



CITY OF PALO ALTO RETIREE HEALTHCARE PLAN

BARTEL
ASSOCIATES, LLC

Valuation Summary

June 30, 2017 Actuarial Valuation

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Bartel Associates, LLC

May 15, 2018

■ City pre-funding retiree health care (OPEB) Liability in the CERBT (CalPERS) trust, since March 2008:

- Asset allocation chosen most closely matches CalPERS pension fund
- Full Actuarially Determined Contribution (ADC) to be contributed.
Components are:
 - Normal Cost – pays for benefit earned each year by employees
 - Amortization of the Unfunded (UAL) Liability – gradually pays off the UAL (26 years remaining from July 1, 2018)
- Biennial valuations produce 2 years of ADC. 6/30/17 valuation calculated 2018/19 & 2019/20 contributions
- Accounting under GASBS 45 commenced 2007/08;
Accounting under GASBS 75 began 2017/18
- Benefits provided have changed over time; generally cover most of premium for retiree and dependents

VALUATION SUMMARY

Participant Statistics

	6/30/09 ¹	6/30/11	6/30/13	6/30/15	6/30/17
■ Actives					
• Count	955	923	948	955	967
• Average Age	45.3	44.7	45.2	45.3	45.6
• Average City Service	11.2	10.8	10.8	10.8	10.9
• Average PERS Service		13.7	11.7	11.9	11.9
• Average Salary	\$103,602	\$86,007	\$86,271	\$91,714	\$90,739
• Total Salary (000's)	\$98,940	\$79,384	\$81,785	\$87,586	\$87,745
■ Retirees:					
• Count	710	860	968	1,007 ²	959 ³
• Average Age	67.2	67.0	68.2	68.9	68.9
• Average Retirement Age					
○ Service	n/a	55.5 ⁴	57.8	57.7	57.7
○ Disability	n/a	n/a	45.3	45.6	45.9

¹ From 1/1/09 Milliman report

² Includes 68 waived retirees over 65.

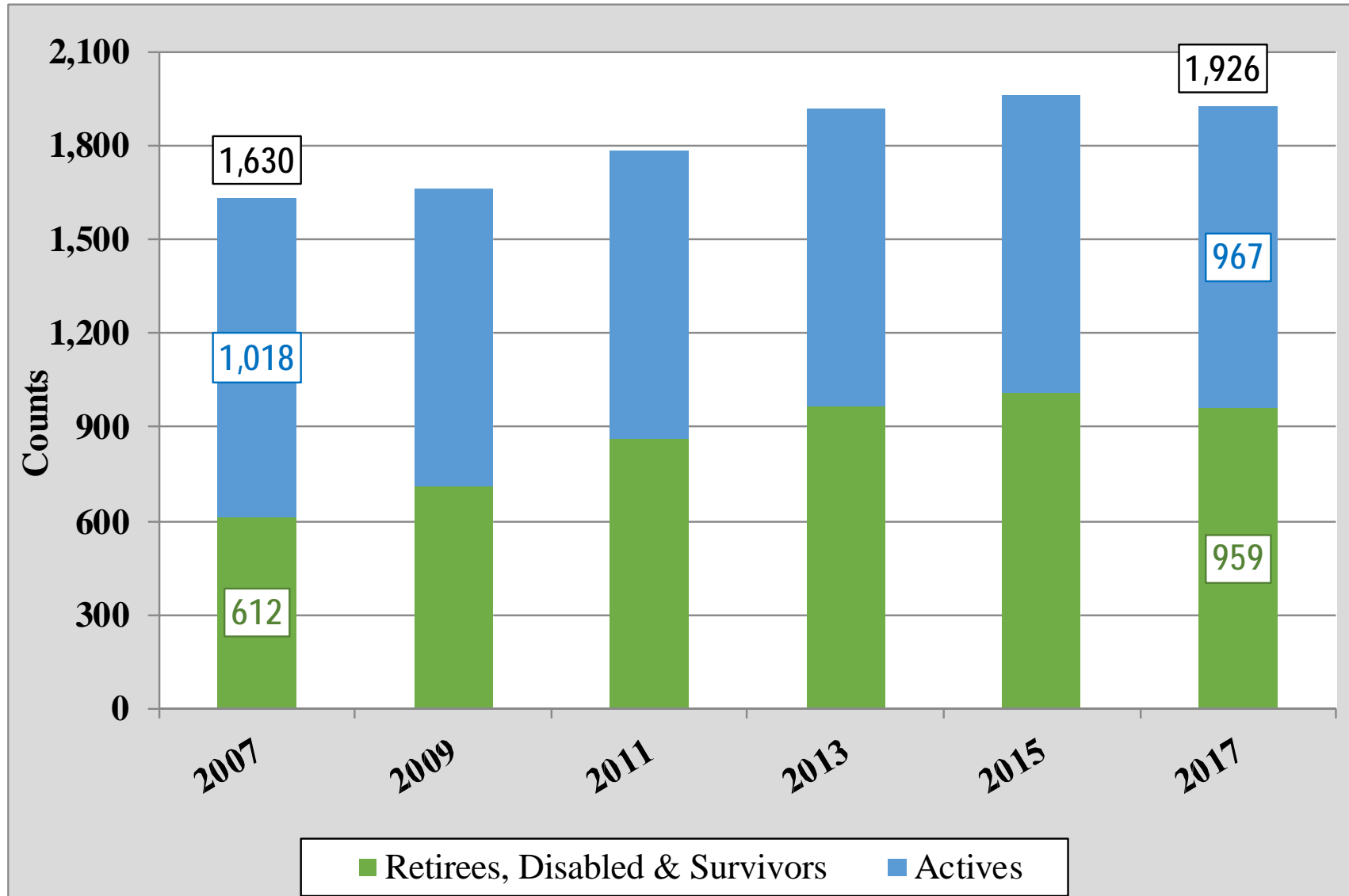
³ Excludes all waived retirees over 65; includes 38 waived under 65 retirees.

⁴ All retirements included. Disability retirement data unreliable.



VALUATION SUMMARY

Historical Participant Counts

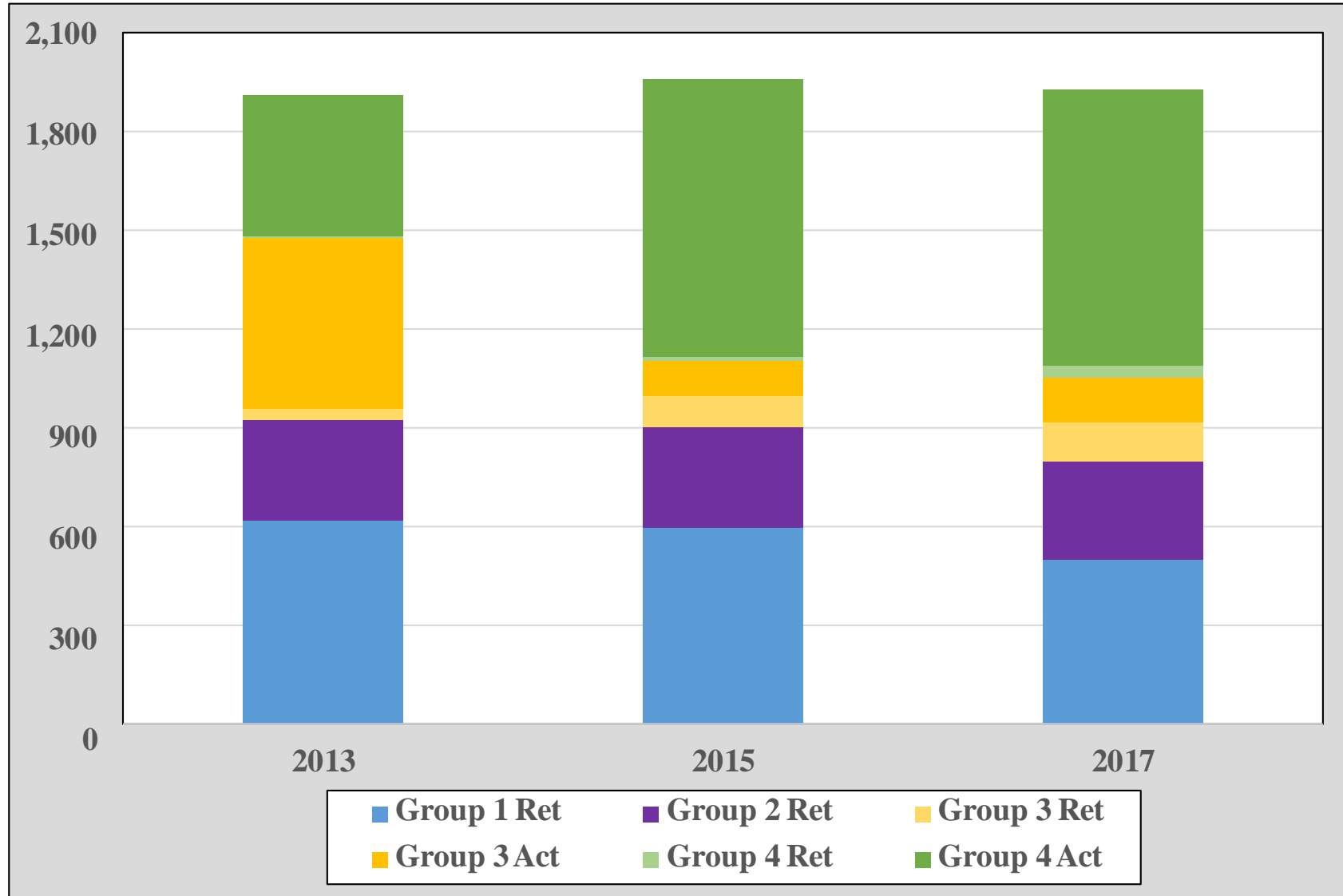


May 15, 2018



VALUATION SUMMARY

Participant Counts by Benefit Group

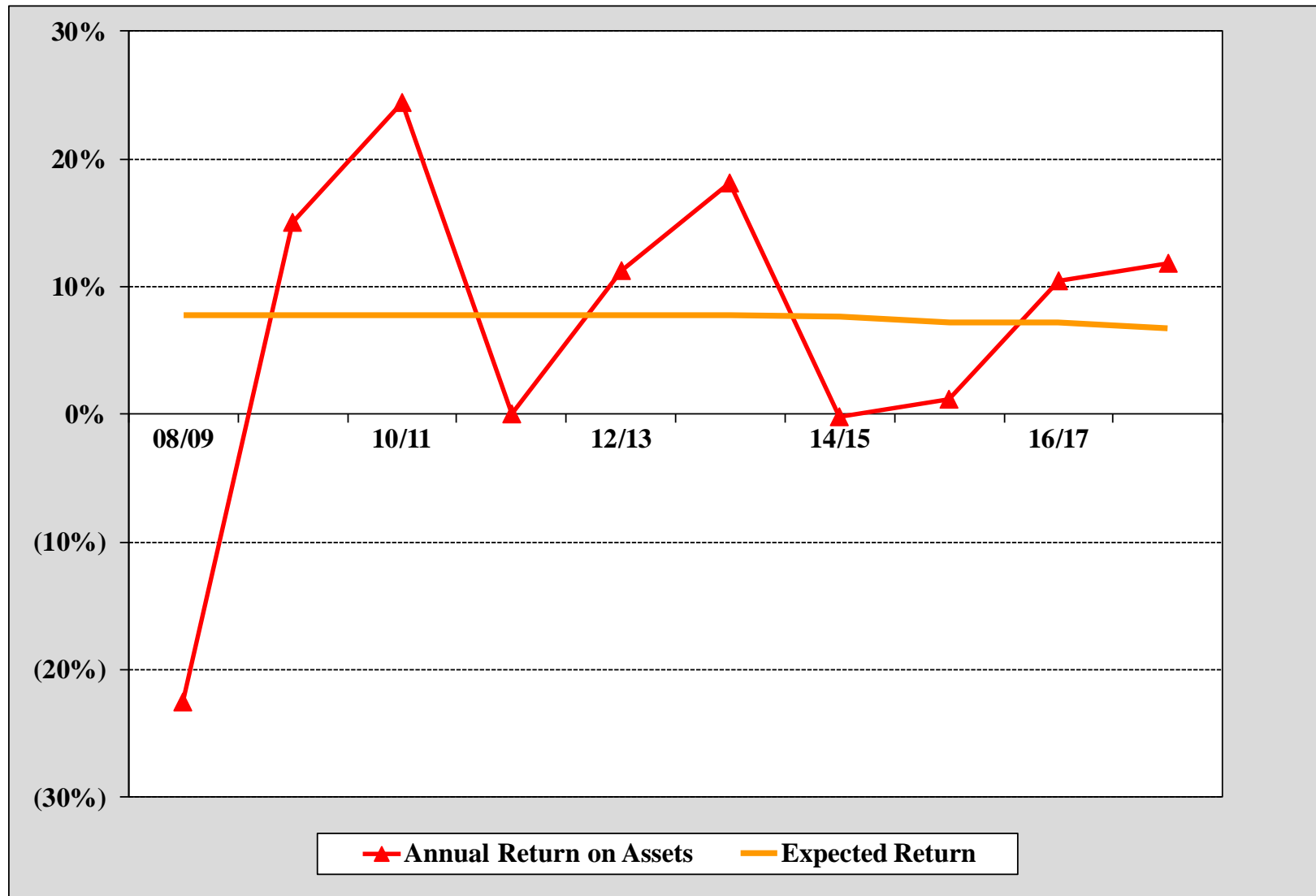


May 15, 2018



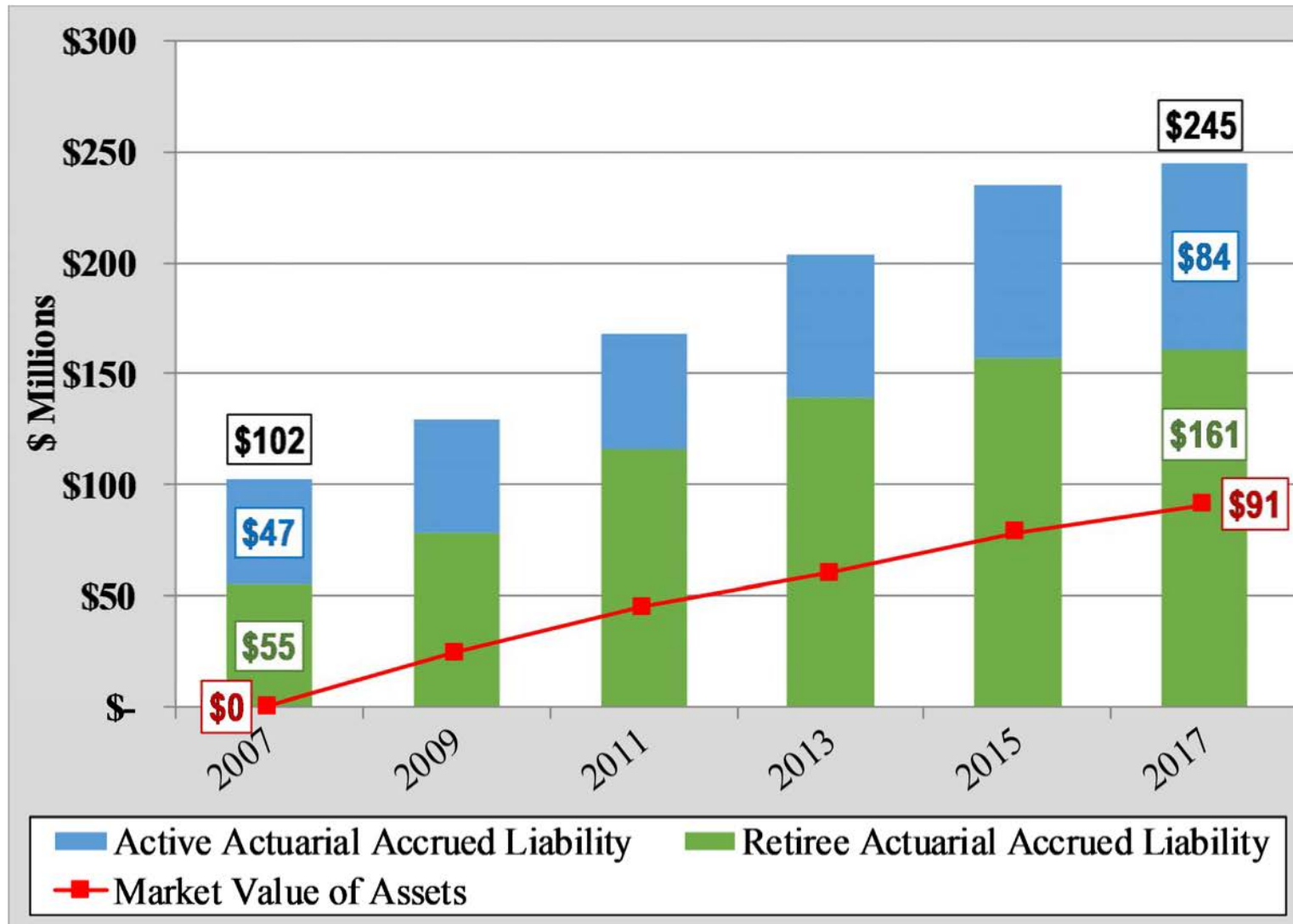
VALUATION SUMMARY

Historical Return on Assets

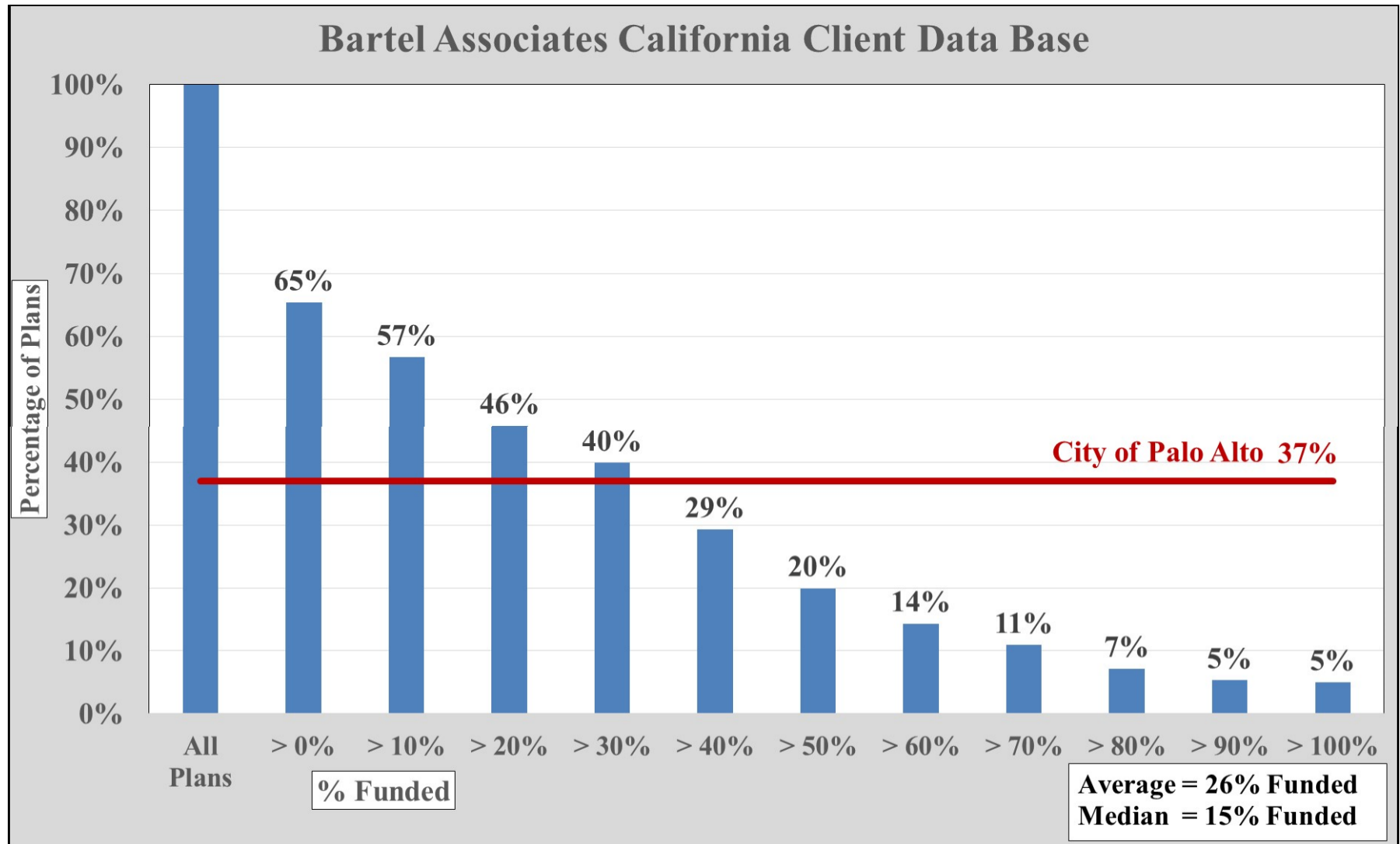


VALUATION SUMMARY

Historical Actuarial Accrued Liability by Status



Funded Status Comparison to Other Agencies

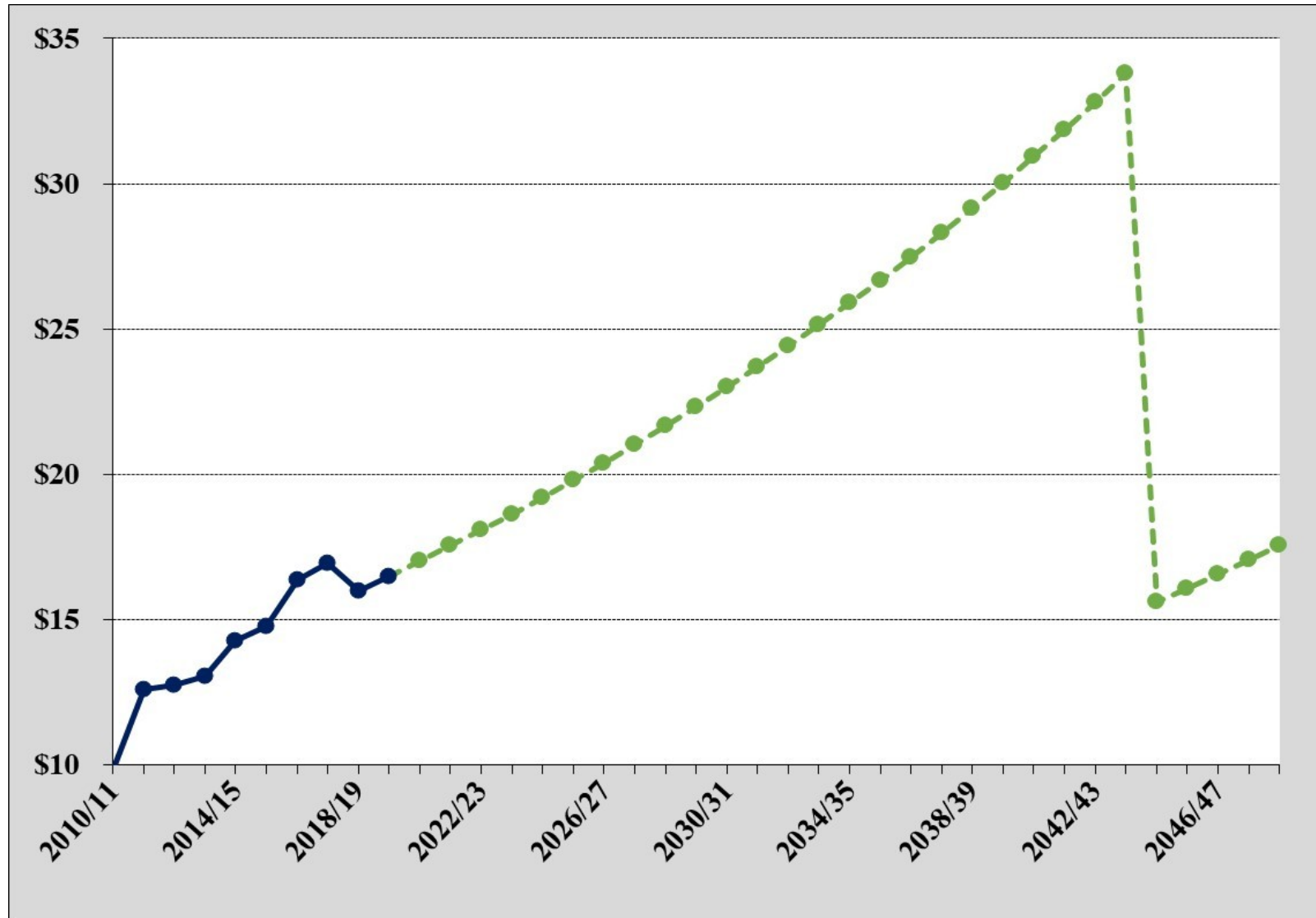


■ Changes since 2015 valuation:

- Unfunded Actuarial Accrued Liability (UAAL) = 16 million less than expected
- Significant changes to UAAL:
 - \$25 million decrease from premiums less than expected
 - \$15 million increase from discount rate change (7.25% to 6.75%)
 - \$10 million increase from medical trend change
 - \$8 million decrease from updates to demographic assumptions, including \$7 million for projected life expectancy not improving as quickly as previously assumed.
 - \$7 million net decrease from other experience/changes (primarily demographic, including \$5 million decrease due to 11 retirees/spouses now reported as Medicare eligible)
 - \$1 million gain on plan assets, mainly due to larger than expected City contributions

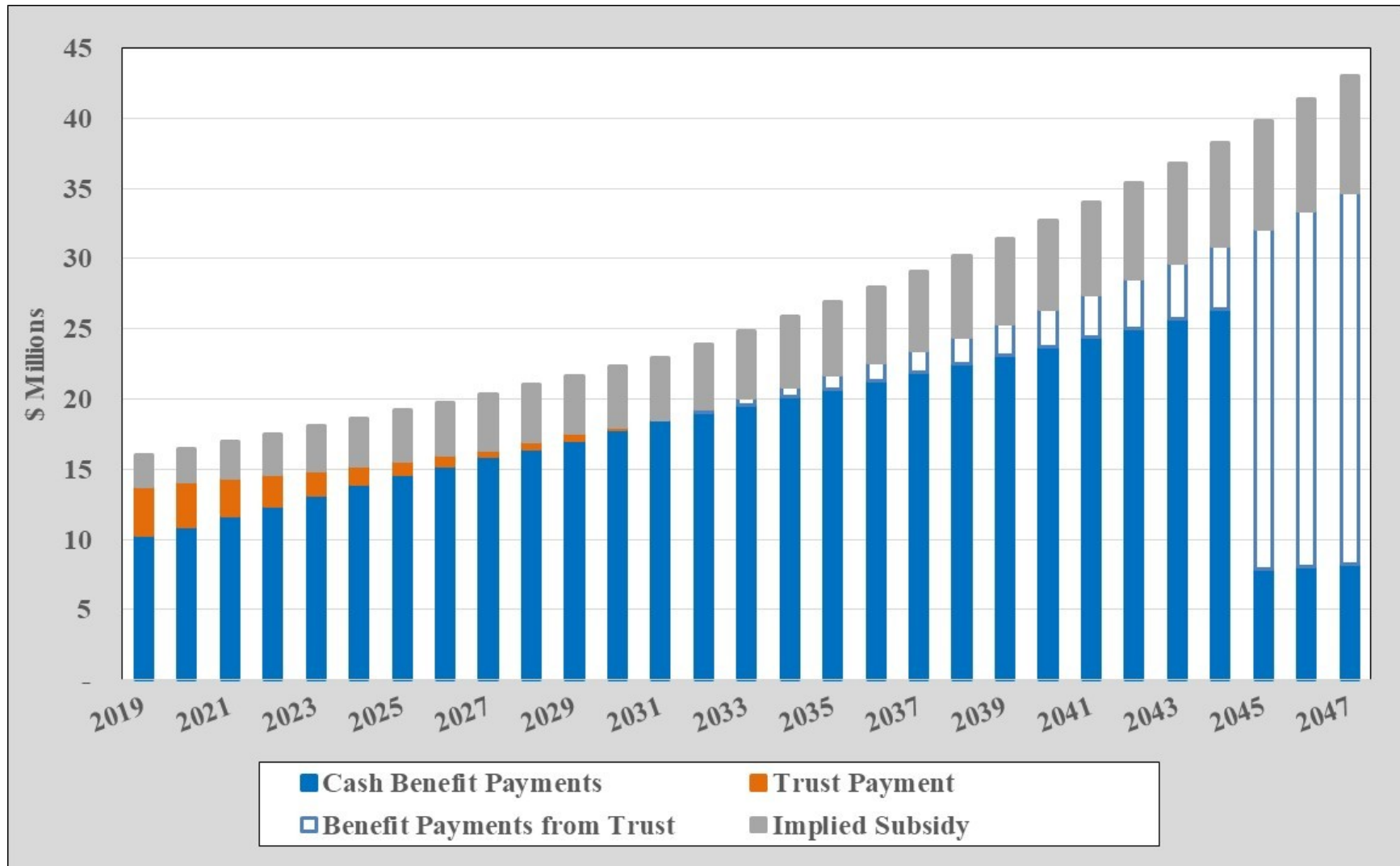
VALUATION RESULTS

Historical & Projected Recommended Contributions (\$millions)



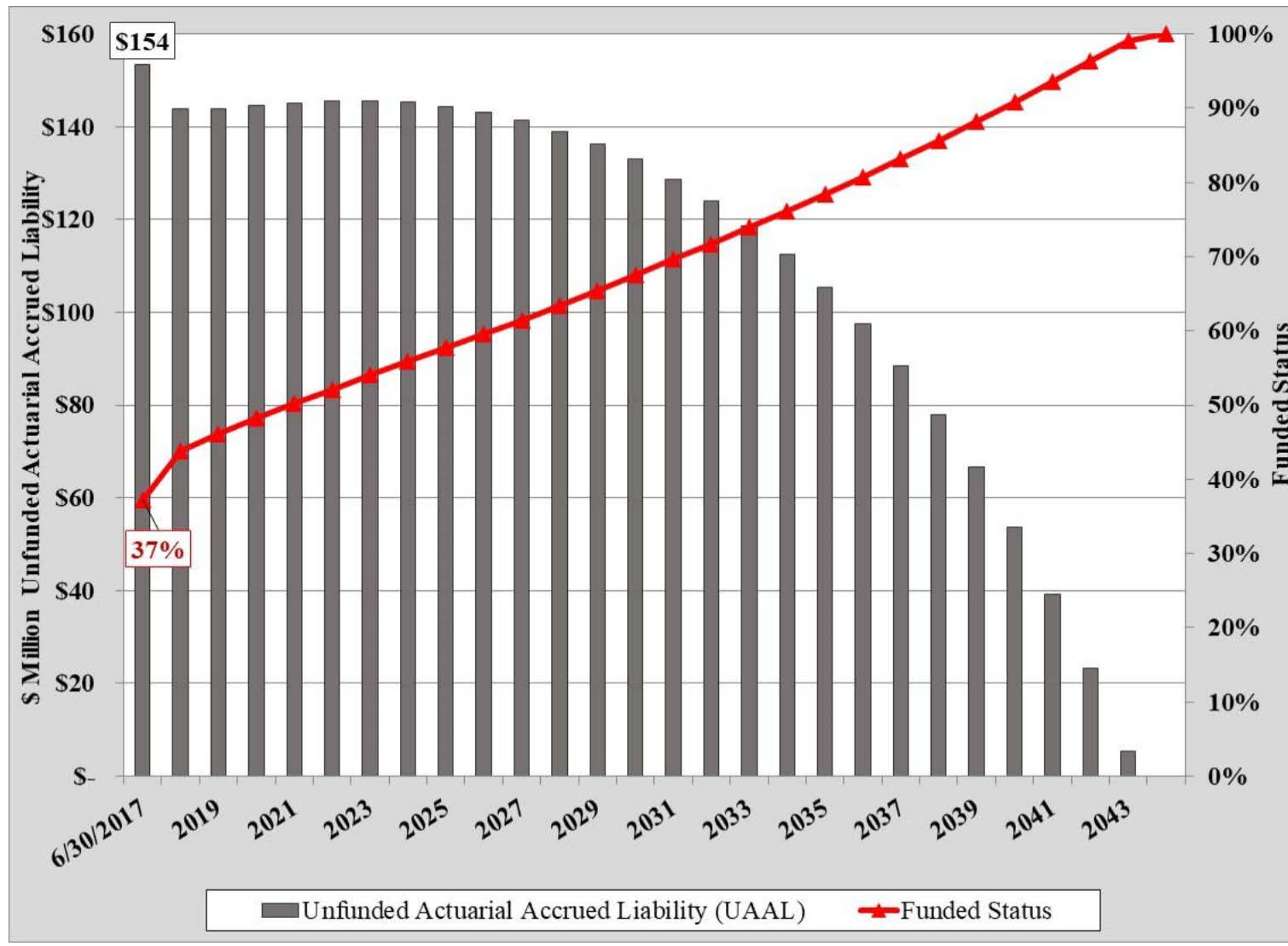
VALUATION RESULTS

Projected Recommended Contributions



VALUATION RESULTS

Projected Unfunded Actuarial Accrued Liability (UAAL)



VALUATION RESULTS

(\$000's)

	6/30/15	6/30/17
■ Discount Rate	7.25%	6.75%
■ Actuarial Accrued Liability (AAL)		
• Actives (future retirees)	\$ 77,248	\$ 83,832
• Retirees	<u>157,547</u>	<u>160,927</u>
• Total	234,795	244,759
■ Market Value of Assets	<u>78,578</u>	<u>91,250</u>
■ Unfunded AAL	156,217	153,509
■ Funded Ratio	33%	37%
■ Actuarial Determined Contribution (for following year)		
● Normal Cost	6,340	7,081
● UAAL Amortization	<u>10,025</u>	<u>8,916</u>
● Total	16,365	15,997



VALUATION RESULTS

Questions?