

Alameda County Employees' Retirement Association (ACERA)

**Governmental Accounting Standards Board
Statement No. 74 Actuarial Valuation of Other
Postemployment Benefits as of December 31, 2024**



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May 23, 2025

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
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Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 74 (GASB 74) Accounting Valuation of Other Postemployment Benefits (OPEB) measured as of December 31, 2024 for the Alameda County Employees' Retirement Association ("ACERA" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

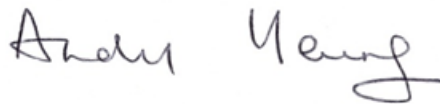
The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary P. Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this valuation were selected by the Board of Retirement based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of ACERA and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal



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Vice President and Actuary



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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required for “Other Postemployment Benefits (OPEB)” plans by Governmental Accounting Standards Board Statement No. 74 as of December 31, 2024. This report is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of November 30, 2023, provided by the staff of ACERA;
- The assets of the Plan as of December 31, 2024, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2024 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, and health care trends, etc. adopted by the Board for the December 31, 2024 valuation.

General observations on a GASB 74 Actuarial Valuation

1. The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, they do not apply to contribution amounts for OPEB funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age method) and, for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding.¹ This means that the Total OPEB Liability (TOL) measure for financial reporting shown in this report is generally determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding.
3. The Net OPEB Liability (NOL) is equal to the difference between the TOL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets. The NOL reflects all investment gains and losses as of the measurement date.

¹ See discussions on next page regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan FNP in the SRBR.

Section 1: Actuarial Valuation Summary

Highlights of the valuation

1. The reporting date for the Plan is December 31, 2024 and the NOL was measured as of the same date. The TOL was determined based upon rolling forward the liability results used in determining the sufficiency of the SRBR to provide medical and dental subsidy benefits as of December 31, 2023.
2. The TOL has been adjusted to reflect the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2024 (reference: our recommended trend letter dated March 21, 2025).
3. The NOL increased by \$20.5 million, from \$208.5 million as of December 31, 2023 to \$229.0 million as of December 31, 2024. The NOL was expected to increase by \$56.6 million to \$265.1 million based on the plan's actual benefit payments, and a year of anticipated liability growth due to service cost and interest cost. The difference between the actual and expected NOL was primarily due to savings from: (a) demographic experience gains, (b) average implicit subsidies lower than expected, (c) favorable investment experience,¹ offset to some extent by (d) generally higher updated healthcare trend assumptions. Changes in these values during the last two fiscal years ending December 31, 2024 and 2023 can be found in *Section 2, Schedule of Changes in Net OPEB Liability* on page 24.
4. For the non-Medicare plans, we have updated the first-year trend rate to 7.75%, then grading down by 0.25% each year for 13 years until reaching an ultimate rate of 4.50%. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience, updated national trend expectations for prescription drug costs, and concern about the impact of general inflation on healthcare costs. For the Medicare plans, we have updated the first-year trend to 7.50%,² then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. In addition to the same key considerations that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by the Calendar Year 2026 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Services (CMS) on January 10, 2025. Final guidance, rules and clarifications will be provided by CMS in April of 2025.
5. We have also continued the practice of adjusting the Plan FNP as of December 31, 2024 to include the \$1.105 billion set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2024. This includes \$1.094 billion in the OPEB-related SRBR reserve (after reducing the reserve by the \$2.5 million SRBR implicit subsidy transfer), and \$10.5 million in the 401(h) reserve. It should be noted that as of December 31, 2024, the deferred investment loss for the entire Plan was \$82.6 million. As discussed in footnote 1, we have subtracted from the Plan FNP the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve, or \$3.2 million.

¹ The market value investment return for ACERA as a whole was 9.00% net of administrative expenses, or 9.19% gross of administrative expenses, during 2024. In allocating the end of year market value of assets between the Pension Plan and the SRBR, we have taken into consideration that for ACERA as a whole, the actuarial value of assets was higher than the market value of assets as of December 31, 2024 and there are deferred investment losses scheduled to be recognized in the next few years. As a result, the plan FNP allocated to the Pension Plan and the SRBR has generally been done in proportion to the actuarial value of assets and the market value investment return of 9.2% for the Pension Plan is very close to the 9.0% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

² We note that in the absence of the above updates, the first-year trend rate that we would use in this year's valuation would equal 7.00%.

Section 1: Actuarial Valuation Summary

6. As we disclosed in our December 31, 2024 pension funding valuation report, the 7.00% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.00%.

Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”) states that some plan provisions, including gain sharing provisions, “may create pension obligations that are difficult to appropriately measure using traditional valuation procedures.” ASOP No. 4 further states that “for such plan provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling...to reflect the impact of variations in experience from year to year.” Accordingly, we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR as part of our triennial experience study recommending assumptions for use starting with the December 31, 2023 valuation. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in the determination of the Total Pension Liability) that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test for the pension benefits (reference: Section 3, Projection of Pension Plan Fiduciary Net Position of our GASB 67 report as of December 31, 2024), along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA’s funding policy. (The choice of this methodology by the Board in 2015 to reflect the impact of the SRBR was a result of several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with GASB staff.)

Furthermore, note (6) provided in *Section 3, Appendix A* of the GASB 67 report indicates that the present value of outflows from the 0.75% of assets over time is expected to be higher than the present values of the remaining OPEB and non-OPEB SRBR benefits that could be paid after the exhaustion of assets currently available in the SRBR.

Therefore, in developing the crossover test for the OPEB SRBR in *Section 3, Appendix A* of this report, we have only included the projected benefits to the extent that on a present value basis they are less than or equal to the OPEB assets currently available in the SRBR as any remaining OPEB SRBR benefits would be paid from future excess earnings.

7. For 2024, the Plan FNP of \$1,101,638,549 includes the OPEB-related SRBR reserve of \$1,094,286,987 (after reducing the reserve by the SRBR implicit subsidy transfer of \$2,472,346) and the 401(h) reserve of \$10,521,170, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of \$3,169,608. For 2023, the Plan FNP of \$1,060,336,964 includes the OPEB-related SRBR reserve of \$1,070,992,004 (after reducing the reserve by the SRBR implicit subsidy transfer of \$4,116,000) and the 401(h) reserve of \$10,116,636, less the proportionate

Section 1: Actuarial Valuation Summary

share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of \$20,771,676. Note that amounts may not total exactly due to rounding.

8. Employer contributions shown in this report are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Valuation Result	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Disclosure elements		
Total OPEB Liability	\$1,330,606,143	\$1,268,807,617
Plan Fiduciary Net Position ¹	1,101,638,549	1,060,336,964
Net OPEB Liability	228,967,594	208,470,653
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	82.79%	83.57%
Service Cost at Beginning of Year ²	\$37,369,338	\$36,611,242
Benefit Payments	\$50,186,853	\$47,072,346
Schedule of contributions		
Actuarially determined contributions	N/A	N/A
Actual contributions ³	0	0
Demographic data⁴		
Number of retired members receiving medical benefits ⁵	6,909	6,869
Number of retired members receiving dental and vision benefits	8,537	8,416
Number of vested terminated members	572	560
Number of active members	11,865	11,547

¹ Please refer to item 7 on page 7 for information relating to the Plan FNP amount.

² The service cost is based on the previous year's valuation, meaning the service cost as of the December 31, 2024 and December 31, 2023 measurement dates are based on the valuations as of December 31, 2023 and December 31, 2022, respectively. The December 31, 2024 service cost has been calculated using the assumptions shown in the "Prior" or December 31, 2023 column. Please refer to the note on the next page for the assumptions used for the December 31, 2023 service cost.

³ Please refer to item 8 on page 8 for information relating to the employer contributions.

⁴ The December 31, 2023 data is used in the measurement of the TOL as of December 31, 2024.

The demographic data as of December 31, 2024 will be used in the sufficiency study for the SRBR as of December 31, 2024 as well as in the next year's GASB 74 valuation when we roll forward the liability from December 31, 2024 to December 31, 2025.

⁵ The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

Section 1: Actuarial Valuation Summary

Valuation Result	Current	Prior
Key assumptions		
Discount rate	7.00%	7.00%
Health care premium trend rates		
• Non-Medicare medical plan	7.75% graded to ultimate 4.50% over 13 years	8.50% in 2024, 7.50% in 2025, then 7.00% graded to ultimate 4.50% over 10 years
• Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years	16.47% ¹ in 2024, then 7.00% graded to ultimate 4.50% over 10 years
• Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years	4.00% ²
• Vision	3.00%	4.00% ²
• Medicare Part B	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years	4.50%

Note to footnote 2 from prior page

The December 31, 2023 service cost has been calculated using the following assumptions as of December 31, 2022:

- Discount Rate: 7.00%
- Health care premium trend rates
 - Non-Medicare medical plan Graded from 7.50% to ultimate 4.50% over 12 years
 - Medicare medical plan Graded from 6.25% to ultimate 4.50% over 7 years
 - Dental/Vision 4.00%
 - Medicare Part B 4.50%

¹ The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of \$28 (8.00%) plus a one-time estimated increase of \$30 (7.84%) due to the Inflation Reduction Act (IRA).

² The 2024 trend for dental reflects the two-year rate guarantee. The 2024 trend for vision reflects the five-year rate guarantee (premiums fixed at the 2021 level).

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

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

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Retirement Association to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA. The Association uses an actuarial value of assets that differs from fair value of assets to gradually reflect six-month changes in the fair value of assets in the SRBR sufficiency valuation.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and

Section 1: Actuarial Valuation Summary

Input Item	Description
	while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Models	<p>Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising 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.</p> <p>Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.</p>

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

- The actuarial valuation is prepared for use by ACERA. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

Section 1: Actuarial Valuation Summary

- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Board upon delivery and review. The Association should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 74 Information

General information about the OPEB plan

Plan administration

The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of:

- First 5 Alameda County (First 5);
- Housing Authority of the County of Alameda (Housing Authority);
- Alameda Health System;
- Livermore Area Recreation and Park District (LARPD);
- Superior Court of California—County of Alameda (Alameda Superior Court); and
- Alameda County Office of Education (ACOE).

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates:

- The County Treasurer is a member of the Board of Retirement by law and is elected by the general public;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two active members are elected by the General members;
- One active member and one alternate are elected by the Safety members; and
- One retired member and one alternate are elected by the retired members.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

Section 2: GASB 74 Information

Plan membership.

At December 31, 2024, OPEB plan membership consisted of the following:¹

Membership	Count
Retired members currently receiving medical benefits	6,909
Retired members currently receiving dental and vision benefits	8,537
Vested terminated members entitled to but not yet receiving benefits	572
Active members	11,865

Benefits provided

ACERA provides benefits to eligible employees under the following terms and conditions.

Eligibility

Service Retirees

Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)

Disabled Retirees

A minimum of 10² years of service is required for non-duty disability. There is no minimum service requirement for duty disability.

¹ Data as of December 31, 2024 is not used in the measurement of the TOL as of December 31, 2024. It will be used for the sufficiency study for the SRBR as of December 31, 2024 as well as in next year's GASB 74 valuation. The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

² The 10 years of service requirement is only used for determining eligibility for health benefits. For pension benefits, the eligibility requirement is 5 years of service.

Section 2: GASB 74 Information

Other Postemployment Benefits (OPEB)

Monthly Medical Allowance

Service Retirees

For retirees not purchasing individual insurance through the Medicare Insurance Exchange, a Maximum Monthly Medical Allowance of \$635.37 per month is provided, effective January 1, 2024 and through December 31, 2024. For the period January 1, 2025 through December 31, 2025, the maximum allowance is \$662.37 per month.

For those purchasing individual insurance through the Individual Medicare Insurance Exchange, the Maximum Monthly Medical Allowance is \$486.74 per month for 2024 and is \$507.43 per month in 2025.

These allowances are subject to the following subsidy schedule:

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

Disabled Retirees

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

Medicare Benefit Reimbursement Plan

The SRBR reimburses the full Medicare Part B premium to qualified retired members.

To qualify for reimbursement, a retiree must:

- Have at least 10 years of ACERA service;
- Be eligible for Monthly Medical Allowance; and
- Provide proof of enrollment in Medicare Part B.

Section 2: GASB 74 Information

Dental and Vision Plans

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premium is \$55.68 in 2024 and \$55.68 in 2025. The eligibility for these premiums is as follows.

Service Retirees

Retired with at least 10 years of service.

Disabled Retirees

For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement.

For duty disabled retirees, there is no minimum service requirement.

Note about Monthly Medical Allowance

The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically.

In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents.

If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents.

Deferred Benefit

Members who terminate employment with 10 or more years of service before reaching pension eligibility commencement age may elect deferred Monthly Medical Allowance and/or dental/vision benefits.

Death Benefit

Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy, which creates a liability for the SRBR.

Section 2: GASB 74 Information

Net OPEB liability

Component	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Components of the Net OPEB Liability		
Total OPEB Liability	\$1,330,606,143	\$1,268,807,617
Plan Fiduciary Net Position	1,101,638,549	1,060,336,964
Net OPEB Liability	\$228,967,594	\$208,470,653
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.79%	83.57%

The NOL was measured as of December 31, 2024 and 2023. The Plan FNP was valued as of the measurement dates, while the TOL as of December 31, 2024 and 2023 was determined by rolling forward the TOL as of December 31, 2023 and 2022, respectively.

Plan provisions

The plan provisions used in the measurement of the NOL as of December 31, 2024 and 2023 are the same as those used in ACERA's SRBR sufficiency valuation as of December 31, 2023 and 2022, respectively.

Section 2: GASB 74 Information

Actuarial assumptions

The actuarial assumptions used for the December 31, 2024 valuation were based on the results of the experience study for the period from December 1, 2019 through November 30, 2022 that were approved by the Board effective with the December 31, 2023 valuation, the non-trend retiree health assumption letter dated May 15, 2024, and the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2024 (reference: our letter dated March 21, 2025). The assumptions used in the December 31, 2024 SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement:

Assumption Type	Assumption
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Healthcare cost trend rates	
Non-Medicare medical plan	7.75% graded to ultimate 4.50% over 13 years
Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years
Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years
Vision	3.00%
Medicare Part B ¹	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years
Mortality rates	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

¹ The actual 2024 premium increase of 5.90% reflecting the standard 2025 premium of \$185.00 per month was reflected in the current year GASB 74 valuation with December 31, 2024 measurement date. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2 of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

Section 2: GASB 74 Information

The following actuarial assumptions were applied to all periods included in the measurement of the TOL as of December 31, 2023:

Assumption Type	Assumption
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Healthcare cost trend rates	
Non-Medicare medical plan	8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years
Medicare medical plan	16.47% ¹ in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years
Dental	0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025) and 4.00% thereafter
Vision	0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter
Medicare Part B ²	4.50%
Mortality rates	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

¹ The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of \$28 (8.00%) plus a one-time estimated increase of \$30 (7.84%) due to the IRA.

² The actual 2023 premium increase of 5.93% reflecting the standard 2024 premium of \$174.70 per month was reflected in the current year GASB 74 valuation with December 31, 2023 measurement date.

Section 2: GASB 74 Information

Determination of discount rate and investment rates of return

The long-term expected rate of return on OPEB plan investments¹ was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation and applicable investment management expenses, are shown in the following tables. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2024 and December 31, 2023. This information will be subject to change every three years based on the results of an actuarial experience study.

¹ Note that the investment return assumption for SRBR sufficiency (and pension funding) purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

Section 2: GASB 74 Information

December 31, 2024 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return ¹
US Large Cap Equity	21.60%	6.00%
US Small Cap Equity	2.40%	6.65%
International Developed Equity	16.30%	7.01%
International Small Cap Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private Equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value Added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.47%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
Total	100.00%	5.89%

The discount rate used to measure the TOL was 7.00% as of December 31, 2024. The projection of cash flows used to determine the discount rate assumed benefits are paid out of current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB Plan FNP was projected to be available to make all projected future benefits payments for current plan members.² Therefore the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2024 and December 31, 2023.

¹ Arithmetic real rates of return are net of inflation.

² See discussions in Section 1 regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB SRBR Plan's Fiduciary Net Position.

Section 2: GASB 74 Information

Sensitivity

The following presents the NOL of ACERA as well as what ACERA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates.

Item	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$412,553,990	\$228,967,594	\$77,514,037

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates ¹	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability	\$64,042,069	\$228,967,594	\$432,819,077

¹ Refer to health care trend assumptions on page 19.

Section 2: GASB 74 Information

Schedule of changes in Net OPEB Liability

Schedule of changes in Net OPEB Liability	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Total OPEB Liability		
Service cost	\$37,369,338	\$36,611,242
Interest	89,705,555	87,184,297
Change of benefit terms	0	0
Differences between expected and actual experience	(27,445,322)	(23,138,778)
Changes of assumptions	12,355,808	(16,793,618)
Benefit payments, including refunds of member contributions	(50,186,853)	(47,072,346)
Net change in Total OPEB Liability	\$61,798,526	\$36,790,797
Total OPEB Liability – beginning	1,268,807,617	1,232,016,820
Total OPEB Liability – ending	\$1,330,606,143	\$1,268,807,617
Plan Fiduciary Net Position		
Contributions – employer	\$0	\$0
Contributions – employee	0	0
Net investment income	93,445,438	122,605,237
Benefit payments, including refunds of member contributions	(50,186,853)	(47,072,346)
Administrative expense	(1,957,000)	(1,710,500)
Other ¹	0	(54,206,000)
Net change in Plan Fiduciary Net Position	\$41,301,585	\$19,616,391
Plan Fiduciary Net Position – beginning	1,060,336,964	1,040,720,573
Plan Fiduciary Net Position – ending	\$1,101,638,549	\$1,060,336,964

¹ One time transfer of assets from OPEB to non-OPEB SRBR to equalize the sufficiency period.

Section 2: GASB 74 Information

Net OPEB Liability		
Net OPEB Liability – ending	\$228,967,594	\$208,470,653
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.79%	83.57%
Covered employee payroll ¹	N/A	N/A
Plan Net OPEB Liability as percentage of covered payroll	N/A	N/A

¹ Covered employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation earnable and Pensionable compensation that would go into the determination of retirement benefits would otherwise be included.

Section 2: GASB 74 Information

Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions ¹	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Employee Payroll ²	Contributions as a Percentage of Covered Employee Payroll
2015	N/A	N/A	\$0	N/A	N/A
2016	N/A	N/A	0	N/A	N/A
2017	N/A	N/A	0	N/A	N/A
2018	N/A	N/A	0	N/A	N/A
2019	N/A	N/A	0	N/A	N/A
2020	N/A	N/A	0	N/A	N/A
2021	N/A	N/A	0	N/A	N/A
2022	N/A	N/A	0	N/A	N/A
2023	N/A	N/A	0	N/A	N/A
2024	N/A	N/A	0	N/A	N/A

¹ Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Pension Plan.

² Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

Section 3: Appendices

Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2024 (\$ in millions)

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2024	\$1,060	\$0	\$50	\$2	\$93	\$1,102
2025	1,102	0	58	2	75	1,117
2026	1,117	0	63	2	76	1,128
2027	1,128	0	68	2	76	1,134
2028	1,134	0	73	2	77	1,136
2029	1,136	0	78	2	77	1,133
2030	1,133	0	83	2	76	1,123
2031	1,123	0	89	2	75	1,108
2032	1,108	0	94	2	74	1,086
2033	1,086	0	100	2	72	1,056
2034	1,056	0	106	2	70	1,018
2035	1,018	0	111	2	67	972
2036	972	0	116	2	64	918
2037	918	0	121	2	60	855
2038	855	0	126	2	55	783
2039	783	0	130	1	50	701
2040	701	0	135	1	44	610
2041	610	0	139	1	38	508
2042	508	0	143	1	31	395
2043	395	0	147	1	22	270
2044	270	0	151	0 ¹	14	132
2045	132	0	155	0 ¹	4	0

¹ Less than \$1 million when rounded.

Section 3: Appendices

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2123	0	0	0	0	0	0
2123 (Discounted value)	0					

Section 3: Appendices

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2024 row are actual amounts, based on the financial statements provided by ACERA.
3. Years 2046-2122 have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2123, all of the projected beginning Plan FNP amounts shown have not been adjusted for the time value of money.
5. **Column (b):** \$0. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 43-47 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of November 30, 2023. The projected benefit payments reflect future health care trends. The projected benefit payments include the OPEB SRBR benefits to the extent the current OPEB SRBR (including the portion of deferred investment loss as of December 31, 2024 that is expected to be allocated to the SRBR) supports those benefits. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 35 b.(2)(e) of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the discount rate.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.18% of the beginning OPEB SRBR Plan FNP amount. The 0.18% portion was based on the actual fiscal year 2024 administrative expenses as a percentage of the beginning OPEB SRBR Plan FNP amount as of January 1, 2024. Administrative expenses are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. As illustrated in this Exhibit, the OPEB SRBR Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2024 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

Section 3: Appendices

Appendix B: Definition of Terms

Definitions of certain terms as they are used in GASB Statement No. 74. The terms may have different meanings in other contexts.

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: <ul style="list-style-type: none">a. Investment return — the rate of investment yield that the Plan will earn over the long-term future;b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates;c. Retirement rates — the rate or probability of retirement at a given age;d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered Payroll:	The payroll of the employees that are provided OPEB benefits
Discount Rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: <ul style="list-style-type: none">a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, andb. the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Entry Age Actuarial Cost Method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age
Healthcare Cost Trend Rates:	The rate of change in per capita health costs over time
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position
Plan Fiduciary Net Position:	Market Value of Assets
Real Rate of Return:	The rate of return on an investment after removing inflation
Service Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 75.
Valuation Date:	The date at which the actuarial valuation is performed

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