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April 8, 2011

Sue Goodrick
Benefits Manager
County of Mendocino
579 Low Gap Road
Ukiah, CA 95482

Subject: Non-Medicare Retiree Options

Dear Sue:

The County of Mendocino (the County) requested that Mercer explore options to maintain a viable non-Medicare eligible retiree health plan. Mercer and the County identified four options.

- Increase the size of the pool of participants by creating a larger pool with neighboring public agencies (Option 1)
- Increase the size of the pool of participants by opening up the health plan to the County's non-Medicare eligible retirees who were hired after 1998 (post-1998) (Option 2)
- Change the plan design of the plan to reflect the plan design of those that are dis-enrolling from the plan in an attempt to make the plan more affordable for non-Medicare eligible retirees (Option 3)
- Combine the non-Medicare eligible retiree health plan with the County's active employee plan inclusive of blending rates (Option 4)

Current Status of the Retiree Health Fund

As of January 1, 2011, The Retiree Health Fund had a balance of $1,513,014. This balance includes the funds cash balance and cash reserves held by MCERA. These funds are used to provide access to health care coverage for both Medicare eligible retirees and non-Medicare eligible retirees.

Medicare eligible retirees receive $104 per month into a Health Reimbursement Account (HRA) for which they can elect coverage through Extend Health. The average monthly County contribution amounts to $36,400.

As of January 1, 2011 there are 115 retirees and 22 dependents covered under the County's non-Medicare eligible retiree plan. The County contributes $288 per retiree for an average monthly County Contribution of $33,120. The non-Medicare eligible retirees contribute $530.78 per month for their coverage. The County does not make a contribution towards dependent coverage. Dependents are required to pay the full $818.78 per month.

Based on the decreased enrollment in the County's non-Medicare eligible retiree plan and the elimination of coverage under the self-funded plan for Medicare eligible retirees, the County's Incurred But Not Paid (IBNP) reserve liability has reduced from $566,395 on June 30, 2010 to $228,145 on December 31, 2010.

The County is participating in the Federal government's Early Retiree Reinsurance Program (ERRP). This program reimburses claim cost of individual retirees between the age of 55 and 64 for claim cost between $15,000 and $90,000 at an 80% rate. This means that the County will be reimbursed up to $60,000 for a qualified retiree who incurs a claim up to $90,000. The County has applied for reimbursement of claims from June 1, 2010 through December 31, 2010. On March 31, 2011, the County was reimbursed $334,168 through the ERRP program. Please note the ERRP program was funded with $5 billion dollars. The latest release from the ERRP program indicates that $4 billion remain in the fund. Since the ERRP reimbursement funds are reimbursements on non-Medicare eligible retiree claims, it is recommended that the funds received through the ERRP program not be comingled with the Medicare eligible retiree funds.

Since enrollment among non-Medicare retirees participating in the health plan has decreased significantly for 2011 (from 2010), ERRP reimbursements are not expected to be as high as they were for 2010. Mercer recommends the County consider a portion of the ERRP reimbursement for a stabilization reserve against adverse claim fluctuation. The $334,168 2010 ERRP reimbursement could extend health coverage for non-Medicare eligible retirees by 10.0 months.

Mercer estimates the life of the Retiree Health Fund to be 18.4 months (without usage of the ERRP reimbursement) from January 1, 2011. To calculate the life of the Retiree Health Fund Mercer took the current balance ($1,513,014) and deducted the IBNP requirement ($228,145). This balance ($1,284,869) was then divided by $69,520, the cost of the County's monthly contribution for Medicare eligible retirees ($36,400) and non-Medicare eligible retirees ($33,120). The result is an 18.4 month life of the reserve or that the Retiree fund will be exhausted by approximately July 1, 2012. Please note that the life of the Retiree Health Fund is subject to change if plan costs exceed budgeted costs or if reimbursements are not realized.

The County Surveys

Mercer and the County conducted four surveys to gather information for this project. These surveys went to:

- Surrounding public agencies (Option 1)
- Active County employees age 50+ with ten years of service with the County (Option 2 and 3)
- The County's non-Medicare eligible retirees who have dis-enrolled from the retiree health plan (Option 3)

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- The County's non-Medicare eligible retirees who were hired after 1998 (post-1998), and do not have the opportunity to participate in the retiree health plan (Option 2 and 3)

Option 1 - Creating a Larger Pool with Other Public Agencies

Mercer conducted a survey of public agencies surrounding the County of Mendocino area to determine how non-Medicare retirees are provided coverage, what plan designs are used, rates and contribution amounts, and if there is an interest to create a pool for non-Medicare eligible retirees.

Releasing the Survey to the Public Agencies:
Mercer identified 42 public agencies to approach for participation in the survey, and submitted the following list to the County for approval.

County of Alameda	County of Napa	County of Lake
County of Contra Costa	County of Sacramento	**County of Marin**
County of Humboldt	County of San Joaquin	**County of Merced**
County of Stanislaus	**County of San Mateo**	County of Sonoma
City of Ukiah	City of Santa Cruz	**City of Fort Bragg**
City of Sonoma	City of Stockton	City of Santa Rosa
City of Lakeport	City of Modesto	City of Yuba City
City of Eureka	City of San Jose	**City of Chico**
City of Napa	City of Palo Alto	City of Sacramento
City of Davis	City of Fremont	**City of Roseville**
Alameda City Unified School District	**Santa Clara Unified School District**	Napa Valley Unified School District
Chico Unified School District	San Jose Unified School District	Stockton Unified School District
West Contra Costa Unified School District	Sonoma Valley Unified School District	**Fremont Unified School District**
Ukiah Unified School District	Ceres Unified School District	Cotati-Rohnert Park Unified School District

*Public agencies in bold text indicate those who participated in the survey

The County approved the list of public agencies. All 42 public agencies were contacted to participate in the survey. Of the 42 public agencies contacted and followed up with, 21 gave verbal confirmation that they were interested in participating in the survey. The survey was sent via email or fax on November 16, 2010. See exhibit A for a copy of the survey that went out to public agencies.

Follow up phone calls and emails were made to the public agencies that received the survey. Only 13 of the 21 groups completed the survey and returned them by the deadline of November 30th, 2010. The following summary of survey results will reflect the feedback provided by the 13 public agencies that participated in the survey.

Summary of Results:
Mercer compiled the data from the 13 public agencies that provided information on their Retiree health care programs. All 13 respondents currently offer retiree health coverage; however, one group covers only those hired prior to 1985 (see exhibit B for a summary of the results by participant).

It was confirmed that 3 of the 13 respondent groups offer coverage through CalPERS. If participating in CalPERS, the survey participants were instructed to skip questions regarding premium rates and plan design attributes (for those participating in CalPERS, we know they have set plan designs and that the premium rates are blended for active and non-Medicare eligible retirees).

The number of Medicare eligible retirees covered range from groups of 3 to 1,562, with the majority of the responding groups covering 75 retirees or fewer. The number of non-Medicare eligible (early) retirees covered range from groups of 10 to 1,006.

The survey inquiries about general plan design attributes including deductible amount, coinsurance schedule, cost of office visit copayment and out of pocket maximum amount. Deductibles range from $100 to $500, while copays consist of $10, $20 and $25 amounts. The majority of coinsurance schedules, when applicable, were 90% for in-network plans, with one group currently offering a 70% in-network and 30% out of network plan. Out of pocket maximums ranged from $1,000 to $3,000.

Monthly premium rates for the comprehensive PPO plan(s) offered to early retirees were provided by 9 of the 13 respondents, ranging from $720 to $1,306. Premium rates for Medicare PPO plans offered ranged from $400 to $460 per month.

Contributions made toward the early retiree rates for the majority of the responding public agencies ranged from $360 to $725, with a few public agencies providing minimal or no contribution toward the early retiree plan(s) offered. Two respondents indicated that the contributions made toward the early retiree rates were based on a sick leave conversion table.

When posed the question of whether the public agencies would be interested in forming a public agency pool for early retirees, 2 of the 13 groups responded with a “yes” answer, and 2 groups with a “maybe” answer. The 2 respondents confirming strong interest in creating a pool have 400 non-Medicare eligible (early) retirees combined. The remaining 9 groups were not interested, did not respond to the question, or expressed that this decision would be made by their board of supervisors. When prompted in the survey as to what the conditions of consideration would be for forming a public agency pool for early retirees, responses included: comparable coverage for the same cost or a cost savings with assurance of a smooth transition, approval from their current insurance broker, or conditions were unknown as they have not considered the possibility of forming a pool for coverage.

Conclusion:
Since only 2 public agencies expressed interest in forming a public agency pool for early retirees and these particular groups consist of 400 early retirees combined, it does not appear to be beneficial for the County of Mendocino to pursue forming a pool for early retiree coverage.

Option 2 - Increase the size of the pool of participants by opening up the non-Medicare retiree health plan to post-1998 non-Medicare eligible retirees from the County

The County conducted a survey of post-1998 active County employees age 55+ with 10 years of service to help structure a health plan that they would want to participate in. The survey went out November 12th and was due no later than November 30, 2010. See Exhibit C for the survey that went out the active employees. The survey was sent to 174 active employees. Unfortunately, the County only received 8 responses.

The County conducted a survey of employees hired post-1998 and are now retired from the County (Exhibit D). The survey went out November 12th and was due no later than November 30, 2010. The survey was sent to 70 retirees. Unfortunately, the County only received 3 responses.

The lack of responses could be a message to the County that active employees are either a) not interested in non-Medicare retiree health coverage sponsored by the County or b) do not believe the County can come up with a viable non-Medicare retiree health coverage solution. The survey had several intents:

- Determine interest level
- Determine the parameters for the plan design
- Determine the parameters for the premium pricing

Based on the lack of response, Mercer does not recommend the County continue modeling a non-Medicare retiree health coverage for post-1998 active employees.

Option 3 - Change the retiree health plan design to reflect the plan design of those that are dis-enrolling from the plan

A survey went out to those pre-1998 retired County employees who have dis-enrolled from the County sponsored non-Medicare retiree health coverage (Exhibit E). The survey went out November 12th and was due no later than November 30, 2010. The survey was sent to 76 retirees. Unfortunately, the County only received 26 responses.

The lack of responses could be a message to the County that retirees are either a) not interested in non-Medicare retiree health coverage sponsored by the County or b) do not believe the County can come up with a viable non-Medicare retiree health coverage solution. The survey had several intents:

- Determine interest level
- Determine the parameters for the plan design
- Determine the parameters for the premium pricing

Despite the lack of response Mercer created a table of plan design features that could be implemented to reduce the cost of retiree health coverage.

Deductible Options	**Current**	**Option A1**	**Option B1**
Individual	$500	$1,000	$2,000
Family	$1,500	$3,000	$6,000
Value Annual $	$0	-$39,600	-$94,600
Value %	0.0%	-3.6%	-8.6%
Maximum Out of Pocket Options	**Current**	**Option A2**	**Option B2**
Individual	$4,000	$6,000	$10,000
Family	$8,000	$12,000	$20,000
Value Annual $	$0	-$9,900	-$18,700
Value %	0.0%	-0.9%	-1.7%
Coinsurance Levels	**Current**	**Option A3**	**Option B3**
In-Network	80%	75%	70%
Out-Network	60%	50%	50%
Value Annual $	$0	-$46,200	-$72,600
Value %	0.0%	-4.2%	-6.6%
Emergency Room Copay	**Current**	**Option A4**	**Option B4**
Copayment	$50	$100	$200
Value Annual $	$0	-$2,200	-$7,700
Value %	0.0%	-0.2%	-0.7%
Hospital Deductible	**Current**	**Option A5**	**Option B5**
Inpatient	$0	$100	$500
Value	0.0%	-0.2%	-1.0%
Outpatient	$0	$100	$500
Value Annual $	$0	-$3,300	-$16,500
Value %	0.0%	-0.3%	-1.5%
RX Copayments	**Current**	**Option A6**	**Option B6**
Generic	$10	$10	$15
Formulary Brand	$20	$20	$30
Non-Formulary Brand	$30	$40	$50
Value Annual $	$0	-$2,200	-$17,600
Value %	0.0%	-0.2%	-1.6%
Total Annual Value	**Current**	**Option A**	**Option B**
Value Annual $	$0	-$103,400	-$227,700
Value per Retiree per Month		-$62.90	-$138.50
Value %	0.0%	-9.4%	-20.7%

The table outlines various plan design options the County could consider implementing to reduce the cost of coverage for the non-Medicare eligible retiree health coverage. The values are shown as percentage changes and dollar cost changes in claim cost if the design were changed.

Option 4 - Combine the non-Medicare eligible retiree health plan with the County's active employee plan

As the non-Medicare eligible retiree population that participates in the County sponsored retiree health plan continues to decrease, there will come a point where accurately predicting the future cost of the plan will become too difficult. This will be predominantly due to having few numbers of retirees to spread the risk of adverse claim activity. One solution could be to blend the non-Medicare eligible retiree population with the active employee population. Depending on how the groups are combined there could be a variety of outcomes.

- If the plan fully integrates the active plan and the non-Medicare eligible retiree plan then there would be one set of rates which would apply to both the non-Medicare eligible retiree population and the active employee population (this implies Plan I would be eliminated). In this scenario, it is estimated that the non-Medicare eligible retiree rate would be decreased by 22.1% from $818.78 per retiree per month to $624.06 per retiree per month. The active plan would subsidize the retiree plan by 2.3% or $296,906. Another scenario would be if Plan I is allowed to remain, and the non-Medicare eligible retiree plan rates would mirror plan Plan II rates, this option would carry with it the greatest subsidy from active employees to non-Medicare eligible retirees. It is estimated that the non-Medicare eligible retiree rate would be decreased by 27.5% from $818.78 per retiree per month to $572.37 per retiree per month. The active plan would subsidize the retiree plan by 2.9% or $370,717. Both scenarios take into consideration that the retirees would not be eligible for dental and vision coverage. Additionally, the funded stabilization reserve for the active plan is not applied in this calculation.

- Another approach would be to recognize the demographic and actuarial differences between the two populations and maintain separate rates based on these differences between the two populations. In this approach an inherent actuarial value would differentiate the active plan rates and the non-Medicare eligible retiree plan rates. Should the County want to further consider this option, Mercer can provide the specific actuarial model and pricing.

Mercer recognizes that the blending of these two populations does include its challenges such as:

- Requiring to meet and confer with the bargaining units
- Accounting for the proper usage of the active employee's stabilization reserve
- Accounting for the OPEB Liability associated with offering retiree coverage. Performing an OPEB Liability study averages in cost from $20,000 to $40,000. This study is done and required

to determine the value of subsidies between active employees and retirees and to determine the current and future value of benefits to retirees. The OPEB Liability can impact the County's Bond rating.

Mercer prepared five scenarios to outline the rate and subsidy impact should the County elect to implement a benefits strategy which would blend the active plan with the retiree plan.

- Scenario A is a Status Quo Scenario which represents current rates without any subsidies

- Scenario B Eliminates Plan I and blends all rates so that they are identical
  - This scenario produces a 22.1% cost subsidy from the retiree plan to the active employee plan which would result in a 2.3% cost increase to the active plans

- Scenario C Offers retiree rates which mirror Plan II (dental and vision is excluded for retirees)
  - This scenario produces a 27.5% cost subsidy from the retiree plan to the active employee plan which would result in a 2.9% cost increase to the active plans

- Scenario D Keeps the plans as they are and targets a 15% cost subsidy from the retiree plan to the active employee plan which would result in a 1.6% cost increase to the active plans

- Scenario E Keeps the plans as they are and targets a 10% cost subsidy from the retiree plan to the active employee plan which would result in a 1.0% cost increase to the active plans

The following exhibit outlines each scenarios rates, annual cost, and subsidies

Current Enrollment	Active Plan I	Active Plan II	Retiree Plan II	Total
EE / Retiree Only	51	461	93	605
EE / Retiree + Spouse	24	216	22	262
EE + Child(ren)	14	123	0	137
EE + Family	18	158	0	176
Total	107	958	115	1180
Scenario A - No Changes, Status Quo	**Active Plan I**	**Active Plan II**	**Retiree Plan II**	**Total**
EE (Retiree) Only	$ 880.71	$ 556.38	$ 818.78	
EE (Retiree) + Spouse	$ 1,929.89	$ 1,239.38	$ 1,637.56	
EE + Child(ren)	$ 1,535.30	$ 991.47		
EE + Family	$ 2,626.39	$ 1,703.11		
Annual Premium	$ 1,920,033	$ 10,982,873	$ 1,346,074	$ 14,248,981
Subsidy $ Amount	$0	$0	$ -	
Subsidy %	0.0%	0.0%	0.0%	
Scenario B - Same Rate All Plans	**Active Plan II only**		**Retiree Plan II**	**Total**
EE (Retiree) Only	$ 624.06	$ 624.06	$ 624.06	
EE (Retiree) + Spouse	$ 1,336.07	$ 1,336.07	$ 1,336.07	
EE + Child(ren)	$ 1,047.04	$ 1,047.04	$ 1,047.04	
EE + Family	$ 1,797.54	$ 1,797.54	$ 1,797.54	
Annual Premium	$ 1,330,881	$ 11,868,932	$ 1,049,168	$ 14,248,981
Subsidy $ Amount	$296,906		$ (296,906)	
Subsidy %	2.3%		-22.1%	
Scenario C - Same Rate as Plan II	**Active Plan I**	**Active Plan II**	**Retiree Plan II**	**Total**
EE (Retiree) Only	$ 906.01	$ 572.37	$ 572.37	
EE (Retiree) + Spouse	$ 1,985.34	$ 1,274.99	$ 1,274.99	
EE + Child(ren)	$ 1,579.41	$ 1,019.96	$ 1,019.96	
EE + Family	$ 2,701.85	$ 1,752.04	$ 1,752.04	
Annual Premium	$ 1,975,199	$ 11,298,426	$ 975,357	$ 14,248,981
Subsidy $ Amount	$55,165	$315,552	$ (370,717)	
Subsidy %	2.9%	2.9%	-27.5%	
Scenario D - 15% Retiree Subsidy	**Active Plan I**	**Active Plan II**	**Retiree Plan II**	**Total**
EE (Retiree) Only	$ 894.49	$ 565.09	$ 695.96	
EE (Retiree) + Spouse	$ 1,960.09	$ 1,258.77	$ 1,391.93	
EE + Child(ren)	$ 1,559.33	$ 1,006.99		
EE + Family	$ 2,667.49	$ 1,729.76		
Annual Premium	$ 1,950,079	$ 11,154,739	$ 1,144,163	$ 14,248,981
Subsidy $ Amount	$30,046	$171,866	$ (201,911)	
Subsidy %	1.6%	1.6%	-15.0%	
Scenario E - 10% Retiree Subsidy	**Active Plan I**	**Active Plan II**	**Retiree Plan II**	**Total**
EE (Retiree) Only	$ 889.90	$ 562.18	$ 736.90	
EE (Retiree) + Spouse	$ 1,950.02	$ 1,252.31	$ 1,473.80	
EE + Child(ren)	$ 1,551.32	$ 1,001.81		
EE + Family	$ 2,653.79	$ 1,720.88		
Annual Premium	$ 1,940,064	$ 11,097,450	$ 1,211,467	$ 14,248,981
Subsidy $ Amount	$20,030	$114,577	$ (134,607)	
Subsidy %	1.0%	1.0%	-10.0%	

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Based on the 75% /25% County to Employee Contribution requirements, the following table illustrates the impact to the County and employees for each scenario:

Subsidy breakout by 75% / 25% County to Employee Contribution Split	Scenario B - Same Rate All Plans	Scenario C - Same Rate as Plan II	Scenario D - 15% Retiree Subsidy	Scenario E - 10% Retiree Subsidy
Retiree Subsidy	$ 296,906	$ 370,717	$ 201,911	$ 134,607
Additional County Contribution	$ 222,679	$ 278,038	$ 151,433	$ 100,956
Additional Employee Contribution	$ 74,226	$ 92,679	$ 50,478	$ 33,652

Scenario A outlines the current arrangement and does not include any subsidies. Please note that all rates are based on 2011. The County may want to update this exhibit once the 2012 renewals are completed.

Impact upon Exhaustion of Retiree Health Fund -
(July, 2012 Medicare Eligible Retirees, May, 2013 non-Medicare Eligible Retirees)

It is projected that the retiree fund will be exhausted on or around July 1, 2012 for Medicare eligible retirees and May 1, 2013 for non-Medicare eligible retirees. This means that the County contributions towards both the Medicare eligible retirees and the non-Medicare eligible retirees will cease. The Medicare eligible retirees and the non-Medicare eligible retirees will be responsible for 100% of the cost of their coverage.

Medicare eligible retirees can continue to be offered coverage through ExtendHealth. However the County's $104 per retiree contribution into the Health Reimbursement Account (HRA) will cease. This means that the potential cost for health care coverage could increase by $104 for Medicare eligible retirees.

Non-Medicare eligible retirees could continue to be offered coverage through the County. One hundred percent of the cost would be paid by the retirees. The County's $288 per retiree contribution towards coverage will cease. This means that the potential cost for health care coverage could increase by $288 for non-Medicare eligible retirees. For 2011, the cost of coverage is $818.78 per retiree per month. This amount is subject to change when the cost of coverage is underwritten and rates are developed for 2012 and 2013.

Impact of Healthcare Reform on the Non-Medicare Eligible Retiree Plan

Under healthcare reform, effective 2014 healthcare exchanges will be set up which will allow individuals (including non-Medicare eligible retirees) to elect coverage from the healthcare exchanges. One strategy the County may want to consider is bridging coverage to 2014 which will allow non-Medicare eligible retirees to purchase coverage via the exchanges. It is currently estimated that the retiree health fund for non-Medicare eligible retirees will be exhausted by May 1, 2013. An eight month gap would exist to 2014.

Potential Strategies for Implementation Upon Exhaustion of the Retiree Health Fund

For the Medicare eligible retirees it is recommended that the County offer ExtendHealth without a County contribution.

Currently there are 115 retirees and 22 dependents covered under the County's non-Medicare eligible retiree plan. The $288 County contribution amounts to an average monthly total of $33,120. For the non-Medicare eligible retirees the County has several options:

1. Discontinue offering health coverage for non-Medicare eligible retirees. The potential impact could be that some non-Medicare eligible retirees will be ineligible for coverage elsewhere.

2. Continue offering health coverage for non-Medicare eligible retirees. Based on the decreasing enrollment, Mercer recommends that if this option is selected that the non-Medicare eligible retirees plan be combined with the active employee plan. If this option is selected, the County will need to determine:
   A. What plan design to offer
   B. What if any subsidy the active plan will provide the non-Medicare eligible retiree plan.

   Since the active plan is funded with a stabilization reserve, it could be argued that the non-Medicare eligible retiree plan must also provide a stabilization reserve of equal proportion. The ERRP reimbursements could be used as a stabilization reserve to satisfy this argument.

3. Bridge coverage to 2014. To bridge the $288 monthly County contribution for eight months would require an additional $264,960. There are several approaches the County could take to bridge the coverage.
   A. Reserve future ERRP recoveries for a reserve to fund the additional eight months. Note: it is uncertain whether future ERRP recoveries will be sufficient to bridge the gap.
   B. Reduce County contribution from $288 per employee to bridge the Contribution an additional eight months. One example would be effective July 1, 2012 the County contribution would be reduced from $288 to $161 to extend the County contribution to 2014.
   C. Modify the plan design (Option B plan design) effective January 1, 2012 to reduce the rates and create retiree savings equivalent to the 8 months ($264,960). Retirees would need to

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D. Implement a blend of A, B and C.

Summary

The County may want to consider a benefits strategy that utilizes Options 3 (Change the retiree health plan design to reflect the plan design of those that are dis-enrolling from the plan) and 4 (Combine the non-Medicare eligible retiree health plan with the County's active employee plan) and look for a strategy which would extend the non-Medicare eligible retiree health plan to 2014.

It appears from the response of the surveys that option 1 (Creating a Larger Pool with Other Public Agencies) and option 2 (Increase the size of the pool of participants by opening up the non-Medicare retiree health plan to post-1998 non-Medicare eligible retirees from the County) would not be viable options.

We look forward to reviewing these results with the County. If you have any questions, please do not hesitate to contact me at 916-286-5403.

Sincerely,

Bordan Darm

Bordan Darm
Principal

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Exhibit A

SURVEY OF PUBLIC AGENCIES – RETIREE HEALTH

The County of Mendocino is interested in learning if/how other Public Agencies provide retiree healthcare and determining whether other Public Agencies are interested in forming a pool specifically for non-Medicare Retiree Health Coverage. We ask that you participate in this short survey. A copy of the survey results will be provided to you for your participation in January 2011. Please respond by **Tuesday, November 30, 2010**.

1. Do you currently offer retiree health (Medical/RX) coverage? Yes/ No
2. Have you ever offered retiree health (Medical/RX) coverage? Yes / No
3. If yes to #2, when did you discontinue retiree coverage? ________
4. How many Medicare eligible retirees are covered under your plan? ________
5. How many non-Medicare eligible (early) retirees are covered under your plan? ________
6. Is coverage offered through CalPERS? (if yes, please skip questions 7-13) Yes / No
7. Are early retiree rates separate from active employees or Medicare eligible retirees? Yes / No
8. Are early retiree rates blended with active employee rates? Yes / No
9. Are early retiree rates blended with Medicare eligible retiree rates? Yes / No
10. Please share the monthly Early Retiree premium rate for comprehensive PPO coverage retiree only. ________
11. What is the In-Network deductible, coinsurance, office visit copayment, and maximum out-of-pocket for Early Retiree coverage? If more than 1 plan is offered, please provide information for least expensive plan.
    Ded. __________ Coins.________ OV Copay_________ OOP Max. ____________
12. Please share the monthly Medicare eligible retiree premium rate for comprehensive PPO coverage retiree only.
    ____
13. What is the In-Network deductible, coinsurance, office visit copayment, and maximum out-of-pocket for Medicare eligible retiree coverage? If more than 1 plan is offered, please provide information for least expensive plan.
    Ded. __________ Coins.________ OV Copay_________ OOP Max. ____________
14. What is the Public Agency monthly contribution towards the early retiree rate? ____________________________
15. What is the Public Agency monthly contribution towards the Medicare eligible retiree rate? __________________
16. Would you be interested in forming a Public Agency Pool for Early Retiree for coverage? Yes / No
17. What would it take for you to participate in a Public Agency Pool for Early Retiree for coverage? _____________
    ____
    ____

Please remit your survey to Sadie Panco, Mercer Consulting, at sadie.panco@mercer.com or fax it to (916) 286-5401. Survey results will be provided in January 2011. If you have any questions regarding this survey please contact Sadie Panco at (916) 286–5408. Thank you for your participation,

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Exhibit B

County of Mendocino: Survey Responses from Public Agencies

PROGRAM STRUCTURE	County of Mendocino	County of Marin	County of Merced	County of San Mateo	County of Sonoma	City of Chico	City of Fort Bragg	City of Eureka	City of Lakeport	City of Napa	City of Roseville	Fremont USD	Santa Clara USD	Ukiah USD
Do you currently offer retiree health (Medical/RX) coverage?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes, hired prior to 1985 only (effectv mid 90s)	Yes	Yes	Yes	Yes	Yes
Is coverage offered through CalPERS?	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	No	No
Are early retiree rates separate from active employees or Medicare eligible retirees?	Yes	In Some Cases	Yes	Yes	Yes	Yes	Yes	Yes	Yes	CalPERS	CalPERS	CalPERS	Yes	Not Provided
Are early retiree rates blended with active employee rates?	No	In Some Cases	Yes	Yes	Yes	Yes	No	No	No	CalPERS	CalPERS	CalPERS	No	Yes
Are early retiree rates blended with Medicare eligible retiree rates?	No	In Some Cases	No	No	No	No	No	No	No	CalPERS	CalPERS	CalPERS	Yes	No
EARLY RETIREE PLAN(S) OFFERED	**County of Mendocino**	**County of Marin**	**County of Merced**	**County of San Mateo**	**County of Sonoma**	**City of Chico**	**City of Fort Bragg**	**City of Eureka**	**City of Lakeport**	**City of Napa**	**City of Roseville**	**Fremont USD**	**Santa Clara USD**	**Ukiah USD**
How many non-Medicare eligible (early) retirees are covered under your plan?	137	Not Provided	342	575	1,006	73	10	19	17	71	Not Provided	300	59	100
Please share the monthly Early Retiree premium rate for comprehensive PPO coverage retiree only.	$731.20	$930.13	Actual-$1,047.40; blended-$693.12	$680.72	$758.41	$648.22	$591.30	$591.30	$591.30	CalPERS	CalPERS	CalPERS	$1,305.73	$720.88
Early retiree plan attibutes														
Deductible	$500	$100	$200	NA	$300	$250	$250	$250	$250	CalPERS	CalPERS	CalPERS	HMO plan only	$500
Coinsurance	80%/60%	90%	0%	NA	90%/60%	80%/60%	0%			CalPERS	CalPERS	CalPERS		70/30
Office Visit	80%	90%	$15	$10	$20	$25	$25	$25	$25	CalPERS	CalPERS	CalPERS		-
Out of Pocket Max	$4,000	$1,000	$2,000	NA	$2,000	$3,000	$0	Unlimited		CalPERS	CalPERS	CalPERS		$1,500
What is the Public Agency monthly contribution towards the early retiree rate?	$288.00	Provided attachments with Rates	Actual-$721.11; blended-$366.83	amt based on a sick leave conversion formula	$558.48	$0.00	0% or 100%	$0.00	$368.00	Flat amt or amt based on a sick leave conversion formula	Same for all retirees equal to active ees at this time	$99.75	$493.53 for four years	$0.00
MEDICARE PLAN(S) OFFERED	**County of Mendocino**	**County of Marin**	**County of Merced**	**County of San Mateo**	**County of Sonoma**	**City of Chico**	**City of Fort Bragg**	**City of Eureka**	**City of Lakeport**	**City of Napa**	**City of Roseville**	**Fremont USD**	**Santa Clara USD**	**Ukiah USD**
How many Medicare eligible retirees are covered under your plan?	491	Not Provided	605	1,341	1,562	8	21	3	25	23	Not Provided	5	72	0
Please share the monthly Medicare eligible retiree premium rate for comprehensive PPO coverage retiree only.	Various rates through ExtendHealth	$684.76	$454.52	$429.82	$0	$648.22	$411.19	$441.41	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	None
Medicare eligible retiree plan attibutes														
Deductible	Various plans provided through ExtendHealth	$100	$155	NA	$300	$250	$0	$250	Not Provided	CalPERS	CalPERS	CalPERS	HMO plan only	None offered
Coinsurance		90%	0	NA	90/60	80%/60%	0	0	Not Provided	CalPERS	CalPERS	CalPERS		None offered
Office Visit		90%		$10	$20	$25	$0	$25	Not Provided	CalPERS	CalPERS	CalPERS		None offered
Out of Pocket Max		$1,000	$0	NA	$2,000	$3,000	$0	Unlimited	Not Provided	CalPERS	CalPERS	CalPERS		None offered
What is the Public Agency monthly contribution towards the Medicare eligible retiree rate?	$104.00	Based on entry date ($150 up to 100% paid)	$321.11	amt based on a sick leave conversion formula	$408.01	$0.00	100% for current; 0% for new	$0.00	$368.00	Flat amt or amt based on a sick leave conversion formula	By bargaining unit $1,005-$1,190.57	$99.75	$493.53 for four years	$598.88
PUBLIC AGENCY POOL FOR EARLY RETIREES	**County of Mendocino**	**County of Marin**	**County of Merced**	**County of San Mateo**	**County of Sonoma**	**City of Chico**	**City of Fort Bragg**	**City of Eureka**	**City of Lakeport**	**City of Napa**	**City of Roseville**	**Fremont USD**	**Santa Clara USD**	**Ukiah USD**
Would you be interested in forming a Public Agency Pool for Early Retiree for coverage?	Survey Requestor	Maybe	Board Decisions	Maybe	No	No	No	No	No	Not Provided	No	Yes	No	Yes
What would it take for you to participate in a Public Agency Pool for Early Retiree for coverage?	Survey Requestor	Not Provided	Board Decisions	Demonstrate cost savings	No reply	Unknown, have not considered this	We currently are very satisfied with our plan administrator	Approval with current insurance broker	We are already members of a pool	Not Provided	Not Provided	Not Provided	Not Provided	Comparative comparable coverages - same or less money and ease in transition

Exhibit C

SURVEY OF ACTIVE EMPLOYEES – RETIREE HEALTH

The County of Mendocino is interested in exploring the option of offering non-Medicare eligible retiree coverage to active employees who started employment post-1998 and will retire with 10 years of service and are at least 55 years of age. The coverage would be 100% retiree funded (no County contribution). We ask that you participate in this short survey to help us determine the feasibility of this option.

1. The 2011 non-Medicare eligible retirees (early retiree) rate is $818.78 per retiree per month. The benefits duplicate Plan II medical and prescription drug coverage (excludes dental and vision coverage). If you plan on retiring in 2011, would you be willing to enroll in this plan? Yes / No
2. If yes or no, please explain why. ______________________________
3. Which of the following benefit designs and rates are most appealing to you? (please circle one)
   a) $500/mo. retiree rate - $2,000 deductible, 25% coinsurance**, $10,000 annual maximum out of pocket
   b) $600/mo. retiree rate - $1,500 deductible, 25% coinsurance**, $8,000 annual maximum out of pocket
   c) $700/mo. retiree rate - $1,000 deductible, 25% coinsurance**, $6,000 annual maximum out of pocket
   d) $800/mo. retiree rate - $500 deductible, 25% coinsurance**, $4,000 annual maximum out of pocket
   ** Coinsurance is the amount you would pay after services or care has been received and the plan has paid its share.
4. What is your current age? __________
5. What year do you plan on retiring from County service? __________
6. Would you require spousal coverage? Yes / No
7. What would it take for you to participate in a County offered early retiree health plan (ages 55 to 65 or otherwise non-medicare eligible)? ______________________________

Please remit your survey to Human Resources via email to grahamdm@co.mendocino.ca.us or mail to Human Resources, Benefits Administration, 579 Low Gap Road, Ukiah, CA 95482. **Surveys must be received by November 30, 2010** to be included in the analysis. Thank you for your participation.

ALL RESPONSES WILL REMAIN CONFIDENTIAL

MERCER

Exhibit D

SURVEY OF EARLY RETIREES – RETIREE HEALTH

HIRED AFTER SEPTEMBER 1998

The County of Mendocino is interested in exploring the option of offering non-Medicare eligible retiree coverage to retirees who started employment post-1998 and have retired with 10 years of service and are at least 55 years of age. The coverage would be 100% retiree funded (no County contribution). We ask that you participate in this short survey to help us determine the feasibility of this option.

18. The 2011 non-Medicare eligible retirees (early retiree) rate is $818.78 per retiree per month. The benefits duplicate Plan II medical and prescription drug coverage (excludes dental and vision coverage). If offered, would you be interested in enrolling in this plan? Yes / No
19. If yes or no, please explain why. ______________________________

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20. Which of the following benefit designs and rates are most appealing to you? (please circle one)

a) $500/mo. retiree rate - $2,000 deductible, 25% coinsurance**, $10,000 annual maximum out of pocket

b) $600/mo. retiree rate - $1,500 deductible, 25% coinsurance**, $8,000 annual maximum out of pocket

c) $700/mo. retiree rate - $1,000 deductible, 25% coinsurance**, $6,000 annual maximum out of pocket

d) $800/mo. retiree rate - $500 deductible, 25% coinsurance**, $4,000 annual maximum out of pocket

** Coinsurance is the amount you would pay after services or care has been received and the plan has paid its share.

21. What is your current age? ____________
22. Would you require spousal coverage? Yes / No
23. What would it take for you to participate in a County offered early retiree health plan (ages 55 to 65 or otherwise non-medicare eligible)? ______________________________

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Please remit your survey to Human Resources via email to grahamdm@co.mendocino.ca.us or mail to Human Resources, Benefits Administration, 579 Low Gap Road, Ukiah, CA 95482. **Surveys must be received by November 30, 2010** to be included in the analysis. Thank you for your participation.

ALL RESPONSES WILL REMAIN CONFIDENTIAL

Exhibit E

SURVEY OF EARLY RETIREES – RETIREE HEALTH

REASON FOR TERMINATING COVERAGE

The County of Mendocino is interested in learning why those qualifying for the Non-Medicare eligible retiree health plan chose not to enroll. We ask that you participate in this short survey to help us determine the feasibility of offering a different plan option.

Reason for Terminating Coverage:

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1. If offered, which of the following benefit designs and rates would you be interested in? (please circle one)
   a) $500/mo. retiree rate - $2,000 deductible, 25% coinsurance**, $10,000 annual maximum out of pocket
   b) $600/mo. retiree rate - $1,500 deductible, 25% coinsurance**, $8,000 annual maximum out of pocket
   c) $700/mo. retiree rate - $1,000 deductible, 25% coinsurance**, $6,000 annual maximum out of pocket

** Coinsurance is the amount you would pay after services or care has been received and the plan has paid its share.

2. If none of the above are a viable option to you, what would it take for you to participate in a County offered early retiree health plan (ages 55 to 65 or otherwise non-medicare eligible)? ____________________________________

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3. What is your current age? ________

4, Would you require spousal coverage? Yes / No

Please remit your survey to Human Resources via email to grahamdm@co.mendocino.ca.us or mail to Human Resources, Benefits Administration, 579 Low Gap Road, Ukiah, CA 95482. **Surveys must be received by November 30, 2010** to be included in the analysis. Thank you for your participation.

ALL RESPONSES WILL REMAIN CONFIDENTIAL