

Minutes of the Meeting of the Board of Directors Retired Employees of Alameda County

Monday, August 8, 2016

Health Care Services Agency Building, Room 242, 1000 San Leandro Blvd., San Leandro, CA

The meeting was called to order at 9:30 AM by Jon Orellana, vice president and acting president of the board.

Roll Call: Present were Jon Orellana, Paul Reeves, Jessie Guiton, Jerry Jacobs, Gerry Dunn, Mike Smart, Marian Breitbart, and Rosalie Masuda. Liz Koppenhaver was excused. Also present were Michael Fara, ACERA staff member; Phil Wogsberg, ACERA staff member; Richard Karlsson, member; George Breau, member; and Steve Scheinman, director emeritus.

Minutes: The minutes of the July 11, 2016, board meeting were reviewed. It was moved by Gerry Dunn and seconded by Rosalie Masuda that the minutes be approved as submitted. The motion was approved.

Announcements and Communications: Jon reported that he received a call from a member who expressed concern regarding retiree information which might be available both online and through other sources. He was not able to respond as he was out of town. However, he stated that members should be cautious about sharing any information with anyone unknown to them. This issue has been litigated, and the courts found that retiree pension information is public and must be released by retirement systems.

Jon also mentioned ACERA committee assignments. Marian will be attending Investment Committee meetings, Mike will be attending Retirees Committee meetings, and Jon will be attending both the Board of Retirement meetings and the Actuarial Committee meetings.

Reports

ACERA Staff Member: Michael Fara reported on the August 3, 2016, Retirees Committee meeting. There were two action items and four information items. The first action item was a discussion and possible motion to continue dental plan contributions for plan year 2017, and the second action item was a discussion and possible motion to continue vision plan contributions for plan year 2017.

ACERA currently provides a contribution to cover the single retiree premium for retirees with ten or more years of ACERA service, service connected disability recipients, or grandfathered as of January 31, 2014, non-service connected disability. Staff recommended that the Retirees Committee recommend to the Board of Retirement continuing dental plan contributions for plan year 2017 by providing a monthly subsidy equal to the single-party dental plan coverage premium of \$42.66 for the PPO plan and \$22.18 for the Delta Care plan for retirees who are receiving ACERA allowance with ten or more years of ACERA service, retirees receiving a

service connected disability, or retirees receiving a non-service connected disability effective January 31, 2014.

This is a non-vested benefit funded by contributions from the ACERA employers to the 401(h) account. After contributions are made in accordance with the County Employee Retirement Law, ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for retiree pensions. The estimated cost for this benefit for plan year 2017 is \$3,584,312. The Retirees Committee voted to recommend to the Board of Retirement continuing the dental plan contributions for plan year 2017 as noted above.

Staff also recommended that the Retirees Committee recommend to the Board of Retirement continuing vision plan contributions for plan year 2017 by providing a monthly subsidy equal to the single-party vision plan coverage premium of \$4.24 for retirees who are receiving ACERA allowances with ten or more years of ACERA service, are service connected disability retirees, or are non-service connected disability retirees as of January 31, 2014.

This is also a non-vested benefit funded by contributions from the ACERA employers to the 401(h) account. After contributions are made in accordance with the County Employee Retirement Law, ACERA treats an equal amount of SRBR assets as employer contribution for retiree pensions. The estimated cost for this benefit for plan year 2017 is \$362,113. The Retirees Committee voted to recommend to the Board of Retirement continuing the vision plan contributions for plan year 2017 as noted above.

The first information item was a report on dental and vision plan premiums for 2017 and a report on dental and vision plan experience and utilization. The majority of dental procedures performed were for diagnostic (44.8%) followed by preventive (23%) services. No dental benefit changes were recommended for the 2017 plan year. Total vision claims increased 12.8% from \$389,000 to \$439,000 for the period ending June 2016.

The second information item was a report on Health Reimbursement Arrangement (HRA) account balances as of June 2016. There were 1221 HRAs reported as active accounts at the end of June 2016 for Medicare eligible retirees, and five of those retirees have used all of their funds. There were seventy-four HRAs reported as active accounts at the end of June 2016 for early (pre-sixty-five) retirees, and ten of those retirees have used all of their funds.

The third information item was a report regarding reimbursement issues related to early (pre-sixty-five) retirees transitioning to Medicare eligible status during 2016. OneExchange did not update its system to trigger a change in the annual HRA allocation for early retirees when they become eligible for Medicare. As a result, some early retirees were reimbursed for higher amounts than should have been allowed. ACERA is working with OneExchange to resolve issues related to those reimbursements.

Michael also reported on the ACERA Board of Retirement election to be held from November 7 through December 14, 2016. The election will be held to elect the third member representing the general members, the seventh member and alternate seventh member representing the safety

members, and the eighth member and alternate eighth member representing the retired members. The nomination period is open from August 15 through September 12, 2016.

Steve Scheinman reported that Dave Safer will not be running for reelection to his seat as the alternate eighth member. Steve also mentioned that Liz Koppenhaver will be running for reelection to her seat as the eighth member.

Phil Wogsberg, ACERA investment officer, provided an overview of ACERA investments and ACERA investment strategies. As of March 31, 2016, ACERA's asset allocations were as follows: 32% U.S. equity; 28% international equity; 16.7% fixed income; 11.7% private equity and alternatives; 7.4% real estate; 3.06% real return pool; and 0.5% cash. (Note: the percentages do not sum to 100% due to rounding.)

Phil also provided an Annualized Gross-of-Fees Returns comparison report on California public pension plans. Alameda County was ranked number three of the plans reporting.

Phil then responded to several questions regarding investments, investment strategies, portfolio diversification, risk posture, and his thoughts on future issues potentially impacting performance.

It was noted that a member of the investment staff will be attending the REAC board meeting quarterly.

Treasurer's Report: Jessie distributed copies of the June 2016 Treasurer's Report. Receipts were \$4,702.71, and disbursements were \$3,705.72. The only unusual disbursement was a share draft of \$200. She will research the share draft and report back. Paul moved that the June 2016 Treasurer's Report be approved as submitted; Rosalie seconded the motion, and the motion was approved. She also noted that she would provide the July 2016 report as soon as it is completed.

Jessie also reported that she was working on the REAC quarterly report and would have that report ready by the September 2016 board meeting.

CRCEA: Jerry provided an update on his efforts to find options for reducing the costs associated with hosting the 2017 CRCEA conference. He is continuing to look at other venues. He has found that many of the hotels he has explored are too small to accommodate the large number of attendees who are expected to attend the conference. He will continue to research venues and look at other options for obtaining additional funding.

A discussion took place regarding REAC's letter to CRCEA, about the preliminary cost of hosting the conference, for which no response had yet been received and REAC's ongoing concerns regarding the high cost of hosting the conference. The item was carried over to the September 2016 meeting for a final decision.

SACRS: Jon reminded the board that the SACRS Fall Conference will be held November 7–11, 2016, at the Renaissance Esmeralda Resort and Spa in Indian Wells, California. He would like to attend that conference, if approved by the board, and requested that the item be placed on the September 2016 REAC board agenda.

Retiree Committee: There was no additional information to report.

Investment Committee: Marian Breitbart will attend the August 10 Investment Committee meeting and will forward her report for the board's review.

Heath Care: Rosalie reported that the flu season starts in October and continues through late May. It peaks from December through March, and the CDC (Centers for Disease Control and Prevention) recommends that individuals get their flu shots by the end of October.

Rosalie also reported that there have been 114 reported Zika virus cases in the U.S. She also mentioned that West Nile virus is still a concern in the U.S. and that spraying for mosquitoes carrying the virus has now begun in the south bay.

Activities: Rosalie and Jerry reported that they are continuing to work on preparations for REAC's Fall Luncheon to be held on Monday, October 10, 2016, at the Redwood Canyon Golf Course and Event Center. The announcement for the fall luncheon will appear in the September *REAC News*. Dave Nelsen, ACERA's CEO, will be the guest speaker.

Membership and Recruitment: Membership at the end of July 2016 stood at 4,114.

REAC News: Jon reported that he will include an update on the REAC web site in the next newsletter, as well as a request encouraging members to opt out of receiving a paper copy of the newsletter and instead receive the newsletter online.

Other Reports: There were no other reports.

Old Business: Paul provided a brief report on the REAC web site. One thousand people have visited the web site since the tracking plugin was installed seven weeks ago. The web site averages about 140 visitors each week, and the most visited page (after the Home page) is the Members Only Resources page. The second most visited page is the Who We Are page. In addition, eleven members have elected to opt out of receiving a printed copy of the newsletter and instead have chosen to receive an online copy.

Jon also reported that he will be speaking with Dave Nelsen concerning REAC's desire to provide input to ACERA regarding issues impacting retirees, such as changes to the Monthly Medical Allowance (MMA).

New Business: No new business was reported.

For the Good of the Order: Nothing new to report.

Paul adjourned the meeting at 11:45 AM.

Respectfully submitted by Paul Reeves, Secretary

Next Meeting

Monday, September 12, 2016, 9:30 AM
Health Care Services Agency Building, Room 242
1000 San Leandro Blvd., San Leandro, CA