



July 3, 2013

To: Members of the Retirees Committee

From: Liz Koppenhaver, Chair, Retired Trustee

Subject: Summary of the July 3, 2013 Retirees Committee Meeting

Committee Chair Liz Koppenhaver called the July 3, 2013 meeting to order at 11:40 a.m. Committee members present were Liz Koppenhaver, Elizabeth Rogers and George Wood. Also present was alternate member David Safer. Staff present were Vincent Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Rose Kwong, Benefits Manager; Latrena Walker, Projects and Information Services Manager; and Harsh Jadhav, Internal Audit Manager.

ACTION ITEMS

1. Adoption of 2014 Monthly Medical Allowance (MMA) for Group Plans

Kathy Foster, Assistant Chief Executive Officer, presented Monthly Medical Allowance (MMA) cost comparisons for the 2013 and 2014 plan year. Staff recommended that there be no increase to the MMA amount for 2014, thereby maintaining the current MMA maximum for the group plans of \$522.16 for plan year 2014. This recommendation is based on the fact that for 2012, \$9.3 million was added to the Supplemental Retiree Benefit Reserve (SRBR) while \$41.3 million was paid for benefits.

It was moved by Elizabeth Rogers and seconded by George Wood that the Committee recommends to the Board of Retirement (Board) a motion to adopt a 2014 Group Plan Monthly Medical Allowance (MMA) equal to the 2013 MMA for eligible retirees in the group plans, thereby maintaining the current MMA maximum of \$522.16 for plan year 2014. The motion passed unanimously.

2. Adoption of 2014 Monthly Medical Allowance (MMA) for Individual Plans

Kathy Foster, Assistant Chief Executive Officer, presented Individual Plans Monthly Medical Allowance (MMA) costs for the 2013 plan year based on the maximum MMA provided, and the actual reimbursements for the first four months of the plan year. Staff recommended that there be no increase to the MMA amount for 2014, thereby maintaining the current MMA maximum for the individual plans of \$400 for plan year 2014. This recommendation is based on the fact that the average reimbursement amounts reported at this time are well below \$400 a month. When a full year of reimbursement amounts can be analyzed, a more accurate estimate of the average amount needed to provide an adequate level of coverage could be made and will then be recommended for 2015.

It was moved by George Wood and seconded by Elizabeth Rogers that the Committee recommends to the Board of Retirement (Board) a motion to adopt a 2014 Individual Plan Monthly Medical Allowance (MMA) equal to the 2013 MMA to be provided to eligible retirees enrolled in individual plans through the Medicare Exchange, thereby maintaining the current MMA maximum of \$400 for plan year 2014. The motion passed unanimously.

INFORMATION ITEMS

1. Presentation on Healthcare Inflation/Trends

Keenan & Associates, ACERA's Benefits Consultant, provided an explanation of health care trend, trend factors, time element and Medicare Advantage trend analysis.

2. Report on Dental and Vision Plan Experience

Keenan & Associates, ACERA's Benefits Consultant, provided information on ACERA's recent plan experience, utilization, benefit alternatives and years of service subsidy options for both Delta Dental (ACERA's dental plan) and Vision Service Plan (ACERA's vision plan).

3. Vision and Dental Plan Design Options/Impact on Premiums and Subsidies

Sharen Stanek-Lowe, Assistant Benefits Manager, presented plan design options for Delta Dental (ACERA's dental plan) and Vision Service Plan (ACERA's vision plan) and their impacts to premiums and subsidy costs based on alternative eligibility options. The Trustees directed Staff to look into whether limiting enrollment in the various plans to only a specific group of members would cause any legal concerns.

4. Miscellaneous Updates

Sharen Stanek-Lowe, Assistant Benefits Manager, provided an update on Extend Health, Inc's. Medicare Exchange and claims reimbursed through the Health Reimbursement Arrangement (HRA).

TRUSTEE/PUBLIC INPUT

None.

RECOMMENDATIONS

1. Adoption of 2014 Monthly Medical Allowance (MMA) for Group Plans

The Committee recommends, and I move that the Board of Retirement (Board) adopts a 2014 Group Plan Monthly Medical Allowance (MMA) equal to the 2013 MMA for eligible retirees in the group plans, thereby maintaining the current MMA maximum of \$522.16 for plan year 2014. The MMA contribution is a non-vested benefit subject to possible reduction or elimination if Board policies change or funds are unavailable. This

benefit is funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions.

2. Adoption of 2014 Monthly Medical Allowance (MMA) for Individual Plans

The Committee recommends, and I move that the Board of Retirement (Board) adopts a 2014 Individual Plan Monthly Medical Allowance (MMA) equal to the 2013 MMA to be provided to eligible retirees enrolled in individual plans through the Medicare Exchange, thereby maintaining the current MMA maximum of \$400 for plan year 2014. The MMA contribution is a non-vested benefit subject to possible reduction or elimination if Board policies change or funds are unavailable. This benefit is funded by contributions from ACERA employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions.

FUTURE DISCUSSION ITEMS

- Adoption of Dental Plan Contracts/Premiums for 2014
- Adoption of Dental Plan Contributions for 2014
- Adoption of Vision Plan Contracts/Premiums for 2014
- Adoption of Vision Plan Contributions for 2014
- Adoption of New Eligibility Requirements for Vision and Dental Subsidies

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for August 7, 2013 at 10:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 1:20 p.m.