HUMAN RESOURCES – MENDOCINO COUNTY

DATE: March 9, 2010

TO: **Carmel Angelo, County Executive Officer**

FROM: Teresia Haase, Human Resources Director

SUBJECT: Retirement Health Benefits Committee – Update & Recommendation

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The Retirement Health Benefits Committee consisting of 3 Board of Retirement members and one non-voting AMCRE member have met on three occasions.

The Committee has reconvened for the purpose of evaluating options and developing recommendations to the Board of Supervisors for health plan changes which would allow the County to continue to provide access to health care for retirees. Current projections indicate the depletion of the Retirement Health Insurance Reserve by late 2010 to early 2011. Staff's strategic planning timeline identified the week of March 22 as the week recommendations would be distributed to all interested stakeholders, with a recommendation to the Board of Supervisors by the end of April.

Bordan Darm, Mercer, presented the marketing results for supplemental Plan alternatives for medicare and non-medicare eligible retirees to the Committee. Bordan reported that the County could reduce health plan costs by moving medicare eligible retirees to a supplemental insured plan. There are no group insured plan alternatives available to the non-medicare eligible retirees.

Human Resources staff and Mercer interviewed four carriers offering supplemental plans. One firm, Extend Health, was identified as the best possible option for supplemental plans. Extend Health operates similarly to a broker whereby after interviewing the retiree, a supplemental plan is chosen which best suits the retirees needs and income. The medicare-eligible retiree has a wide variety of supplemental insurance plans to choose from with costs ranging to $0 - $279. Bordan conducted a site visit with Extend Health and reported to the Committee that the service center more than met his expectations.

On March 8, 2010, the RHBC voted unanimously to recommend the CEO/Human Resources recommend to the Board of Supervisors to move as quickly as possible to transition the medicare-eligible retirees from the County self-funded

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plan to individual plans through Extend Health. The Committee further recommended that, subject to the availability of funds in the Retiree Health Insurance Fund, a County contribution of $200.00 per medicare eligible retiree per month be provided to retirees to support their costs for a supplemental insurance plan. Bordan estimated that this action would save approximately $700,000 - $800,000 annually. A 90 day notification period is required, informing retirees of any plan changes.

The RHBC continues to work on options for the non-medicare eligible retirees. At the most recent meeting, the Committee reviewed high deductible options. The Committee will again meet on March 25, 2010 to continue its review of these and other options for the non-medicare eligible retirees.

It was recommended that retirees qualifying for health benefits be notified as quickly as possible of the current funding dilemma and actions being taken. The notification should be very specific so that retirees, both current and those active employees who will qualify for health benefits at their retirement, understand that without the development of an alternative funding source, all plan costs will be required to be borne by the retirees in order to maintain the group health plan. Staff agreed to send out a notification, following the March 17 Retirement Board of Directors meeting, where the issue of use of investment earnings from the Pension Trust fund for retiree health care would be discussed.

On March 8, 2010, Sue Goodrick, HR Manager, Benefits Administration, attended an AMCRE Board of Director's meeting where RHBC member, Dennis Huey, provided an overview of the recent activities of the RHBC. He reported that due to higher claims activity, the depletion of the Retirement Health Insurance Reserve is now expected to be by the end of 2010. The AMCRE Board stated that notification to retirees needs to occur as soon as possible. Sue reported the County's intent to send out notification pending review of letter by the RHBC.

In conclusion, the RHBC, understanding that resolution for a feasible health care plan for the non-medicare elgible retirees is still pending, recommends the following:

The CEO/Human Resources recommend to the Board of Supervisors to move as quickly as possible to transition the medicare-eligible retirees from the County self-funded plan to individual plans through Extend Health. The Committee further recommends that, subject to the availability of funds in the Retiree Health Insurance Fund, a County contribution of $200.00 per medicare eligible retiree per month be provided to retirees to support their costs for a supplemental insurance plan.