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 5, 2019
10:30 a.m.

LOCATION	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	LIZ KOPPENHAVER, CHAIR	ELECTED RETIRED
	DALE AMARAL, VICE CHAIR	ELECTED SAFETY
	KEITH CARSON	APPOINTED
	JAIME GODFREY	APPOINTED
	ELIZABETH ROGERS	ELECTED GENERAL

Should a quorum of the Board attend this meeting, this meeting shall be deemed a joint meeting of the Board and Committee.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes are available online at www.acera.org.

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

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

Call to Order: 10:30 a.m.

Public Input (Time Limit: 4 minutes per speaker)

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

1. **Approval of Payment for Implicit Subsidy Cost for 2018**
   Motion to approve authorization for Staff to transfer funds in an amount equal to the Implicit Subsidy from the ACERA Supplemental Retiree Benefit Reserve account to the Alameda County Advance Reserve as the Implicit Subsidy reimbursement for Plan Year 2018.

   \- Kathy Foster
   \- Segal Consulting

   Recommendation
   Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $6,899,139 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 2018.

2. **Possible Declaration of Intent to Fund Implicit Subsidy Program for 2020**
   Motion to adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2020.

   \- Kathy Foster
   \- Segal Consulting

   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 2020, following a determination by ACERA at the end of plan year 2020 that the amount is not greater than the actual retiree Implicit Subsidy.

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

1. **Presentation and Report on Health Care Inflation/Trends**
   Staff and ACERA's Benefits Consultant will provide information and report on health care inflation factors for 2019 and 2020.

   – Kathy Foster
   \- Segal Consulting

2. **Preliminary Report on Projected Benefit Costs Funded through the Supplemental Retiree Benefit Reserve**
   Segal Consulting, ACERA's Actuary, will provide a preliminary report on the projection of benefit costs, which are funded through the Supplemental Retiree Benefit Reserve.

   \- Kathy Foster
   \- Segal Consulting

3. Discussion of Monthly Medical Allowance for 2020
Staff will present for discussion Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2019 and 2020 Plan Years.

– Kathy Foster

4. 2020 Medical Plans Update/Renewal Requests of ACERA/County of Alameda
A report will be presented on medical plan renewal requests of ACERA and the County of Alameda for Plan Year 2020.

- Kathy Foster
- Segal Consulting

5. Report on Annual Health Care Planning Meeting with Retiree Groups
Staff will provide a report on its annual meeting with retirees regarding ACERA-Sponsored health plan issues.

- Kathy Foster

6. Report on Health Reimbursement Arrangement Account Balances and Reimbursements
Staff will present a status report on the final 2018 Health Reimbursement Arrangement Account balances, and total reimbursement amounts for Medicare eligible retirees and early retirees living outside the HMO service area enrolled in medical plans through Via Benefits.

- Ismael Piña

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

– Ismael Piña

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

– Ismael Piña

Trustee Remarks

Future Discussion Items

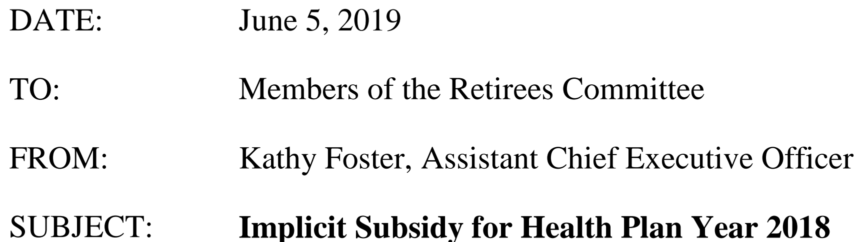
- Adoption of 2020 Monthly Medical Allowance for Group Plans
- Adoption of 2020 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2020 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

Establishment of Next Meeting Date

July 17, 2019, at 1:00 p.m.

Adjournment

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Implicit Subsidy for Health Plan Year 2018**

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 2018, as calculated by its Consultant, Korn Ferry. Also attached is a letter from ACERA's Benefits Consultant, Segal Consulting, verifying that the correct Implicit Subsidy reimbursement for Plan Year 2018 is $6,899,139.

Also attached is a chart illustrating the employer and employee portion of the monthly health plan premium and the Implicit Subsidy portion of the blended premium.

Recommendation

Staff recommends that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer $6,899,139 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 2018.

Attachments (3)

Human Resource Services
Employee Benefits Center

1405 Lakeside Drive
Oakland, CA 94612-4305
QIC 25701
ph: (510) 891-8991
fax: (510) 891-8976
TDD: (510) 272-3703

April 17, 2019

Sent Via US Mail & Email

Kathy Foster
Asst. CEO – Benefits
ACERA
475 14th Street
Oakland, CA 94612

RE: 2018 Final Implicit Subsidy Calculation and 2019 Estimate

Dear Kathy:

Korn Ferry has completed our calculation of the amount of Implicit Subsidy being paid by the County of Alameda on behalf of ACERA early retirees for 2018.

2018 Implicit Subsidy Calculation

According to the established procedure, we calculated the subsidy based on the total premium cost for the 2018 plan year. For this purpose, the enrollment is based on the monthly average from February 2018 through January 2019. The results of our calculations follow with more details in the calculation spreadsheets.

The 2018 Implicit Subsidy is $6,899,139, 18.9% higher (approximately $1.1 million) than the 2017 $5,800,563 amount. This variance is due to the increase in the difference between UHC's blended and unblended rates for 2018 versus 2017. For 2018, UHC's blended rate was 4.3% higher than their unblended rate, while their 2017 blended rate was 1.9% higher than their unblended rate. The reason for the increase in the difference in UHC's rates from 2017 to 2018 is that active claims experience used for the 2018 rating was more favorable in relation to ACERA claims experience compared to the experience used for the 2017 rating. There was no difference between Kaiser's blended and unblended rates as Kaiser simply increased all rates 0.9% from 2017 per a negotiated two-year rate guarantee.

An Equal Opportunity Employer

1. Total premium for Alameda County active employees using blended rates: $136,523,273

2. Total premium for Alameda County active employees using unblended rates (as if active employees were rated separately): $129,624,134

3. Implicit Subsidy (1-2) $ 6,899,139

2019 Implicit Subsidy Estimate

Our estimate for 2019 is based on the same methodology applied to the 2018 premium rates and the enrollment for February 2019. The results of our calculations follow with more details in the calculation spreadsheets.

The estimated 2019 Implicit Subsidy is 5.6% lower (approximately $390,000) than the 2018 amount. The variance is due to the decrease in the difference between UHC's 2018 and 2019 blended and unblended rates (from 4.3% to 2.6%).

Again, there was no difference between Kaiser's blended and unblended rates as Kaiser simply increased all rates 4.0% from 2018 per a negotiated two-year rate guarantee.

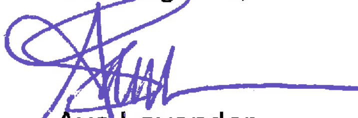
1. Total premium for Alameda County active employees using blended rates: $140,754,440

2. Total premium for Alameda County active employees using unblended rates (as if active employees were rated separately): $134,243,564

3. Implicit Subsidy (1 – 2) $6,510,876

Once you and your consultants have a had a chance to review, I would be more than happy to coordinate a conference call for further discussion and to answer any questions you may have.

Best regards,



Ava Lavender
HR Division Manager, Benefits

C: Joe Angelo, Director, HRSD

Segal Consulting

330 North Brand Boulevard Suite 1100 Glendale, CA 91203-2308
T 818.956.6700 www.segalco.com

DIRECT DIAL NUMBER
818-956-6722

E-MAIL ADDRESS
psadro@segalco.com

May 28, 2019

Kathy Foster
Assistance Chief Executive Officer
ACERA
475 14th Street, Suite 1000
Oakland, California 94612

Re: ACERA 2018 Final and 2019 Estimated Implicit Subsidy Analysis

Dear Kathy:

Segal has completed the analysis of the County of Alameda's ("County") 2018 Final and 2019 Estimated Implicit Subsidies for ACERA.

The 2018 Final Implicit Subsidy of $6,899,139 requested by the County, is associated with active enrollment for the Premium and Standard plans offered by Kaiser and United Healthcare, during the period of February 2018 through January 2019. This is a decrease of $40,669 compared to the 2018 Estimated Implicit Subsidy figure provided by the County on April 11, 2018.

The County projects the 2019 Estimated Implicit Subsidy at $6,510,876. This annualized estimate is based on February 2019 active enrollment associated with the Premium and Standard plans offered by Kaiser and United Healthcare, which includes the United Healthcare Signature Value Advantage network offered in 2019.

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 populations. In our opinion, the 2018 Final and 2019 Estimated Implicit Subsidies requested by the County in their letter dated April 17, 2019, are reasonable given the information provided.

If you have any questions, feel free to contact me at (818) 956-6722.

Sincerely,

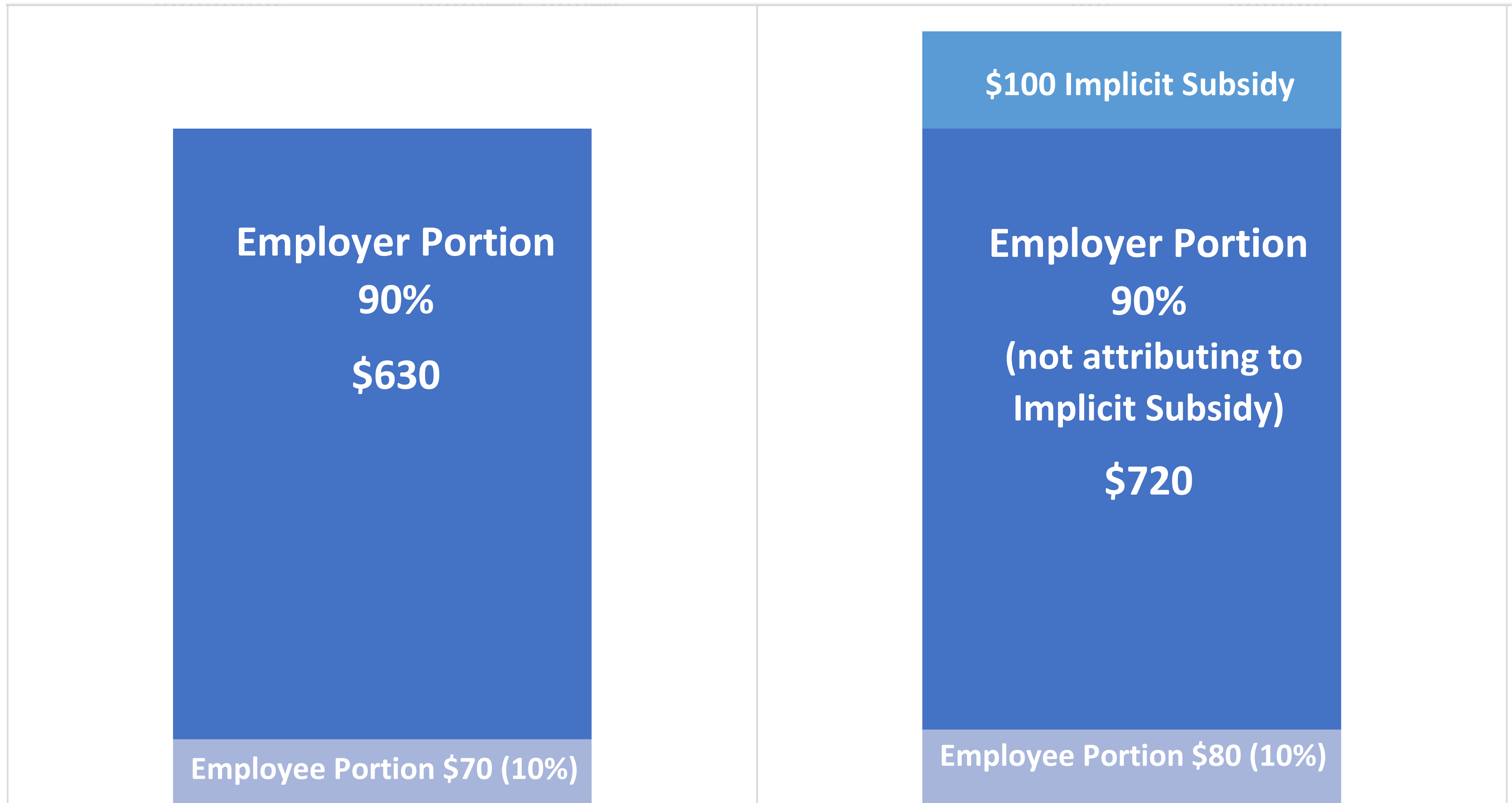
Paul Sadro

cc: Kathy Foster, ACERA
Jessica Huffman, ACERA

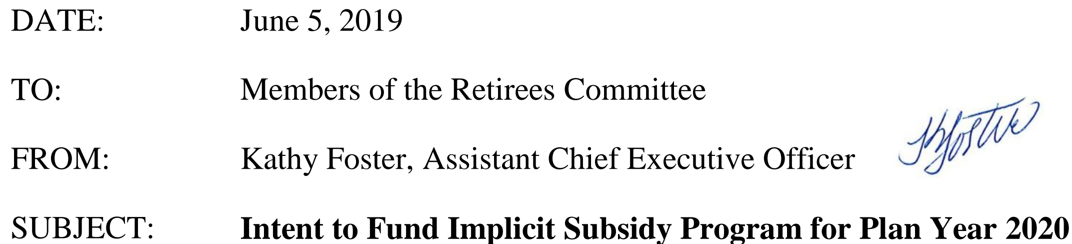
Ismael Piña, ACERA
Stephen Murphy, Segal Consulting
Jessica Kuhlman, Segal Consulting
Michael Szeto, Segal Consulting

ACTIVE MEMBER PREMIUM EXAMPLE

- Figures used to illustrate proportion of premium, payments and Implicit Subsidy



MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Intent to Fund Implicit Subsidy Program for Plan Year 2020**

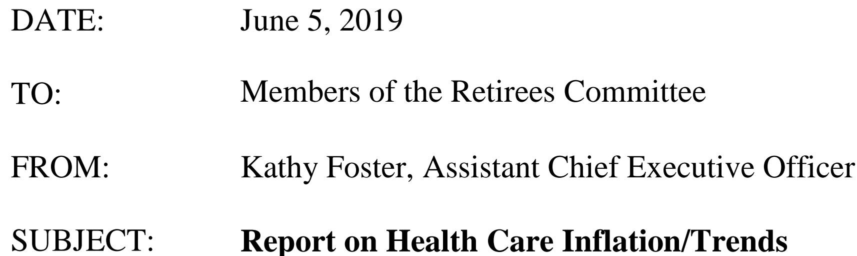
In establishing the Implicit Subsidy Program, the Board of Retirement recognized the marked impact on utilization and projected premiums of the participation of pre-65 retirees (early retirees) in the County of Alameda's (County) health plan contracts. As the plan sponsor, the County has a legitimate 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 2019 is estimated by the County to be $6,510,876.

<u>Recommendation</u>

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 2020, following a determination by ACERA at the end of Plan Year 2020 that the amount is not greater than the actual retiree Implicit Subsidy.

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

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

Segal Consulting (Segal) has provided ACERA with recommended assumptions to be used for the December 31, 2018 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 assumption for those plans.

Attached is a letter dated May 16, 2019 from Segal. As presented on page two of the attachment to Segal's letter, the near term trend assumptions have been reset a start at 7.00% for non-Medicare plans and 6.50% for Medicare Advantage plans. These trend assumptions will be further adjusted to reflect the impact of the Health Insurance Tax (HIT), resulting in 8.20% (7.00% plus 1.20% for the HIT) for non-Medicare plans, and 7.40% (6.50% plus 0.90% for the HIT) for Medicare plans. The trend used for dental, vision and Medicare Part B is 4.00%.

Segal is using the lowest trend of 7.40% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 3.70% increase would be applied to the projections for the MMA for the December 31, 2018 SRBR Valuation.

Health care trend information has also been provided by Segal's benefit consulting team. Steve Murphy, Vice President, Benefits Consultant, will review the attached presentation at the June 5th Retirees Committee meeting. Also attached is a nine-year ACERA rate history for the period 2011 through 2019 for Kaiser Permanente and UnitedHealthcare.

Attachments (3)

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

VIA E-MAIL AND USPS

May 16, 2019

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Re: Alameda County Employees' Retirement Association
Health Trend Assumptions Recommended for the December 31, 2018 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2018 retiree health valuation.

The recommended health trend assumptions included in this letter are the same as those provided in our discussion draft dated April 2, 2019. These health trend assumptions have already been used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2018.

Health Care Trend Assumptions

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal Consulting 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.

For the December 31, 2018 SRBR valuation, we recommend the following assumptions:

a. For the non-Medicare Plans, we are recommending the first year trend rate be set at 7.00%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 10 years. For the Medicare plans, we are recommending the first year trend rate be set at 6.50%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 8 years.

   In addition, we will further adjust the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).[1]

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

b. Dental, Vision, and Medicare Part B Trend assumptions will decrease from 4.50% in the prior valuation to 4.00% based upon Segal Survey data and a review of the historical Medicare Part B premium.

c. Based on past practice, the 8.20% (7.00% plus 1.20% for the HIT) non-Medicare and 7.40% (6.50% plus 0.90% for the HIT) Medicare first year trends will be used in the December 31, 2018 "preview" valuation and applied to the 2019 non-Medicare and Medicare medical premiums to estimate the projected 2020 non-Medicare and Medicare medical premiums. The first year trends will be replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

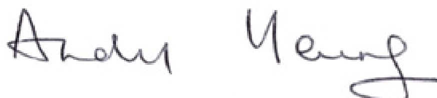
d. We will continue to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend (including 50% of the adjustment due to the HIT) assumption. If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for Medicare Part B, dental and vision plans, we assume they will increase at the full rate of anticipated trend assumed for each of those plans as provided in Attachment One (4.00% for calendar year 2019).

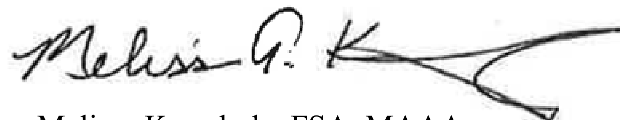
[1] The HIT was imposed by the Affordable Care Act (ACA) on each covered entity engaged in the business of providing health insurance for United States health risks. These taxes were incorporated into premiums beginning in 2014 and would vary based upon insurer. Since then, budgetary actions placed a moratorium on these fees for calendar years 2017 and 2019. Segal understands that these fee will be reflected in premiums again for calendar year 2020.

Segal has prepared a separate letter to address the recommended demographic driven changes to be used in the December 31, 2018 SRBR sufficiency valuation.

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

Sincerely,





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

Melissa Krumholz, FSA, MAAA
Senior Health Consultant & Actuary

TXB/gxk
Attachment

ATTACHMENT ONE

Recommended Trend Assumptions
For the December 31, 2018 Health Valuation

HEALTH TRENDS USED IN THE PREVIOUS VALUATION AS OF DECEMBER 31, 2017
(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.

First Calendar Year (January 1, 2018 through December 31, 2018)

The calendar year trend rates are as follows (used to calculate the following year premium):				
Calendar Year	**All Non-Medicare Plans**	**Medicare Advantage Plans[1]**	**Dental and Vision**	**Medicare Part B**
2018	7.00%[2]	6.50%[2]	4.50%	4.50%[3]
2019	6.75	6.25	4.50	4.50
2020	6.50	6.00	4.50	4.50
2021	6.25	5.75	4.50	4.50
2022	6.00	5.50	4.50	4.50
2023	5.75	5.25	4.50	4.50
2024	5.50	5.00	4.50	4.50
2025	5.25	4.75	4.50	4.50
2026	5.00	4.50	4.50	4.50
2027	4.75	4.50	4.50	4.50
2028 & later	4.50	4.50	4.50	4.50

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits (formerly known as OneExchange) Individual Medicare Insurance Exchange.

(2) For calendar year 2018, actual trends are below, based on actual premium renewals for 2019, as reported by ACERA. These trends were used in preparing our December 31, 2017 valuation report dated September 24, 2018.

Kaiser HMO Retirees Under Age 65	United Healthcare HMO Retirees Under Age 65	Kaiser Senior Advantage	Dental and Vision
4.00%	0.00%	8.13%	1.00%

(3) Based on the 3.00% inflation assumption used in the pension valuation, we expect the Social Security COLA from 2018 to 2019 will be large enough to cover the dollar increases in the Medicare Part B premium for most retirees. We assume that the standard premium for all retirees in 2019 will be $140 ($134 in 2018 increased by 4.50%) per month.

ATTACHMENT ONE (Continued)
Recommended Trend Assumptions
For the December 31, 2018 Health Valuation

HEALTH TRENDS RECOMMENDED FOR THE CURRENT VALUATION AS OF DECEMBER 31, 2018

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans.

First Calendar Year (January 1, 2019 through December 31, 2019)

The calendar year trend rates are as follows (used to calculate the following year premium):				
Calendar Year	**All Non-Medicare Plans**	**Medicare Advantage Plans[1]**	**Dental and Vision**	**Medicare Part B**
2019	7.00%[2][3]	6.50%[2][3]	4.00%	4.00%
2020	6.75	6.25	4.00	4.00
2021	6.50	6.00	4.00	4.00
2022	6.25	5.75	4.00	4.00
2023	6.00	5.50	4.00	4.00
2024	5.75	5.25	4.00	4.00
2025	5.50	5.00	4.00	4.00
2026	5.25	4.75	4.00	4.00
2027	5.00	4.50	4.00	4.00
2028	4.75	4.50	4.00	4.00
2029 & later	4.50	4.50	4.00	4.00

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

(2) Based on past practice, the first year trends will be replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

(3) In addition, we will further adjust the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).

Segal Consulting

ACERA

Key Findings from the 2019 *Segal Health Plan Cost Trend Survey*

Retiree Committee Meeting

June 5, 2019

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2019 *Segal Health Plan Cost Trend Survey* Overview

- 2019 edition is our 22nd annual national survey
- More than 100 managed care organizations (MCOs), health insurers, pharmacy benefit managers (PBMs), and third-party administrators (TPAs) participated including:
  - Aetna (Acquired by CVS Health November 28, 2018)
  - Anthem
  - Blue Shield of California
  - Cigna
  - CVS Health
  - Delta Dental of California
  - Express Scripts (Acquired by Cigna December 20, 2018)
  - Health Net
  - Humana
  - Kaiser Foundation Health Plan
  - UnitedHealthcare

What Drives Trend?

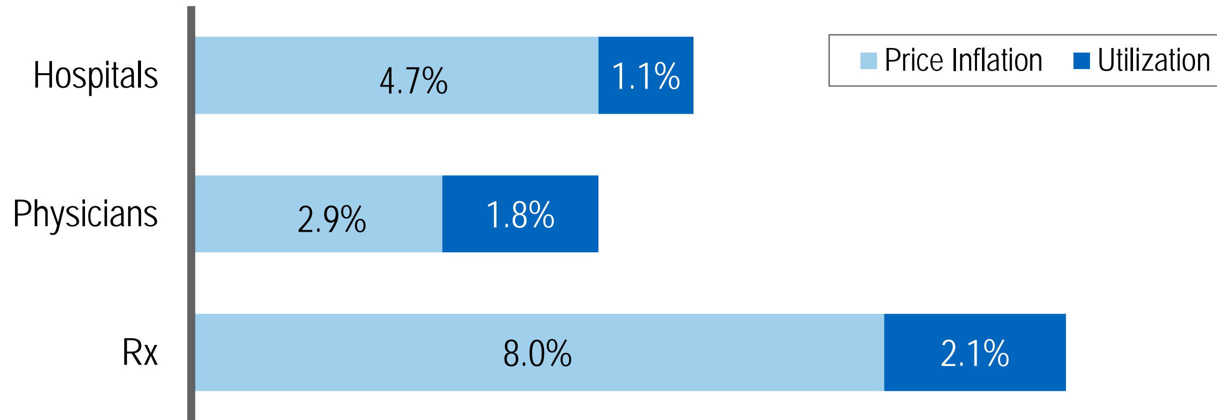
- New treatments, therapies and technology
- Provider cost shifting from reduced CMS payments (Medicaid & Medicare)
- Regulations/mandates
- Provider price increase and CPI
- Increased demand from increased health risks due to aging populations or rise in obesity
- Leveraging effect of fixed deductibles and copayments[1]
- Greater emphasis on detection and diagnostics
- Other, including fraud and abuse

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

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

What's behind the numbers

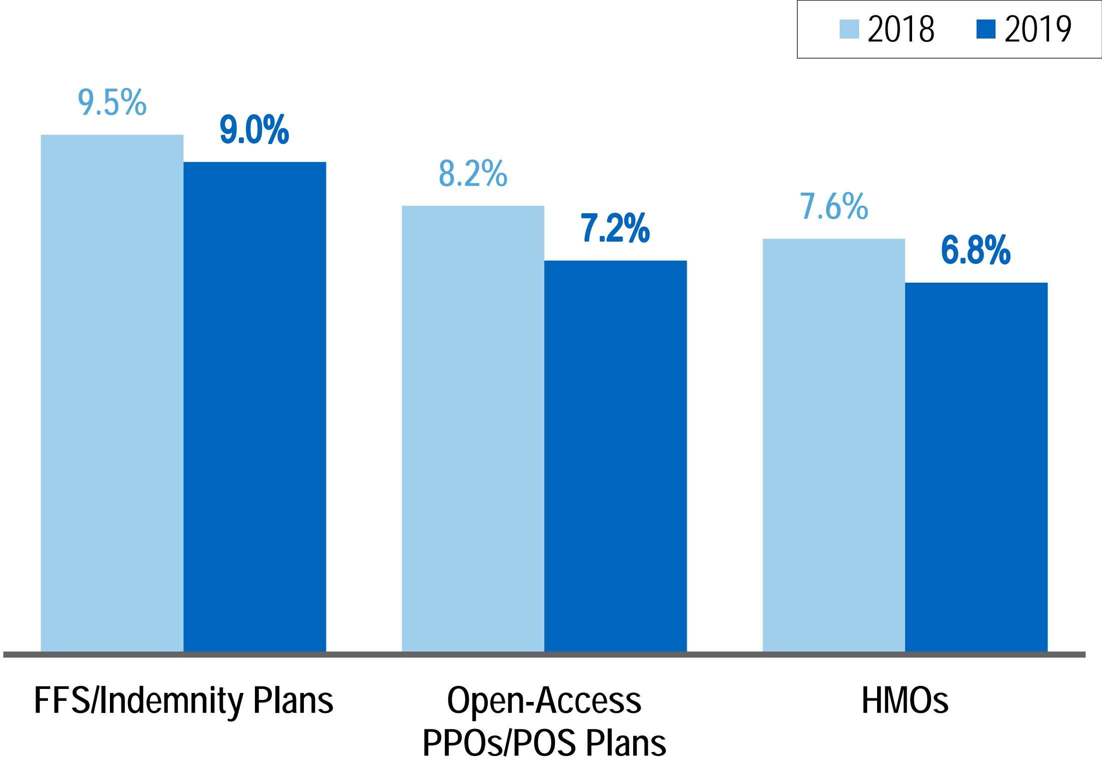
- Price inflation—not utilization—continues to be the driver of trend.



- Consolidation of health systems—has contributed to price increases.
  - Hospitals can negotiate higher prices, resulting in higher overall medical trends.[1]
  - Hospital-affiliated facilities pass on higher service charges than do freestanding facilities.
- Prescription drugs—similar trend projections as medical benefits.
  - Manufacturer rebates passed through PBMs are helping to lower net plan costs.
  - Pressure from federal government, employers and consumers to lower drug prices, has intensified.

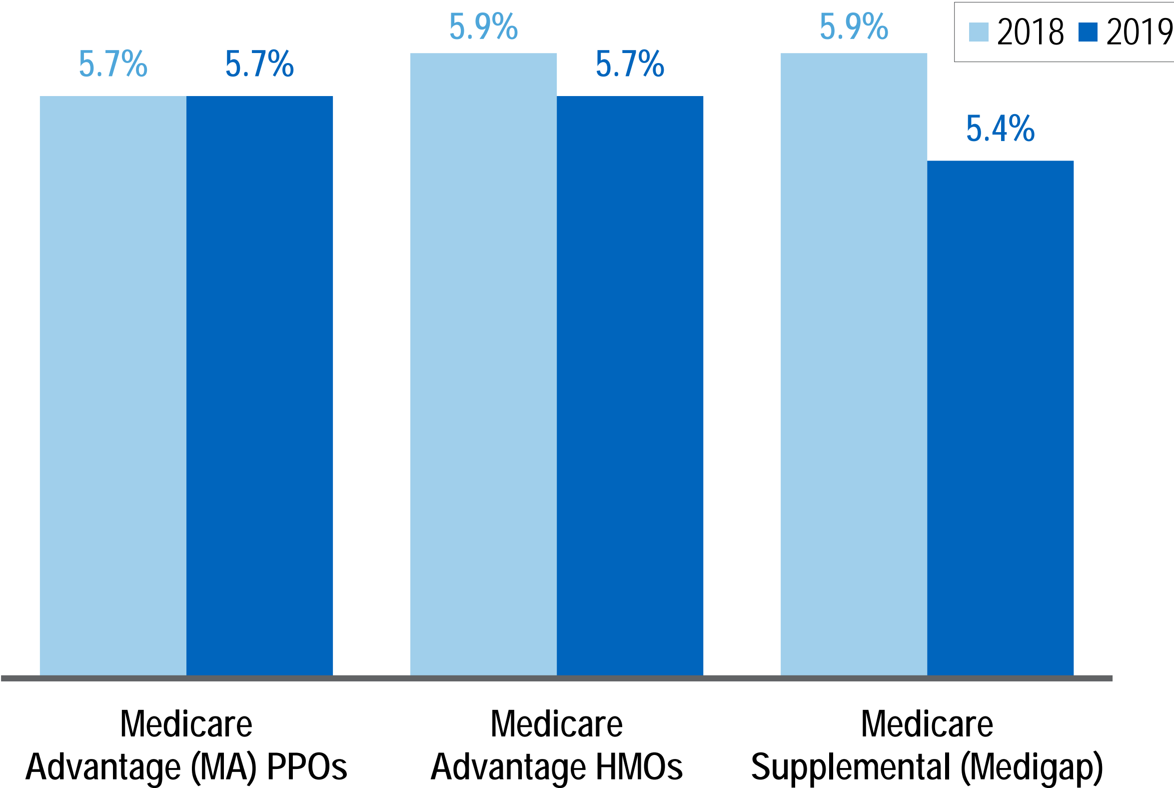
[1] A study through a research collaboration with Avalere Health and the Physicians Advocacy Institute showed over the four-year period from July 2012 – July 2016, the percentage of hospital-employed physicians increased by more than 63%.
Source: http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/2016-PAI-Physician-Employment-Study-Final.pdf

Projected Medical and Pharmacy Trends for Actives & Retirees Under Age 65: 2018 and 2019



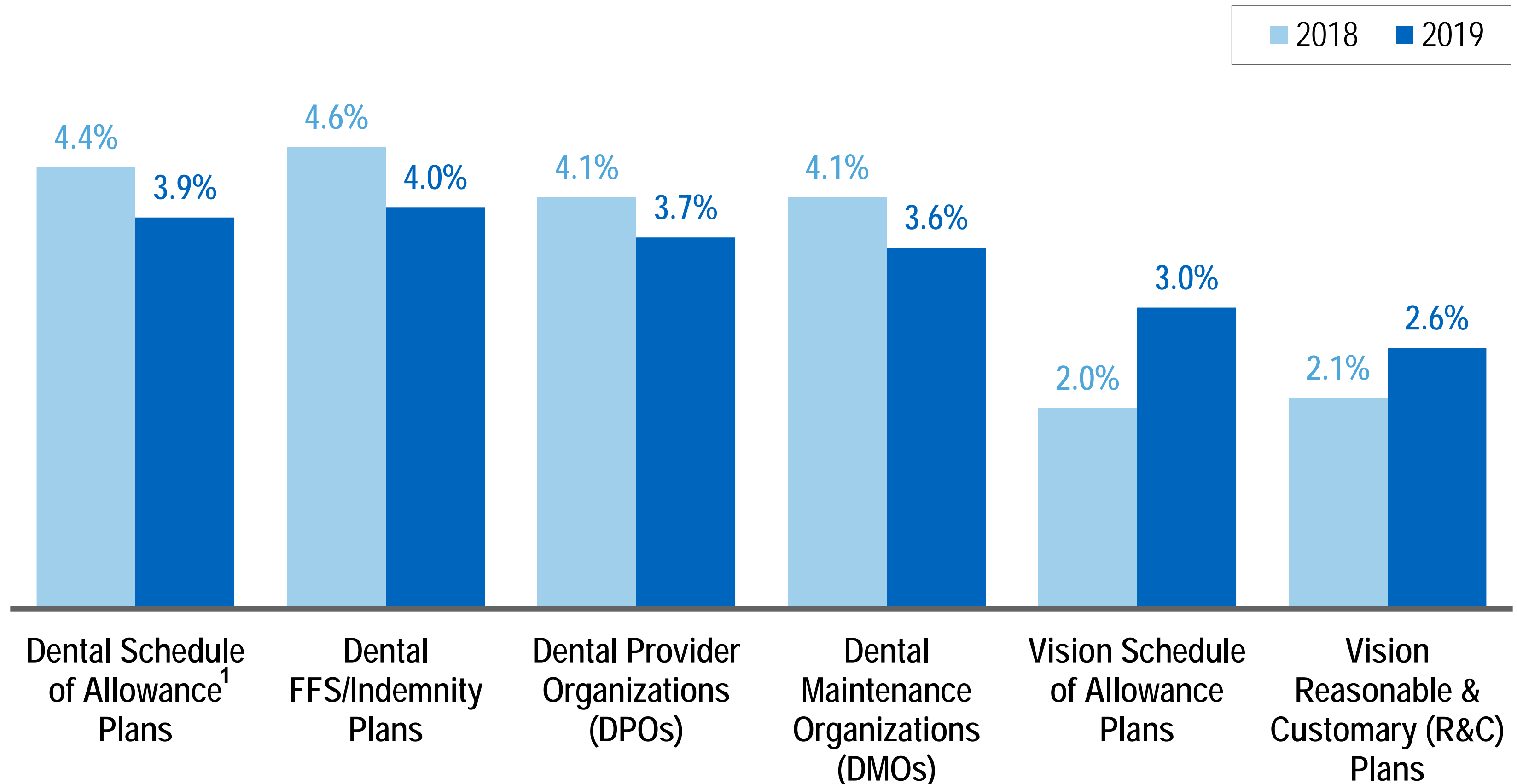
1. Figures above blend 80% of Medical trend and 20% of Pharmacy trend.
2. Medical and Pharmacy trends are based on the 2019 Segal Health Plan Cost Trend Survey.

Projected Medical and Pharmacy Trends for Retirees Age 65 and Older: 2018 and 2019



1. Figures above blend 40% of Medical trend and 60% of Pharmacy trend.
2. Medical and Pharmacy trends are based on the 2019 Segal Health Plan Cost Trend Survey.

Projected Dental and Vision Trends: 2018 and 2019



Source: 2019 *Segal Health Plan Cost Trend Survey*

[1] A schedule of allowance plan is a plan with a list of covered services with a fixed-dollar amount that represents the total obligation of the plan.

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
  - Smoothness when changing from prior year assumptions

Medical Rate Comparisons

2011-2019 Rate History

Kaiser Early Retiree

1,096 Enrolled*

Rating Structure	2011 Rate	2012 Rate	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	2019 Rate
Retiree	$556.48	$593.86	$639.26	$658.96	$670.58	$671.82	$729.08	$735.64	$765.06
Retiree & 1 Dep	$1,112.96	$1,187.82	$1,278.52	$1,317.92	$1,341.16	$1,343.64	$1,458.16	$1,471.28	$1,530.12
Retiree & 2+ Deps	$1,574.88	$1,680.62	$1,809.12	$1,864.86	$1,897.74	$1,901.26	$2,063.30	$2,081.88	$2,165.12
% Change over Retiree Monthly Premium		6.72%	7.64%	3.08%	1.76%	0.18%	8.52%	0.90%	4.00%

Kaiser Permanente Senior Advantage

3,896 Enrolled*

Rating Structure	2011 Rate	2012 Rate	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	2019 Rate
Retiree	$295.02	$298.74	$316.64	$330.96	$330.96	$329.90	$354.73	$367.23	$394.07
Retiree & Spouse	$590.04	$597.48	$633.28	$661.92	$661.92	$659.80	$709.46	$734.46	$788.14
% Change over Retiree Monthly Premium		1.26%	5.99%	4.52%	0.00%	-0.32%	7.53%	3.52%	7.31%

UnitedHealthcare SignatureValue HMO Early Retiree

114 Enrolled*

Rating Structure	2011 Rate	2012 Rate	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	2019 Rate
Retiree	$699.68	$827.84	$914.78	$972.34	$972.34	$982.06	$982.06	$1,047.16	$1,047.16
Retiree & 1 Dep	$1,399.36	$1,655.64	$1,829.48	$1,944.60	$1,944.60	$1,964.06	$1,964.06	$2,094.24	$2,094.24
Retiree & 2+ Deps	$1,980.10	$2,342.72	$2,588.70	$2,751.60	$2,751.60	$2,779.12	$2,779.12	$2,963.32	$2,963.32
% Change over Retiree Monthly Premium		18.32%	10.50%	6.29%	0.00%	1.00%	0.00%	6.63%	0.00%

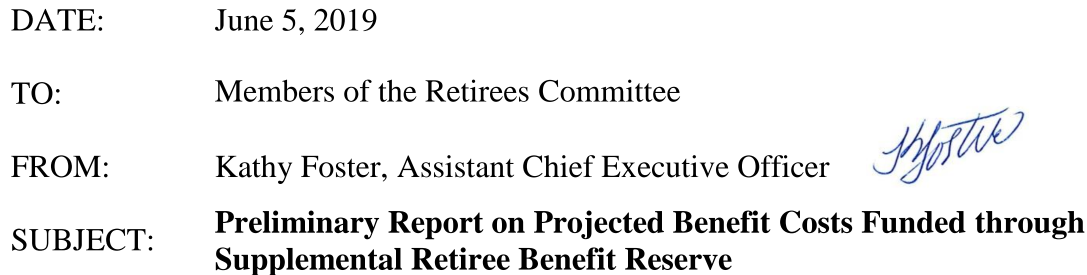
UnitedHealthcare SignatureValue Advantage HMO Early Retiree - Effective 2/1/2019

13 Enrolled*

Rating Structure	2011 Rate	2012 Rate	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	2019 Rate
Retiree	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$980.94
Retiree & 1 Dep	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$1,961.80
Retiree & 2+ Deps	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$2,775.92
% Change over Retiree Monthly Premium		-	-	-	-	-	-	-	-

*As of May, 2019

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

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

Attached is a letter from Segal Consulting (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 2020.

In the December 31, 2017 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2039 with full benefits paid through 2038. The results of the December 31, 2018 valuation indicate that the terminal year of OPEB benefits is projected to be 2040, with full benefits paid through 2039 for a total of 21 full years and one partial year. The three main factors which resulted in extending the sufficiency period by one year were: 1) there were lower than expected number of members retiring and electing health plans; 2) the 2019 Implicit Subsidy was lower than projected; and 3) excess earrings were added for the June 30, 2018 crediting period.

The non-OPEB projection is for 17 full years and one partial year, which is two years earlier than last year's projection. The main reason the terminal year for the non-OPEB benefits is projected to be two years earlier is the high actual inflation in the Bay Area from 2017 to 2018, which increased the Supplemental COLA.

Also attached are two additional letters from Segal. One letter dated May 16th is regarding assumptions that are recommended for the SRBR valuation. These assumptions are used for the substantive plan projections. The second letter dated May 16th is regarding recommended parameters to reflect demographic driven changes. This information will be presented in more detail at the June 5th Retirees Committee meeting, at the same time the MMA costs and recommendations for 2020 will be discussed.

Andy Yeung, with Segal, will present the attached Preview of December 31, 2018 Valuation Results for Benefits Provided by the SRBR report in more detail at the June 5th Retirees Committee meeting.

Attachments (3)

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
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May 28, 2019

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association
Preview of December 31, 2018 Valuation Results for Benefits Provided by the Supplemental Retirees Benefit Reserve (SRBR)**

Dear Kathy:

This letter is intended to provide a preview of the December 31, 2018 valuation results for benefits provided by the SRBR, before we issue a full valuation report. 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, 2018, the OPEB-related assets in the SRBR are projected to be sufficient to pay OPEB benefits through 2040 (21 full years and 1 partial year) and non-OPEB benefits through 2036 (17 full years and 1 partial year).

Background and Discussion

The determination of the "substantive plan" underlying ACERA's OPEB was based upon prior directions provided by ACERA and its auditors, as well as the administrative staff, auditors, and consultants representing the County of Alameda, along with other features of the plan, as we stated in our December 31, 2017 valuation report dated September 24, 2018.

The actuarial assumptions used in this valuation are consistent with those assumptions applied by the Retirement Board for the December 31, 2018 pension valuation for funding purposes, including the use of a 7.25% investment return assumption. We have also used the additional OPEB-related assumptions/parameters that were provided in our letter dated May 16, 2019.[1]

[1] *Note that we issued a separate health trend assumptions letter also dated May 16, 2019 (and those assumptions were unchanged from the earlier draft dated April 2, 2019) due to the timing of the GAS 74 valuation report as of December 31, 2018.*

This includes applying the health trend assumption in projecting that the 2020 Monthly Medical Allowance will increase from the 2019 level by 3.70% (i.e., 1/2 of the lowest 2019 to 2020 calendar year medical trend assumed in the December 31, 2018 SRBR valuation,[2] plus 1/2 of the adjustment due to the Health Insurance Tax (HIT)). Copies of our May 16 letters are attached for your reference.

MMA Amounts for Group and Via Benefits Individual Medical Insurance Exchange

In 2019, 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 $558.00. 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 2019 is $427.46.

At the end of this letter, we provide an exhibit that shows the projected cash flow and present value of projected benefits for the OPEB and non-OPEB plans. The present values calculated represent the amount of benefits payable through the date of exhaustion of the assets in the SRBR. The exhibit also indicates the years in which the assets in the SRBR are expected to be exhausted, shown separately for OPEB and non-OPEB. Note that the assets used herein reflect the estimated implicit subsidy transfer of $6,939,808 from the SRBR to the Employer Advance Reserve for 2018 previously provided by ACERA, consistent with the transfer amount used in the December 31, 2018 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 2019/2020, 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

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[2] *This corresponds to the medical trend assumption we recommend for the Medicare Advantage Plans in the December 31, 2018 valuation. This trend assumption has been updated from the December 31, 2017 valuation.*

[3] *After we were instructed by ACERA to use the estimated transfer amount (i.e., $6,939,808) in our December 31, 2018 valuation for the Pension Plan, we understand that the calculation of the actual transfer amount (i.e., $6,899,139) was subsequently finalized. For consistency purposes, we have continued to use the estimated transfer amount in this letter. We note that the continued use of the estimated transfer amount herein does not have an impact on the projected year that the OPEB assets would be exhausted.*

that reason, we have not included the explicit payment of administrative expense out of the 401(h) in preparing the cash flow requirements of the SRBR.

In order to determine the cost of the retiree medical benefits, we estimated the average per capita premium for retirees under age 65. Because these premiums include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their aggregate premiums would be higher. The excess of the retiree only costs over the active/retiree composite premiums currently charged makes up the implicit subsidy. In preparing the cash flow requirements, we have included amounts that are estimated to be reimbursed by ACERA to the County out of the SRBR for this implicit subsidy, estimated by Segal based on 2019 premium data and 2019 implicit subsidy estimate provided to ACERA by the County's health consultant of $6,510,876.

The projected payments do not include any excise tax on high cost medical plans that may be imposed by the Affordable Care Act and related statutes. Under these acts, health plans that provide a subsidy above certain thresholds beginning in 2022 may be subject to a 40% excise tax. We have not included any excise tax because the MMA subsidy is expressed in terms of a dollar amount (and not as a percent of the premium required to obtain medical coverage) and the future MMA, when adjusted by 50% of medical trend, would result in an amount that would fall below the cost thresholds for a "Cadillac" plan (i.e., a plan subject to the excise tax) for all future years.

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

In the December 31, 2017 valuation, it was projected that the OPEB assets would be exhausted in 2039, with full benefits paid through 2038, for a total of 21 full years and 1 partial year. The results of the December 31, 2018 valuation indicate that the terminal year of OPEB benefits is projected to be 2040, with full benefits paid through 2039, for a total of 21 full years and 1 partial year.

Three factors behind the extension of the sufficiency period by one year were:

- There was a lower than expected number of members retiring and electing an MMA during the past year,
- The implicit subsidy for 2019 was lower than projected in the prior valuation, and
- There were some excess earnings allocated to the SRBR during 2018.

There were also several changes in the health care trend and other actuarial assumptions recommended for this study that also impacted the OPEB liability. The ultimate trend for dental and vision and for Medicare Part B was lowered from 4.5% per year to 4.0% per year. The future trend for all medical plans was reset to the same rates used in the prior valuation, plus an additional adjustment was made to the first-year non-Medicare trend by 1.2% and the first-year Medicare trend by 0.9% to reflect the impact of the HIT. The medical carrier enrollment assumptions were updated to anticipate that 5% of future retirees age 65 and older would shift

from Via Benefits Individual Medicare Insurance Exchange to Kaiser Senior Advantage and would be eligible for a higher MMA.

These results are based on the amount of OPEB assets available as of December 31, 2018, which were provided by ACERA.[4]

Non-OPEB

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

In the December 31, 2017 valuation, it was projected that the non-OPEB assets would be exhausted in 2038, with full benefits paid through 2037, for a total of 20 full years and 1 partial year. The results of the December 31, 2018 valuation indicate that the terminal year of benefits is projected to be 2036, with full benefits paid through 2035, for a total of 17 full years and 1 partial year.

The main reason the terminal year of the SRBR for non-OPEB benefits is projected to be two years earlier than it was in last year's study is the high actual inflation in the Bay Area from 2017 to 2018, which increased the supplemental COLA costs. For supplemental COLA benefits, the excess of inflation over the cost of living allowance (i.e., 3% for Tiers 1 and 3, and 2% for Tiers 2, 2C, 2D, and 4) is banked for future years when inflation may be less than the cost of living allowance. A supplemental COLA benefit would be paid when a member's COLA bank exceeds 15%. Due to the actual inflation of 4.5% in 2018 for the San Francisco-Oakland-Hayward Area, the April 1, 2019 COLA banks increased by 1.5% for Tiers 1 and 3 and by 2.5% for Tiers 2, 2C, 2D, and 4 over the banks as of the prior year. By increasing the COLA banks, it is expected to take less time for members to accumulate a bank in excess of 15%, which results in an increase in the present value of providing supplemental COLA benefits. Moreover, the supplemental COLA benefit is increased for retired members and beneficiaries who already have a COLA bank in excess of 15% because the increase in that COLA bank (i.e., 1.5% for Tiers 1 and 3, and 2.5% for Tiers 2, 2C, 2D, and 4) is greater than expected.

These results are based on the amount of non-OPEB assets available as of December 31, 2018, which were provided by ACERA.

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[4] *The OPEB assets used in this valuation (i.e., $883.0 million) 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, 2018 of the OPEB benefits provided by the SRBR, we utilized the Plan's Fiduciary Net Position, or market value of OPEB assets, of $821.4 million, as required by that Statement. The reduction in assets used in the GASB 74 valuation of $61.6 million represents the share of the net deferred investment losses (under the actuarial value of assets method used by ACERA in the Retirement Plan valuation, and after adjustment to include the balance in the Contingency Reserve) that is commensurate with the size of the OPEB SRBR reserve. These deferred investment losses have not been utilized in this December 31, 2018 SRBR sufficiency valuation, similar to how the deferred investment gains as of December 31, 2017 were not used in last year's sufficiency valuation. For informational purposes only, the deferred investment losses as of December 31, 2018 represent about 2 years less of projected OPEB benefit payment.*

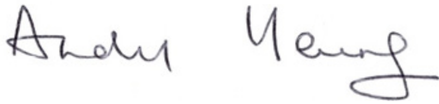
Other Considerations

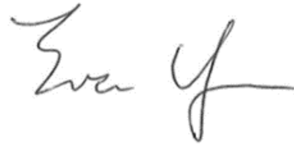
Note that the terminal years through which the SRBR can be paid have been developed to reflect only the actuarial value of assets allocated to the SRBR through December 31, 2018. As we indicated on page 21 of our December 31, 2018 actuarial valuation report for the Pension Plan, the Association had deferred investment losses of $569.1 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of that date. The deferred losses of $569.1 million represent 7.5% of the market value of assets as of December 31, 2018. If a proportion of the net deferred loss that is commensurate with the size of the SRBR reserves were recognized immediately, there would be a decrease in the SRBR Reserve of approximately $61.6 million to pay OPEB benefits and $2.7 million to pay non-OPEB benefits.

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

Please let us know if you have any questions.

Sincerely,





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

Eva Yum, FSA, MAAA, EA
Senior Actuary

Thomas Bergman, ASA, MAAA, EA
Retiree Health Actuary

DNA/bqb
Enclosures (5575826, 5579545)

PROJECTED CASH FLOW AND PRESENT VALUE OF PROJECTED BENEFITS PROVIDED BY THE SUPPLEMENTAL RETIREES BENEFIT RESERVE AS OF DECEMBER 31, 2018

Year Ending December 31	Annual Benefit Cash Flows			Present Value as of December 31, 2018 of Projected Benefits through Year End		
	Medical[1]	Dental and Vision	Non-OPEB[2]	OPEB[3]	Non-OPEB	Total
2019	$46,216,205	$4,647,688	$1,307,896	$49,114,638	$1,262,916	$50,377,554
2020	49,667,291	4,934,714	1,281,457	98,274,724	2,416,657	100,691,381
2021	53,176,852	5,230,507	1,267,762	147,306,127	3,480,909	150,787,036
2022	56,756,192	5,540,217	1,277,324	196,067,111	4,480,703	200,547,814
2023	60,692,691	5,860,688	1,291,026	244,638,694	5,422,911	250,061,605
2024	64,523,547	6,194,498	1,301,323	292,760,851	6,308,435	299,069,286
2025	68,198,809	6,531,595	1,434,025	340,175,755	7,218,294	347,394,049
2026	71,818,305	6,875,779	1,684,045	386,730,326	8,214,557	394,944,883
2027	75,355,362	7,226,718	2,404,053	432,282,464	9,540,628	441,823,092
2028	78,673,907	7,584,318	3,525,721	476,646,000	11,353,945	487,999,945
2029	82,021,235	7,943,770	4,883,515	519,788,167	13,695,804	533,483,971
2030	85,460,972	8,312,296	6,380,368	561,716,740	16,548,640	578,265,380
2031	88,968,632	8,678,575	7,952,244	602,426,034	19,863,945	622,289,979
2032	92,222,959	9,040,058	9,615,460	641,788,953	23,601,663	665,390,616
2033	95,613,232	9,406,262	11,275,934	679,852,483	27,688,540	707,541,023
2034	98,611,127	9,759,641	12,867,933	716,475,489	32,037,152	748,512,641
2035	101,225,038	10,103,505	14,608,897	751,554,801	36,640,375	788,195,176
2036	103,623,115	10,439,898	9,275,711[4]	785,066,162	39,365,550	824,431,712
2037	105,834,308	10,772,509	-	817,009,028	39,365,550	856,374,578
2038	108,072,865	11,091,798	-	847,445,907	39,365,550	886,811,457
2039	109,905,695	11,401,207	-	876,335,462	39,365,550	915,701,012
2040	27,223,476[4]	2,849,876[4]	-	883,013,361	39,365,550	922,378,911

[1] *Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County.*

[2] *Includes Supplemental COLA and $1,000 Lump Sum Death Benefit.*

[3] *Includes Medical, Dental and Vision.*

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

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VIA E-MAIL AND USPS

May 16, 2019

Ms. Kathy Foster
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Re: Alameda County Employees' Retirement Association
Health Trend Assumptions Recommended for the December 31, 2018 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the health trend assumptions that we recommend to the Board for the December 31, 2018 retiree health valuation.

The recommended health trend assumptions included in this letter are the same as those provided in our discussion draft dated April 2, 2019. These health trend assumptions have already been used to develop our Governmental Accounting Standards Board (GASB) Statement 74 report with a measurement date of December 31, 2018.

Health Care Trend Assumptions

The health care trend assumptions used in the health valuation are reviewed annually. Every year Segal Consulting 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.

For the December 31, 2018 SRBR valuation, we recommend the following assumptions:

a. For the non-Medicare Plans, we are recommending the first year trend rate be set at 7.00%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 10 years. For the Medicare plans, we are recommending the first year trend rate be set at 6.50%, then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 8 years.

   In addition, we will further adjust the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).[1]

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

b. Dental, Vision, and Medicare Part B Trend assumptions will decrease from 4.50% in the prior valuation to 4.00% based upon Segal Survey data and a review of the historical Medicare Part B premium.

c. Based on past practice, the 8.20% (7.00% plus 1.20% for the HIT) non-Medicare and 7.40% (6.50% plus 0.90% for the HIT) Medicare first year trends will be used in the December 31, 2018 "preview" valuation and applied to the 2019 non-Medicare and Medicare medical premiums to estimate the projected 2020 non-Medicare and Medicare medical premiums. The first year trends will be replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

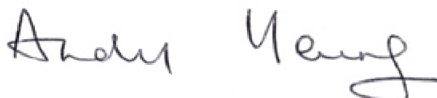
d. We will continue to assume that the Board's annual Monthly Medical Allowance (MMA) will increase by 50% of the rate of the anticipated medical trend (including 50% of the adjustment due to the HIT) assumption. If different types of medical plans have different initial trend rates, we assume that the future increase in MMA will be linked to the plan with the lowest projected medical trend (i.e., the Medicare plans). For the Board's subsidies for Medicare Part B, dental and vision plans, we assume they will increase at the full rate of anticipated trend assumed for each of those plans as provided in Attachment One (4.00% for calendar year 2019).

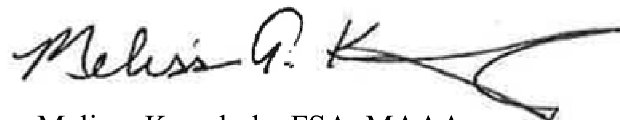
[1] The HIT was imposed by the Affordable Care Act (ACA) on each covered entity engaged in the business of providing health insurance for United States health risks. These taxes were incorporated into premiums beginning in 2014 and would vary based upon insurer. Since then, budgetary actions placed a moratorium on these fees for calendar years 2017 and 2019. Segal understands that these fee will be reflected in premiums again for calendar year 2020.

Segal has prepared a separate letter to address the recommended demographic driven changes to be used in the December 31, 2018 SRBR sufficiency valuation.

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

Sincerely,





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

Melissa Krumholz, FSA, MAAA
Senior Health Consultant & Actuary

TXB/gxk
Attachment

ATTACHMENT ONE

Recommended Trend Assumptions
For the December 31, 2018 Health Valuation

HEALTH TRENDS USED IN THE PREVIOUS VALUATION AS OF DECEMBER 31, 2017
(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.

First Calendar Year (January 1, 2018 through December 31, 2018)

The calendar year trend rates are as follows (used to calculate the following year premium):				
Calendar Year	**All Non-Medicare Plans**	**Medicare Advantage Plans[1]**	**Dental and Vision**	**Medicare Part B**
2018	7.00%[2]	6.50%[2]	4.50%	4.50%[3]
2019	6.75	6.25	4.50	4.50
2020	6.50	6.00	4.50	4.50
2021	6.25	5.75	4.50	4.50
2022	6.00	5.50	4.50	4.50
2023	5.75	5.25	4.50	4.50
2024	5.50	5.00	4.50	4.50
2025	5.25	4.75	4.50	4.50
2026	5.00	4.50	4.50	4.50
2027	4.75	4.50	4.50	4.50
2028 & later	4.50	4.50	4.50	4.50

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits (formerly known as OneExchange) Individual Medicare Insurance Exchange.

(2) For calendar year 2018, actual trends are below, based on actual premium renewals for 2019, as reported by ACERA. These trends were used in preparing our December 31, 2017 valuation report dated September 24, 2018.

Kaiser HMO Retirees Under Age 65	United Healthcare HMO Retirees Under Age 65	Kaiser Senior Advantage	Dental and Vision
4.00%	0.00%	8.13%	1.00%

(3) Based on the 3.00% inflation assumption used in the pension valuation, we expect the Social Security COLA from 2018 to 2019 will be large enough to cover the dollar increases in the Medicare Part B premium for most retirees. We assume that the standard premium for all retirees in 2019 will be $140 ($134 in 2018 increased by 4.50%) per month.

ATTACHMENT ONE (Continued)
Recommended Trend Assumptions
For the December 31, 2018 Health Valuation

HEALTH TRENDS RECOMMENDED FOR THE CURRENT VALUATION AS OF DECEMBER 31, 2018

Trends to be applied to premium for shown calendar year to calculate next calendar year's projected premium for all health plans.

First Calendar Year (January 1, 2019 through December 31, 2019)

The calendar year trend rates are as follows (used to calculate the following year premium):				
Calendar Year	**All Non-Medicare Plans**	**Medicare Advantage Plans[1]**	**Dental and Vision**	**Medicare Part B**
2019	7.00%[2][3]	6.50%[2][3]	4.00%	4.00%
2020	6.75	6.25	4.00	4.00
2021	6.50	6.00	4.00	4.00
2022	6.25	5.75	4.00	4.00
2023	6.00	5.50	4.00	4.00
2024	5.75	5.25	4.00	4.00
2025	5.50	5.00	4.00	4.00
2026	5.25	4.75	4.00	4.00
2027	5.00	4.50	4.00	4.00
2028	4.75	4.50	4.00	4.00
2029 & later	4.50	4.50	4.00	4.00

(1) Trends apply to Kaiser Senior Advantage and plans offered by the Via Benefits Individual Medicare Insurance Exchange.

(2) Based on past practice, the first year trends will be replaced before the "final" valuation as of December 31, 2018 to reflect the actual premium renewals for 2020.

(3) In addition, we will further adjust the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the impact of the Health Insurance Tax (HIT).

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

VIA E-MAIL & USPS

May 16, 2019

Ms. Kathy Foster
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 to Reflect Demographic Driven Changes
for the December 31, 2018 SRBR Retiree Health Actuarial Valuation

Dear Kathy:

We have provided in this letter the recommended parameters to reflect the demographic driven changes in the membership data for use in the December 31, 2018 retiree health valuation.

The health care trend assumptions used in the health valuation are reviewed annually and the recommended assumptions for the December 31, 2018 valuation (that we have used earlier to prepare our Governmental Accounting Standards Board Statement 74 report with a measurement date of the same date) were provided in a separate letter dated May 16, 2019.

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, 2018 health plan valuation:

1. Per capita medical costs – These costs are used to project the premiums for current active members when they retire. Based on the percentage of retired members, spouses and beneficiaries electing health coverage and the proportion of members enrolled in each available medical plan, we will project the per capita health premium costs for a member who is covered in calendar year 2019. They are provided in Item 2a of the Attachment.

2. Election rates – Based on the January 1, 2019 enrollment data, we have provided in item 2a of the Attachment the observed and recommended election rates among the different medical plans. Based on this enrollment data, we propose maintaining the percent of newly eligible retirees who will elect medical coverage in the future. The recommended election assumption is shown in Item 3k of the Attachment.

3. The per capita costs and election rates for the dental and vision plans that we recommend for use in the December 31, 2018 valuation are provided in Item 2b of the Attachment.

4. For retirees enrolled in a Group Medical Plan, ACERA provides a monthly subsidy of $558.00 for retirees with 20 or more years of service, $418.50 for retiree with 15-19 years of service, and $279.00 for retirees with 10-14 years of service.

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 2019. To assist with purchasing insurance through Via Benefits, the Board adopted a monthly subsidy of $427.46 for Medicare retirees with 20 or more years of service, $320.59 for retirees with 15-19 years of service, and $213.73 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 2019, 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). Note that we have assumed an enrollment assumption for this non-Medicare retiree group enrolled in Via Benefits for the first time this year in item 2a of the Attachment. 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.

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

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, 2018 through December 31, 2018, adjusted for expected trend to 2019 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 2019. That calculation is provided in Item 2a of the Attachment.

6. Other assumptions – The other assumptions and methods will be consistent with those used in our December 31, 2018 pension valuation. These include economic and non-economic assumptions.

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

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

Sincerely,

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

Thomas Bergman ASA, MAAA, EA
Retiree Health Actuary

TJH/hy
Attachment

ATTACHMENT
Recommended Actuarial Assumptions
For the December 31, 2018 Health Valuation

1. Health Care Trend Rates

The health trend assumptions recommended for the December 31, 2018 valuation to be applied to all health plans were provided in a separate letter dated May 16, 2019.

2. (a) Medical Plan - Per Capita Costs and Election Rates for Calendar Year 2019

UNDER AGE 65[1]				
Medical Plan	**Recommended Election Assumption**	**Observed Election**	**Monthly Premium (Self)**	**Maximum Monthly Subsidy (20+ YOS)**
Kaiser HMO	80%	80.0%	$765.06	$558.00
United Healthcare HMO Current Network	10%	8.7%	1,047.16	558.00
Via Benefits Individual Insurance Exchange[2]	10%	9.3%	N/A[2]	558.00
United Healthcare HMO SVA Network	0%	0.9%	980.94	558.00
Other Plans	0%	1.1%	765.06[3]	558.00

AGE 65 AND OLDER				
Medical Plan	**Recommended Election Assumption**	**Observed Election**	**Monthly Premium (Self)**	**Maximum Monthly Subsidy (20+ YOS)**
Kaiser, non-Medicare[4]	0%	1.6%	$765.06	$558.00
Kaiser Senior Advantage	75%	73.1%	394.07	558.00
Via Benefits Individual Insurance Exchange	25%	25.2%	314.19[5]	427.46
Other Plans	0%	0.1%	394.07[3]	558.00

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

(2) *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 65 will draw the Maximum Monthly Subsidy ($558.00).*

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

(4) *Closed to future retirees.*

(5) *Derivation of the amount expected to be paid in 2019 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.*

ATTACHMENT
Recommended Actuarial Assumptions
For the December 31, 2018 Health Valuation

DERIVATION OF VIA BENEFITS MONTHLY PER CAPITA COSTS

	(Year of Service Category)	10-14	15-19	20+
1.	Maximum MMA for 2018	$207.00	$310.50	$414.00
2.	Total of Maximum MMA (From Jan 2018 through Dec 2018)	$428,904	$721,688	$4,497,500
3.	Total of Actual Reimbursement (From Jan 2018 through Dec 2018)	$325,204	$525,411	$2,821,789
4.	Ratio of Actual Reimbursement to Maximum 2018 MMA [(3) / (2)]	75.82%	72.80%	62.74%
5.	Average Monthly Per Capita Cost for 2018 [(1) X (4)]	$156.95	$226.05	$259.75
6.	Maximum MMA for 2019	$213.73	$320.59	$427.46
7.	Increase in Average Monthly Per capita Cost due to the change in Maximum MMA from 2018 to 2019 [(6) / (1)] X (5)	$162.05	$233.40	$268.19
8.	Increased for Expected Medical Trend (6.50%) from 2018 to 2019 [(7) X 1.0650]	$172.59	$248.57	$285.63
9.	Increase for Additional 10% Margin for 2018 expenses incurred in 2018 but reimbursed after December 2018 [(8) X 1.10]	**$189.85**	**$273.43**	**$314.19**

2. (b) Dental and Vision Plans - Per Capita Costs and Election Rates for Calendar Year 2019

We will assume that 100% of future retirees with mandatory dental and vision coverages will receive the maximum subsidy. Dental and vision coverages are provided for retirees who have:

a. 10 or more years of ACERA service credit; or

b. Service-connected disability; or

c. Non-service-connected disability with retirement prior to February 1, 2014.

2. (b) Dental and Vision Plans - Per Capita Costs and Election Rates for Plan Year 2019 (continued)

2019 Plan Year Monthly Subsidy
$44.15 + $4.24 = $48.39

3. Other Assumptions

In the December 31, 2018 valuation, we will also apply the following assumptions and methodologies:

a. Discount rate: Same as what has been approved by the Board for the December 31, 2018 pension funding valuation.

b. Demographic assumptions: These include the incidence of service retirement, disability retirement, withdrawal, deferred vested retirement and death. We will apply the same assumptions that we use for the December 31, 2018 pension valuation.

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

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

   i. Maximum Monthly Medical Allowances (MMA) will increase with 50% of medical trend.

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

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

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

e. We will assume 100% of future retirees will be covered by Medicare Parts A and B, and receive Medicare Part B premium reimbursement. We will further assume all retirees receiving a Medicare premium reimbursement from Via Benefits will also be receiving Medicare Part B premium reimbursement.

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

3. Other Assumptions (continued)

h. Implicit Subsidy: Our understanding is that the under 65 retiree premium[2] rates are pooled together with active premium rates and an implicit subsidy does exist. For GASB 74/75 purposes, we will include the total cost of the implicit subsidy. For purposes of sufficiency of funds for benefits provided by the SRBR, the implicit subsidy will be adjusted to match the County health actuary's estimated amount of $6,510,876 for 2019[3], to reflect that ACERA is not reimbursing all employers' implicit subsidy costs.

i. Spouse Age Difference in Years for Retirees with Medical Coverage:

Member Gender	Average Observed Age Difference for Spouse	Current Assumption	Recommended Assumption
Male	-3	-3	-3
Female	1	3	2

j. Spousal Coverage will only affect costs due to implicit subsidy:

	Observed for Current Retirees	Current Assumption for Future Retirees	Recommended Assumption for Future Retirees
Male	37.5%	35%	35%
Female	19.3%	15%	20%

k. Retiree Medical Coverage Election:

The table below summarizes the figures for retirees eligible for ACERA retiree medical coverage.

	Observed for Current Retirees	Current Assumption for Future Retirees	Recommended Assumption for Future Retirees
Under Age 65*	77.1%	80%	80%
Age 65 and Older	86.7%	90%	90%

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

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

[3] As provided to Segal on April 19, 2019.

3. Other Assumptions (continued)

l. Age Based Costs for Retirees Under Age 65

Since premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. The aged-based per capita costs for retirees and spouses under 65 for 2019 are shown below:

	Retiree		Spouse	
Age	**Male**	**Female**	**Male**	**Female**
50	$10,222	$11,643	$7,140	$9,349
55	12,140	12,533	9,554	10,821
60	14,417	13,509	12,790	12,551
64	16,540	14,331	16,146	14,126

m. Adjustment of Per Capita Medical Costs for Age and Gender for Retirees Age 65 and Over*. The following factors were applied to age 65 and over per capita costs in Table 2(a) for 2019:

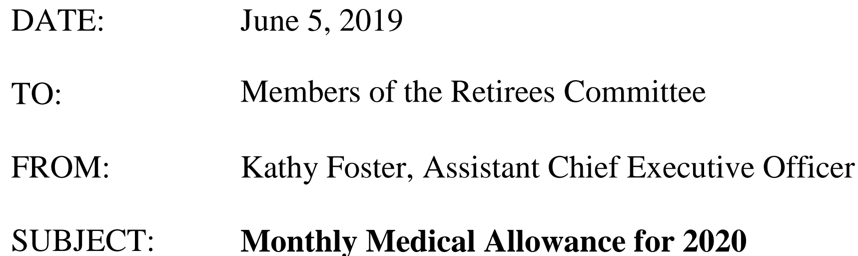
	Retiree		Spouse	
Age	**Male**	**Female**	**Male**	**Female**
65	0.9515	0.8088	0.9515	0.8088
70	1.1028	0.8716	1.1028	0.8716
75	1.1885	0.9382	1.1885	0.9382
80+	1.2798	1.0115	1.2798	1.0115

* *Spousal coverage will only affect costs due to implicit subsidy.*

n. Changes in eligibility requirements since the prior valuation:

Please let us know of any changes.

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Monthly Medical Allowance for 2020**

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 Consulting (Segal), has provided ACERA with its recommended assumptions to be used for the December 31, 2018 retiree health plan valuation. These assumptions reset the near-term trend assumption for non-Medicare to 7.00% and Medicare Advantage plans to 6.50% in calendar year 2019. These trend assumptions will be further adjusted to reflect the impact of the Health Insurance Tax (HIT), resulting in 8.20% (7.00% plus 1.20% for the HIT) for non-Medicare plans, and 7.40% (6.50% plus 0.90% for the HIT) for Medicare plans. Based on our substantive plan definition under GASB, we would use 3.70% as an increase to the 2020 MMA should an increase be considered. When more than one trend is provided, the lowest number is used.

For Plan Years 2008, 2009 and 2010, the Board followed the substantive plan definition adopted under GASB and increased the MMA by one-half the rate of anticipated health care inflation assumptions. For 2011, 2012, 2013, 2014 and 2015, the Board decided not to increase the MMA. However, for Plan Year 2016, 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. For the 2017 and 2018 Plan Years, the Board decided not to increase the MMA. For Plan Year 2019, 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 2019; another with estimated trend percentage increases to premiums with no increase to the MMA; and a third with projected increases to premiums and a 3.70% increase to the MMA. A summary of total costs is provided below:

Plan Year	20+ Years MMA	Annual Cost Summary	
2019	$558.00	Current premiums and MMA:	$25,343,693
2020	$558.00	Increase in premiums only:	$26,525,373
2020	$578.65	Increase in premiums and MMA:	$26,872,329

If no increase is applied to the MMA, we assume premiums will still increase and the total cost will go up by approximately $1,181,680. If 3.70% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,528,636 ($1,181,680 due to premium increase and $346,956 due to 3.70% MMA increase) for 2020.

The above projected annual costs reflect enrollment in the main group plans (Kaiser California and UnitedHealthcare). If we included the Operating Engineers, the additional projected annual cost is $219,294.

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

The following chart shows the current MMA amounts approved for 2019, 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 2018 Plan Year, the total reimbursements were $504,415.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	14	$ 279.00	$ 3,348.00	$ 46,872.00
15 - 19 Years	22	$ 418.50	$ 5,022.00	$ 110,484.00
20 + Years	94	$ 558.00	$ 6,696.00	$ 629,424.00
Totals	**130**			**$ 786,780.00**

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	14	$ 289.33	$ 3,471.96	$ 48,607.44
15 - 19 Years	22	$ 433.99	$ 5,207.88	$ 114,573.36
20 + Years	94	$ 578.65	$ 6,943.80	$ 652,717.20
Totals	**130**			**$ 815,898.00**

Based on a 3.70% increase, which is 50% of the medical plan trend, the estimated annual increase would be $29,118.

INDIVIDUAL PLAN COSTS – Medicare Eligible Retirees

The following chart shows the current MMA amounts approved for 2019, 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 2018 Plan Year, the total reimbursements were $ 3,973,208.

Years of Service Category	Number of Members	Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount
10 - 14 Years	184	$ 213.73	$ 2,564.76	$ 471,915.84
15 - 19 Years	201	$ 320.59	$ 3,847.08	$ 773,263.08
20 + Years	978	$ 427.46	$ 5,129.52	$ 5,016,670.56
Totals	**1,363**			**$ 6,261,849.48**

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	184	$ 221.64	$ 2,659.68	$ 489,381.12
15 - 19 Years	201	$ 332.46	$ 3,989.52	$ 801,893.52
20 + Years	978	$ 443.28	$ 5,319.36	$ 5,202,334.08
Totals	**1,363**			**$ 6.493,608.72**

Based on a 3.70% increase, which is 50% of the medical plan trend, the estimated annual increase would be $231,759.

CONSIDERATIONS FOR SETTING 2019 MMA

- A history of the MMA amounts for the 10-year period 2010 through 2019 is shown in the attached presentation.
- Health care premium costs for 2020 are unknown; however, a history of the premiums for the nine-year period 2011 through 2019 is shown in the attached presentation.
- In 2018, $76,627,164 was credited to the SRBR (includes interest at the assumed rate, plus excess earnings for June 30th).
- On a preliminary basis, Segal projects 21 years of benefits payable from the SRBR. Projections have exceeded the SRBR Policy's 15-year goal since 2013. Next year, a reduction of one year is anticipated due to market losses to be recognized.
- The Implicit Subsidy for 2019 is estimated to be about $388,000 lower than the cost for 2018.

- Annual payee numbers are increasing by about 3% on average.
- ACERA's costs for MMA, dental, vision and Medicare Part B Reimbursement Plan (MBRP) benefit have increased approximately 6.6% on average over the last five years, which is up from 3.10%.
- 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 2020. Current annual cost plus potential increase due to premium increase is $33,574,002.
2. Increase MMA by 50% of health care trend, 3.70% for potential increased cost of $34,181,836. This is an annual cost difference of $607,834.

Attachments (5)

Monthly Medical Allowance for 2020

Kathy Foster, ACERA Assistant CEO
June 5, 2019

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
	$ 279.00	**$ 418.50**	**$ 558.00**
Early Retirees Plans			
Kaiser Permanente HMO (Early Retirees)	67	91	937
	$ 765.06	$ 765.06	$ 765.06
	$ 279.00	$ 418.50	$ 558.00
	$ 486.06	**$ 346.56**	**$ 207.06**
UnitedHealthcare SignatureValue HMO (Early Retirees)	5	10	98
	$ 1,047.16	$ 1,047.16	$ 1,047.16
	$ 279.00	$ 418.50	$ 558.00
	$ 768.16	**$ 628.66**	**$ 489.16**
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	1	1	10
	$ 980.94	$ 980.94	$ 980.94
	$ 279.00	$ 418.50	$ 558.00
	$ 701.94	**$ 562.44**	**$ 422.94**
Kaiser Senior Advantage Medicare Plan			
Kaiser Senior Advantage	484	525	2852
	$ 394.07	$ 394.07	$ 394.07
	$ 279.00	$ 394.07	$ 394.07
	$ 115.07	**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	$213.73	$320.59	$427.46
Individual Non-Medicare Plans	$279.00	$418.50	$558.00

- 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 Consulting (Segal) provided assumptions to be used for the December 31, 2018 retiree health plan valuation. These assumptions reset the near-term trend assumptions in the calendar year 2019:
  - 7.00% for non-Medicare plans; further adjusted by 1.20% for Health Insurance Tax (HIT) is 8.20%
  - 6.50% for Medicare Advantage Plans; further adjusted by 0.90% for HIT is 7.40%
- Based on our substantive plan definition, we would use 3.70% as an increase to the 2020 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 $1,181,680
- If 3.70% is added to the MMA, we assume the annual cost to provide this benefit will increase by $1,528,636 ($1,181,680 due to premium increase and $346,956 due to 3.70% MMA increase) for 2020

Plan Year	20+ Years MMA	Annual Cost Summary	
2019	$558.00	Current premiums and MMA:	$25,343,693
2020	$558.00	Increase in premiums only:	$26,525,373
2020	$578.65	Increase in premiums and MMA:	$26,872,329

Note: If we included the Operating Engineers, the additional projected annual cost is $219,294

Early Retiree Individual Plan Costs – Outside HMO Service Area

Years of Service Category	Number of Members	2019			2020
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	14	$ 279.00	$ 3,348.00	$ 46,872.00	$ 48,607.44
15 - 19 Years	22	$ 418.50	$ 5,022.00	$ 110,484.00	$ 114,573.36
20 + Years	94	$ 558.00	$ 6,696.00	$ 629,424.00	$ 652,717.20
Totals	**130**			**$ 786,780.00**	**$ 815,898.00**

The 3.70% increase in the MMA results in an estimated amount of $29,118

Note: Based on the actual reimbursements for the 2018 Plan Year, the total reimbursements were $504,415

Individual Plan Costs – Medicare Eligible Retirees

Years of Service Category	Number of Members	2019			2020
		Monthly MMA Amount	Annual MMA Amount	Maximum Annual MMA Amount	Maximum Annual MMA Amount with Increase
10 - 14 Years	184	$ 213.73	$ 2,564.76	$ 471,915.84	$ 489,381.12
15 - 19 Years	201	$ 320.59	$ 3,847.08	$ 773,263.08	$ 801,893.52
20 + Years	978	$ 427.46	$ 5,129.52	$5,016,670.56	$5,202,334.08
Totals	**1,363**			**$6,261,849.48**	**$6,493,608.72**

- The 3.70% increase in the MMA results in an estimated amount of $231,759
- Note: Based on the actual reimbursements for the 2018 Plan Year, the total reimbursements were $ 3,973,208

Considerations for Setting 2020 MMA

1. 10-Year History of MMA - 2010 through 2019

Group & Individual Early Retiree* Plan MMA:										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
10 to 14 Years of Service	$ 261.08	$ 261.08	$ 261.08	$ 261.08	$ 261.08	$ 261.08	$ 270.22	$ 270.22	$ 270.22	$ 279.00
15 to 19 Years of Service	$ 391.62	$ 391.62	$ 391.62	$ 391.62	$ 391.62	$ 391.62	$ 405.33	$ 405.33	$ 405.33	$ 418.50
20 or more Years of Service	$ 522.16	$ 522.16	$ 522.16	$ 522.16	$ 522.16	$ 522.16	$ 540.44	$ 540.44	$ 540.44	$ 558.00

Individual Plan MMA for Medicare Eligible Retirees - Effective 2/1/2013:										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
10 to 14 Years of Service	$ -	$ -	$ -	$ 200.00	$ 200.00	$ 200.00	$ 207.00	$ 207.00	$ 207.00	$ 213.73
15 to 19 Years of Service	$ -	$ -	$ -	$ 300.00	$ 300.00	$ 300.00	$ 310.50	$ 310.50	$ 310.50	$ 320.59
20 or more Years of Service	$ -	$ -	$ -	$ 400.00	$ 400.00	$ 400.00	$ 414.00	$ 414.00	$ 414.00	$ 427.46

**Effective 1/1/2016*

Considerations for Setting 2020 MMA (continued)

2. Nine-Year Premium Rate History - 2011 through 2019

Medical Plans	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Kaiser Permanente HMO (Early Retirees)	$ 556.48	$ 593.86	$ 639.26	$ 658.96	$ 670.58	$ 671.82	$ 729.08	$ 735.64	$ 765.06
% Change over Monthly Premium		6.72%	7.64%	3.08%	1.76%	0.18%	8.52%	0.90%	4.00%
Kaiser Permanente Senior Advantage	$ 295.02	$ 298.74	$ 316.64	$ 330.96	$ 330.96	$ 329.90	$ 354.73	$ 367.23	$ 394.07
% Change over Monthly Premium		1.26%	5.99%	4.52%	0.00%	-0.32%	7.53%	3.52%	7.31%
UnitedHealthcare SignatureValue HMO (Early Retiree)	$ 699.68	$ 827.84	$ 914.78	$ 972.34	$ 972.34	$ 982.06	$ 982.06	$1,047.16	$1,047.16
% Change over Monthly Premium		18.32%	10.50%	6.29%	0.00%	1.00%	0.00%	6.63%	0.00%
UnitedHealthcare SignatureValue Advantage HMO (Early Retiree)*	-	-	-	-	-	-	-	-	$980.94
% Change over Monthly Premium		-	-	-	-	-	-	-	N/A

**Effective 1/1/2019*

Considerations for Setting 2019 MMA (continued)

3. In 2018, $76,627,164 was credited to the SRBR (includes interest at the assumed rate, plus excess earnings for June 30th). See attached 10-year history of SRBR fund balances.

4. On a preliminary basis, Segal projects 21 years of benefits payable from the SRBR. Projections have exceeded the SRBR Policy's 15-year goal since 2013. Next year, a reduction of one year is anticipated due to market losses to be recognized.

5. The Implicit Subsidy for 2019 is estimated to be about $388,000 lower than the cost for 2018.

6. Annual payee numbers are increasing by about 3% on average.

7. ACERA's costs for MMA, dental, vision and Medicare Part B Reimbursement Plan (MBRP) benefit have increased approximately 6.6% on average over the last five years, which is up from 3.1%.

Recommendations to Consider for July Retirees Committee Meeting

1. Do not increase MMA amount for 2020
   - Current annual cost plus potential increase due to premium increase is $33,574,002

2. Increase MMA by 50% of health care trend, 3.70%
   - Potential increased cost of $34,181,836
   - An annual cost difference of $607,834

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2019*

Current Premiums and MMA

Plan	Years of Service	Under 10 Years	10 - 14 Years	15 - 19 Years	20 + Years	Total Enrolled
	2019 MMA	$ -	$ 279.00	$ 418.50	$ 558.00	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees)	Projected # Enrolled (2019 plan year)	1	67	91	937	1096
	Total Premium (2019)	$ 765.06	$ 765.06	$ 765.06	$ 765.06	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 765.06**	**$ 486.06**	**$ 346.56**	**$ 207.06**	
UnitedHealthcare SignatureValue HMO (Early Retirees)	Projected # Enrolled (2019 plan year)	1	5	10	98	114
	Total Premium (2019)	$ 1,047.16	$ 1,047.16	$ 1,047.16	$ 1,047.16	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 1,047.16**	**$ 768.16**	**$ 628.66**	**$ 489.16**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees)	Projected # Enrolled (2019 plan year)	1	1	1	10	13
	Total Premium (2019)	$ 980.94	$ 980.94	$ 980.94	$ 980.94	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 980.94**	**$ 701.94**	**$ 562.44**	**$ 422.94**	
					Total Plan Enrollees (Early Retirees)	**1223**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage	Projected # Enrolled (2019 plan year)	35	484	525	2852	3896
	Total Premium (2019)	$ 394.07	$ 394.07	$ 394.07	$ 394.07	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 394.07	$ 394.07	
	Projected Premium Paid by Retiree	**$ 394.07**	**$ 115.07**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**3896**

Total Projected Annual Cost: **$25,343,693**

ACERA

Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2020*

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 (2020) MMA	**$ -**	**$ 279.00**	**$ 418.50**	**$ 558.00**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	67	91	937	1096
	Total Premium (2020)	$ 827.79	$ 827.79	$ 827.79	$ 827.79	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 827.79**	**$ 548.79**	**$ 409.29**	**$ 269.79**	
UnitedHealthcare SignatureValue HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	5	10	98	114
	Total Premium (2020)	$ 1,133.03	$ 1,133.03	$ 1,133.03	$ 1,133.03	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 1,133.03**	**$ 854.03**	**$ 714.53**	**$ 575.03**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	1	1	10	13
	Total Premium (2020)	$ 1,061.38	$ 1,061.38	$ 1,061.38	$ 1,061.38	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 418.50	$ 558.00	
	Projected Premium Paid by Retiree	**$ 1,061.38**	**$ 782.38**	**$ 642.88**	**$ 503.38**	
					Total Plan Enrollees (Early Retirees)	**1223**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage Assumes 7.4% Increase	Projected # Enrolled (2019 plan year)	35	484	525	2852	3896
	Total Premium (2020)	$ 423.23	$ 423.23	$ 423.23	$ 423.23	
	Projected Subsidy Paid by ACERA	$ -	$ 279.00	$ 423.23	$ 423.23	
	Projected Premium Paid by Retiree	**$ 423.23**	**$ 144.23**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**3896**

Total Projected Annual Cost: $26,525,373

ACERA
Out-of-Pocket Expenses for Retirees in Group Plans - *PLAN YEAR 2020*

Assumes 3.70% 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 (2020) MMA	**$ -**	**$ 289.33**	**$ 433.99**	**$578.65**	
Early Retirees Plans						
Kaiser Permanente HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	67	91	937	1096
	Total Premium (2020)	$ 827.79	$ 827.79	$ 827.79	$ 827.79	
	Projected Subsidy Paid by ACERA	$ -	$ 289.33	$ 433.99	$ 578.65	
	Projected Premium Paid by Retiree	**$ 827.79**	**$ 538.46**	**$ 393.80**	**$ 249.14**	
UnitedHealthcare SignatureValue HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	5	10	98	114
	Total Premium (2020)	$ 1,133.03	$ 1,133.03	$ 1,133.03	$ 1,133.03	
	Projected Subsidy Paid by ACERA	$ -	$ 289.33	$ 433.99	$ 578.65	
	Projected Premium Paid by Retiree	**$ 1,133.03**	**$ 843.70**	**$ 699.04**	**$ 554.38**	
UnitedHealthcare SignatureValue Advantage HMO (Early Retirees) Assumes 8.2% Increase	Projected # Enrolled (2019 plan year)	1	1	1	10	13
	Total Premium (2020)	$ 1,061.38	$ 1,061.38	$ 1,061.38	$ 1,061.38	
	Projected Subsidy Paid by ACERA	$ -	$ 289.33	$ 433.99	$ 578.65	
	Projected Premium Paid by Retiree	**$ 1,061.38**	**$ 772.05**	**$ 627.39**	**$ 482.73**	
					Total Plan Enrollees (Early Retirees)	**1223**
Kaiser Senior Advantage Medicare Plan						
Kaiser Senior Advantage Assumes 7.4% Increase	Projected # Enrolled (2019 plan year)	35	484	525	2852	3896
	Total Premium (2020)	$ 423.23	$ 423.23	$ 423.23	$ 423.23	
	Projected Subsidy Paid by ACERA	$ -	$ 289.33	$ 423.23	$ 423.23	
	Projected Premium Paid by Retiree	**$ 423.23**	**$ 133.90**	**0.00**	**0.00**	
					Total Kaiser Senior Advantage Medicare Plan Enrollees	**3896**

Total Projected Annual Cost: $26,872,329

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL RETIREES' BENEFIT RESERVE (SRBR)
For the Ten Years Ended December 31, 2009 - December 31, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beginning Balance	$ 677,383,980	$ 658,702,779	$624,166,664	$ 602,906,726	$570,878,929	$ 643,056,500	$ 789,826,877	$ 853,842,371	$ 874,385,246	$ 893,770,614
Deductions:										
Transferred to Employers Advance Reserve	27,934,980	29,459,690	31,858,291	33,353,151	32,240,449	34,039,593	36,528,264	33,818,832	38,327,914	43,777,409
Employers Implicit Subsidy	4,149,463	5,287,767	4,402,603	4,411,206	7,370,466	6,992,822	5,320,953	6,021,451	8,787,596	5,800,563
Supplemental Cost of Living	3,534,754	2,984,499	2,556,221	2,345,527	2,067,218	1,849,140	1,555,924	1,350,784	1,231,500	1,134,613
Death Benefit - Burial - SRBR	747,163	810,675	746,102	791,492	5,525	223,529	213,909	187,081	187,060	196,576
ADEB (Active Death)	107,544	828,274	936,133	426,640	-	-	-	-	-	-
Total Deductions	36,473,903	39,370,904	40,499,351	41,328,016	41,683,658	43,105,084	43,619,050	41,378,148	48,534,070	50,909,161
Additions:										
Interest Credited to SRBR	17,792,703	4,834,790	19,239,412	9,300,219	38,786,516	54,031,947	62,722,797	60,730,023	66,715,938	64,827,682
Excess Earnings Allocation	-	-	-	-	75,074,713 **(1)**	132,455,002	43,770,247	-	-	10,574,982
Transferred from Employers Advance Reserve			-	-	-	3,388,512 **(2)**	1,141,500	1,191,000	1,203,500	1,224,500
Total Additions	17,792,703	4,834,790	19,239,412	9,300,219	113,861,229	189,875,461	107,634,544	61,921,023	67,919,438	76,627,164
Ending Balance	$ 658,702,779	$ 624,166,664	$602,906,726	$ 570,878,929	$643,056,500	$ 789,826,877	$ 853,842,371	$ 874,385,246	$ 893,770,614	$ 919,488,617

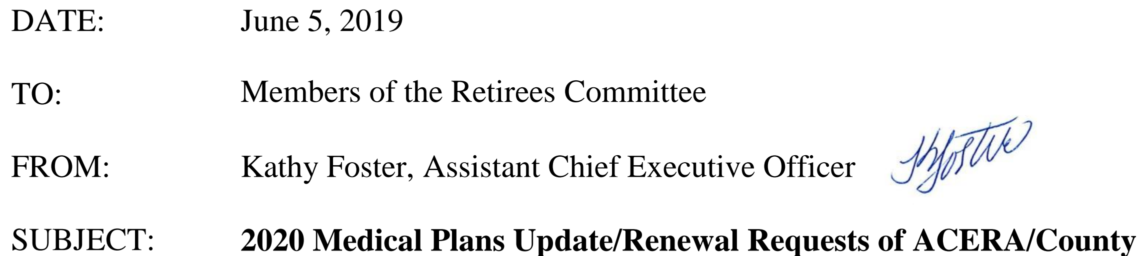
Notes

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

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

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

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **2020 Medical Plans Update/Renewal Requests of ACERA/County**

Staff provided the County of Alameda (County) with our annual medical plans renewal request letter on April 4th. Listed below are some of the highlights of our renewal requests for Kaiser and UnitedHealthcare coverages.

Disease Management/Wellness:
- Wellness resources for wellness events and mailings
- At least two one-hour sessions on wellness

Other:
- Any mandatory benefit changes for 2020
- Any recent member survey results that may be shared
- Summarize the impact of recent and anticipated CMS rule changes to Medicare Advantage and Medicare Part D prescription drug programs in 2020 that may affect ACERA plans

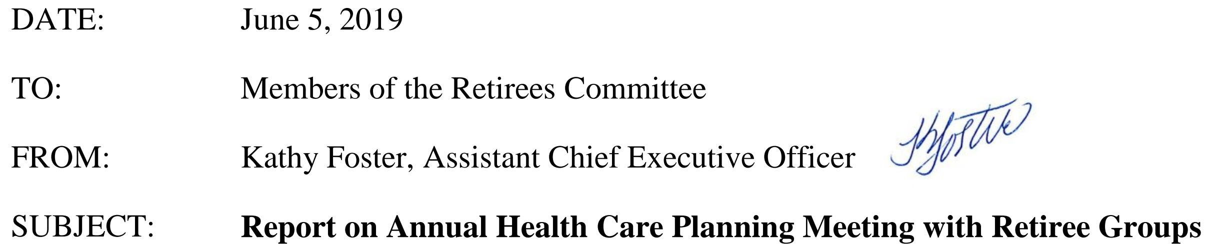
Performance Guarantees:
- Provide routine performance monitoring reports comparing ACERA's direct experience with mutually agreed upon benchmarks
- Place a percentage of premiums at risk for failing to meet or exceed mutually agreed upon performance standards

Prescription Drugs:
- Identify all drugs coming off the formulary and converting to generic effective January 1, 2020, and provide an estimate of projected annual savings
- Project annualized savings associated with brand name drugs losing patent protection and migrating to generic equivalent as of January 1, 2020
- Detail the annual costs associated with the top ten highest cost medications on a per script basis, and the strategies utilized by Kaiser to manage treatment adherence/outcomes and costs
- Identify specialty drug utilization

Pricing:
- Cost to cover Silver&Fit® Exercise and Healthy Aging Program
- UnitedHealthcare HMO plans and/or design change options and cost impact

Providers/Medical Groups/Hospitals:
- Provide updates on anticipated network provider (e.g., hospitals, ambulatory centers, medical groups, etc.) expansion and contractions

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

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

On April 3, 2019, ACERA hosted the Annual Health Care Planning meeting with Board representatives from the Alameda County Retired Employees (ACRE) and Retired Employees of Alameda County, Inc. (REAC) Retiree Associations. Also present at this meeting, were representatives from the County of Alameda (County), ACERA's Benefits Consultant, Segal Consulting, as well as Liz Koppenhaver and Nancy Reilly from ACERA's Board of Retirement.

The agenda consisted of the following items:

- Presentation by Segal Consulting regarding legislative updates:
  - 2018 Year-End Tax Package, Pharmacy "Anti-Gag Clause" Law, Medicare Outlook, Bipartisan Budget Act of 2018, "Medicare for More" Proposals, California Single Payer Initiatives, Latest Litigation Challenging ACA, Department of Health Human Services Blueprint to Lower Drug Prices and Enforcement Activity Continues

- Presentation by Segal Consulting regarding health care market overview:
  - Retiree Health Care SWOT Analysis
  - Health Care Trend Influencers
  - Projected Health Care Trends (2018 vs. 2019)
  - Specialty Drugs

- Presentation regarding ACERA's wellness program:
  - Retiree Chronic Conditions (from Kaiser 2018 Lifestyle Risk Report) and Other Lifestyle Risks
  - 2019 activities to include wellness walks at Lake Merritt, and health and wellness fairs
  - 2019 Wellness Passport
  - Continuous Communications
  - Establish Community Partnerships
  - Updates to the Wellness Website
  - Kaiser Resources

- Information on ACERA-sponsored plans – 2019/2020:
  - Current medical, dental and vision plans options and rates
  - 2020 renewal requests quotes, utilization and 10-year history of the single party premiums for dental plans
  - Customer service improvements, utilization, and ten-year history of the single party premiums for the vision plans
  - 2018 Via Benefits average premiums for individual medical plans

- Plans to issue dental and vision plans request for proposals in 2020
- ACRE/REAC Discussion Topics
    - Representatives from the Retiree Associations provided feedback on ACERA's Retiree Enrollment Guide for future consideration

There were no retiree concerns from ACRE or REAC that were brought to ACERA's attention prior to the meeting.

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Health Reimbursement Arrangement Account Balances for 2018**

Retirees enrolled in individual medical plans through OneExchange were able to submit claims for 2018 reimbursements through March 31, 2018. The total amount of reimbursements paid for the 2018 Plan Year and the average monthly cost per retiree are shown below.

Plan Year 2018		
Plans	Total Reimbursement Paid	Average Monthly Cost Per Retiree
Medicare eligible retirees	$3,973,208.48	$247.64
Early (Pre-65) retirees	$504,414.74	$271.19

Provided below are the unused balances of the Health Reimbursement Arrangement (HRA) Accounts from lowest to highest as of March 31, 2018. The balances are categorized by years of service (YOS) contribution levels.

2018 Health Reimbursement Arrangement Account Balances
for Medicare Eligible Retirees as of March 31, 2018

20 + Years of Service **$4,968 Annual MMA**		15 through 19 Years of Service **$3,726 Annual MMA**		10 through 14 Years of Service **$2,484 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
118	$ 0	68	$ 0	98	$ 0
98	Under $500	37	Under $500	27	Under $500
103	$500 - $1,000	35	$500 - $1,000	19	$500 - $1,000
138	$1,000 - $1,500	15	$1,000 - $1,500	11	$1,000 - $1,500
163	$1,500 - $2,000	17	$1,500 - $2,000	4	$1,500 - $2,000
129	$2,000 - $2,500	31	$2,000 +	23	$2,000 +
67	$2,500 - $3,000				
59	$3,000 - $4,000				
77	$4,000 +				
952 Total Number of Retirees		***203 Total Number of Retirees***		***182 Total Number of Retirees***	

Observations of Medicare eligible retirees' HRA accounts in 2018:

- There were 1,337 HRA's reported as active accounts at the end of 2018.
- 284 retirees used all of their funds – 21.2% of Medicare eligible retirees.
- Out of the 952 retirees with 20 + YOS, 749 have used half of their balances – 78.7% of the group.

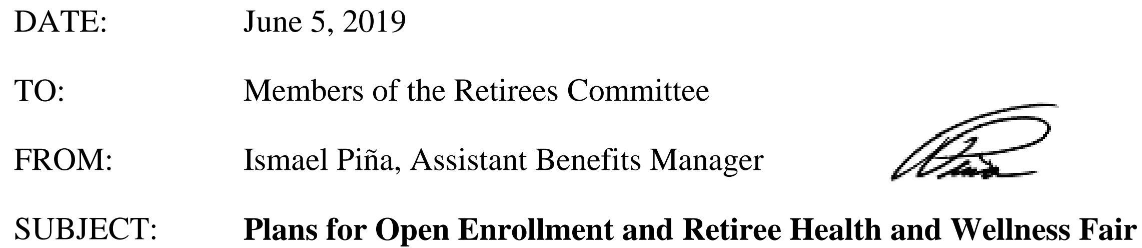
2018 Health Reimbursement Arrangement Account Balances
for Early (Pre-65) Retirees as of March 31, 2018

20 + Years of Service **$6,485.28 Annual MMA**		15 through 19 Years of Service **$4,863.96 Annual MMA**		10 through 14 Years of Service **$3,242.64 Annual MMA**	
Number of Retirees	Balance	Number of Retirees	Balance	Number of Retirees	Balance
53	$ 0	7	$ 0	6	$ 0
9	Under $500	3	Under $500	4	Under $500
13	$500 - $1,000	2	$500 - $1,000	2	$500 - $1,000
6	$1,000 - $1,500	3	$1,000 - $1,500	0	$1,000 - $1,500
2	$1,500 - $2,000	0	$1,500 - $2,000	0	$1,500 - $2,000
5	$2,000 - $2,500	7	$2,000 +	5	$2,000 +
7	$2,500 - $3,000				
4	$3,000 - $4,000				
17	$4,000 +				
116 Total Number of Retirees		***22 Total Number of Retirees***		***17 Total Number of Retirees***	

Observations of early (pre-65) retirees' HRA accounts in 2018:

- There were 155 HRA's reported as active accounts at the end of 2018.
- 66 retirees used all of their funds – 42.6% of early retirees.
- Out of the 116 retirees with 20 + YOS, 95 have used half of their balances – 81.9% of the group.

MEMORANDUM TO THE RETIREES COMMITTEE



DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

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

The ACERA Open Enrollment Team is preparing for the annual Open Enrollment period and Retiree Health and Wellness Fair. The attached presentation is a brief update on items the Team is working on related to these projects.

Attachment

Plans for Open Enrollment and Retiree Health and Wellness Fair

Retirees Committee Meeting
June 5, 2019
Ish Piña – Assistant Benefits Manager

Current ACERA – Sponsored Benefit Coverage

Medical - Pre-65 (Early Retirees)

- Kaiser Traditional HMO - Group Plan
- UnitedHealthcare SignatureValue HMO - Group Plan
- UnitedHealthcare SignatureValue Advantage HMO - Group Plan
- Via Benefits - Out of Service Area only Early Retirees (Individual non-Medicare)

Medical - Medicare Eligible Retirees

- Kaiser Senior Advantage – Group Plan
- Via Benefits – Individual Medicare Plans

- **Delta Dental DPO & DeltaCare USA**
- **VSP Choice & Premium Plans**

Open Enrollment Timeline

- Health Fair Planning Team Meeting - June 2019
- Retiree Enrollment Guide Editing Begins - July 2019
- Save the Date Flyer - August 2019
- Meet with County Regarding 2020 Medical Plan Renewals – September 2019
- Retiree Enrollment Guide to Printer - September 2019
- Health Fair Web Flash and Email Blast - September 2019
- Retiree Enrollment Guide Posting to Website - October 2019
- Open Enrollment Packets Mailing - October 2019
- New Enrollment Forms Posting to Website - October 2019
- Health and Wellness Fair - October 2019
- Retiree Enrollment & Coverage Changes Processed and Confirmed – November and December

Open Enrollment Guide/Packet Information

- What's New for Plan Year 2020
- Create an account via ACERA's Web Member Services to access information
- Healthy Choices and Resource Tips
- Wellness activities and adventures
- Informational flyers to be included in Open Enrollment Packet

Open Enrollment Periods

- ACERA Group Insurance members
  - November 1 – November 30, 2019
- Via Benefits enrolled Medicare eligible members
  - October 15 – December 7, 2019
- Via Benefits Out-of-Service Area Early Retiree individual coverage
  - November 1 – December 15, 2019
- Via Benefits will provide separate mailings of Open Enrollment period for Early Retiree and Medicare groups

Join us for a day of Wellness and Education

- Online Attendance Entrance waiver forms for easy registration
- Gather Information from Vendors & Carriers
  - Medical, Dental and Vision Providers
  - Community Support for Seniors
  - Vendors offering discounts to Seniors
- Kaiser's Healthy Choice Nursing team to provide wellness screenings
- Presentations on getting healthy and staying well
- Wellness activities and lessons
- ACERA Information and Wellness
- Healthy Snacks

ACERA Retiree Health and Wellness Fair

- When: Thursday, October 25, 2019
- Time: 9:00 AM – 2:30 PM
- Location: Albert H. DeWitt Officer's Club in Alameda

MEMORANDUM TO THE RETIREES COMMITTEE

DATE: June 5, 2019

TO: Members of the Retirees Committee

FROM: Ismael Piña, Assistant Benefits Manager

SUBJECT: **Miscellaneous Updates**

An oral report will be provided on any recent benefit issues at the Retirees Committee meeting.