

**Via Email**

May 24, 2023

Ms. Cheryl Thibault  
Benefits Manager  
County of Sonoma, Human Resources – Risk Management / Benefits Unit  
575 Administration Drive, Suite 116 B  
Santa Rosa, CA 95403

**Re: Flat \$500 per month contribution to Health Reimbursement Accounts (HRA) for future retirees moving out of HMO Service Areas – Salary Resolution (SAL RES) Hired Before 2009**

Dear Cheryl:

As requested by the County of Sonoma, Segal has prepared an actuarial analysis reflecting the Total OPEB Liability impact of a proposed flat \$500 per month HRA benefit to future SAL RES retirees and their surviving spouses that move out of HMO service areas. Active employees will be eligible to opt for this proposed HRA benefit at retirement, as an alternative to coverage through County-sponsored retiree medical plans if they move out of HMO service areas. Once opted, retirees will not be allowed to enroll into a County-sponsored retiree medical plan at a later date and they will forfeit their Medicare Part B reimbursement benefit.

SAL RES active employees hired before 2009 are eligible to receive County contributions of up to \$500 per month and a Medicare Part B subsidy of \$96.40 per month with enrollment in a County-sponsored medical plan. Our valuation assumes that 80% of active employees will continue medical coverage at retirement. Of the 20% of active employees that waive medical coverage at retirement, 15% re-enroll in medical coverage upon reaching Medicare eligibility.

For this analysis and with County's approval, we have assumed that 3% of SAL RES active employees hired before 2009 will elect the proposed flat \$500 per month post-retirement HRA benefit in-lieu of County-sponsored retiree medical plan coverage because they have moved out of the HMO service area. Therefore, 77% of active employees will continue medical coverage by opting into a County-sponsored medical plan at retirement. All other assumptions and the membership information are ones used to develop results for the June 30, 2022, GASB 74 actuarial valuation.

As indicated below, the proposed benefit will have a negligible impact on SAL RES's Total OPEB liability. The increase in the Cash Subsidy liability is offset by decreases in the Implicit and Medicare Part B Subsidy liabilities.

<b>OPEB Liabilities as of June 30, 2022</b>	<b>Pre-2009 SAL RES Current Benefit</b>	<b>Pre-2009 SAL RES Proposed Flat \$500/month HRA</b>	<b>\$ Impact</b>	<b>% Impact</b>
Implicit Subsidy Liability	\$5,753,003	\$5,537,265	(\$215,738)	(3.75%)
Medicare Part B Liability	1,333,021	1,284,839	(48,182)	(3.61%)
Cash Subsidy Liability	9,902,944	10,156,786	253,842	2.56%
<b>Total OPEB Liability</b>	<b>\$16,988,968</b>	<b>\$16,978,890</b>	<b>(\$10,078)</b>	<b>(0.06%)</b>

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The actuarial calculations were completed under the supervision of Mary Kirby, FSA, MAAA, FCA. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

If you have any questions about this analysis, please let us know.

Sincerely,

A handwritten signature in black ink that reads "Mary Kirby". The signature is written in a cursive, flowing style.

Mary Kirby, FSA, MAAA, FCA  
Senior Vice President and Consulting Actuary