



**METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
RETIREE HEALTHCARE PLAN**

BARTEL
ASSOCIATES, LLC

Valuation Summary

January 1, 2009 GASB 45 Actuarial Valuation

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WHAT IS GASB 45?

- **OPEB: (Other than pension Post Employment Benefits)**
- **Historically accounted for as Pay-As-You-Go**
 - Generally ignored until employees retire
 - Pay \$1 / Account for \$1
- **GASB Statement No. 45 - Issued June 2004**
 - Requires agencies recognize OPEB costs over active service of employees rather than on a pay-as-you-go basis
 - “Annual Required Contribution” – how much should be set aside
 - Accrue difference between
 - ARC
 - Actual payments
 - District implemented GASB 45 for 2005/06 Fiscal Year
 - District continues to fund on a Pay-As-You-Go basis



DEFINITIONS OF TERMS

- **Actuarial Accrued Liability (AAL)**
 - Liability for benefits “earned” for past service using actuarial assumptions
- **Normal Cost (NC)**
 - Value of benefits “earned” during the current year
- **Annual Required Contribution (ARC)**
 - Normal Cost, plus
 - Amortization of unfunded AAL (UAAL)
- **Net OPEB Obligation (NOO)**
 - Historical difference between ARC and actual contributions
- **PayGo**
 - Cash payments for retiree benefits



BENEFIT SUMMARY

■ Eligibility	■ Full-time employees that retire directly from the District under CalPERS ■ Age 50 and 5 years District service
■ Medical Benefit	■ District pays PEMHCA medical premium for retirees and eligible dependents up to 90% of PERSCare LA Basic premium – same cap both pre and post 65
■ Dental, Vision, Life	■ None



PARTICIPANT STATISTICS

	June 30, 2007 Valuation	January 1, 2009 Valuation
■ Actives <ul style="list-style-type: none"> • Count • Average Age • Average District Service • Average Pay • Total Payroll 	1,859 49.0 14.1 \$88,000 \$163,500,000	1,923 48.7 13.5 \$94,500 \$181,800,000
■ Retirees <ul style="list-style-type: none"> • Count: • Average Age • Average Retirement Age 	1,256 70.5 57.8	1,336 70.4 58.3



ACTUARIAL METHODS

<ul style="list-style-type: none">■ Funding Method	<ul style="list-style-type: none">■ Entry Age Normal■ Spreads cost evenly over service as a level percent of pay for each participant
<ul style="list-style-type: none">■ UAAL Amortization	<ul style="list-style-type: none">■ Level percent of payroll amortization:<ul style="list-style-type: none">● 6/30/07 UAAL: 30 years starting 2007/08● Assumption Changes: 20 years● Gains/Losses: 15 years



ACTUARIAL ASSUMPTIONS

■ Discount Rate	■ 5.00%: Pay-As-You-Go
■ Inflation	■ 3.00%
■ Payroll Increases	■ 4.00%, used to amortize UAAL
■ Healthcare Trend	<ul style="list-style-type: none"> ■ 8.4% (Kaiser), 9.4% (Blue Shield), 10.0% (PPO) initial increase (2011) ■ Grades down to 4.5% ultimate rate over 7 years
■ Medical Premium Load	■ Increase liabilities by 50% of medical premium gain
■ Retirement Age	<ul style="list-style-type: none"> ■ CalPERS Assumptions: Misc 2%^{@55} ■ Average Retirement Age \approx 60
■ Demographic	■ CalPERS Assumptions (termination, mortality, disability, etc.)



VALUATION RESULTS

Actuarial Obligations (Amounts in \$000's)

	June 30, 2007 Valuation	January 1, 2009 Valuation
■ Present Value of Benefits	\$ 523,000	\$ 545,000
■ Actuarial Accrued Liability (AAL)		
• Actives	214,000	213,000
• Retirees	<u>179,000</u>	<u>191,000</u>
• Total	393,000	404,000
■ Assets	<u> -</u>	<u> -</u>
■ Unfunded AAL	393,000	404,000
■ PayGo Cost	10,100	11,000



VALUATION RESULTS

Annual Required Contribution (ARC)

(Amounts in \$000's)

	June 30, 2007 Valuation		January 1, 2009 Valuation	
	2007/08	2008/09	2009/10	2010/11
■ ARC - \$				
• Normal Cost	\$ 14,100	\$ 14,700	\$ 16,300	\$ 17,000
• UAAL Amortization	<u>15,800</u>	<u>16,400</u>	<u>17,700</u>	<u>20,200</u>
• Total	29,900	31,100	34,000	37,200
■ Projected Payroll	163,500	170,000	185,400	192,800
■ ARC - % of Payroll				
• Normal Cost	8.6%	8.6%	8.8%	8.8%
• UAAL Amortization	<u>9.7%</u>	<u>9.7%</u>	<u>9.6%</u>	<u>10.5%</u>
• Total	18.3%	18.3%	18.4%	19.3%



VALUATION RESULTS

Discount Rate Sensitivity

(Amounts in \$000's)

	Continue PayGo 5.00%	Full Pre-Funding 7.00%	Full Pre-Funding (CERBT) 7.75%
■ 1/1/09 Funded Status			
• Actuarial Accrued Liability (AAL)	\$ 404,000	\$ 310,000	\$ 283,000
• Assets	_____ -	_____ -	_____ -
• Unfunded AAL (UAAL)	404,000	310,000	283,000
■ 2009/10 ARC			
• Normal Cost	16,300	10,700	9,200
• UAAL Amortization ¹	<u>17,700</u>	<u>16,700</u>	<u>16,800</u>
• ARC	34,000	27,400	26,000
• ARC as % of payroll	18.4%	14.8%	14.0%
■ PayGo Cost 2009/10	11,000	11,000	11,000

¹ 30-year fresh start amortization for 7.00% and 7.75% discount rate results due to gain from discount rate change.



VALUATION RESULTS

Comparison with Other Public Agencies

Based on Bartel Associates GASB 45 Database

	MWD	Other Public Agencies
■ % of Pay <ul style="list-style-type: none"> • Normal Cost • ARC • Actuarial Accrued Liability (AAL) 	8.8% 18.4% 218%	6.1% 11.2% 100%
■ Average Dollar <ul style="list-style-type: none"> • Normal Cost (per active) • ARC (per participant) • AAL (per participant) 	\$ 8,500 10,500 124,000	\$ 3,800 5,600 47,400



VALUATION RESULTS

Summary

■ **January 1, 2009 Valuation:**

- UAAL = \$404 million
- Net OPEB Obligation (NOO) on 6/30/09 = \$84.1 million

■ **UAAL and NOO will continue to grow unless District pre-funds into an irrevocable trust (e.g. CalPERS)**

- UAAL reduced to \$283 million
- Requires additional 2009/10 cash contribution
- \$26.0 million compared to \$11.0 million for Pay-As-You-Go



VALUATION RESULTS

