

Port of Oakland

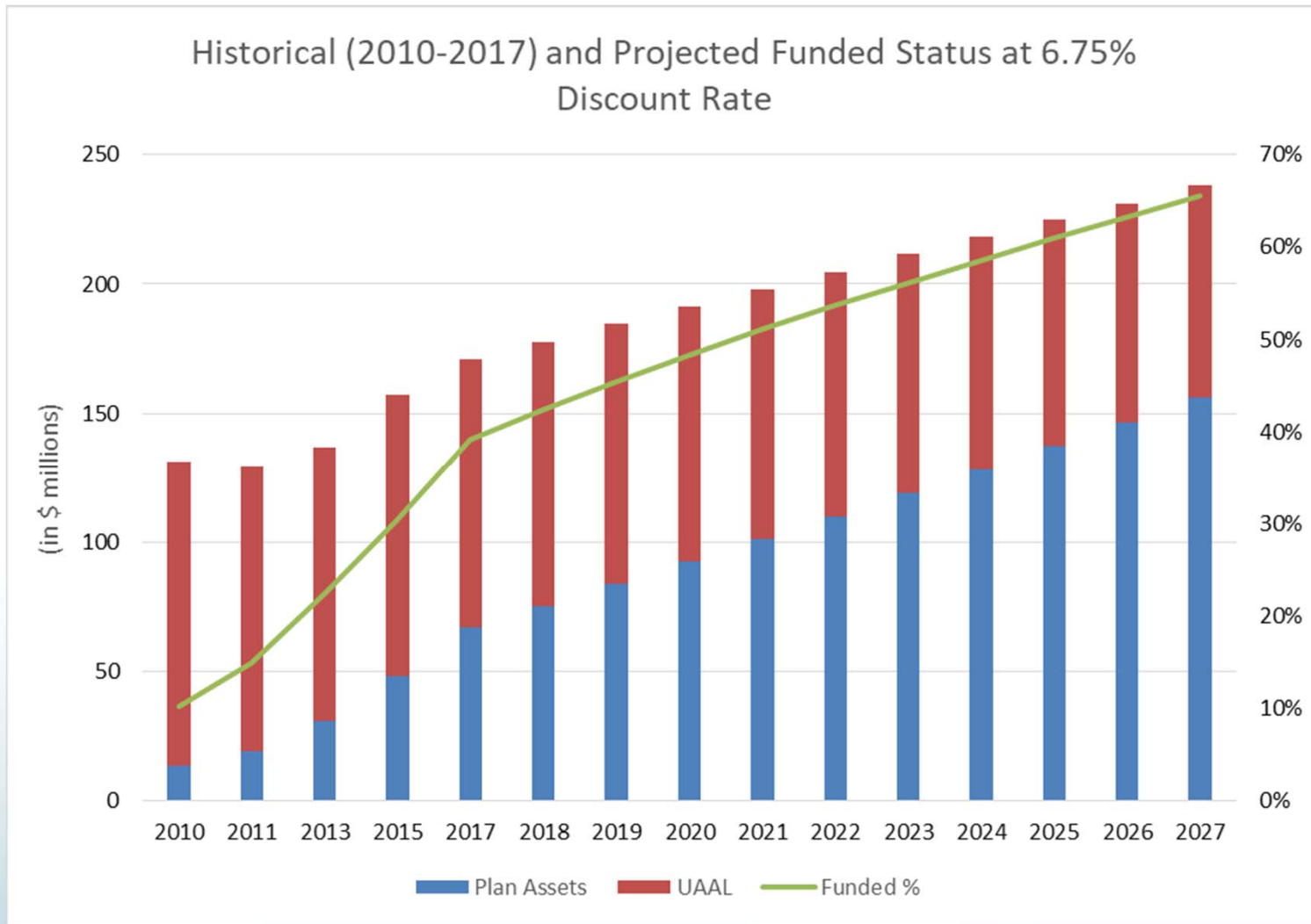
Retiree Health Plan Projections and Review of CalPERS Pension Contribution Phase-In

February 8, 2018
Oakland, CA
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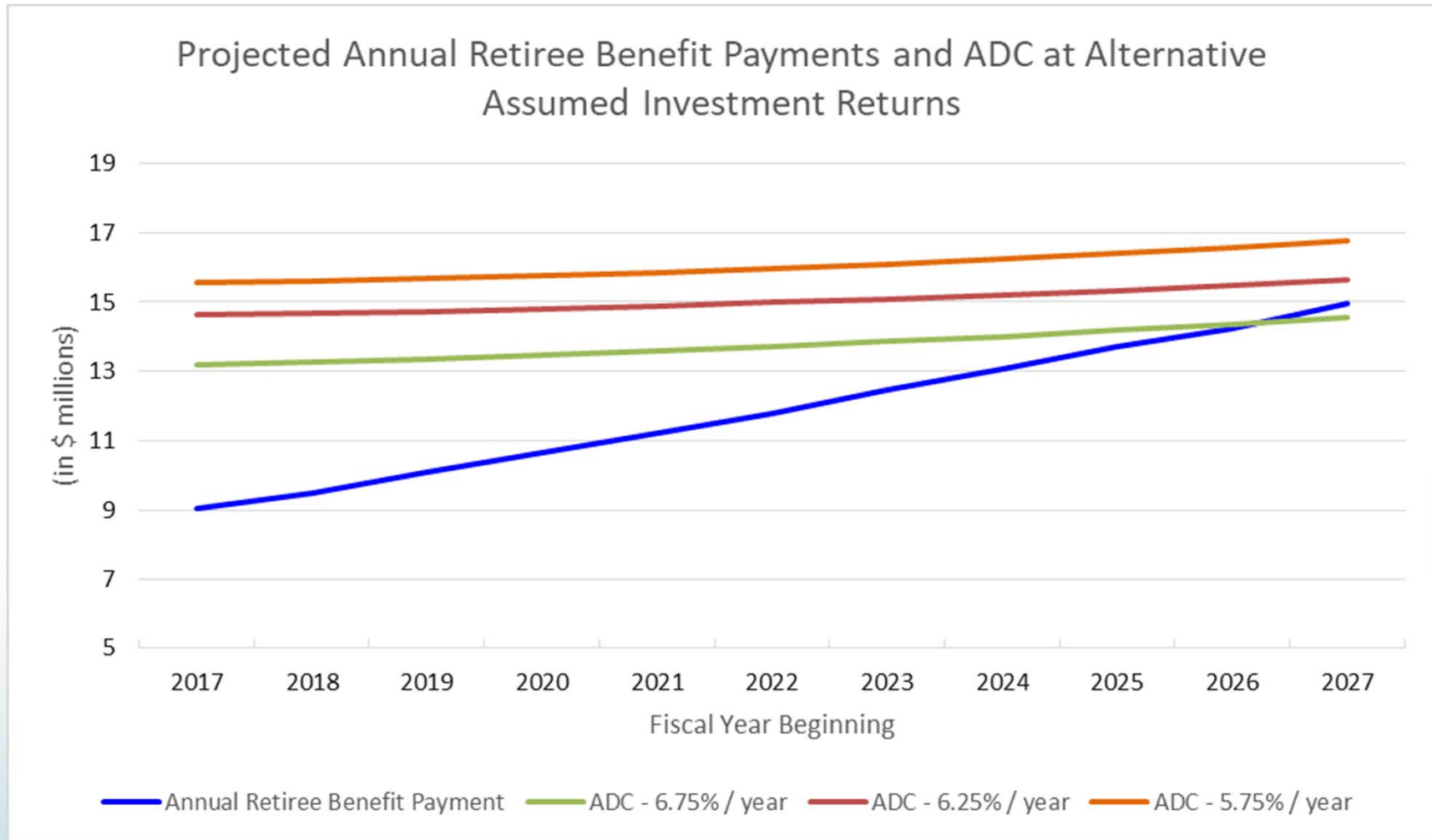
Retiree Health Plan Highlights

- Port provides a lifetime retiree health benefit in exchange for employment service
- Port began funding (above and beyond current year retiree premium payments) in 2009
- Funding policy = “service cost” assigned to current year of service plus amortization of unfunded plan liability over 30 years
- Trust now has \$66.9 Million in assets as of June 30, 2017
- Management of plan costs
 - $C + I = B + E$
 - Investment returns generated from asset base and investment policy
 - **B**enefit costs based on health plan premiums and cost sharing
 - Longer term cost projections to assist in forming strategies

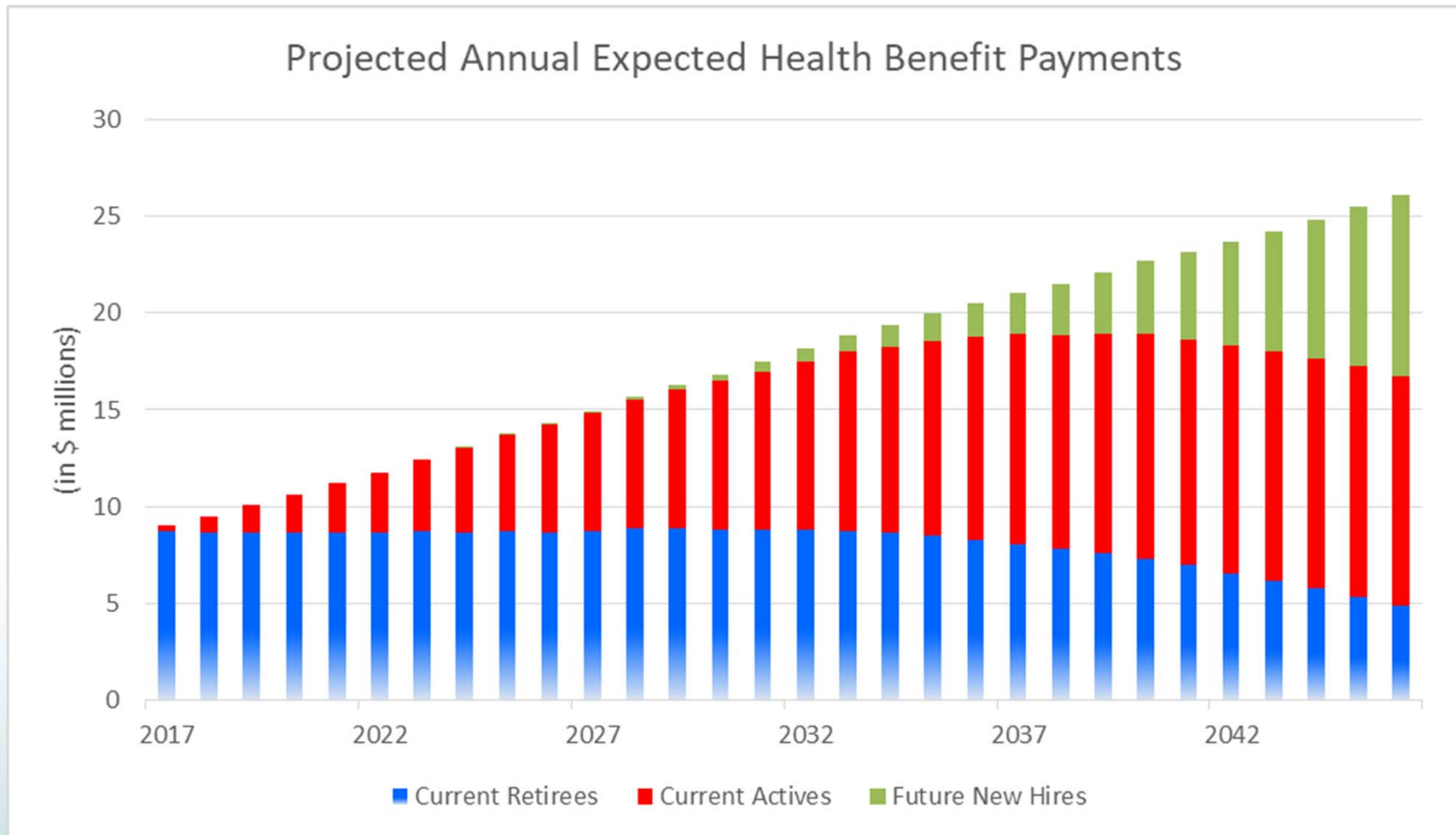
Funded Status



ADC – Discount Rate Sensitivities



Projected Retiree Benefit Payments

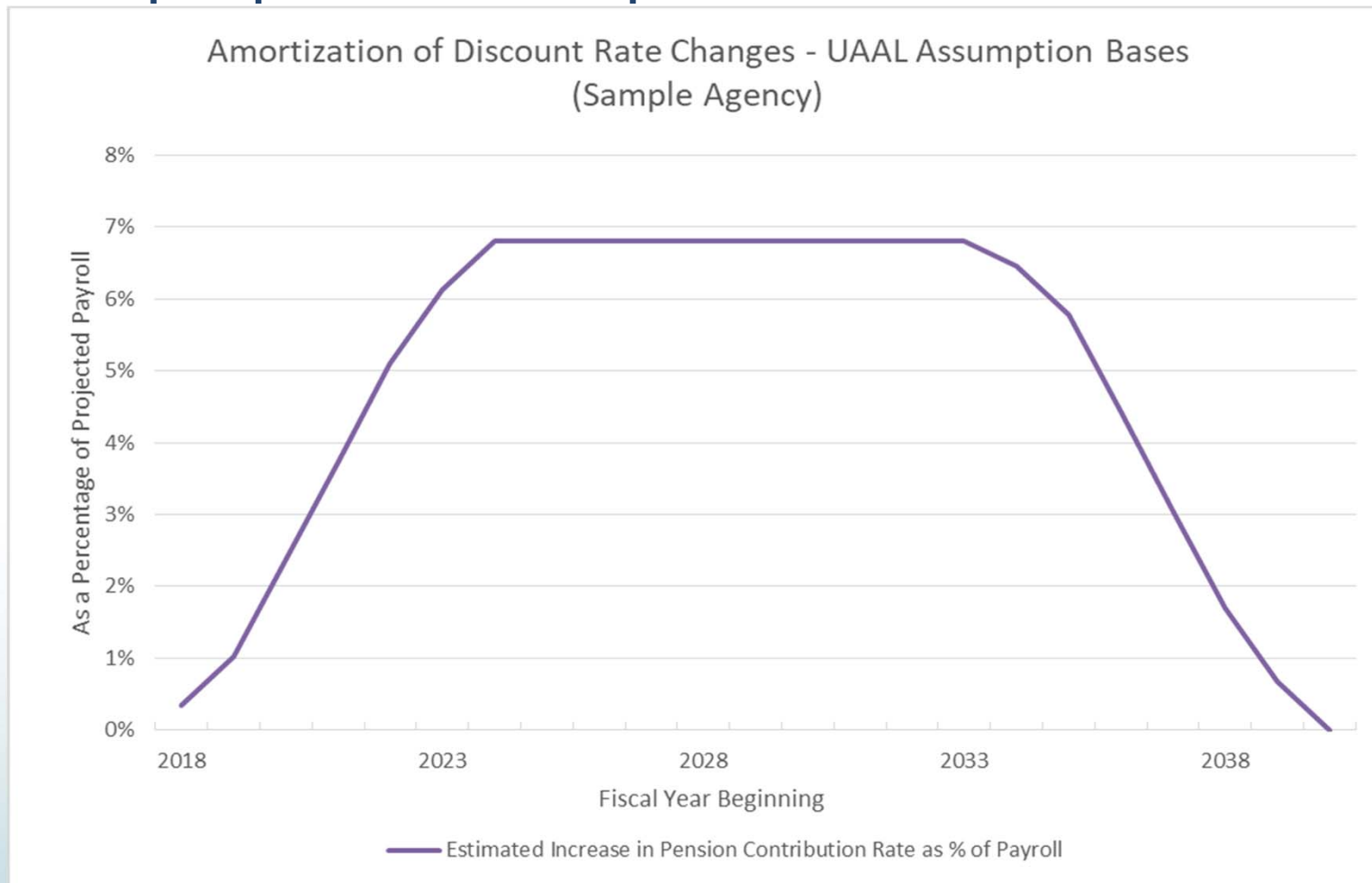


Review of CalPERS Pension Contribution Phase-in

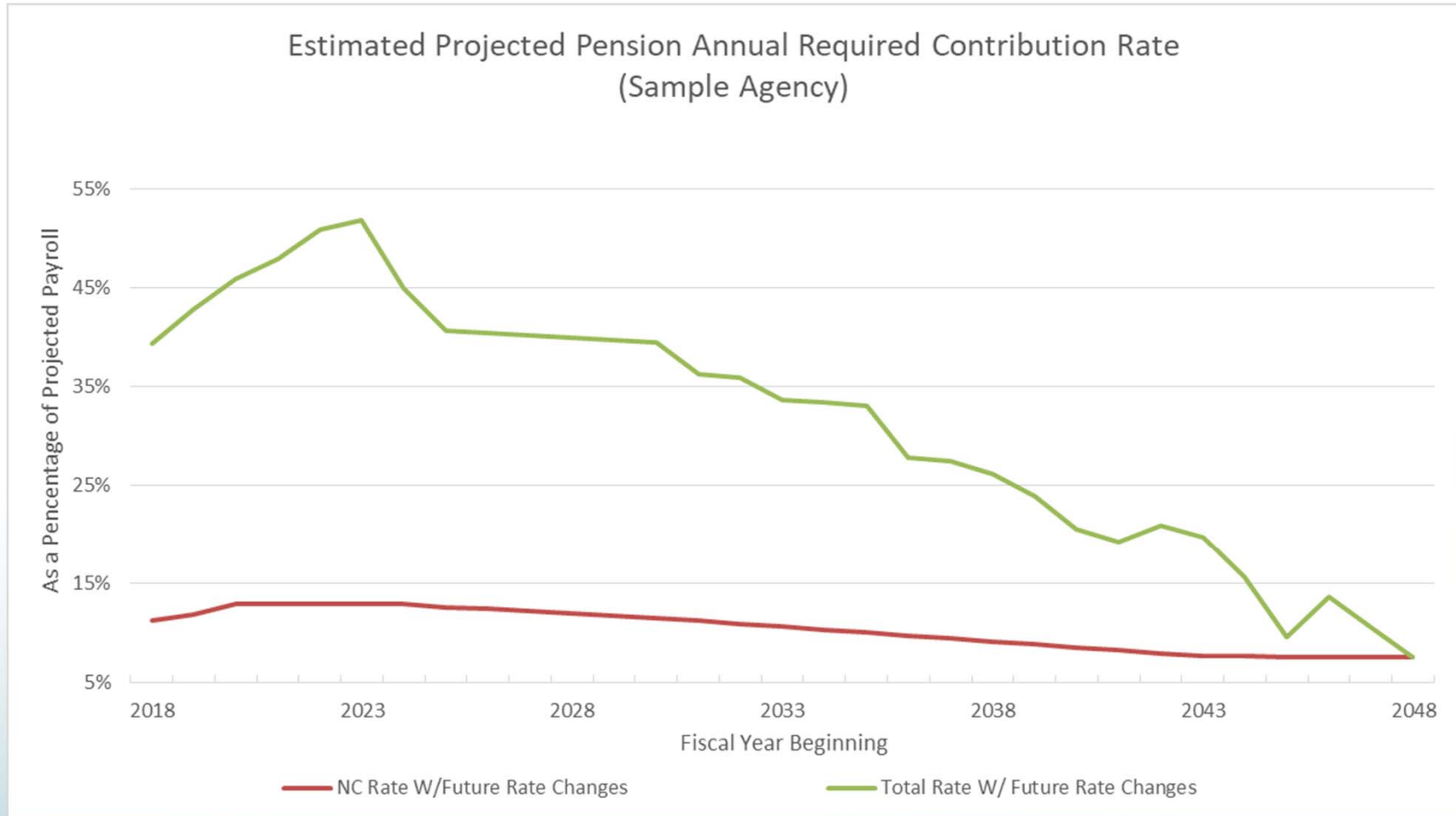
CalPERS Contributions – Participating Agencies

- Required Contribution is the Normal Cost plus the amortization of Unfunded Actuarial Accrued Liabilities
 - Assumption changes are amortized over 20 years with “ramp up” in the first 5 years and “ramp down” in the last 5 years.
 - Experience gains and losses are amortized over 30 years with “ramp up” in the first 5 years and “ramp down” in the last 5 years.
- Discount Rate lowered from 7.5% as of the June 30, 2015 to
 - 7.375% as of June 30, 2016; 7.250% as of June 30, 2017; and 7.000% as of June 30, 2018 and later valuation dates.
 - 2 year lag: Increase to the required contribution due to lower discount rate to 7.375% starts to take effect starting fiscal year 2018-19.

Amortization of CalPERS' Discount Rate Changes – “Ramp Up” and “Ramp Down” Effect



Long Term Effect of Amortization Bases on CalPERS Annual Contribution Rates



Caveats and Limitations

The liabilities shown in this presentation are based on census data as of June 30, 2017 reported to us by the Port of Oakland. Please refer to our June 30, 2017 actuarial valuation report and our report dated August 29, 2017 for a description of the actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based. The figures shown in this presentation are projections based on assumptions described in the above named reports. Actual liabilities and costs in the future may vary significantly depending on a variety of factors such as emerging plan experience. All caveats and limitations on usage described in that reports also apply to this presentation.

The CalPERS Pension contribution rates are illustrative rates for a sample agency to show the effect of CalPERS' change in discount rate assumption on longer term contributions. The change in contribution rates as a percentage of payroll were estimated by CalPERS. Milliman has not validated these estimates. The long term effect of amortization bases becoming fully amortized in future years on CalPERS contribution rates is based on existing amortization bases reported by CalPERS for a sample agency and assuming no future experience gains or losses. The Port's actual contributions may differ significantly from illustrated, and therefore, the Port should contact its pension actuary for a longer term projection of its pension contribution rates.

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