

August 24, 2021

Chad Rinde  
Chief Financial Officer  
**County of Yolo**  
625 Court Street  
Woodland, CA 95695

**Re: Yolo County Retiree Healthcare Plan  
Probation Association Benefits**

Dear Mr. Rinde:

Section 7507 of the California Government Code requires agencies obtain a statement of actuarial opinion regarding the cost impact of retiree healthcare plan benefit changes. The County of Yolo has requested that Bartel Associates, LLC provide an actuarial opinion regarding the impact of proposed changes related to retiree health insurance benefits for the County's Probation Association.

#### ***Summary of Proposed Benefit Changes***

The County currently provides retiree healthcare insurance benefits to eligible Probation employees who retire directly from the County under CalPERS, paying the retiree premium up to \$266 per month. Under the proposed benefit change, the cap for Probation retirees would increase to \$400 per month. The new cap would apply to both current and future retirees.

#### ***Cost of Change***

Our analysis is based on our June 30, 2020 actuarial valuation methods, assumptions, and data, including:

- 6.75% discount rate
- Probation participants in the valuation:
  - 60 active employees.
  - 4 retirees who are enrolled in medical plans and have healthcare coverage.
  - 6 retirees who are not enrolled in medical plans and do not have healthcare coverage.  
Consistent with the June 30, 2020 actuarial valuation, we have assumed 5% of the 5 retirees under the age of 65 in this group will re-elect coverage at age 65.
- 80% of future retirees who are eligible for a benefit will enroll in a PEMHCA medical plan and have a County paid benefit.
- The \$400 cap will not increase in the future. While this is consistent with the valuation assumption that the current \$266 cap will not increase, if the cap is changed to \$400 consideration should be given to the appropriate assumption for future cap levels.

Note that the June 30, 2020 actuarial valuation determines the Actuarially Determined Contribution for fiscal year 2021/22.



Following is the change in the County's June 30, 2020 actuarial obligations and 2021/22 Actuarially Determined Contribution due to the proposed benefit change. Results include all County employees and retirees in the June 30, 2020 actuarial valuation. All amounts are in thousands.

*Total County*

	<b>Probation \$266 Cap</b>	<b>Probation \$400 Cap</b>	<b>Increase/ (Decrease)</b>
■ June 30, 2020 Present Value of Projected Benefits	\$110,061	\$110,531	\$470
■ June 30, 2020 Funded Status			
• Actuarial Accrued Liability (AAL)	85,625	85,900	275
• Actuarial Value of Plan Assets	<u>20,445</u>	<u>20,445</u>	<u>-</u>
• Unfunded AAL	65,180	65,455	275
■ 2021/22 ADC - \$			
• Normal Cost	2,839	2,860	21
• Amortization of Unfunded AAL	<u>6,617</u>	<u>6,650</u>	<u>33</u>
• Total (future annual cost)	9,456	9,510	54

*Probation Only*

	<b>Probation \$266 Cap</b>	<b>Probation \$400 Cap</b>	<b>Increase/ (Decrease)</b>
■ June 30, 2020 Present Value of Projected Benefits	\$2,861	\$3,330	\$469
■ June 30, 2020 Funded Status			
• Actuarial Accrued Liability (AAL)	1,649	1,924	275
• Actuarial Value of Plan Assets	<u>394</u>	<u>394</u>	<u>-</u>
• Unfunded AAL	1,255	1,530	275
■ 2021/22 ADC - \$			
• Normal Cost	129	150	21
• Amortization of Unfunded AAL	<u>127</u>	<u>160</u>	<u>33</u>
• Total (future annual cost)	256	310	54

The Present Value of Projected Benefits represents the amount needed as of the valuation date to pay all future benefits for current members if all assumptions are met. The Actuarial Accrued Liability represents the portion of the Present Value of Projected Benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date. The County's Actuarially Determined Contribution (ADC) is equal to the employer Normal Cost (the value of benefits earned during the year), plus an amortization payment on the unfunded liability (equal to the Actuarial Accrued Liability since there are no Plan assets). Consistent with the 2020 valuation, the increase in the unfunded liability due to the Probation benefit change has been amortized over 12-years.



***Conclusion***

The County's actuarial cost would increase due to the proposed benefit change for Probation Association.

Information provided in this report is for the County's management purposes. Future results may differ significantly if the Plan or County's experience differs from our assumptions or if there are changes in plan design or actuarial assumptions. The project scope did not include an analysis of this potential variation. Our calculations are based on benefit provisions, participant data, and actuarial assumptions, and other information provided by the County as summarized in this letter and our June 30, 2020 actuarial valuation report. This study was conducted using generally accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Academy Qualification Standards to issue the actuarial opinion in this report.

Please contact Doug Pryor ([dpryor@bartel-associates.com](mailto:dpryor@bartel-associates.com)) or Katherine Moore ([kmoore@bartel-associates.com](mailto:kmoore@bartel-associates.com)) with any questions about this information.

Sincerely,

Doug Pryor, ASA, MAAA, EA  
Vice President

c: Katherine Moore, Bartel Associates, LLC

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