

SUPPLEMENTAL RETIREE
BENEFIT RESERVE
(SRBR) POLICY



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 2017

PURPOSE

The purpose of this policy is to set forth the Alameda County Employees Retirement Association (ACERA) Board of Retirement's (The BOARD) overall strategy regarding management of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a reserve established pursuant to Article 5.5 of the 1937 County Employees' Retirement Law (CERL). The CERL allows the sequential distributions of retirement earnings to employers, employees and retired members.

The BOARD has the sole and exclusive authority and discretion to distribute funds in the SRBR to provide benefits. The distribution of these funds shall be determined solely by The BOARD and shall be used only for the benefit of retired members and their beneficiaries.

All benefits funded by the SRBR are non-vested. They are individually reviewed annually for appropriateness, eligibility, and to ensure they can be adequately funded. Only the Retired Member Death Benefit is considered vested, per Government Code Section 31789.12, as long as there are funds available in the SRBR.

Through specific programs such as medical, dental and vision insurance, Medicare Part B reimbursement, supplemental cost-of-living adjustments and death benefits, The BOARD may provide benefits to eligible retired members and their beneficiaries.

In designing and administering these programs, The BOARD may provide adequate funding, maximize the tax-efficiency of benefits to recipients in accordance with 401(h) regulations, provide participants' access to medical care, and minimize the impact of inflation on retirement allowances over time.

PROGRAM OBJECTIVES

1. Through the achievement of long term investment goals, provide for the long-term consistent payment and adequate funding of all SRBR benefits.
2. Annually assess, review, analyze and determine the ability to provide each benefit, at the discretion of The BOARD. Generally, benefits are subject to modification or elimination by The BOARD at any time with adequate notice. Should Objective #1 not be met and the SRBR ever be depleted, benefits will cease.
3. Determine eligibility for benefits, and make benefits available to eligible retired members. This does not mean that benefits will be distributed on a "per capita" basis, but simply that access to SRBR benefits will not be denied on the basis of protected status (e.g., race, sex, etc.) or place of residence.
4. Determine and administer payments made on behalf of eligible retired members to ACERA medical insurance coverage programs on a basis that is proportional to service with ACERA. The maximum contribution will be paid to those retired members with 20 years or more of qualified ACERA service credit, and members awarded a service connected disability retirement.

5. Structure dental and vision programs to minimize adverse selection through the mandatory enrollment of all eligible retired members.
6. Structure supplemental cost-of-living programs so as to benefit those members who have suffered the greatest erosion of their purchasing power, in a manner that sustains the ability to do so projected into the future.
7. Administer the SRBR program in accordance with the provisions of the applicable laws. Net earnings, account crediting, benefit costing and funding adequacy are to be determined according to law and using the same assumptions utilized by The BOARD for account administration and actuarial purposes or assumptions consistent with those activities.

SUPPLEMENTAL COST-OF-LIVING

ACERA provides two different cost-of-living (COLA) allowances: 1) the Basic COLA, which is based on statute and is paid from the pension fund; and 2) the Supplemental COLA, which is paid for from the SRBR. Any changes made to the Basic COLA, which require no further approval, shall be effective April 1 and payable with the warrant issued at the end of April.

In addition to the statutory Basic COLA, ACERA may pay a Supplemental COLA, which provides a supplemental monthly payment designed to preserve 85% of the purchasing power of ACERA retired members and beneficiaries as calculated by the actuary pursuant to the methodology described in Government Code Section 31870.

The BOARD shall review the ACERA COLA program each year and shall normally make any adjustments or recommendations at its February meeting.

IMPLICIT SUBSIDY

The BOARD believes that the ability of retired members to continue to participate in County-sponsored medical benefit plans following retirement is a critical factor in maintaining a reasonable post-retirement quality of life.

The BOARD recognizes that continued retired member participation increases the cost to the plan sponsors and members. In times of fiscal difficulty, this additional cost may create pressures which may impact the participation of retired members in County-sponsored medical insurance plans.

The BOARD finds that the use of SRBR funds to support the ability of retired members to participate in the County-sponsored medical insurance plans is an appropriate use of the reserve benefiting retired members, dependents, and beneficiaries.

CURRENT BENEFIT GUIDELINES

In allocating the funds available through the SRBR, The BOARD will be guided by the following program guidelines:

1. **MEDICAL INSURANCE BENEFITS**
 - A. The BOARD shall review the ACERA retired member medical insurance program each year and shall, at the appropriate meeting, make any adjustments. Any change in medical insurance contribution amounts, out-of-area reimbursement amounts or Medicare Part B premium reimbursement amounts will be effective with the warrants issued at the end of the next January.
 - B. To the extent possible, all medical insurance benefits will be paid through a 401(h) account exchange with participating employers in order to minimize the tax consequences for ACERA members.
2. Any BOARD changes to the current ACERA SRBR benefit levels will take into consideration the advice of ACERA's actuary, tax counsel, active and retired employees and their representatives, employers and/or consultants as may be advisable.
3. The BOARD retains the authority to add or delete programs or modify this Policy or these guidelines at any time, following public notice.

LONG TERM GOAL FUNDING POLICY

It is the intent of The BOARD to closely monitor the expenditures and contributions to the SRBR.

The BOARD will monitor the long-term funding implications of all of the existing programs, which provide benefits outlined in this Policy and any others that may be appropriate.

In managing the relationship between assets and liabilities, The BOARD shall manage approved SRBR benefits with a goal towards meeting the projected liabilities of the fund over a 15-year period, as determined by the actuary. If it is reported that current SRBR programs, which provide benefits, will not sustain for 15 years, benefit adjustments may be made based on the amount of funds needed in order to attain a prolonged lifespan of the fund without causing undue harm to beneficiaries.

PRIORITY OF FUNDING

In the event The BOARD, in its opinion, determines that the assets available in the SRBR are, at any point, insufficient to fund the projected liabilities of all of the benefits approved by The BOARD, then available SRBR assets shall be used to fund benefits in accordance with the following priorities:

CATEGORY I

First priority for funding shall be given to the following Category I benefits:

- A. Retired Member Death Benefit
- B. ACERA Monthly Medical Allowance
- C. Supplemental Cost-of-Living Benefit
- D. Medicare Part B Premium Reimbursement
- E. Employer Reimbursement for Implicit Subsidy

If it becomes necessary to prioritize or allocate funds among Category I or Category II benefits, The BOARD shall make that determination when required.

CATEGORY II

Category II benefits shall be funded only when The BOARD, in its opinion, believes that adequate assets are available to fund the projected liabilities of all Category I benefits and additional assets remain to fund some or all of the following Category II benefits:

- A. Care Coverage Contribution
- B. Vision Care Coverage Contribution

POLICY REVIEW

The Retirees Committee shall review the SRBR Policy at least every two years to ensure it remains relevant, accurate and appropriate.

CURRENT SRBR BENEFITS

The following benefits have been approved by The BOARD provided that sufficient funds are available. This is a general description of the benefit elements including eligibility requirements for each benefit. If there is any conflict with the '37 Act or formal BOARD actions, the '37 Act or those actions prevail.

CATEGORY I

RETIRED MEMBER DEATH BENEFIT

- Eligibility:** Beneficiaries of ACERA retired members. There is no minimum ACERA service credit requirement for this benefit.
- Benefit Amount:** A one-time payment of \$1000 will be paid upon the death of an ACERA retired member, if that member retired from ACERA as their last employer. If a reciprocal agency was the last employer and that agency pays less than a \$1000 death benefit, ACERA will supplement that benefit at a level which ensures the reciprocal retired member will receive at least a \$1000 death benefit when considering the amount of death benefit paid by all reciprocal retirement systems combined.
- Effective Date:** January 1, 2013¹

ACERA MONTHLY MEDICAL ALLOWANCE

- Eligibility:** Retired members with 10 or more years of ACERA service credit or members retired based on service connected disability benefits. See chart on page 7 for years of service structure.
- Benefit Amount:** GROUP PLANS
- A Monthly Medical Allowance (MMA) is paid towards a retired member's medical plan premium when enrolled in an ACERA-sponsored group medical plan. The MMA is based on an amount determined by The BOARD. The maximum MMA amount is limited to the single-party premium or one hundred percent (100%) of the MMA amount, whichever is lower, for a retired member with 20 or more years of ACERA service credit or a retired member receiving service connected disability benefits. The amount is prorated for retired members with less than 20 years of ACERA service credit. Plan premium costs that exceed the contribution are deducted from the retired member's monthly retirement allowance. Premium costs for enrolled dependents are deducted from the retired member's monthly allowance.
- INDIVIDUAL PLANS FOR EARLY (NON-MEDICARE) RETIREES LIVING OUTSIDE THE HMO SERVICE AREA (Effective January 1, 2016).

¹ BOR adopted Government Code Section 31789.12 in 1992.

A Monthly Medical Allowance (MMA) is provided to eligible retired members as reimbursement for medical plan costs when they are enrolled in an Individual Plan through the Health Exchange. The reimbursement is paid to the eligible retired member by the Exchange through a Health Reimbursement Account (HRA). The MMA is set as a monthly amount based on years of ACERA service credit. Reimbursements may be made for premiums, co-pays and deductibles.

In order to be eligible to receive this category of MMA, the retiree must live outside the ACERA-sponsored medical plan HMO service areas.

Retired members enrolled in the Health Exchange, who return to work for a participating employer, lose eligibility for reimbursements during the period of employment based on Federal regulations.

INDIVIDUAL PLANS FOR MEDICARE ELIGIBLE RETIREES

A Monthly Medical Allowance (MMA) is provided to eligible retired members as reimbursement for medical plan costs when they are enrolled in an Individual Plan through the Medicare Exchange. The reimbursement is paid to the eligible retired member by the Exchange through a Health Reimbursement Account (HRA). The MMA is set as a monthly amount based on years of ACERA service credit. Reimbursements may be made for premiums, co-pays and deductibles.

Retired members enrolled in the Medicare Exchange, who return to work for a participating employer, lose eligibility for reimbursements during the period of employment based on Federal regulations.

YEARS OF ACERA SERVICE CREDIT STRUCTURE FOR MMA

The chart below demonstrates the percentage of MMA provided to eligible retired members in group plans and individual plans. Service connected disability recipients are eligible for the 20+ years of ACERA service credit contribution level.

YEARS OF ACERA SERVICE CREDIT	CONTRIBUTION PERCENTAGE UP TO
20+	100%
15 through 19	75%
10 through 14	50%
Under 10	0%

SUPPLEMENTAL COST-OF-LIVING BENEFIT

Eligibility: Retired members of ACERA or their surviving beneficiaries who are receiving an ACERA allowance, and whose purchasing power, as measured by the Consumer Price Index (CPI), has eroded by 15% or more as defined by the '37 Act. There is no minimum ACERA service credit requirement for this benefit.

Benefit amount: As determined by the above formula.

Effective Date: April 1, 1999, for 1999 COLA Year
(To be paid with the warrant issued at the end of April)

MEDICARE PART B PREMIUM REIMBURSEMENT

Eligibility: Retired members with 10 years or more of ACERA service credit or members retired based on service connected disability who are enrolled in Medicare Part B.

Benefit Amount: Lowest Standard Medicare Part B premium amount

Effective Date: January 1, 1999
(Requires proof of Medicare Part B enrollment to be provided to ACERA)

EMPLOYER REIMBURSEMENT FOR IMPLICIT SUBSIDY

Eligibility: Any ACERA employer providing medical benefits coverage to ACERA retired members or beneficiaries through County-sponsored active employee medical benefit plans.

Benefit Amount: To be determined each year by The BOARD based on the cost of retired member participation and the availability of funding.

Effective Date: April 21, 2005

Funding Policy: In March of each year, ACERA staff shall independently verify the cost associated with retired member participation. The BOARD shall review the program in May and determine the amount, if any, of employer reimbursement based on the funding available and the overall SRBR program goals. Any reimbursement established by The BOARD shall be implemented as a credit against employer retirement contributions due ACERA.

CATEGORY II

DENTAL CARE COVERAGE CONTRIBUTION

- Eligibility:** Retired members of ACERA who are receiving ACERA allowances with ten or more years of ACERA service credit, members retired based on service connected disability, or members retired based on non-service connected disability with effective retirement dates on or before January 31, 2014.
- Benefit Amount:** Retired member-only Dental plan premium in accordance with the established 401(h) account mechanism.
- Effective Date:** February 1, 2014

VISION CARE COVERAGE CONTRIBUTION

- Eligibility:** Retired members of ACERA who are receiving ACERA allowances with ten or more years of ACERA service credit, members retired based on service connected disability, or members retired based on non-service connected disability with effective retirement dates on or before January 31, 2014.
- Benefit Amount:** Retired member-only Vision plan premium in accordance with the established 401(h) account mechanism.
- Effective Date:** February 1, 2014

CLOSED BENEFIT PLANS

The following benefit plans are closed to new recipients.

- Emergency Subsidy – July 1, 1997, to March 1, 2001
- Health Equity Location Plan (HELP) – July 1, 1997, to March 1, 2001
- Retired Member Death Benefit – August 20, 1998, to December 31, 2012; benefit amount of \$5,000.
- Active Death Equity Benefit (ADEB) – July 1, 1999, to December 31, 2012
- Dental Care Coverage Contribution – February 1, 1999, to January 31, 2013, for retired members with less than ten years of ACERA service credit, unless a member retired based on service connected disability, or a member retired based on non-service connected disability with an effective retirement date on or before January 31, 2014.

- Vision Care Coverage Contribution – February 1, 1999, to January 31, 2013, for retired members with less than ten years of ACERA service credit, unless a member retired based on service connected disability, or a member retired based on non-service connected disability with an effective retirement date on or before January 31, 2014.

POLICY HISTORY

- A. The BOARD modified this policy on September 16, 2010.
- B. The BOARD modified this policy on May 19, 2011.
- C. The BOARD modified this policy on September 20, 2012.
- D. The BOARD modified this policy on February 21, 2013.
- E. The BOARD modified this policy on September 19, 2013.
- F. The BOARD modified this policy on April 17, 2014.
- G. The BOARD modified this policy on September 17, 2015.
- H. The BOARD modified this policy on May 25, 2017.

**TOTAL EARNINGS
(Net of Investment Expenses)**



**LESS
ADMINISTRATIVE EXPENSES**



NET EARNINGS



**CONTINGENCY
RESERVE ACCOUNTS 1%-3%**



**ALL RESERVES EXCEPT
CONTINGENCY
ASSUMED RATE EARNINGS**

IF NO ADDITIONAL EARNINGS STOP HERE



ADDITIONAL (EXCESS) EARNINGS



**ALL MEMBER AND EMPLOYER
RESERVES EXCEPT CONTINGENCY
AND SRBR**

50%



**SUPPLEMENTAL RETIREE
BENEFIT RESERVE (SRBR)**

50%