SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** November 19, 2020

FROM: General Manager

SUBJECT: Administration Agenda: Actuarial Report on Changes to Other Postemployment Benefits (OPEB) under Consideration by the District

At the November 19, 2020 BART Board of Director's meeting, the District will present as an information item a report on the actuarial impacts on potential changes to Other Post-Employment Benefits (OPEB) for the American Federation of State, County and Municipal Employees Local 3993 (AFSCME), the Amalgamated Transit Union Local 1555 (ATU), the Service Employees International Union Local 1021, BART Chapter (SEIU), and non-represented employees.

California Government Code 7507 requires a local legislative body, before authorizing changes in retirement benefits or OPEB, to "secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability," and also requires that the future cost of changes in retirement benefits or other postemployment benefits, as determined by the actuary, "be made public at a public meeting at least two weeks prior to the adoption of any changes."

The District is considering a change to retiree medical contributions for AFSCME, ATU, and SEIU retirees, subject to ratification, as well as to non-represented retirees. As required by the California Public Employees' Retirement System (CalPERS), active employees and eligible retirees pay the same medical contribution amount. The current employee/retiree medical contribution is listed in the labor agreements and automatically increases by 3% each year. Employees and retirees are also currently paying an additional monthly contribution of $37, and the District is considering continuing the additional $37 monthly contribution for the next three (3) years. Making this change will maintain the additional employee/retiree annual contribution, but will not change the current medical cap.

Bartel Associates, the District's actuary, determined that this proposal would have no negative impact to normal cost, unfunded liability or future costs. This is an informational item. No Board action is required.

If you have any questions about this presentation, please contact Pamela Herhold, Assistant General Manager, Performance & Budget, at phherhol@bart.gov, or (510) 464-6168.

Robert Powers

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

BARTEL ASSOCIATES, LLC

November 12, 2020

Diane M. Iwata, SPHR, SHRM-SCP
Human Resources Division Manager
San Francisco Bay Area Rapid Transit District
300 Lakeside Drive, 20th Floor
Oakland, CA 94612

Re: Retiree Healthcare Plan
Benefit Changes for AFSCME, ATU, SEIU, Non-Represented and Directors

Dear Ms. Iwata:

Section 7507 of the California Government Code requires agencies obtain a statement of actuarial opinion regarding the cost impact of retiree healthcare plan benefit changes. The San Francisco Bay Area Rapid Transit District (BART) has requested that Bartel Associates, LLC provide an actuarial opinion regarding the impact of proposed changes related to retiree healthcare benefits for the American Federation of State, County and Municipal Employees Local 3993 (AFSCME), Amalgamated Transit Union Local 1555 (ATU), Service Employees International Union Local 1021 (SEIU), Non-Represented employees and Directors.

Summary of Proposed Benefit Changes

The District currently provides healthcare benefits to eligible employees who retire directly from the District under CalPERS, with the District paying monthly medical premiums up to the greater of the Blue Shield or Kaiser basic premiums that apply to the Bay Area. A percentage schedule for retiree medical applies for employees hired after January 1, 2014. The District participates in the CalPERS medical program (PEMHCA).

In addition to paying premiums above the cap, retirees also pay monthly contributions. The basic contribution for retirees is $106.93 per month in 2018 with 3% annual future increases. The basic contribution ceases in 2035. There is also an additional contribution of $37 per month, which was schedule to cease in 2021 under the current MOUs.

Under the proposed benefit change, the $37 monthly additional contribution for AFSCME, ATU and SEIU current and future retirees would continue 3 additional years, through 2024. A similar arrangement applies to nonrepresented current and future retirees, except that the $37 contribution will be extended 4 years, from 2020 through 2024.

Cost of Changes

Our estimated cost impact is based on our June 30, 2019 actuarial valuation methods, assumptions, and data, including:

- 6.5% discount rate
- Terminations, disabilities and retirements in accordance with CalPERS 2018 valuation assumption assumptions (1997-2015 CalPERS Experience Study)
- 3,718 active employees and 2,573 retirees receiving benefits.

Following is the change in the District's June 30, 2019 actuarial obligations and 2020/21 Actuarially Determined Contribution due to the proposed benefit changes.

Retiree Healthcare Plan (Amounts in $000's)			
	Before any Changes	**After Proposed Changes**	**Increase/ (Decrease)**
■ June 30, 2019 Present Value of Projected Benefits	$ 823,934	$ 820,998	$ (2,936)
■ June 30, 2019 Funded Status			
• Actuarial Accrued Liability (AAL)	603,964	601,150	(2,814)
• Market Value of Plan Assets	340,470	340,470	-
• Unfunded AAL	263,494	260,680	(2,814)
■ 2020/21 ADC - $			
• Normal Cost	26,318	26,291	(27)
• Amortization of Unfunded AAL	19,661	19,404	(257)
• Total (future annual cost)	45,979	45,695	(284)

The Present Value of Projected Benefits represents the amount needed as of the valuation date to pay all future benefits for current members if all assumptions are met. The Actuarial Accrued Liability represents the portion of the Present Value of Projected Benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date. The District's Actuarially Determined Contribution (ADC) is equal to the employer Normal Cost (the value of benefits earned during the year), plus an amortization payment on the unfunded liability (Actuarial Accrued Liability less Plan assets). Consistent with the 2019 valuation changes, the decrease in the unfunded liability due to the benefit change has been amortized over 14-years.

Conclusion

The District's actuarial cost would decrease due to the proposed benefit changes. Bartel Associates is not a law firm and we are not qualified to render a legal opinion.

Information provided in this report is for the District's management purposes. Future results may differ significantly if the Plan or District's experience differs from our assumptions or if there are changes in plan design or actuarial assumptions. The project scope did not include an analysis of this potential variation. Our calculations are based on benefit provisions, participant data, and actuarial assumptions, and other information provided by the District as summarized in this letter and our June 30, 2019 actuarial valuation report. This study was conducted using generally accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Academy Qualification Standards to issue the actuarial opinion in this report.

Please contact Mary Beth Redding (mbredding@bartel-associates.com) or Doug Pryor (dpryor@bartel-associates.com) with any questions about this information.

Sincerely,

Mary Elizabeth Redding

Mary Elizabeth Redding, FSA, MAAA, EA
Vice President

c: Doug Pryor , Bartel Associates, LLC

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