Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

RETIREES COMMITTEE/BOARD MEETING
NOTICE and AGENDA

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

ACERA MISSION:

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

Wednesday, October 7, 2020
10:30 a.m.

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. https://zoom.us/join Meeting ID: 815 6869 5858 Password: 581224 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193	**LIZ KOPPENHAVER, CHAIR**	**ELECTED RETIRED**
	JAIME GODFREY, VICE CHAIR	**APPOINTED**
	DALE AMARAL	**ELECTED SAFETY**
	KEITH CARSON	**APPOINTED**
	GEORGE WOOD	**ELECTED GENERAL**

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 are available online at www.acera.org.

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

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

Call to Order: 10:30 a.m.

Roll Call:

Public Input (Time Limit: 4 minutes per speaker)

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

1. **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, 2019.

   - Kathy Foster
   - Segal

   Recommendation
   Staff recommends that the Retirees Committee recommend to the Board of Retirement a motion to accept the December 31, 2019 Supplemental Retiree Benefit Reserve Actuarial Valuation prepared by Segal.

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, 2020.

   - Margo Allen

2. **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 2021 as well as the Virtual Retiree Health and Wellness Fair.

   - Ismael Piña
   - Mike Fara

3. **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 2021
- Adoption of Updates to Appendix A of 401(h) Account Resolutions

Establishment of Next Meeting Date

December 2, 2020, at 10:30 a.m.

Adjournment

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-29-20

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

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

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

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

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

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

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

IT IS HEREBY ORDERED THAT:

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

otherwise-applicable Medicaid time limits in emergency situations.

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

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

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

   In particular, any otherwise-applicable requirements that

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

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

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

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

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

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

   are hereby suspended.

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

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

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

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

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

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

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

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

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

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

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

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

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

GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 7, 2020

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, 2019**

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 2036. The results of this December 31, 2019 valuation indicate that the terminal year of OPEB benefits is again projected to be 2040, with full benefits paid through 2039 for a total of 20 full years and one partial year. The terminal year of Non-OPEB benefits is projected to be 2037, with full benefits paid through 2036 for a total of 17 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, one year 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 2021 and future years using its trend assumptions. The final valuation report used the actual 2021 premiums and subsidies, which were lower than the expected increases from 2020 to 2021.

As Segal reported during their preliminary presentation , the main reason the terminal year for the non-OPEB benefits is projected to be one year later than last year's projection is the low actual inflation of 2.45% in the Bay Area from 2018 to 2019 (as opposed to the inflation assumption of 3.00%), which decreased the supplemental COLA costs.

Andy Yeung, with Segal, will present this information in detail at the October 7th Retirees Committee meeting.

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement a motion to accept the December 31, 2019 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, 2019

Segal

Segal

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

September 23, 2020

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, 2019. 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 27, 2020. 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 27, 2020, together with the statutory pension benefits.

The December 31, 2019 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 Thomas Bergman, ASA, MAAA, Enrolled Actuary. 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
Senior Actuary

Thomas Bergman, ASA, MAAA, EA
Retiree Health 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, 2019 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 2021. 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, 2020.

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, 2020.

[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, 2019 GASB 74 report dated May 27, 2020.

[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, 2019 GASB 67 report dated May 27, 2020.

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.

Section 1: Introduction

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, 2019 pension valuation, including the use of a 7.25% investment return assumption.
- In the last SRBR valuation, we utilized the following medical trend assumptions:
  - All non-Medicare plans: starting at 7.00% (before increasing the first year trend by 1.20% to reflect the reinstatement of the Health Insurance Tax (HIT)[1]) for 2019 to 2020, reduced by 0.25% for each year until it reaches 4.50% after 10 years.
  - All Medicare Advantage plans: starting at 6.50% (before increasing the first year trend by 0.90% to reflect the reinstatement of the HIT[1]) for 2019 to 2020, reduced by 0.25% for each year until it reaches 4.50% after 8 years.

  For this valuation, we recommended to the Board in our letter dated May 6, 2020 that the medical trend assumptions be revised to the following:
  - All non-Medicare plans: starting at 6.75% (before decreasing the first year trend by 1.20% to reflect the repeal of the HIT[2]) for 2020 to 2021[3], reduced by 0.25% for each year until it reaches 4.50% after 8 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[2]) for 2020 to 2021[3], reduced by 0.25% for each year until it reaches 4.50% after 6 years.
- The Board acted to leave the 2021 Monthly Medical Allowance (MMA) unchanged from 2020 in July 2020. The maximum MMA for ACERA sponsored plans and individual (out-of-area) non-Medicare plans remains at $578.65 and the maximum MMA for individual Medicare plans remains at $443.28, for 2021.
- For years after 2021 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.
- 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

[1] The HIT was imposed by the Affordable Care Act (ACA) on some health insurance companies. Congressional budgetary actions placed a moratorium on these fees for calendar years 2017 and 2019. Segal understands that these fees were reflected in premiums for calendar year 2020.

[2] The repeal of certain aspects of the ACA at the end of 2020 removes the HIT effective calendar 2021.

[3] After we released our preliminary high-level summary letter dated May 6, 2020, the Association approved premiums for 2021. We have used those actual 2021 premiums in this study in lieu of estimating those premiums by using the 5.55% (6.75% minus 1.20% for removal of the HIT) assumption for non-Medicare plans and the 5.35% (6.25% minus 0.90% for removal of the HIT) assumption for Medicare plans.

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, 2019.
- 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 2040[4], while non-OPEB benefits can be paid through 2037[4]. Last year, it was projected that OPEB benefits could be paid through 2040 and non-OPEB benefits could be paid through 2036.

  Note that the OPEB sufficiency period has changed from that originally shown of through 2039 in our May 6, 2020 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 2021 medical plan premium renewals and subsidies and we have used the actual 2021 premiums and subsidies in our updated projection shown herein. On average, the premium increases for non-Medicare plans (3.60%) were lower than our expected 5.55% increase from 2020 to 2021, and the premium change (a decrease of 7.13%) for the Medicare plan (Kaiser Senior Advantage) was much lower than our expected 5.35% increase from 2020 to 2021.
- The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be one year later than it was in last year's study is the somewhat low actual inflation of 2.45% in the Bay Area from 2018 to 2019 (versus the inflation assumption of 3.00%), which decreased the supplemental COLA costs. For supplemental COLA benefits, the excess of inflation over the cost of living allowance (i.e., 3.00% for Tiers 1 and 3, and 2.00% for Tiers 2, 2C, 2D, and 4) is banked for future years when inflation may be less than the cost of living allowance. A supplemental COLA benefit would be paid when a member's COLA bank exceeds 15%. Due to the actual inflation of 2.45% in 2019 for the San Francisco-Oakland-Hayward Area, the April 1, 2020 COLA banks decreased by 0.50% for Tiers 1 and 3 and increased by 0.50% for Tiers 2, 2C, 2D, and 4 over the banks as of the prior year. Based on the inflation assumption of 3.00%, the April 1, 2020 COLA banks for Tiers 1 and 3 were expected to remain at the same level and the April 1, 2020 COLA banks for Tiers 2, 2C, 2D and 4 were expected to increase by 1.00%. Since the COLA banks have either decreased (for Tiers 1 and 3) or increased by a lower than expected amount (for Tiers 2, 2C, 2D, and 4), it is expected to take more time for members to accumulate a bank in excess of 15%, which results in a decrease in the present value of providing supplemental COLA benefits. Moreover, the supplemental COLA benefit is decreased for Tiers 1 and 3 retired members and beneficiaries who already have a COLA bank in excess of 15% (i.e., a decrease of 0.50%). For Tiers 2, 2C, 2D and 4 retired

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

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

- The funded ratio of the OPEB liabilities is 82.7% The funded ratio of the non-OPEB liabilities is 20.7% The comparable funded ratios were 87.6% and 21.7% for the OPEB and non-OPEB liabilities, respectively, as of December 31, 2018.
- 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, 2019. As we indicated on page 22 of our December 31, 2019 actuarial valuation report for the Pension Plan, the Association had deferred investment gains of $260.7 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of that date. The deferred gains of $260.7 million represent 3.0% of the market value of assets as of December 31, 2019. If one-half of the net deferred gain after restoring the Contingency Reserve to 1% of total assets were recognized immediately in the valuation value of assets, there would be an increase in the SRBR Reserve of approximately $82.0 million to pay OPEB benefits and $3.8 million to pay non-OPEB benefits.[5]
- 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 2020/2021, 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.
- Previously, the projected payments did not include any excise tax on high cost medical plans because we did not believe the amount of MMA subsidy paid by ACERA would be above the threshold for those plans (“Cadillac” plans) imposed by the Affordable Care Act and related statutes. In this year’s calculation, we have continued to exclude such excise tax especially with the recent repeal of that tax for all plans.[6]
- 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 27, 2020. Similarly, we understand

[5] It is important to note that the December 31, 2019 actuarial valuation is based on plan assets as of that same date. Due to the COVID-19 pandemic, market conditions have changed significantly since the valuation date. The Plan’s actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. While it is impossible to determine how the market will perform over the next several months, and how that will affect the results of next year’s valuation, Segal is available to prepare projections of potential outcomes upon request.

[6] The excise tax on high-cost health plans was repealed effective December 20, 2019.

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 27, 2020.

- The Coronavirus (COVID-19) pandemic is rapidly evolving and is having a significant impact on the US economy in 2020, 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, 2019
  - Changes in interest rates since December 31, 2019
  - Short-term or long-term impacts on mortality of the covered population
  - The potential for federal or state fiscal relief
  - Short-term increases in health plan costs related to the testing or treatment of COVID-19

Each of the above factors could significantly impact these results. The above factors generally will not have an impact on the December 31, 2019 valuation, since that is based on a snapshot of assets and liabilities prior to recent events. Given the high level of uncertainty and fluidity of the current events, you may wish to consider updated estimates to monitor the plan's financial status. We will keep you updated on emerging developments.

Summary of OPEB Valuation Results

Without Limiting Liabilities to Current Assets	December 31, 2019[1]	December 31, 2018
Actuarial Present Value of Projected Benefits		
• Medical	$1,211,903,000	$1,119,902,000
• Dental and Vision	113,758,000	108,777,000
• **Total**	**$1,325,661,000**	**$1,228,679,000**
Actuarial Accrued Liability		
• Medical[2]	$980,968,000	$918,842,000
• Dental and Vision[3]	93,224,000	88,739,000
• **Total**	**$1,074,192,000**	**$1,007,581,000**
Actuarial Value of Assets (Exhibit B)	$888,184,000	$883,013,000
Unfunded Actuarial Accrued Liability	186,008,000	124,568,000
Funded Ratio	82.7%	87.6%
Year Current Assets will be Exhausted[4]	2040	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, 2020.

[2] Of the amount shown, $546.3 million is attributable to members currently receiving this benefit as of December 31, 2019 and $517.8 million is attributable to members receiving this benefit as of December 31, 2018. For treatment of implicit subsidy, see page 23.

[3] Of the amount shown, $53.8 million is attributable to members currently receiving this benefit as of December 31, 2019 and $50.8 million is attributable to members receiving this benefit as of December 31, 2018.

[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, 2019[1]	December 31, 2018
Actuarial Present Value of Projected Benefits		
• Supplemental COLA	$231,434,000	$216,613,000
• Retiree Death Benefit	4,621,000	4,510,000
• **Total**	**$236,055,000**	**$221,123,000**
Actuarial Accrued Liability		
• Supplemental COLA[2]	$191,303,000	$177,506,000
• Retiree Death Benefit	4,246,000	4,134,000
• **Total**	**$195,549,000**	**$181,640,000**
Actuarial Value of Assets (Exhibit B)	$40,430,000	$39,366,000
Unfunded Actuarial Accrued Liability	155,119,000	142,274,000
Funded Ratio	20.7%	21.7%
Year Current Assets will be Exhausted[3]	2037	2036

[1] These results will be used as the basis for the next GASB 67 valuation report based on a measurement date of December 31, 2020.

[2] Of the amount shown, $10.9 million is attributable to members currently receiving this benefit as of December 31, 2019 and $9.9 million is attributable to members receiving this benefit as of December 31, 2018.

[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, 2019

	Annual Benefit Cash Flows			Present Value as of December 31, 2019 of Projected Benefits through Year End		
Year Ending December 31	Medical[1]	Dental and Vision	Non-OPEB[2]	OPEB[3]	Non-OPEB	Total
2020	$50,491,551	$4,558,913	$1,279,969	$53,157,229	$1,235,950	$54,393,179
2021	51,017,914	4,831,244	1,253,808	103,440,171	2,364,797	105,804,968
2022	54,389,529	5,115,547	1,250,242	153,393,077	3,414,341	156,807,418
2023	58,203,351	5,408,661	1,263,801	203,183,817	4,403,550	207,587,367
2024	61,965,084	5,713,725	1,269,333	252,576,754	5,329,927	257,906,681
2025	65,796,411	6,020,941	1,286,020	301,446,968	6,205,037	307,652,005
2026	69,665,279	6,336,489	1,534,688	349,668,526	7,178,765	356,847,291
2027	73,507,816	6,658,181	2,015,419	397,093,864	8,371,065	405,464,929
2028	77,086,134	6,986,210	2,889,875	443,468,029	9,965,115	453,433,144
2029	80,591,816	7,316,764	4,172,782	488,680,361	12,111,222	500,791,583
2030	84,199,511	7,660,832	5,601,044	532,731,425	14,797,169	547,528,594
2031	87,978,062	8,008,122	7,089,573	575,649,454	17,967,109	593,616,563
2032	91,390,153	8,348,811	8,735,371	617,230,804	21,608,901	638,839,705
2033	95,103,780	8,696,035	10,570,616	657,579,827	25,717,906	683,297,733
2034	98,544,977	9,031,101	12,338,814	696,569,971	30,190,017	726,759,988
2035	101,708,635	9,364,250	14,069,535	734,106,135	34,944,700	769,050,835
2036	104,712,293	9,688,568	16,007,240	770,153,526	39,988,537	810,142,063
2037	107,524,141	10,006,907	1,501,838[4]	804,683,785	40,429,772	845,113,557
2038	110,509,662	10,315,540	-	837,782,221	40,429,772	878,211,993
2039	113,022,770	10,620,636	-	869,363,055	40,429,772	909,792,827
2040	72,205,877[4]	6,826,047[4]	-	888,184,713	40,429,772	928,614,485

[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] 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.

Actuarial Certification

September 23, 2020

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, 2019, 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 the 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
Senior Actuary

Thomas Bergman, ASA, MAAA, EA
Retiree Health Actuary

Section 3: Valuation Details

Exhibit A – Table of Plan Coverage – Members Receiving SRBR Benefits as of December 31, 2019

	Current Retirees
Category 1 – Medical	
• Number	6,575
• Average in force monthly medical reimbursements for 2020 (excluding Medicare Part B)	$427
• Average maximum (based on service at retirement) monthly medical reimbursements for 2020 (excluding Medicare Part B)	$501
• Monthly Medicare Part B premium reimbursements for 2020	$145
Category 1 - Supplemental COLA	
• Number	476
• Average monthly supplemental COLA for 2020[1]	$203
Category 2 – Dental and Vision	
• Number	7,741
• Average monthly medical reimbursements for 2020	$46
Category 2 – Retiree Death Benefit	
• Number[2]	Not Available
• Average lump sum benefits for 2020	$1,000

[1] Estimate of supplemental COLA payable as of December 31, 2019. The average benefit does not take into account any adjustments to the members' COLA banks as of April 2020.
[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, 2019	December 31, 2018
401(h) Account (Allocated to OPEB)	$10,415,000	$9,830,000
Supplemental Retiree Benefits Reserve		
• OPEB	$877,769,000[1]	$873,183,000[2]
• Non-OPEB	40,430,000	39,366,000
• SRBR Total	$918,199,000	$912,549,000
Total	**$928,614,000**	**$922,379,000**

Total Present Value of Projected SRBR Benefits Payable Through Terminal Year of the SRBR	December 31, 2019	December 31, 2018
Present Value of Projected OPEB Payable Through Terminal Year of the SRBR		
Medical	$813,352,000	$808,482,000
Dental and Vision	74,832,000	74,531,000
Total	**$888,184,000**	**$883,013,000**
Present Value of Projected Non-OPEB Payable Through Terminal Year of the SRBR		
Supplemental COLA	$37,325,000	$36,297,000
Retiree Death Benefit	3,105,000	3,069,000
Total	**$40,430,000**	**$39,366,000**
Grand Total	**$928,614,000**	**$922,379,000**

[1] 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.

[2] Adjusted to reflect estimated transfer of $6,939,808 (provided by ACERA) from SRBR to employer advance reserve for reimbursement of implicit retiree health benefit subsidy for calendar year 2018.

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, 2013 through November 30, 2016 Actuarial Experience Study report dated September 6, 2017, and in our letters both dated May 6, 2020 regarding the health trend assumptions and regarding the recommended parameters to reflect the demographic driven changes, for the December 31, 2019 SRBR retiree health actuarial valuation. 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* • **General Members and All Beneficiaries:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected generationally with the two-dimensional MP-2016 projection scale. • **Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected generationally with the two-dimensional MP-2016 projection scale. *Disabled* • **General Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward seven years for males and set forward four years for females, projected generationally with the two-dimensional MP-2016 projection scale. • **Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward two years for males and with no set forward for females, projected generationally with the two-dimensional MP-2016 projection scale. The RPH-2014 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 and Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Employee Mortality Tables multiplied by 80%, projected generationally with the two-dimensional MP-2016 projection scale.

	Rate (%)			
	General[1]		Safety[1]	
Age	Male	Female	Male	Female
20	0.05	0.02	0.05	0.02
25	0.05	0.02	0.05	0.02
30	0.05	0.02	0.05	0.02
35	0.05	0.03	0.05	0.03
40	0.06	0.04	0.06	0.04
45	0.10	0.07	0.10	0.07
50	0.17	0.11	0.17	0.11
55	0.27	0.17	0.27	0.17
60	0.45	0.24	0.45	0.24
65	0.78	0.36	0.78	0.36

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

[1] Generational projections beyond the base year (2014) are not reflected in the above mortality rates.

Disability Incidence:

	Rate (%)	
Age	General	Safety
20	0.00	0.00
25	0.01	0.03
30	0.03	0.26
35	0.05	0.58
40	0.08	0.73
45	0.19	0.78
50	0.31	1.52
55	0.38	2.00
60	0.43	2.60

60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected disabilities.

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

Section 4: Supporting Information

Termination:

Less Than Five Years of Service

Years of Service	Rate (%)	
	General	Safety
0-1	11.00	4.00
1-2	9.00	3.50
2-3	8.00	3.50
3-4	6.00	2.50
4-5	6.00	2.00

60% of all terminated members with less than 5 years of service are assumed to choose a refund of contributions. The other 40% are assumed to choose a deferred vested benefit.

Five or More Years of Service

Age	Rate (%)	
	General	Safety
20	6.00	2.00
25	6.00	2.00
30	5.40	2.00
35	4.40	1.70
40	3.40	1.20
45	3.00	1.00
50	3.00	1.00
55	3.00	1.00
60	3.00	0.40

35% of all terminated members with 5 or more years of service are assumed to choose a refund of contributions. The other 65% are assumed to choose a deferred vested benefit.

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Section 4: Supporting Information

Retirement Rates:

	Rate (%)[1]							
	General				Safety			
Age	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1[2]	Tier 2, 2D[2]	Tier 2C[2]	Tier 4
49	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00
50	4.00	2.00	6.00	0.00	35.00	15.00	4.00	4.00
51	4.00	2.00	3.00	0.00	30.00	15.00	2.00	2.00
52	4.00	2.00	5.00	4.00	25.00	15.00	2.00	2.00
53	4.00	2.00	6.00	1.50	35.00	15.00	3.00	3.00
54	4.00	2.00	6.00	1.50	45.00	15.00	6.00	6.00
55	6.00	2.00	12.00	2.00	45.00	15.00	10.00	10.00
56	8.00	3.00	13.00	2.50	45.00	15.00	12.00	12.00
57	10.00	4.00	13.00	3.50	45.00	15.00	20.00	20.00
58	12.00	4.00	14.00	3.50	45.00	20.00	10.00	10.00
59	14.00	5.00	16.00	4.50	45.00	20.00	15.00	15.00
60	20.00	7.00	21.00	6.00	45.00	30.00	60.00	60.00
61	20.00	9.00	20.00	8.00	45.00	30.00	60.00	60.00
62	35.00	15.00	30.00	18.00	45.00	30.00	60.00	60.00
63	30.00	16.00	25.00	15.00	45.00	30.00	60.00	60.00
64	30.00	18.00	25.00	17.00	45.00	50.00	60.00	60.00
65	35.00	25.00	30.00	22.00	100.00	100.00	100.00	100.00
66	35.00	25.00	25.00	25.00	100.00	100.00	100.00	100.00
67	30.00	25.00	25.00	25.00	100.00	100.00	100.00	100.00
68	30.00	30.00	25.00	30.00	100.00	100.00	100.00	100.00
69	35.00	35.00	50.00	35.00	100.00	100.00	100.00	100.00
70	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
71	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
72	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
73	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
74	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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

[2] 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 Safety Retirement Age: 56 Future deferred vested members who terminate with less than five years of service and who are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit. 30% of future General and 60% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 3.90% and 4.30% compensation increases are assumed per annum for General and Safety, respectively.
Measurement Date:	December 31, 2019
Discount Rate:	7.25%
Future Benefit Accruals:	1.0 year of service per year of employment, plus 0.003 years of additional service for General members and 0.006 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.
Consumer Price Index:	Increase of 3.00% per year. Retiree COLA increases due to CPI are subject to a 3% 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.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 3.00% per year from the valuation date.
Increase in Section 7522.10 Compensation Limit:	Increase of 3.00% per year from the valuation date.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

Section 4: Supporting Information

Salary Increases:

The annual rate of compensation increase includes:

- Inflation at 3.00%, 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	4.80	7.80
1-2	4.80	7.80
2-3	3.90	7.00
3-4	2.40	4.40
4-5	1.90	3.50
5-6	1.60	2.30
6-7	1.50	1.60
7-8	1.10	1.00
8-9	0.80	1.00
9-10	0.80	0.90
10-11	0.50	0.80
11 & Over	0.40	0.80

Terminal Pay Assumptions:

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

	Service Retirement	Disability Retirement
General Tier 1	8.0%	6.5%
General Tier 2	3.0%	1.4%
General Tier 3	8.0%	6.5%
General Tier 4	N/A	N/A
Safety Tier 1	8.5%	6.4%
Safety Tier 2	3.5%	2.1%
Safety Tier 2C	3.5%	2.1%
Safety Tier 2D	3.5%	2.1%
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 2020 was assumed to be $46.28. The monthly Medicare Part B premium reimbursement for 2020 is $144.60. For calendar year 2020, 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%	$785.44	$578.65
United Healthcare HMO Current Network	10%	$1,087.80	$578.65
Via Benefits Individual Insurance Exchange[4]	10%	N/A[4]	$578.65
United Healthcare HMO SVA Network	0%	$831.92	$578.65
Age 65 and Older			
Kaiser Senior Advantage	75%	$411.54	$578.65
Via Benefits Individual Insurance Exchange	25%	$326.61[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 2020 from the Health Reimbursement Account for members with 20 plus years of service is shown in the table on the following page. We have also derived the amount expected to be paid for members with 10-14 and 15-19 years of service.

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 2019	$213.73	$320.59	$427.46
2.	Total of Maximum MMA (From Jan. 2019 to Dec. 2019)	$479,281	$784,907	$4,958,001
3.	Total of Actual Reimbursement (From Jan. 2019 to Dec. 2019)	$368,871	$573,300	$3,092,110
4.	Ratio of Actual Reimbursement to Maximum 2019 MMA [(3) / (2)]	76.96%	73.04%	62.37%
5.	Average Monthly Per Capita Cost for 2019 [(1) x (4)]	$164.49	$234.16	$266.59
6.	Maximum MMA for 2020	$221.64	$332.46	$443.28
7.	Increase in Average Monthly per Capita Cost due to the Change in Maximum MMA from 2019 to 2020 [(6) / (1)] x (5)	$170.58	$242.83	$276.46
8.	Increase for Expected Medical Trend (7.40%[(1)]) from 2019 to 2020 [(7) x 1.074]	$183.20	$260.80	$296.91
9.	Increase for Additional 10% Margin for 2019 Expenses Incurred in 2019 but Reimbursed after December 2019 [(8) x 1.10]	**$201.52**	**$286.88**	**$326.61**

[(1)] 6.50% medical trend for Medicare Plans plus 0.90% for 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 $9,828 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			
	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$11,635	$13,252	$8,127	$10,641
55	13,817	14,265	10,874	12,317
60	16,409	15,376	14,558	14,285
64	18,826	16,312	18,377	16,078

Not all ACERA employers are receiving an implicit subsidy reimbursement from the Association. For SRBR sufficiency purposes, we have adjusted (by about a 17% reduction of the costs shown above) 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.

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**: 80% of eligible members **Upon Attaining Age 65**: 90% of eligible members
Part B Subsidy	**Under Age 65**: 80% of eligible members (disabled only) **Upon Attaining Age 65**: 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 2021 calendar year premium for Kaiser (under age 65) is $810.72 per month ($785.44 increased by 3.22%).

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[3]	Via Benefits & Kaiser Senior Advantage[4]	Dental and Vision	Medicare Part B
2020	6.75%[1],[2]	6.25%[1],[2]	4.00%[1]	4.50%
2021	6.50	6.00	4.00	4.50
2022	6.25	5.75	4.00	4.50
2023	6.00	5.50	4.00	4.50
2024	5.75	5.25	4.00	4.50
2025	5.50	5.00	4.00	4.50
2026	5.25	4.75	4.00	4.50
2027	5.00	4.50	4.00	4.50
2028	4.75	4.50	4.00	4.50
2029 & Later	4.50	4.50	4.00	4.50

(1) The actual trends are shown below, based on premium renewals for 2021 as reported by ACERA.

Kaiser HMO Early Retiree	United Healthcare HMO Early Retiree	Kaiser Senior Advantage	Dental and Vision
3.22%	5.77%	-7.13%	3.98%

(2) Before reducing the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the repeal of the Health Insurance Tax (HIT).

(3) Non-Medicare plans.

(4) Medicare plans.

Assumed Increase in Annual Maximum Benefits:

For the "substantive plan design" shown in this report, we have assumed:

1. Maximum medical allowance for 2021 will remain unchanged from $578.65 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.
2. Dental and vision premium reimbursement will increase with full trend.
3. Medicare B premium reimbursement will increase with full trend.

Section 4: Supporting Information

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 two years 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. 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.

Eligibility:	
Service Retirees:	Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)
Disabled Retirees:	A minimum of 10[1] years of service is required for non-duty disability. There is no minimum service requirement for duty disability.
Other Postemployment Benefits (OPEB):	
Monthly Medical Allowance	
Service Retirees:	For retirees, a Maximum Monthly Medical Allowance of $578.65 per month is provided, effective January 1, 2020 and through December 31, 2020. For the period January 1, 2021 through December 31, 2021, the maximum allowance will remain at $578.65 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 will be $443.28 per month for 2020 and 2021. These Allowances are subject to the following subsidy schedule:

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

Disabled Retirees:	Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.

[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. To qualify for reimbursement, a retiree must: • Have at least 10 years of ACERA service, • Be eligible for Monthly Medical Allowance, • 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 will be $46.28 in 2020 and $48.12 in 2021. 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. 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. 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. 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. 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.

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MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: October 7, 2020

TO: Members of the Operations and Retiree Committee

FROM: Margo Allen, Fiscal Services Officer

SUBJECT: Statement of Reserves and Supplemental Retirees Benefit Reserve (SRBR) Status as of June 30, 2020

Executive Summary

The Statement of Reserves as of June 30, 2020, is attached for your review. The semi-annual interest crediting as of June 30, 2020, was completed on August 25, 2020.

For the six-month period ended June 30, 2020, approximately $234.8 million of total interest was credited to all the valuation reserve accounts, including the 401(h) account and the SRBR.

- Regular earnings of $234.8 million were credited to the valuation reserve accounts, the 401(h) account and the SRBR at the rate of return of 2.7537%, short of one half of the assumed crediting rate of return of 3.6250%.
- The earnings were below the expected rate of return and as a result there was no crediting of earnings above the assumed rate of return (excess earnings).

The total interest crediting rate to the valuation reserve accounts and the 401(h) account as well as the SRBR was 2.7537% (see table below).

Earnings Classification	Valuation Reserve & 401(h) Accounts			SRBR	
	Amount	Rate		Amount	Rate
Regular Earnings	$209,382,175	2.7537%		$25,464,093	2.7537%
Excess Earnings	0	0.0000%		0	0.0000%
Total Interest Credited	**$209,382,175**	**2.7537%**		**$25,464,093**	**2.7537%**

The process for crediting interest as of June 30, 2020, 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, 2020, and the entire balance of $83,861,668 was subsequently withdrawn from the CRA to fund the interest crediting shortfall. Without the use of the CRA funds the interest crediting rate would've been 1.7704%.

Interest Crediting Methodology as of June 30, 2020	
Expected Actuarial Earnings for the period	$ 317,318,138.87
10 % Amortization of deferred amounts – (Sum of the last 10 periods)	(82,471,870.30)
Actuarial earnings on a smoothed basis	**234,846,268.57**
CRA adjustment to 1% of total assets as of 06/30/2020	(83,861,667.61)
Actuarial earnings available for interest crediting at the rate 1.7704%	***150,984,600.96***
CRA usage to cover the interest crediting shortfall	83,861,667.61
Total amount to credit interest at 2.7537%	**$ 234,846,268.57**

There was a market ***loss*** of approximately $507.1 million for the six-month period ended June 30, 2020, which was lower than the expected actuarial earnings of approximately $317.3 million. As a result, $824.4 million in ***losses*** were added to the market stabilization reserve (the sum of the actual market ***loss*** and the expected actuarial earnings). In addition, $82.5 million of net ***losses*** from the previous ten (10) interest crediting cycles were recognized in the current interest crediting period. Thus, the market stabilization reserve decreased from deferred ***gains*** of $260.7 million as of December 31, 2019, to $481.2 million in deferred ***losses*** as of June 30, 2020.

Supplemental Retiree Benefit Reserve (SRBR) Status Report

The 10-year history of SRBR activity through December 31, 2019, and the six-month period ended June 30, 2020, is attached for your review. The June 30, 2020, ending balance of the SRBR account is approximately $921.8 million.

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

- Regular earnings were credited at the assumed rate of return of 2.7537%.
- No earnings above the assumed rate of return (excess earning) were credited.

The total interest credited to the SRBR for the six-month period ended June 30, 2020, was approximately $25.5 million of regular earning and $0.0 of excess earnings.

For the six-month period ended June 30, 2020, the net deductions from SRBR were approximately $28.4 million. These deductions include the net transfer to/from the employer advance reserve for 401(h) contributions of $27.7 million as wells as payments of supplemental COLA and retired death benefits of $0.7 million.

Attachments:

- Statement of Reserves as of June 30, 2020.
- SRBR Status as of June 30, 2020.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF RESERVES
For the Six Months Ended June 30, 2020

	Beginning Balances 1/1/2020	Net Contributions Benefits, Refunds & Transfers 1/1 - 6/30/2020	Interest Crediting Process 1/1 - 6/30/2020 (2.7537%)	Allocation of Excess Earnings 1/1 - 6/30/2020 (0.0000%)	Ending Balances 6/30/2020
Member Reserves:					
Active Member Reserves	$ 1,581,322,252	$ (28,339,971)	$ 40,782,855 [1]	- [1]	$ 1,593,765,136
Employer Advance Reserve	1,159,079,408	18,221,463	29,496,937	-	1,206,797,808
401(h) Account - OPEB	10,415,538	(1,602,471)	286,817	-	9,099,884
Total Employer Reserves	1,169,494,946	16,618,992	29,783,754 [1]	- [1]	1,215,897,692
Retired Member Reserves	4,853,063,581	(34,852,718)	138,815,566 [1]	- [1]	4,957,026,429
Supplemental Retiree Benefit Reserve:	924,709,823	(28,399,762)	25,464,094 [1]	- [1]	921,774,155
Contingency Reserve	-		- [2]		-
Market Stabilization Reserve	260,688,449			(741,891,246)	(481,202,797)
Total Reserves at Fair Value	$ 8,789,279,051	$ (74,973,459)	$ 234,846,269	$ (741,891,246)	$ 8,207,260,615

Notes: 1. Interest credited as of 06/30/20 includes $234,846,268.57 of regular earnings and no excess earning allocation to either the SRBR Reserve or Non-SRBR reserves.

2. Amount includes an increase of the CRA by $83,861,667.61 to restore the balance at 1% total assets as of 06/30/20; and subsequent withdrawal of the entire $83,861,667.61 to cover the semi-annual interest crediting shortfall at 06/30/20. As a result, the CRA balance at 06/30/20 was 0.0% of total assets.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)
For the Ten Years Ended December 31, 2010 - December 31, 2019 and the Six Months Ended June 30, 2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	6/30/2020
Beginning Balance	$ 658,702,779	$624,166,664	$ 602,906,726	$570,878,929	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823
Deductions:											
Transferred to Employers Advance Reserve	29,459,690	31,858,291	33,353,151	32,240,449	34,039,593	36,528,264	33,818,832	38,327,914	43,777,409	44,858,371	22,002,308
Employers Implicit Subsidy	5,287,767	4,402,603	4,411,206	7,370,466	6,992,822	5,320,953	6,021,451	8,787,596	5,800,563	6,899,139	6,446,702
Supplemental Cost of Living	2,984,499	2,556,221	2,345,527	2,067,218	1,849,140	1,555,924	1,350,784	1,231,500	1,134,613	1,181,244	572,128
Death Benefit - Burial - SRBR	810,675	746,102	791,492	5,525	223,529	213,909	187,081	187,060	196,576	216,834	106,124
ADEB (Active Death)	828,274	936,133	426,640	-	-	-	-	-	-	-	-
Total Deductions	39,370,904	40,499,351	41,328,016	41,683,658	43,105,084	43,619,050	41,378,148	48,534,070	50,909,161	53,155,588	29,127,262
Additions:											
Interest Credited to SRBR	4,834,790	19,239,412	9,300,219	38,786,516	54,031,947	62,722,797	60,730,023	66,715,938	64,827,682	57,022,294	25,464,093
Excess Earnings Allocation	-	-	-	75,074,713 (1)	132,455,002	43,770,247	-	-	10,574,982	-	-
Transferred from Employers Advance Reserve		-	-	-	3,388,512 (2)	1,141,500	1,191,000	1,203,500	1,224,500	1,354,500	727,500
Total Additions	4,834,790	19,239,412	9,300,219	113,861,229	189,875,461	107,634,544	61,921,023	67,919,438	76,627,164	58,376,794	26,191,593
Ending Balance	$ 624,166,664	$602,906,726	$ 570,878,929	$643,056,500	$789,826,877	$853,842,371	$874,385,246	$893,770,614	$919,488,617	$924,709,823	$921,774,155

Notes

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

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

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

MEMORANDUM TO THE RETIREES COMMITTEE

DATE:	October 7, 2020
TO:	Members of the Retirees Committee
FROM:	Ismael Piña, Assistant Benefits Manager 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 7, 2020

CERA

Open Enrollment Details

- Sept. 21 – Open enrollment packet materials finalized and sent to printer
- Oct. 1 – 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

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. 30 – 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
- 3 Carrier Flyers (Kaiser, Delta Dental, VSP)

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
- View a Qigong presentation and participate in Qigong exercises from your home
- 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:**

  Friday, October 30, 2020

- **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**

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: October 7, 2020

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Miscellaneous Updates**

This memo is to provide the Retirees Committee information on various monthly topics, which impact both retirees and ACERA Staff. This month's report provides information regarding: 1) the annual Medicare Part D Certificate of Coverage Notice mailing and posting to ACERA's website; 2) Via Benefits updates; and 3) a summary of the executive orders addressing prescription drugs.

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 to the Medicare enrollees. The Pre-65 Fall Newsletters will be mailed starting October 28th.
- Balance Reminder Statements for Health Reimbursement Account holders were mailed in waves starting late September.

Executive Orders Aimed at Lowering Prescription Drug Prices

Segal, ACERA's Benefits Consultant, will review the attached summary regarding the executive orders that were issued related to prescription drugs.

Attachment

Segal

Stephen Murphy
Vice President
smurphy@segalco.com

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

Memorandum

To: Kathy Foster, Assistant Chief Executive Officer, ACERA

From: Stephen Murphy, Vice President

Date: September 23, 2020

Re: Executive Orders Aimed at Lowering Prescription Drug Prices

On July 24, 2020, President Trump released three executive orders on drug pricing that direct the secretary of Health and Human Services (HHS) to take action. Subsequent executive orders were issued on August 6, 2020, and September 13, 2020.

Sponsors of group health plans are not required to take any action at this time. However, the situation bears monitoring, as drug pricing has been an important driver of healthcare costs and various options for lowering prices have been proposed by both the administration and Congress.

This memo summarizes each executive order.

Importation of prescription drugs
The first executive order directs the secretary of HHS to take action to expand safe access to lower-cost imported prescription drugs by:

- Permitting waivers allowing individual importation
- Authorizing the re-importation of insulin
- Permitting importation of certain prescription drugs from Canada

All three proposals require that public safety of the imported medications be considered by HHS.

Elimination of PBM rebates and other non-point-of-sale price reductions in Medicare Part D program
The second executive order directs HHS to complete its rulemaking to amend the safe harbor regulations concerning discounts under the federal anti-kickback statute. The order also directs the secretary of HHS to publicly confirm that the rule will not increase Federal spending, Medicare beneficiary premiums or patients' total out-of-pocket costs.

Further action is required by HHS before any changes in rebates could occur.

Mandated pass-through of federal discount on prices
The third executive order affects Federally Qualified Health Centers (FQHCs) that receive discounted prices through the 340B Prescription Drug Program on prescription drugs. The order directs HHS to take action to ensure future grants available under the Public Health Service Act

are conditioned upon an FQHC making insulin and injectable epinephrine available to individuals at the discounted price.

Production of prescription drugs in the U.S.
The fourth executive order directs federal agencies to take actions to increase the production of essential medicines, medical equipment and protective gear in the U.S. Once implemented, the order will require that certain "essential" drugs and medical equipment purchased by the federal government be manufactured domestically.

The order directs the FDA to develop a list of which drugs and supplies are "essential." The order also requires various agencies to address vulnerabilities in the drug supply chain and to take action to streamline certain regulations.

"Most-Favored-Nation" pricing for Medicare Part B and Part D
The most recent executive order directs HHS to either continue its rulemaking process (with respect to Part B) or begin the rulemaking process (with respect to Part D) to test payment models that would assure that the Medicare program does not pay more for costly prescription drugs than the "most-favored-nation" price. This price would be the lowest price paid by certain other countries in the Organization for Economic Co-operation and Development.

These executive orders cover familiar ground
Many of the issues addressed in the executive orders are not new. The administration raised them before, either in previous executive orders, proposed regulations or the administration's Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs.

In 2019, HHS and the Food and Drug Administration (FDA) released information about their efforts to allow importation of prescription drugs, including creating two pathways toward importation and a proposed rule permitting importation from Canada. On September 10, 2020, after the issuance of the executive order, FDA sent a final rule and industry guidance to the White House for final review.

An HHS rule proposed in February 2019 would have eliminated prescription drug rebates and permitted discounts to participants at the point-of-sale. The Congressional Budget Office estimated in 2019 that the HHS proposed rule would cost the federal government $177 billion over a 10-year period. For a variety of reasons that rulemaking was abandoned by the summer of 2019, but the executive order is expected to restart that effort.

A proposed rule establishing an international pricing model for the Medicare Part B program has been awaiting final clearance by the White House for over a year. This executive order could speed its final review and publication.

Considerations and concerns
Several states have asked for permission to import prescription drugs. However, significant concerns about importation have centered on how to assure the safety of prescription drugs imported or re-imported into the U.S. Another issue is whether Canada would permit importation due to fears of supply shortages for Canadians.

It is unclear how HHS can accomplish the goals of the February 2019 proposed rule on prescription drug rebates while at the same time eliminating any increases in federal spending or in Medicare Part D premiums. It will be interesting to see what policies HHS advances with respect to the most-favored-nation pricing, especially for Part D.

For plan sponsors, no action required yet

Plan sponsors do not need to take action in response to these executive orders. They should monitor regulatory activity as it develops. Final rules could have an impact on plan costs for prescription drugs or the cost of Medicare Part D prescription drug programs. Once issued, these final rules may require a careful review of contracts with PBMs to ensure those contracts accurately reflect current developments.

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