



## ***Benefits Administration Committee Agenda***

### **REGULAR MEETING**

**TUESDAY, AUGUST 24, 2021**

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

### **MEETING LOCATION:**

In conformity with the Governor's Executive Order N-08-21 (June 11, 2021) and due to the concerns over COVID-19, the LACERS Benefits Administration Committee's August 24, 2021, meeting will be conducted via telephone and/or videoconferencing.

#### **Important Message to the Public**

**Information to call-in to listen and/or participate:**

**Dial:** (669) 900-6833 or (346) 248-7799

**Meeting ID#** 859 3195 0635

#### **Instructions for call-in participants:**

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press \*9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

**Information to listen only:** 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: Annie Chao  
Sandra Lee

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office  
Public Pensions General  
Counsel Division

#### **Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

#### **Request for services**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), 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) 855-9348** and/or email at [ani.ghoukassian@lacers.org](mailto:ani.ghoukassian@lacers.org).

#### **Disclaimer to participants**

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

**[CLICK HERE TO ACCESS BOARD REPORTS](#)**

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE

**AGENDA – THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS \*9  
TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

- II. APPROVAL OF MINUTES FOR THE MEETINGS OF [JULY 20, 2021](#) AND [AUGUST 10, 2021](#)  
AND POSSIBLE COMMITTEE ACTION
- III. [LACERS 2020 ANTHEM AND DELTA YEAR-END ACCOUNTING WITH PREMIUM RESERVE  
FUNDING POLICY AND POSSIBLE COMMITTEE ACTION](#)
- IV. [BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE  
COMMITTEE ACTION](#)
- V. OPERATIONAL UPDATE
- VI. OTHER BUSINESS
- VII. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this  
time, and will be announced upon scheduling. Please continue to view the LACERS website for  
updated information on public access to Board/Committee meetings while public health  
concerns relating to the novel coronavirus continue.
- VIII. ADJOURNMENT



## ***Board of Administration Agenda***

### **SPECIAL MEETING**

**TUESDAY, AUGUST 24, 2021**

**TIME: 10:30 A.M. OR IMMEDIATELY  
FOLLOWING THE REGULAR  
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### **MEETING LOCATION:**

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President: Cynthia M. Ruiz  
Vice President: Sung Won Sohn

Commissioners: Annie Chao  
Elizabeth Lee  
Sandra Lee  
Nilza R. Serrano  
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office  
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- II. APPROVAL OF MINUTES FOR THE MEETINGS OF JULY 20, 2021 AND AUGUST 10, 2021 AND POSSIBLE COMMITTEE ACTION
- III. LACERS 2020 ANTHEM AND DELTA YEAR-END ACCOUNTING WITH PREMIUM RESERVE FUNDING POLICY AND POSSIBLE COMMITTEE ACTION
- IV. BOARD RULES TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION
- V. OPERATIONAL UPDATE
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- VIII. ADJOURNMENT

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

In conformity with the Governor's Executive Order N-08--21 (June 11, 2021)  
and due to the concerns over COVID-19, the  
LACERS Benefits Administration Committee's  
July 20, 2021, meeting was conducted  
via telephone and/or videoconferencing

July 20, 2021

9:00 a.m.

**Agenda of: Aug. 24, 2021**

**Item No: II**

PRESENT via Videoconferencing:	Chair:	Michael R. Wilkinson
	Committee Members:	Annie Chao Sandra Lee
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Miguel Bahamon
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA  
**PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF June 8, 2021 AND POSSIBLE COMMITTEE ACTION – Committee Member Sandra Lee moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Sandra Lee, and Chair Wilkinson -3; Nays, None.

III

2022 LACERS HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION – Alex Rabrenovich, Chief Benefits Analyst, Bordan Darm, with Keenan & Associates, and Jennifer Heinz and Dodie Turcotte, with Anthem presented and discussed this report with the Committee for 1 hour and 15 minutes. After discussion, Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Sandra Lee, and Chair Wilkinson -3; Nays, None.

IV

OTHER BUSINESS –There was no other business.

V

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

VI

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 10:17 a.m.

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Michael R. Wilkinson  
Chair

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Neil M. Guglielmo  
Manager-Secretary

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

In conformity with the Governor's Executive Order N-08-21 (June 11, 2021)  
and due to the concerns over COVID-19, the  
LACERS Benefits Administration Committee's  
August 10, 2021, meeting was conducted  
via telephone and/or videoconferencing

August 10, 2021

9:00 a.m.

**Agenda of: Aug. 24, 2021**

**Item No: II**

PRESENT via Videoconferencing:	Chair:	Michael R. Wilkinson
	Manager-Secretary:	Todd Bouey
	Legal Counselor:	James Napier
ABSENT:	Committee Members:	Annie Chao Sandra Lee
PRESENT at LACERS offices:	Executive Assistant:	Ani Ghoukassian

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

*The only member of the Benefits Administration Committee who was in attendance to this meeting was Chair Wilkinson. With the lack of quorum, no action could be taken on any items discussed.*

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA  
**PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF JULY 20, 2021 AND POSSIBLE COMMITTEE ACTION – There being no quorum for the meeting, this item was tabled for the next Benefits Administration Committee Meeting.

III

2022 MAXIMUM MEDICAL AND DENTAL PLAN PREMIUM SUBSIDIES AND POSSIBLE COMMITTEE ACTION – Alex Rabrenovich, Chief Benefits Analyst and Bruce Bernal, Senior Benefits Analyst II, presented and discussed this item with the Committee member present at the meeting. There

being no quorum for the meeting, no action was taken and the item will be presented to the full Board at a future meeting.

#### IV

OPERATIONAL UPDATE – Todd Bouey, Executive Officer, announced and congratulated Dale Wong-Nguyen on her appointment as the LACERS Assistant General Manager over Retirement Services, Health & Wellness, and Member Services Divisions.

Dale Wong-Nguyen, Assistant General Manager provided the following update:

- Domestic Partnership Program
- Disability Reexam Project
- Medicare “IRMAA”
- Upcoming agenda items: Board Rules, Revision of BAC Charter and Work Plan, and the Investigative Services Contract Award waived from BAC to Board.

#### V

OTHER BUSINESS –There was no other business.

#### VI

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time, and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

#### VII

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 9:18 a.m.

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Michael R. Wilkinson  
Chair

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Todd Bouey  
Manager-Secretary





**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

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

**MEETING: AUGUST 24, 2021**

**ITEM: III**

*Neil M. Guglielmo*

**SUBJECT: LACERS 2020 ANTHEM AND DELTA YEAR-END ACCOUNTING WITH PREMIUM RESERVE FUNDING POLICY AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

**Recommendation**

That the Committee approve forwarding the Anthem Blue Cross and Delta Dental 2020 Year-End Accountings, and the premium reserve funding policy to the Board for its approval.

**Executive Summary**

This is an annual reporting of the accounting of LACERS' Anthem Blue Cross (Anthem) and Delta Dental PPO plans, indicating whether there is a surplus or deficit when considering the total premium payments, claims costs, and administrative expenses during a plan year.

Regarding the Anthem plans, for 2020, surplus premiums amounted to \$2,202,969 and will be transferred back to LACERS.

LACERS' self-funded Delta Dental PPO plan ended 2020 with a premium surplus of \$2,770,856.

Staff has prepared a premium reserve funding policy to hold in LACERS' refunding-contracted and self-funded plan premium reserve accounts a minimum of 15% of the estimated health plan's annual premium cost for the coming year.

**Discussion**

*Anthem Blue Cross*

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. The CSF is held in an interest-earning account (based on the 12-month LIBOR Index) and had a required balance of \$1,515,734, which required a transfer of \$52,378 from the premium surplus.

Previously, LACERS had an optional Premium Stabilization Reserve (PSR) account with Anthem to hold surpluses gained from years when annual premium payments exceeded annual claims costs and administrative expenses. This account provided additional security in the event that annual expenses exceeded premiums beyond the amount in the CSF. On September 10, 2019, the Board approved the transfer of PSR funds to LACERS' 401(h) account (premium costs paid by subsidy dollars) and 115 Trust (premium costs paid by Member deduction dollars). The transfers were performed in December 2019 and January 2020, respectively. Staff recommends that going forward, LACERS continue to transfer surplus premium funds to LACERS' 115 Trust and 401(h) accounts.

Keenan and Associates (Keenan), LACERS' Health and Welfare Consultant, reviewed Anthem's year-end accounting for 2019 (attached). All year-end accounting takes place after the end of the plan year, December 31, 2020. Highlights of Keenan's findings include:

Total Premium Paid	\$54,664,982
Claims/Expenses	(52,409,635)
Surplus Premiums	\$ 2,255,347
Transfer to CSF	(52,378)
<b>2020 Year-End Balance</b>	<b>\$ 2,202,969</b>

Staff will work with Anthem to have the surplus premium funds transferred back to LACERS and divide the surplus appropriately between the 401(h) account and the 115 Trust account, in accordance with the attached proposed premium reserve funding policy.

#### *Delta Dental PPO*

The Board approved changing the fully-insured dental PPO plan to a self-funded arrangement, beginning with the 2019 plan year. As a result, the dental PPO premiums are paid to LACERS and LACERS is responsible for paying all related provider claims. Should premiums not be sufficient to cover all claims costs, then LACERS must resolve the deficit. Should premiums exceed claims costs, LACERS retains the surplus premium dollars. Delta is paid an administration fee to process the claims and invoice LACERS the claims cost each month.

Keenan performed a year-end accounting of the plan. Findings include:

Total Premium Paid	\$20,769,621
Claims/Expenses	(16,314,477)
<b>2020 Year-End Balance</b>	<b>\$ 4,455,144</b>

Delta Dental PPO premium surpluses are held in LACERS' 115 Trust account and will comply with the attached proposed premium reserve funding policy.

#### *Proposed Premium Reserve Funding Policy*

Previously, LACERS held Anthem premium surpluses in a Premium Stabilization Reserve (PSR) account that was managed by Anthem. The Board had adopted a Premium Stabilization Reserve Funding policy which required that the account hold a minimum of 15% of the coming year's premium costs to cover any unanticipated deficits resulting from the year-end accounting.

Last year, the Board decided to have the PSR funds transferred back to LACERS. Two years ago, LACERS changed its Delta Dental PPO fully-insured plan to a self-funded plan and will be doing the same with its Anthem Blue View fully-insured vision plan in 2022. As a result, it is expected that these plans will provide LACERS with premium surpluses, which will be held in premium reserve accounts within LACERS' 115 Trust.

After discussions with Keenan, it was agreed that a policy similar to the PSR funding policy should be developed for these premium reserve accounts. Staff has drafted a proposed Board policy that will require a minimum balance of 15% of the coming year's premium cost in the premium reserve accounts associated with refunding-contracted and self-insured plans. The draft policy is attached for the Committee's review.

#### *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 and Wellness Division

NMG/DWN/AR:ar

Attachments: 1) 2020 Anthem Year-End Accounting, prepared by Keenan and Associates  
2) 2020 Delta Dental Year-End Accounting, prepared by Keenan and Associates  
3) Premium Reserve Funding Policy



BOARD Meeting: 8/24/2021  
Item III  
Attachment 1

# Los Angeles City Employees' Retirement System 2020 Anthem Year-End Accounting August 24, 2021

Respectfully Submitted by:

Ju Anderson, Vice President | Bordan Darm, Senior Consultant  
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary

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# Executive Summary

- 2020 produced a Year-End Accounting (YEA) surplus of \$2,255,347
- From the surplus, \$52,378 was transferred to the Claims Stabilization Fund (CSF) leaving a Year-End adjusted surplus of \$2,202,969
- As of December 31, 2020, Anthem's CSF increased by \$63,562 (\$52,378 from 2020 YEA surplus and \$11,184 from interest) from \$1,463,356 to \$1,515,734
- The Premium Stabilization Reserve (PSR), an Anthem account that holds premium surpluses, was discontinued last year and LACERS now manages all surplus funds (except for the CSF)
- The 2020 Year-End Accounting surplus will be transferred to LACERS from Anthem



# 2020 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 PSR was discontinued with the 2019 Year-End Accounting (YEA). The purpose of the Premium Stabilization Reserve (PSR) fund was 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 now manages the surpluses.

Policy Year	2015	2016	2017	2018	2019	2020
<b>YEA</b>	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664	\$2,366,139	\$2,255,347
<b>Surplus/ (Deficit)</b>	surplus	surplus	surplus	surplus	surplus	surplus
<b>% of Premium</b>	7.60%	2.10%	8.20%	2.00%	4.23%	4.13%
<b>CSF</b>	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423	\$1,452,172	\$1,515,734
<b>\$ Adjustment</b>	\$0	\$0	\$121,714	\$154,309	\$46,749	\$63,562
<b>% Adjustment</b>	0.00%	0.00%	10.80%	12.30%	3.22%	4.19%
<b>PSR w/YEA</b>	\$18,386,470	\$19,671,630	\$16,334,836	\$11,956,924	\$0	\$0
<b>\$ Adjustment</b>	\$3,581,941	\$1,285,160	(\$3,336,794)	(\$4,497,714)	(\$11,956,924)	\$0

# 2020 Claims Stabilization Fund (CSF)

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

CSF Accounting	2015	2016	2017	2018	2019	2020
1/1 CSF Balance	\$1,129,400	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423	\$1,452,172
Interest Earned	\$8,960	\$15,496	\$20,209	\$34,507	\$33,382	\$11,184
Interest Yield	0.79%	1.37%	1.79%	2.76%	2.38%	0.77%
YEA Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0
Surplus Transfer*	(\$8,960)	(\$15,496)	\$101,505	\$119,802	\$13,367	\$52,378
Required CSF	\$1,129,400	\$1,129,400	\$1,251,114	\$1,405,423	\$1,452,172	\$1,515,734

\*Previous to 2020 known as PSR Fund Transfer

- Interest Yield is based on 12-month LIBOR Index
- Effective 1/1/21, Anthem required that the CSF be increased 4.19% or \$63,562 (from \$1,452,172 to \$1,515,734)
- The CSF increase was funded from \$11,184 in earned interest and the balance of \$52,378 from the 2020 YEA surplus



# 2020 Anthem Accounting Summary By Plan

## LOS ANGELES CITY EMPLOYEES RETIREMENT SYSTEM

Annual Accounting

Case No. C22357

January 1, 2020 through December 31, 2020

	HMO	PPO	Medicare Supplement	Medicare D	Total
Income Reported	\$13,212,296	\$14,723,705	\$10,084,963	\$16,335,488	\$54,356,452
CMS Revenue (Medicare D)	\$0	\$0	\$0	\$308,530	\$308,530
Total Income Received	\$13,212,296	\$14,723,705	\$10,084,963	\$16,644,018	\$54,664,982
Paid Claims	\$7,118,192	\$15,331,156	\$7,979,408	\$19,663,900	\$50,092,656
+ Ending Reserve	\$670,058	\$1,388,411	\$951,179	\$714,080	\$3,723,728
- Beginning Reserve	(\$683,634)	(\$1,406,181)	(\$1,004,145)	(\$772,294)	(\$3,866,254)
+ Large Claim Charge	\$794,868	\$897,486	\$0	\$0	\$1,692,354
- Large Claim Credit	(\$464,640)	(\$1,292,513)	\$0	\$0	(\$1,757,153)
Incurred Claims	\$7,434,844	\$14,918,359	\$7,926,442	\$19,605,686	\$49,885,331
Retention	\$500,067	\$694,515	\$1,567,722	\$478,647	\$3,240,951
HMC Programs	\$4,136	\$5,270	\$16,544	\$0	\$25,950
Silver Sneakers Program	\$94,400	\$98,622	\$306,775	\$0	\$499,797
Premium Tax	\$0	\$137,604	\$0	\$137,883	\$275,487
ACA Insurer Fee	\$360,588	\$437,053	\$0	\$346,943	\$1,144,584
Capitation Expenses	\$4,937,348	\$0	\$0	\$0	\$4,937,348
Consortium Fees	\$0	\$4,556	\$0	\$0	\$4,556
Part D Coverage Gap Discount True-Up - 2019	\$0	\$0	\$0	\$594	\$594
Part D Credit for CMS Final Settlement - 2019	\$0	\$0	\$0	(\$4,248,725)	(\$4,248,725)
Part D Estimated Coverage Gap Discount - 2020	\$0	\$0	\$0	(\$3,356,238)	(\$3,356,238)
Total Expense	\$13,331,383	\$16,295,979	\$9,817,483	\$12,964,790	\$52,409,635
Expense Ratio	100.90%	110.68%	97.35%	77.89%	95.87%
Accumulated Surplus/(Deficit) at December 31, 2020	(\$119,087)	(\$1,572,274)	\$267,480	\$3,679,228	\$2,255,347
Amount Allocated to Claims Stabilization Fund	\$2,766	\$36,514	(\$6,212)	(\$85,446)	(\$52,378)
Ending Surplus	(\$116,321)	(\$1,535,760)	\$261,268	\$3,593,782	\$2,202,969

# 2020 Anthem Accounting Summary - Accounting History

	2015	2016	2017	2018	2019	2020
<b>Annual Amount</b>						
Total Income	\$46,617,533	\$47,725,568	\$51,421,751	\$55,132,694	\$55,927,235	\$54,664,982
Total Expenses	\$43,162,008	\$46,708,176	\$47,280,802	\$54,018,030	\$53,561,096	\$52,409,635
Surplus / (Deficit)	\$3,455,525	\$1,017,392	\$4,140,949	\$1,114,664	\$2,366,139	\$2,255,347
Expense Ratio	92.60%	97.87%	91.95%	97.98%	95.77%	95.87%
Contracts	4,413	4,795	4,734	4,930	4,920	5,149
<b>Per Retiree Per Month Amount</b>						
Total Income	\$826.14	\$880.31	\$829.43	\$931.93	\$947.34	\$884.79
Total Expenses	\$754.79	\$815.05	\$811.75	\$913.08	\$907.26	\$848.29
Surplus / (Deficit)	\$71.35	\$65.25	\$17.68	\$18.84	\$40.08	\$36.50

# Acknowledgement

Keenan & Associates would like to thank 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



BOARD Meeting: 8/24/2021  
Item III  
Attachment 2

# Los Angeles City Employees' Retirement System 2020 Delta Dental Year End Accounting August 24, 2021

Respectfully Submitted by:

Ju Anderson, Vice President | Bordan Darm, Senior Consultant  
Erin Robinson, Senior Service Representative | Christine Hough, Consultant and Actuary

# Executive Summary

- LACERS self-funded its dental plan effective January 1, 2019
- In the first-year budgeted premium exceeded total cost creating a surplus position of \$1,684,288
- For 2020, budgeted premium exceeded total cost creating a surplus position of \$2,770,856
- The two-year total surplus position amounts to \$4,455,144 with loss ratio of 78.5%
- The Year-End accountings were prepared by Keenan based on information provided by Delta Dental. LACERS' auditing team may have more accurate numbers based on fluctuations in enrollment or other debits and credits.

# 2020 Delta Dental Accounting Summary

2019	Number of Claims	Paid Amount	Administration	Total Expenses	Premium	Surplus / Deficit	Total Cost Loss Ratio	Total Primary Enrollees
Jan-19	2,385	\$545,725	\$60,272	\$605,997	\$835,311	\$229,314	72.5%	11,818
Feb-19	3,360	\$737,068	\$60,277	\$797,345	\$834,648	\$37,303	95.5%	11,819
Mar-19	3,240	\$700,291	\$60,231	\$760,522	\$833,846	\$73,324	91.2%	11,810
Apr-19	3,126	\$642,973	\$61,037	\$704,010	\$845,985	\$141,976	83.2%	11,968
May-19	3,750	\$781,973	\$61,175	\$843,148	\$847,141	\$3,993	99.5%	11,995
Jun-19	3,114	\$610,363	\$61,368	\$671,731	\$849,845	\$178,114	79.0%	12,033
Jul-19	2,933	\$568,691	\$61,567	\$630,258	\$852,544	\$222,286	73.9%	12,072
Aug-19	3,965	\$737,173	\$61,690	\$798,862	\$853,571	\$54,708	93.6%	12,096
Sep-19	3,064	\$597,225	\$61,914	\$659,139	\$857,003	\$197,863	76.9%	12,140
Oct-19	4,117	\$731,619	\$62,031	\$793,651	\$858,044	\$64,393	92.5%	12,163
Nov-19	3,061	\$572,951	\$62,087	\$635,038	\$858,014	\$222,976	74.0%	12,174
Dec-19	3,013	\$537,709	\$62,087	\$599,796	\$857,833	\$258,037	69.9%	12,174
<b>2019</b>	<b>39,128</b>	<b>\$7,763,760</b>	<b>\$735,736</b>	<b>\$8,499,496</b>	<b>\$10,183,784</b>	<b>\$1,684,288</b>	<b>83.5%</b>	<b>144,262</b>
2020	Number of Claims	Paid Amount	Administration	Total Expenses	Premium	Surplus / Deficit	Total Cost Loss Ratio	Total Primary Enrollees
Jan-20	4,133	\$905,378	\$62,852	\$968,231	\$870,198	-\$98,032	111.3%	12,324
Feb-20	3,837	\$870,292	\$63,097	\$933,389	\$873,660	-\$59,729	106.8%	12,372
Mar-20	3,166	\$689,302	\$63,439	\$752,741	\$878,822	\$126,081	85.7%	12,439
Apr-20	910	\$221,127	\$63,470	\$284,597	\$879,340	\$594,744	32.4%	12,445
May-20	680	\$149,923	\$63,592	\$213,515	\$881,352	\$667,837	24.2%	12,469
Jun-20	2,241	\$448,055	\$63,515	\$511,571	\$879,801	\$368,230	58.1%	12,454
Jul-20	3,405	\$660,701	\$63,505	\$724,206	\$879,397	\$155,191	82.4%	12,452
Aug-20	2,720	\$552,036	\$63,480	\$615,515	\$878,669	\$263,154	70.1%	12,447
Sep-20	2,822	\$589,843	\$63,867	\$653,711	\$885,009	\$231,299	73.9%	12,523
Oct-20	3,803	\$756,617	\$64,229	\$820,846	\$889,296	\$68,450	92.3%	12,594
Nov-20	2,659	\$526,483	\$64,510	\$590,993	\$892,879	\$301,886	66.2%	12,649
Dec-20	3,249	\$680,862	\$64,806	\$745,667	\$897,414	\$151,747	83.1%	12,707
<b>2020</b>	<b>33,625</b>	<b>\$7,050,618</b>	<b>\$764,363</b>	<b>\$7,814,981</b>	<b>\$10,585,837</b>	<b>\$2,770,856</b>	<b>73.8%</b>	<b>149,875</b>
<b>2-Year Total</b>	<b>72,753</b>	<b>\$14,814,378</b>	<b>\$1,500,099</b>	<b>\$16,314,477</b>	<b>\$20,769,621</b>	<b>\$4,455,144</b>	<b>78.5%</b>	<b>294,137</b>



# 2020 Delta Dental Enrollment Summary

2019	Enrollee Only	Enrollee + Spouse	Enrollee + 1 Child	Enrollee + Children	Family	Total Primary Enrollees	Adult Dependents	Child Dependents	Total Members
Jan-19	7,549	3,772	142	30	325	11,818	4,097	684	16,599
Feb-19	7,566	3,757	139	31	326	11,819	4,083	682	16,584
Mar-19	7,562	3,755	138	32	323	11,810	4,078	680	16,568
Apr-19	7,651	3,803	146	32	336	11,968	4,139	709	16,816
May-19	7,678	3,801	153	31	332	11,995	4,133	710	16,838
Jun-19	7,700	3,816	155	32	330	12,033	4,146	713	16,892
Jul-19	7,725	3,827	158	32	330	12,072	4,157	716	16,945
Aug-19	7,753	3,823	158	32	330	12,096	4,153	715	16,964
Sep-19	7,778	3,836	159	32	335	12,140	4,171	721	17,032
Oct-19	7,801	3,838	160	32	332	12,163	4,170	718	17,051
Nov-19	7,822	3,835	155	33	329	12,174	4,164	706	17,044
Dec-19	7,822	3,837	157	32	326	12,174	4,163	699	17,036
<b>2019</b>	<b>92,407</b>	<b>45,700</b>	<b>1,820</b>	<b>381</b>	<b>3,954</b>	<b>144,262</b>	<b>49,654</b>	<b>8,453</b>	<b>202,369</b>
2020	Enrollee Only	Enrollee + Spouse	Enrollee + 1 Child	Enrollee + Children	Family	Total Primary Enrollees	Adult Dependents	Child Dependents	Total Members
Jan-20	7,885	3,911	163	31	334	12,324	4,245	721	17,290
Feb-20	7,913	3,931	163	32	333	12,372	4,264	725	17,361
Mar-20	7,950	3,957	162	32	338	12,439	4,295	734	17,468
Apr-20	7,950	3,961	166	32	336	12,445	4,297	733	17,475
May-20	7,962	3,968	167	32	340	12,469	4,308	739	17,516
Jun-20	7,959	3,960	167	29	339	12,454	4,299	728	17,481
Jul-20	7,963	3,954	167	30	338	12,452	4,293	736	17,481
Aug-20	7,962	3,954	169	27	335	12,447	4,289	720	17,456
Sep-20	8,000	3,978	171	28	346	12,523	4,324	747	17,594
Oct-20	8,058	3,987	175	29	345	12,594	4,332	755	17,681
Nov-20	8,095	4,005	178	29	342	12,649	4,347	755	17,751
Dec-20	8,129	4,021	178	29	350	12,707	4,371	773	17,851
<b>2020</b>	<b>95,826</b>	<b>47,587</b>	<b>2,026</b>	<b>360</b>	<b>4,076</b>	<b>149,875</b>	<b>51,664</b>	<b>8,866</b>	<b>210,405</b>

# Acknowledgement

Keenan & Associates would like to thank 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' PREMIUM SURPLUS FUNDING POLICY

### PROPOSED RESOLUTION

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) administers a health and welfare program, which includes health insurance for retired Members 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, should the year-end accounting result in a deficit, LACERS would need to resolve this;

WHEREAS, should the year-end accounting result in a surplus, LACERS would be refunded the excess funds;

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, surplus premium funds remaining after the transfer of needed funds to the CSF shall be returned to LACERS after approval of the year-end accounting;

WHEREAS, of the surplus funds to be returned to LACERS, staff shall estimate the portions originally funded by medical subsidy dollars and Member monthly allowance deductions;

WHEREAS, the appropriate amount of surplus premium funds attributable to medical subsidies shall be deposited back to account from which the subsidy dollars were originally paid, which currently is LACERS 401(h) account, and the appropriate amount of surplus premium funds attributable to Member monthly allowance deductions shall be deposited in the 115 Trust account;

WHEREAS, LACERS may opt to enter into a self-funded arrangement with a health insurance carrier;

WHEREAS, self-funded arrangements enable LACERS to set premiums and receive premium payments, and utilize these payments to pay associated provider claims costs and administrative expenses;

WHEREAS, should accumulated premiums from self-funded plans be insufficient to cover annual claims costs, LACERS would be responsible for resolving the deficit;

WHEREAS, should accumulated premiums from self-funded plans result in a surplus after annual claims costs and related administrative expenses are paid, LACERS retains the surplus amount within its 115 Trust account;

WHEREAS, a minimum premium reserve balance should always be maintained and recalculated annually to offset possible year-end deficits from self-funded or refunding-contracted plans;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby adopts a Premium Reserve Funding policy that 115 Trust accounts holding premium surpluses from self-funded or refunding-contracted plans retain a minimum balance of 15% of each health plan's projected premium cost for the coming year.

August 24, 2021



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**  
**From: Neil M. Guglielmo, General Manager**

**MEETING: AUGUST 24, 2021**  
**ITEM: IV**

*Neil M. Guglielmo*

**SUBJECT: BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION**

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

### **Recommendation**

That the Committee recommend Board approval of the proposed Board Rules.

### **Executive Summary**

The Board Rules related to Benefits Administration are regularly reviewed to assess the need for additional rules due to revisions of LACERS' plan provisions, case law, the Internal Revenue Code or other areas affecting administration of retirement benefits. Board Rule reviews also seek to identify rules which are no longer applicable or in need of revision.

Board Rules work in conjunction with the Administrative Code, City Charter, State or Federal Law, the Internal Revenue Code and pension best practices to provide the necessary administrative framework to carry out the delivery of LACERS' retirement benefits. Additionally, Board Rules provide clarification and implementation guidelines for executing administrative procedures not specifically detailed within the authoritative plan, legislative and regulatory provisions.

The Board Rules proposed herein are the result of staff's recent review of retirement processing procedures. These new proposed rules (Attachment 1) will clarify guidelines related to: (1) Larger Annuity account refunds; (2) the interest charged on late Service Purchase payments; (3) the filing of disability retirement applications while on Injury-on-Duty (IOD) and related limitations; and, (4) disability loan eligibility.

Pursuant to Section 1106 of the Los Angeles City Charter, the Board of Administration is authorized to adopt rules governing the administration of benefits under the LACERS Plan.

### **Discussion**

#### **Larger Annuity Program**

LACERS receives applications to establish Larger Annuity Program (LAP) accounts regularly during Active Service and at retirement. Although requests to establish accounts in the period immediately preceding retirement are not uncommon, requests for refunds of LAP deposits soon after establishing

their accounts, and in some cases within the same week or even at the same time as the account is established, is not in keeping with the purpose of the LAP, which is to allow Members to have a post-tax savings plan during Active service with the option of converting those funds into an additional annuity at the time of their retirement. These requests for refunds position LACERS as a pass-through organization creating an undue administrative burden and diversion of staff resources from the four impacted units involved in processing such requests including the Service Processing Section, Fiscal Management, Service Retirement Unit and Member Processing Unit.

To ensure that LAP accounts remain within the purpose of “making additional contributions to provide a larger annuity benefit at the time of retirement” as authorized by the Los Angeles Administrative Code section 4.1021, the City Attorney advised that the appropriate remedy would be for the Board to adopt a rule to prevent future misuse of the LAP. Therefore, staff recommends a rule whereby deposits must be held in the LAP account of an Active Member for at least six (6) months prior to any refund or distribution. If the Member retires prior to this six-month period, their funds may only be used to purchase a larger annuity.

### **Service Purchase Payments**

Since the pandemic, LACERS has been experiencing delays in the receipt of mail delivered by the United States Postal Service (USPS) and by private courier and express mail services such as FedEx, United Parcel Service (UPS), and DHL. Members’ service buyback costs have been directly impacted by these delays as interest is charged for late receipt of payments.

Analysis of recent late check incidents showed that if a personal check was received 10 days past the previous month’s closing, the interest amount owed totaled 64 cents. However, the staff costs to recover the 64 cents based on 20 minutes of an Accounting Clerk’s time, and 10 minutes of a Benefits Specialist’s time total approximately \$15. The collection of interest on the late payment is not efficient or cost effective. Therefore, staff recommends a rule whereby interest will not be charged unless the amount of interest due exceeds the \$15 administrative cost threshold.

### **Enhanced Benefits – Disability Retirement**

A recent review of LACERS’ Disability Filing Period under Los Angeles Administrative Code Section 4.1008.1(a) found that there is no prohibition against an Airport Police Officer from applying for a disability retirement while on active payroll. LACERS current practice requires a sworn (Airport Police Officer) Member or deferred Member to be “off” active payroll before applying for disability retirement under Los Angeles Administrative Code (LAAC) Section 4.1008.1 (a) and (p) states that:

*(a) Application for Disability Retirement. Any Airport Peace Officer Member who has graduated from basic training and taken the Oath of Office, applying for a service-connected disability, or who has five (5) or more years of continuous service, applying for a nonservice-connected disability, who has become physically or mentally incapacitated and who is incapable, as a result thereof, of performing his or her duties, may be retired upon written application of such Member, or any person acting on his or her behalf, or on behalf of the head of the Department of Airports or Fire Department wherein such Member is employed. Any such application may be made at any time within, but not exceeding, one (1) year after the discontinuance of the service of such employee or the termination of any duly*

authorized sick leave with payment, provided such incapacity has been continuous from the discontinuance of such service. No application may be filed under this Section 4.1008.1 prior to January 7, 2018.

(p) *Disability Retirements for Airport Peace Officer Former Members.* Any Airport Peace Officer Former Member, who became such because of termination of his or her employment for any reason including service retirement, who shall believe that he or she is eligible to be paid a disability retirement allowance pursuant to this Section 4.1008.1, may file his or her written application for the payment of a disability retirement allowance within one (1) year from the date he or she ceased to be an Airport Peace Officer Member, or one (1) year from his or her last day on active payroll. The Board, if it were to determine that the contingencies provided in this Section for the payment thereof had happened or occurred as to the Airport Peace Officer Former Member prior to the date upon which he or she had ceased to be a Member, and if there is no legal bar or defense to the granting to him or her of such retirement or to any judicial action or proceeding which could be brought by him or her with respect thereto, shall grant him or her the retirement allowance in accordance with his or her written application.

The City Attorney reviewed the impact to the plan of changing the application policy and found that the impact is minimal and mitigatable by a Board Rule that stipulates the active payroll condition under which a LACERS Member can apply. Specifically, a Member will not be allowed to apply for disability retirement until the Member is placed on Injury-On-Duty (IOD). If the Member is approved for a disability retirement while on IOD, the IOD will cease upon benefit set-up and there will be no retroactive benefit payment since the Member was never “off” active payroll. Additionally, because the Member is applying while on active payroll, they will be ineligible to apply for the disability loan. Further, since similar language is in LACERS’ plan provisions for civilian Members under LAAC 4.1008(a), staff is recommending that the proposed board rule be applied to include civilian disability retirement applicants.

The proposed rules have been reviewed by the Office of the City Attorney as to form.

### **Strategic Plan Impact Statement**

#### *Strategic Plan Impact Statement:*

The adoption of these proposed Board Rules is part of the Strategic Plan Goal – Accurate and Timely Delivery of Member Benefits.

This report was prepared by: Ferralyn Sneed, Senior Benefits Analyst II, Retirement Services Division and Edelize Fang, Senior Benefits Analyst II, Administration Services Division

NG:KF:EF:FS

Attachment: 1) Proposed Board Rules

## **4.0 BENEFITS AND MEMBER ADMINISTRATION**

All other Board Rules apply unless superseded by these rules or the Los Angeles Administrative Code.

### **4.1 BOARD RULES**

#### **DISABILITY RETIREMENT (DR)**

- DR 15: A Member who meets the eligibility requirements to apply for disability retirement may submit a disability retirement application following official placement on Injury-On-Duty (IOD) by their employing department.
- DR 16: If an eligible Member who meets the eligibility requirements to apply for a disability retirement applies while receiving Injury-On-Duty (IOD) compensation and is approved for disability retirement by the Board of Administration while on IOD, the disability retirement effective date will be the Board approval date. Other forms of active employee compensation shall terminate, including but limited to IOD. Any IOD overpayment will be the responsibility of the Member and the employing department.

#### **DISABILITY LOAN (DL)**

- DL 7: An eligible Member who meets the eligibility requirements to apply for disability retirement who applies after being placed on Injury-On-Duty (IOD) status shall not be eligible to apply for a disability retirement loan.

#### **LARGER ANNUITY (LA)**

- LA 22: A Larger Annuity Program account shall be established by an Active Member for at least six (6) months prior to any refund or distribution. In the event that the Member retires prior to this six-month period, their funds may only be used to purchase a larger annuity.

#### **SERVICE PURCHASES (SP)**

- SP 1: Additional interest is charged on service purchase payments that are received after the 5<sup>th</sup> of the month following the due date, except when:
1. The recalculated interest amount is less than \$15, which is the approximate cost of staff time to generate the calculation and cost letter. This may be reasonably estimated and approved by the Senior Benefits Analyst I overseeing the unit; or,
  2. The payment is postmarked five (5) calendar days or earlier, before the end of the month due for personal checks mailed through the United States Postal Service (USPS); or three (3) calendar days or earlier, before the end of the month due for checks issued by the Deferred Compensation plan administrator and sent via a courier service. This rule is in

place temporarily until LACERS' relocation to its new headquarters building as it is anticipated that mail services will return to normal operations.

## **4.2 BOARD RULES - ENHANCED BENEFITS**

### **ENHANCED BENEFITS – DISABILITY RETIREMENT (DR)**

- EB-DR 14: An Enhanced Benefit eligible Member who meets the eligibility requirements to apply for disability retirement may submit a disability retirement application after being placed on Injury-On-Duty (IOD) but not before.
- EB-DR 15: If an Enhanced Benefit eligible Member who meets the eligibility requirements to apply for a disability retirement applies while receiving Injury-On-Duty (IOD) compensation and is approved for disability retirement by the Board of Administration while IOD, the disability retirement effective date will be the Board approval date. Other forms active employee compensation shall terminate, including but limited to IOD. Any IOD overpayment will be the responsibility of the Member and the employing department.

### **ENHANCED BENEFITS – LOAN PROGRAM (LP)**

- EB-LP2: An Enhanced Benefit eligible Member who meets the eligibility requirements to apply for disability retirement who applies after being placed on Injury-On-Duty (IOD) status shall not be eligible to apply for a disability retirement loan.