

# ***ARC Board Overview of Retirement Benefit Updates***

August 26, 2020



# Retirement Benefits Analysis Objectives

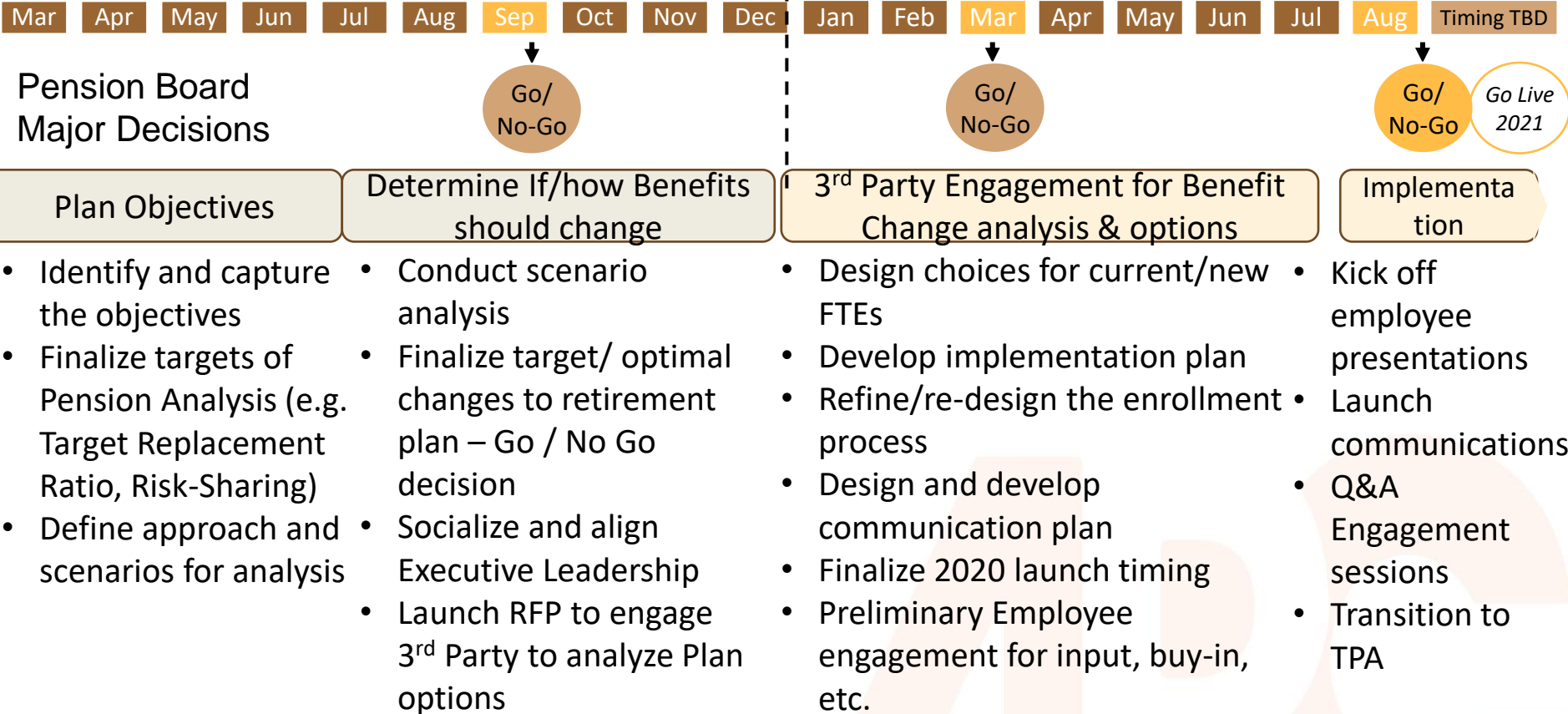
## *Objectives set in March 2019*

- 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

## 2019 – Decision Due Diligence

## 2020 – Analyze, Develop, and Implement



# Aon's Findings and Conclusions leading to the Recommended updates

## Employee Perception and Benchmarking

- 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

## Trends and Innovations

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

## Sustainability and Security

- 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