

C/CAG

City/County Association of Governments of San Mateo County

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SPECIAL MEETING NOTICE

C/CAG FINANCE COMMITTEE

Date: Monday, August 26, 2013
Time: 11:00 a.m. - Noon

Place: County Government Center
555 County Center, Fifth Floor
Conference Room One
Redwood City, CA

Conference call location*: Toppan Photomasks, Inc.
2520 Mission College Blvd, Suite 202
Santa Clara, CA 95054

Conference call location: San Francisco Veterans Affairs Medical Ctr
4150 Clement St., Bldg 203, Room GA-36
San Francisco, CA 94121

Conference call location: 5200 SW Macadam Avenue
Suite 310
Portland, OR 97239

- 1.0 CALL TO ORDER
- 2.0 PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA
Note: Public comment is limited to two minutes per speaker.
- 3.0 Review and recommend option(s) to pre-fund C/CAG's other post-employment benefit (OPEB) actuarial liabilities.
- 4.0 ADJOURN

PUBLIC NOTICING: All notices of C/CAG Board and Committee meetings will be posted at San Mateo County Transit District Office, 1250 San Carlos Ave., San Carlos, CA.

For questions about the agenda call Sandy Wong at 650 599.1409 or Nancy Blair at 650 599.1406.

*Please ring bell and ask for Brandt Grotte to attend in person. You will need to remain in the upstairs hallway until escorted to the office.

C/CAG AGENDA REPORT

Date: August 26, 2013
TO: C/CAG Finance Committee
From: Sandy Wong, Executive Director
Subject: Review and recommend option(s) to pre-fund C/CAG's Other Post-Employment Benefit (OPEB) actuarial liabilities

(For further information or response to questions, contact Sandy Wong at 650 599-1409)

RECOMMENDATION:

That the Finance Committee take the following actions:

1. Receive a presentation from staff and consultant on C/CAG's other post-employment benefit (OPEB) funding options.
2. Make a recommendation on option(s) to pre-fund the C/CAG's OPEB actuarial liabilities.

FISCAL IMPACT:

Depending on options chosen.

REVENUE SOURCES:

Funding sources for C/CAG OPEB will be the same as those that fund C/CAG employee salaries and benefits.

BACKGROUND/DISCUSSION:

On May 9, 2013, the C/CAG Board of Directors received the "Actuarial Valuation of Other Post-Employment Benefits (OPEB)" report prepared by Bickmore & Associates for C/CAG. That report provided the OPEB actuarial liabilities for C/CAG as of July 1, 2012.

Although C/CAG is not required by law to pre-fund its OPEB costs other than the pay-as-you-go amount necessary to provide current benefits to retirees, at the May 9th meeting, the C/CAG Board directed staff to come back with recommendation on pre-funding the liabilities.

In terms of other post-employment benefits, C/CAG provides continuation of medical coverage to its eligible retirees only.

Definitions:

Pay-as-you-go: When an agency contributes only the current year's retiree benefit payments.

Prefunding: When an agency consistently contributes an amount each year, or an up-front lump sum amount, with the funds set aside in an irrevocable trust available only to pay plan benefits.

Annual Required Contribution (ARC): ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years.

Unfunded Actuarial Accrued Liability (UAAL): The excess of the actuarial accrued liability over the actuarial value of plan assets.

The report calculated the C/CAG Unfunded Actuarial Accrued Liability (UAAL) to be \$197,811 by fiscal year ending June 30, 2013, and that the UAAL will grow to be \$215,079 by June 30, 2014, and will grow to be \$232,739 by June 30, 2015, if there is no prefunding.

Appendix 1 of the report (attached) illustrated several pre-funding options. The various options are based on different interest rates and number of years of amortization. For example, the annual required contributions for pre-funding, based on 6.50% and 7.50% interest rates for FYE 2014 would be:

	<u>6.50%</u>	<u>7.50%</u>
30 years amortization	\$26,384 (per year)	\$24,514 (per year)
10 years amortization	\$36,253 (per year)	\$33,180 (per year)
1 year amortization	\$184,359	\$166,972

ATTACHMENTS

1. Appendix 1 – Comparison of Pay-As-You-Go and Prefunding
2. C/CAG Actuarial Valuation of OPEB as of July 1, 2012 (Full Report) (*Provide to Committee members only. Also available at <http://www.ccag.ca.gov/ccag.html>*)

**Appendix 1
 Comparison of Pay-As-You-Go and Prefunding**

The following table provides an illustration of results for the fiscal years ending June 30, 2014 and 2015 for a selection of different funding levels and discount rates. The different funding levels vary, in part, on how rapidly the unfunded accrued liability is amortized. The pay-as-you-go results are the same results found in Tables 1A, 1B and 1C for these two years.

Contribution Level	Pay-As-You-Go	Prefunding	
	only pay retiree benefits	contribute at least 100% of the ARC	
Discount Rate	4.00%	6.50%	7.50%
Valuation results adjusted to fiscal year ended June 30, 2014:			
Number of Covered Employees			
Actives	2	2	2
Retirees	1	1	1
Total Participants	3	3	3
Present Value of Future Benefits			
(Value of all benefits now)	\$ 348,825	\$ 241,271	\$ 211,850
Actuarial Accrued Liability			
(Future benefit costs assigned to past employee service)	215,079	159,960	143,969
Normal Cost			
(Future benefit costs assigned to employee service during this year)	19,730	13,147	11,354
Expected Retiree Benefit Payments	11,462	11,462	11,462

Annual Required Contributions for FYE 2014			
(equals normal cost plus amortization payment plus interest to fiscal year end)			
1 Minimum (30 year level % of pay amortization)	29,039	22,770	21,079
2 30 year level dollar amortization of unfunded AAL	Not typically	26,394	24,514
3 10 year level dollar amortization of unfunded AAL	used with pay-	36,253	33,180
4 1 year level dollar amortization of unfunded AAL	as-you-go	184,359	166,972

Annual Required Contributions for FYE 2015			
1 Minimum (30 year level % of pay amortization)	30,702	23,509	21,763
2 30 year level dollar amortization of unfunded AAL	Not typically	26,849	24,911
3 10 year level dollar amortization of unfunded AAL	used with pay-	36,707	33,577
4 1 year level dollar amortization of unfunded AAL	as-you-go	14,456	12,602

Note: OPEB contributions include payments made by C/CAG to pay retiree benefits