

SPRING/SUMMER 2010

WHAT'S UP?

NEWS FOR ACERA MEMBERS

Health Reform Signed Into Law ... Now What?

On March 30, President Obama signed into law the Health Care and Education Reconciliation Act of 2010. With a stroke of his pen, the President made good on his campaign promise to tackle health reform and ended more than a year of polarizing debate in the halls of Washington and around dinner tables across the country.

Politics aside, most Americans are now shifting their attention from rhetoric to reality. Instead of debating the philosophical differences between left and right and what the new legislation means in the November elections, Americans will be discussing the more individual question: what does this mean for me?

The new law is very complex and far-reaching and will require the drafting of numerous regulations to clarify and codify its many provisions. Furthermore, it will take several years before the law is fully implemented, with the earliest effective dates occurring in the next few months, and the final changes falling into place in 2018.

In a nutshell, here is a summary of the key changes that may affect ACERA retirees and dependents. Active Employees may want to contact their HR departments for an explanation of how this will affect you.

Beginning in 2010

- In June 2010, the Department of Health and Human Services is required to implement a temporary program that reimburses employers whose group health plans cover their retirees over age 55 who do not currently qualify for Medicare. ACERA's employers may qualify for this reimbursement of up to 80% **(continues)**

(continued from cover page)

of the costs of providing health coverage to these retirees where the costs are between \$15,000 and \$90,000.

Beginning February 1, 2011

- Coverage will be extended to adult dependents to age 26 (as long as they do not have access to other employer-sponsored health insurance).
- Lifetime dollar limits on benefits are not permitted.
- Pre-existing condition exclusions for those age 18 or younger will no longer be allowed (elimination of pre-existing condition exclusion for all others goes into effect in 2014).
- Plans will be required to provide first dollar coverage for certain evidence-based preventive care and certain immunizations, meaning there will be no copays or coinsurance, so coverage is provided from the first dollar.
- The employer will be required to provide a uniform explanation of coverage.
- There will be requirements to allow employees to choose their own primary care doctor, allow parents to designate pediatricians as primary care providers for children, and prohibitions against requiring preauthorization for ob/gyn services.
- New claims procedures and appeals procedures will be required.

Beginning in 2012

- The reimbursement that Medicare makes to Medicare Advantage plans (such as Kaiser Senior Advantage) will be based on 95% of what Medicare reimburses non-Advantage plans. This change is an effort

by Medicare to recognize efficiencies in Advantage plans over traditional fee-for-service plans. This may be a reduction in reimbursement for Medicare Advantage plans, and may cause these plans to modify benefits or premiums to compensate for the change. ACERA's Benefits Consultants are in communication with Kaiser to try to determine how they expect the provision to affect their Senior Advantage plan.

Beginning in 2013

- A new tax of \$2 per person will be collected from your health-care premiums to fund comparative effectiveness research to study drugs, medical devices, surgeries, and other ways to deliver health care.
- There will be an increase to the Medicare Hospital Insurance payroll taxes of 0.9% for individuals earning more than \$200,000 a year (\$250,000 for joint filers) that goes into effect for tax years beginning 2013.
- In addition, a Medicare tax (a total of 3.8%) will be applied to net investment income for individuals or couples meeting the thresholds in the above bullet point.

Beginning in 2014

- Financial incentives of up to 30% of your health plan premium for your participation in wellness programs will be permitted.
- There will be a new mandated benefit package determined by the Department of Health and Human Services (HHS).
- An individual mandate with fines for failing to purchase

insurance will go into effect (\$95 in 2014, \$350 in 2015, \$750 in 2016, and indexed beginning in 2017).

- State run Health Benefits Exchanges become operational where individuals and small groups can choose from among several insurance products offered by not-for-profit and for-profit insurance companies.
- Mandatory extension of family coverage to dependents up to 26 years of age regardless of whether they have employer-based coverage elsewhere will be required.

Beginning in 2018

- A 40% excise tax will be imposed on "Cadillac" plans with a value greater than \$11,850 for individual early retirees age 55 and older and \$30,950 for early retirees with dependent(s) (the threshold for employees will be \$10,200 for an individual and \$27,500 for more than individual coverage). These values will be indexed, meaning they will start being adjusted for changes in the cost of living, beginning in 2019.

Other Changes

In addition to the changes noted above, there will be government subsidies to help individuals earning up to 400% of the federal poverty level to purchase insurance. Other provisions will address elimination of the "donut hole" for retirees enrolled in Medicare Part D and fund pilot programs for tort reform.

Although no one expects the overheated rhetoric to die down on either side of the political spectrum anytime soon, it is important for you to know that we are closely monitoring health care legislation

message from the CEO

Dear Members,

Many California newspapers and some national publications have begun publishing articles on what they call the "Public Pension Crisis." The basis for the concern is the current funded status (ratio of assets to liabilities) of many public pension funds. These funded ratios have decreased in recent years with the two dramatic downturns in the financial markets in 2000-2002 and 2008-2009. As asset prices and investment returns fell, the value of the pension fund investments declined while the present and future liability for benefits remained unchanged. Much of the media coverage has focused on states that have not been kicking in the contributions required to fully fund their pensions. And with governments at all levels facing increased economic pressure due to the recession, the unfunded pension costs now look like a "crisis."

We have pointed out in past issues of this newsletter that public pension systems are a very efficient delivery system for pension, disability, and survivor benefits, typically costing half of what it takes to fund defined contribution plans, according to a 2008 report by the National Institute on Retirement Security. Corporate America has gotten out of the pension business and now almost exclusively offers only defined contribution plans such as 401(k) accounts. Under these plans, the employees take all of the investment risk. So if those employees are unlucky enough to want to retire or need to retire following the 2008-2009 meltdown, they just may have to do with 35-40% less in their lifetime monthly allowance or one-time payout. Public pension plans smooth gains and losses and the employer is ultimately responsible for funding the promised benefits. So public employees have a more reliable source of pension benefits than their private sector counterparts. And unlike the states that are under-contributing to their pensions, ACERA's Participating Employers have contributed 100% of the annual required contribution to the plan.

Charles F. Conrad

Charles F. Conrad
Chief Executive Officer



as it works its way through the painstaking process of regulation and implementation. At the end of the day, ACERA is well positioned to continue providing access to high quality affordable health insurance to our members.

investment performance

In the fourth quarter of 2009, the Board concluded the U.S. Large Cap Growth Equity manager search by continuing to retain Trust Company of the West (TCW), ACERA's incumbent investment manager. Upon completion of review of Brandywine Global Investment Management, ACERA's existing Small Cap Value manager, the Board authorized a search for a U.S. Small Cap Value Equity manager. Subsequently, the Board also adopted the proposed timeline, search criteria, and evaluation matrix for the search. With respect to ACERA's Emerging Investment Manager Policy, the Board adopted an amendment on the performance evaluation criteria included in the said policy.

For the quarter, every major domestic equity index posted a positive return. The DJIA, S&P500, and NASDAQ returned 8.1%, 6.0%, and 6.9%, respectively. The Barclays Capital Aggregate Bond Index returned 0.2%. ACERA's total Fund returned 3.9% in the fourth quarter of 2009 and was ranked in the upper 15th percentile among public funds greater than \$100 million. The Fund outperformed its policy index by 0.2%. Longer term, the three-year and five-year gross returns of -1.4% and 3.6% trailed its Policy Index by 1.4% and 0.8% ranking in the 51st and 36th percentiles, respectively. The market value of the total Fund as of 12/31/09 was \$4,672,148,731.

Investment Returns for 4th Quarter, 2009*

	4th Quarter	1 Year	3 Year	5 Year
TOTAL FUND	3.9%	26.6%	-1.4%	3.6%
Policy Index**	3.7%	25.0%	0.0%	4.4%

* Returns for periods greater than one year are annualized. Results of all publicly traded investments are presented in accordance with CFA Institute standards.

** The Policy Index is 37% Russell 3000/ 18% Barclays Aggregate/ 3.6% Citigroup WGBI - ex US/ 2.4% Barclays High Yield/ 23% MSCI AC World - ex US/ 6% NCREIF Property Index/ 10% Russell 3000+150 bps.

RETIREE PAGE

CalPERS Long Term Care Premiums Increase

Some ACERA members have enrolled in the CalPERS Long Term Care (LTC) program, and choose to have ACERA deduct premiums from their ACERA retirement allowance. Currently, CalPERS LTC is not accepting new enrollees, and will **not** conduct an open enrollment period this year, so this bulletin is for current enrollees.

Participants of the CalPERS LTC program will receive a substantial premium increase effective July 1, 2010. All policies issued prior to 2005 with **either** lifetime benefits **or** inflation coverage will receive a 22% increase. If you have **both** lifetime benefits and inflation coverage, you will receive an additional annual increase of 5% per year beginning in July 2011. Any policy issued prior to 2005 with only non-lifetime benefits and all policies issued after 2005 will receive a 15% increase. These premium changes should be reflected in your July 30 retirement allowance.

CalPERS LTC Customer Service number is 1-800-982-1775.

UnitedHealthcare to Correct Senior Supplement Prescription Co-pays

ACERA members enrolled in UnitedHealthcare's Senior Supplement plan may have been charged higher co-pays than provided for under the plan. These higher co-pays were charged starting January 1, 2010 and going forward. UnitedHealthcare has reprocessed these claims and is providing a refund check to ACERA's affected members. If you believe you may be one of these affected members but have not yet received a refund check, please contact UnitedHealthcare Customer Service at 1-800-698-0822.

Delta Dental PPO Makes Plan Improvements

As of February 1, 2010, ACERA's Delta Dental PPO Dental Plan has added the following services to our contract at no additional charge to ACERA or those members enrolled in this plan.

- **Sedation**
- **Panoramic x-ray provided as an individual service only after five years have elapsed since any prior panoramic x-ray was provided under any Delta Dental plan**

Anthem Blue Cross Issues New ID Cards

On May 1, Anthem Blue Cross began issuing new ID cards to ACERA members currently enrolled in its HMO plan. The reason for the new ID card is to comply with Blue Cross/Blue Shield Association language. Anthem Blue Cross is hopeful that enrolled ACERA members will appreciate the fresh new look and layout, which they feel will prove more user friendly. Once you receive your new ID card, please destroy the old one.

UnitedHealthcare to Mail to Senior Supplement Members

This summer, ACERA members enrolled in UnitedHealthcare's (UHC) Senior Supplement plan will receive a couple of items in the mail from UHC. Initially, you will receive a new ID card with a new group number and ID number. Subsequently, you should receive your annual Certificate of Health Plan Coverage (Creditable Coverage). If you have any questions, please call UHC Customer Service at 1-800-851-3802.

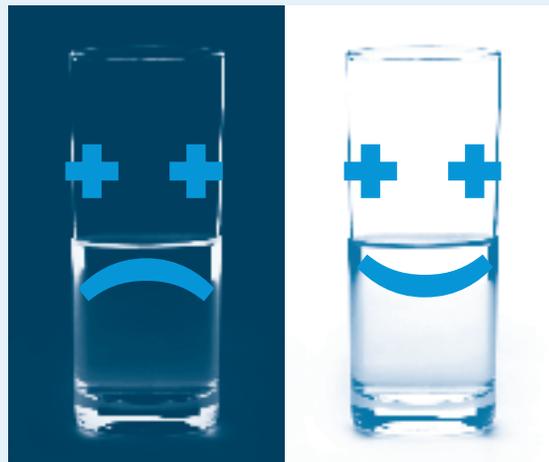
Think Your Way Healthy

Do you have a friend who tends to be cheerful and in a good mood, someone who looks on the bright side of things and lets bad situations roll off her back? Do you wish you were born with the same sunny disposition?

Your friend wasn't necessarily born with a positive outlook, but cultivated one through deliberate optimistic thinking. And if you find yourself often thinking pessimistically, you should realize that you are not destined to be a pessimist the rest of your life. You, too, can learn to be an optimist by practicing and applying healthy, optimistic thinking.

Healthy, optimistic thinking has many benefits to your health, not the least of which is feeling good. It can help you:

- improve your mood and self-esteem
- decrease depression, anxiety, and hostility
- lessen pain and other bodily symptoms
- speed recovery from surgery
- enhance your immune function
- possibly extend your life



In an example of the affect thinking has on health, in 2001, scientists at the Harvard School of Public Health completed a study analyzing the health of 1,306 men after following them for ten years. During this period, the men experienced 334 instances of heart related illness. The participants who were rated with high levels of optimism based on a psychological assessment had half the incidence of heart-related illness than participants who were rated with high levels of pessimism.

We often assume that outside events are the cause of our moods and symptoms. But think about how different individuals' reactions can be when faced with the same event. You may think that optimism and pessimism are traits you're stuck with, but they're not. To a large extent, optimism and pessimism are just learned habits. Your mind has a powerful affect on your health, and you have can learn healthy thinking habits and unlearn unhealthy ones.

For more information on health thinking, visit Kaiser's web page on the subject: <http://thrivewithkp.org/mind-body-spirit/train-yourself-to-think-positive/>

S	M	T	W	T	F	S
JULY						
18	19	20	21	22	23	24
25	26	27	28	29	30	31
AUGUST						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
SEPTEMBER						
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
OCTOBER						
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

ACERA Calendar

2010 PRE-RETIREMENT PLANNING SEMINARS

August 5, September 2 & 30, October 19; 9:00-12:00

2010 MID-CAREER SEMINARS

October 7; 9:30-12:00

POST SESSIONS

September 2, 12:15-12:45, Impact of Divorce on ACERA Benefits

September 30, 12:15-12:45, Wills, Trusts, and Powers of Attorney

RETIREE EDUCATIONAL SEMINARS

July 22, 9:30-12:00, Post Retirement Financial Planning

September 9, 9:30-12:00, Medicare Transition

October 29, 10:00-2:00, ACERA Health Fair

All seminars (except the Health Fair) are held at ACERA, 475 14th Street, 10th Floor, Oakland. To register, contact ACERA at 510-628-3000 or 800-838-1932 and specify the seminar you wish to attend. Space is limited.

2010 CHECK AND DIRECT DEPOSIT PAYABLE DATES

July 30, August 31, September 30, October 29

2010 RETIREMENT BOARD MEETINGS

August 19, September 16, October 21

Third Thursday of each month C.G. "Bud" Quist Board Room 10th Floor, 2:00 p.m.

WEBSITE: WWW.ACERA.ORG

TELEPHONE: 510-628-3000

TOLL-FREE: 1-800-838-1932

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ALAMEDA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

475 14th Street
Oakland, California 94612-1900

CHIEF EXECUTIVE OFFICER

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