



May 6, 2015

To: Members of the Retirees Committee

From: David Safer, Acting Chair, Retired Trustee

Subject: Summary of the May 6, 2015 Retirees Committee Meeting

Due to the excused absences of the Committee Chair and Vice Chair, Acting Committee Chair Alternate Member David Safer called the May 6, 2015 meeting to order at 10:40 a.m. Committee members present were Dale Amaral, Annette Cain-Darnes, and George Wood. Also present were Keith Carson and Elizabeth Rogers, and alternate members David Safer and Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Joseph Fletcher, Chief Counsel; Margo Allen, Fiscal Services Officer; Betty Tse, Chief Investment Officer; Sandra Dueñas-Cuevas; and Latrena Walker, Projects and Information Services Manager.

ACTION ITEMS

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

Staff presented information regarding the 401(h) contributions for the 2015-2016 fiscal year. The projected contribution that will be required is \$41,414,000. 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 \$33,121,891.

It was moved by Annette Cain-Darnes and seconded by George Wood that the Retirees 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 2015-2016 fiscal year for each Participating Employer.

The motion carried 6 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, Wood*), 0 no, 0 abstentions.

2. Approval of Payment for Implicit Subsidy Cost for 2014

Staff provided a letter from Alameda County stating that the final Implicit Subsidy amount for 2014 is \$5,320,953. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

It was moved by Dale Amaral and seconded by Annette Cain-Darnes that the Retirees Committee recommends to the Board of Retirement that it authorizes Staff to transfer \$5,320,953 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 2014.

The motion carried 6 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, Wood*), 0 no, 0 abstentions.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2016

Staff recommended that ACERA state its intent to fund the Implicit Subsidy Program for plan year 2016. The Implicit Subsidy cost for plan year 2015 is estimated by Alameda County to be \$5,324,502. The estimated cost of the Implicit Subsidy for plan year 2016 will not be known until the County has completed its medical plan contract negotiations.

It was moved by Elizabeth Rogers and seconded by Annette Cain-Darnes that the Committee recommends to the Board of Retirement that it adopts a Statement of Intent to continue the Implicit Subsidy Program for health plan year 2016, following a determination by ACERA at the end of plan year 2016 that the amount is not greater than the actual retiree Implicit Subsidy.

The motion carried 6 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, Wood*), 0 no, 0 abstentions.

4. Approval to Provide Individual Plan Medical Coverage Options to Out-of-Service Area Early Retirees through OneExchange

Staff provided a summary of the information that was presented at the April Retirees Committee meeting regarding individual plan coverage for early retirees who live outside of an ACERA-Sponsored HMO plan service area. Staff is also exploring the possibility of offering Kaiser individual plans to those who currently have medical coverage through a Kaiser multi-site plan.

It was moved by Elizabeth Rogers and seconded by George Wood that the Committee recommends to the Board of Retirement to allow ACERA to establish a contract with OneExchange for the facilitation of enrollment into individual medical plans and Health Reimbursement Arrangement (HRA) reimbursement of the Monthly Medical Allowance for retirees who do not live within the ACERA-Sponsored HMO plan service areas.

The motion carried 6 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, Wood*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Preliminary Report on Projected Benefit Costs Funded through Supplemental Retiree Benefit Reserve (SRBR)

The Segal Company, 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 2037 with full benefits paid through 2036, for a total of 22 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2034, for a total of 19 full years and one partial year. The increased projection of years from the 2013 report for the OPEB assets are due mainly to the 29.3% rate of return on the SRBR assets for 2013, and fewer than expected retirements in 2014.

2. OneExchange 2014 Year End Review and Report on Health Reimbursement Arrangement Account Balances and Reimbursements

OneExchange provided information on the 2014 enrollment and call statistics; Health Reimbursement Arrangement (HRA) account activity; claims information; service levels and satisfaction survey results; and OneExchange's internal enhancements. In addition, Staff provided information on retirees' 2014 HRA account balances categorized by years of service contribution levels and cost analysis as of March 31, 2015.

3. 2016 Medical Plans Update/Renewal Requests of ACERA/County

Staff reported that the medical plan renewal requests to Alameda County included inquiries related to disease management/wellness, fraud/security breach, strategy for the upcoming Cadillac Tax, recent Centers for Medicare & Medicaid Services (CMS) audit reports, performance guarantees, prescription drugs, and pricing.

4. Miscellaneous Updates

Staff provided an update on the dental and vision Request for Proposal (RFP) process, stating that interviews with the top two carriers for the dental and vision plan benefits are scheduled through Monday, May 11th. The results and a recommendation will be presented at the June Retirees Committee meeting.

TRUSTEE/PUBLIC/STAFF 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 2015-2016 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 2014

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$5,320,953 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 2014.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2016

The Committee recommends, and I move that the Board of Retirement adopts a Statement of Intent to continue the Implicit Subsidy Program for health plan year 2016, following a determination by ACERA at the end of plan year 2016 that the amount is not greater than the actual retiree Implicit Subsidy.

4. Approval to Provide Individual Plan Medical Coverage Options to Out-of-Service Area Early Retirees through OneExchange

The Committee recommends, and I move that the Board of Retirement allows ACERA to establish a contract with OneExchange for the facilitation of enrollment into individual medical plans and Health Reimbursement Arrangement (HRA) reimbursement of the Monthly Medical Allowance for retirees who do not live within the ACERA-Sponsored HMO plan service areas.

FUTURE DISCUSSION ITEMS

- Approval of Contract for Dental Care Provider for 2016
- Approval of Contract for Vision Care Provider for 2016

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for June 3, 2015 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:10 p.m.