Town of Corte Madera

Impact of Changes in Retiree Healthcare Plans

Over the past few years, the Town has implemented a number of changes to its retiree healthcare program. The changes and their impact on the Town's liabilities for the program are summarized below.

Provisions of the original program applied to employees retiring directly from Town service and included the following:

- Ability to continue coverage under CalPERS medical plans
- Town payment of associated premiums up to Kaiser premium rate
- Coverage and Town payment of premiums up to Kaiser premium rate for spouse and family

For new retirements this was modified to eliminate Town payment of premiums for family coverage.

For new hires the following changes were made:

- Installation of Retirement Health Saving Account Program with yearly town contributions of 4% of pay for Fire and for the other employee groups annual amounts that vary between $0 and $1,500 per year depending on service.
- Town payments limited to "PEMHCA minimum" required by CalPERS ($133.00/mo. in 2018, increasing thereafter with increase in medical CPI)
- PEMHCA minimum payment only paid towards retiree's coverage and, upon retiree's death, to surviving spouse if spouse eligible for CalPERS pension.

The effective dates of the changes varied with employment category/bargaining group as shown below.

Group	Effective Date
SEIU	7/1/2011
Department Heads / Town Manager	8/1/2011
Mid-Management	8/1/2011
Firefighters Association	1/1/2013
Firefighters Mid-Management	1/1/2013

Savings for the actuarial portions of the program are estimated in the tables that follow. These savings do not take into account the costs of the new Retirement Health Savings Account Program - costs of which are limited to the agreed upon yearly Town contributions to participant's accounts.

Calculations are based on the assumptions and methods outlined in our 6/30/2017 actuarial valuation of the Town's plan which include a 6.75% discount rate and can be seen on the Town's website.

See page 4 for definitions of actuarial terms.

The impact of the changes on the Unfunded Actuarial Accrued Liability (UAAL) as of 6/30/2017 and the 2018/19 Actuarially Determined Contribution or ADC is shown below assuming a contribution of $500,000 to the trust in 2017/18 and payment of 2017/18 benefit payments directly from Town assets. (All dollar amounts are rounded to thousands.)

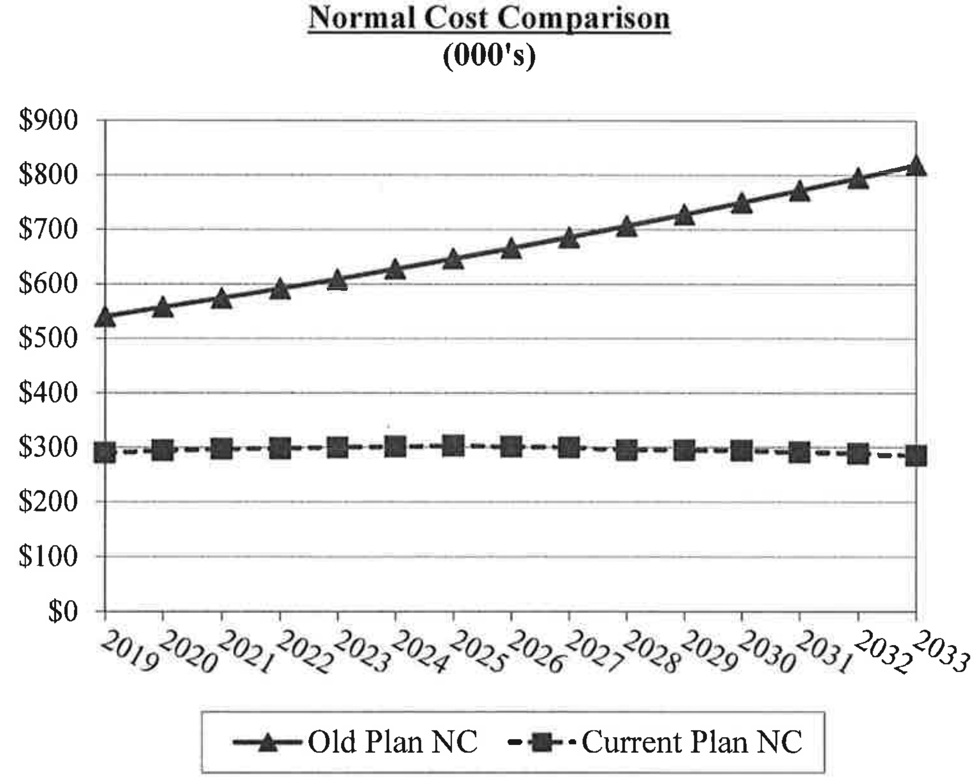
	Original Plan	Current Plan	Difference
▪ **6/30/2017 Funded Status**			
• AAL	$ 11,567	$ 11,299	$ 268
• Assets	1,777	1,777	-
• UAAL	9,790	9,522	268
▪ **2018/19 Projected Payroll**	5,191	5,191	
▪ **2018/19 ADC**			
• Normal Cost	542	290	252
• UAAL Payment	1,036	883	153
• Total	1,578	1,173	405
▪ **2018/19 ADC as % of Payroll**	30.4%	22.6%	7.8%

Since the bulk of the changes only apply to new hires, the impact on the current UAAL is not great. The current Normal Cost, which is the cost of the current employees' current year accruals, declines significantly and the savings in Normal Cost will continue to increase over the years as a larger proportion of the workforce is covered by the new Plan provisions. The projected impact of the Plan changes on the Plan's total Normal Cost is illustrated below.

Normal Cost Projection ($ amounts in 000s.)

FY Ending June 30,	Fiscal Year Normal Cost				Normal Cost as % of Payroll			
	Original Plan	Current Plan	Savings	Current/ Original	Original Plan	Current Plan	Savings	Current/ Original
2019	$542	$290	$252	54%	10.4%	5.6%	4.8%	54%
2020	558	294	264	53%	10.4%	5.5%	4.9%	53%
2021	574	297	277	52%	10.4%	5.4%	5.0%	52%
2022	592	298	294	50%	10.4%	5.3%	5.1%	50%
2023	609	300	309	49%	10.4%	5.1%	5.3%	49%
2024	628	301	327	48%	10.4%	5.0%	5.4%	48%
2025	647	303	344	47%	10.4%	4.9%	5.5%	47%
2026	666	301	365	45%	10.4%	4.7%	5.7%	45%
2027	686	300	386	44%	10.4%	4.6%	5.8%	44%
2028	707	295	412	42%	10.4%	4.4%	6.0%	42%
2029	728	295	433	41%	10.4%	4.2%	6.2%	41%
2030	750	294	456	39%	10.4%	4.1%	6.3%	39%
2031	772	291	481	38%	10.4%	3.9%	6.5%	38%
2032	795	289	506	36%	10.4%	3.8%	6.6%	36%
2033	819	285	534	35%	10.4%	3.6%	6.8%	35%

The chart below illustrates the reduction in the normal cost due to the changes.



Please note that future calculations of amounts in this report may differ significantly if the Plan's experience differs from our assumptions or if there are changes in actuarial methods or actuarial assumptions. The project scope did not include an analysis of this potential variation or the potential impact of the formation of the Central Marin Fire Authority.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

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Definitions

- **Present Value of Projected Benefits (PVPB)**

  The Present Value of Projected Benefits is a measure of the total Town's obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.

- **Actuarial Accrued Liability (AAL)**

  This represents the portion of the present value of projected benefits that employee and retired participants have earned (on an actuarial, not actual, basis) through the valuation date. (Retired participants are assumed to have earned all of their benefits.)

- **Plan Assets**

  Plan Assets include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.

- **Unfunded Actuarial Accrued Liability (UAAL)**

  This is the difference between the Actuarial Accrued Liability and Plan Assets. This represents the amount of the Actuarial Accrued Liability that must still be funded.

- **Normal Cost (NC)**

  The Normal Cost represents the portion of the present value of benefits expected to be earned by employees (on an actuarial, not actual, basis) in the coming year.

- **Actuarially Determined Contribution (ADC)**

  The Actuarially Determined Contribution is simply the current employer Normal Cost plus a contribution to pay off the Unfunded Actuarial Accrued Liability over a period of years. In other words, it is the value of benefits earned during the year plus an amount to keep the plan on track for funding.

- **Amortization Schedule**

  Schedule used to determine payments towards the Unfunded Actuarial Accrued Liability. The fiscal year 2018/19 Actuarially Determined Contribution is calculated to produce payments as a level % of payroll sufficient to pay off the projected 6/30/2018 UAAL by 6/30/2038.

- **PEMHCA**

  The Public Employees' Medical and Hospital Care Act which governs the provisions of medical plans provided by CalPERS for California public agencies.

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