

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

Monday, June 11, 2018

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

Marian Breitbart, Vice President of the Board, called the meeting to order at 9:30 A.M.

Roll Call: Marian Breitbart, Paul Reeves, Rosalie Masuda, Mike Smart, and Renaye Johnson were present. Ish Pina, ACERA staff member, Connie Land, REAC member, Jerry Jacobs, REAC member, and Pete Albert, ACRE President were also present.

Minutes: Minutes of the May 14, 2018 meeting were reviewed. A motion was made by Mike and seconded by Marian that the minutes be approved as submitted. The motion was passed with one abstention.

Announcements: There were no announcements to report.

Reports

ACERA: Ish Pina reported on the June 6, 2018, Retirees Committee meeting. There were no Action Items and five Information Items. The first information item was a presentation and report on Health Care Inflation/Trends. Segal Consulting (Segal) provided ACERA with recommended assumptions to be used for the December 31, 2018 Supplemental Retiree Benefit Reserve (SRBR) Valuation for projecting benefits based on ACERA's substantive plan pursuant to GASB 43. ACERA's substantive plan design incorporates an increase for the Monthly Medical Allowance (MMA) of one-half of anticipated health care inflation assumptions. The Medicare Part B, vision and dental projections are based on the full inflation assumption for those plans. The near term trend assumptions have been reset to start at 7.00% for non-Medicare plans and 6.50% for Medicare Advantage plans. The trend used for dental, vision and Medicare Part B is 4.50%.

Health care trend factors were also provided by Keenan & Associates (Keenan), ACERA's Benefits Consultant. In summary, pre-65 HMO and PPO (non-Medicare) plan trends range from 4.9% to 11.6%, dental is ranging from 4.5% to 5.5%, and vision trends from 3.0% to 4.5%.

The second information item was a discussion of the Monthly Medical Allowance for Group and Individual Plans cost comparisons for the 2018 and 2019 plan years. Each year, the Retirees Committee recommends to the Board of Retirement (Board) a suggested dollar amount to be contributed towards retiree health care costs. This dollar contribution is known as the Monthly Medical Allowance (MMA). The MMA is a non-vested retiree health benefit provided in agreement with ACERA's Participating Employers through the use of Internal Revenue Code 401(h) accounts. 401 (h) benefits are funded by employer contributions. After contributions are made, in accordance with the County Employees Retirement Law of 1937, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits.

Two recommendations will be consider at the July Retirees Committee meeting. 1. Do not increase the MMA amount for 2019. Current annual cost plus potential increase due to premium increase is \$30,666,596.00 and 2. Increase the MMA by 50% of the health care trend, 3.25% for potential increased cost of \$31,169,501.00. This is an annual cost difference of \$502,905.00.

The third information item was a year-end report by Via Benefits/OneExchange for 2017. Of particular interest were the customer satisfaction results when compared to 2016. For Medicare, customers giving a Customer Satisfaction (CSAT) score of 5 increased from 50.0% in 2016 to 64.0% in 2017. For Individual and Family Plans, customers giving a CSAT score of 5 increased from 31.9% in 2016 to 57.4% in 2017 and for Funding Accounts, customers giving a CSAT score of 5 increased from 28.6% in 2016 to 45.8% in 2017.

The fourth information item was a report on the planning for ACERA's annual Open Enrollment and Retiree Health and Wellness Fair. Open Enrollment for ACERA Group Insurance members will be from November 1 – November 30, 2018. For Via Benefits enrolled Medicare eligible members, Open Enrollment will be from October 15 – December 7, 2018. For Via Benefits Out-of-Service Area Early Retiree individual coverage members, Open Enrollment will be from November 1 – December 15, 2018. Via Benefits will provide separate mailings of Open Enrollment period for Early Retiree and Medicare groups.

The ACERA Retiree Health and Wellness Fair will be held on Thursday, October 25, 2018, from 9:00 A.M.-2:30 P.M. at the Albert H DeWitt Officer's Club in Alameda.

Treasurer's Report: Mary was unable to attend today's Board meeting. However, she previously sent the April 2018 Treasurer's report and the May 2018 Treasurer's report to the Board for their review and possible approval. Total receipts for April 2018 were \$4,687.66 and total disbursements were \$1,031.36. Total receipts for May 2018 were \$8,812.64 (Which included membership dues for June) and total disbursements were \$3,808.31. The only unusual disbursements for May 2018 were a \$1,053.11 CRCEA Conference expense reimbursement and a \$35.92 Franchise Tax Board filing fee. Renaye moved that the April 2018 Treasurer's Report and the May 2018 Treasurer's Report be approved as submitted. Mike seconded the motion, and the motion was approved.

CRCEA: Rosalie reminded the Board that the next CRCEA conference will be held October 15-17, 2018 in San Rafael, and she would be willing to attend. Renaye moved that Rosalie be authorized to attend the CRCEA conference as REAC's representative, and that she be reimbursed for her expenses. Paul seconded the motion and the motion was approved.

SACRS: There was no new information to report.

Retirement Board: There was no additional information to report.

Investment Committee: Marian previously sent the Board a detailed report on the May 9, 2018 Investment Committee meeting. There were no Action items and three Information items. The first information item was a presentation related to a possible investment of \$170 million in the CFM Institutional Systematic Diversified Fund as part of ACERA's Absolute Return Portfolio – Alternative Premia Strategies. ACERA Staff and representatives of Verus Advisory, Inc. (Verus) stated that the goals of investing in Alternative Premia strategies were to seek hedge fund like returns (mid-single digit

returns) at a lower cost and higher liquidity. At the same time, the named strategies are expected to mitigate the equity risk in the portfolio.

The second Information item was a report by ACERA Staff and Verus on ACERA's U.S. Small Cap Growth Manager Search – Domestic Equities. They outlined their plan to prepare a focused-list approach for a U.S. Small Cap Growth equity manager instead of a RFP approach. Staff anticipates presenting the Proposed Timeline, Minimum Qualifications and Evaluation Matrix at the June Investment Committee meeting as an action item.

The third Information item was an update on Transition Management – Domestic Equities. Staff provided the committee with the final update on restructuring the U.S. Equity Asset class. The explicit commission costs were approximately \$246,000.00. Staff and Verus were satisfied with the process and results provided by the Blackrock transition team.

Health Care: There was no new information to report.

Activities: Rosalie reminded the Board that REAC's Fall Luncheon, which will be held on October 8, 2018, will be held at the Fairview Metropolitan Golf Course, 10051 Doolittle Drive, Oakland, CA.

Membership and Recruitment: As of May 31, 2018 membership stood at 4124 members. Connie Land volunteered work with Jerry on membership activities to determine the feasibility of her taking over the responsibilities of the Membership Chair.

REAC News: The REAC Newsletter will also include information on ACERA's Wellness Initiative, ACERA's Health Fair, and Health Care Inflation increases.

Old Business: The review of the current job descriptions was carried over to the next Board meeting.

New Business: There was no new business to discuss.

For the Good of the Order: Pete mentioned how pleased he was that ACERA has continued to be supportive of both ACRE and REAC. The REAC Board agreed with Pete and mentioned how helpful they felt it was to have an ACERA representative attend our monthly meetings, as well as all the assistance they provide in helping to resolve or members problems.

Meeting adjourned at 11:00 A.M.

Respectfully submitted by Paul Reeves, Board Secretary

Next Meeting

July 9, 2018, 9:30 A.M.

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