Retiree Medical Actuarial Valuation FY 2015

Finance Committee
November 10, 2015
Changes from FY 2013 Valuation Report

- Major changes in assumptions
  - Health care costs increased (4.5% to 6%) in 2013 to (4.5% to 7.75%) - includes impact of 40% excise tax
  - Investment return (discount rate) lowered from 7.61% to 7.0%
  - Mortality assumptions (living longer)
  - Retirement assumptions

- Changes in amortization methodology
  - Changed from % of payroll method (negative amortization) to level amortization (28 years)

- Changes in actuarial standards (Implicit Rate Subsidy included for subsidized rates for retirees) and GASB 45 requirements
Changes to the Numbers

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Actuarial Liability</td>
<td>$22.5</td>
<td>$36.7</td>
</tr>
<tr>
<td>Assets</td>
<td>17.5</td>
<td>22.3</td>
</tr>
<tr>
<td>Unfunded AAL</td>
<td>$5.0</td>
<td>$14.4</td>
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<tr>
<td>Funded %</td>
<td>78.0%</td>
<td>60.7%</td>
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- Funding % down substantially due to changes in assumptions
- ARC increases $1.4 million over current budget

January 29, 2016
Recommendation to stabilize plan

- Negotiate health care premiums to cap exposure (will require future union negotiations)
- Shorten amortization of unfunded liability from 28 years to 8 years
  - ARC funding goes from $2.3 million to $3.5 million
- Plan to conduct new Actuarial Valuation in FY 2017 and adjust as necessary