



**ALAMEDA COUNTY FIRE DEPARTMENT
RETIREE HEALTHCARE PLAN**



City of Emeryville

**Side Fund Illustration and
Pre-Funding Examples**

Based on June 30, 2023 Actuarial Valuation

Doug Pryor
Cathy Wandro
Katherine Moore
Foster & Foster, Inc.

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Purpose of Side Funds

- Allow each agency in ACFD the choice of pre-funding their OPEB benefit independent of the pre-funding choice of other agencies in ACFD
- Side funds are established for each agency within ACFD based on the full pre-funding discount rate (currently 6.25%)
- Represents the amount of unfunded liability for each agency due to past service, based on ACFD retiree medical benefit
- ACFD set up account in CalPERS California Employers Retiree Benefit Trust (CERBT) with separate sub-accounts for each agency
- Each agency decides how much, if any, of its own side fund to pre-fund
- If paid off would fully pre-fund past-service liability for agency, however agency would still accrue future liability due to Normal Cost for active employees, demographic and investment experience gains/losses, assumptions changes, or plan changes
- Even if paid off, there could still be a liability upon withdrawal from ACFD.



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SIDE FUNDS METHODOLOGY

Calculation of Side Funds

- Initial side fund determined as of 6/30/08, or when joining ACFD if later, for each agency in ACFD.
- Yearly side fund calculation:
 - Allocate year's full pre-funding Normal Cost (NC) to each participating agency based on FTE, remaining is allocated based on allocation % of shared positions.
 - Each agency side fund will change:
 - (Beginning of year side fund with interest to end of year)
 - + (Allocated portion of full pre-funding NC)
 - (Allocated benefit payments with interest to end of year)
- Difference between total side fund amount and full pre-funding AAL is allocated to each agency based on FTEs, remaining based on allocation % of shared positions.
- Each agency determines whether to make a pre-funding contribution to their CERBT sub-account or not, agency side fund is reduced by any assets in their sub-account due to contributions made:
 - (Agency end of year side fund)
 - (Agency end of year assets in CERBT sub-account)



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NORMAL COST ALLOCATION ILLUSTRATION

Illustration of Normal Cost Allocation¹

**Step 1 – Determine Normal Cost per Active Position
(Amounts in \$000s)**

	2023/24		
	Safety	Misc ²	Total
(1) Allocated FTE Positions	312	19	331
(2) Allocated Shared Positions	<u>16</u>	<u>19</u>	<u>35</u>
(3) Total # of Active Positions	328	38	366
(4) Normal Cost at 6.25%	\$3,844	\$283	\$4,127
(5) Normal Cost per Active Position [(4)/(3)]	\$11.72	\$7.45	n/a

¹ For illustration of methodology only.

² Excluding dispatch.



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NORMAL COST ALLOCATION ILLUSTRATION

Illustration of Normal Cost Allocation³

**Step 2 – Allocate Portion of Normal Cost to City of Emeryville
(Amounts in \$000s)**

	2023/24	
	Total ACFD (Excl. Dispatch)	Emeryville
(6) Allocation %	100%	5.88%
(7) Allocated FTE Positions		
a) Safety	312	19
b) Misc (excluding Dispatch)	19	1
(8) Allocate Normal Cost		
a) Safety FTE [(7a)*Safety(5)]	\$3,657	\$223
b) Misc FTE [(7b)*Misc(5)]	141	7
c) Safety Shared [(6)*Safety(2)*Safety(5)]	188	11
d) Misc Shared [(6)*Misc(2)*Misc(5)]	<u>141</u>	<u>8</u>
e) Total	4,127	249

³ For illustration of methodology only.



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BENEFIT PAYMENT ALLOCATION ILLUSTRATION

Illustration of Benefit Payment Allocation⁴
Allocate Benefit Payments using Allocation %
(Amounts in \$000s)

	ALCO (Excl Dispatch)	San Leandro	Dublin	LBNL	LLNL	Newark	Union City	Emery- ville	Total
(1) Allocation %	30.41%	20.59%	11.76%	3.92%	9.80%	8.82%	8.82%	5.88%	100%
(2) 23/24 Benefit Payments ⁵	\$5,617								
(3) Allocated Benefit Payments [(1) * (2)]	\$1,708	\$1,157	\$661	\$220	\$551	\$495	\$495	\$330	\$5,617

⁴ For illustration of methodology only.
⁵ Includes implicit subsidy benefit payments.



BENEFIT PAYMENT ALLOCATION ILLUSTRATION

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GAINS/LOSSES ALLOCATION ILLUSTRATION

Illustration of (Gains)/Losses Allocation⁶
Step 1 – Determine (Gain)/Loss Amount per Participant
 (Amounts in \$000s)

	Safety	Misc (Excluding Dispatch)	Total
(1) Allocated FTE Positions	312	19	331
(2) Shared Positions	16	19	35
(3) Retirees	<u>305</u>	<u>9</u>	<u>314</u>
(4) Total # of Participants	633	47	680
(5) 2023/24 (Gains)/Losses ⁷	\$0	\$0	\$0
(6) 2023/24 (Gains)/Losses per Participant [(5)/(4)]	\$0	\$0	n/a

⁶ For illustration of methodology only.

⁷ The 6/30/24 side fund amounts are based on a roll-forward of the 6/30/23 valuation, so there are no (gains)/losses which would occur only if the beginning of year and end of year side funds were based on different OPEB valuations. However, these slides show the methodology of allocating (gains)/losses when they occur.



GAINS/LOSSES ALLOCATION ILLUSTRATION

Illustration of (Gains)/Losses Allocation⁸
Step 2 – Allocate Portion of (Gains)/Losses to City of Emeryville
 (Amounts in \$000s)

	Total ACFD (Excl. Dispatch)	Emeryville
(7) 2023/24 Allocation %	100%	5.88%
(8) Allocated FTE Positions		
a) Safety	312	19
b) Misc (excluding Dispatch)	19	1
(9) Allocate 2023/24 (Gains)/Losses:		
a) Safety FTE [(8a)*Safety(6)]	\$0	\$0
b) Misc FTE [(8b)*Misc(6)]	0	0
c) Safety Shared [(7)*Safety(2)*Safety(6)]	0	0
d) Misc Shared [(7)*Misc(2)*Misc(6)]	0	0
e) Safety Retirees [(7)*Safety(3)*Safety(6)]	0	0
f) Misc Retirees [(7)*Misc(3)*Misc(6)]	<u>0</u>	<u>0</u>
g) Total	0	0

⁸ For illustration of methodology only.



Illustrations

- Side funds shown under 3 Emeryville 2023/24 contribution scenarios:
 - Scenario 1 (baseline)
No contribution
 - Scenario 2
Full 2023/24 ADC contribution on 6/30/24
 - Scenario 3
Full 6/30/23 Unfunded Side Fund contribution on 6/30/24



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PRE-FUNDING EXAMPLES

2023/24 Side Fund Calculations⁹

**Estimated Side Funds
(Amounts in \$000s)**

	Dis- patch	ALCO	San Leandro	Dublin	LBNL	LLNL	Newark	Union City	Emery- ville	Total
■ Allocation %	0.00%	30.41%	20.59%	11.76%	3.92%	9.80%	8.82%	8.82%	5.88%	100.00%
■ Side Fund BOY	\$2,008	\$52,911	\$29,866	\$13,017	\$1,651	\$6,684	\$5,703	\$7,242	\$3,233	\$122,315
● Normal Cost	152	1,306	825	480	153	384	365	365	249	4,279
● Benefit Pmts	(47)	(1,708)	(1,157)	(661)	(220)	(551)	(495)	(495)	(330)	(5,665)
● Interest	134	3,336	1,883	823	106	425	364	460	207	7,738
● (Gain)/Loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Side Fund EOY	2,246	55,846	31,417	13,659	1,690	6,942	5,936	7,571	3,360	128,667

⁹ For illustration of methodology only.



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PRE-FUNDING EXAMPLES

Pre-Funding Scenario 1¹⁰
No Contribution from Emeryville
 (Amounts in \$000s)

	Dis-patch	ALCO	San Leandro	Dublin	LBNL	LLNL	Newark	Union City	Emeryville	Total
■ Assets 2023/24:										
• Assets BOY	\$3,122	\$19,194	\$3,707	\$14,341	\$1,000	\$1,764	\$4,280	\$2,626	\$1,284	\$51,317
• EE Contrib.	135	624	422	241	80	201	181	181	121	2,186
• ER Contrib.	-	2,000	-	-	-	-	-	-	-	2,000
• Disbursements	-	-	-	(500)	-	-	-	-	-	(500)
• Net Earnings	<u>197</u>	<u>1,271</u>	<u>243</u>	<u>881</u>	<u>64</u>	<u>115</u>	<u>271</u>	<u>169</u>	<u>83</u>	<u>3,294</u>
• Assets EOY	3,454	23,088	4,372	14,963	1,145	2,081	4,731	2,975	1,488	58,297
• AVA EOY	3,599	24,058	4,555	15,590	1,193	2,168	4,930	3,100	1,550	60,743
■ Funded Status										
• Side Fund EOY	\$2,246	\$55,846	\$31,417	\$13,659	\$1,690	\$6,942	\$5,936	\$7,571	\$3,360	\$128,667
• AVA EOY	<u>(3,599)</u>	<u>(24,058)</u>	<u>(4,555)</u>	<u>(15,590)</u>	<u>(1,193)</u>	<u>(2,168)</u>	<u>(4,930)</u>	<u>(3,100)</u>	<u>(1,550)</u>	<u>(60,743)</u>
• Unfunded SF	<u>(1,353)</u>	31,788	26,862	<u>(1,931)</u>	497	4,774	1,006	4,471	1,810	67,924
■ 2024/25 ADC¹¹										
• Normal Cost	\$167	\$1,437	\$910	\$529	\$170	\$423	\$402	\$402	\$275	\$4,715
• Amortization	<u>(105)</u>	<u>2,457</u>	<u>2,076</u>	<u>(149)</u>	<u>38</u>	<u>369</u>	<u>78</u>	<u>346</u>	<u>140</u>	<u>5,250</u>
• Total	62	3,894	2,986	380	208	792	480	748	415	9,965

¹⁰ For illustration of methodology only.

¹¹ 2024/25 Normal Cost (including administrative expenses) plus 18-year amortization of 6/30/24 unfunded side fund with interest to EOY.



PRE-FUNDING EXAMPLES

Pre-Funding Scenario 2¹²
If Emeryville Contributed Full 2023/24 ADC on 6/30/24
 (Amounts in \$000s)

	Dis-patch	ALCO	San Leandro	Dublin	LBNL	LLNL	Newark	Union City	Emeryville	Total
■ Assets 2023/24										
• Assets BOY	\$3,122	\$19,194	\$3,707	\$14,341	\$1,000	\$1,764	\$4,280	\$2,626	\$1,284	\$51,317
• EE Contrib.	135	624	422	241	80	201	181	181	121	2,186
• ER Contrib.	-	2,000	-	-	-	-	-	-	407	2,407
• Disbursements	-	-	-	(500)	-	-	-	-	-	(500)
• Net Earnings	<u>197</u>	<u>1,271</u>	<u>243</u>	<u>881</u>	<u>64</u>	<u>115</u>	<u>271</u>	<u>169</u>	<u>83</u>	<u>3,294</u>
• Assets EOY	3,454	23,088	4,372	14,963	1,145	2,081	4,731	2,975	1,895	58,704
• AVA EOY	3,599	24,058	4,555	15,590	1,193	2,168	4,930	3,100	1,974	61,167
■ Funded Status										
• Side Fund EOY	\$2,246	\$55,846	\$31,417	\$13,659	\$1,690	\$6,942	\$5,936	\$7,571	\$3,360	\$128,667
• AVA EOY	<u>(3,599)</u>	<u>(24,058)</u>	<u>(4,555)</u>	<u>(15,590)</u>	<u>(1,193)</u>	<u>(2,168)</u>	<u>(4,930)</u>	<u>(3,100)</u>	<u>(1,974)</u>	<u>(61,167)</u>
• Unfunded SF	<u>(1,353)</u>	31,788	26,862	<u>(1,931)</u>	497	4,774	1,006	4,471	1,386	67,500
■ 2024/25 ADC¹³										
• Normal Cost	\$167	\$1,437	\$910	\$529	\$170	\$423	\$402	\$402	\$275	\$4,715
• Amortization	<u>(105)</u>	<u>2,457</u>	<u>2,076</u>	<u>(149)</u>	<u>38</u>	<u>369</u>	<u>78</u>	<u>346</u>	<u>107</u>	<u>5,217</u>
• Total	62	3,894	2,986	380	208	792	480	748	382	9,932

¹² For illustration of methodology only. 2023/24 Emeryville ADC was calculated based on 6/30/23 OPEB valuation for illustration purposes.

¹³ 2024/25 Normal Cost (including administrative expenses) plus 18-year amortization of 6/30/24 unfunded side fund with interest to EOY.



PRE-FUNDING EXAMPLES

Exhibit 7

Pre-Funding Scenario 3¹⁴ If Emeryville Contributed 6/30/23 Unfunded Side Fund on 6/30/24 (Amounts in \$000s)

	Dis-patch	ALCO	San Leandro	Dublin	LBNL	LLNL	Newark	Union City	Emeryville	Total
■ Assets 2023/24:										
• Assets BOY	\$3,122	\$19,194	\$3,707	\$14,341	\$1,000	\$1,764	\$4,280	\$2,626	\$1,284	\$51,317
• EE Contrib.	135	624	422	241	80	201	181	181	121	2,186
• ER Contrib.	-	2,000	-	-	-	-	-	-	1,877	3,877
• Disbursements	-	-	-	(500)	-	-	-	-	-	(500)
• Net Earnings	197	1,271	243	881	64	115	271	169	83	3,294
• Assets EOY	3,454	23,088	4,372	14,963	1,145	2,081	4,731	2,975	3,365	60,174
• AVA EOY	3,599	24,058	4,555	15,590	1,193	2,168	4,930	3,100	3,505	62,698
■ Funded Status										
• Side Fund EOY	\$2,246	\$55,846	\$31,417	\$13,659	\$1,690	\$6,942	\$5,936	\$7,571	\$3,360	\$128,667
• AVA EOY	(3,599)	(24,058)	(4,555)	(15,590)	(1,193)	(2,168)	(4,930)	(3,100)	(3,505)	(62,698)
• Unfunded SF	(1,353)	31,788	26,862	(1,931)	497	4,774	1,006	4,471	(145)	65,969
■ 2024/25 ADC¹⁵										
• Normal Cost	\$167	\$1,437	\$910	\$529	\$170	\$423	\$402	\$402	\$275	\$4,715
• Amortization	(105)	2,457	2,076	(149)	38	369	78	346	(10)	5,100
• Total	62	3,894	2,986	380	208	792	480	748	265	9,815

¹⁴ For illustration of methodology only.

¹⁵ 2024/25 Normal Cost (including administrative expenses) plus 18-year amortization of 6/30/24 unfunded side fund with interest to EOY.



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PRE-FUNDING EXAMPLES

Emeryville Pre-Funding Example Comparison¹⁶ (Amounts in \$000s)

	City of Emeryville		
	Scenario 1	Scenario 2	Scenario 3
■ Assets 2023/24:			
• Assets BOY	\$1,284	\$1,284	\$1,284
• Employee Contribution	121	121	121
• Employer Contribution	-	407	1,877
• Disbursements	-	-	-
• Net Earnings	83	83	83
• Assets EOY	1,488	1,895	3,365
• AVA EOY	1,550	1,974	3,505
■ Funded Status 6/30/24			
• Side Fund EOY	\$3,360	\$3,360	\$3,360
• AVA EOY	(1,550)	(1,974)	(3,505)
• Unfunded Side Fund	1,810	1,386	(145)
■ 2024/25 ADC¹⁷			
• Normal Cost	\$275	\$275	\$275
• Amortization	140	107	(10)
• Total	415	382	265

¹⁶ For illustration of methodology only.

¹⁷ 2024/25 Normal Cost (including administrative expenses) plus 18-year amortization of 6/30/24 unfunded side fund with interest to EOY.



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ACTUARIAL ASSUMPTIONS

Assumption	Same as June 30, 2023 OPEB Valuation
■ Discount Rate	■ 6.25% - full pre-funding rate
■ Inflation	■ 2.50%
■ Payroll Increases	■ Aggregate increase – 2.75%
■ Demographic Assumptions	■ CalPERS 2000-2019 Experience Study (Mortality, Retirement, Termination, Disability) ■ Mortality projected fully generational with MP-2021
■ Healthcare Trend	■ Actual 2023 and 2024 PEMHCA premiums used ■ Non-Medicare: 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare: 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (For Kaiser Medicare: 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076)
■ Participation at Retirement	■ Hired before April 1, 2009 – 100% if currently covered, 90% if currently waived. ■ Hired on or after April 1, 2009: 60% if less than 10 years of service, 90% for 10-14, 95% for 15-19, and 100% for 20+



DEFINITIONS OF TERMS

■ **Side Fund**

- Initial Side Fund = Liability for benefits based on past service when joining ACFD, using current actuarial methods & assumptions
- Side Fund EOY = (Side Fund BOY) + (Allocated Normal Costs) – (Allocated Benefit Payments) + (Allocated (Gains)/Losses) + (Interest to EOY)

■ **Assets**

- Funds set aside in a segregated and restricted trust (ACFD in CERBT) so they can only be used to pay plan benefits. Each agency has its own sub-account in CERBT.
- Assets EOY = (Assets BOY) + (Contributions) – (Benefit Payments paid from Trust) + (Investment Earnings)

■ **Actuarial Value of Assets (AVA)** – smoothed assets used for the actuarial valuation

■ **Agency Unfunded Side Fund**

- Agency Side Fund less Agency Actuarial Value of Assets

■ **Actuarial Accrued Liability (AAL)**

- Liability for benefits “earned” for or attributed to past service using actuarial methods and assumptions

■ **Normal Cost (NC)**

- Value of benefits “earned” by actives during or attributed to the current year



