



June 7, 2017

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the June 7, 2017 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the June 7, 2017 meeting to order at 10:35 a.m. Committee members present were Liz Koppenhaver, George Wood, Annette Cain-Darns and Elizabeth Rogers. Also present were Dale Amaral, Ophelia Basgal and Keith Carson. Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Harsh Jadhav, Chief of Internal Audit; Betty Tse, Chief Investment Officer; and Sandra Dueñas-Cuevas, Benefits Manager.

ACTION ITEMS

1. Approval of Payment for Implicit Subsidy Cost for 2016

Staff provided a letter from the County of Alameda stating that the final Implicit Subsidy amount for 2016 is \$8,787,596. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant. Trustees directed Staff to include the Implicit Subsidy discussion and other relevant topics related to the Supplemental Retiree Benefit Reserve as agenda items for future joint Board of Supervisors and Board of Retirement meetings. In response to Trustees' request, Staff will provide additional information that impact the analysis and calculation of the Implicit Subsidy amounts, such as health care experience and utilization, with the next wellness program report scheduled for the September Committee meeting.

It was moved by Ophelia Basgal and seconded by George Wood that the Retirees Committee recommend to the Board of Retirement that it authorizes Staff to transfer \$8,787,596 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 2016.

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Carson, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

2. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2018

Staff recommended that ACERA state its intent to fund the Implicit Subsidy Program for Plan Year 2018. The Implicit Subsidy cost for Plan Year 2017 is estimated by the County of Alameda (County) to be \$5,830,283. The estimated cost of the Implicit Subsidy for Plan Year 2018 will not be known until the County has completed its medical plan contract

negotiations. Keenan & Associates, ACERA's Benefits Consultant, provided a history and an analysis of the annual costs for the period of 2011 through 2017.

It was moved by Elizabeth Rogers and seconded by Dale Amaral 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 2018, following a determination by ACERA at the end of Plan Year 2018 that the amount is not greater than the actual retiree Implicit Subsidy.

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Carson, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Health Care Reform Update

Keenan & Associates, ACERA's Benefits Consultant, provided information on The American Health Care Act (AHCA), an overview of the AHCA, and what is next for the AHCA.

2. Presentation and Report on Health Care Inflation/Trends

Staff reported on health care inflation factors for 2017 and 2018 based on the information provided by Segal Consulting, ACERA's Actuary, and Keenan & Associates (Keenan), ACERA's Benefits Consultant. The trend assumptions provided have been reset to start at 6.50% for non-Medicare and Medicare Advantage plans. The trend used for dental and vision is 4.50%.and the trend used for Medicare Part B is 28.44% for 2017 based on the most recent experience. The Medicare Part B trend rates for 2018 and beyond are 4.50%. These trends will be used in accordance with ACERA's GASB 43 substantive plan definition. Keenan also provided a seven-year ACERA rate history for the period 2011 through 2017 for Kaiser Permanente and UnitedHealthcare.

3. Discussion of Monthly Medical Allowance (MMA) for 2018

Staff presented Group and Individual plan enrollment Monthly Medical Allowance (MMA) cost comparisons for the 2017 and 2018 Plan Years. This item will be brought back to the Retirees Committee for further discussion and possible approval of the 2018 MMA at the July 2017 meeting. Trustees directed Staff to present suggested revisions to the Supplemental Retiree Benefit Reserve Policy related to the Monthly Medical Allowance (MMA) section to include language outlining parameters when an increase to the MMA would not be considered, and provide the revised language for consideration at the next Committee meeting in which the Policy is scheduled to be reviewed.

4. Plans for Open Enrollment and Retiree Health Fair

Staff provided information on the planning for ACERA's annual Open Enrollment and Retiree Health Fair. Trustees directed Staff to provide retirees information on the various activities sponsored by the local senior centers related to ACERA's wellness initiative.

5. Miscellaneous Updates

Staff provided a report on the annual results of the performance guarantees with Delta Dental, stating that not all of DeltaCare[®] USA's metrics were met, which resulted in a penalty amount of \$261.83.

TRUSTEE/PUBLIC/STAFF INPUT

Trustee Koppenhaver expressed her appreciation to Trustee Carson for moderating the June 6, 2017 joint Board of Supervisors and Board of Retirement meeting, stating that she thought it went well.

Trustee Basgal directed Staff to provide a report on ACERA's cybersecurity policy in light of the most recent cyberattack incident. Trustee Basgal stated that although ACERA is not covered by ERISA, it has published a report on pension plans and the various requirements related to cybersecurity fiduciary responsibilities.

Staff requested Trustees' feedback on whether they would like to cancel or reschedule the July Operations and Retirees Committee meetings, since it falls on July 5th, the day after the July 4th holiday. Trustees directed Staff to look into the possibility of holding the meetings the following week on July 12th, in the afternoon of the Investment Committee meeting.

RECOMMENDATIONS

1. Approval of Payment for Implicit Subsidy Cost for 2016

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$8,787,596 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 2016.

2. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2018

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 2018, following a determination by ACERA at the end of Plan Year 2018 that the amount is not greater than the actual retiree Implicit Subsidy.

FUTURE DISCUSSION ITEMS

- Adoption of 2018 Monthly Medical Allowance for Group Plans
- Adoption of 2018 Monthly Medical Allowance for Early Retirees Individual Plans
- Adoption of 2018 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for July 5, 2017 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:00 p.m.