

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: June 4, 2024

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resources 

FROM: Lisa Sorani, Manager of Employee Services 

SUBJECT: Special Retirement Board Meeting – 6/4/2024

A special meeting of the Retirement Board will convene at 9:00 a.m. on Tuesday, June 4, 2024. This meeting will be conducted in person with all Retirement Board members physically present in the Administration Training Resource Center, 375 Eleventh Street, Oakland, California, which shall serve as the physical location for members of the public who wish to attend the meeting in person. Please note, however, that members of the public will also be provided the opportunity to participate via video and teleconference. Public participation will also be available by live audio stream at <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>; however, listeners will not be able to provide public comment via live audio stream. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone.

Some staff and presenters may be attending via Zoom, which will be broadcast at the meeting.

Enclosed is the agenda for the June 4, 2024 special meeting. The package also includes the following: **(1) CONSENT items:** none; **ACTION items:** HIB Study: Confirm Final Benefit Options for Actuarial Costing; **(3) INFORMATION items:** HIB Study: Overview and Updates; HIB Study: Review and Update Draft HIB Study Summary of Findings Report; **(4) REPORTS FROM THE RETIREMENT BOARD:** none.

CC:ls

Enclosure

AGENDA

EBMUD EMPLOYEES' RETIREMENT SYSTEM

June 4, 2024

A special meeting of the Retirement Board will convene at 9:00 a.m. on Tuesday, June 4, 2024. This meeting will be conducted with Retirement Board Members physically present in the Administration **Training Resource Center**, 375 Eleventh Street, Oakland, California. This location shall serve as the physical location for members of the public who wish to attend the meeting in person. Please note, however, that members of the public will also be provided the opportunity to participate via video and teleconference. Public participation will also be available by live audio stream <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>; however, listeners will not be able to provide public comment via live audio stream. To participate in the meeting or provide public comment, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some presenters may be attending via Zoom.

Retirement Board Members: Clifford Chan, Marguerite Young, April Chan, Tim McGowan, Jae Park, and Elizabeth Grassetti

Staff to the Retirement Board: Sophia Skoda, Lourdes Matthew, Cindy Charan, Lisa Sorani, Steven Goodman-Leibof, Robert Hannay, Valerie Weekly, and Mae Shepherd

Consultants & Presenters: Alliant – Billie Brown and Thomas Sher

****Public Participation****

Please see Appendix at end of Agenda for Public Participation Details

ROLL CALL:

PUBLIC COMMENT: The Retirement Board is limited by State Law to allow public comment only on the agenda items listed in this agenda.

SPECIAL REGULAR BUSINESS MEETING

CONSENT CALENDAR:

No Items

ACTION:

1. HIB Study: Confirm Final Benefit Options for Actuarial Costing – C. Charan

INFORMATION:

2. HIB Study: Overview and Updates – C. Charan
3. HIB Study: Review and Update Draft HIB Study Summary of Findings Report – C. Charan

MEETING ADJOURNMENT:

The next regular meeting of the Retirement Board will be held on Thursday, July 18, 2024

APPENDIX

Retirement Board Meeting
Tuesday June 4, 2024
9:00 a.m.

This meeting will be conducted with Retirement Board Members physically present in the Administration Training Resource Center, 375 Eleventh Street, Oakland, California. Members of the public are welcome to attend in person or virtually as described below. Please note that Retirement Board meetings are recorded and live-streamed.

To **view the livestream of the Retirement Board Meeting**, without making public comment, please visit: <https://www.ebmud.com/about-us/board-directors/board-meetings/retirement-board-meetings/>

If you wish to join the meeting, or to make public comment, please visit this page beforehand to familiarize yourself with Zoom. <http://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

Zoom Webinar

You are invited to a Zoom webinar.

When: Jun 4, 2024 09:00 AM Pacific Time (US and Canada)

Topic: June 4, 2024- Retirement Board (Special) Meeting

Please click the link below to join the webinar:

<https://ebmud.zoom.us/j/89880671086>

Or One tap mobile :

+16694449171, 89880671086# US

+16699006833, 89880671086# US (San Jose)

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

+1 669 444 9171 US

+1 669 900 6833 US (San Jose)

Webinar ID: 898 8067 1086

International numbers available: <https://ebmud.zoom.us/j/89880671086>

Providing Public Comment

The EBMUD Retirement Board is limited by State Law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

If you wish to provide public comment, please:

- Use the raise hand feature in Zoom to indicate you wish to make a public comment <https://support.zoom.us/hc/en-us/articles/20055661-Raising-your-hand-in-a-webinar>.
 - If you participate by phone, press *9 to raise your hand.
- When prompted by the Asst. Secretary, please state your name, affiliation, if applicable, and topic.
- The Assistant Secretary will call each speaker in the order received.
- Comments on non-agenda items will be heard at the beginning of the meeting.
- Comments on agenda items will be heard when the item is up for consideration.
- Each speaker is allotted 3 minutes to speak; The Retirement Board President has the discretion to amend this time based on the number of speakers.
- The Assistant Secretary will keep track of time and inform each speaker when time is up.



East Bay Municipal Utility District

Retiree HIB Recap

June 4, 2024

Presented by:
Tom Sher
Billie Brown

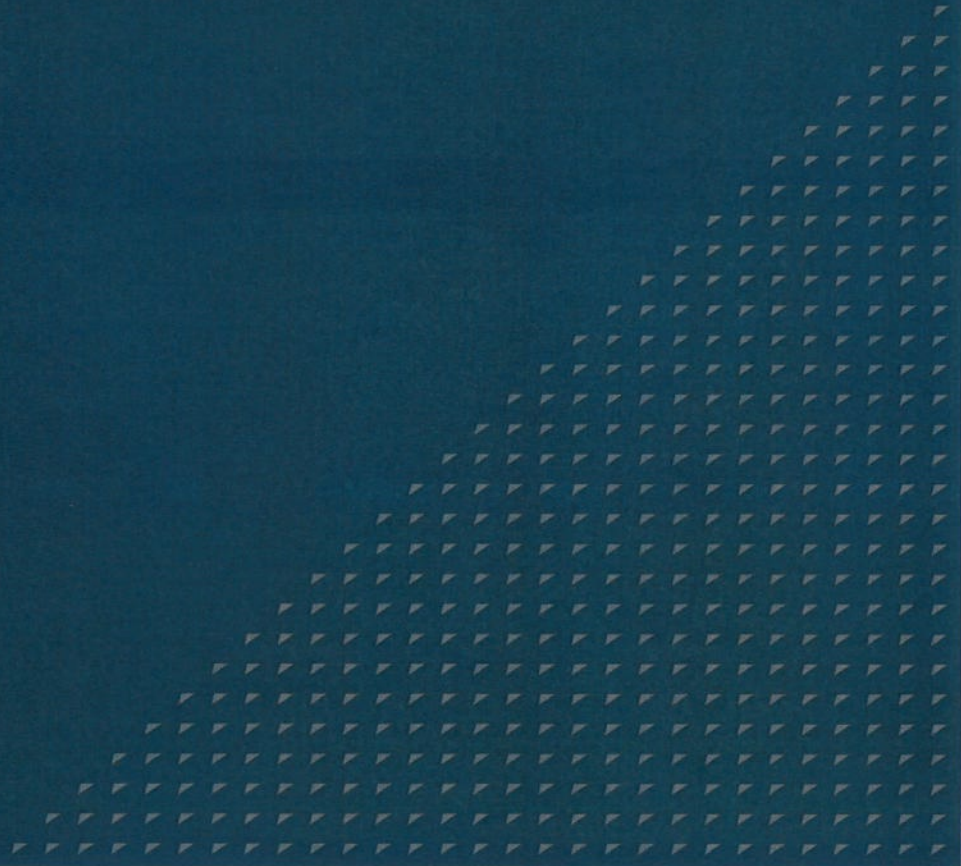


Today's Agenda

Agenda

- Executive Summary
- History of the HIB
- Retiree Experience
- Out-of-Pocket Costs
- Current and Future Value
- Employee Funding of Retiree Benefits

Executive Summary






Executive Summary

- The slides in this presentation are intended to recap the work the EBMUD Retirement Board has done over the last 6 months in reviewing the retiree HIB benefit, and to answer one last question asked by the Retirement Board.
 - How was the benefit created and how has it been updated through time; how did it hold up?
 - How are retirees using the benefit, and how do they feel about the benefit?
 - What are the retiree out-of-pocket costs at EBMUD and at competitors?
 - What is the current and future value of the benefit as it stands now?
 - Are employees at peer agencies sharing in the cost of retiree benefits?

How was the benefit created and how has it been updated through time; how did it hold up?





HIB Timeline

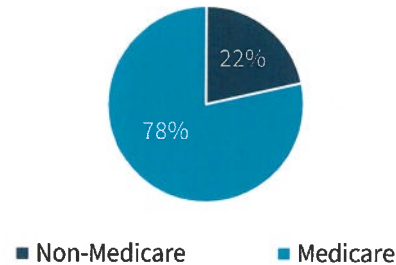
- **1989 - \$50 HIB benefit established**
 - The benefit amount changed 6 times between 1989 and 2004
 - 1991 - benefit increased to \$100
 - 1999 - benefit increased to \$200 (Spouse + State Registered DP added as elig dependent)
 - 2000 - benefit increased to \$250
 - 2002 - benefit increased to \$400
 - 2003 - benefit increased to \$450
 - 2004 - benefit increased to \$550 for members with Spouse or State Registered DP

Demographic Overview All HIB-eligible Retirees

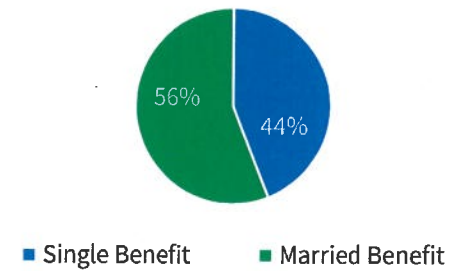
- There are a total of 1,967 HIB-Eligible Retirees

- 78% are of Medicare age
- 22% are below Medicare age
- 56% receive a married benefit (max \$550)
- 44% receive a single benefit (max \$450)

Medicare Status



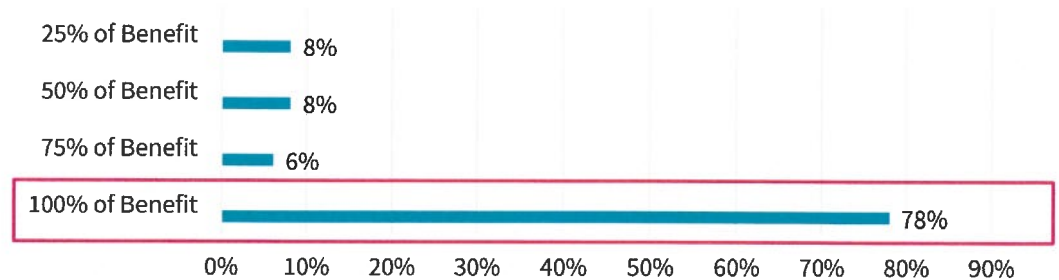
Benefit Status




- The vesting schedule requires 20 years of service to receive 100% of the HIB

- **78% receive 100% of the benefit**
- 6% receive 75% of the benefit
- 8% receive 50% of the benefit
- 8% receive 25% of the benefit

Vesting



How are retirees using the benefit, and how do they feel about the benefit?



HIB Retiree Survey

Income vs. Healthcare Expenses

This report shows the intersection of reported annual income vs. reported annual healthcare as % of income. Data in each box is the total number of responses for that intersection. The declined-to-state data was removed.

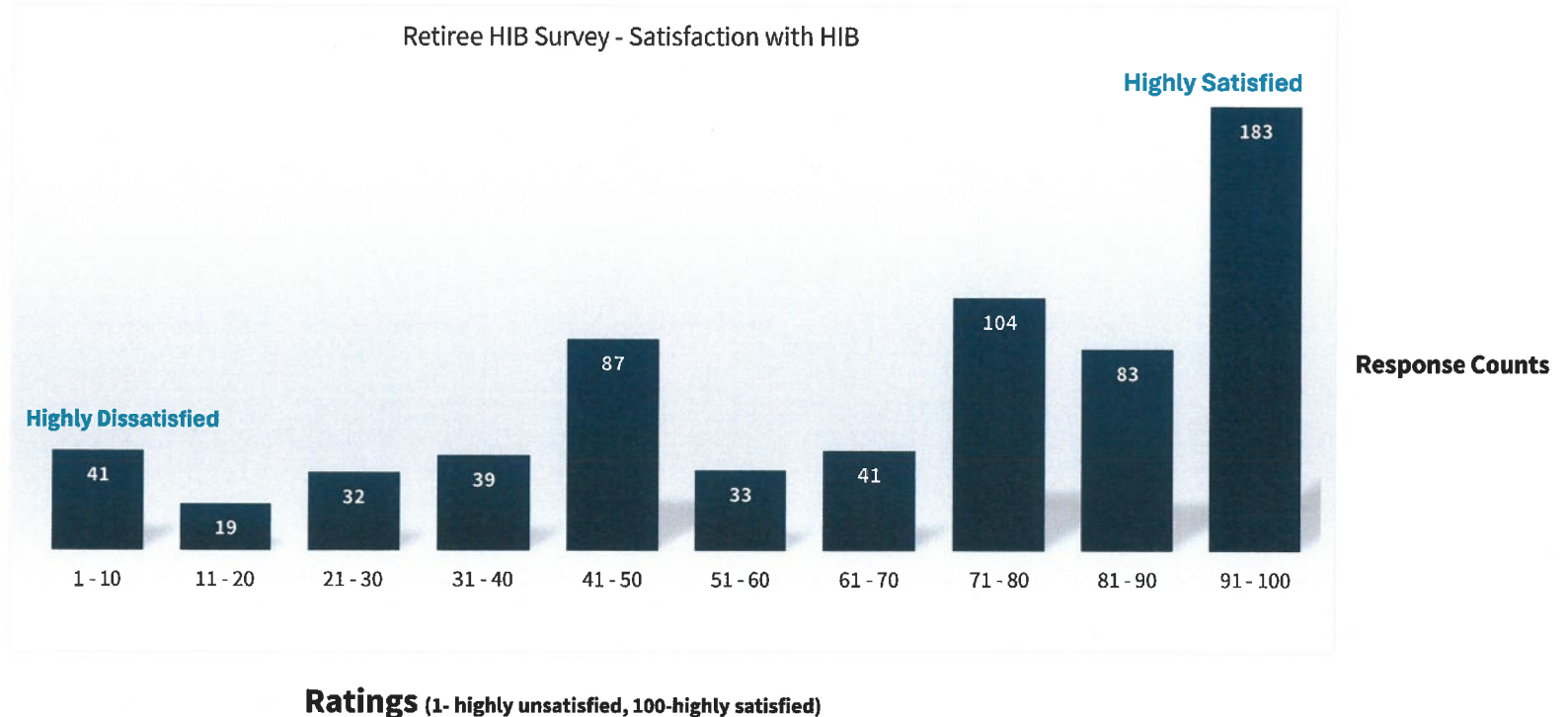
Annual Healthcare Expenses as a Percent of Total Annual Household Income

	< 10%	10% -19%	20% - 29%	30% - 40%	> 40%	Not sure		
Total Annual Household Income	\$35k - \$49k	2	3	7	0	0	7	23
	\$50k - \$74k	14	16	7	5	2	8	52
	\$75k - \$99k	40	30	15	2	0	12	102
	\$100k - \$149k	76	78	25	5	1	21	212
	\$150k - \$199k	44	34	11	4	0	13	107
	\$200k +	50	11	3	2	0	5	71
		226	172	69	18	3	67	



HIB Retiree Survey Satisfaction Level

- On a scale from 1 to 100, with **100 being highly satisfied** and **1 being highly dissatisfied**, how satisfied are you with the District's HIB? Average was 68 out of 662 responses to this question.

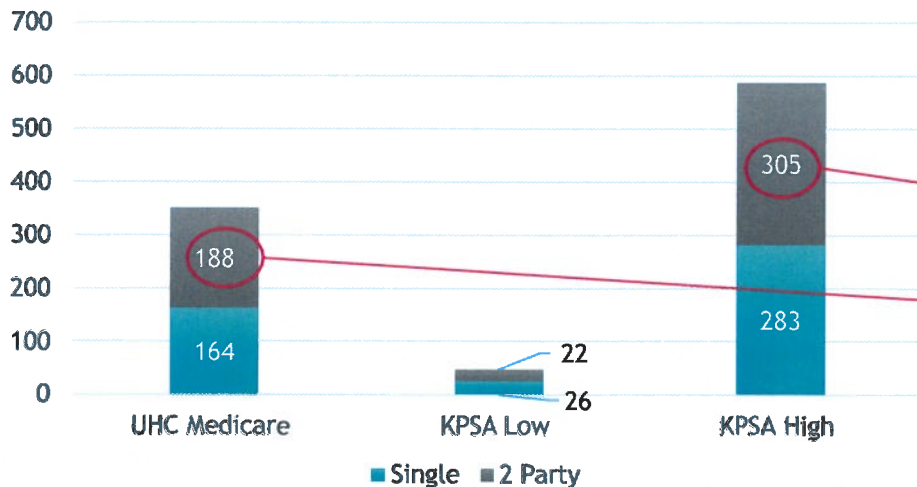


What are the retiree
out-of-pocket costs
at EMBUD and at
competitors?

EBMUD Out-of-Pocket Costs Medicare Retirees

- 988 Medicare retirees with 20 or more years of service are eligible for 100% of the HIB reimbursement benefit and enrolled in District health plans
 - The out-of-pocket costs listed in the chart below include the \$174.70 Part B Premium for 2024
 - The KPSA low plan has \$0 out-of-pocket premium; however, this is the plan with the least amount of enrollment
 - The KPSA High plan has the most enrollment with 305 2-party retirees paying \$409

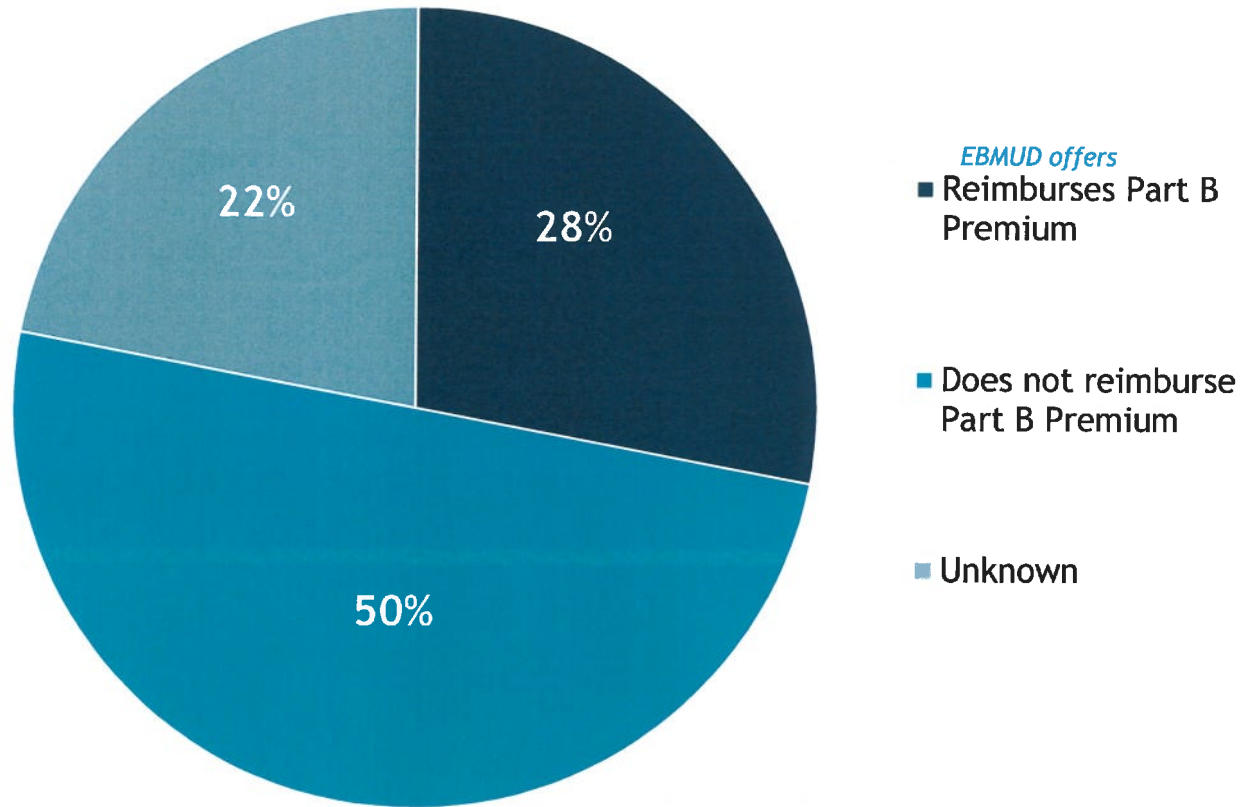
Retirees Eligible for 100% Reimbursement



Medicare Plan	Single	2 Party
KPSA Low	\$0	\$291
KPSA High	\$29	\$409
UHC Medicare	\$137	\$624

HIB Benchmarking Survey Results

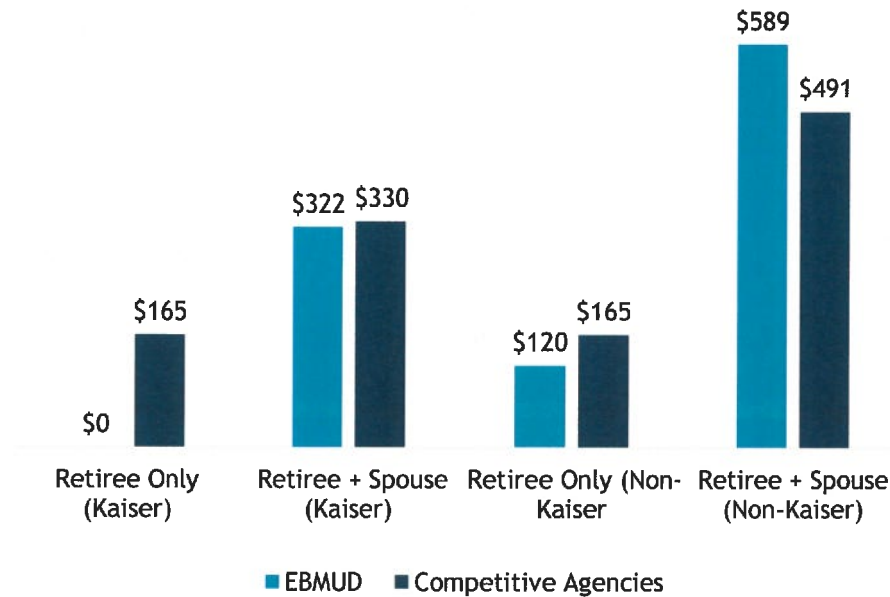
Reimburses Part B Premium (\$164.90 in 2023 & \$174.70 in 2024)



HIB Benchmarking Survey Results

Median Retiree Out-of-Pocket Premiums (2023 Rates)

Includes Part B Premiums*

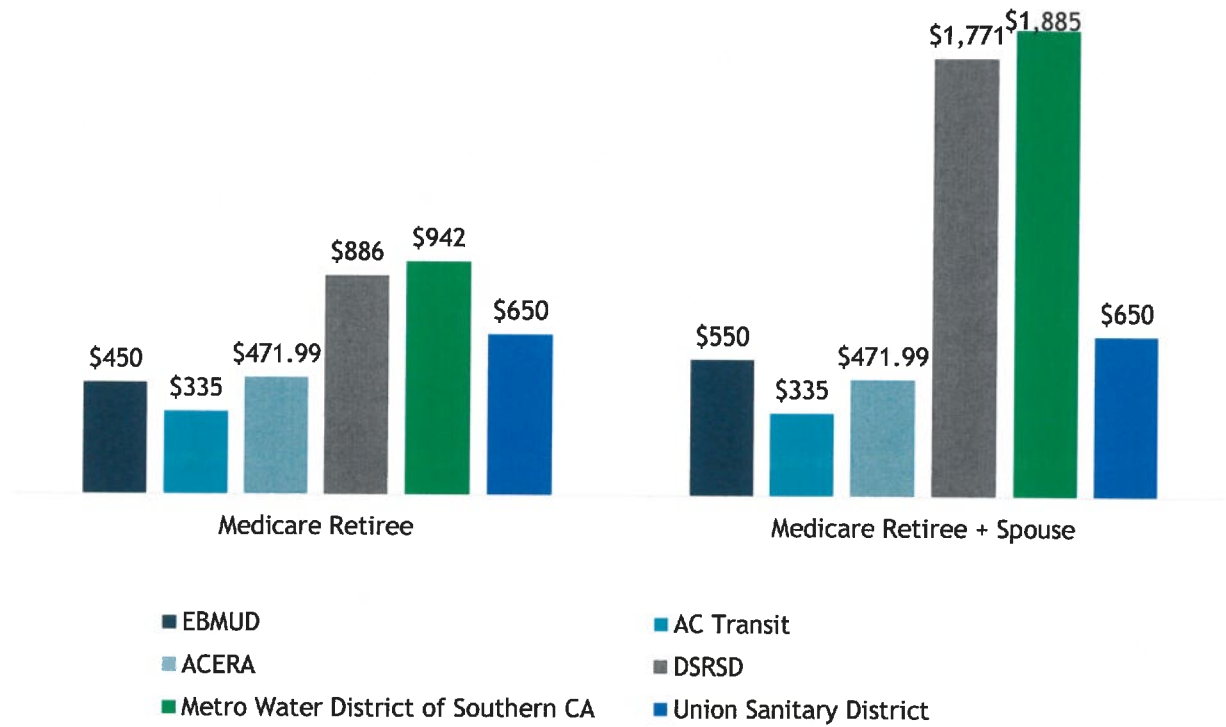


**The premiums have been adjusted to include the cost of Part B premiums*

HIB Benchmarking Survey Results

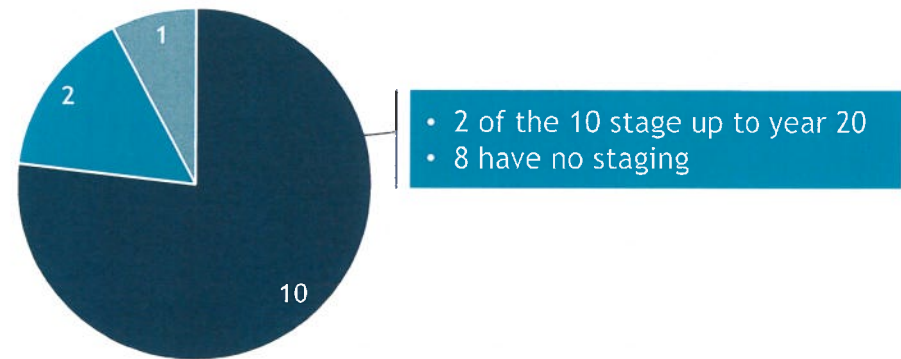
Employers with a Flat Dollar Contribution

- 6 respondents have a defined contribution (flat dollar contribution)
- 10 respondents have a defined benefit design that effectively is paying the full cost of the healthcare plans (varies in design and generally doesn't cover all plans, but covers the full contribution for at least one plan option)



HIB Benchmarking Survey Results: Vesting

13 of the competitor agencies start their vesting at year 10




- Vests 50% at 10 years and get to 100% at 20 years
- Vests 100% at 10 years
- Vests 50% at 10 years and then 100% at 15 years

3 of the competitor agencies (including EBMUD) start vesting at year 5

- EBMUD vests at 5, 10, 15 and 20 years (25% per 5 years)
- Marin Water is 100% coverage of health plan at year 5
- MCERA - there is a range of benefits after the 5 year vest that depends on # of additional years of service

What is the current
and future value of
the benefit as it
stands now?





EBMUD HIB

HIB as % of Healthcare Plan Premium Plus Part B

				Medicare plans available 1989 - 2004									
Date HIB Changed	Action	Monthly Max HIB	Date of Premium	HIB as a % of Premium	Kaiser Medicare Single + Part B Premium	HIB as a % of Premium	Sr. Adv Kaiser Single + Part B Premium	HIB as a % of Premium	HealthNet Medicare Single + Part B Premium	HIB as a % of Premium	Sr. Plus HealthNet Single + Part B Premium	HIB as a % of Premium	Anthem Medicare Single + Part B Premium
7/1/1989	Created Max HIB of \$50/month	\$50	1/1/1989	40%	\$124.82	80%	\$62.25	34%	\$146.55	84%	\$59.18	41%	\$123.11
1/1/1991	Increased Max HIB to \$100/month	\$100	1/1/1991	73%	\$137.76	154%	\$65.13	61%	\$162.97	161%	\$62.17	74%	\$135.78
7/1/1996	Increased Max HIB to \$150/month	\$150	1/1/1998	87%	\$173.22	174%	\$86.07	74%	\$203.48	182%	\$82.52	88%	\$170.84
7/23/1999	Increased Max HIB to \$200/month	\$200	1/1/1999	104%	\$191.65	234%	\$85.44	97%	\$205.18	179%	\$112.00	113%	\$177.28
11/1/2000	Increased Max HIB to \$250/month	\$250	1/1/2001	94%	\$267.28	144%	\$173.98	108%	\$231.89	106%	\$236.80	111%	\$225.17
7/1/2002	Increased Max HIB to \$400/month	\$400	1/1/2002	125%	\$319.13	168%	\$237.97	141%	\$284.55	149%	\$268.20	157%	\$254.28
7/1/2003	Increased Max HIB to \$450/month	\$450	1/1/2003	113%	\$398.61	141%	\$318.15	229%	\$196.80	120%	\$375.90	149%	\$301.86
7/1/2004	Increased Max HIB to \$450/month	\$450	1/1/2004	93%	\$483.78	121%	\$370.60	146%	\$308.67	110%	\$407.60	124%	\$364.31
				Kaiser Medicare Double		Sr. Adv Kaiser Double		HNet Medicare Double		Sr. Plus HNet Double		Anthem Medicare Double	
7/1/2004	ADD MARRIED TIER OF \$550	\$550	1/1/2004	57%	\$967.56	74%	\$741.20	79%	\$698.78	67%	\$815.20	75%	\$728.62



EBMUD HIB Present Value of Historic HIB Values

Date HIB Changed	Action	Monthly Max HIB	Present Value Historic HIB Segal calc.
7/1/1989	Created Max HIB of \$50/month	\$50	\$138
1/1/1991	Increased Max HIB to \$100/month	\$100	\$268
7/1/1996	Increased Max HIB to \$150/month	\$150	\$335
7/23/1999	Increased Max HIB to \$200/month	\$200	\$410
11/1/2000	Increased Max HIB to \$250/month	\$250	\$491
7/1/2002	Increased Max HIB to \$400/month	\$400	\$714
7/1/2003	Increased Max HIB to \$450/month	\$450	\$790
7/1/2004	Increased Max HIB to \$450/month	\$450	\$776
7/1/2004	ADD MARRIED TIER OF \$550	\$550	\$949



EBMUD Medicare Plans Out of Pocket Expense - Trended 5 and 10 Years

Total Out-of-Pocket includes Medicare Part B premiums (\$174.70 in 2024)

Trend Rates	
Year 1:	6.50%
Year 2:	6.25%
Year 3:	6.00%
Year 4:	5.75%
Year 5:	5.50%
Year 6:	5.25%
Year 7:	5.00%
Year 8:	4.75%
Year 9:	4.50%
Year 10:	4.50%

Medicare Plans	Out-of-Pocket Expense (100% Tier) - Includes Part B Premiums					
	Current		Trended 5 Years		Trended 10 Years	
	Single Tier	2 Party Tier	Single Tier	2 Party Tier	Single Tier	2 Party Tier
UHC Medicare PPO	\$137	\$624	\$336	\$1,021	\$543	\$1,437
KPSA Low	\$0	\$291	\$113	\$575	\$261	\$872
KPSA High	\$29	\$409	\$191	\$733	\$361	\$1,071

Are employees at peer agencies sharing in the cost of retiree benefits?



Employee Contributions to Funding

Entity Name	Employee Contribution
EBMUD	0.09%
AC Transit	Unknown
Alameda County Employees' Retirement Association (ACERA)	Unknown
Alameda County Water	Unknown
BART	Unknown
City & County of San Francisco	2%
Contra Costa Water District (CCWD)	Varies by bargaining unit: 2.2% or 2.5%
County of Santa Clara	Varies - Flat \$15 per bi-weekly paycheck (CEMA), Flat \$12.50 per bi-weekly paycheck (SEIU), Flat \$13.50 per check (Conf/Admin)
Delta Diablo Sanitation District	3%
DSRSD	Unknown
Marin County Employees' Retirement Association (MCERA)	Unknown
Marin Water Municipal District (MWMD)	Unknown
Metro Water District of Southern California (MWD)	Unknown
Sacramento Municipal Utility District (SMUD)	Unknown
Union Sanitary District	Unknown
West County Wastewater	2%

The EBMUD contribution of 0.09% is substantially lower than the employee contribution for other peer agencies

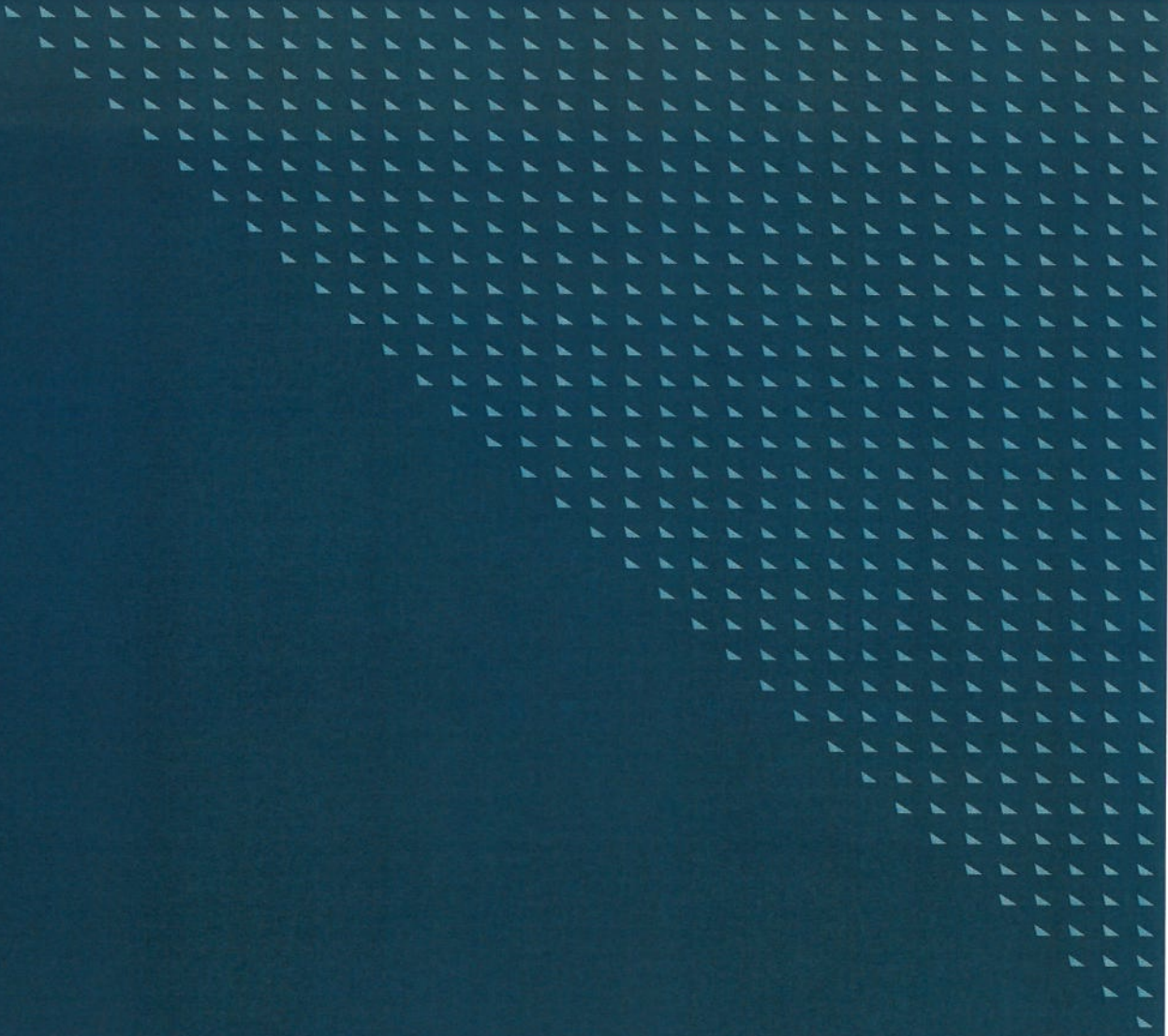
Assumptions



Assumptions

The following decisions, assumptions, and classifications were used to put together the data in this presentation:

- One Kaiser plan and one non-Kaiser health plan from each agency was used to run the comparison for retiree out of pocket costs
 - For CalPERS agencies, the PERS Platinum Supplement plan was used for the comparison as it was reported as the plan with the highest enrollment
- Only the rates for Medicare eligible over age 65 plans were included
- The most current tier of each agency's retiree benefit was used as the comparator
- The value of 100% of each agency's benefit was used (comparing the retiree health benefit earned in most cases by 20 or more years of service)
- At a high level, the value of each agency's benefit falls into one of two designs: either a flat dollar value of the benefit like the HIB, or a variable benefit that is tied to the full value of the premium of health plans; this was separated out as needed for comparison purposes



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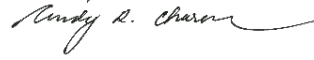
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EAST BAY MUNICIPAL UTILITY DISTRICT

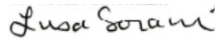
DATE: June 4, 2024

MEMO TO: Members of the Retirement Board

THROUGH: Cindy Charan, Director of Human Resources



FROM: Lisa Sorani, Manager of Employee Services



SUBJECT: HIB Study: Alignment of Interests and Finalization of HIB Study Discussions

SUMMARY

This informational memorandum is in response to the Retirement Board's request for the final step of the HIB Study.

DISCUSSION

Staff has provided the Retirement Board with data resulting from the requested Health Insurance Benefit (HIB) study and survey findings. At the June 4, 2024 Retirement Board meeting, staff is providing the Board with a detailed report that entails a summary of discussions and potential outcomes resulting from the May 23, 2024 Retirement Board meeting.

At a high level, staff heard from the Retirement Board members an alignment of interests that focused on benefit improvements related to costs once retirees are Medicare eligible, and that some special considerations should apply to PEPRA tier members. There was also a discussion about providing a benefit to current retirees and Legacy tier members.

President Tim McGowan suggested that the Retirement Board request a cost estimate for tying HIB to the cost of a health plan as part of the report to the Board in support of negotiations.

With this information, staff developed a summary of findings report for the Retirement Board's consideration. Staff have included an option that increases the benefit for current retirees. Staff reminds the Retirement Board that any increase in benefit for retirees would be paid by the District and would immediately reduce the funded status of the HIB fund.

NEXT STEPS

The Retirement Board will review the attached summary of findings report and finalize discussions regarding the outcome of the HIB survey data. These discussions will inform next steps in costing options for potential HIB benefits enhancements and guide the District's actuaries in determining costing for benefit improvements. A final summary of findings report that includes the cost data will be presented to the Retirement Board at the July 18, 2024 meeting.

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EAST BAY MUNICIPAL UTILITY DISTRICT

HIB Study – Summary of Discussions and Findings

Across the past eight months, the Retirement Board engaged in a Health Insurance Benefit (HIB) study to evaluate the benefit including when it was created, when it was last improved, how it was previously improved, and the prior value of the benefit. In addition, the study included a review of the value of the benefit against the healthcare premiums that the District HIB benefit reimburses. The Retirement Board elected to consider healthcare premiums as the insurance premium plus the base monthly cost of Medicare Part B in their review of the data. An update of 2023 HIB peer survey data was conducted that focused on retiree out-of-pocket costs at the District as compared to our peer agencies. This question was answered for District retirees historically, currently, and with forward looking healthcare trends; and then based on 2023 data in comparison to peer agencies. Lastly, retirees were surveyed and asked to provide their satisfaction level with the HIB and share details of how they use the benefit, their annual healthcare costs, and their household income.

This deep level of review analysis helped the Retirement Board assess the HIB benefit and understand where future improvements might be considered. While the data showed that the HIB has held up well, it also showed that current value will continue to diminish in value over time and, as such, employees with far off retirement dates may wish to negotiate for and even share the cost for a better benefit.

Staff and the Retirement Board have also reviewed the MOUs and the Retirement Ordinance and recognize that any changes to Retirement Benefits currently require union negotiations. The process for considering improvements to the Retirement System benefits was put in place at the end of the 2003 negotiations year. Since that time, the only Retirement System benefit changes have been the implementation of the state-mandated PEPRA tier benefits and an increase to the retirement contributions for Legacy members, which were negotiated in 2013.

Currently, both PEPRA and Legacy members pay .09% toward HIB. The PEPRA members pay 9.41% toward pension and a separate .09% toward HIB. The Legacy members pay 8.75% total, which includes .09% toward HIB. Currently, Contra Costa Water District has a benefit that covers the full cost of a healthcare plan for retirees versus the District's flat dollar HIB reimbursement, and their members are paying 2.2% toward the retiree healthcare benefit.

The Retirement Board has discussed potential interests and options for enhancing the HIB benefit as outlined below. The options noted below are NOT proposals, but rather potential considerations that the Retirement Board has costed in an effort to share information with the Board of Directors for successor MOU negotiations.

Data for Consideration of the District Board of Directors

1. Make no change	Details: Leave the benefit as it stands, no change to value for current or future retirees, no change in current vesting schedule. No suggested additional changes. No request to District benefit staff to look into allowing Term Vested members to access District Healthplans.
Pros:	The current HIB benefit is only funded at 47.7 percent at the June 30, 2023 valuation.
Cons / Challenges:	Allows time for the HIB fund to continue to grow beyond current 47% funded status without new costs.
Costs:	No Cost

2. Improve the maximum benefit \$50 for all current and future retirees for both the single and married tiers.	Details: Maximum single moves from \$450 to \$500 per month for current and future retirees. Maximum married moves from \$550 to \$600 per month for current and future retirees.
Pros:	Allows benefit to better meet the increasing cost of retiree health insurance for all current and future retirees.
Cons /Challenges:	This will immediately reduce the funded status of the HIB fund. Active employees cannot bargain for a benefit for current retirees and will likely not agree to pay for the cost of benefit improvements for current retirees; so the cost of this improvement for current retirees would likely be fully paid by the District with no employee participation in funding.
Costs:	Increases the unfunded actuarially accrued liability (UAAL) by \$13.3 million, increases the annual required contribution to the plan by \$1.4 million. See attached memo from Segal for more information.

3. Improve benefit \$50 for all future LEGACY retirees and \$100 for all future PEPRA retirees at both the single and married retiree levels	Details: No change to the HIB maximum for current retirees or any retirees prior to final negotiations and any final change to Retirement Ordinance. This creates a new 2026 tier such that members who retire after 1/01/2026, if they are a Legacy member with 20 years of service, the maximum benefits are \$500 for single, \$600 for married; if they are a PEPRA member, maximum benefits are \$550 for single and \$650 for married.
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Pros:	Time to pay for the larger future benefit for PEPRA members. Partially addresses the disparity in pension benefit between PEPRA and Legacy members. If District and employees share in cost, may not reduce funded status.
Challenges:	If District and employees do not properly fund such a change, the funded status of the HIB will reduce.
Costs:	Unknown at this time.

4. Change only for PEPRA retirees such that the HIB benefit will be based on the value of Kaiser Sr. Advantage High Plan, adjusted annually.	Details: No changes to current value of HIB for current retirees or future Legacy member retirees. This creates a new 2026 tier such that PEPRA members who retire after 1/1/2026, with 20 years of service, the maximum benefit for single retirees is 100% of the value of the Kaiser Sr. Advantage High Plan monthly premium; or for married members, 200% of the Kaiser Sr. Advantage High Plan monthly premium (adjusted annually). Vesting Schedule remains for 25%, 50%, and 75% values of this benefit (but might consider removing the 5-year 25% benefit and 15-year 75% benefit as a cost savings - leaving the vesting schedule for the future PEPRA retirees as 50% with 10-19 years of service, 100% with 20+ years of service in line with peers with similar benefits)
Pros:	This affords time to pay for the larger future benefit for PEPRA members. Partially addresses the disparity in pension benefit between PEPRA and Legacy members, especially the PEPRA members who earn over the PEPRA compensation limit. By removing the 5-year and 15-year vesting tiers, longevity is encouraged, and it may also reduce the overall cost of this change.
Challenges:	This creates unknown future costs and increases the cost of the benefits for all future PEPRA retirees annually depending on the healthcare market trends. The cost of this future benefit would reduce the funded status of the HIB fund significantly.
Costs:	Unknown at this time.

Via Email

May 31, 2024

Ms. Sophia Skoda
Director of Finance
East Bay Municipal Utility District
375 Eleventh Street
Oakland, CA 94607-4240

**Re: East Bay Municipal Utility District Employees' Retirement System
Cost estimate for possible \$50 per month improvement to Health Insurance Benefit
(HIB)**

Dear Sophia:

This letter provides the requested cost impact for providing a one-time increase of \$50 per month to the maximum Health Insurance Benefit (HIB). The current maximum subsidy of \$450 per month (\$550 for married retirees and retirees with registered domestic partners) would increase to \$500 per month (\$600 for married retirees and retirees with registered domestic partners).

As requested, the impact of the proposed increase is presented under two scenarios: (1) increase only applies to future retirees, and (2) increase applies to current and future retirees. These costs, shown on the following page, are calculated based on the same methods, financial and membership data and actuarial assumptions used in the June 30, 2023 HIB funding valuation. In particular, we have used the funding policy approved by the Board to amortize any increase in the Unfunded Actuarial Accrued Liabilities (UAAL) as a result of benefit improvement over a period of 15 years.

Health Insurance Benefit Costs as of June 30, 2023

	Current Plan \$450/\$550	Scenario #1: \$500/\$600 for Future Retirees Only	Additional Cost Compared to Current Plan	Scenario #2: \$500/\$600 for Current and Future Retirees	Additional Cost Compared to Current Plan
Valuation Value of Assets	\$62,769,259	\$62,769,259		\$62,769,259	
Actuarial Accrued Liabilities (AAL)					
• Current recipients	\$97,330,438	\$97,330,438	\$0	\$107,178,083	\$9,847,645
• Future recipients	<u>34,297,017</u>	<u>37,731,213</u>	<u>3,434,196</u>	<u>37,731,213</u>	<u>3,434,196</u>
Total AAL	\$131,627,455	\$135,061,651	\$3,434,196	\$144,909,296	\$13,281,841
UAAL	\$68,858,196	\$72,292,392	\$3,434,196	\$82,140,037	\$13,281,841
Funding ratio	47.69%	46.47%	(1.22%)	43.32%	(4.37%)
Aggregate Employer Contribution Rate (% of Payroll)					
• Employer Normal Cost	0.78%	0.87%	0.09%	0.87%	0.09%
• UAAL	<u>3.57%</u>	<u>3.68%</u>	<u>0.11%</u>	<u>4.01%</u>	<u>0.44%</u>
Total Rate	4.35%	4.55%	0.20%	4.88%	0.53%
Estimated Annual Amount*	\$11,403,000	\$11,946,000	\$543,000	\$12,807,000	\$1,404,000

The Aggregate Employer Contribution Rate is for 1955/1980 Plan and 2013 Tier combined. In determining the above employer rates, we have assumed the current member rate of 0.09% of payroll applies before and after the \$50 increase in maximum monthly benefit (i.e., there will be no increase in the 0.09% member rate as a result of this improvement to the HIB Plan) and any increase in contributions paid by the members would result in a reduction in contributions required to be paid by the employer. Based on the System's amortization policy for plan changes, the increase to the UAAL amortization would last 15 years. On the other hand, the change to the Employer Normal Cost would be an ongoing cost.

We wanted to note that roughly 88% of the overall June 30, 2023 HIB actuarial accrued liability was attributable to benefits paid after the age of 65. Knowing the portion attributable to post-65 coverage could be useful if the System were to consider different increases for pre and post-65 retirees.

* Based on June 30, 2023 projected annual payroll of:

1955/1980 Plan	\$129,488,164
2013 Tier	<u>132,784,436</u>
Combined	\$262,272,600

Other considerations

In this study, we have only provided the impact of these proposed plan changes for funding purposes. We are available upon further request by the Retirement Board to illustrate the impact on a Projected Benefit Obligation basis (used to determine the cost-of-living adjustment to the pension benefit) as well as the impact on financial reporting under GASB Statements No. 74 and 75. A more detailed breakdown of the increase in Normal Cost for each of the 1955/1980 plan and 2013 Tier is available upon request.

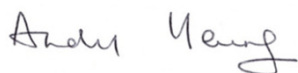
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Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuaries.

These calculations were supervised by Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary



Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

TTT/jl/elf

cc: Lisa Sorani
Robert Hannay
Steven Goodman-Leibof