# Alameda County Employees' Retirement Association
## *BOARD OF RETIREMENT*

## *RETIREES COMMITTEE/BOARD MEETING NOTICE and AGENDA*

**THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE [SEE EXECUTIVE ORDER N-29-20 ATTACHED AT THE END OF THIS AGENDA.]**

**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 3, 2020**
**10:30 a.m.**

| HOW TO PARTICIPATE | 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: 816 4024 1175 Password: 017324 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193 | LIZ KOPPENHAVER, CHAIR | ELECTED RETIRED |
| | JAIME GODFREY, VICE CHAIR | APPOINTED |
| | DALE AMARAL | ELECTED SAFETY |
| | KEITH CARSON | APPOINTED |
| | GEORGE WOOD | ELECTED GENERAL |

Should a quorum of the Board attend this meeting, this meeting shall be deemed a joint meeting of the Board and Committee.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes 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.

**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 2019**
   Motion to 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 2019.

   \- Kathy Foster
   \- Segal Consulting

   Recommendation
   Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $6,446,702 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 2019.

2. **Possible Declaration of Intent to Fund Implicit Subsidy Program for 2021**
   Motion to adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2021.

   \- Kathy Foster
   \- Segal Consulting

   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 2021, following a determination by ACERA at the end of Plan Year 2021 that the amount is not greater than the actual retiree Implicit Subsidy.

3. **Report and Possible Recommendation on Dental Care Provider Request for Proposal and Awarding Contract for Plan Year 2021**
   Report, discussion and recommendation to award the finalist of the dental care provider Request for Proposal process for Plan Year 2021.

   \- Kathy Foster
   \- Segal Consulting

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award the contract to the finalist of the dental care provider Request for Proposal for Plan Year 2021.

4. **Report and Possible Recommendation on Vision Care Provider Request for Proposal and Awarding Contract for Plan Year 2021**
   Report, discussion and recommendation to award the finalist of the vision care provider Request for Proposal process for Plan Year 2021.

   \- Kathy Foster
   \- Segal Consulting

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award the contract to the finalist of the vision care provider Request for Proposal for Plan Year 2021.

**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 2020 and 2021.
   – Kathy Foster
   - Segal Consulting

2. **Preliminary Report on Projected Benefit Costs Funded through the Supplemental Retiree Benefit Reserve**
   Segal Consulting, 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 Consulting

3. **Discussion of Monthly Medical Allowance for 2021**
   Staff will present for discussion Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2020 and 2021 Plan Years.
   – Kathy Foster

4. **2021 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 2021.
   - Kathy Foster
   - Segal Consulting

5. **Report on Health Reimbursement Arrangement Account Balances and Reimbursements**
   Staff will present a status report on the final 2019 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. **Miscellaneous Updates**
   Staff will update the Committee on any recent benefit issues affecting ACERA retirees.
   - Ismael Piña

## Trustee Remarks

## Future Discussion Items

- Adoption of 2021 Monthly Medical Allowance for Group Plans
- Adoption of 2021 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2021 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

## Establishment of Next Meeting Date

July 1, 2020, at 10:30 a.m.

## Adjournment

# EXECUTIVE DEPARTMENT
# STATE OF CALIFORNIA

## EXECUTIVE ORDER N-29-20

**WHEREAS** on March 4, 2020, I proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19; and

**WHEREAS** despite sustained efforts, the virus continues to spread and is impacting nearly all sectors of California; and

**WHEREAS** the threat of COVID-19 has resulted in serious and ongoing economic harms, in particular to some of the most vulnerable Californians; and

**WHEREAS** time bound eligibility redeterminations are required for Medi-Cal, CalFresh, CalWORKs, Cash Assistance Program for Immigrants, California Food Assistance Program, and In Home Supportive Services beneficiaries to continue their benefits, in accordance with processes established by the Department of Social Services, the Department of Health Care Services, and the Federal Government; and

**WHEREAS** social distancing recommendations or Orders as well as a statewide imperative for critical employees to focus on health needs may prevent Medi-Cal, CalFresh, CalWORKs, Cash Assistance Program for Immigrants, California Food Assistance Program, and In Home Supportive Services beneficiaries from obtaining in-person eligibility redeterminations; and

**WHEREAS** under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay appropriate actions to prevent and mitigate the effects of the COVID-19 pandemic.

**NOW, THEREFORE, I, GAVIN NEWSOM,** Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, and in particular, Government Code sections 8567 and 8571, do hereby issue the following order to become effective immediately:

**IT IS HEREBY ORDERED THAT:**

1. As to individuals currently eligible for benefits under Medi-Cal, CalFresh, CalWORKs, the Cash Assistance Program for Immigrants, the California Food Assistance Program, or In Home Supportive Services benefits, and to the extent necessary to allow such individuals to maintain eligibility for such benefits, any state law, including but not limited to California Code of Regulations, Title 22, section 50189(a) and Welfare and Institutions Code sections 18940 and 11265, that would require redetermination of such benefits is suspended for a period of 90 days from the date of this Order. This Order shall be construed to be consistent with applicable federal laws, including but not limited to Code of Federal Regulations, Title 42, section 435.912, subdivision (e), as interpreted by the Centers for Medicare and Medicaid Services (in guidance issued on January 30, 2018) to permit the extension of

otherwise-applicable Medicaid time limits in emergency situations.

2. Through June 17, 2020, any month or partial month in which California Work Opportunity and Responsibility to Kids (CalWORKs) aid or services are received pursuant to Welfare and Institutions Code Section 11200 et seq. shall not be counted for purposes of the 48-month time limit set forth in Welfare an Institutions Code Section 11454. Any waiver of this time limit shall not be applied if it will exceed the federal time limits set forth in Code of Federal Regulations, Title 45, section 264.1.

3. Paragraph 11 of Executive Order N-25-20 (March 12, 2020) is withdrawn and superseded by the following text:

   Notwithstanding any other provision of state or local law (including, but not limited to, the Bagley-Keene Act or the Brown Act), and subject to the notice and accessibility requirements set forth below, a local legislative body or state body is authorized to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body or state body. All requirements in both the Bagley-Keene Act and the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in or quorum for a public meeting are hereby waived.

   In particular, any otherwise-applicable requirements that

   (i) state and local bodies notice each teleconference location from which a member will be participating in a public meeting;

   (ii) each teleconference location be accessible to the public;

   (iii) members of the public may address the body at each teleconference conference location;

   (iv) state and local bodies post agendas at all teleconference locations;

   (v) at least one member of the state body be physically present at the location specified in the notice of the meeting; and

   (vi) during teleconference meetings, a least a quorum of the members of the local body participate from locations within the boundaries of the territory over which the local body exercises jurisdiction

   are hereby suspended.

   A local legislative body or state body that holds a meeting via teleconferencing and allows members of the public to observe and address the meeting telephonically or otherwise electronically, consistent with the notice and accessibility requirements set forth below, shall have satisfied any requirement that the body allow

members of the public to attend the meeting and offer public comment. Such a body need not make available any physical location from which members of the public may observe the meeting and offer public comment.

Accessibility Requirements: If a local legislative body or state body holds a meeting via teleconferencing and allows members of the public to observe and address the meeting telephonically or otherwise electronically, the body shall also:

(i) Implement a procedure for receiving and swiftly resolving requests for reasonable modification or accommodation from individuals with disabilities, consistent with the Americans with Disabilities Act and resolving any doubt whatsoever in favor of accessibility; and

(ii) Advertise that procedure each time notice is given of the means by which members of the public may observe the meeting and offer public comment, pursuant to subparagraph (ii) of the Notice Requirements below.

Notice Requirements: Except to the extent this Order expressly provides otherwise, each local legislative body and state body shall:

(i) Give advance notice of the time of, and post the agenda for, each public meeting according to the timeframes otherwise prescribed by the Bagley-Keene Act or the Brown Act, and using the means otherwise prescribed by the Bagley-Keene Act or the Brown Act, as applicable; and

(ii) In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, also give notice of the means by which members of the public may observe the meeting and offer public comment. As to any instance in which there is a change in such means of public observation and comment, or any instance prior to the issuance of this Order in which the time of the meeting has been noticed or the agenda for the meeting has been posted without also including notice of such means, a body may satisfy this requirement by advertising such means using "the most rapid means of communication available at the time" within the meaning of Government Code, section 54954, subdivision (e); this shall include, but need not be limited to, posting such means on the body's Internet website.

All of the foregoing provisions concerning the conduct of public meetings shall apply only during the period in which state or local public health officials have imposed or recommended social distancing measures.

All state and local bodies are urged to use sound discretion and to make reasonable efforts to adhere as closely as reasonably possible to the provisions of the Bagley-Keene Act and the Brown Act, and other applicable local laws regulating the conduct of public meetings, in order to maximize transparency and provide the public access to their meetings.

**IT IS FURTHER ORDERED** that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

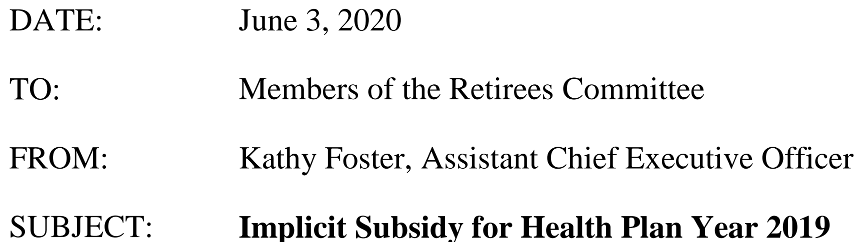
**IN WITNESS WHEREOF** I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 17th day of March 2020.

GAVIN NEWSOM
Governor of California

**ATTEST:**

ALEX PADILLA
Secretary of State

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Implicit Subsidy for Health Plan Year 2019**

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 2019, 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 2019 is $6,446,702.

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $6,446,702 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 2019.

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
TDD: (510) 272-3703

April 21, 2020

**Sent Via US Mail & Email**

Kathy Foster
Asst. CEO – Benefits
ACERA
475 14th Street
Oakland, CA 94612

**RE: 2019 Final Implicit Subsidy Calculation and 2020 Estimate**

Dear Kathy:

Korn Ferry has completed our calculation of the amount of Implicit Subsidy being paid by the County of Alameda on behalf of ACERA early retirees for 2019.

**2019 Implicit Subsidy Calculation**

According to the established procedure, we calculated the subsidy based on the total premium cost for the 2019 plan year. For this purpose, the enrollment is based on the monthly average from February 2019 through January 2020. The results of our calculations follow with more details in the calculation spreadsheets.

The 2019 Implicit Subsidy is $6,446,702, 6.6% lower (approximately $452,000) than the 2018 $6,899,139 amount. This variance is due to the decrease in the ratio of UHC's active unblended to blended rates for 2019 versus 2018. For 2019, their active unblended rates were 2.6% lower than that the blended rates (or -2.6%), compared to 4.3% in 2018. This increase in UHC's ratio of active unblended to blended rates from 2018 to 2019 is due to the less favorable active claims experience used in the 2019 rating in relation to ACERA claims experience when compared to the experience used for the 2018 rating. There was no difference in Kaiser's ratio of active unblended and blended rates as all Kaiser rates were simply increased by 4.0% from 2018 per a negotiated two-year rate guarantee.

1. Total premium for Alameda County active employees using blended rates: $139,347,588
2. Total premium for Alameda County active employees using unblended rates (as if active employees were rated separately): $132,900,886
3. Implicit Subsidy (1-2) $ 6,446,702

**2020 Implicit Subsidy Estimate**

Our estimate for 2020 is based on the same methodology but using 2020 premium rates and February 2020 enrollment. The results of our calculations follow with more details in the calculation spreadsheets.

The estimated 2020 Implicit Subsidy is 17.1% higher (approximately $1,102,000) than the 2019 amount. The variance is due to the following:

I. A decrease in the ratio of 2019 and 2020 UHC's active unblended to blended rates (from -2.6% to -4.7%)
II. A slight decrease in the ratio of 2019 and 2020 Kaiser's active unblended to blended rates (from -5.3% to 5.5%)

1. Total premium for Alameda County active employees using blended rates: $142,534,844
2. Total premium for Alameda County active employees using unblended rates (as if active employees were rated separately): $134,986,161
3. Implicit Subsidy (1 – 2) $7,548,683

Once you and your consultants have a had a chance to review, I would be more than happy to coordinate a conference call for further discussion and to answer any questions you may have.

Best regards,

Ava Lavender
HR Division Manager, Benefits

C: Joe Angelo, Director, HRS

Paul Sadro
Senior Actuary
T 8189566722
psadro@segalco.com

330 North Brand Boulevard,
Suite 1100
Glendale, CA 91203-2308
segalco.com

May 6, 2020

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

**Re: ACERA Final 2019 and Estimated 2020 Implicit Subsidy Analysis**

Dear Kathy:

Segal has completed the review of the County of Alameda's Final 2019 and Estimated 2020 Implicit Subsidies.

The Final 2019 Implicit Subsidy requested by the County is $6,446,700 for the active enrollment from February 2019 through January 2020. The 2019 subsidy is requested for the employees in Premium and Standard plans offered by Kaiser and United Healthcare, which includes the United Healthcare Signature Value Advantage network offered in 2019.

The 2020 Implicit Subsidy is estimated to be $7,548,700 using February 2020 enrollment assumed for twelve months. The 2020 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 2019 and Estimated 2020 Implicit Subsidies stated in this memo are reasonable given the information provided. We did not find any reason to withhold recommending the requested 2019 Implicit Subsidy for approval.

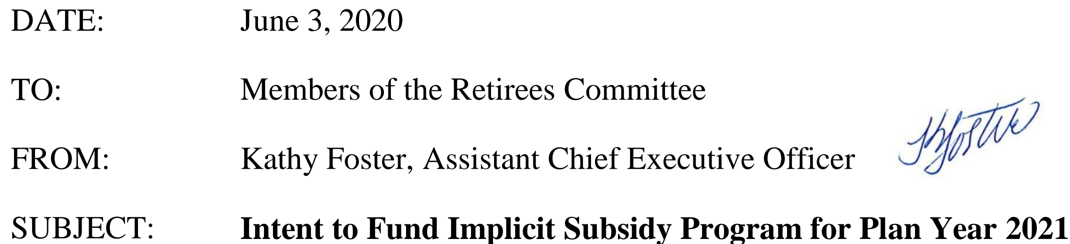
If you have any questions, feel free to contact me at (818) 956-6722.

Sincerely,

Paul Sadro
Senior Actuary

cc: Kathy Foster, ACERA
Jessica Huffman, ACERA
Ismael Pina, ACERA
Stephen Murphy, Segal
Jessica Kuhlman, Segal
Michael Szeto, Segal

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Intent to Fund Implicit Subsidy Program for Plan Year 2021**

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 2020 is estimated by the County to be $7,548,683.

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 2021, following a determination by ACERA at the end of Plan Year 2021 that the amount is not greater than the actual retiree Implicit Subsidy.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Dental Care Provider Request for Proposal and Awarding Contract for Plan Year 2021**

Staff and Segal, ACERA's Benefits Consultant, have completed the analysis of retiree dental care proposals. Attached is a presentation describing the process, which includes reviewing and scoring of the Request for Proposal (RFP) responses from the bidders. In addition to this process, interviews were conducted with the finalist dental care providers.

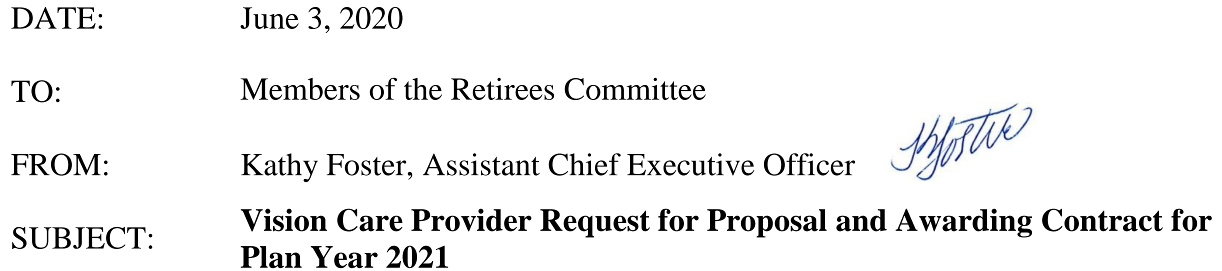
Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award a contract for ACERA's retiree dental care coverage to the selected firm with the highest rating as a result of the Request for Proposal process for Plan Year 2021.

Attachment

1. Dental Plan RFP Summary of Results Presentation - Confidential Information for Retirees Committee Only

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Vision Care Provider Request for Proposal and Awarding Contract for Plan Year 2021**

Staff and Segal, ACERA's Benefits Consultant, have completed the analysis of retiree vision care proposals. Attached is a presentation describing the process, which includes reviewing and scoring of the Request for Proposal (RFP) responses from the bidders. In addition to this process, interviews were conducted with the finalist vision care providers.

<u>Recommendation</u>

Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award a contract for ACERA's retiree vision care coverage to the selected firm with the highest rating as a result of the Request for Proposal process for Plan Year 2021.

Attachment

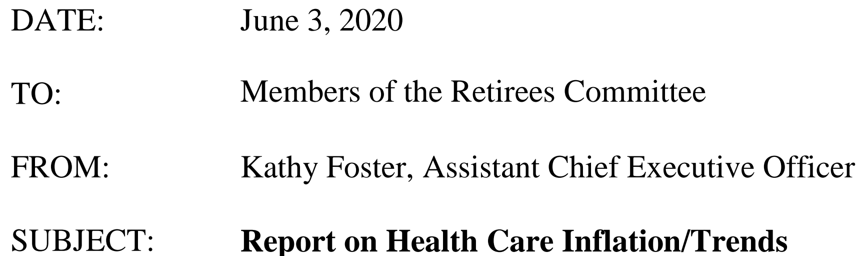
1. Vision Plan RFP Summary of Results Presentation - Confidential Information for Retirees Committee Only

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 3, 2020

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, 2019 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 6, 2020 from Segal. As presented on page two of the attachment to Segal's letter, the near term trend assumptions have been reset a start at 6.75% for non-Medicare plans and 6.25% for Medicare Advantage plans. These trend assumptions will be further adjusted to reflect the repeal of the Health Insurance Tax (HIT) taking effect in 2021, resulting in 5.55% (6.75% less 1.20% for the HIT) for non-Medicare plans, and 5.35% (6.25% less 0.90% for the HIT) for Medicare plans. The trend used for dental and vision is 4.00%. The trend used for Medicare Part B is 4.50%.

Segal is using the lowest trend of 5.35% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 2.675% increase would be applied to the projections for the MMA for the December 31, 2019 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 3th Retirees Committee meeting. Also attached is a 10-year ACERA rate history for the period 2011 through 2020 for Kaiser Permanente and UnitedHealthcare.

Attachments (3)

Segal

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

**Via Email**

May 6, 2020

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, 2019 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, 2019 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, 2019.

**Health Care Trend Assumptions**

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal Consulting 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, 2018 SRBR valuation, we recommended the following assumptions:

   a. For the non-Medicare Plans, we recommended the first year trend rate be set at 7.00%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 10 years. For the Medicare plans, we recommended the first year trend rate be set at 6.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 8 years.

In addition, we further adjusted the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).[1]

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. Dental, Vision, and Medicare Part B trend assumptions were 4.00% based upon Segal Survey data and a review of the historical Medicare Part B premium.

c. Based on past practice, the 8.20% (7.00% plus 1.20% for the HIT) non-Medicare and 7.40% (6.50% plus 0.90% for the HIT) Medicare first year trends were used in the December 31, 2018 "preview" valuation and were applied to the 2019 non-Medicare and Medicare medical premiums to estimate the projected 2020 non-Medicare and Medicare medical premiums. The first year trends were replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

d. We continued to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend (including 50% of the adjustment due to the HIT) assumption. If different types of medical plans had different initial trend rates, we assumed 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 assumed they would increase at the full rate of anticipated trend assumed for each of those plans as provided in Attachment One (4.00% for calendar year 2019).

2. For the current December 31, 2019 SRBR valuation, we are recommending the following assumptions:

   a. For the non-Medicare Plans, we are recommending the first year trend rate be set at 6.75% (same as second-year trend in the prior year valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 9 years. For the Medicare plans, we are recommending the first year trend rate be set at 6.25% (same as second-year trend in the prior year valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 7 years.

   In addition, to reflect the recent repeal[2] of the Health Insurance Tax (HIT) taking effect in 2021, we will subtract 1.20% from the first-year non-Medicare trend and subtract 0.90% from the first-year Medicare trend.

   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] The HIT was imposed by the Affordable Care Act (ACA) on each covered entity engaged in the business of providing health insurance for United States health risks. These taxes were incorporated into premiums beginning in 2014 and would vary based upon insurer. Since then, budgetary actions placed a moratorium on these fees for calendar years 2017 and 2019. Segal understands that these fees were reflected in premiums for calendar 2020.

[2] The repeal of the ACA at the end of 2020 removes the HIT effective calendar 2021 so we will reflect this repeal in the valuation with measurement as of December 31, 2019.

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

c. Medicare Part B trend assumptions will increase to 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.

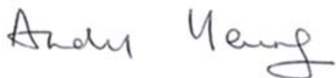
d. Based on past practice, the 5.55% (6.75% minus 1.20% for removal of the HIT) non-Medicare and 5.35% (6.25% minus 0.90% for removal of the HIT) Medicare first year trends will be used in the December 31, 2019 "preview" valuation and applied to the 2020 non-Medicare and Medicare medical premiums to estimate the projected 2021 non-Medicare and Medicare medical premiums. The first year trends will be replaced before the "final" valuation as of December 31, 2019 to reflect the actual premium renewals for 2021.

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 (including 50% of the adjustment due to removal of the HIT) 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 provided in Attachment One (4.50% for Medicare Part B and 4.00% for dental/vision for calendar year 2020).

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2019 SRBR sufficiency valuation.

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

Paul Sadro, ASA, MAAA
Senior Actuary

TJH/bqb
Attachment



Segal

## ATTACHMENT ONE

### Recommended Trend Assumptions
### For the December 31, 2019 Retiree Health Valuation

### HEALTH TRENDS USED IN THE PRIOR VALUATION AS OF DECEMBER 31, 2018
### (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.

| The calendar year trend rates are as follows (used to calculate the following year premium): | | | | |
|---|---|---|---|---|
| **Calendar Year** | **All Non-Medicare Plans** | **Medicare Advantage Plans[1]** | **Dental and Vision** | **Medicare Part B** |
| 2019 | 7.00%[2][3] | 6.50%[2][3] | 4.00%[2] | 4.00%[4] |
| 2020 | 6.75 | 6.25 | 4.00 | 4.00 |
| 2021 | 6.50 | 6.00 | 4.00 | 4.00 |
| 2022 | 6.25 | 5.75 | 4.00 | 4.00 |
| 2023 | 6.00 | 5.50 | 4.00 | 4.00 |
| 2024 | 5.75 | 5.25 | 4.00 | 4.00 |
| 2025 | 5.50 | 5.00 | 4.00 | 4.00 |
| 2026 | 5.25 | 4.75 | 4.00 | 4.00 |
| 2027 | 5.00 | 4.50 | 4.00 | 4.00 |
| 2028 | 4.75 | 4.50 | 4.00 | 4.00 |
| 2029 & later | 4.50 | 4.50 | 4.00 | 4.00 |

[1] Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

[2] For calendar year 2019, actual trends are below, based on actual premium renewals for 2020, as reported by ACERA. These trends were used in preparing our December 31, 2018 SRBR valuation report dated September 23, 2019.

| Kaiser HMO Retirees Under Age 65 | United Healthcare HMO Retirees Under Age 65 | Kaiser Senior Advantage | Dental and Vision |
|---|---|---|---|
| 2.66% | 3.88% | 4.43% | -4.36% |

[3] Before adjusting the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the reinstatement of the Health Insurance Tax (HIT).

[4] Based on the 3.00% inflation assumption used in the pension valuation, we expected the Social Security COLA from 2019 to 2020 would be large enough to cover the dollar increases in the Medicare Part B premium for most retirees. We assumed that the standard premium for all retirees in 2020 would be $140.92 ($135.50 in 2019 increased by 4.00%) per month.

**ATTACHMENT ONE (Continued)**
**Recommended Trend Assumptions**
**For the December 31, 2019 Retiree Health Valuation**

**HEALTH TRENDS RECOMMENDED FOR THE CURRENT VALUATION AS OF DECEMBER 31, 2019**

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans.

| The calendar year trend rates are as follows (used to calculate the following year premium): | | | | |
|---|---|---|---|---|
| **Calendar Year** | **All Non-Medicare Plans** | **Medicare Advantage Plans[1]** | **Dental and Vision** | **Medicare Part B[4]** |
| 2020 | 6.75%[2][3] | 6.25%[2][3] | 4.00% | 4.50% |
| 2021 | 6.50 | 6.00 | 4.00 | 4.50 |
| 2022 | 6.25 | 5.75 | 4.00 | 4.50 |
| 2023 | 6.00 | 5.50 | 4.00 | 4.50 |
| 2024 | 5.75 | 5.25 | 4.00 | 4.50 |
| 2025 | 5.50 | 5.00 | 4.00 | 4.50 |
| 2026 | 5.25 | 4.75 | 4.00 | 4.50 |
| 2027 | 5.00 | 4.50 | 4.00 | 4.50 |
| 2028 | 4.75 | 4.50 | 4.00 | 4.50 |
| 2029 & later | 4.50 | 4.50 | 4.00 | 4.50 |

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

(2) Based on past practice, the first year trends will be replaced before the "final" valuation as of December 31, 2019 to reflect the actual premium renewals for 2021.

(3) In addition, we will reduce the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the repeal of the Health Insurance Tax (HIT).

(4) The actual calendar year 2019 trend of 6.72% reflecting the standard 2020 calendar year premium of $144.60 per month, consistent with Segal's Medicare Part B memo dated November 26, 2019, will be reflected in the current year valuations with December 31, 2019 measurement date.

Alameda County Employees' Retirement Association (ACERA)

# 2020 Health Plan Cost Trend Survey

## ACERA Retirees Committee Meeting

Presented on June 3, 2020
Presenters: Stephen Murphy & Paul Sadro

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Segal

# Segal Health Plan Cost Trend Survey Overview

## 2020 edition is our 23$^{nd}$ annual national survey

More than 100 managed care organizations (MCOs), health insurers, pharmacy benefit managers (PBMs), and third-party administrators (TPAs) participated including:

**Aetna**
(Acquired by CVS Health November 28, 2018)

**Anthem**

**Blue Shield of California**

**Cigna**

**CVS Health**

**Delta Dental of California**

**Express Scripts**
(Acquired by Cigna December 20, 2018)

**Health Net**

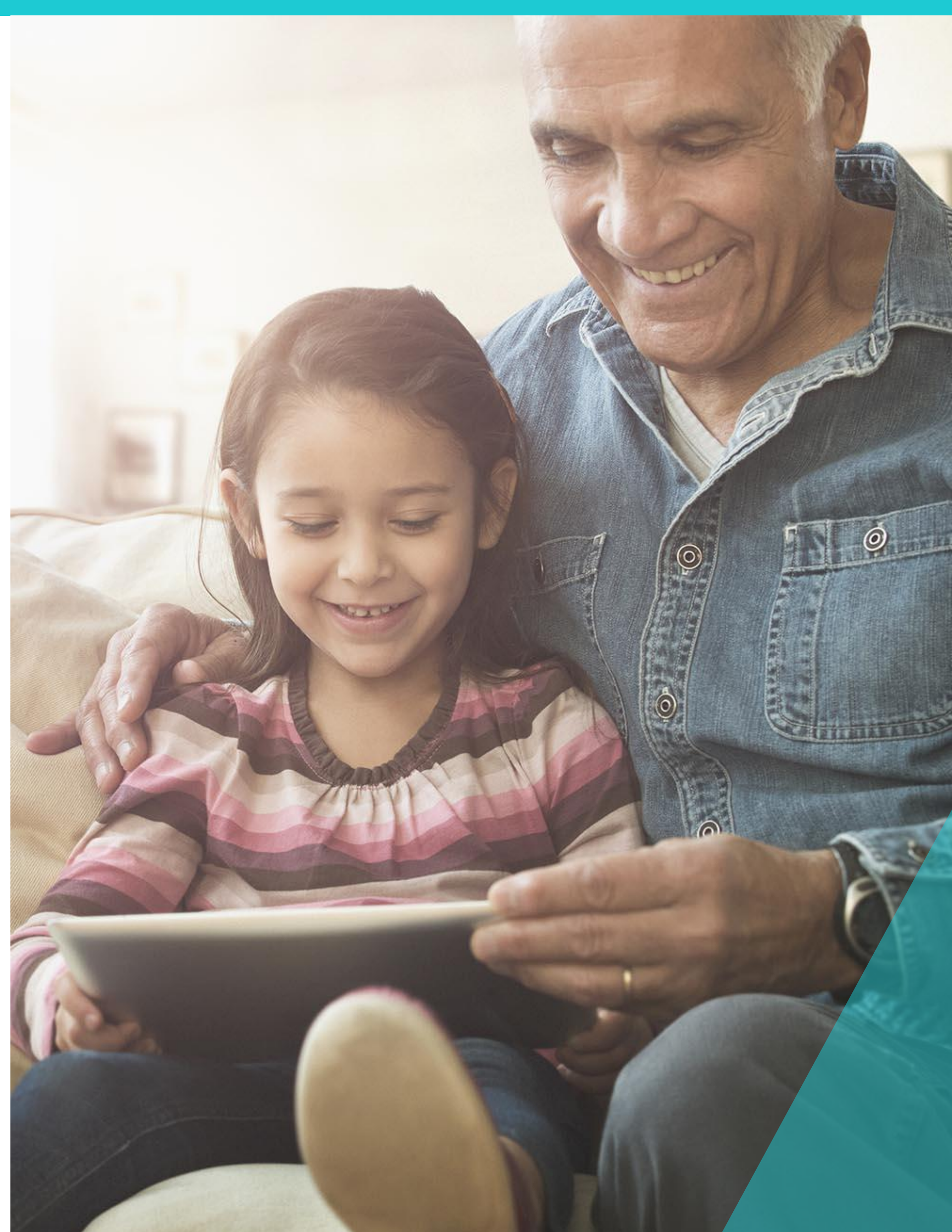
**Humana**

**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
- Leveraging effect of fixed deductibles and copayments[1]
- Greater emphasis on detection and diagnostics
- Other, including fraud and abuse

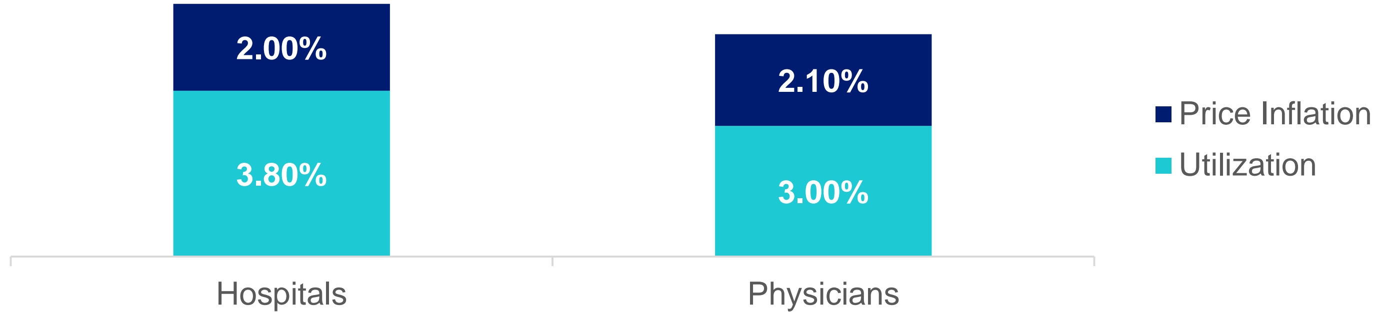


**Trend is the forecast of annual gross per capita claims cost increases.**

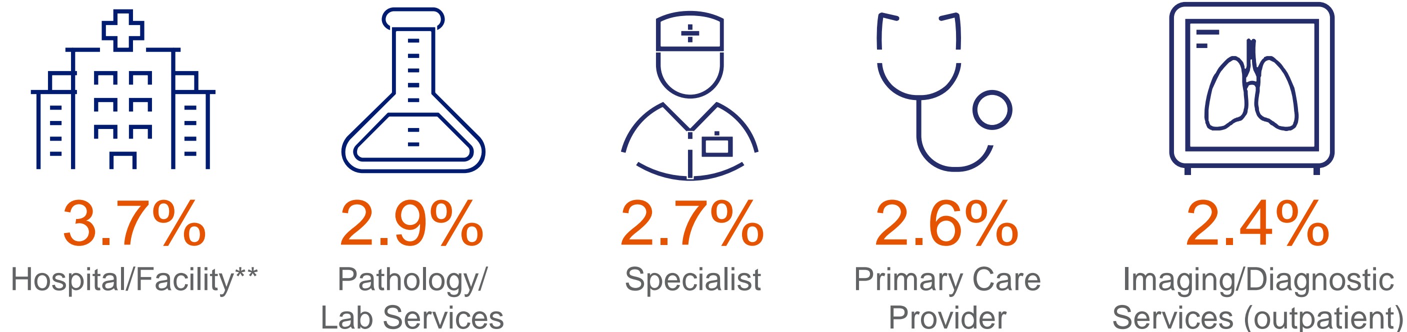
[1] This is a driver of net paid claim cost trends, not gross per capita claims cost increases.

# Leading Drivers of Trend

## Influence of Price Inflation and Utilization on 2020 Projected Medical Trends*




## Projected Average Increases in Reimbursement Allowances Highest for Hospitals




- 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 and technology changes. Not all survey respondents provided a breakdown of trend by component.

** The projected average increase in reimbursement allowance for hospital/facility differs from the price inflation increase of 3.8 percent in the bar graph above because the price inflation increase takes into account new treatments, therapies and technology.

Source: Segal Consulting, 2019

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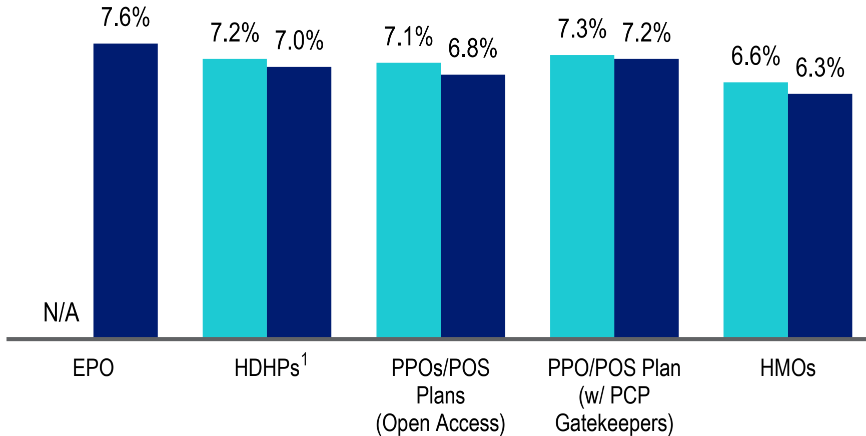
# Projected Health Care Trends

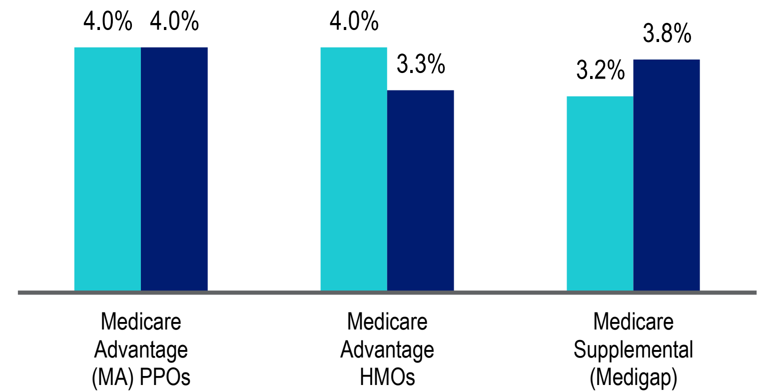
*2019 vs. 2020*

■ 2019 ■ 2020

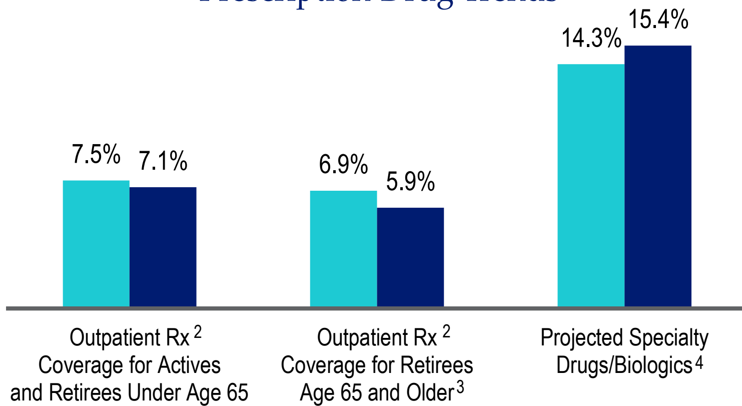
## Medical Trends for Actives and Retirees Under Age 65



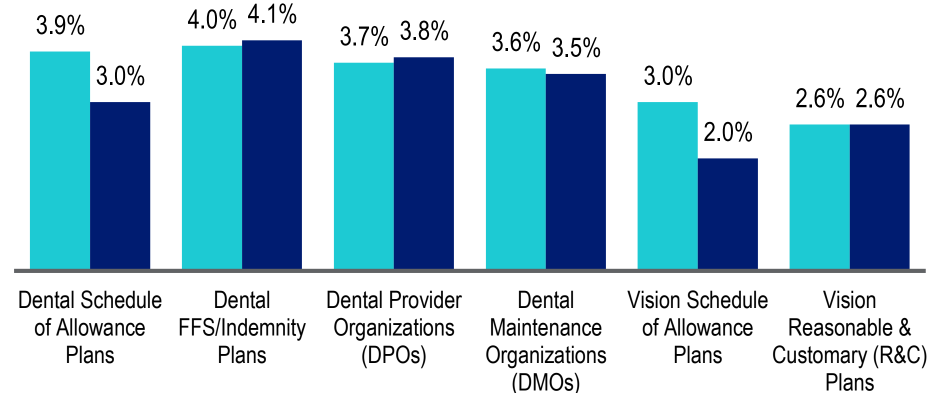

## Medical Trends for Retirees Age 65 and Older




## Prescription Drug Trends




## Dental and Vision Trends for Actives and Retirees




Source: 2020 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 and both age groups.

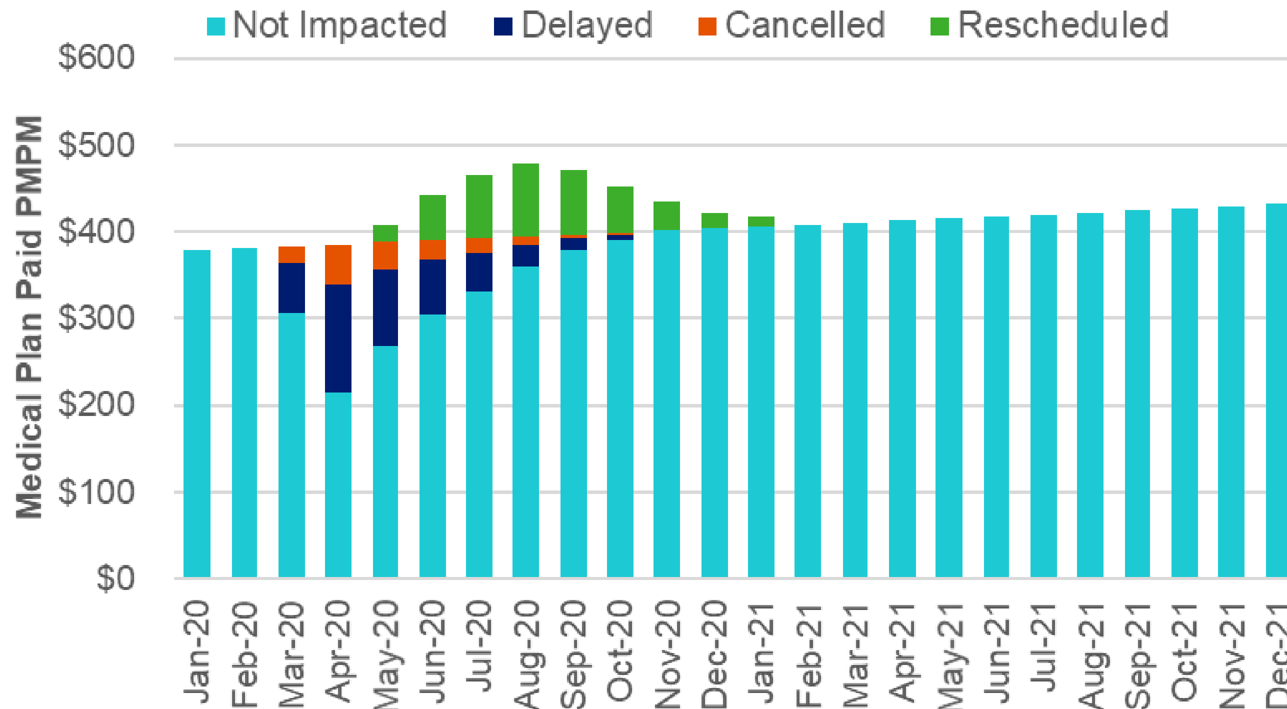
# Coronavirus Disease 2019

*(Actives and Non-Medicare Retirees)*

**The coronavirus disease 2019 (COVID-19) pandemic is rapidly evolving and will likely cause significant disruptions to the healthcare delivery system in the coming months.**

The pandemic has resulted in a temporary suspension of many healthcare services

- Routine office visits and physical therapy are expected to be cancelled and not made up
- Elective surgeries have either been cancelled or deferred into the future




Segal

# 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

2011-2020 Rate History

## Kaiser Early Retiree

1,047 Enrolled*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rating Structure | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate |
| Retiree | $556.48 | $593.86 | $639.26 | $658.96 | $670.58 | $671.82 | $729.08 | $735.64 | $765.06 | $785.44 |
| Retiree & 1 Dep | $1,112.96 | $1,187.82 | $1,278.52 | $1,317.92 | $1,341.16 | $1,343.64 | $1,458.16 | $1,471.28 | $1,530.12 | $1,570.88 |
| Retiree & 2+ Deps | $1,574.88 | $1,680.62 | $1,809.12 | $1,864.86 | $1,897.74 | $1,901.26 | $2,063.30 | $2,081.88 | $2,165.12 | $2,222.80 |
| | | | | | | | | | | |
| % Change over Retiree Monthly | | 6.72% | 7.64% | 3.08% | 1.76% | 0.18% | 8.52% | 0.90% | 4.00% | 2.66% |

## Kaiser Permanente Senior Advantage

4,009 Enrolled*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rating Structure | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate |
| Retiree | $295.02 | $298.74 | $316.64 | $330.96 | $330.96 | $329.90 | $354.73 | $367.23 | $394.07 | $411.54 |
| Retiree & Spouse | $590.04 | $597.48 | $633.28 | $661.92 | $661.92 | $659.80 | $709.46 | $734.46 | $788.14 | $823.08 |
| | | | | | | | | | | |
| % Change over Retiree Monthly | | 1.26% | 5.99% | 4.52% | 0.00% | -0.32% | 7.53% | 3.52% | 7.31% | 4.43% |

## UnitedHealthcare SignatureValue HMO Early Retiree

100 Enrolled*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rating Structure | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate |
| Retiree | $699.68 | $827.84 | $914.78 | $972.34 | $972.34 | $982.06 | $982.06 | $1,047.16 | $1,047.16 | $1,087.80 |
| Retiree & 1 Dep | $1,399.36 | $1,655.64 | $1,829.48 | $1,944.60 | $1,944.60 | $1,964.06 | $1,964.06 | $2,094.24 | $2,094.24 | $2,175.50 |
| Retiree & 2+ Deps | $1,980.10 | $2,342.72 | $2,588.70 | $2,751.60 | $2,751.60 | $2,779.12 | $2,779.12 | $2,963.32 | $2,963.32 | $3,078.30 |
| | | | | | | | | | | |
| % Change over Retiree Monthly | | 18.32% | 10.50% | 6.29% | 0.00% | 1.00% | 0.00% | 6.63% | 0.00% | 3.88% |

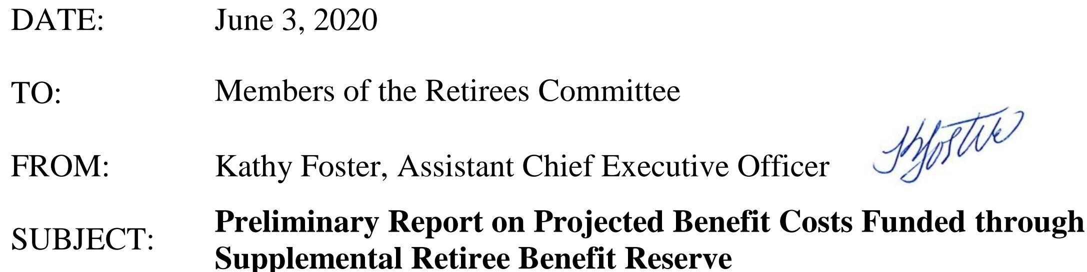
## UnitedHealthcare SignatureValue Advantage HMO Early Retiree - Effective 2/1/2019

21 Enrolled*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | N/A | N/A | $980.94 | $831.92 |
| Retiree & 1 Dep | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | $1,961.80 | $1,663.74 |
| Retiree & 2+ Deps | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | $2,775.92 | $2,354.18 |
| | | | | | | | | | | |
| % Change over Retiree Monthly | | - | - | - | - | - | - | - | - | -15.19% |

*As of May, 2020

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

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 2021.

**Other Post-Employment Benefits (OPEB)**

In the December 31, 2018 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2040 with full benefits paid through 2039. The results of the December 31, 2019 valuation indicate that the terminal year of OPEB benefits is projected to be 2039, with full benefits paid through 2038 for a total of 19 full years and one partial year. The reasons the terminal year is projected to be one year earlier are due to the following factors:

- The Implicit Subsidy for 2020 was higher than projected in the prior valuation.
- There was a higher than expected increase in the 2020 Medicare Part B premium, and an increase in the ultimate trend for Medicare Part B from 4.00% per year to 4.50% per year.
- There was an investment loss on the actuarial value of assets during 2019.
- There were other changes in the new retirees covered and new enrollments for existing retirees, spousal coverage assumption, Health Insurance Tax (HIT), etc.
- There was an increase in the Via Benefits costs for Medicare retirees.

At Staff's request, Segal projected that if the MMA for 2021 remained the same as the current amount, there would be a slight increase in the payment period for the OPEB benefits in the last partial year from seven months to nine months. The terminal year is still projected to be 2039, with full benefits paid through 2038.

**Non-OPEB**

The terminal year for non-OPEB benefits is projected to be 2037, with benefits paid through 2036 for a total of 17 full years and one partial year, which is the same period as last year's projection. The main reason the terminal year for the non-OPEB benefits is projected to be one year later than last year is the low actual inflation of 2.45% in the Bay Area from 2018 to 2019 (as opposed to the inflation assumption of 3.00%), which decreased the supplemental COLA costs.

Also attached are two additional letters from Segal. One letter dated May 6th is regarding assumptions that are recommended for the SRBR valuation. These assumptions are used for the substantive plan projections. The second letter dated May 6th is regarding recommended parameters to reflect demographic driven changes. This information will be presented in more detail at the June 3rd Retirees Committee meeting, at the same time the MMA costs and recommendations for 2021 will be discussed.

Andy Yeung, with Segal, will present the attached Preview of December 31, 2019 Valuation Results for Benefits Provided by the SRBR report in more detail at the June 3rd Retirees Committee meeting.

Attachments (3)

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

May 6, 2020

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, 2019 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, 2019 valuation results for benefits provided by the SRBR, before we issue a full valuation report. 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, 2019, the OPEB-related assets in the SRBR are projected to be sufficient to pay OPEB benefits through 2039 (19 full years and 1 partial year) and non-OPEB benefits through 2037 (17 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, 2018 valuation report dated September 23, 2019.

The actuarial assumptions used in this valuation are consistent with those assumptions applied by the Retirement Board for the December 31, 2019 pension valuation for funding purposes, including the use of a 7.25% investment return assumption. We have also used the additional OPEB-related assumptions/parameters that were provided in our letter dated May 6, 2020.[1]

[1] Note that we issued a separate health trend assumptions letter dated May 6, 2020 due to the timing of the GASB 74 valuation report as of December 31, 2019.

This includes applying the health trend assumption in projecting that the 2021 Monthly Medical Allowance will increase from the 2020 level by 2.675% (i.e., 1/2 of the lowest 2020 to 2021 calendar year medical trend assumed in the December 31, 2019 SRBR valuation,[2] minus 1/2 of the adjustment due to the repeal of the Health Insurance Tax (HIT)[3]). Copies of our May 6 letters are attached for your reference.

**MMA Amounts for Group and Via Benefits Individual Medical Insurance Exchange**

In 2020, 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 $578.65. 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 2020 is $443.28.

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 $6,510,876 from the SRBR to the Employer Advance Reserve for 2019 previously provided by ACERA, consistent with the transfer amount used in the December 31, 2019 funding valuation report for the Pension Plan.[4]

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 2020/2021, 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

[2] This corresponds to the medical trend assumption we recommend for the Medicare Advantage Plans in the December 31, 2019 valuation. This trend assumption has remained unchanged and is the same as the second year increase of 6.25% that we used to adjust medical plan costs from 2020 to 2021 as used in the December 31, 2018 valuation.

[3] We anticipate a decrease in cost of 0.9% from 2020 to 2021 for the Medicare plans as a result of the repeal of the HIT.

[4] After we were instructed by ACERA to use the estimated transfer amount (i.e., $6,510,876) in our December 31, 2019 valuation for the Pension Plan, we understand that the calculation of the actual transfer amount (i.e., $6,446,702) was subsequently finalized. For consistency purposes, we have continued to use the estimated transfer amount in this letter. We note that the continued use of the estimated transfer amount herein does not have an impact on the projected year that the OPEB assets would be exhausted.

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.

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 from the actives. 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 included amounts that are estimated to be reimbursed by ACERA to the County out of the SRBR for this implicit subsidy, estimated by Segal based on 2020 premium data and 2020 implicit subsidy estimate provided to ACERA by the County's health consultant of $7,548,683.

Previously, the projected payments did not include any excise tax on high cost medical plans because we did not believe the amount of MMA subsidy paid by ACERA would be above the threshold for those plans ("Cadillac" plans) imposed by the Affordable Care Act and related statutes. In this year's calculation, we have continued to exclude such excise tax especially with the recent repeal of that tax for all plans.

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.

In the December 31, 2018 valuation, it was projected that the OPEB assets would be exhausted in 2040, with full benefits paid through 2039, for a total of 21 full years and 1 partial year. The results of the December 31, 2019 valuation indicate that the terminal year of OPEB benefits is projected to be 2039, with full benefits paid through 2038, for a total of 19 full years and 1 partial year.

After accounting for the 1 year of benefit payments made in 2019, there is a shortening of the sufficiency period by another 1 year and 4 months due to the following factors:

- The implicit subsidy for 2020, that we also use as the basis for projecting such subsidy beyond 2020, was higher than projected in the prior valuation which caused the sufficiency period to drop by about 6 months.
- There was a higher than expected increase in the 2020 Medicare Part B premium and an increase in the ultimate trend for Medicare Part B from 4.00% per year to 4.50% per year which caused the sufficiency period to drop by about 4 months.
- There was an investment loss on the actuarial value of assets during 2019 which caused the sufficiency period to drop by about 3 months.
- There were other changes in the new retirees covered and new enrollments for existing retirees, spousal coverage assumption, HIT, etc. which caused the sufficiency period to drop by about 2 months.

- There was an increase in the Via Benefits per capita costs for Medicare retirees which caused the sufficiency period to drop by about 1 month.

These results are based on the amount of OPEB assets available as of December 31, 2019, which were provided by ACERA.[5]

## 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, 2018 valuation, it was projected that the non-OPEB assets would be exhausted in 2036, with full benefits paid through 2035, for a total of 17 full years and 1 partial year. The results of the December 31, 2019 valuation indicate that the terminal year of benefits is projected to be 2037, with full benefits paid through 2036, again for a total of 17 full years and 1 partial year.

The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be one year later than it was in last year's study is the somewhat low actual inflation of 2.45% in the Bay Area from 2018 to 2019 (versus the inflation assumption of 3.00%), which decreased the supplemental COLA costs. For supplemental COLA benefits, the excess of inflation over the cost of living allowance (i.e., 3.00% for Tiers 1 and 3, and 2.00% for Tiers 2, 2C, 2D, and 4) is banked for future years when inflation may be less than the cost of living allowance. A supplemental COLA benefit would be paid when a member's COLA bank exceeds 15%. Due to the actual inflation of 2.45% in 2019 for the San Francisco-Oakland-Hayward Area, the April 1, 2020 COLA banks decreased by 0.50% for Tiers 1 and 3 and increased by 0.50% for Tiers 2, 2C, 2D, and 4 over the banks as of the prior year. Based on the inflation assumption of 3.00%, the April 1, 2020 COLA banks for Tiers 1 and 3 were expected to remain at the same level and the April 1, 2020 COLA banks for Tiers 2, 2C, 2D and 4 were expected to increase by 1.00%. Since the COLA banks have either decreased (for Tiers 1 and 3) or increased by a lower than expected amount (for Tiers 2, 2C, 2D, and 4), it is expected to take more time for members to accumulate a bank in excess of 15%, which results in a decrease in the present value of providing supplemental COLA benefits. Moreover, the supplemental COLA benefit is decreased for Tiers 1 and 3 retired members and beneficiaries who already have a COLA bank in excess of 15% (i.e., a decrease of 0.50%). For Tiers 2, 2C, 2D and 4 retired members and beneficiaries

[5] The OPEB assets used in this valuation (i.e., $888.2 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, 2019 of the OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of OPEB assets, of $970.2 million, as required by that Statement. The increase in assets used in the GASB 74 valuation of $82.0 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, and after replenishing the Contingency Reserve from $0 to $89.4 million (1% of total assets)) 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, 2019 SRBR sufficiency valuation, similar to how the deferred investment losses as of December 31, 2018 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment gains as of December 31, 2019 represent about 3 years more of projected OPEB benefit payment.

who already have a COLA bank in excess of 15%, the supplemental COLA benefit is increased by 0.50%, which is lower than our assumption.

These results are based on the amount of non-OPEB assets available as of December 31, 2019, which were provided by ACERA.

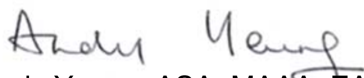
**Other Considerations**

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, 2019. As we indicated on page 22 of our December 31, 2019 actuarial valuation report for the Pension Plan, the Association had deferred investment gains of $260.7 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 $260.7 million represent 3.0% of the market value of assets as of December 31, 2019. If one-half of the net deferred gain after restoring the Contingency Reserve to 1% of total assets were recognized immediately in the valuation value of assets, there would be an increase in the SRBR Reserve of approximately $82.0 million to pay OPEB benefits and $3.8 million to pay non-OPEB benefits.[6]

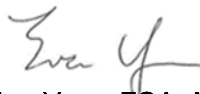
These calculations were prepared under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary, Eva Yum, FSA, MAAA, Enrolled Actuary, and Thomas Bergman, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualifications of the American Academy of Actuaries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

Please let us know if you have any questions.

Sincerely,



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



Eva Yum, FSA, MAAA, EA
Senior Actuary

Thomas Bergman, ASA, MAAA, EA
Retiree Health Actuary

JB/gxk
Enclosures (5629818, 5629817)

[6] It is important to note that the December 31, 2019 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 valuation date. 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. While it is impossible to determine how the market will perform over the next several months, and how that will affect the results of next year's valuation, Segal is available to prepare projections of potential outcomes upon request.

# 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, 2019

| Year Ending December 31 | Annual Benefit Cash Flows | | | Present Value as of December 31, 2019 of Projected Benefits through Year End | | |
|---|---|---|---|---|---|---|
| | Medical[1] | Dental and Vision | Non-OPEB[2] | OPEB[3] | Non-OPEB | Total |
| 2020 | $50,491,551 | $4,558,913 | $1,279,969 | $53,157,229 | $1,235,950 | $54,393,179 |
| 2021 | 53,675,567 | 4,832,173 | 1,253,808 | 105,833,785 | 2,364,797 | 108,198,582 |
| 2022 | 57,268,298 | 5,116,531 | 1,250,242 | 158,204,166 | 3,414,341 | 161,618,507 |
| 2023 | 61,294,699 | 5,409,701 | 1,263,801 | 210,415,397 | 4,403,550 | 214,818,947 |
| 2024 | 65,238,548 | 5,714,824 | 1,269,333 | 262,198,156 | 5,329,927 | 267,528,083 |
| 2025 | 69,196,727 | 6,022,099 | 1,286,020 | 313,383,001 | 6,205,037 | 319,588,038 |
| 2026 | 73,145,022 | 6,337,707 | 1,534,688 | 363,813,157 | 7,178,765 | 370,991,922 |
| 2027 | 77,027,143 | 6,659,462 | 2,015,419 | 413,321,250 | 8,371,065 | 421,692,315 |
| 2028 | 80,639,630 | 6,987,553 | 2,889,875 | 461,656,258 | 9,965,115 | 471,621,373 |
| 2029 | 84,218,415 | 7,318,171 | 4,172,782 | 508,734,512 | 12,111,222 | 520,845,734 |
| 2030 | 87,903,881 | 7,662,306 | 5,601,044 | 554,562,691 | 14,797,169 | 569,359,860 |
| 2031 | 91,761,595 | 8,009,662 | 7,089,573 | 599,173,129 | 17,967,109 | 617,140,238 |
| 2032 | 95,299,793 | 8,350,417 | 8,735,371 | 642,385,085 | 21,608,901 | 663,993,986 |
| 2033 | 99,133,438 | 8,697,708 | 10,570,616 | 684,301,165 | 25,717,906 | 710,019,071 |
| 2034 | 102,680,708 | 9,032,838 | 12,338,814 | 724,790,903 | 30,190,017 | 754,980,920 |
| 2035 | 105,733,671 | 9,366,051 | 14,069,535 | 763,687,904 | 34,944,700 | 798,632,604 |
| 2036 | 108,586,434 | 9,690,432 | 16,007,240 | 800,956,612 | 39,988,537 | 840,945,149 |
| 2037 | 111,180,583 | 10,008,832 | 1,501,838[4] | 836,561,689 | 40,429,772 | 876,991,461 |
| 2038 | 113,885,445 | 10,317,524 | - | 870,585,418 | 40,429,772 | 911,015,190 |
| 2039 | 63,132,102[4] | 5,771,612[4] | - | 888,184,713 | 40,429,772 | 928,614,485 |

[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] Full 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

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

**Via Email**

May 6, 2020

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, 2019 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, 2019 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, 2019.

**Health Care Trend Assumptions**

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal Consulting 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, 2018 SRBR valuation, we recommended the following assumptions:

   a. For the non-Medicare Plans, we recommended the first year trend rate be set at 7.00%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 10 years. For the Medicare plans, we recommended the first year trend rate be set at 6.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 8 years.

In addition, we further adjusted the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).[1]

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. Dental, Vision, and Medicare Part B trend assumptions were 4.00% based upon Segal Survey data and a review of the historical Medicare Part B premium.

c. Based on past practice, the 8.20% (7.00% plus 1.20% for the HIT) non-Medicare and 7.40% (6.50% plus 0.90% for the HIT) Medicare first year trends were used in the December 31, 2018 "preview" valuation and were applied to the 2019 non-Medicare and Medicare medical premiums to estimate the projected 2020 non-Medicare and Medicare medical premiums. The first year trends were replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

d. We continued to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend (including 50% of the adjustment due to the HIT) assumption. If different types of medical plans had different initial trend rates, we assumed 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 assumed they would increase at the full rate of anticipated trend assumed for each of those plans as provided in Attachment One (4.00% for calendar year 2019).

2. For the current December 31, 2019 SRBR valuation, we are recommending the following assumptions:

   a. For the non-Medicare Plans, we are recommending the first year trend rate be set at 6.75% (same as second-year trend in the prior year valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 9 years. For the Medicare plans, we are recommending the first year trend rate be set at 6.25% (same as second-year trend in the prior year valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 7 years.

   In addition, to reflect the recent repeal[2] of the Health Insurance Tax (HIT) taking effect in 2021, we will subtract 1.20% from the first-year non-Medicare trend and subtract 0.90% from the first-year Medicare trend.

   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] The HIT was imposed by the Affordable Care Act (ACA) on each covered entity engaged in the business of providing health insurance for United States health risks. These taxes were incorporated into premiums beginning in 2014 and would vary based upon insurer. Since then, budgetary actions placed a moratorium on these fees for calendar years 2017 and 2019. Segal understands that these fees were reflected in premiums for calendar 2020.

[2] The repeal of the ACA at the end of 2020 removes the HIT effective calendar 2021 so we will reflect this repeal in the valuation with measurement as of December 31, 2019.

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

c. Medicare Part B trend assumptions will increase to 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.

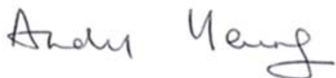
d. Based on past practice, the 5.55% (6.75% minus 1.20% for removal of the HIT) non-Medicare and 5.35% (6.25% minus 0.90% for removal of the HIT) Medicare first year trends will be used in the December 31, 2019 "preview" valuation and applied to the 2020 non-Medicare and Medicare medical premiums to estimate the projected 2021 non-Medicare and Medicare medical premiums. The first year trends will be replaced before the "final" valuation as of December 31, 2019 to reflect the actual premium renewals for 2021.

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 (including 50% of the adjustment due to removal of the HIT) 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 provided in Attachment One (4.50% for Medicare Part B and 4.00% for dental/vision for calendar year 2020).

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2019 SRBR sufficiency valuation.

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

Paul Sadro, ASA, MAAA
Senior Actuary

TJH/bqb
Attachment



Segal

**ATTACHMENT ONE**

**Recommended Trend Assumptions**
**For the December 31, 2019 Retiree Health Valuation**

**HEALTH TRENDS USED IN THE PRIOR VALUATION AS OF DECEMBER 31, 2018**
**(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.

| The calendar year trend rates are as follows (used to calculate the following year premium): | | | | |
|---|---|---|---|---|
| **Calendar Year** | **All Non-Medicare Plans** | **Medicare Advantage Plans**(1) | **Dental and Vision** | **Medicare Part B** |
| 2019 | 7.00%(2)(3) | 6.50%(2)(3) | 4.00%(2) | 4.00%(4) |
| 2020 | 6.75 | 6.25 | 4.00 | 4.00 |
| 2021 | 6.50 | 6.00 | 4.00 | 4.00 |
| 2022 | 6.25 | 5.75 | 4.00 | 4.00 |
| 2023 | 6.00 | 5.50 | 4.00 | 4.00 |
| 2024 | 5.75 | 5.25 | 4.00 | 4.00 |
| 2025 | 5.50 | 5.00 | 4.00 | 4.00 |
| 2026 | 5.25 | 4.75 | 4.00 | 4.00 |
| 2027 | 5.00 | 4.50 | 4.00 | 4.00 |
| 2028 | 4.75 | 4.50 | 4.00 | 4.00 |
| 2029 & later | 4.50 | 4.50 | 4.00 | 4.00 |

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

(2) For calendar year 2019, actual trends are below, based on actual premium renewals for 2020, as reported by ACERA. These trends were used in preparing our December 31, 2018 SRBR valuation report dated September 23, 2019.

| **Kaiser HMO Retirees Under Age 65** | **United Healthcare HMO Retirees Under Age 65** | **Kaiser Senior Advantage** | **Dental and Vision** |
|---|---|---|---|
| 2.66% | 3.88% | 4.43% | -4.36% |

(3) Before adjusting the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the reinstatement of the Health Insurance Tax (HIT).

(4) Based on the 3.00% inflation assumption used in the pension valuation, we expected the Social Security COLA from 2019 to 2020 would be large enough to cover the dollar increases in the Medicare Part B premium for most retirees. We assumed that the standard premium for all retirees in 2020 would be $140.92 ($135.50 in 2019 increased by 4.00%) per month.

**ATTACHMENT ONE (Continued)**
**Recommended Trend Assumptions**
**For the December 31, 2019 Retiree Health Valuation**

## HEALTH TRENDS RECOMMENDED FOR THE CURRENT VALUATION AS OF DECEMBER 31, 2019

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans.

| The calendar year trend rates are as follows (used to calculate the following year premium): | | | | |
|---|---|---|---|---|
| **Calendar Year** | **All Non-Medicare Plans** | **Medicare Advantage Plans[1]** | **Dental and Vision** | **Medicare Part B[4]** |
| 2020 | 6.75%[2][3] | 6.25%[2][3] | 4.00% | 4.50% |
| 2021 | 6.50 | 6.00 | 4.00 | 4.50 |
| 2022 | 6.25 | 5.75 | 4.00 | 4.50 |
| 2023 | 6.00 | 5.50 | 4.00 | 4.50 |
| 2024 | 5.75 | 5.25 | 4.00 | 4.50 |
| 2025 | 5.50 | 5.00 | 4.00 | 4.50 |
| 2026 | 5.25 | 4.75 | 4.00 | 4.50 |
| 2027 | 5.00 | 4.50 | 4.00 | 4.50 |
| 2028 | 4.75 | 4.50 | 4.00 | 4.50 |
| 2029 & later | 4.50 | 4.50 | 4.00 | 4.50 |

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

(2) Based on past practice, the first year trends will be replaced before the "final" valuation as of December 31, 2019 to reflect the actual premium renewals for 2021.

(3) In addition, we will reduce the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the repeal of the Health Insurance Tax (HIT).

(4) The actual calendar year 2019 trend of 6.72% reflecting the standard 2020 calendar year premium of $144.60 per month, consistent with Segal's Medicare Part B memo dated November 26, 2019, will be reflected in the current year valuations with December 31, 2019 measurement date.

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

**VIA E-MAIL**

May 6, 2020

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 to Reflect Demographic Driven Changes for the December 31, 2019 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, 2019 retiree health valuation.

The health care trend assumptions used in the health valuation are reviewed annually and the recommended assumptions for the December 31, 2019 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 6, 2020.

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, 2019 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 2020. They are provided in Item 2a of the Attachment.

2. Election rates – Based on the January 1, 2020 enrollment data, we have provided in item 2a of the Attachment the observed and recommended election rates among the

different medical plans. Based on this enrollment data, we propose maintaining the percent of newly eligible retirees who will elect medical coverage in the future. The recommended election assumption is shown in Item 3j of the Attachment.

3. The per capita costs and election rates for the dental and vision plans that we recommend for use in the December 31, 2019 valuation are provided in Item 2b of the Attachment.

4. For retirees enrolled in a Group Medical Plan, ACERA provides a monthly subsidy of $578.65 for retirees with 20 or more years of service, $433.99 for retiree with 15-19 years of service, and $289.33 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 2020.

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 2020. To assist with purchasing insurance through Via Benefits, the Board adopted a monthly subsidy of $443.28 for Medicare retirees with 20 or more years of service, $332.46 for retirees with 15-19 years of service, and $221.64 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[2] after 2020, 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, 2019 through December 31, 2019,

[1, 2] 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 trend to 2020 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 2020. That calculation is provided in Item 2a of the Attachment.

6. Other assumptions – The other assumptions and methods will be consistent with those used in our December 31, 2019 pension valuation. These include the economic and non-economic assumptions.

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

Thomas Bergman ASA, MAAA, EA
Retiree Health Actuary

TJH/bqb
Attachment

**ATTACHMENT**
**Recommended Actuarial Assumptions**
**For the December 31, 2019 Health Valuation**

1. **Health Care Trend Rates**

   The health trend assumptions recommended for the December 31, 2019 valuation to be applied to all health plans were provided in a separate letter dated May 6, 2020.

2. **(a) Medical Plan - Per Capita Costs and Election Rates for Calendar Year 2020**

| UNDER AGE 65[1] | | | | |
|---|---|---|---|---|
| **Medical Plan** | **Recommended Election Assumption** | **Observed Election** | **Monthly Premium (Self)** | **Maximum Monthly Subsidy (20+ YOS)** |
| Kaiser HMO | 80% | 79.2% | $785.44 | $578.65 |
| United Healthcare HMO Current Network | 10% | 7.4% | 1,087.80 | 578.65 |
| Via Benefits Individual Insurance Exchange[2] | 10% | 11.3% | N/A[2] | 578.65 |
| United Healthcare HMO SVA Network | 0% | 1.4% | 831.92 | 578.65 |
| Other Plans | 0% | 0.7% | 785.44[3] | 578.65 |

| AGE 65 AND OLDER | | | | |
|---|---|---|---|---|
| **Medical Plan** | **Recommended Election Assumption** | **Observed Election** | **Monthly Premium (Self)** | **Maximum Monthly Subsidy (20+ YOS)** |
| Kaiser, non-Medicare[4] | 0% | 1.9% | $785.44 | $578.65 |
| Kaiser Senior Advantage | 75% | 71.9% | 411.54 | 578.65 |
| Via Benefits Individual Insurance Exchange | 25% | 26.1% | 326.61 [5] | 443.28 |
| Other Plans | 0% | 0.1% | 411.54 [3] | 578.65 |

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

(2) *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 65 will draw the Maximum Monthly Subsidy ($578.65).*

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

(4) *Closed to future retirees.*

(5) *Derivation of the amount expected to be paid in 2020 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

| | (Year of Service Category) | 10-14 | 15-19 | 20+ |
|---|---|---|---|---|
| 1. | Maximum MMA for 2019 | $213.73 | $320.59 | $427.46 |
| 2. | Total of Maximum MMA (From Jan 2019 through Dec 2019) | $479,281 | $784,907 | $4,958,001 |
| 3. | Total of Actual Reimbursement (From Jan 2019 through Dec 2019) | $368,871 | $573,300 | $3,092,110 |
| 4. | Ratio of Actual Reimbursement to Maximum 2019 MMA [(3) / (2)] | 76.96% | 73.04% | 62.37% |
| 5. | Average Monthly Per Capita Cost for 2019 [(1) X (4)] | $164.49 | $234.16 | $266.59 |
| 6. | Maximum MMA for 2020 | $221.64 | $332.46 | $443.28 |
| 7. | Increase in Average Monthly Per capita Cost due to the change in Maximum MMA from 2019 to 2020 [(6) / (1)] X (5) | $170.58 | $242.83 | $276.46 |
| 8. | Increase for Expected Medical Trend (7.40%[6]) from 2019 to 2020 [(7) X 1.0740] | $183.20 | $260.80 | $296.91 |
| 9. | Increase for Additional 10% Margin for 2019 expenses incurred in 2019 but reimbursed after December 2019 [(8) X 1.10] | **$201.52** | **$286.88** | **$326.61** |

**2. (b) Dental and Vision Plans - Per Capita Costs and Election Rates for Calendar Year 2020**

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.

| 2020 Plan Year Monthly Subsidy |
|---|
| $42.04 + $4.24 = $46.28 |

(6) *6.50% medical trend for Medicare Plans (lowest medical trend) plus 0.90% for the Health Insurance Tax (HIT).*

### 3. Other Assumptions

In the December 31, 2019 valuation, we will also apply the following assumptions and methodologies:

a. Discount rate: Same as what has been approved by the Board for the December 31, 2019 pension funding valuation.

b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal, deferred vested retirement, and death. We will apply the same assumptions that we use for the December 31, 2019 pension 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 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 65 retiree premium[7] rates are pooled together with active premium rates and an implicit subsidy does exist. For GASB 74/75 purposes, we will include the total cost of the implicit subsidy. For purposes of sufficiency of funds for benefits provided by the SRBR, the implicit subsidy will be adjusted to match the County health actuary's estimated amount of $7,548,683 for 2020[8], to reflect 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):

| Member Gender | Average Observed Age Difference for Spouse | Current Assumption | Recommended Assumption |
|---|---|---|---|
| Male | -3 | -3 | -3 |
| Female | 1 | 2 | 2 |

i. Spousal Coverage:

| | Observed for Current Retirees | Current Assumption for Future Retirees | Recommended Assumption for Future Retirees |
|---|---|---|---|
| Male | 39.6% | 35% | 40% |
| Female | 19.0% | 20% | 20% |

j. Retiree Medical Coverage Election:
The table below summarizes the figures for retirees eligible for ACERA retiree medical coverage.

| | Observed for Current Retirees | Current Assumption for Future Retirees | Recommended Assumption for Future Retirees |
|---|---|---|---|
| Under Age 65* | 77.1% | 80% | 80% |
| Age 65 and Older | 87.4% | 90% | 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) *As provided to Segal on April 21, 2020.*

### 3. Other Assumptions (continued)

k. Age-Based Costs for Retirees Under Age 65

Since premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. The age-based per capita costs for retirees and spouses under 65 for 2020 are shown below:

| | Retiree | | Spouse | |
|---|---|---|---|---|
| **Age** | **Male** | **Female** | **Male** | **Female** |
| 50 | $11,635 | $13,252 | $8,127 | $10,641 |
| 55 | 13,817 | 14,265 | 10,874 | 12,317 |
| 60 | 16,409 | 15,376 | 14,558 | 14,285 |
| 64 | 18,826 | 16,312 | 18,377 | 16,078 |

l. Adjustment of Per Capita Medical Costs for Age and Gender for Retirees Age 65 and Over. The following factors were applied to age 65 and over per capita costs in Table 2(a) for 2020:

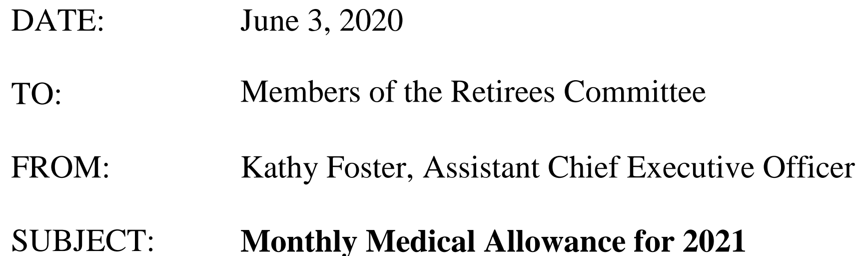
| | Retiree | | Spouse | |
|---|---|---|---|---|
| **Age** | **Male** | **Female** | **Male** | **Female** |
| 65 | 0.9500 | 0.8075 | N/A* | N/A* |
| 70 | 1.1010 | 0.8702 | N/A* | N/A* |
| 75 | 1.1865 | 0.9367 | N/A* | N/A* |
| 80+ | 1.2777 | 1.0098 | N/A* | N/A* |

* *We do not value any implicit subsidy for spouses over age 65.*

m. Changes in eligibility requirements since the prior valuation:

Please let us know of any changes.

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Monthly Medical Allowance for 2021**

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, 2019 retiree health plan valuation. These assumptions reset the near-term trend assumption for non-Medicare to 6.75% and Medicare Advantage plans to 6.25% in calendar year 2020. These trend assumptions will be further adjusted to reflect the repeal of the Health Insurance Tax (HIT), resulting in 5.55% (6.75% less 1.20% for the HIT) for non-Medicare plans, and 5.35% (6.25% less 0.90% for the HIT) for Medicare plans. Based on our substantive plan definition under GASB, we would use 2.675% as an increase to the 2021 MMA should an increase be considered. When more than one trend is provided, the lowest number is used.

For Plan Years 2008, 2009 and 2010, the Board followed the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions. For 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

**GROUP PLANS COSTS**

Attached are three charts. One provides the current MMA costs and premiums for 2020; another with estimated trend percentage increases to premiums with no increase to the MMA; and a third with projected increases to premiums and a 2.675% increase to the MMA. A summary of total costs is provided below:

| Plan Year | 20+ Years MMA | Annual Cost Summary | |
|---|---|---|---|
| 2020 | $578.65 | Current premiums and MMA: | $26,601,170 |
| 2021 | $578.65 | Increase in premiums only: | $27,524,689 |
| 2021 | $594.13 | Increase in premiums and MMA: | $27,774,583 |

If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $923,519. If 2.675% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,173,413 ($923,519 due to premium increase and $249,894 due to 2.675% MMA increase) for 2021.

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 $192,690.

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

The following chart shows the current MMA amounts approved for 2020, 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 2019 Plan Year, the total reimbursements were $606,021.

| Years of Service Category | Number of Members | Monthly MMA Amount | Annual MMA Amount | Maximum Annual MMA Amount |
|---|---|---|---|---|
| 10 - 14 Years | 17 | $ 289.33 | $ 3,471.96 | $ 59,023.32 |
| 15 - 19 Years | 30 | $ 433.99 | $ 5,207.88 | $ 156,236.40 |
| 20 + Years | 131 | $ 578.65 | $ 6,943.80 | $ 909,637.80 |
| ***Totals*** | **178** | | | **$ 1,124,897.52** |

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 | 17 | $ 297.07 | $ 3,564.84 | $ 60,602.28 |
| 15 - 19 Years | 30 | $ 445.60 | $ 5,347.20 | $ 160,416.00 |
| 20 + Years | 131 | $ 594.13 | $ 7,129.56 | $ 933,972.36 |
| ***Totals*** | **178** | | | **$ 1,154,990.64** |

Based on a 2.675% increase, which is 50% of the medical plan trend, the estimated annual increase would be $30,093.

**INDIVIDUAL PLAN COSTS – Medicare Eligible Retirees**

The following chart shows the current MMA amounts approved for 2020, 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 2019 Plan Year, the total reimbursements were $4,176,912.

| Years of Service Category | Number of Members | Monthly MMA Amount | Annual MMA Amount | Maximum Annual MMA Amount |
|---|---|---|---|---|
| 10 - 14 Years | 188 | $ 221.64 | $ 2,659.68 | $ 500,019.84 |
| 15 - 19 Years | 205 | $ 332.46 | $ 3,989.52 | $ 817,851.60 |
| 20 + Years | 987 | $ 443.28 | $ 5,319.36 | $ 5,250,208.32 |
| ***Totals*** | **1,380** | | | **$ 6,568,079.76** |

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 | 188 | $ 227.57 | $ 2,730.84 | $ 513,397.92 |
| 15 - 19 Years | 205 | $ 341.36 | $ 4,096.32 | $ 839,745.60 |
| 20 + Years | 987 | $ 455.14 | $ 5,461.68 | $ 5,390,678.16 |
| ***Totals*** | **1380** | | | **$ 6,743,821.68** |

Based on a 2.675% increase, which is 50% of the medical plan trend, the estimated annual increase would be $175,742.

**CONSIDERATIONS FOR SETTING 2021 MMA**

- A history of the MMA amounts for the 10-year period 2011 through 2020 is shown in the attached presentation.
- Health care premium costs for 2021 are unknown; however, a history of the premiums for the 10-year period 2011 through 2020 is shown in the attached presentation.
- In 2019, $58,376,794 was credited to the SRBR (includes interest at the rate of return of 3.5754%, short of one half of the assumed crediting rate of return of 3.6250%).
- On a preliminary basis, Segal projects 19 years of benefits payable from the SRBR, which is one year less than last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013. Next year, a reduction of one year is anticipated due to market losses to be recognized.
- The Implicit Subsidy for 2020 is estimated to be about $1,101,981 higher than the cost for 2019.

- Annual payee numbers are increasing by about 3% on average.
- ACERA's costs for MMA, dental, vision and Medicare Part B Reimbursement Plan (MBRP) benefit have increased approximately 6.0% on average over the last five years, which is down from 6.6% over the previous five-year period.
- 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 2021. Current annual cost plus potential increase due to premium increase is $35,217,666.
2. Increase MMA by 50% of health care trend, 2.675% for potential increased cost of $35,673,395. This is an annual cost difference of $455,729.

Attachments (5)

**ACERA**

**Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2020***

***Current Premiums and MMA***

| Plan | Years of Service | Under 10 Years | 10 - 14 Years | 15 - 19 Years | 20 + Years | Total Enrolled |
|---|---|---|---|---|---|---|
| | **2020 MMA** | **$ -** | **$ 289.33** | **$ 433.99** | **$ 578.65** | |
| **Early Retirees Plans** | | | | | | |
| **Kaiser Permanente HMO (Early Retirees)** | Projected # Enrolled (2020 plan year) | 2 | 62 | 80 | 903 | 1047 |
| | Total Premium (2020) | $ 785.44 | $ 785.44 | $ 785.44 | $ 785.44 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 785.44** | **$ 496.11** | **$ 351.45** | **$ 206.79** | |
| **UnitedHealthcare SignatureValue HMO (Early Retirees)** | Projected # Enrolled (2020 plan year) | 1 | 6 | 6 | 87 | 100 |
| | Total Premium (2020) | $ 1,087.80 | $ 1,087.80 | $ 1,087.80 | $ 1,087.80 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 1,087.80** | **$ 798.47** | **$ 653.81** | **$ 509.15** | |
| **UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)** | Projected # Enrolled (2020 plan year) | 1 | 3 | 3 | 14 | 21 |
| | Total Premium (2020) | $ 831.92 | $ 831.92 | $ 831.92 | $ 831.92 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 831.92** | **$ 542.59** | **$ 397.93** | **$ 253.27** | |
| **Total Plan Enrollees (Early Retirees)** | | | | | | **1168** |
| **Kaiser Senior Advantage Medicare Plan** | | | | | | |
| **Kaiser Senior Advantage** | Projected # Enrolled (2020 plan year) | 36 | 478 | 549 | 2946 | 4009 |
| | Total Premium (2020) | $ 411.54 | $ 411.54 | $ 411.54 | $ 411.54 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 411.54 | $ 411.54 | |
| | **Projected Premium Paid by Retiree** | **$ 411.54** | **$ 122.21** | **0.00** | **0.00** | |
| **Total Kaiser Senior Advantage Medicare Plan Enrollees** | | | | | | **4009** |

**Total Projected Annual Cost:** **$26,601,170**

## ACERA
## Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2021*

***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 (2021) MMA** | **$ -** | **$ 289.33** | **$ 433.99** | **$ 578.65** | |
| **Early Retirees Plans** | | | | | | |
| **Kaiser Permanente HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 2 | 62 | 80 | 903 | 1047 |
| | Total Premium (2021) | $ 829.03 | $ 829.03 | $ 829.03 | $ 829.03 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 829.03** | **$ 539.70** | **$ 395.04** | **$ 250.38** | |
| **UnitedHealthcare SignatureValue HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 1 | 6 | 6 | 87 | 100 |
| | Total Premium (2021) | $ 1,148.17 | $ 1,148.17 | $ 1,148.17 | $ 1,148.17 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 1,148.17** | **$ 858.84** | **$ 714.18** | **$ 569.52** | |
| **UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 1 | 3 | 3 | 14 | 21 |
| | Total Premium (2021) | $ 878.09 | $ 878.09 | $ 878.09 | $ 878.09 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.99 | $ 578.65 | |
| | **Projected Premium Paid by Retiree** | **$ 878.09** | **$ 588.76** | **$ 444.10** | **$ 299.44** | |
| | | | | | **Total Plan Enrollees (Early Retirees)** | **1168** |
| **Kaiser Senior Advantage Medicare Plan** | | | | | | |
| **Kaiser Senior Advantage** Assumes 5.35% Increase | Projected # Enrolled (2020 plan year) | 36 | 478 | 549 | 2946 | 4009 |
| | Total Premium (2021) | $ 433.56 | $ 433.56 | $ 433.56 | $ 433.56 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 289.33 | $ 433.56 | $ 433.56 | |
| | **Projected Premium Paid by Retiree** | **$ 433.56** | **$ 144.23** | **0.00** | **0.00** | |
| | | | | | **Total Kaiser Senior Advantage Medicare Plan Enrollees** | **4009** |

**Total Projected Annual Cost: $27,524,689**

**ACERA**

**Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2021***

***Assumes 2.675% 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 (2021) MMA** | **$ -** | **$ 297.07** | **$ 445.60** | **$594.13** | |
| **Early Retirees Plans** | | | | | | |
| **Kaiser Permanente HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 2 | 62 | 80 | 903 | 1047 |
| | Total Premium (2021) | $ 829.03 | $ 829.03 | $ 829.03 | $ 829.03 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 297.07 | $ 445.60 | $ 594.13 | |
| | **Projected Premium Paid by Retiree** | **$ 829.03** | **$ 531.96** | **$ 383.43** | **$ 234.90** | |
| **UnitedHealthcare SignatureValue HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 1 | 6 | 6 | 87 | 100 |
| | Total Premium (2021) | $ 1,148.17 | $ 1,148.17 | $ 1,148.17 | $ 1,148.17 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 297.07 | $ 445.60 | $ 594.13 | |
| | **Projected Premium Paid by Retiree** | **$ 1,148.17** | **$ 851.10** | **$ 702.57** | **$ 554.04** | |
| **UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)** Assumes 5.55% Increase | Projected # Enrolled (2020 plan year) | 1 | 3 | 3 | 14 | 21 |
| | Total Premium (2021) | $ 878.09 | $ 878.09 | $ 878.09 | $ 878.09 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 297.07 | $ 445.60 | $ 594.13 | |
| | **Projected Premium Paid by Retiree** | **$ 878.09** | **$ 581.02** | **$ 432.49** | **$ 283.96** | |
| | | | | | **Total Plan Enrollees (Early Retirees)** | **1168** |
| **Kaiser Senior Advantage Medicare Plan** | | | | | | |
| **Kaiser Senior Advantage** Assumes 5.35% Increase | Projected # Enrolled (2020 plan year) | 36 | 478 | 549 | 2946 | 4009 |
| | Total Premium (2021) | $ 433.56 | $ 433.56 | $ 433.56 | $ 433.56 | |
| | Projected Subsidy Paid by ACERA | $ - | $ 297.07 | $ 433.56 | $ 433.56 | |
| | **Projected Premium Paid by Retiree** | **$ 433.56** | **$ 136.49** | **0.00** | **0.00** | |
| | | | | | **Total Kaiser Senior Advantage Medicare Plan Enrollees** | **4009** |

**Total Projected Annual Cost: $27,774,583**

# Monthly Medical Allowance for 2021

Kathy Foster, ACERA Assistant CEO
June 3, 2020

# 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 |
|---|---|---|---|
| | $ 289.33 | $ 433.99 | $ 578.65 |
| **Early Retirees Plans** | | | |
| **Kaiser Permanente HMO (Early Retirees)** | 62 | 80 | 903 |
| | $ 785.44 | $ 785.44 | $ 785.44 |
| | $ 289.33 | $ 433.99 | $ 578.65 |
| | **$ 496.11** | **$ 351.45** | **$ 206.79** |
| **UnitedHealthcare SignatureValue HMO (Early Retirees)** | 6 | 6 | 87 |
| | $ 1,087.80 | $ 1,087.80 | $ 1,087.80 |
| | $ 289.33 | $ 433.99 | $ 578.65 |
| | **$ 798.47** | **$ 653.81** | **$ 509.15** |
| **UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)** | 3 | 3 | 14 |
| | $ 831.92 | $ 831.92 | $ 831.92 |
| | $ 289.33 | $ 433.99 | $ 578.65 |
| | **$ 542.59** | **$ 397.93** | **$ 253.27** |
| **Kaiser Senior Advantage Medicare Plan** | | | |
| **Kaiser Senior Advantage** | 478 | 549 | 2946 |
| | $ 411.54 | $ 411.54 | $ 411.54 |
| | $ 289.33 | $ 411.54 | $ 411.54 |
| | **$ 122.21** | **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 | $221.64 | $332.46 | $443.28 |
| Individual Non-Medicare Plans | $289.33 | $433.99 | $578.65 |

- 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, 2019 retiree health plan valuation. These assumptions reset the near-term trend assumptions in the calendar year 2020:
  - 6.75% for non-Medicare plans; further adjusted by 1.20% less to reflect repeal of Health Insurance Tax (HIT) is 5.55%
  - 6.25% for Medicare Advantage Plans; further adjusted by 0.90% less to reflect repeal of HIT is 5.35%
- Based on our substantive plan definition, we would use 2.675% as an increase to the 2021 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 $923,519
- If 2.675% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,173,413 ($923,519 due to premium increase and $249,894 due to 2.675% MMA increase) for 2021

| Plan Year | 20+ Years MMA | Annual Cost Summary | |
|---|---|---|---|
| 2020 | $578.65 | Current premiums and MMA: | $26,601,170 |
| 2021 | $578.65 | Increase in premiums only: | $27,524,689 |
| 2021 | $594.13 | Increase in premiums and MMA: | $27,774,583 |

Note: If we included the Operating Engineers, the additional projected annual cost is $192,690

# Early Retiree Individual Plan Costs – Outside HMO Service Area

| Years of Service Category | Number of Members | 2020 | | | 2021 |
|---|---|---|---|---|---|
| | | Monthly MMA Amount | Annual MMA Amount | Maximum Annual MMA Amount | Maximum Annual MMA Amount with Increase |
| 10 - 14 Years | 17 | $ 289.33 | $ 3,471.96 | $ 59,023.32 | $ 60,602.28 |
| 15 - 19 Years | 30 | $ 433.99 | $ 5,207.88 | $ 156,236.40 | $ 160,416.00 |
| 20 + Years | 131 | $ 578.65 | $ 6,943.80 | $ 909,637.80 | $ 933,972.36 |
| **Totals** | **178** | | | **$ 1,124,897.52** | **$ 1,154,990.64** |

The 2.675% increase in the MMA results in an estimated amount of $30,093

Note: Based on the actual reimbursements for the 2019 Plan Year, the total reimbursements were $606,021

# Individual Plan Costs – Medicare Eligible Retirees

| Years of Service Category | Number of Members | 2020 | | | 2021 |
|---|---|---|---|---|---|
| | | Monthly MMA Amount | Annual MMA Amount | Maximum Annual MMA Amount | Maximum Annual MMA Amount with Increase |
| 10 - 14 Years | 188 | $ 221.64 | $ 2,659.68 | $ 500,019.84 | $ 513,397.92 |
| 15 - 19 Years | 205 | $ 332.46 | $ 3,989.52 | $ 817,851.60 | $ 839,745.60 |
| 20 + Years | 987 | $ 443.28 | $ 5,319.36 | $ 5,250,208.32 | $ 5,390,678.16 |
| **Totals** | **1,380** | | | **$6,568,079.76** | **$6,743,821.68** |

- The 2.675% increase in the MMA results in an estimated amount of $175,742
- Note: Based on the actual reimbursements for the 2019 Plan Year, the total reimbursements were $4,176,912

# Considerations for Setting 2021 MMA

1. 10-Year History of MMA - 2011 through 2020

| Group & Individual Early Retiree* Plan MMA: | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 10 to 14 Years of Service | $ 261.08 | $ 261.08 | $ 261.08 | $ 261.08 | $ 261.08 | $ 270.22 | $ 270.22 | $ 270.22 | $ 279.00 | $ 289.33 |
| 15 to 19 Years of Service | $ 391.62 | $ 391.62 | $ 391.62 | $ 391.62 | $ 391.62 | $ 405.33 | $ 405.33 | $ 405.33 | $ 418.50 | $ 433.99 |
| 20 or more Years of Service | $ 522.16 | $ 522.16 | $ 522.16 | $ 522.16 | $ 522.16 | $ 540.44 | $ 540.44 | $ 540.44 | $ 558.00 | $ 578.65 |

| Individual Plan MMA for Medicare Eligible Retirees - Effective 2/1/2013: | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 10 to 14 Years of Service | $ - | $ - | $ 200.00 | $ 200.00 | $ 200.00 | $ 207.00 | $ 207.00 | $ 207.00 | $ 213.73 | $ 221.64 |
| 15 to 19 Years of Service | $ - | $ - | $ 300.00 | $ 300.00 | $ 300.00 | $ 310.50 | $ 310.50 | $ 310.50 | $ 320.59 | $ 332.46 |
| 20 or more Years of Service | $ - | $ - | $ 400.00 | $ 400.00 | $ 400.00 | $ 414.00 | $ 414.00 | $ 414.00 | $ 427.46 | $ 443.28 |

**Effective 1/1/2016*

# Considerations for Setting 2021 MMA (continued)

2. Ten-Year Premium Rate History - 2011 through 2020

| Medical Plans | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate | Rate |
| | | | | | | | | | | |
| Kaiser Permanente HMO (Early Retirees) | $ 593.86 | $ 639.26 | $ 658.96 | $ 670.58 | $ 671.82 | $ 729.08 | $ 735.64 | $ 765.06 | $ 765.06 | $ 785.44 |
| % Change over Monthly Premium | | 7.64% | 3.08% | 1.76% | 0.18% | 8.52% | 0.90% | 4.00% | 4.00% | 2.66% |
| | | | | | | | | | | |
| Kaiser Permanente Senior Advantage | $ 295.02 | $ 298.74 | $ 316.64 | $ 330.96 | $ 330.96 | $ 329.90 | $ 354.73 | $ 367.23 | $ 394.07 | $ 411.54 |
| % Change over Monthly Premium | | 1.26% | 5.99% | 4.52% | 0.00% | -0.32% | 7.53% | 3.52% | 7.31% | 4.43% |
| | | | | | | | | | | |
| UnitedHealthcare SignatureValue HMO (Early Retiree) | $ 699.68 | $ 827.84 | $ 914.78 | $ 972.34 | $ 972.34 | $ 982.06 | $ 982.06 | $1,047.16 | $1,047.16 | $1,087.80 |
| % Change over Monthly Premium | | 18.32% | 10.50% | 6.29% | 0.00% | 1.00% | 0.00% | 6.63% | 0.00% | 3.88% |
| | | | | | | | | | | |
| UnitedHealthcare SignatureValue Advantage HMO (Early Retiree)* | - | - | - | - | - | - | - | - | $980.94 | $831.92 |
| % Change over Monthly Premium | | - | - | - | - | - | - | - | N/A | -15.19% |

**Effective 1/1/2019*

# Considerations for Setting 2019 MMA (continued)

3. In 2019, $58,376,794 was credited to the SRBR (includes interest at the rate of return of 3.5754%, short of one half of the assumed crediting rate of return of 3.6250%). See attached 10-year history of SRBR fund balances.

4. On a preliminary basis, Segal projects 19 years of benefits payable from the SRBR. Projections have exceeded the SRBR Policy's 15-year goal since 2013. Next year, a reduction of one year is anticipated due to market losses to be recognized.

5. The Implicit Subsidy for 2020 is estimated to be about $1,101,981 higher than the cost for 2019.

6. Annual payee numbers are increasing by about 3% on average.

7. ACERA's costs for MMA, dental, vision and Medicare Part B Reimbursement Plan (MBRP) benefit have increased approximately 6.0% on average over the last five years, which is down from 6.6%.

# Recommendations to Consider for July Retirees Committee Meeting

1. Do not increase MMA amount for 2021
   - Current annual cost plus potential increase due to premium increase is $35,217,666

2. Increase MMA by 50% of health care trend, 2.675%
   - Potential increased cost of $35,673,395
   - An annual cost difference of $455,729

**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**
**SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)**
**For the Ten Years Ended December 31, 2010 - December 31, 2019**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Balance** | $ 658,702,779 | $624,166,664 | $ 602,906,726 | $570,878,929 | $643,056,500 | $ 789,826,877 | $853,842,371 | $874,385,246 | $893,770,614 | $919,488,617 |
| **Deductions:** | | | | | | | | | | |
| Transferred to Employers Advance Reserve | 29,459,690 | 31,858,291 | 33,353,151 | 32,240,449 | 34,039,593 | 36,528,264 | 33,818,832 | 38,327,914 | 43,777,409 | 44,858,371 |
| Employers Implicit Subsidy | 5,287,767 | 4,402,603 | 4,411,206 | 7,370,466 | 6,992,822 | 5,320,953 | 6,021,451 | 8,787,596 | 5,800,563 | 6,899,139 |
| Supplemental Cost of Living | 2,984,499 | 2,556,221 | 2,345,527 | 2,067,218 | 1,849,140 | 1,555,924 | 1,350,784 | 1,231,500 | 1,134,613 | 1,181,244 |
| Death Benefit - Burial - SRBR | 810,675 | 746,102 | 791,492 | 5,525 | 223,529 | 213,909 | 187,081 | 187,060 | 196,576 | 216,834 |
| ADEB (Active Death) | 828,274 | 936,133 | 426,640 | - | - | - | - | - | - | - |
| Total Deductions | 39,370,904 | 40,499,351 | 41,328,016 | 41,683,658 | 43,105,084 | 43,619,050 | 41,378,148 | 48,534,070 | 50,909,161 | 53,155,588 |
| **Additions:** | | | | | | | | | | |
| Interest Credited to SRBR | 4,834,790 | 19,239,412 | 9,300,219 | 38,786,516 | 54,031,947 | 62,722,797 | 60,730,023 | 66,715,938 | 64,827,682 | 57,022,294 |
| Excess Earnings Allocation | - | - | - | 75,074,713 **(1)** | 132,455,002 | 43,770,247 | - | - | 10,574,982 | - |
| Transferred from Employers Advance Reserve | | - | - | - | 3,388,512 **(2)** | 1,141,500 | 1,191,000 | 1,203,500 | 1,224,500 | 1,354,500 |
| Total Additions | 4,834,790 | 19,239,412 | 9,300,219 | 113,861,229 | 189,875,461 | 107,634,544 | 61,921,023 | 67,919,438 | 76,627,164 | 58,376,794 |
| **Ending Balance** | $ 624,166,664 | $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 |

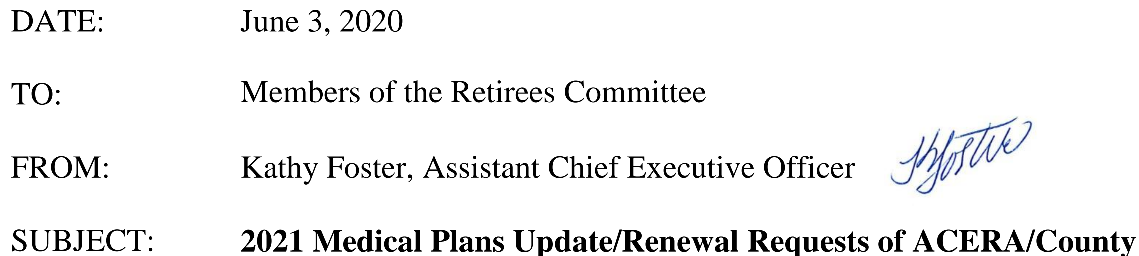
**Notes**

(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

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

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **2021 Medical Plans Update/Renewal Requests of ACERA/County**

Staff provided the County of Alameda (County) with our annual medical plans renewal request letter on April 1st. Listed below are some of the highlights of our renewal requests for Kaiser and UnitedHealthcare coverages.

**Disease Management/Wellness:**

- Wellness resources for wellness events and mailings
- At least two one-hour sessions on wellness
- Confirm if Kaiser's "Active for Life" program will be available to ACERA's retirees and eligible dependents.

**Other:**

- Any mandatory benefit changes for 2021, in addition to the following:
  - Detail the cost impact COVID-19 testing and treatment is having on premium rates
  - Provide a list of resources educating members related to prevention and testing
- 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 2021 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, 2021, 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, 2021
- 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

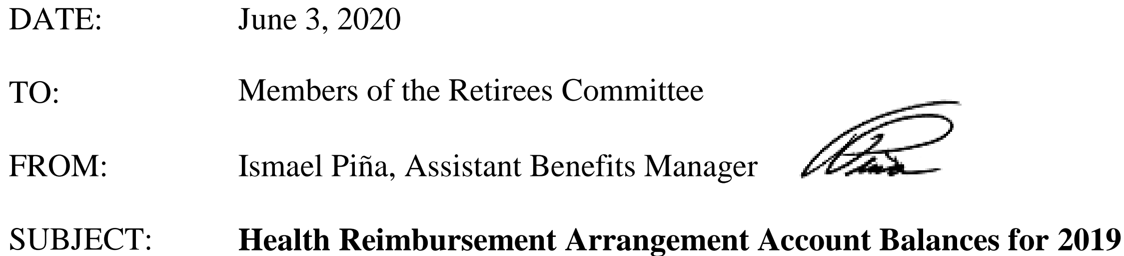
**Pricing:**

- Cost to cover Silver&Fit® Exercise and Healthy Aging Program
- 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

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Health Reimbursement Arrangement Account Balances for 2019**

Retirees enrolled in individual medical plans through Via Benefits were able to submit claims for 2019 reimbursements through March 31, 2020. The total amount of reimbursements paid for the 2019 Plan Year and the average monthly cost per retiree are shown below.

| **Plan Year 2019** | | |
|---|---|---|
| Plans | Total Reimbursement Paid | Average Monthly Cost Per Retiree |
| Medicare eligible retirees | $4,176,912.47 | $252.60 |
| Early (Pre-65) retirees | $606,021.13 | $270.06 |

Provided below are the unused balances of the Health Reimbursement Arrangement (HRA) Accounts from lowest to highest as of March 31, 2020. The balances are categorized by years of service (YOS) contribution levels.

2019 Health Reimbursement Arrangement Account Balances
for Medicare Eligible Retirees as of March 31, 2020

| 20 + Years of Service **$5,129.52 Annual MMA** | | 15 through 19 Years of Service **$3,847.08 Annual MMA** | | 10 through 14 Years of Service **$2,564.76 Annual MMA** | |
|---|---|---|---|---|---|
| Number of Retirees | Balance | Number of Retirees | Balance | Number of Retirees | Balance |
| 109 | $ 0 | 56 | $ 0 | 105 | $ 0 |
| 107 | Under $500 | 48 | Under $500 | 32 | Under $500 |
| 109 | $500 - $1,000 | 31 | $500 - $1,000 | 15 | $500 - $1,000 |
| 132 | $1,000 - $1,500 | 29 | $1,000 - $1,500 | 9 | $1,000 - $1,500 |
| 156 | $1,500 - $2,000 | 11 | $1,500 - $2,000 | 6 | $1,500 - $2,000 |
| 132 | $2,000 - $2,500 | 32 | $2,000 + | 24 | $2,000 + |
| 75 | $2,500 - $3,000 | | | | |
| 62 | $3,000 - $4,000 | | | | |
| 98 | $4,000 + | | | | |
| ***980 Total Number of Retirees*** | | ***207 Total Number of Retirees*** | | ***191 Total Number of Retirees*** | |

Observations of Medicare eligible retirees' HRA accounts in 2019:

- There were 1,378 HRA's reported as active accounts at the end of 2019.
- 270 retirees used all of their funds – 19.6% of Medicare eligible retirees.
- Out of the 980 retirees with 20 + YOS, 745 have used half of their balances – 76.0% of the group.

2019 Health Reimbursement Arrangement Account Balances
for Early (Pre-65) Retirees as of March 31, 2020

| 20 + Years of Service **$6,696.00 Annual MMA** | | 15 through 19 Years of Service **$5,022.00 Annual MMA** | | 10 through 14 Years of Service **$3,348.00 Annual MMA** | |
|---|---|---|---|---|---|
| Number of Retirees | Balance | Number of Retirees | Balance | Number of Retirees | Balance |
| 59 | $ 0 | 12 | $ 0 | 6 | $ 0 |
| 16 | Under $500 | 3 | Under $500 | 4 | Under $500 |
| 9 | $500 - $1,000 | 1 | $500 - $1,000 | 1 | $500 - $1,000 |
| 10 | $1,000 - $1,500 | 0 | $1,000 - $1,500 | 0 | $1,000 - $1,500 |
| 8 | $1,500 - $2,000 | 1 | $1,500 - $2,000 | 0 | $1,500 - $2,000 |
| 6 | $2,000 - $2,500 | 8 | $2,000 + | 5 | $2,000 + |
| 6 | $2,500 - $3,000 | | | | |
| 5 | $3,000 - $4,000 | | | | |
| 27 | $4,000 + | | | | |
| ***146 Total Number of Retirees*** | | ***25 Total Number of Retirees*** | | ***16 Total Number of Retirees*** | |

Observations of early (pre-65) retirees' HRA accounts in 2019:

- There were 187 HRA's reported as active accounts at the end of 2019.
- 77 retirees used all of their funds – 41.2% of early retirees.
- Out of the 146 retirees with 20 + YOS, 114 have used half of their balances – 78.1% of the group.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 3, 2020

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Miscellaneous Updates**

This memo is to provide the Retirees Committee information on various monthly topics, which impact both retirees and ACERA Staff. This month's report provides an update regarding the annual runoff closing date of March 31$^{st}$ for the prior year's Health Reimbursement submissions.

Due to the COVID-19 shelter in place and the disruptions many companies and services are experiencing, and after discussion and support from Via Benefits, ACERA has extended the Plan Year 2019 Health Reimbursement Claims submission cut-off allowing an additional 60 days for our Retirees to submit their 2019 claim items for approval and pay out of any funds still remaining of their 2019 Health Reimbursement Account allocations.