

# Golden Gate Transit – Amalgamated Retirement Plan



## Plan Changes: Cost – Benefit Analysis

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- Plan change considerations
- Overview of potential Plan changes
- Cost effects
  - Current assumptions
  - Stress test assuming spike in retirements
- Funding status impact
- Projected costs, funding for particular changes

# Plan Change Considerations



- Effects on contributions (\$ and % of pay), funded status
- Effects on Plan risk
  - Are contribution rates more or less predictable after the changes?
- Effects on member behavior
  - Benefits often drive behavior, so assumptions may need to be revised after benefits are changed
  - Consider whether changes will result in spike in retirements prior to effective date
- Timing of effects
  - Will the impact on contribution rates and funding be immediate or delayed?
- Legal considerations (not addressed in this presentation)

# Overview of Plan Changes



- Changes to SPP payouts
  - 7% interest
  - Actual rate of return
  - Immediate lump sum payout
- Changes to termination benefits
  - Extend vesting to five years for new hires (currently one year)
  - Extend vesting to five years for all
  - Change benefit to refund of contributions, plus interest
- Eliminate subsidized survivor benefits
- Changes to early retirement provisions
  - Increase earliest age from 50 to 52 for non-PEPRA members
  - Make early-retirement benefit “actuarially-equivalent” to a 2% @ 60 benefit for non-PEPRA members

# Contribution Rates for Plan Changes



	Current Assumptions		
	Non-PEPRA	PEPRA	Combined
Current Plan*: 8% Interest for SPP Payments	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
1a. 7% Interest for SPP Payments**	40.72% (-0.03%) \$8.10 M	39.39% (-0.03%) \$1.73 M	40.47% (-0.03%) \$9.83 M
1b. Actual Rate of Return for SPP Payments**	40.72% (-0.03%) \$8.10 M	39.39% (-0.03%) \$1.73 M	40.47% (-0.03%) \$9.83 M
1c. Terminate SPP Accounts & Pay LS**	40.72% (-0.03%) \$8.10 M	39.39% (-0.03%) \$1.73 M	40.47% (-0.03%) \$9.83 M

*\*Results are based on a roll-forward of 12/31/2017 assets at a 7% return, as 12/31/2018 financial information is not yet available.*

*\*\*All three potential changes to SPP payments have the same impact on contributions, since both the assumed rate of return and discount rate are 7%. However, the Plan assumes more risk when guaranteeing 7% interest for SPP Payments (1a) as opposed to options (1b) and (1c), due to volatility in rates of return.*

# Contribution Rates for Plan Changes



	Current Assumptions		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
2a. No Termination Benefits for New Hires < 5 yrs of service	40.76% (0.00%) \$8.11 M	39.42% (0.00%) \$1.73 M	40.51% (0.00%) \$9.84 M
2b. No Termination Benefits for Any Active < 5 yrs of service	40.72% (-0.04%) \$8.10 M	39.37% (-0.06%) \$1.73 M	40.46% (-0.04%) \$9.83 M
2c. Termination Benefit is Return of Contributions w/ Actual Rate of Return*	40.77% (+0.01%) \$8.11 M	39.54% (+0.12%) \$1.74 M	40.54% (+0.03%) \$9.85 M

*\*We assume that vested PEPRA termination benefits, i.e. for members with at least five years of service, cannot be changed to Return of Contributions.*

# Contribution Rates for Plan Changes



	Current Assumptions		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
No Term. Benefits for New Hires < 5 yrs of service, Else Return of Contributions w/ Actual ROA (2a. & 2c.)	40.77% (+0.01%) \$8.11 M	39.54% (+0.12%) \$1.74 M	40.54% (+0.03%) \$9.85 M
No Term. Benefits for Any Active < 5 yrs of service, Else Return of Contributions w/ Actual ROA (2b. & 2c.)	40.74% (-0.01%) \$8.10 M	39.41% (-0.01%) \$1.73 M	40.49% (-0.01%) \$9.83 M

*\*We assume that vested PEPRA termination benefits, i.e. for members with at least five years of service, cannot be changed to Return of Contributions.*

# Contribution Rates for Plan Changes



	Current Assumptions		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
3a. No J&S Subsidy	39.08% (-1.68%) \$7.77 M	37.84% (-1.58%) \$1.67 M	38.84% (-1.66%) \$9.43 M
4a. Change Early Retirement Age from 50 to 52 (w/ 25 yrs of service)*	40.13% (-0.63%) \$7.98 M	39.07% (-0.36%) \$1.72 M	39.93% (-0.57%) \$9.70 M
4b. Remove Early Retirement Subsidy*	35.59% (-5.16%) \$7.08 M	36.93% (-2.50%) \$1.62 M	35.85% (-4.66%) \$8.71 M

*\*The change in (4a) already applies to PEPRA members. For (4b) we assumed that the normal retirement benefit for non-PEPRA members is equal to 2% of final pay, multiplied by years of credited service, payable at age 60. (4b) does not apply to PEPRA members, as the PEPRA benefit is defined under statute.*



# Contribution Rates for Plan Changes



	Immediate Retirement if Eligible		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
3a. No J&S Subsidy	40.12% (-0.64%) \$7.98 M	38.90% (-0.52%) \$1.71 M	39.82% (-0.68%) \$9.67 M
4a. Change Early Retirement Age from 50 to 52 (w/ 25 yrs of service)*	40.89% (+0.14%) \$8.13 M	39.91% (+0.48%) \$1.76 M	40.65% (+0.15%) \$9.87 M
4b. Remove Early Retirement Subsidy*	36.35% (-4.41%) \$7.23 M	37.76% (-1.66%) \$1.66 M	36.69% (-3.81%) \$8.91 M

*\*The change in (4a) already applies to PEPRA members. For (4b) we assumed that the normal retirement benefit for non-PEPRA members is equal to 2% of final pay, multiplied by years of credited service, payable at age 60. (4b) does not apply to PEPRA members, as the PEPRA benefit is defined under statute.*

# Contribution Rates for Plan Changes



	Current Assumptions		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
Change Early Retirement Age from 50 to 52 (25 yrs of service) and Remove Early Retirement Subsidy (4a. & 4b.)	35.28% (-5.48%) \$7.02 M	36.75% (-2.68%) \$1.62 M	35.56% (-4.95%) \$8.64 M
Combined (1a-1c, 2a-2c, 3a, 4a-4b)	33.73% (-7.03%) \$6.71 M	35.20% (-4.22%) \$1.55 M	34.01% (-6.50%) \$8.26 M

*\*The change in (4a) already applies to PEPRA members. For (4b) we assumed that the normal retirement benefit for non-PEPRA members is equal to 2% of final pay, multiplied by years of credited service, payable at age 60. (4b) does not apply to PEPRA members, as the PEPRA benefit is defined under statute.*

# Contribution Rates for Plan Changes



	Immediate Retirement if Eligible		
	Non-PEPRA	PEPRA	Combined
Current Plan	40.76% \$8.11 M	39.42% \$1.73 M	40.51% \$9.84 M
Change Early Retirement Age from 50 to 52 (25 yrs of service) and Remove Early Retirement Subsidy (4a. & 4b.)	36.00% (-4.75%) \$7.16 M	37.62% (-1.81%) \$1.66 M	36.40% (-4.11%) \$8.84 M
Combined (1a-1c, 2a-2c, 3a, 4a-4b)	34.69% (-6.07%) \$6.90 M	36.24% (-3.18%) \$1.59 M	34.98% (-5.52%) \$8.50 M

*\*The change in (4a) already applies to PEPRA members. For (4b) we assumed that the normal retirement benefit for non-PEPRA members is equal to 2% of final pay, multiplied by years of credited service, payable at age 60. (4b) does not apply to PEPRA members, as the PEPRA benefit is defined under statute.*

# Funded Ratios for Plan Changes



	Current Assumptions	Immediate Retirement if Eligible
Current Plan	59.19%	
1a. 7% Interest for SPP Payments	59.23% (+0.04%)	
1b. Actual Rate of Return for SPP Payments	59.23% (+0.04%)	
1c. Terminate SPP Accounts & Pay LS	59.23% (+0.04%)	
2a. No Termination Benefits for New Hires < 5 yrs of service	59.19% (0.00%)	
2b. No Termination Benefits for Any Active < 5 yrs of service	59.17% (-0.02%)	
2c. Termination Benefit is Return of Contributions w/ Actual Rate of Return	59.14% (-0.06%)	
No Term. Benefits for New Hires < 5 yrs of svc, Else Return of Contrib w/ Actual Return on Assets (2a. & 2c.)	59.14% (-0.06%)	

# Funded Ratios for Plan Changes



	Current Assumptions	Immediate Retirement if Eligible
Current Plan	59.19%	
No Term. Benefits for Any Active < 5 yrs of svc, Else Return of Contrib w/ Actual Return on Assets (2b. & 2c.)	59.12% (-0.07%)	
3a. No J&S Subsidy	60.09% (+0.90%)	58.96% (-0.23%)
4a. Change Early Retirement Age from 50 to 52 (w/ 25 yrs of service)	59.57% (+0.38%)	58.69% (-0.51%)
4b. Remove Early Retirement Subsidy	61.95% (+2.76%)	61.00% (+1.81%)
Change Early Retirement Age from 50 to 52 (25 yrs of service) and Remove Early Retirement Subsidy (4a. & 4b.)	62.16% (+2.97%)	61.17% (+1.97%)
Combined (1a-1c, 2a-2c, 3a, 4a-4b)	63.02% (+3.82%)	61.80% (+2.61%)

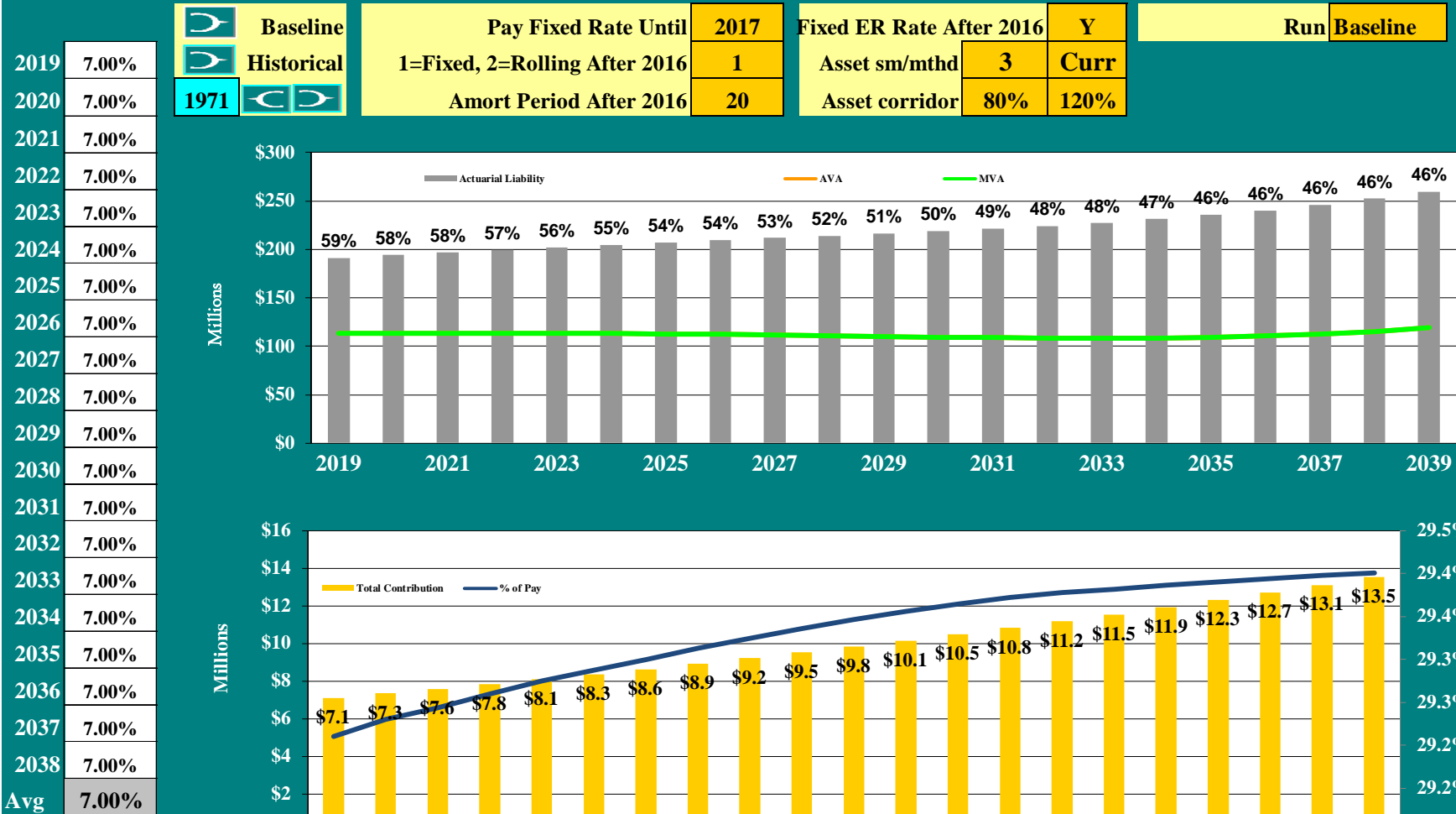
# Actuarial Projections



CHEIRON

## Stress Testing

P-scan



# Required Disclosures



The purpose of this presentation is to present the preliminary results of an analysis of possible Plan changes based on the January 1, 2019 actuarial valuation for the Golden Gate Transit – Amalgamated Retirement Plan. This presentation is for the use of the Board of Administration in accordance with applicable law. Results are subject to change based on the details of any Plan amendments actually adopted.

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 and 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.

This presentation was prepared exclusively for the Golden Gate Transit – Amalgamated Retirement Plan for the purpose described herein. This presentation is not intended to benefit any other party, and Cheiron assumes no duty or liability to any such party.

The actuarial assumptions, data, and methods are those that will be used in the actuarial valuation report as of January 1, 2019. These results are subject to change based on our peer review process.

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.

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