

February 2, 2011

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: REVISED Summary of the February 2, 2011 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the February 2, 2011 meeting to order at 10:30 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes, Elizabeth Rogers and George Dewey. Other Board members present were George Wood and Keith Carson and alternate member Darryl Walker. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Rose Kwong, Benefits Manager; Mike Fara, Communications Manager; Latrena Walker, Project and Information Services Manager; and Harsh Jadhav, Internal Audit Manager.

ACTION ITEMS

1. Annual Cost of Living Adjustment (COLA)

Staff addressed details of the letter prepared by Andy Yeung, Actuary, Segal Company, containing the annual Consumer Price Index (CPI) change and the resulting annual cost of living adjustments effective April 1, 2011 in accordance with Government Code Sections 31870 (Tier II, 2% maximum) and 31870.1 (Tier I and III, 3% maximum).

The CPI calculation results in a change of 1.52%, which according to the aforementioned sections of code, should be rounded to the nearest one-half percent, which is 1.5%. Tier I and III Retirees who retired on or before April 1, 1985 will receive a cost of living increase of 3% due to carry-over banked from prior years. Tier I and III Retirees who retired after April 1, 1985 through on or before April 1, 1986 will receive a cost of living increase of 2.5% due to carry-over banked from prior years. Tier I and III Retirees who retired after April 1, 1986 through on or before April 1, 2011 will receive 1.5%. Tier II Retirees who retired on or before April 1, 2010 will receive a cost of living increase of 2% due to carry-over banked from prior years. Tier II Retirees who retired after April 1, 2010 through on or before April 1, 2011 will receive a cost of living increase of 1.5%.

No amounts will be banked since this year's COLA does not exceed the 3% minimum for Tier I and Tier III Retirees or 2% for Tier II Retirees.

Announcements of the 2011 COLA increase will be sent via email to active members via employer email. Retirees will receive a COLA flyer as a March 31st payroll stuffer.

2. Annual Supplemental Cost of Living Adjustment (Supplemental COLA)

Staff reported on the accumulated COLA percentage carry-over in conjunction with the annual cost of living calculation. Based on the accumulated loss of purchasing power as of December 31, 2010, those Tier I members who retired on or before April 1, 1981 and those Tier II members who retired on or before April 1, 1991 will receive the Supplemental COLA increase effective with their April 1, 2011 monthly allowance.

Staff also reported that Tier I Retirees who retired after April 1, 1981 through on or before April 1, 1982 will no longer receive a Supplemental COLA benefit because their accumulated carry-over balance is now less than 15%. There are 64 Retirees and 20-30 beneficiary continuances that will be affected. Correspondence will be mail to payees notifying them of the change.

Staff will report back to the Committee on anyone that no longer receives Supplemental COLA and its impact on the amount of their benefit.

It was moved by Elizabeth Rogers and seconded by Annette Cain-Darnes that the Committee recommend to the Board that it adopt the Supplemental COLA increase for Tier I members who retired on or before April 1, 1981 and Tier II members who retired on or before April 1, 1991 effective with the April 1, 2011 monthly retirement allowance. This annual supplemental benefit is non-vested and is funded by the Supplemental Retiree Benefits Reserve (SRBR).

INFORMATION ITEMS

1. 2011 Planning for Retiree Education Sessions

In 2009, ACERA began its conducting of educational seminars for retirees, their spouses, partners and caregivers. Staff has included three additional topics for 2011. As a result of the 2010 Health Fair survey, topics that were of interest to Retirees include Nursing Care and Healthy Traveling; Solve the Mystery of Credit Reports, and Preventing Identity Theft.

Staff will continue conducting the Medicare Transition seminar which provides an overview of the different parts of Medicare. Members will receive a personalized enrollment packet containing their Medicare plan options through ACERA.

Also included this year, based on ACERA's Wellness & Disease Management initiative will be seminars devoted to educating, reducing, and hopefully changing the course ACERA's pre-diabetic and diabetic populations. Seminars include: Healthy Teeth, Eyes & You and Defeat Diabetes with a 1-2 Punch. Presenters will be from VSP and Delta Dental.

Flyers regarding Retiree Seminars were sent as January 31st payroll stuffers.

2. Healthcare Reform Update

ACERA's Benefits consultant, Woodruff-Sawyer & Co. reported that the President signed into the Medicare and Medicaid Extenders Act of 2010, providing a twelve month delay scheduled 25% cuts in Medicare physician payment. In addition, the legislation provided a one-year extension of a 5% increase in reimbursement for physicians providing outpatient psychotherapy services under Medicare.

Staff shared updates from the County of Alameda's Benefits staff regarding the Early Retiree Reimbursement Program (ERRP).

3. Annual Health Plan Meeting with Retiree Representative/Date Announcement

The annual Health Plan meeting with Trustees, ACRE and REAC Board Members, ACERA's Benefits Consultant and the County Benefits Management Team has been set for April 6, 2011. The meeting will allow attendees to discuss global issues, affecting multiple members occurring with the medical, dental, and vision plans offered through ACERA. The objective is to discuss areas of improvement to save resources and enhance efficiency.

Agenda items will be requested during the February REAC and ACRE Board meetings where Staff will be in attendance. A formal invite has gone out via email.

4. Report on Medicare Part D- Changes for 2011

Woodruff-Sawyer & Co. Benefits Consultant provided a report on changes that affect Medicare Part D due to the Patient Protection and Affordable Care Act (PPACA).

The changes include the following:

- Initial Deductible remains \$310 (unchanged from 2010)
- Initial Coverage Limit increase to \$2,840 up from \$2,830
- Out-of-Pocket Threshold (Donut hole) is \$4,550 unchanged, but discounts are available
- Catastrophic Copayments are unchanged (Generic \$2.50 and other \$6.50)

The biggest change in Medicare Part D for 2011 is the Introduction of income-related monthly adjustment amount (IRMAA). Part D IRMAA is a provision in the (PPACA) which was signed into law on March 23, 2010. The Part D IRMAA uses the same earnings brackets of Medicare Part B. Retirees that are in a sponsored plan will be charge by Social Security. Retirees that are in a sponsored plan will be charge by Social Security. If Retiree does not receive a check from Social Security, the Retiree will be billed.

5. Presentation of Draft Survey for Retiree Benefits

Staff presented a draft survey regarding non-pension retiree benefits. The objective of the survey is to provide information back to the Board of Retirement regarding how active and retired members rank ACERA's non-pension benefits in order of priority as well as asking their opinion on making adjustments to those benefits in order to sustain the lifespan of the Supplemental Retiree Benefit Reserve (SRBR).

The results of the survey are being targeted for April or May Retirees Committee meeting. The Board made several suggestions for the format and layout of the survey in which Staff will update and bring back for review.

The Board's concern is to ensure the survey is clear and informative thereby surveyors will be able to give an educated opinion.

6. Miscellaneous Update Review

Wells Fargo Production of December 31, 2010 Checks

Last month's meeting Staff agreed to check into why some Retirees did not receive their advice or check on 12/31/2010. Wells Fargo confirmed that the 12/31/2010 checks/EFT was mailed out according to the agreed date of 12/29/2010. The delay in receipt was not due to Wells Fargo but most likely because of the two holidays, 12/31/2010 and 01/01/2011 for the U.S. Post Offices.

California State Regulator Fines Seven Insurers for Underpayment

Seven of the largest health insurers were fined nearly \$5 million in fines for allegedly failing to pay hospitals and physicians fairly and on time. Two of the seven health insurers noted are United/PacifiCare and Kaiser Foundation Health Plan. ACERA has sent a request to the County of Alameda's Benefits Staff to inquiry with each of our carriers for further explanation.

Open Enrollment Confirmation Letters

352 Open Enrollment confirmation letters were mailed out in two separate batches to retired members. The letters which were mailed to members who either made a change in the plan choice or made changes in their level of coverage, were mailed out January 24th and 25th.

7. Benefits and Communications Consultant RFP

The current Benefits Consultant contract comes up for renewal on May 1, 2011. Based on the existing multi-year contract guarantees with the vision and dental carriers, the Administrative Services Agreement with the County, budgetary concerns, possible future IRS compliance regulations and internal restructuring of duties for Staff, it was determined a less robust contract with a Benefits Consultant would be applicable. Therefore Staff will conduct a Request for Proposal in order to seek services based on a

revised scope of work. In addition, the attempt is being made to include communications consulting for retiree open enrollment within this contract.

Staff put forth to the Committee, a list of twelve potential consultants who could provide independently as well as provide a combination of Benefits and Communication consulting.

The companies listed were identified as possible fits for ACERA based on their knowledge and expertise in handling retirement and public sector benefits and communication materials.

STAFF INPUT

None.

TRUSTEE/PUBLIC INPUT

RECOMMENDATIONS

The Committee recommends, and I move that the Board of Retirement:

Adopts the Supplemental COLA increase for Tier I members who retired on or before April 1, 1981 and Tier II members who retired on or before April 1, 1991 effective with the April 1, 2011 monthly retirement allowance. This annual supplemental benefit is non-vested and is funded by the Supplemental Retiree Benefits Reserve (SRBR)

FUTURE DISCUSSION ITEMS

As noted on the agenda.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for March 2, 2011 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:51 a.m.