

BRIEFING ON OTHER POST EMPLOYMENT BENEFITS (RETIREE MEDICAL) AND PENSION LIABILITIES

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FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Retiree Medical

Retiree Medical Plan - Background

- Benefits
 - Retire directly from BART
 - Retiree medical premium (up to cap) paid by BART
 - Same formula as for active employees
 - Retirees must enroll in Medicare Part B at age 65
 - Retirees pay a portion of the monthly premium
 - Benefit percentage schedule (based on required BART years of service) applies to employees hired after 2014-2015
- Retiree medical benefits set by BART with employee groups
- Average monthly benefit approximately \$750

Retiree Medical Plan - Background

■ Trust

- Initiated in 2004/05
- OPEB trusts becoming more common in California but not required
- Approximate 60%/40% equity/fixed income
- Plan is funded according to bargaining agreement
- Closed period – fully funded in 2034
 - 11 years remaining in 2023/34
 - Entire Unfunded Accrued Liability to be fully funded in 2034
 - Contributions will become much more volatile as 2034 approaches

Retiree Medical Plan – Funded Status

In Millions

	June 30, 2020	June 30, 2021	June 30, 2022
Actuarial Accrued Liability (value of benefits “earned” in the past)	\$581.7	\$632.4	\$677.5
Trust Assets	<u>389.1</u>	<u>501.3</u>	<u>450.0</u>
Unfunded Accrued Liability	192.6	131.1	227.5
Normal cost (value of benefits “earned” during the year)	26.7	24.3	25.6

Retiree Medical Plan - Changes

- Assets
 - 23.4% return for 2020/21 vs. 6% expected
 - -12.9% return for 2021/22 vs. 6% expected
 - Approximately \$95 million below expected

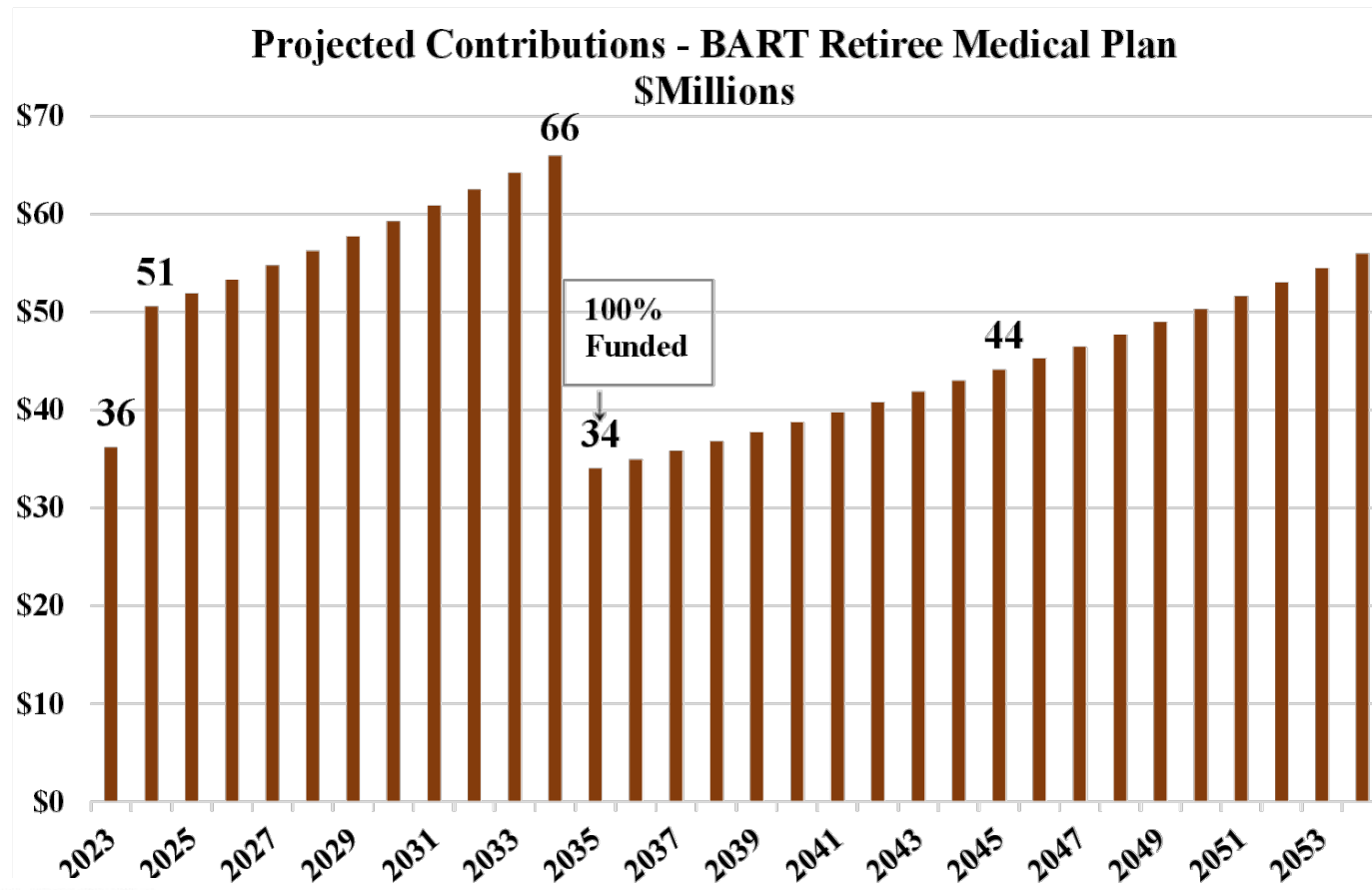
Retiree Medical Plan – Contributions

In Millions

	June 30, 2020 2021/22	June 30, 2021 2022/23	June 30, 2022 2023/24
Normal Cost	\$26.7	\$24.3	\$25.6
Unfunded Liability Payment*	<u>17.3</u>	<u>11.9</u>	<u>25.0</u>
Total Contribution	44.0	36.2	50.6

* CBAs specify Unfunded Accrued Liability to be paid off by 6/30/34

Retiree Medical Plan – Projected Contributions



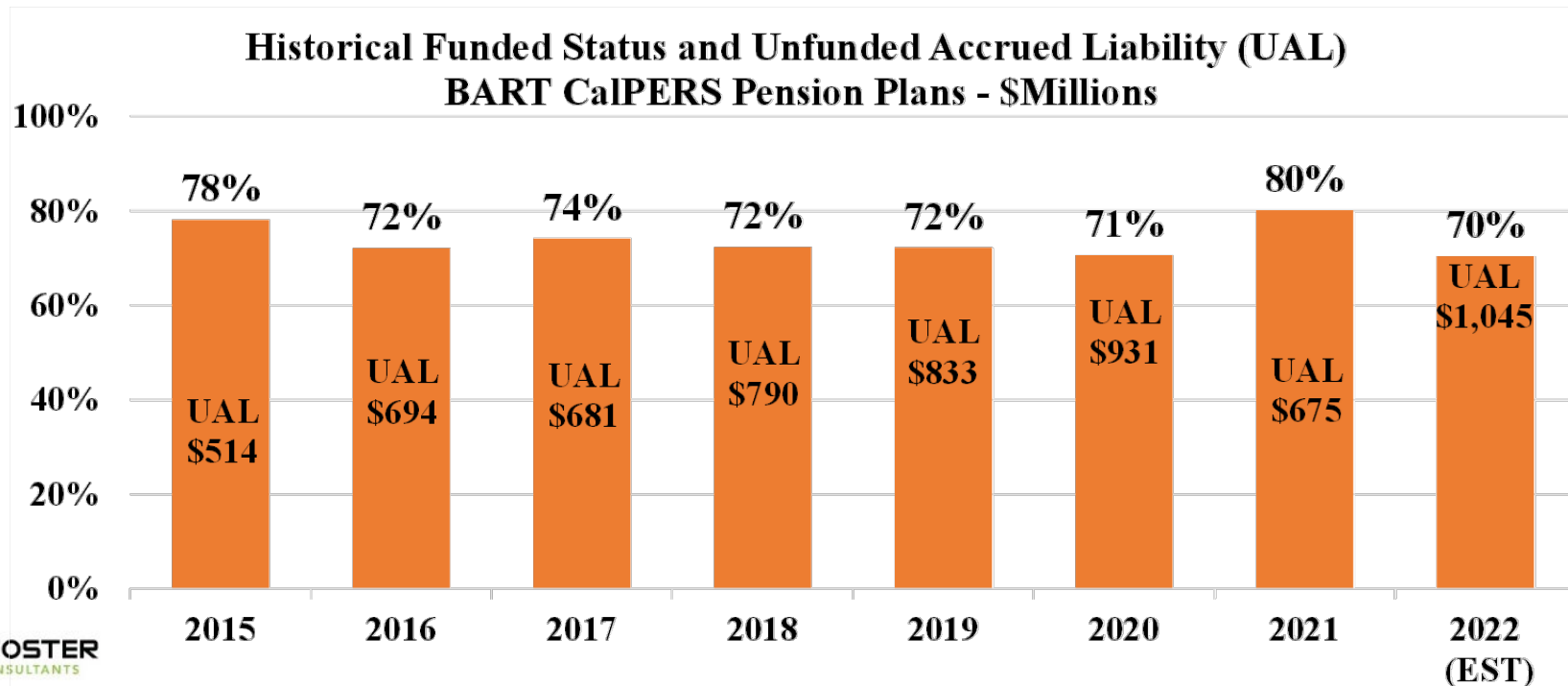
CalPERS Pension

CalPERS Pension Plans - Background

- Pension benefits provided through CalPERS
 - Benefits cannot be changed
 - CalPERS invests the pension funds
 - CalPERS calculates each year's required contributions
 - BART must pay as required
 - Employees are also required by CalPERS to pay a portion of their cost
 - Currently, no major policy changes expected
- BART has negotiated with its bargaining units for employees to pay a portion of BART's required payment ("cost-sharing")

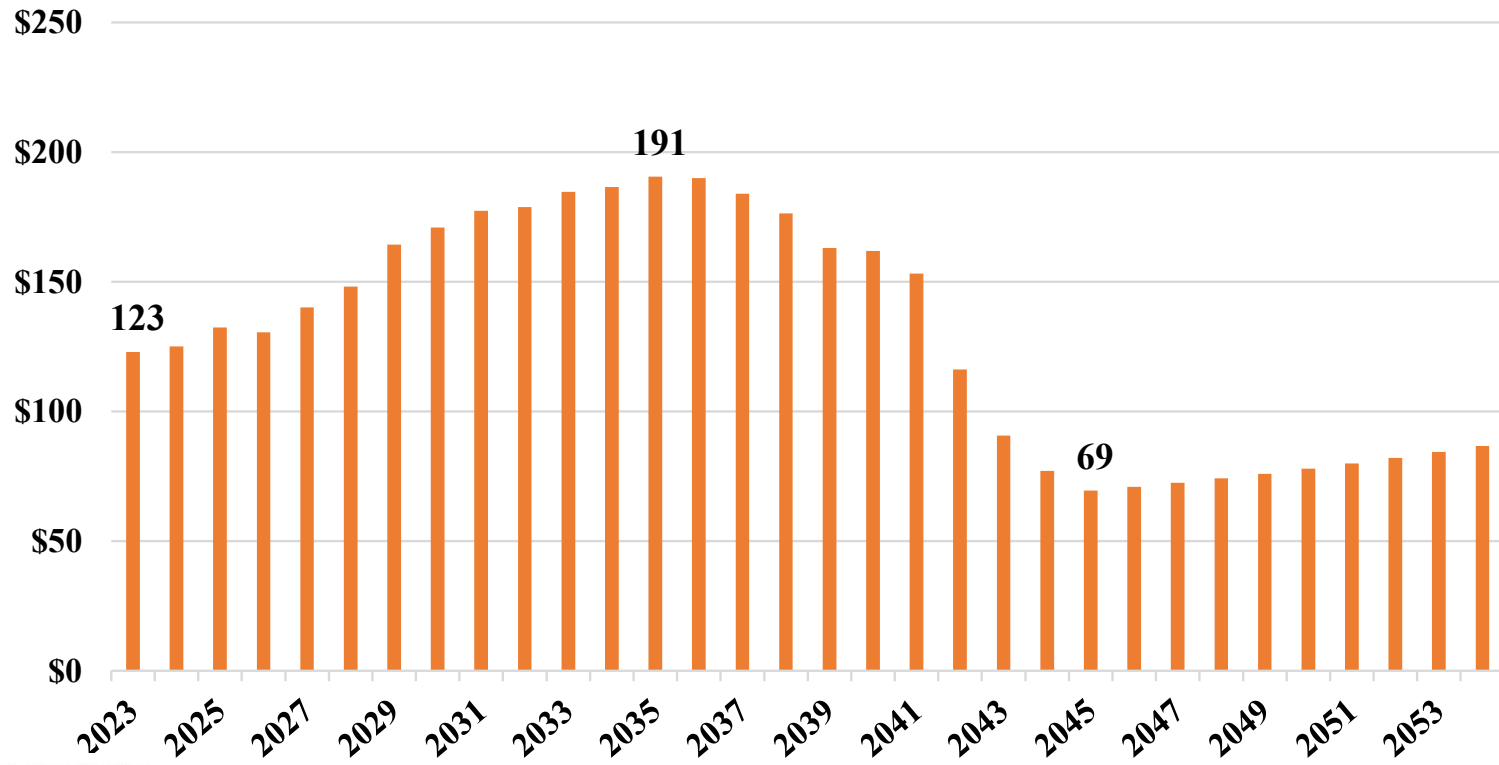
CalPERS Pension Plans – Historical Funded Status

- Changes in funded status primarily due to CalPERS investment return
 - FY20-21: 23.1% vs 7% expected, FY21-22: -7.5% vs 6.8% expected
 - Current CalPERS investment allocation: higher risk than previously
- Discount rate 7.5% in 2015. Lowered gradually to 6.8% at 6/30/2021



CalPERS Pension Plans – Projected Contributions

Projected Contributions - BART CalPERS Pension Plans
\$Millions



CalPERS Pension Plans and Section 115 Trust

- The District established a Section 115 Pension Trust to help provide funding flexibility and to help mitigate budget impact of projected future increases in required contributions
 - Trust may only be used for pension contributions
 - Employer decides when/if to add money or withdraw funds
 - Trusts becoming common in California but not required
- March 2023 balance is \$38.2 million
 - Funding began in August 2020
 - \$40 million contributed
 - Investment loss due to recent market conditions

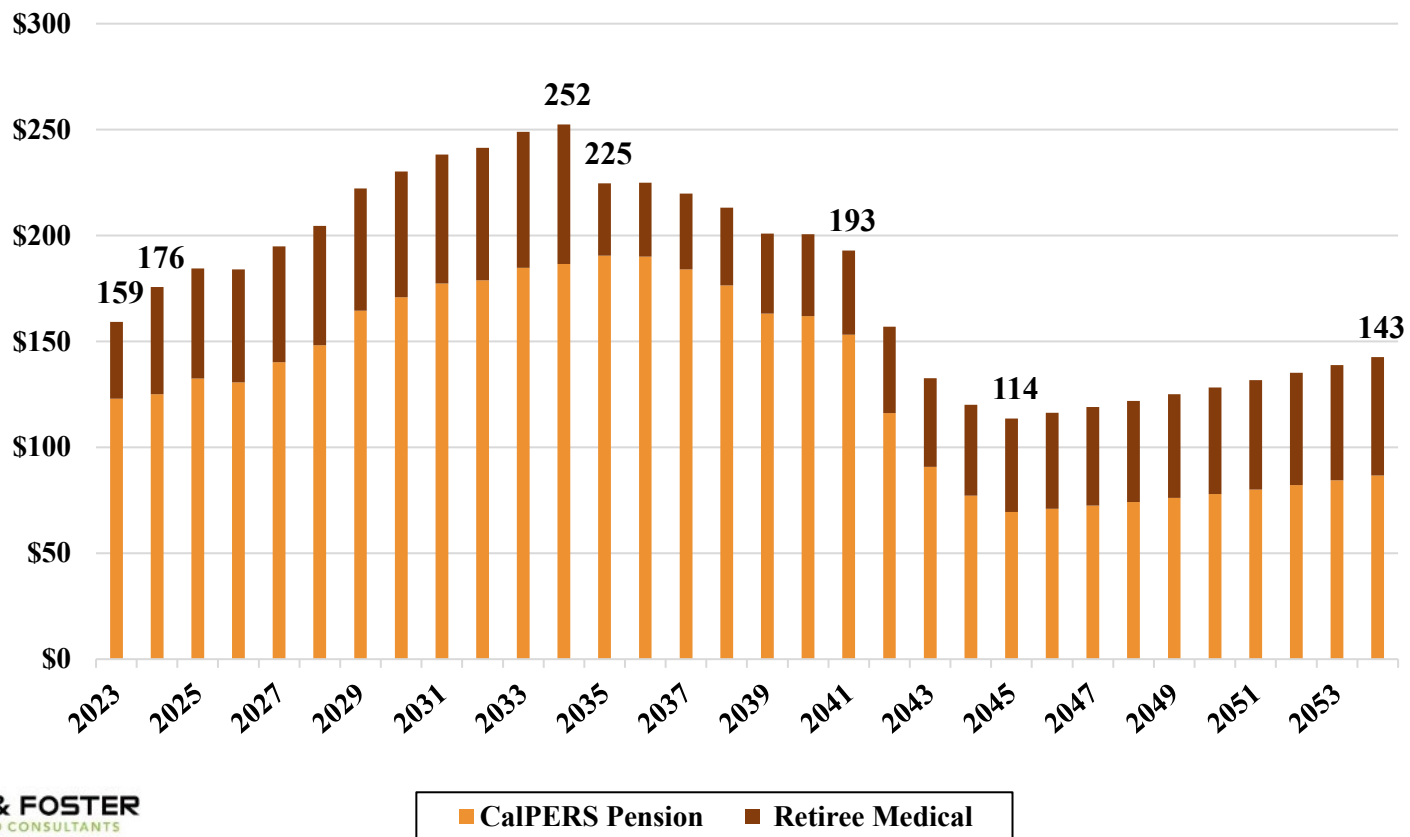
BART's CalPERS Plans – Comparison to Other Agencies

Plan	Date	Discount Rate	Funded Ratio
BART Miscellaneous	6/30/2021	6.80%	82%
BART Safety	6/30/2021	6.80%	65%
CalPERS Public Agency Miscellaneous (Total)	6/30/2021	6.80%	84%
CalPERS Public Agency Safety (total)	6/30/2021	6.80%	81%
CalSTRS (State Teachers) DB Plan	6/30/2021	7.00%	82%
CalPERS - State Employees	6/30/2021	6.80%	81%
Alameda County Employees' Ret. Ass'n.	12/31/2021	7.00%	93%
Contra Costa County Employees' Ret. Ass'n.	12/31/2021	6.75%	101%
San Francisco Employees' Ret. System	7/1/2021	7.20%	112%
National Average (NASRA study of 126 large state & city plans - median discount rate, dollar-weighted average funded status)	FY 2021 (Oct. 2022)	7.00%	89%

Note: All funded statuses use market value of assets

Combined Plans Projected Contributions

Projected Contributions - CalPERS Pension & Retiree Medical Plans
\$Millions



Questions?
