



Regular Meeting

Item Number 19b – Open Session

Subject: Actuarial Valuation of the Medicare Premium Payment Program

Presenter(s): Chairperson

Item Type: Consent Information

Date & Time: May 28, 2026 – 0 minutes

Attachment(s): June 30, 2025 Actuarial Valuation Report for the Medicare Premium Payment Program

PowerPoint(s): None

Item Purpose

The purpose of this information item is to provide the board with the results of the June 30, 2025 actuarial valuation of the Medicare Premium Payment Program.

Recommendation

This is an information item only.

Executive Summary

This is the actuarial valuation of the Medicare Premium Payment Program. Education Code Section 25933 requires that an actuarial valuation be performed at least every two years. However, a valuation is performed annually to meet the timing requirements of Governmental Accounting Standards Board (GASB) Statements No. 74 and 75, as amended.

The attached report provides a snapshot of the fund's assets and liabilities for the Medicare Premium Payment Program as of June 30, 2025.

The Medicare Premium Payment Program pays the Medicare Part A premiums for eligible retired Defined Benefit Program members; in addition, it pays Part A and Part B penalties when applicable. Under board policy, members must have retired on or before July 1, 2012 to be eligible for the program. As a result, the population of members covered by the program has been declining in recent years and is expected to continue to decline.

As of June 30, 2025, the Medicare Premium Payment Program paid the Part A premiums and penalties, when applicable, to 3,728 members and the Part B penalties to 145 members. In comparison, about 6,700 members were covered by this program in 2012. As shown on page 18 of the attached report, the population of this program is expected to drop below 3,000 by 2029 and below 1,000 by 2039.

Funded Ratio

The funded ratio of a benefit plan is defined as the ratio of assets to a plan’s actuarial obligation. According to board policy, the assets of the Medicare Premium Payment Program are equal to the assets of the Teachers’ Health Benefit Fund (THBF) (the fund that administers the Medicare Premium Payment Program) plus expected future employer contributions that would otherwise have been credited to the Defined Benefit Program. The actuarial valuation assumes that future employer contributions will be enough to fully fund the obligations of the Medicare Premium Payment Program. As such, the actuarial value of assets is set to match the actuarial obligation, resulting in a funded ratio of 100%. The table below compares key information about the funded ratio of the Medicare Premium Payment Program between the June 30, 2025 and the June 30, 2024 actuarial valuations.

Summary of Key Results for the Medicare Premium Payment Program

	June 30, 2025 Valuation	June 30, 2024 Valuation
Actuarial obligation	\$184.9 million	\$199.2 million
Existing THBF assets	\$0.3 million	\$0.3 million
Guaranteed funding from future employer contributions	\$184.6 million	\$198.9 million
Unfunded actuarial obligation	\$0.0 million	\$0.0 million
Funded ratio	100%	100%

The actuarial obligation reported above has decreased from the previous year. Since the population of this program is declining, the actuarial obligation was anticipated to decrease and is expected to continue to decline over time. However, the decrease in the actuarial obligation between the 2024 and the 2025 valuations was greater than anticipated due to lower than assumed enrollment in the program during the last year. Details on changes to the actuarial obligation can be found on page 5 of the attached report.

As indicated above, about \$184.6 million of future employer contributions have been allocated as assets to fund the Medicare Premium Payment Program. In the Defined Benefit Program actuarial valuation, the value of these future contributions is added to the actuarial obligation of the Defined Benefit Program, allocated to the employer’s share of the unfunded actuarial obligation, per the rules of the CalSTRS Funding Plan.

Without these future contributions, the Teachers’ Health Benefit Fund would not be sufficient to fund the expected obligations of the Medicare Premium Payment Program. However, the

attached actuarial valuation indicates that, given the current assumptions and the Defined Benefit contributions that have been allocated by the board to fund this program, there are sufficient assets to fund the program. As required by statute, a copy of this report will be transmitted to the Governor and the Legislature.

Strategic Plan Linkage: Goal 1: Trusted stewards – Ensure a well-governed financially sound trust fund.
