

**County of Mendocino
Retiree Health Benefits Committee (RHBC)
Minutes of February 25, 2010**

MEMBERS PRESENT

Shari Schapmire
Bob Mirata
Dennis Huey

AMCRE MEMBER

Carol Mordhorst

STAFF PRESENT**ADVISORS/CONSULTANTS**

Carmel Angelo
Teresia Haase
Meredith Ford
Sue Goodrick

Toni Minor

Bordan Darm - MERCER
Jim Andersen
Sue Thornhill

1. Call to Order

Dennis Huey called the meeting to order at 2:09 p.m. He reminded those present that the Retirement Health Benefits Committee (RHBC) was created by authority of the County Executive Office, and hence was not subject to the Brown Act. The public was welcome to attend as observers only. Public comment would not be taken.

2. Approval of Minutes

Upon motion by Mirata, seconded by Schapmire, IT IS ORDERED that the minutes of the February 11, 2010 Meeting are approved.

**3. Overview of County Budget and Upcoming Budget Process –
Carmel Angelo (Assistant CEO)**

Carmel stated that the County has a \$7.6 million shortfall projected through fiscal year 2010/2011 a significant portion of which is due to a shortfall in projected revenues. It is anticipated that it will take at least two years to correct the current fiscal situation.

Jim Andersen presented his most recent projection of December 2010 to January 2011 as the date in which the Retiree Health Insurance Reserve will be depleted. He noted higher claims activity has occurred which is typical during the first part of the year. The Retirement Office will continue to monitor the reserve closely, on a monthly basis. Excess earnings by June 30, 2010 are not anticipated. The Board of Retirement will be reviewing its excess earnings policy at its March 2010 meeting. Jim stated that of fifteen counties with 1937 Act retirement systems surveyed, only two contribute excess earnings to retiree health.

The Committee requested they be provided with the AON Actuarial Study performed in August 2008.

4. Report on Marketing Results for Supplemental Plan Alternatives for Medicare Eligible Retirees – Bordan Darm, Mercer (Retiree Health Plan Consultant)

Bordan discussed three reports: 1) Fully-Insured Health Plan Marketing; 2) Non-Medicare Eligible Retirees Plan Design Options; and 3) Medicare Eligibility Study.

Bordan discussed the option of an individual market plan for Medicare eligible retirees. Under this plan, the county would contract with a Medicare supplemental plan coordinator which has an 800 call-in center that advises retirees on their plan choices. The plan coordinator acts similar to a third party administrator. They would function as a broker. The only fees associated with this service are for implementation and banking fees per enrollee. Bordan stated a site visit to review the call-in center would be appropriate.

The Committee agreed, based on the outcome of the site visit, that this would be a viable option for the Medicare eligible retirees, would provide a savings to the retiree health plan and could be implemented by July 2, 2010.

Bordan also presented a number of charts of various plan design options for the Non-Medicare Eligible Retirees. The scenarios showed plan value changes with changes to deductibles, out of pocket maximums, coinsurance levels, emergency room copayments, and the prescription drug program.

Shari Schapmire inquired about the possibility of adding the non-Medicare eligible retirees onto the active employee health plan. Teresia noted that any change to the Active Health Plan would require negotiations with all the bargaining units and this not be able to be accomplished within the short time frame available. Moreover, the County could potentially increase its OPEB liability by subsidizing retiree health care with active premium contributions.

A general discussion followed about the cost of a plan for non-Medicare eligible retirees including a consumer-driven health plan with a high deductible or possibly offering a low cost catastrophic plan only.

The third report presented was a longevity study to determine when early retirees qualifying for health benefits would become Medicare eligible. It was noted that this was a very preliminary draft which needed further review based on Retirement Office records. General discussion ensued about how many people in the study would actually stay long enough to retire.

5. Next Steps

Carol Mordhorst reported on a recent AMCRE meeting and a 10-question survey that was distributed. Forty-three current retirees responded and forty-two active employees who will qualify for retiree benefits once they retire responded. Overwhelmingly the respondents were interested in a supplemental plan to Medicare.

Shari Schapmire moved that the RHBC recommend the Board of Supervisors move forward with separating the Medicare eligible retirees from the non-Medicare eligible retirees so allow the County to move toward implementing an individual defined contribution supplemental plan for the Medicare eligible retirees, preferably by July 1, 2010. The RHBC directed Bordan to pursue fully documenting what that would look like. Bob Mirata seconded the motion. Upon motion by Schapmire, seconded by Mirata, Dennis Huey said that IT IS MOVED AND SECONDED that the RHBC recommend the Board of Supervisors move Medicare eligible retirees into an individual defined contribution plan as soon as possible. All in favor: aye. Opposed: none.

It was noted that a 90-day notice of retiree health plan changes would be required and that notification would need to go out on April 1 to implement a change on July 1, 2010.

Requests for additional information from Mercer:

1. Provide the cost of Medicare-eligible and non-Medicare-eligible claims separately.
2. Can Medicare eligible retirees have Health Savings Accounts (HSA's)?
3. Provide 1-2 Plan design options including catastrophic plan for review at next meeting.
4. Is there a specific amount the County must contribute to meet federal guidelines for what constitutes a "group plan".

6. Other Business

Jim Andersen suggested that AMCRE newsletters contain information about the activities of the RHBC. It was noted an AMCRE meeting was schedule for the second Monday in March.

It was also suggested that, with RHBC review, the County release a bulletin to all retirees and future retirees who qualify for health benefits on the issues including the RHBC's activities in looking at plan changes, separating

Medicare-eligible from non-eligible and looking at different plans for each group. The notification should state trying to do everything we can to extend the plan.

7. Schedule Next Meeting

It was decided to meet again on Monday, March 8, 2010 from 3:00 p.m. to 5:00 p.m., location to be announced.

Adjournment

The meeting was adjourned at 5:00 p.m.

Attachments:

1. Executive Office Budget Update
2. Retirement Office Report on Pension Trust Fund & Excess Earnings
3. Retiree Health Plan Fully-Insured Health Plan Marketing – Mercer
4. Non-Medicare Eligible Retirees Plan Design Options – Mercer
5. Retiree Health Plan Medicare Eligibility Study - Mercer