

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

February 13, 2014 - 9:00 A.M.**

COMMITTEE MEMBERS:

Vivian H. Gray, Chair
Alan Bernstein, Vice Chair
Ronald Okum
Shawn R. Kehoe
Les Robbins, Alternate

I. APPROVAL OF THE MINUTES

- A. Approval of the minutes of the regular meeting of December 12, 2013.
- B. Approval of the minutes of the special meeting of January 15, 2014.

II. PUBLIC COMMENT

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 673 which relates to employees of Contra Costa County Employees' Retirement Association. (Memorandum dated January 29, 2014)

IV. FOR INFORMATION

- A. Staff Activities Report for January, 2014
- B. Medicare Part D EGWP Feasibility Study Status Update
- C. Cigna & Anthem Blue Cross Claims Experience
- D. Federal Legislation
 - Aon Hewitt Washington Report
- E. Draft Proposal to Change Retiree Healthcare Benefits
Gregg Rademacher

February 13, 2014

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V. MISCELLANEOUS

VI. GOOD OF THE ORDER

(For information purposes only)

VII. 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 REGULAR 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

FEBRUARY 13, 2014, 10:00 A.M. – 11:40 A.M.

COMMITTEE MEMBERS

PRESENT: Vivian H. Gray, Chair
Alan Bernstein, Vice Chair
Ronald Okum
Shawn R. Kehoe
Les Robbins, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Yves Chery
William de la Garza

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith Gregg Rademacher
Cynthia Lau Robb Van Der Volgen

Aon Hewitt

Kirby Bosley Helen Batsalkin
Debbie Donaldson

The meeting was called to order by Chair Gray at 10:00 a.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of December 12, 2013

Mr. Okum made a motion, Mr. Bernstein seconded, to approve the minutes of the regular meeting of December 12, 2013. The motion passed unanimously.

B. Approval of the minutes of the special meeting of January 15, 2014

Mr. Kehoe made a motion, Mr. Bernstein seconded, to approve the minutes of the special meeting of January 15, 2014. The motion passed with Ms. Gray abstaining.

II. PUBLIC COMMENT

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 673 which relates to employees of Contra Costa County Employees' Retirement Association. (Memorandum dated January 29, 2014)

Mr. Kehoe made a motion, Mr. Bernstein seconded, to approve the recommendation. The motion passed unanimously.

IV. FOR INFORMATION

A. Staff Activities Report for January, 2014

The staff activities report was discussed.

B. Medicare Part D EGWP Feasibility Study Status Update

Ms. Smith gave a brief overview of Medicare. Medicare is a federally administered health insurance program for those age 65 or older, those under age 65 with certain disabilities, and those of any age with end-stage renal disease. Medicare consists of:

IV. FOR INFORMATION (Continued)

- Medicare Part A – Hospital Insurance, generally automatic enrollment for those paying into Social Security who meet the 40 quarters requirement.
- Medicare Part B – Medical Insurance, voluntary enrollment requiring payment of a Part B premium.
- Medicare Part C – Medicare Advantage Program, administered by Medicare-approved private insurance companies (HMOs) and includes Parts A and B benefits. LACERA's Medicare Part C plans already include Part D coverage.
- Medicare Part D – Prescription Drug Coverage, voluntary enrollment, requires a Part D premium. We advise our members not to enroll in Part D, as LACERA's benefits for prescription drugs are equal to or better than Medicare provides.

When Medicare Part D was introduced in 2006 it included the Retiree Drug Subsidy (RDS) program. The RDS provides payments to plan sponsors for maintaining "actuarially equivalent" drug benefits in their retiree medical programs. LACERA has successfully filed for RDS subsidies since the inception of the program.

Debbie Donaldson of Aon discussed the Medicare Part D Employer Group Waiver Plan (EGWP) made available under the Affordable Care Act (ACA). EGWP is an employer sponsored group-based Part D program, which provides access to the new ACA subsidies, and can be structured to support the current prescription drug program design. The potential impact of LACERA moving to an EGWP strategy would be:

- Financial – cost savings to drug benefits, reduction in OPEB liability (the RDS strategy is not currently reflected in accounting per GASB 43/45 standards).
- Member Disruption – possible changes in network pharmacies, new protocols for select drugs, Medicare required pre and post-enrollment communications.
- Administrative Considerations – LACERA will need to budget time and resources for EGWP implementation, including a possible one-time implementation budget, and developing a robust communication strategy to prepare retirees for the change. To take full advantage of the subsidies, the EGWP program needs to be on a January 1 calendar plan year.

If LACERA were to decide to move to an EGWP strategy, a possible target date for implementation would be January 2016.

IV. FOR INFORMATION (Continued)

C. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through December 2013 were discussed.

D. Federal Legislation

- Aon Hewitt Washington Report

Submitted for information only.

E. Draft Proposal to Change Retiree Healthcare Benefits
Gregg Rademacher

At the recent Board offsite, Los Angeles County Chief Executive Office staff highlighted certain changes to the Retiree Healthcare program they would like to further develop and present to the LACERA Boards for consideration. Mr. Rademacher summarized those proposed changes following a brief history of the Retiree Healthcare program.

The Retiree Healthcare program was created in 1971, with the Board of Retirement responsible to fund the retirees' premium subsidy. The Board paid the premium subsidy using excess earnings generated by the retirement benefit trust fund. In 1982 an agreement was reached between the LACERA Boards and the Board of Supervisors, where the Board of Retirement would relinquish unilateral control over the benefit structure and reduce the County's 1982 retirement benefit contribution by \$65 million in exchange for the County to fund the retiree's premium subsidy for as long as the County offered its employees healthcare benefits. The agreement also provided for LACERA to remain as the Retiree Healthcare program administrator. Additional terms and conditions did apply, with some subsequently amended in 1994. The 1982 agreement effectively froze the benefit structure in place with changes only allowable if mandated by Federal or State law, implemented by LACERA at no cost to the County, or mutually agreed upon by both LACERA and the County.

The 2013 negotiations between Los Angeles County and its unions resulted in an agreement to pursue certain changes to Los Angeles County's retiree healthcare coverage for employees hired on or after July 1, 2014:

- Mandate enrollment to Medicare.
- Change the benchmark rate to the retiree only premium for Anthem I and II (pre 65) and Anthem III (post-65).
- Change the dental vision benchmark to the retiree only premium.

IV. FOR INFORMATION (Continued)

LACERA staff is evaluating this proposed agreement to seek clarification and resolve administrative implementation issues before it is finalized and presented by the County to the LACERA Boards for consideration.

V. MISCELLANEOUS

VI. GOOD OF THE ORDER

(For information purposes only)

VII. ADJOURNMENT

The meeting adjourned at 11:40 a.m., after setting the time for the Operations Oversight Committee at 12:10 p.m.

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