



May 7, 2014

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the May 7, 2014 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the May 7, 2014 meeting to order at 10:30 a.m. Committee members present were Liz Koppenhaver, Dale Amaral, Keith Carson, George Dewey, and Elizabeth Rogers. Also present were Annette Cain-Darnes and George Wood; and alternate member David Safer. Staff present were Kathy Foster, Assistant Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Marguerite Malloy, Associate Counsel; Rose Kwong, Benefits Manager; and Latrena Walker, Projects and Information Services 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 2014-2015 fiscal year. The projected contribution that will be required is \$42,056,000. 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 \$37,412,743.

It was moved by Dale Amaral and seconded by George Dewey 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 2014-2015 fiscal year for each Participating Employer.

The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

2. Approval of Payment for Implicit Subsidy Cost for 2013

Kathy Foster, Assistant Chief Executive Officer, provided a letter from Alameda County stating that the final Implicit Subsidy amount for 2013 is \$6,992,822. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

It was moved by George Dewey and seconded by Liz Koppenhaver that the Committee recommends to the Board of Retirement that it authorizes Staff to transfer \$6,992,822 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 2013.

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

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2015

Kathy Foster, Assistant Chief Executive Officer, recommended that ACERA state its intent to fund the Implicit Subsidy Program for plan year 2015. The Implicit Subsidy cost for plan year 2014 is estimated by Alameda County to be \$5,215,355. The estimated cost of the Implicit Subsidy for plan year 2015 will not be known until the County has completed its medical plan contract negotiations.

It was moved by Elizabeth Rogers and seconded by George Dewey 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 2015, following a determination by ACERA at the end of plan year 2015 that the amount is not greater than the actual retiree Implicit Subsidy.

The motion carried 6 yes (*Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, 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 2032 with full benefits paid through 2031, for a total of 18 full years and one partial year. The terminal year of the SRBR for non-OPEB is projected to be 2029, for a total of 15 full years and one partial year. The increased projection of years from the 2012 report for the OPEB assets are due to the rate of return on the SRBR assets, and the lower amount of reimbursements used by retirees enrolled in the Medicare Exchange plans.

2. Report on Request for Proposal (RFP) Responses and Discussion on Early Retiree Medical Coverage through Private Exchange

Kathy Foster, Assistant Chief Executive Officer, and Keenan & Associates, ACERA's Benefits Consultant, provided information regarding the outcome of the Early Retiree Private Health Exchange Request for Proposal (RFP). Based on the results of the one response to the RFP that was received, and due to the lack of information provided through the RFP process, Staff did not recommend early retiree medical coverage

through a Private Exchange for plan year 2015. Staff will continue to provide quarterly reports on the latest information available on the Private Exchanges.

3. OneExchange 2013 Year End Review and Report on Health Reimbursement Arrangement Account Balances and Reimbursements

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information on the 2013 service, enrollment, and call statistics; Health Reimbursement Arrangement (HRA) account activity, claims information; premium and out-of-pocket expense types; process improvements, satisfaction survey results; and on-going communications. In addition, Kathy Foster, Assistant Chief Executive Officer, provided information on retirees' 2013 HRA account balances categorized by years of service contribution levels and cost analysis as of March 31, 2014. As a result of the change to the Medicare exchange, based on 2012 enrollment, ACERA has saved an annual cost amount of \$2,576,794.

4. 2015 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 communications, disease management/wellness, rates for Kaiser Multi-sites, possibility of changing the effective date for Kaiser Senior Advantage Plan, and pricing.

5. Miscellaneous Updates

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a report on a privacy breach at Kaiser Permanente's Division of Research in Northern California, which may have affected 100 ACERA members. A letter was mailed to affected members and some members received phone calls within a day or two of receiving the letter.

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 2014-2015 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 2013

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$6,992,822 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 2013.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2015

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 2015, following a determination by ACERA at the end of plan year 2015 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 4, 2014 at 10:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 12:25 p.m.