

March 3, 2010

To: Members of the Retirees Committee

From: David Safer, Alternate Retired Trustee

Subject: Summary of the March 3, 2010 Retirees Committee Meeting

Trustee David Safer called the March 3, 2010 meeting to order at 10:33a.m. Committee members present were George Dewey, Annette Cain-Darnes, and Elizabeth Rogers. Other Board members present were George Wood and Darryl Walker. Staff present were Chuck Conrad, Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Bob Gaumer, Chief Counsel; J.P. Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Harsh Jadhav, Internal Auditor; and Mike Fara, Communications Manager.

ACTION ITEMS

There were no action items for discussion.

INFORMATION ITEMS

1. Health Plan Meeting with Retiree Groups – Date Announcement

Staff announced that the Annual Health Plan Meeting with Retiree Groups will be held at ACERA on Wednesday, April 7th at 12:00 noon. Staff will send a formal announcement via email this week to Retiree Group Representatives and the Retirement Board. This meeting between ACERA and the retiree organizations (ACRE and REAC) is held annually to discuss and document issues and concerns that retirees have in regard to the ACERA-sponsored medical, dental, and/or vision plans.

2. Report on Medicare Part D, Changes for Plan Year 2010

In 2006, when the Medicare Part D prescription drug benefit was established, ACERA had a choice to either include the benefit in its medical plans or receive a subsidy from Medicare. At that time, ACERA elected to include Part D in its medical plan contracts, allowing for a slight reduction in premiums and more efficient administration. Thus, all retirees who are enrolled in an ACERA-sponsored Medicare plan receive Part D coverage. This coverage is equal to or better than the standard Part D coverage available through individual Medicare Part D programs. Each year, ACERA sends a Notice of Creditable Coverage to plan enrollees verifying that the ACERA plans meet Creditable Coverage requirements. In order for covered retirees to maintain their medical coverage with ACERA, they must receive prescription drug

benefits only through their ACERA plan. If they obtain Part D coverage through another plan or independent provider, their ACERA medical coverage could be terminated.

Each year ACERA issues a written communication to retirees that explains these enrollment guidelines. This year's communication will be issued later this month.

ACERA's Benefits Consultant, Woodruff Sawyer & Co., highlighted changes to the Medicare Part D Prescription Drug standard level of benefits taking effect January 1st, 2010. This information, released annually by the Centers for Medicare and Medicaid Services (CMS), pertains to stand-alone Medicare Part D prescription drug plan (PDP) availability and premiums. For 2010, the standard deductible increased to \$310 from \$295 in 2009. The coverage gap, also known as the "doughnut hole", also increased to \$2,830 for 2010, up from \$2,700 in 2009. For 2010, catastrophic coverage will begin after out-of-pocket expenses reach \$4,550, an increase of \$200 from 2009. These changes and limits apply to prescription drug benefits offered by state-approved independent Part D providers. They do not affect or change the Part D benefits provided under the ACERA-sponsored Medicare plans.

3. Report on Plans for SRBR Workshops

Last year, ACERA's Board and Staff decided to hold a series of Workshops to address the future of the Supplemental Retiree Benefits Reserve (SRBR) and the retiree benefits paid from that account. The first Workshop will be held at ACERA on Tuesday, March 30th, at 2:00pm. In addition to Board Members, ACERA will invite Managers of the County and other Participating Employers, and Retiree Organization representatives. At the workshop, ACERA's Actuary will present various benefit funding valuations based on different earnings assumption rates, as well as a comparison of Category I and II Benefits, and an analysis of the sufficiency of the SRBR to pay those benefits. Information will also be presented on the pros and cons of ACERA obtaining separate retiree medical plan contracts, possible taxation of retiree health benefits, re-structuring of the Implicit Subsidy program, the Monthly Medical Allowance, and other potential impacts to retirees and ACERA staff.

A formal agenda will be distributed by email to all invited parties in advance of the Workshop date.

4. Report of Medical Benefit Plan Issues (ACERA-sponsored plans)

At the Committee's request, Staff inquired as to what liability coverage, if any, Kaiser maintains in response to security breaches that result in identity theft, and what steps the provider is taking to ensure that identity theft does not occur as a result of the security breach that occurred last month in which a laptop containing member names and phone numbers was stolen. The information of eighty-six ACERA Kaiser members was contained on the device. Kaiser informed ACERA that they believe there is an extremely low risk of credit fraud/identity theft posed to our members and

have determined that no patient Social Security numbers or financial information was on the device. Kaiser also reported that they have notified local law authorities as well as affected members. In the event that Social Security numbers or financial data is breached, Kaiser does provide credit monitoring services to those affected. Kaiser also stated in writing that if ACERA was to learn of a problem resulting from last month's security breach, they would take appropriate actions to mitigate any harm caused by the incident.

Staff reported on a number of issues with the PacifiCare/United Healthcare (PUHC) Plans, all of which have been resolved. Staff continues to work closely with the County Employee Benefits Manager to monitor issues and is also in communication with ACERA's PUHC Account Manager. Staff reported that PUHC has set up a task force of Senior Management to discuss issues, protocols, and safeguards to prevent future problems.

The Committee stated they think this report is very helpful and commended staff for providing useful information in this format. Staff will continue to provide a report each month that enumerates any health plan issues and their status and/or resolution.

TRUSTEE/PUBLIC INPUT

Ken Moresi, President of REAC, gave a reminder announcement that the REAC Spring Luncheon will be held on Monday, March 8th at the Silver Dragon Restaurant in Oakland.

A member of REAC reported she received her new PacifiCare/United Healthcare Plan I.D. Card with a correct effective date of February 1, 2010, and two information packets, one of which contained comprehensive information on wellness programs.

RECOMMENDATIONS

None

FUTURE DISCUSSION ITEMS

As noted on the agenda.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for April 7, 2010 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:08a.m.

DISCLOSURES/RECUSALS

None