ARC Board Overview of Retirement Benefit Updates

August 26, 2020
Objectives set in March 2019

- Review the coverage/products offered to employees interested in retirement
- Analyze the current cost sustainability of the (current & potential) plans considering future expected demand and industry standards
- Accept status quo (‘do nothing’) or, as directed, provide design recommendations for a way forward that is competitive, attractive, and cost effective
Retirement Benefits Analysis Overall Timeline

### Pension Board Major Decisions

- **2019 – Decision Due Diligence**
  - Go/No-Go
  - **Plan Objectives**
    - Identify and capture the objectives
    - Finalize targets of Pension Analysis (e.g. Target Replacement Ratio, Risk-Sharing)
    - Define approach and scenarios for analysis
  - **Determine If/how Benefits should change**
    - Conduct scenario analysis
    - Finalize target/ optimal changes to retirement plan – Go / No Go decision
    - Socialize and align Executive Leadership
    - Launch RFP to engage 3rd Party to analyze Plan options

- **2020 – Analyze, Develop, and Implement**
  - Go/No-Go
  - **3rd Party Engagement for Benefit Change analysis & options**
    - Design choices for current/new FTEs
    - Develop implementation plan
    - Refine/re-design the enrollment process
    - Design and develop communication plan
    - Finalize 2020 launch timing
    - Preliminary Employee engagement for input, buy-in, etc.
  - **Implementation**
    - Kick off employee presentations
    - Launch communications
    - Q&A Engagement sessions
    - Transition to TPA

### 2019 – Decision Due Diligence
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

### 2020 – Analyze, Develop, and Implement
- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Timing TBD

### 2021
- Go Live
- Go/No-Go
Aon’s Findings and Conclusions leading to the Recommended updates

- Upper end of Competitive range
- Employees willing to bear some of investment and longevity risk
- Retiree medical subsidy higher than peers
- Valued benefit and current employees willing to pay more to maintain

- Shifting cost and investment risk for newer hires
- More stringent retiree health eligibility
- Increasing retiree cost
- Exploring individual market

- Fund Pension and OPEB plans over reasonable period using reasonable assumptions
- Target fringe rate of about 60%
- Fringe cost projected to increase significantly above 60% after 15 years primarily due to increasing active medical cost
Retirement Plan and Benefits Updates for future ARC employees

**Updates to the Retirement Plan**

• Reduced the agency’s risk by reducing the “multiplier” by 50% which is ARC’s flat contribution to each employee’s retirement

• However, each retiree will receive an annual automatic cost of living adjustment rather than ad-hoc

• Each new employee will be able to contribute an increased amount toward their defined contribution plan and the agency will match this 100%

**Updates to Other Post-Employment Benefits**

• Reduced the premium paid toward eligible Medicare retirees