

August 3, 2011

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

**Subject: Summary of the August 3, 2011 Retirees Committee Meeting**

Committee Chair Liz Koppenhaver called the August 3, 2011 meeting to order at 10:30 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes, Dale Amaral, and George Dewey. The other Board members present were Keith Carson, Darryl Walker, and George Wood; and alternate Board member David Safer. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Rose Kwong, Benefits Manager; JP Singh, Chief Financial Officer; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; and Harsh Jadhav, Internal Audit Manager.

### **ACTION ITEMS**

#### **1. Adoption of Monthly Medical Allowance for 2012**

As was discussed at the July Retirees Committee meeting, Staff is recommending that there be no increase to the Monthly Medical Allowance (MMA) amount for 2012, thereby maintaining the current MMA maximum of \$522.16 for plan year 2012. The estimated annual cost to provide this benefit for 2012 is \$24,194,281. This recommendation is based on the fact that for 2010, \$4.8 million was added to the Supplemental Retiree Benefit Reserve (SRBR) while \$39.3 million was paid for benefits. In 2008 and 2009 the additions to the SRBR were also less than the benefit amounts paid.

Representatives from both the Alameda County Retired Employees (ACRE) and Retired Employees of Alameda County (REAC) expressed their organization's support of Staff's recommendation to maintain the current MMA amount for plan year 2012.

Staff noted at last month's meeting, that by not increasing the MMA, the out of pocket costs for the early retirees enrolled in the Kaiser HMO could increase to approximately \$90 per month compared to the current amount of \$34. The Medicare eligible retirees in Kaiser Senior Advantage would continue to pay no out of pocket costs. The increase in out of pocket cost is based on the health care trends provided by The Segal Company. For the Early Retiree plans, this trend factor is 10%.

In response to the Committee's request at the July meeting, Staff provided the following information regarding the increase in premium rates from 2010 to 2011:

***Early Retirees Plans:***

- Kaiser HMO - 3.9%
- United Health's HMO – 12.2%

***Medicare Plans:***

- Kaiser – 1.6%
- United Health Medicare Complete – 9.0%
- United Health Senior Supplement – 5.8%

It was moved by George Dewey and seconded by Darryl Walker that the Committee recommends to the Board of Retirement (Board) a motion to adopt a 2012 Monthly Medical Allowance (MMA) equal to the 2011 MMA, thereby maintaining the current MMA maximum of \$522.16 for plan year 2012. The MMA contribution is a non-vested benefit subject to possible reduction or elimination if Board policies change or funds are unavailable. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions. Dale Amaral opposed this motion.

## **2. Adoption of Dental Plan Contract/Premiums for 2012**

Keenan & Associates (Keenan), ACERA's Benefits and Communications Consultant, has negotiated a new three-year contract with Delta Dental for retiree coverage for both the DPO and DeltaCare USA DMO plans beginning in plan year 2012. ACERA's current billed rate (after applying a stabilization account subsidy) is \$40.88. For 2012 and 2013, there will be no increase to the actual premium of \$43.72. However, a lower subsidy from the rate stabilization reserve will be applied which will result in a 1.95% increase for a billed rate of \$41.94 for 2012. For plan year 2014, a 7% rate cap is guaranteed.

For the DMO plan, a rate pass was given for 2012 and 2013 keeping the single-party premium at \$22.45. A 5% rate cap is guaranteed for the third year (2014).

There was discussion that in order to negotiate the best rates possible and not accept the maximum rate cap, that the covered population and actual experience be reviewed with the vendors each year.

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Committee recommends to the Board of Retirement a motion to adopt the new three-year Delta Dental Plan Contract for retirees effective February 1, 2012 through January 31, 2015 starting with a single-party Delta Dental DPO coverage premium per month of \$43.72 (total rate), \$41.94 (billed rate) and a single-party DeltaCare USA DMO coverage premium of \$22.45 per month for plan year 2012.

### **3. Adoption of Dental Plan Contributions for 2012**

ACERA provides dental coverage for all retirees and dependents. Enrollment for retirees is mandatory in an effort to keep premiums at the lowest possible cost. A contribution towards retiree coverage is provided as a non-vested benefit.

This benefit is reviewed annually by the Committee for recommended approval by the Board. For 2012 the billed premium amount for retiree single coverage for the DPO plan is \$41.94 and \$22.45 for the DMO plan. Staff recommends the dental contribution for retiree coverage be continued in these amounts for 2012. The estimated annual cost is \$3,476,074.

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Committee recommends to the Board of Retirement a motion to continue the dental plan contribution for plan year 2012, which provides a monthly subsidy equal to the single-party dental coverage premium of \$41.94 (Delta Dental DPO billed rate) and \$22.45 (DeltaCare USA DMO) for the retiree only to cover all retirees' Delta Dental Plan premiums. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions.

### **4. Adoption of Vision Plan Contributions for 2012**

ACERA sponsors vision plan coverage for its retirees through the Vision Service Plan (VSP). A subsidy is currently provided to retirees based on the single-party premium. This benefit is reviewed annually by the Committee for recommendation for approval by the Board.

The 2012 plan year will be the second year of a four-year contract between ACERA and VSP. The single-party coverage premium (per retiree) will continue to be \$5.52 per month for the 2012 plan year. The annual cost to provide this non-vested benefit based on current enrollment is \$461,162.88.

Alternative cost-saving options were also provided for future consideration. Staff will perform further review and analysis on these plans and any impacts to retirees.

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Committee recommends to the Board of Retirement a motion to continue the vision plan contribution for plan year 2012, which provides a monthly subsidy equal to the single-party vision coverage premium of \$5.52 for the retiree only to cover all retirees' Vision Service Plan premiums. This is a non-vested benefit funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions.

## **INFORMATION ITEMS**

### **1. Results of Retiree Benefits Survey**

Staff reported that the benefits survey was distributed to retirees and active members the last week of May and the first week of June. The survey also served as an educational tool to describe what non-vested benefits are and how those benefits are funded. A total of 16,401 surveys were distributed; 7,625 to retirees via US mail and 8,776 to active members via online. We received 2,881 (38%) responses from retirees and 1,547 (18%) from active members.

When asked to rank the following non-vested benefits in order of importance, both the retiree and active member respondents indicated that the MMA was the most important and the vision coverage and death benefit the least important. Below is the order in which the benefits were ranked:

1. Monthly Medical Allowance
2. Supplemental Cost of Living Adjustment
3. Medicare Part B Reimbursement Plan
4. Dental Coverage Subsidy
5. Active Death Equity Benefit
6. Vision Coverage Subsidy
7. Lump Sum Death Benefit

In summary, the majority of the respondents were willing to eliminate the vision subsidy to help preserve the MMA benefit. Over half of the retirees and 49% of the active members were willing to eliminate the dental subsidy. Also the majority of retirees and active members were not willing to pay more out of pocket costs for their monthly medical plan premiums, but willing to pay more for dental or vision plan premiums. The majority of the retirees (69%) and active members (72%) were willing to see the MMA amount stay the same to extend the life of the SRBR.

It was agreed that providing the survey/communication information was beneficial to retirees and members; however concern was expressed to ensure that communications do not unduly frighten or cause anxiety to members by implying that benefits will no longer be provided.

A summary of the comments and questions received with the survey from retirees will be provided at the September Committee meeting.

### **2. Report on Outcome of UnitedHealthcare Medicare Group Plan vs. Individual Plan Review**

Over the last six months, Staff has been working with ACERA's Benefits Consultants, United Health, and Alameda County to review coverage options for retiree Medicare plans.

### Individual Plans

Keenan reviewed work performed by ACERA's prior Benefits Consultant, Woodruff-Sawyer & Co., on comparisons of current Medicare plans and individual plans offered by AARP and UnitedHealthcare. Both confirmed that ACERA's Kaiser Senior Advantage plan coverage and premiums are comparable and recommend no further review or changes to this plan. Both consultants' analysis of UnitedHealthcare's group plan costs versus individual plan costs resulted in potential savings by switching to individual plans. Both consultants recommended that ACERA pursue the possibility of offering individual plans in an effort to determine and ensure that if offered, there would be no detrimental impact on retiree coverage. Staff will continue working on this analysis and report back to the Committee as significant progress is made.

### Group Plans

United Health has provided ACERA proposals for 2012. Currently offered to retirees are the Senior Supplement plan and the Medicare Advantage plan.

Changes due to healthcare reform are allowing cost-saving opportunities if we change our Senior Supplement plan to an Employer Group Waiver Plan (EGWP) and incorporate a self-funded WRAP for both plans. These changes have very little impact to the plans and will save \$412,410 in annual premiums plus allow the potential for \$1,183,740 in prescription drug rebates that would be paid directly to ACERA based on utilization.

At the September Committee meeting, staff will present more information on these plans with a recommendation for changes.

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

Staff presented the following key summary points of the upcoming open enrollment and retiree health fair:

- The retirees health fair will be held on Friday, October 28, 2011 from 10:00 AM to 2:00 PM at the Oakland Airport Hilton
- The open enrollment period is from November 1 through November 30, 2011 and the theme is "Health is Wealth"
- A check insert and a pamphlet regarding the health fair will be provided
- The health fair speaker schedule has been finalized and an expanded Wellness Center will be included
- VSP will sponsor our first "Eyes of Hope" campaign in collecting old glasses no longer in use and refurbishing them for others to use
- A preliminary budget will be provided at next month's meeting

## **4. Miscellaneous Updates**

The one update provided this month relates to VSP's relationship with Costco. Effective July 1, 2011, Costco will take care of remitting the proper claim paperwork to VSP on the member's behalf.

## **TRUSTEE/PUBLIC INPUT**

None.

## **RECOMMENDATIONS**

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**FUTURE DISCUSSION ITEMS**

- Approval of 2010 Supplemental Retiree Benefit Reserve (SRBR) Valuation

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for September 7, 2011 at 10:30 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 12:25 p.m.