

**Minutes of the Meeting of the Board of Directors
Retired Employees of Alameda County
Monday June 12, 2023, 9:30 A.M.**

Zoom Video Conferencing Board Meeting

Alicia Baptista, President of the Board, called the meeting to order at 9:30 AM

Roll Call: Alicia Baptista, Paul Reeves, Connie Land, Dawn Stevenson, Linda Slater, Suman Sharma, and Liz Koppenhaver were present. Michael Fara, ACERA Communications Manager, Charo Panesi-Guerra, REAC Member and Administrative Assistant, Cynthia Baron, Retirement Board Trustee, Alternate Seat 8, and REAC Member, Kathy Foster, REAC Member, Marsha Rice, REAC Member, Barbara Becker, REAC Member, and Darryl Walker, REAC Member were also present.

Minutes: Minutes of the May 8, 2023 REAC Board meeting were reviewed. Connie moved that the May 8, 2023 REAC Board Minutes be approved as submitted. Liz seconded the motion and the motion was approved with one abstention.

Announcements & Communications: The Board has had several questions regarding the nomination and appointment procedures for filling Board vacancies. Now that those questions have been clarified, the Board will be moving forward with the appointment process.

ACERA: Michael Fara, ACERA Communications Manager, and Kathy Foster, member, provided their report on the June 7, 2023 Retirees Committee meeting. There were two Action Items and eight Information Items.

The first Action Item was a discussion and possible motion to recommend that the Board of Retirement approve authorization for Staff to transfer funds in an amount equal to the Implicit Subsidy from the ACERA Supplemental Retiree Benefit Reserve (SRBR) account to the Alameda County Advance Reserve as the Implicit Subsidy reimbursement for Plan Year 2022.

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”.

The Implicit Subsidy for 2022 is \$7,842,215. Last year, the County determined that the final Implicit Subsidy amount for Plan Year 2021 was \$5,593,922 and they estimated the 2022 Implicit Subsidy amount to be \$7,981,476 (42.7% higher than the 2021 actual amount).

The Retirees Committee voted to recommend to the Board of Retirement an authorization to transfer \$7,842,215 from the Supplemental Retiree Benefit Reserve (SRBR) account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for Plan Year 2022.

The second Action Item was a discussion and possible motion to recommend that the Board of Retirement adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2024. 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 2023 is estimated by the County to be \$4,116,000.

The Retirees Committee voted to recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy Program for health Plan Year 2024, following a determination by ACERA at the end of Plan Year 2024 that the amount is not greater than the actual retiree Implicit Subsidy.

The first Information Item was a presentation and report on Health Care Inflation/Trends. Segal provided ACERA with recommended assumptions to be used for the December 31, 2022 Supplemental Retiree Benefit Reserve (SRBR) Valuation for projecting benefits based on ACERA's substantive plan pursuant to GASB 43. ACERA's substantive plan design incorporated an increase for the Monthly Medical Allowance (MMA) of one-half of anticipated health care inflation assumptions. The Medicare Part B, vision and dental projections are based on the full inflation assumptions for those plans.

The near-term trend assumptions will increase to 7.50% for non-Medicare plans and 6.25% for Medicare Advantage plans. The annual trend assumptions for dental and vision remain at 4.00%. However, due to the five-year 2021 rate guarantee for vision, the first two years of trend will be 0.00%. The trend used for Medicare Part B will remain at 4.50%.

Segal is using the lowest trend of 6.25% for medical inflation as the most conservative approach. Therefore, based on the substantive plan design, a 3.125% increase would be applied to the projections for the MMA for the December 31, 2022 SRBR Valuation.

The Segal report breaks down the out-of-pocket expenses for each of the 4 plans. (Kaiser Permanente HMO – Early Retirees, UnitedHealthcare SignatureValue HMO – Early Retirees, United Healthcare SignatureValue Advantage HMO – Early Retirees, and Kaiser Senior Advantage. The vast majority of our retirees (3,187) are Medicare eligible and have 20+ years of service. They receive the 20 year MMA which is \$316.81. Those individuals have no out-of-pocket expenses. In addition, the Kaiser Senior Advantage members with 15-19 years of service, also have no out-of-pocket expenses. The Kaiser Senior Advantage members with 10-14 years of service, have a small out-of-pocket expense of \$8.75, and the Kaiser Senior Advantage members with fewer than 10 years of service pay the full \$316.81 premium. In total, 4,259 members are in Kaiser Senior Advantage.

There are 742 members in the Kaiser Permanente HMO – Early Retirees, who have 20+ years of service and their out-of-pocket expenses are \$293.62. There are 61 members in the Kaiser Permanente HMO- Early Retirees, who have 15-19 years of service, and their out-of-pocket expenses are \$447.65, and there are 49 members who have 10-14 years of service, and their out-of-pocket expenses are \$601.68.

For Plan Year 2023, the current Group Plan costs for a member with 20+ years of service, is \$616.12. The total annual cost with the current MMA and the current premium is \$23,112,048. For Plan Year 2024, if there is a premium increase but no MMA increase, the total cost will be \$24,003,285, which is an increase of \$891,237. If there is a 3.125% increase added to the MMA, as well as a premium increase, the total cost will be \$24,279,884, which is an increase of \$1,167,836. (The additional cost of a premium increase would be \$891,237, and the additional cost of a 3.125% MMA increase would be \$276,599.) The new MMA in that scenario would be \$635.37

If the Retirement Board decides to increase the MMA, the additional cost for the Early Retiree Individual Plans would be \$87,842. For the Individual Plans – Medicare Eligible retirees, the additional cost would be \$213,557.

The second Information Item was a preliminary report on projected benefit costs funded through the Supplemental Retiree Benefit Reserve. In the December 31, 2021 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2046 with full benefits paid through 2045. The results of the December 31, 2022 valuation indicate that the terminal year of OPEB benefits is projected to be 2050, with full benefits paid through 2049 for a total of 27 full years and one partial year.

The terminal year for non-OPEB benefits is projected to be 2038, with full benefits paid through 2037, for a total of 15 full years and one partial year. The main reason the terminal year for the non-OPEB benefits is projected to be five years earlier than last year is due to the high actual inflation of 4.88% in the Bay Area for 2022 (as opposed to the inflation assumption of 2.75%) which increased the supplemental COLA costs.

Linda asked if there was an end date to the benefits earned by those retirees who retired with 20+ years of service. Kathy explained that the benefits paid for out of the SRBR were not vested benefits, and as such, if the SRBR became insolvent, those benefits would not be provided. You would still receive your pension benefits because those benefits are not paid for out of the SRBR. The SRBR currently pays for the cost of the retiree non-vested benefits. It includes the Monthly Medical Allowance (MMA), the Medicare Part B Reimbursement Plan, the Dental Plan Subsidy, the Vision Plan Subsidy, the Supplemental COLA, the \$1,000 Lump Sum Death Benefit, and the payment of the Implicit Subsidy.

The Board of Retirement will consider all the variables presented, and then decide, probably next month, whether or not to increase the MMA for Plan Year 2024. If they decide not to increase the MMA, the current annual cost plus the potential premium increase would be \$33,648,117. If they decide to increase the MMA by 50% of the health care trend, which would be 3.125%, the increase would be \$34,226,115. That represents an annual cost difference of \$577,998.

The Board is considering increasing the MMA by 3.125%, yet Segal is projecting inflation to be 6%. The 3.125% would certainly help, but if inflation is actually 6%, retirees fall further behind.

The fourth Information Item was a request from ACERA to Kaiser and UnitedHealthcare asking for information which would impact the renewal of the health plans. They are asking for information related to Disease Management and Wellness, any Mandatory Benefit Changes for 2024, Impact

Information related to COVID-19, Performance Guarantees, and Prescription Drug changes, Pricing, Providers/Medical Groups/Hospitals and Delta Dental.

Liz asked if a discussion took place regarding a hybrid type election process for the Retirement Board Trustee positions. Mike said it is being discussed.

Liz asked if the Board wanted to take a position regarding increasing the MMA. Alicia called for a vote. The REAC Board voted unanimously to recommend that the Board of Retirement increase the MMA.

Treasurer's Report: Liz presented the May 2023 Treasurer's Report.

The check book beginning balance was \$102,800.18. Total receipts were \$8,150.53 and total disbursements were \$6,637.75. The receipt item labeled "Spring Luncheon" was a member late payment of \$10.00 towards our March 2023 Spring Luncheon. We also received membership dues totaling \$7,638.00. Disbursements included officer stipends, and Red Arrow printing for the REAC Newsletter. There were no unusual disbursements. Liz mentioned that she received an invoice from 1AND1.com, which is the company who does our web hosting. It was not included in the invoice for payment in the April 2023 Treasurer's report, so it was a surprise to her. The check book ending balance was \$104,312.96. We still have three 36 Month Certificates of Deposits. When added to our check book balance, our total assets are \$235,466.09. Paul asked if Red Arrow is now current with their billing. Liz reported that Red Arrow is not up to date with their billing.

Connie moved that the May 2023 Treasurer's Report be approved as submitted. Suman seconded the motion and the motion was approved.

CRCEA (California Retired County Employees Association): Connie provided her CRCEA report.

At the May 17, 2023 Executive Committee Meeting, the Executive Committee reported that they had met and formed a conference brainstorming subcommittee. This was in response to discussion and action at the Business Session at the CRCEA 2023 Spring Conference. The subcommittee comprises a cross section of people and consists of 7 people from various counties. The CRCEA Vice President is the Chair of the subcommittee. Connie was asked to be on the subcommittee and she agreed. Items to be addressed by the subcommittee include, but are not limited to, funding, locations, timing, etc. It is anticipated this subcommittee will come up with recommendations, which will then be presented at the conference in Stockton in October 2023. At this time, no meeting has been scheduled. The June Executive Committee meeting is June 21, 2023.

There are two reminders:

1. The CRCEA 2023 Fall Conference will be held October 1, 2023 thru October 4, 2023 at the Hilton Hotel in Stockton. The host county is Retired Public Employees of San Joaquin County (RPESJC). Hotel room rates are \$159 per night plus taxes. The agenda and registration info are not yet available.
2. It's REAC's turn to host a CRCEA Conference in the Fall of 2025. It's not too early to start planning. A lot of ideas were picked up at the Spring Conference.

CalPERS Lawsuit Update: The deadline to file a Claim Form passed on June 06, 2023. The Court will hold a "Final Fairness Hearing" on July 26, 2023 to consider whether the New Settlement is fair,

reasonable, and adequate. If the Settlement is approved by the Court and no appeal is filed, it is expected that the Settlement will become final in late September 2023 and that payment will be issued in January 2024.

Once the settlement becomes Final, policyholders will receive a notice advising that they can discontinue premium payments. Updates will be posted to the website.

Policyholders are encouraged to check the website frequently to stay updated or they can contact the Settlement Administration at: 1-(866)-217-8056 <https://CalPERSLTCCClassAction.com>.

SACRS (State Association of County Retirement Systems): Paul reported that the new SACRS Magazine for Spring 2023, is now available online. He also reported that SACRS is asking for educational articles or advertisements in the Summer magazine for this year. If any association is interested, you can submit an article no longer than 2500 words.

SACRS has announced their Fall Conference. It will be held November 7-10, 2023 at the Omni Rancho Las Palmas Resort & Spa in Rancho Mirage, California. They plan on sending out an agenda, hotel costs, etc., sometime next month.

New Business:

Retirement Board: There was no additional information to report.

Investment Committee: There was no new information to report.

Health Care (Centers for Disease Control and Prevention): There was no new information to report.

Activities: There was no new information to report.

Membership and Recruitment: Charo reported that as of May 31, 2023, membership stood at 3,817 members. She also reported that we received 22 new members this month.

REAC Website: Alicia suggested that we name a point person to handle issues related to the REAC Website. She also wanted to change the Agenda item label from REAC Website Redesign to REAC Website. For the time being, Paul will continue to be the point person and he will discuss changes, etc. directly with Lori. There will be additional discussion once the Board is fully staffed.

REAC News: The REAC Newsletter will include information on the MMA, information about Connie on the CRCEA subcommittee, and information regarding new REAC Board members, if the appointments are done in time.

Other Reports: No information to report.

Old Business: No information to report.

For the Good of the Order: Linda volunteered to write a short article for the Newsletter, about the Kaiser Silver&Fit Program that will include options available, zoom events, and other things routinely offered to members.

Meeting adjourned at 11:00 AM

Respectfully submitted by Paul Reeves, Board Secretary

Next Board Meeting: Monday, July 10, 2023, 9:30 am
Zoom Video Conferencing Board Meeting