

BOARD OF RETIREMENT MINUTES 4-15-10

PRESENT

- Les Robbins, Chair
- Simon S. Russin, Vice Chair
- Yves Chery, Secretary
- Edward L. Blecksmith
- William de la Garza
- Ed C. Morris (Alternate Retired)
- William R. Pryor
- Joseph Kelly (Sitting in for Mark J. Saladino)

STAFF ADVISORS AND PARTICIPANTS

- Gregg Rademacher, Chief Executive Officer
- Robert Hill, Assistant Executive Officer
- Janice Golden, Assistant Executive Officer
- Robb Van Der Volgen, Chief Counsel
- Fern M. Billingsy, Senior Staff Counsel
- Cynthia Lau, Legislative Affairs Officer
- Kimberly Hines, Manager, Claims Processing Division
- Clay Levister
- Laurie Silva
- Connie Black
- Bettina Rodriguez
- Rhonda Ramsey
- Chief Ken Bayless

1. CALL TO ORDER

The meeting was called to order by Chair Robbins at 9:00 a.m., in the Board Room of Gateway Plaza.

2. PLEDGE OF ALLEGIANCE

Mr. Blecksmith led the Board Members and staff in reciting the Pledge of Allegiance.

3. APPROVAL OF MINUTES

1. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF MARCH 4, 2010

A motion was made by Mr. Morris, seconded by Mr. Blecksmith, to approve the minutes of the special meeting of March 4, 2010.

The motion passed unanimously.

2. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF MARCH 10, 2010

A motion was made by Mr. Chery, seconded by Mr. Morris, to approve the minutes of the special meeting of March 10, 2010.

The motion passed unanimously.

4. OTHER COMMUNICATIONS

1. For Information

1. March 2010 All Stars

Mr. Hill announced the eight winners for the month of March, (Jose Valdes, Ada Huerta, John Gaffney, Daniel Marroquin, Mariela Mariscal, Chona Labtic-Austin, Allen Helbig, and Jeff Shevlowitz) of the Employee Recognition Program. Mary Arenas was the winner of LACERA's Web Watcher Award. Linda Moss, Susana Seeckts, Marlene Johnson and Pam Gomez were the winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated April 8, 2010)

Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report with emphasis on LACERA's partnership with L.A. County Department of Human Resources and discussions on how LACERA can be of help in their Succession Management Programs.

Mr. Rademacher reported that Nai-Len Ishikawa, Assistant Division Manager, Accounting will be leaving LACERA to accept a promotional position with the Treasurer & Tax Collector's Office. Mr. Pu will be promoted to Manager of LACERA's Systems Division. Additionally, Mr. Rademacher congratulated Board Member Will Pryor on his promotion to Captain of L.A. County Fire Department.

Mr. Rademacher announced that he attended the CalAPRS General Assembly Conference.

Budget hearing dates for Board Members have been scheduled to be held on Thursday, April 29, 2010, following the Board of Investments meeting, and Wednesday, May 19, 2010, at 9:00 a.m.

5. NON-CONSENT AGENDA

1. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board approve the rate renewal proposals and benefit changes for LACERA's 2010-2011 Retiree Health Care Benefits Program, listed by carrier, and administrative fees. (Memo dated March 11, 2010)

Mr. Pryor left the room and was not present during discussion nor did he participation in the vote on the above item.

The following summarizes the result of the contract negotiations by Mercer and LACERA's staff for rate renewal and benefit change proposals for the 2010-2011 Retiree Health Care Benefits Programs and administrative fees effective July 1, 2010.

Anthem Blue Cross Plans I, II, and III

- Accept the overall increase of 3.5% with the following separate decreases/increases on the Plans:
 - Accept the increase of 7.7% on Plans I and II
 - Accept the decrease of 4.1% on Plan III
- Retain the current In-Patient hospitalization benefit of Plan I at current levels.
- Accept the plan design changes on Plan I and II due to the Mental Health Parity and Addiction Equity Act (Mental Health Parity Act).

Anthem Blue Cross Prudent Buyer

- Accept the 10.43% increase and retain the 5% retrospective premium feature in the event that claims plus expenses exceed the billed premium.

- Retain the current In-Patient hospitalization benefit levels.
- Accept the plan design changes due to the Mental Health Parity Act.

Kaiser California

- Accept the overall 3.2% increase with the following separate increases/decreases on the Plans:
 - Accept the Basic/Pre-65 increase of 3.9% and mandatory plan design changes due to the Mental Health Parity Act.
 - Accept the Senior Advantage increase of 2.5%.
 - Accept the Medicare Cost increase of 2.6%.

CIGNA Medical

- Accept the overall increase of 17.1% with the following separate increases and:
 - Accept the 17.2% increase for the pre-65 HMO and plan design changes due to the Mental Health Parity Act and filing changes.
 - Accept the 14.6% increase for the MAPD HMO and plan design changes due to filing changes of the plan with CMS.

PacifiCare/Secure Horizons

- Accept the overall increase of 8% with the following separate increases:
 - Accept the 9.4% increase on the Secure Horizons Plan and mandatory plan design changes.
 - Accept the 7.3% increase on the pre-65 HMO and mandatory plan design changes.

Kaiser Out of State

- Accept the Kaiser Interregional preliminary overall increase of 3.7% with the following separate increases:
 - Accept the Kaiser Colorado preliminary increase of 4.8%.
 - Accept the Kaiser Georgia preliminary increase of 6.4%.
 - Accept the Kaiser Hawaii preliminary increase of 0.6%.
 - Accept the Kaiser Oregon preliminary increase of 2.5%
 - Accept the preliminary plan design changes for all locations.

SCAN

- Accept the 3.0% renewal increase.

CIGNA Dental and Vision

- Accept the overall increase of 4.2% for the CIGNA Dental and Vision plans with the following separate increases:
 - Accept the 3.6% rate increase on the indemnity dental.
 - Accept the 26% rate increase on the vision plan.
 - Accept the 4.5% rate increase on the pre-paid dental.

Administrative Fee

The 2010-2011 renewal rates and annual premium estimates in this report include a \$3.00 fee that reflects LACERA's estimated costs for administering the retiree health plans. This amount is for both the outside consultant/vendor charges and LACERA's internal administration fee.

A motion was made by Mr. Chery seconded by Mr. de la Garza, to approve the rate renewal benefit changes as listed above and the administrative fees for the 2010-11 plan years. Mr. Levister, in answer to Mr. Russin's question said that these fees were the best negotiated renewal charges/fees.

The motion passed unanimously.

Mr. Pryor returned to the Board Meeting.

2. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a "watch" position on AB 1658 which would allow members of the Office of Public Safety who become safety members the ability to convert all or any of their general service to safety service for duties performed as an officer prior to consolidation. (Memo dated March 16, 2010.)

AB 1658

The Board of Supervisors has approved the consolidation of Office of Public Safety (OPS) duties and functions into the Sheriff's Department and will eliminate OPS effective June 30, 2010.

Sworn positions in the Sheriff's Department will be offered only to qualified County Police officers (currently General members). Members who qualify, are offered, and accept sworn positions will be Safety members prospectively, and will have a dual General and Safety membership.

Existing General to Safety Conversion

Government Code Section 31639.75 allows a LACERA safety member who has five or more years of service as a safety member the ability to convert up to five years of general service to safety service. The calculation is based on the member paying the difference between both the member and employer contributions actually made as a general member and the member and employer contributions that would have been made had he/she been a safety member during the time to be credited, plus regular interest.

Proposed General to Safety Conversion for Qualified Safety Members

AB 1658 is sponsored by Professional Peace Officers Association (PPOA) and allows a former OPS officer, who becomes a Safety member as a result of the consolidation, to convert all or any of his/her prior OPS officer general service to safety service.

Under the bill, these members are not required to have five years of safety service before converting the general service to safety service and are not limited to converting only five years of general service. The member would pay an amount equal to the difference between both the member and employer contributions actually made as a General member and the member and employer contributions made for the time in which he or she claims credit, plus regular interest.

The County has not yet adopted a position on this bill.

A motion was made by Mr. Pryor, seconded by Mr. Chery, to take a "watch" position on AB 1658.

The motion passed unanimously.

3. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on AB 1739 relating to disabilities and deaths for members on approved military leave. (Memo dated March 12, 2010.)

AB 1739

The Los Angeles Sheriff’s Department (LASD) is sponsoring AB 1739 to provide nonservice-connected disability (NSCD) and death benefits not currently available to contributory plan members serving in the military who have less than five years of service.

The bill adds Section 31720.4 to the County Employees Retirement Law to provide that the Board of Supervisors may adopt a resolution to provide the following to members and their surviving spouses if they are disabled or die while on approved military leave:

1. NSCD: A member who becomes permanently incapacitated for the performance of duty as a direct consequence and result of injury or disease arising out of, and in the course of, active military service while on military leave shall be retired for NSCD regardless of the member’s years of service.
2. Combined Surviving Spouse Death Benefit: A surviving spouse of a member who dies as a direct consequence and result of injury of disease arising out of, and in the course of, active military service while on military leave, shall be entitled to the combined benefit under Section 31781.3 regardless of the member’s years of service at the time of death. Currently, a surviving spouse of a member with less than five years of service would only be entitled to a basic death benefit, which is a lump sum benefit comprised of member contributions, accrued interest, and salary death benefit of one month of salary for each full year of service (up to six months of salary).

In summary, this bill is sponsored by LASD, however, according to the County’s legislative agenda, they will support legislation to allow any Los Angeles County employee who becomes permanently incapacitated in the performance of their duty as a direct consequence of an injury or disease arising out of active service while on military leave, to be eligible for an NSCD regardless of age and years of service.

As this legislation has unknown potential increased costs associated with deaths and disabilities for members serving in the military, staff recommends a neutral position on AB 1739.

A motion was made by Mr. Morris, seconded by Mr. Blecksmith to take a “watch” position on AB 1739.

The motion passed unanimously.

4. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “support” position on AB 1902 which would add and amend various provisions of the County Employees Retirement Law regarding noncontributory Plan E. (Memo dated March 26, 2010.)

AB 1902

The Board directed staff to work with LACERA’s lobbyist to introduce legislation relating to LACERA’s noncontributory Plan E. In response to LACERA’s request, Ackler and Associates secured an author, Assembly Member Anthony Portantino, who introduced AB 1902.

The following summarizes the three areas addressed by the bill:

1. Payroll: Due to the Los Angeles County payroll system transitioning from monthly payroll to semi-monthly payroll periods, amendments clarify that Plan E members will be credited with service for a payroll period in which compensation is received.
2. Disabled Members: Plan E members who transfer prospectively to Plan D and become disabled must meet specific requirements under CERL to qualify for a disability retirement. An amendment would allow a disabled member who does not meet these requirements the ability to transfer back to Plan E and continue to be eligible for long-term disability benefits from the County.
3. Benefit Portability: Reciprocal benefits encourage career public service and protect the retirement benefits earned by a public worker under two or more California public employers. Reciprocity provides benefit portability through linking eligibility requirements, age, and compensation information provided the worker rehires with a public employer within a specified number of days and becomes a member of their retirement plan. Former Los Angeles County workers who are noncontributory Plan E members may voluntarily forfeit their retirement Plan E benefits and purchase them through their current California public employer. As Plan E requires no worker contributions, this allows the worker to contribute more towards their retirement by purchasing a retirement benefit with their current employer. However, this action breaks the reciprocity rule requiring continuous membership. This bill re-links reciprocity between California public retirement systems when a Plan E member forfeits their LACERA retirement benefit.

A motion was made by Mr. Chery, seconded by Mr. de la Garza, to take a “support” position on AB 1902.

The motion passed unanimously.

Ms. Lau said that Messrs. Rademacher and Ackler, LACERA lobbyist will be in Sacramento to lobby AB 1902.

5. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt an “oppose unless amended” position on AB 1994 regarding rebuttable presumptions for hospital employees. (Memo dated March 25, 2010.)

AB 1994

The bill was subsequently amended on March 23, 2010 to:

1. Clarify that the blood-borne infectious disease, neck or back impairment, MRSA, or H1N1 influenza virus rebuttable presumptions apply to hospital employees “who provide direct patient care in an acute care hospital”.
2. Extend the blood-borne infections disease presumption following termination of service for a period of 180 days (six months), commencing with the last day actually worked.
3. Extend the neck and back impairment, MRSA and H1N1 influenza presumptions following termination of service for a period of 90 days, commencing with the last day actually worked.

A motion was made by Chair Robbins, seconded by Mr. Pryor, to take an “oppose unless amended” position on AB 1994.

The motion passed unanimously.

6. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on AB 2253 relating to a rebuttable cancer presumption for specified members. (Memo dated March 15, 2010.)

AB 2253

Assembly Bill 2253, sponsored by the California Professional Firefighters, is similar to Assembly Bill 128 from 2009 which was placed in the suspense file of the Assembly Appropriations Committee and subsequently died.

Existing workers’ compensation law extends a rebuttable cancer presumption to specified members following termination of service for a period of three (3) calendar months for each full year of the requisite service, but not to exceed five years (60 months) in any circumstance, commencing with the last date actually worked in the specified capacity.

AB 2253 amends Labor Code Section 3212.1 to extend the presumption following termination of service for a period of one year for each full year of the requisite service, not to exceed 15 years (180 months). Last year’s bill deleted the cap entirely.

Proponents of the bill explain that research has shown that latency periods for some industrially caused cancers can be 10 years or as long as 30 years or more. Therefore, cancers diagnosed today are being associated with genetic changes that occurred in the cells due to cancer-causing exposures several years, if not decades, prior to the diagnosis.

In summary, the Board adopted a “Watch” position on last year’s AB 128 at the March 5, 2009 meeting.

The current version of AB 2253 does not amend the cancer presumption in CERL relating to disability retirements. As it is possible that amendments may occur during the legislative session, staff recommends that we continue to monitor this bill.

A motion was made by Mr. de la Garza, seconded by Mr. Morris, to take a “watch” position on AB 2253.

Ms. Lau gave a brief update noting that AB 2253 passed the Assembly Committee on Insurance on April 17, 2010 with a vote of 11 to 1.

The bill has now been referred to Appropriations Committee.

The motion passed unanimously.

7. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on AB 2397 which would allow the employee and employer to mutually agree to extend 4850 benefits. (Memo dated March 12, 2010.)

AB 2397

Existing law provides specified safety personnel with special “leave of absence” benefits that pay 100 percent of salary for up to one year while he/she is unable to work due to an on-the-job injury, in lieu of temporary disability benefits. Also known as “4850” time because the benefit is set forth in Labor Code Section 4850, this benefit is tax-free and payable regardless of length of service. (Temporary disability benefits generally replace two-thirds of the worker’s salary and are subject to a maximum cap.)

AB 2397, sponsored by the Peace Officers Research Association of California (PORAC), amends Section 4850 of the Labor Code to allow the employee and employer to mutually agree to extend 4850 benefits for up to the maximum of one additional year.

A motion was made by Mr. Morris, seconded by Mr. Pryor, to take a “watch” position on AB 2397.

The motion passed unanimously.

8. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on AB 2436 relating to county pensions. (Memo dated March 15, 2010.)

AB 2436

Assembly Bill 2436 declares the intent of Legislature to enact legislation that would address issues relating to county public employee retirement pensions.

This is a spot bill. Staff recommends monitoring this bill for further developments.

A motion was made by Mr. de la Garza, seconded by Mr. Pryor, to take a “watch” position on AB 2436.

The motion passed unanimously.

9. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on AB 2452 relating to boards of retirement. (Memo dated March 15, 2010.)

AB 2452

AB 2452 makes a technical, nonsubstantive change to Section 31520 of the Government Code relating to boards of retirement in counties operating retirement systems under CERL.

This spot bill was introduced at the request of the Orange County Treasurer. According to Matt Back of Ackler and Associates, Assembly Member Silva’s office could not provide any details of what may be to come. The bill is being held for the Treasurer should an issue arise.

Staff recommends monitoring this bill for further developments.

A motion was made by Mr. Morris, seconded by Mr. Kelly, to take a “watch” position on AB 2452.

Ms. Lau reminded the Board that a supplemental memo, dated April 12, 2010 was emailed to each Member of the Board. A copy of that memo was also placed in each Member’s Green Folder. AB 2452 was amended on April 8, 2010 to add new Article 2.65 to CERL which would authorize the Orange County Board of Supervisors to establish an optional Self-Managed Asset Retirement Transfer (SMART) retirement plan for its general members.

The article would be applicable to the retirement system of Orange County if the Board of Supervisors executes a memorandum of understanding with employee representatives and adopts, by majority vote, a resolution providing that the article shall be applicable. It would provide for an optional, noncontributory retirement plan for:

1. All general members employed after the date the article is made operative and who elect this plan, and

2. Existing general members who transfer to the plan. Similar to LACERA's noncontributory Plan E, these members would be subject to a three-year average final compensation and would not be eligible for disability retirement or active death benefits.

The motion passed unanimously.

Chair Robbins said that the Board would now handle [item K](#).

10. Recommendation as submitted by Les Robbins, Chair, Insurance Benefits and Legislative Committee: That the Board continue its "watch" position on SB 414 relating to the process of filling Board member vacancies. (Memo dated March 25, 2010.)

SB 414

Senate Bill 414 is sponsored by California Retired County Employees Association (CRCEA) and addresses the process of filling vacancies on boards of retirement and boards of investments in counties operating retirement systems under CERL.

Your Board adopted a "Watch" position on SB 414 at the June 11, 2009 meeting. (Memo dated May 21, 2009.)

The bill has been subsequently amended to:

1. Require an election to fill an elected-member vacancy on the Board of Retirement to be held within 90 days of the date the vacancy occurs.
2. Require an election to fill an elected-member vacancy on the Board of Investments called within 90 days of the date the vacancy occurs.

In summary, the bill's sponsor, CRCEA, plans to provide an additional amendment to require elections to be held or called at the "earliest possible date", rather than "within 90 days of the date the vacancy occurs." The reason for this amendment is because 90 days may not be enough time to have an election held. Los Angeles County is especially interested in removing this 90-day requirement from the bill.

CRCEA has reported that this and other minor amendments are expected to be presented to the Assembly Public Employees, Retirement and Social Security Committee in April, 2010.

A motion was made by Mr. Morris, seconded by Mr. Blecksmith, to take a "watch" position on SB 414.

The motion passed unanimously.

Chair Robbins said the Board would return to [item J](#).

11. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board provide the SACRS voting delegate direction on voting for the SACRS slate of officers. (Memo dated April 7, 2010.)

A motion was made by Mr. Kelly, seconded by Mr. Morris, to approve the SACRS slate of officers for the 2010-2011 as recommended by the SACRS Nominating Committee.

The motion passed unanimously.

6. PUBLIC COMMENT

Mrs. Black addressed the Board requesting healthcare coverage as the surviving spouse of Ronald Black.

Ms. Rodriguez addressed the Board and spoke on behalf of Mrs. Black and her request for healthcare coverage.

Ms. Ramsey addressed the Board and spoke on behalf of Mrs. Black and her request for healthcare coverage.

Chief Ken Bayless addressed the Board and spoke on behalf of Mrs. Black and her request for healthcare coverage.

7. GOOD OF THE ORDER

(For discussion purposes only.)

8. EXECUTIVE SESSION

1. CONFERENCE WITH LEGAL COUNSEL — ANTICIPATED LITIGATION. Initiation of litigation pursuant to subdivision (c) of California Government Code Section 54956.9.

1. One Potential Case.

The Board met in Executive Session to discuss the above anticipated litigation with its legal counsel. The Board reconvened in open session, at which time Mr. Van Der Volgen reported that the Board gave direction to the Legal Office with regard to this matter.

Green Folder Information

(Information distributed in each Board Member's Green Folder at the beginning of the meeting.)

1. Memo from Cynthia Lau, Legislative Affairs Officer, regarding Assembly Bill 2452 — Orange County Spot Bill Amended. (Memo dated April 12, 2010.)
2. LACERA Legislative Report Bills Amending CERL. (Dated April 14, 2010.)
3. LACERA Legislative Report PERS and STRS Bills. (Dated April 14, 2010.)
4. LACERA Legislative Report Other (Dated April 14, 2010.)

9. ADJOURNMENT

 PRODUCE | The keystones of our mission can be summarized by two elements: investments and customer service.

5/10/10