



May 9, 2018

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the May 9, 2018 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the May 9, 2018 meeting to order at 1:30 p.m. Committee members present were Liz Koppenhaver, George Wood, Annette Cain-Darnes, Keith Carson and Dale Amaral. Also present were Ophelia Basgal, Tarrell Gamble, Elizabeth Rogers, 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; Betty Tse, Chief Investment Officer; and Sandra Dueñas-Cuevas, Benefits Manager.

ACTION ITEMS

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

Staff presented information regarding the 401(h) contributions for the 2018-2019 fiscal year. The projected contribution that will be required is \$53,209,000. 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 \$45,712,126.90.

It was moved by Tarrell Gamble and seconded by Annette Cain-Darnes 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 2018-2019 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.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

2. Approval of Payment for Implicit Subsidy Cost for 2017

Staff provided a letter from the County of Alameda stating that the final Implicit Subsidy amount for 2017 is \$5,800,563. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

Trustees directed Staff to review records of the discussions related to the agreement reached on the current methodology of calculating the Implicit Subsidy amount, and meet with the County of Alameda (County) to discuss the possibility of changing the methodology to take into account the amount of the premiums active employees pay, which should reduce the amount of the Implicit Subsidy ACERA pays to the County.

It was moved by Tarrell Gamble and seconded by George Wood that the Retirees Committee recommend to the Board of Retirement that it authorizes Staff to transfer \$5,800,563 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 2017.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2019

Staff recommended that ACERA state its intent to fund the Implicit Subsidy Program for Plan Year 2019. The Implicit Subsidy cost for Plan Year 2018 is estimated by the County of Alameda (County) to be \$6,939,808. The estimated cost of the Implicit Subsidy for Plan Year 2019 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 2018.

It was moved by Tarrell Gamble and seconded by Elizabeth Rogers 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 2019, following a determination by ACERA at the end of Plan Year 2019 that the amount is not greater than the actual retiree Implicit Subsidy.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. 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 2039 with full benefits paid through 2038, for a total of 21 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2038, for a total of 20 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 2019 Plan Year. Projections based on the current MMA amounts and the current number of retirees receiving these benefits with cost information will be provided at the June Committee meeting.

2. Report on Health Reimbursement Arrangement Account Balances and Reimbursements

Staff provided information on retirees' 2017 Health Reimbursement Arrangement (HRA) account balances categorized by years of service contribution levels and cost analysis as of March 31, 2018. Via Benefits/OneExchange will provide additional information with its year-end report at the June Committee meeting.

3. 2019 Medical Plans Update/Renewal Requests of ACERA/County of Alameda

Staff reported that the March 29, 2018 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 PPO plan alternatives. The dental and vision renewal information will be presented at the July Committee meeting.

4. Semi-Annual Report on ACERA's Wellness Program

Keenan & Associates, ACERA's Benefits Consultant, and Staff provided a presentation on ACERA's Wellness Program, which included the project scope of work, Kaiser Permanente's Prevention Lifestyle Risk and Chronic Condition reports, carriers' wellness resources, 2018 proposed wellness program framework, and information on ACERA's October 25, 2018 Retiree Health Fair.

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 \$247.58. Staff also provided an update on the Medicare Part B Reimbursement Plan (MBRP) benefit eligibility recertification process, which involved 546 retirees who qualify for and are receiving this benefit, but are not enrolled in an ACERA sponsored Medicare group plan or an individual Medicare plan through Via Benefits.

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 2018-2019 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 2017

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$5,800,563 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 2017.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2019

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 2019, following a determination by ACERA at the end of Plan Year 2019 that the amount is not greater than the actual retiree Implicit Subsidy.

TRUSTEE REMARKS

None.

PUBLIC INPUT

None.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for June 6, 2018 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 2:39 p.m.