



June 6, 2012

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the June 6, 2012 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the June 6, 2012 meeting to order at 10:00 a.m. Committee members present were Liz Koppenhaver, Dale Amaral, and Elizabeth Rogers. Other Board members present were George Dewey; and alternate members David Safer and Darryl Walker. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Rose Kwong, Benefits Manager; Harsh Jadhav, Internal Audit Manager; and Latrena Walker, Projects and Information Services Manager.

ACTION ITEMS

1. Report and Possible Recommendation on Change in Medicare Health Benefit Coverage from Group Plan to Individual Plans

Kathy Foster, Assistant Chief Executive Officer, presented additional information and responses to questions that were raised at the May Retirees Committee meeting. The Trustees directed Staff to find out what options are available to provide medical coverage for non-Medicare eligible dependents and the total number of dependents affected; and present the information at the June Board of Retirement meeting. Ken Moresi, REAC Board President, reported that its Board voted in favor of offering retirees individual coverage through a Medicare Exchange. Pete Albert, ACRE Board President, reported that its Board took a "no position" vote regarding moving to a Medicare Exchange.

It was moved by Elizabeth Rogers and seconded by George Dewey that the Committee recommends to the Board of Retirement that it approves the discontinuation of ACERA's UnitedHealthcare's Medicare group coverage and instead offer retirees individual coverage through a Medicare Exchange service, subject to the resolution of the issue of whether non-Medicare dependents can retain medical coverage.

2. Report and Possible Recommendation on Medicare Exchange Request for Proposal (RFP)

Based on the discussion of the prior agenda topic, and the discussion on the Medicare Exchange request for proposal at the May Retirees Committee meeting, Kathy Foster, Assistant Chief Executive Officer, recommended that ACERA enter into a contract with Extend Health, Inc. to provide Medicare Exchange services to retirees.

It was moved by Elizabeth Rogers and seconded by Dale Amaral that the Committee recommends to the Board of Retirement that it authorizes Staff to enter into a contract with Extend Health, Inc., the finalist of the Medicare Exchange service vendor Request for Proposal process; subject to the resolution of the issue of whether non-Medicare dependents can retain medical coverage.

INFORMATION ITEMS

1. Report on Healthcare Inflation/Trends

Kathy Foster, Assistant Chief Executive Officer, reported on healthcare inflation factors for 2012 and 2013 based on the information provided by The Segal Company, ACERA's Actuary, and Keenan and Associates, ACERA's Benefits Consultant. The trend assumptions provided have been reset to start at 9% for non-Medicare plans, 9% for Medicare Advantage plans, and 7% for Medicare Supplement plans. The trend used for dental, vision and Medicare Part B is 5%.

2. Discussion of Monthly Medical Allowance for 2013

Kathy Foster, Assistant Chief Executive Officer, presented Monthly Medical Allowance cost comparisons for the 2012 and 2013 plan year. The estimated annual cost if only the current premiums were increased (with no increase to the MMA) based on trend percentage increases is \$23,489,026, which results in an increase of \$910,183 compared to the projected costs for 2012. The estimated annual cost if the MMA is increased by 3.5%, in addition to the increase in premiums, is \$23,922,419, an estimated increase of \$1,343,576 compared to 2012 costs. This item will be brought back to the Retirees Committee for further discussion and possible approval of the 2013 MMA at the July meeting.

3. Supplemental Retiree Benefit Reserve (SRBR) Policy Review

Kathy Foster, Assistant Chief Executive Officer, provided draft revised language for the Active Death Equity Benefit (ADEB) section of the Supplemental Retiree Benefit Reserve (SRBR) policy; along with the number of ADEB payments made and cost to the SRBR over the last five years. The Trustees directed Staff to bring this item back to the Committee for further discussion at the September meeting.

4. 2013 Plan Year Open Enrollment Timeline

Sharen Stanek-Lowe, Assistant Benefits Manager, reported on the timeline of plan year 2013 Open Enrollment activities, and the Retirees Health Fair & Wellness Center to take place on November 2, 2012.

5. Miscellaneous Updates

Sharen Stanek-Lowe, Assistant Benefits Manager, reported that based on the information UnitedHealthcare provided, the total cost of large claims for ACERA in 2011 resulted in a loss ratio of 148%; and the cost of large claims for the second quarter of 2011 through the first quarter of 2012 resulted in a loss ratio of 149%.

TRUSTEE/PUBLIC INPUT

None.

RECOMMENDATIONS

1. Report and Possible Recommendation on Change in Medicare Health Benefit Coverage from Group Plan to Individual Plans

The Committee recommends, and I move that the Board of Retirement approves the discontinuation of ACERA's UnitedHealthcare's Medicare group coverage and instead offer retirees individual coverage through a Medicare Exchange service, subject to the resolution of the issue of whether non-Medicare dependents can retain medical coverage.

2. Report and Possible Recommendation on Medicare Exchange Request for Proposal (RFP)

The Committee recommends, and I move that the Board of Retirement authorizes Staff to enter into a contract with Extend Health, Inc., the finalist of the Medicare Exchange service vendor Request for Proposal process; subject to the resolution of the issue of whether non-Medicare dependents can retain medical coverage.

FUTURE DISCUSSION ITEMS

- Adoption of Monthly Medical Allowance (MMA) for 2013

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for July 3, 2012 at 10:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:25 p.m.