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**ACTUARIAL REVIEW REPORT FOR THE
LOS ANGELES COUNTY
OTHER POSTEMPLOYMENT BENEFITS PROGRAM
2020 INVESTIGATION OF EXPERIENCE FOR OTHER
POST EMPLOYMENT BENEFITS ASSUMPTIONS**

Prepared: February 18, 2021





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

February 18, 2021

Mr. Richard Bendall
Chief, Internal Audit
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101

Re: Actuarial Review of the 2020 Investigation of OPEB Program Experience for the Los Angeles County Other Postemployment Benefits Program

Dear Mr. Bendall:

Cavanaugh Macdonald Consulting, LLC (CMC) has performed an independent review of the 2020 Investigation of Experience for Other Postemployment Benefits (OPEB) Assumptions prepared by Milliman, Inc. for LACERA. As an independent reviewing, or auditing, actuary, we have been asked to express an opinion regarding the reasonableness and accuracy of this work product.

LACERA conducts experience studies every three years to study the relevant economic and demographic assumptions that will be used to determine employer and member contribution rates for LACERA's Retirement Plan. In accordance with LACERA's OPEB Program Policy, an Experience Study for the OPEB Program immediately follows each Retirement Plan Experience Study. These Experience Studies may be reviewed by an independent actuarial services firm on a schedule determined by the Board. As requested, this report presents the results of the Actuarial Review of the 2020 Investigation of OPEB Program Experience Report. Our findings are outlined in the Board Summary, and various observations are included throughout in the sections applicable to each review task. Detailed findings and conclusions from the Actuarial Review are provided in Section 6 of the report.

We would like to thank LACERA's staff for their responsiveness in providing the items and information that we requested during the course of our review. Additionally, we would also like to thank Milliman for their cooperation and assistance in providing the requested information and answering our questions along the way. **We generally find the Investigation of Experience results to be reasonable and accurate. The study was performed by qualified actuaries and conducted in accordance with the principles and practices prescribed by the Actuarial Standards Board.** This report documents the detailed results of our review.



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Additional Information and Disclosures

This report has been prepared for LACERA and its stakeholders by CMC and is intended to assist LACERA as it validates the reasonability of the liabilities, costs, and other calculations for the OPEB Program as of June 30, 2020 and following years. Additionally, the findings, conclusions, and recommendations presented in this report are specific to LACERA, LACERA's OPEB Program, and the work produced by Milliman. CMC may produce different findings or arrive at different conclusions in other situations or even in cases involving similar other postemployment benefit plans. As such, it is important to keep in mind that the use of this information for purposes other than those expressed here may not be appropriate.

In preparing this review, we have relied on the following information provided by LACERA and/or Milliman:

- A report produced by Milliman on June 25, 2019 titled, "Los Angeles County Other Postemployment Benefits Program 2018 Investigation of Experience for Other Postemployment Benefits Assumptions" (2018 Investigation of OPEB Program Experience Report);
- A draft report dated February 10, 2021 prepared by Milliman titled, "Los Angeles County Other Postemployment Benefits Program 2020 Investigation of Experience for Other Postemployment Benefits Assumptions" (2020 Investigation of OPEB Program Experience Report);
- Retirement Plan actuarial valuation census data and OPEB Program Experience Study data as of June 30, 2018, June 30, 2019, and June 30, 2020; and,
- OPEB Program actuarial valuation census data as of June 30, 2017, June 30, 2018 and June 30, 2019, and preliminary actuarial valuation census data as of June 30, 2020.

While we cannot verify the accuracy of all this information, the supplied information was reviewed for reasonableness and consistency. We have no reason to doubt the substantial accuracy or completeness of the information and believe that it is reliable for the purpose of conducting this review. The results and conclusions contained in this report depend on the integrity of this information, and if any of the supplied information or analyses change, our results and conclusions may be different, and this report may need to be revised.

The undersigned are familiar with the near-term and/or long-term aspects of other postemployment benefit plan valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained in this report. All sections of this report, including any appendices and attachments, are considered an integral part of the actuarial opinions.



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CMC does not provide legal, investment, or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice and interpretations of LACERA or its external consultants.

Please let us know if you have any questions or need any additional information.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Brent A. Banister'.

Brent A. Banister, Ph.D., FSA, EA, MAAA, FCA
Chief Actuary

A handwritten signature in blue ink that reads 'Alisa Bennet'.

Alisa Bennet, FSA, MAAA, FCA, EA
President



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1. EXECUTIVE SUMMARY

LACERA engaged Cavanaugh Macdonald Consulting, LLC (CMC) to prepare an independent review of the OPEB Experience Study for Los Angeles County’s OPEB Program prepared by Milliman for the period ending on June 30, 2020. While the prior study was performed two years ago, this study used three years of data, including the 2017-18 experience that was also used in the prior study. The scope of the actuarial review requested by LACERA includes an independent verification of the results and evaluation of any recommendations in the 2020 Investigation of OPEB Program Experience Report, the preparation of a report containing CMC’s findings and conclusions from the actuarial review, and a presentation of any findings to the Board of Retirement.

The process of setting actuarial assumptions brings together a blend of both numerical analysis and professional judgment. An experience study is not simply a mathematical exercise, but also draws on the experience and insight of the professionals conducting the study. While our review included confirming certain data tabulations supporting the results in Milliman’s report, we wish to stress that we have also examined the bigger picture to determine if an assumption, or recommended change, is appropriate. We consider whether there are other ways to form an assumption, whether an assumption may be simplified, and whether or not the assumption reflects trends that we have observed in other plans. The fact that we might prefer an alternate approach does not automatically mean that Milliman’s approach is not reasonable. Rather, we offer some of these thoughts as a consideration for future studies, fully aware that there are multiple ways in which to appropriately model a dynamic post-retirement benefit program like Los Angeles County’s OPEB Program.

In general, we find Milliman’s work to be accurate and complete, and we have not identified any material findings.

We summarize our findings for each major review task as follows:

1. Review of Data Used in the 2020 OPEB Investigation of Experience

The actuarial review of the 2020 Investigation of Experience for OPEB Assumptions Report is based on the experience study data that Milliman provided. We requested and received from Milliman the full valuation data files for the 2018, 2019, and 2020 OPEB and pension valuations. These files allowed us to replicate certain portions of Milliman’s work with regards to the analysis of demographic assumptions. In our opinion, the data used is sufficient for the purposes of the experience study, appears consistent with previous experience investigations and, therefore, appropriately reflects the active and inactive membership of LACERA during the two-year period ending on June 30, 2020.

2. Review the Proposed Economic and Demographic Assumptions Contained in the 2020 OPEB Investigation of Experience Report

We find the work prepared by Milliman—reviewed within the scope of this assignment—to be based on reasonable processes, to be technically sound, and to be fairly presented. Milliman’s work related to LACERA’s experience, selecting assumptions, and presenting the



1. EXECUTIVE SUMMARY

associated results is based on generally accepted actuarial practices and principles. Relevant details for each assumption reviewed are provided in Section 2 through 5.

3. Present Any Recommendations to the Board of Retirement Regarding the Work Completed by Milliman

We believe that the actuarial assumptions recommended by Milliman are reasonable and appropriate for use in the upcoming OPEB actuarial valuation for LACERA. We have no findings of material discrepancies with generally accepted actuarial principles or professional standards. In Section 6, we provide some minor considerations and recommendations for future studies.

Milliman proposes several changes in assumptions in its experience study. Generally, these are fine-tuning of the current assumptions to better reflect recent behavior of the plan members. These changes involve initial election rates, plan election rates, retirement rates for deferred vested members, and some other minor items such as spouse age difference. We find these assumptions to be reasonable. We also find the economic assumptions, including the health cost trend rates proposed by Milliman to be appropriate.

Conclusions

Because of the complexity of actuarial work, we would not expect our opinions regarding the selection of assumptions and methods to be the same as the opinions of Milliman. We do expect, however, that there would be sufficient explanation of their choices that we can acknowledge that they are reasonable based upon the relevant factors. In our opinion, the assumptions and methods proposed by Milliman are reflective of sound professional judgement and are appropriate for the systematic funding of the OPEB obligations of LACERA.

We have determined that the actuarial methods, assumptions, processes, and the report are consistent with the applicable Actuarial Standards of Practice. Throughout this report, we have noted a few minor items for consideration that we believe may present opportunities for improvement, but none that we believe would have a material impact on the proposed assumptions and the resulting OPEB liabilities.

The remainder of this report provides the basis for our findings and recommendations for each assumption that appears in the 2020 Investigation of Experience for Other Post-Employment Benefits Assumptions Report and our conclusions.

We would like to thank LACERA's staff for their responsiveness in providing the items and information that we requested during our review. Additionally, we would also like to thank Milliman for their cooperation and assistance in providing the requested information and answering our questions.



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

The provisions and plan design of the OPEB Program determine how plan costs are shared with members, and because cost sharing varies based on service credit at retirement, we would expect initial medical election percentages to vary with service at retirement as well. Milliman has used a service-based assumption for both medical and dental/vision initial election and is proposing some minor refinements. For members who retire on account of disability, by contrast, the assumption is uniform regardless of service. While we believe there may be a slight service-related correlation, the comparatively limited amount of data or anticipated liability does not suggest any need for such a refinement. Milliman recommends the same rates for both males and females but does conduct the analysis separately as well as in total to test their assertion.

CMC independently developed exposures and initial medical election experience for members during the three-year period from July 1, 2017 to June 30, 2020. We note that our independent development is truly independent in that we did not follow the same methodology as was used by Milliman. As the retained actuary, Milliman has built the historical data they need for valuations that allows them to be slightly more refined than we can be in analyzing the experience results. By analyzing in a slightly different manner, we do not expect to match their results exactly. However, to the extent our independent approach provides similar results, there is actually a higher degree of confidence in the reasonableness of their conclusions than if we were simply replicating their methodology. We believe that we match to a sufficient level to be confident that Milliman is using an appropriate approach.

It should be noted that we have also confirmed the reasonableness of the experience of disabled members, even though these results are not shown in the following tables. Because disability experience often unfolds across more than one fiscal year, there is a challenge in assigning disabilities to a specific year. By taking a deeper look across multiple years and discussing the issue with Milliman, we are very comfortable in concluding that a very high portion of disabled members do elect coverage, as assumed.

We find the proposed election rates to be reasonable. We note that with the very high election rates observed among those members who retire with more than 25 years of service, it would also be appropriate to simplify the assumption and assume 100% elect coverage. However, there are indeed some members who do not elect coverage, and the proposed assumptions reasonably reflect that reality.



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

ANALYSIS OF MALE MEMBER INITIAL MEDICAL ELECTION PERCENTAGES

The following tables compare the results of our analyses with those proposed in Exhibit 3–1 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	172	362	346	353	2,417	3,650
Milliman	162	353	333	369	2,434	3,651
<i>Pct. Difference</i>	6.17%	2.55%	3.90%	-4.34%	-0.70%	-0.03%

Total Number of Member Initial Medical Elections—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	15	139	204	245	2,309	2,912
Milliman	14	140	206	247	2,312	2,919
<i>Pct. Difference</i>	7.14%	-0.71%	-0.97%	-0.81%	-0.13%	-0.24%

Member Initial Medical Election Percentages—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	8.72%	38.40%	58.96%	69.41%	95.53%	79.78%
Milliman	8.64%	39.66%	61.86%	66.94%	94.99%	79.95%
<i>Difference</i>	0.93%	-3.18%	-4.69%	3.69%	0.57%	-0.21%



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

ANALYSIS OF FEMALE MEMBER INITIAL MEDICAL ELECTION PERCENTAGES

The following tables compare the results of our analyses with those proposed in Exhibit 3–2 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	209	586	548	542	3,283	5,168
Milliman	183	556	522	562	3,302	5,125
<i>Pct. Difference</i>	14.21%	5.40%	4.98%	-3.56%	-0.58%	0.84%

Total Number of Member Initial Medical Elections—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	16	265	372	421	3,089	4,163
Milliman	15	265	375	423	3,092	4,170
<i>Pct. Difference</i>	6.67%	0.00%	-0.80%	-0.47%	-0.10%	-0.17%

Member Initial Medical Election Percentages—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	7.66%	45.22%	67.88%	77.68%	94.09%	80.55%
Milliman	8.20%	47.66%	71.84%	75.27%	93.64%	81.37%
<i>Difference</i>	-6.59%	-5.12%	-5.51%	3.20%	0.48%	-1.01%



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

ANALYSIS OF MALE AND FEMALE MEMBER INITIAL MEDICAL ELECTION PERCENTAGES

Because the initial medical election percentages are not significantly different for males and females, the assumption used for valuation purposes is based on combined male and female experience. The following tables compare the results of our analyses with those proposed in Exhibit 3–3 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	381	948	894	895	5,700	8,818
Milliman	345	909	855	931	5,736	8,776
<i>Pct. Difference</i>	<i>10.43%</i>	<i>4.29%</i>	<i>4.56%</i>	<i>-3.87%</i>	<i>-0.63%</i>	<i>0.48%</i>

Total Number of Member Initial Medical Elections—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	31	404	576	666	5,398	7,075
Milliman	29	405	581	670	5,404	7,089
<i>Pct. Difference</i>	<i>6.90%</i>	<i>-0.25%</i>	<i>-0.86%</i>	<i>-0.60%</i>	<i>-0.11%</i>	<i>-0.20%</i>

Member Initial Medical Election Percentages—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	8.14%	42.62%	64.43%	74.41%	94.70%	80.23%
Milliman	8.41%	44.55%	67.95%	71.97%	94.21%	80.78%
<i>Difference</i>	<i>-3.21%</i>	<i>-4.33%</i>	<i>-5.18%</i>	<i>3.39%</i>	<i>0.52%</i>	<i>-0.68%</i>



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

Like the medical election rates, dental election rates are also significantly affected by the amount of service a member has at retirement. The same comments on methodology and the issues surrounding disability retirement that were applicable to the initial medical election assumption are also applicable to the dental and vision election assumption. We find Milliman's proposed assumptions to be reasonable.

ANALYSIS OF MALE MEMBER INITIAL DENTAL / VISION ELECTION PERCENTAGES

The following tables compare the results of our analyses with those proposed in Exhibit 3–4 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	172	362	346	353	2,417	3,650
Milliman	162	353	333	369	2,434	3,651
<i>Pct. Difference</i>	6.17%	2.55%	3.90%	-4.34%	-0.70%	-0.03%

Total Number of Member Initial Dental / Vision Elections—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	17	162	229	256	2,319	2,983
Milliman	16	164	231	258	2,321	2,990
<i>Pct. Difference</i>	6.25%	-1.22%	-0.87%	-0.78%	-0.09%	-0.23%

Member Initial Dental / Vision Election Percentages—Males						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	9.88%	44.75%	66.18%	72.52%	95.95%	81.73%
Milliman	9.88%	46.46%	69.37%	69.92%	95.36%	81.90%
<i>Difference</i>	0.00%	-1.71%	-3.19%	2.60%	0.59%	-0.21%



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

ANALYSIS OF FEMALE MEMBER INITIAL DENTAL / VISION ELECTION PERCENTAGES

The following tables compare the results of our analyses with those proposed in Exhibit 3–5 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	209	586	548	542	3,283	5,168
Milliman	183	556	522	562	3,302	5,125
<i>Pct. Difference</i>	14.21%	5.40%	4.98%	-3.56%	-0.58%	0.84%

Total Number of Member Initial Dental / Vision Elections—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	22	281	409	434	3,111	4,257
Milliman	18	283	412	436	3,113	4,262
<i>Pct. Difference</i>	22.22%	-0.71%	-0.73%	-0.46%	-0.06%	-0.12%

Member Initial Dental / Vision Election Percentages—Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	10.53%	47.95%	74.64%	80.07%	94.76%	82.37%
Milliman	9.84%	50.90%	78.93%	77.58%	94.28%	83.16%
<i>Difference</i>	0.69%	-2.95%	-4.29%	2.49%	0.48%	-0.95%



2. REVIEW OF INITIAL ELECTION ASSUMPTIONS

ANALYSIS OF MALE AND FEMALE MEMBER INITIAL DENTAL / VISION ELECTION PERCENTAGES

Because the initial election percentages are not significantly different for males and females, the assumption used for valuation purposes is based on combined male and female experience. The following tables compare the results of our analyses with those proposed in Exhibit 3–6 of the 2020 Investigation of OPEB Program Experience Report.

Total Number of Members Exposed—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	381	948	894	895	5,700	8,818
Milliman	345	909	855	931	5,736	8,776
<i>Pct. Difference</i>	<i>10.43%</i>	<i>4.29%</i>	<i>4.56%</i>	<i>-3.87%</i>	<i>-0.63%</i>	<i>0.48%</i>

Total Number of Member Initial Dental / Vision Elections—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	39	443	638	690	5,430	7,240
Milliman	34	447	643	694	5,434	7,252
<i>Pct. Difference</i>	<i>14.71%</i>	<i>-0.89%</i>	<i>-0.78%</i>	<i>-0.58%</i>	<i>-0.07%</i>	<i>-0.17%</i>

Member Initial Dental / Vision Election Percentages—Males and Females						
<u>Years of Service Credit Earned by Healthy Members</u>						
	Under 10	10 – 14	15 – 19	20 – 24	Over 24	Total
CMC	10.24%	46.73%	71.36%	77.09%	95.26%	82.10%
Milliman	9.86%	49.17%	75.20%	74.54%	94.74%	82.63%
<i>Difference</i>	<i>0.38%</i>	<i>-2.44%</i>	<i>-3.84%</i>	<i>2.55%</i>	<i>0.52%</i>	<i>-0.64%</i>



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF MALE MEMBER INITIAL PRE-65 MEDICAL PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial pre-65 medical plan and tier selection percentages for male members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–1 of the 2020 Investigation of OPEB Program Experience Report.

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Anthem Blue Cross Prudent Buyer Plan						
201	4	0.2%	0.2%		0.3%	0.3%
202	1	0.1%	0.1%		0.3%	0.3%
203	13	0.7%	0.6%	0.1%	0.9%	0.9%
204	1	0.1%	0.1%			
205						
Anthem Blue Cross I						
211	2	0.1%	0.1%		0.5%	0.5%
212	3	0.2%	0.2%			
213	7	0.4%	0.4%		0.5%	0.5%
214	1	0.1%	0.1%			
215						
Anthem Blue Cross II						
221	86	4.5%	4.5%		4.5%	4.5%
222	226	11.8%	11.8%		12.5%	12.5%
223	325	17.0%	16.9%	0.1%	14.9%	14.9%
224	36	1.9%	1.9%		1.5%	1.5%
225						
Anthem Blue Cross III						
240	2	0.1%	0.1%			
241	2	0.1%	0.1%			
242						
243						
244						
245						
246						
247	2	0.1%	0.1%			
248						
249						
250						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Cigna Network Model Plan						
301					0.1%	0.1%
302	1	0.1%	0.1%		0.2%	0.2%
303	2	0.1%	0.1%		0.1%	0.1%
304						
305						
Cigna Medicare Select Plus Rx (AZ)						
<i>No observations</i>						
Kaiser (CA)						
401	193	10.1%	10.0%	0.1%	11.0%	11.0%
402						
403	3	0.2%	0.2%			
404						
405						
406						
411	563	29.4%	29.5%	-0.1%	33.0%	33.0%
412						
413	41	2.1%	2.0%	0.1%		
414						
415						
416						
417						
418	2	0.1%	0.1%			
419						
420						
421						
422	1	0.1%	0.1%			
423						
424						
425						
426						
427						
428						
429						
430						
431						
432						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Kaiser (Other than CA)						
442						
446						
450						
451						
453	1	0.1%	0.1%			
454	2	0.1%	0.1%			
461						
462						
463	1	0.1%	0.1%			
467						
474	1	0.1%	0.1%			
482						
484	1	0.1%	0.1%			
SCAN Health Plan						
611						
613						
United Healthcare Medicare Advantage						
701						
702	12	0.6%	0.6%		0.6%	0.6%
703						
704	6	0.3%	0.3%		0.1%	0.1%
705						
706						
United Healthcare						
707	68	3.6%	3.5%	0.1%	3.5%	3.5%
708	121	6.3%	6.3%		7.0%	7.0%
709	182	9.5%	9.5%		8.5%	8.5%
Total	1,912	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	1,920					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
801	18	5.9%	5.9%		6.5%	6.5%
802	94	30.9%	31.0%	-0.1%	35.0%	35.0%
803	190	62.5%	63.0%	-0.5%	58.5%	58.5%
804						
805	2	0.7%		0.7%		
806						
807						
808						
809						
810						
811						
812						
813						
814						
815						
Total	304	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	304					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF FEMALE MEMBER INITIAL PRE-65 MEDICAL PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial pre-65 medical plan and tier selection percentages for female members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–2 of the 2020 Investigation of OPEB Program Experience Report.

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Anthem Blue Cross Prudent Buyer Plan						
201	9	0.4%	0.5%	-0.1%	0.5%	0.5%
202	1	0.0%			0.1%	0.1%
203	1	0.0%	0.1%	-0.1%	0.1%	0.1%
204	2	0.1%	0.1%		0.1%	0.1%
205						
Anthem Blue Cross I						
211	6	0.3%	0.3%		0.4%	0.4%
212	7	0.3%	0.3%		0.3%	0.3%
213	4	0.2%	0.2%		0.2%	0.2%
214	3	0.1%	0.1%		0.1%	0.1%
215						
Anthem Blue Cross II						
221	158	7.6%	7.8%	-0.2%	7.7%	7.7%
222	152	7.3%	7.4%	-0.1%	7.0%	7.0%
223	72	3.5%	3.5%		3.0%	3.0%
224	26	1.3%	1.2%	0.1%	1.3%	1.3%
225						
Anthem Blue Cross III						
240	4	0.2%	0.2%		0.3%	0.3%
241	3	0.1%	0.1%		0.1%	0.1%
242						
243	5	0.2%	0.3%	-0.1%	0.2%	0.2%
244						
245	1	0.0%				
246						
247	8	0.4%	0.4%		0.3%	0.3%
248						
249						
250						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Cigna Network Model Plan						
<i>No observations</i>						
Cigna Medicare Select Plus Rx (AZ)						
<i>No observations</i>						
Kaiser (CA)						
401	517	25.0%	24.8%	0.2%	26.2%	26.2%
402						
403	14	0.7%	0.6%	0.1%	0.6%	0.6%
404	1	0.0%				
405	1	0.0%				
406						
411	490	23.7%	23.7%		32.0%	32.0%
412						
413	165	8.0%	8.2%	-0.2%		
414	2	0.1%	0.1%			
415						
416						
417						
418	5	0.2%	0.2%			
419						
420						
421						
422	5	0.2%	0.2%			
423						
424						
425						
426						
427						
428						
429						
430						
431						
432						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Kaiser (Other than CA)						
442						
446	1	0.0%				
450	2	0.1%	0.1%			
451						
453	1	0.0%				
454						
461	3	0.1%	0.1%			
462						
463						
467	1	0.0%				
474						
482						
484						
SCAN Health Plan						
611	1	0.0%				
613						
United Healthcare Medicare Advantage						
701	8	0.4%	0.3%	0.1%	0.2%	0.2%
702	36	1.7%	1.9%	-0.2%	2.0%	2.0%
703	5	0.2%	0.1%	0.1%		
704	7	0.3%	0.4%	-0.1%	0.5%	0.5%
705						
706						
United Healthcare						
707	167	8.1%	8.1%		8.6%	8.6%
708	113	5.5%	5.6%	-0.1%	5.5%	5.5%
709	63	3.0%	3.1%	-0.1%	2.7%	2.7%
Total	2,070	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	2,082					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 Medical Plan Selection—Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
801	3	60.0%	60.0%		6.5%	6.5%
802					35.0%	35.0%
803	2	40.0%	40.0%		58.5%	58.5%
804						
805						
806						
807						
808						
809						
810						
811						
812						
813						
814						
815						
Total	5	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	5					

*Numbers may not add to 100% due to rounding.

In general, we find the plan election analysis to be performed correctly. We do note that some of the assumed rates of election are less than 1%. Such a rate has very minimal impact on the total results, and we would certainly not be opposed to a simpler assumption in which these plans were grouped with some others expected to have similar costs. Because of the size of LACERA, there is certainly sufficient credible data to reasonably draw the conclusions that have been made, and so we are not suggesting a change is needed, but simply that some consideration be given to a possible simplification that would have negligible impact on the results.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF MALE MEMBER INITIAL POST-65 MEDICAL PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial post-65 medical plan and tier selection percentages for male members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–3 of the 2020 Investigation of OPEB Program Experience Report.

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Anthem Blue Cross Prudent Buyer Plan						
201						
202	1	0.1%	0.1%			
203						
204						
205						
Anthem Blue Cross I						
211	1	0.1%	0.1%		0.3%	
212						
213	1	0.1%	0.1%			
214						
215						
Anthem Blue Cross II						
221	8	0.7%	0.6%	0.1%	0.8%	
222	22	2.0%	2.0%		2.3%	
223	7	0.6%	0.6%		0.8%	
224	1	0.1%	0.1%		0.3%	
225						
Anthem Blue Cross III						
240	81	7.3%	7.3%		7.1%	8.2%
241	3	0.3%	0.3%		0.2%	0.2%
242	63	5.7%	5.6%	0.1%	5.5%	7.8%
243	81	7.3%	7.3%		7.1%	7.1%
244						
245						
246			0.3%		0.4%	0.7%
247	20	1.8%	1.7%	0.1%	1.3%	2.1%
248	1	0.1%	0.1%			
249	8	0.7%	0.7%		0.6%	0.6%
250	1	0.1%	0.1%		0.3%	0.3%



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Cigna Network Model Plan						
301	1	0.1%	0.1%			
302						
303						
304						
305						
Cigna Medicare Select Plus Rx (AZ)						
321						
322	1	0.1%	0.1%			
324						
325						
327						
329						
Kaiser (CA)						
401	17	1.5%	1.4%	0.1%		
402						
403	183	16.5%	16.5%		18.0%	19.7%
404	4	0.4%	0.4%		0.4%	
405	18	1.6%	1.6%		1.3%	
406	1	0.1%	0.1%			
411	28	2.5%	2.2%	0.3%		
412						
413	202	18.2%	18.3%	-0.1%	20.8%	22.6%
414	2	0.2%	0.2%		0.5%	
415						
416						
417						
418	171	15.4%	15.8%	-0.4%	15.9%	16.1%
419	3	0.3%	0.3%		0.2%	
420						
421						
422	14	1.3%	1.3%		1.2%	
423						
424						
425						
426						
427						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
428						
429						
430	2	0.2%	0.2%			
431					0.1%	
432						
Kaiser (Other than CA)						
442						
446						
450						
451						
453						
454						
461						
462						
463						
467	1	0.1%	0.1%			
474						
482						
484						
SCAN Health Plan						
611	6	0.5%	0.5%		0.5%	0.5%
613	6	0.5%	0.5%		0.5%	0.5%
United Healthcare Medicare Advantage						
701	40	3.6%	3.6%		3.8%	3.8%
702	34	3.1%	3.2%	-0.1%	3.9%	3.9%
703	47	4.2%	4.2%		3.7%	3.7%
704	21	1.9%	1.9%		1.7%	1.7%
705	4	0.4%	0.4%		0.5%	0.5%
706						
United Healthcare						
707						
708	1	0.1%	0.1%			
709	1	0.1%		0.1%		
Total	1,107	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	1,108					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Local 1014 Firefighter Retirees—Males						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
801	1	16.7%	16.7%			
802						
803						
804					12.0%	12.0%
805	1	16.7%	16.7%			
806					28.0%	28.0%
807	3	50.0%	50.0%			
808	1	16.7%	16.7%		60.0%	60.0%
809						
810						
811						
812						
813						
814						
815						
Total	6	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	6					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF FEMALE MEMBER INITIAL POST-65 MEDICAL PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial post-65 medical plan and tier selection percentages for female members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–4 of the 2020 Investigation of OPEB Program Experience Report.

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Anthem Blue Cross Prudent Buyer Plan						
201	2	0.1%	0.1%			
202	1	0.0%				
203						
204						
205						
Anthem Blue Cross I						
211	8	0.4%	0.4%		0.2%	
212						
213	1	0.0%				
214						
215						
Anthem Blue Cross II						
221	29	1.3%	1.2%	0.1%	1.3%	
222	13	0.6%	0.6%		0.9%	
223	4	0.2%	0.2%			
224						
225						
Anthem Blue Cross III						
240	250	11.5%	11.5%		11.5%	13.0%
241	7	0.3%	0.3%			
242	21	1.0%	1.0%		1.0%	1.9%
243	122	5.6%	5.7%	-0.1%	5.1%	5.1%
244	1	0.0%				
245	6	0.3%	0.3%		0.1%	0.1%
246						
247	4	0.2%	0.2%		0.1%	0.1%
248	1	0.0%				
249	4	0.2%	0.2%		0.1%	0.1%
250						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Cigna Network Model Plan						
301	1	0.0%				
302						
303						
304						
305						
Cigna Medicare Select Plus Rx (AZ)						
<i>No observations</i>						
Kaiser (CA)						
401	56	2.6%	2.7%	-0.1%		
402						
403	720	33.2%	33.3%	-0.1%	38.2%	41.7%
404	19	0.9%	0.9%		1.0%	
405	75	3.5%	3.5%		2.5%	
406						
411	20	0.9%	0.8%	0.1%		
412						
413	113	5.2%	5.0%	0.2%		
414	2	0.1%	0.1%		5.0%	5.5%
415						
416						
417						
418	341	15.7%	16.0%	-0.3%	16.5%	16.9%
419	4	0.2%	0.2%			
420	1	0.0%				
421						
422	5	0.2%	0.3%	-0.1%	0.5%	
423						
424						
425						
426	4	0.2%	0.2%		0.4%	
427	1	0.0%				
428	2	0.1%	0.1%			
429						
430	1	0.0%				
431						
432						



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Non-Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
Kaiser (Other than CA)						
442	2	0.1%	0.1%			
446						
450						
451	1	0.0%				
453						
454						
461						
462	2	0.1%	0.1%			
463						
467						
474						
482	1	0.0%				
484						
SCAN Health Plan						
611	14	0.6%	0.6%		0.8%	0.8%
613	6	0.3%	0.3%		0.4%	0.4%
United Healthcare Medicare Advantage						
701	188	8.7%	8.8%	-0.1%	9.2%	9.2%
702	20	0.9%	0.9%		1.0%	1.0%
703	86	4.0%	4.1%	-0.1%	4.1%	4.1%
704	5	0.2%	0.2%		0.1%	0.1%
705	3	0.1%	0.1%			
706						
United Healthcare						
707	2	0.1%		0.1%		
708	2	0.1%		0.1%		
709						
Total	2,171	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	2,167					

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Post-65 Medical Plan Selection—Local 1014 Firefighter Retirees—Females						
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Proposed Assumption Tier 1	Proposed Assumption Tier 2
801						
802						
803						
804					12.0%	12.0%
805						
806					28.0%	28.0%
807						
808					60.0%	60.0%
809						
810						
811						
812						
813						
814						
815						
Total	0	100.0%	100.0%	0.0%	100.0%	100.0%
Milliman	0					

*Numbers may not add to 100% due to rounding.

As with the pre-65 assumptions, we find the results reasonable, but believe that some simplification might be considered without significantly affecting the quality of the liability estimation.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF MALE MEMBER INITIAL DENTAL / VISION PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial dental / vision plan and tier selection percentages for male members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–5 of the 2020 Investigation of OPEB Program Experience Report.

Initial Dental / Vision Plan Selection—Males							
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Current Assumption	Proposed Assumption Tier 1	Proposed Assumption Tier 2
501	619	18.2%	18.2%		19.0%	18.5%	18.5%
502	2,424	71.1%	71.1%		68.0%	70.5%	70.5%
503							
901	101	3.0%	3.0%		4.0%	3.0%	3.0%
902	263	7.7%	7.7%		9.0%	8.0%	8.0%
903							
Total	3,407	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Milliman	3,414						

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

ANALYSIS OF FEMALE MEMBER INITIAL DENTAL / VISION PLAN AND TIER SELECTION PERCENTAGES

CMC independently developed initial dental / vision plan and tier selection percentages for female members during the period from June 30, 2017 to June 30, 2020. The following tables compare the results of our analyses with those proposed in Exhibit 4–5 of the 2020 Investigation of OPEB Program Experience Report.

Initial Dental / Vision Plan Selection—Females							
Deduction Code	Number Enrolled	CMC Pct.	Milliman Pct.	Difference	Current Assumption	Proposed Assumption Tier 1	Proposed Assumption Tier 2
501	1940	44.6%	44.6%		46.0%	45.0%	45.0%
502	1,914	44.0%	44.1%	-0.1%	40.0%	42.7%	42.7%
503							
901	297	6.8%	6.8%		8.0%	7.5%	7.5%
902	196	4.5%	4.5%		6.0%	4.8%	4.8%
903							
Total	4,347	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Milliman	4,353						

*Numbers may not add to 100% due to rounding.



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Review of Pre-65 to Post-65 Medical Plan Migration Assumptions

CMC independently developed the frequencies of member medical plan enrollment decisions for those who reached Medicare-eligibility age during the period from June 30, 2017 to June 30, 2020 and were enrolled in a pre-65 medical plan immediately prior to attaining age 65. The following tables compare the results of our analyses with those proposed in Exhibit 4–6 of the 2020 Investigation of OPEB Program Experience Report.

Pre-65 to Post-64 Medical Plan Migration Assumptions					
Eligible Plan		Number of Enrollments			
		Pre-Medicare	Post-Medicare	CMC	Milliman
Anthem Blue Cross I	Anthem Blue Cross I		27	27	
	Anthem Blue Cross II		0	0	
	Anthem Blue Cross III		26	29	-3
	Other		<u>1</u>	<u>1</u>	
	Total		54	57	-3
Anthem Blue Cross II	Anthem Blue Cross I		0	0	
	Anthem Blue Cross II		281	281	
	Anthem Blue Cross III		375	380	-5
	United Healthcare Medicare Advantage		1	1	
	Excess I		0	0	
	Kaiser Family Basic		0	0	
	Other		<u>10</u>	<u>11</u>	<u>-1</u>
Total		667	673	-6	
Anthem Blue Cross Prudent Buyer Plan	Anthem Blue Cross I		0	0	
	Anthem Blue Cross II		4	4	
	Anthem Blue Cross III		43	44	-1
	Anthem Blue Cross Prudent Buyer Plan		40	41	-1
	Other		<u>2</u>	<u>2</u>	
Total		89	91	-2	



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 to Post-64 Medical Plan Migration Assumptions					
Eligible Plan	Pre-Medicare	Post-Medicare	Number of Enrollments		
			CMC	Milliman	Difference
CIGNA Network Model Plan					
		Anthem Blue Cross I	0	0	
		Anthem Blue Cross II	1	2	-1
		Anthem Blue Cross III	11	12	-1
		CIGNA Medicare Select Plus Rx (AZ)	2	2	
		CIGNA Network Model Plan	12	12	
		United Healthcare Medicare Advantage	7	8	-1
		Senior Advantage	0	0	
		One Advantage, Others Basic	0	0	
		SCAN Health Plan	5	5	
		Other	<u>1</u>	<u>1</u>	
		Total	39	42	-3
United Healthcare					
		United Healthcare Medicare Advantage	429	430	-1
		CIGNA Network Model Plan	0	0	
		Anthem Blue Cross I	2	2	
		Anthem Blue Cross II	13	13	
		Anthem Blue Cross III	54	54	
		SCAN Health Plan	8	8	
		Senior Advantage	8	12	-4
		One Advantage, Others Basic	1	1	
		One Advantage, One Excess II	0	0	
		Excess II	13	12	1
		One Excess II, One Basic	7	4	3
		One Excess III (MNP), One Basic	0	0	
		Other	<u>9</u>	<u>11</u>	-2
		Total	544	547	-3



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

Pre-65 to Post-64 Medical Plan Migration Assumptions				
Eligible Plan	Post-Medicare	Number of Enrollments		
		CMC	Milliman	Difference
Kaiser Retiree Basic				
	Senior Advantage	623	624	-1
	Excess I	22	21	1
	Excess II	147	145	2
	Excess III (MNP)	20	19	1
	Anthem Blue Cross I	1	1	
	Anthem Blue Cross III	20	23	-3
	United Healthcare Medicare Advantage	2	2	
	Kaiser Retiree Basic	0	0	
	One Advantage, Others Basic	3	3	
	One Excess III (MNP), One Basic	1	1	
	Other	<u>10</u>	<u>13</u>	-3
	Total	849	852	-3
Kaiser Family Basic				
	Two+ Advantage	79	80	-1
	One Advantage, One Excess II	3	3	
	One Advantage, One Excess III (MNP)	5	5	
	One Advantage, Others Basic	333	337	-4
	One Excess I, One Advantage	4	4	
	One Excess I, Others Basic	28	28	
	One Excess I, Others Excess II	1	1	
	One Excess II, One Basic	86	87	-1
	One Excess II, Others Excess III (MNP)	0	0	
	One Excess III (MNP), One Basic	16	16	
	Two+ Excess II - Part B	5	5	
	CIGNA Network Model Plan	0	0	
	Excess I	2	2	
	Excess III (MNP)	2	2	
	Anthem Blue Cross III	12	12	
	United Healthcare Medicare Advantage	1	1	
	Senior Advantage	18	20	-2
	Kaiser Family Basic	23	24	-1
	Other	<u>11</u>	<u>12</u>	-1
	Total	629	639	-10



3. REVIEW OF TIER SELECTION AND MIGRATION ASSUMPTIONS

		Pre-65 to Post-64 Medical Plan Migration Assumptions		
Eligible Plan		Number of Enrollments		
Pre-Medicare	Post-Medicare	CMC	Milliman	Difference
One Advantage, Others Basic				
	Senior Advantage	4	4	
	Two+ Advantage	300	297	3
	One Advantage, One Excess II	4	4	
	One Advantage, One Excess III (MNP)	9	8	1
	One Advantage, Others Basic	50	50	
	One Excess I, One Advantage	2	2	
	Anthem Blue Cross III	9	9	
	Anthem Blue Cross I	0	0	
	Anthem Blue Cross II	1	1	
	Excess III (MNP)	0	0	
	One Excess III (MNP), One Basic	0	0	
	Other	<u>2</u>	<u>2</u>	
	Total	381	377	4
Firefighters Local 1014				
	Firefighters Local 1014	172	171	1
	Other	<u>0</u>	<u>0</u>	
	Total	172	171	1
All Pre-Medicare Plans	Total	3,424	3,449	-25

The Plan's experience during the three-year study period is consistent with current assumptions, and the adjustments recommended by Milliman appear to be reasonable. Additionally, we agree with the proposed assumptions for Tier 2 members, because our understanding is that these members must enroll in Medicare when they reach Medicare-eligibility age in order to be eligible to elect a post-65 medical plan.



4. REVIEW OF OTHER DEMOGRAPHIC ASSUMPTIONS

ANALYSIS OF ASSUMED RETIREMENT RATES FOR DEFERRED VESTED MEMBERS—GENERAL PLANS A, B, C, D, AND G

CMC independently developed the percentages of members with deferred vested pension benefits under General Plans A, B, C, D, and G who will retire at a given age based on experience during the period from June 30, 2017 to June 30, 2020. Milliman used two additional years of data, so we would expect there to be some differences in our results. The general concurrence of the two sets of results further strengthens our confidence in the resulting conclusion, because the possible influence of some unusual year is significantly reduced by not using all of the same years. The following table compares the results of our analyses with those proposed in Exhibit 5–1 of the 2020 Investigation of OPEB Program Experience Report.

Age	Observed Rates		Ratio of Rates
	CMC	Milliman	(CMC / Milliman)
50	11.1%	15.3%	0.725
51	4.1%	4.6%	0.904
52	5.3%	7.2%	0.732
53	3.9%	5.1%	0.768
54	4.4%	4.2%	1.051
55	9.3%	9.7%	0.958
56	6.6%	6.2%	1.075
57	6.7%	7.6%	0.885
58	6.1%	6.4%	0.950
59	9.2%	9.9%	0.925
60	11.4%	10.4%	1.095
61	11.3%	12.1%	0.936
62	14.3%	14.3%	0.997
63	17.3%	18.6%	0.931
64	18.3%	20.2%	0.905
65	39.9%	37.5%	1.063
66	23.7%	25.8%	0.917
67	15.5%	20.4%	0.761
68	20.2%	19.2%	1.052
69	27.9%	30.6%	0.912
70	33.3%	37.1%	0.898
71	25.7%	40.0%	0.643
72	30.0%	30.0%	1.000
73	10.0%	22.2%	0.450
74	25.0%	14.3%	1.749
75+	26.7%	20.4%	1.307
Total	10.4%	11.3%	0.921



4. REVIEW OF OTHER DEMOGRAPHIC ASSUMPTIONS

ANALYSIS OF ASSUMED RETIREMENT RATES FOR DEFERRED VESTED MEMBERS—GENERAL PLAN E

CMC independently developed the percentages of members with deferred vested pension benefits under General Plan E who will retire at a given age based on experience during the period from June 30, 2017 to June 30, 2020. As with General Plans A, B, C, D, and G, Milliman used two additional years of data, so the comments made earlier apply here as well. The following table compares the results of our analyses with those proposed in Exhibit 5–2 of the 2020 Investigation of OPEB Program Experience Report.

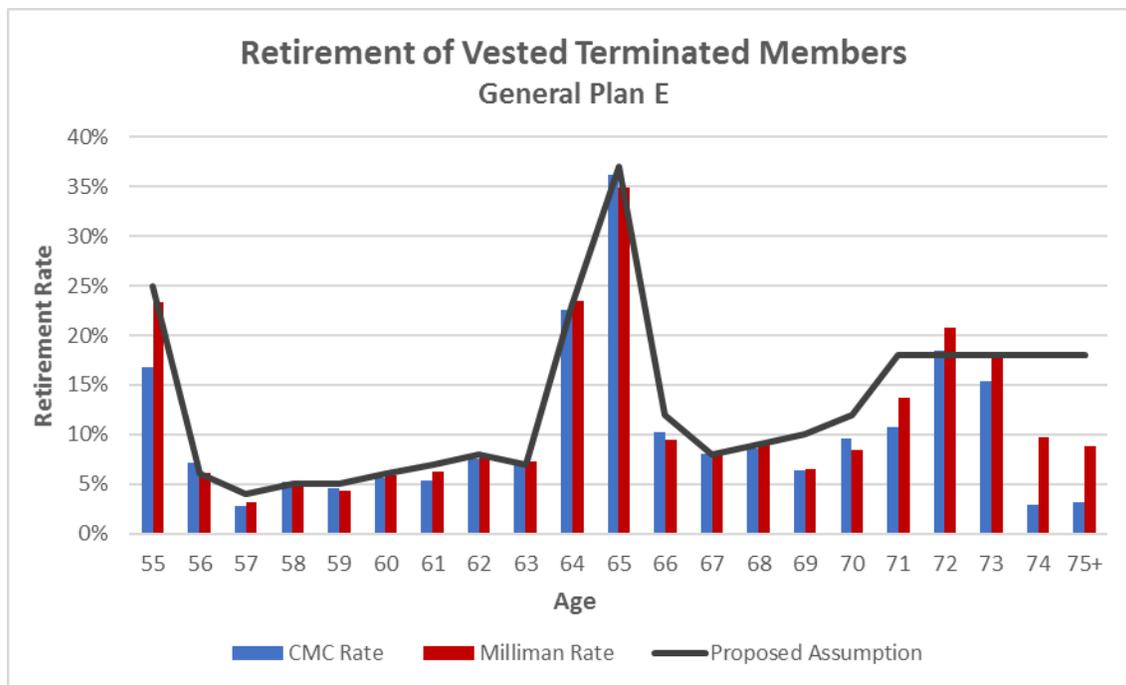
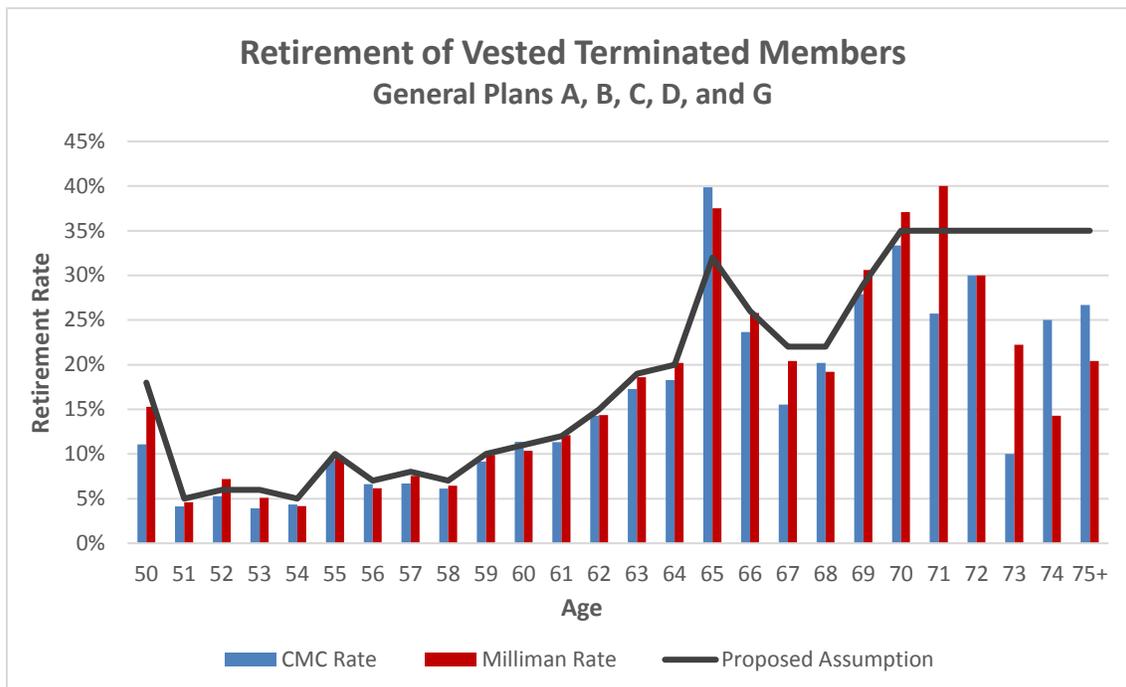
Age	Observed Rates		Ratio of Rates
	CMC	Milliman	(CMC / Milliman)
55	16.8%	23.3%	0.718
56	7.2%	6.1%	1.168
57	2.8%	3.2%	0.879
58	5.2%	4.7%	1.105
59	4.6%	4.3%	1.085
60	5.6%	5.9%	0.949
61	5.4%	6.2%	0.861
62	7.5%	7.9%	0.951
63	7.1%	7.3%	0.978
64	22.6%	23.4%	0.964
65	36.2%	34.9%	1.038
66	10.2%	9.4%	1.082
67	8.0%	8.1%	0.996
68	8.6%	8.9%	0.964
69	6.4%	6.5%	0.988
70	9.6%	8.4%	1.148
71	10.8%	13.7%	0.788
72	18.5%	20.8%	0.887
73	15.4%	17.9%	0.861
74	2.9%	9.7%	0.295
75+	3.2%	8.9%	0.360
Total	10.5%	11.1%	0.942

The total number of members with deferred vested pension benefits under Safety Plans A and B shown in Exhibit 5-3 are low relative to the other Plan groups (86 total actual retirement observations). As a result, CMC did not independently develop rates of retirement for these members.

The graphical comparisons are shown on the following page:



4. REVIEW OF OTHER DEMOGRAPHIC ASSUMPTIONS





4. REVIEW OF OTHER DEMOGRAPHIC ASSUMPTIONS

ANALYSIS OF DIFFERENCES IN MEMBER AGES AND AGES OF ENROLLED SPOUSES

CMC performed a high-level review of the average differences in member ages and the ages of enrolled spouses based only on the experience of retired members who were enrolled in a medical plan as of June 30, 2020, and had a spouse date of birth on his or her record. This approach means that we will miss some records where a member dies shortly after retirement. Thus, our counts are lower, but we do not anticipate a significant bias in the results.

The following table summarizes the results:

Actual Experience	Male Retirees		Female Retirees	
	Number	Average Age Difference in Years (Males Older Than Females)	Number	Average Age Difference in Years (Males Older Than Females)
CMC—All Retirees	17,698	4.3	9,854	1.5
CMC—Recent Retirees	4,087	3.5	3,136	1.6
Milliman—All Retirees	17,711	4.5	9,799	1.3
Milliman—Recent Retirees	4,121	3.5	3,195	1.4

As shown in the table above, the average age differences we produced are consistent with the results contained in Section 6 of the 2020 Investigation of OPEB Program Experience Report.

We also note that the proposed assumptions concerning the average difference in male and female member ages and the ages of enrolled spouses provided in the 2020 Investigation of OPEB Program Experience Report are consistent with the assumptions used in the 2020 Retirement Plan Actuarial Valuation. This consistency is an additional support of Milliman’s proposed assumption.



4. REVIEW OF OTHER DEMOGRAPHIC ASSUMPTIONS

ANALYSIS OF MEDICARE ENROLLMENT FOR ANTHEM BLUE CROSS I, II, AND PRUDENT BUYER PLANS

Section 6 of the 2020 Investigation of OPEB Program Experience Report contains the following description of the Medicare enrollment assumptions for members who are enrolled in Anthem Blue Cross I, II, and Prudent Buyer Plans:

“Our July 1, 2019 OPEB valuation assumed that members in Blue Cross I, II, and Prudent Buyer were not eligible for Medicare Part B premium reimbursement. We checked the validity of this assumption based on July 1, 2018, 2019, and 2020 enrollment information. Medicare Part A information from LACERA for both inactives and actives was incomplete, so we relied on the Medicare Part B indicator. There were not any members in the Blue Cross I, II, and Prudent Buyer plans who were in Medicare Part B. We recommend continuing with the current assumption for Tier 1. We will assume Tier 2 members will enroll in Medicare Parts A and B.”

CMC reviewed the OPEB Program census data provided by Milliman, and agree that records for members who are age 65 or older and enrolled in Anthem Blue Cross I, II, and Prudent Buyer Plans do not contain Medicare Part B premium amounts.

ANALYSIS OF SURVIVOR AND NEW DEPENDENT ENROLLMENT ASSUMPTIONS

CMC did not review the results that support the survivor and new dependent enrollment assumptions provided in Section 6 of the 2020 Investigation of OPEB Program Experience Report because (1) the number of observations is small relative to the total population of retirees and their dependents and (2) any variance in these rates are unlikely to have a material impact on the OPEB Program actuarial valuation as of June 30, 2020.



5. REVIEW OF ECONOMIC ASSUMPTIONS

INFLATION

The inflation assumption is a component of both the investment return assumption and the health cost trend rate development. For consistency with the pension assumptions developed last year, Milliman uses the same 2.75% inflation assumption and points to the pension study for justification. We do not find 2.75% unreasonable, but we do note that this is on the higher end of what most practitioners are currently recommending. Recent pricing of inflation in the TIPS and Treasuries markets may be suggesting change in expectations, and so we do not see any reason for Milliman to reconsider this assumption at this time.

Milliman also recommends using the pension assumption of 3.25% for wage inflation. We believe this is reasonable and consistent.

INVESTMENT RETURN

ASOP 6 and ASOP 27 provide actuaries with guidance on selecting an investment return that included considering the purpose of the measurement. With the adoption of an agent employer approach, the OPEB Program has two groups of employers – those who are prefunding, and those who are not (at least to any significant degree). As a result, there are really two different investment return assumptions needed -one for the funded employers and one for the unfunded employers.

The assumed long-term rate of return on plan assets, as disclosed in the 2020 Investigation of OPEB Program Experience Report, was 6.00%. This assumption was selected based on the Trust's investment policy and the current capital market assumptions and investment forecast of Meketa, LACERA's investment advisor.

CMC reviewed the expected long-term rate of return assumption based on consideration of the asset allocation, Meketa's assumptions, and the assumptions of other investment advisors. Based on these factors, CMC agrees the 6.00% expected long-term rate of return selected by LACERA is reasonable for the purposes described above.

Likewise, we also reviewed Milliman's analysis of the expected return for the unfunded plans. In this case, Milliman recommends using the expected return of the general (cash) account held by the County, which is generally considered a reasonable approach. Based on the general proportions of cash and short-term Treasuries that this account holds, Milliman recommends the use of a 2.30% rate. We find this analysis reasonable.

We do note that for accounting purposes under Governmental Accounting Standards Board Statements 74 and 75, the effective rate used may be a blend of this long-term rate and a current bond index rate, as required in those standards.



5. REVIEW OF ECONOMIC ASSUMPTIONS

LONG-TERM HEALTH CARE COST TREND RATES

Annual per capita health care claims costs are expected to increase in future years as a result of medical inflation, utilization, leverage in the plan design, and improvements in technology adjusted for any implicit and/or explicit cost containment features. Long-term health care trend rates are typically used to reflect an assumed pattern of annual increases in expected health care claims costs and contributions (if applicable) during each period subsequent to the measurement date. ASOP 6 provides specific guidance concerning the selection of long-term health care cost rates for the purpose of measuring retiree group benefit plan obligations or establishing actuarially determined contribution amounts for these plans.

CMC reviewed the proposed long-term medical cost trend rates (Medical Trend Rates) provided in the 2020 Investigation of OPEB Program Experience Report. Milliman selected Medical Trend Rates based on the Society of Actuaries (SOA) Long Term Healthcare Cost Trends Model, which is often referred to as the “Getzen Model” because it was originally developed by Professor Thomas E. Getzen for the SOA. We note that one common criticism of the Getzen Model is that it generates a longer transition period from short-term trend rates to ultimate trend rates when compared to transition periods produced by other models. Another criticism, somewhat less commonly voiced, is that the Getzen Model is not elastic with respect to the development of trend rates for health care cost components, such as in-patient, out-patient, professional services, and prescription drug costs. Nonetheless, it is a well-respected methodology.

Our understanding is that Milliman has modified the Getzen Model to reflect:

- An offset to correct the implicit aging of the population—an artifact of the Getzen Model development process—included in trend rates as required under Section 3.12.1(a) of ASOP 6;
- An adjustment equal to the expected long-term rate of inflation plus 0.75% to reflect future changes in carrier administrative costs as recommended under Section 3.12.1(a) of ASOP 6; and,
- Adjustments, if needed, to produce trend rates that are rounded to the nearest 0.1%.

CMC believes that the modifications outlined above are reasonable for the purposes stated herein.

The Getzen Model produces short-term, intermediate-term, and long-term rates based on various inputs provided by the user. Milliman selected the following inputs to calibrate the Getzen Model for the OPEB Program:

- Trends through 2022—These trend rates are based on information provided by LACERA’s health consultant, and reflect actual experience and changes as required under Section 3.7.11 of ASOP 6.
- 2030 GDP Percentage Share—The assumed percentage of the Gross Domestic Product dedicated to health care costs in 2030. Based on guidance from the Centers for Medicare and Medicaid Services (CMS), Milliman selected the recommended value to be 20.3% for the health share of GDP in 2030.



5. REVIEW OF ECONOMIC ASSUMPTIONS

- **Inflation Rate**—Milliman selected a 2.75% inflation assumption, which is consistent with the expected long-term rate of inflation selected by LACERA last year for the pension work and used for various purposes as of June 30, 2020.
- **Real GDP Per Capita Growth**—The expected growth in Real GDP during future periods. Milliman used information from the Congressional Budget Office to select a 1.50% per year growth in Real GDP.
- **Excess Medical Cost Growth**—The ratio of expected increases in health care expenditures over expected increases in income and wages. Milliman selected a 1.10% rate based on SOA research.
- **GDP Resistance Point and Limit Year**—The projected health share of GDP percentage where additional increases in costs meet resistance and the year in which this limit is expected to be reached. Milliman selected the 25.0% recommended value for the GDP Resistance Point, and 2075 for the GDP Limit Year, based on SOA research.

The values listed above for the parameters used in the Getzen Model are all within ranges produced and accepted by researchers, forecasters, government officials, and other interested parties, and appear to meet the criteria outlined in Section 3.6 of ASOP 27, as well as the requirements in Section 3.12.5 of ASOP 6, concerning the selection of reasonable assumptions. As a result, CMC believes that the inputs selected by Milliman for the purposes of calibrating the Getzen Model for the OPEB Program are reasonable. Overall, CMC did not uncover any concerns with the parameters or modifications employed by Milliman in their use of the Getzen Model, and we have determined that the Getzen Model described above is an acceptable basis for the selection of long-term medical cost trend rates for the OPEB Program.

CMC also reviewed the proposed long-term dental / vision cost trend rates provided in the 2020 Investigation of OPEB Program Experience Report. Milliman selected a 4.25% underlying dental / vision trend rate, which was developed based on the expected long-term rate of inflation (2.75%) plus 1.50%. As required under Section 3.12 of ASOP 27, these parameters are consistent with the values selected for similar inputs used in the development of long-term medical cost trend rates. CMC believes that the inputs selected by Milliman for the purposes of developing the 4.25% underlying dental / vision trend rate are reasonable.

MEDICARE PART B PREMIUM TREND RATES

CMC reviewed the proposed Medicare Part B premium trend rates contained in Exhibit 7–6 in Milliman’s report. The proposed Medicare Part B premium trend rates initially start at 9.30% and grade down to an ultimate rate equal to 4.30%. The first year of this trend includes an adjustment that reflect Milliman’s belief that the actual Part B premium data amounts are under-reported and will be corrected. In general, we find their proposed trend rates reasonable.



6. INVESTIGATION OF EXPERIENCE REPORT REVIEW AND CONCLUSIONS

In general, we find Milliman’s work to be accurate and complete, and we have not identified any material findings.

We note that Milliman acknowledges that issues related to COVID may have a future impact, but they do not reflect anything now. We believe that this is an appropriate response in light of what is currently knowable.

We have no findings of material discrepancies with generally accepted actuarial principles or professional standards, and our recommendations are limited to suggesting minor improvements to the OPEB Program Experience Study process. We have summarized our recommendations for future experience studies:

- In our report, we identified some areas in which we believe there could be some simplification of assumptions. We recognize that there may be valid reasons for the more complex assumptions, and do not disagree with those assumptions. However, some simplification could be made with only a very minor change in results.
- In our opinion, it is helpful to add some commentary as to the rationale in changing assumptions. This helps provide documentation of the thought process behind the recommended changes. While Milliman does this to some extent, we would suggest they expand this discussion. This is a preference issue, of course, and we recognize that each firm and consultant have personal styles, and that the client’s wishes are also a significant consideration.

As part of the actuarial review of the 2020 OPEB Program Actuarial Valuation Report scheduled later this year, we will be reviewing Milliman’s valuation process and confirming the valuation results. As part of that project, we will be reviewing the reasonableness of Milliman’s estimated cost impact of the proposed assumption changes. While we are not able to fully quantify the changes at this point, we believe the changes are reasonable in light of general actuarial rules of thumb and our experience with other OPEB plans.