



***Benefits Administration Committee Agenda***

**REGULAR MEETING**

**TUESDAY, AUGUST 27, 2019**

**TIME: 10:30 A.M. OR IMMEDIATELY  
FOLLOWING THE BOARD  
MEETING**

**MEETING LOCATION:**

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

Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Michael R. Wilkinson  
Committee Members: Sandra Lee  
Nilza R. Serrano  
Manager-Secretary: Neil M. Guglielmo  
Executive Assistant: Ani Ghoukassian  
Legal Counselor: City Attorney's Office  
Public Pensions General  
Counsel Division

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.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR MEETING OF AUGUST 13, 2019 AND POSSIBLE COMMITTEE ACTION](#)
- III. [ANTHEM BLUE CROSS 2018 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION](#)
- IV. OPERATIONAL UPDATE
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling.
- VII. ADJOURNMENT



***Board of Administration Agenda***

**SPECIAL MEETING**

**TUESDAY, AUGUST 27, 2019**

**TIME: 10:30 A.M. OR IMMEDIATELY  
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President:	Cynthia M. Ruiz
Vice President:	Michael R. Wilkinson
Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

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- III. ANTHEM BLUE CROSS 2018 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION
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- VII. ADJOURNMENT

MINUTES OF THE REGULAR MEETING  
**BENEFITS ADMINISTRATION COMMITTEE**  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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

August 13, 2019

**Agenda of: Aug. 27, 2019**

**Item No: II**

9:05 a.m.

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PRESENT:	Chair:	Michael R. Wilkinson
	Committee Member:	Nilza R. Serrano
	Commissioners:	(arrived at 9:57 a.m.) Cynthia Ruiz (left at 9:55 a.m.) Sung Won Sohn
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	Anya Freedman
ABSENT:	Committee Member:	Sandra Lee

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

Commissioners Ruiz and Sohn were present during the meeting. Any votes taken will be taken by Benefits Administration Committee Members only.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response and no public comment cards received.

II

APPROVAL OF MINUTES FOR REGULAR MEETING OF JUNE 11, 2019 AND POSSIBLE COMMITTEE ACTION – Approval of the minutes was moved by Committee Member Serrano and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

III

RECEIVE AND FILE – LACERS *WELL* SURVEY RESULTS – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division and Tara Miller, Wellness Program Manager presented this item to the Committee and the report was received by the Committee and filed.

IV

2020 HEALTH PLAN PREMIUMS AND POSSIBLE COMMITTEE ACTION – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division and Borden Darm with Keenan and Associates presented this item to the Committee. After discussion, Committee Member Serrano moved approval and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

V

2020 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE COMMITTEE ACTION – Alex Rabrenovich, Chief Benefits Analyst and Bruce Bernal, Senior Personnel Analyst II with Health Benefits Administration and Communications Division presented this item to the Committee. After discussion, Committee Member Serrano moved approval and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

VI

DISABILITY MEDICAL EVALUATION SERVICE PROVIDER REQUEST FOR PROPOSAL – PROPOSER RECOMMENDATIONS AND POSSIBLE COMMITTEE ACTION – Ferralyn Sneed, Senior Management Analyst II with Retirement Services Division presented this item to the Committee. After discussion, Committee Member Serrano moved approval and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

Commissioner Sohn left the meeting at 9:55 a.m. Commissioner Ruiz arrived at the meeting at 9:57 a.m.

VII

BOARD RULE FOR MEDICAL PREMIUM REIMBURSEMENT PROGRAM DEPENDENT REIMBURSEMENT AND POSSIBLE COMMITTEE ACTION – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division presented this item to the Committee. After discussion, Committee Member Serrano moved approval and adopted by the following vote: Ayes, Committee Member Serrano and Chair Wilkinson –2; Nays, None.

VIII

OPERATIONAL UPDATE – Lita Payne, Assistant General Manager, stated the operational update will be included in the General Manager’s verbal report during the Board Meeting on August 13, 2019.

IV

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: Chair Wilkinson announced that the next Benefits Administration Committee Meeting is not scheduled at this time, and will be announced upon scheduling.

XI

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 10:00 a.m.

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Michael R. Wilkinson  
Chair

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Neil M. Guglielmo  
Manager-Secretary



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**MEETING: AUGUST 27, 2019**

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

**ITEM: III**

*Neil M. Guglielmo*

**SUBJECT: ANTHEM BLUE CROSS 2018 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION**

**ACTION:**  **CLOSED:**  **CONSENT:**  **RECEIVE & FILE:**

**Recommendation**

That the Committee recommend to the Board transferring the Premium Stabilization Reserve funds to LACERS' Section 115 Trust and 401(h) accounts.

**Executive Summary**

This is an annual reporting of the excess premium funds that exist in our Premium Stabilization Reserve with Anthem Blue Cross. The Board approved transferring these funds to LACERS' Section 115 Trust account last year, but only some of the funds may be moved to this account. The balance must be transferred to LACERS' other account, the 401(h).

**Discussion**

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. In addition, LACERS has a Premium Stabilization Reserve (PSR), into which LACERS may transfer year-end surpluses after the CSF funding requirement is met. The PSR, which is not required by Anthem, also may be used to fund any deficits beyond the CSF, but only with LACERS' permission. Both the CSF and PSR are held in interest-earning accounts (2.758% and 2.599% respectively in 2018).

Our PSR account holds surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. On July 24, 2018, the Board approved the transfer of PSR funds to the 115 Trust pending the establishment of that Trust. The Section 115 Trust has since been established, but we can only transfer that portion of the PSR funds that represents Member

payroll deductions to the 115 Trust. The balance, which was paid through Member medical subsidy funds, will be redirected back to LACERS' 401(h) account, as required by tax law.

Keenan and Associates (Keenan), LACERS' Health and Welfare Consultant, reviewed Anthem's year-end accounting for 2018 (attached). All year-end accounting takes place at the end of the plan year, December 31, 2018. Highlights of Keenan's findings include:

PSR Beginning Balance	\$16,334,836
2018 Premium Surplus	\$1,114,664
PSR Interest	\$450,527
Premium Defrayals	(\$4,516,758)
Rate Adjustment for 2019	(\$1,306,543)
Transfer of Excess Funds to CSF	<u>(\$119,802)</u>
PSR Ending Balance	\$11,956,924
Required Minimum Balance	<u>\$8,269,904</u>
Available Balance	\$3,687,020

#### *Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits Administration and Communications Division

NMG/LP/AR:ar

Attachments: 1) July 24, 2018 Board Report  
2) 2018 Anthem Year-End Accounting, prepared by Keenan and Associates



***Report to Board of Administration***

From: Benefits Administration Committee  
Michael R. Wilkinson, Chairperson  
Cynthia M. Ruiz  
Nilza R. Serrano

Agenda of: **JULY 24, 2018**  
  
ITEM: **XI-A**

**SUBJECT: ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE BOARD ACTION**

Recommendation

That the Board approve utilizing Premium Stabilization Reserve funds to decrease the Anthem Blue Cross (Anthem) HMO and Medicare Supplement 2019 premiums and transfer the remaining Premium Stabilization Reserve funds to a Section 115 trust account, once established.

Discussion

At the Committee's meeting of July 19, 2018, the Committee approved forwarding staff's recommendation to the Board. The Committee report is attached.

*Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

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

MRW:AR:ar

Attachment: A) July 19, 2018 BAC Report



# LACERS

LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## Report to Benefits Administration Committee

Agenda of: **JULY 19, 2018**

From: *Neil Guglielmo*  
Neil Guglielmo, General Manager

ITEM: IV

**SUBJECT: ANTHEM BLUE CROSS 2017 YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION**

### Recommendation

That the Committee recommend to the Board utilizing Premium Stabilization Reserve funds to decrease the Anthem Blue Cross (Anthem) HMO and Medicare Supplement 2019 premiums and transfer the remaining Premium Stabilization Reserve funds to a Section 115 trust account, once established.

### Discussion

LACERS has an experience-rated refunding contract with Anthem for its HMO, PPO, and Medicare Supplement plans. This contract requires a year-end accounting after each plan year. Anthem plan premiums are based on projected costs for the coming plan year. At the end of each plan year, a year-end accounting is conducted which compares Anthem's actual annual costs with the annual premium amount paid by LACERS and its Members.

As part of its contract, LACERS has a Claims Stabilization Fund (CSF) which is required to contain a certain level of funding as determined by Anthem at the beginning of each plan year. The purpose of the CSF is to fund any deficits that may be found in the year-end accounting. In addition, LACERS has a Premium Stabilization Reserve (PSR), into which LACERS may transfer year-end surpluses after the CSF funding requirement is met. The PSR, which is not required by Anthem, also may be used to fund any deficits beyond the CSF, but only with LACERS' permission. Both the CSF and PSR are held in interest-earning accounts (1.789% in 2017).

Our PSR account holds surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. On January 12, 2010, the Board approved a Premium Stabilization Reserve Funding Policy (attached) for the disposition of excess funds which requires the PSR to have a minimum balance of 15% of Anthem's projected annual premium cost for the following year. Based on this policy, the PSR is required to have a balance of approximately \$8.2 million in 2019.

Keenan and Associates (Keenan), LACERS' health and welfare consultant, reviewed Anthem's year-end accounting for 2017 (attached). All year-end accounting takes place at the end of the plan year, December 31, 2017. Highlights of Keenan's findings include:

PSR Beginning Balance	\$19,671,630
2017 Premium Surplus	4,039,444
PSR Interest	351,994
Premium Defrayals*	(7,728,232)
Transfer of Excess CSF funds**	<u>0</u>
PSR Ending Balance	\$16,334,836
August 2018 Premium Defrayal	<u>4,529,968</u>
PSR Ending Balance	\$11,804,868
Required Minimum Balance	<u>(7,713,263)</u>
Available Balance	\$ 4,091,605

\*The premium defrayals administered in May 2016 and September 2017 were accounted for during the 2017 year-end accounting.

\*\*The 2016 CSF balance was \$1,129,400. Anthem required a balance of \$1,251,114 for 2017, so a transfer of \$101,505 was made from the PSR to the CSF.

Based on these findings and the LACERS PSR Funding Policy, the PSR will have sufficient funds beyond the required minimum to apply toward the premium cost for Members. Instead of administering a premium defrayal, staff recommends using the Available Balance to reduce the 2019 HMO and Medicare Supplement plans' premium amounts. Further, staff and Keenan are reviewing the possibility of obtaining a trust account to hold premium reserves. Once established, staff recommends transferring the remaining PSR funds to this trust account to be administered by LACERS.

*Strategic Plan Impact Statement*

The participating contract with Anthem Blue Cross and the Year-End Accounting process allows premium surpluses to be used toward future premium costs, supporting Strategic Plan Goal 3: Maximize Value and Minimize Costs of our Health and Welfare Program.

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

NG:AR:ar

- Attachments: A) LACERS PSR Funding Policy Resolution
- B) 2017 Anthem Year-End Accounting, prepared by Keenan and Associates

LACERS' PREMIUM STABILIZATION RESERVE FUNDING POLICY

Commissioner Rogers moved approval of the following Resolution:

RESOLUTION 100126-E

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) administers a health and welfare program, which includes health insurance for retired employees and their eligible dependents;

WHEREAS, LACERS may enter into an experience-rated refunding contract with its health insurance carriers which requires year-end accounting after the close of a plan year to reconcile any differences between the amount of premiums paid to the carrier and the amount of claims and expenses associated with providing health coverage;

WHEREAS, these types of contracts contain an interest-earning Claims Stabilization Fund (CSF), which is required to maintain a certain balance, as directed by the carrier, to fund any deficits that may be found in the year-end accounting;

WHEREAS, these types of contracts may also include an interest-earning Premium Stabilization Reserve (PSR), into which year-end accounting surpluses beyond the CSF funding requirement are transferred and funds may be used to fund the CSF when year-end accounting deficits are greater than the CSF balance;

WHEREAS, LACERS may withdraw funds from the PSR for alternative uses;

WHEREAS, a minimum PSR balance should always be maintained and recalculated annually to offset possible year-end deficits;

WHEREAS, actuarially, there is a 90% probability that a deficit will be less than 5% of projected premiums for the following plan year;

NOW, THEREFORE, BE IT RESOLVED that the Board of Administration hereby adopts a Premium Stabilization Reserve (PSR) funding policy where the PSR is maintained at a minimum of three times 5% of the health plan's projected annual premium cost for the following plan year and that the Board review alternatives for the disposition of excess PSR funds annually.

which motion was seconded by Commissioner Bardwell, and adopted by the following vote: Ayes, Commissioners Bardwell, Greenwood, Penichet, Rogers, Spiker, Uranga, and President Conroy – 7; Nays, None.

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Board of Administration, Los Angeles City Employees' Retirement System, at its Regular Meeting held on January 26, 2010.

  
\_\_\_\_\_  
Sally Choi  
Secretary



## ATTACHMENT B

# Los Angeles City Employees' Retirement System 2017 Anthem Year-End Accounting July 19, 2018

BAC Meeting: 08/27/19  
Item: III  
Attachment 2

### Respectfully Submitted by:

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

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- 2017 Anthem Accounting Summary Page 4-10
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  - Premium Stabilization Reserve (PSR)
  - Minimum Premium Stabilization Reserve
  - Premium Defrayal
  - Anthem Accounting Summary by Plan
  - Accounting History
- Conclusions Page 11
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# Executive Summary

- The 2017 Year-End Accounting (YEA) produced a \$4,140,949 surplus.
- The Claims Stabilization Fund (CSF) is funded at \$1,251,114 for December 31, 2017.
  - Anthem is not requesting any adjustment to the CSF (\$1,251,114) for January 1, 2018.
- The Premium Stabilization Reserve (PSR) minimum balance set by LACERS' PSR funding policy is \$7,713,263 for 2017.
- The December 31, 2017 PSR ending balance is \$16,334,836.
  - The defrayal from the 2016 YEA will be administered in August 2018 and is estimated to be \$4,529,968. This would bring the PSR down to \$11,804,868 (\$4,091,605 above the minimum PSR).
- Based on 2017 YEA results, LACERS may want to consider applying funds to reduce the 2019 HMO and Medicare Supplement premiums, and a fund transfer to LACERS' proposed 115 Trust.

# 2017 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position.
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period.
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF.
- LACERS is not required to hold surpluses in the PSR. Any funds from the PSR fund may not be utilized by Anthem without authorization from LACERS.

Policy Year	2013	2014	2015	2016	2017
<b>YEA</b>	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
<b>Surplus/(Deficit)</b>	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	8.1%	8.6%	7.6%	2.1%	8.2%
<b>CSF</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114
<b>\$ Adjustment</b>		-\$159,636	\$0	\$0	+\$121,714
<b>% Adjustment</b>		-12.4%	0.0%	0.0%	+10.8%
<b>PSR w/YEA</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>\$ Adjustment</b>		+\$4,039,788	+\$3,581,941	+\$1,285,160	-\$3,336,794

# 2017 Anthem Accounting Summary – Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past four policy years:

CSF Accounting	2013	2014	2015	2016	2017
<b>1/1 CSF Balance</b>	\$695,983	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400
<b>Interest Earned</b>	\$4,754	\$7,228	\$8,960	\$15,496	\$20,209
<b>Interest Yield</b>	0.683%	0.561%	0.793%	1.372%	1.789%
<b>Net CSF Balance</b>	\$700,737	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609
<b>YEA Fund Transfer</b>	\$588,299	\$0	\$0	\$0	\$0
<b>PSR Fund Transfer</b>	\$0	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505
<b>Required CSF</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/17, Anthem required that the CSF be increased 10.8% or \$121,714 to \$1,251,114.

# 2017 Anthem Accounting Summary – Premium Stabilization Reserve (PSR)

The following table illustrates the Premium Stabilization Reserve (PSR) accounting for the past five years:

PSR Accounting	2013	2014	2015	2016	2017
PSR 1/1 Balance	\$9,283,659	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630
Transfer YEA to PSR	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444
PSR 1/1 Balance w/ YEA	\$11,289,631	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074
Interest Earned	\$63,409	\$60,359	\$117,456	\$252,272	\$351,994
Interest Yield	0.683%	0.561%	0.793%	1.372%	1.789%
Transfer CSF to PSR	(\$588,299)	\$166,864	\$8,960	\$15,496	\$0
Premium Defrayal					-\$7,728,232
PSR 12/31 Balance	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836

- Interest Yield is based on 12-month LIBOR Index
- For 2014, Medicare Supplement was added as a participating, refunding arrangement, replacing the Medicare Advantage LPPO
- Two Premium Defrayals are accounted for in 2017. 1) -3,717,788 taken in May, 2016, earned in 2014, accounted for in 2017 (not 2016), and 2) \$4,010,444 taken in September, 2017, earned in 2015, and accounted for in 2017.

# 2017 Anthem Accounting Summary – Minimum Premium Stabilization Reserve

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium.
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) accounting for the past four policy years:

PSR Accounting	2013	2014	2015	2016	2017
<b>Anthem Annual Premium</b>	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
<b>Minimum PSR Factor</b>	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Minimum PSR Required</b>	\$3,736,682	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263
<b>PSR Ending Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>PSR Difference</b>	\$7,028,059	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573

# 2017 Anthem Accounting Summary – Premium Defrayal

- When the PSR amount becomes substantially higher than the minimum PSR standard, LACERS can offer a premium defrayal to reduce the PSR.
- LACERS has elected premium defrayals based on YEA results for 2013, 2014, 2015, and 2016.
- The premium defrayals have been realized in 2015, 2016, and 2017, with the another one scheduled for 2018.
- The following table illustrates the PSR accounting for the past policy years:

Premium Defrayal (PD)	2013	2014	2015	2016	2017
<b>PSR Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>PD Declared</b>	Yes	Yes	Yes	Yes	TBD
<b>PD Taken</b>	May 2015	May 2016	Sep. 2017	Aug. 2018	
<b>PD Amount</b>	\$3,708,149	\$3,717,788	\$4,010,444	\$4,529,968	

# 2017 Anthem Accounting Summary By Plan

	HMO	PPO	MEDICARE SUPPLEMENT	MEDICARE PART D	TOTAL
<b>2017 INCOME</b>					
Paid Premium	\$13,165,553	\$14,833,106	\$8,588,796	\$14,082,481	\$50,669,936
CMS Revenue (Medicare Part D)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$751,815</u>	<u>\$751,815</u>
<b>TOTAL INCOME</b>	\$13,165,553	\$14,833,106	\$8,588,796	\$14,834,296	\$51,421,751
<b>2017 EXPENSES</b>					
Total Incurred Claims <sup>1</sup>	\$6,045,840	\$12,944,701	\$6,861,281	\$17,087,282	\$42,939,104
Retention	\$473,528	\$619,426	\$1,314,876	\$953,326	\$3,361,156
Silver Sneakers Program in 2017	\$0	\$0	\$267,773	\$0	\$267,773
Capitation	\$4,400,003	\$0	\$0	\$0	\$4,400,003
ACA Insurer & ACA Reinsurance Fee	\$0	\$0	\$0	\$0	\$0
Consortium Fees	\$0	\$5,013	\$0	\$0	\$5,013
HMC Programs	\$14,723	\$17,689	\$52,230	\$0	\$84,642
CMS Credit (Medicare D)	\$0	\$0	\$0	(\$2,028,149)	(\$2,028,149)
Part D Credit - Gap Discount/Prior Settlement	\$0	\$0	\$0	(\$2,029,789)	(\$2,029,789)
Premium Taxes	<u>\$0</u>	<u>\$127,231</u>	<u>\$0</u>	<u>\$153,818</u>	<u>\$281,049</u>
<b>TOTAL EXPENSES</b>	\$10,934,094	\$13,714,060	\$8,496,160	\$14,136,488	\$47,280,802
<b>2017 SURPLUS/(DEFICIT)</b>	<b><u>\$2,231,459</u></b>	<b><u>\$1,119,046</u></b>	<b><u>\$92,636</u></b>	<b><u>\$697,808</u></b>	<b><u>\$4,140,949</u></b>
<b>SURPLUS AMOUNT TRANSFERRED TO CLAIMS STABILIZATION FUND</b>	<b>(\$101,505)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$101,505)</b>
<b>SURPLUS AMOUNT TRANSFERRED TO PREMIUM STABILIZATION RESERVE</b>	<b>(\$2,129,954)</b>	<b>(\$1,119,046)</b>	<b>(\$92,636)</b>	<b>(\$697,808)</b>	<b>(\$4,039,444)</b>

<sup>1</sup>Total Incurred Claims include reserve changes, large claims charge, and credit.

# 2017 Anthem Accounting Summary - Accounting History

	2013	2014	2015	2016	2017
<b>Annual Amount</b>					
Total Income	\$24,911,212	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751
Total Expenses	\$22,905,240	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802
Surplus / (Deficit)	\$2,005,972	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949
Expense Ratio	91.9%	91.4%	92.6%	97.87%	91.95%
Contracts	1,920	4,453	4,413	4,795	4,734
<b>Per Retiree Per Month Amount</b>					
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$905.20
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$832.31
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$72.90

# Conclusions

- For the 2017 Year-End Accounting, LACERS may want to consider a fund transfer to LACERS' proposed 115 Trust.
- Without consideration for the 2017 Year-End Accounting, and strictly based on the 2017 PSR Ending Balance, the following analysis is provided:

## Impact of Defrayal taken in 2018 (earned in 2016) on 2017 PSR Ending Balance

2017 PSR Ending Balance	\$16,334,836
Premium Defrayal earned in 2016 YEA, taken in 2018	\$4,529,968
2017 PSR Adjusted Ending Balance	\$11,804,868
Minimum PSR Balance	\$7,713,263
Projected Balance above Minimum PSR Balance:	\$4,091,605

# 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



# Los Angeles City Employees' Retirement System 2018 Anthem Year-End Accounting August 27, 2019

Respectfully Submitted by:

Ju Anderson, Senior Advisor | Bordan Darm, Senior Consultant  
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# Executive Summary

- 2018 produced a Year-End Accounting (YEA) surplus of \$1,114,664.
- The Claims Stabilization Fund (CSF) is funded at \$1,405,423 as of December 31, 2018.
- The Premium Stabilization Reserve (PSR) minimum balance set by LACERS' PSR funding policy is \$8,269,904 for 2018.
- The December 31, 2018 PSR ending balance is \$11,956,924.
  - The defrayal from the 2016 YEA of \$4,516,758 was administered in August 2018.
  - Anthem has set aside \$1,306,543 to offset rate adjustments for 2019.
- Based on 2018 YEA results, LACERS may want to consider applying funds to LACERS' 115 Trust.

# 2018 Anthem Accounting Summary

- The Year-End Accounting (YEA) provides LACERS with the difference between total costs incurred for the policy period and the respective premium remitted. The balance is expressed as a surplus or deficit position.
- The Claims Stabilization Fund (CSF) is set and held by Anthem, and funded by LACERS. It is to fund any deficit of a given policy period.
- The purpose of the Premium Stabilization Reserve (PSR) fund is to build up reserves from the surpluses of each policy period after meeting the funding requirement in the CSF, and to provide additional security should a period's deficit be greater than the CSF.
- LACERS is not required to hold surpluses in the PSR. Any funds from the PSR fund may not be utilized by Anthem without authorization from LACERS.

Policy Year	2014	2015	2016	2017	2018
<b>YEA</b>	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664
<b>Surplus/(Deficit)</b>	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	8.6%	7.6%	2.1%	8.2%	2.0%
<b>CSF</b>	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423
<b>\$ Adjustment</b>	-\$159,636	\$0	\$0	+\$121,714	+\$154,309
<b>% Adjustment</b>	-12.4%	0.0%	0.0%	+10.8%	+12.3%
<b>PSR w/YEA</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,837,122
<b>\$ Adjustment</b>	+\$4,039,788	+\$3,581,941	+\$1,285,160	-\$3,336,794	-\$4,497,714

# 2018 Anthem Accounting Summary – Claims Stabilization Fund (CSF)

- The following table illustrates the Claims Stabilization Fund (CSF) accounting for the past five policy years:

CSF Accounting	2014	2015	2016	2017	2018
<b>1/1 CSF Balance</b>	\$1,289,036	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114
<b>Interest Earned</b>	\$7,228	\$8,960	\$15,496	\$20,209	\$34,507
<b>Interest Yield</b>	0.561%	0.793%	1.372%	1.789%	2.758%
<b>Net CSF Balance</b>	\$1,296,264	\$1,138,360	\$1,144,896	\$1,149,609	\$1,285,621
<b>YEA Fund Transfer</b>	\$0	\$0	\$0	\$0	\$0
<b>PSR Fund Transfer</b>	(\$166,864)	(\$8,960)	(\$15,496)	\$101,505	\$119,802
<b>Required CSF</b>	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/19, Anthem required that the CSF be increased 12.3% or \$154,309 to \$1,405,423.

# 2018 Anthem Accounting Summary – Premium Stabilization Reserve (PSR)

The following table illustrates the Premium Stabilization Reserve (PSR) accounting for the past five years:

PSR Accounting	2014	2015	2016	2017	2018
<b>PSR 1/1 Balance</b>	\$10,764,741	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836
<b>Transfer YEA to PSR</b>	\$3,812,565	\$3,455,525	\$1,017,392	\$4,039,444	\$1,114,664
<b>PSR 1/1 Balance w/ YEA</b>	\$14,577,306	\$18,260,054	\$19,403,862	\$23,711,074	\$17,449,500
<b>Interest Earned</b>	\$60,359	\$117,456	\$252,272	\$351,994	\$450,527
<b>Interest Yield</b>	0.561%	0.793%	1.372%	1.789%	2.599%
<b>Transfer PSR to CSF</b>	\$166,864	\$8,960	\$15,496	\$0	-\$119,802
<b>Premium Defrayal</b>				-\$7,728,232	-\$4,516,758 -\$1,306,543
<b>PSR 12/31 Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924

- Interest Yield is based on 12-month LIBOR Index
- 2017 - Two Premium Defrayals are accounted for. 1) -3,717,788 taken in May, 2016, earned in 2014, accounted for in 2017 (not 2016), and 2) \$4,010,444 taken in September, 2017, earned in 2015, and accounted for in 2017.
- 2018 - One premium defrayal (\$4,516,758) was taken in August, 2018, earned in 2016, and accounted for in 2018. Additionally, \$1,306,543 was taken for rate adjustments for 2019.

# 2018 Anthem Accounting Summary – Minimum Premium Stabilization Reserve

- LACERS has established a minimum PSR threshold of 3 times 5% (15%) of annual Anthem experience-rated premium.
- The following table illustrates the minimum Premium Stabilization Reserve (PSR) accounting for the past five policy years:

PSR Accounting	2014	2015	2016	2017	2018
<b>Anthem Annual Premium</b>	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694
<b>Minimum PSR Factor</b>	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Minimum PSR Required</b>	\$6,621,851	\$6,992,630	\$7,158,835	\$7,713,263	\$8,269,904
<b>PSR Ending Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924
<b>PSR Difference</b>	\$8,182,678	\$11,393,840	\$12,512,795	\$8,621,573	\$3,687,020

# 2018 Anthem Accounting Summary – Premium Defrayal

- When the PSR amount becomes higher than the minimum PSR standard, LACERS can offer a premium defrayal or rate adjustment to reduce the PSR.
- LACERS has elected premium defrayals based on YEA results for 2013, 2014, 2015, 2016 and 2017.
- For 2018, LACERS elected to offer rate adjustments to certain coverage requiring increases.
- The following table illustrates the PSR accounting for the past policy years:

Premium Defrayal (PD)	2014	2015	2016	2017	2018
<b>PSR Balance</b>	\$14,804,529	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924
<b>PD Declared</b>	Yes	Yes	Yes	Yes	Yes, Rate Adj.
<b>PD Taken</b>	May 2015	May 2016	Sep. 2017	Aug. 2018	2019
<b>PD Amount</b>	\$3,708,149	\$3,717,788	\$4,010,444	\$4,529,968	\$1,306,543

# 2018 Anthem Accounting Summary By Plan

## LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Annual Accounting  
Case No. C22357  
January 1, 2018 through December 31, 2018

	HMO	PPO	Medicare Supplement	Medicare D	Total
Income Received	\$15,252,406	\$16,824,948	\$9,934,629	\$15,394,204	\$57,406,187
2018 Premium Adj based on cancellations	(\$2,519,134)	(\$244,177)	(\$159,431)		(\$2,922,742)
CMS Revenue (Medicare D)	\$0	\$0	\$0	\$649,249	\$649,249
<b>Total Income Received</b>	<b>\$12,733,272</b>	<b>\$16,580,771</b>	<b>\$9,775,198</b>	<b>\$16,043,453</b>	<b>\$55,132,694</b>
Paid Claims	\$7,378,536	\$14,589,984	\$7,587,669	\$20,090,305	\$49,646,494
+ Ending Reserve	\$625,235	\$1,291,417	\$917,061	\$733,695	\$3,567,408
- Beginning Reserve	(\$525,108)	(\$1,174,704)	(\$821,769)	(\$618,864)	(\$3,140,445)
+ Large Claim Charge	\$719,117	\$719,273	\$0	\$0	\$1,438,390
- Large Claim Credit	(\$1,112,654)	(\$1,774,728)	\$0	\$0	(\$2,887,382)
<b>Incurred Claims</b>	<b>\$7,085,126</b>	<b>\$13,651,242</b>	<b>\$7,682,961</b>	<b>\$20,205,136</b>	<b>\$48,624,465</b>
Retention	\$502,841	\$639,930	\$1,373,316	\$1,026,784	\$3,542,871
HMC Programs	\$15,637	\$18,279	\$54,552	\$0	\$88,468
Silver Sneakers Program	\$0	\$0	\$277,546	\$0	\$277,546
Premium Tax	\$0	(\$127,231)	\$217,944	\$175,705	\$266,418
ACA Insurer Fee	\$342,291	\$397,975	\$0	\$459,674	\$1,199,940
Capitation Expenses	\$4,709,031	\$0	\$0	\$0	\$4,709,031
Consortium Fees	\$0	\$6,200	\$0	\$0	\$6,200
Part D Adjust-Reopened CMS Final Settlement_2012	\$0	\$0	\$0	(\$125)	(\$125)
Part D Credit for CMS Final Settlement_2017	\$0	\$0	\$0	(\$2,419,714)	(\$2,419,714)
Part D True-Up for Coverage Gap Discount_2017	\$0	\$0	\$0	(\$609)	(\$609)
Part D Est. Credit for Coverage Gap Discount_2018	\$0	\$0	\$0	(\$2,276,461)	(\$2,276,461)
<b>Total Expense</b>	<b>\$12,654,926</b>	<b>\$14,586,395</b>	<b>\$9,606,319</b>	<b>\$17,170,390</b>	<b>\$54,018,030</b>
Expense Ratio	99.38%	87.97%	98.27%	107.02%	97.98%
Accumulated Surplus/(Deficit) at December 31, 2018	\$78,346	\$1,994,376	\$168,879	(\$1,126,937)	\$1,114,664
Amount Designated to Claims Stabilization Fund	(\$119,802)	\$0	\$0	\$0	(\$119,802)
Amount Designated to Premium Stabilization Reserve	\$41,456	(\$1,994,376)	(\$168,879)	\$1,126,937	(\$994,862)
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# 2018 Anthem Accounting Summary - Accounting History

	2014	2015	2016	2017	2018
<b>Annual Amount</b>					
Total Income	\$44,145,676	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694
Total Expenses	\$40,333,111	\$43,162,008	\$46,708,176	\$47,280,802	\$54,018,030
Surplus / (Deficit)	\$3,812,565	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664
Expense Ratio	91.4%	92.6%	97.87%	91.95%	97.98%
Contracts	4,453	4,413	4,795	4,734	4,930
<b>Per Retiree Per Month Amount</b>					
Total Income	\$1,081.03	\$826.14	\$880.31	\$829.43	\$931.93
Total Expenses	\$993.98	\$754.79	\$815.05	\$811.75	\$913.08
Surplus / (Deficit)	\$87.05	\$71.35	\$65.25	\$17.68	\$18.84

# Conclusions

- LACERS established a 115 trust for 2019.
- For the 2018 Year-End Accounting, LACERS may want to consider a fund transfer to LACERS' 115 Trust.
- The following chart illustrates the ending position for 2018 and beginning position for 2019:

January 1, 2019 Beginning Position	
PSR Balance	\$11,956,924
Premium Adjustment for 2019 taken from 2018 YEA	\$1,306,543
CSF Balance	\$1,405,423
Minimum PSR Balance	\$8,269,904
Projected Balance above Minimum PSR Balance:	\$3,687,020

# 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