



August 7, 2013

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

**Subject: Summary of the August 7, 2013 Retirees Committee Meeting**

Committee Chair Liz Koppenhaver called the August 7, 2013 meeting to order at 11:30 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes and George Wood. Also present were Dale Amaral; and alternate members David Safer and Darryl Walker. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Marguerite Malloy, Associate Counsel; Latrena Walker, Projects and Information Services Manager; and Harsh Jadhav, Internal Audit Manager.

### **ACTION ITEMS**

#### **1. Adoption of Change in Eligibility Requirements for Dental Plan Subsidy for 2014**

Kathy Foster, Assistant Chief Executive Officer, provided information and reported that if the eligibility requirement for the dental plan subsidy were changed to include only retirees with ten or more years of service and those receiving a service connected disability, the estimated annual cost savings, based on current retirees on payroll, is \$567,670. Staff made a recommendation to make this change in eligibility, which would also allow for consistency in eligibility requirements for other benefits provided by the Supplemental Retiree Benefit Reserve and to address concerns regarding inequity for those with minimal years of service retiring with reciprocal membership receiving the same benefits as those with ten or more years of service.

After discussion at the meeting, it was decided that the recommendation be amended to grandfather retirees with less than ten years of service receiving a non-service connected disability retirement with an effective retirement date on or before January 31, 2014. The group with less than ten years of service impacted by this change includes 1,162 retirees who will lose coverage on February 1, 2014. The Trustees directed Staff to provide a cost estimate to include current non-service connected disability retirees who have less than ten years of service for discussion at the August 12<sup>th</sup> REAC Board meeting and the August 15<sup>th</sup> Board of Retirement meeting.

It was moved by Annette Cain-Darnes and seconded by Darryl Walker that the Committee recommends to the Board of Retirement a motion to approve a change in the eligibility requirements for the dental plan subsidy, effective February 1, 2014, from retired members with no minimum amount of service who are receiving ACERA allowances, to retired members who are receiving ACERA allowances with ten or more

years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. The motion passed.

## **2. Adoption of Dental Plan Contract/Premiums for 2014**

Kathy Foster, Assistant Chief Executive Officer, provided information on Delta Dental's renewal contract and the proposed rates for 2014.

It was moved by Annette Cain-Darnes and seconded by Liz Koppenhaver that the Committee recommends to the Board of Retirement a motion to adopt the Delta Dental Plan Contract renewal for retirees effective February 1, 2014, which includes a single-party monthly billed rate of \$38.46 for mandatory enrollment and \$55.95 for voluntary enrollment for the PPO plan; and a single-party monthly rate for the DeltaCare USA plan of \$22.45 for mandatory enrollment and \$31.43 for voluntary enrollment. The motion passed.

## **3. Adoption of Dental Plan Contributions for 2014**

Kathy Foster, Assistant Chief Executive Officer, reported that the current projected annual cost to provide this non-vested benefit is \$3,785,672. The cost for 2014 is estimated to be \$2,903,885 based on Staff's recommended change in eligibility to retirees with ten or more years of ACERA service and those receiving service connected disabilities. By grandfathering the retirees with non-service connected disabilities, the cost will increase by \$31,383.

It was moved by Annette Cain-Darnes and seconded by Darryl Walker that the Committee recommends to the Board of Retirement a motion to continue the dental plan contribution for plan year 2014, which provides a monthly subsidy equal to the single-party dental plan coverage premium of \$38.46 for the PPO plan and \$22.45 for the DeltaCare USA plan for retirees who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. The motion passed.

## **4. Adoption of Change in Eligibility Requirements for Vision Plan Subsidy for 2014**

Kathy Foster, Assistant Chief Executive Officer, provided information and reported that if the eligibility requirement for the vision plan subsidy were changed to include only retirees with ten or more years of service and those receiving a service connected disability, the estimated annual cost savings, based on current retirees on payroll, is \$49,980. Staff made a recommendation to make this change in eligibility, which would also allow for consistency in eligibility requirements for other benefits provided by the Supplemental Retiree Benefit Reserve and to address concerns regarding inequity for those with minimal years of service retiring with reciprocal membership receiving the same benefits as those with ten or more years of service.

After discussion at the meeting, it was decided that the recommendation be amended to grandfather retirees with less than ten years of service receiving a non-service connected disability retirement with an effective retirement date on or before January 31, 2014. The group with less than ten years of service impacted by this change includes 1,090 retirees who will lose coverage on February 1, 2014.

It was moved by Annette Cain-Darnes and seconded by Liz Koppenhaver that the Committee recommends to the Board of Retirement a motion to approve a change in the eligibility requirements for the vision plan subsidy, effective February 1, 2014, from retired members with no minimum amount of service who are receiving ACERA allowances, to retired members who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. The motion passed.

#### **5. Adoption of Vision Plan Contract/Premiums for 2014**

Kathy Foster, Assistant Chief Executive Officer, provided information on Vision Service Plan's renewal contract and the proposed rates for 2014.

It was moved by Annette Cain-Darnes and seconded by Liz Koppenhaver that the Committee recommends to the Board of Retirement a motion to adopt the Vision Service Plan contract renewal for retirees effective February 1, 2014, which includes a single-party monthly billed rate of \$4.24 for mandatory enrollment and \$4.70 for voluntary enrollment. The motion passed.

#### **6. Adoption of Vision Plan Contributions for 2014**

Kathy Foster, Assistant Chief Executive Officer, reported that the current projected annual cost to provide this non-vested benefit is \$362,915. The cost for 2014 is estimated to be \$320,086 based on Staff's recommended change in eligibility to retirees with ten or more years of ACERA service and those receiving service connected disabilities. By grandfathering the retirees with non-service connected disabilities, the cost will increase by \$3,460.

It was moved by Annette Cain-Darnes and seconded by Liz Koppenhaver that the Committee recommends to the Board of Retirement a motion to continue the vision plan contributions for plan year 2014, which provides a monthly subsidy equal to the single-party vision plan coverage premium of \$4.24 for retirees who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. The motion passed.

## **INFORMATION ITEMS**

### **1. Health Care Reform Update – 2<sup>nd</sup> Quarter**

Keenan & Associates, ACERA's Benefits Consultant, provided information regarding Healthcare Reform, Covered California (California Health Exchange), selected Medicare topics, California and Federal legislation, and Retiree-Only Health Reimbursement Accounts.

### **2. Status Update on Project Plan for Early Retiree Medical Coverage through Health Exchange (Covered California)**

Kathy Foster, Assistant Chief Executive Officer, provided a status update on the Covered California project, pointing out that the current priority is determining whether a Monthly Medical Allowance can be provided to eligible retirees if they obtain coverage through the Health Exchange and whether a Health Reimbursement Account can be used to provide the subsidy.

### **3. Plans for Open Enrollment and Retiree Health Fair**

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information on the planning for ACERA's annual Open Enrollment and Retiree Health Fair and Wellness Center.

### **4. Information Regarding Pharmacy Benefit Manager (PBM) Plan for Medicare Retirees**

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information on a Pharmacy Benefits Manager plan as a possible option to assist retirees who enter the Medicare Part D Coverage Gap or doughnut hole.

### **5. Miscellaneous Updates**

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information on Extend Health, Inc. Medicare Exchange and claims reimbursed through the Health Reimbursement Arrangement (HRA).

## **TRUSTEE/PUBLIC INPUT**

Trustees expressed their appreciation to Staff for preparing all of the information provided in the meeting packet.

## **RECOMMENDATIONS**

### **1. Adoption of Change in Eligibility Requirements for Dental Plan Subsidy for 2014**

The Committee recommends, and I move that the Board of Retirement approves a change in the eligibility requirements for the dental plan subsidy, effective February 1, 2014, from retired members with no minimum amount of service who are receiving ACERA allowances, to retired members who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014.

### **2. Adoption of Dental Plan Contract/Premiums for 2014**

The Committee recommends, and I move that the Board of Retirement adopts the Delta Dental Plan Contract renewal for retirees effective February 1, 2014, which includes a single-party monthly billed rate of \$38.46 for mandatory enrollment and \$55.95 for voluntary enrollment for the PPO plan; and a single-party monthly rate for the DeltaCare USA plan of \$22.45 for mandatory enrollment and \$31.43 for voluntary enrollment.

### **3. Adoption of Dental Plan Contributions for 2014**

The Committee recommends, and I move that the Board of Retirement continues the dental plan contributions for plan year 2014, which provides a monthly subsidy equal to the single-party dental plan coverage premium of \$38.46 for the PPO plan and \$22.45 for the DeltaCare USA plan for retirees who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. This is a non-vested benefit funded by contributions from the ACERA employers to the 401(h) account. After contributions are made in accordance with the County Employee Retirement Law, ACERA treats an equal amount of Supplemental Retiree Benefit Reserve assets as employer contributions for pensions.

### **4. Adoption of Change in Eligibility Requirements for Vision Plan Subsidy for 2014**

The Committee recommends, and I move that the Board of Retirement approves a change in the eligibility requirements for the vision plan subsidy, effective February 1, 2014, from retired members with no minimum amount of service who are receiving ACERA allowances, to retired members who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014.

#### **5. Adoption of Vision Plan Contract/Premiums for 2014**

The Committee recommends, and I move that the Board of Retirement adopts the Vision Service Plan contract renewal for retirees effective February 1, 2014, which includes a single-party monthly billed rate of \$4.24 for mandatory enrollment and \$4.70 for voluntary enrollment.

#### **6. Adoption of Vision Plan Contributions for 2014**

The Committee recommends, and I move that the Board of Retirement continues the vision plan contributions for plan year 2014, which provides a monthly subsidy equal to the single-party vision plan coverage premium of \$4.24 for retirees who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees with an effective retirement date on or before January 31, 2014. This is a non-vested benefit funded by contributions from the ACERA employers to the 401(h) account. After contributions are made in accordance with the County Employee Retirement Law, ACERA treats an equal amount of Supplemental Retiree Benefit Reserve assets as employer contributions for pensions.

#### **FUTURE DISCUSSION ITEMS**

- Supplemental Retiree Benefit Reserve (SRBR) Policy Update

#### **ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for September 4, 2013 at 10:00 a.m.

#### **MEETING ADJOURNED**

The meeting adjourned at 1:35 p.m.