

## NOTICE OF MEETING AND AGENDA

### SPECIAL MEETING OF THE INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE and BOARD OF RETIREMENT\*

#### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 North Lake Avenue, Suite 810  
Pasadena, CA 91101

November 8, 2012 - 9:00 A.M.\*\*

#### COMMITTEE MEMBERS:

Les Robbins, Chair  
Simon S. Russin, Vice Chair  
Marvin Adams  
William de la Garza  
Shawn R. Kehoe, Alternate

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT
- II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF OCTOBER 11, 2012
- III. ACTION ITEMS
  - A. Recommendation as submitted by Cassandra Smith, Director, Retiree Healthcare Division: That the Committee authorize the Retiree Healthcare Director to issue a Request for Information (RFI) in search for a new Long Term Care (LTC) plan. (Memorandum dated October 24, 2012)
- IV. FOR INFORMATION
  - A. Staff Activities Report for October, 2012
  - B. CVS Caremark 2013 Formulary Changes
  - C. Employer Group Waiver Plan (EGWP) Update
  - D. CIGNA DPPO Reserve Analysis
  - E. CIGNA & Anthem Blue Cross Claims Experience
  - F. Federal Legislation
    - Aon Hewitt Washington Report
- V. MISCELLANEOUS
- VI. PUBLIC COMMENT

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VII. GOOD OF THE ORDER

(For discussion purposes only)

VIII. ADJOURNMENT *and*  
SET TIME FOR OPERATIONS OVERSIGHT COMMITTEE MEETING

**\*The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

**\*\*Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Retirement meeting preceding it. Please be on call.**

**Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.**

***Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626)-564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.***

MINUTES OF THE SPECIAL MEETING OF THE  
INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE  
and  
BOARD OF RETIREMENT\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

GATEWAY PLAZA - 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

NOVEMBER 8, 2012, 11:25 A.M. – 12:20 P.M.

**COMMITTEE MEMBERS**

PRESENT: Les Robbins, Chair  
Simon S. Russin, Vice Chair  
Marvin Adams  
William de la Garza  
Shawn R. Kehoe, Alternate

**ALSO ATTENDING:**

BOARD MEMBERS AT LARGE

Sadonya Antebi  
Yves Chery  
Ed C. Morris

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith            Leilani Ignacio

Aon Hewitt

Kirby Bosley  
Helen Batsalkin  
Debbie Donaldson

The meeting was called to order by Chairman Robbins at 11:25 a.m.

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF OCTOBER 11, 2012

A motion was made by Mr. de la Garza, seconded by Mr. Adams, to approve the minutes of the regular meeting of October 11, 2012. The motion passed unanimously.

III. ACTION ITEMS

- A. Recommendation as submitted by Cassandra Smith, Director, Retiree Healthcare Division: That the Committee authorize the Retiree Healthcare Director to issue a Request for Information (RFI) in search for a new Long Term Care (LTC) plan. (Memorandum dated October 24, 2012)

Due to the continued uncertainty of the long term care market, staff is seeking authorization to issue a Request for Information (RFI) as opposed to a Request for Proposal (RFP). This will provide LACERA the ability to see whether or not it is feasible to continue looking into offering a LACERA sponsored LTC plan.

A motion was made by Mr. Russin, seconded by Mr. Robbins, to approve the recommendation. The motion passed unanimously.

IV. FOR INFORMATION

- A. Staff Activities Report for October, 2012

The staff activities report was discussed.

- B. CVS Caremark 2013 Formulary Changes

In 2012 CVS Caremark implemented a formulary strategy that excluded some non-formulary brand name drugs from coverage. The brand name drugs removed were chosen based on their low usage, cost, and clinical efficacy. At that time, the Board of Retirement adopted a Prior Authorization model, whereby members are required to get prior authorization before filling the prescription. If it is determined that there is a medical necessity for the brand name drug, the member will pay the appropriate brand tier co-pay amount at mail and 100% up front at retail with reimbursement of 80% back from Anthem upon the claim being adjudicated. Members who fill prescriptions for these drugs without an approved prior authorization are responsible for 100% of the cost. Since this implementation, LACERA experienced an estimated annual gross savings of \$157,669.

#### IV. FOR INFORMATION (Continued)

In 2013, a select number of costly drugs will once again be removed from Caremark's formulary. These drugs were also selected because of low usage. The changes to the 2013 formulary will operate under the same Prior Authorization model established in 2012. To assist members in preparing for the 2013 changes, CVS Caremark will notify those who have active prescriptions for one or more of the drugs being removed. They will also be provided a list of the alternative drugs which can be discussed with their prescribers.

##### C. Employer Group Waiver Plan (EGWP) Update

Aon presented an update on the EGWP feasibility study. Data has been received and is being analyzed for financial feasibility. Aon is also looking at what impact this potential change would have on individual retirees, and on staff in terms of administrative requirements.

##### D. CIGNA DPPO Reserve Analysis

Aon reported on the results of the analysis of the CIGNA Dental PPO plan reserve held by LACERA. Approximately \$10.5 million of LACERA's OPEB Reserve Account is allocated to the dental plan. Since 2008 the agreement with CIGNA is essentially a retrospective premium arrangement whereby in a given year, if claims and expenses exceed premiums, CIGNA may recall up to 5% of premiums. Alternatively, if claims are less than premiums, CIGNA returns this savings to LACERA.

Unlike medical, dental claims tend not to fluctuate drastically and are more predictable given the contained severity of claims. Given the experience of the last several years, the conservatism built into the premium calculations and reserves, and the predictability of dental claims for LACERA's large risk pool, indicate that there is enough conservatism to cover any potential fluctuation in claims greater than expected. Aon concluded that the reserve LACERA is holding on behalf of the dental plan exceeds what is needed even under a relatively conservative assumption. At minimum Aon suggests releasing \$9 million of the reserves, with the remaining \$1.5 million held to cover the potential 5% retrospective premium arrangement.

##### E. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through September 2012 were discussed.

IV. FOR INFORMATION (Continued)

- F. Federal Legislation
- Aon Hewitt Washington Report

Submitted for information only.

V. MISCELLANEOUS

VI. PUBLIC COMMENT

VII. GOOD OF THE ORDER

(For discussion purposes only)

VIII. ADJOURNMENT

The meeting adjourned at 12:20 p.m., after setting the time for the Operations Oversight Committee at 12:25 p.m.

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