

REPORT

To the Honorable Mayor and City Council
From the City Manager

October 1, 2018

SUBJECT

Receive and Consider Actuarial Reports Related to Adopting A Second Tier of Retiree Health Benefits for Employees Hired After September 1, 2018

RECOMMENDATION

Receive and review the findings in the actuarial reports and consider adopting the proposed changes to retiree health benefits after engaging in the meet and confer process with the applicable bargaining groups.

BACKGROUND

The City of Redwood City provides health benefits in retirement to employees who have worked for the City for 10 years or more¹ and who retire from the City. For certain public safety positions, the retiree health benefits are provided at the family level of coverage if the employee retires due to a work-related disability. For other employees, the retiree health benefit is provided at the employee-only level of coverage. In both cases, the monthly benefit is tied to Kaiser Bay Area premiums negotiated by the California Public Employees' Retirement System (CalPERS).

Retiree health benefits are commonly called Other Post Employment Benefits (OPEB), and the City routinely conducts actuarial studies to determine annual contributions the City must make to fund this long term benefit, and to assesses the gap between total funding required for the benefit and funds currently set aside. At this time, the City has an estimated gap, or unfunded liability, of \$58 million for retiree health benefits and has funded approximately 32% of the total cost of this benefit. This is common in cities across the state, however, it is also a concern as the City seeks to fully fund future obligations to employees.

¹ Members of Executive Management hired prior to January 1, 2013 and City Councilmembers in office prior to January 1, 2013 must have at least five years of service with the City, prior to retiring from the City, in order to receive retiree health benefits.

The City is in the process of negotiating new agreements regarding public employee compensation. These negotiations are occurring over time; some bargaining groups are close to completing the negotiations process, while others are expected to be complete in the next few months. At this time, the City and the Redwood City Police Supervisors Association (PSA) have tentatively agreed to changes to the Memorandum of Understanding's ("MOU") provisions on retiree health benefits. The City has also proposed the same changes to the MOUs with the Redwood City Police Officer's Association (POA), Chief Officers Association (COA), International Association of Firefighters Local #2400 (IAFF), and Redwood City Management Employees Association (RCMEA). The City will present the proposal to Service Employees International Union Local 521 (SEIU) when MOU negotiations begin in October 2018. The changes to retiree health benefits are subject to the meet and confer process. No changes will be made until after the City has complied with its obligations under the meet and confer process. The City also proposes to apply the same changes to the Executive Management Summary of Benefits and to unrepresented employees (management confidential employees and elected officials); these changes are not subject to the meet and confer process as these employees are not represented by bargaining groups.

The City's proposal to bargaining groups corrects previous MOU language to describe current practices more accurately. It also creates a second tier with lesser benefits for retirees hired after September 1, 2018 in order to reduce future retiree health costs to the City.

Employees in the second tier will receive a stipend that shall not exceed 90% of the CalPERS Bay Area Kaiser Premium for employee only coverage. The City will pay the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum employer contribution to CalPERS and reimburse the retiree for the remaining difference in the City's contribution amount. Retirees in higher priced regions will be required to pay the additional premium amount that is in excess of Bay Area rates.

Employees hired before September 1, 2018, will remain in the first tier. These employees will receive the premium for employee only coverage in the plan selected by the retiree not to exceed the amount of the CalPERS Bay Area Kaiser Premium for family coverage. Retirees in higher priced regions will be required to pay the additional premium.

Once an employee in Tier One or Tier Two becomes eligible for Medicare the City will pay a stipend that shall not exceed the cost of the Kaiser Permanente Senior Advantage Plan.

Government Code Section 7507 requires the City to secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal costs and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits. Additionally, at least two weeks before changes are considered for adoption, the City is required to make public at a public meeting the actuary's determinations. This report allows the City to comply with this requirement for the PSA, which has tentatively agreed to modifications to retiree health benefits, and for any other bargaining groups which may agree to such modifications in the future. Upon adoption of any changes, the City Manager must acknowledge in writing that she understands the current and future cost of the benefit as determined by the actuary.

ANALYSIS

The City is working toward fully funding its retiree health obligations by increasing annual payments to the City's retiree health fund and by working with its bargaining groups to address the existing shortfall. By creating a second tier with lesser benefits, the City is decreasing the cost of the other post employment benefits ("OPEB"). The City is also making a correction to the MOU language that describes Tier One which applies to current employees. The new language more accurately describes the current benefits paid by the City. Although the correction is not an enhancement, the change in language may be perceived as an enhancement. As a result, as a precautionary measure, the City is following the procedures described in Government Code Section 7507.

ALTERNATIVES

The City Council can reject the proposed changes and direct staff to negotiate different proposals with the applicable bargaining units.

FISCAL IMPACT

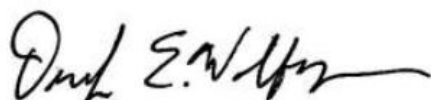
Attachment 1 to the staff report provides a total assessment of the positive financial benefit to the City if all employee groups adopted the second tier retiree health proposal. If this were to occur, the present value of the City's savings over the lifetime of current active employees is estimated to be \$2.4 million. The annual savings for all employee groups is estimated to be \$262,000 in FY 2018-19 and would increase over time. Attachments 2 – 9 assess the financial impact by each group of employees.

As noted above, at this time only the PSA has tentatively agreed to the City's proposed changes to retiree health benefits. The present value of the City's savings over the

lifetime of current active PSA employees is estimated to be \$69,000. The annual savings for the PSA is estimated to be \$8,000 in FY 2018-19 and would increase over time.

ENVIRONMENTAL REVIEW

This activity is not a project under CEQA as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.



DEREK WOLFGRAM, ACTING HUMAN RESOURCES MANAGER



KIMBRA MCCARTHY
ASSISTANT CITY MANAGER – ADMINISTRATIVE SERVICES DIRECTOR



MELISSA STEVENSON DIAZ
CITY MANAGER

ATTACHMENTS

1. Summary of Actuary Reports
2. Actuary Report PSA
3. Actuary Report POA
4. Actuary Report COA
5. Actuary Report IAFF
6. Actuary Report RCMEA
7. Actuary Report SEIU Local 521
8. Actuary Report Executive Management
9. Actuary Report Unrepresented Employees

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Total City

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Total City Results		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 56,957	\$ 54,573	\$ (2,384)
• Retirees	<u>50,183</u>	<u>50,183</u>	— -
• Total	107,140	104,756	(2,384)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 33,989	\$ 32,369	\$ (1,620)
• Retirees	<u>50,183</u>	<u>50,183</u>	— -
• Total	84,172	82,552	(1,620)
■ 6/30/17 Actuarial Value of Assets¹	<u>(26,570)</u>	<u>(26,570)</u>	— -
■ 6/30/17 Unfunded AAL	57,602	55,982	(1,620)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 2,698	\$ 2,602	\$ (96)
• Amortization of Unfunded AAL	<u>4,079</u>	<u>3,933</u>	<u>(146)</u>
• Total	6,777	6,535	(242)
■ 2017/18 Projected Payroll	57,404	57,404	-
■ 2017/18 ADC as a % of Projected Payroll	11.8%	11.4%	(0.4%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Total City
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 4.7%
 - Current actives under proposal: 4.5%
 - Future actives under proposal: 4.3%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	11.8%	11.4%	(0.4%)	\$ 6,777	\$ 6,535	\$ (242)
2018/19	11.8%	11.4%	(0.4%)	6,983	6,721	(262)
2019/20	11.8%	11.3%	(0.5%)	7,191	6,912	(279)
2020/21	11.8%	11.3%	(0.5%)	7,406	7,109	(297)
2021/22	11.8%	11.3%	(0.5%)	7,628	7,313	(315)
2022/23	11.8%	11.3%	(0.5%)	7,857	7,523	(334)
2023/24	11.8%	11.3%	(0.5%)	8,093	7,739	(354)
2024/25	11.8%	11.3%	(0.5%)	8,336	7,961	(375)
2025/26	11.8%	11.3%	(0.5%)	8,586	8,190	(396)
2026/27	11.8%	11.3%	(0.5%)	8,844	8,427	(417)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	10.0%	9.6%	(0.4%)	10,097	9,701	(396)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	4.7%	4.3%	(0.4%)	6,359	5,764	(595)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

PSA Group

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for PSA Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 2,896	\$ 2,827	\$ (69)
• Retirees	<u>5,102</u>	<u>5,102</u>	—
• Total	7,998	7,929	(69)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 1,890	\$ 1,836	\$ (54)
• Retirees	<u>5,102</u>	<u>5,102</u>	—
• Total	6,992	6,938	(54)
■ 6/30/17 Actuarial Value of Assets¹	<u>(2,207)</u>	<u>(2,207)</u>	—
■ 6/30/17 Unfunded AAL	4,785	4,731	(54)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 161	\$ 158	\$ (3)
• Amortization of Unfunded AAL	<u>339</u>	<u>334</u>	<u>(5)</u>
• Total	500	492	(8)
■ 2017/18 Projected Payroll	2,983	2,983	-
■ 2017/18 ADC as a % of Projected Payroll	16.8%	16.5%	(0.3%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON JUNE 30, 2017 OPEB ACTUARIAL VALUATION

PSA Group
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 5.4%
 - Current actives under proposal: 5.3%
 - Future actives under proposal: 5.1%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	16.8%	16.5%	(0.3%)	\$ 500	\$ 492	\$ (8)
2018/19	16.8%	16.5%	(0.3%)	515	506	(9)
2019/20	16.8%	16.5%	(0.3%)	530	521	(9)
2020/21	16.8%	16.5%	(0.3%)	546	536	(10)
2021/22	16.8%	16.4%	(0.4%)	563	552	(11)
2022/23	16.8%	16.4%	(0.4%)	579	568	(11)
2023/24	16.8%	16.4%	(0.4%)	597	584	(13)
2024/25	16.8%	16.4%	(0.4%)	615	600	(15)
2025/26	16.8%	16.3%	(0.5%)	633	618	(15)
2026/27	16.8%	16.3%	(0.5%)	652	636	(16)
:	:	:	:	:	:	:
2036/37	13.9%	13.6%	(0.3%)	728	711	(17)
:	:	:	:	:	:	:
2046/47	5.4%	5.1%	(0.3%)	379	356	(23)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

POA Group

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for POA Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 12,033	\$ 11,794	\$ (239)
• Retirees	<u>14,912</u>	<u>14,912</u>	___ -
• Total	26,945	26,706	(239)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 4,698	\$ 4,574	\$ (124)
• Retirees	<u>14,912</u>	<u>14,912</u>	___ -
• Total	19,610	19,486	(124)
■ 6/30/17 Actuarial Value of Assets¹	<u>(6,190)</u>	<u>(6,190)</u>	___ -
■ 6/30/17 Unfunded AAL	13,420	13,296	(124)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 739	\$ 728	\$ (11)
• Amortization of Unfunded AAL	<u>950</u>	<u>939</u>	<u>(11)</u>
• Total	1,689	1,667	(22)
■ 2017/18 Projected Payroll	10,702	10,702	-
■ 2017/18 ADC as a % of Projected Payroll	15.8%	15.6%	(0.2%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

POA Group
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 6.9%
 - Current actives under proposal: 6.8%
 - Future actives under proposal: 6.6%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	15.8%	15.6%	(0.2%)	\$ 1,689	\$ 1,667	\$ (22)
2018/19	15.8%	15.6%	(0.2%)	1,740	1,717	(23)
2019/20	15.8%	15.6%	(0.2%)	1,792	1,768	(24)
2020/21	15.8%	15.6%	(0.2%)	1,846	1,820	(26)
2021/22	15.8%	15.6%	(0.2%)	1,901	1,873	(28)
2022/23	15.8%	15.5%	(0.3%)	1,958	1,928	(30)
2023/24	15.8%	15.5%	(0.3%)	2,017	1,985	(32)
2024/25	15.8%	15.5%	(0.3%)	2,078	2,043	(35)
2025/26	15.8%	15.5%	(0.3%)	2,140	2,102	(38)
2026/27	15.8%	15.5%	(0.3%)	2,204	2,164	(40)
:	:	:	:	:	:	:
2036/37	13.6%	13.3%	(0.3%)	2,546	2,488	(58)
:	:	:	:	:	:	:
2046/47	6.9%	6.5%	(0.4%)	1,742	1,649	(93)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

COA

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for COA Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 808	\$ 780	\$ (28)
• Retirees	<u>361</u>	<u>361</u>	<u>-</u>
• Total	1,169	1,141	(28)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 698	\$ 673	\$ (25)
• Retirees	<u>361</u>	<u>361</u>	<u>-</u>
• Total	1,059	1,034	(25)
■ 6/30/17 Actuarial Value of Assets¹	<u>(335)</u>	<u>(335)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	724	699	(25)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 35	\$ 34	\$ (1)
• Amortization of Unfunded AAL	<u>52</u>	<u>50</u>	<u>(2)</u>
• Total	87	84	(3)
■ 2017/18 Projected Payroll	1,080	1,080	-
■ 2017/18 ADC as a % of Projected Payroll	8.0%	7.8%	(0.2%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

COA
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 3.2%
 - Current actives under proposal: 3.1%
 - Future actives under proposal: 3.0%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	8.0%	7.8%	(0.2%)	\$ 87	\$ 84	\$ (3)
2018/19	8.0%	7.6%	(0.4%)	89	85	(4)
2019/20	8.0%	7.6%	(0.4%)	92	87	(5)
2020/21	8.0%	7.6%	(0.4%)	94	90	(4)
2021/22	8.0%	7.6%	(0.4%)	97	92	(5)
2022/23	8.0%	7.5%	(0.5%)	100	94	(6)
2023/24	8.0%	7.5%	(0.5%)	103	97	(6)
2024/25	8.0%	7.5%	(0.5%)	106	100	(6)
2025/26	8.0%	7.5%	(0.5%)	109	103	(6)
2026/27	8.0%	7.5%	(0.5%)	113	106	(7)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	6.8%	6.5%	(0.3%)	129	124	(5)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	3.2%	3.0%	(0.2%)	82	75	(7)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

IAFF

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for IAFF Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 11,379	\$ 11,083	\$ (296)
• Retirees	<u>7,577</u>	<u>7,577</u>	<u>-</u>
• Total	18,956	18,660	(296)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 5,778	\$ 5,611	\$ (167)
• Retirees	<u>7,577</u>	<u>7,577</u>	<u>-</u>
• Total	13,355	13,188	(167)
■ 6/30/17 Actuarial Value of Assets¹	<u>(4,216)</u>	<u>(4,216)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	9,139	8,972	(167)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 546	\$ 533	\$ (13)
• Amortization of Unfunded AAL	<u>647</u>	<u>632</u>	<u>(15)</u>
• Total	1,193	1,165	(28)
■ 2017/18 Projected Payroll	10,720	10,720	-
■ 2017/18 ADC as a % of Projected Payroll	11.1%	10.9%	(0.2%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

IAFF
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 5.1%
 - Current actives under proposal: 5.0%
 - Future actives under proposal: 4.7%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	11.1%	10.9%	(0.2%)	\$ 1,193	\$ 1,165	\$ (28)
2018/19	11.1%	10.9%	(0.2%)	1,229	1,199	(30)
2019/20	11.1%	10.9%	(0.2%)	1,266	1,234	(32)
2020/21	11.1%	10.8%	(0.3%)	1,304	1,270	(34)
2021/22	11.1%	10.8%	(0.3%)	1,343	1,307	(36)
2022/23	11.1%	10.8%	(0.3%)	1,383	1,345	(38)
2023/24	11.1%	10.8%	(0.3%)	1,425	1,384	(41)
2024/25	11.1%	10.8%	(0.3%)	1,468	1,424	(44)
2025/26	11.1%	10.8%	(0.3%)	1,512	1,465	(47)
2026/27	11.1%	10.8%	(0.3%)	1,557	1,507	(50)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	9.6%	9.3%	(0.3%)	1,809	1,754	(55)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	5.1%	4.7%	(0.4%)	1,287	1,191	(96)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

RCMEA

Proposed 2nd tier retiree healthcare benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for RCMEA Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 7,103	\$ 6,694	\$ (409)
• Retirees	<u>6,471</u>	<u>6,471</u>	<u>-</u>
• Total	13,574	13,165	(409)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 4,982	\$ 4,696	\$ (286)
• Retirees	<u>6,471</u>	<u>6,471</u>	<u>-</u>
• Total	11,453	11,167	(286)
■ 6/30/17 Actuarial Value of Assets¹	<u>(3,615)</u>	<u>(3,615)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	7,838	7,552	(286)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 275	\$ 259	\$ (16)
• Amortization of Unfunded AAL	<u>554</u>	<u>528</u>	<u>(26)</u>
• Total	829	787	(42)
■ 2017/18 Projected Payroll	9,444	9,444	-
■ 2017/18 ADC as a % of Projected Payroll	8.8%	8.3%	(0.5%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

RCMEA
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 2.9%
 - Current actives under proposal: 2.7%
 - Future actives under proposal: 2.5%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	8.8%	8.3%	(0.5%)	\$ 829	\$ 787	\$ (42)
2018/19	8.8%	8.3%	(0.5%)	855	810	(45)
2019/20	8.8%	8.3%	(0.5%)	881	833	(48)
2020/21	8.8%	8.3%	(0.5%)	907	857	(50)
2021/22	8.8%	8.3%	(0.5%)	934	881	(53)
2022/23	8.8%	8.3%	(0.5%)	962	906	(56)
2023/24	8.8%	8.3%	(0.5%)	991	932	(59)
2024/25	8.8%	8.3%	(0.5%)	1,021	959	(62)
2025/26	8.8%	8.2%	(0.6%)	1,052	987	(65)
2026/27	8.8%	8.2%	(0.6%)	1,083	1,015	(68)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	7.3%	7.0%	(0.3%)	1,212	1,154	(58)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	2.9%	2.5%	(0.4%)	648	564	(84)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

SEIU

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for SEIU Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 19,539	\$ 18,389	\$ (1,150)
• Retirees	<u>11,720</u>	<u>11,720</u>	<u>-</u>
• Total	31,259	30,109	(1,150)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 14,014	\$ 13,167	\$ (847)
• Retirees	<u>11,720</u>	<u>11,720</u>	<u>-</u>
• Total	25,734	24,887	(847)
■ 6/30/17 Actuarial Value of Assets¹	<u>(8,123)</u>	<u>(8,123)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	17,611	16,764	(847)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 750	\$ 708	\$ (42)
• Amortization of Unfunded AAL	<u>1,247</u>	<u>1,171</u>	<u>(76)</u>
• Total	1,997	1,879	(118)
■ 2017/18 Projected Payroll	17,401	17,401	-
■ 2017/18 ADC as a % of Projected Payroll	11.5%	10.8%	(0.7%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

SEIU
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 4.3%
 - Current actives under proposal: 4.1%
 - Future actives under proposal: 3.7%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	11.5%	10.8%	(0.7%)	\$1,997	\$1,879	\$(118)
2018/19	11.5%	10.8%	(0.7%)	2,057	1,930	(127)
2019/20	11.5%	10.7%	(0.8%)	2,119	1,983	(136)
2020/21	11.5%	10.7%	(0.8%)	2,183	2,037	(146)
2021/22	11.5%	10.7%	(0.8%)	2,248	2,094	(154)
2022/23	11.5%	10.7%	(0.8%)	2,316	2,153	(163)
2023/24	11.5%	10.7%	(0.8%)	2,385	2,214	(171)
2024/25	11.5%	10.6%	(0.9%)	2,457	2,277	(180)
2025/26	11.5%	10.6%	(0.9%)	2,530	2,341	(189)
2026/27	11.5%	10.6%	(0.9%)	2,606	2,408	(198)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	9.7%	9.2%	(0.5%)	2,956	2,794	(162)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	4.3%	3.7%	(0.6%)	1,768	1,533	(235)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Executive Management

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for Executive Mgmt Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 2,111	\$ 1,990	\$ (121)
• Retirees	<u>3,752</u>	<u>3,752</u>	<u>-</u>
• Total	5,863	5,742	(121)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 1,245	\$ 1,175	\$ (70)
• Retirees	<u>3,752</u>	<u>3,752</u>	<u>-</u>
• Total	4,997	4,927	(70)
■ 6/30/17 Actuarial Value of Assets¹	<u>(1,577)</u>	<u>(1,577)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	3,420	3,350	(70)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 134	\$ 127	\$ (7)
• Amortization of Unfunded AAL	<u>242</u>	<u>236</u>	<u>(6)</u>
• Total	376	363	(13)
■ 2017/18 Projected Payroll	4,311	4,311	-
■ 2017/18 ADC as a % of Projected Payroll	8.7%	8.4%	(0.3%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Executive Management
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 3.1%
 - Current actives under proposal: 2.9%
 - Future actives under proposal: 2.7%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	8.7%	8.4%	(0.3%)	\$ 376	\$ 363	\$ (13)
2018/19	8.7%	8.4%	(0.3%)	387	373	(14)
2019/20	8.7%	8.4%	(0.3%)	399	383	(16)
2020/21	8.7%	8.4%	(0.3%)	411	393	(18)
2021/22	8.7%	8.3%	(0.4%)	423	404	(19)
2022/23	8.7%	8.3%	(0.4%)	436	416	(20)
2023/24	8.7%	8.3%	(0.4%)	449	428	(21)
2024/25	8.7%	8.3%	(0.4%)	463	440	(23)
2025/26	8.7%	8.3%	(0.4%)	477	453	(24)
2026/27	8.7%	8.3%	(0.4%)	491	466	(25)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	7.3%	7.0%	(0.3%)	553	526	(27)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	3.1%	2.7%	(0.4%)	316	276	(40)

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Unrepresented

Proposed 2nd tier retiree health benefit is the same as the current plan benefit except for the following changes to the cap for service retirements only:

	Pre-Medicare Cap	Post-Medicare Cap
Current Retirees	No change	No change
Current Actives	No change	Kaiser Senior Adv. Single Rate
Future Hires	90% Kaiser Bay Area Single Rate	Kaiser Senior Adv. Single Rate

Impact on June 30, 2017 Valuation Results – Current Actives and Retirees Only
(Amounts in thousands)

	Results for Unrepresented Only		
	Current Plan	Proposal	Impact
■ 6/30/17 Present Value of Benefit			
• Actives	\$ 1,088	\$ 1,016	\$ (72)
• Retirees	<u>288</u>	<u>288</u>	<u>-</u>
• Total	1,376	1,304	(72)
■ 6/30/ 17 Actuarial Accrued Liability			
• Actives	\$ 684	\$ 637	\$ (47)
• Retirees	<u>288</u>	<u>288</u>	<u>-</u>
• Total	972	925	(47)
■ 6/30/17 Actuarial Value of Assets¹	<u>(307)</u>	<u>(307)</u>	<u>-</u>
■ 6/30/17 Unfunded AAL	665	618	(47)
■ 2017/18 Actuarial Determined Contribution			
• Normal Cost plus Administrative Expenses	\$ 58	\$ 54	\$ (4)
• Amortization of Unfunded AAL	<u>48</u>	<u>44</u>	<u>(4)</u>
• Total	106	98	(8)
■ 2017/18 Projected Payroll	763	763	-
■ 2017/18 ADC as a % of Projected Payroll	13.9%	12.8%	(1.1%)

Note - Results are based on the June 30, 2017 OPEB valuation, including census data and actuarial methods and assumptions. Changes in unfunded AAL are amortized over 15 years.

¹ Assets allocated based on 6/30/17 valuation Actuarial Accrued Liability.

REDWOOD CITY
IMPACT OF 2ND TIER RETIREE HEALTH PROPOSAL
BASED ON THE JUNE 30, 2017 OPEB ACTUARIAL VALUATION

Unrepresented
Impact of Benefit Change for New Hires
(Amounts in thousands)

- New hires are not included in the 6/30/17 valuation results
- Benefit changes for new hires impact future year normal costs only
- Normal Cost:
 - Current actives in 6/30/17 valuation: 7.6%
 - Current actives under proposal: 7.1%
 - Future actives under proposal: 6.7%
- Projection below reflects impact of proposal on both current and futures actives

Projected Actuarially Determined Contribution (ADC) Comparison
(Amounts in thousands)

Fiscal Year	ADC - % of Payroll			ADC - \$		
	Current Plan	Proposal	Impact	Current Plan	Proposal	Impact
2017/18	13.9%	12.8%	(1.1%)	\$ 106	\$ 98	\$ (8)
2018/19	13.9%	12.8%	(1.1%)	109	101	(8)
2019/20	13.9%	12.6%	(1.3%)	113	102	(11)
2020/21	13.9%	12.6%	(1.3%)	116	105	(11)
2021/22	13.9%	12.6%	(1.3%)	119	108	(11)
2022/23	13.9%	12.6%	(1.3%)	123	111	(12)
2023/24	13.9%	12.6%	(1.3%)	127	114	(13)
2024/25	13.9%	12.5%	(1.4%)	130	118	(12)
2025/26	13.9%	12.5%	(1.4%)	134	121	(13)
2026/27	13.9%	12.5%	(1.4%)	138	125	(13)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2036/37	12.2%	11.4%	(0.8%)	164	152	(12)
⋮	⋮	⋮	⋮	⋮	⋮	⋮
2046/47	7.6%	6.7%	(0.9%)	137	120	(17)