="text-align: center;">77.5%</td></tr> <tr><td style="text-align: center;">16</td><td style="text-align: center;">81.0%</td></tr> <tr><td style="text-align: center;">17</td><td style="text-align: center;">84.5%</td></tr> <tr><td style="text-align: center;">18</td><td style="text-align: center;">88.0%</td></tr> <tr><td style="text-align: center;">19</td><td style="text-align: center;">91.5%</td></tr> <tr><td style="text-align: center;">20+</td><td style="text-align: center;">95.0%</td></tr> </tbody> </table>	Years SAFCA Service	Participation %	≤ 10	60.0%	11	63.5%	12	67.0%	13	70.5%	14	74.0%	15	77.5%	16	81.0%	17	84.5%	18	88.0%	19	91.5%	20+	95.0%
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■ Medical Plan at Retirement	<ul style="list-style-type: none"> <li>■ Currently covered under City Kaiser plans – PEMHCA Kaiser Sacramento region</li> <li>■ Currently covered under City non- Kaiser plans &amp; currently waived – PEMHCA Blue Shield Sacramento region</li> </ul>																								

## ACTUARIAL METHODS

<b>June 30, 2014 PEMHCA Study</b>	
■ Cost Method	■ Entry Age Normal
■ Funding Policy	■ Pay-As-You-Go
■ Amortization Method	■ Level percent of payroll
■ Amortization Period	<ul style="list-style-type: none"> <li>■ 20 year amortization of 6/30/14 UAAL</li> <li>■ 15 years (closed) – subsequent gains/losses, assumption changes, and method changes</li> <li>■ Maximum 30 years combined period allowed</li> </ul>



**RESULTS**

**Actuarial Obligations**

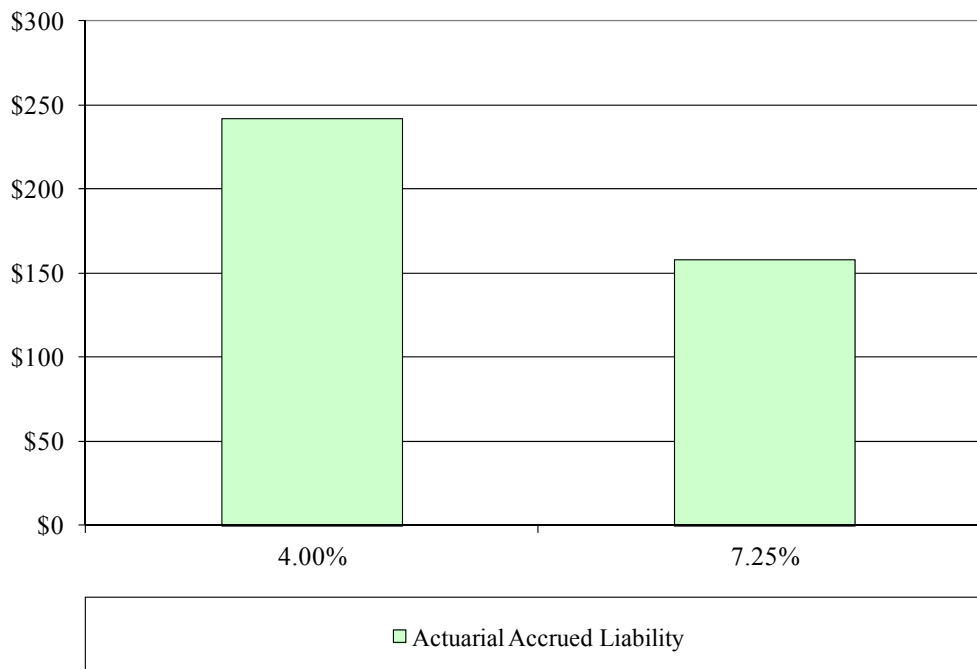
(Amounts in 000's)

	<b>6/30/14</b>	
	<b>4.00%</b>	<b>7.25%</b>
■ <b>Discount Rate</b>	<b>4.00%</b>	<b>7.25%</b>
■ <b>Present Value of Benefits</b>		
• Actives	\$ 596	\$ 326
• Retirees	—	—
• Total	596	326
■ <b>Actuarial Accrued Liability</b>		
• Actives	242	158
• Retirees	—	—
• Total	242	158
■ <b>Actuarial Value of Assets</b>	—	—
■ <b>Unfunded AAL</b>	242	158
■ <b>2014/15 Normal Cost</b>	50	30
■ <b>2014/15 Pay-Go Cost</b>	2	2

**RESULTS**

**Actuarial Accrued Liability**

(Amounts in 000's)



**RESULTS**

**Annual Required Contribution (ARC)**

(Amounts in 000's)

■ Discount Rate	2014/15	
	4.00%	7.25%
■ ARC - \$		
• Normal Cost	\$ 50	\$ 30
• UAAL Amortization <sup>4</sup>	<u>13</u>	<u>12</u>
• ARC (End of Year)	63	42
■ Projected Payroll	1,332	1,332
■ ARC - % Total Payroll		
• Normal Cost	3.8%	2.3%
• UAAL Amortization	<u>1.0%</u>	<u>0.9%</u>
• ARC	4.8%	3.1%

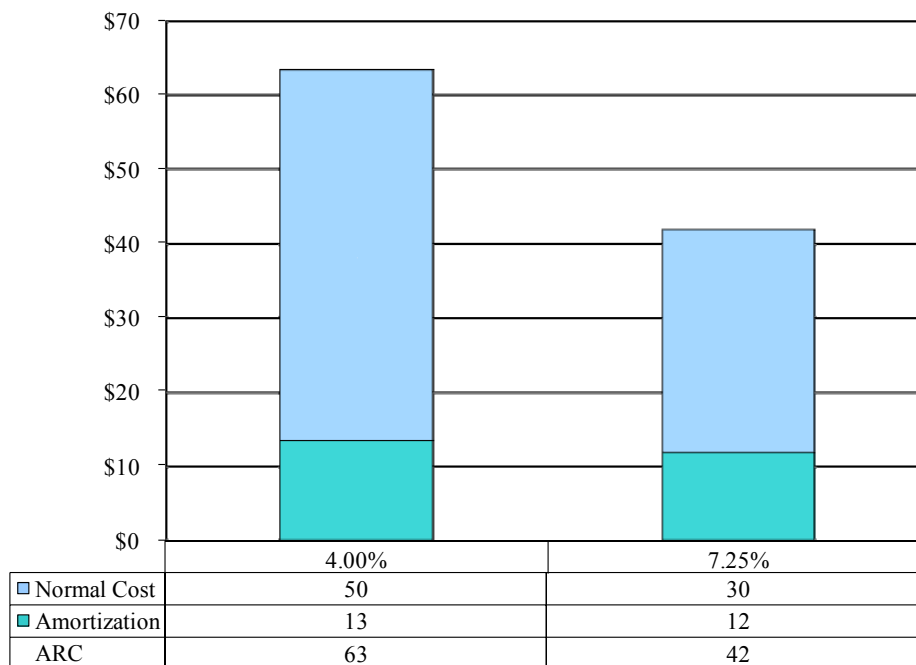
<sup>4</sup> 20-year closed amortization period.



**RESULTS**

**Annual Required Contributions**

(Amounts in 000's)



**RESULTS**

**Estimated Net OPEB Obligation (NOO)**

**No Prefunding - 4.00% Discount Rate**

(Amounts in 000's)

	2014/15	2015/16
■ <b>NOO Beginning of Year</b>	\$ -	\$ 61
■ <b>Annual OPEB Cost</b>		
• ARC	63	70
• Interest on NOO	-	2
• Amortization of NOO	-	(5)
• Annual OPEB Cost	<u>63</u>	<u>68</u>
■ <b>Contributions</b>		
• Cash Benefit Payments	1	3
• Implied Subsidy	1	4
• Trust Pre-Funding	-	-
• Total Contribution	<u>2</u>	<u>7</u>
■ <b>NOO End of Year</b>	61	122

**RESULTS**

**10-Year Projection Illustration**

**No Prefunding - 4.00% Discount Rate**

(Amounts in 000's)

FYE June 30,	Beginning of Year Net OPEB Obligation	ARC	Annual OPEB Cost (AOC)	Contribution			Payroll	ARC as % of Payroll	Contrib as % of Payroll
				Benefit Pmts	Pre- Fund	Total Contrib			
2015	\$ -	\$ 63	\$ 63	\$ 2	\$ -	\$ 2	\$ 1,332	4.8%	0.2%
2016	61	70	68	7	-	7	1,375	5.1%	0.5%
2017	122	77	72	8	-	8	1,420	5.4%	0.6%
2018	187 <sup>5</sup>	85	77	12	-	12	1,466	5.8%	0.8%
2019	252	93	82	15	-	15	1,514	6.1%	1.0%
2020	319	102	87	17	-	17	1,563	6.5%	1.1%
2021	389	112	92	19	-	19	1,614	6.9%	1.2%
2022	463	123	98	25	-	25	1,666	7.4%	1.5%
2023	535	134	103	27	-	27	1,720	7.8%	1.6%
2024	612	147	109	30	-	30	1,776	8.3%	1.7%

<sup>5</sup> Exposure Draft revised GASB 45 anticipated effective 2017/18.

**RESULTS**

**Estimated Net OPEB Obligation (NOO)**  
**Full Prefunding - 7.25% Discount Rate**  
 (Amounts in 000's)

	2014/15	2015/16
■ <b>NOO Beginning of Year</b>	\$ -	\$ -
■ <b>Annual OPEB Cost</b>		
• ARC	42	43
• Interest on NOO	-	-
• Amortization of NOO	-	-
• Annual OPEB Cost	<u>42</u>	<u>43</u>
■ <b>Contributions</b>		
• Cash Benefit Payments	1	3
• Implied Subsidy	1	4
• Trust Pre-Funding	<u>40</u>	<u>36</u>
• Total Contribution	<u>42</u>	<u>43</u>
■ <b>NOO End of Year</b>	-	-

**RESULTS**

**10-Year Projection Illustration**  
**Full Prefunding - 7.25% Discount Rate**  
 (Amounts in 000's)

FYE June 30,	Beginning of Year Net OPEB Obligation	ARC	Annual OPEB Cost (AOC)	Contribution			Payroll	ARC as % of Payroll	Contrib as % of Payroll
				Benefit Pmts	Pre- Fund	Total Contrib			
2015	\$ -	\$ 42	\$ 42	\$ 2	\$ 40	\$ 42	\$ 1,332	3.1%	3.1%
2016	-	43	43	7	36	43	1,375	3.1%	3.1%
2017	-	45	45	8	37	45	1,420	3.1%	3.1%
2018	- <sup>6</sup>	46	46	12	34	46	1,466	3.1%	3.1%
2019	-	48	48	15	33	48	1,514	3.1%	3.1%
2020	-	49	49	17	32	49	1,563	3.1%	3.1%
2021	-	51	51	19	32	51	1,614	3.1%	3.1%
2022	-	52	52	25	27	52	1,666	3.1%	3.1%
2023	-	54	54	27	28	54	1,720	3.1%	3.1%
2024	-	56	56	30	26	56	1,776	3.1%	3.1%

<sup>6</sup> Exposure Draft revised GASB 45 anticipated effective 2017/18.

**RESULTS**

**Actuarial Obligations by Cash/Implied Subsidy**

**June 30, 2014, 4.00% Discount Rate**

(Amounts in 000's)

	<b>Cash Subsidy</b>	<b>Implied Subsidy</b>	<b>Total</b>
■ <b>PVPB</b>			
• Actives	\$ 456	\$ 140	\$ 596
• Retirees	-	-	-
• Total	<u>456</u>	<u>140</u>	<u>596</u>
■ <b>AAL</b>			
• Actives	205	38	242
• Retirees	-	-	-
• Total	<u>205</u>	<u>38</u>	<u>242</u>
■ <b>Assets</b>	-	-	-
■ <b>Unfunded AAL</b>	205	38	242
■ <b>Normal Cost 2014/15</b>	35	15	50
■ <b>Pay-As-You-Go 2014/15</b>	1	1	2

**RESULTS**

**Annual Required Contribution (ARC) by Cash/Implied Subsidy**

**2014/15 Fiscal Year, 4.00% Discount Rate**

(Amounts in 000's)

	<b>Cash Subsidy</b>	<b>Implied Subsidy</b>	<b>Total</b>
■ <b>ARC - \$</b>			
• Normal Cost	\$ 35	\$ 15	\$ 50
• UAAL Amortization <sup>7</sup>	<u>11</u>	<u>2</u>	<u>13</u>
• Total	47	17	63
■ <b>Projected Payroll</b>	1,332	1,332	1,332
■ <b>ARC - %</b>			
• Normal Cost	2.7%	1.1%	3.7%
• UAAL Amortization	<u>0.9%</u>	<u>0.2%</u>	<u>1.0%</u>
• Total	3.5%	1.3%	4.8%

<sup>7</sup> 20-year closed amortization period.

**RESULTS**

**Actuarial Obligations by Cash/Implied Subsidy**

**June 30, 2014, 7.25% Discount Rate**

(Amounts in 000's)

	<b>Cash Subsidy</b>	<b>Implied Subsidy</b>	<b>Total</b>
■ <b>PVPB</b>			
• Actives	\$ 232	\$ 94	\$ 326
• Retirees	-	-	-
• Total	<u>232</u>	<u>94</u>	<u>326</u>
■ <b>AAL</b>			
• Actives	126	32	158
• Retirees	-	-	-
• Total	<u>126</u>	<u>32</u>	<u>158</u>
■ <b>Assets</b>	-	-	-
■ <b>Unfunded AAL</b>	126	32	158
■ <b>Normal Cost 2014/15</b>	19	11	30
■ <b>Pay-As-You-Go 2014/15</b>	1	1	2

**RESULTS**

**Annual Required Contribution (ARC) by Cash/Implied Subsidy**

**2014/15 Fiscal Year, 7.25% Discount Rate**

(Amounts in 000's)

	<b>Cash Subsidy</b>	<b>Implied Subsidy</b>	<b>Total</b>
■ <b>ARC - \$</b>			
• Normal Cost	\$ 19	\$ 11	\$ 30
• UAAL Amortization <sup>8</sup>	<u>9</u>	<u>2</u>	<u>12</u>
• Total	29	13	42
■ <b>Projected Payroll</b>	1,332	1,332	1,332
■ <b>ARC - %</b>			
• Normal Cost	1.4%	0.8%	2.3%
• UAAL Amortization	<u>0.7%</u>	<u>0.2%</u>	<u>0.9%</u>
• Total	2.2%	1.0%	3.1%

<sup>8</sup> 20-year closed amortization period.

**RESULTS**

**Benefit Payment Projection by Cash/Implied Subsidy**

(Amounts in 000's)

<b>Fiscal Year</b>	<b>Cash Subsidy</b>	<b>Implied Subsidy</b>	<b>Total</b>
2014/15	\$ 1	\$ 1	\$ 2
2015/16	3	4	7
2016/17	4	4	8
2017/18	6	6	12
2018/19	7	8	15
2019/20	9	8	17
2020/21	10	9	19
2021/22	12	13	25
2022/23	14	11	27
2023/24	15	15	30

**RESULTS**

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## CALPERS RATE CHANGES

- Contribution policy changes:
  - No asset smoothing
  - 5-year ramp up
  - Future Gains/losses: 25 year amortization period
    - With 5 year ramp up means paid over 30 years
  - Method & Assumption changes: 15 year amortization period
    - With 5 year ramp up means paid over 20 years
  - No cap on rate increases each year
  - Likely higher contribution rates and higher volatility in normal years but much less volatility for extreme events
- Assumption changes:
  - No changes to economic assumptions
  - Anticipate future mortality improvement
  - Earlier retirements for Miscellaneous & Safety enhanced formulas
  - Higher salary increases for Safety near retirement

## CALPERS RATE CHANGES

- Timing:
  - Contribution policy changes:
    - Included in 6/30/13 valuation (first impact 2015/16 rates)
    - Full impact in 2019/20 rates.
  - Assumption changes:
    - Included in 6/30/14 valuation (first impact 2016/17 rates)
    - Full impact in 2020/21 rates.



## GASB STATEMENT NO. 68

- Pension accounting changes issued 6/25/12:
  - Effective for 2014/15 fiscal year
- Fundamental changes
  - Delinks contributions and accounting
  - Unfunded liability recognition drives expense
- Major issues:
  - Unfunded liability on balance sheet
  - Lower discount rate if projected assets do not cover projected benefit payments
  - Immediate recognition of:
    - Service & interest cost
    - Benefit changes
  - Deferred recognition of:
    - Gains/losses & assumption changes, over future working lifetime (average of active and inactive employees) closed period
    - Asset gains/losses over 5 years
- Entry age normal cost method required

## GASB OPEB

- Will replace GASB 43 & 45
- Similar to GASB 67 & 68
- Plan accounting for years beginning > 12/15/2015
- Employer accounting for years beginning > 12/15/2016 (if plan administered through trust) → FY 17/18
- Anticipated Timing:
  - Exposure Draft released June 2014
  - Comments → June - August 2014
  - Hearing → September 2014
  - Final → June 2015

## OTHER ISSUES

- Residual City liabilities?
  - CalPERS Pension
  - OPEB
- OPEB Valuation Timing:
  - Provide preliminary results
  - Next steps

December 2, 2014

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## EXHIBITS

<u>Topic</u>	<u>Page</u>
Premiums	E- 1
Data Summary	E- 3
Actuarial Assumptions	E- 9
Definitions	E-13

**PREMIUMS**

**2014 PEMHCA Monthly Premiums**  
**Sacramento**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$750.27	\$1,500.54	\$1,950.70	\$341.12	\$682.24	\$1,023.36
Anthem Traditional	840.43	1,680.86	2,185.12	341.12	682.24	1,023.36
Blue Shield Access+	734.87	1,469.74	1,910.66	298.21	596.42	894.63
Blue Shield NetValue	618.39	1,236.78	1,607.81	298.21	596.42	894.63
Kaiser	681.59	1,363.18	1,772.13	294.97	589.94	884.91
United Healthcare	643.34	1,286.68	1,672.68	193.33	386.66	579.99
PERS Choice	665.99	1,331.98	1,731.57	307.23	614.46	921.69
PERS Select	637.85	1,275.70	1,658.41	307.23	614.46	921.69
PERSCare	694.26	1,388.52	1,805.08	327.36	654.72	982.08
PORAC	634.00	1,186.00	1,507.00	397.00	791.00	1,264.00

**PREMIUMS**

**2015 PEMHCA Monthly Premiums**  
**Sacramento**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$811.14	\$1,622.28	\$2,108.96	\$445.38	\$890.76	\$1,336.14
Anthem Traditional	940.16	1,880.32	2,444.42	445.38	890.76	1,336.14
Blue Shield Access+	809.22	1,618.44	2,103.97	352.63	705.26	1,057.89
Blue Shield NetValue	758.45	1,516.90	1,971.97	352.63	705.26	1,057.89
Kaiser	660.96	1,321.92	1,718.50	295.51	591.02	886.53
United Healthcare	623.45	1,246.90	1,620.97	267.41	534.82	802.23
PERS Choice	679.26	1,358.52	1,766.08	339.47	678.94	1,018.41
PERS Select	669.16	1,338.32	1,739.82	339.47	678.94	1,018.41
PERSCare	751.21	1,502.42	1,953.15	368.76	737.52	1,106.28
PORAC	675.00	1,292.00	1,642.00	402.00	802.00	1,281.00

**DATA SUMMARY**

**Medical Plan Participation**  
**Non-Waived Participants**  
**June 30, 2014**

<b>Plan</b>	<b>Actives</b>
Kaiser HMO Standard	20%
Kaiser Account Based Health Plan	10%
Health Net HMO Premium	30%
Health Net HMO Standard	40%
<b>Total</b>	<b>100%</b>

**DATA SUMMARY**

**Current Active Medical Coverage**  
**June 30, 2014**

<b>Medical Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>	<b>Waived</b>	<b>Total</b>
Kaiser HMO - Standard	2	-	-	-	2
Kaiser - Account Based Plan	-	-	1	-	1
Health Net HMO - Premium	1	-	2	-	3
Health Net HMO - Standard	2	-	2	-	4
Waived	-	-	-	2	2
<b>Total</b>	<b>5</b>	<b>-</b>	<b>5</b>	<b>2</b>	<b>12</b>

DATA SUMMARY

**Actives by Age and Service**  
**June 30, 2014**

Age	SAFCA Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	1	-	-	-	-	-	1
25-29	-	-	-	-	-	-	-	-
30-34	1	1	-	-	-	-	-	2
35-39	-	-	1	-	-	-	-	1
40-44	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	-	-	-
50-54	-	1	-	1	-	-	-	2
55-59	-	4	-	-	-	-	-	4
60-64	-	-	1	-	-	-	-	1
≥ 65	-	-	-	-	-	1	-	1
Total	1	7	2	1	-	1	-	12

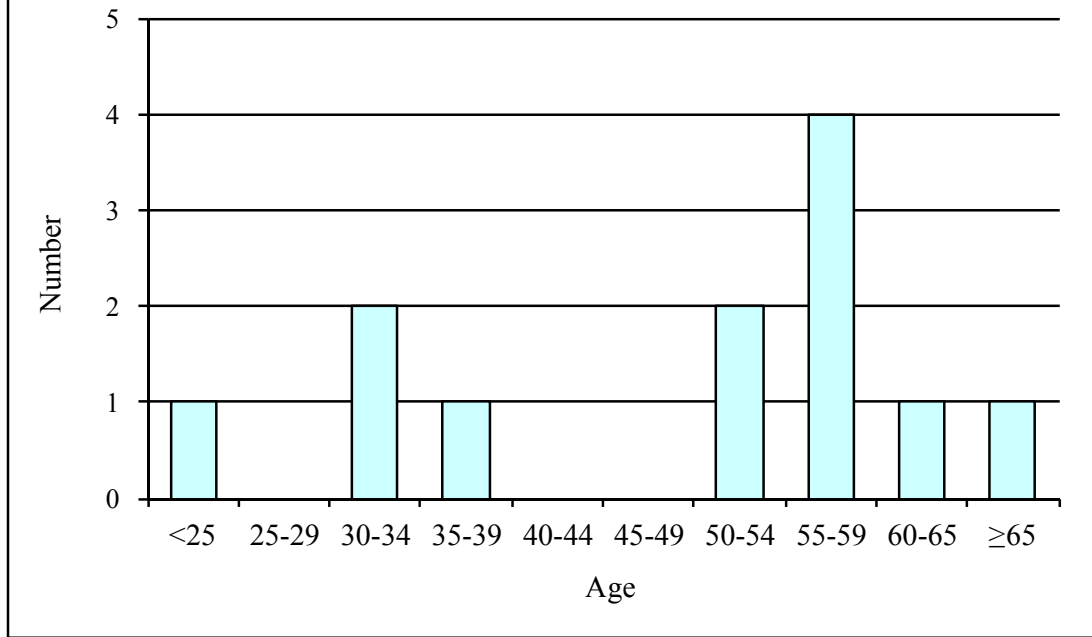
DATA SUMMARY

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## DATA SUMMARY

### Active Age Distribution



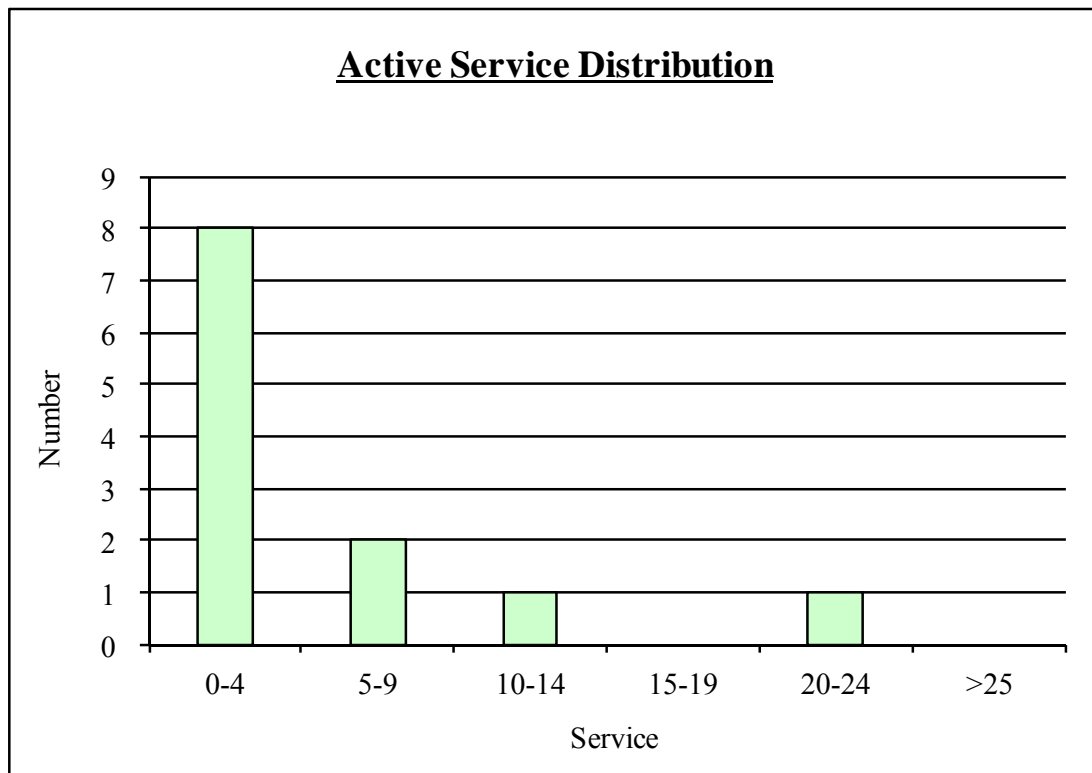
December 2, 2014

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## DATA SUMMARY

### Active Service Distribution



December 2, 2014

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**ACTUARIAL ASSUMPTIONS**

<b>June 30, 2014 PEMHCA Study</b>	
■ Valuation Date	■ June 30, 2014 ■ Fiscal Years 2014/15 & 2015/16
■ Discount Rate	■ 4.00% – Pay-as-you-go ■ Sensitivity – 7.25%, full pre-funding with CERBT
■ General Inflation	■ 3.00%
■ Aggregate Payroll Increases	■ 3.25%
■ Mortality, Termination, Disability	■ CalPERS - 1997-2011 Experience Study ■ Post Retirement Mortality Projection Scale AA

**ACTUARIAL ASSUMPTIONS**

<b>June 30, 2014 PEMHCA Study</b>																														
■ Service Retirement	<p>■ CalPERS 1997-2011 Experience Study</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Level</u></th> <th style="text-align: center;"><u>ERA</u></th> </tr> </thead> <tbody> <tr> <td>Classic</td> <td style="text-align: center;">2%@55</td> <td style="text-align: center;">59</td> </tr> <tr> <td>PEPRA</td> <td style="text-align: center;">2%@62</td> <td style="text-align: center;">61</td> </tr> </tbody> </table>		<u>Level</u>	<u>ERA</u>	Classic	2%@55	59	PEPRA	2%@62	61																				
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■ Medical Trend	<table border="1" style="margin-left: 40px;"> <thead> <tr> <th rowspan="2" style="text-align: center;"><u>Year</u></th> <th colspan="2" style="text-align: center;"><u>Increase from Prior Year</u></th> </tr> <tr> <th style="text-align: center;"><u>Non-Medicare</u></th> <th style="text-align: center;"><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td>2014</td> <td colspan="2" style="text-align: center;">Actual 2014 Premiums</td> </tr> <tr> <td>2015</td> <td colspan="2" style="text-align: center;">Actual 2015 Premiums</td> </tr> <tr> <td>2016</td> <td style="text-align: center;">7.5%</td> <td style="text-align: center;">7.8%</td> </tr> <tr> <td>2017</td> <td style="text-align: center;">7.0%</td> <td style="text-align: center;">7.2%</td> </tr> <tr> <td>2018</td> <td style="text-align: center;">6.5%</td> <td style="text-align: center;">6.7%</td> </tr> <tr> <td>2019</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">6.1%</td> </tr> <tr> <td>2020</td> <td style="text-align: center;">5.5%</td> <td style="text-align: center;">5.6%</td> </tr> <tr> <td>2021+</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Increase from Prior Year</u>		<u>Non-Medicare</u>	<u>Medicare</u>	2014	Actual 2014 Premiums		2015	Actual 2015 Premiums		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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2020	5.5%	5.6%																												
2021+	5.0%	5.0%																												
■ Cap Increase Rates	<p>■ Dollar Cap: 3%</p> <p>■ PEMHCA Minimum: 4.5% after 2015</p>																													

**ACTUARIAL ASSUMPTIONS**

<b>June 30, 2014 PEMHCA Study</b>	
■ Participation at Retirement	<u>Years SAFCA</u>
	<u>Service</u> <u>Participation %</u>
	≤ 10                  60.0%
	11                    63.5%
	12                    67.0%
	13                    70.5%
	14                    74.0%
	15                    77.5%
	16                    81.0%
	17                    84.5%
18                    88.0%	
19                    91.5%	
20+                  95.0%	
■ Medical Plan at Retirement	<ul style="list-style-type: none"> <li>■ Currently covered under City Kaiser plans – PEMHCA Kaiser Sacramento region</li> <li>■ Currently covered under City non- Kaiser plans &amp; currently waived – PEMHCA Blue Shield Sacramento region</li> </ul>
■ CalPERS Service	■ SAFCA service plus ½ service between age 30 and SAFCA hire date

**ACTUARIAL ASSUMPTIONS**

<b>June 30, 2014 PEMHCA Study</b>	
■ Medicare Eligible Rate	■ 100%
■ Marital Status at Retirement	<ul style="list-style-type: none"> <li>■ Currently covered – current marital status</li> <li>■ Not currently covered – 85% married</li> </ul>
■ Spouse Age	<ul style="list-style-type: none"> <li>■ Actives – Males 3 years older than females</li> <li>■ Retirees – Males 3 years older than females if spouse birth date not available</li> </ul>
■ Surviving Spouse Participation	■ 100%
■ Future New Participants	■ None – Closed Group

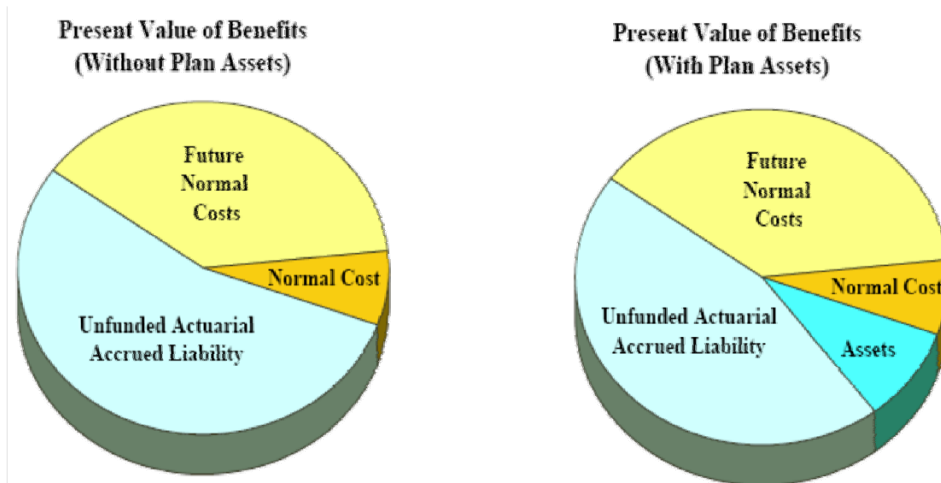


## DEFINITIONS

<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> <li>• Project future employer-provided benefit cash flow for current active employees and current retirees</li> <li>• Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits (PVB)</li> <li>• Discount rate is expected long-term return on plan assets</li> <li>• Allocate PVB to past, current, and future periods</li> <li>• Normal Cost is portion of PVB allocated to current fiscal year</li> <li>• Actuarial cost method used for valuation is Entry Age Normal Cost method which determines Normal Cost as a level percent of payroll</li> <li>• Actuarial Accrued Liability (AAL) is portion of PVB allocated to prior service with the employer</li> <li>• Unfunded AAL (UAAL) is AAL less Plan Assets</li> <li>• Assets must be in segregated and restricted trust to be considered Plan Assets for GASB 45</li> </ul>
<p>■ PayGo Cost</p>	<ul style="list-style-type: none"> <li>• Cash subsidy is employer pay-as-you-go benefit payments for retirees</li> <li>• Implied subsidy is difference between actual cost of retiree benefits and retiree premiums subsidized by active employee premiums</li> </ul>

## DEFINITIONS

### Present Value of Benefits



## DEFINITIONS

<p>■ Annual Required Contribution (ARC)</p>	<ul style="list-style-type: none"><li>● GASB 45 contribution is Normal Cost plus amortization of:<ul style="list-style-type: none"><li>➢ Initial UAAL and AAL for plan, assumption, and method changes</li><li>➢ Experience gains and losses (difference between actual experience and that expected from assumptions)</li><li>➢ Contribution gains and losses (difference between ARC and actual contributions)</li></ul></li></ul>
<p>■ Net OPEB Obligation (NOO)</p>	<ul style="list-style-type: none"><li>● NOO is accumulated amounts expensed but not funded</li><li>● Net OPEB Asset if amounts funded exceed those expensed</li></ul>
<p>■ Annual OPEB Cost (AOC)</p>	<ul style="list-style-type: none"><li>● Expense for current period including:<ul style="list-style-type: none"><li>➢ ARC</li><li>➢ Interest on NOO</li><li>➢ Adjustment of NOO</li></ul></li><li>● Adjustment of NOO prevents double counting of expense since ARCs include amortization of prior contribution gains and losses previously expensed</li></ul>