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

	In millions 2013	In millions 2015
Accrued Actuarial Liability	$22.5	$36.7
Assets	17.5	22.3
Unfunded AAL	$5.0	$14.4
Funded %	78.0%	60.7%
Annual Required Contribution (ARC)	$0.9	$2.3

- Funding % down substantially due to changes in assumptions
- ARC increases $1.4 million over current budget

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