



June 5, 2019

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the June 5, 2019 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the June 5, 2019 meeting to order at 10:31 a.m. Committee members present were Dale Amaral, Keith Carson and Elizabeth Rogers. Also present were Ophelia Basgal, Tarrell Gamble, Henry Levy, and George Wood, and alternate members Nancy Reilly and Darryl Walker. Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Kathy Mount, Chief Counsel; Sandra Dueñas-Cuevas, Benefits Manager; Jessica Huffman, Benefits Manager; and Harsh Jadhav, Chief of Internal Audit.

PUBLIC INPUT

None.

ACTION ITEMS

1. Approval of Payment for Implicit Subsidy Cost for 2018

Staff provided a letter from the County of Alameda (County) stating that the final Implicit Subsidy amount for 2018 is \$6,899,139. This amount was verified by Segal Consulting, ACERA's Benefits Consultant. There was discussion regarding the current methodology to calculate the Implicit Subsidy amount.

It was moved by Elizabeth Rogers and seconded by Ophelia Basgal that the Retirees Committee recommend to the Board of Retirement that it authorizes Staff to transfer \$6,899,139 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 2018.

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

2. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2020

Staff recommended that ACERA state its intent to fund the Implicit Subsidy Program for Plan Year 2020. The Implicit Subsidy cost for Plan Year 2019 is estimated by the County of Alameda (County) to be \$6,510,876. The estimated cost of the Implicit Subsidy for Plan Year 2020 will not be known until the County has completed its medical plan contract negotiations.

It was moved by Elizabeth Rogers and seconded by George Wood 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 2020, following a determination by ACERA at the end of Plan Year 2020 that the amount is not greater than the actual retiree Implicit Subsidy.

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

INFORMATION ITEMS

1. Presentation and Report on Health Care Inflation/Trends

Staff reported on health care inflation factors for 2019 and 2020 based on the information provided by Segal Consulting (Segal), ACERA's Actuary. The trend assumptions provided have been reset to start at 7.00% for non-Medicare plans and 6.50% for Medicare Advantage plans. These trend assumptions will be further adjusted to reflect the impact of the Health Insurance Tax (HIT), resulting in 8.20% (7.00% plus 1.20% for the HIT) for non-Medicare plans, and 7.40% (6.50% plus 0.90% for the HIT) for Medicare plans. The trend used for dental, vision and Medicare Part B is 4.00%. These trends will be used in accordance with ACERA's GASB 43 substantive plan definition. Segal's benefits consulting team also provided health care trend information.

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

Segal Consulting (Segal), 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 2040 with full benefits paid through 2039, for a total of 21 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2036, for a total of 17 full years and one partial year.

Staff stated that the preliminary review of the valuation is based on projections using substantive plan and medical inflation trends. This information is used in the decision making process to set the Monthly Medical Allowance (MMA), and the dental and vision benefit amounts for the 2020 Plan Year.

3. Discussion of Monthly Medical Allowance (MMA) for 2020

Staff presented Group and Individual plan enrollment Monthly Medical Allowance (MMA) cost comparisons for the 2019 and 2020 Plan Years. This item will be brought back to the Retirees Committee for further discussion and possible approval of the 2020 MMA at the July 2019 meeting.

4. 2019 Medical Plans Update/Renewal Requests of ACERA/County of Alameda

Staff reported that the April 4, 2019 annual medical plan renewal request letter to the County of Alameda included inquiries related to disease management/wellness, performance guarantees, prescription drugs, pricing to cover Kaiser Permanente's Silver&Fit® Exercise and Healthy Aging Program, and UnitedHealthcare's HMO plans and design change options. The dental and vision renewal information will be presented at the July Committee meeting.

5. Report on Annual Health Care Planning Meeting with Retiree Groups

Staff provided a report on the participants, topics, and follow-up items from the Annual Health Care Planning meeting, which was held on April 3, 2019.

6. Report on Health Reimbursement Arrangement Account Balances and Reimbursements

Staff provided information on retirees' 2018 Health Reimbursement Arrangement (HRA) account balances categorized by years of service contribution levels and cost analysis as of March 31, 2019.

7. Plans for Open Enrollment and Retiree Health and Wellness Fair

Staff provided a timeline and information on the planning for ACERA's annual Open Enrollment and Retiree Health and Wellness Fair, which will be held on October 30, 2019.

8. Miscellaneous Updates

Staff did not have any updates to report.

TRUSTEE REMARKS

Trustee Koppenhaver thanked Staff for addressing retirees' concerns related to discrepancies in their Health Reimbursement Arrangement/Account (HRA) balances due to adjustments that were made as a result of Via Benefits' transition to its in-house HRA administration/claims processing system.

FUTURE DISCUSSION ITEMS

- Adoption of 2020 Monthly Medical Allowance for Group Plans
- Adoption of 2020 Monthly Medical Allowance for Early Retiree Individual Plans
- Adoption of 2020 Monthly Medical Allowance for Medicare Eligible Retiree Individual Plans

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for July 18, 2019 at 1:00 p.m.

MEETING ADJOURNED

The meeting adjourned at 12:09 p.m.