



MINUTES OF OCTOBER 5, 2022 RETIREES COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair

Subject: Summary of the October 5, 2022 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the October 5, 2022 Committee meeting to order at 10:31 a.m.

ACERA TRUSTEES, SENIOR MANAGERS AND PRESENTING STAFF IN ATTENDANCE

Committee members present were Liz Koppenhaver, Dale Amaral, Keith Carson and Kellie Simon. Also present were Tarrell Gamble, Jaime Godfrey, George Wood and alternate member Nancy Reilly. Ophelia Basgal joined the meeting after roll call.

Staff present were Sandra Dueñas-Cuevas, Benefits Manager; Mike Fara, Communications Manager; Erica Haywood, Fiscal Services Officer; Jessica Huffman, Benefits Manager; Harsh Jadhav, Chief of Internal Audit; Vijay Jagar, Chief Technology Officer; Lisa Johnson, Assistant Chief Executive Officer; David Nelsen, Chief Executive Officer; Ismael Piña, Assistant Benefits Manager; Jeff Rieger, Chief Counsel and Betty Tse, Chief Investment Officer.

PUBLIC INPUT

None.

ACTION ITEMS

1. Presentation and Acceptance of Supplemental Retiree Benefit Reserve Funding Report/Valuation

Staff and Segal, ACERA's Actuary, presented the annual Actuarial Valuation of the OPEB and non-OPEB Benefits Provided by the Supplemental Retiree Benefit Reserve, Including Sufficiency of Funds, as of December 31, 2021. Based on this valuation report, the terminal year of the "Other Post-Employment Benefits" (OPEB) is projected to be 2046, with full benefits paid through 2045 for a total of 24 full years and one partial year. The terminal year of non-OPEB benefits is projected to be 2043, with full benefits paid through 2042 for a total of 21 full years and one partial year.

It was moved by Jaime Godfrey and seconded by Ophelia Basgal that the Committee recommend to the Board of Retirement a motion to accept the December 31, 2021 Supplemental Retiree Benefit Reserve Actuarial Valuation prepared by Segal.

The motion carried 8 yes (*Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Simon, Wood*), 0 no, 0 abstentions.

2. Discussion and Possible Motion Regarding Potential Increase to Retired Member (Lump Sum) Death Benefit

Staff provided information on the lump sum death benefit that was provided previously, most recently at the September 2022 Retirees Committee meeting. There was discussion regarding whether to increase the lump sum death benefit.

The main reasons expressed by the Trustees who were not in favor of increasing the lump sum death benefit were: 1) concerns around the timing of increasing the benefit due to the uncertainty of the market; 2) the projected increase in the inflation rate possibly causing higher supplemental cost of living adjustments; and 3) the low ranking of this benefit on the Supplemental Retiree Benefit Reserve (SRBR) benefits survey. Whereas the main reasons cited by the Trustees who were in favor of increasing the benefit were that: 1) the SRBR fund balance is approximately \$1.2 billion; 2) the sufficiency period is projected out to 2046; 3) the purpose of the fund is to provide benefits to retired members; and 4) the cost to increase this benefit would have minimal impact on the fund.

Cynthia Landry, an active member, noted the growth of the SRBR fund to approximately \$1.2 billion, and stated that she supports increasing the lump sum death benefit as it will be sustainable.

It was moved by George Wood and seconded by Dale Amaral that the Committee recommend to the Board of Retirement a motion to increase the Retired Member (lump sum) Death Benefit from \$1,000 to \$3,000.

The motion did not pass 3 yes (*Amaral, Koppenhaver, Wood*), 5 no (*Basgal, Carson, Gamble, Godfrey, Simon*), 0 abstentions

There was further discussion regarding the Trustees' desire to revisit this item at some point in the future, possibly in two years.

It was moved by Jaime Godfrey and seconded by Keith Carson that the Committee revisit the Retired Member (lump sum) Death Benefit in 2024.

The motion carried 8 yes (*Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Simon, Wood*), 0 no, 0 abstentions.

3. Discussion and Possible Motion Regarding Potential Reauthorization of Active Death Equity Benefit (ADEB)

Staff provided background information, a legal analysis, and issues for consideration regarding the Active Death Equity Benefit (ADEB). There was discussion regarding whether to reauthorize the ADEB.

Shaughn Park, President of the Deputy Sheriffs' Association of Alameda County, stated that he is speaking for the over 900 members of the Association who overwhelmingly would like to have this benefit reinstated, and expressed his appreciation for allowing him to speak at the meeting.

Some Trustees noted that when this benefit was discontinued it was with the understanding that the benefit would be revisited. Some Trustees expressed concerns with the current way in which the ADEB is designed. Their main concerns were: 1) the perceived inequity of the benefits provided between members who die before retirement and those who die shortly after retirement; 2) the benefit is limited to a select, specific group of members; 3) the annual cost to provide this benefit is unknown; and 4) the possible issues to address potential catastrophic events and the impact to the Supplemental Retiree Benefit Reserve (SRBR). Also, it was noted that this benefit was ranked low on the SRBR benefit survey.

It was moved by George Wood and seconded by Dale Amaral that the Committee recommend to the Board of Retirement a motion to reauthorize the Active Death Equity Benefit (ADEB). After further discussion, this motion was withdrawn by Trustees Wood and Amaral.

Dave Nelsen stated that he could bring this issue to the SACRS Legislative Committee to find out if it could be included in a SACRS sponsored legislation. Also Staff will find out what other systems are doing to address this situation, and bring the information back to the Retirees Committee.

Trustees directed Staff to continue to explore and present options to address the issue. Trustee Wood directed Staff to be diligent in pursuing this matter in order to minimize the number of people that may be impacted.

INFORMATION ITEMS

1. Supplemental Retiree Benefit Reserve Financial Status

Staff presented a history of the Supplemental Retiree Benefit Reserve (SRBR) activity for the 10-year period ending June 30, 2022. The ending balance of the SRBR as of June 30, 2022 was approximately \$1.2 billion. The semi-annual interest crediting as of June 30, 2022 based on the rate of 4.4504% was completed on August 25, 2022; approximately \$50.3 million in interest was credited. During that same six-month period, the net deductions from the SRBR were approximately \$28.7 million.

2. Final Report on Open Enrollment Preparation and Communications Material

Staff provided information regarding the preparations being made for the Plan Year 2023 Open Enrollment communications materials. In response to Trustee Gamble's comments, Staff will explore the possibility of using text messages as an additional way to communicate with members. Trustee Reilly stated that the "Make a Life Planning File" (within the "Getting Your Affairs in Order" flyer) is particularly useful and expressed her appreciation for including the information. Trustee Koppenhaver expressed her

appreciation to Mike Fara and his team for all their work, and thought the communications materials look great.

3. Miscellaneous Updates

Staff reported that: 1) the annual Medicare Part D Certificate of Coverage Notice will be mailed out by October 15th and posted to ACERA's website; and 2) Via Benefits mailed the Medicare Fall Newsletters starting August 26th, the Pre-65 Fall Newsletters were mailed starting September 19th, and the Balance Reminder statements for Health Reimbursement Account holders were mailed in waves starting October 3rd.

TRUSTEE REMARKS

None.

FUTURE DISCUSSION ITEMS

- Adoption of Medicare Part B Reimbursement Plan Benefit for 2023
- Adoption of Updates to Appendix A of 401(h) Account Resolutions

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for December 7, 2022 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:50 a.m.