

Minutes of the Meeting of the Board of Directors

Retired Employees of Alameda County

Monday, May 14, 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, and Renaye Johnson were present. Michael Fara, ACERA staff member, Nancy Reilly, member and ACERA alternate retired board member, and REAC members Jerry Jacobs and Wayne Templeton were also present.

Minutes: Minutes of the April 9, 2018 meeting were reviewed. A motion was made by Renaye and seconded by Marian that the minutes be approved as submitted. Paul reported that Rosalie Masuda had previously reviewed the minutes, and sent him an electronic message voting to approve the minutes as submitted. The motion was passed.

Announcements: Paul reported that he received an email from a member who wanted “Silver Sneakers” included as part of Kaiser’s health plan options. He informed her that “Silver Sneakers” was already being discussed at ACERA, and that ACERA was looking at potential cost, potential usage, etc. He also informed her that if it were included, it would probably not be included in plan year 2019 but might be included in plan year 2020.

Jerry reported that he received a call from a member who had recently remarried, and wanted to know how he could add his new spouse to his retirement benefits. Jerry explained the limitations and referred him back to ACERA. Jerry also reminded the Board that since he was no longer on the Board, his name and contact information needed to be removed from both the Newsletter and the website.

Reports

ACERA: Michael Fara reported on the May 9, 2018, Retirees Committee meeting. There were three Action items and five Information items. The first action item was a discussion and possible motion to recommend that the Board of Retirement authorize a transfer from the Supplemental Retiree Benefit Reserve (SRBR) account of an amount equivalent to the 401(h) contribution specified in the resolutions received from each Participating Employer for fiscal year 2018-2019. Each year, the governing bodies of ACERA’s Participating Employers authorize ACERA to establish a 401(h) account on their behalf. These accounts are funded by the Participating Employers with a portion of the normal annual contributions to ACERA. Simultaneously, after contributions are made in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of SRBR assets as employer contributions for pensions and transfers that amount to the appropriate Employer Advance Reserve. This procedure provides retirees with contributions towards their Retiree Health Benefits (RHBs) on a tax-free basis in compliance with Internal Revenue Code Section (IRC) §401(h)

ACERA staff recommended that the Retirees Committee recommend to the Board of Retirement that after contributions are made to the 401(h) accounts by the respective Participating Employers, ACERA, in accordance with the CERL, treat an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets

as employer contributions for pensions and transfer the amount equal to the pro rata share of the 401(h) contributions for the 2018-2019 fiscal year for each Participating Employer. The exact amounts will be adjusted by the balance remaining in each of the 401(h) accounts and is contingent upon receipt by ACERA of an authorizing resolution from the Participating Employers' governing bodies. The motion was approved.

The second action item was a discussion and possible motion to approve authorization for ACERA staff to transfer funds in an amount equal to the Implicit Subsidy from the ACERA Supplemental Retiree Benefit Reserve (SRBR) account to the Alameda County Advance Reserve as the Implicit Subsidy reimbursement for Plan Year 2017. On February 15, 2007, the Board of Retirement adopted a series of resolutions authorizing the establishment of a mechanism to reimburse the County of Alameda (County) for the additional expense associated with the enrollment of pre-65 ACERA retirees in County-sponsored health benefit plans. Specifically, Resolution 07-30 Use of SRBR under Article 5.5 and Section 31592.4 states that ACERA is authorized to transfer funds "not greater than such retiree implicit subsidy".

ACERA staff recommended that the Retirees Committee approve and recommend to the Board of Retirement an authorization for Staff to transfer \$5,800,563.00 from the SRBR account to the County Advance Reserve to be amortized over 20 years as the Implicit Subsidy payment for Plan Year 2017. The motion was approved.

The third action item was a motion to adopt a Statement of Intent to fund the Implicit Subsidy program for Plan Year 2019. In establishing the Implicit Subsidy Program, the Board of Retirement recognized the marked impact on utilization and projected premiums of the participation of pre-65 retirees (early retirees) in the County of Alameda's (County) health plan contracts. As the plan sponsor, the County has a legitimate financial interest in ascertaining whether ACERA will continue to support the Implicit Subsidy Program when negotiating enrollment and premium provisions.

ACERA staff recommended that the Retirees Committee recommend to the Board of Retirement the adoption of a Statement of Intent to continue the Implicit Subsidy program for health Plan Year 2019, following the determination by ACERA at the end of plan year 2019 that the amount is not greater than the actual retiree Implicit Subsidy. The motion was approved.

The first information item was a preliminary report on projected benefit costs funded through the SRBR. In the December 31, 2016 valuation, it was projected that the Other Post-Employment Benefits (OPEB) assets would be exhausted in 2039 with full benefits paid through 2038 for a total of 22 full years and one partial year. The results of the December 31, 2017 valuation indicate that the terminal year of OPEB benefits is projected to be 2039, with full benefits paid through 2038 for a total of 21 full years and one partial year. The non-OPEB projection is for 20 full years and one partial year.

The second information item was a report on Health Reimbursement Arrangement Account balances and reimbursements. Retirees enrolled in individual medical plans through OneExchange were able to submit claims for 2017 reimbursements through March 31, 2018. For Plan Year 2017, the total amount of reimbursements paid for Medicare eligible retirees was \$3,753,167.78 and the total reimbursements paid for Early (Pre-65) retirees was \$477,196.75.

With respect to Medicare eligible retirees' HRA accounts in 2017:

1. There were 1,291 HRA's reported as active accounts at the end of 2017.
2. 241 retirees used all of their funds – 18.7% of Medicare eligible retirees.
3. Out of the 869 retirees with 20+ YOS, 683 have used half of their balances – 78% of the group.

With respect to Early (Pre-65) retirees' HRA accounts in 2017:

1. There were 135 HRA's reported as active accounts at the end of 2017.
2. 57 retirees used all of their funds – 42.2% of early retirees.
3. Out of the 93 retirees with 20+ YOS, 80 have used half of their balances – 86.0% of the group

The third information item was a report on medical plan renewal requests of ACERA and the County of Alameda for Plan Year 2019. Items included in the renewal request included Disease Management/Wellness, Performance Guarantees, Prescription Drugs, Pricing, and Providers/medical Groups/Hospitals.

The fourth information item was the semi-annual report on ACERA's Wellness Program.

The fifth information items were miscellaneous updates, which included a Delta Dental performance guarantee and the Medicare Part B Reimbursement Plan (MBRP) benefit recertification process.

Treasurer's Report: Mary was unable to attend today's Board meeting, and as such, no April 2018 Treasurer's report was available. The April 2018 Treasurer's report will be carried over to the June 2018 Board meeting.

CRCEA: Jerry Jacobs reported on the CRCEA 2018 Spring Conference. The conference was held in Santa Barbara at The Fess Parker Double Tree Hotel. Jerry felt the information provided was very timely and very helpful. One area of particular interest was a legal update. The Board of Supervisors in Kern County is attempting to modify the law relating to Kern County and their SRBR account, including the funding of that account. He recommended that we continue to monitor that issue. The next CRCEA conference will be held October 15-17, 2018 in San Rafael.

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 April 11, 2018 Investment Committee meeting. There were three Action items and one Information item. The first action item was a discussion of and possible motion to recommend to the Retirement Board that it make an additional investment of \$178 million in the Lighthouse Strategic Alpha Fund as part of ACERA's Absolute Return Portfolio-Fund of Hedge Funds. The Investment committee recommended that the Board of Retirement make an additional investment of \$178 million in the Lighthouse Strategic Alpha fund as part of ACERA's Absolute Return Portfolio.

The second action item was a discussion of and possible motion to recommend to the Retirement Board that it adopt a \$25 million investment in AEW Partners Real Estate Fund VIII as part of ACERA's Real Estate Portfolio-Opportunistic. The Investment committee recommended that the Board of Retirement

adopt a \$25 million investment in AEW Partners Real Estate Fund VIII as part of ACERA's Real Estate Portfolio.

The third action item was a discussion of and possible motion to recommend to the Retirement Board that it approve the finalists for ACERA's Emerging Markets Manager Search-International Equities. ACERA staff recommended approval of three finalists for ACERA's Emerging Markets Manager Search-International Equities. The three finalists were: Newton Investment Management (North America) LLC, TT International and UBS Asset Management (Americas) Inc. The Investment committee recommended that the Retirement Board approve two finalists for ACERA's Emerging Markets Manager Search- International Equities. The two finalists were Newton Investment Management and UBS Asset Management. TT International is exiting this business.

The Information item was a presentation by Verus Advisory, Inc. Verus Advisory, Inc. presented Part I of the Environmental, Social and Governance (ESG) education session by defining and comparing the different approaches to ESG Investing.

Health Care: There was no new information to report.

Activities: There was no new information to report.

Membership and Recruitment: Jerry reported that there were currently 4126 members. He also agreed to cover the Membership responsibility for the current month.

REAC News: The REAC Newsletter will include a reminder for retirees to visit both the ACERA website (<https://www.acera.org>) and the REAC website (<http://reacsite.org>), a reminder that the REAC Board still has vacancies, and information regarding ACERA's wellness initiatives.

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: There are no additional items to report.

Meeting adjourned at 11:20 a.m.

Respectfully submitted by Paul Reeves, Board Secretary

Next Meeting

June 11, 2018, 9:30 a.m.

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