Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

RETIREES COMMITTEE/BOARD MEETING
NOTICE and AGENDA

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

Wednesday, June 4, 2025
9:30 a.m.

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

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

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

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

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

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

Call to Order: 9:30 a.m.

Roll Call

Public Input (Time Limit: 4 minutes per speaker)

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

1. Implicit Subsidy for 2024

Discussion and possible motion regarding Staff's recommendation that the Committee recommend that the Board authorize Staff to transfer $2,453,953 from the ACERA Supplemental Retiree Benefit Reserve to the Alameda County Advance Reserve as the Implicit Subsidy for Plan Year 2024.

- Carlos Barrios
- Stephen Murphy, Segal
- Michael Szeto, Segal

2. Declaration of Intent to Fund Implicit Subsidy for 2026

Discussion and possible motion regarding Staff's recommendation that the Committee recommend that the Board adopt a Statement of Intent to fund the Implicit Subsidy for Plan Year 2026.

- Carlos Barrios
- Stephen Murphy, Segal
- Michael Szeto, Segal

3. Award of Contract for Plan Year 2026 after Dental Care Provider Request for Proposal

Discussion and possible motion regarding Staff's recommendation that the Committee recommend to the Board that it contract with the finalist of the dental care provider Request for Proposal for Plan Year 2026, subject to successful contract negotiations.

- Carlos Barrios
- Stephen Murphy, Segal
- Michael Szeto, Segal

4. Award of Contract for Plan Year 2026 after Vision Care Provider Request for Proposal

Discussion and possible motion regarding Staff's recommendation that the Committee recommend to the Board that it contract with the finalist of the vision care provider Request for Proposal for Plan Year 2026, subject to successful contract negotiations.

- Carlos Barrios
- Stephen Murphy, Segal
- Michael Szeto, Segal

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

1. Presentation and Report on Health Care Inflation/Trends

Staff and Segal, ACERA's Actuary and Benefits Consultant, will provide information and report on health care inflation factors for 2025.

- Carlos Barrios
- Andy Yeung, Segal
- Stephen Murphy, Segal
- Michael Szeto, Segal

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

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

- Carlos Barrios
- Andy Yeung, Segal
- Eva Yum, Segal

3. Discussion of Monthly Medical Allowance for 2026

Staff will present for discussion Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2025 and 2026 Plan Years.

- Carlos Barrios

4. Report on Health Reimbursement Arrangement Account Balances and Reimbursements

Staff will present a status report on the final 2024 Health Reimbursement Arrangement Account balances, and total reimbursement amounts for Medicare eligible retirees and early retirees living outside the HMO service area enrolled in medical plans through Via Benefits.

- Jessica Huffman

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

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

- Mike Fara
- Jessica Huffman

Trustee Remarks

Future Discussion Items

- Adoption of 2026 Monthly Medical Allowance for Group Plans
- Adoption of 2026 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2026 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

Establishment of Next Meeting Date

July 2, 2025, at 9:30 a.m.

Adjournment

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios Assistant Chief Executive Officer

SUBJECT: **Implicit Subsidy for Health Plan Year 2024**

On February 15, 2007, the Board of Retirement adopted a series of resolutions authorizing the establishment of a mechanism to reimburse the County of Alameda (County) for the additional expense associated with the enrollment of pre-65 ACERA retirees in County-sponsored health benefit plans. Specifically, **Resolution 07-30 Use of SRBR Under Article 5.5 and Section 31592.4** states that ACERA is authorized to transfer funds "not greater than such retiree implicit subsidy".

Attached is a letter from the County providing the final Implicit Subsidy amount for 2024, as calculated by its Consultant, Newfront. Also attached is a letter from ACERA's Benefits Consultant, Segal, verifying that the correct Implicit Subsidy reimbursement for Plan Year 2024 is $2,453,953.

Last year, the County determined the final Implicit Subsidy amount for Plan Year 2023 was $4,037,312, and estimated the 2024 Implicit Subsidy amount to be $2,472,346 (38.76% lower than the 2023 actual amount).

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $2,453,953 from the Supplemental Retiree Benefit Reserve account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for Plan Year 2024.

Attachments (2)

alameda county
Human Resource Services
Our community. Your purpose.

Employee Benefits Center
1405 Lakeside Drive
Oakland, CA 94612-4305
Ph: 510-891-8991 | Fax: 510-891-8976
Email: emailEBC@acgov.org

March 11, 2025

Sent Via US Mail & Email

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

RE: 2024 Final Implicit Subsidy Calculation and 2025 Estimate

Dear Carlos:

Newfront has completed the calculation of the Implicit Subsidy for which the County of Alameda ("County") is responsible on behalf of Alameda County Retiree Association ("ACERA") early retirees for the year 2024.

2024/2025 Implicit Subsidy Calculation

Following our established procedure, Newfront calculated the subsidy based on the total premium cost for the 2024 plan year. For this purpose, enrollment figures were based on the average monthly data from February 2024 through January 2025. The details of our calculations can be found in the attached spreadsheets.

The total 2024 Implicit Subsidy amounts to $2,453,953, which represents a 39.2% decrease (approximately $1,583,359) compared to the 2023 subsidy of $4,037,312.

This change is attributed to the following factors:

- Kaiser: The County's active population was predominantly enrolled in Kaiser for the 2024 plan year (80.4%). The ratio of active unblended to blended rates decreased from 2.8% in 2023 to 1.4% in 2024.
- UHC: The ratio of active unblended to blended rates for UHC decreased from 2.5% in 2023 to 1.7% in 2024.

The shift in Kaiser's ratio reflects a more favorable risk profile for active claims experience in 2024 compared to the ACERA risk profile underwritten for 2023. Meanwhile, the reduction in UHC's ratio is due to a less favorable risk profile in 2024, again compared to the 2023 ACERA risk profile.

Calculation Breakdown for 2024:

1. Total premium for County of Alameda active employees using blended rates: $170,772,945
2. Total premium for County of Alameda active employees using unblended rates: $168,318,992
3. Implicit Subsidy (1) – (2): **$2,453,953**

2025 Implicit Subsidy Estimate

For 2025, we have applied the same methodology, utilizing the 2025 premium rates and February 2025 enrollment figures. The details of these calculations can also be found in the attached spreadsheets.

Our estimate for the 2025 Implicit Subsidy shows a significant increase of 382% (approximately $6,936,733) compared to the 2024 subsidy. This change is due to the following:

- Kaiser: The ratio of active unblended to blended rates for Kaiser, where 80.5% of the County's active population is enrolled, increased from 1.4% in 2024 to 6.4% in 2025.
- UHC: The ratio for UHC increased from 1.7% in 2024 to 2.6% in 2025.

Calculation Breakdown for 2025:

1. Total premium for County of Alameda active employees using blended rates: $183,770,141
2. Total premium for County of Alameda active employees using unblended rates: $174,379,455
3. Implicit Subsidy (1) – (2): **$9,390,686**

Once you and your consultant have reviewed this letter and the attached calculations, I would be happy to arrange a Teams call to discuss further and address any questions you may have.

Best regards,

Ava Lavender
HR Division Manager, Benefits

Copy: Margarita Zamora

Enclosure

Segal

Stephen Murphy
Senior Vice President
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500 North Brand Boulevard
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Glendale, CA 91203-3338
segalco.com

May 27, 2025

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

Re: ACERA Final 2024 and Estimated 2025 Implicit Subsidy Analysis

Dear Carlos:

Segal has completed the review of the County of Alameda's Final 2024 and Estimated 2025 Implicit Subsidies.

The Final 2024 Implicit Subsidy requested by the County is $2,454,000 for the average active enrollment from February 2024 through January 2025. The 2024 subsidy is requested for the employees in Premium and Standard plans offered by Kaiser and United Healthcare, which includes the Signature Value and Signature Value Advantage networks of United Healthcare.

The 2025 Implicit Subsidy is estimated to be $9,390,700 based on annualized February 2025 enrollment. The 2025 subsidy is estimated for employees in Premium and Standard plans offered by Kaiser and United Healthcare. The plans offered have not changed from the prior year.

The plans and enrollment provided by the County and their consultant are consistent with our understanding of the ACERA health plans. We reviewed the enrollment and rates to verify that the effect of blending was revenue neutral over the combined active and retiree population.

In our opinion, the Final 2024 and Estimated 2025 Implicit Subsidies stated in this letter are reasonable given the information provided. We did not find any reason to withhold approval of the requested 2024 Implicit Subsidy.

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

Sincerely,

Stephen Murphy
Senior Vice President
CA Insurance License #0724515

Attachment (5937275)

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

ACERA
Implicit Subsidy Summary (2012-2025)

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	Year *													
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Actual														
Kaiser Permanente	$ 5,531,428	$ 3,835,549	$ 3,800,100	$ 4,620,708	$ 7,361,748	$ 5,131,871	$ 5,294,803	$ 5,495,470	$ 5,736,765	$ 3,487,076	$ 6,422,492	$ 3,133,406	$ 1,751,862	N/A
UnitedHealthcare	$ 1,839,038	$ 3,157,273	$ 1,520,853	$ 1,400,743	$ 1,425,848	$ 668,692	$ 1,604,336	$ 951,232	$ 1,747,645	$ 2,106,846	$ 1,419,723	$ 903,904	$ 702,090	N/A
Total	**$ 7,370,466**	**$ 6,992,822**	**$ 5,320,953**	**$ 6,021,451**	**$ 8,787,596**	**$ 5,800,563**	**$ 6,899,139**	**$ 6,446,703**	**$ 7,484,411**	**$ 5,593,922**	**$ 7,842,215**	**$ 4,037,310**	**$ 2,453,952**	**N/A**
% Change Over Prior year	N/A	-5.12%	-23.91%	13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%	-25.26%	40.19%	-48.52%	-39.22%	N/A
$ Change Over Prior year	N/A	$ (377,644)	$ (1,671,869)	$ 700,498	$ 2,766,145	$ (2,987,033)	$ 1,098,576	$ (452,436)	$ 1,037,708	$ (1,890,489)	$ 2,248,293	$ (3,804,905)	$ (1,583,358)	N/A
Estimated														
Kaiser Permanente	N/A	$ 3,836,331	$ 3,783,943	$ 3,918,304	$ 7,429,284	$ 5,157,389	$ 5,308,241	$ 5,549,141	$ 5,785,530	$ 3,499,713	$ 6,508,029	$ 3,183,005	$ 1,758,685	$ 8,205,408
UnitedHealthcare	N/A	$ 3,156,701	$ 1,431,412	$ 1,406,198	$ 1,435,991	$ 672,894	$ 1,631,567	$ 961,735	$ 1,763,154	$ 2,152,900	$ 1,473,447	$ 932,994	$ 713,660	$ 1,185,278
Total	**N/A**	**$ 6,993,032**	**$ 5,215,355**	**$ 5,324,502**	**$ 8,865,275**	**$ 5,830,283**	**$ 6,939,808**	**$ 6,510,876**	**$ 7,548,684**	**$ 5,652,613**	**$ 7,981,476**	**$ 4,115,999**	**$ 2,472,345**	**$ 9,390,686**
% Change Over Prior year	N/A	N/A	-25.42%	2.09%	66.50%	-34.23%	19.03%	-6.18%	15.94%	-25.12%	41.20%	-48.43%	-39.93%	279.83%
$ Change Over Prior year	N/A	N/A	$ (1,777,677)	$ 109,147	$ 3,540,773	$ (3,034,992)	$ 1,109,525	$ (428,932)	$ 1,037,807	$ (1,896,070)	$ 2,328,863	$ (3,865,477)	$ (1,643,654)	$ 6,918,341
% Change Actual vs. Estimated	**N/A**	**0.0%**	**2.0%**	**13.1%**	**-0.9%**	**-0.5%**	**-0.6%**	**-1.0%**	**-0.9%**	**-1.0%**	**-1.7%**	**-1.9%**	**-0.7%**	**N/A**
$ Change Actual vs. Estimated	**N/A**	**$ (210)**	**$ 105,598**	**$ 696,949**	**$ (77,679)**	**$ (29,720)**	**$ (40,669)**	**$ (64,173)**	**$ (64,273)**	**$ (58,691)**	**$ (139,261)**	**$ (78,689)**	**$ (18,393)**	**N/A**

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

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Intent to Fund Implicit Subsidy Program for Plan Year 2026**

In establishing the Implicit Subsidy Program, the Board of Retirement recognized the marked impact on utilization and projected premiums of the participation of pre-65 retirees (early retirees) in the County of Alameda's (County) health plan contracts. As the plan sponsor, the County has a legitimate financial interest in ascertaining whether ACERA will continue to support the Implicit Subsidy Program when negotiating enrollment and premium provisions.

The Implicit Subsidy cost for the current Plan Year 2025 is estimated by the County to be $9,390,686. The estimated 2025 subsidy is significantly higher than the actual 2024 Implicit Subsidy ($2,453,953). The reasons stated for the significant increase compared to the 2024 amount (approximately $6,936,733) are due to the following:

- "Kaiser: The ratio of active unblended to blended rates for Kaiser, where 80.5% of the County's active population is enrolled, increased from 1.4% in 2024 to 6.4% in 2025.
- UHC: The ratio for UHC increased from 1.7% in 2024 to 2.6% in 2025."

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy Program for health Plan Year 2026, following a determination by ACERA at the end of Plan Year 2026 that the amount is not greater than the actual retiree Implicit Subsidy.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Dental Care Provider Request for Proposal and Awarding Contract for Plan Year 2026**

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

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award a contract for ACERA's retiree dental care coverage to Delta Dental (incumbent), the firm with the highest rating as a result of the Request for Proposal process for Plan Year 2026.

Attachment

Alameda County Employees' Retirement Association (ACERA)

Dental Plan Request for Proposal (RFP)

Summary of Results

ACERA Retirees Committee Meeting

Presented on June 4, 2025
Presenters: Stephen Murphy & Michael Szeto

Segal

Agenda

1. Dental Plan Overview
2. RFP Objectives and Bidder List
3. Finalist Selection and Scoring Process
4. Finalist Summary
5. Recommendation
6. Appendices
   i. A-1: Financial Analysis Non-Participating Contract
   ii. A-1: Financial Analysis Participating Contract
   iii. A-2: Network Provider Disruption Analysis (DPPO)
   iv. A-3: Network Provider Disruption Analysis (DHMO)
   v. A-4: Current Dental Benefits (DPPO)
   vi. A-5: Current Dental Benefits (DHMO)
   vii. A-6: RFP Facilitators and Scorers

Dental Plan Overview

- **Effective February 1, 2021**
  - RFP resulted in a three-year rate guarantee with a not-to-exceed increase of 5.0% for years four (4) and five (5) of the contract
- **Effective February 1, 2023**
  - Plan Enhancements
    - Added Diagnostic and Preventive (D&P) Services Waiver for Premier and Non-Network Providers
      - D&P services (i.e., exams, x-rays, and cleanings) do not count towards the Annual Maximum Benefit (AMB)
    - Increased the AMB from $1,000 to $1,300 for Premier and Non-Network Providers to mitigate the impact of dentists voluntarily exiting the Delta Dental provider network
- **Effective February 1, 2024**
  - Increased AMB from $1,300 to $1,900 for PPO, Premier, and Non-Network Providers to align ACERA's dental plan with the County's active plan

RFP Objectives and Bidder List

RFP Objectives:

- Assess financial competitiveness of ACERA's existing relationship with Delta Dental
- Examine opportunities to maintain or improve participant accessibility to preferred providers
- Update performance criteria consistent with current standards and best practices

Bidder List:

- Fourteen carriers were invited to submit proposals for ACERA's DPPO and DHMO plans
  - Two bidders declined to submit proposals due to their concerns about matching Delta Dental's provider network and/or presenting a financially competitive proposal

Vendor	Status
Aetna	Did Not Respond
Ameritas	Bid
Anthem	Declined
Assurant	Did Not Respond
Blue Shield	Declined
Cigna	Bid
Dental Health Services	Did Not Respond
Delta Dental (incumbent)	Bid
Guardian	Declined
Liberty Dental	Did Not Respond
MetLife	Bid
UCCI	Did Not Respond
UHC (Spectra)	Declined
Western Dental Services	Bid

Finalist Selection and Scoring Process

Delta Dental was selected as the finalist based on their financial proposal's impact on ACERA and its members, as well as their ability to minimize disruptions to existing patient/provider relationships.

Scoring Process:

ACERA's Selection Committee scored proposals based on a combination of quantitative and qualitative metrics.

- Quantitative Metrics:
  - Financial benefits to ACERA and its members
  - Provider network's breadth and consistency with existing patient relationships
- Qualitative Metrics:
  - Demonstrated experience serving public sector organizations with a significant concentration of retirees
  - Accessibility and responsiveness of Customer Services and designated Account Team to address the needs of ACERA members and staff

Ranking	Finalists	ACERA Selection Committee Score
1	Delta Dental (Participating)	Ranges from 71.7 to 72.5 (Depending on Proposed Option)
2	Delta Dental (Non-Participating)	71.2
3	Cigna (Non-Participating)	Ranges from 64.3 to 65.2 (Depending on Proposed Option)

Note: Maximum Score is 100 points.

Finalist Summary Non-Participating Contracts

	Delta Dental	Cigna Option 1A: Implants Not Covered	Cigna Option 1B: Implants Covered
Financial Impact:			
Premium Change (%)	• DPPO: 8.4% Increase • DHMO: (10.0%) Decrease • Combined: 8.2% Increase	• DPPO: 20.0% Increase • DHMO: (22.7%) Decrease • Combined: 19.4% Increase	• DPPO: 24.9% Increase • DHMO: (22.7%) Decrease • Combined: 24.3% Increase
Projected ACERA Contribution Change Over Guarantee Period (%)	• DPPO: 8.4% Increase • DHMO: (10.4%) Decrease • Combined: 8.2% Increase	• DPPO: 25.4% Increase • DHMO: (23.4%) Decrease • Combined: 24.6% Increase	• DPPO: 30.5% Increase • DHMO: (23.4%) Decrease • Combined: 29.7% Increase
Premium Rate Guarantee Period	• 3 Years	• 3 Years	• 3 Years
Miscellaneous	• Annual Wellness Credit: $10,000	• Annual Wellness Credit: $10,000 • Network Recruitment Guarantee: $15,000	• Annual Wellness Credit: $10,000 • Network Recruitment Guarantee: $15,000

Finalist Summary Participating Contract

	Delta Dental (Existing Funding Arrangement)
Financial Impact:	
Premium Change (%)	DPPO: 6.5% Increase DHMO: (10.0%) Decrease Combined: 6.3% Increase
Projected ACERA Contribution Change Over Guarantee Period (%)	DPPO: 6.5% Increase DHMO: (10.4%) Decrease Combined: 6.2% Increase
Premium Rate Guarantee Period	3 Years
Miscellaneous	Annual Wellness Credit: $10,000

DPPO Premium Stabilization Reserve (PSR) Overview	**PSR Usage of 49%**
PSR Reserve as of February 2025 ($)	$2,815,000
Projected PSR Usage ($)	$1,379,000
Projected Remaining Balance ($)	**$1,436,000**

Recommendation

ACERA's Selection Committee and Segal recommend awarding Delta Dental (Incumbent) with the existing participating DPPO and fully-insured DHMO dental contracts for the following reasons:

- Delta Dental's proposed premium rates on either a non-participating or participating basis are lower than those proposed by the alternative bidders
- Under Delta Dental's participating contract arrangement:
  - ACERA can leverage a portion of the projected $2.8M Premium Stabilization Reserve (PSR) to buy down the proposed increase for the DPPO plan, and;
  - Secure a three-year rate guarantee for the DPPO and DHMO plans
- Patient/Provider disruption with Delta Dental, compared to the alternative bidders, would be minimized
- Participant benefits associated with utilizing Delta Dental network providers include:
  - No balance billing for provider charges in excess of the negotiated network fees
  - Application of negotiated network fees even after the Annual Maximum Benefit has been met

Appendices

A-1: Financial Analysis Non-Participating Contract

	Current	Proposed Premiums (2/1/2026-1/31/2029)							
	Delta Dental	Delta Dental (Incumbent)	Delta Dental BAFO [2]	Ameritas	Cigna	Cigna Option 1A BAFO [3] Implants Not Covered	Cigna Option 1B BAFO [3] Implants Covered	MetLife	Western Dental
DPPO Plan - Non-Participating (Alternative)									
Voluntary (<10 Years of Service)	$ 904,000	$ 989,000	$ 980,000	$ 1,076,000	$ 853,000	$ 848,000	$ 883,000	$ 904,000	
Mandatory (10+ Years of Service)	7,033,000	7,699,000	7,625,000	8,746,000	8,719,000	8,676,000	9,032,000	8,012,000	
Total DPPO Plan Premiums	**$ 7,937,000**	**$ 8,688,000**	**$ 8,605,000**	**$ 9,822,000**	**$ 9,572,000**	**$ 9,524,000**	**$ 9,915,000**	**$ 8,916,000**	
$ Change from Current		$ 751,000	$ 668,000	$ 1,885,000	$ 1,635,000	$ 1,587,000	$ 1,978,000	$ 979,000	Not provided
% Change from Current		9.5%	8.4%	23.7%	20.6%	20.0%	24.9%	12.3%	
ACERA Contributions	**$ 5,108,000**	**$ 5,593,000**	**$ 5,539,000**	**$ 6,457,000**	**$ 6,436,000**	**$ 6,404,000**	**$ 6,668,000**	**$ 5,914,000**	
$ Change from Current		$ 485,000	$ 431,000	$ 1,349,000	$ 1,328,000	$ 1,296,000	$ 1,560,000	$ 806,000	
% Change from Current		9.5%	8.4%	26.4%	26.0%	25.4%	30.5%	15.8%	
DHMO Plan - Non-Participating (Current)									
Voluntary (<10 Years of Service)	$ 13,000	$ 11,000	$ 11,000		$ 10,000	$ 10,000	$ 10,000	$ 13,000	$ 10,000
Mandatory (10+ Years of Service)	97,000	88,000	88,000		75,000	75,000	75,000	97,000	107,000
Total DHMO Plan Premiums	**$ 110,000**	**$ 99,000**	**$ 99,000**		**$ 85,000**	**$ 85,000**	**$ 85,000**	**$ 110,000**	**$ 117,000**
$ Change from Current		$ (11,000)	$ (11,000)	Not provided	$ (25,000)	$ (25,000)	$ (25,000)	$ -	$ 7,000
% Change from Current		-10.0%	-10.0%		-22.7%	-22.7%	-22.7%	0.0%	6.4%
ACERA Contributions	**$ 77,000**	**$ 69,000**	**$ 69,000**		**$ 59,000**	**$ 59,000**	**$ 59,000**	**$ 77,000**	**$ 85,000**
$ Change from Current		$ (8,000)	$ (8,000)		$ (18,000)	$ (18,000)	$ (18,000)	$ -	$ 8,000
% Change from Current		-10.4%	-10.4%		-23.4%	-23.4%	-23.4%	0.0%	10.4%
Total - DPPO and DHMO Plans Combined									
Voluntary (<10 Years of Service)	$ 917,000	$ 1,000,000	$ 991,000		$ 863,000	$ 858,000	$ 893,000	$ 917,000	
Mandatory (10+ Years of Service)	7,130,000	7,787,000	7,713,000		8,794,000	8,751,000	9,107,000	8,109,000	
Total Plan Premiums	**$ 8,047,000**	**$ 8,787,000**	**$ 8,704,000**		**$ 9,657,000**	**$ 9,609,000**	**$ 10,000,000**	**$ 9,026,000**	
$ Change from Current		$ 740,000	$ 657,000	N/A	$ 1,610,000	$ 1,562,000	$ 1,953,000	$ 979,000	N/A
% Change from Current		9.2%	8.2%		20.0%	19.4%	24.3%	12.2%	
ACERA Contributions	**$ 5,185,000**	**$ 5,662,000**	**$ 5,608,000**		**$ 6,495,000**	**$ 6,463,000**	**$ 6,727,000**	**$ 5,991,000**	
$ Change from Current		$ 477,000	$ 423,000		$ 1,310,000	$ 1,278,000	$ 1,542,000	$ 806,000	
% Change from Current		9.2%	8.2%		25.3%	24.6%	29.7%	15.5%	
Rate Guarantee Period		**3 Years**	**3 Years**	**5 Years**	**3 Years**	**3 Years**	**3 Years**	**3 Years**	**3 Years**
DPPO Rate Cap - Years 4 and 5		N/A	N/A	N/A	N/A	N/A	N/A	8.5%	N/A
DHMO Rate Cap - Years 4 and 5								5.0%	

[1] Annual Premiums are calculated for the DPPO and DHMO plans are based on 9,241 retirees and 321 retirees, respectively.

[2] Delta proposed an annual wellness credit of $10,000.

[3] Cigna proposed an annual wellness credit of $10,000.

A-1: Financial Analysis Participating Contract

	Current	Proposed Premiums (2/1/2026-1/31/2029)		
	Delta Dental	Delta Dental (Incumbent) [1] Existing Funding Arrangement (PSR Usage 49%)	MetLife	Western Dental
DPPO Plan - Participating [2]				
	Total Rates			
Voluntary (<10 Years of Service)	$ 904,000	$ 964,000	$ 904,000	$ 714,000
Mandatory (10+ Years of Service)	7,350,000	7,842,000	8,269,000	7,895,000
Total DPPO Plan Premiums	**$ 8,254,000**	**$ 8,806,000**	**$ 9,173,000**	**$ 8,609,000**
$ Change from Current		$ 552,000	$ 919,000	$ 355,000
% Change from Current		6.7%	11.1%	4.3%
	Billed Rates	***Billed Rates*** [3]		
Voluntary (<10 Years of Service)	$ 904,000	$ 964,000	N/A	N/A
Mandatory (10+ Years of Service)	7,033,000	7,492,000		
Total DPPO Plan Premiums	**$ 7,937,000**	**$ 8,456,000**		
$ Change from Current		$ 519,000	$ 1,236,000	$ 672,000
% Change from Current		6.5%	15.6%	8.5%
ACERA Contributions	**$ 5,108,000**	**$ 5,439,000**	**$ 6,104,000**	**$ 5,856,000**
$ Change from Current		$ 331,000	$ 996,000	$ 748,000
% Change from Current		6.5%	19.5%	14.6%
DHMO Plan - Non-Participating [2]				
Voluntary (<10 Years of Service)	$ 13,000	$ 11,000	$ 13,000	$ 10,000
Mandatory (10+ Years of Service)	97,000	88,000	97,000	107,000
Total DHMO Plan Premiums	**$ 110,000**	**$ 99,000**	**$ 110,000**	**$ 117,000**
$ Change from Current		$ (11,000)	$ -	$ 7,000
% Change from Current		-10.0%	0.0%	6.4%
ACERA Contributions	**$ 77,000**	**$ 69,000**	**$ 77,000**	**$ 85,000**
$ Change from Current		$ (8,000)	$ -	$ 8,000
% Change from Current		-10.4%	0.0%	10.4%
Total - DPPO and DHMO Plans Combined [2]				
Voluntary (<10 Years of Service)	$ 917,000	$ 975,000	$ 917,000	$ 724,000
Mandatory (10+ Years of Service)	7,130,000	7,580,000	8,366,000	8,002,000
Total Plan Premiums	**$ 8,047,000**	**$ 8,555,000**	**$ 9,283,000**	**$ 8,726,000**
$ Change from Current		$ 508,000	$ 1,236,000	$ 679,000
% Change from Current		6.3%	15.4%	8.4%
ACERA Contributions	**$ 5,185,000**	**$ 5,508,000**	**$ 6,181,000**	**$ 5,941,000**
$ Change from Current		$ 323,000	$ 996,000	$ 756,000
% Change from Current		6.2%	19.2%	14.6%
Rate Guarantee Period		**3 Years**	**3 Years**	**3 Years**
DPPO Rate Cap - Years 4 and 5		N/A	8.5%	N/A
DHMO Rate Cap - Years 4 and 5			5.0%	

[1] Delta proposed an annual wellness credit of $10,000.

[2] Annual Premiums are calculated for the DPPO and DHMO plans are based on 9,241 retirees and 321 retirees, respectively.

[3] Billed Rates include a subsidy of $3.50 PEPM and utilizes approximately 49% of the Premium Stabilization Reserve over three years.

A-2: Network Provider Disruption Analysis (DPPO)

	Delta Dental (PPO) [1]	Ameritas	Cigna	MetLife	Western Dental
Claim Count					
Total Claim Count	32,311	32,311	32,311	32,311	32,311
Matched Claim Count	26,876	14,863	22,036	15,827	5,716
% In-Network	83.2%	46.0%	68.2%	49.0%	17.7%
Patient Count					
Total Patient Count	13,418	13,418	13,418	13,418	13,418
Matched Patient Count	10,959	6,220	9,168	6,574	2,347
% In-Network	81.7%	46.4%	68.3%	49.0%	17.5%
Procedure Count					
Total Procedure Count	87,492	87,492	87,492	87,492	87,492
Matched Procedure Count	74,713	42,850	61,269	45,466	16,540
% In-Network	85.4%	49.0%	70.0%	52.0%	18.9%
Incurred Claims					
Total Incurred Claims	$20,225,044	$20,225,044	$20,225,044	$20,225,044	$20,225,044
Matched Incurred Claims	$16,764,605	$9,943,084	$14,282,310	$10,556,518	$3,519,574
% In-Network	82.9%	49.2%	70.6%	52.2%	17.4%
Average % In-Network	**83.3%**	**47.6%**	**69.3%**	**50.5%**	**17.9%**

[1] Delta Dental included provider disruption results for their PPO providers only, which excludes Premier providers.

A-3: Network Provider Disruption Analysis (DHMO)

	Delta Dental (Incumbent)	Ameritas	Cigna	MetLife	Western Dental
Subscriber Count					
Total Subscriber Count	267	Did Not Bid	267	267	267
Matched Subscriber Count	267		169	101	100
% In-Network	100.0%		63.3%	37.8%	37.5%
Member Count					
Total Member Count	361		361	361	361
Matched Member Count	361		235	146	136
% In-Network	100.0%		65.1%	40.4%	37.7%
Provider Counts					
Total Provider Count	129		129	129	129
Matched Provider Count	129		75	46	47
% In-Network	100.0%		58.1%	35.7%	36.4%
Average % In-Network	**100.0%**		**62.2%**	**38.0%**	**37.2%**

A-4: Current Dental Benefits (DPPO)

	Current Benefit Design (Delta Dental)			Proposed Benefit Deviations															
				Delta Dental (Incumbent)			Ameritas			Cigna			MetLife			Western Dental			
Benefits and Covered Services	**Narrow (In-Network)**	**Greater (In-Network)**	**Out-of-Network**	**Narrow In-Network**	**Greater In-Network**	**Out-of-Network**	**Narrow In-Network**	**Greater In-Network**	**Out-of-Network**	**Narrow In-Network**	**Greater In-Network**	**Out-of-Network**	**Narrow In-Network**	**Greater In-Network**	**Out-of-Network**	**Narrow In-Network**	**Greater In-Network**	**Out-of-Network**	
Deductible (Per Plan Year)	None	$50 per Individual / $150 per Family	$50 per Individual / $150 per Family					Did Not Bid					Did Not Bid	None		$50 per Individual / $150 per Family	Did Not Bid		
Waived for Diagnostic & Preventive (D&P)?	N/A	Yes	Yes											N/A		Yes			
Annual Maximum (Per Plan Year)	$1,900 per Individual	$1,900 per Individual	$1,900 per Individual																
D&P count towards Annual Maximum?	No	No	No																
Diagnostic & Preventive Services (D&P)																			
Exams	100%	100%	100%																
Cleanings	100%	100%	100%																
X-Rays	100%	100%	100%																
Basic Services																			
Fillings	80%	70%	70%											80%					
Sealants	80%	70%	70%											80%					
Posterior Composites	80%	70%	70%							alternate benefit [1]	alternate benefit [1]	alternate benefit [1]		80%					
Endodontics (root canals)	80%	70%	70%											80%					
Periodontics (gum treatment)	80%	70%	70%											80%					
Oral Surgery	80%	70%	70%											80%					
Major Services																			
Crown	60%	60%	50%									60%							
Cast Restorations	60%	60%	50%																
Inlays and Onlays	60%	50%	50%											60%					
Prosthodontics																			
Bridges	60%	50%	50%											60%					
Dentures	60%	50%	50%											60%					
Implants	60%	50%	50%							not covered	not covered	not covered		60%					
Temporomandibular Joint (TMJ) Benefits	50%	50%	50%																
TMJ Maximum	$500 Lifetime	$500 Lifetime	$500 Lifetime													Not Covered		Not Covered	
Orthodontics Benefits	Not covered	Not covered	Not covered													Not Covered		Not Covered	

[1]We will base Benefits on the lower cost of the customary service or standard practice instead of on the higher cost of the Optional Service. The Enrollee will be responsible for the difference between the higher cost of the Optional Service and the lower cost of the customary service or standard procedure

A-5: Current Dental Benefits (DHMO)

The table below contains a high-level overview of member copays relative to major dental service categories

Procedure Code	Description	Category of Services	Delta Dental Copay	Proposed Benefit Deviations		
				Cigna	MetLife	Western Dental
D2740	Crown - Porcelain/Ceramic	Restorative	$90	$225	$225	$55
D2929	Prefabricated Porcelain/Ceramic Crown - Primary Tooth - Anterior	Restorative	$15	$105	$0	not covered
D2949	Restorative Foundation For An Indirect Restoration	Restorative	$15	Not Covered	Not Covered	not covered
D2971	Additional Procedures To Construct New Crown Under Existing Partial Denture Framework	Restorative	$18	$50	$50	$0
D3221	Pulpal Debridement, Primary And Permanent Teeth	Endodontics	$10	$45	$20	$0
D3421	Apicoectomy - Premolar (First Root)	Endodontics	$60	$95	$90	$0
D3425	Apicoectomy - Molar (First Root)	Endodontics	$60	$95	$90	$0
D4211	Gingivectomy Or Gingivoplasty - One To Three Contiguous Teeth Or Tooth Bounded Spaces Per Quadrant	Periodontics	$25	$80	$26	$0
D4212	Gingivectomy Or Gingivoplasty To Allow Access For Restorative Procedure, Per Tooth	Periodontics	$0	$80	$8	not covered
D5226	Mandibular Partial Denture - Flexible Base (Including Any Clasps, Rests And Teeth)	Prosthodontics (Removable)	$175	$165	$365	$0
D5512	Repair Broken Complete Denture Base, Maxillary	Prosthodontics (Removable)	$20	$30	$10	$0
D6251	Pontic - Resin With Predominantly Base Metal	Prosthodontics (Fixed)	$90	$185	$85	$35
D6252	Pontic - Resin With Noble Metal	Prosthodontics (Fixed)	$90	$185	$85	$35
D6610	Retainer Onlay - Cast High Noble Metal, Two Surfaces	Prosthodontics (Fixed)	$0	$185	$85	not covered
D6611	Retainer Onlay - Cast High Noble Metal, Three Or More Surfaces	Prosthodontics (Fixed)	$0	$185	$85	not covered
D6612	Retainer Onlay - Cast Predominantly Base Metal, Two Surfaces	Prosthodontics (Fixed)	$0	$185	$85	not covered
D7471	Removal Of Lateral Exostosis (Maxilla Or Mandible)	Oral and Maxillofacial Surgery	$0	$80	$80	
D8070	Comprehensive Orthodontic Treatment Of The Transitional Dentition - Child Or Adolescent To Age 19	Orthodontics	$1,600	$400	$1,450	
D8080	Comprehensive Orthodontic Treatment Of The Adolescent Dentition - Adolescent To Age 19	Orthodontics	$1,600	$400	$1,450	
D8999	Unspecified Orthodontic Procedure, By Report - Includes Start-Up Fees (Including Initial Examination, Diagnosis, Consultation And Initial Banding)	Orthodontics	$350	$270	Not Covered	$275
D9933	Cleaning And Inspection Of Removable Complete Denture, Mandibular	Adjunctive General Services	$0	Not Covered	$55	
D9934	Cleaning And Inspection Of Removable Partial Denture, Maxillary	Adjunctive General Services	$0	Not Covered	$55	

A-6: RFP Facilitators and Scorers

Individuals below facilitated and/or scored proposals for ACERA's Dental RFP:

Name	Title
ACERA Selection Committee:	
• Carlos Barrios	• Assistant Chief Executive Officer
• Jessica Huffman	• Benefits Manager
• Mario Martinez	• Assistant Benefits Manager
• Michael Fara	• Communications Manager
• Kevin Weller	• Retirement Benefits Specialist
• Eva Hardy	• Management Analyst
Segal – Health & Welfare Consultants:	
• Stephen Murphy	• Senior Vice President
• Jessica Kuhlman	• Vice President
• Michael Szeto	• Senior Actuarial Associate
• Daron Wee	• Health Benefits Analyst

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Vision Care Provider Request for Proposal and Awarding Contract for Plan Year 2026**

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

Recommendation

Staff recommends that the Retirees Committee recommend to the Board of Retirement to approve Staff's recommendation to award a contract for ACERA's retiree vision care coverage to Vision Service Plan (incumbent), the firm with the highest rating as a result of the Request for Proposal process for Plan Year 2026.

Attachment

Alameda County Employees' Retirement Association (ACERA)

Vision Plan Request for Proposal

Summary of Results

ACERA Retirees Committee Meeting

Presented on June 4, 2025
Presenters: Stephen Murphy & Michael Szeto

Segal

Agenda

1. **RFP Objectives and Bidder List**
2. **Finalist Selection and Scoring Process**
3. **Finalist Summary**
4. **Recommendation**
5. **Appendices**
   i. **A-1: Best and Final Offer (BAFO) Financial Analysis**
   ii. **A-2: Network Provider Disruption Analysis**
   iii. **A-3: Current Vision Benefits (Base Plan)**
   iv. **A-4: Current Vision Benefits (Buy-Up Plan)**
   v. **A-5: RFP Facilitators and Scorers**

RFP Objectives and Bidder List

RFP Objectives:

- Assess financial competitiveness of ACERA's existing relationship with Vision Service Plan (VSP)
- Examine opportunities to maintain or improve participant accessibility to preferred providers
- Update performance criteria consistent with current standards and best practices

Bidder List:

- Twelve carriers were invited to submit proposals for ACERA's Vision plans
  - Two bidders declined to submit proposals due to their concerns about matching VSP's provider network and/or presenting a financially competitive proposal

Carriers	Status
Aetna	Did Not Respond
Ameritas	Bid
Anthem	Declined
Blue Shield	Declined
Davis Vision	Did Not Respond
Delta Dental	Bid
EyeMed	Declined
Guardian Life	Declined
MetLife	Bid
National Vision Administrators	Did Not Respond
UHC	Declined
VSP	Bid

Finalist Selection and Scoring Process

VSP and Ameritas were selected as finalists based on their financial proposal's impact on ACERA and its members, as well as their ability to minimize disruptions to existing patient/provider relationships.

Scoring Process:

ACERA's Selection Committee scored proposals based on a combination of quantitative and qualitative metrics.

- Quantitative Metrics:
  - Financial benefits to ACERA and its members
  - Provider network's breadth and consistency with existing patient relationships
- Qualitative Metrics:
  - Demonstrated experience serving public sector organizations with a significant concentration of retirees
  - Accessibility and responsiveness of Customer Services and designated Account Team to address the needs of ACERA members and staff

Ranking	Finalists	ACERA Selection Committee Score
1	VSP	75.7
2	Ameritas	71.5

Note: Maximum Score is 100 points.

Finalist Summary

	VSP (Incumbent)	Ameritas
Financial Impact:		
Premium Change %	• Base Plan: No Change • Buy-Up Plan: No Change • Combined: No Change	• Base Plan: 8.9% Increase • Buy-Up Plan: 8.8% Increase • Combined: 8.8% Increase
Projected ACERA Contribution Change Over Guarantee Period ($)	• Base Plan: No Change • Buy-Up Plan: No Change • Combined: No Change	• Base Plan: 8.8% Increase • Buy-Up Plan: 9.5% Increase • Combined: 9.0% Change
Premium Rate Guarantee Period	• Five (5) Years	• Five (5) Years
Performance Guarantees (Total Percent of Administration at Risk with Quarterly Evaluation)	• 18% Administration at Risk	• VSP Network: 18% Administration at Risk • EyeMed Network: 10% Administration at Risk
Miscellaneous:		
	• Wellness Credit: $10,000 annually for five (5) years	• Wellness Credit: One time amount of $5,000 • Dual Network Option with VSP or EyeMed

Recommendation

ACERA's Selection Committee and Segal recommend awarding VSP (Incumbent) the Base and Buy-Up vision plans for the following reasons:

- No change to current premium rates that benefit both ACERA and its members
- Minimal patient/provider disruption to members
- Continuity of experience for ACERA members and staff developed over a 20-year partnership

Appendices

A-1: Best and Final Offer (BAFO) Financial Analysis

	Current Premiums	Proposed Premiums (2/1/2026-1/31/2029)						
	VSP	VSP (Incumbent)		Ameritas		Delta Dental	MetLife	
		Initial	BAFO	Initial	BAFO		VSP	Superior
Base Plan								
Voluntary (<10 Years of Service)	$64,000	$64,000	$64,000	$70,000	$70,000	$84,000	$50,000	$43,000
Mandatory (10+ Years of Service)	$431,000	$431,000	$431,000	$473,000	$469,000	$854,000	$490,000	$416,000
Total Base Plan Premiums	**$495,000**	**$495,000**	**$495,000**	**$543,000**	**$539,000**	**$938,000**	**$540,000**	**$459,000**
$ Change from Current		$0	$0	$48,000	$44,000	$443,000	$45,000	($36,000)
% Change from Current		0.0%	0.0%	9.7%	8.9%	89.5%	9.1%	-7.3%
ACERA Contributions	**$374,000**	**$374,000**	**$374,000**	**$411,000**	**$407,000**	**$654,000**	**$425,000**	**$361,000**
$ Change from Current		$0	$0	$37,000	$33,000	$280,000	$51,000	($13,000)
% Change from Current		0.0%	0.0%	9.9%	8.8%	74.9%	13.6%	-3.5%
Buy-Up Plan								
Voluntary (<10 Years of Service)	$42,000	$45,000	$42,000	$47,000	$46,000	Not Provided	$42,000	$36,000
Mandatory (10+ Years of Service)	$481,000	$505,000	$481,000	$528,000	$523,000		$530,000	$450,000
Total Buy-Up Plan Premiums	**$523,000**	**$550,000**	**$523,000**	**$575,000**	**$569,000**		**$572,000**	**$486,000**
$ Change from Current		$27,000	$0	$52,000	$46,000		$49,000	($37,000)
% Change from Current		5.2%	0.0%	9.9%	8.8%		9.4%	-7.1%
ACERA Contributions	**$105,000**	**$105,000**	**$105,000**	**$116,000**	**$115,000**		**$120,000**	**$102,000**
$ Change from Current		$0	$0	$11,000	$10,000		$15,000	($3,000)
% Change from Current		0.0%	0.0%	10.5%	9.5%		14.3%	-2.9%
Base & Buy-Up Plans - Total								
Voluntary (<10 Years of Service)	$106,000	$109,000	$106,000	$117,000	$116,000	Not Provided	$92,000	$79,000
Mandatory (10+ Years of Service)	$912,000	$936,000	$912,000	$1,001,000	$992,000		$1,020,000	$866,000
Total Plan Premiums	**$1,018,000**	**$1,045,000**	**$1,018,000**	**$1,118,000**	**$1,108,000**		**$1,112,000**	**$945,000**
$ Change from Current		$27,000	$0	$100,000	$90,000		$94,000	($73,000)
% Change from Current		2.7%	0.0%	9.8%	8.8%		9.2%	-7.2%
ACERA Contributions	**$479,000**	**$479,000**	**$479,000**	**$527,000**	**$522,000**		**$545,000**	**$463,000**
$ Change from Current		$0	$0	$48,000	$43,000		$66,000	($16,000)
% Change from Current		0.0%	0.0%	10.0%	9.0%		13.8%	-3.3%
ASO Fee PEPM		**$0.92**	**$0.92**	**$1.50**	**$1.50**	**N/A**	**N/A**	**N/A**
Rate Guarantee Period		**5 Years**	**5 Years**	**5 Years**	**5 Years**	**3 Years**	**3 Years**	**5 Years**
Rate Increase - Years 4 and 5		**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**Year 4: 5.3% Year 5: 3.8%**	**N/A**

(1) Annual Premiums are calculated for the Base and Buy-Up plans are based on 7,472 retirees and 2,055 retirees, respectively.

A-2: Network Provider Disruption Analysis (Base & Buy-Up Plans)

	VSP (Incumbent)	Ameritas		Delta Dental	MetLife	
		VSP Network	EyeMed Network		VSP Network	Superior Network
Claim Counts						
Total Claim Count	5,342	5,342	5,342	5,342	5,342	5,342
In-Network Claim Count	4,903	4,788	2,442	4,169	4,243	2,420
% In-Network	91.8%	89.6%	45.7%	78.0%	79.4%	45.3%
Paid Claims						
Total Paid Claims	$876,669	$876,669	$876,669	$876,669	$876,669	$876,669
In-Network Paid Claims	$835,222	$815,527	$433,144	$718,262	$725,768	$397,583
% In-Network	95.3%	93.0%	49.4%	81.9%	82.8%	45.4%
Patient Counts						
Total Patient Count	4,524	4,524	4,524	4,524	4,524	4,524
In-Network Patient Count	4,099	4,004	1,933	3,417	3,488	2,044
% In-Network	90.6%	88.5%	42.7%	75.5%	77.1%	45.2%
Average % In-Network	**92.6%**	**90.4%**	**45.9%**	**78.5%**	**79.8%**	**45.3%**

A-3: Current Vision Benefits (Base Plan)

	Current Benefits		Proposed Benefit Deviations									
			VSP	Ameritas - VSP		Ameritas - EyeMed		Delta Dental		MetLife - VSP		MetLife - Superior	
	In-Network	Non-Network		In-Network	Non-Network	In-Network	Non-Network	In-Network	Non-Network	In-Network	Non-Network	In-Network	Non-Network
Annual Deductible	None												
Eye Exam	No Copay	$45 Allowance					$35 Allowance	$10 Copay					
Frequency:													
Exam	12 Months												
Lens	12 Months												
Frames	24 Months							12 Months					
Contacts (in lieu of glasses)	12 Months												
Lenses													
Prescription Glasses	$25 Copay							$25 Copay	Varies				
Single Vision	100% Covered	$30 Allowance					$25 Allowance						
Bifocal	100% Covered	$50 Allowance					$40 Allowance						
Trifocal	100% Covered	$65 Allowance					$55 Allowance						
Lenticular	100% Covered	$100 Allowance				20% discount	N/A	Low fixed pricing with an average savings of 30%					
Lens Options													
Polycarbonate		N/A						Low fixed pricing with an average savings of 30%			Applied to corrective lens allowance		
Photochromic	$71 Copay	N/A				20% off retail		$75 Copay		Up to $75 Copay		Up to $80 Copay	
Standard Progressives	100% Covered	Up to $50 Allowance					Up to $40 Allowance						
Premium/Custom Progressive	$95 - $175 Copay	Up to $50 Allowance				Variable by Tier	Up to $40 Allowance					$110 - $225 Copay	Up to $65 Allowance
Standard Anti-Reflective Coating	$41 Copay	N/A				$45 Copay		$41 - $85 Copay			Applied to corrective lens allowance	Up to $50 Copay	
UV Coating	100% Covered	N/A						Low fixed pricing with an average savings of 30%					
Frame Allowances	$175 Allowance / $95 Costco/Walmart/ Sam's Club	Up to $70 Allowance [1]				$175 Allowance	Up to $90 Allowance	$175 Allowance				Costco/Walmart/ Sam's Club get full allowance	
Contact Lenses Allowances (in Lieu of Glasses)													
Non-Medically Necessary	$105 Allowance [2]	$105 Allowance		$175 Allowance [2]		$175 Allowance [2]	$144 Allowance	$175 Allowance					
Medically Necessary	$25 Copay	$210 Allowance [1]				No Copay	$200 Allowance						
Low Vision Benefit													
Supplementary Testing	$0 Copay	$125 Allowance				N/A	N/A	N/A	N/A				
Supplemental Care Aids	25% Member Coinsurance	25% Member Coinsurance [3]				N/A	N/A	N/A	N/A				
Maximum Benefit	$1,000 (excludes copay) Every Two Years					N/A	N/A	N/A	N/A				
Essential Medicare Eye Care Plan	$20 Copay	N/A				N/A		N/A					

[1] Subject to $25 copay.

[2] 15% discount applies to Member Doctor's usual and customary professional fees for contact lens evaluations and fitting.

[3] Reimbursement will not exceed In-Network provider in similar circumstances.

A-4: Current Vision Benefits (Buy-Up Plan)

	Current Benefits		Proposed Benefit Deviations									
			VSP	Ameritas VSP	Ameritas - EyeMed		Delta Dental (same as Base Plan)		MetLife - VSP		MetLife - Superior	
	In-Network	Non-Network			In-Network	Non-Network	In-Network	Non-Network	In-Network	Non-Network	In-Network	Non-Network
Annual Deductible	None											
Annual Copay for Exam + Prescription Glasses	$15 Copay						N/A					
Eye Exam	100% Covered [1]	$45 Allowance [1]				$35 Allowance [1]	$10 Copay					
Frequency:												
Exam	12 Months											
Lens	12 Months											
Frames	12 Months											
Contacts (in lieu of glasses)	12 Months											
Lenses												
Prescription Glasses	$15 Copay						$25 Copay	Varies				
Single Vision	100% Covered	$30 Allowance				$25 Allowance						
Bifocal	100% Covered	$50 Allowance				$40 Allowance						
Trifocal	100% Covered	$65 Allowance				$55 Allowance						
Lenticular	100% Covered	$100 Allowance			20% discount	N/A	Low fixed pricing with an average savings of 30%					
Lens Options												
Polycarbonate	100% Covered	N/A					Low fixed pricing with an average savings of 30%	N/A		Applied to corrective lens allowance		
Tints & Photochromic	100% Covered	N/A					$75 Copay	N/A				
Standard Progressives	100% Covered	Up to $50 Allowance				Up to $40 Allowance						
Premium/Custom Progressive	$25 Copay	Up to $50 Allowance				Up to $40 Allowance	$95 - $175 Copay					
Anti-Reflective Coating	$25 Copay	N/A					$41 - $85 Copay	N/A		Applied to corrective lens allowance		Up to $65 Allowance
UV Coating	100% Covered	N/A					Low fixed pricing with an average savings of 30%	N/A				
Frame Allowances	$250 Retail / $135 Costco/Walmart/ Sam's Club	Up to $70 Allowance			$250 Retail	Up to $90 Allowance	$175 Allowance				Costco/Walmart/ Sam's Club get full allowance	
Contact Lenses Allowances (in Lieu of Glasses)												
Non-Medically Necessary	$200 Allowance [2]	$105 Allowance				$144 Allowance	$175 Allowance					
Medically Necessary	100% Covered [1]	$210 Allowance [1]				$200 Allowance	$25 Copay					
Low Vision Benefit												
Supplementary Testing	$0 Copay	$125 Allowance			N/A	N/A	N/A	N/A				
Supplemental Care Aids	25% Member Coinsurance	25% Member Coinsurance [3]			N/A	N/A	N/A	N/A				
Maximum Benefit	$1,000 (excludes copay) Every Two Years				N/A	N/A	N/A	N/A				
Essential Medical Eye Care Plan	$20 Copay	N/A			N/A							

[1] Subject to $15 annual copay.

[2] 15% discount applies to Member Doctor's usual and customary professional fees for contact lens evaluations and fitting.

[3] Reimbursement will not exceed In-Network provider in similar circumstances.

A-5: RFP Facilitators and Scorers

Individuals below facilitated and/or scored proposals for ACERA's Vision RFP:

Name	Title
ACERA Selection Committee:	
• Carlos Barrios	• Assistant Chief Executive Officer
• Jessica Huffman	• Benefits Manager
• Mario Martinez	• Assistant Benefits Manager
• Michael Fara	• Communications Manager
• Kevin Weller	• Retirement Benefits Specialist
• Eva Hardy	• Management Analyst
Segal – Health & Welfare Consultants:	
• Stephen Murphy	• Senior Vice President
• Jessica Kuhlman	• Vice President
• Michael Szeto	• Senior Actuarial Associate
• Daron Wee	• Health Benefits Analyst

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Report on Health Care Inflation/Trends**

Segal has provided ACERA with recommended assumptions to be used for the December 31, 2024 Supplemental Retiree Benefit Reserve (SRBR) Valuation for projecting benefits based on ACERA's substantive plan pursuant to GASB 43. ACERA's substantive plan design incorporates an increase for the Monthly Medical Allowance (MMA) of one-half of anticipated health care inflation assumptions. The Medicare Part B, vision and dental projections are based on the full inflation assumptions for those plans.

Attached is a letter dated March 21, 2025 from Andy Yeung with Segal. As presented on the second page of the attachment to Segal's letter (page 6), the near-term trend assumptions will be set at 7.75% for non-Medicare plans and 7.50% for Medicare Advantage plans. The main considerations that influenced the updated non-Medicare trend rates were: 1) the plan's recent premium experience; 2) the updated national trend expectations for prescription drug costs; and 3) concerns about the impact of general inflation on healthcare costs. The updated Medicare trend rates were also influenced by the same factors that influenced the non-Medicare trend rates as well as the Calendar Year 2026 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 10, 2025.

The dental trend rates will be updated to start at 6.00%, based on a review of the plan's recent claims experience and forward-looking expectations from Segal survey data. The vision trend assumption will be lowered from 4.00% to 3.00%, based mostly on forward-looking expectations from Segal survey data. The Medicare Part B trend assumptions will be increased to 6.20% for calendar years 2025 through 2033. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2. of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

Segal is using the lowest trend of 7.50% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 3.75% increase would be applied to the projections for the MMA for the December 31, 2024 SRBR Valuation.

Health care trend information has also been provided by Segal's benefit consulting team. Steve Murphy and Michael Szeto will review the attached presentation at the June 4th Retirees Committee meeting. Also attached is a 10-year ACERA rate history for the period 2016 through 2025 for Kaiser Permanente and UnitedHealthcare.

Attachments (3)

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

March 21, 2025

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

Re: Alameda County Employees' Retirement Association
Healthcare trend assumptions recommended for the December 31, 2024 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

We have provided in this letter the healthcare trend assumptions that we recommend to the Board in the December 31, 2024 retiree health valuation for determining sufficiency of assets to provide retiree health benefits. These health trend assumptions will also be used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2024.

Health care trend assumptions

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

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

1. For the prior December 31, 2023 SRBR valuation, we recommended the following assumptions:
    a. For the non-Medicare plans, we recommended the first-year trend rate be increased to 8.50%, then graded down by 1.00% in 2025 and by 0.50% in 2026, then by 0.25% each year for 10 years until an ultimate rate of 4.50% is reached after 10 years. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience, concerns about the impact of general inflation on healthcare costs, and updated national trend expectations for prescription drug costs. For the Medicare plans, we recommended the first-year trend rate be increased to 16.47%, then 7.00% graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 10 years. In addition to the same factors that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by

the anticipated impact of the Inflation Reduction Act of 2022 (IRA). The initial 16.47% trend rate reflected a projected baseline increase to the monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a projected one-time increase of $30 (7.84%) due to the IRA. The IRA included material benefit cost-sharing changes for 2025, most notably implementing a $2,000 member out-of-pocket maximum, as well as various funding changes for Medicare prescription drug plans. Both changes were expected to significantly increase premiums for the Kaiser Senior Advantage and Via Benefits plans. Our trend assumptions included an estimated impact of the IRA on the Fund's Medicare plan premiums in calendar year 2025 based on the Calendar Year 2025 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 31, 2024.

b. The Dental and Vision annual trend assumption remained at 4.00% based upon Segal Survey data. However, because of the 2-year 2024 rate guarantee for dental and the 5-year 2021 rate guarantee for vision, the first year of trend rates for dental and vision was set at 0.00%.

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

d. Based on past practice, the 8.50% non-Medicare and 16.47% Medicare first year trends were used in the December 31, 2023 "preview" valuation and applied to the 2024 non-Medicare and Medicare medical premiums to estimate the projected 2025 non-Medicare and Medicare medical premiums. The first-year trends were replaced as part of the "final" valuation as of December 31, 2023 to reflect the actual premium renewals for 2025.

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

2. For the current December 31, 2024 SRBR valuation, we are recommending the following assumptions:

   a. For the non-Medicare plans, we are recommending the first-year trend rate be set at 7.75%,[1] then grading down by 0.25% each year for 13 years until reaching an ultimate rate of 4.50%. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience, updated national trend expectations for prescription drug costs, and concerns about the impact of general inflation on

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.50%.

healthcare costs. For the Medicare plans, we are recommending the first-year trend rate be set at 7.50%,[1] then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. In addition to the same key considerations that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by the Calendar Year 2026 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 10, 2025. Final guidance, rules and clarifications will be provided by CMS in April of 2025. We will continue to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

b. The Dental trend rates will start at 6.00%, then decrease to 5.00% and 4.50% before reaching an ultimate rate of 4.00%. The updated Dental trend assumptions were based on a review of the plan's recent claims experience and forward-looking expectations from Segal survey data. The Vision trend assumption will be lowered from 4.00% to 3.00%, based mostly on forward-looking expectations from Segal survey data.

c. Medicare Part B trend assumptions will be increased to 6.20% for calendar years 2025 through 2033, 5.75% for calendar year 2034, then decreasing by 0.25% per year until the ultimate trend rate of 4.50% is reached in 2039. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2. of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

d. Based on past practice, the 7.75% non-Medicare and 7.50% Medicare first-year trends will be used in the December 31, 2024 "preview" valuation and applied to the 2025 non-Medicare and Medicare medical premiums to estimate the projected 2026 premiums. The first-year trends will be replaced as part of the "final" valuation as of December 31, 2024 to reflect the actual premium renewals for 2026. Similarly, the initial Dental and Vision trend rates will be updated based on the actual premium renewals for 2026.

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

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2024 SRBR sufficiency valuation.

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.00%.

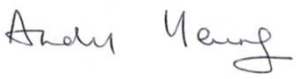
Statement of actuarial opinion

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by the Plan or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax, or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

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

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

Sincerely,



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

Mary Kirby, FSA, MAAA, FCA
Senior Vice President and Chief Health Actuary

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

JL/jl/sm

Attachment

Attachment One

Prior and Current Recommended Trend Assumptions for the December 31, 2024 Retiree Health Valuations

Health Trends Used in the Prior Valuation as of December 31, 2023 (Provided for Comparison Purposes)

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

Calendar Year	United Healthcare (UHC) HMO & Kaiser HMO Early Retiree[1]	Via Benefits & Kaiser Senior Advantage[2]	Dental[3]	Vision[4]	Medicare Part B
2024	8.50%	16.47%	0.00%	0.00%	4.50%
2025	7.50	7.00	4.00	4.00	4.50
2026	7.00	6.75	4.00	4.00	4.50
2027	6.75	6.50	4.00	4.00	4.50
2028	6.50	6.25	4.00	4.00	4.50
2029	6.25	6.00	4.00	4.00	4.50
2030	6.00	5.75	4.00	4.00	4.50
2031	5.75	5.50	4.00	4.00	4.50
2032	5.50	5.25	4.00	4.00	4.50
2033	5.25	5.00	4.00	4.00	4.50
2034	5.00	4.75	4.00	4.00	4.50
2035	4.75	4.50	4.00	4.00	4.50
2036 & Later	4.50	4.50	4.00	4.00	4.50

The 2024 assumed trend rates were replaced with the actual premium increases shown below, based on premium renewals for 2025 as reported by ACERA. These premium increases were used in preparing our December 31, 2023 SRBR valuation report dated September 23, 2024:

Kaiser HMO Early Retiree	UHC HMO Signature Value Early Retiree	UHC HMO Signature Value Advantage Early Retiree	Kaiser Senior Advantage	Dental	Vision
5.65%	8.84%	8.85%	5.50%	0.00%	0.00%

[1] Non-Medicare plans.
[2] Medicare plans.
[3] 2024 reflects two-year rate guarantee, premiums fixed at 2024 level.
[4] Reflects five-year rate guarantee, premiums fixed at 2021 level.

Health Trends Recommended for the Current Valuation as of December 31, 2024

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

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[1]	Via Benefits & Kaiser Senior Advantage[2]	Dental	Vision	Medicare Part B
2025	7.75%[3]	7.50%[3]	6.00%	3.00%[3]	6.20%[4]
2026	7.50	7.25	5.00[3]	3.00[3]	6.20
2027	7.25	7.00	4.50[3]	3.00[3]	6.20
2028	7.00	6.75	4.00	3.00	6.20
2029	6.75	6.50	4.00	3.00	6.20
2030	6.50	6.25	4.00	3.00	6.20
2031	6.25	6.00	4.00	3.00	6.20
2032	6.00	5.75	4.00	3.00	6.20
2033	5.75	5.50	4.00	3.00	6.20
2034	5.50	5.25	4.00	3.00	5.75
2035	5.25	5.00	4.00	3.00	5.50
2036	5.00	4.75	4.00	3.00	5.25
2037	4.75	4.50	4.00	3.00	5.00
2038	4.50	4.50	4.00	3.00	4.75
2039 & Later	4.50	4.50	4.00	3.00	4.50

[1] Non-Medicare plans.
[2] Medicare plans.
[3] Based on past practice, the initial trend rates will be replaced as part of the "final" valuation as of December 31, 2024 to reflect the actual premium renewals for 2026.
[4] If available, first year trend may be replaced to reflect actual 2026 calendar year premium at time of valuation.

Alameda County Employees' Retirement Association (ACERA)

2025 Health Plan Cost Trend Survey

ACERA Retirees Committee Meeting

June 4, 2025

Presenter(s): Stephen Murphy & Michael Szeto

Segal

Segal Health Plan Cost Trend Survey Overview

2025 edition is our 28th annual national survey

Survey respondents represent 80 percent of the commercially insured and self-insured market and include:

Aetna
(Acquired by CVS Health in 2018)

Blue Shield of California

Cigna

Elevance Health
(Formerly Anthem)

Health Net

Kaiser Permanente

Metropolitan Life Insurance Company

UnitedHealthcare

VSP

Health Care Cost Trend Influencers

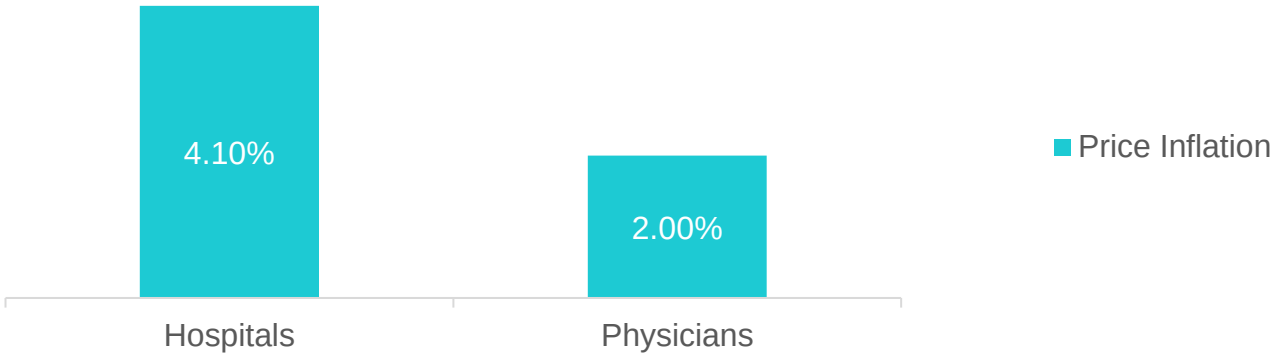
- New treatments, therapies and technologies
- Greater emphasis on detection and diagnoses
- Medical inflation, which impacts the cost of delivering care
- Provider consolidation
- Increased treatment burden due to the aging population and rise in obesity
- Social and economic factors, which can influence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

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

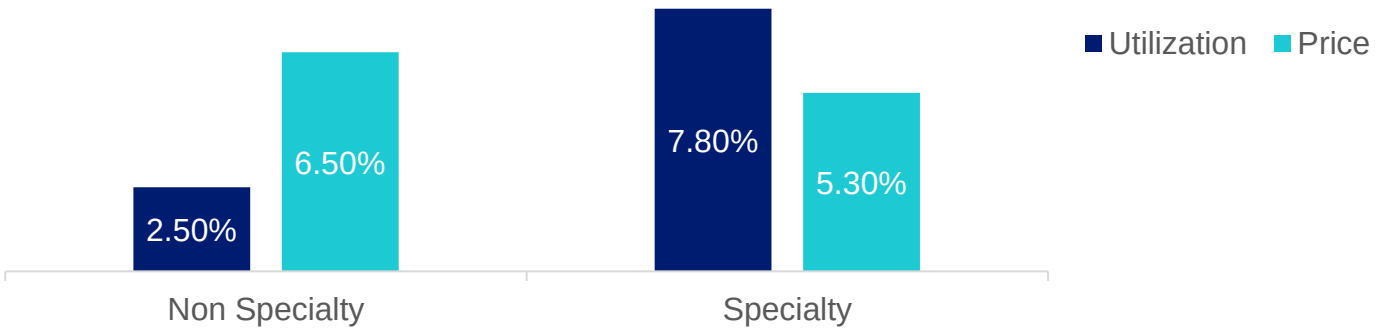
[1] This is a driver of net paid claim cost trends, not gross per capita claims cost increases.

Leading Drivers of Trend

Influence of Price Inflation on 2025 Projected Medical Trends*



Price inflation is the leading driver of Non-Specialty Rx trend while utilization is the primary trend influence for Specialty Rx

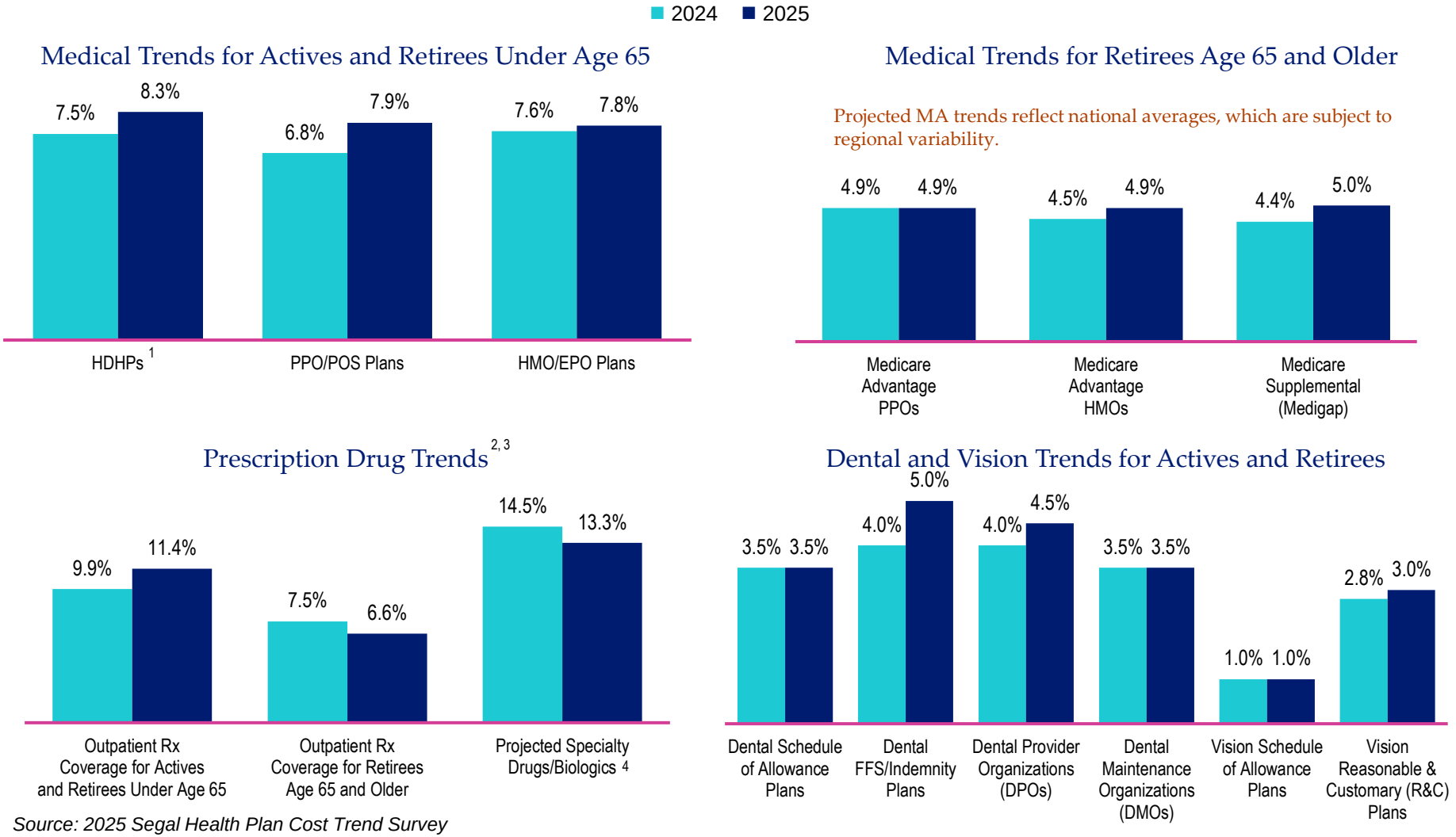


Source: 2025 Segal Health Plan Cost Trend Survey

* Hospital services includes inpatient and outpatient hospital services combined

Projected Health Care Trends

2024 vs. 2025



Source: 2025 Segal Health Plan Cost Trend Survey

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

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

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

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

General Observations for 2025

Additional Trends and Cost Drivers

Medical

- Clinical workforce shortages continue to negatively impact hospitals' operating expenses
- Mental health and substance use disorder service utilization continues to increase
- Advances in new treatments and technologies leads to higher-cost treatments, including gene therapy, advances in cancer care and transplant procedures

Prescription Drug

- Drug product price inflation in response to price controls set by Inflation Reduction Act.
- Changing drug mix due to more effective and expensive new drug therapies have increased utilization and continue to be a top cost for plans providing this coverage
- Direct-to-consumer advertising increases demand for drug treatments
- Drug supply shortages lead to an increase in price of available drugs
- Specialty drugs and biologics account for over half of drug spending

Applying Health Plan Cost Trend Survey Results to ACERA

The Health Plan Cost Trend Survey results exclude the potential impact of non-claim factors such as:

- Pharmaceutical manufacturer rebates
- Medicare Star Rating performance bonuses
- Changes in administration fees (i.e., premium taxes, ACA fees, etc.)

When recommending long term health trend assumptions used in ACERA's Other Postemployment Benefits (OPEB) and Supplemental Retiree Benefit Reserve (SRBR) valuations, Segal's Actuarial Team takes into account multiple factors including:

- The annual Health Plan Cost Trend Survey findings
- Consistency of assumptions relative to other large OPEB plans
- Smoothing when changing from prior year assumptions

Medical Rate Comparisons

2016-2025 Rate History

Alameda County Employees' Retirement Association

Kaiser Early Retiree

728 Enrolled*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$671.82	$729.08	$735.64	$765.06	$785.44	$810.72	$843.16	$909.74	$1,037.76	$1,097.88
Retiree & 1 Dep	$1,343.64	$1,458.16	$1,471.28	$1,530.12	$1,570.88	$1,621.44	$1,686.32	$1,819.48	$2,075.52	$2,195.76
Retiree & 2+ Deps	$1,901.26	$2,063.30	$2,081.88	$2,165.12	$2,222.80	$2,294.34	$2,386.22	$2,574.60	$2,936.90	$3,107.04
% Change over Retiree Monthly Premium		8.52%	0.90%	4.00%	2.66%	3.22%	4.00%	7.90%	14.07%	5.79%

Kaiser Permanente Senior Advantage

4,587 Enrolled*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$329.90	$354.73	$367.23	$394.07	$411.54	$382.21	$344.44	$316.81	$354.31	$375.22
Retiree & Spouse	$659.80	$709.46	$734.46	$788.14	$823.08	$764.42	$688.88	$633.62	$708.62	$750.44
% Change over Retiree Monthly Premium		7.53%	3.52%	7.31%	4.43%	-7.13%	-9.88%	-8.02%	11.84%	5.90%

UnitedHealthcare SignatureValue HMO Early Retiree

72 Enrolled*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	$982.06	$982.06	$1,047.16	$1,047.16	$1,087.80	$1,150.60	$1,184.32	$1,290.92	$1,464.90	$1,594.36
Retiree & 1 Dep	$1,964.06	$1,964.06	$2,094.24	$2,094.24	$2,175.50	$2,301.12	$2,368.56	$2,581.72	$2,929.64	$3,189.80
Retiree & 2+ Deps	$2,779.12	$2,779.12	$2,963.32	$2,963.32	$3,078.30	$3,256.06	$3,351.46	$3,653.08	$4,145.40	$4,514.06
% Change over Retiree Monthly Premium		0.00%	6.63%	0.00%	3.88%	5.77%	2.93%	9.00%	13.48%	8.84%

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

108 Enrolled*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Rating Structure	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Retiree	N/A	N/A	N/A	$980.94	$831.92	$759.16	$781.42	$843.94	$957.68	$1,042.48
Retiree & 1 Dep	N/A	N/A	N/A	$1,961.80	$1,663.74	$1,518.20	$1,562.70	$1,687.72	$1,915.18	$2,085.04
Retiree & 2+ Deps	N/A	N/A	N/A	$2,775.92	$2,354.18	$2,148.24	$2,211.18	$2,388.08	$2,709.92	$2,950.20
% Change over Retiree Monthly Premium		-	-	-	-15.19%	-8.75%	2.93%	8.00%	13.48%	8.85%

*As of December 31, 2024

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Preliminary Report on Projected Benefit Costs Funded through Supplemental Retiree Benefit Reserve**

Attached is a letter from Segal, ACERA's Actuary, which provides a preliminary report of the Supplemental Retiree Benefit Reserve (SRBR) financial status. This overview of the valuation is based on projections using substantive plan and medical inflation trends, as well as other assumptions consistent with our pension valuation. This information is provided to the Retirees Committee in preparation for setting the Monthly Medical Allowance (MMA), and Vision and Dental subsidies for 2026.

Other Post-Employment Benefits (OPEB)

In the December 31, 2023 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2048 with full benefits paid through 2047. The results of the December 31, 2024 valuation indicate that the terminal year of OPEB benefits is projected to be 2045, with full benefits paid through 2044 for a total of 20 full years and one partial year. The three main reasons which resulted in the decrease in the sufficiency period by approximately 3.08 years are due to the following factors:

- The new Implicit Subsidy estimate decreased the sufficiency period for the OPEB SRBR by 23 months. This year's Implicit Subsidy methodology was modified to provide a more stable estimate of the long-term costs. If the methodology had remained the same as the prior year, the sufficiency period would have decreased by about 42 months due to the new Implicit Subsidy estimate.
- The new trend assumptions described in the March 21, 2025 trend assumptions letter decreased the sufficiency period by 17 months. Key changes include higher anticipated increases to Part B premiums and prescription drug costs.
- The demographic and investment experience produced actuarial gains, which increased the sufficiency period by three months.

Non-OPEB

The terminal year for non-OPEB benefits is projected to be 2048, with full benefits paid through 2047, again for a total of 23 full years and one partial year. The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be one year later than it was in last year's study is due to the somewhat low actual inflation of 2.38% (before it is rounded to 2.50% at the nearest 0.50% increment) in the Bay Area for 2024 (versus the COLA assumption of 2.75%), which decreased the supplemental COLA costs.

Also attached are two additional letters from Segal. One letter dated March 21, 2025 is regarding assumptions that are recommended for the SRBR valuation. These assumptions are used for the substantive plan projections. The second letter dated April 30, 2025 is regarding recommended parameters to reflect demographic driven changes. This information will be presented in more detail at the June 4th Retirees Committee meeting, at the same time the MMA costs and recommendations for 2026 will be discussed.

Andy Yeung and Eva Yum, with Segal, will present the attached Preview of December 31, 2024 Valuation Results for Benefits Provided by the SRBR report in more detail at the June 4th Retirees Committee meeting.

Attachments (3)

Segal

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segalco.com

May 27, 2025

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

Re: Alameda County Employees' Retirement Association (ACERA)
Preview of December 31, 2024 valuation results for benefits provided by the Supplemental Retiree Benefits Reserve (SRBR)

Dear Carlos:

This letter is intended to provide a preview of the December 31, 2024 valuation results for benefits provided by the SRBR, before we issue a full valuation report later this year. The results in this letter are based on our understanding of the Other Postemployment Benefits (OPEB) "substantive plan" design and on the current benefits provided by the SRBR that are in addition to the OPEB benefits (i.e., "non-OPEB").

Results

As of December 31, 2024, the OPEB and non-OPEB related assets in the SRBR are projected to be sufficient to pay OPEB benefits through 2045 (20 full years and 1 partial year) and non-OPEB benefits through 2048 (23 full years and 1 partial year). Compared to the prior year's valuation, the new results represent roughly 3 fewer years of sufficiency for the OPEB benefits and 1 additional year for the non-OPEB benefits. The main cause of the decrease to the OPEB sufficiency period was the updated estimates of the plan's higher implicit subsidy reimbursements, which lowered the sufficiency period by almost 2 years.

Background and discussion

The determination of the "substantive plan" underlying ACERA's OPEB was based upon prior directions provided by ACERA and its auditors, as well as the administrative staff, auditors, and consultants representing the County of Alameda, along with other features of the plan, as we stated in our December 31, 2023 valuation report dated September 23, 2024.

The actuarial assumptions used in this valuation are consistent with those assumptions applied by the Retirement Board for the December 31, 2024 pension valuation for funding purposes, including the use of a 7.00% investment return assumption. When projecting OPEB payments, for the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation. We have also used the additional OPEB-related assumptions/parameters that were provided in our letter dated

April 30, 2025.[1] This includes applying the health trend assumption in projecting that the 2026 implicit subsidy will increase from the 2025 level by 7.75%.[2] Copies of our April 30, 2025 and March 21, 2025 letters are attached for your reference.

In 2025, the maximum Monthly Medical Allowance (MMA) for retirees with 20 or more years of service and enrolled in an ACERA sponsored group medical plan, or for eligible out-of-area non-Medicare retirees enrolled in Via Benefits Exchange, is $662.37. For Medicare retirees with 20 or more years of service and purchasing individual plan Medicare insurance through Via Benefits Exchange (including out-of-area retirees), the maximum MMA for 2025 is $507.43.

At the end of this letter, we provide exhibits that show the projected cash flow and present value of projected benefits for the OPEB and non-OPEB plans. The present values calculated represent the amount of benefits payable through the date of exhaustion of the assets in the SRBR. The exhibits also indicate the years in which the assets in the SRBR are expected to be exhausted, shown separately for OPEB and non-OPEB. Note that the assets used herein reflect the estimated implicit subsidy transfer of $2,472,346 as of December 31, 2024 from the SRBR to the Employer Advance Reserve for calendar year 2024 previously provided by ACERA, consistent with the transfer amount used in the December 31, 2024 funding valuation report for the Pension Plan.[3]

A brief discussion on background information and results is provided below for each of the plans.

OPEB

OPEB benefits, including postretirement medical, dental, and vision benefits, are provided by the employer's contributions made to ACERA's 401(h) account. Once the employer makes those contributions to the 401(h) account, ACERA transfers a like amount from the SRBR to the employer's reserve account.

Note that in preparing the 401(h) contribution letter for 2025/2026, we had included an additional allocation for expenses related to the administration of the health benefits for retirees. However, as we previously demonstrated to the Association during our discussion with the Board on SB 1479, the values in both the employer reserves and the SRBR would remain unchanged relative to the values prior to that allocation, through the operation of SB 1479. For 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.

[1] Note that we issued a separate health trend assumptions letter dated March 21, 2025 due to the timing of the GASB 74 valuation report as of December 31, 2024.

[2] This corresponds to the medical trend assumption we recommend for the non-Medicare Plans in the December 31, 2024 valuation. This first-year trend rate was increased to 7.75% from the 7.50% that we assumed in the December 31, 2023 valuation.

[3] After we were instructed by ACERA to use the estimated transfer amount (i.e., $2,472,346) in our December 31, 2024 valuation for the Pension Plan, we understand that the calculation of the actual transfer amount (i.e., $2,453,953) was subsequently finalized. For consistency purposes, we have continued to use the estimated transfer amount in this letter.

We have assumed the Medicare Part B, dental and vision subsidies will increase at the full rate of the trend assumption for those plans.

To determine the cost of the retiree medical benefits, we estimated the average per capita premium for retirees under age 65. Because these premiums include active participants for purposes of underwriting, the retirees receive an implicit subsidy. Had the retirees under age 65 been underwritten as a separate group, their aggregate premiums would be higher. The excess of the retiree only costs over the active/retiree composite premiums currently charged makes up the implicit subsidy. Between the prior and the current valuation, there has been an increase in the implicit subsidy provided by the County's health consultant from $2.5 million in 2024 to $9.4 million in 2025 (an increase of roughly 280%). As shown in the table below, the implicit subsidy estimate provided by the County's health consultant can fluctuate from year to year.

Calendar Year	County's Implicit Subsidy
2021	$5,652,613
2022	7,981,476
2023	4,116,000
2024	2,472,346
2025	9,390,686

This volatility is not unusual, as claims for the smaller group of non-Medicare retirees are typically more volatile than the overall, combined active and retiree experience.

In preparing the cash flow requirements for this year's valuation, we have started our projection by including an initial implicit subsidy estimate of $5,732,645 for 2025, instead of $9,390,686 under the prior methodology. As noted in our April 30, 2025 non-trend assumptions letter, we are proposing changes to the implicit subsidy calculation that aim to develop a more stable estimate of the long-term average. Key considerations behind the methodology change include:

- The change from a downward trend for implicit subsidy reimbursements in 2023 and 2024, to a much larger estimate in 2025; and
- An increase in volatility compared to prior years.

A more detailed discussion on the new methodology is provided on page 4. Note, this change is only used for the purpose of measuring the Plan's long-term liabilities as we are not suggesting any change to the methodology the Association uses to administer the implicit subsidy reimbursements. The plan's use of blended premiums,* which lowers the premium contributions from retirees, produces an implicit subsidy. The estimates provided by the County's health consultant for determining the annual implicit subsidy transfer reflect the actual, short-term costs incurred by the County.

In the December 31, 2023 valuation, the OPEB assets were projected to become exhausted in 2048, with full benefits paid through 2047, for a total of 24 full years and 1 partial year. The results of the December 31, 2024 valuation indicate that the terminal year of OPEB benefits is

* Whereas the term blended premiums on this page refers to premiums that have been underwritten using the combined experience of active employees and retirees, the term "unblended premium" on the next page refers to premiums underwritten specifically for either the active employees or retirees. The unblended retiree premiums represent the higher per capita costs associated with the older group of retirees.

projected to be 2045, with full benefits paid through 2044, for a total of 20 full years and 1 partial year.

After accounting for the 1 year of benefit payments made in 2024, there is an approximate decrease in the sufficiency period of 3.08 years mainly due to the following factors:

1. The new implicit subsidy estimate decreased the sufficiency period for the OPEB SRBR by 23 months. As previously noted, this year's implicit subsidy methodology was modified to provide a more stable estimate of the long-term costs. If the methodology had remained the same as the prior year, the sufficiency period would have decreased by roughly 42 months due to the new implicit subsidy estimate.
2. The new trend assumptions described in the March 21, 2025 trend assumptions letter decreased the sufficiency period by 17 months. Key changes include higher anticipated increases to Part B premiums and prescription drug costs.
3. The demographic and investment experience produced actuarial gains which increased the sufficiency period by 3 months.

As noted on the prior page, the methodology Segal uses to estimate the implicit subsidy was modified this year. In prior years, we developed our estimates using the plan's unblended retiree rates and then we adjusted our estimate to match the projection provided by the County's health care consultant. Key features of our new approach include:

- The use of unblended retiree premiums and retiree demographics for the prior three years;
- A 7.88% assumption for trending the 2023 and 2024 experience forward to 2025; and
- The use of participant headcounts for determining the three-year weighted average.

Note that as we developed our new methodology, we also considered using the County's blended premiums, which might be viewed as more credible than the unblended retiree rates due to the inclusion of the active employee experience. However, after reviewing both approaches, we chose to include additional years of retiree experience, instead of incorporating the active claims experience, to increase the credibility of the calculation. We will continue to closely monitor the plan's implicit subsidy reimbursements and will report to the Board if we believe other changes are warranted.

These results, as provided in the Attachment, are based on the amount of OPEB assets available as of December 31, 2024, which were provided by ACERA.*

* The OPEB assets used in this valuation (i.e., $1.105 billion) are on an actuarial value of assets basis. Note that in our recently issued Governmental Accounting Standards Board (GASB) Statement No. 74 financial reporting valuation report as of December 31, 2024 of the OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of OPEB assets, of $1.102 billion, as required by that Statement. The decrease in assets used in the GASB 74 valuation of $3.2 million represents the net deferred investment losses (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the OPEB SRBR reserve and 401(h) reserve. These deferred investment losses have not been utilized in this December 31, 2024 SRBR sufficiency valuation, similar to how the deferred investment losses as of December 31, 2023 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment losses as of December 31, 2024 represent about 1 fewer month of projected OPEB benefit payments.

Non-OPEB

The SRBR currently provides benefits in addition to those that qualify as OPEB. These non-OPEB benefits include supplemental COLA and death benefits.

In the December 31, 2023 valuation, it was projected that the non-OPEB assets would be exhausted in 2047, with full benefits paid through 2046, for a total of 23 full years and 1 partial year. The results of the December 31, 2024 valuation indicate that the terminal year of benefits is projected to be 2048, with full benefits paid through 2047, again for a total of 23 full years and 1 partial year.

The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be one year later than it was in last year's study is the somewhat low actual inflation of 2.38%[1] (before it is rounded to 2.50% at the nearest 0.50% increment) in the Bay Area for 2024 (versus the COLA assumption of 2.75%), which decreased the supplemental COLA costs.

These results, as provided in the Attachment, are based on the amount of non-OPEB assets available as of December 31, 2024, which were provided by ACERA.[2]

Other considerations

Note that the terminal years through which the SRBR can be paid have been developed to reflect only the actuarial value of assets allocated to the SRBR through December 31, 2024. As we indicated on page 24 of our December 31, 2024 actuarial valuation report for the Pension Plan, the Association had deferred investment losses of $82.6 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of that date. The deferred losses of $82.6 million represent 0.7% of the market value of assets as of December 31, 2024. After offsetting this loss by the balance in the Contingency Reserve, the residual loss is $51.3 million. If the net deferred losses of $51.3 million were recognized immediately in the valuation value of assets, there would be a decrease in the SRBR Reserve of approximately $3.2 million to pay OPEB benefits and $0.3 million to pay non-OPEB benefits.[3]

[1] Based on a comparison of the December 2024 Consumer Price Index (CPI) to the December 2023 CPI for the San Francisco-Oakland-Hayward Area, as published by the Bureau of Labor Statistics.

[2] The non-OPEB SRBR assets used in this valuation (i.e., $117.6 million) are on an actuarial value of assets basis. Note that in our recently issued Governmental Accounting Standards Board (GASB) Statement No. 67 financial reporting valuation report as of December 31, 2024 for the Pension Plan and non-OPEB benefits provided by the SRBR, we utilized the Plan Fiduciary Net Position, or market value of assets, of $117.3 million in non-OPEB SRBR assets, as required by that Statement. The decrease in non-OPEB SRBR assets used in the GASB 67 valuation of $0.3 million represents the net deferred investment losses (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation) that is commensurate with the size of the non-OPEB SRBR reserve. These deferred investment losses have not been utilized in this December 31, 2024 SRBR sufficiency valuation, similar to how the deferred investment losses as of December 31, 2023 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment losses as of December 31, 2024 represent about 1 month fewer of projected non-OPEB benefit payment.

[3] It is important to note that the December 31, 2024 actuarial valuation is based on plan assets as of that same date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

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

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

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by ACERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

Please let us know if you have any questions.

Sincerely,

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

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

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

Mehdi Riazi, FSA, MAAA, EA
Vice President and Actuary

ST/jl
Enclosures (5928739, 5937578)

cc: Lisa Johnson

Alameda County Employees' Retirement Association
Attachment – Projected Cash Flows
Provided by the Supplemental Retirees Benefit Reserve as of December 31, 2024

Year Ending December 31	Medical[1] Annual Benefit Cash Flows	Dental and Vision Annual Benefit Cash Flows	Non-OPEB[2] Annual Benefit Cash Flows
2025	$53,442,990	$6,045,522	$1,606,454
2026	58,197,945	6,499,736	1,896,344
2027	63,072,959	6,912,830	2,420,913
2028	68,043,267	7,303,582	3,224,314
2029	73,059,342	7,664,542	4,199,271
2030	78,418,412	8,039,230	5,249,385
2031	83,994,170	8,423,733	6,369,965
2032	89,460,230	8,820,088	7,514,176
2033	95,204,279	9,222,298	8,725,363
2034	100,748,603	9,627,790	10,074,842
2035	106,281,571	10,042,577	11,364,668
2036	111,099,686	10,441,999	12,581,387
2037	115,770,937	10,848,938	13,840,361
2038	120,285,921	11,245,134	15,499,023
2039	124,749,077	11,651,751	17,043,467
2040	128,933,733	12,039,806	18,534,667
2041	133,117,238	12,433,753	20,041,564
2042	137,190,480	12,818,332	21,388,595
2043	141,279,672	13,194,364	22,557,072
2044	145,274,943	13,566,607	23,621,818
2045	54,209,760[3]	5,069,101[3]	24,684,639
2046	0	0	25,858,995
2047	0	0	27,074,594
2048	0	0	18,436,938[3]

[1] Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County.
[2] Includes Supplemental COLA and $1,000 Lump Sum Death Benefit.
[3] 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.

Alameda County Employees' Retirement Association
Attachment – Present Value of Projected Benefits
Provided by the Supplemental Retirees Benefit Reserve as of December 31, 2024

Year Ending December 31	OPEB* Present Value as of December 31, 2024 of Projected Benefits through Year End	Non-OPEB Present Value as of December 31, 2024 of Projected Benefits through Year End	Total Present Value as of December 31, 2024 of Projected Benefits through Year End
2025	$57,509,715	$1,553,018	$59,062,733
2026	115,963,555	3,266,349	119,229,904
2027	175,058,512	5,310,532	180,369,044
2028	234,518,097	7,854,983	242,373,080
2029	294,053,466	10,952,024	305,005,490
2030	353,646,104	14,570,266	368,216,370
2031	413,179,623	18,673,653	431,853,276
2032	472,347,804	23,197,450	495,545,254
2033	531,103,359	28,106,770	559,210,129
2034	589,143,748	33,404,531	622,548,279
2035	646,310,065	38,989,581	685,299,646
2036	702,132,890	44,768,081	746,900,971
2037	756,483,529	50,708,953	807,192,482
2038	809,248,695	56,926,561	866,175,256
2039	860,387,695	63,316,448	923,704,143
2040	909,783,384	69,810,806	979,594,190
2041	957,446,544	76,373,758	1,033,820,302
2042	1,003,355,843	82,919,610	1,086,275,453
2043	1,047,538,884	89,371,439	1,136,910,323
2044	1,089,998,929	95,685,803	1,185,684,732
2045	1,104,808,157	101,852,596	1,206,660,753
2046	1,104,808,157	107,890,141	1,212,698,298
2047	1,104,808,157	113,797,957	1,218,606,114
2048	1,104,808,157	117,557,803	1,222,365,960

* Includes Medical, Dental and Vision.

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March 21, 2025

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

Re: Alameda County Employees' Retirement Association
Healthcare trend assumptions recommended for the December 31, 2024 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

We have provided in this letter the healthcare trend assumptions that we recommend to the Board in the December 31, 2024 retiree health valuation for determining sufficiency of assets to provide retiree health benefits. These health trend assumptions will also be used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2024.

Health care trend assumptions

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

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

1. For the prior December 31, 2023 SRBR valuation, we recommended the following assumptions:
    a. For the non-Medicare plans, we recommended the first-year trend rate be increased to 8.50%, then graded down by 1.00% in 2025 and by 0.50% in 2026, then by 0.25% each year for 10 years until an ultimate rate of 4.50% is reached after 10 years. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience, concerns about the impact of general inflation on healthcare costs, and updated national trend expectations for prescription drug costs. For the Medicare plans, we recommended the first-year trend rate be increased to 16.47%, then 7.00% graded down by 0.25% each year until an ultimate rate of 4.50% is reached after 10 years. In addition to the same factors that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by

the anticipated impact of the Inflation Reduction Act of 2022 (IRA). The initial 16.47% trend rate reflected a projected baseline increase to the monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a projected one-time increase of $30 (7.84%) due to the IRA. The IRA included material benefit cost-sharing changes for 2025, most notably implementing a $2,000 member out-of-pocket maximum, as well as various funding changes for Medicare prescription drug plans. Both changes were expected to significantly increase premiums for the Kaiser Senior Advantage and Via Benefits plans. Our trend assumptions included an estimated impact of the IRA on the Fund's Medicare plan premiums in calendar year 2025 based on the Calendar Year 2025 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 31, 2024.

b. The Dental and Vision annual trend assumption remained at 4.00% based upon Segal Survey data. However, because of the 2-year 2024 rate guarantee for dental and the 5-year 2021 rate guarantee for vision, the first year of trend rates for dental and vision was set at 0.00%.

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

d. Based on past practice, the 8.50% non-Medicare and 16.47% Medicare first year trends were used in the December 31, 2023 "preview" valuation and applied to the 2024 non-Medicare and Medicare medical premiums to estimate the projected 2025 non-Medicare and Medicare medical premiums. The first-year trends were replaced as part of the "final" valuation as of December 31, 2023 to reflect the actual premium renewals for 2025.

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

2. For the current December 31, 2024 SRBR valuation, we are recommending the following assumptions:

   a. For the non-Medicare plans, we are recommending the first-year trend rate be set at 7.75%,[1] then grading down by 0.25% each year for 13 years until reaching an ultimate rate of 4.50%. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience, updated national trend expectations for prescription drug costs, and concerns about the impact of general inflation on

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.50%.

healthcare costs. For the Medicare plans, we are recommending the first-year trend rate be set at 7.50%,[1] then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. In addition to the same key considerations that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by the Calendar Year 2026 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 10, 2025. Final guidance, rules and clarifications will be provided by CMS in April of 2025. We will continue to use the ultimate health care trend assumption of 4.50% for these plans, based on Segal's research and analysis on long-term cost in the health care market as a whole.

b. The Dental trend rates will start at 6.00%, then decrease to 5.00% and 4.50% before reaching an ultimate rate of 4.00%. The updated Dental trend assumptions were based on a review of the plan's recent claims experience and forward-looking expectations from Segal survey data. The Vision trend assumption will be lowered from 4.00% to 3.00%, based mostly on forward-looking expectations from Segal survey data.

c. Medicare Part B trend assumptions will be increased to 6.20% for calendar years 2025 through 2033, 5.75% for calendar year 2034, then decreasing by 0.25% per year until the ultimate trend rate of 4.50% is reached in 2039. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2. of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

d. Based on past practice, the 7.75% non-Medicare and 7.50% Medicare first-year trends will be used in the December 31, 2024 "preview" valuation and applied to the 2025 non-Medicare and Medicare medical premiums to estimate the projected 2026 premiums. The first-year trends will be replaced as part of the "final" valuation as of December 31, 2024 to reflect the actual premium renewals for 2026. Similarly, the initial Dental and Vision trend rates will be updated based on the actual premium renewals for 2026.

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

Segal will prepare a separate letter to address the recommended demographic driven changes to be used in the December 31, 2024 SRBR sufficiency valuation.

[1] We note that in the absence of the above recommendation to reset the assumption, the first-year trend rate that we would use in this year's valuation would equal 7.00%.

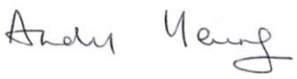
Statement of actuarial opinion

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by the Plan or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax, or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

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

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

Sincerely,



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

Mary Kirby, FSA, MAAA, FCA
Senior Vice President and Chief Health Actuary

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

JL/jl/sm

Attachment

Attachment One

Prior and Current Recommended Trend Assumptions for the December 31, 2024 Retiree Health Valuations

Health Trends Used in the Prior Valuation as of December 31, 2023 (Provided for Comparison Purposes)

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

Calendar Year	United Healthcare (UHC) HMO & Kaiser HMO Early Retiree[1]	Via Benefits & Kaiser Senior Advantage[2]	Dental[3]	Vision[4]	Medicare Part B
2024	8.50%	16.47%	0.00%	0.00%	4.50%
2025	7.50	7.00	4.00	4.00	4.50
2026	7.00	6.75	4.00	4.00	4.50
2027	6.75	6.50	4.00	4.00	4.50
2028	6.50	6.25	4.00	4.00	4.50
2029	6.25	6.00	4.00	4.00	4.50
2030	6.00	5.75	4.00	4.00	4.50
2031	5.75	5.50	4.00	4.00	4.50
2032	5.50	5.25	4.00	4.00	4.50
2033	5.25	5.00	4.00	4.00	4.50
2034	5.00	4.75	4.00	4.00	4.50
2035	4.75	4.50	4.00	4.00	4.50
2036 & Later	4.50	4.50	4.00	4.00	4.50

The 2024 assumed trend rates were replaced with the actual premium increases shown below, based on premium renewals for 2025 as reported by ACERA. These premium increases were used in preparing our December 31, 2023 SRBR valuation report dated September 23, 2024:

Kaiser HMO Early Retiree	UHC HMO Signature Value Early Retiree	UHC HMO Signature Value Advantage Early Retiree	Kaiser Senior Advantage	Dental	Vision
5.65%	8.84%	8.85%	5.50%	0.00%	0.00%

[1] Non-Medicare plans.
[2] Medicare plans.
[3] 2024 reflects two-year rate guarantee, premiums fixed at 2024 level.
[4] Reflects five-year rate guarantee, premiums fixed at 2021 level.

Health Trends Recommended for the Current Valuation as of December 31, 2024

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

Calendar Year	United Healthcare HMO & Kaiser HMO Early Retiree[1]	Via Benefits & Kaiser Senior Advantage[2]	Dental	Vision	Medicare Part B
2025	7.75%[3]	7.50%[3]	6.00%	3.00%[3]	6.20%[4]
2026	7.50	7.25	5.00[3]	3.00[3]	6.20
2027	7.25	7.00	4.50[3]	3.00[3]	6.20
2028	7.00	6.75	4.00	3.00	6.20
2029	6.75	6.50	4.00	3.00	6.20
2030	6.50	6.25	4.00	3.00	6.20
2031	6.25	6.00	4.00	3.00	6.20
2032	6.00	5.75	4.00	3.00	6.20
2033	5.75	5.50	4.00	3.00	6.20
2034	5.50	5.25	4.00	3.00	5.75
2035	5.25	5.00	4.00	3.00	5.50
2036	5.00	4.75	4.00	3.00	5.25
2037	4.75	4.50	4.00	3.00	5.00
2038	4.50	4.50	4.00	3.00	4.75
2039 & Later	4.50	4.50	4.00	3.00	4.50

[1] Non-Medicare plans.
[2] Medicare plans.
[3] Based on past practice, the initial trend rates will be replaced as part of the "final" valuation as of December 31, 2024 to reflect the actual premium renewals for 2026.
[4] If available, first year trend may be replaced to reflect actual 2026 calendar year premium at time of valuation.

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April 30, 2025

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

Re: Alameda County Employees' Retirement Association
Recommended parameters other than healthcare trend assumptions for the December 31, 2024 SRBR Retiree Health Actuarial Valuation

Dear Carlos:

This letter provides the recommended parameters to reflect the demographic driven changes in the membership data for use in the December 31, 2024 retiree health valuation. The health care cost trend assumptions used in the health valuation are reviewed annually and the recommended assumptions for the December 31, 2024 valuation (which were also used to prepare the December 31, 2024 Governmental Accounting Standards Board Statement 74 report) were provided in a separate letter dated March 21, 2025.

Other parameters (or assumptions) such as the proportion of members expected to be covered by each health benefit provider (e.g. Kaiser) can sometimes be volatile due to the dynamic nature of the health care market place. Those assumptions are typically based on enrollment experience among the current retirees as of the most recent annual open enrollment.

Following are our recommended assumptions for the December 31, 2024 health plan valuation:

1. Per capita medical costs – These costs are used to project the costs for current active members when they retire. Based on the percentage of retired members, spouses and beneficiaries electing health coverage and the proportion of members enrolled in each available medical plan, we will project the per capita health costs for a member who is covered in calendar year 2025. They are provided in Item 2a of the Attachment.

   As noted in item 3g of the Attachment, we are proposing changes to the implicit subsidy calculation that will reduce the volatility of the implicit subsidy used to project the long-term liabilities for both GASB and funding sufficiency measurements. This change is only used for the purposes of measuring the long-term liabilities as we are not suggesting any change to the methodology the Association uses in the short-term to administer the implicit subsidy reimbursements.

2. Election rates – Based on the January 1, 2025 enrollment data, we have provided in Item 2a of the Attachment the observed and recommended election rates among the different medical plans.

3. The per capita costs and election rates for the dental and vision plans that we recommend for use in the December 31, 2024 valuation are provided in Item 2b of the Attachment.

4. For retirees enrolled in a Group Medical Plan in 2025, ACERA provides a monthly subsidy of $662.37 for retirees with 20 or more years of service, $496.78 for retirees with 15-19 years of service, and $331.19 for retirees with 10-14 years of service. We have assumed that the Monthly Medical Allowances (MMA) subsidy for the Group Medical Plans available will increase with 50% of medical trend[1] after 2025.

5. Via Benefits Individual Medical Insurance Exchange – Beginning in 2013, retirees eligible for Medicare have the option to purchase individual Medicare insurance from plans through the Via Benefits Individual Medicare Insurance Exchange. Item 2a of the Attachment shows the percentage of retirees enrolled in Via Benefits as of January 2025. To assist with purchasing insurance through Via Benefits, the Board adopted a 2025 monthly subsidy of $507.43 for Medicare retirees with 20 or more years of service, $380.57 for retirees with 15-19 years of service, and $253.72 for retirees with 10-14 years of service. We have assumed that the MMA subsidy for the individual plans available through Via Benefits will increase with 50% of medical trend[1] after 2025, consistent with the increase anticipated for the MMA for the group plans.

   Retirees under age 65 residing outside of ACERA medical plans' coverage areas are also eligible to enroll in Via Benefits and eligible to receive a maximum MMA subsidy equal to the Group Plan MMA described in (4). We have assumed their reimbursements will equal the maximum MMA.

   For members enrolled in Via Benefits, ACERA establishes a tax-free Health Reimbursement Account and provides credit up to the amount of the Monthly Medical Allowance for which the retiree is eligible to receive. The retiree will be reimbursed from the Health Reimbursement Account for the periodic premiums required to receive health coverage and to pay medical deductible and medical and prescription co-pays. Any monthly medical allowance left over in the retiree's account from the prior calendar year will be forfeited if not claimed by the end of March in the following calendar year.

   Via Benefits enrollees have a number of plan options available to them. The actual premiums required to receive coverage as well as amounts available to pay deductibles, etc., vary from retiree to retiree. For our valuation, we will use an average per capita cost.

   To derive the average monthly per capita cost, we have analyzed the actual Via Benefits reimbursement data available from January 1, 2024 through December 31, 2024, adjusted for expected medical trend to 2025 and have included an estimate of the additional cost to account for the lag in reporting and reimbursing any unused amount in the retirees' Health Reimbursement Account through March 2025. That calculation is provided in Item 2a of the Attachment.

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

6. Other assumptions – The other actuarial assumptions and methods will be consistent[1] with those used in our December 31, 2024 pension funding valuation. These include the economic and non-economic assumptions. The demographic assumptions under items 3 (h), (i), and (j) are reviewed (and updated if necessary) as part of the triennial experience study. These assumptions include spouse/domestic partner demographic assumptions, and retiree medical coverage election percentages. The December 31, 2024 valuation will reflect the assumptions that were based on the December 1, 2019 – November 30, 2022 experience study dated January 8, 2024 and approved by the Board for use starting with the December 31, 2023 valuation.

Statement of actuarial opinion

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by the Plan or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

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

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

Sincerely,

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

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

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

JL/jl

Attachment

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

Recommended Actuarial Assumptions for the December 31, 2024 Health Valuation

1. Health Care Cost Trend Rates

   The health care cost trend assumptions recommended for the December 31, 2024 valuation to be applied to all health plans were provided in a separate letter dated March 21, 2025.

2.

   a. Medical Plan – Per Capita Costs and Election Rates for Calendar Year 2025

Under Age 65[1]

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Medical Allowance (20+ YOS)
Kaiser HMO	69%	65.5%	$1,097.88	$662.37
Via Benefits Individual Insurance Exchange[3]	16%	18.1%	N/A	662.37
UHC Signature Value HMO Current Network	6%	6.2%	1,594.36	662.37
UHC SV Advantage HMO SVA Network	9%	10.0%	1,042.48	662.37
Other Plans	0%	0.2%	1,097.88[4]	662.37

Age 65 and Over

Medical Plan	Recommended Election Assumption	Observed Election[2]	Monthly Premium (Self)	Maximum Monthly Medical Allowance (20+ YOS)
Kaiser Senior Advantage	72%	71.9%	$375.22	$662.37
Via Benefits Individual Insurance Exchange	28%	27.5%	380.77[5]	507.43
Kaiser, non-Medicare[6]	0%	0.6%	1,097.88	662.37
Other Plans	0%	0.0%	375.22[4]	662.37

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

[2] The observed election percentages are based on retiree health census data as of January 1, 2025 and pension membership data as of November 30, 2024.

[3] Via Benefits individual insurance coverage is available to retirees under age 65 residing outside of ACERA medical plans' coverage areas. We have assumed that these current retirees under age 65 will draw the Maximum Monthly Subsidy ($662.37).

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

[5] Derivation of the amount expected to be paid in 2025 from the Health Reimbursement Account for members with 20 plus years of service is shown in the table on the following page. We have also derived the amount expected to be paid for members with 10-14 and 15-19 years of service.

[6] Closed to future retirees.

Derivation of Via Benefits Monthly Per Capita Costs

Line Description	10-14 Years of Service	15-19 Years of Service	20+ Years of Service
1. Maximum MMA for 2024	$243.37	$365.06	$486.74
2. Total of Maximum MMA (From Jan. 2024 to Dec. 2024)	$643,821	$1,016,467	$6,849,183
3. Total of Actual Reimbursement (From Jan. 2024 to Dec. 2024)	$463,913	$681,366	$4,182,062
4. Ratio of Actual Reimbursement to Maximum 2024 MMA [(3) / (2)]	72.06%	67.03%	61.06%
5. Average Monthly Per Capita Cost for 2024 [(1) x (4)]	$175.37	$244.70	$297.20
6. Maximum MMA for 2025	$253.72	$380.57	$507.43
7. Increase for Expected Medical Trend (16.47%) from 2024 to 2025 [(5) x 1.1647]	$204.25	$285.00	$346.15
8. Increase for Additional 10% Margin for 2024 Expenses Incurred in 2024 but Reimbursed after December 2024 [(7) x 1.10]	**$224.68**	**$313.50**	**$380.77**

b. Dental and Vision Plans - Per Capita Costs and Election Rates for Calendar Year 2025
We assume that 100% of future retirees with mandatory dental and vision coverages will receive the maximum subsidy. Dental and vision coverages are provided for retirees who have:

1) 10 or more years of ACERA service credit; or
2) Service connected disability; or
3) Non-service-connected disability with retirement prior to February 1, 2014.

2025 Plan Year
Monthly Dental and Vision Subsidy
$51.05 + $4.63 = $55.68

3. Other Assumptions

In the December 31, 2024 valuation, we will also apply the following assumptions and methodologies:

a. Economic assumptions: These include discount rate, inflation rate and salary scale assumptions. We will apply the same assumptions approved by the Board for the December 31, 2024 pension funding valuation.

b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal and deferred vested retirement. We will apply the same assumptions that we use for the December 31, 2024 pension funding valuation. For the purposes of anticipating death, we use the headcount weighted instead of the benefit (or amount) weighted mortality tables used in the pension funding valuation.

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

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

   1) Maximum MMA will increase with 50% of medical trend.
   If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend.

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

   3) Medicare B premium reimbursement will increase with full Medicare Part B trend.

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

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

g. Implicit Subsidy: Our understanding is that the under age 65 retiree premium[1] rates are blended or pooled together with active premium rates and an implicit subsidy does exist. Starting with the December 31, 2024 valuation, we are suggesting methodology changes that will reduce the volatility of the implicit subsidy estimates used to project the long-term liabilities in the GASB 74 and 75 accounting valuations and the SRBR funding sufficiency measurements. As shown in the table below, the implicit subsidy estimate provided by the County's health consultant can be quite volatile from year to year and increased significantly from 2024 to 2025.

Calendar Year	County's Implicit Subsidy
2021	$5,652,613
2022	7,981,476
2023	4,116,000
2024	2,472,346
2025	9,390,686

This volatility is not unusual, as claims for the smaller group of non-Medicare retirees are typically more volatile than the overall, combined active and retiree experience. In prior years, we have relied on the County's unblended rates to develop the estimated age-adjusted retiree claims costs used in the actuarial valuations. As a result, our valuation estimates have generally been very similar to the implicit subsidy estimates provided by the County's health consultant. However, going forward, we believe a more robust estimate of the implicit subsidy will provide more stability and predictability for both accounting and funding sufficiency valuations, which are based on long-term projections. For example, instead of changing the starting implicit subsidy estimate from roughly $2.5 million to $9.4 million this year, based on our prior years' approach,

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

our suggested approach would aim to provide an estimate that is more stable from year to year and is in-line with the expected long-term average implicit subsidy costs. Our suggested approach would develop the estimated age-adjusted retiree claims costs using a combination of the County's blended and unblended premiums. Incorporating the active employee claims experience and demographics will add credibility and predictability. The current and historical implicit subsidy estimates provided by the County's health consultant will serve as a useful reasonableness check. We will highlight the suggested approach for the Board's consideration when we provide the numerical results in our preview letter on the sufficiency of the SRBR as of December 31, 2024. This change is only used for the purposes of measuring the long-term liabilities as we are not suggesting any change to the methodology the Association uses in the short-term to administer the implicit subsidy reimbursements.

h. Spouse Age Difference in Years for Retirees with Medical Coverage (Spousal Coverage will only affect costs due to implicit subsidy):[1] For all non-retired members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 1 year older than the member.

i. Spousal Coverage:[1] For all active and inactive members who elect to continue their medical coverage at retirement, 35% of males and 15% of females were assumed to have an eligible spouse who also opts for health coverage at that time.

j. Retiree Medical Coverage Election:[1]
The table below summarizes the participation assumptions for future retirees eligible for ACERA retiree medical plan subsidy (MMA) and Medical Part B premium subsidy.

Age Group	Percent (%) Covered
Under Age 65[2]	75
Age 65 and Older	90

[1] These assumptions were reviewed as part of the December 1, 2019 – November 30, 2022 experience study dated January 8, 2024 and approved by the Board for use starting with the December 31, 2023 valuation.

[2] 60% of eligible retirees under age 65 without medical coverage are assumed to elect medical coverage upon reaching age 65.

MEMORANDUM TO THE RETIREES COMMITTEE

00DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Carlos Barrios, Assistant Chief Executive Officer

SUBJECT: **Monthly Medical Allowance for 2026**

This memo provides background information on the Monthly Medical Allowance benefit paid from the Supplemental Retiree Benefit Reserve Policy (SRBR), and the substantive plan definition. Staff will review the attached presentation, which summarizes the information contained in this memo.

Each year, the Retirees Committee recommends to the Board of Retirement (Board) a suggested dollar amount to be contributed towards retiree health care costs. This dollar contribution is known as the Monthly Medical Allowance (MMA). The MMA is a non-vested retiree health benefit provided in agreement with ACERA's Participating Employers through the use of Internal Revenue Code 401(h) accounts. 401(h) benefits are funded by employer contributions. After contributions are made, in accordance with the County Employees Retirement Law of 1937, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits.

GROUP PLAN OPTIONS AND MONTHLY MEDICAL ALLOWANCE

Non-Medicare eligible retirees (early retirees) have the option of enrolling in Kaiser Permanente or UnitedHealthcare SignatureValue HMO or UnitedHealthcare SignatureValue Advantage HMO group plans. Medicare eligible retirees have the option of enrolling in the Kaiser Senior Advantage group plan. Group plan premiums are deducted from the retirees' monthly payroll amounts and offset by the MMA subsidy amount, which is based on years of service.

For early retirees, the premium exceeds the current MMA, which results in an out-of-pocket cost (see attached charts). For Medicare eligible retirees, the MMA covers the group plan premium for those with 15 years or more of service. Those with less than 15 years of service pay an out-of-pocket cost (see attached charts).

INDIVIDUAL PLAN MONTHLY MEDICAL ALLOWANCE

In 2012 ACERA offered individual Medicare Exchange plan coverage, replacing a former group plan. Retirees may enroll in an individual plan on the Medicare Exchange and receive an MMA based on years of service. The individual plan MMA provides reimbursement through a Health Reimbursement Arrangement (HRA) for premiums, co-pays and deductibles, but is limited to an annual amount.

Effective January 1, 2016, ACERA offered individual plan coverage to early retirees who live outside ACERA's HMO service areas through the Health Exchange. Also, effective January 1, 2016, ACERA terminated the group multi-site contracts with Kaiser Permanente, and instead provided individual medical coverage for impacted retirees through the Health Exchange, or an individual plan offered directly through Kaiser.

The MMA amounts provided through the HRAs are based on years of service. Retirees are reimbursed for premiums, co-pays and deductibles up to their annual MMA amount. Premium amounts depend on the plan chosen by the retiree through Via Benefits. Some retirees will use their entire allotment if they incur higher costs, such as the early retiree plan premiums or high drug costs for Medicare eligible retirees.

SUBSTANTIVE PLAN DEFINITION

To complete ACERA's substantive plan definition under GASB 43, the Board in 2007 adopted a formula which bases future MMA contribution increases on an amount equal to 50% of the rate of health care inflation assumptions provided by ACERA's actuary.

ACERA's Actuary, Segal, has provided ACERA with its recommended assumptions to be used for the December 31, 2024 retiree health plan valuation. These assumptions reset the near-term trend assumption for non-Medicare to 7.75% and Medicare Advantage plans to 7.5% in calendar year 2024. Based on our substantive plan definition under GASB, we would use 3.75% as an increase to the 2026 MMA should an increase be considered. When more than one trend is provided, the lowest number is used.

For Plan Years 2011, 2012, 2013, 2014, 2015, 2017, 2018, and 2021 the Board decided not to increase the MMA. However, for Plan Years 2016, 2019, 2020, 2022, 2023, 2024, and 2025 the Board decided to follow the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions.

GROUP PLANS COSTS

Attached are three charts. One provides the current MMA costs and premiums for 2025; another with estimated trend percentage increases to premiums with no increase to the MMA; and a third with projected increases to premiums and a 3.75% increase to the MMA. A summary of total costs is provided below:

Plan Year	Annual Cost Summary	
2025	Current premiums and MMA:	$25,949,045
2026	Increase in premiums only:	$27,251,476
2026	Increase in premiums and MMA:	$27,573,328

If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $1,302,431. If 3.75% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,624,283 ($1,302,431 due to premium increase and $321,852 due to 3.75% MMA increase) for 2026.

The above projected annual costs reflect enrollment in the main group plans (Kaiser California and UnitedHealthcare). If we include the Operating Engineers, the additional projected annual cost is $109,291.

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

The following chart shows the current MMA amounts approved for 2025, and estimated costs based on the entire maximum MMA for the current number of enrollments. The actual cost is determined based on the amount reimbursed to each retiree. Based on the actual reimbursements for the 2024 Plan Year (as of April 29, 2025), the total reimbursements were $905,874.75.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	21	$ 331.19	$ 3,974.28	$ 83,459.88
15 - 19 Years	24	$ 496.78	$ 5,961.36	$ 143,072.64
20 + Years	176	$ 662.37	$ 7,948.44	$ 1,398,925.44
Totals	**221**			**$ 1,625,457.96**

The Board may also consider increasing the reimbursement amounts for the early retirees in the individual plans, which would result in the amounts stated in the chart below.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	21	$ 343.61	$ 4,123.32	$ 86,589.72
15 - 19 Years	24	$ 515.41	$ 6,184.92	$ 148,438.08
20 + Years	176	$ 687.21	$ 8,246.52	$ 1,451,387.52
Totals	**221**			**$ 1,686,415.32**

Based on a 3.75% increase, which is 50% of the medical plan trend, the estimated annual increase would be $60,957.36.

INDIVIDUAL PLAN COSTS – Medicare Eligible Retirees

The following chart shows the current MMA amounts approved for 2025, and estimated costs based on the entire maximum MMA for the current number of enrollments. The actual cost is determined based on the amount reimbursed to each retiree. Based on the actual reimbursements for the 2024 Plan Year (as of April 29, 2025), the total reimbursements were $5,787,924.68.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	228	$ 253.72	$ 3,044.64	$ 694,177.92
15 - 19 Years	237	$ 380.57	$ 4,566.84	$ 1,082,341.08
20 + Years	1,195	$ 507.43	$ 6,089.16	$ 7,276,546.20
Totals	**1,660**			**$ 9,053,065.20**

The Board may also consider increasing the reimbursement amounts for the Medicare eligible retirees in the individual plans, which would result in the amounts stated in the chart below.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	228	$ 263.23	$ 3,158.76	$ 720,197.28
15 - 19 Years	237	$ 394.85	$ 4,738.20	$ 1,122,953.40
20 + Years	1,195	$ 526.46	$ 6,317.52	$ 7,549,436.40
Totals	**1,660**			**$ 9,392,587.08**

Based on a 3.75% increase, which is 50% of the medical plan trend, the estimated annual increase would be $339,521.88.

CONSIDERATIONS FOR SETTING 2026 MMA

- A history of the MMA amounts for the 10-year period 2016 through 2025 is shown in the attached presentation.
- 2026 health care premium costs are unknown. For reference, a history of the premiums for the 10-year period 2016 through 2025 is shown in the attached presentation.
- In 2024, $85,440,749 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.500% for regular earnings, there was no crediting of earnings above the assumed rate of return).

- On a preliminary basis, Segal projects 20 years of benefits payable from the SRBR, which is a decrease in the sufficiency period by 3.08 years compared to last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013.
- The Implicit Subsidy for 2025 is estimated to be about $6,936,733 higher than the cost for 2024.
- Annual payee numbers are increasing by about 2.24% on average for the five-year period 2020 through 2024.
- ACERA's overall SRBR costs decreased by 0.77% in 2024, compared to a 5.21% increase in 2023.
- Also attached for informational purposes is a 10-year history of the SRBR (deductions and additions) fund balances.

RECOMMENDATIONS TO CONSIDER FOR JULY RETIREES COMMITTEE MEETING

1. Do not increase MMA amount for 2026. Current annual cost plus potential increase due to premium increase is $37,929,999.
2. Increase MMA by 50% of health care trend, 3.75% for potential increased cost of $38,652,330. This is an annual cost difference of $722,331.

Attachments (6)

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2025*

Current Premiums and MMA

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	2025 MMA	**$ -**	**$ 331.19**	**$ 496.78**	**$ 662.37**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees)	Projected # Enrolled (2025 plan year)	1	39	62	608	710
	Total Premium (2025)	$ 1,097.88	$ 1,097.88	$ 1,097.88	$ 1,097.88	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,097.88**	**$ 766.69**	**$ 601.10**	**$ 435.51**	
UnitedHealthcare SignatureValue HMO (Early Retirees)	Projected # Enrolled (2025 plan year)	1	1	3	61	66
	Total Premium (2025)	$ 1,594.36	$ 1,594.36	$ 1,594.36	$ 1,594.36	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,594.36**	**$ 1,263.17**	**$ 1,097.58**	**$ 931.99**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	Projected # Enrolled (2025 plan year)	0	9	12	91	112
	Total Premium (2025)	$ 1,042.48	$ 1,042.48	$ 1,042.48	$ 1,042.48	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,042.48**	**$ 711.29**	**$ 545.70**	**$ 380.11**	
					Total Plan Enrollees (Early Retirees)	**888**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage	Projected # Enrolled (2025 plan year)	28	475	552	3305	4360
	Total Premium (2025)	$ 375.22	$ 375.22	$ 375.22	$ 375.22	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 375.22	$ 375.22	
	Projected Premium Paid by Retiree	**$ 375.22**	**$ 44.03**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4360**
Projected Annual Cost by Years of Service			**$2,082,523**	**$2,944,482**	**$20,922,040**	**$25,949,045**

Total Projected Annual Cost: $25,949,045

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2026*

Assumes 0% Increase to MMA and Projected Increase to Premiums

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	Projected (2026) MMA	**$ -**	**$ 331.19**	**$ 496.78**	**$ 662.37**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) **Assumes 7.75% Increase**	Projected # Enrolled (2025 plan year)	1	39	62	608	710
	Total Premium (2026)	$ 1,182.97	$ 1,182.97	$ 1,182.97	$ 1,182.97	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,182.97**	**$ 851.78**	**$ 686.19**	**$ 520.60**	
UnitedHealthcare SignatureValue HMO (Early Retirees) **Assumes 7.75% Increase**	Projected # Enrolled (2025 plan year)	1	1	3	61	66
	Total Premium (2026)	$ 1,717.92	$ 1,717.92	$ 1,717.92	$ 1,717.92	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,717.92**	**$ 1,386.73**	**$ 1,221.14**	**$ 1,055.55**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) **Assumes 7.75% Increase**	Projected # Enrolled (2025 plan year)	0	9	12	91	112
	Total Premium (2026)	$ 1,123.27	$ 1,123.27	$ 1,123.27	$ 1,123.27	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 496.78	$ 662.37	
	Projected Premium Paid by Retiree	**$ 1,123.27**	**$ 792.08**	**$ 626.49**	**$ 460.90**	
					Total Plan Enrollees (Early Retirees)	**888**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage **Assumes 7.50% Increase**	Projected # Enrolled (2025 plan year)	28	475	552	3305	4360
	Total Premium (2026)	$ 403.36	$ 403.36	$ 403.36	$ 403.36	
	Projected Subsidy Paid by ACERA	$ -	$ 331.19	$ 403.36	$ 403.36	
	Projected Premium Paid by Retiree	**$ 403.36**	**$ 72.17**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4360**
Projected Annual Cost by Years of Service			**$2,082,523**	**$3,130,881**	**$22,038,072**	**$27,251,476**

Total Projected Annual Cost: $27,251,476

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2026*

Assumes 3.75% Increase to MMA and Projected Increase to Premiums

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	Projected (2026) MMA	**$ -**	**$ 343.61**	**$ 515.41**	**$687.21**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) Assumes 7.75% Increase	Projected # Enrolled (2025 plan year)	1	39	62	608	710
	Total Premium (2026)	$ 1,182.97	$ 1,182.97	$ 1,182.97	$ 1,182.97	
	Projected Subsidy Paid by ACERA	$ -	$ 343.61	$ 515.41	$ 687.21	
	Projected Premium Paid by Retiree	**$ 1,182.97**	**$ 839.36**	**$ 667.56**	**$ 495.76**	
UnitedHealthcare SignatureValue HMO (Early Retirees) Assumes 7.75% Increase	Projected # Enrolled (2025 plan year)	1	1	3	61	66
	Total Premium (2026)	$ 1,717.92	$ 1,717.92	$ 1,717.92	$ 1,717.92	
	Projected Subsidy Paid by ACERA	$ -	$ 343.61	$ 515.41	$ 687.21	
	Projected Premium Paid by Retiree	**$ 1,717.92**	**$ 1,374.31**	**$ 1,202.51**	**$ 1,030.71**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) Assumes 7.75% Increase	Projected # Enrolled (2025 plan year)	0	9	12	91	112
	Total Premium (2026)	$ 1,123.27	$ 1,123.27	$ 1,123.27	$ 1,123.27	
	Projected Subsidy Paid by ACERA	$ -	$ 343.61	$ 515.41	$ 687.21	
	Projected Premium Paid by Retiree	**$ 1,123.27**	**$ 779.66**	**$ 607.86**	**$ 436.06**	
					Total Plan Enrollees (Early Retirees)	**888**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage Assumes 7.5% Increase	Projected # Enrolled (2025 plan year)	28	475	552	3305	4360
	Total Premium (2026)	$ 403.36	$ 403.36	$ 403.36	$ 403.36	
	Projected Subsidy Paid by ACERA	$ -	$ 343.61	$ 403.36	$ 403.36	
	Projected Premium Paid by Retiree	**$ 403.36**	**$ 59.75**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**4360**
Projected Annual Cost by Years of Service			**$2,160,620**	**$3,148,095**	**$22,264,613**	**$27,573,328**

Total Projected Annual Cost: $27,573,328

Alameda County
Employees' Retirement
Association

Monthly Medical Allowance for 2026

CARLOS BARRIOS, ASSISTANT CEO
JUNE 4, 2025

Group Plan Options and Monthly Medical Allowance (MMA)

- Non-Medicare eligible retirees (early retirees)
  - Kaiser Permanente
  - UnitedHealthcare SignatureValue HMO
  - UnitedHealthcare SignatureValue Advantage HMO
- Medicare eligible retirees
  - Kaiser Senior Advantage group plan

Plan	10 - 14 Years	15 - 19 Years	20 + Years
	$ 331.19	**$ 496.78**	**$ 662.37**
Early Retirees Plans			
Kaiser Permanente HMO (Early Retirees)	39	62	608
	$ 1,097.88	$ 1,097.88	$ 1,097.88
	$ 331.19	$ 496.78	$ 662.37
	$ 766.69	**$ 601.10**	**$ 435.51**
UnitedHealthcare SignatureValue HMO (Early Retirees)	1	3	61
	$ 1,594.36	$ 1,594.36	$ 1,594.36
	$ 331.19	$ 496.78	$ 662.37
	$ 1,263.17	**$ 1,097.58**	**$ 931.99**
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	9	12	91
	$ 1,042.48	$ 1,042.48	$ 1,042.48
	$ 331.19	$ 496.78	$ 662.37
	$ 711.29	**$ 545.70**	**$ 380.11**
Kaiser Senior Advantage Medicare Plan			
Kaiser Senior Advantage	475	552	3305
	$ 375.22	$ 375.22	$ 375.22
	$ 331.19	$ 375.22	$ 375.22
	$ 44.03	**0.00**	**0.00**

Individual Plan MMA

- Individual Medicare plan coverage
- Individual plan coverage for early retirees who live outside ACERA's HMO service areas

MMA for Individual Plans			
	10-14 yrs	15-19 yrs	20+ yrs
Individual Medicare Plans	$253.72	$380.57	$507.43
Individual Non-Medicare Plans	$331.19	$496.78	$662.37

- Monthly premiums depend on chosen individual plan
- MMA is provided through Health Reimbursement Arrangement

Substantive Plan Definition under GASB 43

- In 2007, the Board adopted a formula which bases future MMA contribution increases on an amount equal to 50% of the rate of health care inflation assumptions provided by ACERA's actuary
- Segal provided assumptions to be used for the December 31, 2024 retiree health plan valuation. These assumptions reset the near-term trend assumptions in the calendar year 2024:
  - 7.75% for non-Medicare plans
  - 7.50% for Medicare Advantage Plans
- Based on our substantive plan definition, we would use 3.75% as an increase to the 2026 MMA should an increase be considered
  - When more than one trend is provided, the lowest number is used

Group Plans Costs

- If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $1,302,431
- If 3.75% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,624,283 ($1,302,431 due to premium increase and $321,852 due to 3.75% MMA increase) for 2026

Plan Year	Annual Cost Summary	
2025	Current premiums and MMA:	$25,949,045
2026	Increase in premiums only:	$27,251,476
2026	Increase in premiums and MMA:	$27,573,328

Note: If we included the Operating Engineers, the additional projected annual cost is $109,291

Early Retiree Individual Plan Costs – Outside HMO Service Area

Years of Service Category	Number of Members	2025			2026
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	21	$ 331.19	$ 3,974.28	$ 83,459.88	$ 86,589.72
15 - 19 Years	24	$ 496.78	$ 5,961.36	$ 143,072.64	$ 148,438.08
20 + Years	176	$ 662.37	$ 7,948.44	$ 1,398,925.44	$ 1,451,387.52
Totals	**221**			**$ 1,625,457.96**	**$ 1,686,415.32**

The 3.75% increase in the MMA results in an estimated amount of $60,957.36

Note: Based on the actual reimbursements for the 2024 Plan Year (as of April 29, 2024), the total reimbursements were $905,874.75

Individual Plan Costs – Medicare Eligible Retirees

Years of Service Category	Number of Members	2025			2026
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	228	$ 253.72	$ 3,044.64	$ 694,177.92	$ 720,197.28
15 - 19 Years	237	$ 380.57	$ 4,566.84	$ 1,082,341.08	$ 1,122,953.40
20 + Years	1,195	$ 507.43	$ 6,089.16	$ 7,276,546.20	$ 7,549,436.40
Totals	**1,660**			**$ 9,053,065.20**	**$ 9,392,587.08**

The 3.75% increase in the MMA results in an estimated amount of $339,521.88

Note: Based on the actual reimbursements for the 2024 Plan Year (as of April 29, 2025), the total reimbursements were $5,787,924.68.

Considerations for Setting 2026 MMA

1. 10-Year History of MMA - 2016 through 2025

Group & Individual Early Retiree* Plan MMA:										
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10 to 14 Years of Service	$ 270.22	$ 270.22	$ 270.22	$ 279.00	$ 289.33	$ 289.33	$ 298.37	$ 308.06	$ 317.69	$ 331.19
15 to 19 Years of Service	$ 405.33	$ 405.33	$ 405.33	$ 418.50	$ 433.99	$ 433.99	$ 447.55	$ 462.09	$ 476.53	$ 496.78
20 or more Years of Service	$ 540.44	$ 540.44	$ 540.44	$ 558.00	$ 578.65	$ 578.65	$ 596.73	$ 616.12	$ 635.37	$ 662.37
Individual Plan MMA for Medicare Eligible Retirees - Effective 2/1/2013:										
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10 to 14 Years of Service	$ 207.00	$ 207.00	$ 207.00	$ 213.73	$ 221.64	$ 221.64	$ 228.57	$ 236.00	$ 243.37	$ 253.72
15 to 19 Years of Service	$ 310.50	$ 310.50	$ 310.50	$ 320.59	$ 332.46	$ 332.46	$ 342.85	$ 353.99	$ 365.06	$ 380.57
20 or more Years of Service	$ 414.00	$ 414.00	$ 414.00	$ 427.46	$ 443.28	$ 443.28	$ 457.13	$ 471.99	$ 486.74	$ 507.43

**Effective 1/1/2016*

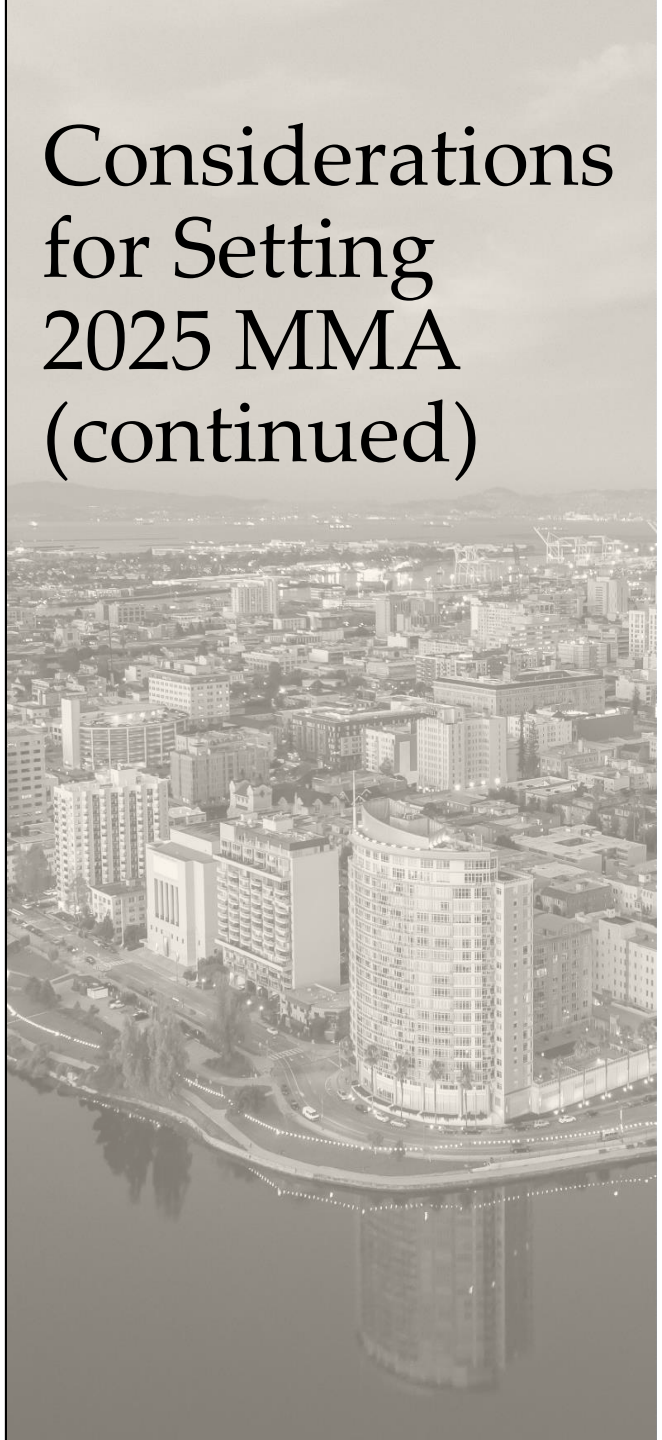
Considerations for Setting 2026 MMA (continued)

2. Ten-Year Premium Rate History - 2016 through 2025

Medical Plans	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Kaiser Permanente HMO (Early Retirees)	$ 729.08	$ 735.64	$ 765.06	$ 765.06	$ 785.44	$ 810.72	$ 843.16	$ 909.74	$ 1,037.76	$ 1,097.88
% Change over Monthly Premium		0.90%	4.00%	4.00%	2.66%	3.22%	4.00%	7.90%	14.07%	5.79%
Kaiser Permanente Senior Advantage	$ 329.90	$ 354.73	$ 367.23	$ 394.07	$ 411.54	$ 382.21	$ 344.44	$ 316.81	$ 354.31	$ 375.22
% Change over Monthly Premium		7.53%	3.52%	7.31%	4.43%	-7.13%	-9.90%	-8.02%	11.84%	5.90%
UnitedHealthcare SignatureValue HMO (Early Retiree)	$ 982.06	$ 982.06	$ 1,047.16	$ 1,047.16	$ 1,087.80	$ 1,150.60	$ 1,184.32	$ 1,290.92	$ 1,464.90	$ 1,594.36
% Change over Monthly Premium		0.00%	6.63%	0.00%	3.88%	5.77%	2.90%	9.00 %	13.48%	8.84%
UnitedHealthcare SignatureValue Advantage HMO (Early Retiree)*	-	-	-	-	$ 831.92	$ 759.16	$ 781.42	$ 843.94	$ 957.68	$ 1,042.48
% Change over Monthly Premium		-	-	-	-	-8.75%	2.90%	8.00%	13.48%	8.85%

**Effective 1/1/2019*

Considerations for Setting 2025 MMA (continued)



3. 2026 health care premium costs unknown.
4. In 2024, $85,440,749 was credited to the SRBR (includes interest credited at the assumed rate of return of 3.500% for regular earnings, there was no crediting of earnings above the assumed rate of return).
5. On a preliminary basis, Segal projects 20 years of benefits payable from the SRBR, which is a decrease in the sufficiency period by 3.08 years compared to last year's projection. Projections have exceeded the SRBR Policy's 15-year goal since 2013.
6. The Implicit Subsidy for 2025 is estimated to be about $6,936,733 higher than the cost for 2024.
7. Annual payee numbers are increasing by about 2.24% on average for the five-year period 2020 through 2024.
8. ACERA's overall SRBR costs decreased by 0.77% in 2024, compared to a 5.21% increase in 2023.

Recommendations to Consider for July Retirees Committee Meeting

1. Do not increase MMA amount for 2026
   - Current annual cost plus potential increase due to premium increase is $37,929,999

2. Increase MMA by 50% of health care trend, 3.75%
   - Potential increased cost of $38,652,330
   - An annual cost difference of $722,331

History of Payments Made Out of the SRBR

2015-2024

Benefit Paid from SRBR	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made	Payment Made
Monthly Medical Allowance	$24,511,217.41	$25,385,381.36	$27,256,486.00	$28,078,180.27	$30,163,755.94	$31,895,818.80	$31,063,128.66	$29,978,045.33	$29,587,083.35	$31,712,276.50
% Change over a Year		3.57%	7.37%	3.01%	7.43%	5.74%	-2.61%	-3.49%	-1.30%	7.18%
Dental	$3,332,341.54	$3,310,861.36	$3,675,572.97	$3,885,918.92	$4,058,743.79	$3,957,491.59	$4,221,133.93	$4,304,605.12	$5,101,325.09	$5,166,085.26
% Change over a Year		-0.64%	11.02%	5.72%	4.45%	-2.49%	6.66%	1.98%	18.51%	1.27%
Vision	$351,757.60	$361,086.88	$371,252.25	$383,148.70	$395,767.62	$404,992.08	$386,577.18	$395,983.68	$471,705.47	$478,225.42
% Change over a Year		2.65%	2.82%	3.20%	3.29%	2.33%	-4.55%	2.43%	19.12%	1.38%
MBRP	$5,490,533.92	$5,870,137.63	$6,600,279.24	$8,531,422.36	$8,943,882.71	$9,762,403.02	$10,245,929.66	$12,032,482.94	$11,912,232.42	$12,830,265.88
% Change over a Year		6.91%	12.44%	29.26%	4.83%	9.15%	4.95%	17.44%	-1.00%	7.71%
Implicit Subsidy	$5,320,953.00	$6,021,451.00	$8,787,596.00	$5,800,563.00	$6,899,139.00	$6,446,702.00	$7,484,411.00	$5,593,922.00	$7,842,215.00	$4,037,312.00
% Change over a Year		13.16%	45.94%	-33.99%	18.94%	-6.56%	16.10%	-25.26%	40.19%	-48.52%
Supplemental COLA	$1,555,924.00	$1,350,784.00	$1,231,500.00	$1,134,613.00	$1,181,244.00	$1,116,523.00	$932,177.00	$943,290.00	$1,134,334.00	$1,242,635.00
% Change over a Year		-13.18%	-8.83%	-7.87%	4.11%	-5.48%	-16.51%	1.19%	20.25%	9.55%
Death Benefit	$213,909.00	$187,081.00	$187,060.00	$196,576.00	$216,834.00	$230,747.00	$256,683.00	$240,383.00	$228,463.00	$379,459.00
% Change over a Year		-12.54%	-0.01%	5.09%	10.31%	6.42%	11.24%	-6.35%	-4.96%	66.09%
TOTAL DEDUCTED FROM SRBR	**$40,776,636.47**	**$42,486,783.23**	**$48,109,746.46**	**$48,010,422.25**	**$51,859,367.06**	**$53,814,677.49**	**$54,590,040.43**	**$53,488,712.07**	**$56,277,358.33**	**$55,846,259.06**
% Change over a Year		4.19%	13.23%	-0.21%	8.02%	3.77%	1.44%	-2.02%	5.21%	-0.77%

*As of December 31, 2024

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL RETIREE BENEFITS RESERVE (SRBR)
For the Ten Years Ended December 31, 2015 - December 31, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	$ 789,826,877	$ 853,842,371	$ 874,385,246	$ 893,770,614	$ 919,488,617	$ 924,709,823	$ 931,754,157	$ 1,131,048,474	$ 1,168,608,503	$ 1,186,387,821
Deductions:										
Transferred to Employers Advance Reserve	36,528,264	33,818,832	38,327,914	43,777,409	44,858,371	45,456,100	46,772,130	47,476,858	49,339,096	51,852,028
Employers Implicit Subsidy	5,320,953	6,021,451	8,787,596	5,800,563	6,899,139	6,446,702	7,484,411	5,593,922	7,842,215	4,037,312
Supplemental Cost of Living	1,555,924	1,350,784	1,231,500	1,134,613	1,181,244	1,116,523	932,177	943,290	1,134,334	1,242,635
Death Benefit - Burial - SRBR	213,909	187,081	187,060	196,576	216,834	230,747	256,683	240,383	228,463	379,459
ADEB (Active Death)	-	-	-	-	-	-	-	-	-	-
Total Deductions	43,619,050	41,378,148	48,534,070	50,909,161	53,155,588	53,250,072	55,445,401	54,254,453	58,544,108	57,511,434
Additions:										
Interest Credited to SRBR	62,722,797	60,730,023	66,715,938	64,827,682	57,022,294	58,878,406	69,152,162	79,407,948	74,612,926	83,483,749
Excess Earnings Allocation	43,770,247	-	-	10,574,982	-	-	184,050,056	10,749,534	-	-
Transferred from Employers Advance Reserve	1,141,500	1,191,000	1,203,500	1,224,500	1,354,500	1,416,000	1,537,500	1,657,000	1,710,500	1,957,000
Total Additions	107,634,544	61,921,023	67,919,438	76,627,164	58,376,794	60,294,406	254,739,718	91,814,482	76,323,426	85,440,749
Ending Balance	$ 853,842,371	$ 874,385,246	$ 893,770,614	$ 919,488,617	$ 924,709,823	$ 931,754,157	$ 1,131,048,474	$ 1,168,608,503	$ 1,186,387,821	$ 1,214,317,136

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

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 4, 2025

TO: Members of the Retirees Committee

FROM: Jessica Huffman, Retirement Benefits Manager

SUBJECT: **Health Reimbursement Arrangement Account Balances for 2024**

Retirees enrolled in individual medical plans through Via Benefits were able to submit claims for 2024 reimbursements through March 31, 2025. The total amount of reimbursements paid for the 2024 Plan Year as of April 29, 2025 and the average monthly cost per retiree are shown below.

Plan Year 2024		
Plans	Total Reimbursement Paid as of April 29, 2025	Average Monthly Cost Per Retiree
Medicare eligible retirees	$5,787,924.68	$282.06
Early (Pre-65) retirees	$905,874.75	$373.71

Provided below are the unused balances of the Health Reimbursement Arrangement (HRA) Accounts from lowest to highest as of April 29, 2025. The balances are categorized by years of service (YOS) contribution levels.

2024 Health Reimbursement Arrangement Account Balances
for Medicare Eligible Retirees as of April 29, 2025

20 + Years of Service **$5,840.88 Annual MMA**		15 through 19 Years of Service **$4,380.72 Annual MMA**		10 through 14 Years of Service **$2,920.44 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
277	$ 0	84	$ 0	128	$ 0
119	Under $500	36	Under $500	29	Under $500
109	$500 - $1,000	24	$500 - $1,000	7	$500 - $1,000
138	$1,000 - $1,500	20	$1,000 - $1,500	13	$1,000 - $1,500
92	$1,500 - $2,000	12	$1,500 - $2,000	11	$1,500 - $2,000
71	$2,000 - $2,500	10	$2,000 - $2,500	42	$2,000 +
69	$2,500 - $3,000	12	$2,500 - $3,000		
104	$3,000 - $4,000	15	$3,000 - $4,000		
73	$4,000 - $5,000	27	$4,000 +		
188	$5,000 +				
1,240 Total Number of Retirees		***240 Total Number of Retirees***		***230 Total Number of Retirees***	

Observations of Medicare eligible retirees' HRA accounts in 2024:

- There were 1,710 HRA's reported as active accounts at the end of 2024.
- 489 retirees used all of their funds – 28.6% of Medicare eligible retirees.

2024 Health Reimbursement Arrangement Account Balances
for Early (Pre-65) Retirees as of April 29, 2025

20 + Years of Service **$7,624.44 Annual MMA**		15 through 19 Years of Service **$5,718.36 Annual MMA**		10 through 14 Years of Service **$3,812.28 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
80	$ 0	10	$ 0	7	$ 0
23	Under $500	0	Under $500	1	Under $500
5	$500 - $1,000	0	$500 - $1,000	0	$500 - $1,000
4	$1,000 - $1,500	0	$1,000 - $1,500	3	$1,000 - $1,500
5	$1,500 - $2,000	0	$1,500 - $2,000	2	$1,500 - $2,000
2	$2,000 - $2,500	0	$2,000 - $2,500	1	$2,000 - $2,500
1	$2,500 - $3,000	0	$2,500 - $3,000	3	$2,500 - $3,000
1	$3,000 - $3,500	2	$3,000 - $3,500	4	$3,000 +
3	$3,500 - $4,000	0	$3,500 - $4,000		
5	$4,000 - $5,000	2	$4,000 - $5,000		
9	$5,000 - $6,000	6	$5,000 +		
3	$6,000 - $7,000				
20	$7,000 +				
161 Total Number of Retirees		***20 Total Number of Retirees***		***21 Total Number of Retirees***	

Observations of early (pre-65) retirees' HRA accounts in 2024:

- There were 202 HRA's reported as active accounts at the end of 2024.
- 97 retirees used all of their funds – 48% of early retirees.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE:	June 4, 2025
TO:	Members of the Retirees Committee
FROM:	Mike Fara, Communications Manager Jessica Huffman, Retirement Benefits Manager
SUBJECT:	**Plans for Open Enrollment and Retiree Health and Wellness Fair**

The Benefits Team is actively preparing for Open Enrollment and the 2025 Retiree Health and Wellness Fair. Below are key updates on our preliminary planning efforts.

Retiree Health and Wellness Fair
Following the success of last year's hybrid event—which drew 393 attendees, split almost evenly between virtual and in-person participation—we will once again host the fair in a hybrid format in 2025. This approach continues to support broad accessibility for retirees, including those outside the local area, by allowing them to attend presentations and access valuable health information from any internet-enabled device.

The 2025 fair is scheduled for October 23, 2025, at the DoubleTree by Hilton Hotel Pleasanton at the Club. This new venue offers significantly more space, allowing us to host additional exhibitors and accommodate more attendees comfortably. With ample parking and enhanced facilities, the location will help ensure a smoother in-person experience for members while continuing to support the accessibility of our virtual format.

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

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