HUMAN RESOURCES – MENDOCINO COUNTY

DATE: March 26, 2010

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

FROM: Teresia Haase, Human Resources Director

SUBJECT: **Retirement Health Benefits Committee – Update & Recommendation for Non-Medicare Eligible Retirees**

The Retirement Health Benefits Committee consisting of Dennis Huey, Shari Schapmire and non-voting member Carol Mordhorst met on March 25, 2010. The third voting member, Bob Mirata, was not present due to a previously scheduled conflict. There were 5 additional people in the audience.

After a presentation by Bordan Darm, Mercer, the Committee voted to make the following recommendation to the CEO:

- Put Early Retirees (non-Medicare eligible) with Actives but keep separate for pooling and premium rate assessment. (Note: this will have no impact on Active Plan participants or their rates.)
- Change retiree health plan to be the same as the Active Plan II medical and prescription benefits (reduces costs). This does not include dental or vision coverage which is available through the Retirement Office and would continue to be available.
- Contribute $200/month to both Medicare retirees and early retirees out of the Retiree Health Trust Fund until the funds are depleted, after which time 100% of the costs will be borne by the retirees.
- Open up retiree health to post 1998 employees/retirees in order to keep the pool large enough to be sustainable as a group health plan and hopefully prevent the "death spiral".
- Place the following restrictions on post 1998 retirees participation in the early retiree health insurance plan: 1) if they opt out they can never opt back in as an early retiree, however would be eligible to opt back into a County sponsored Medicare eligible plan 2) not eligible for any subsidy from the current balance of the retiree health trust fund.

- Fund the stabilization reserve for early retiree plan over 5 years to minimize negative impact on premiums.
- Leave IBNR "tail" in the trust fund and run it out vs. transferring reserve to new plan.
- Consider any future impacts healthcare reform legislation may have when designing and administering new retiree health plan in order to take full advantage of any permanent or temporary reimbursements through Federal funds which may be used to lower costs to retirees.
- Take recommendations for both the Medicare eligible and non-Medicare eligible to the Board of Supervisors on April 20th. This recommendation was driven by concern that the Board of Supervisors might be reluctant to take action with respect to one group of retirees without fully understanding the impact to the other group; and the fact that the CEO/HR March 17th notification to retirees and eligible employees that the County would give a presentation on proposed healthplan changes in late March or early April and we need time to prepare a detailed report explaining the proposals.
- Implementation date of both Medicare and non-Medicare plan changes to be August 1, 2010.

The Committee also expressed their desire that the Retirement System and the County maintain the ability to fund retiree health benefits through reimbursement from excess earnings should they become available at some point in the future in accordance with Retirement Board Policy.