



PERALTA COMMUNITY COLLEGE DISTRICT

RETIREE HEALTHCARE PLAN

**GASB 45 Actuarial Valuation
Preliminary Results**

John Bartel and Doug Pryor



Revised
December 8, 2005

Agenda

<u>Topic</u>	<u>Page</u>
Benefit Summary	1
Premiums	3
Data Summary	7
Actuarial Assumptions	13
Definitions	17
Actuarial Methods	19
Simplified Example	21
Results – 4.5% Discount Rate	25
Results – 7.0% Discount Rate	27
Results - Sensitivity	29
Results – Benefit Payouts	31
Results – Survey	33
Other Issues	37

BENEFIT SUMMARY

	Peralta Federation of Teachers	Local 39	Local 790	Non Union
<ul style="list-style-type: none"> ■ Eligibility 	PERS/STRS retirement 10 years service (5 years if hired before 7/1/04)	PERS/STRS retirement 10 years service	PERS/STRS retirement 10 years service	PERS/STRS retirement 10 years service
<ul style="list-style-type: none"> ■ Medical Benefit 				
<ul style="list-style-type: none"> ➤ Hired before 7/1/2004 	Full coverage Survivor coverage	Full coverage Survivor coverage	Full coverage Survivor coverage	Full coverage Survivor coverage
<ul style="list-style-type: none"> ➤ Hired on or after 7/1/2004 	Coverage ends at age 65 No survivor benefits. Surviving spouse can buy coverage to 65			



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BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Life Insurance 	Coverage: age 50 to 66 Amount: 1.5 × Pay, \$100,000 maximum
<ul style="list-style-type: none"> ■ Dental & Vision 	None



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PREMIUMS

Active Premium Rates¹
Kaiser

	2004/2005	2005/2006
Employee Only	\$326.97	\$365.24
Two - Party	653.94	730.48
Family	925.33	1,033.61



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PREMIUMS

Active Funding Level¹
Core Source

	2004/2005	2005/2006
Employee Only	\$510.72	Same as 04/05
Two - Party	1,141.09	
Family	1,714.28	

¹ Rates effective for September through August.



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PREMIUMS

**Retiree Premium Rates²
Kaiser**

Plan	2004/2005		2005/2006	
	Under age 65	Over age 65*	Under age 65	Over age 65*
Retiree Only	\$346.81	\$360.61	\$385.62	\$258.80
Two- Party	693.62	-	771.24	-
‣ Both in Medicare	-	721.22	-	517.60
‣ One in Medicare	-	707.42	-	624.04
Family	981.47	-	1,091.30	-
‣ Parents in Medicare	-	1,009.07	-	820.73
‣ One Parent in Medicare	-	1,224.21	-	927.17

* Medicare Senior Advantage premium



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PREMIUMS

**Retiree Funding Level²
Core Source**

Plan	2004/2005		2005/2006
	Under age 65	Over age 65	
Retiree Only	\$617.85	\$308.93	Same as 04/05
Two- Party	1,752.54	-	
‣ Both in Medicare	-	617.87	
‣ One in Medicare	-	926.80	
Family	2,460.74	1,230.37	

² Rates effective for September through August.



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DATA SUMMARY

**Medical Coverage
Active**

	Single	2-Party	Family	Grand Total
Active				
CoreSource	106	124	134	364
Kaiser	138	143	116	397
Total	244	267	250	761



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DATA SUMMARY

**Medical Coverage
Retiree**

	Single	2-Party	Family	Self-pay	Grand Total
Early Retirement (<65)					
CoreSource	28	44	13	5	90
Kaiser	<u>9</u>	<u>14</u>	<u>6</u>	<u>1</u>	<u>30</u>
Total	37	58	19	6	120
Medicare (>=65)					
CoreSource	137	154	13	21	325
Kaiser	<u>97</u>	<u>119</u>	<u>3</u>	<u>10</u>	<u>229</u>
Total	234	273	16	31	554
Retiree Grand Total	271	331	35	37	674



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DATA SUMMARY

Participant Statistics

	<u>1/1/2004</u>	<u>7/1/2005</u>				<u>Total</u>
		<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	
■ Actives						
• Count	724	334	80	271	76	761
• Ave Age	-	53.2	48.5	47.8	52.0	50.7
• Ave Service	-	11.7	10.5	11.6	7.7	11.1
• Ave Pay	-	\$59,100	\$37,000	\$41,700	\$81,400	\$52,800
• Total Payroll (000's)	-	\$19,729	\$2,961	\$11,289	\$6,184	\$40,164



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DATA SUMMARY

Participant Statistics

	<u>1/1/2004</u>	<u>7/1/2005</u>				<u>Total</u>
		<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	
■ Retirees						
• Count	620	414	56	146	58	674
• Ave Age	-	74.4	71.2	71.2	71.3	73.3
• Ret Age	-	61.9	61.1	60.0	62.0	61.3



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DATA SUMMARY

Actives - Total

Age		Service							Total
		Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 & Over	
Under 25	Count	2	1	-	-	-	-	-	3
	Average Salary	31,482	48,654	-	-	-	-	-	37,206
25 to 29	Count	10	8	3	-	-	-	-	21
	Average Salary	31,782	33,803	35,980	-	-	-	-	33,152
30 to 34	Count	14	28	9	1	-	-	-	52
	Average Salary	32,286	47,485	43,356	52,020	-	-	-	42,766
35 to 39	Count	14	26	18	3	3	-	-	64
	Average Salary	48,625	53,312	51,302	41,560	44,392	-	-	50,753
40 to 44	Count	13	25	22	7	9	2	-	78
	Average Salary	43,137	35,058	52,314	43,722	46,415	33,318	-	43,315
45 to 49	Count	20	22	23	20	13	7	1	106
	Average Salary	41,640	59,537	52,623	47,929	51,727	40,898	40,536	50,102
50 to 54	Count	10	26	30	21	11	12	21	131
	Average Salary	48,812	61,708	53,563	56,522	56,082	49,550	45,001	53,762
55 to 59	Count	9	30	34	23	19	23	26	164
	Average Salary	40,606	68,997	54,980	60,489	55,675	67,335	56,601	59,598
60 to 64	Count	3	13	16	8	11	11	36	98
	Average Salary	57,436	66,316	65,023	46,457	62,253	53,372	67,582	62,768
65 & Over	Count	2	7	8	4	6	4	13	44
	Average Salary	27,552	67,572	32,932	68,576	31,883	38,473	62,700	50,594
Total	Count	97	186	163	87	72	59	97	761
	Average Salary	41,115	55,003	52,533	53,626	52,419	54,868	58,817	52,777



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DATA SUMMARY

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ACTUARIAL ASSUMPTIONS

Assumption	1/1/2004	7/1//2005																		
■ Interest rate	• Discount rate 6.0%	<ul style="list-style-type: none"> • 4.5% (not pre-funded & assets invested in General Fund) • 7.0% (pre-funded & assets diversified in separate trust) 																		
■ Medical Trend	<table border="0"> <tr> <td>Initial</td> <td>15%</td> </tr> <tr> <td>Ultimate</td> <td>6%</td> </tr> <tr> <td>Years</td> <td>7 yrs</td> </tr> </table>	Initial	15%	Ultimate	6%	Years	7 yrs	<table border="0"> <tr> <td></td> <td><u>Kaiser</u></td> <td><u>CS</u></td> </tr> <tr> <td>Initial</td> <td>12%</td> <td>13%</td> </tr> <tr> <td>Ultimate</td> <td>5%</td> <td>5%</td> </tr> <tr> <td>Years</td> <td>10 yr</td> <td>10 yr</td> </tr> </table>		<u>Kaiser</u>	<u>CS</u>	Initial	12%	13%	Ultimate	5%	5%	Years	10 yr	10 yr
Initial	15%																			
Ultimate	6%																			
Years	7 yrs																			
	<u>Kaiser</u>	<u>CS</u>																		
Initial	12%	13%																		
Ultimate	5%	5%																		
Years	10 yr	10 yr																		
■ Aggregate Payroll	n/a	3.25%																		
■ Inflation	?	3.0%																		



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ACTUARIAL ASSUMPTIONS

Assumption	1/1/2004	7/1//2005
■ Retirement	Rates from 50 to 70: Avg ret age ≈ 60	<p>CalPERS 1997-2002 Experience Study</p> <p align="center">Avg ret age ≈ 62</p> <p>CalSTERS 2001 Experience Study</p> <p align="center">Avg ret age ≈ 62</p>
■ Mortality, Turnover, Disability	Mortality: 1983 GAM Turnover: Sarason Table T-5	<p>CalPERS 1997-2002 Experience Study</p> <p>CalSTERS 2001 Experience Study</p>
■ Participation	?	<ul style="list-style-type: none"> • Currently covered: 100% • Not currently covered: 80%



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ACTUARIAL ASSUMPTIONS

Assumption	1/1/2004	7/1/2005
<p>■ Spouses</p>	<ul style="list-style-type: none"> • Actives Blue Cross – actual marital status Kaiser – 54% married • Retirees – actual marital status 	<ul style="list-style-type: none"> • Actives Currently covered – actual marital status Not currently covered – 80% married • Retirees – actual marital status
<p>■ Dependents</p>	<p>5% have dependent coverage pre-65</p>	<ul style="list-style-type: none"> • 10% have dependent coverage pre-65



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ACTUARIAL ASSUMPTIONS

Assumption	1/1/2004	7/1/2005
<p>■ Medical Plan at Retirement</p>	<p>Same as current retiree elections</p>	<ul style="list-style-type: none"> • Currently covered - same as current election • Not currently covered – weighted average active premium
<p>■ Medicare eligible rate</p>	<p>n/a</p>	<ul style="list-style-type: none"> • 100% • Everyone eligible for Medicare will elect Part B coverage
<p>■ Medicare D</p>	<p>n/a</p>	<ul style="list-style-type: none"> • Kaiser - estimated • CoreSource – attestation



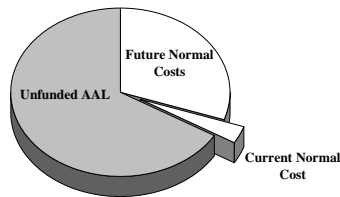
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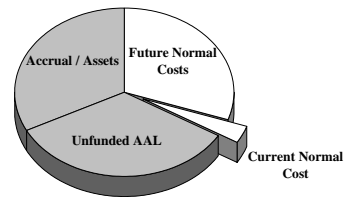
DEFINITIONS

Present Value of Projected Benefits (PVPB)

Without Assets



With Assets



- PVPB - Present Value of all Projected Benefits:
 - Discounted value, at measurement (valuation date – 6/30/05), of all future expected benefit payments
 - Expected benefit payments based on various (actuarial) assumptions



11/15/05

17



DEFINITIONS

- AAL – Actuarial Accrued Liability:
 - Discounted value, at measurement (valuation date – 6/30/05), of benefits “earned” (based on actuarial cost method) through measurement
 - Service at measurement
 - Salary, inflation, etc. projected same as PVPB calculation
 - Portion of PVPB “earned” at measurement
- Normal Cost:
 - Value of benefits “earned” during current year
 - Portion of PVPB allocated to current year
- Actuarial Cost Method:
 - Determines how benefits are “earned” (or allocated) to each year of service
 - Has no effect on PVPB
 - Has significant effect on AAL and Normal Cost



11/15/05

18



ACTUARIAL METHODS

Method	Comments
<ul style="list-style-type: none"> ■ Cost Method 	<ul style="list-style-type: none"> ● Choice of 6 methods: Entry Age; Frozen Entry Age; Attained Age; Frozen Attained Age; Projected Unit Credit; & Aggregate ● Entry Age Normal consistent with CalPERS/CalSTRS and acceptable to GASB.
<ul style="list-style-type: none"> ■ Initial Unfunded Liability Amortization 	<ul style="list-style-type: none"> ● Amortized as level percentage of pay over 20 years ● ≤ 30 years acceptable to GASB
<ul style="list-style-type: none"> ■ "Implied Subsidy" 	<ul style="list-style-type: none"> ● Employer cost for allowing retirees to participate, irrespective of employer contribution ● Community rated plans not required to value implied subsidy



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ACTUARIAL METHODS

GASB Terminology	Definition
<ul style="list-style-type: none"> ■ Annual Required Contribution (ARC) 	<ul style="list-style-type: none"> ● Actuarially determined contribution, using funding method, amortization period, assumptions, etc.
<ul style="list-style-type: none"> ■ Annual Other Post Employment Benefit (OPEB) Cost (AOC) 	<ul style="list-style-type: none"> ● Similar to GASB 27 Annual Pension Cost ● ARC, adjusted for: <ul style="list-style-type: none"> > Interest on NOO and > Amortization of NOO
<ul style="list-style-type: none"> ■ Net OPEB Obligation (NOO) 	<ul style="list-style-type: none"> ● Historical difference between ARC and AOC ● $NOO \text{ (end of year)} =$ $NOO \text{ (beginning of year)}$ $+ AOC \text{ (for year)}$ $- \text{ actual contributions (made during year)}$



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Simplified Example - Active

(Assumes 0% Interest and Other Simplifying Assumptions)

If:

	Age	Service	PERSable Wages
■ At Hire:	28	0	-
■ Current:	40	12	\$ 60,000
■ At Retirement:	58	30	-

Then:

■ PVPB ₄₀	=		\$ 100,000
■ AAL ₄₀	=	(12/30) x 100,000 =	40,000
■ Assets	=		0
■ UAAL	=		40,000
■ NC _{40/41}	=	(1/30) x 100,000 =	3,350



11/15/05

21



Simplified Example - Active

■ Normal Cost	=		\$ 3,350
■ UAAL Amortization	=	(1/10) x 40,000 =	4,000
■ ARC - \$	=		7,350
■ ARC - %	=	7,350 / 60,000 =	12.3%

■ Pay as You Go Cost **0**

Net OPEB Obligation		Without Trust	With Trust
■ BoY NOO	=	\$ 0	\$ 0
■ + ARC	=	7,350	7,350
■ - Payments	=	0	(7,350)
■ EoY NOO	=	7,350	0



11/15/05

22



Simplified Example - Retiree

If:

	Age	Service	Annual Payment
■ At retirement:	60	25	-
■ Current Age:	62	25	\$ 6,000

Then:

■ PVPB ₆₂	=		\$ 100,000
■ AAL ₆₂	=	(25/25) x 100,000 =	100,000
■ Assets	=		0
■ UAAL	=		100,000
■ NC _{62/63}	=	(0/25) x 100,000 =	0



11/15/05

23



Simplified Example - Retiree

■ Normal Cost	=		\$ 0
■ UAAL Amortization	=	(1/10) x 100,000 =	10,000
■ ARC - \$	=		10,000
■ ARC - %	=		N/A
■ Pay as You Go Cost			6,000

Net OPEB Obligation		Without Trust	With Trust
■ BoY NOO	=	\$ 0	\$ 0
■ + ARC	=	10,000	10,000
■ - Payments	=	(6,000)	(10,000)
■ EoY NOO	=	4,000	0



11/15/05

24



RESULTS

**4.5% Discount Rate
Actuarial Obligations**
(amounts in \$000's)

	<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	<u>Total</u>
■ Present Value of Benefits					
• Actives	\$56,022	\$13,850	\$44,049	\$10,371	\$124,291
• Retirees	43,344	7,841	16,361	7,386	74,932
• Total	99,366	21,691	60,410	17,757	199,224
■ AAL					
• Actives	\$27,386	\$7,262	\$23,210	\$5,224	\$63,083
• Retirees	43,344	7,841	16,361	7,386	74,932
• Total	70,731	15,103	39,571	12,610	138,015
■ Normal Cost	2,698	556	1,787	499	5,540



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RESULTS

**4.5% Discount Rate
Annual Required Contribution (ARC)**
(amounts in \$000's)

	<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	<u>Total</u>
■ ARC - \$					
• Normal cost	\$2,698	\$556	\$1,787	\$499	\$5,540
• UAL Amortization	4,043	863	2,262	721	7,890
• Total ARC	6,741	1,419	4,049	1,220	13,430
■ Total Payroll	19,729	2,961	11,289	6,184	40,164
■ ARC - %					
• Normal cost	13.7%	18.8%	15.8%	8.1%	13.8%
• UAL Amortization	20.5%	29.1%	20.0%	11.7%	19.6%
• Total ARC	34.2%	47.9%	35.9%	19.7%	33.4%



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RESULTS

**7% Discount Rate
Actuarial Obligations**
(amounts in \$000's)

	<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	<u>Total</u>
■ Present Value of Benefits					
• Actives	\$34,524	\$8,049	\$25,946	\$6,473	\$74,992
• Retirees	34,251	6,064	12,741	5,773	58,829
• Total	<u>68,775</u>	<u>14,113</u>	<u>38,687</u>	<u>12,246</u>	<u>133,821</u>
■ AAL					
• Actives	\$19,673	\$4,964	\$16,075	\$3,696	\$44,407
• Retirees	34,251	6,064	12,741	5,773	58,829
• Total	<u>53,923</u>	<u>11,028</u>	<u>28,816</u>	<u>9,469</u>	<u>103,236</u>
■ Normal Cost	1,711	321	1,043	316	3,390



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RESULTS

**7% Discount Rate
Annual Required Contribution (ARC)**
(amounts in \$000's)

	<u>PFT</u>	<u>Local 39</u>	<u>Local 790</u>	<u>Non Union</u>	<u>Total</u>
■ ARC - \$					
• Normal cost	\$1,711	\$321	\$1,043	\$316	\$3,390
• UAL Amortization	<u>3,832</u>	<u>784</u>	<u>2,048</u>	<u>673</u>	<u>7,337</u>
• Total ARC	5,543	1,105	3,091	989	10,727
■ Total Payroll	19,729	2,961	11,289	6,184	40,164
■ ARC - %					
• Normal cost	8.7%	10.8%	9.2%	5.1%	8.4%
• UAL Amortization	<u>19.4%</u>	<u>26.5%</u>	<u>18.1%</u>	<u>10.9%</u>	<u>18.3%</u>
• Total ARC	28.1%	37.3%	27.4%	16.0%	26.7%



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RESULTS

Sensitivity (amounts in \$000's)

4.50% Discount Rate

	20-year amortization	30-year amortization
■ Present Value of Benefits	\$199,224	\$199,224
■ Funded Status		
• AAL	138,015	138,015
• Assets	-	-
• UAAL	138,015	138,015
■ ARC - \$		
• Normal cost	5,540	5,540
• UAAL Amortization	7,890	5,569
• Total ARC	13,430	11,109
■ Total ARC %	33.4%	27.7%
■ ARC Reduction per \$10 million POB	1.4%	1.0%



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RESULTS

Sensitivity (amounts in \$000's)

7.00% Discount Rate

	20-year amortization	30-year amortization
■ Present Value of Benefits	\$133,821	\$133,821
■ Funded Status		
• AAL	103,236	103,236
• Assets	-	-
• UAAL	103,236	103,236
■ ARC - \$		
• Normal cost	3,390	3,390
• UAAL Amortization	7,337	5,696
• Total ARC	10,727	9,086
■ Total ARC %	26.7%	22.6%
■ ARC Reduction per \$10 million POB	1.8%	1.4%



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RESULTS

Projected Benefit Payments

(amounts in \$000's)

	Cash	Implied Subsidy	Total
2005	\$4,681	\$73	\$4,754
2006	5,233	85	5,318
2007	5,782	139	5,921
2008	6,356	138	6,494
2009	6,969	232	7,201
2010	7,523	308	7,831
2011	8,049	391	8,440
2012	8,672	384	9,056
2013	9,138	419	9,557
2014	9,593	457	10,050



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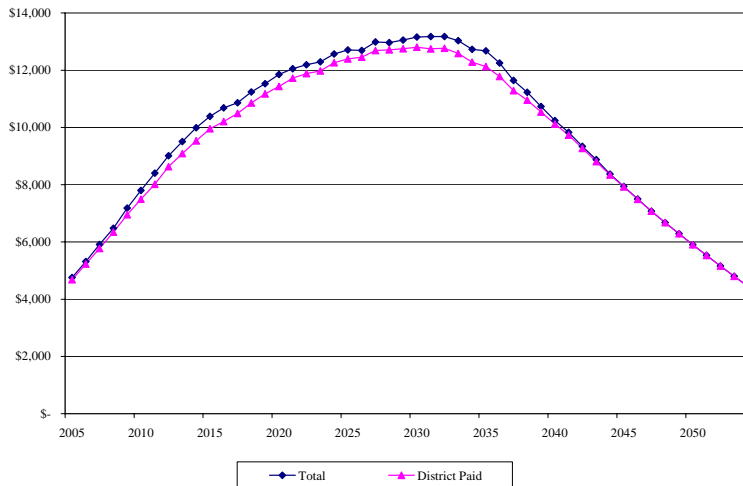
RESULTS

Projected Benefit Payments

Closed Group

(amounts in \$000's)

**Projected Benefit Payments
50 Year Projection**



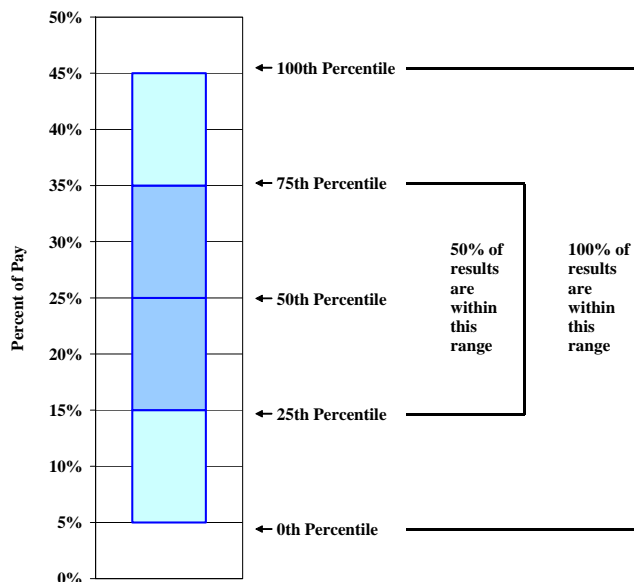
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RESULTS

Survey

Sample Percentile Graph



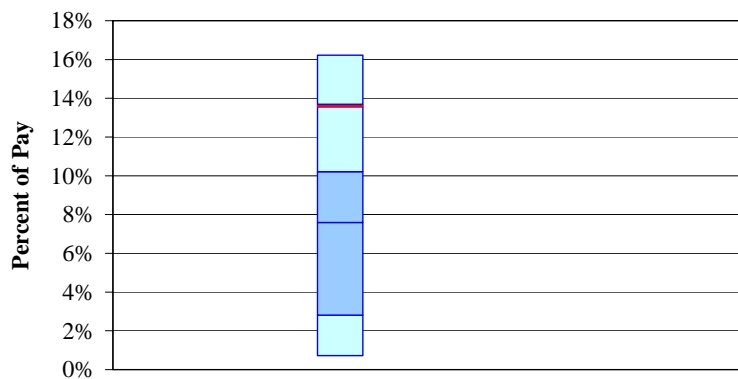
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RESULTS

Survey

Normal Cost - As % of Payroll



Miscellaneous

100th Percentile	16.2%
75th Percentile	10.2%
50th Percentile	7.6%
25th Percentile	2.8%
0th Percentile	0.7%
Peralta Community College Percentile	14%
	93%



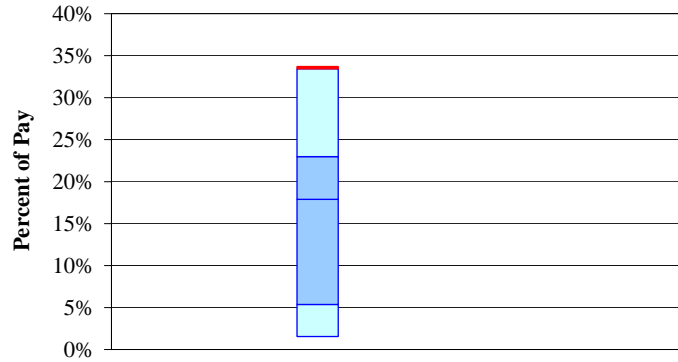
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RESULTS

Survey

Annual Required Contribution - As % of Payroll



Miscellaneous

100th Percentile	33.4%
75th Percentile	23.0%
50th Percentile	17.9%
25th Percentile	5.4%
0th Percentile	1.5%
Peralta Community College	33.4%
Percentile	100%



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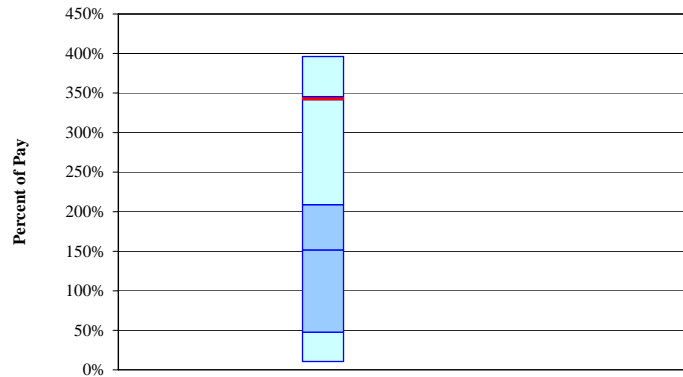
35



RESULTS

Survey

Actuarial Accrued Liability - As % of Payroll



Miscellaneous

100th Percentile	396%
75th Percentile	209%
50th Percentile	152%
25th Percentile	48%
0th Percentile	11%
Peralta Community College	344%
Percentile	95%



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36



■ Timing

- Methods & Assumptions September 1, 2005
- Present preliminary results November 15, 2005



11/15/05

