Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

RETIREES COMMITTEE/BOARD MEETING
NOTICE and 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 7, 2023
10:30 a.m.

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
ACERA **C.G. "BUD" QUIST BOARD ROOM** **475 14TH STREET, 10TH FLOOR** **OAKLAND, CALIFORNIA 94612-1900** **MAIN LINE: 510.628.3000** **FAX: 510.268.9574** **The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number.** **Link: https://zoom.us/join** **Call-In: 1 (669) 900-6833 US** **Webinar ID: 879 6337 8479** **Passcode: 699406** **For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193**	**ELIZABETH ROGERS, CHAIR**	**ELECTED RETIRED**
	HENRY LEVY, VICE CHAIR	**TREASURER**
	OPHELIA BASGAL	**APPOINTED**
	KEITH CARSON	**APPOINTED**
	KELLIE SIMON	**ELECTED GENERAL**

The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

The Alternate Safety Member votes in the absence of the Elected Safety Member, either of the two Elected General Members, or both the Retired and Alternate Retired members.

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

Note regarding accommodations: If you require a reasonable modification or accommodation for a disability, please contact ACERA between 9:00 a.m. and 5:00 p.m. at least 72 hours before the meeting at accommodation@acera.org or at 510-628-3000.

Public comments are limited to four (4) minutes per person in total. The order of items on the agenda is subject to change without notice. Board and Committee agendas and minutes and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure) are posted online at www.acera.org and also may be inspected at 475 14th Street, 10th Floor, Oakland, CA 94612-1900.

Call to Order: 10:30 a.m.

Roll Call

Public Input (Time Limit: 4 minutes per speaker)

Action Items: Matters for discussion and possible motion by the Committee

1. Approval of Payment for Implicit Subsidy Cost for 2022

Discussion and possible motion to recommend that the Board of Retirement approve authorization for Staff to transfer funds in an amount equal to the Implicit Subsidy from the ACERA Supplemental Retiree Benefit Reserve account to the Alameda County Advance Reserve as the Implicit Subsidy reimbursement for Plan Year 2022.

- Carlos Barrios
- Segal

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $7,842,215 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 2022.

2. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2024

Discussion and possible motion to recommend that the Board of Retirement adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2024.

- Carlos Barrios
- Segal

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy Program for health Plan Year 2024, following a determination by ACERA at the end of Plan Year 2024 that the amount is not greater than the actual retiree Implicit Subsidy.

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

1. Presentation and Report on Health Care Inflation/Trends

Staff and ACERA's Benefits Consultant will provide information and report on health care inflation factors for 2023 and 2024.

- Carlos Barrios
- Segal

2. Preliminary Report on Projected Benefit Costs Funded through the Supplemental Retiree Benefit Reserve

Segal, ACERA's Actuary, will provide a preliminary report on the projection of benefit costs, which are funded through the Supplemental Retiree Benefit Reserve.

- Carlos Barrios
- Segal

3. Discussion of Monthly Medical Allowance for 2024

Staff will present for discussion Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2023 and 2024 Plan Years.

- Carlos Barrios

4. 2024 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 2024.

- Carlos Barrios
- Segal

5. Report on Health Reimbursement Arrangement Account Balances and Reimbursements

Staff will present a status report on the final 2022 Health Reimbursement Arrangement Account balances, and total reimbursement amounts for Medicare eligible retirees and early retirees living outside the HMO service area enrolled in medical plans through Via Benefits.

- Ismael Piña

6. Plans for Open Enrollment and Retiree Health and Wellness Fair

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

- Ismael Piña

7. Report on Annual Health Care Planning Meeting with Retiree Groups

Staff will provide a report on its annual meeting with retirees regarding ACERA-Sponsored health plan issues.

- Carlos Barrios

8. Medicare Eligible Retirees Out of Group Plan Service Area

Staff will provide the Committee information regarding the number of Medicare eligible retirees enrolled through Via Benefits who live outside of ACERA's group plan service areas.

- Ismael Piña

Trustee Remarks

Future Discussion Items

- Adoption of 2024 Monthly Medical Allowance for Group Plans
- Adoption of 2024 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2024 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

Establishment of Next Meeting Date

July 5, 2023, at 10:30 a.m.

Adjournment

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios Assistant Chief Executive Officer

SUBJECT: **Implicit Subsidy for Health Plan Year 2022**

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 2022, as calculated by its Consultant, Newfront. Also attached is a letter from ACERA's Benefits Consultant, Segal, verifying that the correct Implicit Subsidy reimbursement for Plan Year 2022 is $7,842,215.

Last year, the County determined the final Implicit Subsidy amount for Plan Year 2021 was $5,593,922, and estimated the 2022 Implicit Subsidy amount to be $7,981,476 (42.7% higher than the 2021 actual amount).

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $7,842,215 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 2022.

Attachments (2)

Human Resource Services
Employee Benefits Center

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

May 1, 2023

Sent Via US Mail & Email

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

RE: 2022 Final Implicit Subsidy Calculation and 2023 Estimate

Dear Carlos:

Newfront has completed the calculation of the amount of Implicit Subsidy being paid by the County of Alameda on behalf of ACERA early retirees for 2022.

2022 Implicit Subsidy Calculation

In accordance with the established procedure, Newfront calculated the subsidy based on the total premium cost for the 2022 plan year. For this purpose, the enrollment is based on the monthly average from February 2022 through January 2023. The results of our calculations follow with more details in the calculation spreadsheets.

The 2022 Implicit Subsidy is $7,842,215, which is 40.2% higher (approximately $2,248,000) than the 2021 $5,593,922 amount.

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

- For Kaiser, where a majority of the County's active population was enrolled during the 2022 plan year (80.4%), the ratio of the active unblended to blended rates increased from 3.3% in 2021 to 6.3% in 2022.
- For UHC, the ratio of the active unblended to blended rates decreased from 5.6% in 2021 to 4.0% in 2022.

The increase in Kaiser's ratio of active unblended to blended rates from 2021 to 2022 is due to a more favorable risk profile based on active claims experience used in the 2022 rating in relation to the ACERA risk profile underwritten for the 2021 plan year. The decrease in UHC's ratio of active unblended to blended rates from 2021 to 2022 is due to less favorable risk profile based on active claims experience used in the 2022 rating in relation to the ACERA risk profile underwritten for the 2021 plan year.

1. Total premium for County of Alameda active employees using blended rates	$	144,822,986
2. Total premium for County of Alameda active employees using unblended rates (as if active employees were rated separately)	$	136,980,771
3. Implicit Subsidy (1) – (2)	$	7,842,215

Human Resource Services
Employee Benefits Center

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

2023 Implicit Subsidy ***Estimate***

Our estimate for 2023 is based on the same methodology but uses 2023 premium rates and February 2023 enrollment. The results of our calculations follow with more details in the calculation spreadsheets.

The estimated 2023 Implicit Subsidy is 47.5% lower (approximately $3,726,000) than the 2022 amount. The variance is due to the net impact of the following:

- For Kaiser, where a majority of the County's active population is enrolled (80.2%), the ratio of the active unblended to blended rates decreased from 6.3% in 2022 to 2.8% in 2023.
- For UHC, the ratio of the active unblended to blended rates decreased from 4.0% in 2022 to 2.5% in 2023.

1. Total premium for County of Alameda active employees using blended rates	$	153,472,031
2. Total premium for County of Alameda active employees using unblended rates (as if active employees were rated separately)	$	149,356,031
3. Implicit Subsidy (1) – (2)	$	4,116,000

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

Best regards,

Ava Lavender
HR Division Manager, Benefits

cc: Margarita Zamora, Acting Human Resources Director

Segal

Stephen Murphy
Senior Vice President
T 818.956.6726
M 310.749.0969
smurphy@segalco.com

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

May 18, 2023

Carlos Barrios
Assistance Chief Executive Officer
ACERA
475 14th Street, Suite 1000
Oakland, California 94612

Re: ACERA Final 2022 and Estimated 2023 Implicit Subsidy Analysis

Dear Carlos:

Segal has completed the review of the County of Alameda's Final 2022 and Estimated 2023 Implicit Subsidies.

The Final 2022 Implicit Subsidy requested by the County is $7,842,200 for the active enrollment from February 2022 through January 2023. The 2022 subsidy is requested for the employees in Premium and Standard plans offered by Kaiser and United Healthcare, which includes the Signature Value and Signature Value Advantage networks of United Healthcare.

The 2023 Implicit Subsidy is estimated to be $4,116,000 assuming February 2023 enrollment for twelve months. The 2023 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 2022 and Estimated 2023 Implicit Subsidies stated in this memo are reasonable given the information provided. We did not find any reason to withhold approval of the requested 2022 Implicit Subsidy.

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

Sincerely,

Stephen Murphy
Senior Vice President

Attachment (5766292)

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

ACERA
Implicit Subsidy Summary (2012-2023)

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	Year *											
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Actual												
Kaiser Permanente	$ 5,531,428	$ 3,835,549	$ 3,800,100	$ 4,620,708	$ 7,361,748	$ 5,131,871	$ 5,294,803	$ 5,495,470	$ 5,736,765	$ 3,487,076	$ 6,422,492	N/A
UnitedHealthcare	$ 1,839,038	$ 3,157,273	$ 1,520,853	$ 1,400,743	$ 1,425,848	$ 668,692	$ 1,604,336	$ 951,232	$ 1,747,645	$ 2,106,846	$ 1,419,723	N/A
Total	**$ 7,370,466**	**$ 6,992,822**	**$ 5,320,953**	**$ 6,021,451**	**$ 8,787,596**	**$ 5,800,563**	**$ 6,899,139**	**$ 6,446,703**	**$ 7,484,411**	**$ 5,593,922**	**$ 7,842,215**	**N/A**
% Change Over Prior year	N/A	-5.12%	-23.91%	13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%	-25.26%	40.19%	N/A
$ Change Over Prior year	N/A	$ (377,644)	$ (1,671,869)	$ 700,498	$ 2,766,145	$ (2,987,033)	$ 1,098,576	$ (452,436)	$ 1,037,708	$ (1,890,489)	$ 2,248,293	N/A
Estimated												
Kaiser Permanente	N/A	$ 3,836,331	$ 3,783,943	$ 3,918,304	$ 7,429,284	$ 5,157,389	$ 5,308,241	$ 5,549,141	$ 5,785,530	$ 3,499,713	$ 6,508,029	$ 3,183,005
UnitedHealthcare	N/A	$ 3,156,701	$ 1,431,412	$ 1,406,198	$ 1,435,991	$ 672,894	$ 1,631,567	$ 961,735	$ 1,763,154	$ 2,152,900	$ 1,473,447	$ 932,994
Total	**N/A**	**$ 6,993,032**	**$ 5,215,355**	**$ 5,324,502**	**$ 8,865,275**	**$ 5,830,283**	**$ 6,939,808**	**$ 6,510,876**	**$ 7,548,684**	**$ 5,652,613**	**$ 7,981,476**	**$ 4,115,999**
% Change Over Prior year	N/A	N/A	-25.42%	2.09%	66.50%	-34.23%	19.03%	-6.18%	15.94%	-25.12%	41.20%	-48.43%
$ Change Over Prior year	N/A	N/A	$ (1,777,677)	$ 109,147	$ 3,540,773	$ (3,034,992)	$ 1,109,525	$ (428,932)	$ 1,037,807	$ (1,896,070)	$ 2,328,863	$ (3,865,477)
% Change Actual vs. Estimated	**N/A**	**0.0%**	**2.0%**	**13.1%**	**-0.9%**	**-0.5%**	**-0.6%**	**-1.0%**	**-0.9%**	**-1.0%**	**-1.7%**	**N/A**
$ Change Actual vs. Estimated	**N/A**	**$ (210)**	**$ 105,598**	**$ 696,949**	**$ (77,679)**	**$ (29,720)**	**$ (40,669)**	**$ (64,173)**	**$ (64,273)**	**$ (58,691)**	**$ (139,261)**	**N/A**

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

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Intent to Fund Implicit Subsidy Program for Plan Year 2024**

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 2023 is estimated by the County to be $4,116,000.

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 2024, following a determination by ACERA at the end of Plan Year 2024 that the amount is not greater than the actual retiree Implicit Subsidy.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, 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, 2022 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 assumptions for those plans.

Attached is a letter dated May 17, 2023 from Segal. As presented on the second page of the attachment to Segal's letter (page 5), the near term trend assumptions will increase to 7.50% for non-Medicare plans and 6.25% for Medicare Advantage plans. The annual trend assumptions for dental and vision remain at 4.00%. However, due to the five-year 2021 rate guarantee for vision, the first two years of trend will be 0.00%. The trend used for Medicare Part B will remain at 4.50%.

Segal is using the lowest trend of 6.25% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 3.125% increase would be applied to the projections for the MMA for the December 31, 2022 SRBR Valuation.

Health care trend information has also been provided by Segal's benefit consulting team. Steve Murphy, Senior Vice President, Benefits Consultant, will review the attached presentation at the June 7th Retirees Committee meeting. Also attached is a 10-year ACERA rate history for the period 2014 through 2023 for Kaiser Permanente and UnitedHealthcare.

Attachments (3)

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

May 17, 2023

Mr. Carlos Barrios
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, 2022 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2022 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, 2022.

Health Care Trend Assumptions

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

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

1. For the prior December 31, 2021 SRBR valuation, we recommended the following assumptions:

    a. For the non-Medicare plans, we recommended the first year trend rate be increased to 7.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 12 years. For the Medicare plans, we recommended the first-year trend rate be increased to 6.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 8 years.

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

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

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

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

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

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

2. For the current December 31, 2022 SRBR valuation, we are recommending the following assumptions:

a. For the non-Medicare plans, we are recommending the first year trend rate be increased to 7.50%,[1] then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. For the Medicare plans, we are recommending the first-year trend rate to be set at 6.25% (same as second year trend in the prior valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 7 years.

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

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.25%.

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

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

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

d. Based on past practice, the 7.25% non-Medicare and 6.25% Medicare first year trends will be used in the December 31, 2022 "preview" valuation and applied to the 2023 non-Medicare and Medicare medical premiums to estimate the projected 2024 non-Medicare and Medicare medical premiums. The first year trends will be replaced as part of the "final" valuation as of December 31, 2022 to reflect the actual premium renewals for 2024.

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

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2022 SRBR sufficiency valuation.

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

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

Sincerely,

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

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

Je/bf
Attachment

Segal

Health Trends Used in the Prior Valuation as of December 31, 2021
(Provided for Comparison Purposes)

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

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

(1) For calendar year 2022, actual trends are below, based on actual premium renewals for 2023, as reported by ACERA. These trends were used in preparing our December 31, 2021 SRBR valuation report dated September 28, 2022.

Kaiser HMO Early Retiree	United Healthcare HMO Signature Value Early Retiree	United Healthcare HMO Signature Value Advantage Early Retiree	Kaiser Senior Advantage	Dental[6]	Vision[6]
7.90%	9.00%	8.00%	-8.02%	16.06%	16.62%

(2) Non-Medicare plans.

(3) Medicare plans.

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

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

(6) The dental and vision premium subsidies increased by 16.06% and 16.62%, respectively, during the rate guarantee period due to benefit enhancements.

Health Trends Recommended for the Current Valuation as of December 31, 2022

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

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental	Vision[4]	Medicare Part B
2023	7.50%[1]	6.25%[1]	4.00%	0.00%	4.50%[5]
2024	7.25	6.00	4.00	0.00	4.50
2025	7.00	5.75	4.00	4.00	4.50
2026	6.75	5.50	4.00	4.00	4.50
2027	6.50	5.25	4.00	4.00	4.50
2028	6.25	5.00	4.00	4.00	4.50
2029	6.00	4.75	4.00	4.00	4.50
2030	5.75	4.50	4.00	4.00	4.50
2031	5.50	4.50	4.00	4.00	4.50
2032	5.25	4.50	4.00	4.00	4.50
2033	5.00	4.50	4.00	4.00	4.50
2034	4.75	4.50	4.00	4.00	4.50
2035 & Later	4.50	4.50	4.00	4.00	4.50

(1) Based on past practice, the first year trends will be replaced as part of the "final" valuation as of December 31, 2022 to reflect the actual premium renewals for 2024.

(2) Non-Medicare plans.

(3) Medicare plans.

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

(5) First year trend may be replaced to reflect actual 2024 calendar year premium at time of valuation.

Alameda County Employees' Retirement Association (ACERA)

2023 Health Plan Cost Trend Survey

ACERA Retirees Committee Meeting

Presented on June 7, 2023 / Presenter: Stephen Murphy

Segal

Segal Health Plan Cost Trend Survey Overview

2023 edition is our 26th annual national survey

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

Aetna
(Acquired by CVS Health in 2018)

Anthem

Blue Shield of California

Cigna

Express Scripts
(Acquired by Cigna in 2018)

Health Net

Humana

Kaiser Permanente

UnitedHealthcare

Health Care Cost Trend Influencers

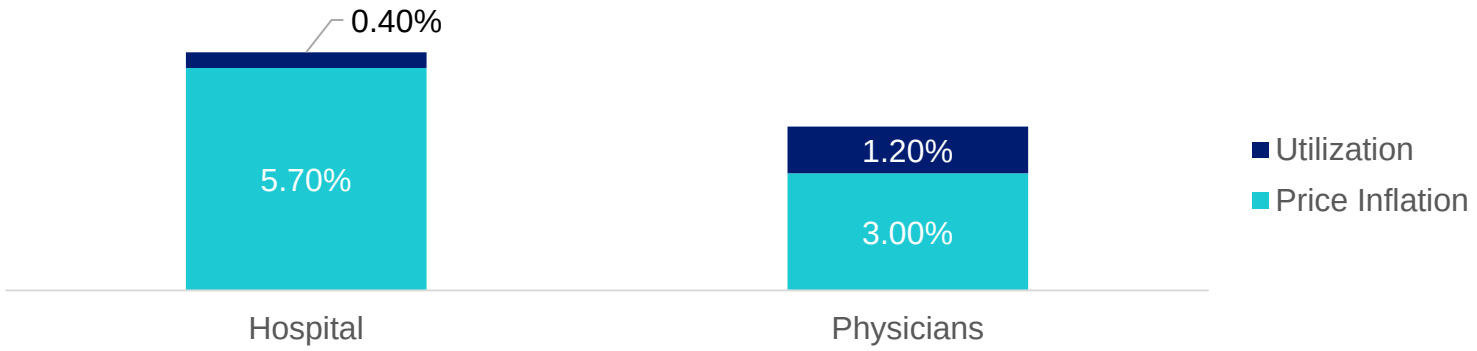
- New treatments, therapies and technologies
- Greater emphasis on detection and diagnoses
- Social and economic factors, which can influence utilization or care decisions
- Medical inflation, which impacts the cost of delivering care
- Provider price increases
- Increased treatment burden due to the aging population and rise in obesity
- Provider cost sharing from reduced payment by Medicare and Medicaid
- Erosion effect of fixed-dollar deductibles and copayments[1]

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

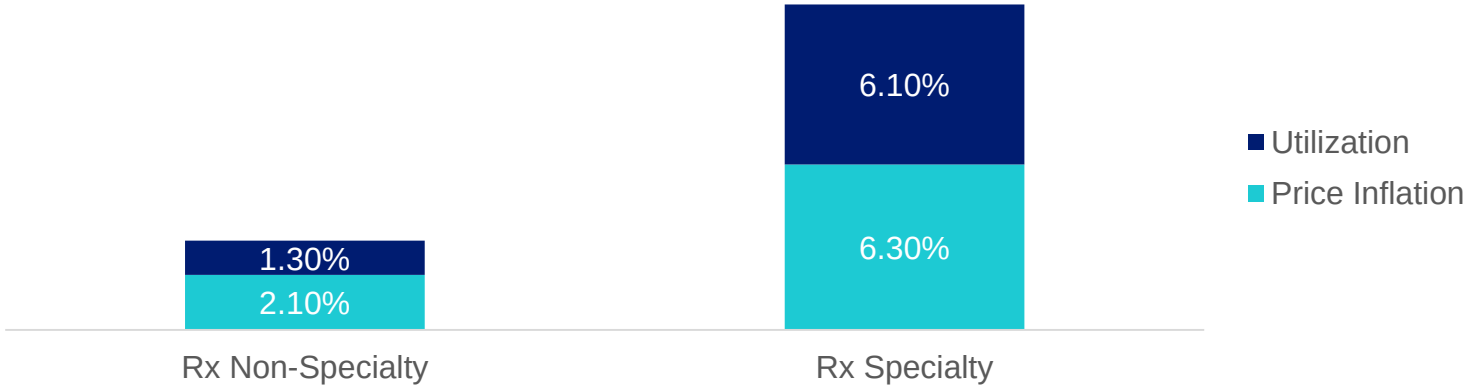
[1] This is a driver of net paid claim cost trends, not gross per capita claims cost increases.

Leading Drivers of Trend

Influence of Price Inflation and Utilization on 2023 Projected Medical Trends*



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

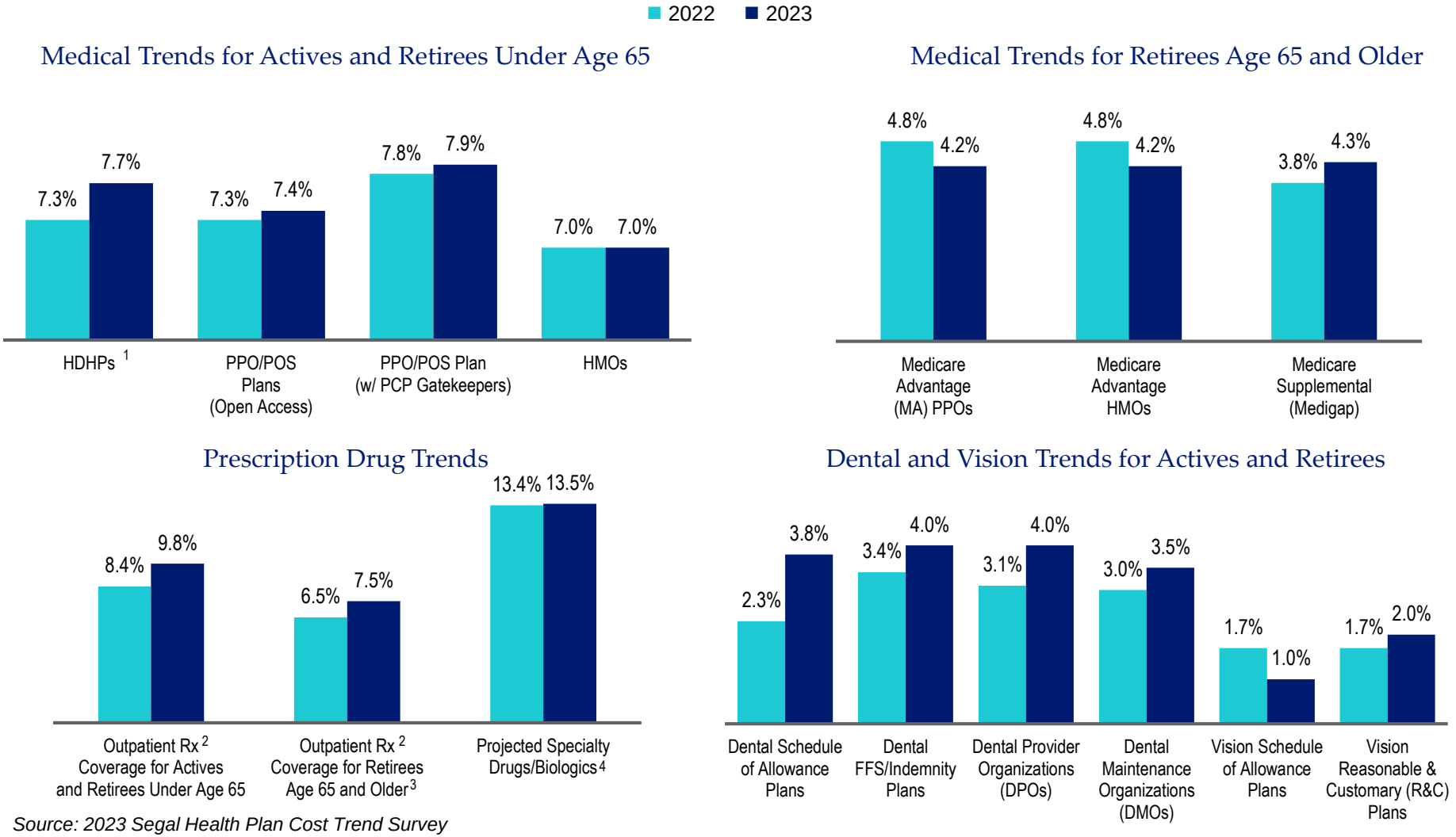


Source: Segal, 2022

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

Projected Health Care Trends

2022 vs. 2023



Source: 2023 Segal Health Plan Cost Trend Survey

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

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

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

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

COVID-19 Impact to Health Services Spending

Observations

- Accelerated adoption of telehealth during COVID-19 pandemic
  - Mental health has seen the most significant increase in telehealth utilization
  - Telehealth services are projected to have an immaterial impact to medical cost trend for 2023
- COVID-19 expenses are expected to continue and moderate over time
  - Treatment costs are projected to decrease during transition from pandemic to endemic
  - Testing and vaccination costs will likely persist during the next few years

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

2014-2023 Rate History

Alameda County Employees' Retirement Association

Kaiser Early Retiree

902 Enrolled*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$658.96	$670.58	$671.82	$729.08	$735.64	$765.06	$785.44	$810.72	$843.16	$909.74
Retiree & 1 Dep	$1,317.92	$1,341.16	$1,343.64	$1,458.16	$1,471.28	$1,530.12	$1,570.88	$1,621.44	$1,686.32	$1,819.48
Retiree & 2+ Deps	$1,864.86	$1,897.74	$1,901.26	$2,063.30	$2,081.88	$2,165.12	$2,222.80	$2,294.34	$2,386.22	$2,574.60
% Change over Retiree Monthly Premium		1.76%	0.18%	8.52%	0.90%	4.00%	2.66%	3.22%	4.00%	7.90%

Kaiser Permanente Senior Advantage

4,426 Enrolled*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$330.96	$330.96	$329.90	$354.73	$367.23	$394.07	$411.54	$382.21	$344.44	$316.81
Retiree & Spouse	$661.92	$661.92	$659.80	$709.46	$734.46	$788.14	$823.08	$764.42	$688.88	$633.62
% Change over Retiree Monthly Premium		0.00%	-0.32%	7.53%	3.52%	7.31%	4.40%	-7.10%	-9.88%	-8.02%

UnitedHealthcare SignatureValue HMO Early Retiree

85 Enrolled*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$972.34	$972.34	$982.06	$982.06	$1,047.16	$1,047.16	$1,087.80	$1,150.60	$1,184.32	$1,290.92
Retiree & 1 Dep	$1,944.60	$1,944.60	$1,964.06	$1,964.06	$2,094.24	$2,094.24	$2,175.50	$2,301.12	$2,368.56	$2,581.72
Retiree & 2+ Deps	$2,751.60	$2,751.60	$2,779.12	$2,779.12	$2,963.32	$2,963.32	$3,078.30	$3,256.06	$3,351.46	$3,653.08
% Change over Retiree Monthly Premium		0.00%	1.00%	0.00%	6.63%	0.00%	3.88%	5.77%	2.93%	9.00%

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

81 Enrolled*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	N/A	N/A	N/A	N/A	N/A	$980.94	$831.92	$759.16	$781.42	$843.94
Retiree & 1 Dep	N/A	N/A	N/A	N/A	N/A	$1,961.80	$1,663.74	$1,518.20	$1,562.70	$1,687.72
Retiree & 2+ Deps	N/A	N/A	N/A	N/A	N/A	$2,775.92	$2,354.18	$2,148.24	$2,211.18	$2,388.08
% Change over Retiree Monthly Premium		-	-	-	-	-	-15.19%	-8.75%	2.93%	8.00%

*As of December 31, 2022

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, 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 2024.

Other Post-Employment Benefits (OPEB)

In the December 31, 2021 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2046 with full benefits paid through 2045. The results of the December 31, 2022 valuation indicate that the terminal year of OPEB benefits is projected to be 2050, with full benefits paid through 2049 for a total of 27 full years and one partial year. The three main reasons which resulted in extending the sufficiency period by approximately 4.25 years are due to the following factors:

- The demographic and investment experience on an actuarial value of assets basis caused the sufficiency period to increase by five months.
- The unblended non-Medicare premiums (premium rates unblended from the actives) decreased while the blended premiums increased. The Implicit Subsidy was adjusted to the 2023 estimate. Other changes include updating the 2023 Medicare Part B premium and per capita costs for Via Benefits. The combined effects of these changes caused the sufficiency period to increase by three years and 11 months.
- Increasing the first year non-Medicare trend lowered the sufficiency period by one month.

Non-OPEB

The terminal year for non-OPEB benefits is projected to be 2038, with full benefits paid through 2037, for a total of 15 full years and one partial year. The main reason the terminal year for the non-OPEB benefits is projected to be five years earlier than last year is due to the high actual inflation of 4.88% in the Bay Area for 2022 (as opposed to the inflation assumption of 2.75%), which increased the supplemental COLA costs.

Also attached are two additional letters from Segal. One letter dated May 17th is regarding assumptions that are recommended for the SRBR valuation. These assumptions are used for the substantive plan projections. The second letter dated May 22nd is regarding recommended parameters to reflect demographic driven changes. This information will be presented in more detail at the June 7th Retirees Committee meeting, at the same time the MMA costs and recommendations for 2024 will be discussed.

Andy Yeung, with Segal, will present the attached Preview of December 31, 2022 Valuation Results for Benefits Povided by the SRBR report in more detail at the June 7th Retirees Committee meeting.

Attachments (3)

Segal

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

May 30, 2023

Mr. Carlos Barrios
Assistant Chief Executive Officer, Benefits
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, 2022 Valuation Results for Benefits Provided by the Supplemental Retiree Benefits Reserve (SRBR)

Dear Carlos:

This letter is intended to provide a preview of the December 31, 2022 valuation results for benefits provided by the SRBR, before we issue a full valuation report later this year. The results in this letter are based on our understanding of the Other Postemployment Benefits (OPEB) "substantive plan" design and on the current benefits provided by the SRBR that are in addition to the OPEB benefits (i.e., "non-OPEB").

Results

As of December 31, 2022, the OPEB and non-OPEB related assets in the SRBR are projected to be sufficient to pay OPEB benefits through 2050 (27 full years and 1 partial year) and non-OPEB benefits through 2038 (15 full years and 1 partial year).

Since there is a gap between the sufficiency periods of paying benefits through 2050 for the OPEB and 2038 for the non-OPEB, we could if directed by ACERA to report back with a proposal to align the assets available to provide those two benefits when we issue our full valuation report later this 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, 2021 valuation report dated September 28, 2022.

The actuarial assumptions used in this valuation are consistent with those assumptions applied by the Retirement Board for the December 31, 2022 pension valuation for funding purposes, including the use of a 7.00% investment return assumption. When projecting OPEB payments, for the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation. We have also used the

additional OPEB-related assumptions/parameters that were provided in our letter dated May 22, 2023.[1]

This includes applying the health trend assumption in projecting that the 2024 implicit subsidy will increase from the 2023 level by 7.50%.[2] Copies of our May 22, 2023 and May 17, 2023 letters are attached for your reference.

MMA Amounts for Group and Via Benefits Individual Medical Insurance Exchange

In 2023, 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 $616.12. 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 2023 is $471.99.

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 $7,981,476 from the SRBR to the Employer Advance Reserve for 2022 previously provided by ACERA, consistent with the transfer amount used in the December 31, 2022 funding valuation report for the Pension Plan.[3]

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 2023/2024, we had included an additional allocation for expenses related to the administration of the health benefits for retirees. However, as we previously demonstrated to the Association during our discussion with the Board on SB 1479, the values in both the employer reserves and the SRBR would remain unchanged relative to the values prior to that allocation, through the operation of SB 1479. For

[1] Note that we issued a separate health trend assumptions letter dated May 17, 2023 due to the timing of the GASB 74 valuation report as of December 31, 2022.

[2] This corresponds to the medical trend assumption we recommend for the non-Medicare Plans in the December 31, 2022 valuation. This first-year trend rate was increased to 7.50% from the 7.25% that we assumed in the December 31, 2021 valuation.

[3] After we were instructed by ACERA to use the estimated transfer amount (i.e., $7,981,476) in our December 31, 2022 valuation for the Pension Plan, we understand that the calculation of the actual transfer amount (i.e., $7,842,215) 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.

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. Had the retirees under age 65 been underwritten as a separate group, their aggregate premiums would be higher. The excess of the retiree only costs over the active/retiree composite premiums currently charged makes up the implicit subsidy. In preparing the cash flow requirements, we have started our projection by including the amount that is estimated to be reimbursed by ACERA to the County as prepared by the County's health actuary for 2023 of $4,116,000.

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

In the December 31, 2021 valuation, it was projected that the OPEB assets would be exhausted in 2046, with full benefits paid through 2045, for a total of 24 full years and 1 partial year. The results of the December 31, 2022 valuation indicate that the terminal year of OPEB benefits is projected to be 2050, with full benefits paid through 2049, for a total of 27 full years and 1 partial year.

After accounting for the 1 year of benefit payments made in 2022, there is an approximate increase in the sufficiency period by 4.25 years mainly due to the following factors:

- The demographic and investment experience on an actuarial value of assets basis caused the sufficiency period to increase by 5 months.
- The unblended non-Medicare premiums (that is, premium rates unblended from the actives) decreased while the blended premiums increased. Additionally, the implicit subsidy was adjusted to the 2023 estimate provided by Newfront. Other changes include updating the 2023 Medicare Part B premium and per capita costs for Via Benefits. The combined effects of these changes caused the sufficiency period to increase by 3 years and 11 months.
- Increasing the first year non-Medicare trend lowered the sufficiency period by 1 month.

These results are based on the amount of OPEB assets available as of December 31, 2022, which were provided by ACERA.[4]

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.

[4] The OPEB assets used in this valuation (i.e., $1.115 billion) 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, 2022 of the OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of OPEB assets, of $1.041 billion, as required by that Statement. The decrease in assets used in the GASB 74 valuation of $74.0 million represents the net deferred investment losses (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the OPEB SRBR reserve and 401(h) reserve. These deferred investment losses have not been utilized in this December 31, 2022 SRBR sufficiency valuation, similar to how the deferred investment gains as of December 31, 2021 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment losses as of December 31, 2022 represent about 3 fewer years of projected OPEB benefit payments.

In the December 31, 2021 valuation, it was projected that the non-OPEB assets would be exhausted in 2043, with full benefits paid through 2042, for a total of 21 full years and 1 partial year. The results of the December 31, 2022 valuation indicate that the terminal year of benefits is projected to be 2038, with full benefits paid through 2037, for a total of 15 full years and 1 partial year.

The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be five years earlier than it was in last year's study is the high actual inflation of 4.88% in the Bay Area for 2022 (versus the inflation assumption of 2.75%), which increased the supplemental COLA costs. For supplemental COLA benefits, the excess of inflation over the cost of living allowance (i.e., 3% for Tiers 1 and 3, and 2% for Tiers 2, 2C, 2D, and 4) is banked for future years when inflation may be less than the cost of living allowance. In years when inflation is less than the cost of living allowance, the bank is reduced by the excess of the cost of living allowance over inflation, but to no less than zero percent. A supplemental COLA benefit would be paid whenever a member's COLA bank exceeds 15%. Due to the actual inflation of 4.88% in 2022 for the San Francisco-Oakland-Hayward Area,[5] the April 1, 2023 COLA banks increased by 2.00% for Tiers 1 and 3 and increased by 3.00% for Tiers 2, 2C, 2D, and 4 over the banks as of the prior year. However, based on the inflation assumption of 2.75%, the April 1, 2023 COLA banks were expected to decrease by 0.25% for Tiers 1 and 3 and to increase by 0.75% for Tiers 2, 2C, 2D and 4. Since the actual April 1, 2023 COLA banks have either increased unexpectedly (for Tiers 1 and 3) or increased by a higher than expected amount (for Tiers 2, 2C, 2D, and 4), it is expected to take less time for members to accumulate a bank in excess of 15%, which results in an increase in the present value of providing supplemental COLA benefits. Moreover, the supplemental COLA benefit is increased for retired members and beneficiaries who already have a COLA bank in excess of 15% (i.e., an increase of 2.00% for Tiers 1 and 3 and an increase of 3.00% for Tiers 2, 2C, 2D and 4). These increases are greater than our assumption.

These results are based on the amount of non-OPEB assets available as of December 31, 2022, which were provided by ACERA.[6]

Other Considerations

Note that the terminal years through which the SRBR can be paid have been developed to reflect only the actuarial value of assets allocated to the SRBR through December 31, 2022. As we indicated on page 23 of our December 31, 2022 actuarial valuation report for the Pension Plan, the Association had deferred investment losses of $794.1 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 losses of $794.1 million represent 7.7% of the market value of assets as of December 31, 2022. If the net deferred losses were recognized

[5] Based on a comparison of the December 2022 Consumer Price Index (CPI) to the December 2021 CPI, as published by the Bureau of Labor Statistics.

[6] The non-OPEB SRBR assets used in this valuation (i.e., $54.9 million) are on an actuarial value of assets basis. Note that in our recently issued Governmental Accounting Standards Board (GASB) Statement No. 67 financial reporting valuation report as of December 31, 2022 for the Pension Plan and non-OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of assets, of $51.3 million in non-OPEB SRBR assets, as required by that Statement. The decrease in non-OPEB SRBR assets used in the GASB 67 valuation of $3.6 million represents the net deferred investment losses (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the non-OPEB SRBR reserve. These deferred investment losses have not been utilized in this December 31, 2022 SRBR sufficiency valuation, similar to how the deferred investment gains as of December 31, 2021 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment losses as of December 31, 2022 represent about 1 year fewer of projected non-OPEB benefit payment.

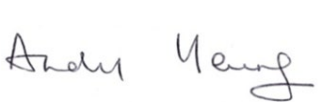
immediately in the valuation value of assets, there would be a decrease in the SRBR Reserve of approximately $74.0 million to pay OPEB benefits and $3.6 million to pay non-OPEB benefits.[7]

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

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

Please let us know if you have any questions.

Sincerely,



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

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

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

DNA/bbf
Enclosures (5758238, 5756333)

cc: Lisa Johnson

[7] It is important to note that the December 31, 2022 actuarial valuation is based on plan assets as of that same 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. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2022 due to COVID-19. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

Segal

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, 2022

Year Ending December 31	Annual Benefit Cash Flows			Present Value as of December 31, 2022 of Projected Benefits through Year End		
	Medical[1]	Dental and Vision	Non-OPEB[2]	OPEB[3]	Non-OPEB	Total
2023	$46,149,455	$5,866,797	$1,406,863	$50,286,009	$1,360,066	$51,646,075
2024	49,633,120	6,200,031	1,568,088	100,730,817	2,776,821	103,507,638
2025	53,088,324	6,531,398	1,730,968	151,072,821	4,238,424	155,311,245
2026	56,864,858	6,890,056	2,250,350	201,384,689	6,014,277	207,398,966
2027	60,580,319	7,254,519	2,927,964	251,414,146	8,173,705	259,587,851
2028	64,229,894	7,626,271	3,869,523	300,942,428	10,840,850	311,783,278
2029	67,954,406	8,003,228	4,887,367	349,872,614	13,989,181	363,861,795
2030	71,699,957	8,394,487	6,020,419	398,092,265	17,613,683	415,705,948
2031	75,492,943	8,797,232	7,138,568	445,518,085	21,630,195	467,148,280
2032	79,248,938	9,213,148	8,373,616	492,035,041	26,033,382	518,068,423
2033	83,275,203	9,638,534	9,693,737	537,696,550	30,797,270	568,493,820
2034	87,145,740	10,056,162	11,029,197	582,340,367	35,862,865	618,203,232
2035	90,973,014	10,468,271	12,291,130	625,883,284	41,138,741	667,022,025
2036	94,471,051	10,869,209	13,546,049	668,141,717	46,572,891	714,714,608
2037	97,976,998	11,277,115	15,130,578	709,102,950	52,245,603	761,348,553
2038	101,607,223	11,677,179	7,578,852[4]	748,796,648	54,901,156	803,697,804
2039	105,071,782	12,077,539	-	787,159,196	54,901,156	842,060,352
2040	108,540,321	12,460,554	-	824,190,789	54,901,156	879,091,945
2041	111,918,752	12,846,420	-	859,876,429	54,901,156	914,777,585
2042	115,204,490	13,224,092	-	894,206,762	54,901,156	949,107,918
2043	118,503,475	13,591,775	-	927,207,204	54,901,156	982,108,360
2044	121,587,050	13,949,110	-	958,852,121	54,901,156	1,013,753,277
2045	124,330,772	14,292,604	-	989,100,456	54,901,156	1,044,001,612
2046	126,835,769	14,619,158	-	1,017,947,366	54,901,156	1,072,848,522
2047	129,367,126	14,938,863	-	1,045,450,476	54,901,156	1,100,351,632
2048	131,436,689	15,239,182	-	1,071,576,441	54,901,156	1,126,477,597
2049	133,621,512	15,519,349	-	1,096,403,572	54,901,156	1,151,304,728
2050	105,367,276[4]	12,269,022[4]	-	1,114,705,105	54,901,156	1,169,606,261

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

Segal

Segal

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Via Email

May 22, 2023

Mr. Carlos Barrios
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

Re: Alameda County Employees' Retirement Association
Recommended Parameters Other than Health Trend
for the December 31, 2022 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

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, 2022 retiree health valuation.

The health care cost trend assumptions used in the health valuation are reviewed annually and the recommended assumptions for the December 31, 2022 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 17, 2023.

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, 2022 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 2023. They are provided in Item 2a of the Attachment.

2. Election rates – Based on the January 1, 2023 enrollment data, we have provided in Item 2a of the Attachment the observed and recommended election rates among the different medical plans.

3. The per capita costs and election rates for the dental and vision plans that we recommend for use in the December 31, 2022 valuation are provided in Item 2b of the Attachment.

4. For retirees enrolled in a Group Medical Plan, ACERA provides a monthly subsidy of $616.12 for retirees with 20 or more years of service, $462.09 for retirees with 15-19 years of service, and $308.06 for retirees with 10-14 years of service. We have assumed that the Monthly Medical Allowances (MMA) subsidy for the Group Medical Plans available will increase with 50% of medical trend[1] after 2023.

5. Via Benefits Individual Medical Insurance Exchange – As we described in last year's non-health trend assumptions letter, 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 2023. To assist with purchasing insurance through Via Benefits, the Board adopted a monthly subsidy of $471.99 for Medicare retirees with 20 or more years of service, $353.99 for retirees with 15-19 years of service, and $236.00 for retirees with 10-14 years of service. We have assumed that the MMA subsidy for the individual plans available through Via Benefits will increase with 50% of medical trend[1] after 2023, 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, 2022 through December 31, 2022,

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

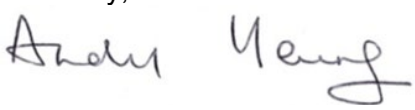
adjusted for expected medical trend to 2023 and have included an estimate of the additional cost to account for the lag in reporting and reimbursing any unused amount in the retirees' Health Reimbursement Account through March 2023. That calculation is provided in Item 2a of the Attachment.

6. Other assumptions – The other assumptions and methods will be consistent[2] with those used in our December 31, 2022 pension funding valuation. These include the economic and non-economic assumptions. The demographic assumptions under items 3 (h), (i), and (j) will be reviewed (and updated if necessary) as part of the upcoming triennial experience study. These assumptions include spouse/domestic partner demographic assumptions, and retiree medical and dental coverage election percentages.

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

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

Sincerely,



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

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

JL/bbf
Attachment

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

1. Health Care Cost Trend Rates

The health care cost trend assumptions recommended for the December 31, 2022 valuation to be applied to all health plans were provided in a separate letter dated May 17, 2023.

2. (a) Medical Plan - Per Capita Costs and Election Rates for Calendar Year 2023

UNDER AGE 65[1]

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Subsidy (20+ YOS)
Kaiser HMO	75%	72.2%	$909.74	$616.12
Via Benefits Individual Insurance Exchange[3]	13%	14.3%	N/A[3]	616.12
UHC Signature Value HMO Current Network	7%	6.3%	1,290.92	616.12
UHC SV Advantage HMO SVA Network	5%	6.9%	843.94	616.12
Other Plans	0%	0.3%	909.74[4]	616.12

AGE 65 AND OLDER

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Subsidy (20+ YOS)
Kaiser Senior Advantage	75%	72.3%	$316.81	$616.12
Via Benefits Individual Insurance Exchange	25%	26.1%	323.40[5]	471.99
Kaiser, non-Medicare[6]	0%	1.3%	909.74	616.12
Other Plans	0%	0.3%	316.81[4]	616.12

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

(2) *The observed election percentages are based on retiree health census data as of January 1, 2023 and pension membership data as of November 30, 2022.*

(3) *Via Benefits individual insurance coverage is available to retirees under age 65 residing outside of ACERA medical plans' coverage areas. We have assumed that these current retirees under age 65 will draw the Maximum Monthly Subsidy ($616.12).*

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

(5) *Derivation of the amount expected to be paid in 2023 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.*

(6) *Closed to future retirees.*

		Derivation of Via Benefits Monthly Per Capita Costs		
	(Years of Service Category)	**10-14**	**15-19**	**20+**
1.	Maximum MMA for 2022	$228.57	$342.85	$457.13
2.	Total of Maximum MMA (From Jan. 2022 to Dec. 2022)	$511,893	$815,401	$5,136,604
3.	Total of Actual Reimbursement (From Jan. 2022 to Dec. 2022)	$374,455	$564,457	$3,101,877
4.	Ratio of Actual Reimbursement to Maximum 2022 MMA [(3) / (2)]	73.15%	69.22%	60.39%
5.	Average Monthly Per Capita Cost for 2022 [(1) x (4)]	$167.20	$237.32	$276.06
6.	Maximum MMA for 2023	$236.00	$353.99	$471.99
7.	Increase for Expected Medical Trend (6.50%) from 2022 to 2023 [(5) x 1.0650]	$178.07	$252.75	$294.00
8.	Increase for Additional 10% Margin for 2022 Expenses Incurred in 2022 but Reimbursed after December 2022 [(7) x 1.10]	**$195.88**	**$278.03**	**$323.40**

2. (b) Dental and Vision Plans - Per Capita Costs and Election Rates for Calendar Year 2023

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.

2023 Plan Year Monthly Subsidy
$51.24 + $4.63 = $55.87

3. Other Assumptions

In the December 31, 2022 valuation, we will also apply the following assumptions and methodologies:

a. Economic assumptions: These include discount rate, inflation rate and salary scale assumptions. We will apply the same assumptions approved by the Board for the December 31, 2022 pension funding valuation.

b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal and deferred vested retirement. We will apply the same assumptions that we use for the December 31, 2022 pension funding valuation. For the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation.

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

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

   i. Maximum MMA will increase with 50% of medical trend.

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

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

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

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

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

3. Other Assumptions (continued)

g. Implicit Subsidy: Our understanding is that the under age 65 retiree premium[7] rates are pooled together with active premium rates and an implicit subsidy does exist. For the purposes of developing the GASB 74 and 75 reports, we include the total cost of the implicit subsidy. For the purposes of preparing the preview letter and final report to estimate the sufficiency of funds to provide benefits from the SRBR, the implicit subsidy will be adjusted to match the County health actuary's estimated amount of $4,116,000[8] for 2023 which reflects that ACERA is not reimbursing all employers' implicit subsidy costs.

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

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

i. Spousal Coverage:

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

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

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

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

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

(8) *As provided to Segal on May 1, 2023.*

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May 17, 2023

Mr. Carlos Barrios
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, 2022 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2022 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, 2022.

Health Care Trend Assumptions

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

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

1. For the prior December 31, 2021 SRBR valuation, we recommended the following assumptions:

    a. For the non-Medicare plans, we recommended the first year trend rate be increased to 7.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 12 years. For the Medicare plans, we recommended the first-year trend rate be increased to 6.50%, then graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 8 years.

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

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

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

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

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

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

2. For the current December 31, 2022 SRBR valuation, we are recommending the following assumptions:

a. For the non-Medicare plans, we are recommending the first year trend rate be increased to 7.50%,[1] then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. For the Medicare plans, we are recommending the first-year trend rate to be set at 6.25% (same as second year trend in the prior valuation), then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 7 years.

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

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.25%.

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

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

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

d. Based on past practice, the 7.25% non-Medicare and 6.25% Medicare first year trends will be used in the December 31, 2022 "preview" valuation and applied to the 2023 non-Medicare and Medicare medical premiums to estimate the projected 2024 non-Medicare and Medicare medical premiums. The first year trends will be replaced as part of the "final" valuation as of December 31, 2022 to reflect the actual premium renewals for 2024.

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

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2022 SRBR sufficiency valuation.

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

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

Sincerely,

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

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

Je/bf
Attachment

Segal

Health Trends Used in the Prior Valuation as of December 31, 2021
(Provided for Comparison Purposes)

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

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

(1) For calendar year 2022, actual trends are below, based on actual premium renewals for 2023, as reported by ACERA. These trends were used in preparing our December 31, 2021 SRBR valuation report dated September 28, 2022.

Kaiser HMO Early Retiree	United Healthcare HMO Signature Value Early Retiree	United Healthcare HMO Signature Value Advantage Early Retiree	Kaiser Senior Advantage	Dental[6]	Vision[6]
7.90%	9.00%	8.00%	-8.02%	16.06%	16.62%

(2) Non-Medicare plans.

(3) Medicare plans.

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

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

(6) The dental and vision premium subsidies increased by 16.06% and 16.62%, respectively, during the rate guarantee period due to benefit enhancements.

Health Trends Recommended for the Current Valuation as of December 31, 2022

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

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[2]	Via Benefits & Kaiser Senior Advantage[3]	Dental	Vision[4]	Medicare Part B
2023	7.50%[1]	6.25%[1]	4.00%	0.00%	4.50%[5]
2024	7.25	6.00	4.00	0.00	4.50
2025	7.00	5.75	4.00	4.00	4.50
2026	6.75	5.50	4.00	4.00	4.50
2027	6.50	5.25	4.00	4.00	4.50
2028	6.25	5.00	4.00	4.00	4.50
2029	6.00	4.75	4.00	4.00	4.50
2030	5.75	4.50	4.00	4.00	4.50
2031	5.50	4.50	4.00	4.00	4.50
2032	5.25	4.50	4.00	4.00	4.50
2033	5.00	4.50	4.00	4.00	4.50
2034	4.75	4.50	4.00	4.00	4.50
2035 & Later	4.50	4.50	4.00	4.00	4.50

(1) Based on past practice, the first year trends will be replaced as part of the "final" valuation as of December 31, 2022 to reflect the actual premium renewals for 2024.

(2) Non-Medicare plans.

(3) Medicare plans.

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

(5) First year trend may be replaced to reflect actual 2024 calendar year premium at time of valuation.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Monthly Medical Allowance for 2024**

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, 2022 retiree health plan valuation. These assumptions reset the near-term trend assumption for non-Medicare to 7.5% and Medicare Advantage plans to 6.25% in calendar year 2022. Based on our substantive plan definition under GASB, we would use 3.125% as an increase to the 2024 MMA should an increase be considered. When more than one trend is provided, the lowest number is used.

For Plan Years 2011, 2012, 2013, 2014, 2015, 2017, 2018, and 2021 the Board decided not to increase the MMA. However, for Plan Years 2016, 2019, 2020, 2022 and 2023 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 2023; another with estimated trend percentage increases to premiums with no increase to the MMA; and a third with projected increases to premiums and a 3.125% increase to the MMA. A summary of total costs is provided below:

Plan Year	20+ Years MMA	Annual Cost Summary	
2023	$616.12	Current premiums and MMA:	$23,112,048
2024	$616.12	Increase in premiums only:	$24,003,285
2024	$635.37	Increase in premiums and MMA:	$24,279,884

If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $891,237. If 3.125% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,167,836 ($891,237 due to premium increase and $276,599 due to 3.125% MMA increase) for 2024.

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 $131,234.

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

The following chart shows the current MMA amounts approved for 2023, 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 2022 Plan Year (as of May 4, 2023), the total reimbursements were $1,129,075.49.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	39	$ 308.06	$ 3,696.72	$ 144,172.08
15 - 19 Years	53	$ 462.09	$ 5,545.08	$ 293,889.24
20 + Years	321	$ 616.12	$ 7,393.44	$ 2,373,294.24
Totals	**413**			**$ 2,811,355.56**

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	39	$ 317.69	$ 3,812.28	$ 148,678.92
15 - 19 Years	53	$ 476.53	$ 5,718.36	$ 303,073.08
20 + Years	321	$ 635.37	$ 7,624.44	$ 2,447,445.24
Totals	**413**			**$ 2,899,197.24**

Based on a 3.125% increase, which is 50% of the medical plan trend, the estimated annual increase would be $87,841.68.

INDIVIDUAL PLAN COSTS – Medicare Eligible Retirees

The following chart shows the current MMA amounts approved for 2023, 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 2022 Plan Year (as of May 4, 2023), the total reimbursements were $4,464,904.27.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	192	$ 236.00	$ 2,832.00	$ 543,744.00
15 - 19 Years	198	$ 353.99	$ 4,247.88	$ 841,080.24
20 + Years	962	$ 471.99	$ 5,663.88	$ 5,448,652.56
Totals	**1,352**			**$ 6,833,476.80**

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	192	$ 243.37	$ 2,920.44	$ 560,724.48
15 - 19 Years	198	$ 365.06	$ 4,380.72	$ 867,382.56
20 + Years	962	$ 486.74	$ 5,840.88	$ 5,618,926.56
Totals	**1,352**			**$ 7,047,033.60**

Based on a 3.125% increase, which is 50% of the medical plan trend, the estimated annual increase would be $213,556.80.

CONSIDERATIONS FOR SETTING 2024 MMA

- A history of the MMA amounts for the 10-year period 2014 through 2023 is shown in the attached presentation.
- Health care premium costs for 2024 are unknown. However, in a recent meeting with Kaiser, they alerted us to expect double digit increases to the Medicare and non-Medicare premiums. For reference, a history of the premiums for the 10-year period 2014 through 2023 is shown in the attached presentation.
- In 2022, $91,814,482 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.4545% for regular earnings, there was no crediting of earnings above the assumed rate of return).

- On a preliminary basis, Segal projects 27 years of benefits payable from the SRBR, which is 4.25 years later than last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013. It should be noted that deferred investment losses not yet recognized may result in a three-year decrease in next year's projections.
- The Implicit Subsidy for 2023 is estimated to be about $3,726,000 lower than the cost for 2022.
- Annual payee numbers are increasing by about 3% on average for the five-year period 2018 through 2022.
- ACERA's overall SRBR costs decreased by 2.02% in 2022, compared to a 1.44% increase in 2021. (Note the 1.44% is a correction from the 1.43% increase reported last year.)
- 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 2024. Current annual cost plus potential increase due to premium increase is $33,648,117.
2. Increase MMA by 50% of health care trend, 3.125% for potential increased cost of $34,226,115. This is an annual cost difference of $577,998.

Attachments (6)

ACERA

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

Current Premiums and MMA

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	2023 MMA	**$ -**	**$ 308.06**	**$ 462.09**	**$ 616.12**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees)	Projected # Enrolled (2023 plan year)	1	49	61	742	853
	Total Premium (2023)	$ 909.74	$ 909.74	$ 909.74	$ 909.74	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 909.74**	**$ 601.68**	**$ 447.65**	**$ 293.62**	
UnitedHealthcare SignatureValue HMO (Early Retirees)	Projected # Enrolled (2023 plan year)	2	1	7	65	75
	Total Premium (2023)	$ 1,290.92	$ 1,290.92	$ 1,290.92	$ 1,290.92	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 1,290.92**	**$ 982.86**	**$ 828.83**	**$ 674.80**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	Projected # Enrolled (2023 plan year)	0	6	9	67	82
	Total Premium (2023)	$ 843.94	$ 843.94	$ 843.94	$ 843.94	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 843.94**	**$ 535.88**	**$ 381.85**	**$ 227.82**	
					Total Plan Enrollees (Early Retirees)	**1010**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage	Projected # Enrolled (2023 plan year)	33	475	564	3187	4259
	Total Premium (2023)	$ 316.81	$ 316.81	$ 316.81	$ 316.81	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 316.81	$ 316.81	
	Projected Premium Paid by Retiree	**$ 316.81**	**$ 8.75**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4259**

Total Projected Annual Cost: $23,112,048

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2024*

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 (2024) MMA	**$ -**	**$ 308.06**	**$ 462.09**	**$ 616.12**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2023 plan year)	1	49	61	742	853
	Total Premium (2024)	$ 977.97	$ 977.97	$ 977.97	$ 977.97	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 977.97**	**$ 669.91**	**$ 515.88**	**$ 361.85**	
UnitedHealthcare SignatureValue HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2023 plan year)	2	1	7	65	75
	Total Premium (2024)	$ 1,387.74	$ 1,387.74	$ 1,387.74	$ 1,387.74	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 1,387.74**	**$ 1,079.68**	**$ 925.65**	**$ 771.62**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) **Assumes 7.5% Increase**	Projected # Enrolled (2023 plan year)	0	6	9	67	82
	Total Premium (2024)	$ 907.24	$ 907.24	$ 907.24	$ 907.24	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 462.09	$ 616.12	
	Projected Premium Paid by Retiree	**$ 907.24**	**$ 599.18**	**$ 445.15**	**$ 291.12**	
					Total Plan Enrollees (Early Retirees)	**1010**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage **Assumes 6.25% Increase**	Projected # Enrolled (2023 plan year)	33	475	564	3187	4259
	Total Premium (2024)	$ 336.61	$ 336.61	$ 336.61	$ 336.61	
	Projected Subsidy Paid by ACERA	$ -	$ 308.06	$ 336.61	$ 336.61	
	Projected Premium Paid by Retiree	**$ 336.61**	**$ 28.55**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4259**

Total Projected Annual Cost: $24,003,285

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2024*

Assumes 3.125% 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 (2024) MMA	**$ -**	**$ 317.69**	**$ 476.53**	**$635.37**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2023 plan year)	1	49	61	742	853
	Total Premium (2024)	$ 977.97	$ 977.97	$ 977.97	$ 977.97	
	Projected Subsidy Paid by ACERA	$ -	$ 317.69	$ 476.53	$ 635.37	
	Projected Premium Paid by Retiree	**$ 977.97**	**$ 660.28**	**$ 501.44**	**$ 342.60**	
UnitedHealthcare SignatureValue HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2023 plan year)	2	1	7	65	75
	Total Premium (2024)	$ 1,387.74	$ 1,387.74	$ 1,387.74	$ 1,387.74	
	Projected Subsidy Paid by ACERA	$ -	$ 317.69	$ 476.53	$ 635.37	
	Projected Premium Paid by Retiree	**$ 1,387.74**	**$ 1,070.05**	**$ 911.21**	**$ 752.37**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) Assumes 7.5% Increase	Projected # Enrolled (2023 plan year)	0	6	9	67	82
	Total Premium (2024)	$ 907.24	$ 907.24	$ 907.24	$ 907.24	
	Projected Subsidy Paid by ACERA	$ -	$ 317.69	$ 476.53	$ 635.37	
	Projected Premium Paid by Retiree	**$ 907.24**	**$ 589.55**	**$ 430.71**	**$ 271.87**	
					Total Plan Enrollees (Early Retirees)	**1010**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage Assumes 6.25% Increase	Projected # Enrolled (2023 plan year)	33	475	564	3187	4259
	Total Premium (2024)	$ 336.61	$ 336.61	$ 336.61	$ 336.61	
	Projected Subsidy Paid by ACERA	$ -	$ 317.69	$ 336.61	$ 336.61	
	Projected Premium Paid by Retiree	**$ 336.61**	**$ 18.92**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4259**

Total Projected Annual Cost: $24,279,884

Monthly Medical Allowance for 2024

Carlos Barrios, ACERA Assistant CEO
June 7, 2023

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
	$ 308.06	$ 462.09	$ 616.12
Early Retirees Plans			
Kaiser Permanente HMO (Early Retirees)	49	61	742
	$ 909.74	$ 909.74	$ 909.74
	$ 308.06	$ 462.09	$ 616.12
	$ 601.68	**$ 447.65**	**$ 293.62**
UnitedHealthcare SignatureValue HMO (Early Retirees)	1	7	65
	$ 1,290.92	$ 1,290.92	$ 1,290.92
	$ 308.06	$ 462.09	$ 616.12
	$ 982.86	**$ 828.83**	**$ 674.80**
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	6	9	67
	$ 843.94	$ 843.94	$ 843.94
	$ 308.06	$ 462.09	$ 616.12
	$ 535.88	**$ 381.85**	**$ 227.82**
Kaiser Senior Advantage Medicare Plan			
Kaiser Senior Advantage	475	564	3187
	$ 316.81	$ 316.81	$ 316.81
	$ 308.06	$ 316.81	$ 316.81
	$ 8.75	**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	$236.00	$353.99	$471.99
Individual Non-Medicare Plans	$308.06	$462.09	$616.12

- 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, 2022 retiree health plan valuation. These assumptions reset the near-term trend assumptions in the calendar year 2022:
  - 7.5% for non-Medicare plans
  - 6.25% for Medicare Advantage Plans
- Based on our substantive plan definition, we would use 3.125% as an increase to the 2024 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 $891,237
- If 3.125% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,167,836 ($891,237 due to premium increase and $276,599 due to 3.125% MMA increase) for 2024

Plan Year	20+ Years MMA	Annual Cost Summary	
2023	$616.12	Current premiums and MMA:	$23,112,048
2024	$616.12	Increase in premiums only:	$24,003,285
2024	$635.37	Increase in premiums and MMA:	$24,279,884

Note: If we included the Operating Engineers, the additional projected annual cost is $131,234

Early Retiree Individual Plan Costs – Outside HMO Service Area

Years of Service Category	Number of Members	2023			2024
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	39	$ 308.06	$ 3,696.72	$ 144,172.08	$ 148,678.92
15 - 19 Years	53	$ 462.09	$ 5,545.08	$ 293,889.24	$ 303,073.08
20 + Years	321	$ 616.12	$ 7,393.44	$ 2,373,294.24	$ 2,447,445.24
Totals	**413**			**$ 2,811,355.56**	**$ 2,899,197.24**

The 3.125% increase in the MMA results in an estimated amount of $87,842

Note: Based on the actual reimbursements for the 2022 Plan Year (as of May 4, 2023), the total reimbursements were $1,129,075.49

Individual Plan Costs – Medicare Eligible Retirees

Years of Service Category	Number of Members	2023			2024
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	192	$ 236.00	$ 2,832.00	$ 543,744.00	$ 560,724.48
15 - 19 Years	198	$ 353.99	$ 4,247.88	$ 841,080.24	$ 867,382.56
20 + Years	962	$ 471.99	$ 5,663.88	$ 5,448,652.56	$ 5,618,926.56
Totals	1,352			**$6,833,476.80**	**$7,047,033.60**

- The 3.125% increase in the MMA results in an estimated amount of $213,557
- Note: Based on the actual reimbursements for the 2022 Plan Year (as of May 4, 2023), the total reimbursements were $4,464,904.27

Considerations for Setting 2024 MMA

1. 10-Year History of MMA - 2014 through 2023

Group & Individual Early Retiree* Plan MMA:										
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10 to 14 Years of Service	$ 261.08	$ 261.08	$ 270.22	$ 270.22	$ 270.22	$ 279.00	$ 289.33	$ 289.33	$298.37	$308.06
15 to 19 Years of Service	$ 391.62	$ 391.62	$ 405.33	$ 405.33	$ 405.33	$ 418.50	$ 433.99	$ 433.99	$447.55	$462.09
20 or more Years of Service	$ 522.16	$ 522.16	$ 540.44	$ 540.44	$ 540.44	$ 558.00	$ 578.65	$ 578.65	$596.73	$616.12
Individual Plan MMA for Medicare Eligible Retirees - Effective 2/1/2013:										
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10 to 14 Years of Service	$ 200.00	$ 200.00	$ 207.00	$ 207.00	$ 207.00	$ 213.73	$ 221.64	$ 221.64	$228.57	$236.00
15 to 19 Years of Service	$ 300.00	$ 300.00	$ 310.50	$ 310.50	$ 310.50	$ 320.59	$ 332.46	$ 332.46	$342.85	$353.99
20 or more Years of Service	$ 400.00	$ 400.00	$ 414.00	$ 414.00	$ 414.00	$ 427.46	$ 443.28	$ 443.28	$457.13	$471.99

**Effective 1/1/2016*

Considerations for Setting 2024 MMA (continued)

2. Ten-Year Premium Rate History - 2014 through 2023

Medical Plans	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Kaiser Permanente HMO (Early Retirees)	$ 670.58	$ 671.82	$ 729.08	$ 735.64	$ 765.06	$ 765.06	$ 785.44	$ 810.72	$ 843.16	$ 909.74
% Change over Monthly Premium		0.18%	8.52%	0.90%	4.00%	4.00%	2.66%	3.22%	4.00%	7.90%
Kaiser Permanente Senior Advantage	$ 330.96	$ 330.96	$ 329.90	$ 354.73	$ 367.23	$ 394.07	$ 411.54	$ 382.21	$ 344.44	$ 316.81
% Change over Monthly Premium		0.00%	-0.32%	7.53%	3.52%	7.31%	4.43%	-7.13%	-9.90%	-8.02%
UnitedHealthcare SignatureValue HMO (Early Retiree)	$ 972.34	$ 972.34	$ 982.06	$ 982.06	$1,047.16	$1,047.16	$1,087.80	$ 1,150.60	$ 1,184.32	$ 1,290.92
% Change over Monthly Premium		0.00%	1.00%	0.00%	6.63%	0.00%	3.88%	5.77%	2.90%	9.00 %
UnitedHealthcare SignatureValue Advantage HMO (Early Retiree)*	-	-	-	-	-	$980.94	$831.92	$759.16	$781.42	$843.94
% Change over Monthly Premium		-	-	-	-	-	-15.19%	-8.75%	2.90%	8.00%

**Effective 1/1/2019*

Considerations for Setting 2024 MMA (continued)

3. In 2022, $91,814,482 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.4545% for regular earnings, there was no crediting of earnings above the assumed rate of return).
4. On a preliminary basis, Segal projects 27 years of benefits payable from the SRBR, which is 4.25 years later than last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013. It should be noted that deferred investment losses not yet recognized may result in a three-year decrease in next year's projections.
5. The Implicit Subsidy for 2023 is estimated to be about $3,726,000 lower than the cost for 2022.
6. Annual payee numbers are increasing by about 3% on average for the five-year period 2018 through 2022.
7. ACERA's overall SRBR costs decreased by 2.02% in 2022, compared to a 1.44% increase in 2021. (Note the 1.44% is a correction from the 1.43% increase reported last year.)

Recommendations to Consider for July Retirees Committee Meeting

1. Do not increase MMA amount for 2024
   - Current annual cost plus potential increase due to premium increase is $33,648,117

2. Increase MMA by 50% of health care trend, 3.125%
   - Potential increased cost of $34,226,115
   - An annual cost difference of $577,998

History of Payments Made Out of the SRBR

2013-2022

Alameda County Employees' Retirement Association

Benefit Paid from SRBR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made
Monthly Medical Allowance	$21,716,496.34	$23,993,028.81	$24,511,217.41	$25,385,381.36	$27,256,486.00	$28,078,180.27	$30,163,755.94	$31,895,818.80	$31,063,128.66	$29,978,045.33
% Change over a Year		10.48%	2.16%	3.57%	7.37%	3.01%	7.43%	5.74%	2.98%	-6.01%
Dental	$3,635,230.64	$3,076,961.42	$3,332,341.54	$3,310,861.36	$3,675,572.97	$3,885,918.92	$4,058,743.79	$3,957,491.59	$4,221,133.93	$4,304,605.12
% Change over a Year		-15.36%	8.30%	-0.64%	11.02%	5.72%	4.45%	-2.49%	6.66%	1.98%
Vision	$357,478.16	$344,129.93	$351,757.60	$361,086.88	$371,252.25	$383,148.70	$395,767.62	$404,992.08	$386,577.18	$395,983.68
% Change over a Year		-3.73%	2.22%	2.65%	2.82%	3.20%	3.29%	2.33%	-4.55%	2.43%
MBRP	$4,859,988.99	$5,176,062.67	$5,490,533.92	$5,870,137.63	$6,600,279.24	$8,531,422.36	$8,943,882.71	$9,762,403.02	$10,245,929.66	$12,032,482.94
% Change over a Year		6.50%	6.08%	6.91%	12.44%	29.26%	4.83%	9.15%	4.95%	17.44%
Implicit Subsidy	$7,370,466.00	$6,992,822.00	$5,320,953.00	$6,021,451.00	$8,787,596.00	$5,800,563.00	$6,899,139.00	$6,446,702.00	$7,484,411.00	$5,593,922.00
% Change over a Year		-5.12%	-23.91%	13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%	-25.26%
Supplemental COLA	$2,067,218.00	$1,849,140.00	$1,555,924.00	$1,350,784.00	$1,231,500.00	$1,134,613.00	$1,181,244.00	$1,116,523.00	$932,177.00	$943,290.00
% Change over a Year		-10.55%	-15.86%	-13.18%	-8.83%	-7.87%	4.11%	-5.48%	-16.51%	1.19%
Death Benefit	$5,525.00	$223,529.00	$213,909.00	$187,081.00	$187,060.00	$196,576.00	$216,834.00	$230,747.00	$256,683.00	$240,383.00
% Change over a Year		3945.77%	-4.30%	-12.54%	-0.01%	5.09%	10.31%	6.42%	11.24%	-6.35%
TOTAL DEDUCTED FROM SRBR	**$40,012,403.13**	**$41,655,673.83**	**$40,776,636.47**	**$42,486,783.23**	**$48,109,746.46**	**$48,010,422.25**	**$51,859,367.06**	**$53,814,677.49**	**$54,590,040.43**	**$53,488,712.07**
% Change over a Year		4.11%	-2.11%	4.19%	13.23%	-0.21%	8.02%	3.77%	1.44%	-2.02%

*As of December 31, 2022

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)
For the Ten Years Ended December 31, 2013 - December 31, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	$570,878,929	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823	$ 931,754,157	$1,131,048,474
Deductions:										
Transferred to Employers Advance Reserve	32,240,449	34,039,593	36,528,264	33,818,832	38,327,914	43,777,409	44,858,371	45,456,100	46,772,130	47,476,858
Employers Implicit Subsidy	7,370,466	6,992,822	5,320,953	6,021,451	8,787,596	5,800,563	6,899,139	6,446,702	7,484,411	5,593,922
Supplemental Cost of Living	2,067,218	1,849,140	1,555,924	1,350,784	1,231,500	1,134,613	1,181,244	1,116,523	932,177	943,290
Death Benefit - Burial - SRBR	5,525	223,529	213,909	187,081	187,060	196,576	216,834	230,747	256,683	240,383
ADEB (Active Death)	-	-	-	-	-	-	-	-	-	-
Total Deductions	41,683,658	43,105,084	43,619,050	41,378,148	48,534,070	50,909,161	53,155,588	53,250,072	55,445,401	54,254,453
Additions:										
Interest Credited to SRBR	38,786,516	54,031,947	62,722,797	60,730,023	66,715,938	64,827,682	57,022,294	58,878,406	69,152,162	79,407,948
Excess Earnings Allocation	75,074,713 (1)	132,455,002	43,770,247	-	-	10,574,982	-	-	184,050,056	10,749,534
Transferred from Employers Advance Reserve	-	3,388,512 (2)	1,141,500	1,191,000	1,203,500	1,224,500	1,354,500	1,416,000	1,537,500	1,657,000
Total Additions	113,861,229	189,875,461	107,634,544	61,921,023	67,919,438	76,627,164	58,376,794	60,294,406	254,739,718	91,814,482
Ending Balance	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823	$931,754,157	$1,131,048,474	$1,168,608,503

Notes

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

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

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

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **2024 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 18th. Listed below are some of the highlights of our renewal requests for Kaiser and UnitedHealthcare coverages.

Disease Management/Wellness:

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

Other:

- Any mandatory benefit changes for 2024
- Detail the impact of COVID-19 (i.e., testing, treatment, vaccinations, etc.) on 2024 premium rates
- 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 2024 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, 2024, 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, 2024
- Detail the annual costs associated with the top ten highest cost medications on a per script basis, and the strategies utilized by Kaiser to manage treatment adherence/outcomes and costs

Pricing:

- Indicate additional premium costs to provide the Silver&Fit® Exercise and Healthy Aging Program, and share historic utilization data for ACERA members
- Indicate cost of providing the current hearing aid benefit as a portion of the premium
- Provide additional monthly premium rate impact by tier associated with adding the following hearing aid allowances per ear every 36 months:
    - $2,000 Allowance (Non-Medicare and Medicare plans)
    - $2,500 Allowance (Non-Medicare and Medicare plans)
    - $3,000 Allowance (Non-Medicare and Medicare plans)
    - $4,000 Allowance (Non-Medicare and Medicare plans)
    - $5,000 Allowance (Non-Medicare and Medicare plans)
- UnitedHealthcare HMO plans and/or design change options and cost impact

Providers/Medical Groups/Hospitals:

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

Staff also requested the following plan design enhancement considerations for the 2024 dental plan renewal.

Delta Dental

- Provide the rate impact to increase the Dental PPO provider benefit maximum for the following:
    - Network/non-network benefit maximum to $1,500
    - Network/non-network benefit maximum to $1,750
    - Network/non-network benefit maximum to $1,900 (County's Dental PPO benefit maximum)

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Health Reimbursement Arrangement Account Balances for 2022**

Retirees enrolled in individual medical plans through Via Benefits were able to submit claims for 2022 reimbursements through March 31, 2023. The total amount of reimbursements paid for the 2022 Plan Year as of May 4, 2023 and the average monthly cost per retiree are shown below.

Plan Year 2022		
Plans	Total Reimbursement Paid as of May 4, 2023	Average Monthly Cost Per Retiree
Medicare eligible retirees	$4,464,904.27	$266.72
Early (Pre-65) retirees	$1,129,075.49	$245.66

Provided below are the unused balances of the Health Reimbursement Arrangement (HRA) Accounts from lowest to highest as of May 4, 2023. The balances are categorized by years of service (YOS) contribution levels.

2022 Health Reimbursement Arrangement Account Balances
for Medicare Eligible Retirees as of May 4, 2023

20 + Years of Service **$5,485.56 Annual MMA**		15 through 19 Years of Service **$4,114.20 Annual MMA**		10 through 14 Years of Service **$2,742.84 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
122	$ 0	70	$ 0	117	$ 0
107	Under $500	26	Under $500	18	Under $500
96	$500 - $1,000	34	$500 - $1,000	19	$500 - $1,000
144	$1,000 - $1,500	23	$1,000 - $1,500	10	$1,000 - $1,500
137	$1,500 - $2,000	13	$1,500 - $2,000	6	$1,500 - $2,000
100	$2,000 - $2,500	5	$2,000 - $2,500	29	$2,000 +
53	$2,500 - $3,000	5	$2,500 - $3,000		
72	$3,000 - $4,000	19	$3,000 - $4,000		
60	$4,000 - $5,000	14	$4,000 +		
96	$5,000 +				
987 Total Number of Retirees		***209 Total Number of Retirees***		***199 Total Number of Retirees***	

Observations of Medicare eligible retirees' HRA accounts in 2022:

- There were 1,395 HRA's reported as active accounts at the end of 2022.
- 309 retirees used all of their funds – 22.2% of Medicare eligible retirees.
- Out of the 987 retirees with 20 + YOS, 706 have used half of their balances – 71.5% of the group.

2022 Health Reimbursement Arrangement Account Balances
for Early (Pre-65) Retirees as of May 4, 2023

20 + Years of Service **$7,160.76 Annual MMA**		15 through 19 Years of Service **$5,370.60 Annual MMA**		10 through 14 Years of Service **$3,580.44 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
75	$ 0	22	$ 0	15	$ 0
23	Under $500	1	Under $500	8	Under $500
10	$500 - $1,000	3	$500 - $1,000	3	$500 - $1,000
12	$1,000 - $1,500	5	$1,000 - $1,500	2	$1,000 - $1,500
12	$1,500 - $2,000	1	$1,500 - $2,000	0	$1,500 - $2,000
20	$2,000 - $2,500	4	$2,000 - $2,500	2	$2,000 - $2,500
17	$2,500 - $3,000	2	$2,500 - $3,000	5	$2,500 - $3,000
29	$3,000 - $3,500	2	$3,000 - $3,500	4	$3,000 +
17	$3,500 - $4,000	2	$3,500 - $4,000		
18	$4,000 - $5,000	4	$4,000 - $5,000		
33	$5,000 - $6,000	4	$5,000 +		
5	$6,000 - $7,000				
23	$7,000 +				
294 Total Number of Retirees		***50 Total Number of Retirees***		***39 Total Number of Retirees***	

Observations of early (pre-65) retirees' HRA accounts in 2022:

- There were 383 HRA's reported as active accounts at the end of 2022.
- 112 retirees used all of their funds – 29.2% of early retirees.
- Out of the 294 retirees with 20 + YOS, 198 have used half of their balances – 67.3% of the group.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

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

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

Retiree Health and Wellness Fair
Although restrictions have eased, the majority of retirees surveyed would prefer to continue having the event held virtually. This allows for a larger number of attendees, many of whom are out of the area, by providing them the opportunity to log in to participate in the presentations and hear the valuable information provided by our carriers from any internet enabled device.

Carrier Participation
We are meeting with our carriers and vendors regarding newly offered virtual programs and informational flyers to best interest our members, and provide them the key to resources and education to live well.

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

Electronic Submissions
ACERA's DocuSign forms will continue to provide an easy option for enrollees to submit ACERA Medical, Dental, and Vision Enrollment forms digitally using the fillable format, with electronic signatures. This reduces errors on the forms, which allow enrollments and changes to be processed more timely.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

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

On April 5, 2023, ACERA hosted the Annual Health Care Planning meeting with Board representatives from the Alameda County Retired Employees (ACRE) and Retired Employees of Alameda County, Inc. (REAC) Retiree Associations. Also present at this meeting, were representatives from ACERA's Benefits Consultant, Segal, as well as Elizabeth Rogers and Cynthia Baron from ACERA's Board of Retirement.

The agenda consisted of the following items:

- Presentation by Segal regarding legislative/regulatory updates:
  - Legislation from the 117th Congress, which included telehealth coverage in Medicare, the inflation reduction act, Medicare to negotiate prices for some drugs, inflation rebates to Medicare, Part D benefit changes, and insulin coverage
  - Update regarding the COVID-19 public health emergency
    - Public health emergency and national emergency were extended
    - COVID-19 financial impact

- Presentation by Segal regarding health care market overview:
  - Health care partners and market overview
  - Health care cost trend influencers
  - Historic projected vs. actual medical trends
  - Projected health care trends (2022 and 2023)

- Presentation by Segal regarding the results of the private retiree healthcare exchange Request for Information

- Overview of ACERA's dental and vision plans presented by Segal

- Update on ACERA's wellness program presented by Staff:
  - 2023 wellness virtual resources
  - Wellness posts/emails schedule
  - 2022 health fair survey
  - Advantages of virtual resources

- DocuSign Forms and Web Member Services updates presented by Staff:
  - DocuSign – automation of forms
  - Web Member Services – benefits and account features for retirees

- Information on ACERA-sponsored medical plans presented by Staff:
  - Current group medical plans options and rates
  - 2023 Via Benefits average premiums for individual medical plans
  - Top carriers selected by retirees through Via Benefits

- ACRE/REAC Discussion Topics:
  - Representatives of ACERA's retiree associations did not express a strong interest in ACERA holding in-person wellness events in 2023, considering the expense and Staff time, the limited reach of in-person events, and the risk of spreading COVID to ACERA's vulnerable retiree population amid the ongoing pandemic.
  - Representatives requested Staff to get a cost estimate to raise the dental plan benefit maximum from $1,300 to $1,900 (to match the County of Alameda's active employees plan).
  - Representatives also asked Staff to find out the rate impact to increase the hearing aid benefit for Medicare retirees.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 7, 2023

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Medicare Eligible Retirees Out of Group Plan Service Area**

At the April Retirees Committee meeting, Trustees asked how many Medicare eligible retirees enrolled through Via Benefits live outside of ACERA's group plan service areas. As of May 12, 2023, there were 752 Medicare eligible retirees living outside the service areas. Most of the retirees live in California. The next largest population resides in Nevada.