



May 17, 2012

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the May 17, 2012 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the May 17, 2012 meeting to order at 10:05 a.m. Committee members present were Liz Koppenhaver, Annette Cain-Darnes, Dale Amaral, Elizabeth Rogers, and George Wood. Also present was George Dewey. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Rose Kwong, Benefits Manager; and Harsh Jadhav, Internal Audit Manager.

ACTION ITEMS

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

Vincent Brown, Chief Executive Officer, presented information regarding the 401(h) contributions for the 2012-2013 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 \$38,801,000. 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 \$33,814,454.

It was moved by George Dewey and seconded by Dale Amaral 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 Benefits 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 2012-2013 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 2011

Kathy Foster, Assistant Chief Executive Officer, provided a letter from Alameda County stating that the final Implicit Subsidy estimate for 2011 is \$4,411,206. This amount was verified by Keenan & Associates, ACERA's Benefits Consultant.

It was moved by George Dewey and seconded by Dale Amaral that the Committee recommends to the Board of Retirement that it authorizes Staff to transfer \$4,411,206 from the Supplemental Retiree Benefit Reserve (SRBR) account to the County Advance Reserve to be amortized over 21 years as the Implicit Subsidy payment for plan year 2011.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2013

Kathy Foster, Assistant Chief Executive Officer, recommended that ACERA state its intent to fund the Implicit Subsidy Program for plan year 2013. The Implicit Subsidy cost for plan year 2012 is estimated by Alameda County to be \$7,459,420. The estimated cost of the Implicit Subsidy for plan year 2013 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 Commitment to continue the Implicit Subsidy Program for health Plan Year 2013, following a determination by ACERA at the end of plan year 2013 that the amount is not greater than the actual retiree Implicit Subsidy.

4. Report and Possible Recommendation on Change in Medicare Health Benefit Coverage from Group Plan to Individual Plans

Vincent Brown, Chief Executive Officer, recused himself from the Medicare Exchange discussion since his former manager at CALPERS has a working relationship with one of the three Medicare Exchange finalists.

Kathy Foster, Assistant Chief Executive Officer, presented information on an option of providing individual Medicare coverage to eligible retirees and dependents through a Medicare Exchange service vendor. The Trustees directed Staff to gather additional information in response to questions that were raised, and to provide this information at the June Committee meeting. In addition, the Trustees directed Staff to coordinate a meeting with the Alameda County Retired Employees (ACRE) and Retired Employees of Alameda County (REAC) associations to provide their members with information regarding the Medicare Exchange.

5. Report and Possible Recommendation on Medicare Exchange Request for Proposal (RFP)

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a report on the Medicare Exchange Request for Proposal (RFP) responders, the RFP evaluation process, and recommendation on the three finalists. The Trustees directed Staff to include this topic for the June Committee meeting for further discussion.

INFORMATION ITEMS

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

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 the fund is projected to be 2026 with full benefits paid through 2025, for a total of 14 full years and one partial year.

2. 2013 Medical Plans Update/Renewal Requests of ACERA/County

Sharen Stanek-Lowe, Assistant Benefits Manager, reported that the medical plan renewal requests to Alameda County expressed the need for better pricing and plan design alternatives to the Choice Plus PPO, and out-of-area plan options. Also, new information was requested related to the Affordable Care Act, disease management/wellness, performance guarantees, pricing, and providers/medical groups.

3. Miscellaneous Updates

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information regarding DeltaCare USA's 2011 performance guarantee; and an update regarding Kaiser Permanente and UnitedHealthcare's Nurselines related to their quality controls, customer service levels, qualifications and oversight of the representatives.

TRUSTEE/PUBLIC INPUT

The Trustees directed Staff to review the Active Death Equity Benefit policy in light of the impact that a catastrophic event would have on the Supplemental Retiree Benefits Reserve (SRBR) and provide recommended language at the June Committee meeting.

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 Benefits 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 2012-2013 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 2011

The Committee recommends, and I move that the Board of Retirement authorizes Staff to transfer \$4,411,206 from the Supplemental Retiree Benefit Reserve (SRBR) account to the County Advance Reserve to be amortized over 21 years as the Implicit Subsidy payment for plan year 2011.

3. Possible Declaration of Intent to Fund Implicit Subsidy Program for 2013

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 2013, following a determination by ACERA at the end of plan year 2013 that the amount is not greater than the actual retiree Implicit Subsidy.

FUTURE DISCUSSION ITEMS

- Report and Possible Recommendation on Change in Medicare Health Benefit Coverage from Group Plan to Individual Plans
- Report and Possible Recommendation on Medicare Exchange Request for Proposal (RFP)

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for June 6, 2012 at 10:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 1:10 p.m.