



May 1, 2013

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

**Subject: Summary of the May 1, 2013 Retirees Committee Meeting**

Committee Chair Liz Koppenhaver called the May 1, 2013 meeting to order at 10:05 a.m. Committee members present were Liz Koppenhaver, Elizabeth Rogers, and George Wood. Staff present were Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Margo Allen, Fiscal Services Officer; Latrena Walker, Projects and Information Services Manager; and Harsh Jadhav, Internal Audit Manager.

### **ACTION ITEMS**

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

Margo Allen, Fiscal Services Officer, presented information regarding the 401(h) contributions for the 2013-2014 fiscal year. The analysis and calculations are the same as that done last year by The Segal Company, ACERA's Actuary. The projected contribution that will be required is \$36,842,000. 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 \$30,666,443.

It was moved by George Wood and seconded by Elizabeth Rogers that the Committee recommends 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 (SRBR) assets as employer contributions for pensions and transfer the amount equal to the pro rata share of the 401(h) contributions for the 2013-2014 fiscal year for each Participating Employer. The motion passed unanimously.

#### **2. Approval of Payment for Implicit Subsidy Cost for 2012**

Kathy Foster, Assistant Chief Executive Officer, provided a letter from Alameda County stating that the final Implicit Subsidy estimate for 2012 is \$7,370,466. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

It was moved by Elizabeth Rogers and seconded by George Wood that the Committee recommends to the Board of Retirement that it authorizes Staff to transfer \$7,370,466 from the Supplemental Retiree Benefit Reserve (SRBR) account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for plan year 2012. The motion passed unanimously.

### **3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2014**

Kathy Foster, Assistant Chief Executive Officer, recommended that ACERA state its intent to fund the Implicit Subsidy Program for plan year 2014. The Implicit Subsidy cost for plan year 2013 is estimated by Alameda County to be \$6,993,032. The estimated cost of the Implicit Subsidy for plan year 2014 will not be known until the County has completed its medical plan contract negotiations.

It was moved by Elizabeth Rogers and seconded by George Wood that the Committee recommends to the Board of Retirement that it adopts a Statement of Commitment to continue the Implicit Subsidy Program for health plan year 2014, following a determination by ACERA at the end of plan year 2014 that the amount is not greater than the actual retiree Implicit Subsidy. The motion passed unanimously.

### **INFORMATION ITEMS**

#### **1. Presentation and Report on Supplemental Retiree Benefit Reserve (SRBR) Funding Status**

The Segal Company (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 2026 with full benefits paid through 2025, for a total of 13 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2030, four years later than what was projected last year. Segal will re-combine the OPEB and non-OPEB balances and provide new projections. The Committee and Actuary agreed this is appropriate due to the major changes that occurred by eliminating the death benefits from the non-OPEB portion of the fund. New projections on the sufficiency of the SRBR will be provided at the June Committee meeting.

#### **2. 2014 Medical Plans Update/Renewal Requests of ACERA/County**

Sharen Stanek-Lowe, Assistant Benefits Manager, reported that the medical plan renewal requests to Alameda County included inquiries related to the Affordable Care Act, CMS mandates, disease management/wellness, pricing, providers/medical groups, and prescriptions. Also, new information was requested on "never events" and "preventable errors".

#### **3. Report on Retiree Feedback from Extend Health, Inc.'s Survey of Services Provided**

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a report on the feedback received from 318 (out of 1,511) retirees losing their coverage through UnitedHealthcare and enrolling in Individual Plans through Extend Health, Inc.

#### **4. Introduction of ACERA's New Keenan & Associates' Account Manager**

Kathy Foster, Assistant Chief Executive Officer, introduced Isa (short for Isabella) Janus, ACERA's new Keenan & Associates' Consultant/Account Manager, stating that she will provide consulting assistance on benefit programs, and offering recommendations and advice based on ACERA's needs and objectives.

#### **5. Miscellaneous Updates**

Sharen Stanek-Lowe, Assistant Benefits Manager, provided an update on the issues raised by retirees who expressed concerns with Extend Health, Inc.; and the Employer Group Waiver Plan and Self-Funded WRAP plan. She also provided answers to questions related to Kaiser Permanente that were raised at last month's Committee meeting and the Annual Health Plan meeting with retiree associations.

#### **TRUSTEE/PUBLIC INPUT**

None.

#### **RECOMMENDATIONS**

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

The Committee recommends, and I move that 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 (SRBR) assets as employer contributions for pensions and transfer the amount equal to the pro rata share of the 401(h) contributions for the 2013-2014 fiscal year for each Participating Employer. The exact amount will be adjusted by the balance remaining in each of their 401(h) accounts and is contingent upon receipt by ACERA of an authorizing resolution from each of the Participating Employers' governing bodies.

##### **2. Approval of Payment for Implicit Subsidy Cost for 2012**

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$7,370,466 from the Supplemental Retiree Benefit Reserve (SRBR) account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for plan year 2012.

##### **3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2014**

The Committee recommends, and I move that the Board of Retirement adopts a Statement of Commitment to continue the Implicit Subsidy Program for health plan year 2014, following a determination by ACERA at the end of plan year 2014 that the amount is not greater than the actual retiree Implicit Subsidy.

**FUTURE DISCUSSION ITEMS**

None.

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for June 5, 2013 at 10:00 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 11:25 a.m.