

April 1, 2026

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

**Re: Alameda County Employees' Retirement Association (ACERA)
Impact of increasing Maximum Monthly Medical Allowance (MMA) for Medicare
Eligible Retiree Individual Plans to coincide with MMA for Group Plans and Pre-65
Individual Plans - REVISED**

Dear Carlos:

This revised letter adds two additional scenarios to our previous letter, dated January 27, 2026, regarding the expected financial impact of a proposal to increase the maximum Monthly Medical Allowance (MMA) for Medicare-eligible retirees enrolled in Individual Plans (\$526.46 in 2026) to align with the allowances provided under Group Plans and Pre-65 Individual Plans¹ (\$687.21 in 2026) beginning in 2027.

Our original analysis provided in January (i.e., Scenarios 1 and 2 of this letter) did not reflect any potential retiree migration from the group Medicare plans to the Individual Plans resulting from the increased Individual Plan MMA. Given the low co-pays and deductibles for the group plans, and the convenience for retirees, we did not anticipate an increase in the percentage of retirees choosing the Exchange-based Individual Plans.

Additionally, based on prior retiree enrollment guides, our understanding was that the Individual Medicare Plans MMA could only be used to reimburse expenses related to premiums, copays and deductibles. After our original analysis, ACERA staff noted there was a clarification made to the eligible HRA expenses covered by the Individual Plan MMA in June of 2025. Based on this clarification, the following categories were added to the 2026 retiree enrollment guide as covered expenses eligible for reimbursement by the Individual Medicare Plans MMA:

- Other out-of-pocket medical expenses listed in IRS Publication 502
- Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA)

These clarifications, in conjunction with an increase to the Individual Medicare Plans MMA, could incentivize Medicare retirees to migrate from the Group Plans to the Individual Plans, especially among the approximately 15% of ACERA retirees who pay an IRMAA. Scenario 3 of this revised analysis assumes a shift from the current Medicare distribution from 72% Group & 28% Exchange to 55% Group & 45% Exchange. Additionally, Scenario 3 incorporates an increase to the per-capita costs for Exchange retirees as a result of additional reimbursements

¹ Individual insurance coverage is available to retirees under age 65 residing outside of ACERA group medical plans' coverage area.

related to the IRMAA and out-of-pocket expenses listed in IRS Publication 502. Scenario 4 provides the extreme scenario where 100% of Medicare retirees elect the Individual Plans and immediately utilize the maximum subsidy. While Scenario 4 is unlikely, it illustrates the potential downside risk of the proposed change.

Summary of results

The financial impact of the proposal depends on the increase in the subsidies paid by ACERA and the percentage of retirees choosing the Individual Medicare Plans. Under four alternative assumptions as to the level of increase and retiree plan distribution, the change in the sufficiency period and the funded ratio are as follows:

Key Metric	12/31/2024 Valuation	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Sufficiency Period	Through 2045 or 20 years 6.0 months	Through 2045 or 20 years 1.2 months	Through 2044 or 19 years 11.9 months	Through 2044 or 19 years 5.4 months	Through 2042 or 17 years 7.4 months
Change		-5 months	-6 months	-13 months	-35 months
Funded Ratio	82.0%	80.4%	80.1%	78.8%	74.4%
Change		-1.6%	-1.9%	-3.2%	-7.6%

Scenario	Description
Scenario 1: 50% Assumption with No Migration	Retirees with zero HRA balance were assumed to utilize 50% of the MMA increase. For example, retirees with at least 20 years of service would receive and utilize an additional \$80.37 per month. No immediate benefit increases were assumed for retirees with positive HRA balances. No change to current 72% Group & 28% Exchange Medicare distribution.
Scenario 2: 100% Assumption with No Migration	Retirees who utilize the maximum MMA (\$526.46 in 2026) with zero Health Reimbursement Account (HRA) balance were assumed to utilize 100% of the MMA increase. For example, retirees with at least 20 years of service would receive and utilize an additional \$160.75 per month (\$687.21 - \$526.46). No immediate benefit increases assumed for retirees with positive HRA balances. No change to current 72% Group & 28% Exchange Medicare distribution.
Scenario 3: Net 17% Migration to Exchange with 26% Increase to Exchange Costs	Medicare distribution shifts from 72% Group & 28% Exchange to 55% Group & 45% Exchange . A net increase of 17% of Medicare retirees were assumed to migrate from the Kaiser Senior Advantage group plan to Via Benefits Individual Exchange. ² Per-capita costs for Exchange retirees were assumed to increase by 26% as a result of additional reimbursements related to the IRMAA and out-of-pocket expenses listed in IRS Publication 502.
Scenario 4: 100% Migration to Exchange with Maximum Subsidy Usage	100% of current and future Medicare retirees elect Via Benefits Individual Exchange and immediately utilize the maximum MMA (\$687.21 in 2026). Per-capita costs for Exchange retirees were assumed to increase to the maximum MMA.

² Although not reflected in this analysis, substantial migration to the Individual Plans could influence premiums for the Kaiser Senior Advantage group plan.

The changes described herein are projected to decrease the sufficiency period in the most recent December 31, 2024 Supplemental Retiree Benefits Reserve (SRBR) actuarial valuation by approximately five to thirty-five months and lower the funded ratio between approximately two to eight percentage points, depending on the scenario. The similar impact across the first two scenarios is due to the MMA trend assumptions being half of the trend assumptions used for the underlying premiums. Consequently, the per-capita benefit levels gradually converge toward the higher maximum MMA in each scenario. The decrease to the sufficiency period is more pronounced in Scenario 3 due to assumed migration from the Group plans and increased Exchange spending resulting from the 2025 benefit clarifications. Scenario 3 estimates one of many possible migration behaviors. Scenario 4 models the most extreme 100% migration behavior and full maximization of MMA usage that, while improbable, illustrates the potential downside risk. Exhibits 1 through 4 at the end of the letter illustrate the impact on the Plan’s projected medical benefit cash flows:

- **Exhibit 1:** Uniform Medicare MMA – 50% Assumption with No Migration
- **Exhibit 2:** Uniform Medicare MMA – 100% Assumption with No Migration
- **Exhibit 3:** Uniform Medicare MMA – Net 17% Migration to Exchange with 26% Higher Exchange Costs
- **Exhibit 4:** Uniform Medicare MMA – 100% Migration to Exchange with Exchange Costs Assumed to Increase to the Maximum MMA

Data and assumptions

The analysis was prepared using results from the December 31, 2024 SRBR actuarial valuation report dated September 19, 2025. Other than the Medicare Exchange benefit level assumptions discussion below, all assumptions, methods and data are the same as those used in the December 31, 2024 actuarial valuation. The health plan election rates for current and future Medicare are assumed as follows according to the given scenario:

Election Assumptions for Medical Plan Age 65 and older	Scenario 1 & Scenario 2	Scenario 3	Scenario 4
Kaiser Senior Advantage	72%	55%	0%
Via Benefits Individual Insurance Exchange	28%	45%	100%

Of the 28% of Medicare retirees who receive benefits through the Medicare Exchange, only a subset are currently receiving the maximum available benefit. As of April 2025, 489 or 29% of Medicare Exchange retirees had zero remaining HRA balance. In Scenarios 1 and 2, which are identical to the 50% Assumption and 100% Assumption Scenarios provided in January, the impact of the plan change was restricted to the retirees who are currently receiving the maximum allowance.

Category	Count
Total Medicare Exchange retirees	1,710
Retirees with zero remaining HRA balance	489 (29%)

Because the available census data does not include underlying charges for members currently receiving the maximum benefit and the potential impact of the HRA expense clarifications are not known, various assumptions have been made to model the potential impact on per capita Medicare Exchange benefits paid by the plan.

In Scenario 1, retirees with zero HRA balance receive 50% of the difference between the old and new maximum MMA and no assumed impact for those with positive HRA balance. Based on this assumption, the weighted average benefit payments for all Medicare Exchange retirees were determined to be approximately 5% higher than those assumed in the December 31, 2024 valuation. In Scenario 2, recalculating the average Medicare Exchange benefits under the assumption that all retirees currently at the maximum receive the full MMA increase resulted in an assumed 10% increase from the baseline Medicare Exchange per capita cost assumptions.

For Scenario 3, we assumed 17% of the Medicare retirees would migrate from the Group Plans to the Individual Plans resulting in an overall distribution of 55% Group & 45% Exchange. One third of the 45% that elect Exchange coverage, 15% of all Medicare retirees, were assumed to receive the maximum subsidy (roughly the same percentage as ACERA retirees who pay an IRMAA). Note, this is an increase from the current percentage of roughly 8% (29% of the 28% who choose the Exchange have zero HRA balance). In addition to assuming some migration out of the group plans and a higher percentage of retirees receiving the maximum MMA subsidy, the per-capita Exchange costs were increased by \$50 per month (\$600 per year) for Exchange retirees who are below the maximum to account for increased HRA usage related to out-of-pocket expenses listed in IRS Publication 502. When developing our \$600 per year assumption, we excluded costs for benefits provided by separate ACERA subsidies, such as base Part B premium, dental coverage and vision coverage. As shown in the table below, these assumptions resulted in a 26% increase to the average per-capita Exchange costs compared to those used in the December 31, 2024 SRBR valuation.

In Scenario 4, all Medicare retirees are assumed to elect coverage through the Via Benefits Exchange based Individual Plans and immediately utilize the maximum subsidy, which would represent a 70%, or \$282 per month, increase to the average per-capita Exchange costs compared to those used in the December 31, 2024 SRBR valuation.

Medicare Exchange Monthly Benefit Assumption	10 – 14 Years of Service	15 – 19 Years of Service	20+ Years of Service
12/31/2024 Valuation	\$224.68	\$313.50	\$380.77
Scenario 1	235.91	329.18	399.81
Scenario 2	247.15	344.85	418.85
Scenario 3	283.10	395.10	479.77
Scenario 4	331.22	496.82	662.43

It is important to keep in mind that the assumptions described above establish the immediate increase in average benefits for this group. Once the initial increase is determined, valuation trend assumptions will project underlying costs at the medical trend rate and MMA at half of that rate.

Other considerations

These projections are based on proprietary actuarial modeling software. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. These calculations were prepared under the supervision of Mehdi Riazi, FSA, MAAA, FCA, EA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

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Please let us know if you have any questions.

Sincerely,



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



Daniel Siblik, ASA, MAAA, FCA, EA
Vice President and Actuary

DNA/jl

cc: Lisa Johnson
Dave Nelsen

Exhibit 1 – Projected SRBR Medical¹ Benefit Cash Flows as of December 31, 2024

Uniform Medicare MMA - 50% Assumption with No Migration

Year Ending December 31	Baseline	50% Assumption	Increase
2025	\$53,442,990	\$53,442,990	\$0
2026	57,812,279	57,812,279	0
2027	62,656,915	63,122,972	466,057
2028	67,595,798	68,156,206	560,408
2029	72,582,454	73,267,413	684,959
2030	77,903,874	78,740,683	836,809
2031	83,438,268	84,451,258	1,012,990
2032	88,867,879	90,076,710	1,208,831
2033	94,582,114	96,002,322	1,420,208
2034	100,095,113	101,763,797	1,668,684
2035	105,597,325	107,514,403	1,917,078
2036	110,419,951	112,592,023	2,172,072
2037	115,100,345	117,530,381	2,430,036
2038	119,606,965	122,290,463	2,683,498
2039	124,070,692	127,020,275	2,949,583
2040	128,256,028	131,489,385	3,233,357
2041	132,432,966	135,977,504	3,544,538
2042	136,491,764	140,364,130	3,872,366
2043	140,563,906	144,735,732	4,171,826
2044	144,547,536	148,992,399	4,444,863
2045	74,431,278 ²	15,938,532 ²	(58,492,745)
2046	0	0	-
2047	0	0	-
2048	0	0	-
2049	0	0	-

¹ Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County. Excludes dental and vision cash flows.

² Benefits will be paid through the year prior to the year shown in the table. Full benefits, including dental and vision, will be paid for part of the year indicated.

Exhibit 2 – Projected SRBR Medical¹ Benefit Cash Flows as of December 31, 2024

Uniform Medicare MMA - 100% Assumption with No Migration

Year Ending December 31	Baseline	100% Assumption	Increase
2025	\$53,442,990	\$53,442,990	\$0
2026	57,812,279	57,812,279	0
2027	62,656,915	63,540,136	883,221
2028	67,595,798	68,609,251	1,013,453
2029	72,582,454	73,757,293	1,174,839
2030	77,903,874	79,262,454	1,358,580
2031	83,438,268	85,004,970	1,566,702
2032	88,867,879	90,663,316	1,795,437
2033	94,582,114	96,580,567	1,998,453
2034	100,095,113	102,329,688	2,234,575
2035	105,597,325	108,077,005	2,479,680
2036	110,419,951	113,153,723	2,733,772
2037	115,100,345	118,082,758	2,982,413
2038	119,606,965	122,835,281	3,228,316
2039	124,070,692	127,574,444	3,503,752
2040	128,256,028	132,053,125	3,797,097
2041	132,432,966	136,499,753	4,066,787
2042	136,491,764	140,817,430	4,325,666
2043	140,563,906	145,134,248	4,570,342
2044	144,547,536	148,207,987 ²	3,660,451
2045	74,431,278 ²	0	(74,431,278)
2046	0	0	-
2047	0	0	-
2048	0	0	-
2049	0	0	-

¹ Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County. Excludes dental and vision cash flows.

² Benefits will be paid through the year prior to the year shown in the table. Full benefits, including dental and vision, will be paid for part of the year indicated.

Exhibit 3 – Projected SRBR Medical¹ Benefit Cash Flows as of December 31, 2024

Uniform Medicare MMA – Net 17% Migration to Exchange with 26% Higher Exchange Costs

Year Ending December 31	Baseline	Net 17% Migration to Exchange	Increase
2025	\$53,442,990	\$53,442,990	\$0
2026	57,812,279	57,812,279	0
2027	62,656,915	65,940,211	3,283,296
2028	67,595,798	71,209,389	3,613,591
2029	72,582,454	76,517,703	3,935,249
2030	77,903,874	82,131,288	4,227,414
2031	83,438,268	87,932,318	4,494,050
2032	88,867,879	93,608,838	4,740,959
2033	94,582,114	99,543,347	4,961,233
2034	100,095,113	105,313,241	5,218,128
2035	105,597,325	111,015,288	5,417,963
2036	110,419,951	116,014,431	5,594,480
2037	115,100,345	120,856,086	5,755,741
2038	119,606,965	125,474,858	5,867,893
2039	124,070,692	130,053,089	5,982,397
2040	128,256,028	134,320,641	6,064,613
2041	132,432,966	138,570,776	6,137,810
2042	136,491,764	142,677,549	6,185,785
2043	140,563,906	146,752,979	6,189,073
2044	144,547,536	67,928,189 ²	(76,619,347)
2045	74,431,278 ²	0	(74,431,278)
2046	0	0	-
2047	0	0	-
2048	0	0	-
2049	0	0	-

¹ Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County. Excludes dental and vision cash flows.

² Benefits will be paid through the year prior to the year shown in the table. Full benefits, including dental and vision, will be paid for part of the year indicated.

Exhibit 4 – Projected SRBR Medical¹ Benefit Cash Flows as of December 31, 2024

Uniform Medicare MMA - 100% Migration to Exchange with Exchange Costs Assumed to Increase to the Maximum MMA

Year Ending December 31	Baseline	100% Migration to Exchange	Increase
2025	\$53,442,990	\$53,442,990	\$0
2026	57,812,279	57,812,279	0
2027	62,656,915	79,698,650	17,041,735
2028	67,595,798	84,532,619	16,936,821
2029	72,582,454	89,331,934	16,749,480
2030	77,903,874	94,319,637	16,415,763
2031	83,438,268	99,369,692	15,931,424
2032	88,867,879	104,336,073	15,468,194
2033	94,582,114	109,472,550	14,890,436
2034	100,095,113	114,435,415	14,340,302
2035	105,597,325	119,338,512	13,741,187
2036	110,419,951	123,682,569	13,262,618
2037	115,100,345	127,913,450	12,813,105
2038	119,606,965	131,888,891	12,281,926
2039	124,070,692	135,866,944	11,796,252
2040	128,256,028	139,549,163	11,293,135
2041	132,432,966	143,214,463	10,781,497
2042	136,491,764	90,765,395 ²	(45,726,369)
2043	140,563,906	0	(140,563,906)
2044	144,547,536	0	(144,547,536)
2045	74,431,278 ²	0	(74,431,278)
2046	0	0	-
2047	0	0	-
2048	0	0	-
2049	0	0	-

¹ Includes Medicare Part B and Implicit Subsidy Reimbursement made to the County. Excludes dental and vision cash flows.

² Benefits will be paid through the year prior to the year shown in the table. Full benefits, including dental and vision, will be paid for part of the year indicated.