

December 1, 2010

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair

Subject: Summary of the December 1, 2010 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the December 1, 2010 meeting to order at 10:35 a.m. Committee members present were Annette Cain-Darnes, George Dewey, and Elizabeth Rogers. Other Board Members present were George Wood, and Alternate Members Darryl Walker and David Safer. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Bob Gaumer, Chief Counsel; Latrena Walker, Project and Information Services Manager; J.P. Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Mike Fara, Communications Manager and Harsh Jadhav, Internal Auditor.

ACTION ITEMS

Active Death Equity Benefit (ADEB) continuation for 2011

The Active Death Equity Benefit provides the equivalent of the Option 2 allowance to a surviving spouse or state-registered domestic partner upon the death of a vested active member. The Option 2 retirement allowance provides for a reduced benefit to the retiree in order to leave 100% of that benefit to a designated beneficiary.

This benefit was created for Members who suffer an accidental or untimely death and unable to select (provide) the Option 2 continuance allowance for their eligible beneficiary. The ADEB allows for the pre-funding of the supplemental benefit which, in combination with the 60% continuance, will provide 100% of what the retiree would have been entitled to under Option 2.

Four ADEB benefits have been established in 2010 which had a cost of \$665,572.07 for 2010. The cost for 2009 was 107,584.00.

Pursuant to the Committees' request, Staff will provide the number of members who elected the unmodified option versus Option 2, along with more statistical data in order to determine any inequities that may occur as result of providing this benefit.

Staff put forth its recommendation that the Committee adopt the continuation of the Active Death Equity Benefit (ADEB) provision for 2011. This benefit is funded by the SRBR. New ADEB benefits are subject to future reduction or elimination if funds are unavailable. Benefits shall be pre-funded for the lifetime of each beneficiary at the time each supplemental benefit is established. Pre-funding of this benefit is based on actuarial assumptions. The recommendation was moved by George Dewey, seconded by Annette Cain-Darnes, and passed unanimously.

Retired Members Death Benefit continuation for 2011

187 death benefits have been paid for 2010. The total cost of the portion funded by the SRBR is \$794,750. Of the 187 benefits paid, 16 payments went to estates/trusts and one went to a charity. All other benefits were paid to individuals.

The Retired Member Death Benefit is a one-time payment of \$5,000 that will be paid upon the death of an ACERA retired member if that member retired from ACERA as their last employer. If a reciprocal agency was the last employer and that agency pays less than a \$5,000 death benefit, ACERA will supplement that benefit up to a total benefit from all systems of \$5,000. This is a non-vested benefit which became effective August 20, 1998.

Of the \$5,000 lump sum benefit, \$4,250 is funded by the Supplemental Retiree Benefits Reserve (SRBR) per Government Code Section 31789.12. Section 31789 provides for a death benefit of \$750 paid for from employer contributions.

The BOARD agreed to more detail discussions as this benefit affects the SRBR fund. The Committee agreed to discuss beneficiary eligibility for the portion of this benefit provided by the SRBR at a future date.

Staff put forth its recommendation that the Committee adopt the continuation and payment of the Retired Members (Lump Sum) Death Benefit for 2011. This benefit is funded by the Supplemental Retiree Benefits Reserve (SRBR) and is a non-vested benefit subject to future reduction or elimination if funds are unavailable. The recommendation was moved by Beth Rogers, seconded by George Dewey, and passed unanimously.

Adoption of Updates to Appendix A of 401(h) Account Resolutions

The ACERA Board passed Resolution No. 07-29 401(h) that set forth the legal requirements and procedural operations of the 401(h) accounts managed by ACERA. Resolution No. 07-29 is Appendix A which sets forth the cost and eligibility requirements for Monthly Medical Allowance (MMA), Medicare Part B Reimbursement Benefit and Dental Care and Vision Care coverage.

During the annual evaluation of 401(h) accounts managed by ACERA, the Retirees Committee and the Board recommended not changing the maximum MMA from its 2010 amount of \$552.16. The Board approved setting the cost of the Delta Dental Care PPO plan at \$40.88 and the cost of the Delta Dental PMI Plan at \$22.46. The Board approved no change in the premiums for the VSP vision care plan at \$5.52. The Board resolved to keep the Medicare Part B reimbursement for eligible Part B enrollees at \$96.40.

For Resolution No. 07-29 to remain current for the upcoming 2011 plan year, Appendix A must be amended to reflect the decision regarding the MMA and medical, dental and vision premium amounts as adopted by the Board.

Staff put forth its recommendation that the Committee adopt that Appendix A to Resolution No. 07-29 be revised and updated to reflect the changes approved by the Board to the Monthly Medical Allowance (MMA) and other Retiree Health Benefit

premiums for plan year 2011. The recommendation was moved by Elizabeth Rogers, seconded by George Dewey, and passed unanimously.

INFORMATION ITEMS

Final Report on Open Enrollment Transactions

In compliance with the Healthcare Reform/Affordable Care Act, ACERA will be accepting dependents age 24 to age 26 for all ACERA offered healthcare plans. Members must complete, sign and return the Affidavit of Dependent Eligibility Form to ACERA. By returning this Form, this dependent's healthcare coverage may continue into Plan Year 2011. Staff has mailed out 109 letters with Affidavit of Dependent Eligibility Forms to our current members who are covering dependents ages 19 to 24.

The Open Enrollment Voice mail box has received as of 11/30/2010 133 calls from members. Fifteen of these calls were from members confirming if they were not making any changes did they need to submit anything to ACERA. As of 11/30/2010, 17 questions were from members regarding the Healthcare Reform/Affordable Care Act change in being able to add their dependent onto their healthcare coverage.

Letters will be mailed to Anthem Blue Cross enrollees who have not yet submitted forms to enroll in a new plan. If no response is received, members will default into the PacifiCare HMO plan.

Due to the transition from Anthem Blue Cross to PacifiCare HMO an extension date to receive enrollment form for 12/10/2010 has been put in place for those members affected by the change. All other enrollment forms will need to be post-marked as of 12/01/2010 to be applicable for processing.

Healthcare Reform Update

Staff has been working with the County of Alameda's benefits staff to verify answers to questions as well as obtain updates from the County regarding the Early Retiree Reimbursement Program or ERRP through the Patient Protection and Affordable Care Act. The County as the Plan Sponsor has continued to progress through the multitude of steps to potentially receive reimbursement. The reimbursement is based on \$15,000 of paid claims incurred by an ACERA early retiree enrolled in the either the Kaiser Permanente HMO or PacifiCare HMO Plans.

There are several more steps that must be taken before the County will see any funds from the program. The County has completed two of the five steps required to receive reimbursement. The County did not commence to the setup of the process until late October. The County reports that all is going well.

ACERA will benefit from the ERRP by the off-set of future premiums. These monies will be used for future Active and Early Retirees premiums. Notice of the status of the ERRP and impact to retirees will be communicated once the County has finalized the program.

ACERA Vendor Issues

DeltaCare USA Claims & Call Center Relocation

Delta Dental is streamlining operational areas for the DeltaCare USA dental plans. Functions such as claims handling and the Call Center currently handled in Cerritos, CA are being transitioned to Delta Dental's center in Alpharetta, GA, which is a location that is already established for DeltaCare. This change should be seamless to our retirees. The DeltaCare USA Customer Service telephone number and hours of operation will remain the same.

Annual Notice of Change (ANOC)

Plan sponsors of Medicare plans are required to annually provide a notice to their membership. The ANOC contains recent policy, formulary, as well as other changes by the plan sponsor i.e. medical plan carrier. Members have been notified by both carriers.

Kaiser New Terminating and Effective Date Process for Medicare Members

A recent audit of Kaiser Permanente's current process of terminating as well as enrolling a member into the Kaiser Senior Advantage Plan has resulted in a change in their process due to the Center for Medicare and Medicaid Services (CMS) audits of healthcare vendors to verify compliance with established guidelines. The new process becomes effective January 1, 2011 and applies to all employers offering a Kaiser Permanente Medicare Plan. Staff is reviewing current internal procedures to comply with this change while working with Kaiser to solidify expectations.

PacifiCare HMO and PacifiCare Secure Horizon will issue new ID cards for the new plan year.

TRUSTEE/PUBLIC INPUT

None.

RECOMMENDATIONS

The Committee recommends, and I move that the Board of Retirement:

- 1) Adopt the continuation of the Active Death Equity Benefit (ADEB) provision for 2011. This benefit is funded by the Supplemental Retiree Benefits Reserve (SRBR). New ADEB benefits are subject to future reduction or elimination if funds are unavailable. Benefits shall be pre-funded for the lifetime of each beneficiary at the time each supplemental benefit is established. Pre-funding of this benefit is based on actuarial assumptions.
- 2) Adopt the continuation and payment of the Retired Members (Lump Sum) Death Benefit for 2011. This benefit is funded by the Supplemental Retiree Benefits Reserve (SRBR) and is a non-vested benefit subject to future reduction or elimination if funds are unavailable.

- 3) Adopt that Appendix A to Resolution No. 07-29 be revised and updated to reflect the changes approved by the Board to the Monthly Medical Allowance (MMA) and other Retiree Health Benefit premiums for plan year 2011.

FUTURE DISCUSSION ITEMS

As noted on the agenda.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for Wednesday, January 5, 2011 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:50 a.m.