



Agenda Item No. (10)(A)
Special Order of Business

To: Board of Directors
Meeting of October 27, 2023

From: Denis J. Mulligan, General Manager

Subject: **GOLDEN GATE TRANSIT AMALGAMATED RETIREMENT PLAN UPDATE**

Recommendation

This report is for informational purposes.

Summary

Golden Gate Bridge, Highway and Transportation District (District) employees participate in one of four different pension plans, based on their collective bargaining agreement. One of these plans is the *Golden Gate Transit-Amalgamated Retirement Plan (GGTARP)*, which, for a variety of reasons, is in much more dire fiscal straits than the other three pension plans.

Current and retired District bus operators are the participants in the *GGTARP*. The District appoints three of its Board members to serve as trustees on the *GGTARP* Trust's Board (*Trust Board*), along with three Amalgamated Transit Union Local 1575 (ATU) trustees. Legally, the Trustees serve as "fiduciaries".

The *Trust Board* establishes (and modifies) the pension benefits, while contributions are negotiated between the District and the ATU as part of the collective bargaining process.

The *Trust Board* met on August 9, 2023, and among other things the *Trust Board* authorized the Plan Actuary to make a presentation to the District Board regarding their *GGTARP*'s 2023 Actuarial Valuation Report - if they are invited by our Board to make such a presentation. At its meeting on August 25, 2023 the District Board voted to invite the Plan Actuary to make such a presentation regarding the *GGTARP*'s dire funding status. That presentation will be made by the *GGTARP* Plan Actuary, Mr. Graham Schmidt of Cheiron.

The District contributes 34.5 percent of bus operator wages to *GGTARP*, a higher percentage than it contributes to the other three pension plans for its employees. Additionally, in the most recent collective bargaining agreement (MOU), the District and the Union agreed that the District would make a one-time \$5.2 million contribution to the *GGTARP* and the District and Union would undertake the following task to improve the long-term funding of the *GGTARP*. Below is the

relevant language from the MOU regarding this vital task, including the underlining as it appears in the signed Tentative Agreement:

“A pension working group composed of equal number of District GGTARP Trustees, Union GGTARP Trustees and attorneys for both sides will begin meeting immediately to discuss a rehabilitation plan to address future underfunding, akin to those required of jointly-trusted defined benefit pension plans in "endangered or critical funding status" under the Pension Protection Act. Experts will be brought in as needed for consultation and calculations of scenarios intended to bring longer term stability to the GGTARP. The District will cover the costs of any experts or consultants, and it will have the final authority to determine which expert/consultant is selected.”

The above language is an agreement between the District and the ATU to create a rehabilitation plan that would include changes to the pension benefits and contributions in order to improve the *GGTARP*'s financial situation for the long term. Acting as fiduciaries, the *Trust Board* should adopt the rehabilitation plan.

Fiscal Impact

There is no fiscal impact as this report is informational.

Attachment 1 - August 9, 2023, Presentation to GGTARP Board

Attachment 2 - October 27, 2023, Presentation to GGBHTD Board



Classic Values, Innovative Advice

Actuarial Valuation Results as of January 1, 2023 and GASB 67/68 Results

August 9, 2023

Graham Schmidt, ASA, EA, FCA, MAAA

Patrick Nelson, FSA, EA, FCA, MAAA

Topics for Discussion



- 2023 Actuarial Valuation Results
- Historical Trends
- Looking Ahead
- FYE 2022 GASB 67/68 Results

2023 Actuarial Valuation Results



- Unfunded liability increased from \$102.8 million to \$103.2 million with an actuarial loss of \$1.4 million
 - \$6.1 million loss due to contribution shortfall
 - (contributions < ADC)
 - \$2.5 million asset loss
 - -9.4% market return, 4.2% smoothed return
 - There are \$8.3M in deferred asset losses not yet recognized in the smoothed value
 - \$6.2 million liability gain
 - Primarily due to salaries and service accruals being less than expected
 - \$0.9 million decrease in liability due to future benefit service accrual assumption change
 - Future service accruals were reduced from 0.97 years of service per year to 0.90 years of service per year based on recent experience of the active Plan members

2023 Actuarial Valuation Results



- Total Actuarial Determined Contribution (ADC, EE + ER) increased from 56.24% to 70.00%
 - Large increase due to significant decrease in annual payroll
- Negotiated Contribution Rates
 - Employer negotiated contribution is 34.50% (since 2022)
 - Non-PEPRA member contributions: 7.00%
 - PEPRA member contributions: 8.25% (since 2022)

2023 Actuarial Valuation Results



Golden Gate Transit - Amalgamated Retirement Plan Summary of Principal Results

Valuation as of:	January 1, 2022	January 1, 2023	% change
Participant Counts			
Active Participants	198	167	(15.7%)
Terminated Vested Participants	10	13	30.0%
Participants Receiving Benefits	<u>438</u>	<u>437</u>	(0.2%)
Total Participants	646	617	(4.5%)
Active Payroll			
Valuation Payroll	\$ 22,212,841	\$ 16,014,194	(27.9%)
Average Pay	112,186	95,893	(14.5%)
Projected Payroll for the Fiscal Year	\$ 21,525,400	\$ 16,272,344	(24.4%)
Assets and Liabilities			
Market Value of Assets (MVA)	\$ 107,880,965	\$ 87,079,579	(19.3%)
Actuarial Value of Assets (AVA)	102,502,831	95,384,216	(6.9%)
Actuarial Liability (AL)	<u>205,292,300</u>	<u>198,631,893</u>	(3.2%)
Unfunded Actuarial Liability (UAL) = AL - AVA	\$ 102,789,469	\$ 103,247,678	0.4%
Actuarial Value Funded Ratio = AVA / AL	49.9%	48.0%	
Market Value Funded Ratio = MVA / AL	52.5%	43.8%	

2023 Actuarial Valuation Results



Determination of the Actuarially Determined Contribution

	January 1, 2022	January 1, 2023
1. Unfunded Actuarial Liability (UAL)	\$ 102,789,469	\$ 103,247,677
2. Amortization of the Unfunded Actuarial Liability with Interest to Middle of Fiscal Year	7,927,363	8,289,099
3. Projected Payroll Beginning July 1 ¹	21,525,400	16,272,344
4. UAL Amortization Rate	36.83%	50.94%
5. Normal Cost Rate	15.92%	15.57%
6. Administrative Expenses	<u>3.50%</u>	<u>3.50%</u>
7. Total Contribution Rate	56.24%	70.00%
8. Avg Employee Contribution Rate (July 1 - June 30 Fiscal Year) ²	7.33%	7.32%
9. ADC Rate as a Percent of Estimated Payroll [(7) - (8)]	48.91%	62.68%
10. Actuarially Determined Contribution (ADC) for the Fiscal Year [(9) x (3)]	\$ 10,528,686	\$ 10,200,093
11. PEPRA Member Rate	8.25%	8.25%
12. Tread Water Rate (ER Normal Cost + Interest on UAL + Expense)	45.39%	56.00%

¹ 2022 Based on estimates provided by the District.

² Average for the Fiscal Year of the employee rate for members not covered by PEPRA (7.00%) and the PEPRA members (8.25%).

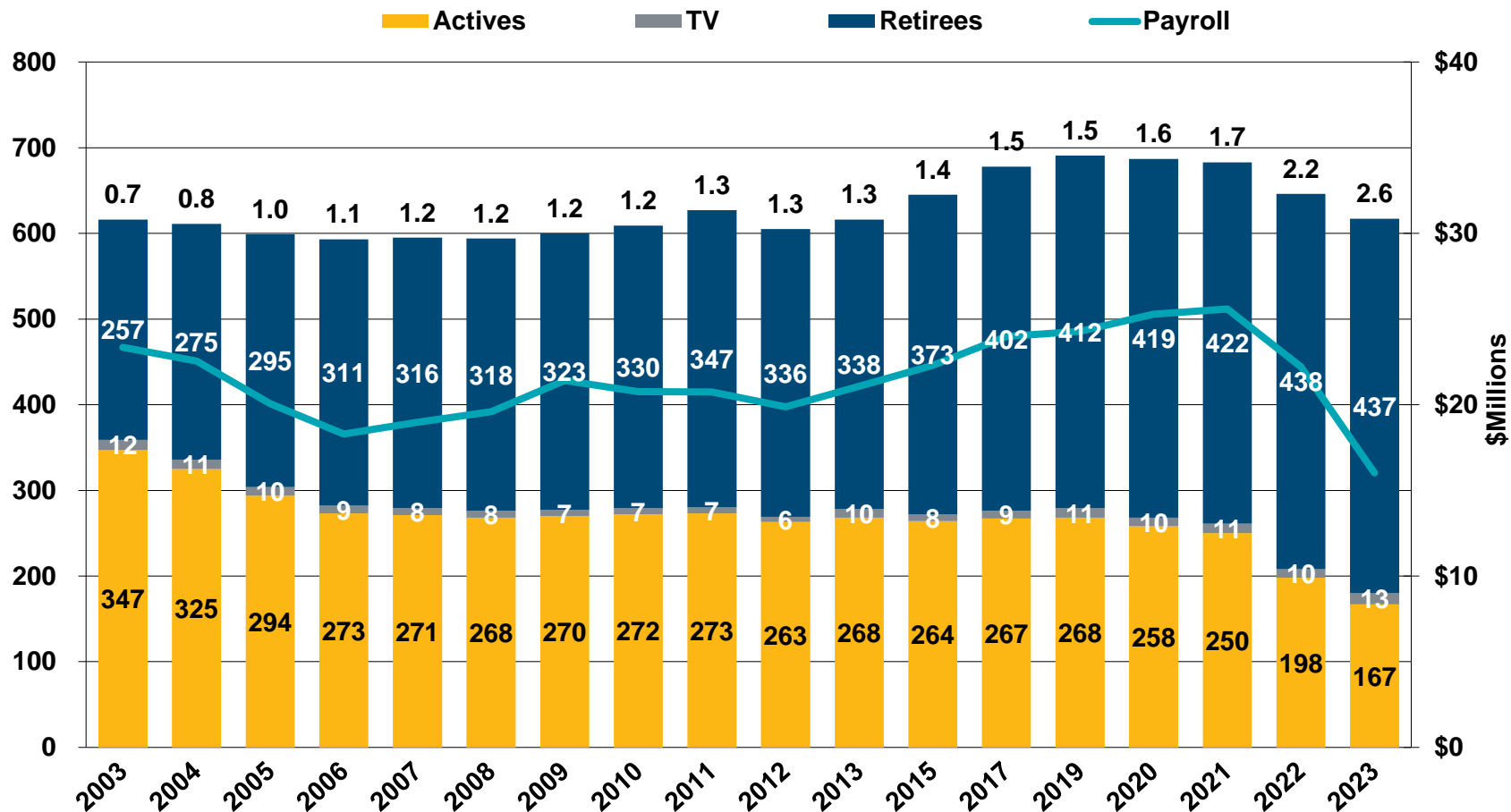
2023 Actuarial Valuation Results



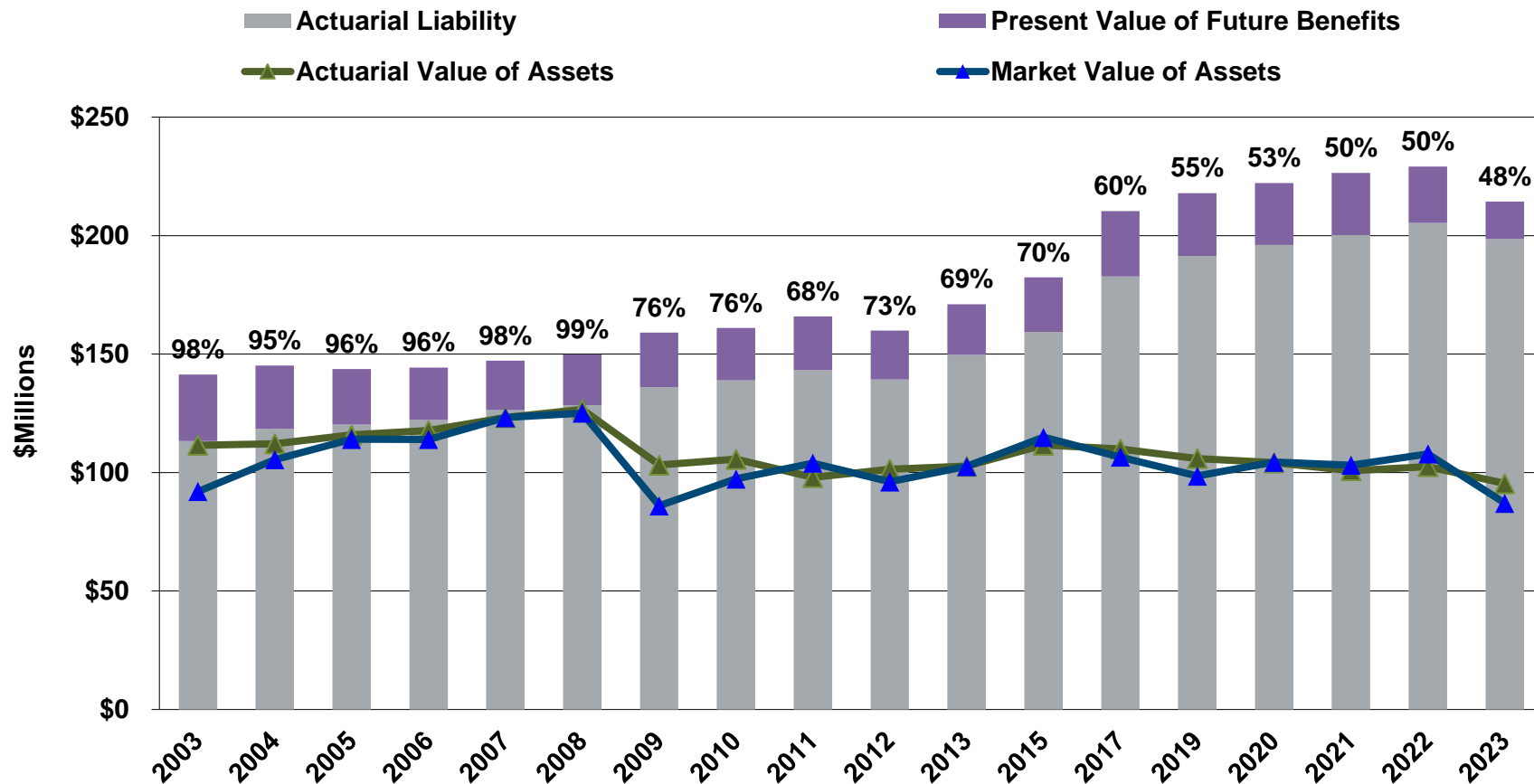
Golden Gate Transit - Amalgamated Retirement Plan Summary of Principal Results

Valuation as of:	January 1, 2022	January 1, 2023	% change
Actuarially Determined Contribution (ADC)			
Total Contribution Rate	56.24%	70.00%	
Average Employee Contribution Rate	<u>7.33%</u>	<u>7.32%</u>	
ADC Rate (Total - Employee Rate)	48.91%	62.68%	
ADC for the Fiscal Year	10,528,686	10,200,093	(3.1%)
Total Expected Employer Rate	34.50%	34.50%	
Shortfall (ADC - Expected Employer Rate)	14.41%	28.18%	
Expected Shortfall (\$)	\$ 3,102,423	\$ 4,586,135	
Tread Water Rate (ER Normal Cost + Interest on UAL + Expense)	45.39%	56.00%	
Tread Water Shortfall (Tread Water Rate - Expected Employer Rate)	10.89%	21.50%	
Tread Water Shortfall (\$)	\$ 2,344,414	\$ 3,498,413	

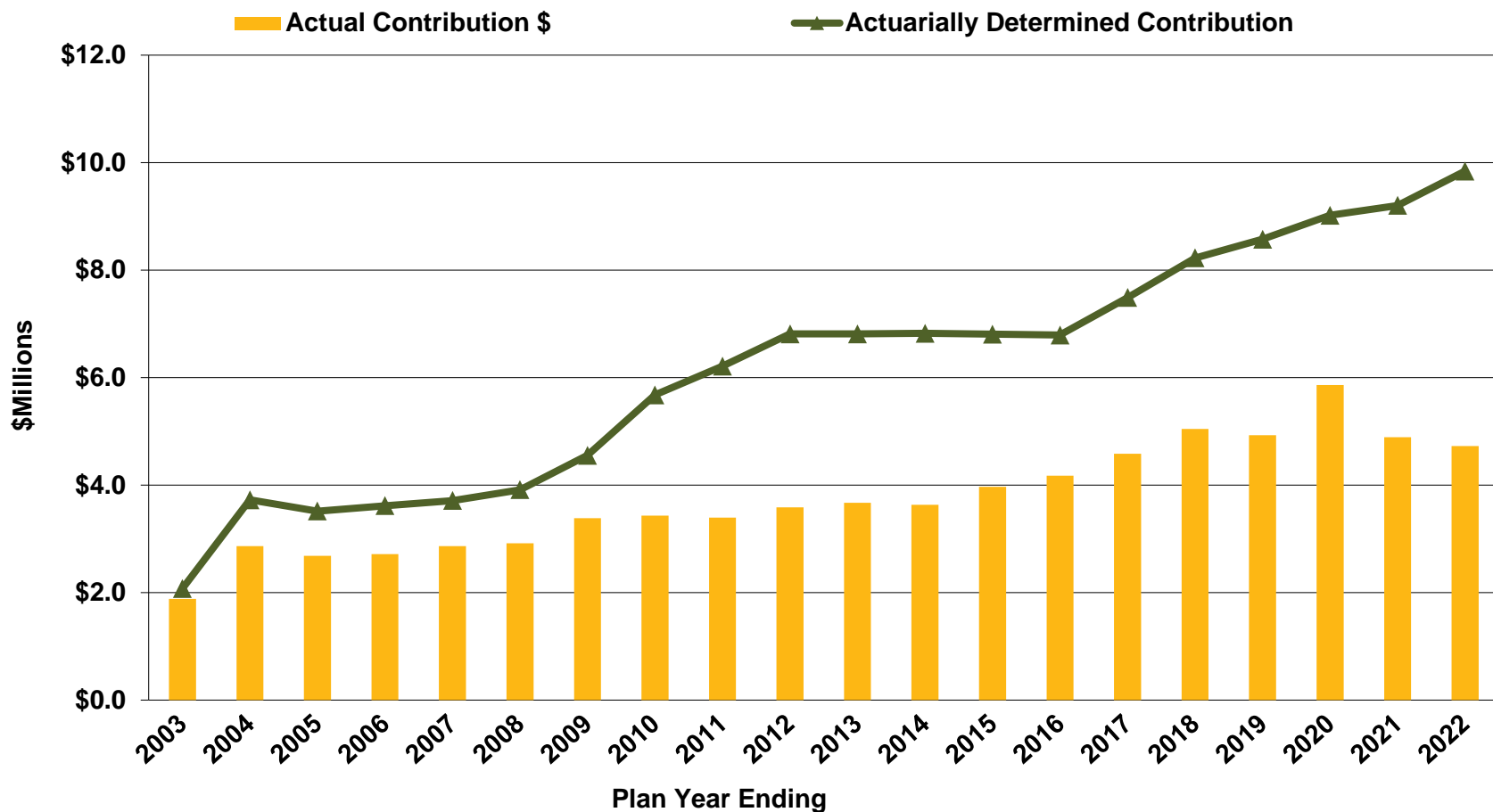
Historical Trends – Participation



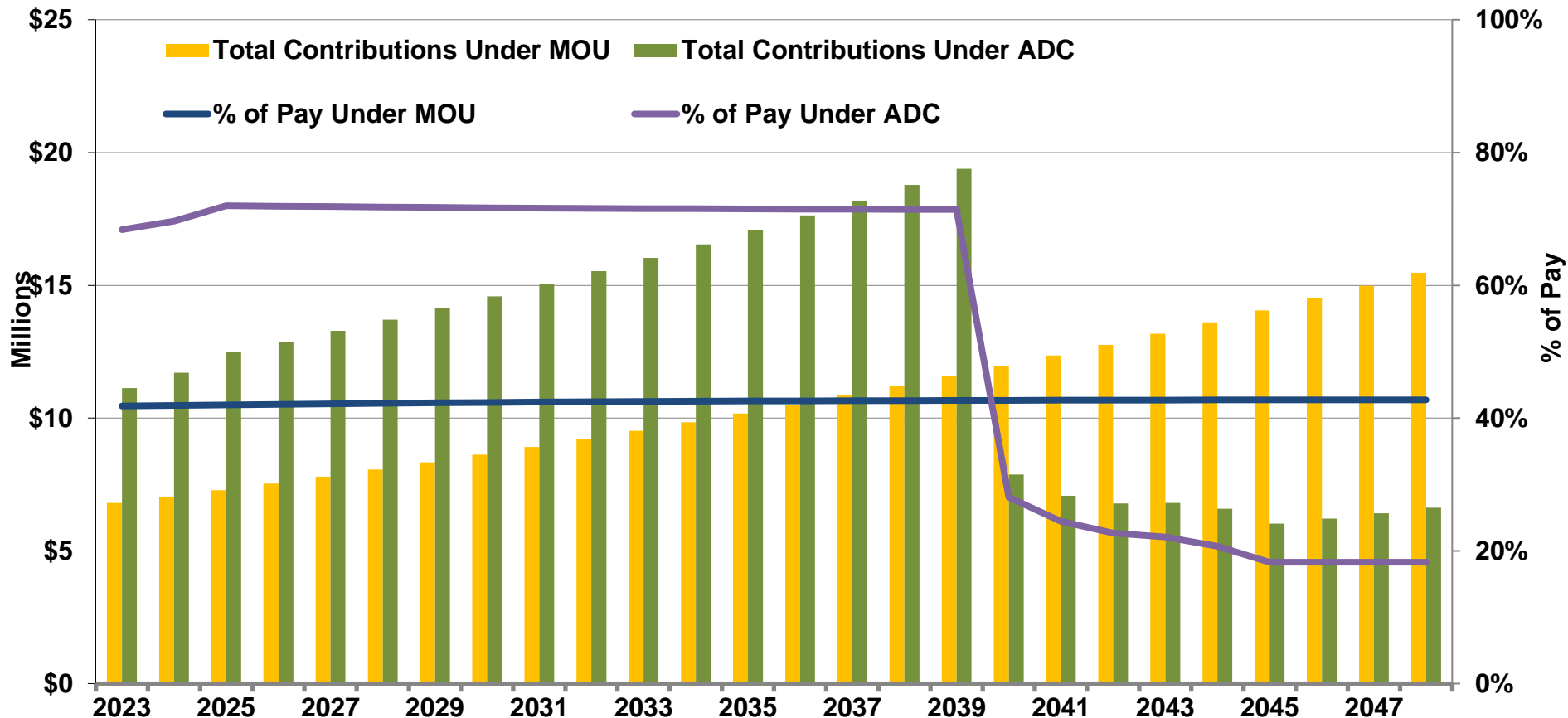
Historical Trends – Assets and Liabilities



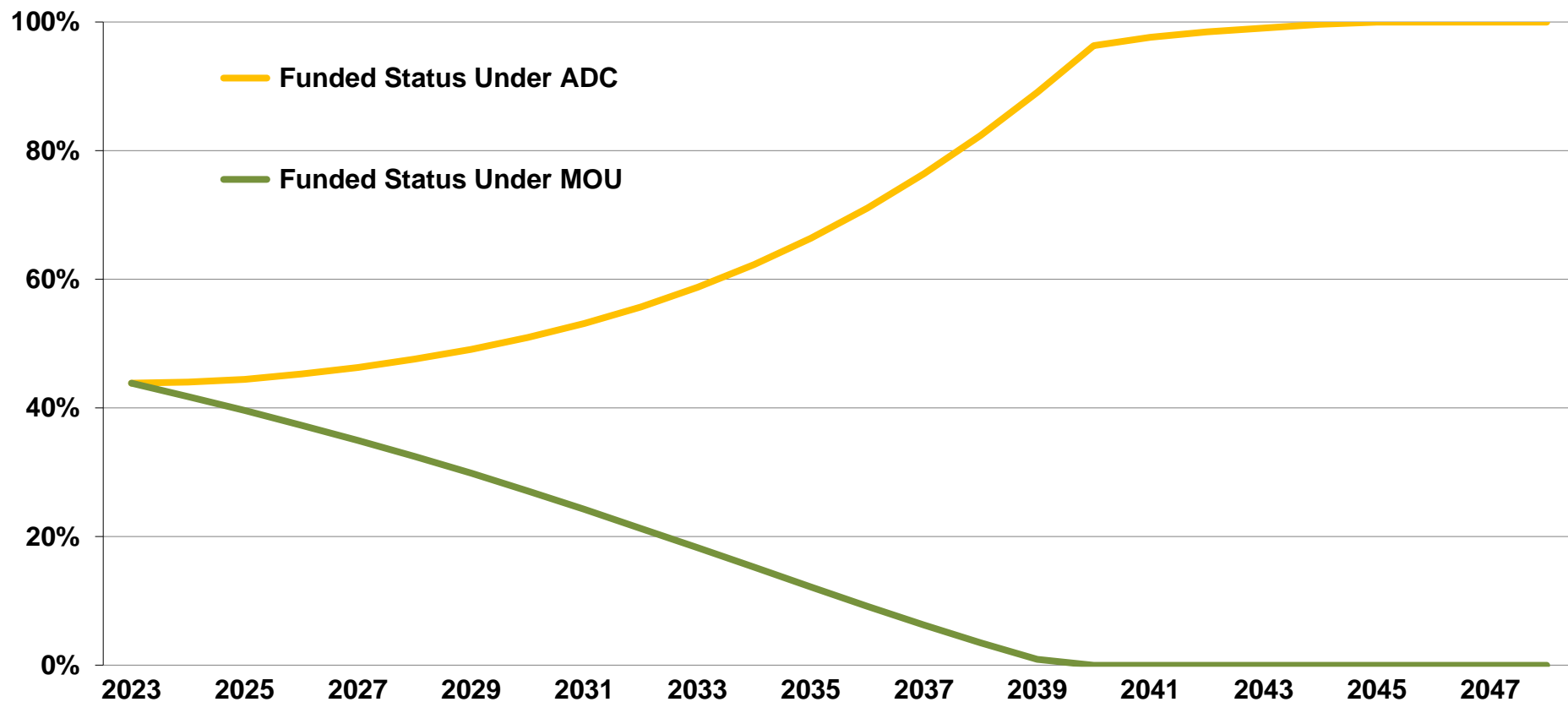
Historical Trends – Contributions



Looking Ahead – ADC vs. MOU Cost



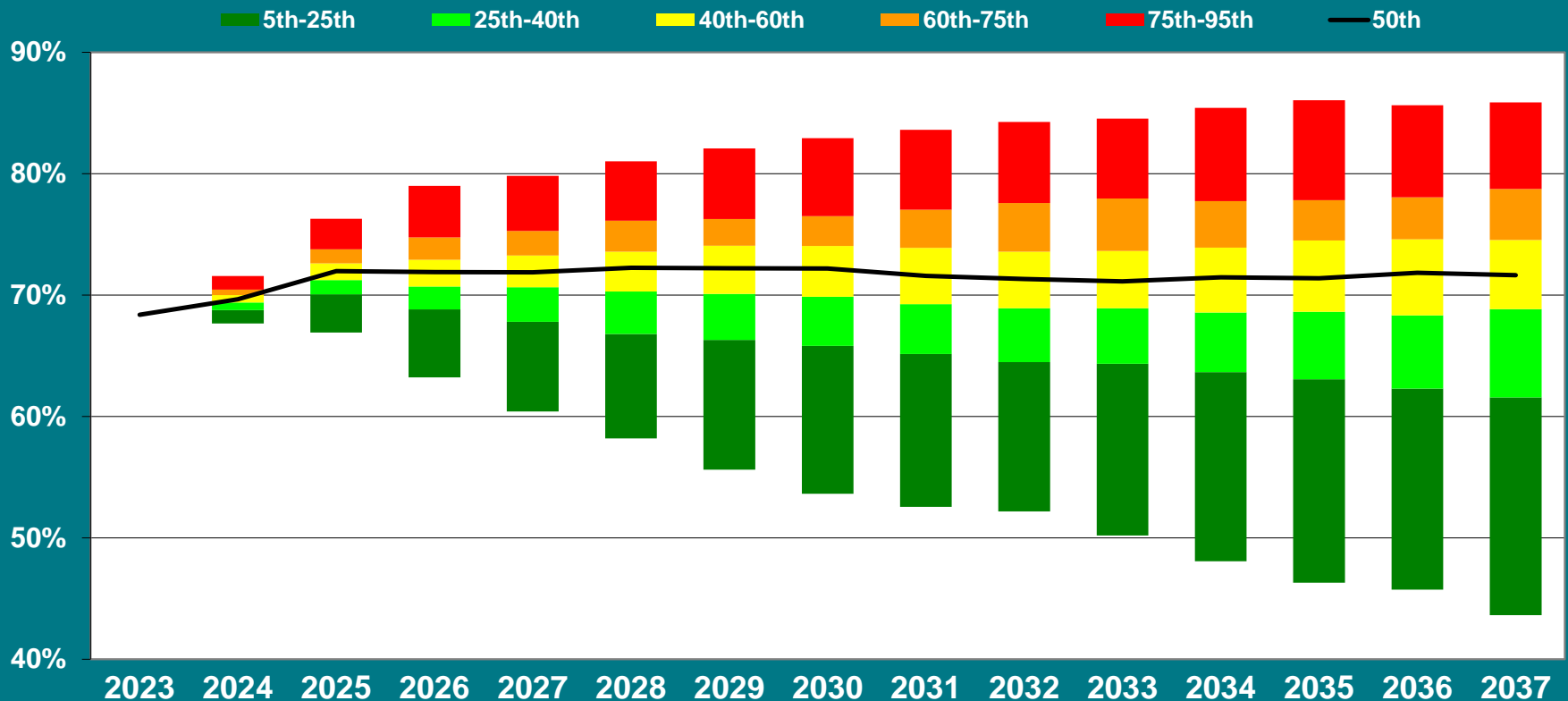
Looking Ahead – Funded Ratio



Looking Ahead – Stochastic Projections



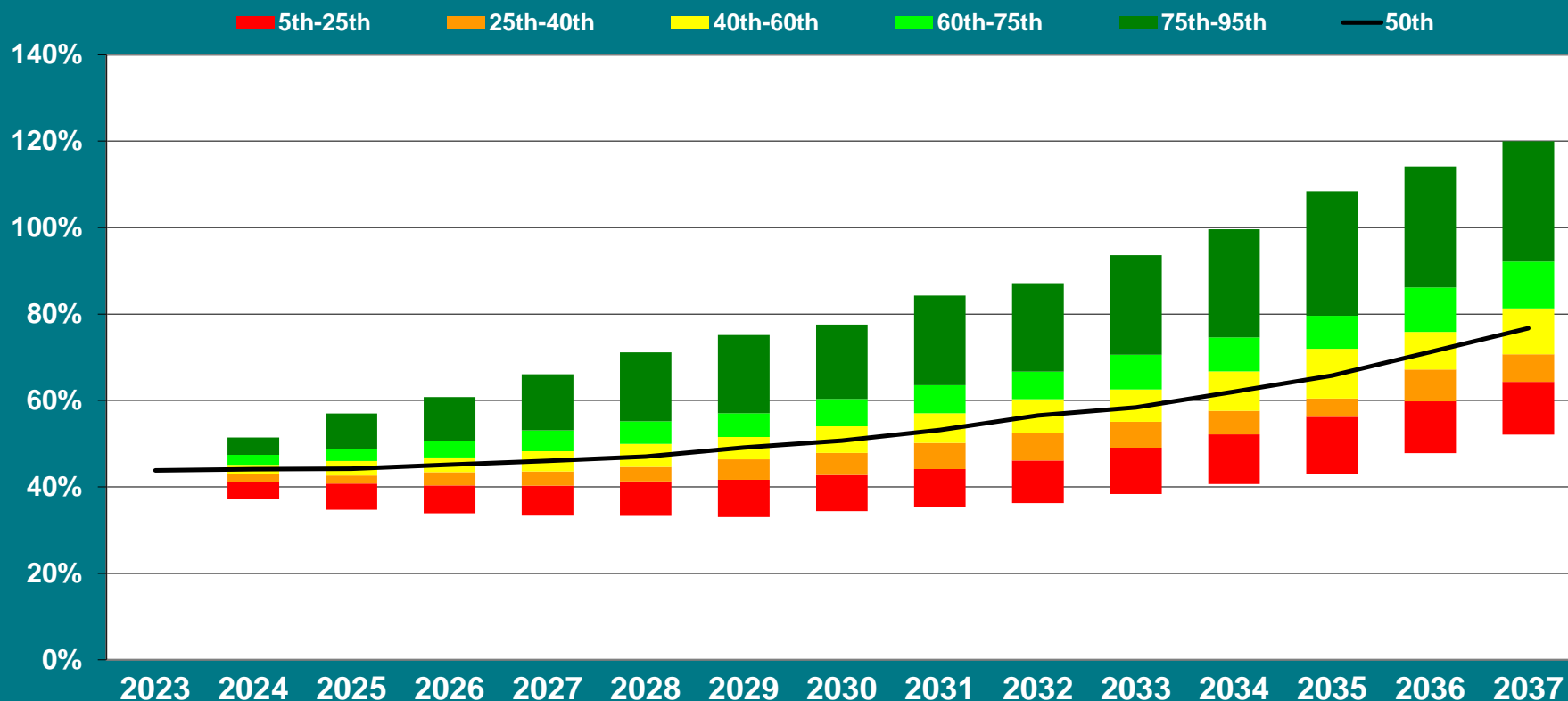
Total Contributions (Actuarially Determined)



Looking Ahead – Stochastic Projections



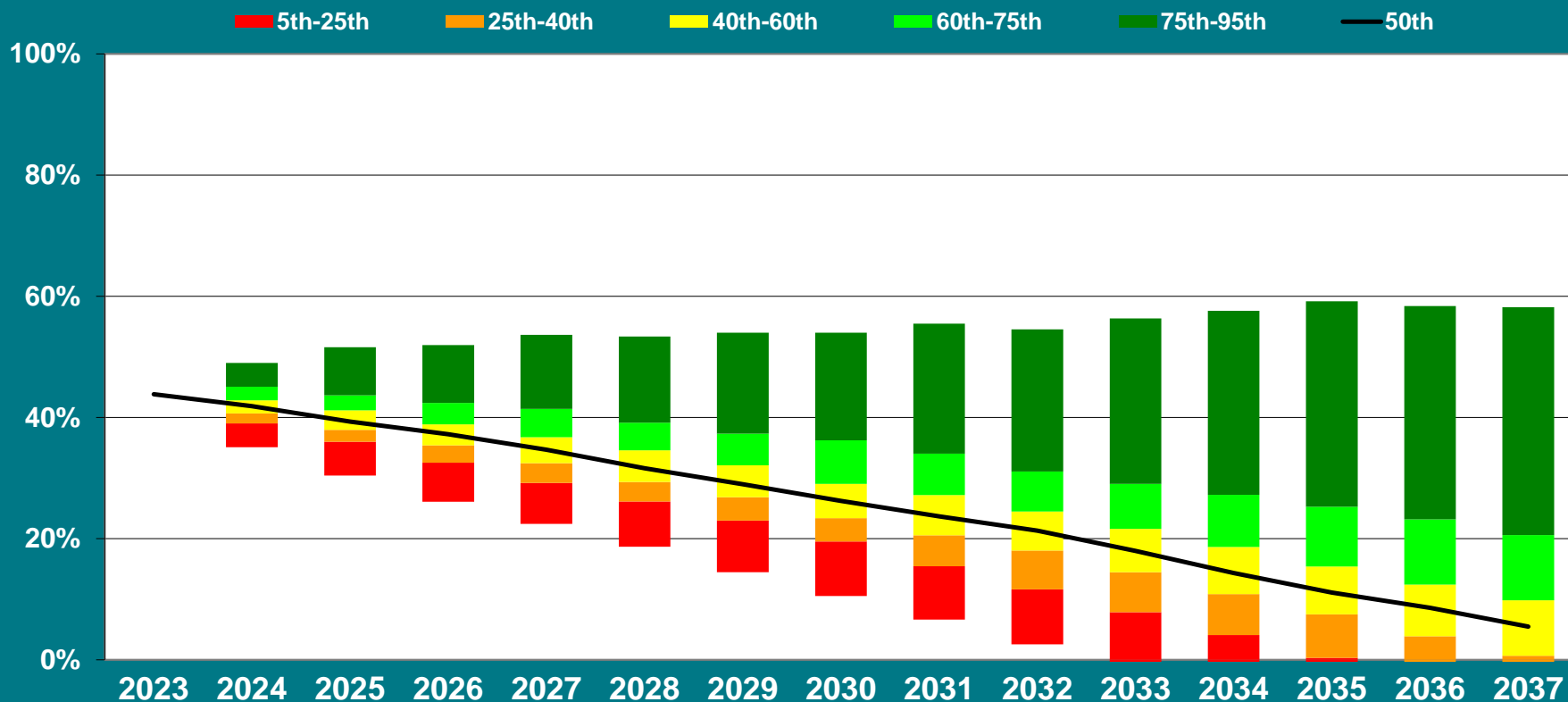
MVA Funding Ratio (Actuarially Determined Contributions)



Looking Ahead – Stochastic Projections



MVA Funding Ratio (current MOU Contributions)





- Discount Rate
 - Using the valuation assumptions, the Plan's Fiduciary Net Position was projected to be available through FYE 2035
 - Therefore, projected benefit payments through FYE 2035 are discounted at the long term expected return on assets of 6.75% and at the municipal bond rate of 3.72% after FYE 2035
 - Consequently, the single equivalent rate used to determine the Total Pension Liability as of December 31, 2022 is 4.34%

FYE 2022 GASB 67/68 Results



Change in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2021	\$ 200,732	\$ 107,881	\$ 92,851
Changes for the year:			
Service cost	1,996		1,996
Interest	13,561		13,561
Changes of benefits	0		0
Differences between expected and actual experience	(4,820)		(4,820)
Changes of assumptions	54,959		54,959
Contributions - employer		4,724	(4,724)
Contributions - member		995	(995)
Net investment income		(9,627)	9,627
Benefit payments	(16,234)	(16,234)	0
Administrative expense		(659)	659
Net changes	<u>49,462</u>	<u>(20,801)</u>	<u>70,263</u>
Balances at 6/30/2022	<u>\$ 250,194</u>	<u>\$ 87,080</u>	<u>\$ 163,114</u>

Amounts in Thousands

Required Disclosures



The purpose of this presentation is to present the preliminary results of the January 1, 2023 actuarial valuation for the Golden Gate Transit – Amalgamated Retirement Plan. This presentation is for the use of the Retirement Board in accordance with applicable law.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Golden Gate Transit – Amalgamated Retirement Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

We hereby certify that this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech), to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal, have a basic understanding of it, and have used it in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

This presentation was prepared exclusively for the Golden Gate Transit – Amalgamated Retirement Plan for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

The actuarial assumptions, data, and methods are those that will be used in the actuarial valuation report as of January 1, 2023. The assumptions reflect our understanding of the likely future experience of the Plan, and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plan could vary from our results.

Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary

Patrick T. Nelson, FSA, EA, FCA, MAAA
Consulting Actuary



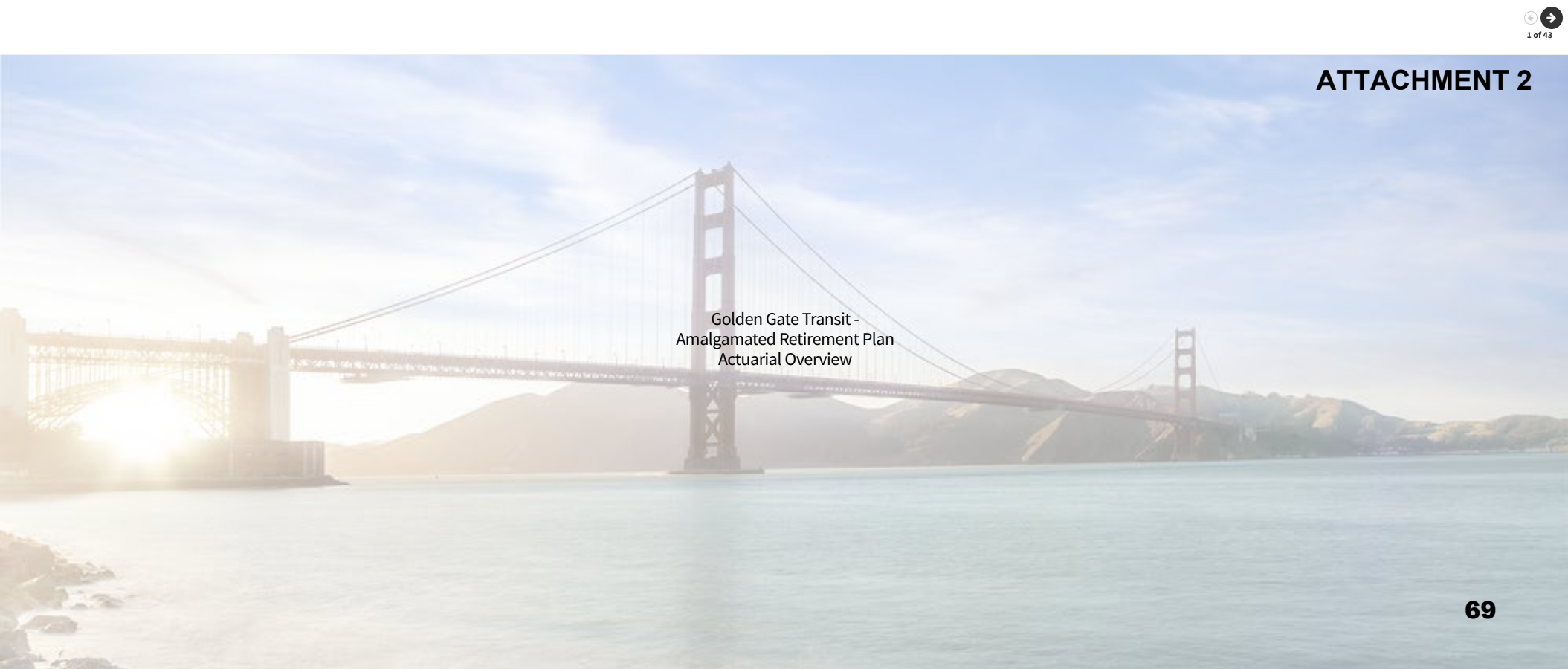
Classic Values, Innovative Advice

August 9, 2023

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ATTACHMENT 2

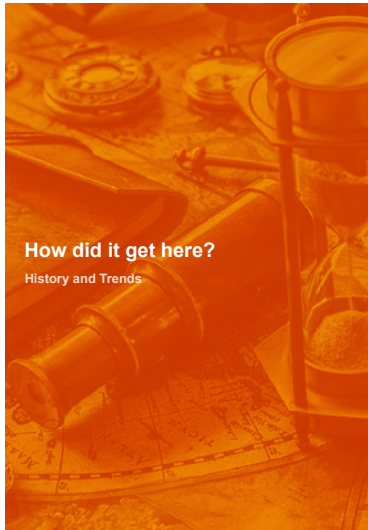
A wide-angle photograph of the Golden Gate Bridge in San Francisco, taken from a low angle across the water. The sun is low on the horizon to the left, creating a bright, hazy glow and reflecting on the water. The bridge's iconic red-orange towers and suspension cables are silhouetted against the sky. The water is a calm, light blue-grey color. In the background, the rolling hills of Marin County are visible under a pale blue sky with wispy clouds.

Golden Gate Transit - Amalgamated Retirement Plan Actuarial Overview



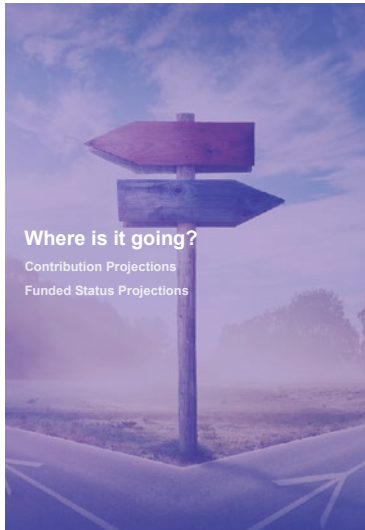
What is the Plan's financial condition?

Liabilities, Assets and Funded Status
Contributions



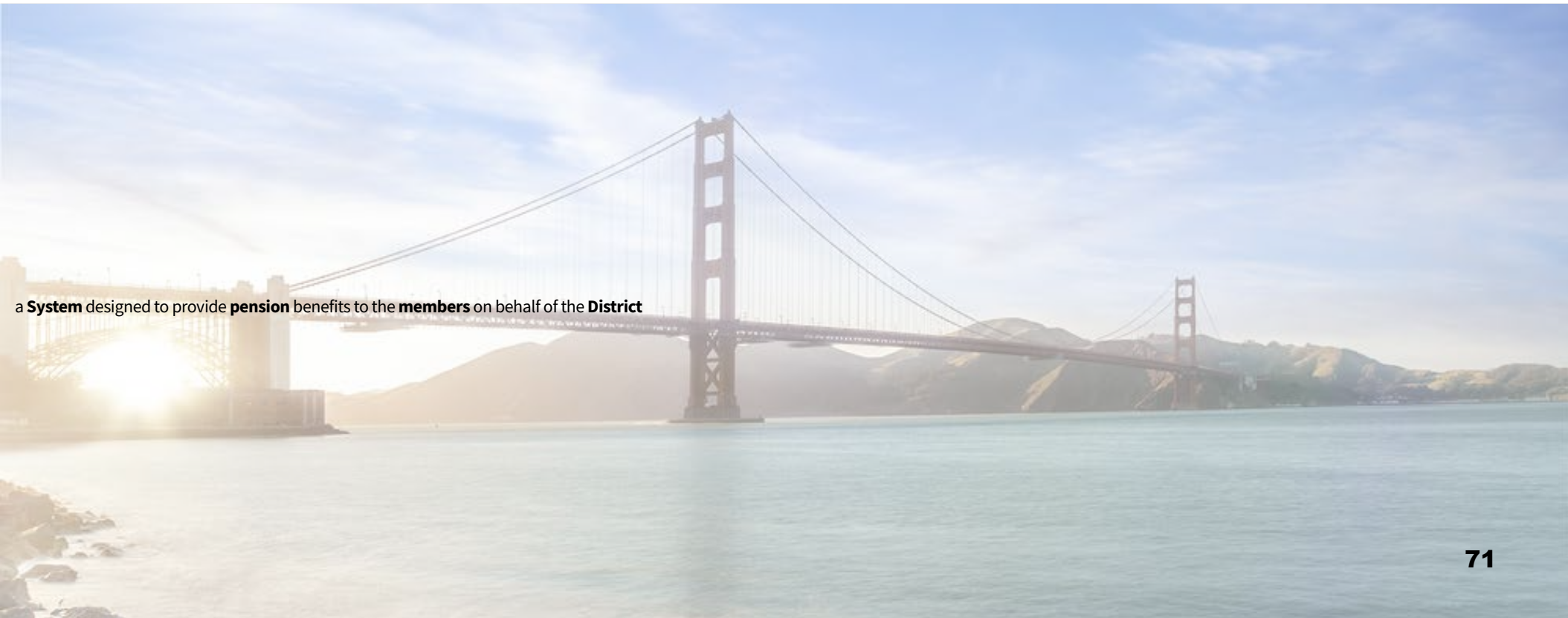
How did it get here?

History and Trends

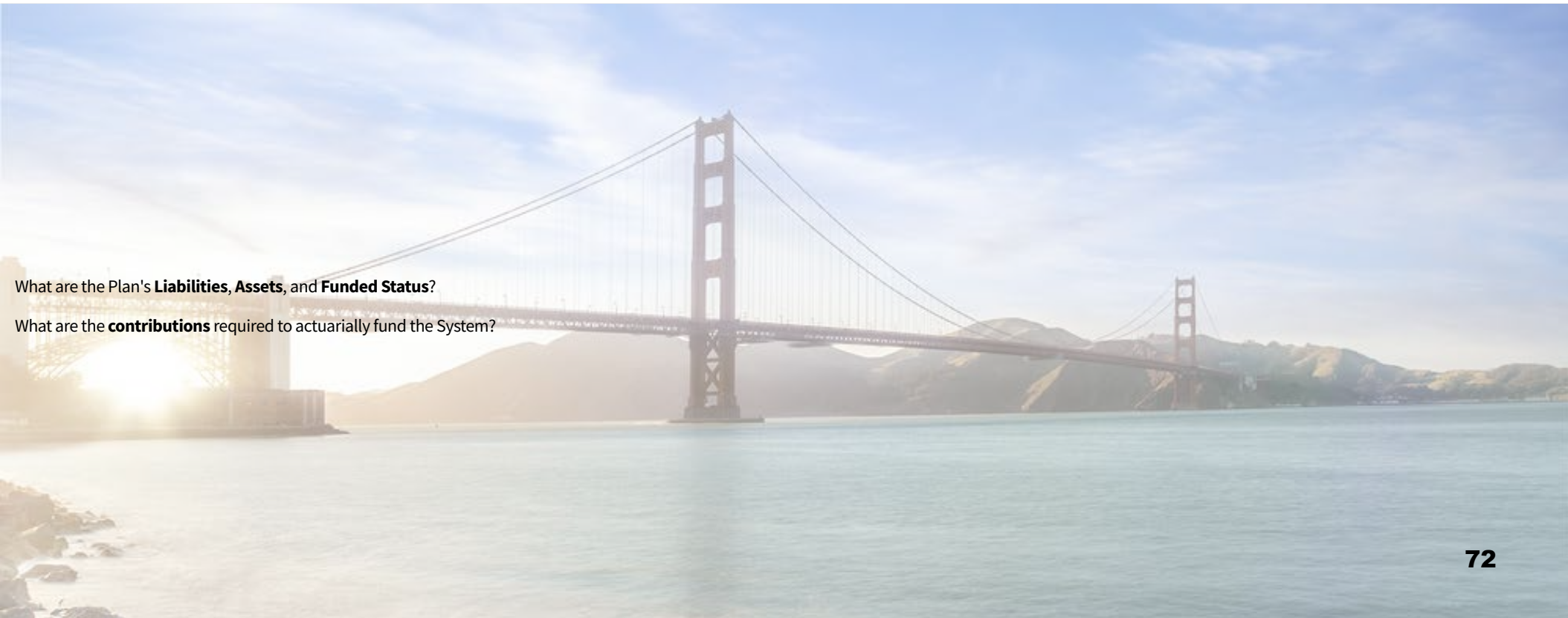


Where is it going?

Contribution Projections
Funded Status Projections

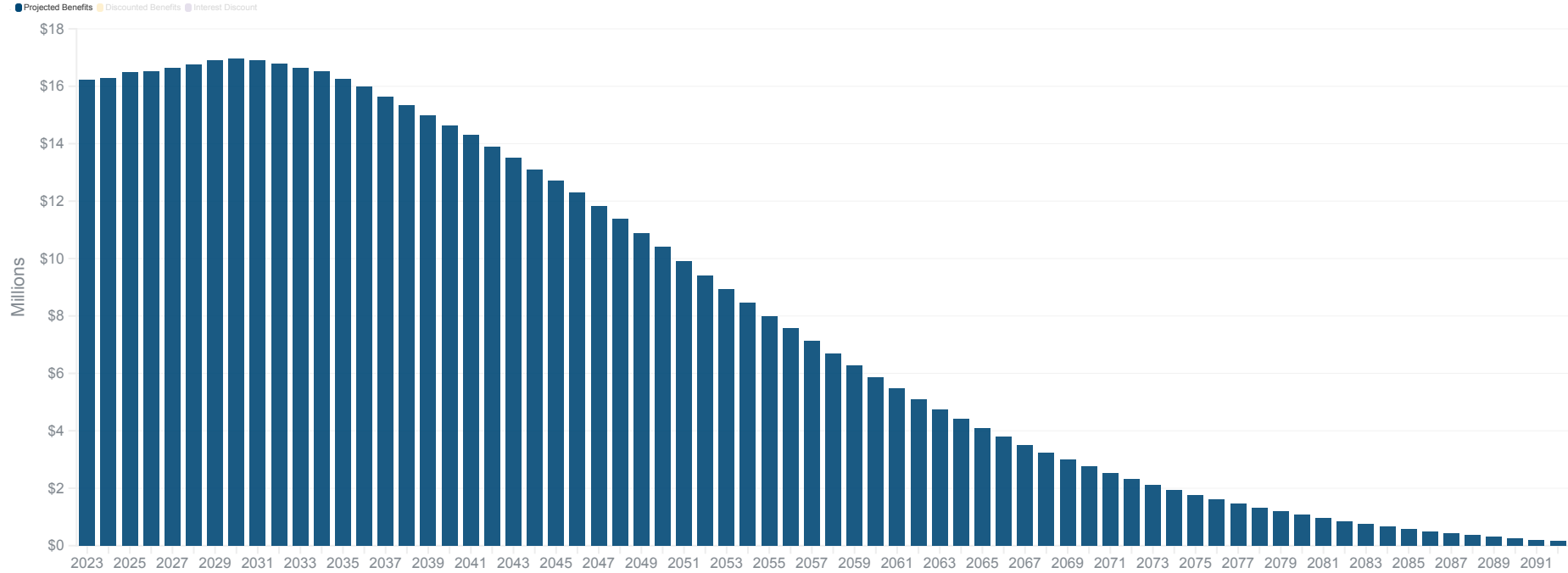


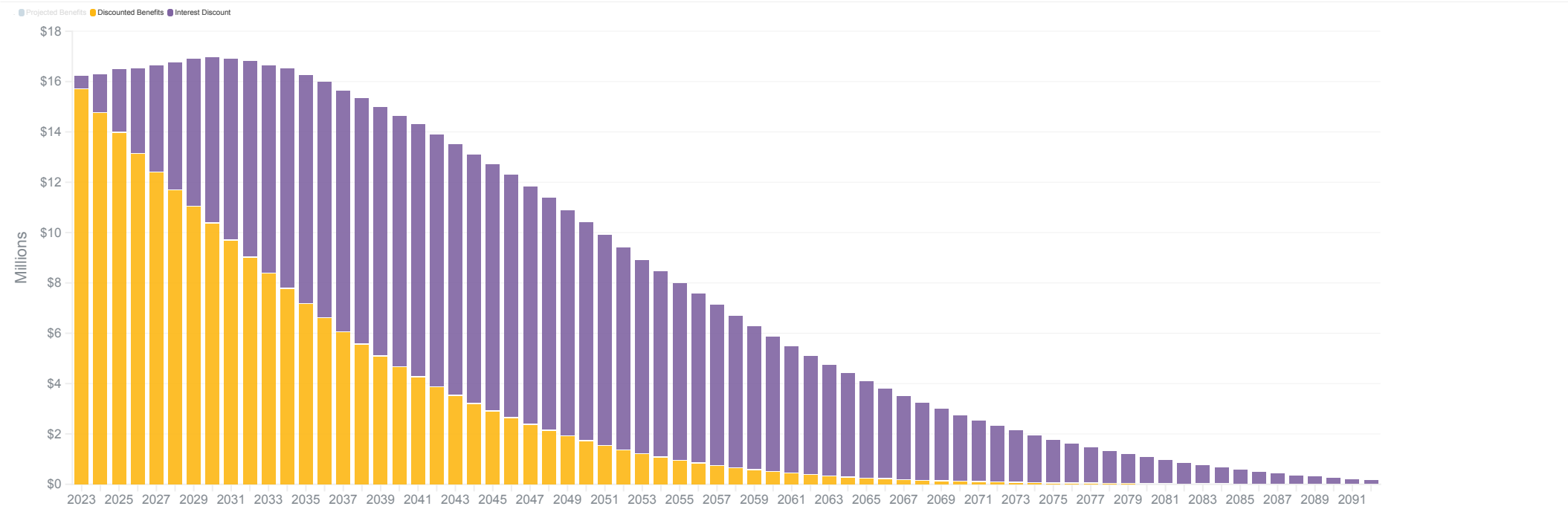
a **System** designed to provide **pension** benefits to the **members** on behalf of the **District**

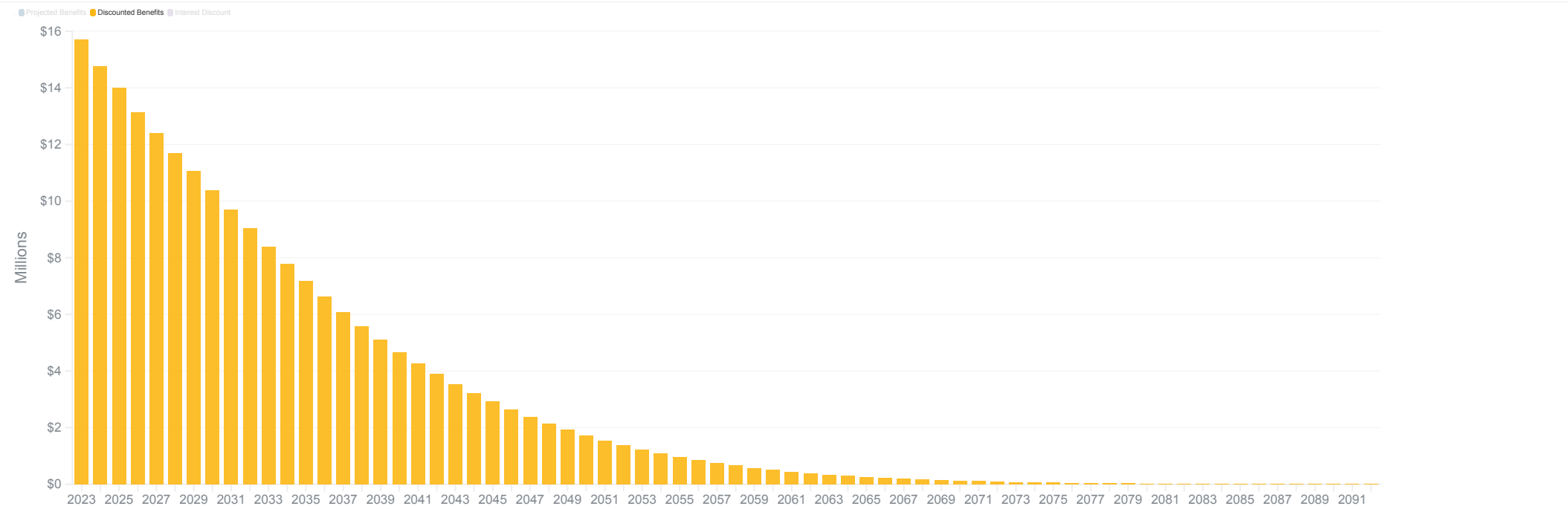


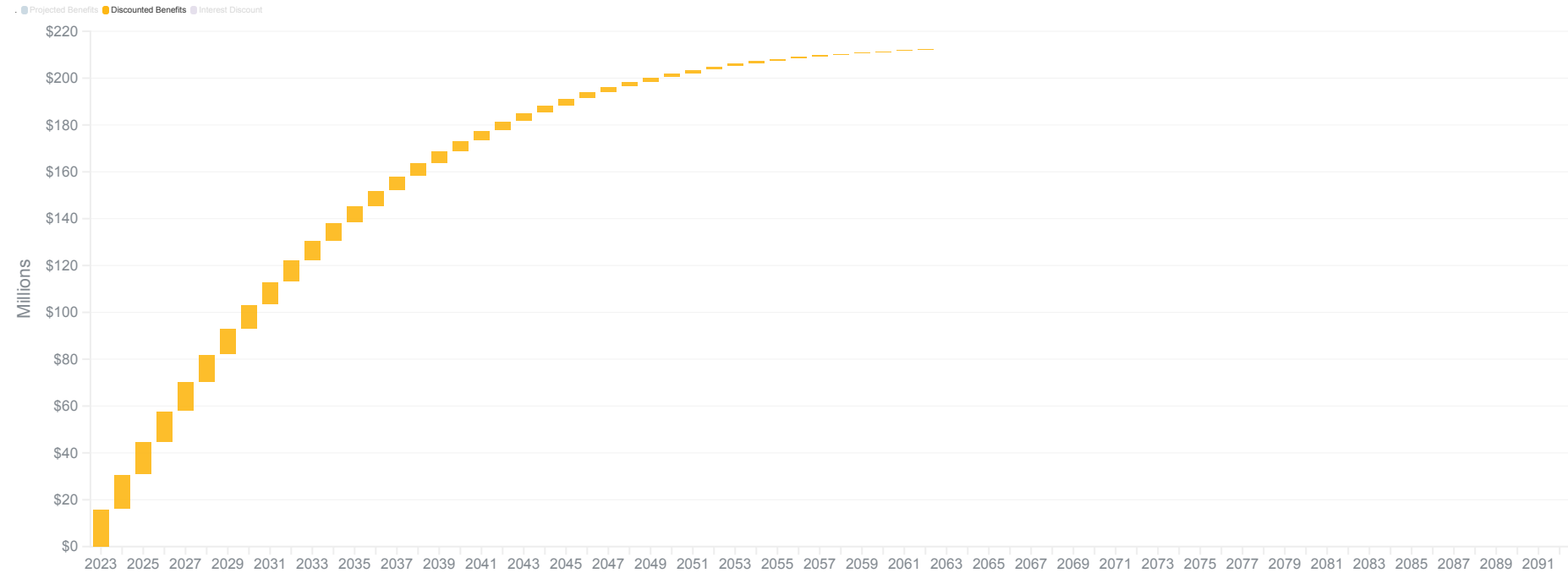
What are the Plan's **Liabilities, Assets**, and **Funded Status**?

What are the **contributions** required to actuarially fund the System?



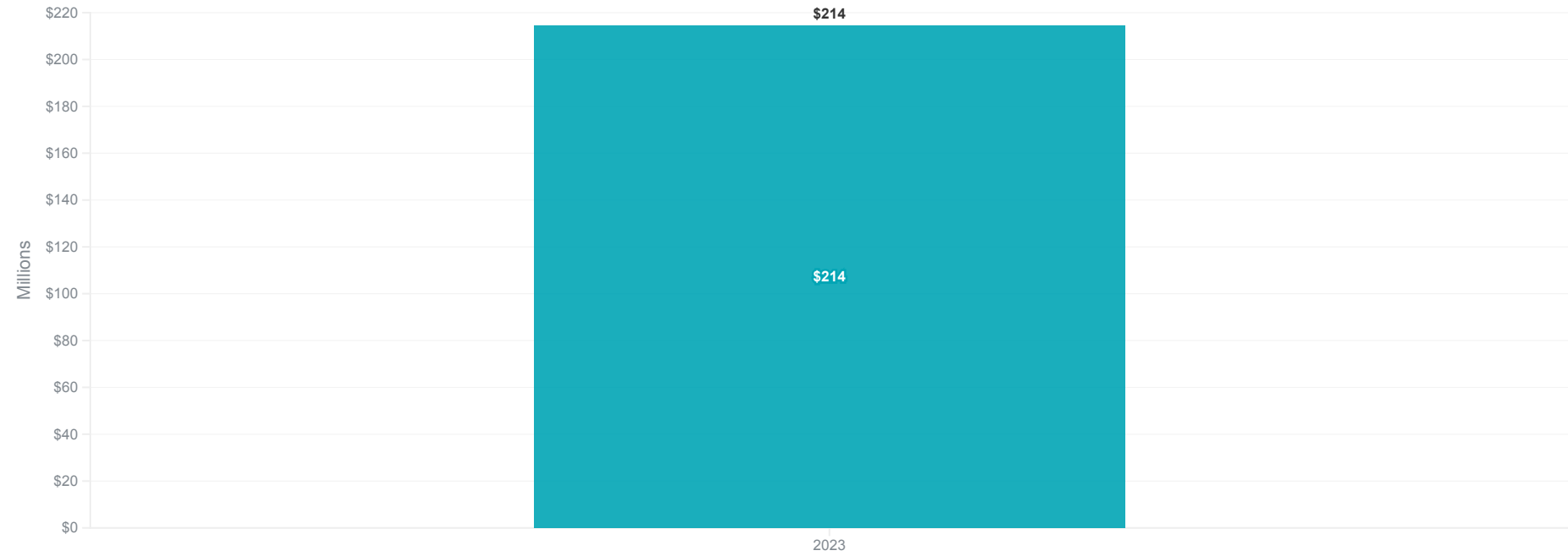






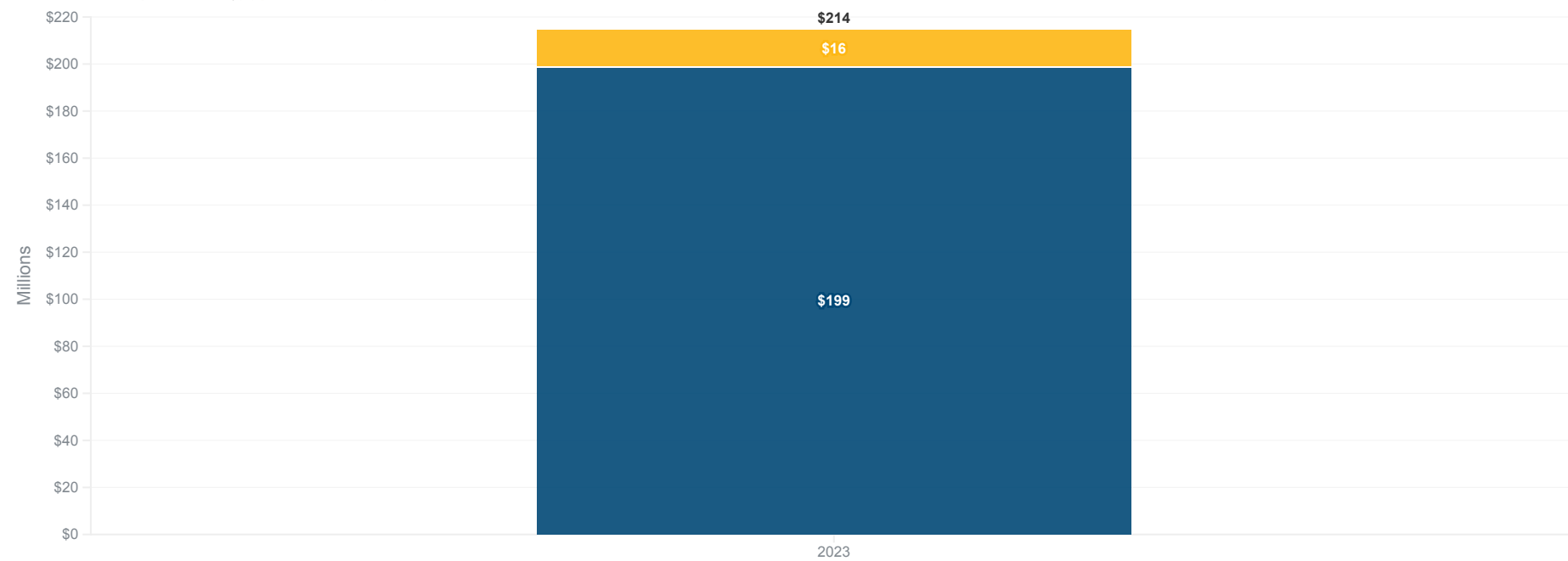
And express as a single sum - the **Present Value of Benefits** - in today's dollars.

■ Present Value of Benefits (PVB) ■ Active Actuarial Liability (AL) ■ Active Future Normal Cost (NC)



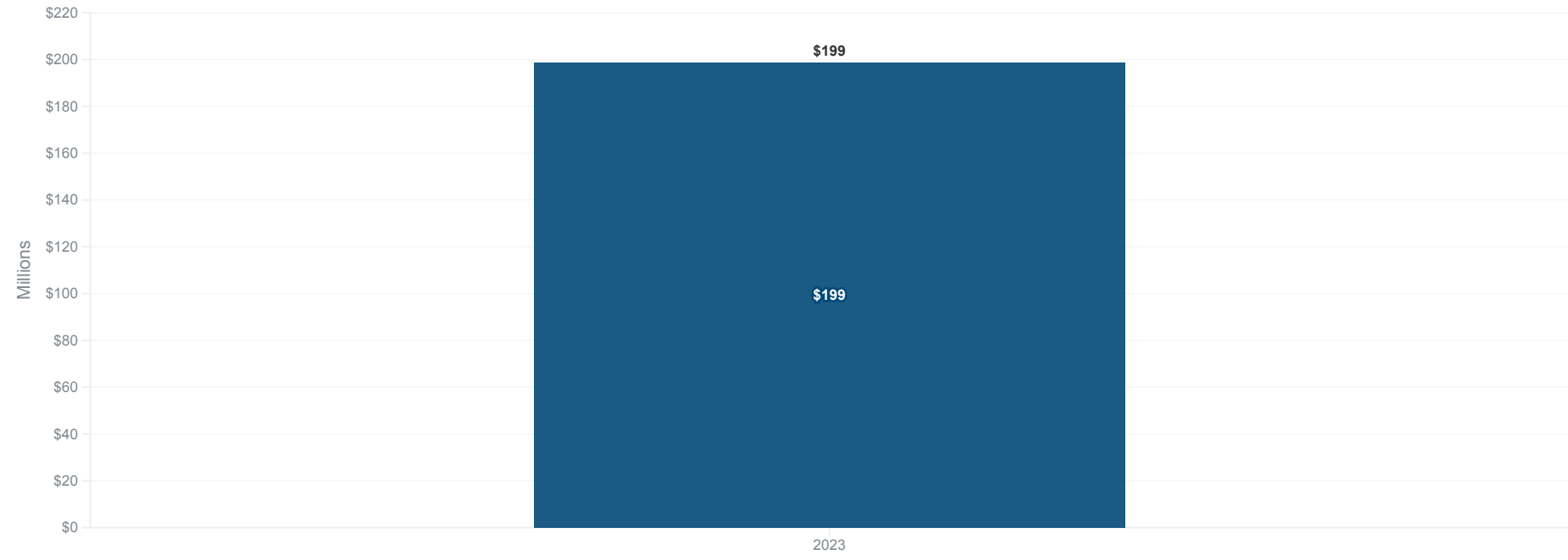
The present value can be split into two portions: the **accrued liability**, or the amount already earned, and **future normal cost**, the amount expected to be earned in the future.

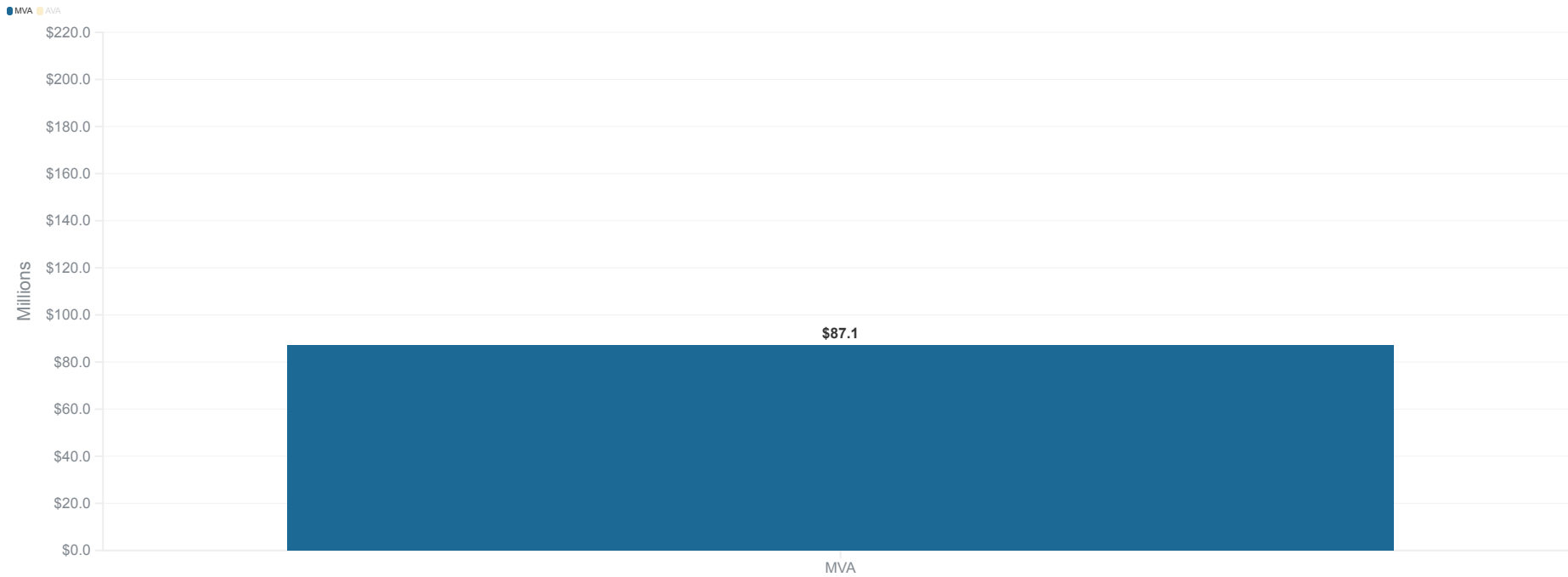
Present Value of Benefits (PVB) Active Actuarial Liability (AL) Active Future Normal Cost (NC)

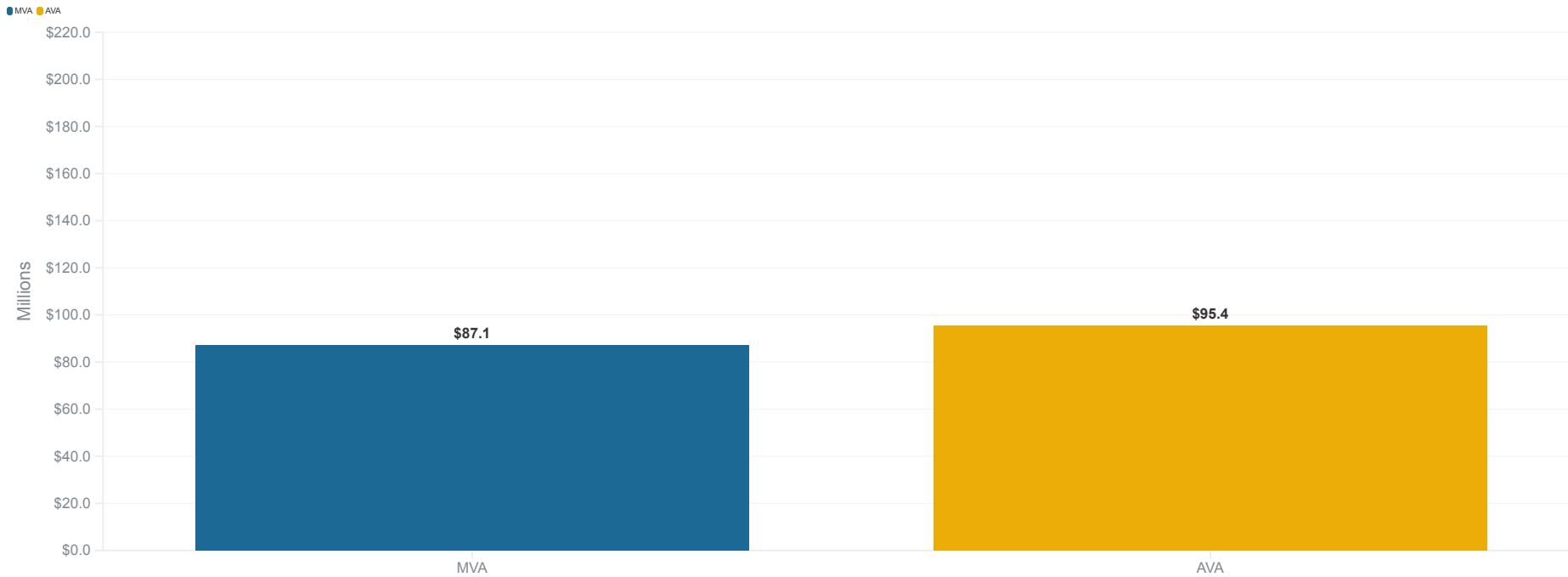


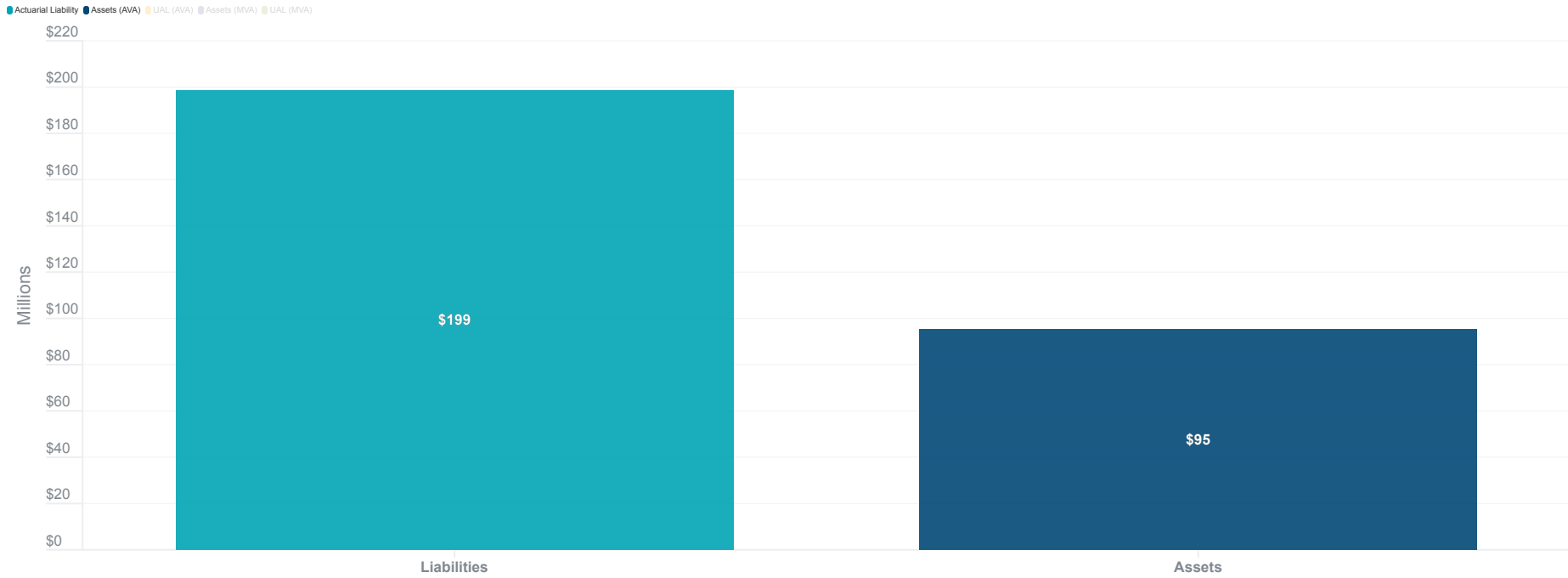
Removing the future normal costs produces the **Actuarial Liability**, or current funding target for the assets.

Present Value of Benefits (PVB) Active Actuarial Liability (AL) Active Future Normal Cost (NC)



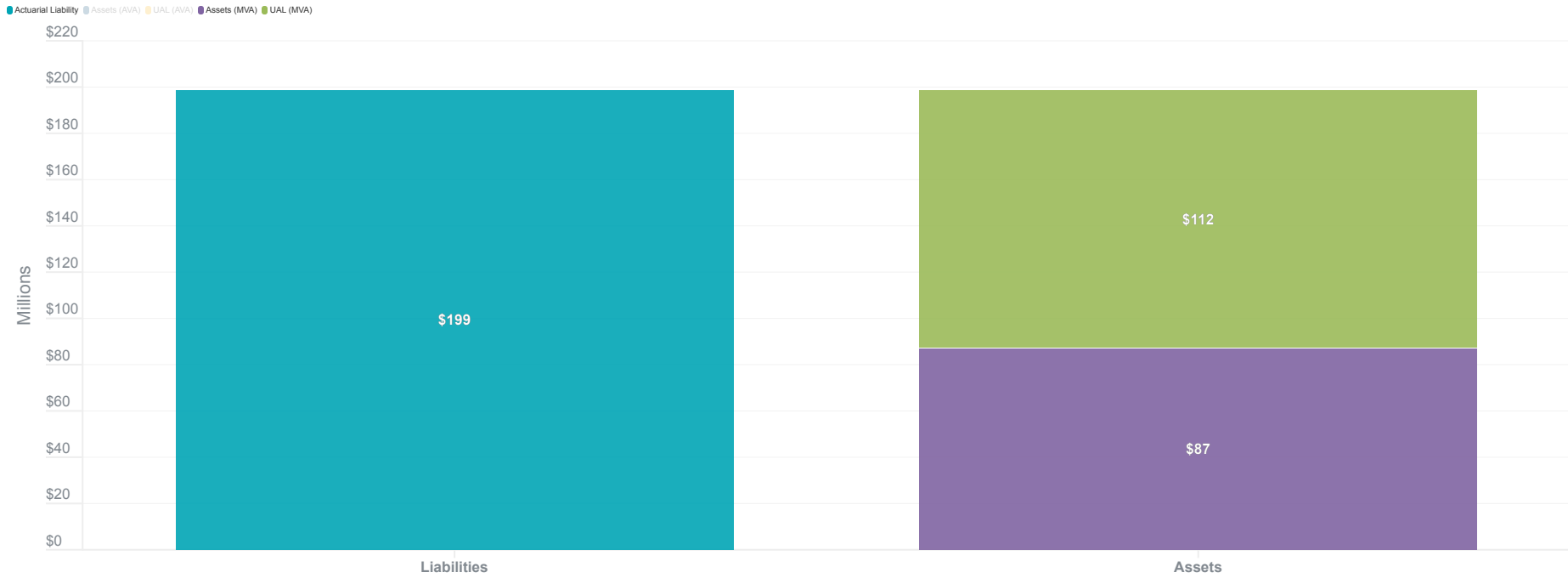




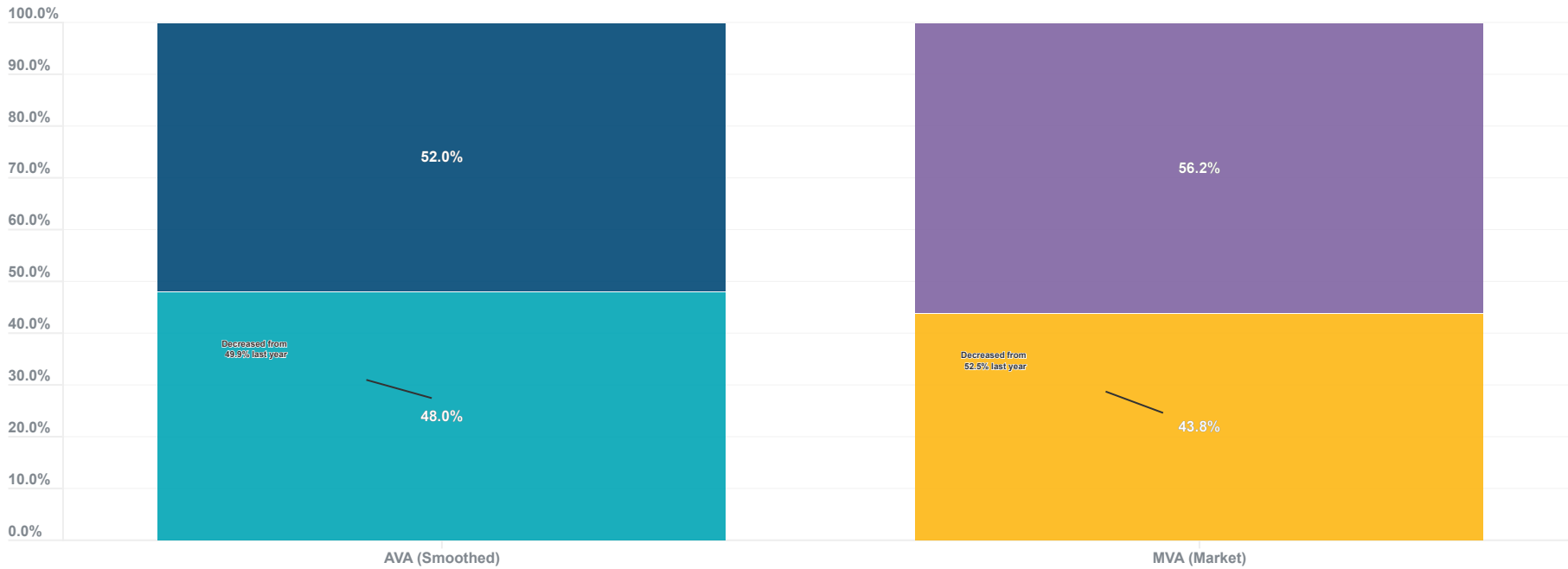


Actuarial Liability Assets (AVA) UAL (AVA) Assets (MVA) UAL (MVA)

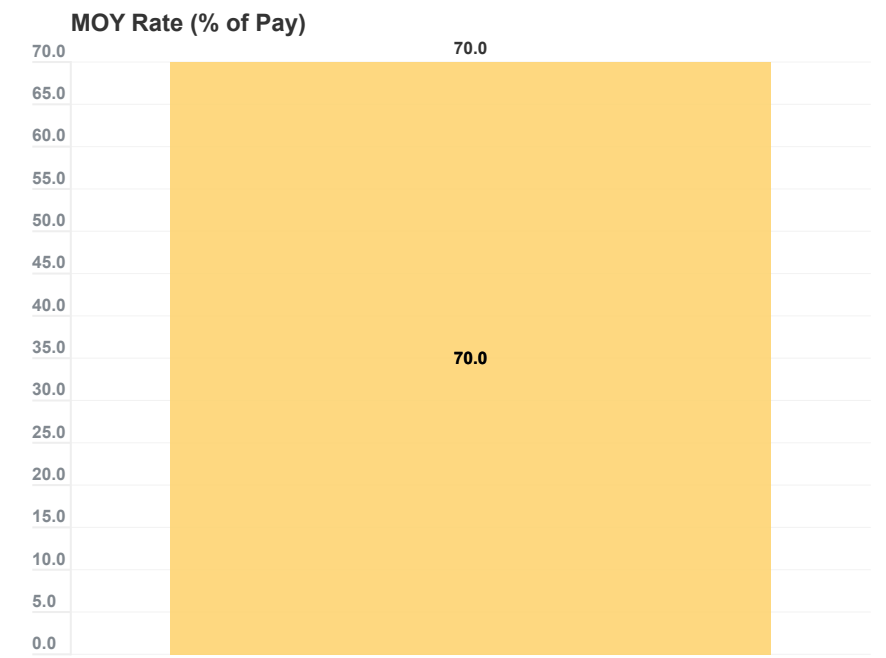
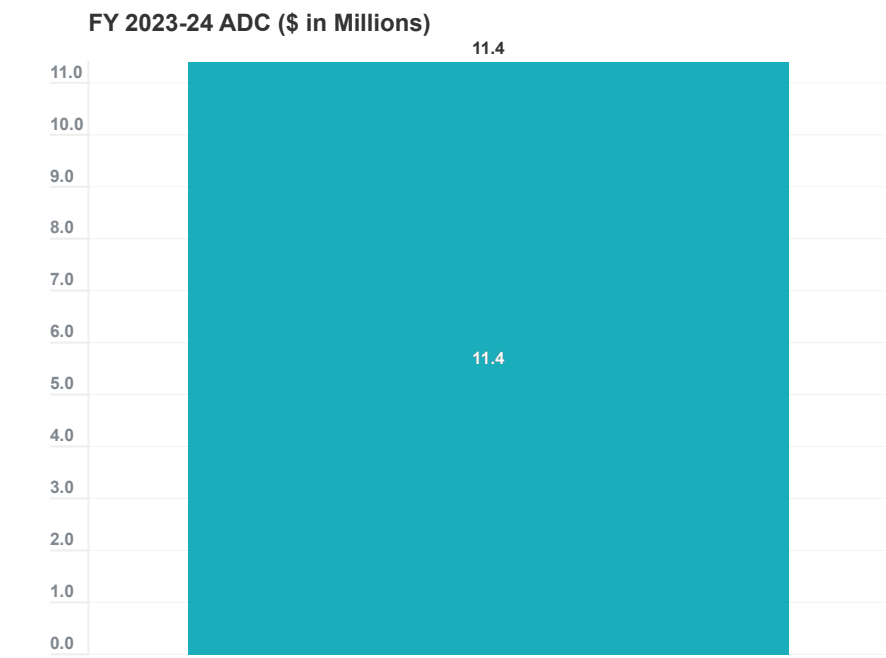




Assets (AVA) UAL (AVA) Assets (MVA) UAL (MVA)

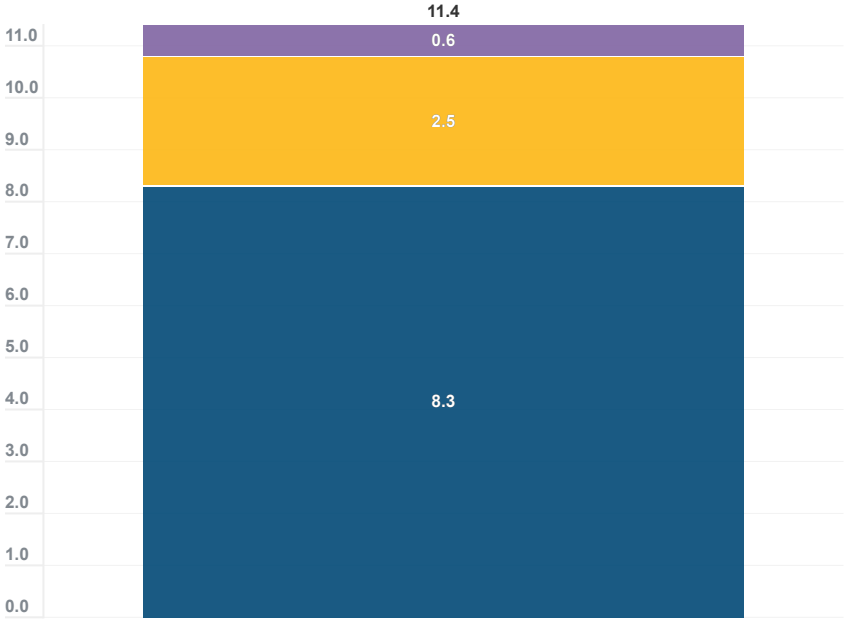


■ Total Cost ■ UAL Amort ■ Total Normal Cost ■ Admin Expense ■ ADC ■ Member Contrib ■ Total Rate ■ UAL Rate ■ Employer Normal Cost Rate ■ Admin Expense Rate ■ ADC Rate ■ Member Rate



Total Cost UAL Amort Total Normal Cost Admin Expense ADC Member Contrib Total Rate UAL Rate Employer Normal Cost Rate Admin Expense Rate ADC Rate Member Rate

FY 2023-24 ADC (\$ in Millions)

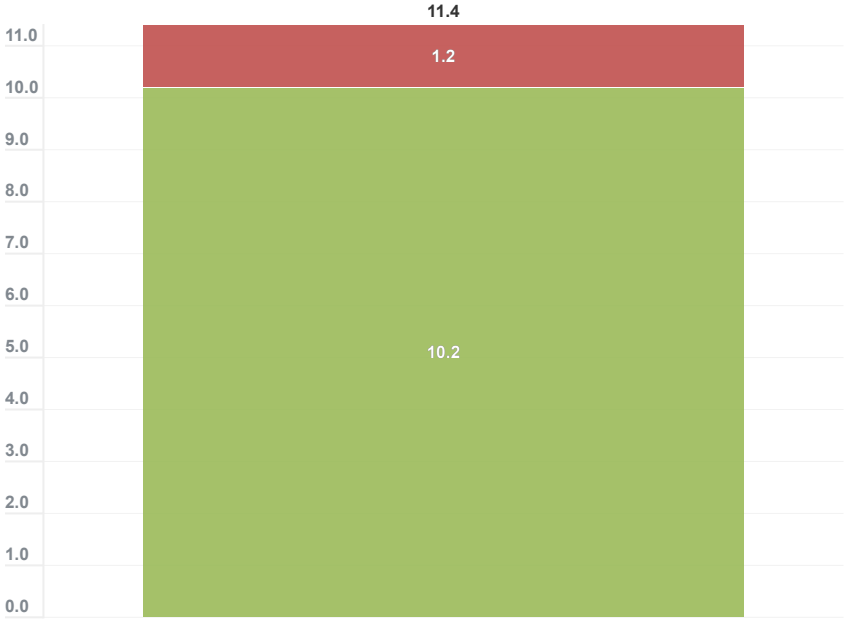


MOY Rate (% of Pay)

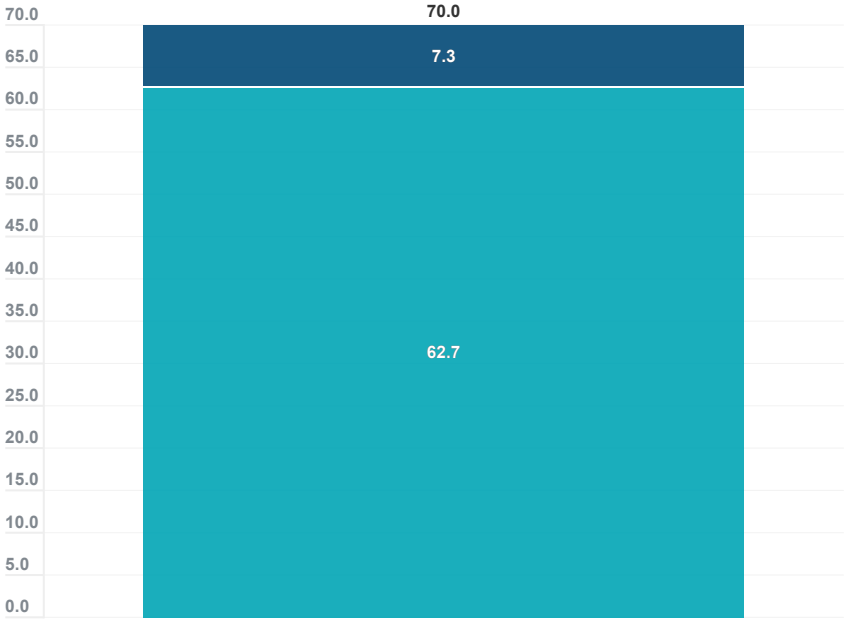


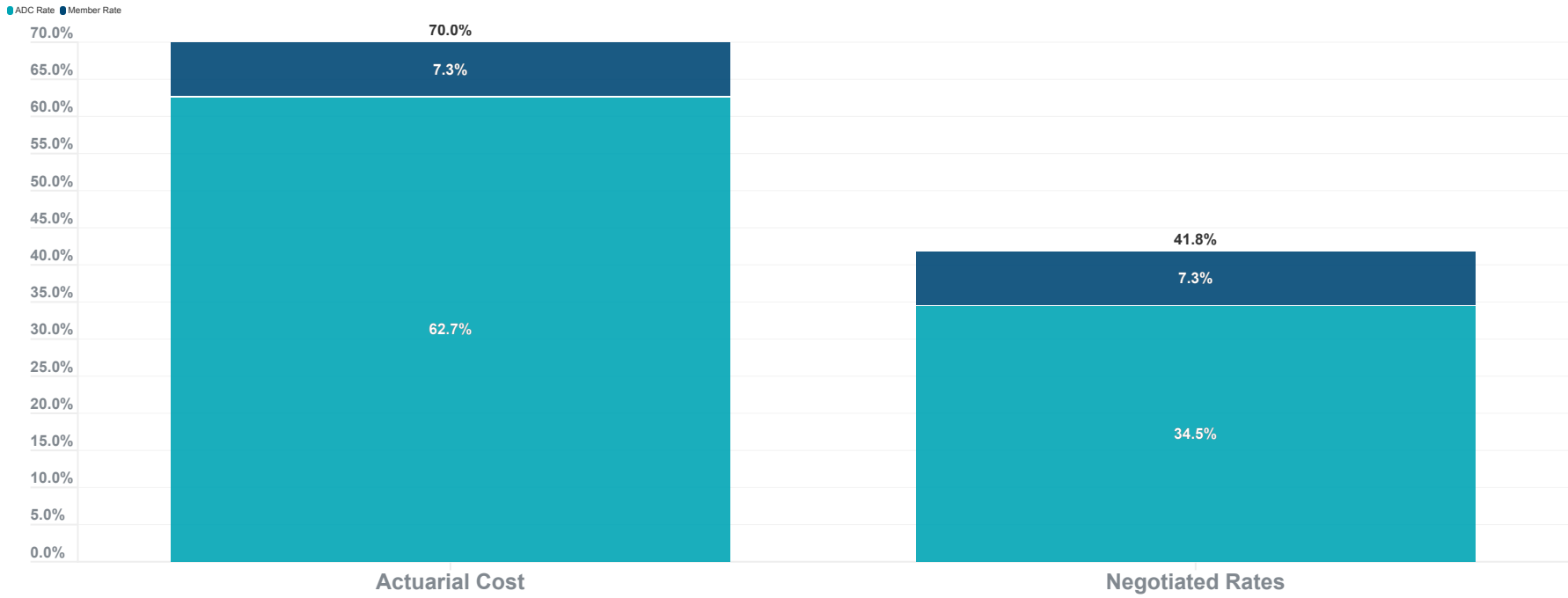
Total Cost UAL Amort Total Normal Cost Admin Expense ADC Member Contrib Total Rate UAL Rate Employer Normal Cost Rate Admin Expense Rate ADC Rate Member Rate

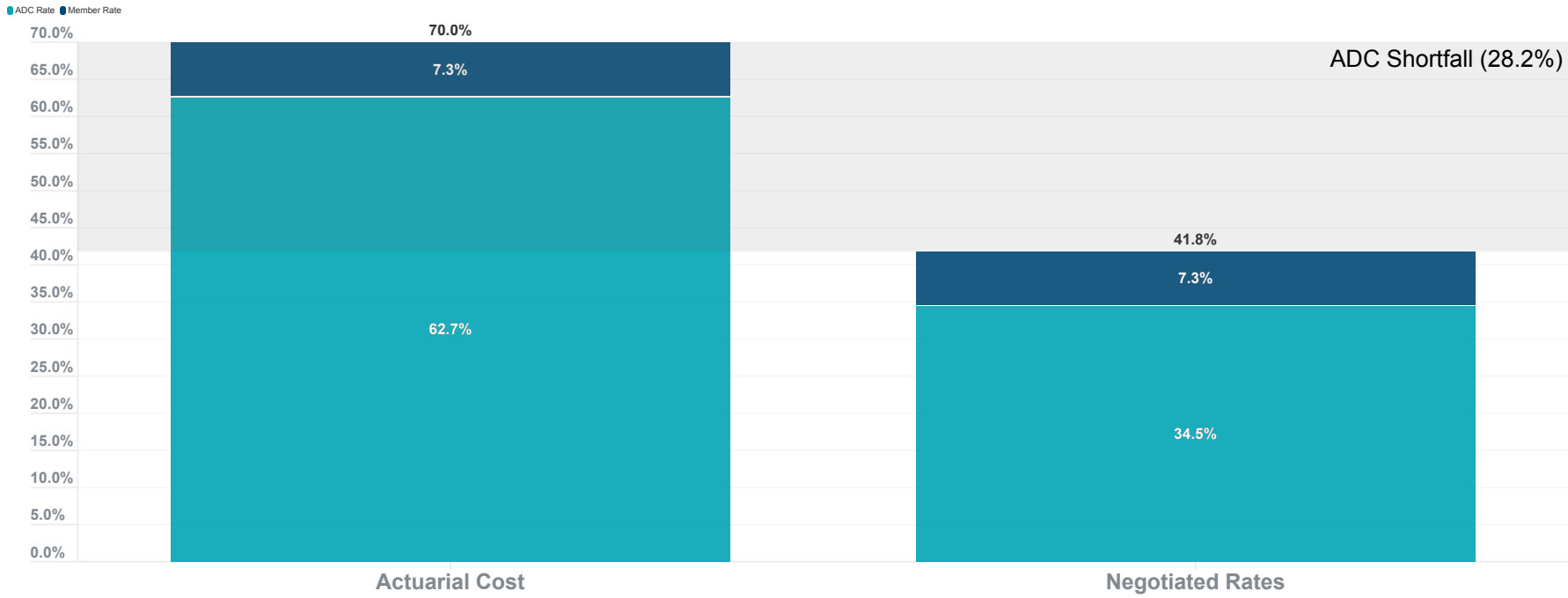
FY 2023-24 ADC (\$ in Millions)

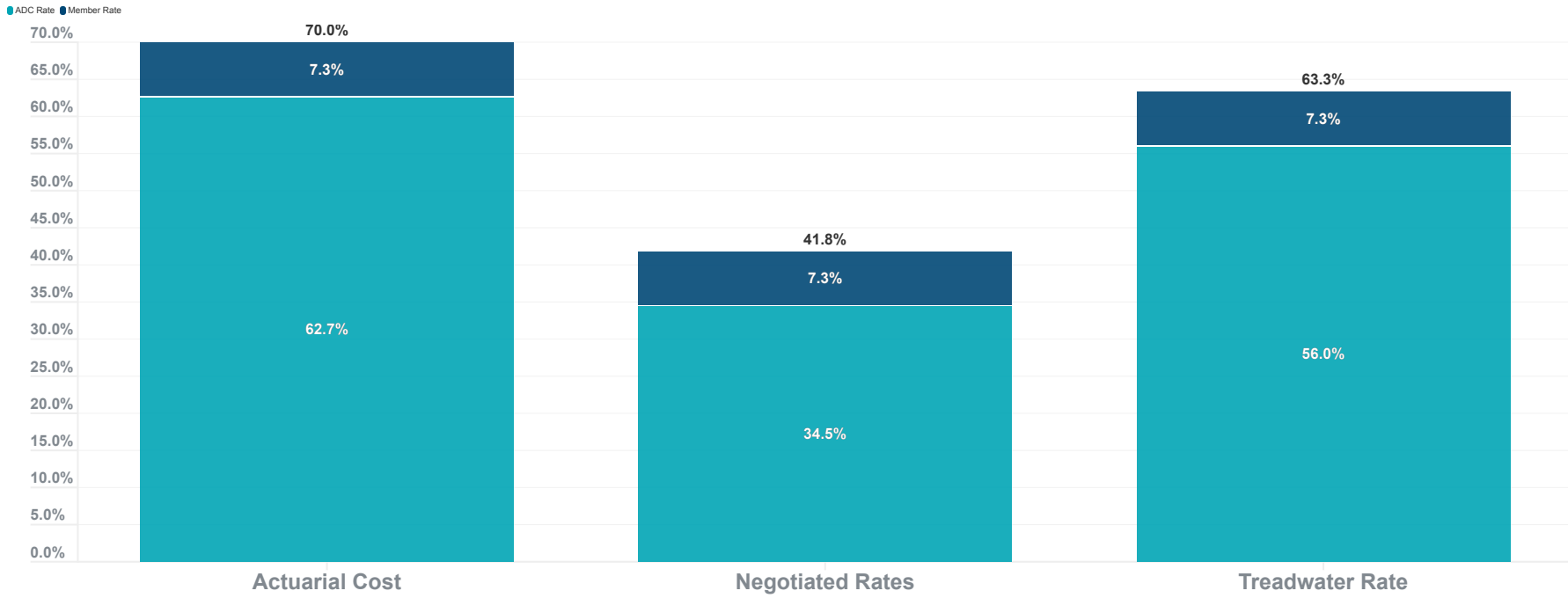


MOY Rate (% of Pay)

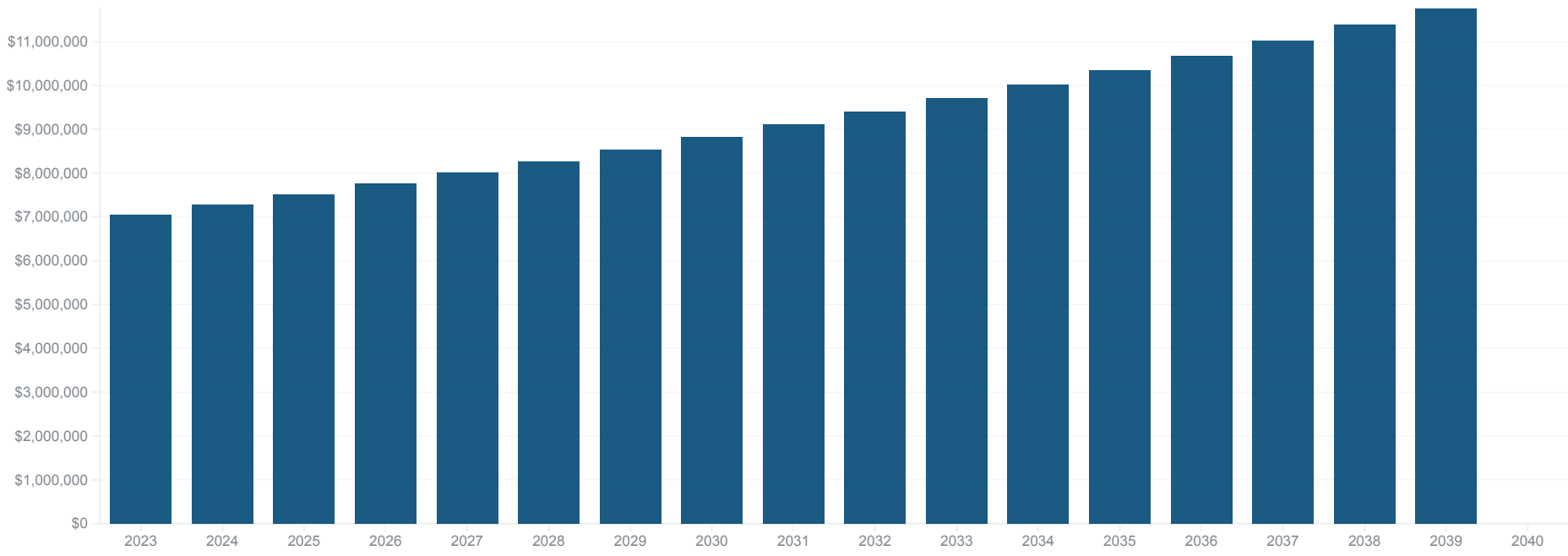




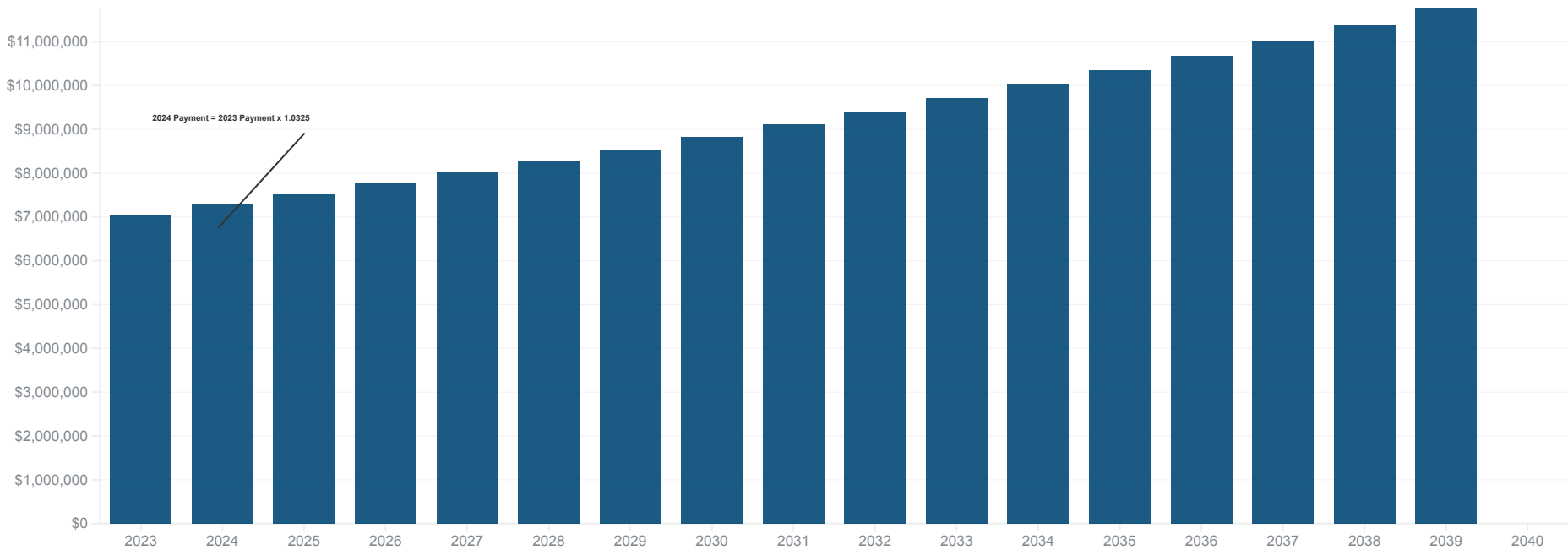




2020 UAL Balance 2020 UAL Payment

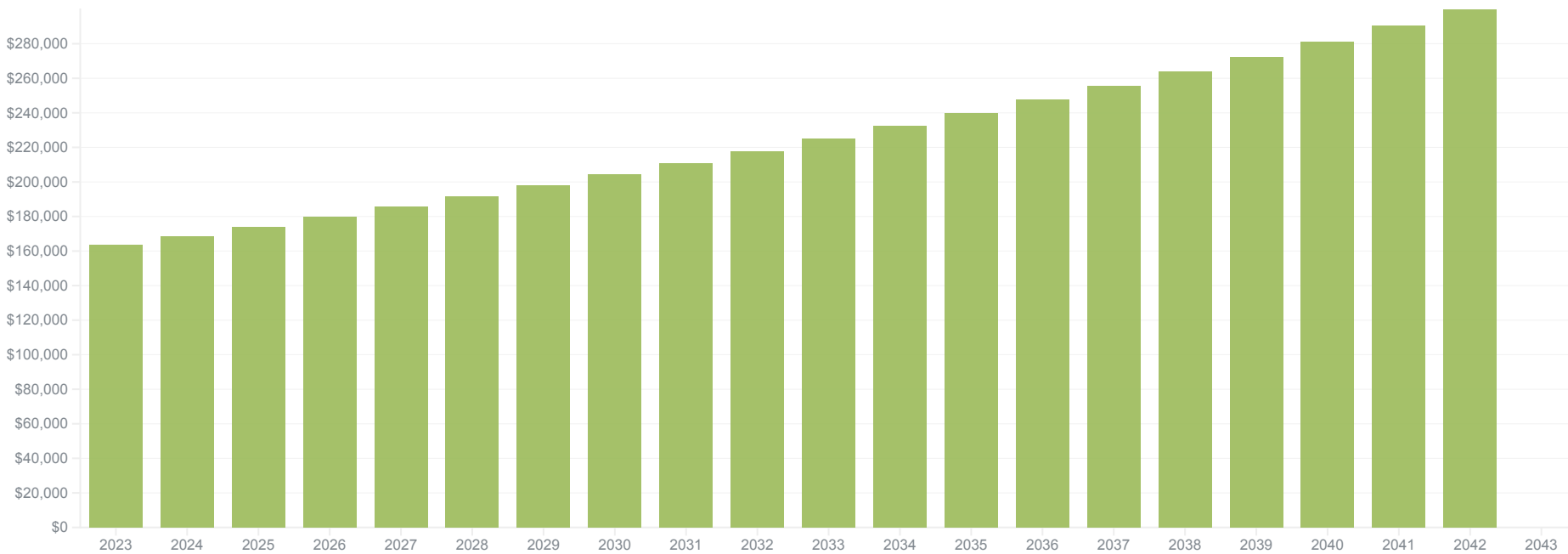


2020 UAL Balance 2020 UAL Payment

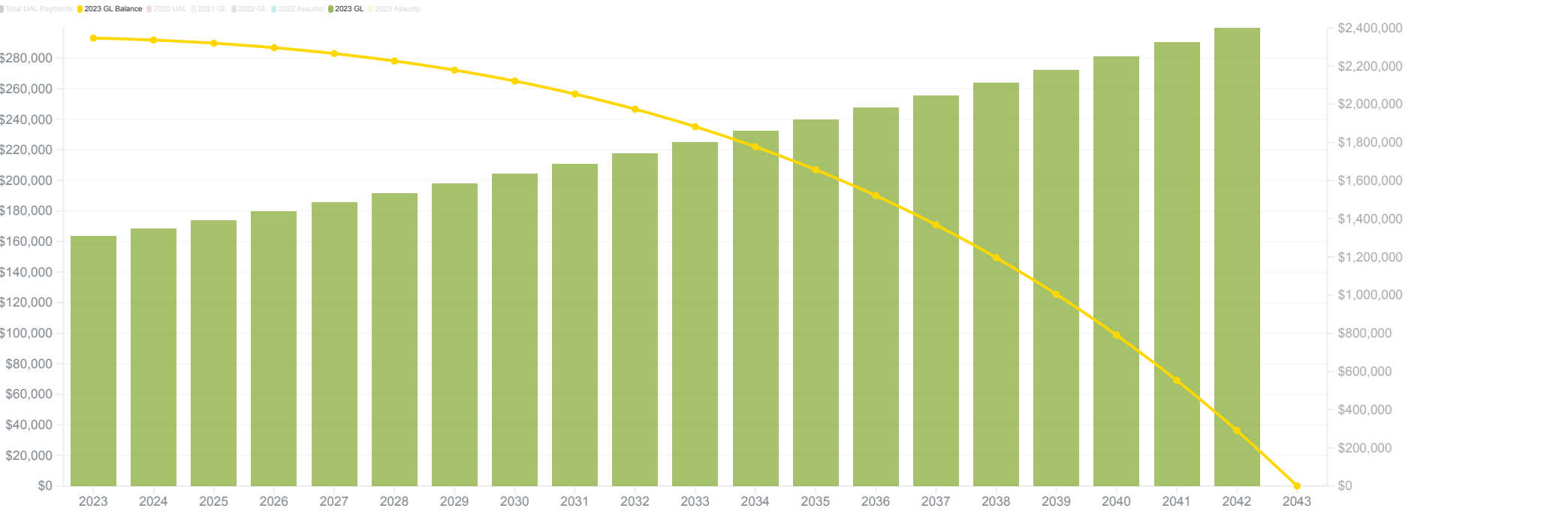


Beginning in 2021, new changes in the UAL are amortized over new 20-year periods. This shows the amortization schedule for the current year **layer** - an overall loss of \$2.4M, based on the combined impact of changes in assets and liabilities.

Total UAL Payments 2023 GL Balance 2020 UAL 2021 GL 2022 GL 2022 Assump 2023 GL 2023 Assump

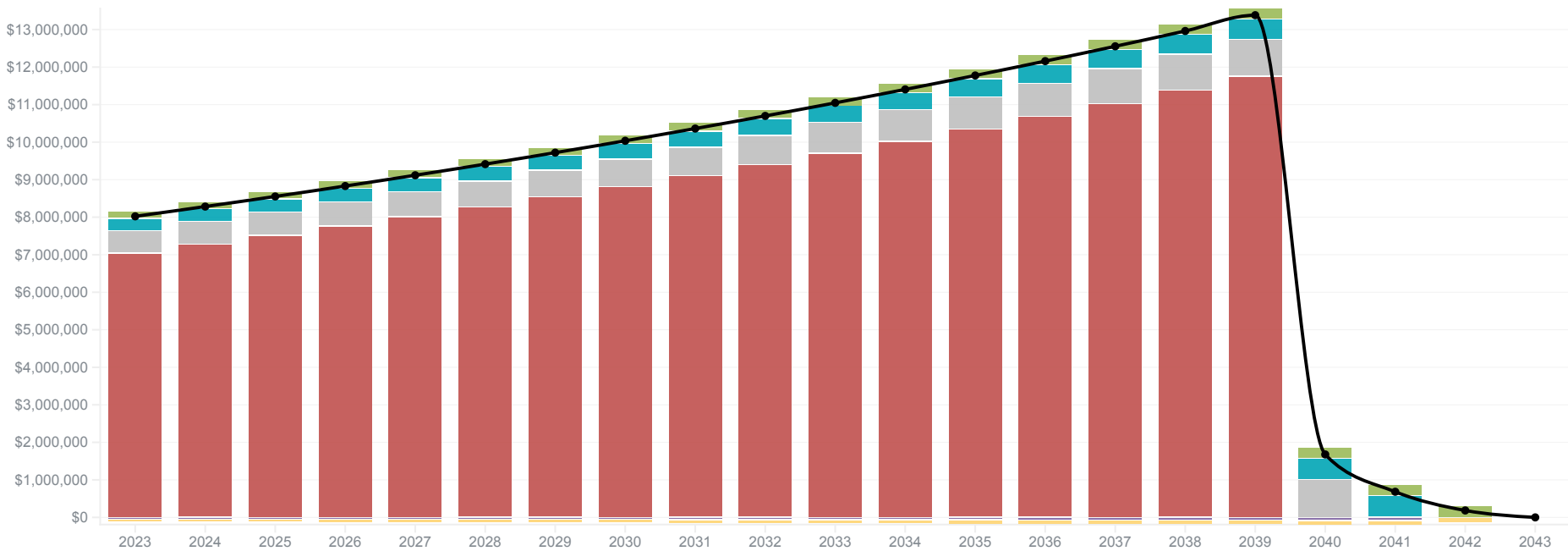


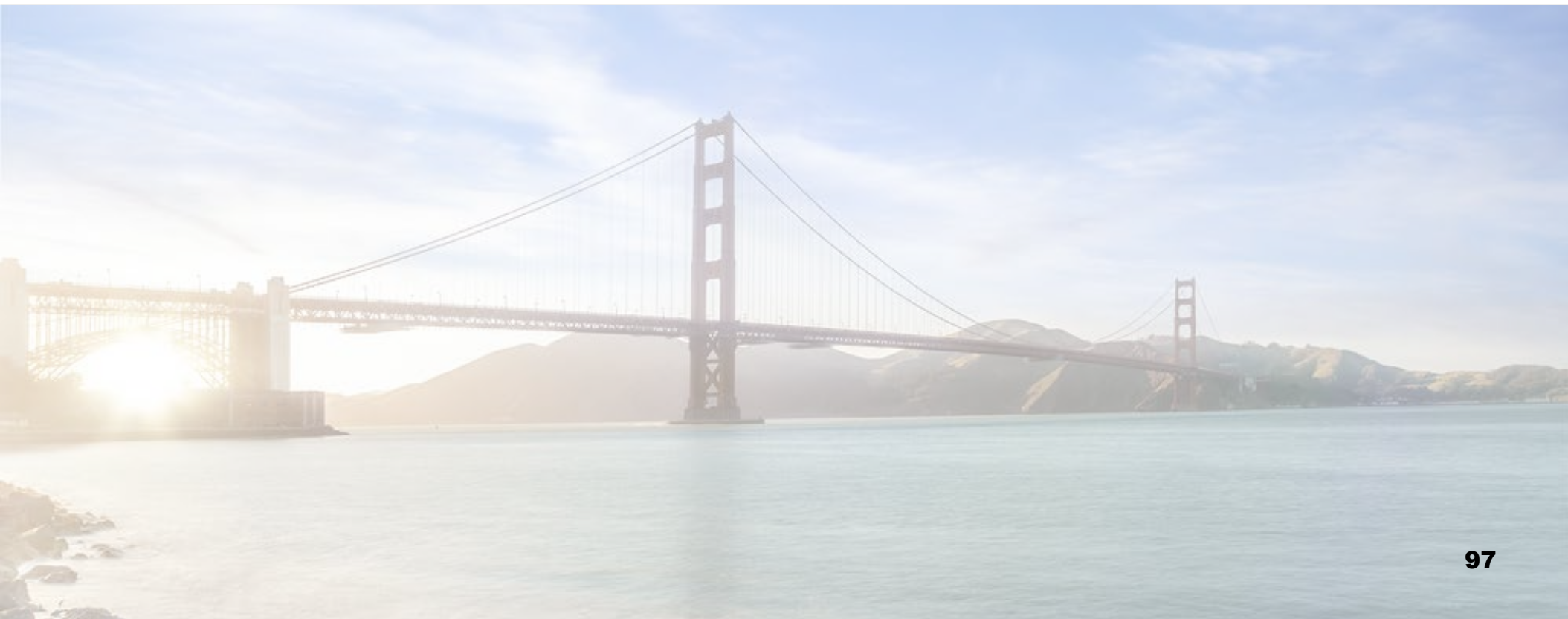
The line (and associated scale on the right hand axis) shows the remaining balance for this layer of the unfunded liability.



To get the total UAL payment, we add together all the bases to get the net payment amount. The amortization schedules adopted by the Retirement Board comprise a reasonable set of policies as specified under the Actuarial Standards of Practice.

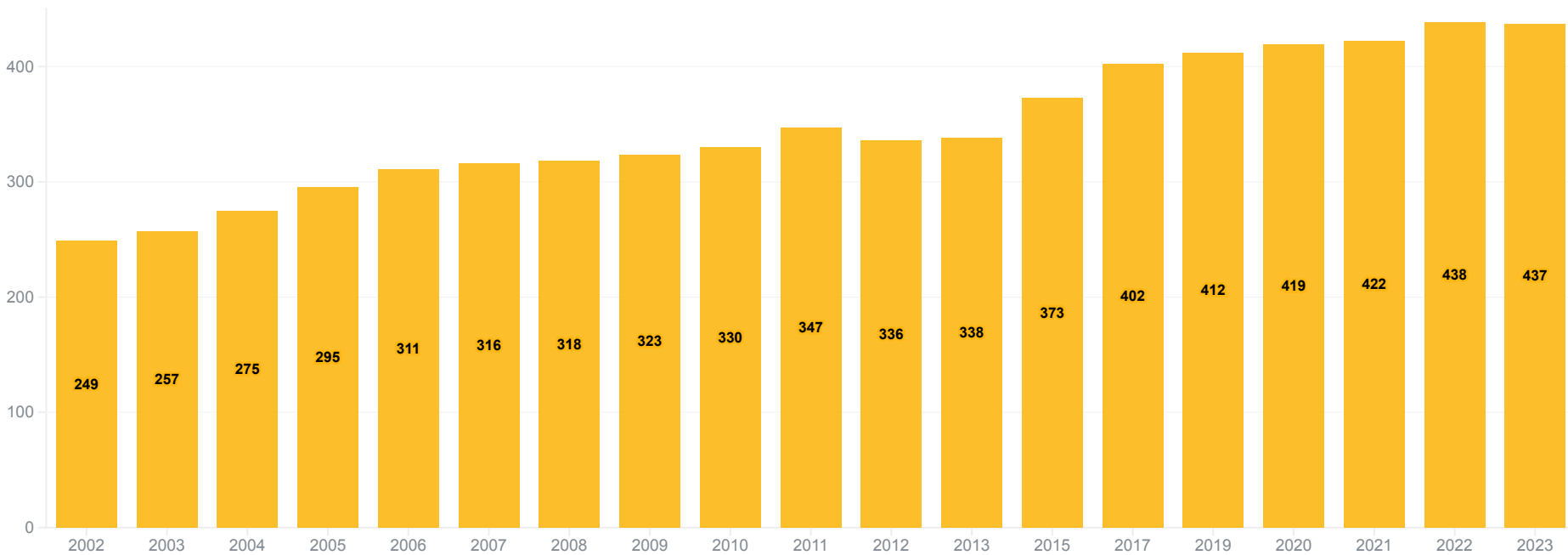
■ Total UAL Payments ■ 2023 GL Balance ■ 2020 UAL ■ 2021 GL ■ 2022 GL ■ 2022 Assump ■ 2023 GL ■ 2023 Assump





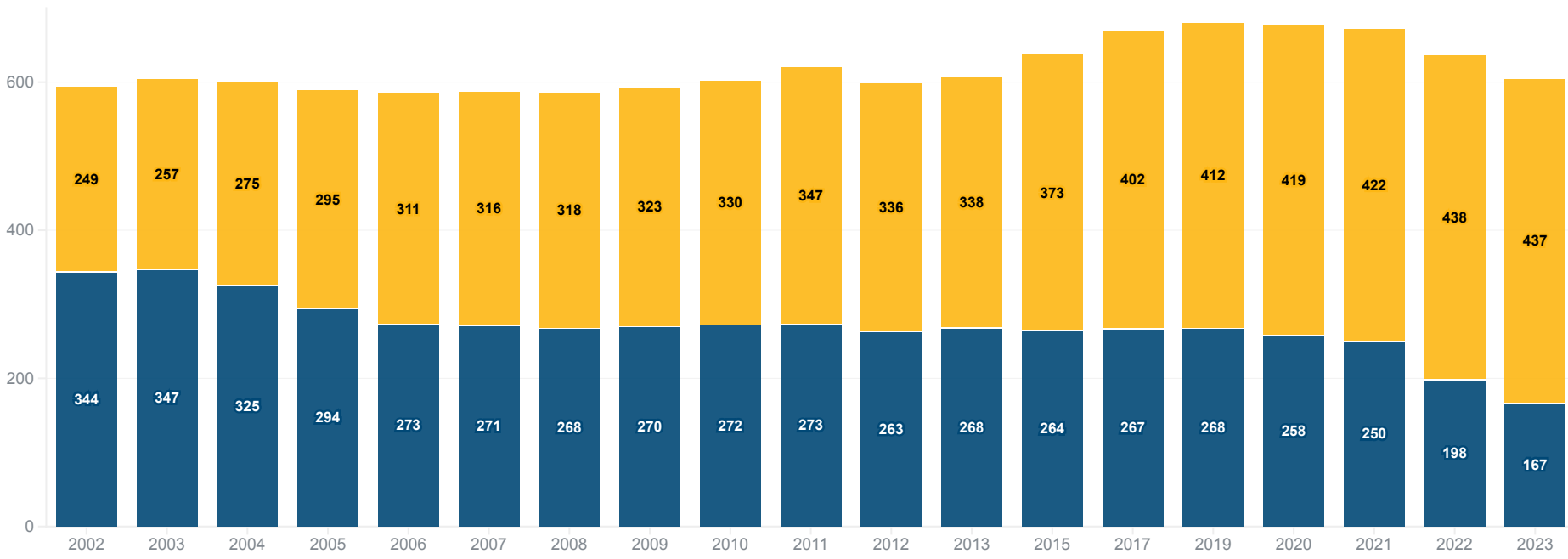
The retiree population has steadily increased over the past 20 years.

Projected Payroll Actives Retirees

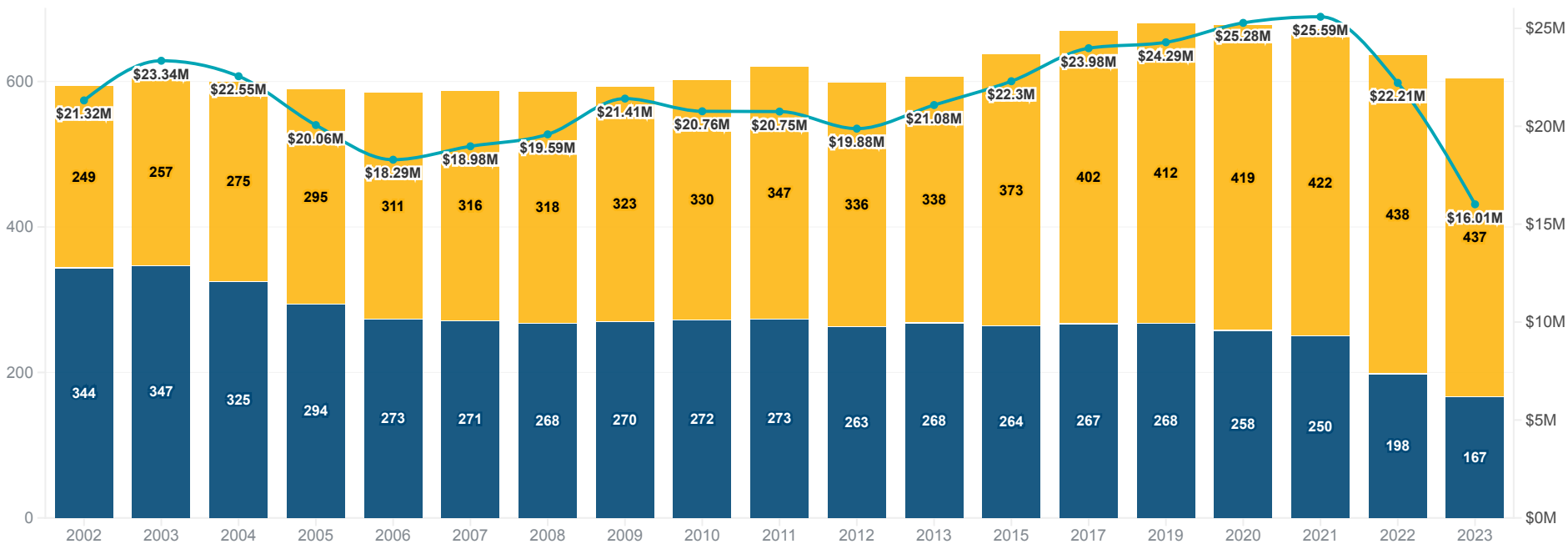


However, the active population has declined significantly from 344 active members in 2002 to only 167 as of the beginning of this year.

Projected Payroll Actives Retirees

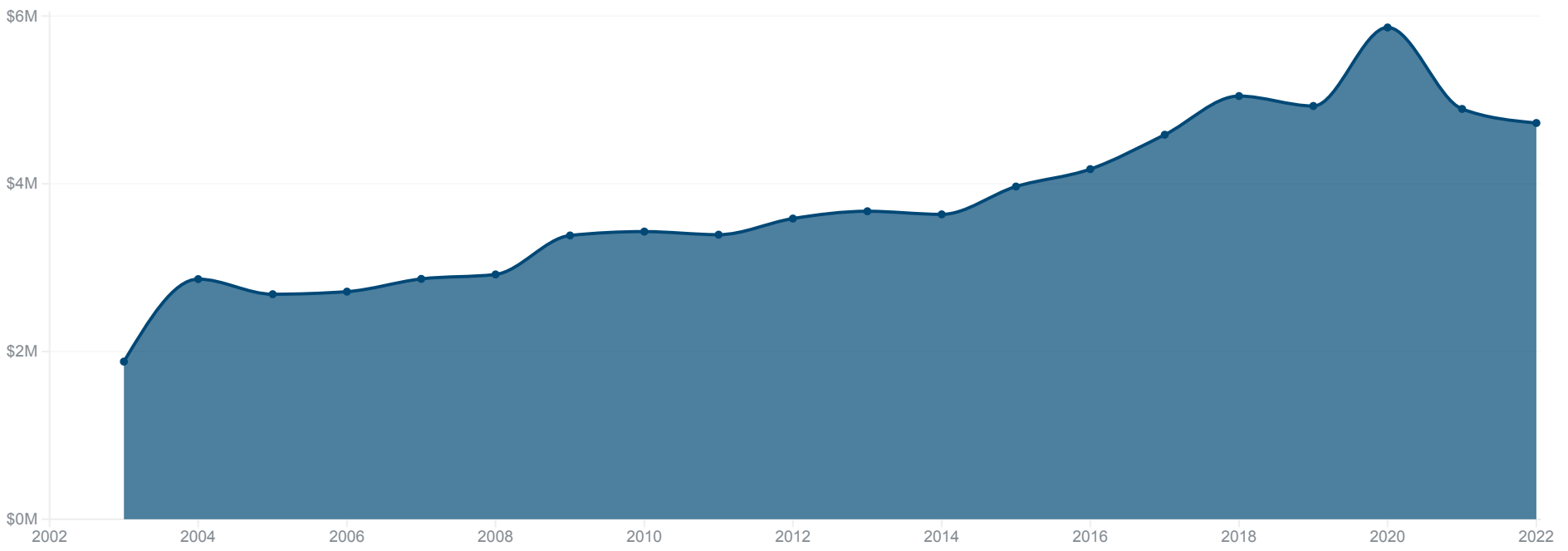


Projected Payroll Actives Retirees



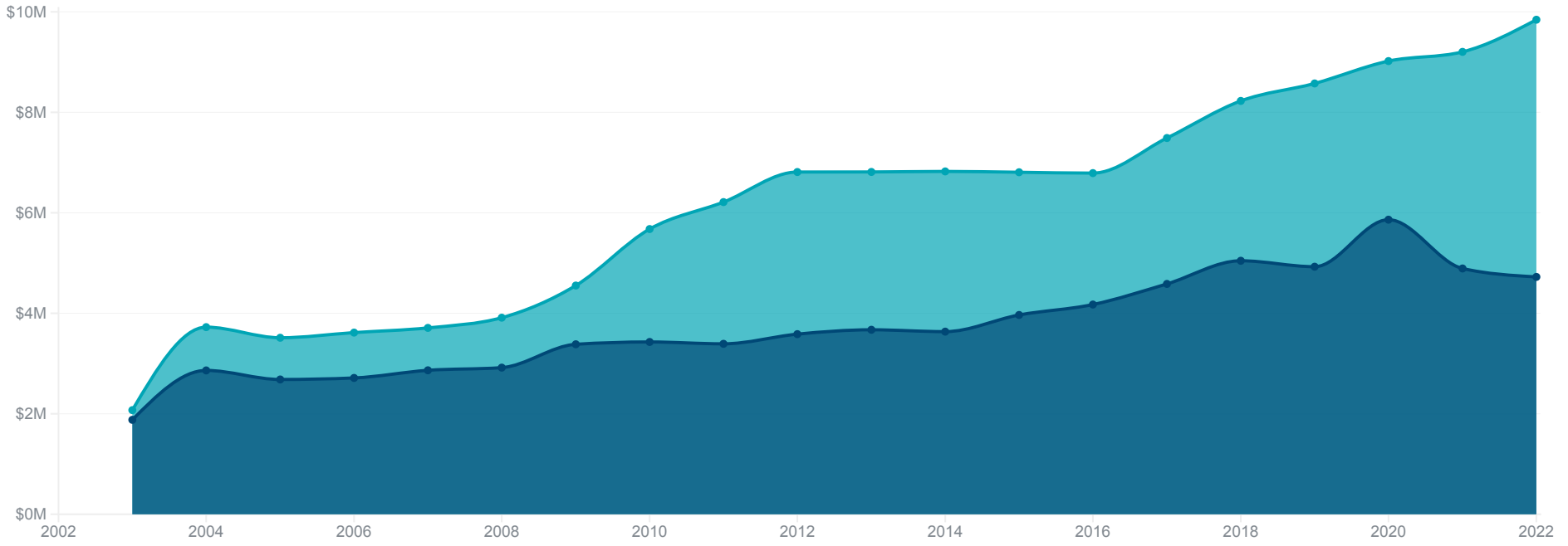
As payroll grew (up until the COVID crisis) and negotiated contribution rates increased, the dollar amount of contributions increased.

Actuarially Determined Contribution Actual Contributions

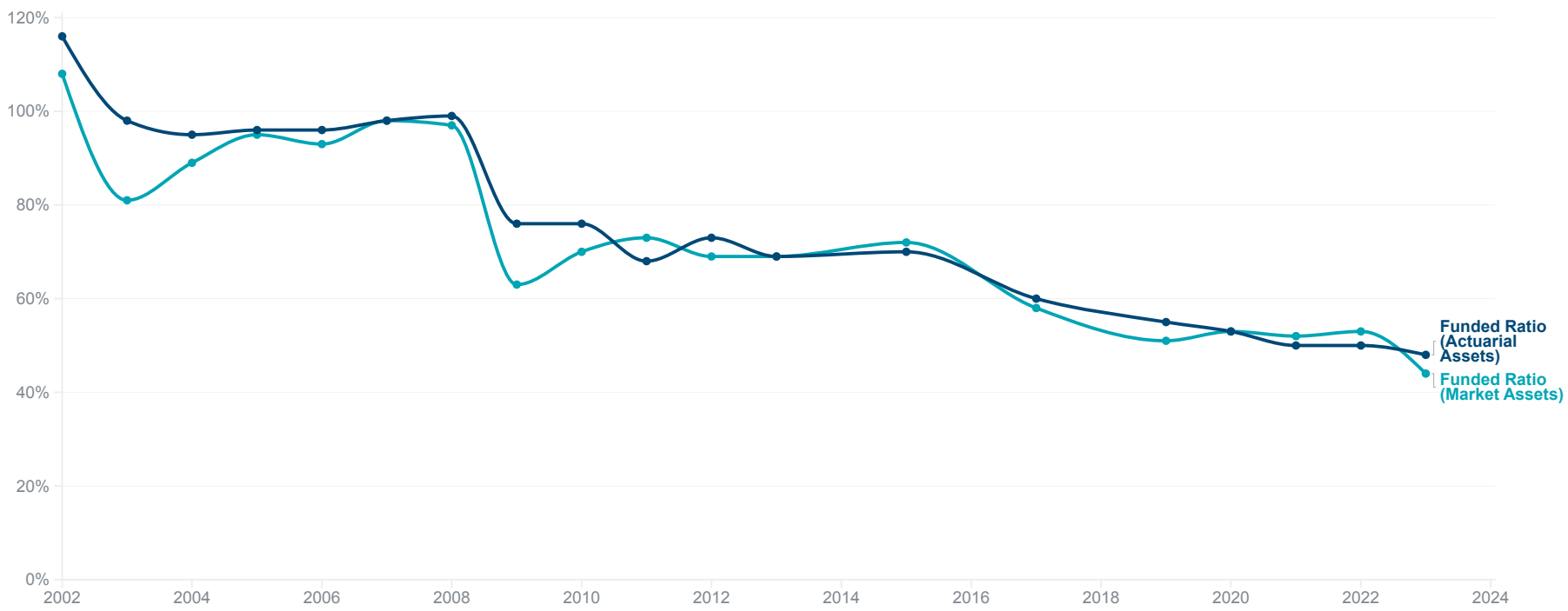


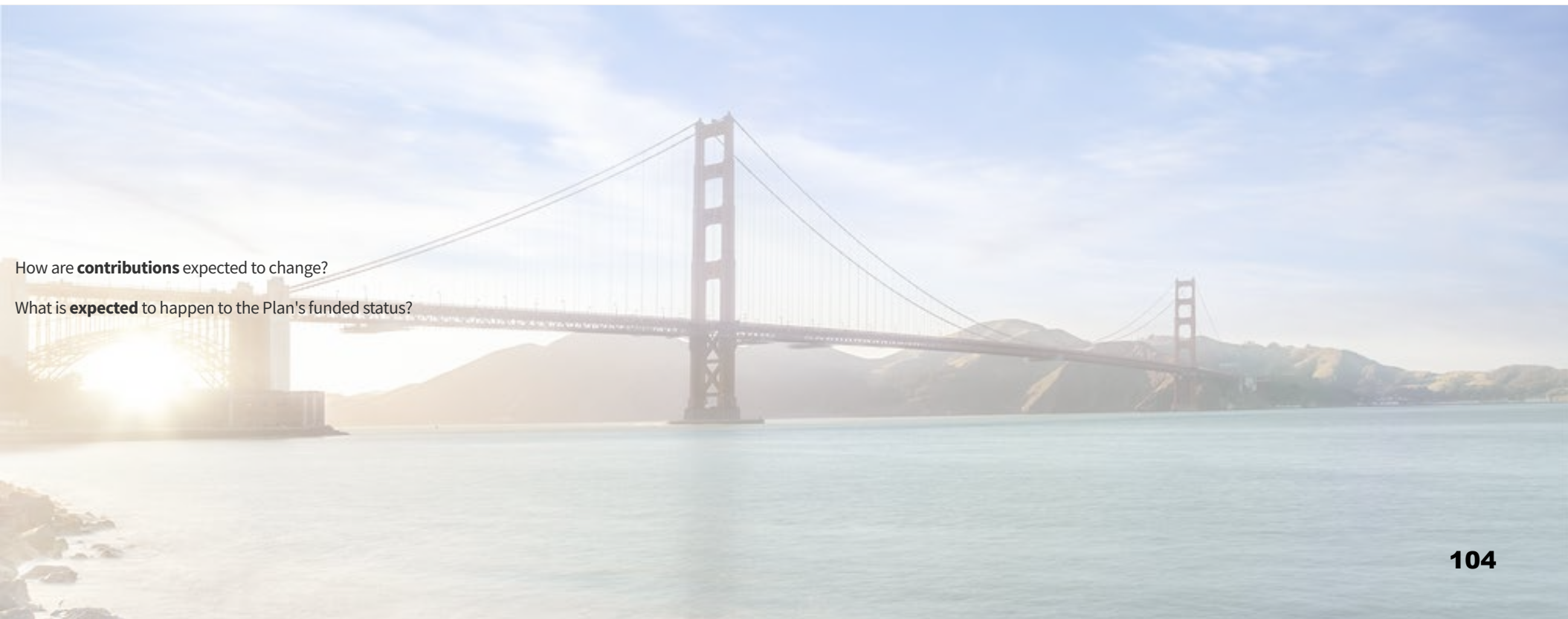
However, the actual contributions have not kept pace with the Actuarially Determined Contributions, which have increased due to investment losses, assumption changes (including reducing the expected returns on plan assets, which increases the ADC), and the compounding impact of prior contribution shortfalls.

Actuarially Determined Contribution Actual Contributions



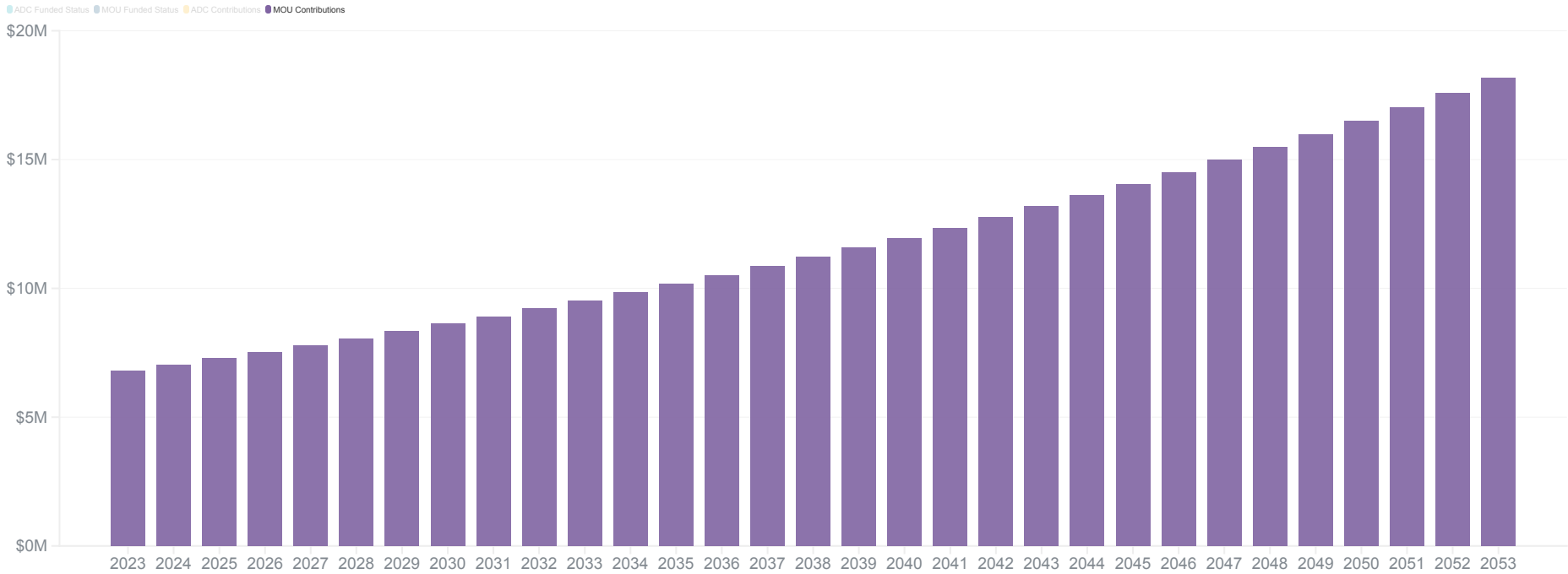
These factors - underfunding, investment losses (in particular in 2008 and 2022), and liability increases due to assumption changes - have all contributed to a declining funded ratio.



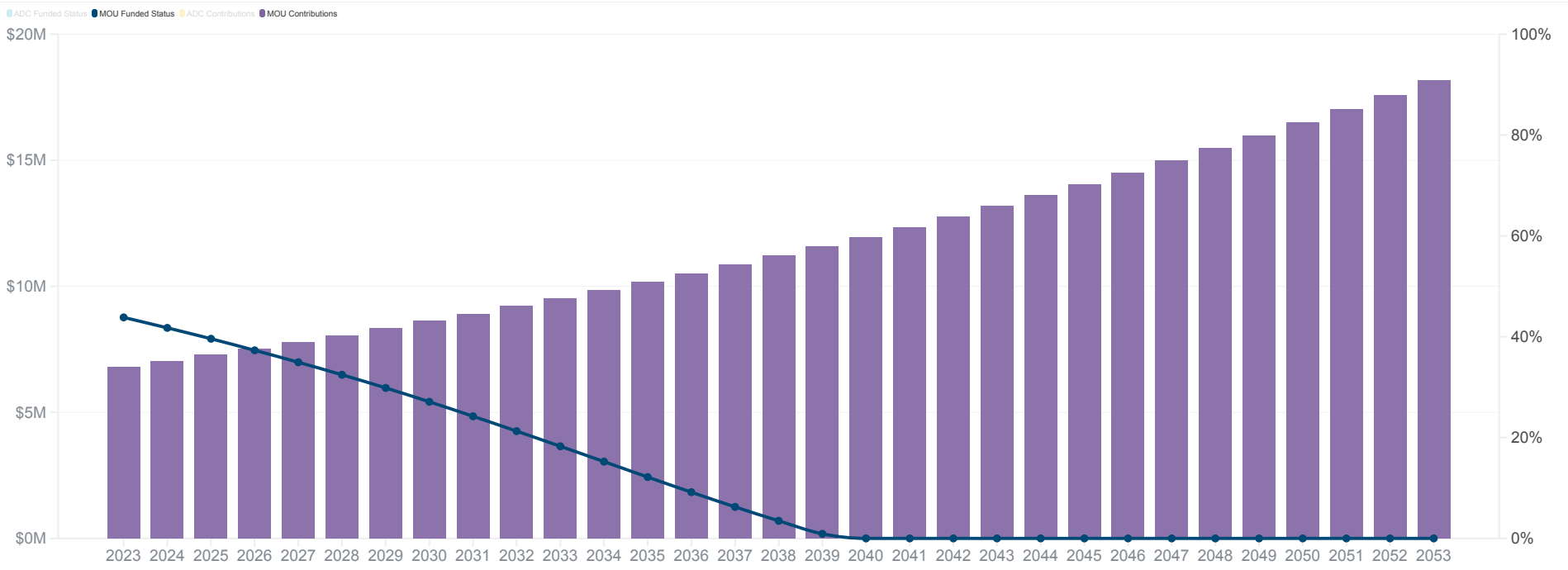


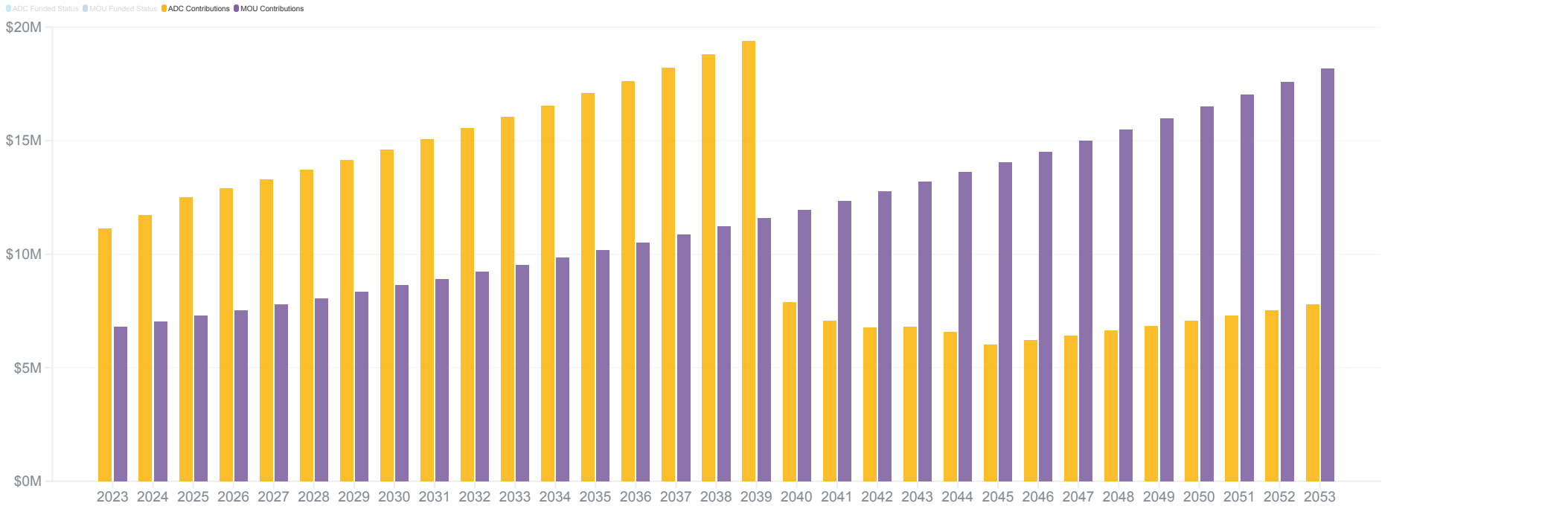
How are **contributions** expected to change?

What is **expected** to happen to the Plan's funded status?

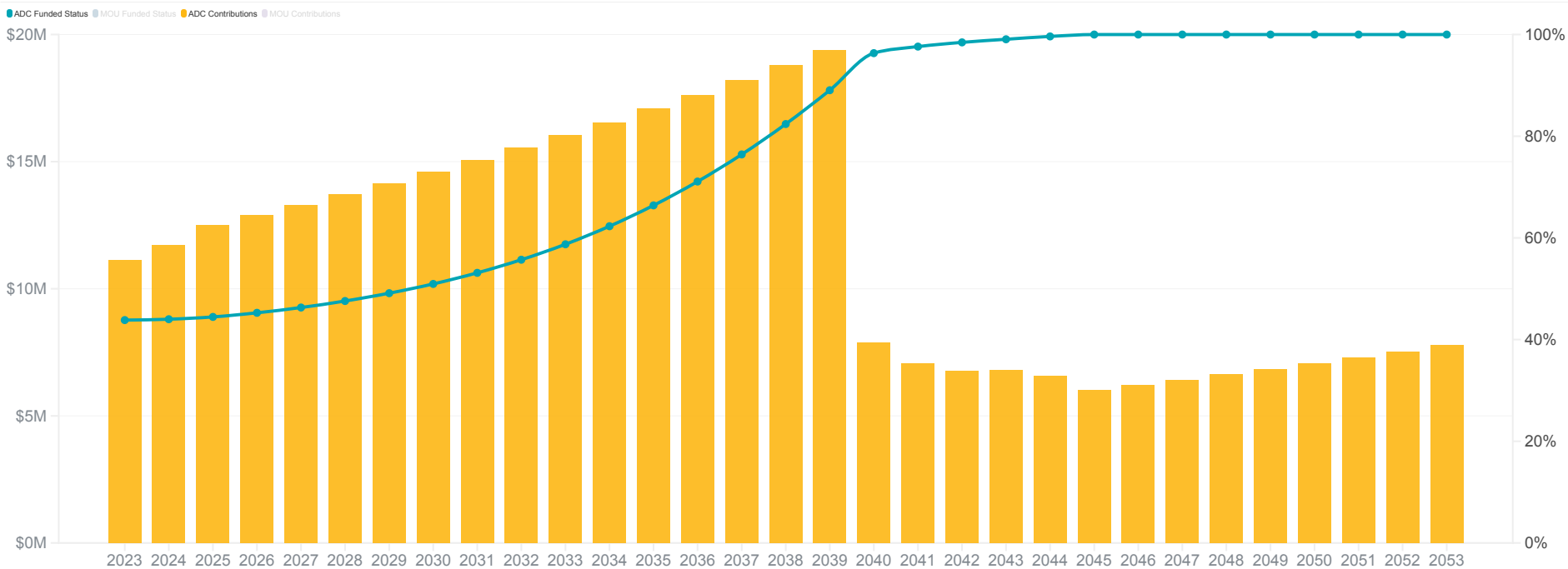


Under this scenario, if all assumptions are met (including a 6.75% return on the assets each year) the funded status is expected to continue to decline from its current level of 44%, and the plan is expected to run out of money in 2040.



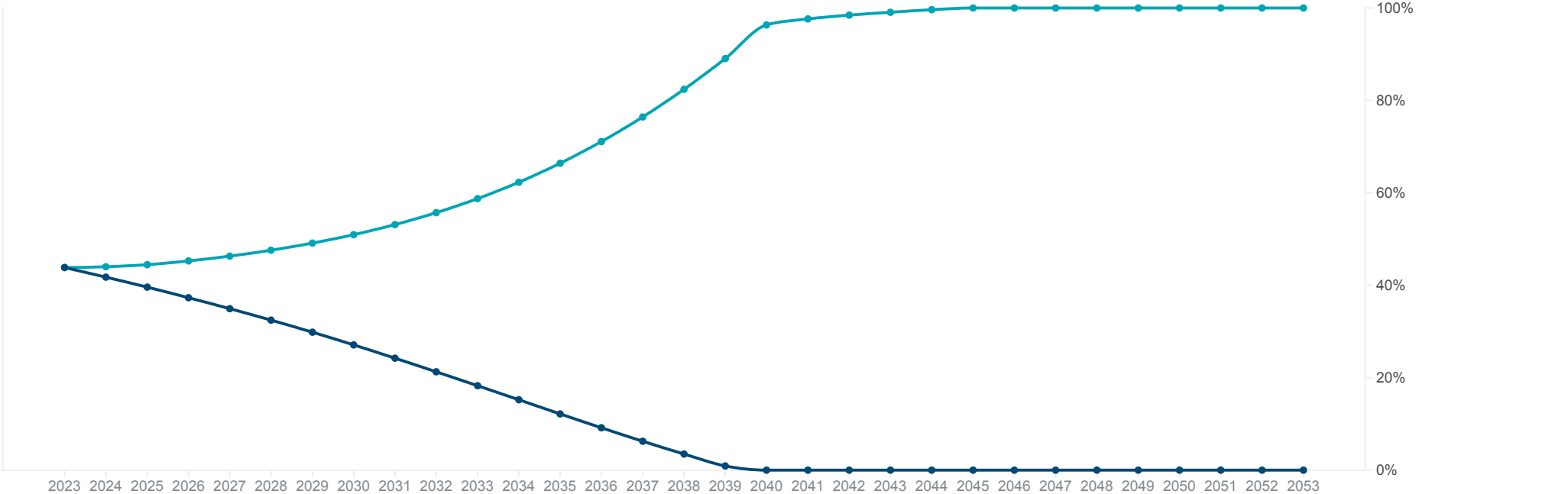


The Plan's funded status would be expected to improve, reaching 100% over the next 20 years.



Clearly there is a wide divergence in contributions and outcomes under the actuarially funded approach versus the current funding levels. These projections are also based on a particular scenario, in which all assumptions are realized, including the 6.75% assumed rate of return and 3.25% annual projected payroll growth. To the extent that actual experience is different than these assumptions, the emerging funded status and resulting required contributions could differ significantly.

ADC Funded Status MOU Funded Status ADC Contributions MOU Contributions



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Purpose:

The purpose of this presentation is to provide actuarial education related to the actuarial valuation of the GGTransit Amalgamated Retirement Plan as of January 1, 2023.

Intended Users:

This presentation was prepared for the GGTransit Retirement Board for the purposes described herein. This presentation is not intended to benefit any third party. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Reliance:

In preparing our presentation, we relied on information (some oral and some written) supplied by the Plan Administrator (Zenith) and the District. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The data and actuarial assumptions used (unless modified within this communication) are described in our January 1, 2023 actuarial valuation report.

Variance:

Future results may differ significantly from the current projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

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