

# AC Transit District Employees' Retirement Plan

Staff Report 20-326

Agenda Item 4.A.



Classic Values, Innovative Advice

## Joint Board Meeting Materials

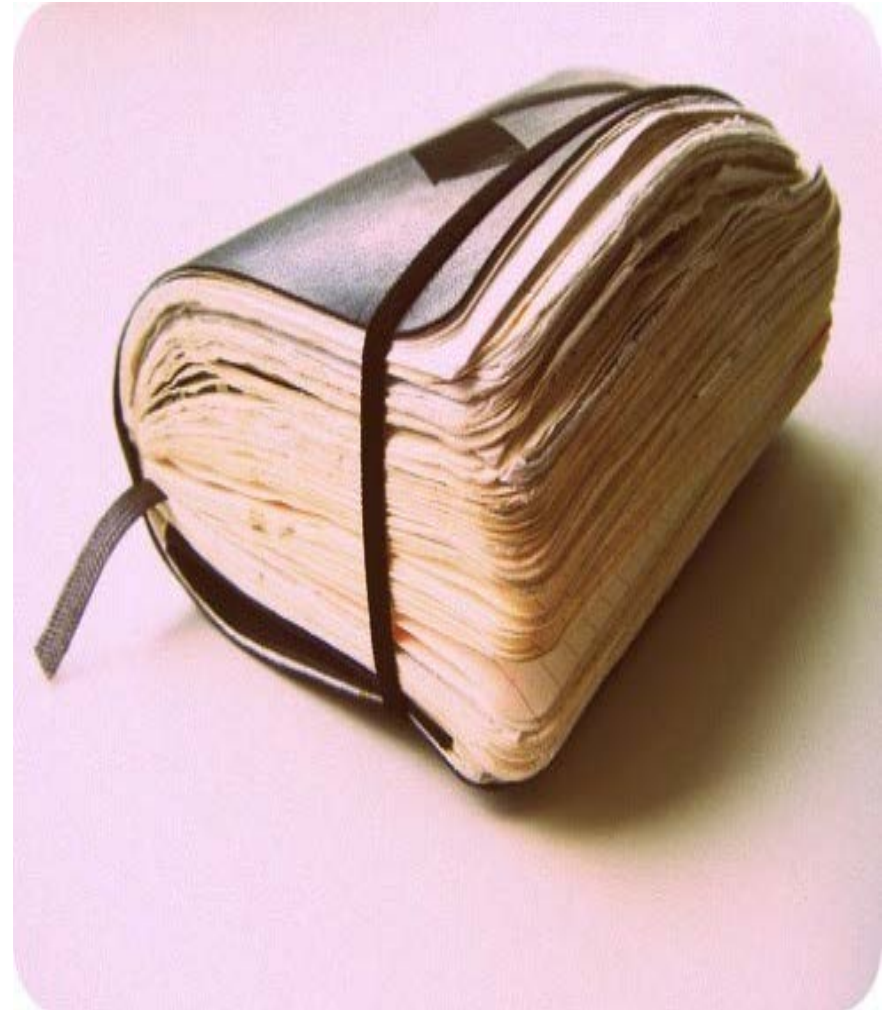
October 7, 2020

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# Agenda



- Actuarial Valuation as of January 1, 2020
- Plan Cost by Benefit / Source
- History of Plan Cost and Funding
- Effects of PEPRA
- Assumptions
- Projections



# Actuarial Valuation: Summary



## Summary of Plan Results

	January 1, 2019	January 1, 2020	% Change
<b><u>Participant Counts</u></b>			
Active Participants	2,213	2,241	1.27%
Participants Receiving a Benefit	2,118	2,148	1.42%
Inactive Participants	183	175	-4.37%
Total	4,514	4,564	1.11%
Annual Actuarial Pay of Active Members	\$ 191,362,058	\$ 201,317,923	5.20%
Projected Fiscal Year District Payroll	\$ 194,000,000	\$ 185,000,000	-4.64%
<b><u>Assets and Liabilities</u></b>			
Actuarial Liability (AL)	\$ 983,881,573	\$ 1,022,223,946	3.90%
Actuarial Value of Assets (AVA)	686,870,000	724,962,000	5.55%
Unfunded Actuarial Liability (UAL)	\$ 297,011,573	\$ 297,261,946	0.08%
Funded Ratio (AVA)	69.8%	70.9%	1.11%
Funded Ratio (MVA)	65.2%	73.1%	7.86%
Inactive Funded Ratio	56.5%	56.6%	0.08%
<b><u>Employer Contributions</u></b>			
<b>Based on Projected Pensionable Payroll</b>			
Total Contribution	\$ 60,238,483	\$ 60,950,506	1.18%
Employee Contribution	153,333	207,000	35.00%
Actuarially Determined Contribution (ADC)	\$ 60,085,150	\$ 60,743,506	1.10%
ADC Contribution Rate (as a Percentage of Payroll)	30.97%	32.83%	1.86%

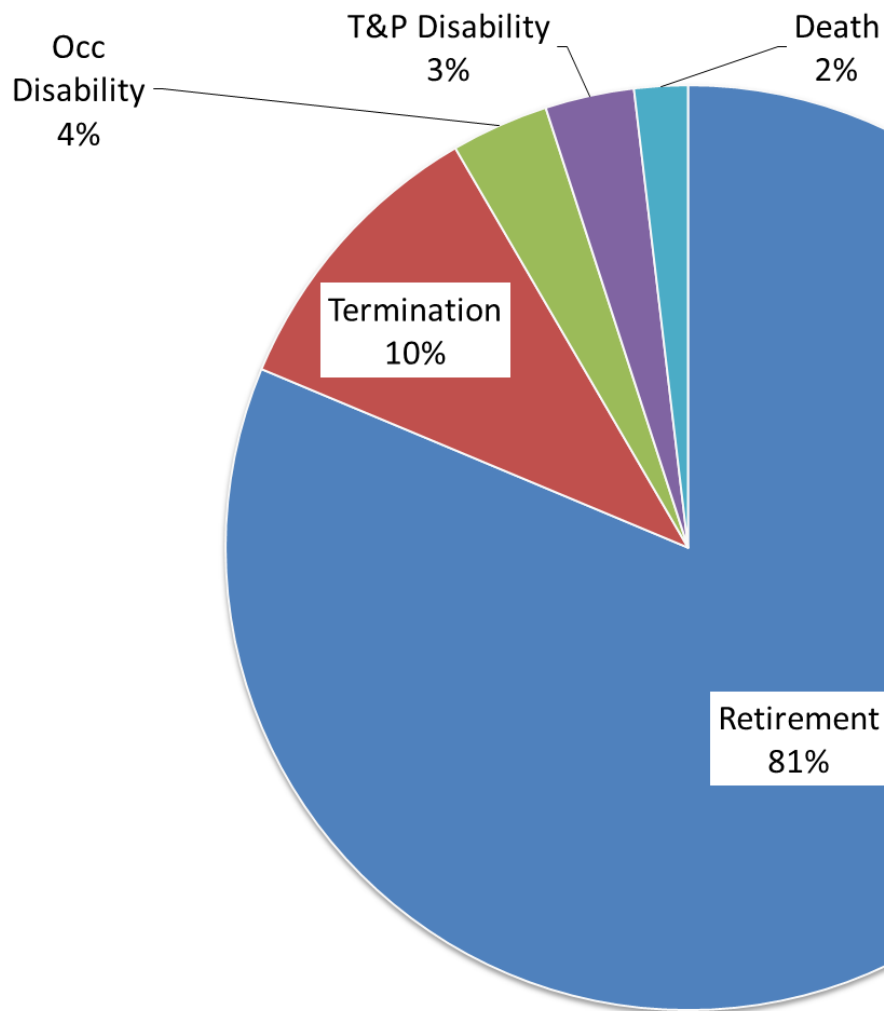
# Actuarial Valuation: Changes in Cost



## Employer Contribution Reconciliation

	Total Cost as % Payroll	Total Cost in Dollars
<b>FYE 2020 Net Employer Contribution</b>	<b>30.97%</b>	<b>\$ 60,085,150</b>
Expected changes (expected payroll growth)	0.00%	1,802,454
Change due to investment (gains)/losses during 2019	0.19%	374,447
Change due to PEPPRA	-0.14%	(277,130)
Change due to actual payroll growth	1.37%	(1,966,614)
Change due to demographic (gains)/losses	<u>0.44%</u>	<u>725,199</u>
<b>FYE 2021 Net Employer Contribution</b>	<b>32.83%</b>	<b>\$ 60,743,506</b>

# Plan Cost by Benefit



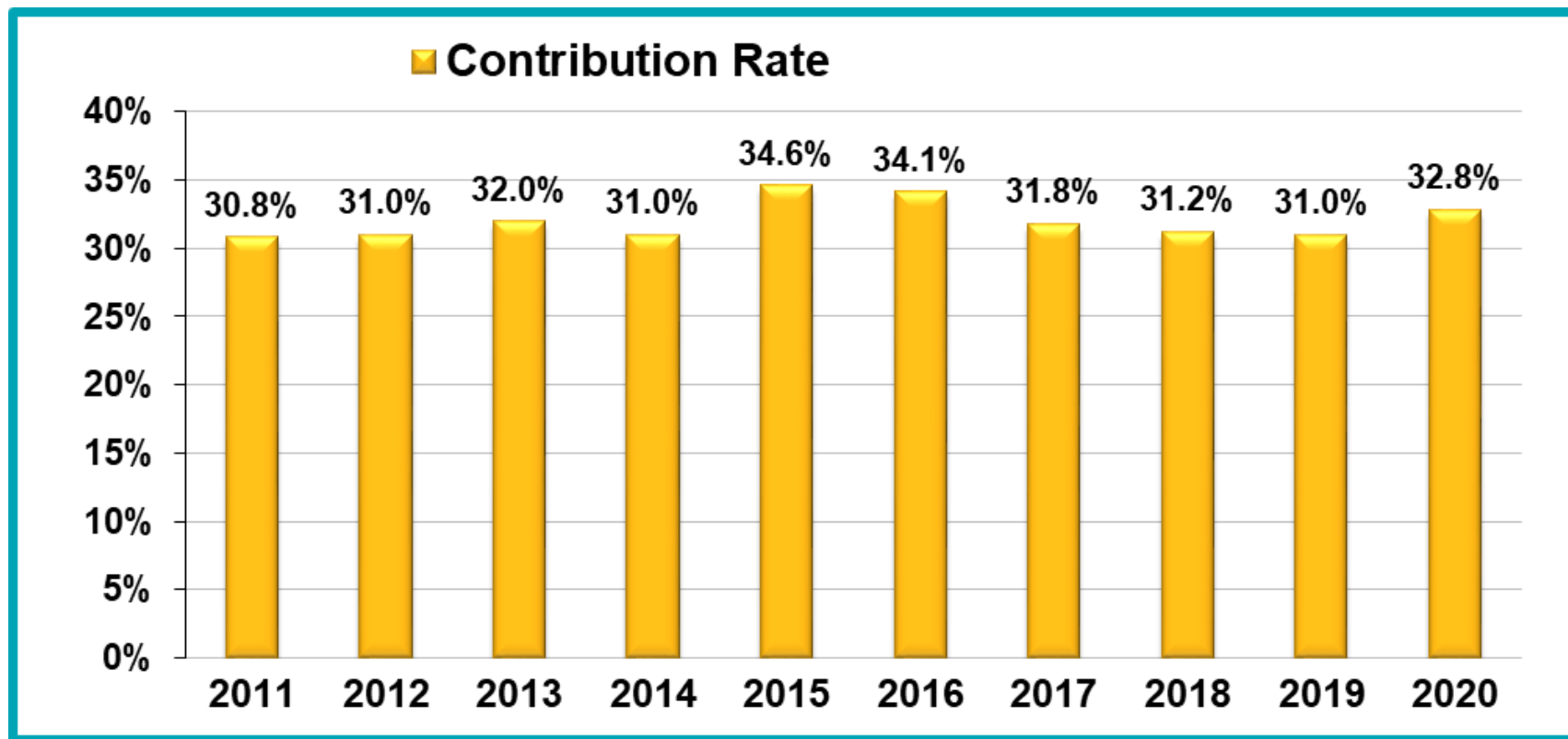
# Plan Cost by Source



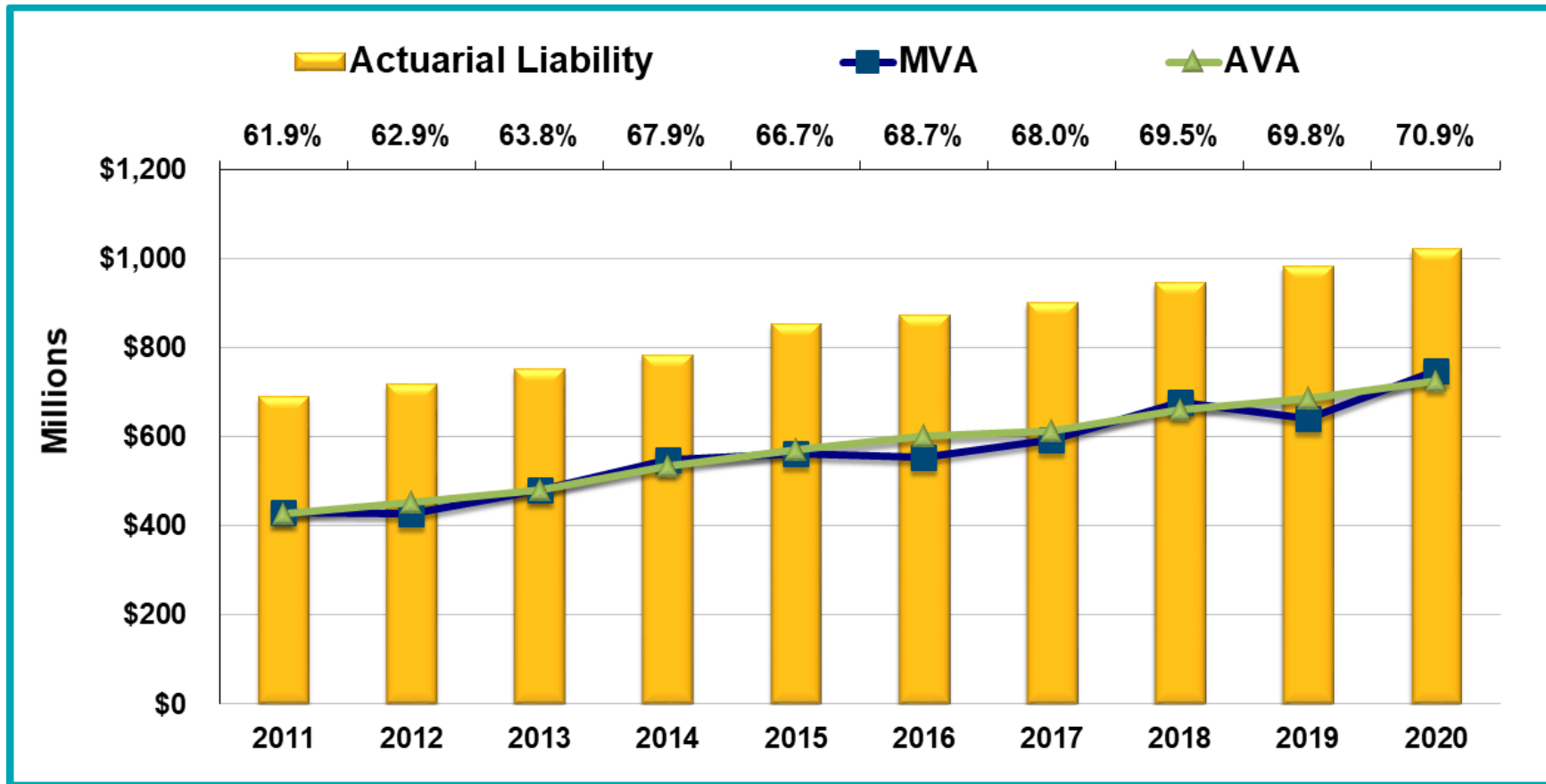
## Summary of District Contributions for FY 2020-21

Item	Cost as % of Fiscal Payroll	Cost in Dollars
Projected Pensionable Payroll		
Non-PEPRA		\$ 181,400,000
PEPRA		3,600,000
Amortization of Unfunded	18.73%	\$ 34,658,251
Expenses	0.83%	1,539,195
Non-PEPRA Normal Cost	13.41%	24,325,740
PEPRA Normal Cost	6.12%	<u>220,320</u>
Total (Estimated)	32.83%	\$ 60,743,506

# Plan Cost History

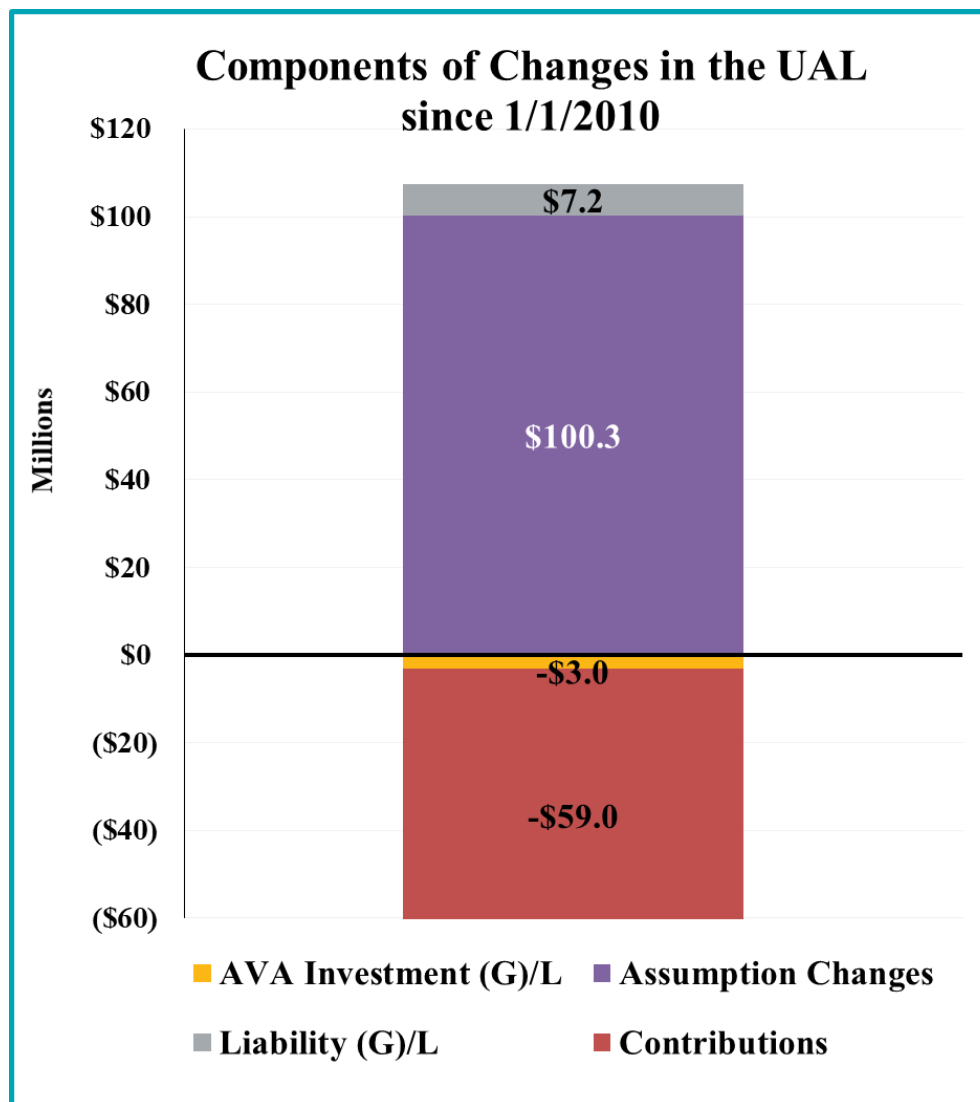


# Plan Funding History





# Changes in the UAL since 2010



# Amortization Schedule



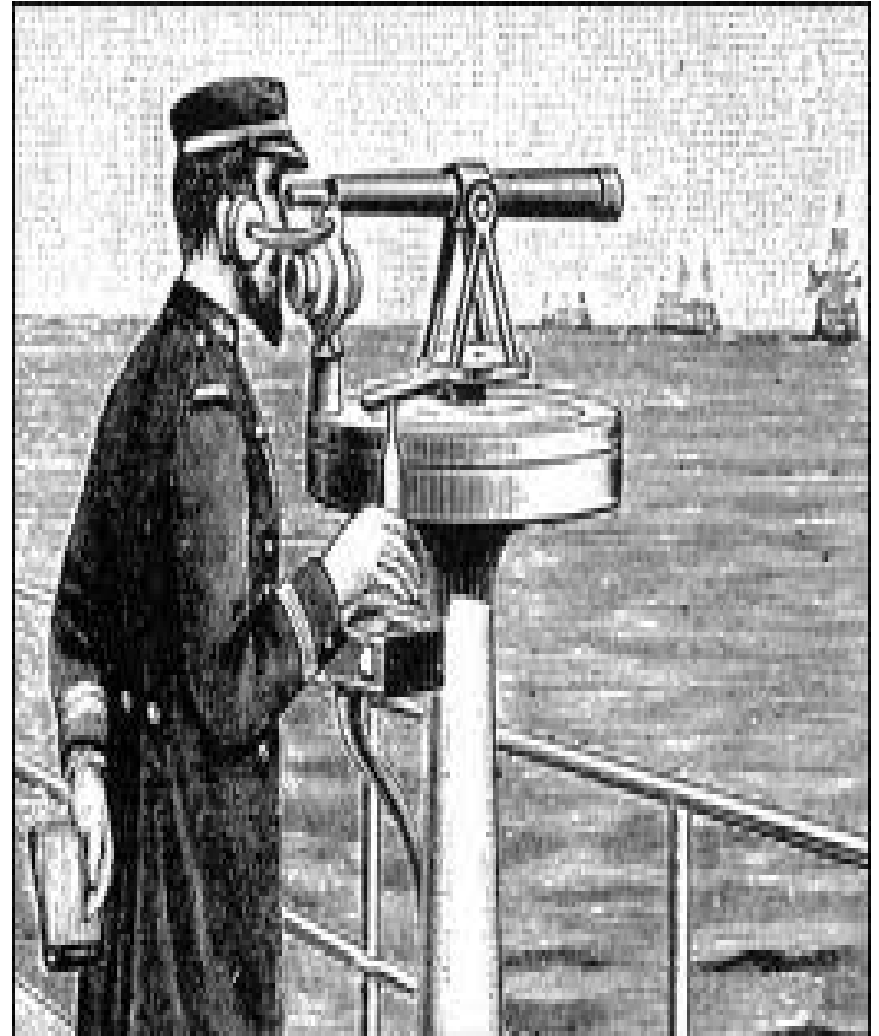
## Development of Amortization Payment for Fiscal Year 2021

<u>Type of Base</u>	<u>Date Established</u>	<u>Initial Amount</u>	<u>Initial Amortization Years</u>	<u>1/1/2020 Outstanding Balance</u>	<u>Remaining Amortization Years</u>	<u>Amortization Amount</u>
2008 Extraordinary Actuarial Loss	1/1/2009	\$ 78,762,712	30	\$ 83,676,028	19	\$ 6,072,272
Remaining UAL as of 2016	1/1/2016	212,567,221	12	171,728,360	8	24,434,948
2016 Experience Loss	1/1/2017	29,089	20	28,456	17	2,231
2017 Experience Gain	1/1/2018	(558,939)	20	(552,128)	18	(41,587)
Assumption changes	1/1/2018	10,040,964	20	9,918,610	18	747,090
2018 Experience Loss	1/1/2019	24,473,917	20	24,351,318	19	1,767,147
Assumption changes	1/1/2019	(5,244,129)	20	(5,217,859)	19	(378,654)
2019 Experience Loss	1/1/2020	13,329,161	20	13,329,161	20	934,404
<b>Total Unfunded Actuarial Liability (UAL)</b>				<b>\$ 297,261,946</b>		<b>\$ 33,537,851</b>
Offset to UAL for 1/1-6/30 Contribution Receivable				(16,361,275)	20	(1,146,962)
<b>Net UAL Payment</b>						<b>\$ 32,390,889</b>
With Interest to Fiscal Year						34,658,251

# Looking Ahead



- Impact of PEPRA
- Assumptions
  - Investment Return
  - Other Assumptions
- Projections
  - Future contributions
  - Future funded ratios





- 2018 valuation was the first to include impact of PEPRA
  - Non-rep members hired on or after 1/1/2016
  - Represented members hired after 1/1/2020
  - PEPRA provides for 50/50 sharing of the Normal Cost between members and employers
    - Member portion based on 50% of the Normal Cost, rounded to the nearest  $\frac{1}{4}\%$  of pay
    - Member rate only changes if the Normal Cost rate changes by more than 1% of pay
    - Original Normal Cost rate for PEPRA was estimated to be 11.64% of pay (50% of 11.64%, rounded to nearest 0.25% = 5.75% of pay)

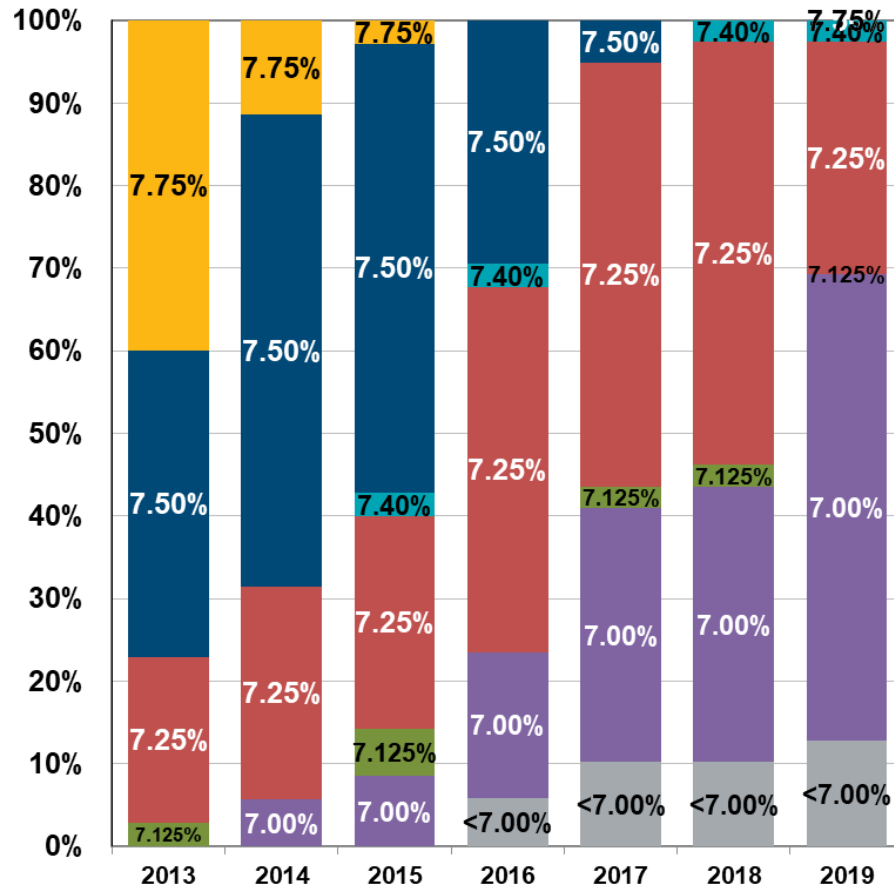


- Retirement Board has made recent changes to the investment return assumption
  - Continuing to receive information from investment consultant and actuary on expected returns, and input from District
  - In 2017, Board voted to use 7.25% for 2017
  - Reduced rate to 7.125% for the 2018 valuation
  - Reduced rate again to 7.00% for 2019 and 2020 valuations
  - Board reviews assumption every year

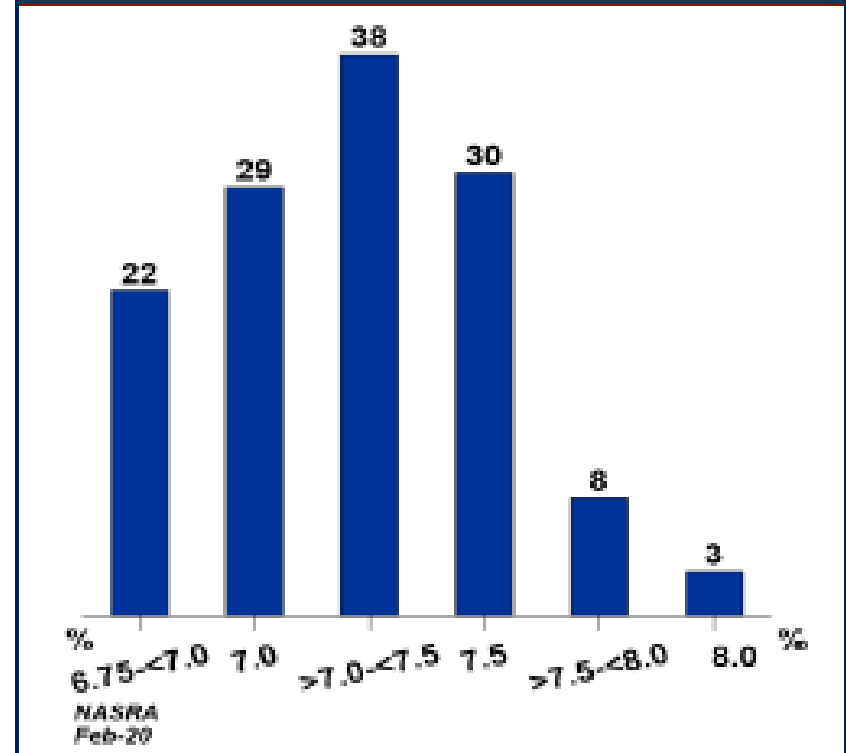
# Assumptions



**Distribution of Discount Rates**  
Cheiron Survey of California Systems



**Figure 5: Distribution of investment return assumptions**





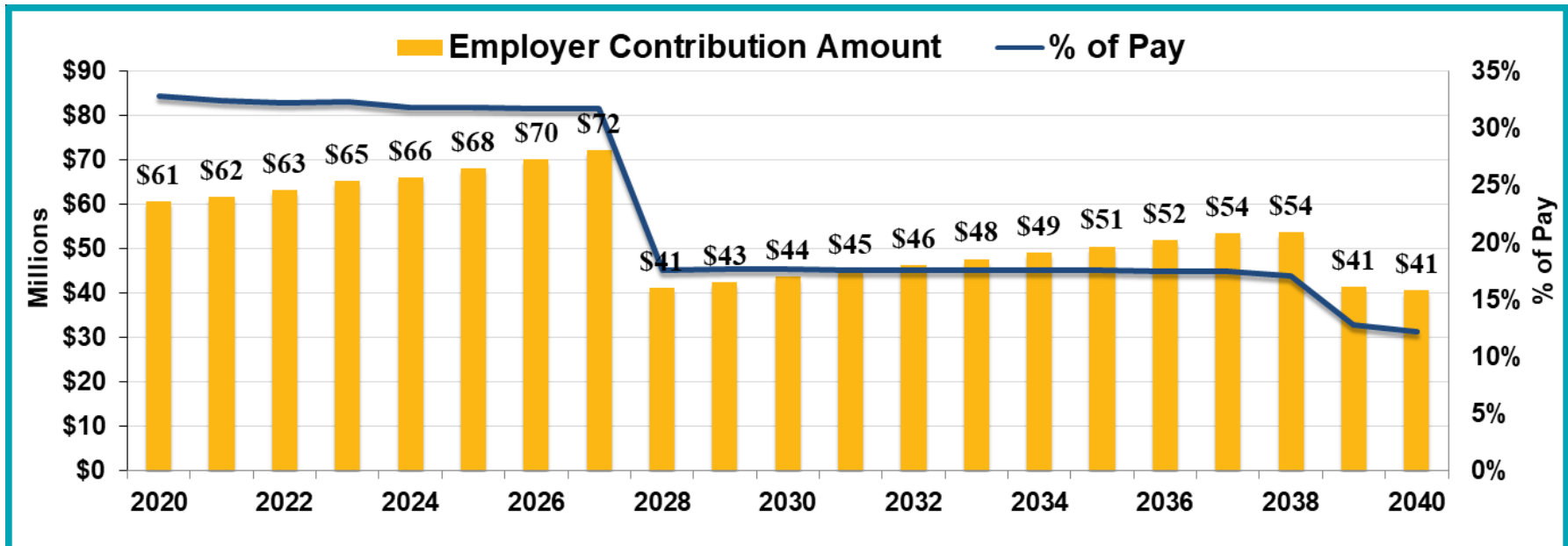
- Quadrennial experience study completed in 2019
  - Complete review of economic assumptions, including:
    - Rate of investment return (7.0%)
    - Rate of inflation (3.0%)
    - Wage growth (3.0%)
  - In addition, reviewed all demographic assumptions, comparing assumptions to recent experience:
    - Rates of retirement, disability, termination, mortality
    - Merit/longevity pay increases
    - Family composition
    - Plan expenses
  - Changes to demographic assumptions resulted in reduction in liabilities and cost



- Projections don't reflect any changes to demographic information or assumptions
  - Projections assume level active workforce (including 3% annual payroll growth) with Non-Rep members retiring after 1/1/2020 assumed to be replaced by PEPRA members
    - PEPRA for Represented members will be included in future projections
  - Projections include 7% investment return assumption for 2020+

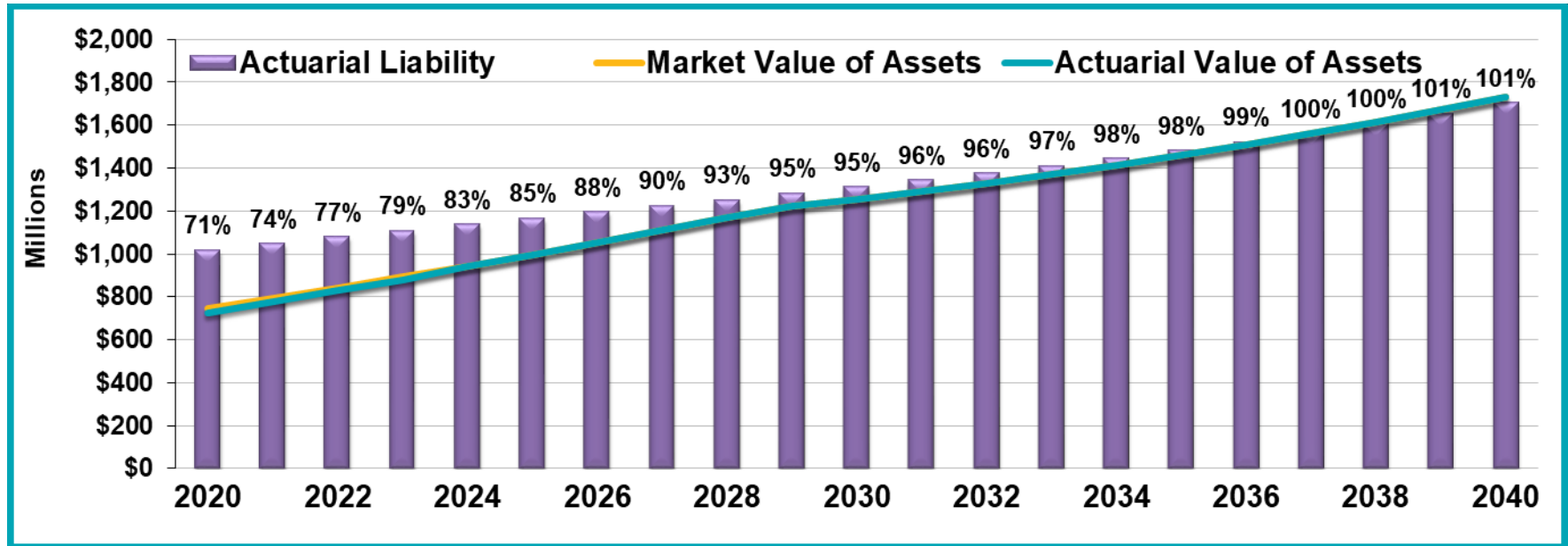


# Baseline Projection – Contributions



Projections based on 7.0% return each year (projections from 2020 AVR do not include impact of PEPRA for Represented members)

# Baseline Projection – Funded Ratio



Projections based on 7.0% return each year

# Required Disclosures



- The purpose of this presentation is to discuss the current status and outlook for the Alameda - Contra Costa Transit District (AC Transit) Retirement Plan. This presentation is for the use of the Retirement Board in its education and outreach efforts.
- In preparing this presentation, we relied on information (some oral and some written) supplied by Staff at AC Transit. This information includes, but is not limited to, the plan provisions, employee data, and financial information.
- 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 a credentialed actuary, I 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. I am not an attorney and our firm does not provide any legal services or advice.
- This presentation was prepared solely for the Retirement Board of AC Transit for the purposes 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 any other user.

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