

# Projection of the Actuarially Determined Contribution (ADC)

Table 1 presents a five-year projection under these assumptions: There are no plan changes, the Authority contributes according to the Funding Policy, assets earn 7.39% per year, the discount rate remains 7.39% and the Normal Cost component of the ADC increases by 5.00% per year throughout the five-year period. We assumed mid-year benefit withdrawals from the Trust.

Plan Year	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026
Actuarial Accrued Liability	\$7,646,757	\$7,834,890	\$8,015,961	\$8,166,551	\$8,339,082
Actuarial Value of Assets	<u>1,041,102<sup>1</sup></u>	<u>1,306,948</u>	<u>1,587,642</u>	<u>1,861,728</u>	<u>2,152,867</u>
Unfunded AAL	\$6,605,656	\$6,527,942	\$6,428,319	\$6,304,823	\$6,186,215
Amortization Period	18	17	16	15	14
Normal Cost End of Year	\$196,133	\$205,940	\$216,237	\$227,049	\$238,401
Amortization of UAAL	<u>539,186</u>	<u>554,442</u>	<u>570,015</u>	<u>585,889</u>	<u>605,063</u>
Actuarially Determined Contribution	\$735,319	\$760,382	\$786,252	\$812,938	\$843,464
Discount Rate	7.39%	7.39%	7.39%	7.39%	7.39%
Expected Return on Assets	7.39%	7.39%	7.39%	7.39%	7.39%
Normal Cost Growth Rate	5.00%	5.00%	5.00%	5.00%	5.00%

Plan Year	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26
Est. Pay-go	\$427,455	\$456,041	\$473,142	\$485,622	\$496,459
Est. Implicit Rate Subsidy	125,571	126,678	161,840	179,137	194,890
Est. Net Trust Contribution	<u>182,293</u>	<u>177,663</u>	<u>151,270</u>	<u>148,179</u>	<u>152,115</u>
Funding Policy Contribution	\$735,319	\$760,382	\$786,252	\$812,938	\$843,464

<sup>1</sup> Estimated

## Projection of the Actuarially Determined Contribution (ADC)

Table 2 presents a five-year projection under the same assumptions as table 1, but that a plan amendment effective January 1, 2022 caps the Authority's contribution to 64% of the CalPERS Kaiser Region 1 premium rate in CY22, and increase 3% per year until 70% in CY24.

Plan Year	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026
Actuarial Accrued Liability (AAL)	\$10,576,841	\$11,141,278	\$11,703,249	\$12,231,285	\$12,752,338
Actuarial Value of Assets	<u>1,041,102<sup>1</sup></u>	<u>1,719,215</u>	<u>2,426,544</u>	<u>3,134,444</u>	<u>3,872,884</u>
Unfunded AAL	\$9,535,739	\$9,422,063	\$9,276,705	\$9,096,840	\$8,879,454
Amortization Period	18	17	16	15	14
Normal Cost End of Year	\$324,223	\$340,434	\$357,456	\$375,329	\$394,095
Amortization of UAAL	<u>778,353</u>	<u>800,251</u>	<u>822,588</u>	<u>845,343</u>	<u>868,484</u>
Actuarially Determined Contribution	\$1,102,576	\$1,140,685	\$1,180,044	\$1,220,672	\$1,262,579
Discount Rate	7.39%	7.39%	7.39%	7.39%	7.39%
Expected Return on Assets	7.39%	7.39%	7.39%	7.39%	7.39%
Normal Cost Growth Rate	5.00%	5.00%	5.00%	5.00%	5.00%

Plan Year	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26
Est. Pay-go	\$396,883	\$454,050	\$508,136	\$552,479	\$591,094
Est. Implicit Rate Subsidy	125,571	126,678	161,840	179,137	194,890
Est. Net Trust Contribution	<u>580,122</u>	<u>559,957</u>	<u>510,068</u>	<u>489,056</u>	<u>476,595</u>
Funding Policy Contribution	\$1,102,576	\$1,140,685	\$1,180,044	\$1,220,672	\$1,262,579

<sup>1</sup> Estimated

# Projection of the Actuarially Determined Contribution (ADC)

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The purpose of this projection is to compare the current plan's projected Actuarial Determined Contributions (ADC) with the projected ADC's for a proposed plan amendment.

## Current Plan:

Eligible employees who retire from HACCC and commence receiving their Contra Costa Authority Employees Retirement Association Plan (CCCERA) pension at the time of retirement are eligible to receive a HACCC contribution toward the cost of postemployment medical and dental coverage.

Eligibility for retiree medical and dental benefits generally requires an employee to:

- be age 50 or older with at least 10 years of service with HACCC, or
- be age 55 or older with at least 5 years of service with HACCC, or
- have completed 30 or more years of service with HACCC.

HACCC contributes the cost of retiree and dependent medical and dental coverage up to specified limits. The maximum monthly contributions are for 2020 and 2021 are:

Coverage Level	Maximum Monthly Contribution
Retiree	\$462.00
Retiree + 1	\$924.00
Retiree + 2	\$1,205.00

At the retiree's death a surviving spouse may elect to continue coverage. However, they must contribute 100% of the required premium.

The retiree dental plan is the same as the plan provided to active employees. Monthly dental only premiums are shown below:

Coverage Level	2020/21 Dental Only Premium
Retiree	\$63.72
Retiree + 1	\$110.81
Retiree + 2	\$186.36

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**Proposed Amendment:**

Beginning on January 1 2022, HACCC will contribute the cost of retiree and dependent medical and dental coverage up to specified percentages of the CalPERS Kaiser Region 1 rate:

Calendar Year	Percent Contribution
2022	64%
2023	67%
2024 and after	70%

Since the HACCC contribution is a percentage of the CalPERS Kaiser Region 1 rate for the year, we have assumed the cap will increase with Pre-Medicare medical trend after coverage year 2024.

Health Care Trend

Year Beginning	Increase in Premium Rates	
	Pre-65	Post-65
2022	6.80%	5.00%
2023	6.55%	5.00%
2024	6.30%	5.00%
2025	6.05%	5.00%
2026	5.80%	5.00%
2027	5.55%	5.00%
2028	5.30%	5.00%
2029	5.05%	5.00%
2030 and later	5.00%	5.00%

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Estimated Maximum Monthly Contributions (Medical, Vision and Dental) for 5 years reflecting the January 1, 2022 change and Health Care Trend.

Calendar Year	Percent Kaiser Contribution	Estimated Monthly Contribution Retiree	Estimated Monthly Contribution Retiree +1
2022	64%	\$556.14	\$1,112.28
2023	67%	\$620.34	\$1,240.68
2024	70%	\$688.95	\$1,377.90
2025	70%	\$730.63	\$1,461.26
2026	70%	\$773.01	\$1,546.02

## Effect of the Amendment

We have measured the effect of the proposed amendment if reflected for the July 1, 2021-June 30, 2022 plan year. The proposed Amendment would increase the Actuarial Accrued Liability as of July 1, 2021 (AAL) from \$7,647,000 to \$10,577,000 or a 38% increase.

The estimated 2021-2022 Actuarially Determined Contribution is \$1,103,000, a 50% increase over the current plan contribution of \$735,000.

# Projection of the Actuarially Determined Contribution (ADC)

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## **The Authority's Funding Policy as of 6/30/20:**

Your funding policy is to fund the full Actuarial Determined Contribution (ADC), which includes:

- Pay-go (Explicit retiree benefit costs)
- Implicit rate subsidy (Transfers of a portion of employee benefit expense to OPEB)
- Trust contribution (Calculated as the ADC less the above two amounts, but no less than zero)