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

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

**THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE**
**[SEE GOV'T CODE § 54953(e) AND LETTER ATTACHED AT THE END OF THIS AGENDA]**

**ACERA MISSION:**

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

**Wednesday, October 6, 2021**
**10:30 a.m.**

| ZOOM INSTRUCTIONS | COMMITTEE MEMBERS | |
|---|---|---|
| The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below.<br>https://zoom.us/join<br>Meeting ID: 810 1240 7769<br>Password: 554282<br>For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193<br>Call-in Number: 1 669 900 6833 | **LIZ KOPPENHAVER, CHAIR** | **ELECTED RETIRED** |
| | **HENRY LEVY, VICE CHAIR** | **TREASURER** |
| | **KEITH CARSON** | **APPOINTED** |
| | **DARRYL L. WALKER** | **ELECTED GENERAL**[1] |
| | **GEORGE WOOD** | **ELECTED GENERAL** |

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

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

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

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

[1] Trustee Walker is filling the vacancy created by Trustee Rogers' retirement. See Gov't Code §§ 31524, 31520.1(b).

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

   Segal, ACERA's Actuary, will present 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, 2020.

   - Kathy Foster
   - Segal

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement a motion to accept the December 31, 2020 Supplemental Retiree Benefit Reserve Actuarial Valuation prepared by Segal.

2. **Cease Permitting ACERA Retiree Payroll Deductions to Pay Premiums to the Operating Engineers Local 3 Union Medical Plan**

   Staff will explain the reasons for its recommendation.

   - Kathy Foster

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement that it no longer permit ACERA retirees to make allowance deductions to pay premiums to the Operating Engineers Local 3 Union Medical Plan effective the end of the current Plan Year on January 31, 2022.

3. **Supplemental Retiree Benefit Reserve Policy Update**

   Review, discussion and possible motion to adopt the amendments, if any, to the Supplemental Retiree Benefit Reserve Policy.

   - Kathy Foster

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement that it adopts the Supplemental Retiree Benefit Reserve Policy with Staff's recommended revisions, which are shown in the redline included in the public agenda packet.

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

1. **Supplemental Retiree Benefit Reserve Financial Status**

   Statement of additions and deductions to the Supplemental Retiree Benefit Reserve for the period ending June 30, 2021.

   - Dave Nelsen

2. **Presentation on Hearing Aid Benefits**

   Segal, ACERA's Benefits Consultant, will present information on available hearing aid benefits.

   - Kathy Foster
   - Segal

3. **Final Report on Open Enrollment Preparation and Communications Material, and Virtual Retiree Health and Wellness Fair Arrangements**

   Report on the final stages of preparing the communications pieces for ACERA's annual Open Enrollment for the Plan Year 2022 as well as the Virtual Retiree Health and Wellness Fair.

   - Ismael Piña
   - Mike Fara

4. **Miscellaneous Updates**

   Staff will update the Committee on any recent benefit issues affecting ACERA retirees.

   - Ismael Piña
   - Segal

**Trustee Remarks**

**Future Discussion Items**

- Adoption of Medicare Part B Reimbursement Plan Benefit for 2022
- Adoption of Updates to Appendix A of 401(h) Account Resolutions

**Establishment of Next Meeting Date**

December 1, 2021, at 10:30 a.m.

**Adjournment**

ALAMEDA COUNTY
**HEALTH CARE SERVICES**
AGENCY
COLLEEN CHAWLA, Director

AGENDA ___September 28, 2021

**OFFICE OF THE AGENCY DIRECTOR**
1000 San Leandro Blvd., Suite 300
San Leandro, CA 94577
TEL (510) 618-3452
FAX (510) 351-1367

September 23, 2021

The Honorable Board of Supervisors
County Administration Building
1221 Oak Street
Oakland, CA 94612

**SUBJECT: RECEIVE AND ACCEPT THE RECOMMENDATION OF THE HEALTH CARE SERVICES AGENCY DIRECTOR FOR CONTINUED SOCIAL DISTANCING AT ALL BOARD OF SUPERVISORS MEETINGS AND BOARD COMMITTEE MEETINGS**

Dear Board Members:

**RECOMMENDATION**

Receive and accept the recommendation of the Health Care Services Agency Director for continued social distancing at all meetings of the full Board of Supervisors and at all Board of Supervisors Committee meetings.

**DISCUSSION/SUMMARY**

In light of the continued state of emergency related to COVID-19, the Health Care Services Agency (HCSA) Director recommends that your Board continue to impose the social distancing measures that were initially adopted in March 2020 for all meetings of the Board of Supervisors and Board Committee meetings, until your Board – in consultation with the HCSA Director – concludes that such measures are no longer necessary. The HCSA Director makes this recommendation to comply with newly enacted urgency legislation establishing new requirements for teleconferenced (remote) meetings under the Ralph M. Brown Act.

This recommendation is based on the continued threat of COVID-19 to the community, the unique characteristics of public governmental meetings (such as the increased mixing associated with bringing together people from across the community, the need to enable those who are immunocompromised or unvaccinated to be able to safely continue to fully participate in public governmental meetings, and the challenges with fully ascertaining and ensuring compliance with vaccination and other safety recommendations at such meetings), and the continued increased safety protection that social distancing provides as one method to reduce the risk of COVID-19 transmission.

**BACKGROUND**

On March 4, 2020, Governor Newsom issued an Executive Order proclaiming a state of emergency in California as a result of the COVID-19 pandemic. This emergency declaration remains in effect. On March 17, 2020, Governor Newsom issued Executive Order N-29-20, which allowed local agencies subject to the Brown Act to hold their meetings remotely, without providing a physical location for

members of the public to gather and participate, so long as there were telephonic means to allow public participation and protect citizens' statutory and constitutional rights. Your Board held its first telephonic meeting with no in-person public participation on April 21, 2020 and has continued the practice since. On June 11, 2021, Governor Newsom issued Executive Order N-08-21 which similarly governed the convening of public meetings and modified the permissions of Executive Order N-29-20 to allow for continued use of teleconferenced meetings by local agencies subject to the Brown Act.

On September 16, 2021, Governor Newsom signed into law Assembly Bill 361 (AB 361, Chapter 165, Statutes of 2021), which amended the Brown Act to allow for continued use of teleconferenced meetings by Brown Act bodies without providing a physical meeting location for the public through January 31, 2024, under certain conditions. The permitting conditions include factors such as a continued declaration of emergency, and a local official recommending measures for social distancing.

As HCSA and the Health Officer have reported to your Board, the highly transmissible SARS-CoV-2 B.1.617.2 (Delta) variant has been circulating in the County of Alameda since April 2021. While the risk for COVID-19 infection is highest among unvaccinated residents (and the vaccination rates in our County are relatively high) over one-third of COVID-19 infections are among fully vaccinated persons. Among vaccinated persons, older adults are at the highest risk for severe illness resulting from COVID-19 infection.

Accordingly, the HCSA Director recommends that social distancing measures adopted in the early days of the pandemic remain in place for meetings of your Board and Board Committees. This recommendation is consistent with the Division of Occupational Safety and Health of California's (Cal/OSHA) Emergency Temporary Standards, which require employers to train and instruct employees that the use of social distancing helps combat the spread of COVID-19 (8 Cal. Code Regs. 3205(c)(5)(D).). Under the requirements of AB 361, no later than 30 days after the September 28 meeting, and again every 30 days thereafter for as long as this recommendation remains in place, your Board will need to reconsider the state of emergency, and whether (a) the emergency directly impacts the ability of members to safely meet in person; or (b) social distancing measures are still recommended at Board and Board Committee meetings.

**FINANCING**

Acceptance of this recommendation will have no impact on net County cost.

**VISION 2026 GOAL**

Acceptance of this recommendation will prevent potential spread of COVID-19 in the Board's public meetings, and thus advances the 10X Vision 2026 Goal pathway of **Accessible Infrastructure** in support of our shared visions of a **Thriving & Resilient Population** and **Safe & Livable Communities**.

Sincerely,

DocuSigned by:
CB284AE84C50405...

Colleen Chawla, Director
Health Care Services Agency

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 6, 2021

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Actuarial Valuation of the OPEB and Non-OPEB Benefits Provided by the Supplemental Retiree Benefit Reserve, Including Sufficiency of Funds, as of December 31, 2020**

Attached is the Supplemental Retiree Benefit Reserve (SRBR) Valuation prepared by Segal, ACERA's actuary. This valuation is based on projections using substantive plan and medical inflation trends, as well as other assumptions consistent with our pension valuation. It conforms to the disclosure requirements of Government Accounting Standards Board (GASB) Statement 74, which establishes accounting standards for "Other Post-Employment Benefit" (OPEB) plans of state and local governments.

Last year it was reported that the SRBR fund for OPEB benefits would exhaust in 2040 and Non-OPEB benefits in 2037. The results of this December 31, 2020 valuation indicate that the terminal year of OPEB benefits is projected to be 2042, with full benefits paid through 2041 for a total of 21 full years and one partial year. The terminal year of Non-OPEB benefits is projected to be 2044, with full benefits paid through 2043 for a total of 23 full years and one partial year.

Segal reported during their preliminary presentation in June that the terminal year of OPEB benefits was projected to be 2039, three years earlier than the final valuation. The reason for the change is that Segal's preliminary report was based on estimated medical plan premiums and subsidies for 2022 and future years using its trend assumptions. The final valuation report used the actual 2022 premiums and subsidies, which were lower than the expected increases from 2021 to 2022. Also, the estimated 2021 Implicit Subsidy amount provided by the County of Alameda was lower than previously expected due to a decrease, on average, of the ratio of total active unblended to blended rates.

In order to meet the timeline to provide this valuation report, Segal used all the medical premium information approved by the Retirees Committee at its September 1, 2021 meeting, including the premium for the meals rider benefit for the Kaiser Permanente Senior Advantage plan. Since the Board of Retirement subsequently decided to not offer that benefit, there is a relatively small (about $5 million) overage in the Actuarial Accrued Liability that was estimated in this report for the OPEB. However, that amount does not have a material impact on the sufficiency period determined in this report for the OPEB.

As Segal reported during their preliminary presentation, the main reason the terminal year for the non-OPEB benefits is projected to be seven years later than last year's projection is the change in the actuarial assumptions, in particular the decrease in the inflation assumption from 3.00% to 2.75% per year, and the impacts of that change to the Supplemental COLA benefit.

Andy Yeung, with Segal, will present this information in detail at the October 6th Retirees Committee meeting.

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement a motion to accept the December 31, 2020 Supplemental Retiree Benefit Reserve Actuarial Valuation prepared by Segal.

Attachment

# Alameda County Employees' Retirement Association

## Actuarial Valuation of the OPEB and Non-OPEB Benefits Provided by the Supplemental Retiree Benefits Reserve Including Sufficiency of Funds as of December 31, 2020



Segal

Segal

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

September 20, 2021

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Dear Members of the Board:

We are pleased to submit this report on our actuarial valuation of the sufficiency of funds for benefits provided by the Supplemental Retiree Benefits Reserve (SRBR) as of December 31, 2020. ACERA's accounting disclosure requirements under Statement No. 74 of the Governmental Accounting Standards Board (GASB) for retiree health benefits provided by the SRBR were included in our GASB 74 report dated May 24, 2021. ACERA's accounting disclosure requirements under GASB Statement No. 67 for non-vested supplemental COLA and retired member death benefits provided by the SRBR were included in our GASB 67 report dated May 24, 2021, together with the statutory pension benefits.

The December 31, 2020 census and financial information was prepared by ACERA. We gratefully acknowledge that assistance. The actuarial projections were based on the assumptions and methods described in Exhibit I and on the plan of benefits as summarized in Exhibit II.

The actuarial calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary and Mary Kirby, FSA, MAAA, FCA. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to discussing this material with you at your convenience.

Sincerely,

Segal

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

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

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

# Table of Contents

# Section 1: Introduction

## Purpose

### I. Other Postemployment Benefits (OPEB)

This report presents the results of our actuarial valuation as of December 31, 2020 of the Alameda County Employees' Retirement Association (ACERA) postretirement medical, dental and vision benefits provided through ACERA's 401(h) account. ACERA has allocated a portion of the Supplemental Retiree Benefits Reserve (SRBR) to be treated as pension contributions if the employers make contributions to the 401(h) account.[1] The results of this report have been prepared with the goal of determining sufficiency of funds. Actuarial calculations for other purposes may differ significantly from the results reported here.

The actuarial calculations used to prepare this report have been made on a basis consistent with our understanding of the "substantive plan designs" of the OPEB Plan provided by ACERA using guidelines provided by the Board. The most important plan design assumption incorporated in our valuation is that the future monthly medical allowance (MMA) will increase at one-half of our anticipated medical trend assumptions for all years after 2022. However, the SRBR OPEB Plan will reimburse the fully indexed premium required for dental, vision, and enrollment in the Medicare Part B program.

In Section 2 of this report, we show the unlimited OPEB liabilities (i.e., the liabilities not limited by the current SRBR assets). The unlimited liabilities in this report will be used as the basis when we roll forward the liabilities for the next GASB 74 valuation report as of December 31, 2021.

### II. Non-OPEB Benefits

The SRBR currently provides benefits in addition to those that qualify as OPEB. These "non-OPEB" benefits include supplemental COLAs and death benefits related to the underlying statutory defined benefit pension plan.[2]

In Section 2 of this report, we show the unlimited non-OPEB liabilities. The unlimited liabilities in this report will be used as the basis when we roll forward the liabilities for the next GASB 67 valuation report as of December 31, 2021.

[1] It is our understanding that GASB requires such benefits to be reported under GASB Statement No. 74 and, accordingly, they have been included in our December 31, 2020 GASB 74 report dated May 24, 2021.

[2] It is our understanding that GASB requires such benefits to be reported under GASB Statement No. 67 together with the underlying statutory defined benefit pension plan and, accordingly, they have been included in our December 31, 2020 GASB 67 report dated May 24, 2021.

## Special Note Pertaining to OPEB and Non-OPEB Benefits

The calculation of benefit obligations pursuant to prescribed accounting requirements included in the above mentioned GASB reports does not, in and of itself, imply that ACERA has any legal liability to provide the benefits valued.

Actuarial valuations involve estimates of benefit amounts and assumptions about the probability of their payment far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

# Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of an OPEB and non-OPEB Plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare an actuarial valuation, Segal relies on a number of input items. These include:

| | |
|---|---|
| **Plan of Benefits** | Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits. |
| **Participant data** | An actuarial valuation for a plan is based on data provided to the actuary by the Association. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data. |
| **Assets** | This valuation is based on the market value of assets as of the valuation date, as provided by the Association. The Association uses a "Valuation Value of Assets" that differs from market value to gradually reflect six-month changes in the Market Value of Assets in determining the sufficiency of funds to pay the benefits provided by the SRBR. |
| **Actuarial assumptions** | In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to health care trends and member enrollment in retiree health benefits for the OPEB Plan, and actuarial assumptions as to salary increases and cost-of-living adjustments for the non-OPEB Plan. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable. |
| **Models** | Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. 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. |

# Section 1: Introduction

Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to determine sufficiency of funds related to the payments of OPEB and non-OPEB benefits out of the SRBR. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If the Association is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the Retirement Association, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Retirement Association.

# Section 2: Valuation Results

## Highlights of the Valuation

- The actuarial assumptions used in this study are consistent with those assumptions approved by the Retirement Board for the December 31, 2020 pension valuation, including the use of a 7.00% investment return assumption.
- In the last SRBR valuation, we utilized the following medical trend assumptions:
  - All non-Medicare plans: starting at 6.75% (before decreasing the first year trend by 1.20% to reflect the repeal of the HIT[1]) for 2020 to 2021, reduced by 0.25% for each year until it reaches 4.50% after 9 years.
  - All Medicare Advantage plans: starting at 6.25% (before decreasing the first year trend by 0.90% to reflect the repeal of the HIT[1]) for 2020 to 2021, reduced by 0.25% for each year until it reaches 4.50% after 7 years.

  For this valuation, we recommended to the Board in our letter dated March 22, 2021 that the medical trend assumptions be reset to the following:
  - All non-Medicare plans: starting at 6.75%[2], reduced by 0.25% for each year until it reaches 4.50% after 9 years.
  - All Medicare Advantage plans: starting at 6.25%[2], reduced by 0.25% for each year until it reaches 4.50% after 7 years.
- The Board approved an increase in the 2022 Monthly Medical Allowance (MMA) in July 2021. The maximum MMA for ACERA sponsored plans and individual (out-of-area) non-Medicare plans has been increased to $596.73 and the maximum MMA for individual Medicare plans has been increased to $457.13 for 2022. Furthermore, in order to meet the timeline agreed to earlier with ACERA for completing this report for presentation to the Retiree Committee, we have included all the premium information approved by the Retiree Committee at its meeting on September 1, 2021. In particular, the premium we included in this study assumed an additional cost of $1.75 per member each month for additional meals rider benefit under the Kaiser Senior Advantage Plan. Since the Board ultimately decided to not offer that benefit, there would be a relatively small (about $5 million) overage in the Actuarial Accrued Liability that we have estimated in this report for the OPEB. However, that amount does not have a material impact on the sufficiency period determined in this report for the OPEB.
- For years after 2022 we have assumed that the MMA will increase with 50% of the lowest medical trend.
- These and the other OPEB assumptions are provided in Exhibit I.

[1] The repeal of certain aspects of the Affordable Care Act (ACA) at the end of 2020 removes the HIT effective calendar 2021.

[2] After we released our preliminary high-level summary letter dated May 25, 2021, the Association approved premiums for 2022. We have used those actual 2022 premiums in this study in lieu of estimating those premiums by using the 6.75% assumption for non-Medicare plans and the 6.25% assumption for Medicare plans.

# Section 2: Valuation Results

- The determination of the "substantive plan" underlying ACERA's OPEB was based upon prior directions provided by ACERA, its auditors, as well as the administrative staff, auditors and consultants representing the County of Alameda, along with changes to the plan adopted by the Board on July 19, 2012 to allow retirees to select medical benefits available through the Medicare Exchange. These directions are provided in Exhibit III.
- Based on action taken by the Board in February 2014, we continue to exclude the non-OPEB lump sum retiree death benefit from the pension valuation and have included this death benefit in the results presented herein.
- For this valuation, the Association has continued to provide to us the breakdown of the OPEB and non-OPEB assets as of December 31, 2020.
- The terminal year of the SRBR was determined by projecting how long the SRBR can provide for all non-OPEB and OPEB benefits under the substantive plan outlined in Exhibit III. OPEB benefits can be paid through 2042[3], while non-OPEB benefits can be paid through 2044[3]. Last year, it was projected that OPEB benefits could be paid through 2040 and non-OPEB benefits could be paid through 2037.

  Note that the OPEB sufficiency period has changed from that originally shown of through 2039 provided in our May 25, 2021 preview letter. Our preview letter estimated medical plan premiums and subsidies for 2021 and future years using our trend assumption. Subsequent to our issuing the preview letter, ACERA reported the 2022 medical plan premium renewals and subsidies and we have used the actual 2022 premiums and subsidies in our updated projection shown herein. On average, the premium increases for non-Medicare plans (3.84%) were lower than our expected 6.75% increase from 2021 to 2022, and the premium change (a decrease of 9.42%) for the Medicare plan (Kaiser Senior Advantage) was much lower than our expected 6.25% increase from 2021 to 2022. In addition, after we released our preview letter, the County's health consultant provided the estimated implicit subsidies paid by the County for 2021, which is lower than previously expected by about $2 million due to a decrease, on average, of the ratio of total active unblended to blended rates.
- The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be seven years later than it was in last year's study is the change in the actuarial assumptions, in particular the decrease in the inflation assumption from 3.00% to 2.75% per year. 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%. With the reduction in the assumed inflation rate from 3.00% to 2.75% per year, it is expected to take longer for members in Tiers 2, 2C, 2D, and 4 to accumulate a COLA bank in excess of 15%. In addition, for retired members and beneficiaries in Tiers 1 and 3 with COLA banks currently exceeding 15%, it is expected that their banks will eventually fall below the 15% threshold as the

[3] Assets would only be sufficient to pay benefits for a part of the year indicated.

banks are used to provide for the difference between the cost of living allowance of 3% and the assumed inflation assumption of 2.75%. These changes result in a decrease in the present value of providing supplemental COLA benefits.

- The funded ratio of the OPEB liabilities is 81.6% and the funded ratio of the non-OPEB liabilities is 38.6% as of December 31, 2020. The comparable funded ratios were 82.7% and 20.7% for the OPEB and non-OPEB liabilities, respectively, as of December 31, 2019.
- The terminal years the SRBR can be paid as well as the funded ratios have been developed to reflect only the actuarial value of assets allocated to the SRBR through December 31, 2020. As we indicated on page 23 of our December 31, 2020 actuarial valuation report for the Pension Plan, the Association had deferred investment gains of $643.3 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of that date. The deferred gains of $643.3 million represent 6.7% of the market value of assets as of December 31, 2020. If one-half of the net deferred gain after restoring the Contingency Reserve to 1% of total assets were recognized immediately in the valuation value of assets, there would be an increase in the SRBR Reserve of approximately $293.3 million to pay OPEB benefits and $13.8 million to pay non-OPEB benefits.[4]
- The funded ratio for the non-OPEB benefits is lower than for OPEB benefits because the Actuarial Value of Assets was initially allocated based on the benefit outflows for the OPEB and non-OPEB benefits. The benefit outflows for non-OPEB (in particular, the supplemental COLA) are “back loaded”, i.e., they are expected to be larger in later years than in earlier years. This results in a smaller asset allocation relative to liabilities for the non-OPEB benefits.
- Note that in preparing the 401(h) contribution letter for 2021/2022, we had included an additional allocation for expense related to the administration of the health benefits for retirees. However, as we previously demonstrated to the Association during our discussion with the Board on SB 1479, the values in both the employer reserves and the SRBR would remain unchanged relative to the values prior to that allocation, through the operation of SB 1479. For that reason, we have not included the explicit payment of administrative expense out of the 401(h) in preparing the cash flow requirements of the SRBR.
- As stated earlier in this report, it is our understanding that GASB requires the OPEB benefits to be reported under GASB Statement No. 74 and accordingly they have been included in our GASB 74 report dated May 24, 2021. Similarly, we understand that GASB requires the non-OPEB benefits to be reported under GASB Statement No. 67 together with the underlying statutory defined benefit pension plan and accordingly they have been included in our GASB 67 report dated May 24, 2021.

[4] It is important to note that this actuarial valuation is based on plan assets as of December 31, 2020. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The plan’s funded 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, 2020. While it is impossible to determine how the pandemic will continue to affect market conditions and other demographic experience of the plan in future valuations, Segal is available to prepare projections of potential outcomes upon request.

# Section 2: Valuation Results

- The Coronavirus (COVID-19) pandemic continues to have a significant impact on the US economy in 2021, including most OPEB plans, and will likely continue to have an impact in the future. Our results do not include the impact of the following:
  - Changes in the market value of plan assets since December 31, 2020
  - Changes in interest rates since December 31, 2020
  - Short-term or long-term impacts on mortality of the covered population
  - The potential for federal or state fiscal relief

  Each of the above factors could significantly impact these results. Given the high level of uncertainty and fluidity of the current events, the Board may wish to consider updated estimates to monitor the plan's financial status. We will keep the Board updated on emerging developments.

# Summary of OPEB Valuation Results

| Without Limiting Liabilities to Current Assets | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Actuarial Present Value of Projected Benefits** | | |
| • Medical | $1,228,942,000 | $1,211,903,000 |
| • Dental and Vision | 116,803,000 | 113,758,000 |
| • **Total** | **$1,345,745,000** | **$1,325,661,000** |
| **Actuarial Accrued Liability** [1] | | |
| • Medical[2] | $997,588,000 | $980,968,000 |
| • Dental and Vision[3] | 95,232,000 | 93,224,000 |
| • **Total** | **$1,092,820,000** | **$1,074,192,000** |
| Actuarial Value of Assets (Exhibit B) | $891,580,000 | $888,184,000 |
| Unfunded Actuarial Accrued Liability | 201,240,000 | 186,008,000 |
| Funded Ratio | 81.6% | 82.7% |
| Year Current Assets will be Exhausted[4] | 2042 | 2040 |

**Note:** The above results have been calculated using our understanding of the "substantive plan" as described in Exhibits II and III. The liabilities provided in this report will have to be revised if our understanding of the "substantive plan" is inaccurate.

[1] These results will be used as the basis for the next GASB 74 valuation report based on a measurement date of December 31, 2021.

[2] Of the amount shown, $543.1 million is attributable to members currently receiving this benefit as of December 31, 2020 and $546.3 million is attributable to members receiving this benefit as of December 31, 2019. For treatment of implicit subsidy, see page 23.

[3] Of the amount shown, $54.4 million is attributable to members currently receiving this benefit as of December 31, 2020 and $53.8 million is attributable to members receiving this benefit as of December 31, 2019.

[4] Full benefits will be paid through the year prior to the year shown in the table. Full benefits will be paid for part of the year indicated.

# Summary of Non-OPEB Valuation Results

| Without Limiting Liabilities to Current Assets | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Actuarial Present Value of Projected Benefits** | | |
| • Supplemental COLA | $122,302,000 | $231,434,000 |
| • Retiree Death Benefit | 4,700,000 | 4,621,000 |
| • **Total** | **$127,002,000** | **$236,055,000** |
| **Actuarial Accrued Liability**[1] | | |
| • Supplemental COLA[2] | $103,748,000 | $191,303,000 |
| • Retiree Death Benefit | 4,307,000 | 4,246,000 |
| • **Total** | **$108,055,000** | **$195,549,000** |
| Actuarial Value of Assets (Exhibit B) | $41,677,000 | $40,430,000 |
| Unfunded Actuarial Accrued Liability | 66,378,000 | 155,119,000 |
| Funded Ratio | 38.6% | 20.7% |
| Year Current Assets will be Exhausted[3] | 2044 | 2037 |

[1] These results will be used as the basis for the next GASB 67 valuation report based on a measurement date of December 31, 2021.
[2] Of the amount shown, $10.0 million is attributable to members currently receiving this benefit as of December 31, 2020 and $10.9 million is attributable to members receiving this benefit as of December 31, 2019.
[3] Full benefits will be paid through the year prior to the year shown in the table. Full benefits will be paid for part of the year indicated.

# Projected Cash Flow and Present Value of Projected Benefits

## Provided by the Supplemental Retiree benefits Reserve as of December 31, 2020

| Year Ending December 31 | Annual Benefit Cash Flows | | | Present Value as of December 31, 2020 of Projected Benefits through Year End | | |
|---|---|---|---|---|---|---|
| | Medical[1] | Dental and Vision | Non-OPEB[2] | OPEB[3] | Non-OPEB | Total |
| 2021 | $47,823,096 | $4,850,597 | $1,131,472 | $50,921,581 | $1,093,835 | $52,015,416 |
| 2022 | 48,445,038 | 4,956,332 | 1,101,201 | 99,169,294 | 2,088,762 | 101,258,056 |
| 2023 | 51,962,582 | 5,049,860 | 1,073,433 | 147,309,750 | 2,995,152 | 150,304,902 |
| 2024 | 55,428,889 | 5,330,629 | 1,069,944 | 195,257,816 | 3,839,493 | 199,097,309 |
| 2025 | 59,011,374 | 5,613,007 | 1,070,774 | 242,919,502 | 4,629,209 | 247,548,711 |
| 2026 | 62,738,081 | 5,917,810 | 1,078,356 | 290,241,931 | 5,372,487 | 295,614,418 |
| 2027 | 66,463,815 | 6,229,099 | 1,090,304 | 337,069,059 | 6,074,836 | 343,143,895 |
| 2028 | 70,026,593 | 6,546,750 | 1,164,190 | 383,168,884 | 6,775,719 | 389,944,603 |
| 2029 | 73,436,429 | 6,864,919 | 1,347,490 | 428,350,392 | 7,533,884 | 435,884,276 |
| 2030 | 77,101,557 | 7,196,438 | 1,638,001 | 472,677,700 | 8,395,211 | 481,072,911 |
| 2031 | 80,942,232 | 7,540,150 | 2,152,533 | 516,161,465 | 9,453,052 | 525,614,517 |
| 2032 | 84,640,172 | 7,884,006 | 2,935,203 | 558,656,853 | 10,801,160 | 569,458,013 |
| 2033 | 88,538,357 | 8,227,547 | 3,871,337 | 600,192,897 | 12,462,902 | 612,655,799 |
| 2034 | 92,222,991 | 8,564,122 | 4,855,748 | 640,624,784 | 14,410,840 | 655,035,624 |
| 2035 | 95,734,629 | 8,891,373 | 5,875,774 | 679,850,859 | 16,613,768 | 696,464,627 |
| 2036 | 98,856,876 | 9,211,791 | 6,894,957 | 717,717,017 | 19,029,691 | 736,746,708 |
| 2037 | 101,910,724 | 9,530,342 | 7,946,846 | 754,210,299 | 21,632,022 | 775,842,321 |
| 2038 | 105,123,369 | 9,844,738 | 9,098,043 | 789,395,600 | 24,416,423 | 813,812,023 |
| 2039 | 108,075,962 | 10,154,230 | 10,153,656 | 823,212,088 | 27,320,597 | 850,532,685 |
| 2040 | 110,960,916 | 10,444,835 | 11,111,468 | 855,665,144 | 30,290,811 | 885,955,955 |
| 2041 | 113,830,463 | 10,736,920 | 12,080,282 | 886,784,951 | 33,308,744 | 920,093,695 |
| 2042 | 18,762,467[4] | 1,774,494[4] | 13,266,996 | 891,579,911 | 36,406,316 | 927,986,227 |
| 2043 | | | 14,501,468 | 891,579,911 | 39,570,611 | 931,150,522 |
| 2044 | | | 10,329,875[4] | 891,579,911 | 41,677,183 | 933,257,094 |

[1] Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County. For treatment of implicit subsidy, see page 23.
[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.

# Actuarial Certification

September 20, 2021

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of the Alameda County Employees' Retirement Association provided by the Supplemental Retiree Benefits Reserve for the year ending December 31, 2020, in accordance with generally accepted actuarial principles and practices. The actuarial valuation is based on the plan of benefits verified by the ACERA and on participant, claims and expense data provided by ACERA.

The actuarial computations made are for purposes of determining sufficiency of funds. Determinations for other purposes may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes such as judging benefit security at plan termination. The health assumptions were selected under the supervision of Paul Sadro, ASA, MAAA.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to determine the sufficiency of funds with respect to the benefit obligations addressed. The undersigned are members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion herein.

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

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

# Section 3: Valuation Details

## Exhibit A – Table of Plan Coverage – Members Receiving SRBR Benefits as of December 31, 2020

| | Current Retirees |
|---|---|
| **Category 1 – Medical** | |
| • Number | 6,664 |
| • Average in force monthly medical reimbursements for 2021 (excluding Medicare Part B) | $411 |
| • Average maximum (based on service at retirement) monthly medical reimbursements for 2021 (excluding Medicare Part B) | $501 |
| • Monthly Medicare Part B premium reimbursements for 2021 | $149 |
| **Category 1 - Supplemental COLA** | |
| • Number | 514 |
| • Average monthly supplemental COLA for 2021[1] | $171 |
| **Category 2 – Dental and Vision** | |
| • Number | 7,906 |
| • Average monthly medical reimbursements for 2021 | $48 |
| **Category 2 – Retiree Death Benefit** | |
| • Number[2] | Not Available |
| • Average lump sum benefits for 2021 | $1,000 |

[1] Estimate of supplemental COLA payable as of December 31, 2020. The average benefit does not take into account any adjustments to the members' COLA banks as of April 2021.
[2] Beneficiaries who received the $1,000 lump sum retiree death benefit were not separately identified in the data provided for the pension valuation.

# Exhibit B – Determination of Actuarial Value of Assets

| Reserves Supporting SRBR Benefits | December 31, 2020 | December 31, 2019 |
|---|---|---|
| 401(h) Account (Allocated to OPEB) | $9,052,000 | $10,415,000 |
| Supplemental Retiree Benefits Reserve | | |
| • OPEB | $882,528,000[1] | $877,769,000[2] |
| • Non-OPEB | 41,677,000 | 40,430,000 |
| • SRBR Total | $924,205,000 | $918,199,000 |
| **Total** | **$933,257,000** | **$928,614,000** |

| **Total Present Value of Projected SRBR Benefits Payable Through Terminal Year of the SRBR** | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| **Present Value of Projected OPEB Payable Through Terminal Year of the SRBR** | | |
| Medical | 814,341,000 | $813,352,000 |
| Dental and Vision | 77,239,000 | 74,832,000 |
| **Total** | **$891,580,000** | **$888,184,000** |
| **Present Value of Projected Non-OPEB Payable Through Terminal Year of the SRBR** | | |
| Supplemental COLA | $37,954,000 | $37,325,000 |
| Retiree Death Benefit | 3,723,000 | 3,105,000 |
| **Total** | **$41,677,000** | **$40,430,000** |
| **Grand Total** | **$933,257,000** | **$928,614,000** |

[1] Adjusted to reflect estimated transfer of $7,548,683 (provided by ACERA) from SRBR to employer advance reserve for reimbursement of implicit retiree health benefit subsidy for calendar year 2020.

[2] Adjusted to reflect estimated transfer of $6,510,876 (provided by ACERA) from SRBR to employer advance reserve for reimbursement of implicit retiree health benefit subsidy for calendar year 2019.

# Section 4: Supporting Information

## Exhibit I – Actuarial Assumptions and Actuarial Cost Method

| | |
|---|---|
| **Data:** | Detailed census data and summary plan descriptions for postretirement benefits were provided by ACERA. |
| **Rationale for Assumptions:** | The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the December 1, 2016 through November 30, 2019 Actuarial Experience Study report dated September 9, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to all tiers. These assumptions were adopted by the Board. |
| **Post-Retirement Mortality Rates - Healthy** | *Healthy*<br>• **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>• **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>*Disabled*<br>• **General Members:** Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates decreased 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>• **Safety Members:** Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>*Beneficiaries*<br>• **All Beneficiaries:** Pub-2010 General Contingent Survivor Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>The above tables are used for the projection of non-OPEB benefits. The headcount weighted instead of the benefit (or amount) weighted mortality tables were used in the projections of OPEB benefits.<br>The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years. |

# Section 4: Supporting Information

**Pre-Retirement Mortality Rates**

- **General Members:** Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.
- **Safety Members:** Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.

| | Rate (%) | | | |
|---|---|---|---|---|
| | General[1] | | Safety[1] | |
| Age | Male | Female | Male | Female |
| 20 | 0.04 | 0.01 | 0.04 | 0.02 |
| 25 | 0.02 | 0.01 | 0.03 | 0.02 |
| 30 | 0.04 | 0.01 | 0.04 | 0.02 |
| 35 | 0.04 | 0.02 | 0.04 | 0.03 |
| 40 | 0.06 | 0.03 | 0.05 | 0.04 |
| 45 | 0.09 | 0.05 | 0.07 | 0.06 |
| 50 | 0.13 | 0.08 | 0.10 | 0.08 |
| 55 | 0.19 | 0.11 | 0.15 | 0.11 |
| 60 | 0.28 | 0.17 | 0.23 | 0.15 |
| 65 | 0.41 | 0.27 | 0.35 | 0.20 |

All pre-retirement deaths are assumed to be non-service connected.

[1] Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

The above tables are used for the projection of non-OPEB benefits. The headcount weighted instead of the benefit (or amount) weighted mortality tables were used in the projections of OPEB benefits.

# Section 4: Supporting Information

**Disability Incidence:**

| Age | Rate (%) General | Rate (%) Safety |
|---|---|---|
| 20 | 0.00 | 0.00 |
| 25 | 0.01 | 0.03 |
| 30 | 0.03 | 0.26 |
| 35 | 0.07 | 0.64 |
| 40 | 0.09 | 1.22 |
| 45 | 0.16 | 1.50 |
| 50 | 0.26 | 2.10 |
| 55 | 0.33 | 2.65 |
| 60 | 0.38 | 3.80 |

65% of General disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected disabilities.

100% of Safety disabilities are assumed to be service connected disabilities.

**Termination:**

| Years of Service | Rate (%) General | Rate (%) Safety |
|---|---|---|
| 0-1 | 12.00 | 4.00 |
| 1-2 | 9.00 | 4.00 |
| 2-3 | 8.00 | 4.00 |
| 3-4 | 6.00 | 3.50 |
| 4-5 | 6.00 | 3.00 |
| 5-6 | 6.00 | 2.00 |
| 6-7 | 5.25 | 1.80 |
| 7-8 | 4.25 | 1.70 |
| 8-9 | 3.75 | 1.60 |
| 9-16 | 3.50 | 1.50 |
| 16-17 | 3.40 | 1.40 |
| 17-18 | 3.30 | 1.30 |
| 18-19 | 3.20 | 1.20 |
| 19-20 | 3.10 | 1.10 |
| 20 or more | 3.00 | 1.00 |

For members with less than five years of service, 55% of all terminated members are assumed to choose a refund of contributions and the other 45% are assumed to choose a deferred vested benefit. For members with five or more years of service, 30% of all terminated members are assumed to choose a refund of contributions and the other 70% are assumed to choose a deferred vested benefit.

No termination is assumed after a member is eligible for retirement.

# Section 4: Supporting Information

**Retirement Rates:**

| | Rate (%)[1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General | | | | | Safety | | | | |
| | | Tier 2[2] | | | | | Tier 2, 2D[2] | | | |
| Age | Tier 1 | < 30 | 30+ | Tier 3 | Tier 4 | Tier 1[3] | < 30 | 30+ | Tier 2C[3] | Tier 4 |
| 49 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.0 | 18.0 | 0.0 | 0.0 |
| 50 | 2.0 | 2.0 | 4.0 | 10.0 | 0.0 | 35.0 | 12.0 | 18.0 | 4.0 | 4.0 |
| 51 | 4.0 | 2.0 | 4.0 | 10.0 | 0.0 | 30.0 | 10.0 | 24.0 | 2.0 | 2.0 |
| 52 | 4.0 | 2.0 | 4.0 | 10.0 | 4.0 | 25.0 | 10.0 | 24.0 | 2.0 | 2.0 |
| 53 | 5.0 | 2.0 | 4.0 | 10.0 | 2.0 | 35.0 | 10.0 | 25.0 | 3.0 | 3.0 |
| 54 | 5.0 | 2.0 | 4.0 | 10.0 | 2.0 | 45.0 | 12.0 | 27.0 | 6.0 | 6.0 |
| 55 | 6.0 | 2.0 | 4.0 | 12.0 | 5.0 | 45.0 | 12.0 | 29.0 | 10.0 | 10.0 |
| 56 | 10.0 | 2.5 | 4.5 | 14.0 | 2.5 | 45.0 | 14.0 | 32.0 | 12.0 | 12.0 |
| 57 | 12.0 | 4.0 | 5.0 | 16.0 | 3.5 | 45.0 | 16.0 | 32.0 | 20.0 | 20.0 |
| 58 | 12.0 | 4.0 | 5.0 | 18.0 | 3.5 | 45.0 | 18.0 | 30.0 | 10.0 | 10.0 |
| 59 | 14.0 | 4.5 | 8.0 | 20.0 | 4.5 | 45.0 | 18.0 | 30.0 | 15.0 | 15.0 |
| 60 | 20.0 | 8.0 | 8.5 | 20.0 | 5.0 | 45.0 | 25.0 | 30.0 | 60.0 | 60.0 |
| 61 | 20.0 | 9.0 | 13.5 | 20.0 | 5.0 | 45.0 | 25.0 | 30.0 | 60.0 | 60.0 |
| 62 | 35.0 | 15.0 | 22.5 | 30.0 | 18.0 | 45.0 | 25.0 | 30.0 | 60.0 | 60.0 |
| 63 | 30.0 | 15.0 | 22.5 | 25.0 | 15.0 | 45.0 | 25.0 | 30.0 | 60.0 | 60.0 |
| 64 | 30.0 | 18.0 | 27.0 | 25.0 | 17.0 | 45.0 | 30.0 | 30.0 | 60.0 | 60.0 |
| 65 | 30.0 | 25.0 | 27.5 | 50.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 66 | 30.0 | 30.0 | 33.0 | 50.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 67 | 30.0 | 30.0 | 33.0 | 50.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 68 | 30.0 | 30.0 | 33.0 | 50.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 69 | 35.0 | 35.0 | 38.5 | 50.0 | 35.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 70 | 40.0 | 40.0 | 40.0 | 65.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 71 | 40.0 | 40.0 | 40.0 | 65.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 72 | 40.0 | 40.0 | 40.0 | 65.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 73 | 40.0 | 40.0 | 40.0 | 65.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 74 | 40.0 | 40.0 | 40.0 | 65.0 | 25.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 75 & Over | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[1] The retirement rates only apply to members that are eligible to retire at the age shown.

[2] Different retirement rates are assumed for General Tier 2 and Safety Tier 2 & 2D members who have accrued less than 30 years of service and those who have accrued at least 30 years of service.

[3] Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

# Section 4: Supporting Information

| | |
|---|---|
| **Retirement Age and Benefit for Deferred Vested Members:** | General Retirement Age: 61<br>Safety Retirement Age: 55<br>Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit.<br>25% of future General and 50% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 3.65% and 4.05% compensation increases are assumed per annum for General and Safety, respectively. |
| **Measurement Date:** | December 31, 2020 |
| **Discount Rate:** | 7.00% |
| **Future Benefit Accruals:** | 1.0 year of service per year of employment, plus 0.003 years of additional service for General members and 0.007 years of additional service for Safety members, to anticipate conversion of unused sick leave for each year of employment. |
| **Unknown Data for Members:** | Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male. |
| **Inclusion of Deferred Vested Members:** | All deferred vested members are included in the valuation. |
| **Data Adjustments:** | Data as of November 30 has been adjusted to December 31 by adding one month of age and, for active members, one month of service. |
| **Percent Married for Pension:** | 70% of male members; 50% of female members. |
| **Age and Gender of Spouse for Pension:** | For all active and inactive 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 2 years older than the member. |
| **Consumer Price Index:** | Increase of 2.75% per year. Retiree COLA increases due to CPI are subject to a 2.75% maximum change per year for General Tier 1, General Tier 3, and Safety Tier 1, and 2% maximum change per year for General Tier 2, General Tier 4, Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4. (For General Tier 1, General Tier 3, and Safety Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)<br>The actual COLA granted by ACERA on April 1, 2021 has been reflected in the December 31, 2020 valuation. |
| **Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:** | Increase of 2.75% per year from the valuation date. |

# Section 4: Supporting Information

**Increase in Section 7522.10 Compensation Limit:**

Increase of 2.75% per year from the valuation date.

**Actuarial Cost Method:**

Entry Age Actuarial Cost Method.

**Salary Increases:**

The annual rate of compensation increase includes:

- Inflation at 2.75%, plus
- "Across the board" salary increases of 0.50% per year, plus
- The following merit and promotion increases:

| Years of Service | Rate (%) | |
|---|---|---|
| | General | Safety |
| 0-1 | 5.10 | 8.00 |
| 1-2 | 5.10 | 8.00 |
| 2-3 | 4.50 | 8.00 |
| 3-4 | 2.90 | 4.90 |
| 4-5 | 2.10 | 3.70 |
| 5-6 | 1.60 | 2.10 |
| 6-7 | 1.50 | 1.30 |
| 7-8 | 1.50 | 1.20 |
| 8-9 | 1.00 | 0.90 |
| 9-10 | 0.90 | 0.90 |
| 10-11 | 0.70 | 0.80 |
| 11 & Over | 0.40 | 0.80 |

**Additional Cashout Assumptions:**

Additional pay elements are expected to be received during a member's final average earnings period. The percentages, added to the final average salary, used in this valuation are:

| | Service Retirement | Disability Retirement |
|---|---|---|
| General Tier 1 | 7.5% | 6.5% |
| General Tier 2 | 3.0% | 1.4% |
| General Tier 3 | 7.5% | 6.5% |
| General Tier 4 | N/A | N/A |
| Safety Tier 1 | 7.5% | 6.4% |
| Safety Tier 2 | 2.5% | 1.9% |
| Safety Tier 2C | 2.5% | 1.9% |
| Safety Tier 2D | 2.5% | 1.9% |
| Safety Tier 4 | N/A | N/A |

# Section 4: Supporting Information

**Per Capita Health Costs:**

The combined monthly per capita dental and vision claims cost for plan year 2021 was assumed to be $48.12. The monthly Medicare Part B premium reimbursement for 2021 is $148.50. For calendar year 2021, medical costs for a retiree were assumed to be as follows:

| Medical Plan[1] | Election Assumption | Monthly Premium | Maximum Monthly Medical Allowance[2] |
|---|---|---|---|
| **Under Age 65[3]** | | | |
| Kaiser HMO | 80% | $810.72 | $578.65 |
| United Healthcare HMO Current Network | 10% | 1,150,60 | $578.65 |
| Via Benefits Individual Insurance Exchange[4] | 10% | N/A[4] | $578.65 |
| United Healthcare HMO SVA Network | 0% | 759.16 | $578.65 |
| **Age 65 and Older** | | | |
| Kaiser Senior Advantage | 75% | 382.21 | $578.65 |
| Via Benefits Individual Insurance Exchange | 25% | 309.30[5] | $443.28 |

(1) There are other plans available to retirees under age 65, and age 65 and older, that have a range of premiums. We have assumed the same costs as Kaiser HMO and Kaiser Senior Advantage for current non-Medicare and Medicare retirees, respectively.

(2) The Maximum Monthly Medical Allowance of $578.65 ($443.28 for retirees purchasing individual insurance from the Medicare exchange) is subject to the following subsidy schedule:

| Completed Years of Service | Percentage Subsidized |
|---|---|
| 10-14 | 50% |
| 15-19 | 75% |
| 20+ | 100% |

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

(4) Via Benefits individual insurance coverage is available to retirees under age 65 residing outside of ACERA medical plans' coverage area. We have assumed that these current retirees under 65 will draw the Maximum Monthly Subsidy ($578.65).

(5) The derivation of amount expected to be paid in 2021 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.

# Section 4: Supporting Information

**Per Capita Health Costs (continued):**

| | (Years of Service Category) | Derivation of Via Benefits Monthly Per Capita Costs 10-14 | 15-19 | 20+ |
|---|---|---|---|---|
| 1. | Maximum MMA for 2020 | $221.64 | $332.46 | $443.28 |
| 2. | Total of Maximum MMA (From Jan. 2020 to Dec. 2020) | $506,447 | $805,741 | $5,138,819 |
| 3. | Total of Actual Reimbursement (From Jan. 2020 to Dec. 2020) | $377,103 | $577,016 | $3,093,872 |
| 4. | Ratio of Actual Reimbursement to Maximum 2020 MMA [(3) / (2)] | 74.46% | 71.61% | 60.21% |
| 5. | Average Monthly Per Capita Cost for 2020 [(1) x (4)] | $165.03 | $238.07 | $266.90 |
| 6. | Maximum MMA for 2021 | $221.64 | $332.46 | $443.28 |
| 7. | Increase in Average Monthly per Capita Cost due to the Change in Maximum MMA from 2020 to 2021 [(6) / (1)] x (5) | $165.03 | $238.07 | $266.90 |
| 8. | Increase for Expected Medical Trend (5.35%[(1)]) from 2020 to 2021 [(7) x 1.0535] | $173.86 | $250.81 | $281.18 |
| 9. | Increase for Additional 10% Margin for 2020 Expenses Incurred in 2020 but Reimbursed after December 2020 [(8) x 1.10] | **$191.25** | **$275.89** | **$309.30** |

(1) 6.25% medical trend for Medicare Plans (lowest medical trend) minus 0.90% to reflect the repeal of the Health Insurance Tax (HIT).

# Section 4: Supporting Information

**Per Capita Health Costs (continued):**

Implicit Subsidy

We have estimated the average per capita premium for retirees under age 65 to be $10,182 per year. Because premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. Below is a sample of the age-based costs for the retirees under age 65.

| | Average Medical[1] | | | |
|---|---|---|---|---|
| | Retiree | | Spouse | |
| Age | Male | Female | Male | Female |
| 50 | $10,981 | $12,508 | $7,670 | $10,043 |
| 55 | 13,042 | 13,465 | 10,264 | 11,625 |
| 60 | 15,488 | 14,513 | 13,741 | 13,483 |
| 64 | 17,769 | 15,396 | 17,346 | 15,175 |

(1) Not all ACERA employers are receiving an implicit subsidy reimbursement from the Association. For SRBR sufficiency purposes, we have applied an adjustment of 0.81 (19% reduction of the costs shown above) for our projected implicit subsidy payments to account for this fact, based on data provided by the County of Alameda's health consultant. For calculating the Actuarial Present Value of Projected Benefits and Actuarial Accrued Liability, we have not applied the adjustment.

Adjustment of Capita Medical Costs for Age and Gender for Retirees Age 65 and Over

The following factors were applied to age 65 and over per capita costs on page 21 for 2021:

| | Retiree | | Spouse | |
|---|---|---|---|---|
| Age | Male | Female | Male | Female |
| 65 | 0.9478 | 0.8056 | N/A[2] | N/A[2] |
| 70 | 1.0985 | 0.8682 | N/A[2] | N/A[2] |
| 75 | 1.1838 | 0.9345 | N/A[2] | N/A[2] |
| 80+ | 1.2748 | 1.0075 | N/A[2] | N/A[2] |

(2) We do not value any implicit subsidy for spouses over age 65.

# Section 4: Supporting Information

**Participation and Coverage Election Retired Members & Beneficiaries:**

*MMA*

**MMA on Record**

| | Under Age 65 | Upon Attaining Age 65 |
|---|---|---|
| Current Retirees Under 65 on Valuation Date | 100% | 100% and assumed to choose carrier in same proportion as future retirees |
| Current Retirees 65 & Over on Valuation Date | N/A | 100% |

**No MMA on Record**

| | Under Age 65 | Upon Attaining Age 65 |
|---|---|---|
| Less than 10 Years of Service | 0% | 0% |
| 10+ Years of Service | | |
| • Current Retirees Under 65 on Valuation Date | 0% | 50% |
| • Current Retirees 65 & Over on Valuation Date | N/A | 0% |

*Medicare Part B Premium Subsidy*

**MMA on Record**

| | Under Age 65 | Upon Attaining Age 65 |
|---|---|---|
| Current Retirees Under 65 on Valuation Date | N/A | 100% |
| Current Retirees 65 & Over on Valuation Date | N/A | 100% if Part B reimbursement on record or purchasing individual insurance from the Medicare exchange |

**No MMA on Record**

| | Under Age 65 | Upon Attaining Age 65 |
|---|---|---|
| Less than 10 Years of Service | N/A | 0% |
| 10+ Years of Service | | |
| • Current Retirees Under 65 on Valuation Date | N/A | 50% |
| • Current Retirees 65 & Over on Valuation Date | N/A | 0% |

*Implicit Subsidy*

Current retirees, married dependents and surviving beneficiaries under age 65 and enrolled in an ACERA non-Medicare plan are assumed to have an implicit subsidy liability.

*Dental and Vision Subsidy*

Current retirees not self-paying ("Voluntary" or "Under 10 YOS" dental or vision code).

# Section 4: Supporting Information

| **Participation and Coverage Election – Active & Inactive Vested Members:** | | |
|---|---|---|
| *Medical Plan Subsidy (i.e., MMA)* | **Under Age 65** | **Upon Attaining Age 65** |
| | 80% of eligible members | 90% of eligible members |
| *Part B Subsidy* | **Under Age 65** | **Upon Attaining Age 65** |
| | 80% of eligible members (disabled only) | 90% of eligible members |
| *Implicit Subsidy* | 80% of eligible members under age 65 are assumed to have an implicit subsidy liability. | |
| *Dental and Vision Subsidy* | 100% of eligible members. | |

# Section 4: Supporting Information

**Health Care Cost Trend Rates:**

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is to be applied to the premium for the shown calendar year to calculate the next calendar year's projected premium. For example, the projected 2022 calendar year premium for Kaiser (under age 65) is $843.15 per month ($810.72 increased by 4.00%).

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

(1) The actual trends are shown below, based on premium renewals for 2022 as reported by ACERA.

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

(2) Non-Medicare plans.

(3) Medicare plans.

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

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

# Section 4: Supporting Information

| | |
|---|---|
| **Assumed Increase in Annual Maximum Benefits:** | For the "substantive plan design" shown in this report, we have assumed:<br>1. Maximum medical allowance for 2022 will increase to $596.73 per month, then increase with 50% of trend for medical plans, or 3.00%, graded down to the ultimate rate of 2.25% over 6 years. 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.<br>2. Dental and vision premium reimbursement will increase with full trend.<br>3. Medicare B premium reimbursement will increase with full trend. |
| **Dependents:** | Demographic data was available for spouses of current retirees. For future retirees, male members were assumed to be three years older than their wives, and female members were assumed to be one year younger than their husbands. Of the future retirees who elect to continue their medical coverage at retirement, 40% males and 20% females were assumed to have an eligible spouse who also opts for health coverage at that time. These assumptions are based on historical and current demographic data, adjusted to reflect the plan design, estimated future experience and professional judgment.<br>Please note that these assumptions are only used to determine the cost of the implicit subsidy. |
| **Plan Design:** | Development of plan liabilities was based on the plan of benefits in effect as described in Exhibits II and III. |
| **Administrative Expenses:** | An administrative expense load was not added to projected incurred claim costs in developing per capita health costs. |
| **Missing Participant Data:** | Any missing census items for a given participant was set to equal to the average value of that item over all other participants of the same membership status for whom the item is known. |

# Exhibit II – Summary of Benefits

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plan provisions as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

<table>
<tr><td>Eligibility:</td><td></td></tr>
<tr><td>Service Retirees:</td><td>Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)</td></tr>
<tr><td>Disabled Retirees:</td><td>A minimum of 10[1] years of service is required for non-duty disability.<br>There is no minimum service requirement for duty disability.</td></tr>
<tr><td>Other Postemployment Benefits (OPEB):</td><td></td></tr>
<tr><td>Monthly Medical Allowance</td><td></td></tr>
<tr><td>Service Retirees:</td><td>For retirees, a Maximum Monthly Medical Allowance of $578.65 per month is provided, effective January 1, 2021 and through December 31, 2021. For the period January 1, 2022 through December 31, 2022, the maximum allowance will increase to $596.73 per month for retirees who are not purchasing individual insurance through the Medicare exchange. For those purchasing individual insurance through the Medicare exchange, the Monthly Medical Allowance is $443.28 per month for 2021 and will increase to $457.13 per month in 2022. These Allowances are subject to the following subsidy schedule:
<table>
<tr><th>Completed Years of Service</th><th>Percentage Subsidized</th></tr>
<tr><td>10-14</td><td>50%</td></tr>
<tr><td>15-19</td><td>75%</td></tr>
<tr><td>20+</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Disabled Retirees:</td><td>Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees.<br>Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.</td></tr>
</table>

[1] The 10 years of service requirement is only used for determining eligibility for health benefits. For pension benefits, the eligibility requirements is 5 years of service

# Section 4: Supporting Information

| | |
|---|---|
| *Medicare Benefit Reimbursement Plan:* | The SRBR reimburses the full Medicare Part B premium to qualified retired members.<br>To qualify for reimbursement, a retiree must:<br>• Have at least 10 years of ACERA service,<br>• Be eligible for Monthly Medical Allowance,<br>• Provide proof of enrollment in Medicare Part B. |
| *Dental and Vision Plans:* | The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premiums are $48.12 in 2021 and 2022. The eligibility for these premiums is as follows. |
| Service Retirees: | Retired with at least 10 years of service. |
| Disabled Retirees: | For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement.<br>For duty disabled retirees, there is no minimum service requirement. |
| *Note about Monthly Medical Allowance:* | The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically.<br>In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents.<br>If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents. |
| **Deferred Benefit:** | Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits. |
| **Death Benefit:** | Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR. |

# Section 4: Supporting Information

| **Non-OPEB Benefits:** | |
|---|---|
| *Supplemental COLA* | When inflation is higher than the ACERA cost of living allowance for a year, the excess of inflation over the cost of living allowance (3% for Tier 1 and Tier 3, and 2% for Tier 2, Tier 2C, Tier 2D, and Tier 4) is banked for future years when inflation may be less than the cost of living allowance. In 1998, the Board of Retirement approved a supplemental COLA payable through the SRBR for members whose COLA banks exceeded 15%. The supplemental COLA for a year is equal to the percentage of excess of the member's COLA bank over 15% times the member's current annual retirement allowance.<br>The cost of living adjustment and any supplemental COLA must be approved yearly by the ACERA Board of Retirement. For this valuation, we have assumed the Board will maintain its current level of supplemental COLA (i.e., COLA banks will not exceed 15%) during the projection period. |
| *Retired Member Death Benefit* | A one-time $1,000 lump sum retiree death benefit is payable to the beneficiary of a retiree. This benefit is only paid upon the death of a retiree; it is not paid upon the death of a beneficiary. |

# Exhibit III – Assumptions About the "Substantive Plan"

The determination of the "substantive plan" underlying ACERA's OPEB was based upon prior directions provided by ACERA, its auditors, as well as the administrative staff, auditors and consultants representing the County of Alameda. Those directions are provided below.

1. **Commitment to provide benefits currently paid out of the SRBR**

   We understand that health and other supplemental benefits currently paid out of the SRBR will continue to be paid as long as there are assets available in the SRBR. However, when the assets in the SRBR are fully depleted, no additional health and other supplemental benefits will be paid by the Association and the employer. To our knowledge, the employer has not made any implicit or explicit commitment to continue those benefits.

2. **Continuation of coverage in the employer's active employee medical plans for the Association's retirees**

   Currently, the Association's retirees are enrolled in the same medical plans as the employer's active employees. The retiree experience is pooled and used in setting the medical plan premium rates for active employee. The Association has begun in 2007 to reimburse the employer for the adverse premium experience created by the retirees.

   In this study, for purposes of determining sufficiency of funds we have included the liability associated with reimbursing the employer for the adverse premium experience but only through the period up to the exhaustion of assets in the SRBR. In other words, there may be a residual liability to the employer if the Association's retirees continue to participate, and are rated together in the employer's active employee medical plans.

3. **Fully indexed subsidies for dental, vision and Medicare Part B premium and increase at one-half of the rate of increase for monthly medical allowance (MMA)**

   Following guidelines provided by the Board and ACERA, we have assumed in this study that the OPEB Plan will reimburse the fully indexed premium required for dental, vision and for a retiree to enroll in Medicare Part B. In addition, we have assumed in this study that future MMA will increase at one-half of the rate of our anticipated medical inflation assumptions.

5701019v2/05579.003

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 6, 2021

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Cease Permitting ACERA Retiree Payroll Deductions to Pay Premiums to the Operating Engineers Local 3 Union Medical Plan**

Certain members covered by Operating Engineers have had the option of retaining their union-negotiated medical plan into retirement. For these retirees, ACERA has provided the service of deducting monthly medical premiums from their benefit checks, while also providing the Monthly Medical Allowance in their retirement payroll checks.

Due to the monthly timing of the premium due date for the plan, Operating Engineers Local 3 (OE3) has attempted to impose a late fee of approximately $500 for each monthly payment. ACERA's vendor payroll for all premium payments is run once the normal monthly payroll is processed at the end of the month. OE3 wants this payment by the 15th of the month. Staff has tried to negotiate at length to waive this late fee, explaining the payroll process timing. However, they are unwilling to consider our request, and is now insisting on payment of the late fee.

Currently, 31 payees are enrolled in their Kaiser and Anthem plans. Staff is recommending that our role as the third party administrator for this plan be terminated effective the end of the current Plan Year on January 31, 2022. If this recommendation is approved, the impacted retirees will be notified immediately of the termination of coverage, and offered coverage in ACERA-sponsored plans during open enrollment. We are working with OE3 to attempt communications that will come from both their board and ACERA.

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement that it no longer permit ACERA retirees to make allowance deductions to pay premiums to the Operating Engineers Local 3 Union Medical Plan effective the end of the current Plan Year on January 31, 2022.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 6, 2021

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Supplemental Retiree Benefit Reserve Policy Update**

The Supplemental Retiree Benefit Reserve Policy (Policy) is reviewed by the Retirees Committee at least every two years to ensure that it remains relevant, accurate and appropriate, and provides the Committee with the opportunity to discuss potential revisions. The Policy was last reviewed and affirmed without revisions by the Board of Retirement on October 17, 2019.

The format of the Policy has been changed to be consistent with the Board of Retirement policy template format. In addition, the proposed revisions, which are shown in the attached redline draft, consist of mostly minor clarifications. Below is a summary of the proposed revisions, other than formatting line edits.

1. The first reference to "County-sponsored" plans was changed to "the County of Alameda (County)-sponsored" in the first paragraph of Section IV.
2. Added 'legal counsel" to the list in Section V.B.
3. References to the "'37 Act" were changed to the "CERL"
4. Deleted "at least" in the Current Benefits, Category I Section, under Retired Member Death Benefit

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement that it adopts the Supplemental Retiree Benefit Reserve Policy with Staff's recommended revisions, which are shown in the redline included in the public agenda packet.

Attachment

# Supplemental Retiree Benefit Reserve (SRBR) Policy

## I. Purpose

The purpose of this policy is to set forth the Alameda County Employees' Retirement Association (ACERA) Board of Retirement's (~~The BOARD~~the Board) overall strategy regarding management of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a reserve established pursuant to Article 5.5 of the ~~1937~~ County Employees' Retirement Law of 1937 (CERL). The CERL allows the sequential distributions of retirement earnings to employers, employees and retired members.

The ~~BOARD~~ Board has the sole and exclusive authority and discretion to distribute funds in the SRBR to provide benefits. The distribution of these funds shall be determined solely by ~~The BOARD~~the Board and shall be used only for the benefit of retired members and their beneficiaries.

All benefits funded by the SRBR are non-vested. They are individually reviewed annually for appropriateness, eligibility, and to ensure they can be adequately funded. Only the Retired Member Death Benefit is considered vested, per Government Code Section 31789.12, as long as there are funds available in the SRBR.

Through specific programs such as medical, dental and vision insurance, Medicare Part B reimbursement, supplemental cost-of-living adjustments and death benefits, ~~The BOARD~~the Board may provide benefits to eligible retired members and their beneficiaries.

In designing and administering these programs, ~~The BOARD~~the Board may provide adequate funding, maximize the tax-efficiency of benefits to recipients in accordance with 401(h) regulations, provide participants' access to medical care, and minimize the impact of inflation on retirement allowances over time.

## II. Program Objectives

A. Through the achievement of long term investment goals, provide for the long-term consistent payment and adequate funding of all SRBR benefits.

B. Annually assess, review, analyze and determine the ability to provide each benefit, at the discretion of ~~The BOARD~~the Board. Generally, benefits are subject to modification or elimination by ~~The BOARD~~the Board at any time with adequate notice. Should Objective A. not be met and the SRBR ever be depleted, benefits will cease.

C. Determine eligibility for benefits, and make benefits available to eligible retired members. This does not mean that benefits will be distributed on a "per capita" basis, but simply that access to SRBR benefits will not be denied on the basis of protected status (e.g., race, sex, etc.) or place of residence.

D. Determine and administer payments made on behalf of eligible retired members to ACERA medical insurance coverage programs on a basis that is proportional to service with ACERA. The maximum contribution will be paid to those retired members with 20 years or more of qualified ACERA service credit, and members awarded a service connected disability retirement.

E. Structure dental and vision programs to minimize adverse selection through the mandatory enrollment of all eligible retired members.

F. Structure supplemental cost-of-living programs so as to benefit those members who have suffered the greatest erosion of their purchasing power, in a manner that sustains the ability to do so projected into the future.

G. Administer the SRBR program in accordance with the provisions of the applicable laws. Net earnings, account crediting, benefit costing and funding adequacy are to be determined according to law and using the same assumptions utilized by ~~The BOARD~~the Board for account administration and actuarial purposes or assumptions consistent with those activities.

## III. Supplemental Cost-of-Living

ACERA provides two different cost-of-living (COLA) allowances: 1) the Basic COLA, which is based on statute and is paid from the pension fund; and 2) the Supplemental COLA, which is paid for from the SRBR. Any changes made to the Basic COLA, which require no further approval, shall be effective April 1 and payable with the warrant issued at the end of April.

In addition to the statutory Basic COLA, ACERA may pay a Supplemental COLA, which provides a supplemental monthly payment designed to preserve 85% of the purchasing power of ACERA retired members and beneficiaries as calculated by the actuary pursuant to the methodology described in Government Code Section 31870.

The ~~BOARD~~Board shall review the ACERA COLA program each year and shall normally make any adjustments or recommendations at its February meeting.

## IV. Implicit Subsidy

The ~~BOARD~~Board believes that the ability of retired members to continue to participate in the County of Alameda (County)-sponsored medical benefit plans following retirement is a critical factor in maintaining a reasonable post-retirement quality of life.

The ~~BOARD~~ Board recognizes that continued retired member participation increases the cost to the plan sponsors and members. In times of fiscal difficulty, this additional cost may create pressures which may impact the participation of retired members in County-sponsored medical insurance plans.

The ~~BOARD~~ Board finds that the use of SRBR funds to support the ability of retired members to participate in the County-sponsored medical insurance plans is an appropriate use of the reserve benefiting retired members, dependents, and beneficiaries.

## V. Current Benefit Guidelines

In allocating the funds available through the SRBR, ~~The BOARD~~the Board will be guided by the following program guidelines:

### A. Medical Insurance Benefits

1. The ~~BOARD~~ Board shall review the ACERA retired member medical insurance program each year and shall, at the appropriate meeting, make any adjustments. Any change in medical insurance contribution amounts, out-of-area reimbursement amounts or Medicare Part B premium reimbursement amounts will be effective with the warrants issued at the end of the next January.

2. To the extent possible, all medical insurance benefits will be paid through a 401(h) account exchange with participating employers in order to minimize the tax consequences for ACERA members.

B. Any ~~BOARD~~ Board changes to the current ACERA SRBR benefit levels will take into consideration the advice of ACERA's actuary, legal counsel,

tax counsel, active and retired employees and their representatives, employers and/or consultants as may be advisable.

C. The ~~BOARD~~ Board retains the authority to add or delete programs or modify this Policy or these guidelines at any time, following public notice.

## VI. Long Term Goal Funding Policy

It is the intent of ~~The BOARD~~the Board to closely monitor the expenditures and contributions to the SRBR.

The ~~BOARD~~ Board will monitor the long-term funding implications of all of the existing programs, which provide benefits outlined in this Policy and any others that may be appropriate.

In managing the relationship between assets and liabilities, ~~The BOARD~~the Board shall manage approved SRBR benefits with a goal towards meeting the projected liabilities of the fund over a 15-year period, as determined by the actuary. If it is reported that current SRBR programs, which provide benefits, will not sustain for 15 years, benefit adjustments may be made based on the amount of funds needed in order to attain a prolonged lifespan of the fund without causing undue harm to beneficiaries.

## VII. Priority of Funding

In the event ~~The BOARD~~the Board, in its opinion, determines that the assets available in the SRBR are, at any point, insufficient to fund the projected liabilities of all of the benefits approved by ~~The BOARD~~the Board, then available SRBR assets shall be used to fund benefits in accordance with the following priorities:

A. Category I

First priority for funding shall be given to the following Category I benefits:

1. Retired Member Death Benefit
2. ACERA Monthly Medical Allowance
3. Supplemental Cost-of-Living Benefit
4. Medicare Part B Premium Reimbursement
5. Employer Reimbursement for Implicit Subsidy

If it becomes necessary to prioritize or allocate funds among Category I or Category II benefits, ~~The BOARD~~the Board shall make that determination when required.

B. Category II

Category II benefits shall be funded only when ~~The BOARD~~the Board, in its opinion, believes that adequate assets are available to fund the projected liabilities of all Category I benefits and additional assets remain to fund some or all of the following Category II benefits:

1. Dental Care Coverage Contribution
2. Vision Care Coverage Contribution

If it becomes necessary to prioritize or allocate funds among Category I or Category II benefits, ~~The BOARD~~the Board shall make that determination when required.

## VIII. Policy Review

The Retirees Committee shall review the SRBR Policy at least every two years to ensure it remains relevant, accurate and appropriate.

## Current ~~SRBR~~ Benefits

The following benefits have been approved by ~~The BOARD~~the Board provided that sufficient funds are available. This is a general description of the benefit elements including eligibility requirements for each benefit. If there is any conflict with the ~~'37 Act~~CERL or formal ~~BOARD~~ Board actions, the ~~'37 Act~~CERL or those actions prevail.

### Category I

RETIRED MEMBER DEATH BENEFIT

Eligibility: Beneficiaries of ACERA retired members. There is no minimum ACERA service credit requirement for this benefit.

Benefit Amount: A one-time payment of $1,000 will be paid upon the death of an ACERA retired member, if that member retired from ACERA as their last employer. If a reciprocal agency was the last employer and that agency pays less than a $1,000 death benefit, ACERA will supplement that benefit at a level which ensures the reciprocal retired member will receive ~~at least~~ a $1,000 death benefit when considering the amount of death benefit paid by all reciprocal retirement systems combined.

Effective Date: January 1, 2013[1]

~~ACERA~~ MONTHLY MEDICAL ALLOWANCE

Eligibility: Retired members with 10 or more years of ACERA service credit or members retired based on service connected disability benefits. See chart on page 9 for years of service structure.

Benefit Amount: **GROUP PLANS**

A Monthly Medical Allowance (MMA) is paid towards a retired member's medical plan premium when enrolled in an ACERA-sponsored group medical plan. The MMA is based on an amount determined by ~~The BOARD~~the Board. The maximum MMA amount is limited to the single-party premium or one hundred percent (100%) of the MMA amount, whichever is lower, for a retired member with 20 or more years of ACERA service credit or a retired member receiving service connected disability

[1] *The ~~BOARD~~ Board adopted Government Code Section 31789.12 in 1992*

benefits. The amount is prorated for retired members with less than 20 years of ACERA service credit. Plan premium costs that exceed the contribution are deducted from the retired member's monthly retirement allowance. Premium costs for enrolled dependents are deducted from the retired member's monthly allowance.

## INDIVIDUAL PLANS FOR EARLY (NON-MEDICARE) RETIREES LIVING OUTSIDE THE HMO SERVICE AREA (Effective January 1, 2016)

A Monthly Medical Allowance (MMA) is provided to eligible retired members as reimbursement for medical plan costs when they are enrolled in an Individual Plan through the Health Exchange. The reimbursement is paid to the eligible retired member by the Exchange through a Health Reimbursement Account (HRA). The MMA is set as a monthly amount based on years of ACERA service credit. Reimbursements may be made for premiums, co-pays and deductibles.

In order to be eligible to receive this category of MMA, the retiree must live outside the ACERA-sponsored medical plan HMO service areas.

Retired members enrolled in the Health Exchange, who return to work for a participating employer, lose eligibility for reimbursements during the period of employment based on Federal regulations.

## INDIVIDUAL PLANS FOR MEDICARE ELIGIBLE RETIREES

A Monthly Medical Allowance (MMA) is provided to eligible retired members as reimbursement for medical plan costs when they are enrolled in an Individual Plan through the Medicare Exchange. The reimbursement is paid to the eligible retired member by the Exchange through a Health Reimbursement Account (HRA). The MMA is set as a monthly amount based on years of ACERA service credit. Reimbursements may be made for premiums, co-pays and deductibles.

Retired members enrolled in the Medicare Exchange, who return to work for a participating employer, lose eligibility for reimbursements during the period of employment based on Federal regulations.

## YEARS OF ACERA SERVICE CREDIT STRUCTURE FOR MMA

The chart below demonstrates the percentage of MMA provided to eligible retired members in group plans and individual plans. Service connected disability recipients are eligible for the 20 + years of ACERA service credit contribution level.

| YEARS OF ACERA SERVICE CREDIT | CONTRIBUTION PERCENTAGE UP TO |
|---|---|
| 20 + | 100% |
| 15 through 19 | 75% |
| 10 through 14 | 50% |
| Under 10 | 0% |

SUPPLEMENTAL COST-OF-LIVING BENEFIT

Eligibility: Retired members of ACERA or their surviving beneficiaries who are receiving an ACERA allowance, and whose purchasing power, as measured by the Consumer Price Index (CPI), has eroded by 15% or more as defined by the ~~'37 Act~~CERL. There is no minimum ACERA service credit requirement for this benefit.

Benefit amount: As determined by the above formula.

Effective Date: April 1, 1999 for 1999 COLA Year
(To be paid with the warrant issued at the end of April)

MEDICARE PART B PREMIUM REIMBURSEMENT

Eligibility: Retired members with 10 years or more of ACERA service credit or members retired based on service connected disability who are enrolled in Medicare Part B.

Benefit Amount: Lowest Standard Medicare Part B premium amount

Effective Date: January 1, 1999
(Requires proof of Medicare Part B enrollment to be provided to ACERA)

EMPLOYER REIMBURSEMENT FOR IMPLICIT SUBSIDY

Eligibility: Any ACERA employer providing medical benefits coverage to ACERA retired members or beneficiaries through County-sponsored active employee medical benefit plans.

Benefit Amount: To be determined each year by ~~The BOARD~~the Board based on the cost of retired member participation and the availability of funding.

Effective Date: April 21, 2005

Funding Policy: In March of each year, ACERA staff shall independently verify the cost associated with retired member participation. The ~~BOARD~~ Board shall review the program in May and determine the amount, if any, of employer reimbursement based on the funding available and the overall SRBR program goals. Any reimbursement established by ~~The BOARD~~the Board shall be implemented as a credit against employer retirement contributions due ACERA.

## Category II

DENTAL CARE COVERAGE CONTRIBUTION

Eligibility: Retired members of ACERA who are receiving ACERA allowances with ten or more years of ACERA service credit, members retired based on service connected disability, or members retired based on non-service connected disability with effective retirement dates on or before January 31, 2014.

Benefit Amount: Retired member-only Dental plan premium in accordance with the established 401(h) account mechanism.

Effective Date: February 1, 2014

VISION CARE COVERAGE CONTRIBUTION

Eligibility: Retired members of ACERA who are receiving ACERA allowances with ten or more years of ACERA service credit, members retired based on service connected disability, or members retired based on non-service connected disability with effective retirement dates on or before January 31, 2014.

Benefit Amount: Retired member-only Vision plan premium in accordance with the established 401(h) account mechanism.

Effective Date: February 1, 2014

## Closed Benefit Plans

The following benefit plans are closed to new recipients.

- Emergency Subsidy – July 1, 1997 to March 1, 2001
- Health Equity Location Plan (HELP) – July 1, 1997 to March 1, 2001
- Retired Member Death Benefit – August 20, 1998 to December 31, 2012; benefit amount of $5,000.
- Active Death Equity Benefit (ADEB) – July 1, 1999 to December 31, 2012
- Dental Care Coverage Contribution – February 1, 1999 to January 31, 2013 for retired members with less than ten years of ACERA service credit, unless a member retired based on service connected disability, or a member retired based on non-service connected disability with an effective retirement date on or before January 31, 2014.
- Vision Care Coverage Contribution – February 1, 1999 to January 31, 2013 for retired members with less than ten years of ACERA service credit, unless a member retired based on service connected disability, or a member retired based on non-service connected disability with an effective retirement date on or before January 31, 2014.

## Policy History

~~A. The BOARD modified this policy on September 16, 2010.~~

~~B. The BOARD modified this policy on May 19, 2011.~~

~~C. The BOARD modified this policy on September 20, 2012.~~

~~D. The BOARD modified this policy on February 21, 2013.~~

~~E. The BOARD modified this policy on September 19, 2013.~~

~~F. The BOARD modified this policy on April 17, 2014.~~

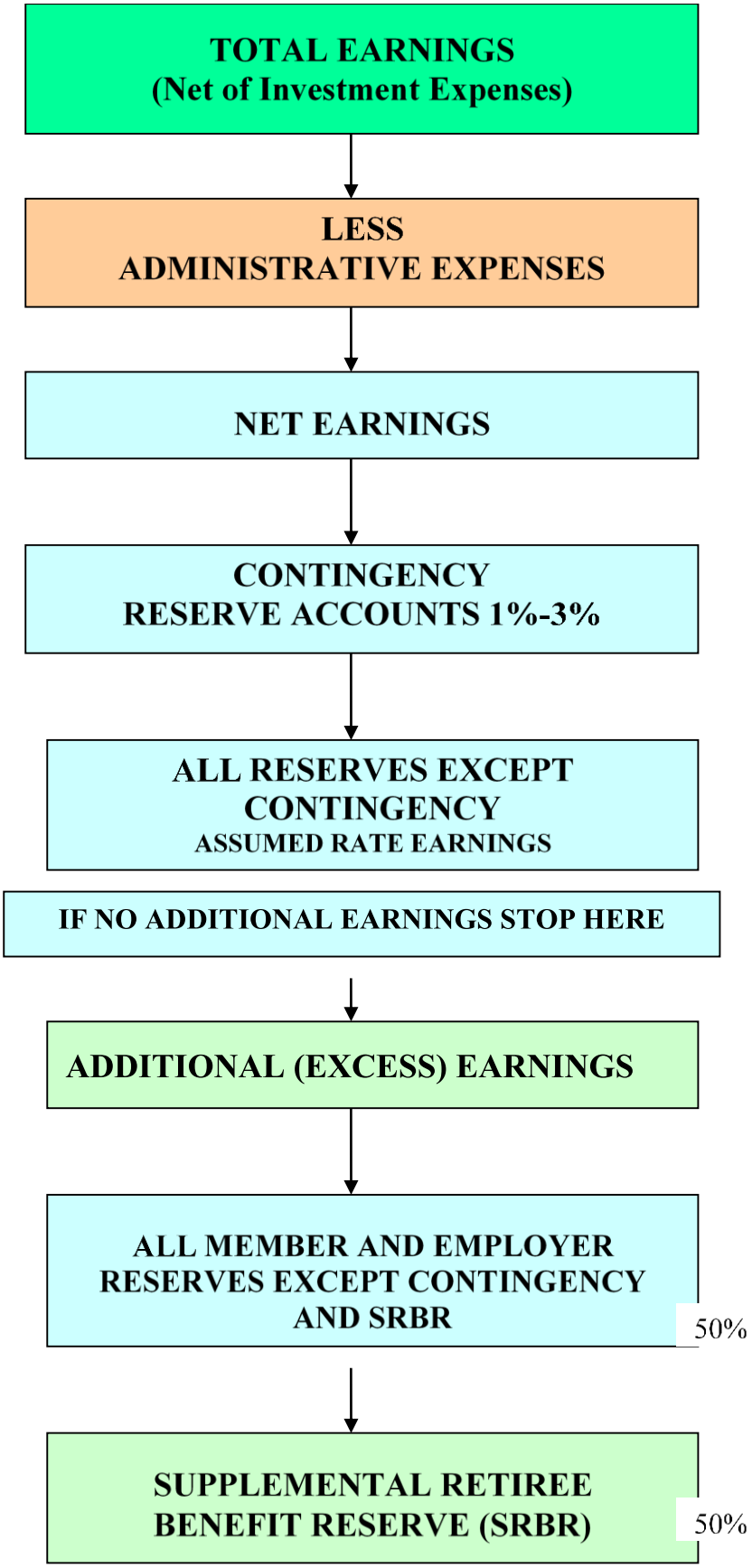
~~G. The BOARD modified this policy on September 17, 2015.~~

~~H. The BOARD modified this policy on May 25, 2017.~~

~~I. The BOARD affirmed this policy, without revisions, on October 17, 2019.~~

A. The Board reviewed and affirmed this policy, with revisions, on October 21, 2021[2]

[2] *Previous amendment dates all with revisions: September 16, 2010; May 19, 2011; September 20, 2012; February 21, 2013; September 19, 2013; April 17, 2014; September 17, 2015; and May 25, 2017; and affirmed without revisions October 17, 2019.*


TOTAL EARNINGS
(Net of Investment Expenses)
LESS
ADMINISTRATIVE EXPENSES
NET EARNINGS
CONTINGENCY
RESERVE ACCOUNTS 1%-3%
ALL RESERVES EXCEPT
CONTINGENCY
ASSUMED RATE EARNINGS
IF NO ADDITIONAL EARNINGS STOP HERE
ADDITIONAL (EXCESS) EARNINGS
ALL MEMBER AND EMPLOYER
RESERVES EXCEPT CONTINGENCY
AND SRBR
50%
SUPPLEMENTAL RETIREE
BENEFIT RESERVE (SRBR)
50%

MEMORANDUM TO THE OPERATIONS & RETIREE COMMITTEE

DATE: October 6, 2021

TO: Members of the Operations and Retiree Committee

FROM: David Nelsen, Chief Executive Officer

SUBJECT: Statement of Reserves and Supplemental Retirees Benefit Reserve (SRBR) Status as of June 30, 2021

**Statement of Reserves**

The Statement of Reserves as of June 30, 2021, is attached for your review. The semi-annual interest crediting as of June 30, 2021, was completed on August 25, 2021.

For the six-month period ended June 30, 2021, approximately $475.5 million of total interest was credited to all the valuation reserve accounts, including the 401(h) account and the SRBR.

- Regular earnings of $323.3 million were credited to the valuation reserve accounts, the 401(h) account and the SRBR at the assumed crediting rate of return of 3.6250%.
- 50% of $152.2 million ($76.1 million) earnings above the assumed rate of return (excess earnings) were posted to the valuation reserve accounts and the 401(h) account at crediting rate of 0.9527%.
- The remaining 50% of the $152.2 million ($76.1 million) earnings above the assumed rate of return (excess earnings) were posted to SRBR at the crediting rate of 8.1666%.

The total interest crediting rate to the valuation reserve accounts and the 401(h) account was 4.5777% and the total interest crediting rate to SRBR was 11.7916% (see table below).

| Earnings Classification | Valuation Reserve & 401(h) Accounts | | | SRBR | |
|---|---|---|---|---|---|
| | Amount | Rate | | Amount | Rate |
| Regular Earnings | $289,518,733 | 3.6250% | | $33,776,088 | 3.6250% |
| Excess Earnings | 76,092,239 | 0.9527% | | 76,092,239 | 8.1666% |
| **Total Interest Credited** | **$365,610,972** | **4.5777%** | | **$109,868,327** | **11.7916%** |

The process for crediting interest as of June 30, 2021, is presented in the table on the next page. Note that for this semi-annual interest crediting period, the Contingency Reserve Account (CRA) was restored to 1% of total assets as of June 30, 2021, and there was no subsequent withdrawal of funds from the CRA to meet interest crediting shortfalls.

| Interest Crediting Methodology as of June 30, 2021 | |
|---|---|
| Expected Actuarial Earnings for the period | $ 347,663,409.65 |
| 10 % Amortization of deferred amounts – (Sum of the last 10 periods) | 174,273,847.14 |
| **Actuarial earnings on a smoothed basis** | **521,937,256.79** |
| | |
| CRA adjustment to 1% of total assets as of 06/30/2021 | (46,457,957.40) |
| | |
| **Actuarial earnings available for interest crediting** | **475,479,299.39** |
| | |
| Interest credited at the assumed return rate of 3.6250% | 323,294,820.90 |
| | |
| **Excess Earnings - Earnings above the assumed rate of return** | **$ 152,184,478.49** |
| 50% of Excess Earning credited to the SRBR at the rate of 8.1666% | $ 76,092,239.25 |
| 50% of Excess Earning credited to the other reserves at the rate of 0.9527% | $ 76,092,239.24 |

There was a market ***gain*** of approximately $1,034.9 million for the six-month period ended June 30, 2021, which was higher than the expected actuarial earnings of approximately $347.7 million. As a result, $687.2 million in ***gains*** were added to the market stabilization reserve (the difference of the actual market ***gain*** and the expected actuarial earnings). In addition, $174.3 million of net ***gains*** from the previous ten (10) interest crediting cycles were recognized in the current interest crediting period. Thus, the market stabilization reserve increased from deferred ***gains*** of $643.3 million as of December 31, 2020, to $1,156.2 million in deferred ***gains*** as of June 30, 2021.

On June 29, 2021 ACERA received advance UAAL payments of $800 million from Alameda County to pay down the Safety membership UAAL and $12.6 million from LARPD for its General membership UAAL. These advance UAAL payments were booked as Deferred Inflows of Resources as of June 30, 2021 and the balances were not eligible to receive interest at this interest crediting cycle. The advance UAAL payments will be recognized in ACERA's Fiduciary Net Position at the next interest crediting cycle as of December 31, 2021 and will be eligible for interest crediting.

**Supplemental Retiree Benefit Reserve (SRBR) Status Report**

The 10-year history of SRBR activity through December 31, 2020, and the six-month period ended June 30, 2021, is attached for your review. The June 30, 2021, ending balance of the SRBR account is approximately $1,010.7 million.

The break-down of the total interest crediting rate is as follows:

- Regular earnings were credited at the assumed rate of return of 3.6250%.
- Earnings above the assumed rate of return (excess earning) were credited at the rate of 8.1666%.

The total interest credited to the SRBR for the six-month period ended June 30, 2021, was approximately $33.8 million of regular earning and $76.1 million of excess earnings.

For the six-month period ended June 30, 2021, the net deductions from SRBR were approximately $30.9 million. These deductions include the net transfer to/from the employer advance reserve of

$30.3 million (which includes net transfer of $22.8 for 401(h) contributions and $7.5 million transfer for implicit subsidy) as wells as payments of supplemental COLA and retired death benefits of $0.6 million.

Attachments:

- Statement of Reserves as of June 30, 2021.
- SRBR Status as of June 30, 2021.

## *ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION*
## *STATEMENT OF RESERVES*
## *For the Six Months Ended June 30, 2021*

| | Beginning Balances 1/1/2021 | Net Contributions Benefits, Refunds & Transfers 1/1 - 6/30/2021 | Interest Crediting Process 1/1 - 6/30/2021 (3.6250%) | Allocation of Excess Earnings 1/1 - 6/30/2021 (0.9527%) | Ending Balances 6/30/2021 |
|---|---|---|---|---|---|
| **Member Reserves:** | | | | | |
| **Active Member Reserves** | $ 1,640,497,313 | $ (31,255,977) | $ 55,717,628 [1] | 14,643,885 [1] | $ 1,679,602,849 |
| **Employer Advance Reserve** | 1,268,411,514 | 24,115,802 | 42,827,788 | 11,256,136 | 1,346,611,240 |
| **401(h) Account - OPEB** | 9,051,620 | (138,465) | 328,121 | 86,238 | 9,327,514 |
| **Total Employer Reserves** | 1,277,463,134 | 23,977,337 | 43,155,909 [1] | 11,342,374 [1] | 1,355,938,754 |
| **Retired Member Reserves** | 5,067,782,705 | (42,482,516) | 190,645,196 [1] | 50,105,980 [1] | 5,266,051,365 |
| **Supplemental Retiree Benefit Reserve:** | 931,754,157 | (30,877,501) | 33,776,088 [1] | 76,092,239 [1] | 1,010,744,983 |
| **Contingency Reserve** | 68,984,336 | | 46,457,957 [2] | | 115,442,293 |
| **Market Stabilization Reserve** | 643,285,705 | | | 512,921,584 | 1,156,207,289 |
| ***Total Reserves at Fair Value / Fiduciary Net Position*** | 9,629,767,350 | (80,638,657) | 369,752,778 | 665,106,062 | 10,583,987,533 |
| **Deferred Inflows of Resources** | | | | | |
| **County-Safety UAAL Advance Reserve** | - | 800,000,000 | | | 800,000,000 |
| **LARPD-General UAAL Advance Reserve** | - | 12,611,250 | | | 12,611,250 |
| ***Total Fiduciary Net Position & Deferred Inflows of Resources*** | $ 9,629,767,350 | $ 731,972,593 | $ 369,752,778 | $ 665,106,062 | $ 11,396,598,783 |

*Notes: 1. Interest credited as of 06/30/21 includes $323,294,820.90 of regular earnings and $152,184,478.49 excess earning allocation to the SRBR Reserve or Non-SRBR reserves.*

*2. Amount includes an increase of the CRA by $46,457,957.40 to restore the balance at 1% total assets as of 06/30/21; and no subsequent withdrawal of funds to cover part of the semi-annual interest crediting at 06/30/21. As a result, the CRA balance at 06/30/21 was 1.0% of total assets.*

## ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
## SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)
### For the Ten Years Ended December 31, 2011 - December 31, 2020 and the Six Months Ended June 30, 2021

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 6/30/2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Balance** | $624,166,664 | $ 602,906,726 | $570,878,929 | $643,056,500 | $789,826,877 | $853,842,371 | $874,385,246 | $893,770,614 | $919,488,617 | $924,709,823 | $ 931,754,157 |
| **Deductions:** | | | | | | | | | | | |
| Transferred to Employers Advance Reserve | 31,858,291 | 33,353,151 | 32,240,449 | 34,039,593 | 36,528,264 | 33,818,832 | 38,327,914 | 43,777,409 | 44,858,371 | 45,456,100 | 23,453,792 |
| Employers Implicit Subsidy | 4,402,603 | 4,411,206 | 7,370,466 | 6,992,822 | 5,320,953 | 6,021,451 | 8,787,596 | 5,800,563 | 6,899,139 | 6,446,702 | 7,484,411 |
| Supplemental Cost of Living | 2,556,221 | 2,345,527 | 2,067,218 | 1,849,140 | 1,555,924 | 1,350,784 | 1,231,500 | 1,134,613 | 1,181,244 | 1,116,523 | 493,648 |
| Death Benefit - Burial - SRBR | 746,102 | 791,492 | 5,525 | 223,529 | 213,909 | 187,081 | 187,060 | 196,576 | 216,834 | 230,747 | 134,150 |
| ADEB (Active Death) | 936,133 | 426,640 | - | - | - | - | - | - | - | - | - |
| Total Deductions | 40,499,351 | 41,328,016 | 41,683,658 | 43,105,084 | 43,619,050 | 41,378,148 | 48,534,070 | 50,909,161 | 53,155,588 | 53,250,072 | 31,566,001 |
| **Additions:** | | | | | | | | | | | |
| Interest Credited to SRBR | 19,239,412 | 9,300,219 | 38,786,516 | 54,031,947 | 62,722,797 | 60,730,023 | 66,715,938 | 64,827,682 | 57,022,294 | 58,878,406 | 33,776,088 |
| Excess Earnings Allocation | - | - | 75,074,713 (1) | 132,455,002 | 43,770,247 | - | - | 10,574,982 | - | - | 76,092,239 |
| 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 | 688,500 |
| Total Additions | 19,239,412 | 9,300,219 | 113,861,229 | 189,875,461 | 107,634,544 | 61,921,023 | 67,919,438 | 76,627,164 | 58,376,794 | 60,294,406 | 110,556,827 |
| **Ending Balance** | $602,906,726 | $ 570,878,929 | $643,056,500 | $789,826,877 | $853,842,371 | $874,385,246 | $893,770,614 | $919,488,617 | $924,709,823 | $931,754,157 | $ 1,010,744,983 |

**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: October 6, 2021

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Presentation on Hearing Aid Benefits**

Segal, ACERA's Benefits Consultant, will review the attached hearing aid benefits presentation, and discuss the following topics.

- Market analysis and cost
- ACERA's current hearing aid benefits
- Additional hearing aid providers

Attachment

Alameda County Employees' Retirement Association (ACERA)

# Hearing Aid Benefits

## ACERA Retirees Committee Meeting

Presented on October 6, 2021
Presented by Stephen Murphy



Segal

# Agenda

**Hearing Aid Market Analysis & Cost**

**Current Hearing Aid Benefits**

**Additional Hearing Aid Distribution Channels**

# Hearing Aid Market Analysis & Cost

**Market Analysis**

- Based on data provided by the National Institute of Deafness and Other Communication:
  - Approximately one in three people between the ages of 65 to 74 will experience hearing loss
  - Nearly half of individuals older than age 75 will have difficulty hearing
- The most common hearing aid benefit among Segal's clients is a $1,000 allowance per aid every three year

**Hearing Aid Costs**

- The average cost of a single hearing aid is $2,372, based on a 2019 survey conducted by Hearing Tracker
- Retail price for a pair of hearing aids vary from $3,000 to more than $5,000 per year
  - Price differentials depend on technology levels, features, and accessories/services

# Current Hearing Aid Benefits

ACERA's current hearing aid benefits are listed in the table below by each partner:

| Hearing Aid Benefits [1] | Kaiser | UHC | Via Benefits |
|---|---|---|---|
| Non-Medicare Plans | N/A | Up to $5,000 hearing aid allowance / every 36 months | N/A |
| Medicare Plans | Up to $1,000 hearing aid allowance per ear / every 36 months | N/A | Varies depending on plan offering |

[1] Hearing Aid Benefits were listed in ACERA's 2021 Retiree Enrollment Guide

# Additional Hearing Aid Distribution Channels

- ACERA's current dental and vision carriers offer access to discounted hearing aids listed in the table below:

| Hearing Aid Carriers | General Benefits |
|---|---|
| Amplifon (via Delta Dental) [2] | • 62% average savings off retail aid pricing [1]<br>• One-year of follow-up care for cleaning, adjustment, and other hearing aid services<br>• Two-year battery supply or charging station<br>• Three-year warranty with coverage of loss, repairs, or damage |
| TruHearing (via VSP) [3] | • 60% savings on latest brand-name hearing aids<br>• Three provider visits for fitting and adjustments<br>• 48 free batteries per hearing aid on all non-rechargeable aids<br>• Three-year manufacturer warranty for repairs and one-time loss and damage replacement |

- The list below contains organizations recognized as leaders in providing hearing aid benefits:
  - AudioNet America
  - Epic Hearing
  - HearUSA
  - NationsHearing
  - Virtual Hearing Solutions

[1] Average Savings was included in Delta Dental's Brochure
[2] Hearing Aid Benefits were provided on Amplifon's website
[3] Average Savings and Hearing Aid Benefits were included in VSP's Brochure

MEMORANDUM TO THE RETIREES COMMITTEE

| | |
|---|---|
| DATE: | October 6, 2021 |
| TO: | Members of the Retirees Committee |
| FROM: | Ismael Piña, Assistant Benefits Manager<br>Mike Fara, Communications Manager |
| SUBJECT: | **Final Report on Open Enrollment Preparation and Communications Materials, and Virtual Health and Wellness Fair Arrangements** |

ACERA's Open Enrollment period is approaching for our group plans. The attached presentation will be reviewed at the Retirees Committee meeting.

Attachment

# Open Enrollment & Virtual Retiree Health and Wellness Fair

## STATUS REPORT

Retirees Committee Meeting
October 6, 2021

CERA

# Open Enrollment Details

- Sept. 17 – Open enrollment packet materials finalized and sent to printer
- Sept. 24 – Health Fair postcard mailed
- Oct. 8 – Health Fair email blast/web news release
- Oct. 15 – Open enrollment packets targeted mailing date
  - Visit www.acera.org/OE for e-copies of full packet
  - Enrollment forms (medical, dental, vision) available at www.acera.org/enroll

# Open Enrollment Details (continued)

- Oct. 15 to Dec. 15 – Via Benefits open enrollment period
  - Oct. 15 to Dec. 7 – Medicare O/E
  - Nov. 1 to Dec. 15 – Non-Medicare O/E
  - Representatives ready for influx of calls
- Oct. 28 – Virtual Retiree Health and Wellness Fair
- Nov. 1 to Nov. 30 – Group plan open enrollment period
- Jan. 1 – Via Benefits plans effective date
- Feb. 1 – ACERA group plans effective date

# Open Enrollment Packet

- Envelope
- Intro letter
- Retiree Enrollment Guide
- Making your Via Benefits Reimbursements Easier pamphlet
- Getting Your Affairs in Order flyer
- Health Fair flyer
- 3 Carrier flyers (Kaiser, Delta Dental, VSP)
- REAC recruitment letter (paid for by REAC)

# Virtual Retiree Health and Wellness Fair

- Visit virtual health fair watch live presentations from carriers and vendors
- Access vendor virtual resources and learn about their services and benefits offered
- “Refresh” home wellness presentation from Kaiser
- Learn how to practice meditation, calmness exercises by clicking on the links and watching
- View event from any internet-connected device anywhere
- Complete the ACERA Survey to be entered into a drawing for a chance to receive a gift

# ACERA Virtual Retiree Health and Wellness Fair

- **When:**

  Thursday, October 28, 2021

- **Start Time:**

  10:00 AM

  Event will be available for On-Demand for later viewing at your leisure

- **Location:**

ACERA's website:
**www.acera.org/healthfair**

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 6, 2021

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Miscellaneous Updates**

This memo is to provide the Retirees Committee information on various monthly topics, which impact both retirees and ACERA Staff. This month's report provides information regarding: 1) the annual Medicare Part D Certificate of Coverage Notice mailing and posting to ACERA's website; and 2) Via Benefits updates.

**Annual Medicare Part D Certificate of Coverage Notice**

The Medicare Modernization Act (MMA) requires entities to annually notify Medicare eligible policyholders whether their prescription drug coverage is "creditable coverage", which means the coverage is expected to pay on average as much as the standard Medicare prescription drug coverage. The Centers for Medicare and Medicaid Services (CMS) requires all plan sponsors, such as ACERA, of health plans that provide prescription drug benefits to provide a Certificate of Creditable Coverage Notice to all plan participants prior to the Part D enrollment period. Due to the Patient Protection and Affordable Care Act (PPACA), the open enrollment period for Medicare Part D is from October 15th through December 7th. This Notice will be mailed and received prior to the October 15th deadline. A PDF copy of the Certificate of Creditable Coverage Notice will also be available for download from ACERA's website prior to the October 15th deadline. Retirees enrolled in individual medical plans through Via Benefits will also receive this Notice directly from their individual medical carriers.

**Via Benefits Updates**

- The Via Benefits Medicare Fall Newsletters were mailed starting August 26th through early September to the Medicare enrollees. The Pre-65 Fall Newsletters were mailed starting September 22nd, with the final phase to be mailed by October 6th.
- Balance Reminder Statements for Health Reimbursement Account holders were mailed in waves starting mid-September.