



Agenda Item No. (3)

To: Rules, Policy and Industrial Relations Committee/Committee of the Whole
Meeting of June 25, 2021

From: Alice Ng, Director of Fiscal Resources
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **RECEIVE STATEMENT OF ACTUARIAL OPINION REGARDING THE
COST IMPACT OF RETIREE HEALTH BENEFIT PLAN CHANGES IN
ACCORDANCE WITH CALIFORNIA CODE 7507 RELATIVE TO THE
TRANSITION OF DISTRICT HEALTH PLANS TO THE CALPERS
HEALTH SYSTEM FOR UNION COALITION EMPLOYEES AND
RETIREES**

Recommendation

The Rules, Policy and Industrial Relations Committee recommends that the Board of Directors receive the statement of actuarial opinion regarding the cost impact of retiree health benefit plan changes upon future costs, including normal cost and any additional accrued liability, in accordance with California Code 7507 relative to the transition of District retiree health plans to the CalPERS health system for Union Coalition employees and retirees.

This matter will be presented to the Board of Directors at its June 25, 2021, meeting for appropriate action.

Summary

Beginning last year, the Board of Directors (Board) has approved a series of actions relative to the transition of Golden Gate Bridge, Highway and Transportation District (District)-provided employee and retiree health coverage to the CalPERS health system. The District recently completed negotiations with the Union Coalition (“Coalition”) to transition those employees and retirees to CalPERS health coverage as of October 1, 2021 (the Painters Unit previously transitioned to CalPERS).

Prior to adopting the CalPERS Resolutions necessary to complete the Coalition transition, the District is required under Section 7507 of the California Government Code to obtain a statement of actuarial opinion regarding the cost impact of the proposed retiree healthcare plan benefit changes and make the actuary’s determination public at a public meeting at least two weeks prior to the adoption of the changes. This communication serves as that public notice.

The Actuarial Statement as prepared by the District’s OPEB actuary, Bartel Associates, LLC, is attached, and provides the actuarial impact of the proposed change in District-provided healthcare

plans to the CalPERS medical program (governed by the Public Employees' Medical & Hospital Care Act, or PEMHCA), along with other associated retiree medical plan changes, for employees in the Coalition.¹

As reported on page 2 of the attached Actuarial Statement, the combined impact of retiree health benefit plan changes to the July 1, 2019 Actuarial Obligations for the Coalition is a reduction in the unfunded actuarial accrued liability of \$637,000 and a reduction in the actuarial determined contribution (“ADC”) for FY 21/22 of approximately \$150,000.

	Coalition (Amounts in \$000's)		
	Current Plan	Proposed Plan	Increase/ (Decrease)
■ July 1, 2019 Actuarial Obligations			
• Present Value of Projected Benefits	\$70,107	\$68,391	\$(1,716)
• Actuarial Accrued Liability	58,773	58,136	(637)
• Market Value of Assets ²	<u>32,082</u>	<u>32,082</u>	—
• Unfunded AAL	26,691	26,054	(637)
■ 2021/22 ADC - \$			
• Normal Cost & Administrative Expenses	\$1,532	\$1,434	\$ (98)
• Amortization of Unfunded AAL	<u>2,206</u>	<u>2,154</u>	<u>(52)</u>
• Total	3,738	3,588	(150)

At a special Board meeting agendized for July 9, 2021, staff will present the CalPERS Resolutions necessary to complete the transition of Coalition employees and retirees to the CalPERS health system effective October 1, 2021.

Fiscal Impact

There is no fiscal impact for FY 20/21. The ADC for FY 20/21 of \$11.7 million as per the most recent Other Post Employment Benefit (“OPEB”) valuation as of July 1, 2019, is fully funded in the FY 20/21 Operating Budget. The OPEB impact of transitioning to the CalPERS plans will be reflected in the next actuarial valuation as of July 1, 2021. The ADC for Fiscal Years 21/22, 22/23, and 23/24 will be provided in the July 1, 2021 actuarial valuation, and funding will be addressed in each respective year’s Operating Budget.

Attachment: Actuarial Impact of Changes to District Retiree Healthcare Plan Benefits for Union Coalition Employees under California Government Code Section 7507

¹ Coalition members in the Painters Unit are not included in these results, as they moved to the PEMHCA medical plans on January 1, 2021 along with employees covered by the Amalgamated Transit Union (ATU), Non-Represented administrative employees, District Officers, and Board members, all of whom were included in a previous analysis presented to the Rules, Policy and Industrial relations Committee/Committee of the Whole Meeting of August 28, 2020.



June 1, 2021

Alice Ng
Director of Fiscal Resources
Golden Gate Bridge, Highway and Transportation District
P.O. Box 9000, Presidio Station
San Francisco, CA 94129-0601

**Re: Actuarial Impact of Changes to District Retiree Healthcare Plan Benefits for
Union Coalition Employees under California Government Code Section 7507**

Dear Ms. Ng:

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. This letter provides the actuarial impact of the proposed change from District-provided healthcare plans to the CalPERS medical program (governed by the Public Employees' Medical & Hospital Care Act, or PEMHCA), along with other associated retiree medical plan changes, for employees in the Union Coalition (Coalition). The effective date of the plan change for Coalition is October 1, 2021. Coalition members in the Painters Unit are not included in these results, as they moved to the PEMHCA medical plans on January 1, 2021 along with employees covered by the Amalgamated Transit Union (ATU), Non-Represented administrative employees, District Officers, and Board members, all of whom were included in a previous analysis.

Proposed Benefit Changes

The District currently contracts with Kaiser and Blue Shield to provide health care coverage and Caremark for prescription drug coverage for active employees and pre-Medicare retirees in the Coalition. For Medicare eligible retirees in the Coalition, the District contracts with Kaiser for the Senior Advantage plan and with Via Benefits for access to outside Medicare supplement plans. The District provides funding through a Health Reimbursement Arrangement (HRA) for those in an outside Medicare supplement plan. Under the proposed Coalition benefit changes, the District would move to CalPERS PEMHCA medical plans. Eligibility requirements and the amount of District-provided retiree medical benefits, currently based on hire date, would also change. An HRA would be established for retirees enrolled in specified CalPERS medical plans to assist with certain out-of-pocket medical costs. Pre-65 retiree premium-sharing (based on Medicare Part B premium equivalents, offset by stipends in certain cases) would be modified, based on the CalPERS medical plan chosen. Details of the benefit changes for Coalition are attached to this letter.

PEMHCA requires agencies pay a minimum contribution for all participating active employees and retirees. We understand the District will elect the PEMHCA Minimum under the unequal method. Employees retiring from the District who are not eligible for District-paid retiree healthcare will receive this minimum benefit if they elect healthcare coverage through PEMHCA. Under this method, the District will pay \$1/month in 2021 and increase annually to 100% of the PEMHCA Minimum under the equal method¹ over 20 years.

¹ PEMHCA Minimum under the equal method is \$143/month in 2021 and will be \$149/month in 2022. It will increase each year thereafter based on the healthcare component of the CPI-U.



Summary of Cost Change

The changes in the District's July 1, 2019 valuation actuarial obligations and 2021/22 Actuarially Determined Contribution (ADC) for Coalition members are summarized below. The July 1, 2019 valuation results were updated for this analysis to reflect actual District premiums effective July 1, 2020 and July 1, 2021 before comparing to the proposed plan results. The proposed plan results reflect the actual 2021 PEMHCA premiums.

- The Present Value of Projected Benefits (PVPB) represents the amount the plan needs as of the valuation date to pay all future benefits if all assumptions are met. The July 1, 2019 PVPB for Coalition decreases by \$1,716,000, from \$70,107,000 under the current plan to \$68,391,000 under the proposed benefit changes.
- The Actuarial Accrued Liability (AAL) represents the portion of the PVPB that participants have earned (on an actuarial, not actual, basis) through the valuation date. The July 1, 2019 AAL for Coalition decreases by \$637,000 from \$58,773,000 under the current plan to \$58,136,000 under the proposed plan.
- The District's 2021/22 ADC is equal to the employer Normal Cost (the value of benefits earned during the year), plus a 16-year level percent of pay amortization of the projected July 1, 2021 unfunded liability (the unfunded value of benefits that have been earned in previous years). The 2021/22 ADC for Coalition decreases by \$150,000 from \$3,738,000 under the current plan to \$3,588,000 under the proposed plan.

Summary of the impact of plan changes to the July 1, 2019 Actuarial Obligations and 2021/22 ADC for Coalition is as follows:

	Coalition (Amounts in \$000's)		
	Current Plan	Proposed Plan	Increase/ (Decrease)
■ July 1, 2019 Actuarial Obligations			
• Present Value of Projected Benefits	\$70,107	\$68,391	\$(1,716)
• Actuarial Accrued Liability	58,773	58,136	(637)
• Market Value of Assets ²	<u>32,082</u>	<u>32,082</u>	-
• Unfunded AAL	26,691	26,054	(637)
■ 2021/22 ADC - \$			
• Normal Cost & Administrative Expenses	\$1,532	\$1,434	\$ (98)
• Amortization of Unfunded AAL	<u>2,206</u>	<u>2,154</u>	<u>(52)</u>
• Total	3,738	3,588	(150)

² Assets allocated on current plan AAL.



Additional breakdown of July 1, 2019 Actuarial Obligations for the District's Coalition members is as follows:

	Coalition (Amounts in \$000's)		
	Current Plan	Proposed Plan	Increase/ (Decrease)
■ Present Value of Projected Benefits			
• Current Actives	\$34,798	\$31,439	\$(3,359)
• Current Retirees & Beneficiaries			
➢ Pre-Medicare	7,538	6,903	(635)
➢ Post-Medicare	<u>27,771</u>	<u>30,049</u>	<u>2,278</u>
• Total	70,107	68,391	(1,716)
■ Actuarial Accrued Liability			
• Current Actives	\$23,464	\$21,184	\$(2,280)
• Current Retirees & Beneficiaries			
➢ Pre-Medicare	7,538	6,903	(635)
➢ Post-Medicare	<u>27,771</u>	<u>30,049</u>	<u>2,278</u>
• Total	58,773	58,136	(637)

Methods and Assumptions

Actuarial methods and assumptions used for this analysis are the same as used in the District's July 1, 2019 actuarial valuation report dated September 27, 2019 (including a 7.0% discount rate) with the following additional assumptions:

- Actual District premiums effective July 1, 2020 and July 1, 2021 were used.
- Participants are assumed to elect the following PEMHCA plans:
 - District HMO plan → PEMHCA Kaiser HMO (Kaiser Senior Advantage post-Medicare)
 - District PPO plan → PEMHCA PERS Choice
 - Post 65 Retirees in outside Medicare Plan → PEMHCA PERS Choice
- No re-election is assumed for current retirees and beneficiaries not currently getting a District-paid benefit.
- HRA contributions and active stipends are not assumed to increase in the future. This assumption was provided by the District.
- 60% participation is assumed for current active employees and future beneficiaries who do not meet the District's retiree healthcare benefits eligibility (i.e. participants who are only eligible for the PEMHCA minimum benefit).
- PEMHCA minimum is assumed to increase by 4.25% per year after 2022.
- The change in the unfunded AAL is amortized over a 16 year period (same period as used for total plan unfunded AAL in determining the 2021/22 ADC).



Following is a comparison of monthly District retiree premiums effective 7/1/2021 and calendar year 2021 monthly PEMHCA premiums for single coverage pre and post Medicare eligibility.

District Medical Plan Single Premiums for Coalition Effective 7/1/2021		
Medical Plans	Pre-Medicare	Post-Medicare
Kaiser HMO – Coalition	\$ 1,004.69	\$ 389.03
Kaiser HMO – Mechanic	992.07	387.17
Blue Shield HMO	1,568.94	n/a
Blue Shield PPO (with Caremark)	1,724.97	n/a
Kaiser HMO HD	512.29	362.52
Blue Shield HMO HD	1,323.16	n/a
Blue Shield PPO HD (with Caremark)	844.89	n/a

2021 PEMHCA Region 1 Single Premiums		
Medical Plans	Pre-Medicare	Post-Medicare
Anthem Select	\$ 925.60	\$ 383.37
Anthem Traditional	1,307.86	383.37
Blue Shield Access+	1,170.08	n/a
Health Net Smartcare	1,120.21	n/a
Kaiser HMO	813.64	324.48
UnitedHealthcare	941.17	311.56
Western Health Adv	757.02	n/a
PERS Choice PPO	935.84	349.97
PERS Select PPO	566.67	349.97
PERSCare PPO	1,294.69	381.25



Conclusion

The District's retiree medical actuarial cost would decrease due to the proposed Coalition benefit changes. While current retirees' costs will increase, this is more than offset by a decrease in current active costs, resulting in a total impact of a decrease in the Present Value of Projected Benefits, Actuarial Accrued Liability, and the 2021/22 Actuarially Determined Contribution.

Actuarial Certification

This letter was prepared for the District to comply with the California Government Code Section 7507 requirement that agencies obtain a statement of actuarial opinion regarding the cost impact of retiree healthcare plan benefit changes. Future results may differ significantly if the plan 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 other information provided by the District, and actuarial assumptions as summarized in this letter and our July 1, 2019 actuarial valuation report. This study was conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

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

Sincerely,

Doug Pryor, ASA, EA, MAAA
Vice President
Bartel Associates, LLC
June 1, 2021

Catherine Wandro, ASA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
June 1, 2021

Enclosure

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**GOLDEN GATE BRIDGE
HIGHWAY AND TRANSPORTATION DISTRICT
RETIREE HEALTHCARE PLAN**

PEMHCA Plan Analysis

Summary of Benefit Changes for Union Coalition

Bartel Associates, LLC
Doug Pryor, Vice President
Cathy Wandro, Assistant Vice President & Actuary
Katherine Moore, Actuarial Associate

June 1, 2021

Contents

<u>Topic</u>	<u>Page</u>
Benefit Summary – Current Plan	1
Benefit Summary – Effective October 1, 2021	5



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BENEFIT SUMMARY – CURRENT PLAN

General Benefit Provisions	
■ Eligibility	<ul style="list-style-type: none"> Retire directly from the District Age/service requirements vary by employee group and hire date
■ OPEB Benefits	<ul style="list-style-type: none"> Medical (including prescription drug), dental, vision, and life insurance Dependent coverage and retiree contributions vary based on eligibility Benefits established through employee agreements and MOUs
■ Pre-Medicare Medical Plans	<ul style="list-style-type: none"> Medical benefits provided under District's medical plans (currently Blue Shield HMO and PPO, and Kaiser, including high deductible plans) Retirees in high deductible plan do not contribute the Medicare Part B premium (if applicable) and receive an HRA allowance equal to the deductible in chosen plan. Unused portion carried over to subsequent years.
■ Post-Medicare Medical Plans	<ul style="list-style-type: none"> Retirees may enroll in District's Kaiser Senior Advantage Plan or an outside Medicare Plan Retirees in an outside Medicare Plan receive an annual HRA allowance (\$4,208 in 2019). Unused portion carried over to subsequent years.
■ Implied Subsidy for Kaiser Plans	<ul style="list-style-type: none"> Active employee premiums subsidize retiree costs Implied subsidy occurs when pre-Medicare retiree rates are less than actual retiree cost

BENEFIT SUMMARY – CURRENT PLAN

Group	Hire Dates	Eligibility	Benefit
Healthcare Benefit	• Before 7/1/83	• Age 50, 5 years of service	<ul style="list-style-type: none"> Lifetime healthcare retiree and dependents (survivor coverage with age 50 and 20 years or age 55 and 15 years). Retiree contribution of amount equal to Medicare Part B for self and spouse until age 65.
	• 7/1/83 - 8/8/91	• Age 55, 10 years of service	<ul style="list-style-type: none"> Lifetime healthcare retiree only (dependent and survivor coverage with 15 years of service). Retiree contribution of amount equal to Medicare Part B for self and spouse until age 65.
	• After 8/8/91	• Age 55 and 10 years of service and Rule of 70 (age plus service ≥ 70)	<ul style="list-style-type: none"> Lifetime healthcare retiree only (dependent and survivor coverage with 15 years of service). Retiree contribution of amount equal to Medicare Part B for self and spouse until age 65. Additional retiree contribution of 30% of COBRA rate (reduced to 20% if meets Rule of 75; eliminated if meets Rule of 80).

BENEFIT SUMMARY – CURRENT PLAN

Group	Hire Dates	Eligibility	Benefit
Healthcare Benefit (continued)	• Disability	• 10 years of service	<ul style="list-style-type: none"> • Lifetime healthcare retiree only • Can self-pay for 1 dependent if industrial disability • Retiree contribution of amount equal to Medicare Part B for self until age 65.
Life Insurance	• Retired before 7/1/76	• n/a	• \$25,000 life insurance
	• Retired between 7/1/76 and 7/1/15	• Less than 10 years of service	• \$3,000 life insurance
		• 10+ years of service	<ul style="list-style-type: none"> • \$9,000 life insurance less \$1,000 times number of years since retirement • \$3,000 minimum life insurance
	• Retired on or after 7/1/15	• Less than 10 years of service	• \$3,000 life insurance
		• 10+ years of service	<ul style="list-style-type: none"> • \$24,000 life insurance less \$1,000 times number of years since retirement • \$3,000 minimum life insurance

BENEFIT SUMMARY – CURRENT PLAN

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BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

General Benefit Provisions	
■ Eligibility	<ul style="list-style-type: none"> Retire from the District within 120 days of separation and is eligible to receive a pension Age/service requirements vary by employee group and hire date
■ OPEB Benefits	<ul style="list-style-type: none"> Medical (including prescription drug), dental, vision, and life insurance Dependent coverage and retiree contributions vary based on eligibility Benefits established through employee agreements and MOUs
■ Medical Plans	<ul style="list-style-type: none"> Medical benefits provided through PEMHCA under the unequal method District pays CalPERS \$1/month for retirees in 2021, then additional 5% of PEMHCA minimum for each year in PEMHCA until reaching 100% of the PEMHCA minimum in 20 years PEMHCA minimum = \$143/month in 2021 and \$149/month in 2022 Coalition joining PEMHCA October 1, 2021¹
■ Implied Subsidy for PEMHCA Plans	<ul style="list-style-type: none"> Active employee premiums subsidize retiree costs Implied subsidy occurs when pre-Medicare retiree rates are less than actual retiree cost

¹ District medical plans will remain in place until 10/1/21, with new premiums effective for the period 7/1/21 to 9/30/21. Members will remain in their current plans until 10/1/21. Members in a Bronze (high deductible) Plan as of 7/1/21 will not receive a stipend but will receive a pro rata (1/4) share of the Bronze Plan HRA funding which can only be used for deductibles, co-pays (medical and prescription), and co-insurance.



June 1, 2021

5



BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

Coalition	
Retirement Eligibility	<ul style="list-style-type: none"> Retire from District within 120 days of separation and eligible for retiree pension <ul style="list-style-type: none"> ➤ Employees in CalPERS: <ul style="list-style-type: none"> Classic members: Age 50, 5 years of service PEPRA members: Age 52, 5 years of service Disability (5 years of service for non-industrial disability) ➤ Employees in IBU and MEBA: <ul style="list-style-type: none"> Age 65 Age 55, 10 years of service Disability: 10 years of service



June 1, 2021

6



BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

Coalition											
District Contribution to Medical ²	<ul style="list-style-type: none"> • Maximum District Contribution: <ul style="list-style-type: none"> ➢ Enrolled in Kaiser, PERS Choice, or PERS Select Region 1: Premium of plan elected ➢ Enrolled in other plan: PERS Select premium cap • District contributes a percent of the Maximum District contribution based on age and service at retirement: <table border="1"> <thead> <tr> <th>Points at Retirement (age + service)</th><th>% of Maximum District Contribution</th></tr> </thead> <tbody> <tr> <td>80+</td><td>100%</td></tr> <tr> <td>75-79</td><td>80%</td></tr> <tr> <td>70-74</td><td>70%</td></tr> <tr> <td>< 70</td><td>PEMHCA minimum</td></tr> </tbody> </table> • Age 55 and 10 years of service required for District contribution for retiree above the PEMHCA minimum • Age 55 and 15 years of service required for District contribution for spouse/dependent coverage 	Points at Retirement (age + service)	% of Maximum District Contribution	80+	100%	75-79	80%	70-74	70%	< 70	PEMHCA minimum
Points at Retirement (age + service)	% of Maximum District Contribution										
80+	100%										
75-79	80%										
70-74	70%										
< 70	PEMHCA minimum										

² Based on District's Health Retirement Benefit Eligibility.



June 1, 2021

7



BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

Coalition				
Health Reimbursement Arrangement (HRA) Plan	• District contribution above PEMHCA minimum will be reimbursed to retirees up to the Maximum District Contribution			
	• In addition, District contributes annually to HRA if enrolled in Kaiser, PERS Choice, or PERS Select			
	➤ Annual HRA amounts (full amounts for the period 10/1/21 to 12/31/21 and for calendar years beginning 1/1/22 and later):			
		Kaiser	PERS Choice	PERS Select
	Under 65	\$1,500/3,000/3,000 (Single/2-party/family)	\$3,500/7,000/7,000 (Single/2-party/family)	
Over 65	\$550	\$400		
	➤ No annual District HRA contribution if enrolled in other plans			
	• Unused HRA balances carry over for Medicare retirees			
	• One time roll-over of:			
	➤ unused high deductible plan HRA balance for retirees under 65			
	➤ unused HRA balance for retirees over 65 currently in outside Medicare plans			



June 1, 2021

8



BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

Coalition

Retiree Medicare Part B Equivalent Contribution (Under Age 65)	<ul style="list-style-type: none">Enrolled in Kaiser or PERS Select: Retiree pays to District the Medicare Part B premium equivalents for self and spouse less the monthly equivalent of the annual active cash stipend amount for plan electedEnrolled in other plans: Retiree pays the Medicare Part B premium equivalents for self and spouse to the DistrictAnnual active cash stipend amounts used to offset retiree contribution if enrolled in Kaiser or PERS Select (pro-rated for the period 10/1/21 to 12/31/21, full amounts for calendar years beginning 1/1/22 and later):<table><tr><td></td><td>Kaiser</td><td>PERS Select</td></tr><tr><td>Single</td><td>\$1,000</td><td>\$1,000</td></tr><tr><td>2-Party</td><td>2,000</td><td>1,000</td></tr><tr><td>Family</td><td>3,000</td><td>2,000</td></tr></table>		Kaiser	PERS Select	Single	\$1,000	\$1,000	2-Party	2,000	1,000	Family	3,000	2,000
	Kaiser	PERS Select											
Single	\$1,000	\$1,000											
2-Party	2,000	1,000											
Family	3,000	2,000											
Surviving Spouse Benefit	<ul style="list-style-type: none">Medical benefit continues to surviving spouse if retiree elects a pension with survivor benefits and has 15 or more years of service at retirementPEMHCA minimum if less than 15 years of service												
Dental, Vision, Life	<ul style="list-style-type: none">No changes to current benefits												

BENEFIT SUMMARY – EFFECTIVE OCTOBER 1, 2021

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