

June 1, 2011

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

**Subject: Summary of the June 1, 2011 Retirees Committee Meeting**

Committee Chair Liz Koppenhaver called the June 1, 2011 meeting to order at 10:34 a.m. Committee members present were Liz Koppenhaver, Dale Amaral, George Dewey, and Elizabeth Rogers. The other Board members present were Darryl Walker, and alternate Board member David Safer. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Rose Kwong, Benefits Manager; JP Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manger; and Harsh Jadhav, Internal Audit Manager.

### **ACTION ITEMS**

There were no action items for discussion.

### **INFORMATION ITEMS**

#### **1. Other Post Employment Benefits (OPEBs) Administration Costs**

Staff presented a report on the 2010 costs of administering Other Post Employment Benefits (OPEBs) including medical, dental and vision plan benefits. The staffing costs for the Accounting and Benefits Departments include staff who spends 25% or more of their time on administering OPEB benefits. The salaries shown include fringe benefits. There was discussion regarding the services provided under the Benefits County HR Services shown on the Statement for OPEB Administrative Expenses breakdown. In response to questions raised by the Committee, Staff stated that this is the first time ACERA has had to allocate the expenses and the method used is based on external legal tax advice. When an audit is performed, the auditors will look at whether the allocation is consistent with other similar items and if it seems reasonable. Staff believes that the method used to allocate the expenses is adequate. With respect to the overall process and next steps, Staff stated that there is a significant amount of work still to be done before a recommended policy decision can be made.

#### **2. Report on Healthcare Inflation/Trends**

Staff reported on the recommended assumptions to be used for the December 31, 2010 Supplemental Retiree Benefit Reserve (SRBR) valuation for projecting benefits based on

ACERA's substantive plan. Although in the past there were individual assumptions for non-Medicare plans, Medicare Advantage plans, and Medicare Supplement plans, the rates were virtually the same, so the three rates were not provided separately. However, this year there is a 1% difference between the rates for each plan, so three different rates were provided: 10% for non-Medicare plans, 9% for Medicare Advantage plans, and 8% for Medicare Supplement plans. The trend used for dental, vision and Medicare Part B is 5%.

During discussions between Staff and The Segal Company (Segal), ACERA's actuary, it was agreed that the best approach was to use the lowest trend of 8% since that would be the most conservative. Therefore, based on the substantive plan design, a 4% increase would be applied to the projections for the Monthly Medical Allowance (MMA), which is one-half of the lowest anticipated healthcare inflation assumption.

Staff stated that it will present approval to use the lowest trend factor of 8% as an action item at the July Committee meeting, if a decision is made to increase the MMA for 2012. Otherwise it will be included in the approval to accept Segal's final SRBR valuation report, which is currently targeted for September.

### **3. Discussion of Monthly Medical Allowance for 2012**

Staff presented background and historical information regarding the Monthly Medical Allowance (MMA) contributions made towards retiree health care costs, and cost comparisons for the 2011 and 2012 plan year. Staff also provided possible recommendations for discussion purposes in considering an increase to the MMA for 2012. The estimated annual cost if only the current premiums were increased (with no increase to the MMA) by 10% for early retiree plans and 8% for the Medicare plans is \$24,194,280.96, which results in an increase of \$666,273 compared to the projected costs for 2011. The estimated annual cost if the MMA is increased by 4%, in addition to the increase in premiums, is \$24,831,702.12, an estimated increase of \$1,303,694 compared to 2011 costs.

There was discussion that some retirees may have dual coverage and the consideration of the possibility of giving those retirees an incentive of a specific dollar amount. One of the questions on the benefits survey that was recently sent to retirees asked whether they had dual coverage.

This item will be brought back to the Retirees Committee for further discussion and possible approval of the 2012 MMA at the July meeting.

### **4. 2012 Medical Plans Update/Renewal Requests of ACERA/County**

A summary of the report provided on the medical plan renewal requests of ACERA to Alameda County (County) for the 2012 plan year is as follows:

- The main concerns outlined in the renewal letter were to ensure carriers are in compliance and ACERA receives updates from the Center for Medicare and Medicaid Services (CMS) and the Annual Notice of Change (ANOC) on time.
- It is important for ACERA to know whether or not the County's plan will retain their "grandfather" status for plan year 2012, since this determination impacts Kaiser Multi-site rates.
- The need for much better pricing and plan design alternatives to the Choice Plus PPO Plan, as well as an out of area plan option were expressed.
- Several pricing and plan design alternatives were requested from both Kaiser and UnitedHealthcare for retirees and Medicare plan participants.

## **5. Miscellaneous Updates**

There were no medical plan benefit issues affecting ACERA retirees to report.

## **6. Introduction of ACERA's New Benefits Consultant**

ACERA's new Benefits and Communications Consultant, Keenan & Associates' contract begins June 1, 2011. Keenan & Associates has been serving California public agencies for 39 years with currently 950 public agency clients. They have expertise with GASB 43 and 45. They also have experience working with represented members and collective bargaining groups.

Some of the expected reports and analysis ACERA will receive from this new partnership are the standard Strategic Benefit Planning and Benefit Review reports. A few examples of other services that Keenan & Associates will also provide are staff compliance support in the tracking of federal and state legislation and regulations, National Healthcare Reform, COBRA, and HIPAA.

## **TRUSTEE/PUBLIC INPUT**

None.

## **FUTURE DISCUSSION ITEMS**

- Adoption of Monthly Medical Allowance for 2012

## **ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for July 6, 2011 at 10:30 a.m.

## **MEETING ADJOURNED**

The meeting adjourned at 11:35 a.m.