August 4, 2010

To: Members of the Retirees Committee

From: Liz Koppenhaver, Elected Retired Trustee

Subject: Summary of the August 4, 2010 Retirees Committee Meeting

Trustee Liz Koppenhaver called the August 4, 2010 meeting to order at 10:45a.m. Committee members present were Annette Cain-Darnes, and Elizabeth Rogers. Other Board members present were David Safer, Darryl Walker, and Keith Carson. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Bob Gaumer, Chief Counsel; Latrena Walker, Project and Information Services Manager; J.P. Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; and Mike Fara, Communications Manager.

<u>ACTION ITEMS</u>

1. **Adoption of Monthly Medical Allowance for 2011**
In preparation for discussions on the Monthly Medical Allowance, the County first presented the plan year 2011 medical plan renewals. Ava Lavender, Manager of Employee Benefits, and Rissa Bowman, Benefits Analyst, announced that Anthem Blue Cross is being eliminated for the 2011 plan year and that the two carriers will be Kaiser and PacifiCare/UnitedHealthcare. The rates for plan year 2011 are stated below.

Plan	Current (2010) Rate	New (2011) Rate	% Increase
Kaiser HMO	$535.60	$556.48	3.90%
UHC HMO	$623.42	$699.68	12.2%
UHC PPO	$1,609.92	$1,867.50	16.0%
Kaiser Senior Advantage	$290.40	$295.02	1.59%
UHC Secure Horizons	$371.84	$405.31	9.0%
UHC Senior Supplement	$449.16	$514.52	14.55%

Note: UHC = PacifiCare/UnitedHealthcare

ACERA asked the County to research out-of-service area plan options as part of the renewal. The County reported that all carriers declined to quote on an out-of-area plan. Staff reported there are approximately 600 ACERA retirees in an out-of-service status and not receiving coverage under ACERA. Kaiser is currently working on an out-of-service area plan option and the County will keep ACERA informed of any developments. The County again reported that they submitted their application for the

Early Retiree Reimbursement Program under Healthcare Reform. They expect a response from the Health and Human Services Agency in mid-August.

Following the renewal presentation Staff proceeded with the discussion and possible motion to adopt the Monthly Medical Allowance paid to eligible retirees for Plan Year 2011. The Monthly Medical Allowance (MMA) is the suggested dollar amount to be contributed towards retiree medical care costs. The MMA is stated as monthly dollar amount which varies by years of service credit and can only be used to pay for ACERA-sponsored health plans.

Staff presented an updated estimated cost to provide the Monthly Medical Allowance using the actual medical carrier medical rates, versus the 10% medical trend factor previously used. Below is a comparison showing the estimated difference in cost by leaving the Monthly Medical Allowance at the current amount for 2011 versus increasing the MMA by 5% based on the substantive plan definition.

	Current 2010	Projected 2011 – no increase to MMA	Projected 2011 – 5% increase to MMA
Estimated Annual Cost	$22,473,078.96	$22,817,071.20	$23,418,887.52

Not increasing the MMA by 5% for 2011 results in annual savings of approximately $601,816.32.

Staff is recommending that ACERA maintain the current (2010) MMA levels for plan year 2011 because no interest will be credited to the SRBR for the period ending June 30, 2010 and because the sustainability of the SRBR is expected to decrease again this year according to actuarial projections.

The presidents of both retiree organizations, ACRE and REAC, both spoke on behalf of their Boards in support of Staff's recommendation.

Staff put forth its recommendation that the Committee adopt a 2011 MMA equal to the 2010 MMA for plan year 2011, thereby maintaining the current MMA Maximum of $522.16 for the plan year 2011. The MMA contribution is a non-vested benefit subject to possible reduction or elimination if Board policies change or funds are unavailable. This is a non-vested benefit funded by contribution from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions. The recommendation was moved by Elizabeth Rogers, seconded by Annette Cain-Darnes, and passed unanimously.

2. Adoption of Dental Plan Contract/Premiums for 2011

2011 will be the third year of ACERA's retiree dental coverage contract with Delta Dental. Based on the renewal period, the increase in premiums for the DPO plan is 7.0% which will increase the monthly cost to $43.72 per retiree.

However, due to the Rate Stabilization Account reserve, the cost will be subsidized to $40.88, which will be ACERA's billed rate. There is also a 7.0% increase to the DMO plan premium resulting in an increased monthly rate of $22.49 per retiree.

Delta Dental DPO:
12-month renewal period (February 1, 2011 through January 31, 2012)

	Single	2-Party	Family
Contract Rates	$43.72	$82.43	$143.24
Billed Rate	$40.88	$79.59	$140.40

DeltaCare USA (DMO)
12-month renewal period (February 1, 2011 through January 31, 2012)

	Single	2-Party	Family
Total Rate (no subsidy applied)	$22.49	$37.08	$54.79

Renewals for 2008 and 2009 were also subsidized by drawing down funds from the Rate Stabilization account. The Benefits Consultant reported that the Stabilization balance was $755,596 on February 1, 2009 (start of contract period), and had a balance of $456,833 as of July 1, 2010. The Stabilization account balance as of February 1, 2011 is estimated to be $292,833 (projected day one of new contract), and is expected to be almost exhausted by the end of plan year 2011.

Based on Staff's recommendation, it was moved by Elizabeth Rogers, seconded by Annette Cain-Darnes and passed unanimously adoption of the new twelve month premium renewal under the current three-year Delta Dental Plan Contract for retirees effective February 1, 2011 through January 31, 2012 with a single-party DPO coverage premium of $43.72 per month (total rate), $40.88 (billed rate) and a single-party DMO coverage premium of $22.49.

3. Adoption of Dental Plan Contributions for 2011

Staff requests approval to continue the Dental Plan Contributions for plan year 2011. Dental plan enrollment is mandatory for ACERA retirees in order to keep premium amounts at a minimum. ACERA currently provides a contribution to cover the single-party retiree premium. The estimated annual cost to provide the dental plan benefit for the 2010 plan year is $2,965,460.40. The estimated annual cost to provide this non-vested benefit for 2011 is $3,267,911.64.

Based on Staff's recommendation, it was moved by Elizabeth Rogers, seconded by Annette Cain-Darnes and passed unanimously to continue the dental plan contribution for plan year 2011, which provides a monthly subsidy equal to the single-party dental coverage premium of $40.88 (Delta Dental DPO billed rate) and $22.49 (DeltaCare USA DMO) for the retiree only to cover all retirees' Delta Dental Plan premiums. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions.

4. Adoption of Vision Plan Contract/Premiums for 2011

ACERA's Benefits Consultant has negotiated the renewal of ACERA's vision plan contract for retiree vision coverage for plan year 2011. The February 1, 2011 renewal proposed by the contracted carrier, Vision Service Plan, will be a new four year contract. The vision contracts are managed by ACERA and therefore are separate from the County. There is no rate increase for the first two years (2011-2012) with a rate cap of 3% guaranteed through January 31, 2015. There are no changes to plan coverage.

The new premium rates which will remain in effect from February 1, 2011 through January 31, 2013 under the proposed contract renewal are: Single- $5.52, 2-Party $8.01, and Family- $14.39.

Based on Staff's recommendation, it was moved by Annette Cain-Darnes, seconded by Elizabeth Rogers and passed unanimously to adopt the new Vision Service Plan Contract for retirees effective February 1, 2011 through January 31, 2013 with a single-party coverage premium of $5.52 per month and a rate cap of 3% on the 2013 renewal guaranteed through January 31, 2015.

5. Adoption of Vision Plan Contributions for 2011

Staff requests approval to continue Vision Plan Contribution for plan year 2011. Vision plan enrollment is mandatory for ACERA retirees in order to keep premium amounts at a minimum. ACERA currently provides a contribution to cover the single retiree premium. This is a non-vested benefit.

The single-party coverage premium (per retiree) will continue to be $5.52 per month for the 2011 plan year. The annual cost to provide this non-vested benefit for plan year 2011 based on the current number of retirees is $444,470.40.

Based on Staff's recommendation, it was moved by Annette Cain-Darnes, seconded by Elizabeth Rogers and passed unanimously to continue the vision plan contribution for plan year 2011, which provides a monthly subsidy equal to the single-party vision coverage premium of $5.52 for the retiree only to cover all retirees' Vision Service Plan premiums. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions.

INFORMATION ITEMS

1. **Report on Dental and Vision Plan Experience**
   Woodruff-Sawyer & Co presented current year-to-date claim (utilization) experience from February 1, 2009 through April 30, 2010 for ACERA's retiree PPO dental plan and for VSP, the twelve month period ending April 30, 2010.

   Delta Dental: The report shows a Paid Loss Ratio of 89.52% for the 15 month period February 1, 2009 through April 30, 2010. The end result is a surplus of 1.19% (59,884) which, when added to the current Stabilization account, is a balance of $458,761. Funds totaling $357,708 were taken from the Stabilization account to subsidize the February 1, 2009 renewal increase.

   The Base plan had an In-Network annual plan maximum $1,200. Only 6.3% of Base plan users of the Dental program reached the $1,200 annual maximum. In the contract period, Delta Dental met all the metrics on the service requirements that are subject to Performance Guarantees.

   VSP: For the 12 month period ending April 30, 2010, the Vision plan ran at a break-even pace, with a 99% Net Paid Loss Ratio. Of the 3,284 total claims processed in the 12 month period ending April 30, 2010, 88.22% were from VSP Network providers. ACERA members incurred higher Out-of-Pocket expenses than the average of all VSP clients, which is probably attributable to higher Non-Network utilization than the VSP average.

   The utilization review now includes a new Dashboard report produced by VSP at the request of ACERA, which includes information regarding medical data collection.

2. **Report on County Medical Plan Contracts for Plan Year 2011**
   The County presented information regarding renewal rates and carriers for the plan year February 1, 2011 through January 31, 2012 in conjunction with Staff's presentation of the Monthly Medical Allowance recommendation.

3. **Report of Medical Benefit Plan Issues (ACERA-sponsored plans)**
   Staff received a positive update on the transition of the Anthem Blue Cross prescription Company from NextRX to Express Scripts. New identification cards have been mailed out to members. The ID card continues to contain a contact number for the plan's mental health benefits.

   On July 22nd, ACERA held a new educational seminar for retirees, "Post Retirement Financial Planning", presented by First United Services Credit Union and Prudential. The seminar was well-attended. At the Committee's request, Staff will post handouts from the seminar on the ACERA website.

TRUSTEE/PUBLIC INPUT

None.

RECOMMENDATIONS

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

1. Adopt a 2011 Monthly Medical Allowance (MMA) equal to the 2010 MMA, thereby maintaining the current MMA maximum of $522.16 for plan year 2011. The MMA contribution is a non-vested benefit subject to possible reduction or elimination if Board policies change or funds are unavailable. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions.

2. Adopt the new twelve month premium renewal under the current three-year Delta Dental Plan Contract for retirees effective February 1, 2011 through January 31, 2012 with a single-party DPO coverage premium of $43.72 per month (total rate), $40.88 (billed rate) and a single-party DMO coverage premium of $22.49 per month.

3. Continue the retiree dental plan contribution for plan year 2011, which provides a monthly subsidy equal to the single-party dental coverage premium of $40.88 (Delta Dental DPO billed rate) and $22.49 (DeltaCare USA DMO) for the retiree only. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions.

4. Adopt the new Vision Service Plan Contract for retirees effective February 1, 2011 through January 31, 2015 with a single-party coverage premium of $5.52 per month and a rate cap of 3% on the 2013 renewal guaranteed through January 31, 2015.

5. Continue the retiree vision plan contribution for plan year 2011, which provides a monthly subsidy equal to the single-party vision coverage premium of $5.52 for the retiree only. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the CERL, ACERA treats an equal amount of Supplemental Retiree Benefits Reserve (SRBR) assets as employer contributions for pensions.

FUTURE DISCUSSION ITEMS

As noted on the agenda.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for September 1, 2010 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:10 p.m.