



May 4, 2016

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the May 4, 2016 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the May 4, 2016 meeting to order at 11:10 a.m. Committee members present were Liz Koppenhaver, Tarrell Gamble, Dale Amaral, and Annette Cain-Darnes. Also present were Elizabeth Rogers, and alternate members David Safer and Darryl Walker. Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Joseph Fletcher, Chief Counsel; Margo Allen, Fiscal Services Officer; Sandra Dueñas-Cuevas, Benefits Manager; and Harsh Jadhav, Chief of Internal Audit.

ACTION ITEMS

1. 401(h) Account Resolution Request to ACERA Participating Employers

Staff presented information regarding the 401(h) contributions for the 2016-2017 fiscal year. The projected contribution that will be required is \$42,901,000. After adjusting this amount by the estimated balance remaining in the 401(h) account for each Participating Employer, the net contribution amount is projected to be \$35,925,403.

It was moved by Annette Cain-Darnes and seconded by Dale Amaral that the Retirees Committee recommend to the Board of Retirement that after contributions are made to the 401(h) accounts by the respective Participating Employers, ACERA, in accordance with the CERL, treat an equal amount of Supplemental Retiree Benefit Reserve assets as employer contributions for pensions and transfer the amount equal to the pro rata share of the 401(h) contributions for the 2016-2017 fiscal year for each Participating Employer.

The motion carried 5 yes (*Amaral, Cain-Darnes, Gamble, Koppenhaver, Rogers*), 0 no, 0 abstentions.

2. Approval of Payment for Implicit Subsidy Cost for 2015

Staff provided a letter from the County of Alameda stating that the final Implicit Subsidy amount for 2015 is \$6,021,451. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

It was moved by Dale Amaral and seconded by Annette Cain-Darnes that the Retirees Committee recommend to the Board of Retirement that it authorizes Staff to transfer \$6,021,451 from the Supplemental Retiree Benefit Reserve account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for plan year 2015.

The motion carried 5 yes (*Amaral, Cain-Darnes, Gamble, Koppenhaver, Rogers*), 0 no, 0 abstentions.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2017

Staff recommended that ACERA state its intent to fund the Implicit Subsidy Program for plan year 2017. The Implicit Subsidy cost for plan year 2016 is estimated by the County of Alameda (County) to be \$8,865,275. The estimated cost of the Implicit Subsidy for plan year 2017 will not be known until the County has completed its medical plan contract negotiations. Due to the significant increase in cost compared to previous years, Keenan & Associates, ACERA's Benefits Consultant, provided a history and an analysis of the annual costs for the four-year period 2011 through 2015, to explain the components impacting the calculation of the estimated cost. Trustees directed Staff to monitor the trends on a more frequent basis and report significant changes to the Committee as appropriate.

It was moved by Dale Amaral and seconded by Annette Cain-Darnes that the Committee recommend to the Board of Retirement that it adopts a Statement of Intent to continue the Implicit Subsidy Program for health plan year 2017, following a determination by ACERA at the end of plan year 2017 that the amount is not greater than the actual retiree Implicit Subsidy.

The motion carried 5 yes (*Amaral, Cain-Darnes, Gamble, Koppenhaver, Rogers*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Preliminary Report on Projected Benefit Costs Funded through Supplemental Retiree Benefit Reserve

Segal Consulting, ACERA's Actuary, provided a preliminary report of the Supplemental Retiree Benefit Reserve (SRBR) financial status, which indicates that the terminal year of Other Post-Employment Benefits (OPEB) is projected to be 2038 with full benefits paid through 2037, for a total of 22 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2035, for a total of 19 full years and one partial year. The one year increased projection from the 2014 report for the OPEB assets is due mainly to the greater than the expected rate of return on the SRBR assets, offset somewhat by the larger amount of the Implicit Subsidy than was expected.

2. OneExchange 2015 Year End Review and Report on Health Reimbursement Arrangement Account Balances and Reimbursements

OneExchange provided information on the 2015 enrollment and call statistics; Health Reimbursement Arrangement (HRA) account activity; claims information; service levels and satisfaction survey results; and OneExchange's internal enhancements. Trustees directed Staff to provide additional information regarding the offshoring of the HRA claims processing, and the timeframe of OneExchange's planned operational improvements at a future Committee meeting. Staff also provided information on retirees' 2015 HRA account balances categorized by years of service contribution levels and cost analysis as of March 31, 2016

3. 2017 Medical Plans Update/Renewal Requests of ACERA/County of Alameda

Staff reported that the medical plan renewal requests to the County of Alameda included inquiries related to disease management/wellness, performance guarantees, and prescription drugs.

4. Update on Direct Deposit Advice Statement Transition to Web Member Services (WMS) and "Opt in to Paper" Initiative

Staff reported that the initiative to provide Direct Deposit Pay Advice Statements via Web Member Services was successfully completed, and that new payees will not receive a paper version of their Advice Statement unless they elect to receive a paper Statement.

5. Miscellaneous Updates

There were no relevant benefit issues affecting ACERA retirees or ACERA Staff at this time.

TRUSTEE/PUBLIC/STAFF INPUT

None.

RECOMMENDATIONS

1. 401(h) Account Resolution Request to ACERA Participating Employers

The Committee recommends, and I move that the Board of Retirement, after contributions are made to the 401(h) accounts by the respective Participating Employers, ACERA, in accordance with the CERL, treat an equal amount of Supplemental Retiree Benefit Reserve assets as employer contributions for pensions and transfer the amount equal to the pro rata share of the 401(h) contributions for the 2016-2017 fiscal year for each Participating Employer. The exact amount will be adjusted by the balance remaining in each of the 401(h) accounts and is contingent upon receipt by ACERA of an authorizing resolution from the Participating Employers' governing bodies.

2. Approval of Payment for Implicit Subsidy Cost for 2014

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$6,021,451 from the Supplemental Retiree Benefit Reserve account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for plan year 2015.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2016

The Committee recommends, and I move that the Board of Retirement adopts a Statement of Intent to continue the Implicit Subsidy Program for health plan year 2017, following a determination by ACERA at the end of plan year 2017 that the amount is not greater than the actual retiree Implicit Subsidy.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for June 1, 2016 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:41 p.m.