



April 5, 2017

To: Members of the Retirees Committee

From: George Wood, Vice Chair

Subject: Summary of the April 5, 2017 Retirees Committee Meeting

Committee Vice Chair George Wood called the April 5, 2017 meeting to order at 10:41 a.m. Committee members present were George Wood and Annette Cain-Darns. Also present were Dale Amaral, Ophelia Basgal, Keith Carson, Greg Lawson 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; Sandra Dueñas-Cuevas, Benefits Manager; and Harsh Jadhav, Chief of Internal Audit.

ACTION ITEMS

There are no action items for discussion.

INFORMATION ITEMS

1. Supplemental Retiree Benefit Reserve Financial Status

Staff presented a 10-year history of the Supplemental Retiree Benefit Reserve (SRBR) activity through December 31, 2016. The total interest credited to the SRBR for 2016 was approximately \$60.7 million, using a total interest rate of 3.65% of regular earnings. Total deductions were approximately \$41.4 million. The December 31, 2016 ending balance was approximately \$874.4 million.

2. Supplemental Retiree Benefit Reserve Policy Discussion – Retired Member Death Benefit

ACERA's fiduciary counsel provided Trustees a confidential and privileged attorney-client memo, which addressed ACERA's questions regarding the amount payable from the Supplemental Retiree Benefit Reserve (SRBR) as the Retired Member (Lump Sum) Death Benefit to reciprocal members who did not render their last active service with an ACERA employer; and confirmed benefits are being appropriately paid to beneficiaries of the group in this status. Staff will review the SRBR Policy to ensure the language accurately reflects the current process and will present any necessary changes to the Committee at a future meeting.

3. 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 March 2, 2016.

4. Health Care Reform Update

Keenan & Associates, ACERA's Benefits Consultant, provided an oral update on recent developments concerning the national health care reform legislation stating that at this point, there are no changes. The expectation is that a Bill will come before Congress some time, possibly even before the fall. However, at this point the Patient Protection and Affordable Care Act is in place and nothing has changed. The head of President Trump's Health and Human Services is charged through law, to implement various regulations, so there could be some changes in the process or procedures in how things are managed from that perspective.

5. 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 2017 strategies for ACERA's healthy aging initiative; Kaiser utilization report of major service claims summary and pharmacy costs; and information regarding specialty drugs.

6. Miscellaneous Updates

Staff reported on one benefit issue that impacted about 30 ACERA retirees. During the monthly processing of payroll, an error occurred causing the pre-note status change in the payroll administration system not to activate brand new direct deposit requests for the current monthly payroll. Retirees still received their monthly allowances; however, they received a manual check instead of an actual direct deposit into their accounts. This caused delays in retirees receiving their monthly allowances since they had to wait to receive their checks via US mail. Staff contacted the affected retirees to advise them that their direct deposits did not get activated for the current month and to expect to receive a check in the mail. Staff identified the cause of the problem and has since changed the process to include additional safe guards when payroll is processed to ensure this error does not happen again. Staff has also verified that these retirees' status/notifications have been updated from pre-note status to direct deposit, so their next months' allowance will be directly deposited into their accounts.

TRUSTEE/PUBLIC/STAFF INPUT

Mike Smart, REAC Board Director, introduced Linda Barbaro, the newest member of the REAC Board. Trustees and Staff welcomed her.

FUTURE DISCUSSION ITEMS

- 401(h) Account Resolution Request to ACERA Participating Employers
- Approval of Payment for Implicit Subsidy Cost for 2016
- Possible Declaration of Intent to Fund Implicit Subsidy Program for 2018
- Benefits Consultant RFP Results and Recommendation

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for May 3, 2017 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:30 a.m.