



Board of Administration Agenda

REGULAR MEETING

TUESDAY, AUGUST 28, 2018

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California 90012-4401

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.

President:	Cynthia M. Ruiz
Vice President:	Elizabeth L. Greenwood
Commissioners:	Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Retirement Benefits Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR BOARD MEETING OF AUGUST 14, 2018 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. DISABILITY RETIREMENT APPLICATION(S)
 - A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION FOR DARREL CAREY AND POSSIBLE BOARD ACTION**

B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION FOR APRIL DAVENPORT PIGGOTT AND POSSIBLE BOARD ACTION

VI. COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 14, 2018
- B. GOVERNANCE COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 28, 2018

VII. INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT
- B. [INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION](#)

VIII. BENEFITS ADMINISTRATION

- A. [2019 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE BOARD ACTION](#)
- B. [2019 MAXIMUM HEALTH SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION](#)
- C. [AMENDMENT TO THE BENEFITS ADMINISTRATION COMMITTEE CHARTER AND POSSIBLE BOARD ACTION](#)

IX. OTHER BUSINESS

- X. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, September 11, 2018 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XI. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

LACERS Ken Spiker Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

August 14, 2018

10:12 a.m.

Agenda of: Aug. 28, 2018

Item No: II

PRESENT:	President: Vice President	Cynthia M. Ruiz Michael R. Wilkinson
	Commissioners:	Elizabeth L. Greenwood Elizabeth Lee Nilza R. Serrano Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	Anya Freedman James Napier
ABSENT:	Commissioner:	Sandra Lee

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was one response; two public comment cards were received. Mark Blunk, LACERS retiree, made a public comment regarding the Actuarial Recommendations. Alan Manning, LACERS retiree, stated he would make his public comment prior to the discussion of Agenda Item No. IX-A.

II

APPROVAL OF MINUTES FOR BOARD MEETING OF JULY 24, 2018, AND SPECIAL BOARD MEETING OF JULY 24, 2018, AND RECONSIDERATION OF APPROVAL OF MINUTES FOR BOARD MEETING OF JUNE 26, 2018 AND POSSIBLE BOARD ACTION – A motion to approve the minutes of July 24, 2018 and Special Board Meeting of July 24, 2018, and reconsideration of approval of minutes of June 26, 2018 was moved by Commissioner Serrano, seconded by Vice President Greenwood, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz attended the LACERS Guiding Principles Awards Luncheon on July 26, 2018. President Ruiz stated the Board Committee Assignments for Fiscal Year 2018-19 have been confirmed.

IV

GENERAL MANAGER VERBAL REPORT – Neil Guglielmo, General Manager, stated there were 10 written public comments regarding Agenda Item No. IX-A. The written public comments were submitted by Javier Dennis, Veronica Buenrostro, Sean Simonyan, Fazeel Chauhan, John Sosa, Mary Campos, Janeshia Robinson, Mark Blunk, Tom Moutes, and Ruth Perry.

- A. REPORT ON DEPARTMENT OPERATIONS – Neil Guglielmo, General Manager, discussed the following items:
- July retiree checks will include the 2.8% COLA.
 - Audio streaming of Board/Committee Meetings requested by the Mayor’s Office.
 - Retirement Eligibility Reports will be emailed to Department Heads in August.
 - Administrative Code on retiree payroll deductions is changing.
 - Incorrect beneficiary on some members profiles on MyLACERS.
 - Some members did not receive payroll statements, staff is working with Northern Trust to resolve this issue.
- B. UPCOMING AGENDA ITEMS – Neil Guglielmo, General Manager, stated the Retiree Health Plan Contract Renewals, 2019 Maximum Health Subsidy and Reimbursement Amounts, and Amendment of the Benefits Administration Committee Charter would be coming forward from the Benefits Administration Committee at the August 28, 2018 Board Meeting.

V

CONSENT AGENDA

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – This report was received by the Board and filed.
- B. MARKETING CESSATION NOTIFICATION – This report was received by the Board and filed.
- C. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JUNE 2018 – This report was received by the Board and filed.
- D. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JULY 2018 – This report was received by the Board and filed.
- E. TRAVEL AUTHORITY (REVISED) – COMMISSIONER ELIZABETH L. GREENWOOD; VALUE EDGE ADVISORS 2018 PUBLIC FUNDS FORUM, LAGUNA BEACH, CALIFORNIA; SEPTEMBER 4-6, 2018 AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**TRAVEL AUTHORITY
VALUE EDGE 2018 PUBLIC FUNDS FORUM
SEPTEMBER 4-6, 2018
LAGUNA BEACH, CALIFORNIA**

RESOLUTION 180814-A

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Approved List of Educational Seminars for Fiscal Year 2018-19 has not yet been adopted and this conference has not been included in previous Approved Lists of Educational Seminars, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Greenwood is hereby authorized to attend the Value Edge 2018 Public Funds Forum on September 4-6, 2018, in Laguna Beach, California;

BE IT FURTHER RESOLVED, that the reimbursement of up to \$1548.00 for Commissioner Greenwood is hereby authorized for reasonable expenses in connection with participation.

Which motion was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

- F. TRAVEL AUTHORITY – COMMISSIONER CYNTHIA RUIZ; PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) IN PERSON 2018, SAN FRANCISCO, CALIFORNIA; SEPTEMBER 12-14, 2018 AND POSSIBLE BOARD ACTION – Commissioner Sohn moved approval of the following Resolution:

**TRAVEL AUTHORITY
Principles for Responsible Investment (PRI) In Person 2018
SEPTEMBER 12-14, 2018
SAN FRANCISCO, CALIFORNIA**

RESOLUTION 180814-B

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Principles for Responsible Investment (PRI) in Person 2018 in San Francisco, California is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2018-19, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Ruiz is hereby authorized to attend the Principles for Responsible Investment (PRI) in Person 2018 on September 12-14, 2018 in San Francisco, California.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$1,327 is hereby authorized for reasonable expenses in connection with participation.

Which motion was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

- G. RECEIVE AND FILE – COMMISSIONER SOHN BOARD EDUCATION EVALUATION ON THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS, JUNE 10 – 15, 2018 – This report was received by the Board and filed.
- H. RECEIVE AND FILE – COMMISSIONER CHAO BOARD EDUCATION EVALUATION ON THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS, JUNE 12 – 15, 2018 – This report was received by the Board and filed.
- I. INVESTIGATIVE SERVICES REQUEST FOR PROPOSAL – PROPOSER RECOMMENDATIONS AND POSSIBLE BOARD ACTION – Vice President Greenwood moved approval of the following Resolution:

**CONTRACT AWARD TO FRASCO, INC. AND TRUVIEW BSI, LLC
TO PROVIDE INVESTIGATIVE SERVICES**

RESOLUTION 180814-C

WHEREAS, LACERS utilizes investigative firms to provide affordable professional investigative services;

WHEREAS, the use of investigative service firms is part of LACERS proactive risk management strategy;

WHEREAS, on July 19, 2018, the Benefits Administration Committee reviewed the qualifications and services provided by FRASCO, Inc. and TruView BSI, LLC and the recommendations of staff;

WHEREAS, the Committee found that the work of providing investigative services is more feasibly performed by a contractor than City employees;

WHEREAS, the Committee, after some discussion, concluded FRASCO, Inc. and TruView BSI, LLC were the most qualified respondents to provide investigative services to LACERS;

NOW, THEREFORE BE IT RESOLVED, that the Board:

- 1) Approves contract awards to FRASCO, Inc. and TruView BSI, LLC for investigative services; and,
- 2) Authorizes the General Manager to negotiate terms and execute the contracts with the chosen providers in an amount not to exceed \$100,000 per contract per year, for three years.

Which motion was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

VI

DISABILITY RETIREMENT APPLICATION(S)

- A. CONSIDER THE DISABILITY RETIREMENT APPLICATION OF MICHAEL KARATSONYI AND POSSIBLE BOARD ACTION (HEARING) – Anna Ingram, Management Analyst with Retirement Services presented this item to the Board. Carmen Karatsonyi, wife of Disability Retirement Applicant Michael Karatsonyi, appeared before the Board and represented her husband in his absence. Commissioner Greenwood moved to grant the Disability Retirement Application of Michael Karatsonyi, seconded by none, this motion died due to lack of a second. Commissioner Greenwood amended her motion to include a 1-year renewal, seconded by none, this motion died due to lack of a second. Commissioner Serrano moved approval of staff’s recommendation, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, Vice President Greenwood -1.
- B. CONSIDER THE RETURN TO WORK REQUEST FOR DISABILITY RETIREMENT RETIREE DIANA KEMPTON AND POSSIBLE BOARD ACTION – Anna Ingram, Management Analyst with Retirement Services presented this item to the Board. Diana Kempton, Disability Retirement Retiree, appeared before the Board. Vice President Greenwood moved approval of staff’s recommendation, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

Commissioner Sohn stepped out of the Board Meeting at 10:59 a.m. and returned at 11:00 a.m.

VII

COMMITTEE REPORT(S)

- A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE MEETING OF AUGUST 14, 2018 – Commissioner Wilkinson stated the Benefits Administration Committee approved the 2019 Health Plan Contract Renewals, 2019 Maximum Health Subsidy and Reimbursement Amounts, and the Amendent to the Benefits Administration Committee Charter.

VIII

BOARD/DEPARTMENT ADMINISTRATION

- A. PROPOSED LIST OF PRE-APPROVED BOARD EDUCATIONAL SEMINARS FOR FISCAL YEAR 2018-19 AND POSSIBLE BOARD ACTION – Vice President Greenwood moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.
- B. RECOMMENDATION FOR CITY COUNCIL TO TAKE OPPOSE POSITION ON THE PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA) AND POSSIBLE BOARD ACTION – Commissioner Wilkinson moved approval, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood and President Ruiz -6; Nays, None.

IX

ACTUARIAL PROGRAM

Alan Manning, LACERS retiree, made a public comment regarding the Proposed Actuarial Changes.

- A. CONTINUED CONSIDERATION OF PROPOSED ASSUMPTION CHANGES BASED ON ACTUARIAL EXPERIENCE STUDY AND POSSIBLE BOARD ACTION – Paul Angelo, Actuary with Segal Consulting and Todd Bouey, Assistant General Manager presented this item to the Board. Commissioner Serrano moved approval of the following items: Recommendation Item 1, introduce an assumption to reflect Cost-of-Living Adjustment (COLA) benefits on a prospective basis beginning July 1, 2019, when a member elects an optional form of benefit and Recommendation Item 2, adopt the Demographic Assumptions, inclusive of a change to the mortality tables from static to generational, Commissioner Elizabeth Lee made a friendly amendment to Commissioner Serrano’s motion, to consider a full experience study in the year 2020, seconded by Vice President Greenwood, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Vice President Greenwood, and President Ruiz -5; Nays, Commissioner Wilkinson -1.

The Board did not approve Recommendation Item 3, adoption of the Economic Assumptions, inclusive of a 7.00% net investment rate of return and a 2.75% inflation rate.

X

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the fund portfolio, \$17.56 billion as of August 13, 2018. He stated that the contract with TorreyCove has been executed for five years. Brinda Patel, the intern from Girls Who Invest, completed her time at LACERS and has returned to USC. Investments will be hiring a new intern in the Fall and will be recruiting an intern from Girls Who Invest in 2019. Mr. June stated that he was informed by Matthew Kaplan, Managing Director of Almanac Realty

Investors, that LACERS will not be getting an allocation with the fund. Upcoming agenda item includes RFPs for Investment Manager Allocation Study. Andrea Galstian, Management Analyst with Investments Division, is leaving City Service and has accepted a position as a Civilian employee with the United States Air Force. She shared her experience and appreciation of her time at LACERS with the Board.

President Ruiz adjourned the Regular Meeting at 11:51 a.m. for a break. President Ruiz reconvened the Regular Meeting at 12:01 p.m.

- B. CONTINUED DISCUSSION OF RISK BUDGETING, ASSET CLASS REVIEWS, AND ASSET ALLOCATION IMPLEMENTATION PLAN AND POSSIBLE BOARD ACTION – Carolyn Smith, Partner at NEPC, presented this item to the Board. Commissioner Serrano moved approval, seconded by Vice President Greenwood and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.
- C. PRESENTATION BY THE TOWNSEND GROUP OF THE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2017 – Robert Miranda, Vice President and Felix Fels, Associate with Townsend Group presented this item to the Board.

President Ruiz adjourned the Regular Meeting at 1:34 p.m. for a break. President Ruiz reconvened the Regular Meeting at 1:39 p.m.

- D. REAL ESTATE FISCAL YEAR 2018-19 STRATEGIC PLAN AND POSSIBLE BOARD ACTION– Robert Miranda, Vice President and Felix Fels, Associate with Townsend Group presented this item to the Board. Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, None.
- E. INVESTMENT MANAGER CONTRACT WITH EAM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer and Eduardo Park, Investment Officer I presented this item to the Board. Commissioner Serrano moved approval of the following Resolution:

**CONTRACT RENEWAL
EAM INVESTORS, LLC
ACTIVE U.S. SMALL CAP GROWTH EQUITIES PORTFOLIO MANAGEMENT**

RESOLUTION 180814-F

WHEREAS, LACERS current three-year contract with EAM Investors, LLC (EAM) for active management of a U.S. small cap growth equities portfolio expires on September 30, 2018; and,

WHEREAS, EAM is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with EAM will allow LACERS to maintain a diversified exposure to the U.S. small cap equities markets; and,

WHEREAS, on August 14, 2018, the Board approved the Investment Committee’s recommendation for a two-year contract renewal with EAM; and,

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	EAM Investors, LLC
<u>Service Provided:</u>	Active U.S. Small Cap Growth Equities Portfolio Management
<u>Effective Dates:</u>	October 1, 2018 through September 30, 2020
<u>Duration:</u>	Two years
<u>Benchmark:</u>	Russell 2000 Growth Index
<u>Allocation as of June 30, 2018:</u>	\$126.9 million

Which motion was seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and President Ruiz -5; Nays, None.

Vice President Greenwood returned to the Regular Meeting at 1:50 p.m.

- F. CONTINUED DISCUSSION OF COMMITMENT OF UP TO \$35 MILLION IN ALMANAC REALTY SECURITIES VIII, LP AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Eduardo Park, Investment Officer I presented this item to the Board. The Board took no action on this item.

XI

BENEFITS ADMINISTRATION

- A. ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION – Alex Rabrenovich, Chief Benefits Analyst and Borden Darm, of Keenan & Associates presented this item to the Board. Commissioner Serrano moved approval, seconded by Vice President Greenwood and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.

XII

OTHER BUSINESS – There was no other business.

XIII

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 28, 2018 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIV

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 2:10 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary



Report to Board of Administration

From: Investment Committee
Sung Won Sohn, Chairperson
Nilza R. Serrano
Elizabeth Lee

Agenda of: **AUGUST 28, 2018**

ITEM: **ITEM VII-B**

SUBJECT: INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION

Recommendation

That the Board approve a four-year contract renewal with LM Capital Group, LLC for management of an active domestic fixed income portfolio; and, authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On August 14, 2018, the Committee considered the attached staff report (Attachment A) recommending a four-year contract renewal with LM Capital Group, LLC (LM Capital). LM Capital was hired by the Board in 2005 following an RFP process. The most recent contract renewal was authorized by the Board on October 25, 2016, and is set to expire on February 28, 2019.

Strategic Plan Impact Statement

A contract renewal with LM Capital Group, LLC, will allow the fund to maintain a diversified exposure to the core fixed income markets, which is expected to help achieve satisfactory long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Jimmy Wang, Investment Officer I, Investment Division.

RJ:BF:WL:JW:ap

Attachments: A) Investment Committee Recommendation Report dated August 14, 2018
B) Proposed Resolution



Report to Investment Committee

Agenda of: **AUGUST 14, 2018**

From: Neil M. Guglielmo, General Manager

ITEM: **IV**

SUBJECT: INVESTMENT MANAGER CONTRACT WITH LM CAPITAL GROUP, LLC REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION

Recommendation

That the Committee recommend to the Board a four-year contract renewal with LM Capital Group, LLC for management of an active domestic fixed income portfolio.

Discussion

Background

LM Capital Group, LLC (LM Capital) manages an active domestic (core) fixed income portfolio for LACERS benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index. LM Capital utilizes a fundamental, global macroeconomic approach to identify attractive fixed income securities and determine the portfolio positioning with respect to average maturity, duration, and sector allocation. The investment process is supplemented with global scenario planning, a qualitative risk management process that examines the impact of potential events on the portfolio. Luis Maizel, Co-Founder and Senior Managing Director, serves as the lead portfolio manager; John Chalker, Co-Founder and Senior Managing Director, serves as the co-portfolio manager. LACERS' portfolio was valued at approximately \$271.4 million as of June 30, 2018.

LM Capital was hired by the Board in 2005 following an RFP process. The most recent contract renewal was authorized by the Board on October 25, 2016, and is set to expire on February 28, 2019.

Organization

LM Capital was founded in 1989 and is 100% employee-owned. The firm is located in San Diego and has 21 employees. As of June 30, 2018, LM Capital managed \$4.3 billion in total assets, with \$2.4 billion in the core fixed income strategy.

Due Diligence

LM Capital's organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

Performance

As of June 30, 2018, LM Capital outperformed its benchmark, net-of-fees, over all time periods except for the three-month and one-year timeframes as presented in the table below. LM Capital is in compliance with the LACERS Manager Monitoring Policy.

Annualized Performance as of 6/30/18 (Net-of-Fees)									
	3-Month	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	Since Inception [^]
LM Capital (%)	-0.43	-0.47	0.15	1.97	1.92	2.69	2.81	4.10	4.28
BC U.S. Aggregate* (%)	-0.16	-0.40	-0.36	1.72	1.75	2.27	2.62	3.55	3.84
<i>Excess Return (%)</i>	<i>-0.27</i>	<i>-0.07</i>	<i>0.51</i>	<i>0.25</i>	<i>0.17</i>	<i>0.42</i>	<i>0.19</i>	<i>0.55</i>	<i>0.44</i>

[^]Inception Date: March 31, 2005

*Benchmark performance shown is a blend of the Barclays U.S. Aggregate Index and the Barclays U.S. Universal Index (Universal Index). From 9/30/2011 to 6/30/2013, LACERS benchmarked LM Capital to the Universal Index.

Calendar year performance is presented in the table below as supplemental information.

Calendar Year Performance as of 6/30/18 (Net-of-Fees)										
	1/1/18 to 6/30/18	2017	2016	2015	2014	2013	2012	2011	2010	2009
LM Capital (%)	-2.01	4.22	3.16	1.00	5.69	-1.70	6.94	5.84	7.30	13.13
BC U.S. Aggregate* (%)	-1.62	3.54	2.65	0.55	5.97	-1.87	5.53	6.43	5.89	5.24
<i>% of Excess Return</i>	<i>-0.39</i>	<i>0.68</i>	<i>0.51</i>	<i>0.45</i>	<i>-0.28</i>	<i>0.17</i>	<i>1.41</i>	<i>-0.59</i>	<i>1.41</i>	<i>7.89</i>

*See note below Annualized Performance table.

Fees

LACERS pays LM Capital an effective fee of 11 basis points (0.11%). This includes a 15% fee discount based on a contract clause that provides for such a discount in instances where the Los Angeles Fire and Police Pensions (LAFPP) and/or the Los Angeles Water and Power Employees' Retirement Plan is/are invested in the same strategy with LM Capital. In this case, LAFPP is invested in the same strategy. LACERS' effective fee is approximately \$300,214 annually based on the value of LACERS' assets as of June 30, 2018. This fee ranks in the 3rd percentile of LM Capital's peers based on the eVestment U.S. Core Fixed Income universe (i.e., LM Capital's fee is lower than 97% of peers). The median fee of the universe for a similar sized portfolio is 22 basis points.

General Fund Consultant Opinion

NEPC, LACERS' General Fund Consultant, concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with LM Capital Group, LLC will allow the fund to maintain a diversified exposure to the core fixed income markets, which is expected to help achieve satisfactory long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Jimmy Wang, Investment Officer I, Investment Division.

RJ:BF:WL:JW:ag

- Attachments: A) Consultant Recommendation – NEPC
 B) Workforce Composition



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: August 14, 2018
Subject: LM Capital Core Fixed Income – Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract that is currently in place with LM Capital ('LM Capital') for a period of four years from the date of contract expiry.

Background

LM Capital has had a relationship with LACERS since March 2005. The portfolio managed for LACERS falls within LM Capital's opportunistic core product which is benchmarked against the Bloomberg Barclays U.S. Aggregate Bond Index.

As of June 30, 2018, LM Capital managed \$271.4 million, or 1.6% of Plan assets in the Core Plus Fixed Income product with an asset-based fee of 0.11% annually. This fee ranks in the 3rd percentile of its peers in the eVestment U.S. Core Fixed Income Universe. In other words, 97% of the 226 core fixed income products included in the peer universe have a higher fee than the LACERS account. For further reference, the median fee in the universe for a similarly sized portfolio is 0.22%. The performance objective is to outperform the Bloomberg Barclay's U.S. Aggregate Bond Index by at least 0.20%, net of fees, annualized over a full market cycle (normally three-to-five years). Performance of the LM Capital Core Fixed Income account is currently compliant with LACERS' manager monitoring policy.

LM Capital was founded in 1989 by Luis Maizel and John Chalker and is a privately held 100% employee-owned fixed income boutique firm with approximately \$4.3 billion in assets under management ('AUM'), eight investment professionals and 21 employees in total. The firm is headquartered in San Diego. The firm is a Minority Business Enterprise, with their majority shareholders being of Hispanic descent. The firm has approximately \$2.4 billion in AUM in opportunistic core fixed income mandates.

The portfolio is managed by a team of three portfolio managers including Luis Maizel, John Chalker, Mario Modiano and trader, Rachel Wilson. They are supported by a dedicated research team of four individuals.



LM Capital takes a global approach to managing fixed income portfolios, based on top down analysis of global macroeconomic factors. They believe that global economic, political and social factors influence markets and ultimately influence the performance of each bond sector and region. Understanding these factors will allow them to take advantage of market anomalies and inefficiencies, thus producing attractive, risk-adjusted returns. The firm's value add comes primarily from security/sector allocation and duration management.

The team starts by constructing and analyzing a matrix of several economic indicators including inflation, trade balance, budget deficits, international factors, employment and other economic indicators. The macroeconomic factors are further scored by country to identify trends. From this analysis, duration, sector and country targets are set and attractive securities are selected. The team then applies several "what if" scenarios to markets and portfolios based on unexpected future events from a political, economic or social standpoint. They focus on events that could have a negative impact on portfolios and may adjust portfolios if they think the probability of a negative event happening is high.

Performance

Referring to Exhibit 1, in the one-year period ended June 30, 2018, the portfolio slightly underperformed the index (-0.47% vs. -0.40%) but outperformed the index over the past five years by 0.41% (2.69% vs. 2.27%). Referring to Exhibit 2, the strategy has outperformed the Bloomberg Barclays U.S. Aggregate Bond Index by 0.43%, returning 2.47% net of fees, for the period ended March 31, 2018 since July 1, 2012 (when the portfolio mandate was constrained to a core portfolio). The portfolio ranked in the 31st percentile in its peer universe since July 1, 2012. The portfolio had an information ratio of 0.57 ranking 31st in its peer group and active risk, as measured by tracking error of 0.75%.

Conclusion

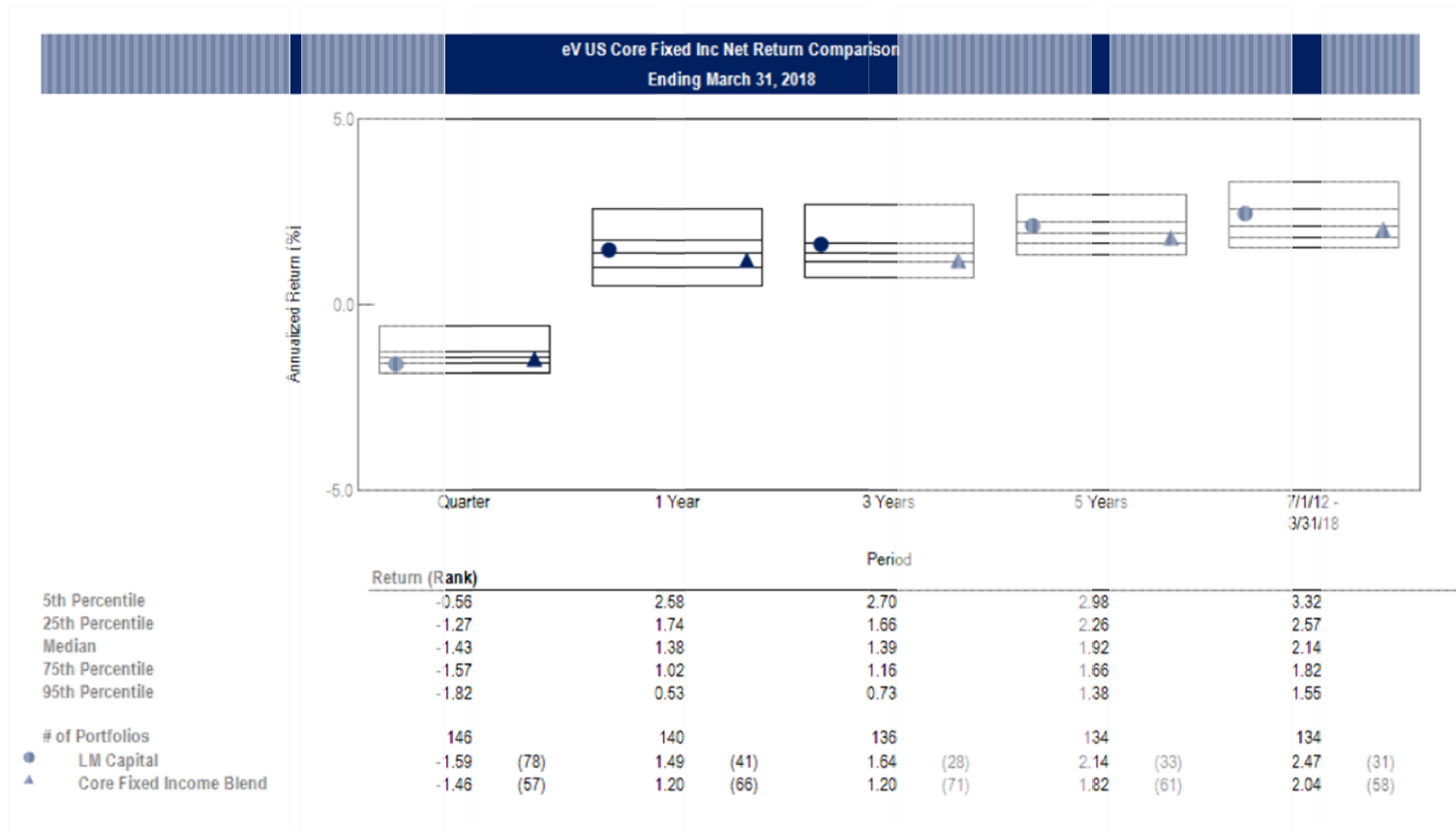
LM Capital has outperformed the index since March 2005, exhibited stability in their investment process, strategy and philosophy which suggests that their approach to asset management does have merit. The firm has been stable from a personnel and strategic perspective further adding to our conviction in the strategy. NEPC recommends a contract renewal for a period of four years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1

	Market Value (\$)	3Mo(%)	YTD(%)	Fiscal YTD(%)	1Yr(%)	3Yr(%)	5Yr(%)
LM Capital	271,386,198	-0.43	-2.01	-0.47	-0.47	1.97	2.69
Core Fixed Income Blend		-0.16	-1.62	-0.40	-0.40	1.72	2.27
Over/Under		-0.27	-0.39	-0.07	-0.07	0.25	0.41

Exhibit 2



Vendor **LM Capital Group**
 Address **750 B Street, Suite 3010**
San Diego, CA 92101

Date Completed: **7/30/2018**

Category **Opportunistic Core - Fixed Income**

TOTAL COMPOSITION OF WORK FORCE									
<u>Occupation</u>	<u>African</u>	<u>Hispanic</u>	<u>Asian or</u>	<u>American Indian</u>	<u>Caucasian</u>	<u>Total</u>	<u>Percent (%)</u>	<u>Gender</u>	
	<u>American</u>	<u>Full Time</u>	<u>Pacific Islander</u>	<u>Alaskan Native</u>	<u>(Non Hispanic)</u>			<u>Employees</u>	<u>Male</u>
	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>	<u>Full Time</u>
Officials & Managers	0	4	0	0	0	4	100.00%	4	0
Professionals	0	1	0	0	5	6	16.67%	4	2
Technicians	0	1	0	0	0	1	100.00%	1	0
Sales Workers	1	2	0	0	3	6	50.00%	1	5
Office/Clerical	1	2	1	0	0	4	100.00%	2	2
Semi-Skilled	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0.00%	0	0
Total	2	10	1	0	8	21	61.90%	12	9

CONTRACT RENEWAL
LM CAPITAL GROUP, LLC
ACTIVE DOMESTIC FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS current four-year contract with LM Capital Group, LLC (LM Capital) for active management of an active domestic fixed income portfolio expires on February 28, 2019; and,

WHEREAS, LM Capital is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with LM Capital will allow LACERS to maintain a diversified exposure to the domestic fixed income markets; and,

WHEREAS, on August 28, 2018, the Board approved the Investment Committee's recommendation for a four-year contract renewal with LM Capital; and,

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	LM Capital Group, LLC
<u>Service Provided:</u>	Active Domestic Fixed Income Portfolio Management
<u>Effective Dates:</u>	March 1, 2019 through February 28, 2023
<u>Duration:</u>	Four years
<u>Benchmark:</u>	Bloomberg Barclays U.S. Aggregate Bond Index
<u>Allocation as of June 30, 2018:</u>	\$271.4 million

August 28, 2018



Report to Board of Administration

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Nilza R. Serrano
Sandra Lee

Agenda of: **AUGUST 28, 2018**

ITEM: **VIII-A**

SUBJECT: 2019 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE BOARD ACTION

Recommendation

That the Board approve:

1. Setting the 2019 premium rates at the amounts offered by the health plan carriers for Kaiser Permanente Senior Advantage plan, SCAN Medicare Advantage plan, and DeltaCare USA (HMO) plan, including any minor premium adjustments;
2. Accepting the final cost changes offered by the health plan carriers and setting the 2019 premium rates at the 2018 amounts for Anthem Blue Cross PPO; Kaiser Permanente HMO; and UnitedHealthcare Medicare Advantage CA, NV, and AZ;
3. Applying Premium Stabilization Reserve funds toward the Anthem Blue Cross HMO premium rates to create a 19.4% reduction in cost and setting the premium rate at an amount equivalent to a 9.7% reduction from the 2018 premium rate;
4. Accepting the 2019 cost increases offered by Anthem Blue Cross and applying Premium Stabilization Reserve funds toward the increased costs to maintain the 2018 premium rates for Anthem Blue Cross Medicare Supplement and Anthem Blue View vision plans; and
5. Self-funding the Delta Dental PPO Plan and increasing the premium by 3.5%.

Discussion

At the Committee's meeting of August 14, 2018, staff presented recommendations regarding the 2019 health plan contract renewals, as described in the attached Committee report. The Committee is forwarding its recommendations to the Board.

Because six LACERS medical plans are experiencing cost decreases in 2019, LACERS has a unique opportunity to leverage these savings toward future cost increases. In order to do this, the Committee recommends that the Board accept the cost reductions of five of these plans (Kaiser Permanente HMO, Anthem Blue Cross PPO, and UnitedHealthcare CA, NV, and AZ), yet maintain the 2018 premium amounts so that surplus premium funds can be held in a Section 115 Trust and applied toward premium increases in the future. This would provide smoothing of the healthcare trend rate and allow LACERS to better manage future costs of the health and welfare program, which will benefit the Members and LACERS in the long-term.

Additionally, as approved by the Board at its August 14, 2018 meeting, excess Anthem Blue Cross (Anthem) Premium Stabilization Reserve (PSR) funds will be used to lower the premium cost of the Anthem Medicare Supplement and HMO plans. Additionally, it is requested that the Board authorize staff to use excess PSR funds to lower the premium cost of the Anthem Blue View vision plan. PSR funds will be applied to these plans in the following approximate amounts:

Medicare Supplement:	\$ 607,328
HMO:	\$1,511,809
Blue View:	\$ 23,357

Note: LACERS has \$4.1 million in excess PSR funds.

The PSR funds will reduce the 2019 Anthem Medicare Supplement and Anthem Blue View cost increases to 0% so that the 2018 premium rate can be maintained. The PSR funds will further reduce the 2019 Anthem HMO costs by 9.7% to a total reduction of 19.4%. However, the Committee is recommending that the premium rate be set at an amount 9.7% lower than the 2018 premium rate to create surplus premium funds to assist in managing future premium cost increases.

The Committee is further recommending that LACERS move from a fully-insured Delta Dental PPO product to a self-insured product. In doing this, LACERS would be responsible for setting and collecting the premiums and paying Delta Dental the billed claims and administrative costs. Based on a study performed by Keenan and Associates, LACERS' health and welfare consultant, this will provide cost savings for the program (details are included in the attached report). It is recommended that the 2019 premium be increased by 3.5%.

Finally, it is recommended that the premium amounts offered by the health plan carriers be approved for Kaiser Permanente Senior Advantage, SCAN Medicare Advantage, and DeltaCare USA (HMO) plans.

Staff and Keenan will be present to discuss the 2019 health plan renewal process and answer the Committee's questions.

Strategic Plan Impact Statement

Conducting an annual renewal of our health plans allows staff to ensure that our plan premiums and benefits are competitive and appropriate, and support Strategic Plan Goal 3, Maximize Value and Minimize Costs of our Health and Welfare Program.

MRW:NG:LP:AR

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, of the Health Benefits Administration and Communications Division.

Attachments: 1 – August 14, 2018 Benefits Administration Committee Report
2 – Proposed Resolution



Report to Benefits Administration Committee

Agenda of: **AUGUST 14, 2018**

Neil M. Guglielmo
From: **Neil M. Guglielmo, General Manager**

ITEM: **III**

SUBJECT: 2019 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION

Recommendation

That the Committee forward a recommendation to the Board to approve:

1. Option 2 under Medical Plan Renewal Options
2. Option 2 under the Delta Dental PPO Plan Renewal Options
3. Proposed 2019 premium rates for the Anthem Blue Cross Medicare Supplement plan, Kaiser Permanente Senior Advantage plan, SCAN Medicare Advantage plan, DeltaCare USA (HMO) plan, and Anthem Blue View vision plan, including any minor premium adjustments, to the Board.

Discussion

In March of this year, LACERS' health and welfare consultant, Keenan and Associates (Keenan), released a Request for Renewal, requesting premium rate renewal data from LACERS health plan carriers: Kaiser Permanente (Kaiser), Anthem Blue Cross (Anthem), UnitedHealthcare (UHC), Senior Care Action Network (SCAN), and Delta Dental (Delta). Data requested included proposed 2019 premium rates, documentation to support the proposed premium rates, and performance guarantees, as well as financial commitments toward LACERS' wellness program.

2019 Medical Plan Renewal Summary

For the Kaiser, Anthem, UHC, and SCAN programs, no changes to benefits were requested. The preliminary 2019 annual medical plan program cost was estimated to decrease from \$125.0 million to \$123.3 million, a decrease of \$1.7 million or 1.4%. After negotiations, the estimated 2019 annual program cost was reduced to \$123.0 million, a decrease of \$2.0 million or 1.6%. More details regarding the cost changes by carrier is included in the attached Keenan report.

2019 Dental and Vision Plan Renewal Summary

For the Delta Dental DPPO plan, the preliminary annual cost was estimated to increase from \$9,096,097 to \$9,578,409, a difference of \$482,311, or 5.3%. After negotiations, the estimated annual cost was reduced to \$9,414,440, a difference of \$318,343, or 3.5%.

Keenan suggested that LACERS self-fund the Delta Dental DPPO plan, which means that LACERS would set and collect the premiums, and pay Delta the billed claims and administration costs. LACERS would be responsible for paying all the claims costs, whether or not premium dollars are sufficient to cover the expense. However, Keenan performed a study and has determined that this option is viable and of low risk to LACERS. Keenan recommends that should LACERS decide to self-fund the DPPO plan, the 2019 annual cost should increase by 3.5%, as Delta had proposed.

DeltaCare USA (HMO) premium costs are estimated to rise from \$655,038 to \$694,334, a difference of \$39,295, or 6.0%. Anthem Blue View premium costs are estimated to rise from \$636,944 to \$660,301, a difference of \$23,357, or 3.7%. Negotiations did not result in a premium change for these plans.

More details regarding the self-funding study and cost changes is included in the attached Keenan report.

Medical Plan Renewal Options

Because six of our medical plans are experiencing cost decreases in 2019, LACERS has a unique opportunity to leverage these savings toward future cost increases. Taking this into consideration, two renewal options are being presented to the Committee for its consideration:

Option 1

Accept the medical plan renewals as they are;

or,

Option 2

Accept the medical plan renewals, but maintain the 2018 premium rates for all plans experiencing a cost reduction, except the Anthem HMO plan:

- Anthem PPO (-2.4%)
- Kaiser HMO (-2.7%)
- UHC Medicare Advantage
 - CA (-5.6%)
 - NV (-6.4%)
 - AZ (-4.4%)

For the Anthem HMO plan, the 9.7% reduction in the 2019 plan cost will be further reduced by the transfer of surplus Premium Stabilization Reserve funds. However, its premium will remain the same as what Anthem had proposed (-9.7%). Surplus premium dollars from plans will be held in a 115 Trust to be used at a later date to reduce sharp medical plan cost increases.

This option is dependent upon LACERS being able to establish a 115 Trust prior to January 1, 2019. Should LACERS not be able to establish the 115 Trust fund timely, the renewal will default to Option 1.

Staff recommends Option 2.

Dental and Vision Plan Renewal Options

Delta Dental DPPO Plan Renewal Options:

Option 1

Accept the Delta Dental DPPO plan renewal at an increase of 3.5%;

or,

Option 2

Switch from a fully-insured product to a self-funded product. Self-funding means that LACERS will set and collect the premiums, and pay Delta the billed claims and administration costs. LACERS would be responsible for paying all the claims costs, whether or not premium dollars are sufficient to cover the expense. However, Keenan performed a study and has determined that this option is viable and of low risk to LACERS. Self-funding only changes where the financial risk lies, but would have no impact on the Member experience. The only notable difference is that communications would indicate, "Administered by Delta Dental" instead of "Insured by Delta Dental." Keenan recommends that should LACERS decide to self-fund the DPPO plan, the 2019 annual cost should increase by 3.5%, as Delta had proposed.

Staff recommends Option 2.

DeltaCare USA (HMO) and Anthem Blue View Vision

Staff recommends accepting the proposed 2019 DeltaCare USA (HMO) and Anthem Blue View Vision Plan premiums.

Conclusion

Negotiations conducted by Keenan and recommended renewal options resulted in an overall cost decrease of \$456,317. If the recommendations are approved, the total annual premium cost of LACERS' health and welfare program (medical, dental, and vision plans) is estimated to decrease by \$1.6 million, or 1.2%, from \$135.4 million to \$133.7 million.

Occasionally, premiums are subject to change slightly after Board approval due to discovered miscalculations. Staff recommends that the Board allow for any premium adjustments, with increases not to exceed \$5.00 per plan premium, to be included in the recommendation.

Staff and Keenan will be present to discuss the 2019 health plan renewal process and answer the Committee's questions.

Strategic Plan Impact Statement

Conducting an annual renewal of our health plans allows staff to ensure that our plan premiums and benefits are competitive and appropriate, and support Strategic Plan Goal 3, Maximize Value and Minimize Costs of our Health and Welfare Program.

NG:AR

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, of the Health Benefits Administration and Communications Division.

Attachments: 1 – Keenan Report – 2019 Health Plan Renewal Final Report
2 – LACERS Historical Medical Cost Increases



ATTACHMENT 1

Los Angeles City Employees' Retirement System

2019 Health Plan Renewal, Final Report

Benefits Administration Committee, August 2018

Respectfully Submitted by:

Steve Gedestad, Municipality Practice Leader | Bordan Darm, Consultant
Erin Robinson, Senior Service Representative | Christine Hough, Consultant & Actuary

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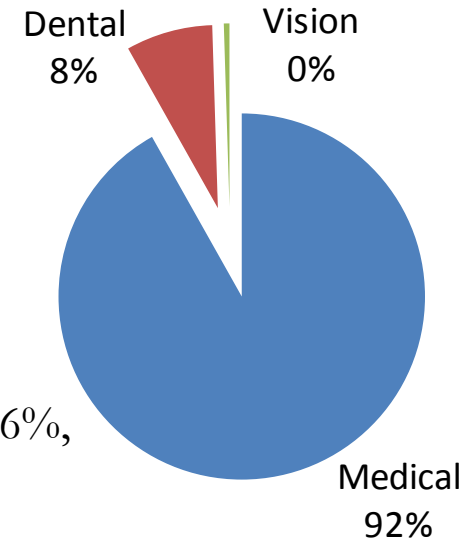
Introduction

- This report presents Los Angeles City Employees' Retirement System's (LACERS) final 2019 health plan renewals
- Anthem Blue Cross (Anthem), Kaiser Permanente (Kaiser), UnitedHealthcare (UHC), and SCAN have provided medical plan renewals for 2019
- Delta Dental has provided renewals for the PPO plan under a new three-year rate-guarantee contract and for the DHMO plan for 2019
- Anthem Blue View Vision has provided renewals for 2019
- Data assumes the current carriers, plans, and enrollment in the report



Executive Summary

- The 2019 final renewal for the LACERS Health and Welfare Program is a decrease in cost of \$1.6M or 1.2% from \$135,382,648 to \$133,741,367
- The 2019 LACERS final renewal changes are as follows:
 - Medical: **-\$2,022,277** or **-1.6%**
 - Dental: **\$357,638** or **3.7%**
 - Vision: **\$23,357** or **3.7%**
- Final negotiated renewals produced a savings of \$456,317
- Of LACERS' total premium costs, medical amounts to 91.9%, dental 7.6%, and vision 0.5%
- The Wellness Budget will increase \$280,500 from \$207,500 in 2018 to \$488,000 for 2019
- A self-funded Delta Dental PPO option has been provided
- All carriers were requested to include performance guarantees (PG) for Security Breaches. Only Anthem provided a PG. The other carriers are working on it and are hopeful to have them in place for 2020.

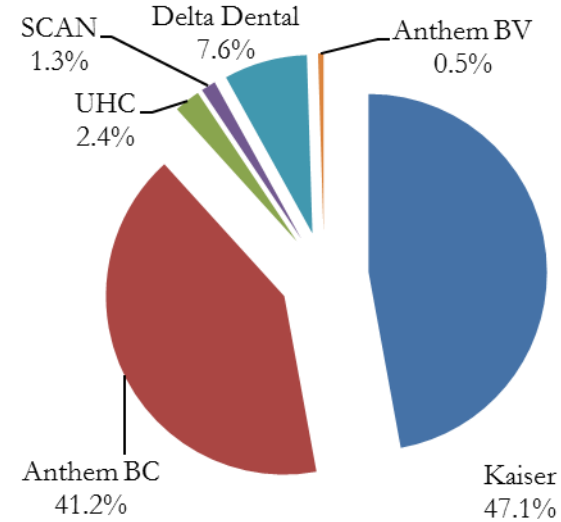


	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
MEDICAL	18,771	\$124,994,569	\$123,264,641	(\$1,729,928)	-1.4%	\$122,972,292	(\$2,022,277)	-1.6%	\$292,348
DENTAL	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%	\$10,108,774	\$357,638	3.7%	\$163,968
VISION	5,748	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%	\$133,741,367	(\$1,641,281)	-1.2%	\$456,317

Executive Summary

The 2019 LACERS final renewals by carrier are as follows:

- Anthem: **\$55,041,152** or **-2.4%**
- Kaiser: **\$63,005,400** or **-0.8%**
- UHC: **\$3,157,993** or **-5.6%**
- SCAN: **\$1,767,747** or **0.0%**
- Delta Dental: **\$10,108,774** or **3.7%**
- Anthem Blue View: **\$660,301** or **3.7%**



Kaiser and Anthem comprise 88.3% of the total cost

Carriers	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%	\$55,041,152	(\$1,337,950)	-2.4%	\$419,314
Kaiser	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%	\$63,005,400	(\$498,444)	-0.8%	(\$126,966)
UnitedHealthcare	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%	\$3,157,993	(\$185,882)	-5.6%	\$0
SCAN	567	\$1,767,747	\$1,767,747	\$0	0.0%	\$1,767,747	\$0	0.0%	\$0
Delta Dental	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%	\$10,108,774	\$357,638	3.7%	\$163,968
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%	\$133,741,367	(\$1,641,281)	-1.2%	\$456,317

1) Anthem and Delta Dental enrollments are retiree counts.
 2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

Executive Summary

2019 Renewals, an Opportunity to be Strategic

- With three of four medical carriers providing significant renewal decreases (the fourth carrier offered a 0.0% renewal), LACERS is in a unique situation where it has renewal strategy options:
 1. Accept the renewals as is. The concern with this strategy is that the renewals were based on exceptional plan experience. LACERS could be setting themselves up for significant increases in the following years.
 2. Accept the medical plan renewals, but maintain the 2018 premium rates for all plans experiencing a cost reduction, except the Anthem HMO plan. The 9.7 % reduction in the 2019 Anthem HMO plan cost will be further reduced by the transfer of surplus Premium Stabilization Reserve funds. However, the premium will be maintained at the amount Anthem had proposed (-9.7%). Surplus premium dollars from plans will be held in a 115 Trust to be used at a later date to reduce sharp medical plan cost increases.

Anthem Blue Cross Renewal – Overall

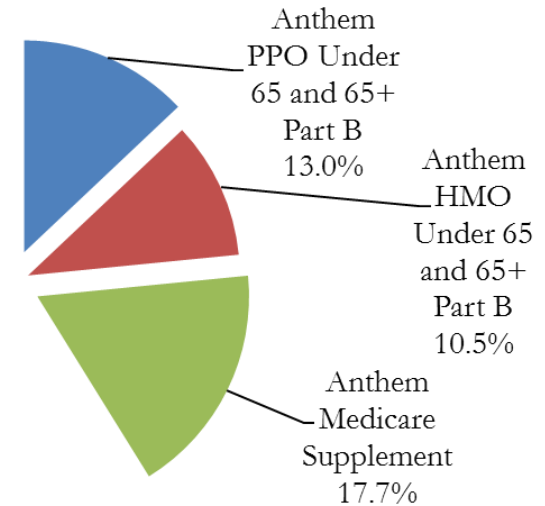
- Anthem Blue Cross comprises 41.2% of LACERS' premium costs

- Anthem requested the following rate adjustments:

- PPO Under 65 / 65+ Part B: -\$433,469 or -2.4%
- HMO Under 65 / 65+ Part B: -\$1,511,809 or -9.7%
- Medicare Supplement: \$607,328 or 2.6%
- Overall: -\$1,337,950 or -2.4%

- Other considerations for Anthem's renewal:

- Final 2017 year-end accounting produced a \$4,140,949 surplus
- 2019 wellness program contribution of \$300,000 (an increase of \$200,000). \$150,000 of the \$300,000 will be funded in the rates.
- Addition of SilverSneakers for the HMO and PPO plans at no cost
- Anthem passed all 2017 performance measures/guarantees
- For 2019, Anthem has included a Security Breach performance guarantee for member notification in the event of a breach.



	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem									
Anthem									
PPO Under 65 and 65+ Part B	996	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%	\$17,331,655	(\$433,469)	-2.4%	\$100,892
HMO Under 65 and 65+ Part B	952	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%	\$14,009,846	(\$1,511,809)	-9.7%	(\$21,656)
Medicare Supplement	2,982	\$23,092,323	\$24,039,729	\$947,406	4.1%	\$23,699,651	\$607,328	2.6%	\$340,078
Total	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%	\$55,041,152	(\$1,337,950)	-2.4%	\$419,314

Anthem Blue Cross Renewal – PPO

Anthem PPO – Available to Retired Members under age 65 or age 65+ with Medicare Part B



Anthem
PPO Under
65 and 65+
Part B
13.0%

- The Anthem Blue Cross PPO Under 65 / 65+ Part B comprises 13.0% of LACERS' premium costs
- The Anthem renewal is a decrease of \$433,469 or 2.4%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claim cost per retiree per month: 2019 = \$872; 2018 = \$895; 2.6% decrease
 - Claims loss ratio: 2019 = 87%; 2018 = 93%
 - Large claims activity: 2019 = 5 claims totaling \$793,142; 2018 = 5 claims totaling \$1,127,682
- Anthem used a 9.3% medical renewal trend to forecast costs, which is within the acceptable industry norm

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Preliminary		
			Premium	\$ Change	% Change	Premium	\$ Change	% Change
Anthem								
PPO Under 65 and 65+ Part B	996	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%	\$17,331,655	(\$433,469)	-2.4%

Anthem Blue Cross Renewal – PPO

- 2018 to 2019 prescription drug renewal underwriting basis change:
 - Paid claim cost per retire per month: 2018 = \$250; 2019 = \$237; 5.2% decrease
- Anthem used a 10.9% prescription drug renewal trend to forecast costs, which is within the acceptable industry norm
- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$601,960 or 3.4% of premium
 - Final 2017 year-end accounting for PPO produced a \$1,119,046 surplus
 - Covered retirees per month: 2019 = 989; 2018 = 974; 1.5% increase

Anthem Blue Cross Renewal – HMO

Anthem HMO – Available to Retired Members under age 65 or age 65+ with Medicare Part B



Anthem HMO Under 65 and 65+ Part B 10.5%

- The Anthem Blue Cross HMO Under 65 / 65+ Part B comprises 10.5% of LACERS' premium costs
- The Anthem renewal is a decrease of \$1,511,809 or 9.7%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claims cost per retiree per month: 2019 = \$925; 2018 = \$913; 1.3% increase
 - Large claims activity: 2019 = 5 claims totaling \$1,688,020; 2018 = 3 claims totaling \$1,319,817
- Anthem used a 9.3% medical renewal trend to forecast costs, which is within the acceptable industry norm

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Preliminary		
			Premium	\$ Change	% Change	Premium	\$ Change	% Change
Anthem								
HMO Under 65 and 65+ Part B	952	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%	\$14,009,846	(\$1,511,809)	-9.7%

Anthem Blue Cross Renewal – HMO

- 2018 to 2019 **prescription drug** renewal underwriting basis change:
 - Paid claims cost per retiree per month: 2019 = \$275; 2018 = \$331; 16.9% decrease
- Anthem used a 12.1% prescription drug renewal trend to forecast costs, which is within the acceptable industry norm
- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$501,177 or 3.4% of premium
 - Final 2017 year-end accounting for HMO produced a \$2,231,459 surplus
 - \$1.5 million of the Premium Stabilization Reserve funds will be used to further decrease the HMO plan cost
 - Covered retirees per month: 2019 = 828; 2018 = 768; 7.8% increase

Anthem Blue Cross Renewal – Medicare Supplement



Anthem
Medicare
Supplement
17.7%

Medicare Supplement – Available to Retired Members age 65+ with Medicare Parts A and B

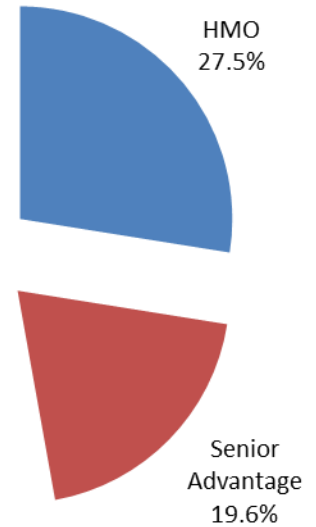
- The Anthem Blue Cross Medicare Supplement comprises 17.7% of LACERS’ premium costs
- The Anthem final renewal is an increase of \$607,328 or 2.6%
- 2018 to 2019 **medical** renewal underwriting basis change:
 - Paid claim cost per retiree per month: 2019 = \$200; 2018 = \$194; 3.1% increase
- Anthem used 8.0% medical renewal trend, which is within the acceptable industry norm

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Preliminary		
			Premium	\$ Change	% Change	Premium	\$ Change	% Change
Anthem								
Medicare Supplement	2,982	\$23,092,323	\$24,039,729	\$947,406	4.1%	\$23,699,651	\$607,328	2.6%

Anthem Blue Cross Renewal – Medicare Supplemental

- Other considerations:
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018, the ACA Health Insurer Fee was \$461,208 or 2.0% of premium
 - Final 2017 year-end accounting produced a \$790,444 surplus (including Part D)
 - \$607,382 of the Premium Stabilization Reserve funds will be used to create no change in the 2019 Medicare Supplement plan cost.
 - Covered retirees per month: 2019 = 2,938; 2018 = 2,854; 2.9% increase

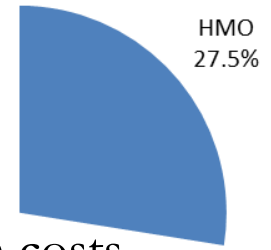
Kaiser Permanente Renewal – Overall



- Kaiser comprises 47.1% of LACERS' premium costs
- Kaiser requested the following rate adjustments:
 - HMO Under 65:
 - Option 1: **-\$1,020,390** or **-2.7%** decrease and a rate cap of 5% for 2020
 - Option 2: **-\$1,396,758** or **-3.7%** decrease and the standard rate cap of 15% for 2020
 - Senior Advantage: **\$521,946** or **2.0%** increase
 - Overall: **-\$498,444** or **-0.8%**
- Other considerations:
 - \$150,000 contribution for wellness program included in the rates by adding 0.4% to premium
 - 2017 performance guarantee results will be available in October 2018

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Kaiser									
HMO Under 65	3,897	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%	\$36,771,831	(\$1,020,390)	-2.7%	(\$376,368)
Senior Advantage	8,329	\$25,711,623	\$26,482,972	\$771,349	3.0%	\$26,233,569	\$521,946	2.0%	\$249,403
Total	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%	\$63,005,400	(\$498,444)	-0.8%	(\$126,966)

Kaiser Permanente Renewal – HMO



Kaiser HMO – Available to Retired Members under age 65

- The Kaiser HMO Under 65 comprises 27.5% of LACERS' premium costs
- The Kaiser final renewal is a decrease of \$1,020,390 or 2.7%
- 2018 to 2019 **medical and prescription drug** renewal underwriting basis change:
 - Kaiser utilized plan year 2017 as the basis for 2019 underwriting
 - Total claims cost per member per month (PMPM): 2019 = \$623; 2018 = \$759; 17.9% decrease
 - Medical claims cost PMPM: 2019 = \$684; 2018 = \$559; 22.4% increase
 - Rx claims cost PMPM: 2019 = \$64; 2018 = \$74; 13.5% decrease
 - Specialty drug costs PMPM: 2019 = \$21; 2018 = \$27; 22.2% decrease
 - Large claims activity: 2017 = 3 claimants, \$1,370,716; 2016 = 12 claimants, \$5,822,344
 - Kaiser is requesting a pooling level change from \$265K in 2018 to \$280K in 2019
- Kaiser used a 4.83% blended medical/prescription drug renewal trend to forecast costs which is within the acceptable standards for Kaiser

	Current	2018	2019 Renewal - Preliminary			2019 Renewal - Final		
	Enrollment	Premium	Premium	\$ Change	% Change	Premium	\$ Change	% Change
Kaiser								
HMO Under 65	3,897	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%	\$36,771,831	(\$1,020,390)	-2.7%

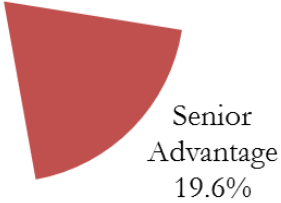
Kaiser Permanente Renewal – HMO

Kaiser HMO – Available to Retired Members under age 65

- Other Considerations
 - 2019 renewal did not include the Affordable Care Act (ACA) Health Insurer Fee, while in 2018 the ACA Health Insurer Fee was \$347,952 or 1.0% of premium
 - Average Members per month: 2019 = 3,768; 2018 = 3,694; 2.0% increase

Kaiser Permanente Renewal – Senior Advantage

Kaiser HMO Senior Advantage – Available to Retired Members with Medicare Parts A and B or Part B only:



- The Kaiser Senior Advantage Program comprises 19.6% of LACERS’ premium costs
- Final renewal is a 2.0% increase

	Current	2018	2019 Renewal - Preliminary			2019 Renewal - Preliminary		
	Enrollment	Premium	Premium	\$ Change	% Change	Premium	\$ Change	% Change
Kaiser								
Senior Advantage	8,329	\$25,711,623	\$26,482,972	\$771,349	3.0%	\$26,233,569	\$521,946	2.0%

SCAN Renewal

SCAN Medicare Advantage HMO – Available to Retired Members with Medicare Parts A and B

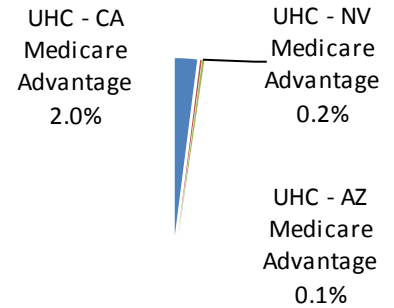
SCAN
1.3%

- SCAN comprises 1.3% of LACERS’ premium costs
- Proposed no changes to current rates and benefits
- SCAN is not anticipating changes from the Center for Medicare & Medicaid Services (CMS) that will affect the Medicare Advantage Prescription Drugs/Employer Group Waiver Program (MAPD/EGWP)
- Other considerations:
 - Wellness program contribution of \$9,500
 - Includes Independent Living Power (ILP) In-Home Care Services
 - Includes Healthways SilverSneakers Program

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
SCAN									
Medicare Advantage	567	\$1,767,747	\$1,767,747	\$0	0.0%	\$1,767,747	\$0	0.0%	\$0

UnitedHealthcare Renewal

UnitedHealthcare Medicare Advantage HMO – Available to Retired Members with Medicare Parts A and B



- UHC comprises 2.3% of LACERS’ premium costs
- UHC provides LACERS coverage in California, Arizona, and Nevada
- UHC proposes a premium change of **-\$185,882** or **-5.6%** with no changes to current benefits
- UHC is not anticipating changes from the Center for Medicare & Medicaid Services (CMS) that will affect the Medicare Advantage Prescription Drugs/Employer Group Waiver Program (MAPD/EGWP)
- Other considerations:
 - Wellness program contribution of \$8,500
 - Includes Solutions for Caregivers and SilverSneakers Programs

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
UnitedHealthcare									
CA Medicare Advantage	900	\$2,865,240	\$2,705,940	(\$159,300)	-5.6%	\$2,705,940	(\$159,300)	-5.6%	\$0
NV Medicare Advantage	99	\$280,926	\$262,988	(\$17,939)	-6.4%	\$262,988	(\$17,939)	-6.4%	\$0
AZ Medicare Advantage	49	\$197,709	\$189,066	(\$8,644)	-4.4%	\$189,066	(\$8,644)	-4.4%	\$0
Total	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%	\$3,157,993	(\$185,882)	-5.6%	\$0

Delta Dental Renewal

Delta Dental PPO and DHMO – Available to Retired Members

Delta Dental
PPO
7.0%



Delta Dental
DHMO
0.5%

- Delta Dental comprises 7.5% of LACERS’ premium costs
- Delta Dental has requested the following increases in the final renewals:
 - PPO: \$318,343 or 3.5% (first year of three-year rate guarantee)
 - DHMO: \$39,295 or 6.0% increase
 - Overall Delta Dental proposes an increase of **\$357,638** or **3.7%**
- Other considerations:
 - Wellness program contribution of \$10,000
 - Self-funding the Delta Dental PPO plan

	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Delta Dental									
PPO	11,149	\$9,096,097	\$9,578,409	\$482,311	5.3%	\$9,414,440	\$318,343	3.5%	\$163,968
DHMO	3,100	\$655,038	\$694,334	\$39,295	6.0%	\$694,334	\$39,295	6.0%	\$0
Total	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%	\$10,108,774	\$357,638	3.7%	\$163,968

Delta Dental PPO – Self-Funding Study

LACERS contracted with Delta Dental to provide dental insurance coverage effective January 1, 2015. As Keenan reviewed the dental experience for 2015 and 2016, Keenan brought to LACERS' attention that they may want to consider self-funding the dental coverage.

Keenan agreed to do a self-funding study based on LACERS' plan experience from January 1, 2015 through December 31, 2017 (3 years) to determine if there would be a financial advantage to self-funding the dental coverage. LACERS requested Keenan expand the study to the past five years to include 2013 and 2014 with MetLife. Please note that Keenan estimated administrative costs for MetLife at 9.0% of paid claims. Keenan conducted the five-year study and included the first five months of 2018.

Keenan's study showed that had LACERS been self-funded for the study period, LACERS would have reserved \$3,276,274 in plan surplus. Additionally, administrative costs would have been less, providing an additional estimated savings of \$15,000 annually.

LACERS dental plan experience has been stable over the five-year period, averaging a premium of \$67.33 per retiree per month (prpm) and plan cost of \$62.60 prpm. An average surplus of \$4.73 prpm or \$3,276,274, was developed over the 65-month period which in a fully-insured environment remains with the insurance carrier. The following chart illustrates the plan experience for the 65-month period.

Keenan has also prepared a comparison of differences and similarities between self-funded and fully-insured coverage.

Delta Dental PPO – Plan Experience

Self-Funding Dental Study	MetLife 2013	MetLife 2014	Delta Dental 2015	Delta Dental 2016	Delta Dental 2017	Delta Dental 2018 YTD	2013-2018 YTD
<i>Annual Premium</i>	\$ 8,113,112	\$ 8,403,838	\$ 8,426,419	\$ 8,740,608	\$ 9,054,216	\$ 3,874,260	\$ 46,612,453
<u><i>Total Expenses</i></u>							
<i>Paid Claims</i>	\$ 6,794,397	\$ 6,765,955	\$ 6,722,923	\$ 7,418,586	\$ 7,617,573	\$ 3,800,837	\$ 39,120,271
<i>Administration</i>	\$ 611,496	\$ 608,936	\$ 651,423	\$ 675,714	\$ 699,957	\$ 299,136	\$ 3,546,662
<u><i>IBNR Reserve</i></u>	\$ 43,513	\$ 43,331	\$ 473,057	\$ 34,961	\$ 48,785	\$ 25,599	\$ 669,246
<i>Total Expenses</i>	\$ 7,449,406	\$ 7,418,222	\$ 7,847,403	\$ 8,129,261	\$ 8,366,315	\$ 4,125,572	\$ 43,336,179
<i>Plan Surplus / Deficit</i>	\$ 663,706	\$ 985,616	\$ 579,016	\$ 611,347	\$ 687,900	\$ (251,312)	\$ 3,276,274
<i>Avg. Retiree Count</i>	9,949	10,092	10,515	10,796	11,150	11,403	10,651
<i>Avg. Member Count</i>	13,759	13,956	14,542	14,996	15,492	15,918	14,777
<i>Premium PRPM</i>	\$ 67.96	\$ 69.39	\$ 66.78	\$ 67.47	\$ 67.67	\$ 67.95	\$ 67.33
<u><i>Total Expenses</i></u>							
<i>Paid Claims</i>	\$ 56.91	\$ 55.87	\$ 53.28	\$ 57.26	\$ 56.93	\$ 66.66	\$ 56.51
<i>Administration</i>	\$ 5.12	\$ 5.03	\$ 5.16	\$ 5.22	\$ 5.23	\$ 5.25	\$ 5.12
<u><i>IBNR Reserve</i></u>	\$ 0.36	\$ 0.36	\$ 3.75	\$ 0.27	\$ 0.36	\$ 0.45	\$ 0.97
<i>Total Expenses</i>	\$ 62.40	\$ 61.25	\$ 62.19	\$ 62.75	\$ 62.53	\$ 72.36	\$ 62.60
<i>Plan Surplus / Deficit</i>	\$ 5.56	\$ 8.14	\$ 4.59	\$ 4.72	\$ 5.14	\$ (4.41)	\$ 4.73

2018 shows a \$251,312 deficit position for the year. That is to be expected, since calendar year benefits reset January 1. As the year progresses, Keenan would expect claims to normalize.

Should LACERS elect to self-fund the Dental PPO program, Keenan recommends the plan be implemented with the proposed 2019 Delta Dental fully-insured PPO rates as premium equivalent rates.

Fully-Insured versus Self-funded

	Fully Insured	Self-Funded
Impact on Members – Minimal	Documents state “insured” by Delta Dental	Documents state “administered” by Delta Dental
Who carries the risk?	Delta Dental	LACERS
Who is responsible for surplus or deficit positions?	Delta Dental	LACERS
Who pays the claims?	Delta Dental	Delta Dental
Who functions as the claim fiduciary?	Delta Dental	Delta Dental, but can be taken on by LACERS (not recommended)
Who develops/underwrites the rates?	Delta Dental	LACERS (Keenan)
How is Premium remitted by LACERS?	LACERS remits the full monthly premium to Delta Dental.	LACERS remits the monthly administrative fee to Delta Dental. LACERS funds dental claims to Delta Dental based on agreed upon frequency limit. LACERS funds an initial dental claims fund with Delta Dental as required by the contract. LACERS maintains IBNR (Incurred But Not Reported) reserve LACERS maintains margin reserve account for surplus positions.
Are there any differences in the Provider Network?	No, whether self-funded or fully insured, the networks are identical?	
Are there any differences in the Plan Designs?	No, plan designs are the same for the fully insured and self-funded plans.	

Anthem Blue View Vision Renewal

Anthem Blue View Vision – Available to Retired Members

Anthem Blue View
0.5%

- Anthem Blue View comprises 0.5% of LACERS premium costs
- Anthem Blue View has requested an increase of **\$23,357** or **3.7%** for 2019. Alternatively, Anthem offered two other options: 4.4% for two years under a two-year rate guarantee, or 5.6% for three years under a new three-year rate guarantee.
- Other considerations:
 - Wellness program contribution of \$5,000



	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem Blue View									
Vision	5,748	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0

Renewal Strategies Revisited

Medical Renewal Strategies	Strategy 1	Strategy 2
	Accept all Renewals, as proposed	Accept all Renewals, Pass on 0.0% renewal for negative renewals, Reserve the difference into the Section 115 Trust
		Fund the Rate Decrease for the Anthem HMO and the Rate Increase for the Anthem Medicare Supplemental Plan from the Anthem PSR.
Lines of Coverage with a Negative Renewal Adjustment	\$3,151,551	\$3,151,551
Lines of Coverage with a Zero or Positive Renewal Adjustment	\$1,129,274	\$1,129,274
PSR Funding of Anthem HMO Rate Decrease	n/a	\$1,586,313
PSR Funding of Anthem Medicare Supplemental Plan Rate Increase	n/a	\$607,328
Renewal Impact	-\$2,022,277	\$1,129,274
Total All Medical Plans Renewal	-1.6%	0.9%
Anthem PSR Fund Impact	\$0	\$2,193,641
Reserve Contribution into the Section 115 Trust	\$0	-\$3,151,551

Renewal Strategy 1 Revisited

1. Accept renewals as they are. Provides greatest saving to Members.
Could offer the greatest increase in subsequent years.

Carriers	Current Enrollment	2018 Premium	2019 Renewal - Preliminary			2019 Renewal - Final			Negotiated Savings
			Premium	\$ Change	% Change	Premium	\$ Change	% Change	
Anthem	4,930	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%	\$55,041,152	(\$1,337,950)	-2.4%	\$419,314
Kaiser	12,226	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%	\$63,005,400	(\$498,444)	-0.8%	(\$126,966)
UnitedHealthcare	1,048	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%	\$3,157,993	(\$185,882)	-5.6%	\$0
SCAN	567	\$1,767,747	\$1,767,747	\$0	0.0%	\$1,767,747	\$0	0.0%	\$0
Delta Dental	14,249	\$9,751,135	\$10,272,742	\$521,607	5.3%	\$10,108,774	\$357,638	3.7%	\$163,968
Anthem Blue View	5,748	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0
GRAND TOTAL		\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%	\$133,741,367	(\$1,641,281)	-1.2%	\$456,317

1) Anthem and Delta Dental enrollments are retiree counts.

2) Kaiser, UnitedHealthcare and SCAN enrollments are member counts.

Renewal Strategy 2 Revisited

2. Accept the medical plan renewals, but maintain the 2018 premium rates for all plans experiencing a cost reduction, except the Anthem HMO plan. The 9.7 % reduction in the 2019 Anthem HMO plan cost will be further reduced by the transfer of surplus Premium Stabilization Reserve funds. However, the premium will be maintained at the amount Anthem had proposed (-9.7%). Surplus premium dollars from plans will be held in a 115 Trust to be used at a later date to reduce sharp medical plan cost increases. This provides multi-year rate stability and rate relief to Members in the Anthem HMO and the Anthem Medicare Supplemental plans. This may expose LACERS to potential adverse rate fluctuation on the Anthem HMO and Anthem Medicare Supplemental plans in future years.

Recommendations

Accept the renewals and strategic actions as outlined including:

- Accept the Kaiser HMO renewal at -2.7% with a 5.0% rate cap for 2020
- Self-fund the Delta Dental PPO at a 3.5% renewal increase
- Accept the Anthem Blue View Vision one year renewal at 3.7%

Note: The Anthem PSR will be used to fund the Anthem HMO contribution to the 115 Trust and to offset the Anthem Medicare supplemental plan rate increase.

LACERS 2019 Renewal Recommendations	Accept Renewal	Pass on to Retirees	Fund 115 Trust	Fund From PSR
Medical				
<i>Antem</i>				
PPO Under 65 and 65+ Part B	-2.4%	0.0%	2.4%	0.0%
HMO Under 65 and 65+ Part B	-9.7%	-9.7%	9.7%	-9.7%
Medicare Supplemental Plan	2.6%	0.0%	0.0%	-2.6%
<i>Kaiser</i>				
HMO Under 65	-2.7%	0.0%	2.7%	N/A
Senior Advantage	2.0%	2.0%	0.0%	N/A
<i>UHC</i>				
California	-5.6%	0.0%	5.6%	N/A
Nevada	-6.4%	0.0%	6.4%	N/A
Arizona	-4.4%	0.0%	4.4%	N/A
<i>SCAN</i>				
	0.0%	0.0%	0.0%	N/A
Dental				
<i>Delta Dental</i>				
Delta Dental PPO	3.5%	3.5%	0.0%	N/A
Delta Dental DHMO	6.0%	6.0%	0.0%	N/A
Vision				
<i>Antem</i>				
Blue View Vision	3.5%	3.5%	0.0%	N/A

Recommendations

Dollar impact of recommended renewal strategy.

LACERS 2019 Renewal Recommendations	Accept Renewal	Pass on to Retirees	Fund 115 Trust	Fund From PSR
Medical				
<i>Anthem</i>				
PPO Under 65 and 65+ Part B	\$ (433,469)	\$ -	\$ 433,469	\$ -
HMO Under 65 and 65+ Part B	\$ (1,511,809)	\$ (1,511,809)	\$ 1,511,809	\$ (1,511,809)
<u>Medicare Supplemental Plan</u>	<u>\$ 607,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (607,328)</u>
Anthem Total	\$ (1,337,950)	\$ (1,511,809)	\$ 1,945,278	\$ (2,119,137)
<i>Kaiser</i>				
HMO Under 65	\$ (1,020,390)	\$ -	\$ 1,020,390	N/A
<u>Senior Advantage</u>	<u>\$ 521,946</u>	<u>\$ 521,946</u>	<u>\$ -</u>	<u>N/A</u>
Kaiser Total	\$ (498,444)	\$ 521,946	\$ 1,020,390	N/A
<i>UHC</i>				
California	\$ (159,300)	\$ -	\$ 159,300	N/A
Nevada	\$ (17,939)	\$ -	\$ 17,939	N/A
<u>Arizona</u>	<u>\$ (8,644)</u>	<u>\$ -</u>	<u>\$ 8,644</u>	<u>N/A</u>
UHC Total	\$ (185,883)	\$ -	\$ 185,883	N/A
<i>SCAN</i>	\$ -	\$ -	\$ -	N/A
Total Medical	\$ (2,022,277)	\$ (989,863)	\$ 3,151,551	\$ (2,119,137)
Dental				
<i>Delta Dental</i>				
Delta Dental PPO	\$ 318,343	\$ 318,343	\$ -	N/A
<u>Delta Dental DHMO</u>	<u>\$ 39,295</u>	<u>\$ 39,295</u>	<u>\$ -</u>	<u>N/A</u>
Total Dental	\$ 357,638	\$ 357,638	\$ -	N/A
Vision				
<i>Anthem</i>				
Blue View Vision	\$ 23,357	\$ 23,357	\$ -	N/A
Health - Medical, Dental, & Vision				
Total Health	\$ (1,641,282)	\$ (608,868)	\$ 3,151,551	\$ (2,119,137)

Appendices

	2018	2019 Renewal - Preliminary			2019 Renewal - Final			2018
	Premium	Premium	\$ Change	% Change	Premium	\$ Change	% Change	Savings
Anthem								
Anthem								
PPO Under 65 and 65+ Part B	\$17,765,124	\$17,432,547	(\$332,577)	-1.9%	\$17,331,655	(\$433,469)	-2.4%	\$100,892
HMO Under 65 and 65+ Part B	\$15,521,655	\$13,988,190	(\$1,533,465)	-9.9%	\$14,009,846	(\$1,511,809)	-9.7%	(\$21,656)
Medicare Supplement	\$23,092,323	\$24,039,729	\$947,406	4.1%	\$23,699,651	\$607,328	2.6%	\$340,078
Total	\$56,379,102	\$55,460,466	(\$918,636)	-1.6%	\$55,041,152	(\$1,337,950)	-2.4%	\$419,314
Kaiser								
HMO Under 65	\$37,792,221	\$36,395,463	(\$1,396,758)	-3.7%	\$36,771,831	(\$1,020,390)	-2.7%	(\$376,368)
Senior Advantage	\$25,711,623	\$26,482,972	\$771,349	3.0%	\$26,233,569	\$521,946	2.0%	\$249,403
Total	\$63,503,844	\$62,878,435	(\$625,410)	-1.0%	\$63,005,400	(\$498,444)	-0.8%	(\$126,966)
UnitedHealthcare								
CA Medicare Advantage	\$2,865,240	\$2,705,940	(\$159,300)	-5.6%	\$2,705,940	(\$159,300)	-5.6%	\$0
NV Medicare Advantage	\$280,926	\$262,988	(\$17,939)	-6.4%	\$262,988	(\$17,939)	-6.4%	\$0
AZ Medicare Advantage	\$197,709	\$189,066	(\$8,644)	-4.4%	\$189,066	(\$8,644)	-4.4%	\$0
Total	\$3,343,875	\$3,157,993	(\$185,882)	-5.6%	\$3,157,993	(\$185,882)	-5.6%	\$0
SCAN								
Medicare Advantage	\$1,767,747	\$1,767,747	\$0	0.0%	\$1,767,747	\$0	0.0%	\$0
Total	\$1,767,747	\$1,767,747	\$0	0.0%	\$1,767,747	\$0	0.0%	\$0
Medical Total	\$124,994,569	\$123,264,641	(\$1,729,928)	-1.4%	\$122,972,292	(\$2,022,277)	-1.6%	\$292,348
DENTAL								
Delta Dental PPO	\$9,096,097	\$9,578,409	\$482,311	5.3%	\$9,414,440	\$318,343	3.5%	\$163,968
Delta Dental HMO	\$655,038	\$694,334	\$39,295	6.0%	\$694,334	\$39,295	6.0%	\$0
Dental Total	\$9,751,135	\$10,272,742	\$521,607	5.3%	\$10,108,774	\$357,638	3.7%	\$163,968
VISION								
Anthem Blue View	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0
Vision Total	\$636,944	\$660,301	\$23,357	3.7%	\$660,301	\$23,357	3.7%	\$0
GRAND TOTAL	\$135,382,648	\$134,197,684	(\$1,184,964)	-0.9%	\$133,741,367	(\$1,641,281)	-1.2%	\$456,317

Note: These amounts do not include the PSR funds that will be applied toward the Anthem HMO and Medicare Supplement plans.

Anthem Blue Cross Final Renewal Rates

Anthem		2018	2019
U65 and 65+ Part B PPO - Refunding			
Retiree Only			
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,262.42	\$1,231.62
Retiree and One Dependent			
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,524.83	\$2,463.24
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,262.42	\$1,231.62
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,262.42	\$1,231.62
Retiree and Family (Family = 2 or more dependents)			
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,966.68	\$2,894.31
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,704.26	\$1,662.69
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,704.26	\$1,662.69
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$441.85	\$431.07

HMO - Refunding (Assumes Current Plan with Traditional HMO Network)		2018	2019
Retiree Only			
U	Retiree < 65 or > 65 with only Part B of Medicare	\$1,045.94	\$944.07
Retiree and One Dependent			
UU	Retiree & Dependent both < 65 or both > 65 with Part B of Medicare	\$2,091.87	\$1,888.14
UM	Retiree < 65 & Dependent > 65 with both parts A & B of Medicare	\$1,045.94	\$944.07
MU	Retiree > 65 with both parts A & B of Medicare & Dependent < 65	\$1,045.94	\$944.07
Retiree and Family (Family = 2 or more dependents)			
UUU	Retiree & Dependents all < 65 or > 65 with Part B of Medicare	\$2,719.42	\$2,454.58
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,673.49	\$1,510.51
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$1,673.49	\$1,510.51
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare (One or more Children)	\$627.55	\$566.44

Proposed rates for retirees are circled in red.

Anthem Blue Cross Final Renewal Rates (cont.)

Anthem Medicare Supplement Plan - Refunding *		2018	2019
Retiree Only			
M	Retiree > 65 with both Parts A & B of Medicare	\$534.12	\$548.17
Retiree and One Dependent			
UM	Retiree < 65 & Dependent > 65 with both Parts A & B of Medicare	\$534.12	\$548.17
MU	Retiree > 65 with both Parts A & B of Medicare & Dependent < 65	\$534.12	\$548.17
MM	Retiree & Dependent both > 65 with both Parts A & B of Medicare	\$1,068.24	\$1,096.33
Retiree and Family (Family = 2 or more dependents)			
UMU	Retiree < 65 & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$534.12	\$548.17
MUU	Retiree > 65 with both parts A & B of Medicare & Dependents < 65	\$534.12	\$548.17
MMU	Retiree & One Dependent > 65 with both parts A & B of Medicare, & at least One Dependent without Medicare	\$1,068.24	\$1,096.33
MMM	Retiree & Two Dependent both > 65 with both Parts A & B of Medicare	\$1,602.35	\$1,644.50

* These rates include the Silver Sneakers program.

Kaiser Permanente – Final Renewal Rates

HMO
Single
Two-Party
Family
Annual Premium
\$ Difference
% Difference

2018 Current Rates
\$853.39
\$1,706.78
\$2,218.82
\$37,792,221

2019 Renewal Rates
\$799.66
\$1,599.32
\$2,079.12
\$35,412,785
(\$2,379,436)
-2.7%

Senior Advantage
Members
Annual Premium
\$ Difference
% Difference

\$257.25
\$25,711,623

\$270.35
\$27,020,576
\$537,604
2.0%

SCAN

Final Renewal Rates

SCAN	
Members	
Annual Premium	
\$ Difference	
% Difference	

2018 Current Rates	
	\$259.81
	\$1,767,747

2019 Renewal Rates	
	\$259.81
	\$1,767,747
	\$0
	0.0%

United Healthcare Final Renewal Rates

	2018 Current Rates	2019 Renewal Rates
CALIFORNIA		
Members	\$265.30	\$250.55
Annual Premium	\$2,865,240	\$2,705,940
\$ Difference		(\$159,300)
% Difference		-5.6%
NEVADA		
Members	\$236.47	\$221.37
Annual Premium	\$280,926	\$262,988
\$ Difference		(\$17,939)
% Difference		-6.4%
ARIZONA		
Members	\$336.24	\$321.54
Annual Premium	\$197,709	\$189,066
\$ Difference		(\$8,644)
% Difference		-4.4%
TOTAL		
Annual Premium	\$3,343,875	\$3,157,993
\$ Difference		(\$185,882)
% Difference		-5.6%

Delta Dental Final Renewal Rates

PPO
Single
Two-Party
Family
Annual Premium
\$ Difference
% Difference

2018 Current Rates
\$49.43
\$98.02
\$141.60
\$9,096,097

2019 Renewal Rates
\$51.16
\$101.45
\$146.56
\$9,414,440
\$318,343
3.5%

DHMO
Single
Two-Party
Family
Annual Premium
\$ Difference
% Difference

\$12.80
\$23.90
\$27.62
\$655,038

\$13.57
\$25.33
\$29.28
\$694,334
\$39,295
6.0%

Anthem Blue View Final Renewal Rates

	2018 Current Rates	2019 Renewal Rates
Blue View Vision		
Single	\$8.39	\$8.70
Two-Party	\$12.18	\$12.62
Family	\$21.75	\$22.54
Annual Premium	\$647,685	\$671,435
\$ Difference		\$23,751
% Difference		3.7%

Acknowledgement

Keenan & Associates would like to thank Ms. Lita Payne, Mr. Alex Rabrenovich, and the LACERS Health Benefits Administration staff for providing the necessary data and engaging in this renewal process. Their cooperation and guidance have been extremely valuable.

Questions and Answers

LACERS HISTORICAL MEDICAL COST INCREASES

Medical Plan	1999	2000	2001	2002	2003	2004
Kaiser Senior Advantage Premium Rate Increase					51.35%	59.34%
Anthem Medicare Supplement/ LPPO Premium Rate Increase					0.10%	15.40%
UnitedHealthcare -CA MAPD Premium Rate Increase					72.87%	7.81%
Kaiser HMO Premium Rate Increase		47.48%	4.49%	7.62%	17.71%	1.72%
Anthem PPO Premium Rate Increase					-12.16%	5.92%
Aggregate Medical Premium Rate Increase				17.00%	16.10%	18.20%
Assumed Actuarial Trend Rate	8.13%	7.88%	7.63%	8.13%	7.88%	7.63%

Medical Plan	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Yr Avg, Incl 2018	Historical Avg
Kaiser Senior Advantage Premium Rate Increase	-20.11%	-27.61%	6.43%	6.50%	3.69%	8.71%	-0.19%	2.70%	2.47%	5.32%	4.03%	-1.90%	6.60%	4.90%	3.63%	7.01%
Anthem Medicare Supplement/ LPPO Premium Rate Increase	5.00%	-11.20%	14.00%	11.90%	6.80%	1.30%	9.40%	-11.80%	7.10%	8.90%	6.30%	-6.90%	3.80%	7.30%	3.22%	4.21%
UnitedHealthcare -CA MAPD Premium Rate Increase	-4.00%	-19.24%	-6.64%	3.00%	13.40%	11.75%	11.40%	10.88%	0.00%	0.00%	3.00%	3.00%	1.70%	5.00%	6.01%	7.12%
SCAN HMO Premium Rate Increase		-2.00%	22.90%	0.00%	0.00%	-9.40%	0.00%	-0.50%	0.00%	16.30%	0.00%	0.00%	3.90%	0.00%	1.03%	2.40%
Kaiser HMO Premium Rate Increase	6.97%	5.17%	7.34%	3.95%	9.60%	0.28%	5.92%	-0.17%	14.84%	7.06%	7.95%	-5.06%	10.50%	3.30%	5.42%	4.46%
Anthem HMO Premium Rate Increase	0.00%	2.78%	15.88%	2.19%	6.50%	11.80%	11.81%	6.00%	3.00%	11.70%	8.40%	9.42%	-2.00%	7.40%	7.40%	6.78%
Anthem PPO Premium Rate Increase	-10.47%	2.89%	19.98%	4.97%	6.80%	5.32%	7.91%	0.00%	7.50%	6.92%	-5.66%	0.00%	10.30%	7.50%	4.66%	3.61%
Aggregate Medical Premium Rate Increase	-5.21%	-6.22%	12.47%	5.71%	7.08%	4.47%	6.16%	0.23%	7.92%	7.44%	4.77%	-1.89%	6.49%	5.40%	4.81%	6.24%
Assumed Actuarial Trend Rate	9.63%	12.00%	12.00%	12.00%	9.00%	9.00%	9.00%	10.00%	9.00%	8.50%	8.00%	7.00%	6.75%	6.50%	8.28%	8.78%

2019 LACERS HEALTH PLAN PREMIUMS

PROPOSED RESOLUTION

2018 CALIFORNIA MEDICAL PLAN PREMIUM RATES				
Medicare Status	Anthem Blue Cross PPO/ Med Supplement	Kaiser Permanente HMO / Senior Advantage	Anthem Blue Cross HMO / UnitedHealthcare Med Adv HMO	Anthem Blue Cross / Senior Care Action Network (SCAN)
Single-Party Plan – Retiree Only				
U	\$1,262.42	\$853.39	\$944.07	\$944.07
M	\$534.12		\$265.30	\$259.81
Two-Party Plan – Retiree and One Dependent				
UU	\$2,524.84	\$1,706.78	\$1888.14	\$1888.14
UM	\$1,796.54			
MU	\$1,796.54			
MM	\$1,068.24		\$530.60	\$519.62
Family Plan – Retiree and Family				
UUU	\$2,966.69	\$2,218.82	\$2,454.58	\$2,454.58
UMU	\$2,238.39			
MUU	\$2,238.39			
MMU	\$1,510.09			
MMM	\$1,602.36		\$795.90	\$779.43

2018 UNITED HEALTHCARE MEDICARE ADVANTAGE HMO NON-CALIFORNIA PREMIUM RATES		
Medicare Status	Arizona	Nevada
Single-Party Plan – Retiree Only		
U	N/A	N/A
M	\$336.24	\$236.47
Two-Party Plan – Retiree and One Dependent		
UU	N/A	N/A
UM	N/A	N/A
MU	N/A	N/A
MM	\$672.48	\$472.94
Family Plan – Retiree and Family		
UUU	N/A	N/A
UMU	N/A	N/A
MUU	N/A	N/A
MMU	N/A	N/A
MMM	\$1,008.72	\$709.41

2018 DENTAL PLAN PREMIUM RATES		
Dental Tiers	Dental Dental PPO	DeltaCare USA HMO
Retiree	\$51.16	\$13.57
Retiree + 1 Dependent	\$101.45	\$25.33
Retiree + Family	\$146.56	\$29.28

2018 VISION PLAN PREMIUM RATES	
Tiers	Anthem Blue View Vision
Retiree	\$8.39
Retiree + 1 Dependent	\$12.18
Retiree + Family	\$21.75

August 28, 2018



Report to Board of Administration

From: Benefits Administration Committee
Michael R. Wilkinson, Chairperson
Sandra Lee
Nilza R. Serrano

Agenda of: **AUGUST 28, 2018**

ITEM: **VIII-B**

SUBJECT: 2019 MAXIMUM HEALTH SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE BOARD ACTION

Recommendation

That the Board approve the following maximum subsidy and reimbursement amounts:

- 1) A maximum medical plan premium subsidy of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in a Medicare Part B only;
- 2) A maximum reimbursement of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- 3) A maximum reimbursement of \$542.51 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- 4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Discussion

At the August 14, 2018 Benefits Administration Committee meeting, staff presented recommendations for the 2019 plan year maximum health plan premium subsidy and Medical Premium Reimbursement Program reimbursement amounts. These recommendations are being forwarded from the Committee to the Board for final approval.

Strategic Plan Impact Statement:

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and, 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, and Bruce Bernal, Senior Personnel Analyst, of the Health Benefits Administration and Communications Division.

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Attachments: 1) August 14, 2018 Report to the Benefits Administration Committee
2) Proposed Resolution



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Report to Benefits Administration Committee

Agenda of: **AUGUST 14, 2017**

From: *Neil M. Guglielmo*
Neil M. Guglielmo, General Manager

ITEM: **IV**

**SUBJECT: 2019 MAXIMUM HEALTH SUBSIDY AND REIMBURSEMENT AMOUNTS AND
POSSIBLE COMMITTEE ACTION**

Recommendation:

That the Committee recommend the Board approve the following:

- 1) A maximum medical plan premium subsidy of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or enrolled in Medicare Part B only;
- 2) A maximum reimbursement of \$1,790.80 for Tier 1 Discretionary and Vested Retired Members under Age 65 or with Medicare Part B only, enrolled in the Medical Premium Reimbursement Program;
- 3) A maximum reimbursement of \$542.51 for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, with Medicare Parts A and B, and enrolled in the Medical Premium Reimbursement Program; and
- 4) A maximum dental subsidy of \$44.60 for Tier 1 and Tier 3 Retired Members.

Background:

LACERS administers two tiers of retirement and health benefits.

Tier 1 benefits are available to City employees who were hired prior to February 21, 2016. For Tier 1 retiree medical benefits, there are three categories of Retired Members:

- 1) Discretionary – these Members retired on or before June 30, 2011;
- 2) Vested – these Members retired on or after July 1, 2011, and made additional contributions to LACERS; and,
- 3) Capped – these Members retired on or after July 1, 2011, and did not make additional contributions to LACERS.

Tier 3 retiree medical benefits are available to retired City employees who were hired on or after February 21, 2016.

Discussion

LACERS provides a variety of health benefits to Retired Members, in the form of subsidies and reimbursements. The Board's role in setting the maximum retiree health subsidies and the Medical Premium Reimbursement Program (MPRP) reimbursement amounts differs based on Los Angeles Administrative Code provisions listed in Attachment 1. Limits on increases to subsidies and reimbursements are based on different factors, including rates of increase on certain medical plans and LACERS performance compared with the assumed actuarial medical trend rate (Attachment 2).

Established by Ordinance and Do Not Require Board Action

Maximum Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 Capped Retired Members and their Survivors

All medical benefit amounts for these Members and their Survivors are capped at 2011 amounts. The medical subsidy that may be used toward premium costs of covering a dependent is also capped.

Maximum Medical Plan Premium Subsidies for Tier 1 Discretionary and Vested, and Tier 3 Retired Members, Enrolled in Medicare Parts A and B

The maximum subsidy is based on the single-party premium of the LACERS plan in which the Retired Member is enrolled.

Maximum Medical Plan Premium Subsidy and MPRP Reimbursement Amount for Tier 3 Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum subsidy and reimbursement amount is based on the Kaiser two-party non-Medicare Parts A and B premium.

Survivor Medical Plan Premium Subsidies and MPRP Reimbursement Amounts for Tier 1 and Tier 3 Retired Members

A Survivor's subsidy amount is based on the Retired Member's years of Service Credit.

- *Survivors Under Age 65 or Enrolled in Medicare Part B Only* – The maximum Survivor subsidy is set by Ordinance and is equal to the single-party premium of the lowest-cost non-Medicare plan. The lowest-cost LACERS non-Medicare plan is the Kaiser Permanente HMO.
- *Survivors Enrolled in Medicare Parts A and B* – The maximum subsidy is set at the single-party premium of the LACERS plan in which the Survivor is enrolled. The subsidy cannot be applied toward dependent coverage.

Established by Board Resolution

Medical Plan Premium Subsidies

The recommended Maximum Medical Plan Premium Subsidy amounts for the following are:

- Tier 1 Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only
- Tier 1 Discretionary Retired Members Under Age 65 or Enrolled in Medicare Part B Only

For Vested Retired Members, increases to the maximum subsidy are no less than the increase to the Kaiser non-Medicare two-party plan premium. The Board has the option to apply the same subsidy increase to Discretionary Retired Members, as long as the increase remains within the Board's authority, as established in Section 4.1111(b) of the Los Angeles Administrative Code (LAAC). For 2019, the applicable Kaiser premium rate will decrease by \$107.46, from \$1,706.78 to \$1,599.32. In light of the decrease, staff recommends that the 2019 maximum monthly medical plan premium subsidy remain at the 2018 level of \$1,790.80 for Vested and Discretionary Retired Members. In keeping with LAAC Section 4.1111(b) and (c), there are restriction on the amount the maximum subsidy may be increased, but the Board is not obliged to decrease subsidies when premiums decrease. Changes to maximum subsidies are deemed, "in its (the Board's) discretion" and are reflected in LACERS' historical medical subsidy costs listed in Attachment 3.

Medical Premium Reimbursement Program (MPRP) Reimbursement Maximums

The MPRP is available to Retired Members and Survivors who live outside of California or a LACERS HMO zip code service area. Members enroll in an individual plan and submit proof of premium payment to LACERS. LACERS will reimburse premium costs, up to the Member's subsidy amount, on a quarterly basis.

The recommended Maximum MPRP Reimbursement amounts for the following are:

- Tier 1 Discretionary and Vested Retired Members Under Age 65 or Enrolled in Medicare Part B Only

The maximum reimbursement amounts are to be set similarly as the medical subsidies for these Members. Given that the recommendation is to retain the maximum medical subsidy at \$1,790.80, it is recommended that the same maximum be applied toward MPRP reimbursements. This will provide Members that are unable to access a LACERS HMO the same amount of subsidy dollars to apply toward non-LACERS medical coverage.

- Tier 1 Discretionary and Vested Retired Members, and Tier 3 Members, Enrolled in Medicare Parts A and B

It has been the Board's practice to set the MPRP maximum reimbursement for participants enrolled in Medicare Parts A and B at the premium amount of the highest-cost single-party Medicare Parts A and B medical plan offered by LACERS. In 2019, the premium for LACERS highest-cost single-party Medicare Parts A and B medical plan, Anthem Blue Cross Life & Health Medicare Plan, will remain the same at \$542.51. It is recommended

the maximum reimbursement for MPRP participants enrolled in Medicare Parts A and B be set at \$542.51.

Overall Member Impact

The chart below shows the average subsidy and deduction amounts covered Members realized in 2018 and how they will change based on 2019 subsidy decisions. The results demonstrate minimal impact on Members.

Member Status	2019 Estimated Population	2018 Subsidy \$1,790.80		2019 Subsidy \$1,790.80	
		Avg Monthly Subsidy	Avg Monthly Deduction	Avg Monthly Subsidy	Avg Monthly Deduction
Non-Medicare Retiree	4,357	\$1,113.43	\$61.38	\$1,112.24	\$53.16
Non-Medicare Survivor	229	\$697.88	\$121.83	\$689.35	\$117.49
Medicare Retiree	8,156	\$490.10	\$38.50	\$499.52	\$38.68
Medicare Survivor	1,584	\$332.28	\$15.28	\$338.69	\$14.97
All Covered Members	14,326	\$664.56	\$44.20	\$671.12	\$41.72

Dental Plan Premium Subsidy

Maximum Retiree Dental Plan Premium Subsidy for Tier 1 and Tier 3 Retired Members

The Retired Member maximum dental plan premium subsidy cannot exceed the maximum dental plan premium subsidy for Active Members. The maximum dental plan subsidy for Active Members of LACERS for plan year 2019 will remain unchanged at \$44.60 per month. It is recommended that the maximum dental subsidy for Tier 1 and Tier 3 Retired Members be retained at \$44.60.

Strategic Plan Impact Statement:

Timely adoption of health benefits allows staff to: 1) Develop Member communications that provide Members sufficient time to make informed health plan decisions; and, 2) update systems in time for the new plan year so that subsidies and reimbursements can be applied correctly. These align with Strategic Plan Goals II (Benefit Delivery Goal – Accurate and timely delivery of member benefits) and V (Board Governance Goal – Uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, and Bruce Bernal, Senior Personnel Analyst, of the Health Benefits Administration and Communications Division.

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- Attachments:
- 1) How LACERS Health Subsidy and Reimbursement Amounts Are Set – 2019
 - 2) LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Retired Members
 - 3) LACERS Historical Medical Subsidy Costs

How LACERS Health Subsidy and Reimbursement Amounts Are Set

Benefit Type	Tier 1 Retired Before July 1, 2011 "Discretionary"	Tier 1 Retired After July 1, 2011, "Vested"	Tier 1 Retired After July 1, 2011, "Capped"	Tier 3
Retiree Medical Subsidy, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Board Resolution	Board Resolution	Ordinance	Ordinance
Retiree Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Board Resolution	Board Resolution	Ordinance	Board Resolution
Retiree Dental Subsidy	Board Resolution	Board Resolution	Board Resolution	Board Resolution
Survivor Medical Subsidy, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Subsidy, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Under 65 or Medicare Part B Only	Ordinance	Ordinance	Ordinance	Ordinance
Survivor Medical Premium Reimbursement Program Reimbursement, Medicare Parts A and B	Ordinance	Ordinance	Ordinance	Ordinance

ATTACHMENT 2

LACERS Medical Plan Premium Subsidy for Tier 1 Discretionary Retired Members

The LACERS Board has the authority to increase the maximum medical plan premium subsidy by the amount of the increase in the Kaiser Permanente HMO (non-Medicare) two-party premium. If the three-year average increase in the subsidy is greater than the three-year average assumed actuarial medical trend rate for the same period, the increase must be approved by City Council. City Council may set the increase at any other amount.

The below information shows by how much the Board may increase the maximum subsidy before hitting the cap imposed by the three-year average assumed actuarial medical trend rate. If the Kaiser Permanente increase is greater than the indicated amount, the difference will be paid for by Retired Members.

	<u>Max. Medical Subsidy Amt.</u>	<u>% Increase</u>	<u>Assumed Actuarial Medical Trend Rate (Cap)*</u>
2019	\$1,920.63**	7.25%	7.00%
2018	\$1,790.80	3.1%	6.50%
2017	\$1,736.88	9.9%	6.75%
3-yr Average		6.75%	6.75%

*The assumed actuarial medical trend rates for coming years may be adjusted during each valuation and may alter the information contained in these charts.

**For the 2019 plan year, the LACERS Board can approve a Kaiser HMO premium increase of up to 7.6% without requiring City Council approval for the associated subsidy increase.

LACERS HISTORICAL MEDICAL SUBSIDY COSTS

ATTACHMENT 3

Year	1999	2000	2001	2002	2003	2004	2005	2005	2007
Maximum Monthly Medical Subsidy	\$508.00	\$702.00	\$702.00	\$751.00	\$872.00	\$883.00	\$883.00	\$883.00	\$983.00
Dollar Increase - Maximum Subsidy		\$194.00	\$0.00	\$49.00	\$121.00	\$11.00	\$0.00	\$0.00	\$100.00
% Increase - Maximum Subsidy		38.2%	0.0%	7.0%	16.1%	1.3%	0.0%	0.0%	11.3%
Kaiser 2-Party	\$409.84	\$604.44	\$631.56	\$679.68	\$800.08	\$813.87	\$870.56	\$870.56	\$982.74
Dollar Increase - Kaiser 2-Party		\$194.60	\$27.12	\$48.12	\$120.40	\$13.79	\$56.69	\$0.00	\$112.18
% Increase - Kaiser 2-Party		47.5%	4.5%	7.6%	17.7%	1.7%	7.0%	0.0%	12.9%
Aggregate Medical Premium Increase				17.0%	16.1%	18.2%	-5.2%	-5.2%	12.5%
% Premium Cost Subsidized	88.9%	91.0%	88.4%	90.8%	93.9%	92.0%	92.4%	92.4%	91.1%

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Maximum Monthly Medical Subsidy	\$1,022.00	\$1,120.00	\$1,123.00	\$1,190.00	\$1,190.00	\$1,367.00	\$1,464.00	\$1,580.08	\$1,580.08	\$1,736.88	\$1,790.80	\$1,790.80
Dollar Increase - Maximum Subsidy	\$39.00	\$98.00	\$3.00	\$67.00	\$0.00	\$177.00	\$97.00	\$116.08	\$0.00	\$156.80	\$53.92	\$0.00
% Increase - Maximum Subsidy	4.0%	9.6%	0.3%	6.0%	0.0%	14.9%	7.1%	7.9%	0.0%	9.9%	3.1%	0.0%
Kaiser 2-Party	\$1,021.54	\$1,119.58	\$1,122.74	\$1,189.22	\$1,187.24	\$1,363.44	\$1,459.66	\$1,575.74	\$1,496.06	\$1,652.86	\$1,706.78	\$1,599.32
Dollar Increase - Kaiser 2-Party	\$38.80	\$98.04	\$3.16	\$66.48	(\$1.98)	\$176.20	\$96.22	\$116.08	(\$79.68)	\$156.80	\$53.92	(\$107.46)
% Increase - Kaiser 2-Party	3.9%	9.6%	0.3%	5.9%	-0.2%	14.8%	7.1%	8.0%	-5.1%	10.5%	3.3%	-6.3%
Aggregate Medical Premium Increase	5.7%	7.1%	4.5%	6.2%	0.2%	7.9%	7.4%	4.8%	4.8%	6.5%	5.4%	-1.2%
% Premium Cost Subsidized	91.6%	92.5%	91.8%	91.3%	90.9%	92.7%	92.5%	94.0%	94.0%	94.3%	93.7%	94.2%

MAXIMUM HEALTH PLAN SUBSIDIES AND REIMBURSEMENT AMOUNTS
FOR PLAN YEAR 2019

PROPOSED RESOLUTION

WHEREAS, the Los Angeles Administrative Code establishes that the Los Angeles City Employees' Retirement System (LACERS) provide health and welfare programs for retired employees and their eligible dependents;

WHEREAS, Section 4.1111(b) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration may change the maximum monthly medical subsidy for eligible Tier 1 retirees who retired before July 1, 2011, so long as any increase does not exceed the dollar increase in the Kaiser two-party non-Medicare plan premium and the average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rate for the same period;

WHEREAS, Section 4.1111(c) of the Los Angeles Administrative Code provides that by resolution, the Board of Administration shall, for Tier 1 retirees who at any time prior to retirement made additional contributions to LACERS as provided in Section 4.1003(c) of the Los Angeles Administrative Code, set the increase in the maximum medical plan premium subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and B premium;

WHEREAS, Sections 4.1112(b) and 4.1112(d) of the Los Angeles Administrative Code provide that by resolution, the Board of Administration may increase the monthly reimbursement maximum of eligible retirees participating in the Medical Premium Reimbursement Program;

WHEREAS, Section 4.1114(a) of the Los Angeles Administrative Code provides the Board of Administration may, in its discretion, decrease or increase the maximum retiree dental plan subsidy to reflect changes in the dental plan subsidy provided to active City of Los Angeles employees;

WHEREAS, on August 14, 2018, the Benefits Administration Committee approved forwarding staff's recommended maximum medical plan premium subsidy, Medical Premium Reimbursement Program reimbursement amounts, and dental subsidy;

WHEREAS, on August 28, 2018, the Board of Administration approved the Committee's recommendations;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby adopts the following 2019 health benefit subsidies and reimbursements:

Benefit Type	Tier 1 Retired Before July 1, 2011 “Discretionary”	Tier 1 Retired After July 1, 2011 “Vested”	Tier 3
Retiree Medical Subsidy, <65/Medicare Part B	\$1,790.80	\$1,790.80	-
Retiree MPRP Reimbursement, <65/Medicare Part B	\$1,790.80	\$1,790.80	-
Retiree MPRP Reimbursement, Medicare Parts A and B	\$542.51	\$542.51	\$542.51
Retiree Dental Subsidy	\$44.60	\$44.60	\$44.60

August 28, 2018



Report to Board of Administration

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Sandra Lee
Nilza R. Serrano

Agenda of: **AUGUST 28, 2018**

ITEM: **VIII-C**

SUBJECT: AMENDMENT TO THE BENEFITS ADMINISTRATION COMMITTEE CHARTER AND POSSIBLE BOARD ACTION

Recommendation

That the Board approve the proposed revisions to the Benefits Administration Committee Charter.

Discussion

At the Committee meeting of August 14, 2018, staff presented recommended updates and revisions to the Benefits Administration Committee Charter, as described in the attached report. The Committee approved forwarding staff's recommended changes to the Board.

Attachment: August 14, 2018 Benefits Administration Committee Report



Report to Benefits Administration Committee

Agenda of: **AUGUST 14, 2018**

From: *Neil M. Guglielmo*
 Neil M. Guglielmo, General Manager

ITEM: **V**

SUBJECT: AMENDMENT TO THE BENEFITS ADMINISTRATION COMMITTEE CHARTER AND POSSIBLE COMMITTEE ACTION

Recommendation:

That the Committee forward to the Board a recommendation to approve the revisions to the Benefits Administration Committee Charter.

Discussion:

Each committee charter is to be reviewed every three years. The last time the Benefits Administration Committee charter was reviewed was September 23, 2014.

Staff reviewed the charter and made some suggested revisions for the Committee's consideration. The revisions capture some minor grammatical changes, add a regular responsibility that was not included in the current version, and reflect changes in the work plan since the previous review, among others. These revisions are tracked in the attached copy of the Charter.

NG:LP:AR: ar

Attachment: A) Duties and Responsibilities Section – Redline Version

ARTICLE I. BOARD GOVERNANCE STATEMENT

Section 3.0 DUTIES AND RESPONSIBILITIES

3.6 Benefits Administration Committee Charter*Adopted: March 26, 2013; Revised September 23, 2014***I. PURPOSE/ROLE**

The purpose of the Benefits Committee (Committee) is to provide assistance to the Board in fulfilling its oversight of the pension and retiree health care programs and related services.

II. AUTHORITY

The Committee is authorized to:

- Seek any information it requires from LACERS staff, consultants, or external parties as long as requests for staff time are not extraordinary and the expense for consultants or external parties, if any, has been approved by the Board in advance.

III. COMPOSITION OF COMMITTEE

The Committee shall consist of three LACERS Board Members. All members shall be appointed by the LACERS Board President. The LACERS Board President shall appoint a Committee Chair.

The Committee Chair is responsible for setting the agendas for each Committee Meeting. The Chair shall take as an agenda item any matter referred by the LACERS Board. The Chair shall also take as an agenda item any matter submitted by two or more members of the Committee. Additionally, the Chair may consider agenda items recommended by staff.

IV. FREQUENCY OF MEETINGS

The Committee shall meet no less than four times during the calendar year, or more often as needed. Through the General Manager, the ~~managers of the~~ Retirement Services Division and the Health Benefits Administration and Communications Division ~~managers~~ shall support the Committee's activities and ensure appropriate staff time and other ~~resources~~, such as actuaries and consultants, are available to assist it. The managers shall schedule meetings, prepare meeting agendas and other materials after conferring with the Committee Chair, review minutes and draft reports, perform research, and render other types of assistance as reasonably requested by the Committee.

V. DUTIES AND RESPONSIBILITIES

The Committee's responsibilities are to:

- Recommend to the Board draft rules, policies and procedures for ~~member~~-Member benefits and departmental administration in accordance with relevant law and the LACERS mission statement
- Approve and recommend processes to monitor implementation of rules and policies within the Board's purview

ARTICLE I. BOARD GOVERNANCE STATEMENT

Section 3.0 DUTIES AND RESPONSIBILITIES

- Propose adjustments to operations ~~which that~~ the Committee deems appropriate for the sound administration of ~~member-Member~~ benefits and the Department as a whole
- Evaluate insurance providers, consultants and other benefits contractors and make recommendations to the Board regarding the establishment or modification of services provided to the Board, ~~staff,~~ and ~~membersMembers, and the associated fees~~
- Review and recommend to the Board medical and dental subsidies and Medical Premium Reimbursement Program reimbursement limits
- Review and recommend to the Board annual medical, dental, and vision plan premium costs and any related plan design changes
- Review information on services and progress of programs
- Monitor progress of benefits-related goals in the strategic plan

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VI. CHARTER REVIEW

The Committee and the Board will review this Charter at least every three years to ensure it remains appropriate. The Committee will recommend any changes to the Board for review and approval. The Board may adjust the Charter at any time.

Benefits Administration Committee Work Plan

Approved by the Board: March 26, 2013

August	September	November	March	April	June/July
Consider and approve recommendation to the Board regarding health plan <u>RFPs,</u> health plan premium rates, health plan subsidies, and medical plan premium reimbursement <u>amounts</u> (A)	<u>Consider and approve the wellness program plan for the coming year</u> (A)	Evaluate whether additional benefits service providers are required (A) Monitor progress of benefits-related goals in the strategic plan (I) <u>Review of health plan utilization data</u> (I)	<u>Review Health Plan Financial Dashboards</u> (I) <u>Review wellness program annual report</u> (I)	Review information on services and programs (I) <u>Review of health plan utilization data</u> (I) Selection of health plan RFP finalists (A)	<u>Selection of health plans from RFP</u> (A) Initial review of health plan renewals (I) <u>Review and possible recommendation to the Board for the Anthem Blue Cross Year-End Accounting</u> (I) or (A) <u>Review of wellness dashboards</u> <u>Selection of health plans from RFP</u> (A)