

Projection of Actuarially Determined Contribution (ADC)

Table 1 presents a five-year projection based on these assumptions: There are no plan changes, the Authority contributes according to the Funding Policy, assets earn 6.50% per year, the discount rate remains 6.50%, and the normal cost component of the ADC increases 5.00% per year throughout the five-year period. Table 2 shows the trust contribution net of estimated benefit payments.

Table 1 Projected ADC - Before Proposed Change in Benefit Terms

Plan Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Actuarially Accrued Liability	\$ 11,815,156	\$ 12,612,065	\$ 13,375,126	\$ 14,127,917	\$ 15,746,840
Actuarial Value of Assets	<u>3,987,111</u>	<u>5,011,784</u>	<u>6,035,878</u>	<u>7,085,308</u>	<u>8,209,727</u>
Unfunded AAL	\$ 7,828,045	\$ 7,600,281	\$ 7,339,248	\$ 7,042,609	\$ 7,537,113
Amortization Period (Years)	15	14	13	12	11
Normal Cost End of Year	\$ 605,211	\$ 635,472	\$ 667,246	\$ 700,608	\$ 735,638
Amortization of UAAL	694,995	711,949	729,026	746,164	857,634
Trust Administration Expense	<u>12,360</u>	<u>15,537</u>	<u>18,711</u>	<u>21,964</u>	<u>25,450</u>
Actuarially Determined Contribution	\$ 1,312,566	\$ 1,362,958	\$ 1,414,983	\$ 1,468,736	\$ 1,618,722
Discount Rate	6.50%	6.50%	6.50%	6.50%	6.50%
Expected Return	6.50%	6.50%	6.50%	6.50%	6.50%
Normal Cost Growth Rate	5.00%	5.00%	5.00%	5.00%	5.00%
Trust Administration Expense	0.31%	0.31%	0.31%	0.31%	0.31%
Salary Scale	3.00%	3.00%	3.00%	3.00%	3.00%

Table 2 Projected Funding Policy Contribution – Before Proposed Change

Plan Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Est. Net Trust Contribution	\$ 754,142	\$ 692,219	\$ 655,441	\$ 665,260	\$ 770,008
Est. Pay-go	442,343	509,789	568,037	612,483	656,638
Est. Implied Subsidy	<u>116,081</u>	<u>160,950</u>	<u>191,505</u>	<u>190,993</u>	<u>192,076</u>
Funding Policy Contribution	\$ 1,312,566	\$ 1,362,958	\$ 1,414,983	\$ 1,468,736	\$ 1,618,722

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Tables 3 and 4 show the impact of the proposed amendment on the same projected amounts as Tables 1 and 2.

Table 3 Projected ADC – After Proposed Change in Benefit Terms

Plan Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Actuarially Accrued Liability	\$ 11,959,994	\$ 12,774,751	\$ 13,554,328	\$ 14,317,866	\$ 15,958,897
Actuarial Value of Assets	<u>3,987,111</u>	<u>5,033,757</u>	<u>6,079,106</u>	<u>7,144,681</u>	<u>8,279,914</u>
Unfunded AAL	\$ 7,972,883	\$ 7,740,994	\$ 7,475,222	\$ 7,173,185	\$ 7,678,983
Amortization Period (Years)	15	14	13	12	11
Normal Cost End of Year	\$ 613,644	\$ 644,326	\$ 676,542	\$ 710,369	\$ 745,887
Amortization of UAAL	707,854	725,130	742,532	759,999	873,777
Trust Administration Expense	<u>12,360</u>	<u>15,605</u>	<u>18,845</u>	<u>22,149</u>	<u>25,668</u>
Actuarially Determined Contribution	\$ 1,333,858	\$ 1,385,061	\$ 1,437,919	\$ 1,492,517	\$ 1,645,332
Discount Rate	6.50%	6.50%	6.50%	6.50%	6.50%
Expected Return	6.50%	6.50%	6.50%	6.50%	6.50%
Normal Cost Growth Rate	5.00%	5.00%	5.00%	5.00%	5.00%
Trust Administration Expense	0.31%	0.31%	0.31%	0.31%	0.31%
Salary Scale	3.00%	3.00%	3.00%	3.00%	3.00%

Table 4 Projected Funding Policy Contribution – After Proposed Change

Plan Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Est. Net Trust Contribution	\$ 775,434	\$ 711,499	\$ 668,497	\$ 672,184	\$ 779,360
Est. Pay-go	442,343	512,612	577,917	629,340	673,896
Est. Implied Subsidy	<u>116,081</u>	<u>160,950</u>	<u>191,505</u>	<u>190,993</u>	<u>192,076</u>
Funding Policy Contribution	\$ 1,333,858	\$ 1,385,061	\$ 1,437,919	\$ 1,492,517	\$ 1,645,332

The proposed change in benefit terms is to increase over a 3-year period the employer subsidy of retiree medical benefits from 70% to 75% of the Bay Area Kaiser pre-Medicare premium.

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Proposed Amendment:

Beginning on January 1, 2025, HACCC will contribute a larger share of the cost of retiree and dependent medical costs. The current employer subsidy is capped at 70% of the CalPERS Kaiser Region 1 pre-Medicare rate.

Calendar Year	Percent Contribution	
	Current	Proposed
2025	70%	71%
2026	70%	73%
2027 and after	70%	75%

Current and Proposed Cap is Subject to Health Trend:

Since the HACCC contribution is a percentage of a medical premium rate, we have assumed the cap would increase with health trend.

CalPERS refers to pre-Medicare plans as “Basic” plans.

Calendar Year	Basic Trend	Medicare Trend
2025	7.85%	5.75%
2026	7.70%	5.65%
2027	7.55%	5.55%
2028	7.40%	5.45%
2029	7.25%	5.35%
2030	7.10%	5.25%
2031	6.95%	5.15%
2032	6.80%	5.05%
2033	6.65%	4.95%
2034	6.50%	4.85%
2035	6.35%	4.75%
2036	6.20%	4.65%
2037	6.05%	4.55%
2038	5.90%	4.50%
2039	5.75%	4.50%
2040	5.60%	4.50%
2041	5.45%	4.50%
2042	5.30%	4.50%
2043	5.15%	4.50%
2044 and later	5.00%	4.50%

A projection of Maximum Benefits:

Calendar Year	% of Kaiser Premium	Retiree	Retiree+1
2024	70%	\$ 715	\$ 1,430
2025	71%	790	1,580
2026	73%	851	1,702
2027	75%	915	1,831
2028	75%	983	1,966
2029	75%	1,054	2,108

Effect of the Amendment

We measured the effect of the proposed amendment if reflected as of July 1, 2024 for the 2024-2025 plan year. The proposed plan amendment would increase the Actuarial Accrued Liability by \$144,838 (or 1.2%) from \$11,815,156 to \$11,959,994. This relatively small 1.2% increase relative to the subsidy increase (5%) is because post-Medicare plan benefits represent 2/3rds of the \$12M plan liability and unimpacted by the change (i.e., Medicare premiums are less than half the cost of Kaiser Basic premiums, which is well under the current 70% cost-share let alone a 75% cost-share).