

## **AGENDA**

### **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**

**December 13, 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 SPECIAL MEETING OF NOVEMBER 8, 2012
- III. ACTION ITEMS
  - A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer:  
That the Committee recommend the Board of Retirement adopt a "Watch" position on Senate Bill 13, which provides clean-up language applicable to PEPRRA. (Memorandum dated December 5, 2012)
- IV. FOR INFORMATION
  - A. Staff Activities Report for November, 2012
  - B. Medicare Part B Reimbursement Program for 2013
  - C. Anthem Prudent Buyer and Plans I, II, & III Reserve Analysis
  - D. CIGNA & Anthem Blue Cross Claims Experience
  - E. Federal Legislation
    - Aon Hewitt Washington Report

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V. MISCELLANEOUS

VI. PUBLIC COMMENT

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 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

DECEMBER 13, 2012, 11:55 A.M. – 12:30 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

Yves Chery  
Ed C. Morris

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith            Robb Van Der Volgen  
Leilani Ignacio

Aon Hewitt

Kirby Bosley  
Debbie Donaldson

The meeting was called to order by Chairman Robbins at 11:55 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 SPECIAL MEETING OF NOVEMBER 8, 2012

A motion was made by Mr. Morris, seconded by Mr. de la Garza, to approve the minutes of the special meeting of November 8, 2012. The motion passed unanimously.

III. ACTION ITEMS

- A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Senate Bill 13, which provides clean-up language applicable to PEPR. (Memorandum dated December 5, 2012)

A motion was made by Mr. de la Garza, seconded by Mr. Kehoe, to approve the recommendation. The motion passed unanimously.

IV. FOR INFORMATION

- A. Staff Activities Report for November, 2012

The staff activities report was discussed.

- B. Medicare Part B Reimbursement Program for 2013

On November 16, 2012, the Centers for Medicare & Medicaid Services (CMS) announced the Medicare Parts A & B premium and coinsurance rates for 2013. The standard Part B premium will increase \$5.00, bringing the total monthly premium to \$104.90. Based on an analysis conducted by both Aon and Buck Consultants, the Los Angeles County Chief Executive Office has indicated that their recommendation to the Board of Supervisors will be to continue the reimbursement program and pay the applicable standard premium to eligible members.

- C. Anthem Prudent Buyer and Plans I, II, & III Reserve Analysis

Aon reported on the results of the analysis of the Anthem Prudent Buyer and Plans I, II, and III reserves held by LACERA. Approximately \$65.2 million of LACERA's OPEB Reserve Account is allocated to the medical plans.

The Prudent Buyer Plan has a 5% margin built into premiums and is on a retroactive funding basis, meaning that Anthem can call upon additional funds

IV. FOR INFORMATION (Continued)

from LACERA if premiums do not cover costs. Plans I, II, and III have no explicit margin built into the rates, and no retroactive amounts can be called in the event of poor experience. All of the Anthem plans have refund arrangements to return to LACERA, in a given plan year, any surpluses accumulated on an annual basis. In fact, LACERA has received funds in the last few years.

Medical claims are susceptible to volatility owing to the inherent unpredictability of the frequency and severity of large claims. Anthem has incorporated conservative assumptions into rate setting and in calculating Incurred But Not Reported (IBNR) reserves. Aon concluded that the reserves are more conservative than necessary to cover LACERA in an adverse claims year. At minimum, Aon suggests releasing approximately \$39.2 million of the reserves, with the remaining \$26 million held to cover catastrophic claims occurrences and severity, and a 5% retrospective premium reserve for the Prudent Buyer Plan.

D. CIGNA & Anthem Blue Cross Claims Experience

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

E. 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 12:30 p.m., after setting the time for the Operations Oversight Committee at 12:35 p.m.

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