



HYAS
GROUP

City of San Jose

Review of Administrative Fee Scenarios

VEBA Plans

November 2023

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 VEBA Plans
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Assumptions	
Current Plan Administrative Fee	0.15%
2023-2024 Operating Budget	\$208,369
Combined Plan Assets	\$61,390,024
Reserve Account Balance	\$176,108
Plan Budget / Plan Assets	0.3394%
Reserve Account Target	\$107,092

Plan Asset Data as of 9/30/23, Reserve Account as of 6/30/23

Estimated Annual Budget Surplus/Deficit						
% Fee	0.15%	0.32%	0.33%	0.34%	0.35%	0.36%
Assets -15%	-\$130,097	-\$41,388	-\$36,170	-\$30,952	-\$25,734	-\$20,516
Current Assets	-\$116,284	-\$11,921	-\$5,782	\$357	\$6,496	\$12,635
Asset +15%	-\$102,471	\$17,546	\$24,606	\$31,666	\$38,726	\$45,786

This table shows the annual surplus or deficit that would be incurred based on the % Fee listed above applied to Plan Assets and used to pay the 2023-2024 Plan Budget. The "Assets +/- 15%" rows below assume Plan Assets grow/shrink by this amount.

Reserve Account +/- Target (Before Rebate if Account is Over 125% of the Reserve Target)						
% Fee	0.15%	0.32%	0.33%	0.34%	0.35%	0.36%
Assets -15%	-\$61,081	\$27,628	\$32,846	\$38,064	\$43,282	\$48,500
Current Assets	-\$47,268	\$57,095	\$63,234	\$69,373	\$75,512	\$81,651
Asset +15%	-\$33,455	\$86,562	\$93,622	\$100,682	\$107,742	\$114,802

This table shows how much above or below the Reserve Account would be versus its Target level, based on the Surplus/Deficit incurred for a given % Fee and Plan Asset level.

Estimated Years of Lifetime of Reserve Account						
% Fee	0.15%	0.32%	0.33%	0.34%	0.35%	0.36%
Assets -15%	1.4	4.4	5.0	5.9	7.1	9.0
Current Assets	1.5	16.1	36.5	-	-	-
Asset +15%	1.7	-	-	-	-	-

This table shows how many years the Reserve Account can support a given annual deficit. A "-" indicates the administrative account is not expected to ever be exhausted because the corresponding fee structure results in an annual surplus. An annual interest rate of 1% is assumed on reserve balances.

Plan asset data in this document is as of September 30, 2023. This document's calculations are estimates only. Actual experience may vary substantially. Data in this document has been provided by Voya and the City of San Jose.

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H Y A S G R O U P

CITY OF SAN JOSE VEBA PLANS

Administrative Fee Analysis

December 2023

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OLD SITUATION (pre-RFP)

- Voya rebated its 0.20% annual fee on variable assets
 - \$42,000 annually across both plans
- The Plans were also collecting its 0.15% administrative fee on all assets
 - \$92,000 annually across both plans
- Lastly, the Plans received the reimbursement
 - \$90,000 annually across both plans
- In total, the Plans would have received \$225,000
 - based on assets as of September 30, 2023

POST-RFP CONSIDERATIONS

- ▶ There is an excess in the Reserve Account in the amount of \$70,000
- ▶ The current administrative fee of 0.15% may not be enough
- ▶ There is now a 0.03% revenue requirement for Voya to administer the plans
- ▶ Therefore, 0.03% would need to be added to the administrative fee across all options

PLAN DATA

As of September 30, 2023

0.15%

Current Administrative Fee

\$208,369

2023-2024 Operating Budget

\$61,390,024

Combined Plan Assets

\$176,108

Reserve Account Balance

0.3394%

Plan Budget / Plan Assets

\$107,092

Reserve Account Target

Option 1

Increase the administrative fee by 0.17% to 0.32%.

Option 2

Increase the administrative fee by 0.19% to 0.34%.

Option 3

Increase the administrative fee by 0.21% to 0.36%.

Option 1

Increase the administrative fee by 0.17% to 0.32%.

Considerations:

- ▶ Based on current asset levels, there would be an annual shortfall of \$12,000
- ▶ If plan assets grew by 15%, there would be a surplus of \$17,000
- ▶ If plan assets dropped 15%, the shortfall would amount to \$41,000
- ▶ Participants would see a total annual charge of 0.35%

Option 2

Increase the administrative fee by 0.19% to 0.34%.

Considerations:

- ▶ Based on current asset levels, there would be a small annual surplus of \$400
- ▶ If plan assets grew by 15%, the surplus would increase to \$32,000
- ▶ If plan assets dropped 15%, the shortfall would amount to \$31,000
- ▶ Participants would see a total annual charge of 0.37%

Option 3

Increase the administrative fee by 0.21% to 0.36%.

Considerations:

- ▶ Based on current asset levels, there would be an annual surplus of \$13,000
- ▶ If plan assets grew by 15%, the surplus would increase to \$46,000
- ▶ If plan assets dropped 15%, the shortfall would amount to \$20,000
- ▶ Participants would see a total annual charge of 0.39%

ADDITIONAL CONSIDERATIONS

- ▶ As noted in a previous slide, fee collection was very complex and prone to error
- ▶ Under this new structure, the fee collection model is much cleaner
- ▶ One key benefit is the crediting rate of the Voya Fixed Account increased

HYAS GROUP RECOMMENDATION

- ▶ Increase the administrative fee by 0.17% from 0.15% to 0.32% (Option 1)
- ▶ There will be a shortfall early on but the reserve Account Balance is \$70,000 more than the Reserve Account Target
- ▶ The VEBA plans are growing very quickly
- ▶ The VAC can always revisit the assumptions and make appropriate changes in 2024 and beyond

THANK YOU.

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