Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

RETIREES COMMITTEE/BOARD MEETING
NOTICE and AGENDA

THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE PER GOV'T CODE § 54953(e)

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Wednesday, June 1, 2022
10:30 a.m.

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. https://zoom.us/join Meeting ID: 879 6337 8479 Password: 699406 Call-in Number: 1 669 900 6833 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193	**LIZ KOPPENHAVER, CHAIR**	**ELECTED RETIRED**
	HENRY LEVY, VICE CHAIR	**TREASURER**
	DALE AMARAL	**ELECTED SAFETY**
	KEITH CARSON	**APPOINTED**
	KELLIE SIMON	**ELECTED GENERAL**

This is a meeting of the Retirees Committee if a quorum of the Retirees Committee attends, and it is a meeting of the Board if a quorum of the Board attends. This is a joint meeting of the Retirees Committee and the Board if a quorum of each attends.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes, and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure), are available online at www.acera.org.

Note regarding public comments: Public comments are limited to four (4) minutes per person in total.

Note regarding accommodations: The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

Call to Order: 10:30 a.m.

Roll Call

Public Input (Time Limit: 4 minutes per speaker)

Action Items: Matters for Discussion and Possible Motion by the Committee

1. **Approval of Payment for Implicit Subsidy Cost for 2021**
   Discussion and possible motion to recommend that the Board of Retirement approve authorization for Staff to transfer funds in an amount equal to the Implicit Subsidy from the ACERA Supplemental Retiree Benefit Reserve account to the Alameda County Advance Reserve as the Implicit Subsidy reimbursement for Plan Year 2021.

   - Kathy Foster
   - Segal

   Recommendation
   Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $5,593,922 from the Supplemental Retiree Benefit Reserve account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for Plan Year 2021.

2. **Possible Declaration of Intent to Fund Implicit Subsidy Program for 2023**
   Discussion and possible motion to recommend that the Board of Retirement adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2023.

   - Kathy Foster
   - Segal

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy Program for health Plan Year 2023, following a determination by ACERA at the end of Plan Year 2023 that the amount is not greater than the actual retiree Implicit Subsidy.

Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports

1. **Presentation and Report on Health Care Inflation/Trends**
   Staff and ACERA's Benefits Consultant will provide information and report on health care inflation factors for 2022 and 2023.

   – Kathy Foster
   - Segal

2. **Preliminary Report on Projected Benefit Costs Funded through the Supplemental Retiree Benefit Reserve**
   Segal, ACERA's Actuary, will provide a preliminary report on the projection of benefit costs, which are funded through the Supplemental Retiree Benefit Reserve.

   - Kathy Foster
   - Segal

3. **Discussion of Monthly Medical Allowance for 2023**
   Staff will present for discussion Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2022 and 2023 Plan Years.

   – Kathy Foster

4. **2023 Medical Plans Update/Renewal Requests of ACERA/County of Alameda**
   A report will be presented on medical plan renewal requests of ACERA and the County of Alameda for Plan Year 2023.

   - Kathy Foster
   - Segal

5. **Report on Health Reimbursement Arrangement Account Balances and Reimbursements**
   Staff will present a status report on the final 2021 Health Reimbursement Arrangement Account balances, and total reimbursement amounts for Medicare eligible retirees and early retirees living outside the HMO service area enrolled in medical plans through Via Benefits.

   - Ismael Piña

6. **Plans for Open Enrollment and Retiree Health and Wellness Fair**
   Staff will provide a report on the planning for ACERA's annual Open Enrollment and Retiree Health and Wellness Fair.

   - Ismael Piña

7. **Report on Annual Health Care Planning Meeting with Retiree Groups**
   Staff will provide a report on its annual meeting with retirees regarding ACERA-Sponsored health plan issues.

   - Kathy Foster

8. **Miscellaneous Updates**
   Staff will update the Committee on any recent benefit issues affecting ACERA retirees.

   - Ismael Piña

<u>Trustee Remarks</u>

Future Discussion Items

- Adoption of 2023 Monthly Medical Allowance for Group Plans
- Adoption of 2023 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2023 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

Establishment of Next Meeting Date

July 6, 2022, at 10:30 a.m.

Adjournment

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Implicit Subsidy for Health Plan Year 2021**

On February 15, 2007, the Board of Retirement adopted a series of resolutions authorizing the establishment of a mechanism to reimburse the County of Alameda (County) for the additional expense associated with the enrollment of pre-65 ACERA retirees in County-sponsored health benefit plans. Specifically, **Resolution 07-30 Use of SRBR Under Article 5.5 and Section 31592.4** states that ACERA is authorized to transfer funds "not greater than such retiree implicit subsidy".

Attached is a letter from the County providing the final Implicit Subsidy amount for 2021, as calculated by its Consultant, Korn Ferry. Also attached is a letter from ACERA's Benefits Consultant, Segal, verifying that the correct Implicit Subsidy reimbursement for Plan Year 2021 is $5,593,922.

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $5,593,922 from the Supplemental Retiree Benefit Reserve account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for Plan Year 2021.

Attachments (2)

Human Resource Services
Employee Benefits Center

1405 Lakeside Drive
Oakland, CA 94612-4305
QIC 25701
ph: (510) 891-8991
fax: (510) 891-8976
email: emailEBC@acgov.org

April 26, 2022

Sent Via US Mail & Email

Kathy Foster
Asst. CEO, Benefits & Communications
ACERA
475 14th Street, 10th Floor
Oakland, CA 94612

RE: 2021 Final Implicit Subsidy Calculation and 2022 Estimate

Dear Kathy:

Korn Ferry has completed the calculation of the amount of Implicit Subsidy being paid by the County of Alameda on behalf of ACERA early retirees for 2021.

2021 Implicit Subsidy Calculation

In accordance with the established procedure, Korn Ferry calculated the subsidy based on the total premium cost for the 2021 plan year. For this purpose, the enrollment is based on the monthly average from February 2021 through January 2022. The results of our calculations follow with more details in the calculation spreadsheets.

The 2021 Implicit Subsidy is $5,593,922, which is 25.3% lower (approximately $1,890,000) than the 2020 $7,484,411 amount.

This variance is due to the net impact of the following:

- For Kaiser, where a majority of the County's active population was enrolled during the 2021 plan year (80%), the ratio of the active unblended to blended rates decreased from 5.5% in 2020 to 3.3% in 2021.
- For UHC, the ratio of the active unblended to blended rates increased from 4.7% in 2020 to 5.6% in 2021.

The decrease in Kaiser's ratio of active unblended to blended rates from 2020 to 2021 is due to less favorable active claims experience used in the 2021 rating in relation to ACERA claims experience when compared to the experience used for the 2020 rating. The decrease in UHC's ratio of active unblended to blended rates from 2020 to 2021 is due to more favorable active claims experience used in the 2021 rating in relation to ACERA claims experience when compared to the experience used for the 2020 rating.

1.	Total premium for County of Alameda active employees using blended rates	$	143,382,009
2.	Total premium for County of Alameda active employees using unblended rates (as if active employees were rated separately)	$	137,788,087
3.	Implicit Subsidy (1) – (2)	$	5,593,922

Human Resource Services
Employee Benefits Center

1405 Lakeside Drive
Oakland, CA 94612-4305
QIC 25701
ph: (510) 891-8991
fax: (510) 891-8976
email: emailEBC@acgov.org

2022 Implicit Subsidy Estimate

Our estimate for 2022 is based on the same methodology but uses 2022 premium rates and February 2022 enrollment. The results of our calculations follow with more details in the calculation spreadsheets.

The estimated 2022 Implicit Subsidy is 42.7% higher (approximately $2,388,000) than the 2021 amount. The variance is due to the net impact of the following:

- For Kaiser, where a majority of the County's active population is enrolled (80%), the ratio of the active unblended to blended rates increased from 3.3% in 2021 to 6.0% in 2022.
- For UHC, the ratio of the active unblended to blended rates decreased from 5.6% in 2021 to 3.8% in 2022.

1.	Total premium for County of Alameda active employees using blended rates	$	147,663,688
2.	Total premium for County of Alameda active employees using unblended rates (as if active employees were rated separately)	$	139,682,212
3.	Implicit Subsidy (1) – (2)	$	7,981,476

Once you and your consultant have a had a chance to review this letter and the accompanying enclosure, I would be more than happy to coordinate a Teams call for further discussion and to answer any questions you may have.

Best regards,

Ava Lavender
HR Division Manager, Benefits

C: Joe Angelo, Human Resources Director

Segal

Stephen Murphy
Vice President
smurphy@segalco.com

500 North Brand Boulevard
Suite 1400
Glendale, CA 91203-3338
segalco.com

May 13, 2022

Kathy Foster
Assistance Chief Executive Officer
ACERA
475 14th Street, Suite 1000
Oakland, California 94612

Re: ACERA Final 2021 and Estimated 2022 Implicit Subsidy Analysis

Dear Kathy:

Segal has completed the review of the County of Alameda's Final 2021 and Estimated 2022 Implicit Subsidies.

The Final 2021 Implicit Subsidy requested by the County is $5,593,900 for the active enrollment from February 2021 through January 2022. The 2021 subsidy is requested for the employees in Premium and Standard plans offered by Kaiser and United Healthcare, which includes the Signature Value and Signature Value Advantage networks of United Healthcare.

The 2022 Implicit Subsidy is estimated to be $7,981,500 assuming February 2022 enrollment for twelve months. The 2022 subsidy is estimated for employees in Premium and Standard plans offered by Kaiser and United Healthcare. The plans offered have not changed from the prior year.

The plans and enrollment provided by the County and their consultant are consistent with our understanding of the ACERA health plans. We reviewed the enrollment and rates to verify that the effect of blending was revenue neutral over the combined active and retiree population. In our opinion, the Final 2021 and Estimated 2022 Implicit Subsidies stated in this memo are reasonable given the information provided. We did not find any reason to withhold approval of the requested 2021 Implicit Subsidy.

If you have any questions, feel free to contact me at (818) 956-6726.

Sincerely,

Stephen Murphy
Vice President

cc: Jessica Huffman, ACERA
Ismael Piña, ACERA
Eva Hardy, ACERA
Jessica Kuhlman, Segal
Michael Szeto, Segal

ACERA
Implicit Subsidy Summary (2012-2022)

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	Year *										
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Actual											
Kaiser Permanente	$ 5,531,428	$ 3,835,549	$ 3,800,100	$ 4,620,708	$ 7,361,748	$ 5,131,871	$ 5,294,803	$ 5,495,470	$ 5,736,765	$ 3,487,076	N/A
UnitedHealthcare	$ 1,839,038	$ 3,157,273	$ 1,520,853	$ 1,400,743	$ 1,425,848	$ 668,692	$ 1,604,336	$ 951,232	$ 1,747,645	$ 2,106,846	N/A
Total	**$ 7,370,466**	**$ 6,992,822**	**$ 5,320,953**	**$ 6,021,451**	**$ 8,787,596**	**$ 5,800,563**	**$ 6,899,139**	**$ 6,446,703**	**$ 7,484,411**	**$ 5,593,922**	**N/A**
% Change Over Prior year	N/A	-5.12%	-23.91%	13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%	-25.26%	N/A
$ Change Over Prior year	N/A	$ (377,644)	$ (1,671,869)	$ 700,498	$ 2,766,145	$ (2,987,033)	$ 1,098,576	$ (452,436)	$ 1,037,708	$ (1,890,489)	N/A
Estimated											
Kaiser Permanente	N/A	$ 3,836,331	$ 3,783,943	$ 3,918,304	$ 7,429,284	$ 5,157,389	$ 5,308,241	$ 5,549,141	$ 5,785,530	$ 3,499,713	$ 6,508,029
UnitedHealthcare	N/A	$ 3,156,701	$ 1,431,412	$ 1,406,198	$ 1,435,991	$ 672,894	$ 1,631,567	$ 961,735	$ 1,763,154	$ 2,152,900	$ 1,473,447
Total	**N/A**	**$ 6,993,032**	**$ 5,215,355**	**$ 5,324,502**	**$ 8,865,275**	**$ 5,830,283**	**$ 6,939,808**	**$ 6,510,876**	**$ 7,548,684**	**$ 5,652,613**	**$ 7,981,476**
% Change Over Prior year	N/A	N/A	-25.42%	2.09%	66.50%	-34.23%	19.03%	-6.18%	15.94%	-25.12%	41.20%
$ Change Over Prior year	N/A	N/A	$ (1,777,677)	$ 109,147	$ 3,540,773	$ (3,034,992)	$ 1,109,525	$ (428,932)	$ 1,037,807	$ (1,896,070)	$ 2,328,863
% Change Actual vs. Estimated	**N/A**	**0.0%**	**2.0%**	**13.1%**	**-0.9%**	**-0.5%**	**-0.6%**	**-1.0%**	**-0.9%**	**-1.0%**	**N/A**
$ Change Actual vs. Estimated	**N/A**	**$ (210)**	**$ 105,598**	**$ 696,949**	**$ (77,679)**	**$ (29,720)**	**$ (40,669)**	**$ (64,173)**	**$ (64,273)**	**$ (58,691)**	**N/A**

* Twelve months beginning February 1 of the year stated. For the year 2012, the subsidy is stated for the period from February 1, 2012 through January 31, 2013.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Intent to Fund Implicit Subsidy Program for Plan Year 2023**

In establishing the Implicit Subsidy Program, the Board of Retirement recognized the marked impact on utilization and projected premiums of the participation of pre-65 retirees (early retirees) in the County of Alameda's (County) health plan contracts. As the plan sponsor, the County has a legitimate financial interest in ascertaining whether ACERA will continue to support the Implicit Subsidy Program when negotiating enrollment and premium provisions.

The Implicit Subsidy cost for the current Plan Year 2022 is estimated by the County to be $7,981,476.

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy Program for health Plan Year 2023, following a determination by ACERA at the end of Plan Year 2023 that the amount is not greater than the actual retiree Implicit Subsidy.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Report on Health Care Inflation/Trends**

Segal has provided ACERA with recommended assumptions to be used for the December 31, 2021 Supplemental Retiree Benefit Reserve (SRBR) Valuation for projecting benefits based on ACERA's substantive plan pursuant to GASB 43. ACERA's substantive plan design incorporates an increase for the Monthly Medical Allowance (MMA) of one-half of anticipated health care inflation assumptions. The Medicare Part B, vision and dental projections are based on the full inflation assumption for those plans.

Attached is a letter dated May 13, 2022 from Segal. As presented on page two of the attachment to Segal's letter, the near term trend assumptions will increase to 7.50% for non-Medicare plans and 6.50% for Medicare Advantage plans. The annual trend assumptions for dental and vision remain at 4.00%. However, due to the three-year 2021 rate guarantee for dental, the first year of trend will be 0.00%. Likewise, due to the five-year 2021 rate guarantee for vision, the first three years of trend will be 0.00%. The trend used for Medicare Part B will remain at 4.50%.

Segal is using the lowest trend of 6.50% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 3.25% increase would be applied to the projections for the MMA for the December 31, 2021 SRBR Valuation.

Health care trend information has also been provided by Segal's benefit consulting team. Steve Murphy, Vice President, Benefits Consultant, will review the attached presentation at the June 1st Retirees Committee meeting. Also attached is a 10-year ACERA rate history for the period 2013 through 2022 for Kaiser Permanente and UnitedHealthcare.

Attachments (3)

180 Howard Street,
Suite 1100
San Francisco, CA 94105-6147
T 415.263.8200
segalco.com

May 13, 2022

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Re: Alameda County Employees' Retirement Association
Health Trend Assumptions Recommended for the December 31, 2021 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2021 retiree health valuation.

These health trend assumptions will also be used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2021.

Health Care Trend Assumptions

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal publishes a set of health care trend assumptions based on the latest research and information available to our health actuaries. The health care trend assumptions take into account factors such as recent and expected premium increases affecting our clients, changes in utilization of health care, and cost shifting from Medicare.

The specific health care trend assumptions we are recommending are outlined in Attachment One.

1. For the prior December 31, 2020 SRBR valuation, we recommended the following assumptions:

    a. For the non-Medicare plans, we recommended the first year trend rate be set at 6.75%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 9 years. For the Medicare plans, we recommended the first year trend rate be set at 6.25%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 7 years.

    We continued to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

b. The ultimate Dental and Vision trend assumptions remained at 4.00% based upon Segal Survey data.

However, because of the three-year 2021 rate guarantee for dental, the first two years of trend rates were set at 0.00%. Likewise, because of the five-year 2021 rate guarantee for vision, the first four years of trend rates were set at 0.00%.

Prior to the December 31, 2020 valuation, we had not reflected any multi-year rate guarantees for dental and vision trend. To reduce potential actuarial gains, we updated our methodology to reflect any known rate guarantees in our trend assumption.

c. Medicare Part B trend assumption was set at 4.50% based on updated information from the Centers for Medicare & Medicaid Services (CMS) relating to expectations for ultimate Medicare trend and Congressional Budget Office (CBO) trustee reports.

d. Based on past practice, the 6.75% non-Medicare and 6.25% Medicare first year trends were used in the December 31, 2020 "preview" valuation and were applied to the 2021 non-Medicare and Medicare medical premiums to estimate the projected 2022 non-Medicare and Medicare medical premiums. The first year trends were replaced as part of the "final" valuation as of December 31, 2020 to reflect the actual premium renewals for 2022.

e. We continued to assume that the Board's annual Monthly Medical Allowance (MMA) would increase by 50% of the rate of the anticipated medical trend assumption. If different types of medical plans had different initial trend rates, we assumed that the future increase in MMA would be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for dental, vision and Medicare Part B, we assumed they would increase at the full rate of anticipated trend assumed for each of those plans, as described in (b) and (c) above, and provided in Attachment One.

2. For the current December 31, 2021 SRBR valuation, we are recommending the following assumptions:

a. For the non-Medicare plans, we are recommending the first year trend rate be increased to the 7.50%[1], then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. For the Medicare plans, we are recommending the first-year trend rate to be increased to 6.50%[2], then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 8 years.

We will continue to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 6.50%.

[2] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 6.00%.

b. The Dental and Vision annual trend assumptions will remain at 4.00% based upon Segal Survey data.

   However, because of the three-year 2021 rate guarantee for dental, the first year of trend rates will be set at 0.00%. Likewise, because of the five-year 2021 rate guarantee for vision, the first three years of trend rates will be set at 0.00%.

c. Medicare Part B trend assumptions will remain at 4.50%, based on updated information from the Centers for Medicare & Medicaid Services (CMS) relating to expectations for ultimate Medicare trend and Congressional Budget Office (CBO) trustee reports.

d. Based on past practice, the 7.50% non-Medicare and 6.50% Medicare first year trends will be used in the December 31, 2021 "preview" valuation and applied to the 2022 non-Medicare and Medicare medical premiums to estimate the projected 2023 non-Medicare and Medicare medical premiums. The first year trends will be replaced as part of the "final" valuation as of December 31, 2021 to reflect the actual premium renewals for 2023.

e. We will continue to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend assumption. If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for Medicare Part B, dental and vision plans, we assume they would increase at the full rate of anticipated trend assumed for each of those plans, as described in (b) and (c) above, and provided in Attachment One.

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2021 SRBR sufficiency valuation.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

We look forward to discussing this with you. Please let us know if you have any questions.

Sincerely,

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

Mary Kirby

Mary Kirby, FSA, FCA, MAAA
Senior Vice President and Consulting Actuary

Je/hy
Attachments

Segal

Health Trends Used in the Prior Valuation as of December 31, 2020
(Provided for Comparison Purposes)

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans are as follows:

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental[4]	Vision[5]	Medicare Part B
2021	6.75%[1]	6.25%[1]	0.00%	0.00%	4.50%
2022	6.50	6.00	0.00	0.00	4.50
2023	6.25	5.75	4.00	0.00	4.50
2024	6.00	5.50	4.00	0.00	4.50
2025	5.75	5.25	4.00	4.00	4.50
2026	5.50	5.00	4.00	4.00	4.50
2027	5.25	4.75	4.00	4.00	4.50
2028	5.00	4.50	4.00	4.00	4.50
2029	4.75	4.50	4.00	4.00	4.50
2030 & Later	4.50	4.50	4.00	4.00	4.50

(1) For calendar year 2021, actual trends are below, based on actual premium renewals for 2022, as reported by ACERA. These trends were used in preparing our December 31, 2020 SRBR valuation report dated September 20, 2021.

Kaiser HMO Early Retiree	United Healthcare HMO Early Retiree	Kaiser Senior Advantage	Dental & Vision
4.00%	2.93%	-9.42%	0.00%

(2) Non-Medicare plans.

(3) Medicare plans.

(4) First two years reflect three-year rate guarantee, premiums fixed at 2021 level.

(5) First four years reflect five-year guarantee, premiums fixed at 2021 level.

Health Trends Recommended for the Current Valuation as of December 31, 2021

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans are as follows:

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental[4]	Vision[5]	Medicare Part B
2022	7.50%[1]	6.50%[1]	0.00%	0.00%	4.50%
2023	7.25	6.25	4.00	0.00	4.50
2024	7.00	6.00	4.00	0.00	4.50
2025	6.75	5.75	4.00	4.00	4.50
2026	6.50	5.50	4.00	4.00	4.50
2027	6.25	5.25	4.00	4.00	4.50
2028	6.00	5.00	4.00	4.00	4.50
2029	5.75	4.75	4.00	4.00	4.50
2030	5.50	4.50	4.00	4.00	4.50
2031	5.25	4.50	4.00	4.00	4.50
2032	5.00	4.50	4.00	4.00	4.50
2033	4.75	4.50	4.00	4.00	4.50
2034 & Later	4.50	4.50	4.00	4.00	4.50

(1) Based on past practice, the first year trends will be replaced as part of the "final" valuation as of December 31, 2021 to reflect the actual premium renewals for 2023.

(2) Non-Medicare plans.

(3) Medicare plans.

(4) First year reflects three-year rate guarantee, premiums fixed at 2021 level.

(5) First three years reflect five-year rate guarantee, premiums fixed at 2021 level.

Alameda County Employees' Retirement Association (ACERA)

2022 Health Plan Cost Trend Survey

ACERA Retirees Committee Meeting

Presented on June 1, 2022 / Presenters: Stephen Murphy

Segal

Segal Health Plan Cost Trend Survey Overview

2022 edition is our 25th annual national survey

Almost 80 managed care organizations (MCOs), health insurers, pharmacy benefit managers (PBMs), and third-party administrators (TPAs) participated including:

Aetna
(Acquired by CVS Health in 2018)

Anthem

Blue Shield of California

Cigna

CVS Health

Express Scripts
(Acquired by Cigna in 2018)

Health Net

Humana

Kaiser Foundation Health Plan

UnitedHealthcare

Health Care Cost Trend Influencers

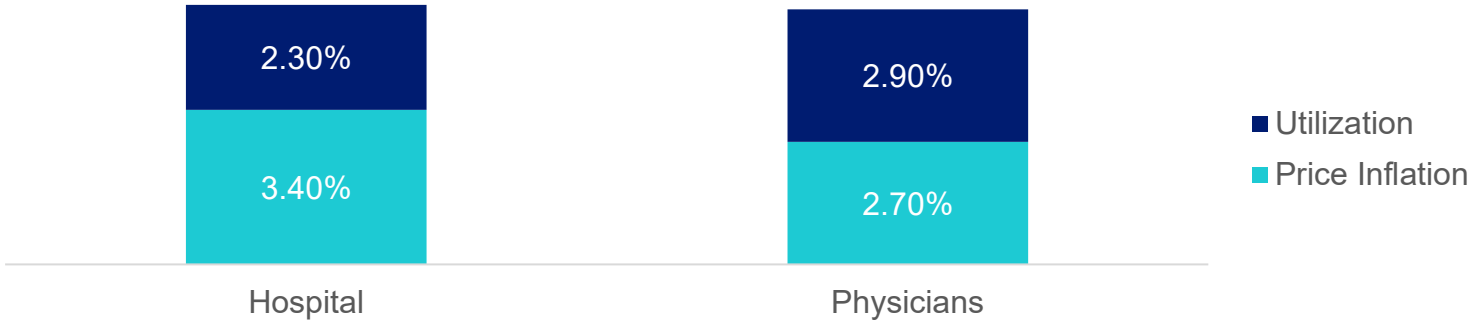
- New treatments, therapies and technology
- Provider cost shifting from reduced CMS payments (Medicaid & Medicare)
- Regulations/mandates
- Provider price increase and CPI
- Increased demand from increased health risks due to aging populations or rise in obesity
- Erosion effect of fixed deductibles and copayments[1]
- Greater emphasis on detection and diagnostics
- Other, including fraud and abuse

Trend is the forecast of annual gross per capita claims cost increases.

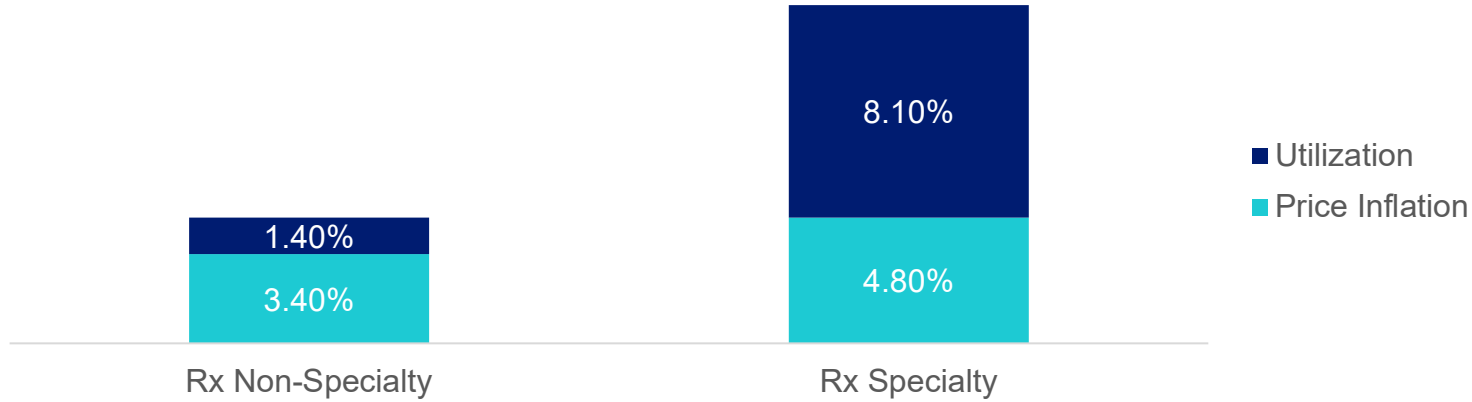
[1] This is a driver of net paid claim cost trends, not gross per capita claims cost increases.

Leading Drivers of Trend

Influence of Price Inflation and Utilization on 2022 Projected Medical Trends*



Price Inflation is the Leading Driver of Rx trend with Specialty Rx a Major Factor

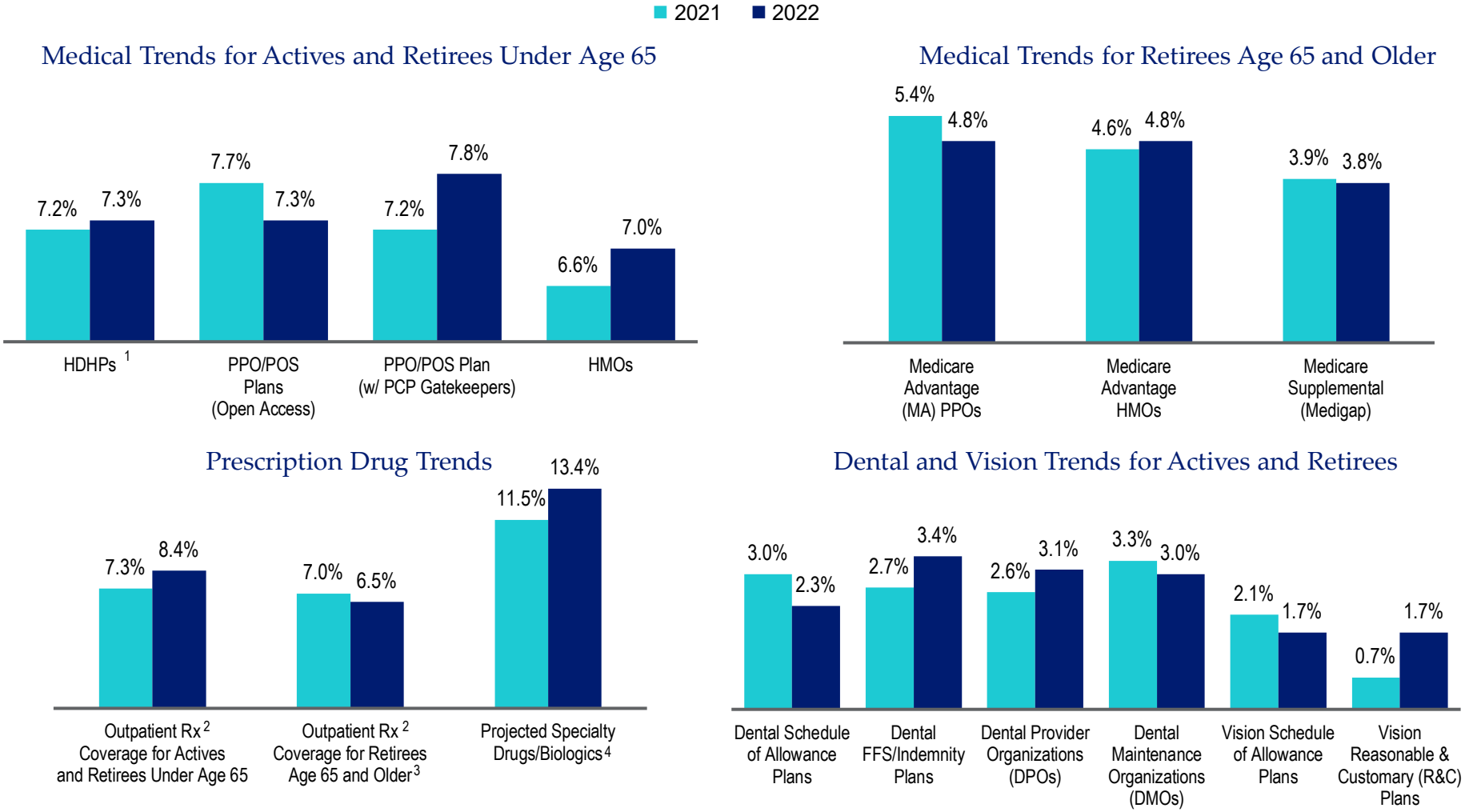


Source: Segal, 2022

* Hospital and physician trends are for open-access PPOs for actives and retirees under age 65. The components do not add up to totals because there are other components of trend not illustrated, reflecting such factors as the impact of cost shifting, new mandates and technology changes. Not all survey respondents provided a breakdown of trend by component.

Projected Health Care Trends

2021 vs. 2022



Source: 2022 Segal Health Plan Cost Trend Survey

[1] HDHPs with an employee-directed, tax-advantaged health account—a health savings account (HSA) or a health reimbursement account (HRA)—are referred to as account-based health plans and are designed to encourage consumer engagement, resulting in more efficient use of health care services.

[2] These results do not include the impact of rebates from PBMs.

[3] This data is for all prescription drugs (non-specialty and specialty drugs combined).

[4] This data is for all coverage of specialty drugs for actives and retirees under age 65.

COVID-19 Impact to Health Services Spending

Observations

- COVID-19 has caused unexpected disruption in our healthcare system
- Traditional healthcare utilization experienced historic lows as people chose to delay or eliminate care
  - In contrast, utilization of digital health services exploded during the COVID-19 pandemic, transforming delivery of some healthcare services
- COVID-19 pandemic has impacted patterns of use for emergency room services, urgent care and retail clinic
  - Change in patterns of use may outlast the pandemic

Applying Health Plan Cost Trend Survey Results to ACERA

The Health Plan Cost Trend Survey results exclude the potential impact of non-claim factors such as:

- Pharmaceutical manufacturer rebates
- Medicare Star Rating performance bonuses
- Changes in administration fees (i.e., premium taxes, ACA fees, etc.)

When recommending long term health trend assumptions used in ACERA's Other Postemployment Benefits (OPEB) and Supplemental Retiree Benefit Reserve (SRBR) valuations, Segal's Actuarial Team takes into account multiple factors including:

- The annual Health Plan Cost Trend Survey findings
- Consistency of assumptions relative to other large OPEB plans
- Smoothing when changing from prior year assumptions

Medical Rate Comparisons

2013-2022 Rate History

Alameda County Employees' Retirement Association

Kaiser Early Retiree

930 Enrolled*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$639.26	$658.96	$670.58	$671.82	$729.08	$735.64	$765.06	$785.44	$810.72	$843.16
Retiree & 1 Dep	$1,278.52	$1,317.92	$1,341.16	$1,343.64	$1,458.16	$1,471.28	$1,530.12	$1,570.88	$1,621.44	$1,686.32
Retiree & 2+ Deps	$1,809.12	$1,864.86	$1,897.74	$1,901.26	$2,063.30	$2,081.88	$2,165.12	$2,222.80	$2,294.34	$2,386.22
% Change over Retiree Monthly Premium		3.08%	1.76%	0.18%	8.52%	0.90%	4.00%	2.66%	3.22%	4.00%

Kaiser Permanente Senior Advantage

4,376 Enrolled*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$316.64	$330.96	$330.96	$329.90	$354.73	$367.23	$394.07	$411.54	$382.21	$344.44
Retiree & Spouse	$633.28	$661.92	$661.92	$659.80	$709.46	$734.46	$788.14	$823.08	$764.42	$688.88
% Change over Retiree Monthly Premium		4.52%	0.00%	-0.32%	7.53%	3.52%	7.31%	4.40%	-7.10%	-9.88%

UnitedHealthcare SignatureValue HMO Early Retiree

101 Enrolled*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$914.78	$972.34	$972.34	$982.06	$982.06	$1,047.16	$1,047.16	$1,087.80	$1,150.60	$1,184.32
Retiree & 1 Dep	$1,829.48	$1,944.60	$1,944.60	$1,964.06	$1,964.06	$2,094.24	$2,094.24	$2,175.50	$2,301.12	$2,368.56
Retiree & 2+ Deps	$2,588.70	$2,751.60	$2,751.60	$2,779.12	$2,779.12	$2,963.32	$2,963.32	$3,078.30	$3,256.06	$3,351.46
% Change over Retiree Monthly Premium		6.29%	0.00%	1.00%	0.00%	6.63%	0.00%	3.88%	5.77%	2.93%

UnitedHealthcare SignatureValue Advantage HMO Early Retiree - Effective 2/1/2019

58 Enrolled*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	N/A	N/A	N/A	N/A	N/A	N/A	$980.94	$831.92	$759.16	$781.42
Retiree & 1 Dep	N/A	N/A	N/A	N/A	N/A	N/A	$1,961.80	$1,663.74	$1,518.20	$1,562.70
Retiree & 2+ Deps	N/A	N/A	N/A	N/A	N/A	N/A	$2,775.92	$2,354.18	$2,148.24	$2,211.18
% Change over Retiree Monthly Premium		-	-	-	-	-	-	-15.19%	-8.75%	2.93%

*As of December 31, 2021

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Preliminary Report on Projected Benefit Costs Funded through Supplemental Retiree Benefit Reserve**

Attached is a letter from Segal, ACERA's Actuary, which provides a preliminary report of the Supplemental Retiree Benefit Reserve (SRBR) financial status. This overview of the valuation is based on projections using substantive plan and medical inflation trends, as well as other assumptions consistent with our pension valuation. This information is provided to the Retirees Committee in preparation for setting the Monthly Medical Allowance (MMA), and Vision and Dental subsidies for 2023.

Other Post-Employment Benefits (OPEB)

In the December 31, 2020 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2042 with full benefits paid through 2041. The results of the December 31, 2021 valuation indicate that the terminal year of OPEB benefits is projected to be 2045, with full benefits paid through 2044 for a total of 23 full years and one partial year. The four main reasons which resulted in extending the sufficiency period by approximately 3.5 years are due to the following factors:

- The favorable investment experience on an actuarial value of assets basis caused the sufficiency period to increase by about six years and eight months.
- The projected benefits in the first 10 years decreased due to fewer current retirees electing medical coverage and fewer current retirees under age 65 enrolled in group plans, which caused a reduction in the Implicit Subsidy. The Medicare Part B premium increased by more than expected starting in 2022. The net effect of these changes caused the sufficiency period to drop by about eight months.
- The increase to the first year medical trend rates caused the sufficiency period to drop by about 10 months.
- The updated 2022 estimated Implicit Subsidy caused the sufficiency period to drop by about 19 months.

Non-OPEB

The terminal year for non-OPEB benefits is projected to be 2043, with full benefits paid through 2042 for a total of 21 full years and one partial year. The main reasons the terminal year for the non-OPEB benefits is projected to be one year earlier than last year are due to the following factors:

- The increase in the April 1, 2022 COLA banks, together with other demographic experience, caused the sufficiency period to drop by about three years.
- The favorable investment experience on an actuarial value of assets basis caused the sufficiency period to increase by about two years.

Also attached are two additional letters from Segal. One letter dated May 13th is regarding assumptions that are recommended for the SRBR valuation. These assumptions are used for the substantive plan projections. The second letter dated May 24th is regarding recommended parameters to reflect demographic driven changes. This information will be presented in more detail at the June 1st Retirees Committee meeting, at the same time the MMA costs and recommendations for 2023 will be discussed.

Andy Yeung, with Segal, will present the attached Preview of December 31, 2021 Valuation Results for Benefits Povided by the SRBR report in more detail at the June 1st Retirees Committee meeting.

Attachments (3)

Segal

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segalco.com

May 24, 2022

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, California 94612-1900

Re: Alameda County Employees' Retirement Association (ACERA)
Preview of December 31, 2021 Valuation Results for Benefits Provided by the Supplemental Retiree Benefits Reserve (SRBR)

Dear Kathy:

This letter is intended to provide a preview of the December 31, 2021 valuation results for benefits provided by the SRBR, before we issue a full valuation report later this year. The results in this letter are based on our understanding of the Other Postemployment Benefits (OPEB) "substantive plan" design and on the current benefits provided by the SRBR that are in addition to the OPEB benefits (i.e., "non-OPEB").

Results

As of December 31, 2021, the OPEB and non-OPEB related assets in the SRBR are projected to be sufficient to pay OPEB benefits through 2045 (23 full years and 1 partial year) and non-OPEB benefits through 2043 (21 full years and 1 partial year).

Background and Discussion

The determination of the "substantive plan" underlying ACERA's OPEB was based upon prior directions provided by ACERA and its auditors, as well as the administrative staff, auditors, and consultants representing the County of Alameda, along with other features of the plan, as we stated in our December 31, 2020 valuation report dated September 20, 2021.

The actuarial assumptions used in this valuation are consistent with those assumptions applied by the Retirement Board for the December 31, 2021 pension valuation for funding purposes, including the use of a 7.00% investment return assumption. When projecting OPEB payments, for the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation. We have also used the

additional OPEB-related assumptions/parameters that were provided in our letter dated May 24, 2022.[1]

This includes applying the health trend assumption in projecting that the 2023 Monthly Medical Allowance will increase from the 2022 level by 3.25% (i.e., 1/2 of the lowest 2022 to 2023 calendar year medical trend assumed in the December 31, 2021 SRBR valuation).[2] Copies of our May 24, 2022 and May 13, 2022 letters are attached for your reference.

MMA Amounts for Group and Via Benefits Individual Medical Insurance Exchange

In 2022, the maximum Monthly Medical Allowance (MMA) for retirees with 20 or more years of service and enrolled in an ACERA sponsored group medical plan, or for eligible out-of-area non-Medicare retirees enrolled in Via Benefits Exchange, is $596.73. For Medicare retirees with 20 or more years of service and purchasing individual plan Medicare insurance through Via Benefits Exchange (including out-of-area retirees), the maximum MMA for 2022 is $457.13.

At the end of this letter, we provide an exhibit that shows the projected cash flow and present value of projected benefits for the OPEB and non-OPEB plans. The present values calculated represent the amount of benefits payable through the date of exhaustion of the assets in the SRBR. The exhibit also indicates the years in which the assets in the SRBR are expected to be exhausted, shown separately for OPEB and non-OPEB. Note that the assets used herein reflect the estimated implicit subsidy transfer of $5,652,613 from the SRBR to the Employer Advance Reserve for 2021 previously provided by ACERA, consistent with the transfer amount used in the December 31, 2021 funding valuation report for the Pension Plan.

A brief discussion on background information and results is provided below for each of the plans.

OPEB

OPEB benefits, including postretirement medical, dental, and vision benefits, are provided by the employer's contributions made to ACERA's 401(h) account. Once the employer makes those contributions to the 401(h) account, ACERA transfers a like amount from the SRBR to the employer's reserve account.

Note that in preparing the 401(h) contribution letter for 2022/2023, we had included an additional allocation for expenses related to the administration of the health benefits for retirees. However, as we previously demonstrated to the Association during our discussion with the Board on SB 1479, the values in both the employer reserves and the SRBR would remain unchanged relative to the values prior to that allocation, through the operation of SB 1479. For that reason, we have not included the explicit payment of administrative expense out of the 401(h) in preparing the cash flow requirements of the SRBR.

[1] Note that we issued a separate health trend assumptions letter dated May 13, 2022 due to the timing of the GASB 74 valuation report as of December 31, 2021.

[2] This corresponds to the medical trend assumption we recommend for the Medicare Advantage Plans in the December 31, 2021 valuation. This first-year trend rate was increased to 6.50% from the 6.00% that we assumed in the December 31, 2020 valuation.

In order to determine the cost of the retiree medical benefits, we estimated the average per capita premium for retirees under age 65. Because these premiums include active participants for purposes of underwriting, the retirees receive an implicit subsidy. Had the retirees under age 65 been underwritten as a separate group, their aggregate premiums would be higher. The excess of the retiree only costs over the active/retiree composite premiums currently charged makes up the implicit subsidy. In preparing the cash flow requirements, we have started our projection by including the amount that is estimated to be reimbursed by ACERA to the County as prepared by the County's health actuary for 2022 of $7,981,476.

We have assumed that the Medicare Part B, dental and vision subsidies will increase at the full rate of the trend assumption for those plans. The trend assumption for dental reflects the rate guarantee for 2023 maintaining premiums at 2021 levels. The trend assumption for vision reflects the rate guarantees for 2023 through 2025 maintaining premiums at 2021 levels.

In the December 31, 2020 valuation, it was projected that the OPEB assets would be exhausted in 2042, with full benefits paid through 2041, for a total of 21 full years and 1 partial year. The results of the December 31, 2021 valuation indicate that the terminal year of OPEB benefits is projected to be 2045, with full benefits paid through 2044, for a total of 23 full years and 1 partial year.

After accounting for the 1 year of benefit payments made in 2021, there is an approximate increase in the sufficiency period by 3.5 years mainly due to the following factors:

- The favorable investment experience on an actuarial value of assets basis caused the sufficiency period to increase by about 6 years and 8 months.
- On the one hand, the projected benefits in the first 10 years decreased due to fewer current retirees electing medical coverage and fewer current retirees under age 65 enrolled in group plans which caused a reduction in the implicit subsidy. On the other hand, the Medicare Part B premium increased by more than expected starting in 2022. The net effect of these changes caused the sufficiency period to drop by about 8 months.
- The increase to the first year medical trend rates caused the sufficiency period to drop by about 10 months.
- The updated 2022 estimated implicit subsidy[3] caused the sufficiency period to drop by about 19 months.

These results are based on the amount of OPEB assets available as of December 31, 2021, which were provided by ACERA.[4]

[3] The implicit subsidy estimated by the County's health actuary increased from $5.7 million for 2021 to $8.0 million for 2022.

[4] The OPEB assets used in this valuation (i.e., $1,082.7 million) are on an actuarial value of assets basis. Note that in our recently issued Governmental Accounting Standards Board (GASB) Statement No. 74 financial reporting valuation report as of December 31, 2021 of the OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of OPEB assets, of $1,623.6 million, as required by that Statement. The increase in assets used in the GASB 74 valuation of $540.9 million represents one-half of the net deferred investment gains (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve. These deferred investment gains have not been utilized in this December 31, 2021 SRBR sufficiency valuation, similar to how the deferred investment gains as of December 31, 2020 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment gains as of December 31, 2021 would cover all 74 remaining years of projected OPEB benefit payments (all projected benefit payments for current and future retirees as of December 31, 2021 would be covered by the market value of OPEB assets currently in the SRBR).

Non-OPEB

The SRBR currently provides benefits in addition to those that qualify as OPEB. These non-OPEB benefits include supplemental COLA and death benefits.

In the December 31, 2020 valuation, it was projected that the non-OPEB assets would be exhausted in 2044, with full benefits paid through 2043, for a total of 23 full years and 1 partial year. The results of the December 31, 2021 valuation indicate that the terminal year of benefits is projected to be 2043, with full benefits paid through 2042, for a total of 21 full years and 1 partial year.

After accounting for the 1 year of benefit payments made in 2021, there is an approximate decrease in the sufficiency period by 1 year mainly due to the following factors:

- The increase in the April 1, 2022 COLA banks, together with other demographic experience, caused the sufficiency period to drop by about 3 years. Further details are provided below.
- The favorable investment experience on an actuarial value of assets basis caused the sufficiency period to increase by about 2 years.

The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be one years earlier than it was in last year's study is the high actual inflation of 4.24% in the Bay Area for 2021 (versus the inflation assumption of 2.75%), which increased the supplemental COLA costs. For supplemental COLA benefits, the excess of inflation over the cost of living allowance (i.e., 3% for Tiers 1 and 3, and 2% for Tiers 2, 2C, 2D, and 4) is banked for future years when inflation may be less than the cost of living allowance. In years when inflation is less than the cost of living allowance, the bank is reduced by the excess of the cost of living allowance over inflation, but to no less than zero percent. A supplemental COLA benefit would be paid whenever a member's COLA bank exceeds 15%. Due to the actual inflation of 4.24% in 2021 for the San Francisco-Oakland-Hayward Area,[5] the April 1, 2022 COLA banks increased by 1.00% for Tiers 1 and 3 and increased by 2.00% for Tiers 2, 2C, 2D, and 4 over the banks as of the prior year. However, based on the inflation assumption of 2.75%, the April 1, 2022 COLA banks were expected to decrease by 0.25% for Tiers 1 and 3 and to increase by 0.75% for Tiers 2, 2C, 2D and 4. Since the actual April 1, 2022 COLA banks have either increased unexpectedly (for Tiers 1 and 3) or increased by a higher than expected amount (for Tiers 2, 2C, 2D, and 4), it is expected to take less time for members to accumulate a bank in excess of 15%, which results in an increase in the present value of providing supplemental COLA benefits. Moreover, the supplemental COLA benefit is increased for retired members and beneficiaries who already have a COLA bank in excess of 15% (i.e., an increase of 1.00% for Tiers 1 and 3 and an increase of 2.00% for Tiers 2, 2C, 2D and 4). These increases are greater than our assumption.

[5] Based on a comparison of the December 2021 Consumer Price Index (CPI) to the December 2020 CPI, as published by the Bureau of Labor Statistics.

These results are based on the amount of non-OPEB assets available as of December 31, 2021, which were provided by ACERA.[6]

Other Considerations

Note that the terminal years through which the SRBR can be paid have been developed to reflect only the actuarial value of assets allocated to the SRBR through December 31, 2021. As we indicated on page 23 of our December 31, 2021 actuarial valuation report for the Pension Plan, the Association had deferred investment gains of $1,132.9 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of that date. The deferred gains of $1,132.9 million represent 9.6% of the market value of assets as of December 31, 2021. If one-half of the net deferred gain were recognized immediately in the valuation value of assets, there would be an increase in the SRBR Reserve of approximately $540.9 million to pay OPEB benefits and $26.2 million to pay non-OPEB benefits.[7]

These projections are based on proprietary actuarial modeling software. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

These calculations were prepared under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary; Eva Yum, FSA, MAAA, Enrolled Actuary; and Mary Kirby, FSA, MAAA. We are members of the American Academy of Actuaries and we meet the Qualifications of the American Academy of Actuaries to render the actuarial opinion herein.

[6] The non-OPEB SRBR assets used in this valuation (i.e., $51.9 million) are on an actuarial value of assets basis. Note that in our recently issued Governmental Accounting Standards Board (GASB) Statement No. 67 financial reporting valuation report as of December 31, 2021 for the Pension Plan and non-OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of assets, of $78.1 million in non-OPEB SRBR assets, as required by that Statement. The increase in non-OPEB SRBR assets used in the GASB 67 valuation of $26.2 million represents one-half of the net deferred investment gains (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the non-OPEB SRBR reserve to total SRBR reserve. These deferred investment gains have not been utilized in this December 31, 2021 SRBR sufficiency valuation, similar to how the deferred investment gains as of December 31, 2020 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment gains as of December 31, 2021 represent about 7 years more of projected non-OPEB benefit payment. Because there is a disparity in the sufficiency period to pay non-OPEB and OPEB benefits when these deferred investment gains are recognized in future valuation, we would advise the Board on when it might be desirable to transfer some of the deferred investment gains from the OPEB SRBR to the non-OPEB SRBR.

[7] It is important to note that the December 31, 2021 actuarial valuation is based on plan assets as of that same date. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2021. While it is impossible to determine how the pandemic will affect market conditions and other demographic experience of the Plan in future valuations, Segal is available to prepare projections of potential outcomes upon request.

Please let us know if you have any questions.

Sincerely,

Andy Yeung, ASA, MAAA, EA, FCA
Vice President & Actuary

Eva Yum, FSA, MAAA, EA
Vice President & Actuary

Mary Kirby, FSA, FCA, MAAA
Senior Vice President and Consulting Actuary

DNA/jl
Enclosures (5717575, 5722740)

Alameda County Employees' Retirement Association
Projected Cash Flow and Present Value of Projected Benefits
Provided by the Supplemental Retirees Benefit Reserve as of December 31, 2021

Year Ending December 31	Annual Benefit Cash Flows			Present Value as of December 31, 2021 of Projected Benefits through Year End		
	Medical[1]	Dental and Vision	Non-OPEB[2]	OPEB[3]	Non-OPEB	Total
2022	$50,943,760	$4,939,488	$1,159,819	$54,024,375	$1,121,239	$55,145,614
2023	54,929,853	5,038,534	1,151,818	108,205,336	2,161,898	110,367,234
2024	58,776,328	5,322,879	1,148,080	162,329,750	3,131,319	165,461,069
2025	62,757,130	5,606,218	1,152,121	216,278,341	4,040,510	220,318,851
2026	67,032,106	5,913,201	1,159,962	270,076,864	4,896,003	274,972,867
2027	71,358,065	6,227,577	1,340,765	323,554,301	5,820,152	329,374,453
2028	75,524,314	6,548,369	1,523,667	376,423,663	6,801,664	383,225,327
2029	79,584,228	6,870,515	2,053,446	428,472,436	8,037,910	436,510,346
2030	83,818,614	7,205,807	2,730,225	479,687,275	9,574,070	489,261,345
2031	88,230,080	7,553,172	3,656,245	530,053,998	11,496,672	541,550,670
2032	92,400,523	7,908,887	4,641,178	579,350,035	13,777,531	593,127,566
2033	96,878,997	8,262,231	5,728,480	627,640,302	16,408,562	644,048,864
2034	101,075,074	8,611,294	6,769,602	674,722,359	19,314,364	694,036,723
2035	104,948,460	8,953,043	7,916,054	720,415,231	22,489,978	742,905,209
2036	108,375,270	9,287,541	9,115,621	764,529,028	25,907,580	790,436,608
2037	111,784,140	9,621,785	10,308,645	807,068,425	29,519,624	836,588,049
2038	115,463,860	9,952,468	11,406,689	848,138,146	33,254,939	881,393,085
2039	118,830,016	10,278,898	12,474,227	887,651,156	37,072,602	924,723,758
2040	122,165,743	10,590,531	13,742,997	925,622,430	41,003,407	966,625,837
2041	125,462,590	10,902,590	14,969,256	962,074,301	45,004,850	1,007,079,151
2042	128,519,897	11,202,295	16,067,754	996,980,130	49,018,945	1,045,999,075
2043	131,738,506	11,495,194	12,428,909[4]	1,030,422,264	51,920,841	1,082,343,105
2044	134,684,821	11,781,202	-	1,062,381,905	51,920,841	1,114,302,746
2045	91,600,101[4]	8,053,677[4]	-	1,082,704,305	51,920,841	1,134,625,146

[1] Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County.
[2] Includes Supplemental COLA and $1,000 Lump Sum Death Benefit.
[3] Includes Medical, Dental and Vision.
[4] Benefits will be paid through the year prior to the year shown in the table. Full benefits will be paid for part of the year indicated.

Segal

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May 13, 2022

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Re: Alameda County Employees' Retirement Association
Health Trend Assumptions Recommended for the December 31, 2021 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2021 retiree health valuation.

These health trend assumptions will also be used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2021.

Health Care Trend Assumptions

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal publishes a set of health care trend assumptions based on the latest research and information available to our health actuaries. The health care trend assumptions take into account factors such as recent and expected premium increases affecting our clients, changes in utilization of health care, and cost shifting from Medicare.

The specific health care trend assumptions we are recommending are outlined in Attachment One.

1. For the prior December 31, 2020 SRBR valuation, we recommended the following assumptions:

    a. For the non-Medicare plans, we recommended the first year trend rate be set at 6.75%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 9 years. For the Medicare plans, we recommended the first year trend rate be set at 6.25%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 7 years.

    We continued to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

b. The ultimate Dental and Vision trend assumptions remained at 4.00% based upon Segal Survey data.

However, because of the three-year 2021 rate guarantee for dental, the first two years of trend rates were set at 0.00%. Likewise, because of the five-year 2021 rate guarantee for vision, the first four years of trend rates were set at 0.00%.

Prior to the December 31, 2020 valuation, we had not reflected any multi-year rate guarantees for dental and vision trend. To reduce potential actuarial gains, we updated our methodology to reflect any known rate guarantees in our trend assumption.

c. Medicare Part B trend assumption was set at 4.50% based on updated information from the Centers for Medicare & Medicaid Services (CMS) relating to expectations for ultimate Medicare trend and Congressional Budget Office (CBO) trustee reports.

d. Based on past practice, the 6.75% non-Medicare and 6.25% Medicare first year trends were used in the December 31, 2020 "preview" valuation and were applied to the 2021 non-Medicare and Medicare medical premiums to estimate the projected 2022 non-Medicare and Medicare medical premiums. The first year trends were replaced as part of the "final" valuation as of December 31, 2020 to reflect the actual premium renewals for 2022.

e. We continued to assume that the Board's annual Monthly Medical Allowance (MMA) would increase by 50% of the rate of the anticipated medical trend assumption. If different types of medical plans had different initial trend rates, we assumed that the future increase in MMA would be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for dental, vision and Medicare Part B, we assumed they would increase at the full rate of anticipated trend assumed for each of those plans, as described in (b) and (c) above, and provided in Attachment One.

2. For the current December 31, 2021 SRBR valuation, we are recommending the following assumptions:

a. For the non-Medicare plans, we are recommending the first year trend rate be increased to the 7.50%[1], then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. For the Medicare plans, we are recommending the first-year trend rate to be increased to 6.50%[2], then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 8 years.

We will continue to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 6.50%.

[2] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 6.00%.

b. The Dental and Vision annual trend assumptions will remain at 4.00% based upon Segal Survey data.

   However, because of the three-year 2021 rate guarantee for dental, the first year of trend rates will be set at 0.00%. Likewise, because of the five-year 2021 rate guarantee for vision, the first three years of trend rates will be set at 0.00%.

c. Medicare Part B trend assumptions will remain at 4.50%, based on updated information from the Centers for Medicare & Medicaid Services (CMS) relating to expectations for ultimate Medicare trend and Congressional Budget Office (CBO) trustee reports.

d. Based on past practice, the 7.50% non-Medicare and 6.50% Medicare first year trends will be used in the December 31, 2021 "preview" valuation and applied to the 2022 non-Medicare and Medicare medical premiums to estimate the projected 2023 non-Medicare and Medicare medical premiums. The first year trends will be replaced as part of the "final" valuation as of December 31, 2021 to reflect the actual premium renewals for 2023.

e. We will continue to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend assumption. If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for Medicare Part B, dental and vision plans, we assume they would increase at the full rate of anticipated trend assumed for each of those plans, as described in (b) and (c) above, and provided in Attachment One.

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2021 SRBR sufficiency valuation.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

We look forward to discussing this with you. Please let us know if you have any questions.

Sincerely,

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

Mary Kirby

Mary Kirby, FSA, FCA, MAAA
Senior Vice President and Consulting Actuary

Je/hy
Attachments

Segal

Health Trends Used in the Prior Valuation as of December 31, 2020
(Provided for Comparison Purposes)

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans are as follows:

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental[4]	Vision[5]	Medicare Part B
2021	6.75%[1]	6.25%[1]	0.00%	0.00%	4.50%
2022	6.50	6.00	0.00	0.00	4.50
2023	6.25	5.75	4.00	0.00	4.50
2024	6.00	5.50	4.00	0.00	4.50
2025	5.75	5.25	4.00	4.00	4.50
2026	5.50	5.00	4.00	4.00	4.50
2027	5.25	4.75	4.00	4.00	4.50
2028	5.00	4.50	4.00	4.00	4.50
2029	4.75	4.50	4.00	4.00	4.50
2030 & Later	4.50	4.50	4.00	4.00	4.50

(1) For calendar year 2021, actual trends are below, based on actual premium renewals for 2022, as reported by ACERA. These trends were used in preparing our December 31, 2020 SRBR valuation report dated September 20, 2021.

Kaiser HMO Early Retiree	United Healthcare HMO Early Retiree	Kaiser Senior Advantage	Dental & Vision
4.00%	2.93%	-9.42%	0.00%

(2) Non-Medicare plans.

(3) Medicare plans.

(4) First two years reflect three-year rate guarantee, premiums fixed at 2021 level.

(5) First four years reflect five-year guarantee, premiums fixed at 2021 level.

Health Trends Recommended for the Current Valuation as of December 31, 2021

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans are as follows:

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental[4]	Vision[5]	Medicare Part B
2022	7.50%[1]	6.50%[1]	0.00%	0.00%	4.50%
2023	7.25	6.25	4.00	0.00	4.50
2024	7.00	6.00	4.00	0.00	4.50
2025	6.75	5.75	4.00	4.00	4.50
2026	6.50	5.50	4.00	4.00	4.50
2027	6.25	5.25	4.00	4.00	4.50
2028	6.00	5.00	4.00	4.00	4.50
2029	5.75	4.75	4.00	4.00	4.50
2030	5.50	4.50	4.00	4.00	4.50
2031	5.25	4.50	4.00	4.00	4.50
2032	5.00	4.50	4.00	4.00	4.50
2033	4.75	4.50	4.00	4.00	4.50
2034 & Later	4.50	4.50	4.00	4.00	4.50

(1) Based on past practice, the first year trends will be replaced as part of the "final" valuation as of December 31, 2021 to reflect the actual premium renewals for 2023.

(2) Non-Medicare plans.

(3) Medicare plans.

(4) First year reflects three-year rate guarantee, premiums fixed at 2021 level.

(5) First three years reflect five-year rate guarantee, premiums fixed at 2021 level.

Segal

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VIA E-MAIL

May 24, 2022

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

Re: Alameda County Employees' Retirement Association
Recommended Parameters Other than Health Trend
for the December 31, 2021 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the recommended parameters to reflect the demographic driven changes in the membership data for use in the December 31, 2021 retiree health valuation.

The health care cost trend assumptions used in the health valuation are reviewed annually and the recommended assumptions for the December 31, 2021 valuation (that we have used earlier to prepare our Governmental Accounting Standards Board Statement 74 report with a measurement date as of the same date) were provided in a separate letter dated May 13, 2022.

Other parameters (or assumptions) such as the proportion of members expected to be covered by each health benefit provider (e.g. Kaiser) can sometimes be volatile due to the dynamic nature of the health care market place. Those assumptions are typically based on enrollment experience among the current retirees as of the most recent annual open enrollment.

Following are our recommended assumptions for the December 31, 2021 health plan valuation:

1. Per capita medical costs – These costs are used to project the premiums for current active members when they retire. Based on the percentage of retired members, spouses and beneficiaries electing health coverage and the proportion of members enrolled in each available medical plan, we will project the per capita health premium costs for a member who is covered in calendar year 2022. They are provided in Item 2a of the Attachment.

2. Election rates – Based on the January 1, 2022 enrollment data, we have provided in Item 2a of the Attachment the observed and recommended election rates among the

different medical plans. The proposed medical carrier election assumptions for non-Medicare retirees reflect the observed shift from the Kaiser plan to the Via Benefits Insurance Exchange offered only to non-Medicare retirees residing outside of ACERA medical plans' coverage area.

3. The per capita costs and election rates for the dental and vision plans that we recommend for use in the December 31, 2021 valuation are provided in Item 2b of the Attachment.

4. For retirees enrolled in a Group Medical Plan, ACERA provides a monthly subsidy of $596.73 for retirees with 20 or more years of service, $447.55 for retiree with 15-19 years of service, and $298.37 for retirees with 10-14 years of service. We have assumed that the MMA subsidy for the Group Medical Plans available will increase with 50% of medical trend[1] after 2022.

5. Via Benefits Individual Medical Insurance Exchange – Beginning in 2013, retirees eligible for Medicare have the option to purchase individual Medicare insurance from plans through the Via Benefits Individual Medicare Insurance Exchange. Item 2a of the Attachment shows the percentage of retirees enrolled in Via Benefits as of January 2022. To assist with purchasing insurance through Via Benefits, the Board adopted a monthly subsidy of $457.13 for Medicare retirees with 20 or more years of service, $342.85 for retirees with 15-19 years of service, and $228.57 for retirees with 10-14 years of service. We have assumed that the MMA subsidy for the individual plans available through Via Benefits will increase with 50% of medical trend[1] after 2022, consistent with the increase anticipated for the MMA for the group plans.

   Retirees under age 65 residing outside of ACERA medical plans' coverage areas are also eligible to enroll in Via Benefits and eligible to receive a maximum MMA subsidy equal to the Group Plan MMA described in (4). We have assumed their reimbursements will equal the maximum MMA.

   For members enrolled in Via Benefits, ACERA establishes a tax-free Health Reimbursement Account and provides credit up to the amount of the Monthly Medical Allowance for which the retiree is eligible to receive. The retiree will be reimbursed from the Health Reimbursement Account for the periodic premiums required to receive health coverage and to pay medical deductible and medical and prescription co-pays. Any monthly medical allowance left over in the retiree's account from the prior calendar year will be forfeited if not claimed by the end of March in the following calendar year.

   Via Benefits enrollees have a number of plan options available to them. The actual premiums required to receive coverage as well as amounts available to pay deductibles, etc., vary from retiree to retiree. For our valuation, we will use an average per capita cost.

   To derive the average monthly per capita cost, we have analyzed the actual Via Benefits reimbursement data available from January 1, 2021 through December 31, 2021,

[1] As noted in Item 3d(i) of the Attachment, if different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend.

adjusted for expected medical trend to 2022 and have included an estimate of the additional cost to account for the lag in reporting and reimbursing any unused amount in the retirees' Health Reimbursement Account through March 2022. That calculation is provided in Item 2a of the Attachment.

6. Other assumptions – The other assumptions and methods will be consistent[2] with those used in our December 31, 2021 pension funding valuation. These include the economic and non-economic assumptions. As part of the recommendations in this year's assumptions letter, we are recommending that in the future all of the demographic assumptions under items 3 (h), (i), and (j) be reviewed (and updated if necessary) as part of the triennial experience study (rather than annually) so as to provide more stability to the actuarial assumptions used to calculate liabilities and set the contribution rates for the health plans. These assumptions include spouse/domestic partner demographic assumptions, and retiree medical and dental coverage election percentages.

We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to discussing this with you. Please let us know if you have any questions.

Sincerely,

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

Mary Kirby FSA, FCA, MAAA
Senior Vice President and Consulting Actuary

JL/jl
Attachment

[2] For the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation.

Segal

1. Health Care Cost Trend Rates

The health care cost trend assumptions recommended for the December 31, 2021 valuation to be applied to all health plans were provided in a separate letter dated May 13, 2022.

2. (a) Medical Plan - Per Capita Costs and Election Rates for Calendar Year 2022

UNDER AGE 65[1]

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Subsidy (20+ YOS)
Kaiser HMO	75%	73.1%	$843.16	$596.73
United Healthcare HMO Current Network	7%	6.8%	1,184.32	596.73
Via Benefits Individual Insurance Exchange[3]	15%	14.4%	N/A[3]	596.73
United Healthcare HMO SVA Network	3%	5.3%	781.42	596.73
Other Plans	0%	0.4%	843.16[4]	596.73

AGE 65 AND OLDER

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Subsidy (20+ YOS)
Kaiser, non-Medicare[5]	0%	1.3%	$843.16	$596.73
Kaiser Senior Advantage	75%	72.0%	344.44	596.73
Via Benefits Individual Insurance Exchange	25%	26.6%	316.18[6]	457.13
Other Plans	0%	0.1%	344.44[4]	596.73

(1) *Current retirees under age 65 are assumed to elect medical plans in the same proportion as future retirees upon age 65.*

(2) *The observed election percentages are based on retiree health census data as of January 1, 2022 and pension membership data as of November 30, 2021.*

(3) *Via Benefits individual insurance coverage is available to retirees under age 65 residing outside of ACERA medical plans' coverage areas. We have assumed that these current retirees under age 65 will draw the Maximum Monthly Subsidy ($596.73).*

(4) *We assumed the same costs as Kaiser HMO and Kaiser Senior Advantage for current non-Medicare and Medicare retirees, respectively.*

(5) *Closed to future retirees.*

(6) *Derivation of the amount expected to be paid in 2022 from the Health Reimbursement Account for members with 20 plus years of service is shown in the table on the following page. We have also derived the amount expected to be paid for members with 10-14 and 15-19 years of service.*

		Derivation of Via Benefits Monthly Per Capita Costs		
	(Years of Service Category)	**10-14**	**15-19**	**20+**
1.	Maximum MMA for 2021	$221.64	$332.46	$443.28
2.	Total of Maximum MMA (From Jan. 2021 to Dec. 2021)	$506,891	$794,247	$5,169,531
3.	Total of Actual Reimbursement (From Jan. 2021 to Dec. 2021)	$384,211	$579,536	$3,154,976
4.	Ratio of Actual Reimbursement to Maximum 2021 MMA [(3) / (2)]	75.80%	72.97%	61.03%
5.	Average Monthly Per Capita Cost for 2021 [(1) x (4)]	$168.00	$242.60	$270.53
6.	Maximum MMA for 2022	$228.57	$342.85	$457.13
7.	Increase for Expected Medical Trend (6.25%) from 2021 to 2022 [(5) x 1.0625]	$178.50	$257.76	$287.44
8.	Increase for Additional 10% Margin for 2021 Expenses Incurred in 2021 but Reimbursed after December 2021 [(7) x 1.10]	**$196.35**	**$283.54**	**$316.18**

2. (b) Dental and Vision Plans - Per Capita Costs and Election Rates for Calendar Year 2022

We will assume that 100% of future retirees with mandatory dental and vision coverages will receive the maximum subsidy. Dental and vision coverages are provided for retirees who have:

a. 10 or more years of ACERA service credit; or

b. Service-connected disability; or

c. Non-service-connected disability with retirement prior to February 1, 2014.

2022 Plan Year Monthly Subsidy
$44.15 + $3.97 = $48.12

3. Other Assumptions

In the December 31, 2021 valuation, we will also apply the following assumptions and methodologies:

a. Economic assumptions: These include discount rate, inflation rate and salary scale assumptions. We will apply the same assumptions approved by the Board for the December 31, 2021 pension funding valuation.

b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal and deferred vested retirement. We will apply the same assumptions that we use for the December 31, 2021 pension funding valuation. For the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation.

c. Funding methodologies: The Entry Age Actuarial Cost Method will continue to be used in this valuation. For the purpose of the Sufficiency Study, SRBR is assumed to pay benefits until the current assets are exhausted.

d. Expected annual rate of increase in the Board's health subsidy amount:

   i. Maximum Monthly Medical Allowances (MMA) will increase with 50% of medical trend.

      If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend.

   ii. Dental and vision premium reimbursement will increase with full dental/vision trend.

   iii. Medicare B premium reimbursement will increase with full Medicare Part B trend.

e. We will assume 100% of future retirees will be covered by Medicare Parts A and B, and receive Medicare Part B premium reimbursement. We will further assume all current retirees under age 65 receiving a MMA will also receive a Medicare Part B premium reimbursement upon age 65.

f. Assets: We will use the current value of assets in the SRBR in our valuation.

3. Other Assumptions (continued)

g. Implicit Subsidy: Our understanding is that the under age 65 retiree premium[7] rates are pooled together with active premium rates and an implicit subsidy does exist. For the purposes of developing the GASB 74 and 75 reports, we include the total cost of the implicit subsidy. For the purposes of preparing the preview letter and final report to estimate the sufficiency of funds to provide benefits from the SRBR, the implicit subsidy will be adjusted to match the County health actuary's estimated amount of $7,981,476[8] for 2022 which reflects that ACERA is not reimbursing all employers' implicit subsidy costs.

h. Spouse Age Difference in Years for Retirees with Medical Coverage (Spousal Coverage will only affect costs due to implicit subsidy):

Based on the same assumptions used in the December 31, 2020 valuation, for all non-retired members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 1 year older than the member. We will evaluate these assumptions during the next triennial experience study.

i. Spousal Coverage:

Based on the same assumptions used in the December 31, 2020 valuation, for all active and inactive members who elect to continue their medical coverage at retirement, 40% of males and 20% of females were assumed to have an eligible spouse who also opts for health coverage at that time. We will evaluate these assumptions during the next triennial experience study.

j. Retiree Medical Coverage Election:
Based on the same assumptions used in the December 31, 2020 valuation, the table below summarizes the participation assumptions for future retirees eligible for ACERA retiree medical coverage. We will evaluate these assumptions during the next triennial experience study.

	Percent (%) Covered
Under Age 65*	80
Age 65 and Older	90

* 50% of eligible retirees under age 65 without medical coverage are assumed to elect medical coverage upon reaching age 65.

(7) *Only ACERA group plans (not individual plan premiums purchased through Via Benefits) generate an implicit subsidy liability.*

(8) *The draft preview letter was prepared before the more up-to-date 2022 estimated implicit subsidy information was available. The final preview letter has been updated to reflect the 2022 estimated implicit subsidy of $8.0 million provided by the County's health actuary.*

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Monthly Medical Allowance for 2023**

This memo provides background information on the Monthly Medical Allowance benefit paid from the Supplemental Retiree Benefit Reserve Policy (SRBR), and the substantive plan definition. Staff will review the attached presentation, which summarizes the information contained in this memo.

Each year, the Retirees Committee recommends to the Board of Retirement (Board) a suggested dollar amount to be contributed towards retiree health care costs. This dollar contribution is known as the Monthly Medical Allowance (MMA). The MMA is a non-vested retiree health benefit provided in agreement with ACERA's Participating Employers through the use of Internal Revenue Code 401(h) accounts. 401(h) benefits are funded by employer contributions. After contributions are made, in accordance with the County Employees Retirement Law of 1937, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits.

GROUP PLAN OPTIONS AND MONTHLY MEDICAL ALLOWANCE

Non-Medicare eligible retirees (early retirees) have the option of enrolling in Kaiser Permanente or UnitedHealthcare SignatureValue HMO or UnitedHealthcare SignatureValue Advantage HMO group plans. Medicare eligible retirees have the option of enrolling in the Kaiser Senior Advantage group plan. Group plan premiums are deducted from the retirees' monthly payroll amounts and offset by the MMA subsidy amount, which is based on years of service.

For early retirees, the premium exceeds the current MMA, which results in an out-of-pocket cost (see attached charts). For Medicare eligible retirees, the MMA covers the group plan premium for those with 15 years or more of service. Those with less than 15 years of service pay an out-of-pocket cost (see attached charts).

INDIVIDUAL PLAN MONTHLY MEDICAL ALLOWANCE

In 2012 ACERA offered individual Medicare Exchange plan coverage, replacing a former group plan. Retirees may enroll in an individual plan on the Medicare Exchange and receive an MMA based on years of service. The individual plan MMA provides reimbursement through a Health Reimbursement Arrangement (HRA) for premiums, co-pays and deductibles, but is limited to an annual amount.

Effective January 1, 2016, ACERA offered individual plan coverage to early retirees who live outside ACERA's HMO service areas through the Health Exchange. Also effective January 1, 2016, ACERA terminated the group multi-site contracts with Kaiser Permanente, and instead provided individual medical coverage for impacted retirees through the Health Exchange, or an individual plan offered directly through Kaiser.

The MMA amounts provided through the HRAs are based on years of service. Retirees are reimbursed for premiums, co-pays and deductibles up to their annual MMA amount. Premium amounts depend on the plan chosen by the retiree through Via Benefits. Some retirees will use their entire allotment if they incur higher costs, such as the early retiree plan premiums or high drug costs for Medicare eligible retirees.

SUBSTANTIVE PLAN DEFINITION

To complete ACERA's substantive plan definition under GASB 43, the Board in 2007 adopted a formula which bases future MMA contribution increases on an amount equal to 50% of the rate of health care inflation assumptions provided by ACERA's actuary.

ACERA's Actuary, Segal, has provided ACERA with its recommended assumptions to be used for the December 31, 2021 retiree health plan valuation. These assumptions reset the near-term trend assumption for non-Medicare to 7.5% and Medicare Advantage plans to 6.5% in calendar year 2021. Based on our substantive plan definition under GASB, we would use 3.25% as an increase to the 2023 MMA should an increase be considered. When more than one trend is provided, the lowest number is used.

For Plan Years 2011, 2012, 2013, 2014 and 2015, the Board decided not to increase the MMA. However, for Plan Year 2016, the Board decided to follow the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions. For the 2017 and 2018 Plan Years, the Board decided not to increase the MMA. For Plan Years 2019 and 2020, the Board decided to follow the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions. For the 2021 Plan Year, the Board decided not to increase the MMA. However, for Plan Year 2022, the Board decided to follow the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions.

GROUP PLANS COSTS

Attached are three charts. One provides the current MMA costs and premiums for 2022; another with estimated trend percentage increases to premiums with no increase to the MMA; and a third with projected increases to premiums and a 3.25% increase to the MMA. A summary of total costs is provided below:

Plan Year	20+ Years MMA	Annual Cost Summary	
2022	$596.73	Current premiums and MMA:	$23,944,946
2023	$596.73	Increase in premiums only:	$24,929,389
2023	$616.12	Increase in premiums and MMA:	$25,215,319

If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $984,443. If 3.25% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,270,373 ($984,443 due to premium increase and $285,930 due to 3.25% MMA increase) for 2023.

The above projected annual costs reflect enrollment in the main group plans (Kaiser California and UnitedHealthcare). If we included the Operating Engineers, the additional projected annual cost is $141,425.

INDIVIDUAL PLAN COSTS – Early (Non-Medicare) Retirees Living Outside ACERA's HMO Service Area

The following chart shows the current MMA amounts approved for 2022, and estimated costs based on the entire maximum MMA for the current number of enrollments. The actual cost is determined based on the amount reimbursed to each retiree. Based on the actual reimbursements for the 2021 Plan Year (as of May 6, 2022), the total reimbursements were $934,856.67.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	32	$ 298.37	$ 3,580.44	$ 114,574.08
15 - 19 Years	46	$ 447.55	$ 5,370.60	$ 247,047.60
20 + Years	252	$ 596.73	$ 7,160.76	$ 1,804,511.52
Totals	**330**			**$ 2,166,133.20**

The Board may also consider increasing the reimbursement amounts for the early retirees in the individual plans, which would result in the amounts stated in the chart below.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	32	$ 308.06	$ 3,696.72	$ 118,295.04
15 - 19 Years	46	$ 462.09	$ 5,545.08	$ 255,073.68
20 + Years	252	$ 616.12	$ 7,393.44	$ 1,863,146.88
Totals	**330**			**$ 2,236,515.60**

Based on a 3.25% increase, which is 50% of the medical plan trend, the estimated annual increase would be $70,382.

INDIVIDUAL PLAN COSTS – Medicare Eligible Retirees

The following chart shows the current MMA amounts approved for 2022, and estimated costs based on the entire maximum MMA for the current number of enrollments. The actual cost is determined based on the amount reimbursed to each retiree. Based on the actual reimbursements for the 2021 Plan Year (as of May 6, 2022), the total reimbursements were $4,384,047.98.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	196	$ 228.57	$ 2,742.84	$ 537,596.64
15 - 19 Years	208	$ 342.85	$ 4,114.20	$ 855,753.60
20 + Years	965	$ 457.13	$ 5,485.56	$ 5,293,565.40
Totals	**1,369**			**$ 6,686,915.64**

The Board may also consider increasing the reimbursement amounts for the Medicare eligible retirees in the individual plans, which would result in the amounts stated in the chart below.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	196	$ 236.00	$ 2,832.00	$ 555,072.00
15 - 19 Years	208	$ 353.99	$ 4,247.88	$ 883,559.04
20 + Years	965	$ 471.99	$ 5,663.88	$ 5,465,644.20
Totals	**1,369**			**$ 6,904,275.24**

Based on a 3.25% increase, which is 50% of the medical plan trend, the estimated annual increase would be $217,360.

CONSIDERATIONS FOR SETTING 2023 MMA

- A history of the MMA amounts for the 10-year period 2013 through 2022 is shown in the attached presentation.
- Health care premium costs for 2023 are unknown; however, a history of the premiums for the 10-year period 2013 through 2022 is shown in the attached presentation.
- In 2021, $254,739,718 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.5000% for regular earnings, and at the rate of 10.6810% for excess earnings).
- On a preliminary basis, Segal projects 23 years of benefits payable from the SRBR, which is 3.5 years later than last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013.
- The Implicit Subsidy for 2022 is estimated to be about $2,388,000 higher than the cost for 2021.

- Annual payee numbers are increasing by about 3% on average for the five-year period 2017 through 2021.
- ACERA's overall SRBR costs increased by 1.43% in 2021 compared to a 3.77% increase in 2020.
- Also attached for informational purposes is a 10-year history of the SRBR (deductions and additions) fund balances.

RECOMMENDATIONS TO CONSIDER FOR JULY RETIREES COMMITTEE MEETING

1. Do not increase MMA amount for 2023. Current annual cost plus potential increase due to premium increase is $33,782,438.
2. Increase MMA by 50% of health care trend, 3.25% for potential increased cost of $34,356,110. This is an annual cost difference of $573,672.

Attachments (6)

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2022*

Current Premiums and MMA

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	2022 MMA	**$ -**	**$ 298.37**	**$ 447.55**	**$ 596.73**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees)	Projected # Enrolled (2022 plan year)	1	45	68	781	895
	Total Premium (2022)	$ 843.16	$ 843.16	$ 843.16	$ 843.16	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 843.16**	**$ 544.79**	**$ 395.61**	**$ 246.43**	
UnitedHealthcare SignatureValue HMO (Early Retirees)	Projected # Enrolled (2022 plan year)	2	2	6	72	82
	Total Premium (2022)	$ 1,184.32	$ 1,184.32	$ 1,184.32	$ 1,184.32	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 1,184.32**	**$ 885.95**	**$ 736.77**	**$ 587.59**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	Projected # Enrolled (2022 plan year)	0	4	6	54	64
	Total Premium (2022)	$ 781.42	$ 781.42	$ 781.42	$ 781.42	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 781.42**	**$ 483.05**	**$ 333.87**	**$ 184.69**	
					Total Plan Enrollees (Early Retirees)	**1041**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage	Projected # Enrolled (2022 plan year)	34	473	554	3110	4171
	Total Premium (2022)	$ 344.44	$ 344.44	$ 344.44	$ 344.44	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 344.44	$ 344.44	
	Projected Premium Paid by Retiree	**$ 344.44**	**$ 46.07**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4171**

Total Projected Annual Cost: $23,944,946

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2023*

Assumes 0% Increase to MMA and Projected Increase to Premiums

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	Projected (2023) MMA	**$ -**	**$ 298.37**	**$ 447.55**	**$ 596.73**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2022 plan year)	1	45	68	781	895
	Total Premium (2023)	$ 906.40	$ 906.40	$ 906.40	$ 906.40	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 906.40**	**$ 608.03**	**$ 458.85**	**$ 309.67**	
UnitedHealthcare SignatureValue HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2022 plan year)	2	2	6	72	82
	Total Premium (2023)	$ 1,273.14	$ 1,273.14	$ 1,273.14	$ 1,273.14	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 1,273.14**	**$ 974.77**	**$ 825.59**	**$ 676.41**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2022 plan year)	0	4	6	54	64
	Total Premium (2023)	$ 840.03	$ 840.03	$ 840.03	$ 840.03	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 447.55	$ 596.73	
	Projected Premium Paid by Retiree	**$ 840.03**	**$ 541.66**	**$ 392.48**	**$ 243.30**	
					Total Plan Enrollees (Early Retirees)	**1041**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage **Assumes 6.5% Increase**	Projected # Enrolled (2022 plan year)	34	473	554	3110	4171
	Total Premium (2023)	$ 366.83	$ 366.83	$ 366.83	$ 366.83	
	Projected Subsidy Paid by ACERA	$ -	$ 298.37	$ 366.83	$ 366.83	
	Projected Premium Paid by Retiree	**$ 366.83**	**$ 68.46**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4171**

Total Projected Annual Cost: $24,929,389

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2023*

Assumes 3.25% Increase to MMA and Projected Increase to Premiums

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	Projected (2023) MMA	**$ -**	**$ 308.06**	**$ 462.09**	**$616.12**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2022 plan year)	1	45	68	781	895
	Total Premium (2023)	$ 906.40	$ 906.40	$ 906.40	$ 906.40	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 906.40**	**$ 598.34**	**$ 444.31**	**$ 290.28**	
UnitedHealthcare SignatureValue HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2022 plan year)	2	2	6	72	82
	Total Premium (2023)	$ 1,273.14	$ 1,273.14	$ 1,273.14	$ 1,273.14	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 1,273.14**	**$ 965.08**	**$ 811.05**	**$ 657.02**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2022 plan year)	0	4	6	54	64
	Total Premium (2023)	$ 840.03	$ 840.03	$ 840.03	$ 840.03	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 840.03**	**$ 531.97**	**$ 377.94**	**$ 223.91**	
					Total Plan Enrollees (Early Retirees)	**1041**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage Assumes 6.5% Increase	Projected # Enrolled (2022 plan year)	34	473	554	3110	4171
	Total Premium (2023)	$ 366.83	$ 366.83	$ 366.83	$ 366.83	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 366.83	$ 366.83	
	Projected Premium Paid by Retiree	**$ 366.83**	**$ 58.77**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4171**

Total Projected Annual Cost: $25,215,319

Monthly Medical Allowance for 2023

Kathy Foster, ACERA Assistant CEO
June 1, 2022

Group Plan Options and Monthly Medical Allowance (MMA)

Non-Medicare eligible retirees
(early retirees)

- Kaiser Permanente
- UnitedHealthcare SignatureValue HMO
- UnitedHealthcare SignatureValue Advantage HMO

Medicare eligible retirees

- Kaiser Senior Advantage group plan

Plan	10 - 14 Years	15 - 19 Years	20 + Years
	$ 298.37	$ 447.55	$ 596.73
Early Retirees Plans			
Kaiser Permanente HMO (Early Retirees)	45	68	781
	$ 843.16	$ 843.16	$ 843.16
	$ 298.37	$ 447.55	$ 596.73
	$ 544.79	**$ 395.61**	**$ 246.43**
UnitedHealthcare SignatureValue HMO (Early Retirees)	2	6	72
	$ 1,184.32	$ 1,184.32	$ 1,184.32
	$ 298.37	$ 447.55	$ 596.73
	$ 885.95	**$ 736.77**	**$ 587.59**
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	4	6	54
	$ 781.42	$ 781.42	$ 781.42
	$ 298.37	$ 447.55	$ 596.73
	$ 483.05	**$ 333.87**	**$ 184.69**
Kaiser Senior Advantage Medicare Plan			
Kaiser Senior Advantage	473	554	3110
	$ 344.44	$ 344.44	$ 344.44
	$ 298.37	$ 344.44	$ 344.44
	$ 46.07	**0.00**	**0.00**

Individual Plan MMA

- Individual Medicare plan coverage
- Individual plan coverage for early retirees who live outside ACERA's HMO service areas

MMA for Individual Plans			
	10-14 yrs	15-19 yrs	20+ yrs
Individual Medicare Plans	$228.57	$342.85	$457.13
Individual Non-Medicare Plans	$298.37	$447.55	$596.73

- Monthly premiums depend on chosen individual plan
- MMA is provided through Health Reimbursement Arrangement

Substantive Plan Definition under GASB 43

- In 2007, the Board adopted a formula which bases future MMA contribution increases on an amount equal to 50% of the rate of health care inflation assumptions provided by ACERA's actuary
- Segal provided assumptions to be used for the December 31, 2021 retiree health plan valuation. These assumptions reset the near-term trend assumptions in the calendar year 2021:
  - 7.5% for non-Medicare plans
  - 6.5% for Medicare Advantage Plans
- Based on our substantive plan definition, we would use 3.25% as an increase to the 2023 MMA should an increase be considered
  - When more than one trend is provided, the lowest number is used

Group Plans Costs

- If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $984,443
- If 3.25% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,270,373 ($984,443 due to premium increase and $285,930 due to 3.25% MMA increase) for 2023

Plan Year	20+ Years MMA	Annual Cost Summary	
2022	$596.73	Current premiums and MMA:	$23,944,946
2023	$596.73	Increase in premiums only:	$24,929,389
2023	$616.12	Increase in premiums and MMA:	$25,215,319

Note: If we included the Operating Engineers, the additional projected annual cost is $141,425

Early Retiree Individual Plan Costs – Outside HMO Service Area

Years of Service Category	Number of Members	2022			2023
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	32	$ 298.37	$ 3,580.44	$ 114,574.08	$ 118,295.04
15 - 19 Years	46	$ 447.55	$ 5,370.60	$ 247,047.60	$ 255,073.68
20 + Years	252	$ 596.73	$ 7,160.76	$ 1,804,511.52	$ 1,863,146.88
Totals	**330**			**$ 2,166,133.20**	**$ 2,236,515.60**

The 3.25% increase in the MMA results in an estimated amount of $70,382

Note: Based on the actual reimbursements for the 2021 Plan Year (as of May 6, 2022), the total reimbursements were $934,856.67

Individual Plan Costs – Medicare Eligible Retirees

Years of Service Category	Number of Members	2022			2023
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	196	$ 228.57	$ 2,742.84	$ 537,596.64	$ 555,072.00
15 - 19 Years	208	$ 342.85	$ 4,114.20	$ 855,753.60	$ 883,559.04
20 + Years	965	$ 457.13	$ 5,485.56	$ 5,293,565.40	$ 5,465,644.20
Totals	**1,369**			**$6,686,915.64**	**$6,904,275.24**

- The 3.25% increase in the MMA results in an estimated amount of $217,360
- Note: Based on the actual reimbursements for the 2021 Plan Year (as of May 6, 2022), the total reimbursements were $4,384,047.98

Considerations for Setting 2023 MMA

1. 10-Year History of MMA - 2013 through 2022

Group & Individual Early Retiree* Plan MMA:										
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
10 to 14 Years of Service	$ 261.08	$ 261.08	$ 261.08	$ 270.22	$ 270.22	$ 270.22	$ 279.00	$ 289.33	$ 289.33	$298.37
15 to 19 Years of Service	$ 391.62	$ 391.62	$ 391.62	$ 405.33	$ 405.33	$ 405.33	$ 418.50	$ 433.99	$ 433.99	$447.55
20 or more Years of Service	$ 522.16	$ 522.16	$ 522.16	$ 540.44	$ 540.44	$ 540.44	$ 558.00	$ 578.65	$ 578.65	$596.73

Individual Plan MMA for Medicare Eligible Retirees - Effective 2/1/2013:										
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
10 to 14 Years of Service	$ 200.00	$ 200.00	$ 200.00	$ 207.00	$ 207.00	$ 207.00	$ 213.73	$ 221.64	$ 221.64	$228.57
15 to 19 Years of Service	$ 300.00	$ 300.00	$ 300.00	$ 310.50	$ 310.50	$ 310.50	$ 320.59	$ 332.46	$ 332.46	$342.85
20 or more Years of Service	$ 400.00	$ 400.00	$ 400.00	$ 414.00	$ 414.00	$ 414.00	$ 427.46	$ 443.28	$ 443.28	$457.13

**Effective 1/1/2016*

Considerations for Setting 2023 MMA (continued)

2. Ten-Year Premium Rate History - 2013 through 2022

Medical Plans	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Kaiser Permanente HMO (Early Retirees)	$ 658.96	$ 670.58	$ 671.82	$ 729.08	$ 735.64	$ 765.06	$ 765.06	$ 785.44	$ 810.72	$ 843.16
% Change over Monthly Premium		1.76%	0.18%	8.52%	0.90%	4.00%	4.00%	2.66%	3.22%	4.0%
Kaiser Permanente Senior Advantage	$ 316.64	$ 330.96	$ 330.96	$ 329.90	$ 354.73	$ 367.23	$ 394.07	$ 411.54	$ 382.21	$ 344.44
% Change over Monthly Premium		4.52%	0.00%	-0.32%	7.53%	3.52%	7.31%	4.43%	-7.13%	-9.9%
UnitedHealthcare SignatureValue HMO (Early Retiree)	$ 914.78	$ 972.34	$ 972.34	$ 982.06	$ 982.06	$1,047.16	$1,047.16	$1,087.80	$ 1,150.60	$ 1,184.32
% Change over Monthly Premium		6.29%	0.00%	1.00%	0.00%	6.63%	0.00%	3.88%	5.77%	2.9%
UnitedHealthcare SignatureValue Advantage HMO (Early Retiree)*	-	-	-	-	-	-	$980.94	$831.92	$759.16	$781.42
% Change over Monthly Premium		-	-	-	-	-	-	-15.19%	-8.75%	2.9%

**Effective 1/1/2019*

Considerations for Setting 2023 MMA (continued)

3. In 2021, $254,739,718 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.5000% for regular earnings, and at the rate of 10.6810% for excess earnings).
4. On a preliminary basis, Segal projects 23 years of benefits payable from the SRBR, which is 3.5 years later than last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013.
5. The Implicit Subsidy for 2022 is estimated to be about $2,388,000 higher than the cost for 2021.
6. Annual payee numbers are increasing by about 3% on average for the five-year period 2017 through 2021.
7. ACERA's overall SRBR costs increased by 1.43% in 2021 compared to a 3.77% increase in 2020.

Recommendations to Consider for July Retirees Committee Meeting

1. Do not increase MMA amount for 2023
   - Current annual cost plus potential increase due to premium increase is $33,782,438

2. Increase MMA by 50% of health care trend, 3.25%
   - Potential increased cost of $34,356,110
   - An annual cost difference of $573,672

History of Payments Made Out of the SRBR

2012-2021

Alameda County Employees' Retirement Association

Benefit Paid from SRBR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made
Monthly Medical Allowance	$24,545,762.50	$21,716,496.34	$23,993,028.81	$24,511,217.41	$25,385,381.36	$27,256,486.00	$28,078,180.27	$30,163,755.94	$31,895,818.80	$31,063,128.66
% Change over a Year		-11.53%	10.48%	2.16%	3.57%	7.37%	3.01%	7.43%	5.74%	-2.61%
Dental	$3,443,497.64	$3,635,230.64	$3,076,961.42	$3,332,341.54	$3,310,861.36	$3,675,572.97	$3,885,918.92	$4,058,743.79	$3,957,491.59	$4,221,133.93
% Change over a Year		5.57%	-15.36%	8.30%	-0.64%	11.02%	5.72%	4.45%	-2.49%	6.66%
Vision	$460,566.72	$357,478.16	$344,129.93	$351,757.60	$361,086.88	$371,252.25	$383,148.70	$395,767.62	$404,992.08	$386,577.18
% Change over a Year		-22.38%	-3.73%	2.22%	2.65%	2.82%	3.20%	3.29%	2.33%	-4.55%
MBRP	$4,242,443.76	$4,859,988.99	$5,176,062.67	$5,490,533.92	$5,870,137.63	$6,600,279.24	$8,531,422.36	$8,943,882.71	$9,762,403.02	$10,241,396.66
% Change over a Year		14.56%	6.50%	6.08%	6.91%	12.44%	29.26%	4.83%	9.15%	4.91%
Implicit Subsidy	$4,411,206.00	$7,370,466.00	$6,992,822.00	$5,320,953.00	$6,021,451.00	$8,787,596.00	$5,800,563.00	$6,899,139.00	$6,446,702.00	$7,484,411.00
% Change over a Year		67.09%	-5.12%	-23.91%	13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%
Supplemental COLA	$2,345,527.00	$2,067,218.00	$1,849,140.00	$1,555,924.00	$1,350,784.00	$1,231,500.00	$1,134,613.00	$1,181,244.00	$1,116,523.00	$932,177.00
% Change over a Year		-11.87%	-10.55%	-15.86%	-13.18%	-8.83%	-7.87%	4.11%	-5.48%	-16.51%
Death Benefit	$791,492.00	$5,525.00	$223,529.00	$213,909.00	$187,081.00	$187,060.00	$196,576.00	$216,834.00	$230,747.00	$256,683.00
% Change over a Year		-99.30%	3945.77%	-4.30%	-12.54%	-0.01%	5.09%	10.31%	6.42%	11.24%
TOTAL DEDUCTED FROM SRBR	**$40,240,495.62**	**$40,012,403.13**	**$41,655,673.83**	**$40,776,636.47**	**$42,486,783.23**	**$48,109,746.46**	**$48,010,422.25**	**$51,859,367.06**	**$53,814,677.49**	**$54,585,507.43**
% Change over a Year		-0.57%	4.11%	-2.11%	4.19%	13.23%	-0.21%	8.02%	3.77%	1.43%

*As of December 31, 2021

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)
For the Ten Years Ended December 31, 2012 - December 31, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Beginning Balance	$ 602,906,726	$570,878,929	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823	$ 931,754,157
Deductions:										
Transferred to Employers Advance Reserve	33,353,151	32,240,449	34,039,593	36,528,264	33,818,832	38,327,914	43,777,409	44,858,371	45,456,100	46,772,130
Employers Implicit Subsidy	4,411,206	7,370,466	6,992,822	5,320,953	6,021,451	8,787,596	5,800,563	6,899,139	6,446,702	7,484,411
Supplemental Cost of Living	2,345,527	2,067,218	1,849,140	1,555,924	1,350,784	1,231,500	1,134,613	1,181,244	1,116,523	932,177
Death Benefit - Burial - SRBR	791,492	5,525	223,529	213,909	187,081	187,060	196,576	216,834	230,747	256,683
ADEB (Active Death)	426,640	-	-	-	-	-	-	-	-	-
Total Deductions	41,328,016	41,683,658	43,105,084	43,619,050	41,378,148	48,534,070	50,909,161	53,155,588	53,250,072	55,445,401
Additions:										
Interest Credited to SRBR	9,300,219	38,786,516	54,031,947	62,722,797	60,730,023	66,715,938	64,827,682	57,022,294	58,878,406	69,152,162
Excess Earnings Allocation	-	75,074,713 **(1)**	132,455,002	43,770,247	-	-	10,574,982	-	-	184,050,056
Transferred from Employers Advance Reserve	-	-	3,388,512 **(2)**	1,141,500	1,191,000	1,203,500	1,224,500	1,354,500	1,416,000	1,537,500
Total Additions	9,300,219	113,861,229	189,875,461	107,634,544	61,921,023	67,919,438	76,627,164	58,376,794	60,294,406	254,739,718
Ending Balance	$ 570,878,929	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823	$931,754,157	$1,131,048,474

Notes

(1) The Excess Earnings allocation of $75,074,713.03 is a total of $72,013,436.53 from investment earning above the assumed rate of return and $3,061,276.50 from additional excess earning made available from the dispersal of the Death Benefit-Burial Reserve as of 12/31/13.

(2) These amounts include reclassification of OPEB Administrative Expense contribution reimbursement activities and interest from January 2012 through June 2014; and normal activities for the six month period of July 2014 through December 2014. The SB 1479 reimbursements from the Employer Advance Reserve were inadvertently booked to the 401(h) account instead of SRBR. A total misclassified balance of $2,649,500 and regular credited interest of $182,511.54 were transferred from the 401(h) account to SRBR.

Amounts are rounded to the nearest dollar and include <$1 rounding differences.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **2023 Medical Plans Update/Renewal Requests of ACERA/County**

Staff provided the County of Alameda (County) with our annual medical plans renewal request letter on March 25th. Listed below are some of the highlights of our renewal requests for Kaiser and UnitedHealthcare coverages.

Disease Management/Wellness:

- Wellness resources for in-person and virtual wellness events and mailings
- At least two one-hour sessions on wellness in-person or virtually
- Promote and monitor ACERA's utilization of Kaiser's Mindfulness apps (i.e., MyStrength, Calm, etc.)

Other:

- Any mandatory benefit changes for 2023, in addition to the following:
    - Detail the impact of COVID-19 (i.e., testing, treatment, vaccinations, etc.) on 2023 premium rates
    - Provide a list of COVID-19 resources educating members related to prevention, testing, treatment, and vaccination
- Any recent member survey results that may be shared
- Summarize the impact of recent and anticipated CMS rule changes to Medicare Advantage and Medicare Part D prescription drug programs in 2023 that may affect ACERA plans

Performance Guarantees:

- Provide routine performance monitoring reports comparing ACERA's direct experience with mutually agreed upon benchmarks
- Place a percentage of premiums at risk for failing to meet or exceed mutually agreed upon performance standards

Prescription Drugs:

- Identify all drugs coming off the formulary and converting to generic effective January 1, 2023, and provide an estimate of projected annual savings
- Project annualized savings associated with brand name drugs losing patent protection and migrating to generic equivalent as of January 1, 2023
- Detail the annual costs associated with the top ten highest cost medications on a per script basis, and the strategies utilized by Kaiser to manage treatment adherence/outcomes and costs

Pricing:

- Indicate additional premium costs to provide the Silver&Fit® Exercise and Healthy Aging Program
- Indicate cost of providing the current hearing aid benefit as a portion of the premium
- Provide additional monthly premium rate impact by tier associated with adding the following hearing aid allowances per ear every 36 months:
    - $1,000 Allowance (Non-Medicare plan only)
    - $2,000 Allowance (Non-Medicare and Medicare plans)
    - $2,500 Allowance (Non-Medicare and Medicare plans)
    - $3,000 Allowance (Non-Medicare and Medicare plans)
- UnitedHealthcare HMO plans and/or design change options and cost impact

Providers/Medical Groups/Hospitals:

- Provide updates on anticipated network provider (e.g., hospitals, ambulatory centers, medical groups, etc.) expansion and contractions
- Report on virtual care cost and utilization trends, and plans to promote virtual care in the future

Staff also requested the following plan design enhancement considerations for the 2023 dental and vision plans renewal.

Delta Dental

- Replicate the County's Dental PPO plan to ease the transition of members from active employment to retirement
- Inflation adjust the current Dental PPO In-Network Plan Year Benefit Maximum
- Exclude the cost of Diagnostic and Preventive care services from accumulating towards the Plan Year Benefit Maximum

VSP

- Inflation adjust the annual frame and contact lens allowance
- Reduce or eliminate popular lens enhancement copays: Anti-Reflective and UV Light coatings, Polycarbonate material, Premium/Custom progressive lenses (Base plan)
- Eliminate the Buy-Up plan's exam copay to remove potential barriers to care
- Blend the Base and Buy-Up plans to expand benefits for the majority of participants and simplify program administration

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Health Reimbursement Arrangement Account Balances for 2021**

Retirees enrolled in individual medical plans through Via Benefits were able to submit claims for 2021 reimbursements through May 31, 2022. Due to COVID-19, the deadline to submit claims was extended from March 31, 2022 to May 31, 2022, as it was for 2020 reimbursements. The total amount of reimbursements paid for the 2021 Plan Year as of May 6, 2022 and the average monthly cost per retiree are shown below.

Plan Year 2021		
Plans	Total Reimbursement Paid as of May 6, 2022	Average Monthly Cost Per Retiree
Medicare eligible retirees	$4,384,047.98	$262.64
Early (Pre-65) retirees	$934,856.67	$259.68

Provided below are the unused balances of the Health Reimbursement Arrangement (HRA) Accounts from lowest to highest as of May 6, 2022. The balances are categorized by years of service (YOS) contribution levels.

2021 Health Reimbursement Arrangement Account Balances
for Medicare Eligible Retirees as of May 6, 2022

20 + Years of Service **$5,319.36 Annual MMA**		15 through 19 Years of Service **$3,989.52 Annual MMA**		10 through 14 Years of Service **$2,659.68 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
136	$ 0	70	$ 0	120	$ 0
89	Under $500	33	Under $500	25	Under $500
113	$500 - $1,000	31	$500 - $1,000	18	$500 - $1,000
140	$1,000 - $1,500	23	$1,000 - $1,500	9	$1,000 - $1,500
157	$1,500 - $2,000	13	$1,500 - $2,000	8	$1,500 - $2,000
106	$2,000 - $2,500	33	$2,000 +	20	$2,000 +
55	$2,500 - $3,000				
65	$3,000 - $4,000				
127	$4,000 +				
988 Total Number of Retirees		***203 Total Number of Retirees***		***200 Total Number of Retirees***	

Observations of Medicare eligible retirees' HRA accounts in 2021:

- There were 1,391 HRA's reported as active accounts at the end of 2021.
- 326 retirees used all of their funds – 23.4% of Medicare eligible retirees.
- Out of the 988 retirees with 20 + YOS, 741 have used half of their balances – 75.0% of the group.

2021 Health Reimbursement Arrangement Account Balances
for Early (Pre-65) Retirees as of May 6, 2022

20 + Years of Service **$6,943.80 Annual MMA**		15 through 19 Years of Service **$5,207.88 Annual MMA**		10 through 14 Years of Service **$3,471.96 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
74	$ 0	15	$ 0	14	$ 0
16	Under $500	2	Under $500	2	Under $500
8	$500 - $1,000	0	$500 - $1,000	2	$500 - $1,000
12	$1,000 - $1,500	4	$1,000 - $1,500	6	$1,000 - $1,500
9	$1,500 - $2,000	4	$1,500 - $2,000	0	$1,500 - $2,000
10	$2,000 - $2,500	16	$2,000 +	8	$2,000 +
18	$2,500 - $3,000				
36	$3,000 - $4,000				
44	$4,000 +				
227 Total Number of Retirees		***41 Total Number of Retirees***		***32 Total Number of Retirees***	

Observations of early (pre-65) retirees' HRA accounts in 2021:

- There were 300 HRA's reported as active accounts at the end of 2021.
- 103 retirees used all of their funds – 34.3% of early retirees.
- Out of the 227 retirees with 20 + YOS, 147 have used half of their balances – 64.8% of the group.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Plans for Open Enrollment and Retiree Health and Wellness Fair**

Staff are in the beginning stages of planning for Open Enrollment and our Annual Health and Wellness Fair. Provided below are preliminary plans in these areas.

Retiree Health and Wellness Fair
Although restrictions are easing in some areas, the restrictions still continue with Alameda County. Therefore the Annual Retiree Health and Wellness Fair will again be a virtual event allowing our members access to the latest information and presentations along with some interactive programs from any internet enabled device.

Carrier Participation
We are meeting with our carriers and vendors regarding newly offered virtual programs offered to best interest our members and provide them the resources to stay active and live well.

Open Enrollment Planning
Open Enrollment Guides which includes all ACERA-sponsored plan information will be mailed out early October with the Open Enrollment period occurring in November for those plans. Medical premiums and any plan changes will be provided to ACERA by the County of Alameda and carriers in August.

Electronic Submissions
Our ACERA Medical, Dental, and Vision Enrollment DocuSign forms continue to grow in popularity as they provide an easy to follow digitally fillable format, with electronic signatures. The required information helps the enrollments and changes to be processed more timely.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Report on Annual Health Care Planning Meeting with Retiree Groups**

On April 6, 2022, ACERA hosted the Annual Health Care Planning meeting with Board representatives from the Alameda County Retired Employees (ACRE) and Retired Employees of Alameda County, Inc. (REAC) Retiree Associations. Also present at this meeting, were representatives from the County of Alameda (County), ACERA's Benefits Consultant, Segal, as well as Liz Koppenhaver and Nancy Reilly from ACERA's Board of Retirement.

The agenda consisted of the following items:

- Presentation by Segal regarding legislative/regulatory updates:
  - Medicare response to COVID-19, Build Back Better Act, and prescription drug importation update

- Presentation by Segal regarding the following:
  - COVID-19 influence on healthcare, and COVID-19 vaccine update
  - Health care cost trend influencers
  - Historic projected vs. actual medical trends
  - Projected health care trends (2021 and 2022)

- Presentation by Segal regarding hearing aid benefits:
  - General observations
  - Medical coverage cost matrix for hearing aids
  - Kaiser medical coverage cost matrix for non-Medicare population
  - Alternative sources

- Presentation by Staff regarding ACERA's SRBR survey results
  - Survey sent to active and deferred members and retirees
  - Conducted online using SmartSurvey
  - Open for responses between March 17 and March 30, 2022
  - Response rate was 10.7%

- Presentation by Staff regarding an update on the Silver&Fit Healthy Aging and Exercise Program:
  - Communications plan, email campaign, and enrollment statics

- Presentation by Staff regarding an update on ACERA's wellness program:
  - No in-person wellness events in 2021
  - Upgrading virtual resources
  - Promoting Silver&Fit to KSPA members
  - Wellness posts and email blasts regarding health topics
  - Links to Bay Area activities, e.g., senior centers, Eastbay Parks

- Presentation by Staff regarding DocuSign Forms/Automation of Submitting Forms:
  - Enhancements, rollout of DocuSign forms, and results

- Information on ACERA-sponsored plans:
  - Current medical plans options and rates
  - Utilization, enrollment, and 10-year history of single party premiums for dental and vision plans
  - 2022 Via Benefits average premiums for individual medical plans

- ACRE/REAC Discussion Topics:
  - There were no retiree concerns from ACRE or REAC that were brought to ACERA's attention prior to or during the meeting.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 1, 2022

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Miscellaneous Updates**

An oral report will be provided on any recent benefit issues at the Retirees Committee meeting.