

September 7, 2011

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the September 7, 2011 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the September 7, 2011 meeting to order at 10:30 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes, Dale Amaral, George Dewey, and Elizabeth Rogers. The other Board members present were Keith Carson and Darryl Walker, and alternate Board member David Safer. Staff present were Kathy Foster, Assistant Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Rose Kwong, Benefits Manager; JP Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manger; Victoria Arruda, Human Resources Officer; and Harsh Jadhav, Internal Audit Manager.

ACTION ITEMS

1. Presentation and Acceptance of Supplemental Retiree Benefit Reserve (SRBR) Funding Report/Study

The Segal Company, ACERA's Actuary, presented the annual GASB Statements No. 25 and 43 Actuarial Valuation of benefits provided through the Supplemental Retiree Benefit Reserve (SRBR) account as of December 31, 2010. This valuation is based on projections using substantive plan and medical inflation trends, as well as other assumptions consistent with the pension valuation. It conforms to the disclosure requirements for Other Post-Employment Benefits (OPEB) plans of state and local governments.

Based on this valuation report, the terminal year of OPEB is projected to be 2027. The terminal year for non-OPEB remains unchanged from the previous projection of 2031. Details of the actuarial assumptions and actuarial cost methods used in the valuation are included in the report that was provided.

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Committee recommends to the Board of Retirement to accept the December 31, 2010 Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation prepared by The Segal Company.

2. Information and Recommendation on UnitedHealthcare Medicare Group Plans for 2012

Staff provided a report and a recommendation to incorporate an Employer Group Waiver Plan (EGWP) and WRAP features into the ACERA-sponsored UnitedHealthcare (UHC) Medicare plans. The plan allows for the ability to obtain 50% of pharmaceutical discounts on the member cost share of brand name drugs purchased under the Medicare Part D “donut hole” through a self-funded WRAP for both the Senior Supplement Plan and the Secure Horizons Medicare Advantage Plans of up to \$1 million dollars based on prior year trends. The advantage of incorporating this option is a reduction in monthly premiums for the two plans; from \$545.64 to \$493.18 for Senior Supplement and from \$441.78 to \$424.83 for Secure Horizons. The only impact to retirees will be an increase in the co-pays for the Secure Horizons plans from \$7/\$14 (generic/brand) to \$10/\$20 for prescription drugs.

Staff also provided a report on the comparison of ACERA’s current Senior Supplement Plan F and the Individual Plan F premiums and coverage. The monthly premium for the highest cost Individual Plan is approximately \$165 lower than the Group Plan, but there are substantial differences in the prescription drug coverage. Staff will continue exploring whether gap coverage is available that can allow the Individual Plan to mirror the Group Plan. Further reports will be provided as pertinent information is gathered.

It was moved by George Dewey and seconded by Dale Amaral that the Committee recommends to the Board of Retirement to approve the incorporation of an Employer Group Waiver Plan (EGWP) and a Self-Funded WRAP plan with the current ACERA-sponsored UnitedHealthcare Medicare plans for the 2012 plan year.

INFORMATION ITEMS

1. ACERA-Sponsored Medical Plans and Premiums for Plan Year 2012

The following summary of the 2012 medical renewal rates provided by ACERA’s carriers, Kaiser Permanente and UnitedHealthcare was discussed, including the recommended incorporation of the prescription drug plan Employer Group Waiver Plan (EGWP) plus WRAP features (for UnitedHealthcare). In addition, explanations for the carriers’ rate increases were provided.

Level of Coverage	2011 Rates	2012 Rates	% Increase & Difference	20+ MMA (\$522.16) Retiree Out-of-Pocket
Kaiser HMO			6.72%	
Retiree Only	\$556.48	\$593.86	\$37.38	\$71.70
UHC HMO			18.31%	
Retiree Only	\$699.68	\$827.84	\$128.16	\$305.68
UHC PPO			6.80%	
Retiree Only	\$1,867.50	\$1,994.48	\$126.98	\$1,472.32
Kaiser Sr. Advantage			1.26%	
Retiree Only	\$295.02	\$298.74	\$3.72	\$0.00
<i>UHC Secure Horizons Medicare Advantage EGWP+WRAP \$10/\$20 Rx Co-pay</i>		Recommended for 2012	4.82%	
Retiree Only	\$405.30	\$424.83	\$19.53	\$0.00
<i>UHC Senior Supplement EGWP+WRAP \$10/\$20 Rx Co-pay</i>		Recommended for 2012	<4.04%>	
Retiree Only	\$514.52	\$493.18	<\$21.34>	\$0.00

2. Report on Medicare Part D Certificates of Creditable Coverage

A report outlining changes occurring to Medicare Part D effective January 1, 2012 was provided by Keenan & Associates, ACERA's Benefits and Communications Consultant. They have also confirmed that the ACERA offered Kaiser Permanente and UnitedHealthcare Medicare medical plans' prescription drug benefits meet the standard of "creditable coverage" set forth by Medicare. ACERA plans to meet the mandated disclosure requirement by issuing the disclosures with the September 30, 2011 payroll process.

3. Supplemental Retiree Benefit Reserve (SRBR) Financial Status

A history of the Supplemental Retiree Benefit Reserve (SRBR) activity for the 10 ½ year period ending June 30, 2011 was presented. The ending balance of the SRBR as of June 30, 2011 was approximately \$614.6 million. The semi-annual interest crediting as of June 30, 2011 based on the rate of 2.1328% was completed on August 26, 2011. There was approximated \$13.3 million of interest credited and \$22.8 million deducted from the SRBR fund.

4. Summary of Comments Received with Retiree Benefits Survey

A summary of the letters received from retirees with the Retiree Benefits Survey was provided. In addition, a table showing handwritten comments on the survey itself along with the related survey questions was presented.

5. Status Report on Open Enrollment and Retiree Health Fair

A report on planning for ACERA's annual Open Enrollment and Retiree Health Fair was provided. The Retiree Health Fair & Wellness Center will be held on Friday, October 28, 2011. With planned changes to the Open Enrollment process, ACERA anticipates cost savings of approximately \$18,511, as shown on the preliminary Open Enrollment budget that was provided.

6. Miscellaneous Updates

The updates consisted mainly of answers to questions raised at last month's Retiree Committee meeting. In addition, there was discussion regarding the new UnitedHealthcare (UHC) Pharmacy Saver program that was recently implemented.

TRUSTEE/PUBLIC INPUT

Trustees expressed their appreciation to ACERA Staff for all of the work and knowledge gained in order to present to the Committee pertinent information related to healthcare and the various options available. In addition, representatives of ACRE and REAC expressed their appreciation to members of the Staff who regularly attend their meetings to provide information and answer questions.

RECOMMENDATIONS

1. Presentation and Acceptance of Supplemental Retiree Benefit Reserve (SRBR) Funding Report/Study

The Committee recommends, and I move that the Board of Retirement accepts the December 31, 2010 Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation prepared by The Segal Company.

2. Information and Recommendation on UnitedHealthcare Medicare Group Plans for 2012

The Committee recommends, and I move that the Board of Retirement approves the incorporation of an Employer Group Waiver Plan (EGWP) and a Self-Funded WRAP plan with the current ACERA-sponsored UnitedHealthcare Medicare plans for the 2012 plan year.

FUTURE DISCUSSION ITEMS

None.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for October 5, 2011 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:25 p.m.