

BOARD OF RETIREMENT AGENDA 12-15-11

LACERA

300 N. Lake Ave., Suite 810
Pasadena, CA 91101

9:00 AM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. OTHER COMMUNICATIONS

- A. For Information
 - 1. November 2011 All Stars
 - 2. Chief Executive Officer's Report (Memo dated December 8, 2011)

IV. NON-CONSENT AGENDA

- A. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board approve permanently waiving the six-month waiting period for members enrolled in a LACERA administered non-Medicare plan who wish to transfer into Anthem Blue Cross Plan III upon becoming eligible and enrolled in Medicare Parts A and B, effective January 1, 2012. (Memo dated November 10, 2011.)
- B. Recommendation as submitted by Cassandra Smith, Director, Retiree Health Care: That the Board adopt a Prior Authorization approach for selected brand name drugs under the 2012 CVS Caremark Formulary. (Memo dated December 1, 2011.)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Determine whether to ratify attendance by Cassandra Smith at the AHIP Fall Forum 2011, held November 14-16, 2011, in Chicago, Illinois; and, if ratified, approve reimbursement of conference fees and travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated November 22, 2011.)
- D. For information only as submitted by Robert R. Hill, Assistant Executive Officer regarding: Report on member Mervat El-Haddad. (Memo dated December 7, 2011.)

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only.)

VII. EXECUTIVE SESSION

- A. Conference with Legal Counsel — Existing Litigation (Subdivision (a) of Section 54956.9)
 - 1. *Los Angeles County Professional Peace Officers' Association v. Los Angeles County Employees Retirement Association et al.*
(Los Angeles County Superior Court Case No. BC470065)
 - 2. *Los Angeles Times Communications LLC v. LACERA*
(Los Angeles County Superior Court Case No. BS133956)

VIII. VIII. ADJOURNMENT

BOARD OF RETIREMENT MINUTES 12-15-11

PRESENT

Les Robbins, Chair
Simon S. Russin, Vice Chair
Yves Chery, Secretary
Marvin Adams
Sadonya Antebi
Alan Bernstein
William de la Garza
Shawn R. Kehoe (Alternate Member)
Ed C. Morris (Alternate Retired)
William R. Pryor
Mark J. Saladino

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
Janice Golden, Assistant Executive Officer
Robb Van Der Volgen, Chief Counsel
Cassandra Smith, Director, Retiree Health Care
Clay Levister, Associate Principle, Mercer Human Resource Consulting

I. CALL TO ORDER

The meeting was called to order by Chair Robbins at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Morris led the Board Members and staff in reciting the Pledge of Allegiance.

III. OTHER COMMUNICATIONS

A. For Information

1. November 2011 All Stars

Mr. Hill announced the eight winners for the month of November; Tessie Gonzales, John Gaffney, Kathy Quan, Penelope Rodriguez, Gloria Harriel, David Murphey, Paul Carranza, and James Beasley for the Employee Recognition Program. Leilani Ignacio was the winner of LACERA's Web Watcher Award. Edward Wong, Mary Ortiz, Felisa Valdepenas, and Elda Villarroel were the winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated December 8, 2011)

Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report and was available for questions. Additionally, Mr. Rademacher reported on his attendance at the Fall SACRS Conference held November 15-18, 2011, in Costa Mesa. Mr. Rademacher reported on the Retirement Benefit Actuarial Valuation prepared by LACERA's consulting actuary, Milliman. The Board of Investments, with the exception of two members voting no, passed on the actuary's recommendation to adjust the employer and employee contribution rates. The employer's rate will increase about 1% to 17.54%. The employee contribution rates will go up about \$2 per month on average for the contributory plan members.

In addition, Mr. Rademacher also reported that at its meeting yesterday, the Board of Investments voted against attending an upcoming conference scheduled in Phoenix due to concerns over Arizona State Immigration Laws. The Board of Investments asked that staff provide additional information to the Board for further discussion on future travel to Arizona.

Mr. Rademacher was re-elected as President of CALAPRS and reminded the Board of its upcoming Board Offsite Meeting scheduled for January 24-25, 2012 to be held in Universal City.

IV. NON-CONSENT AGENDA

- A. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board approve permanently waiving the six-month waiting period for members enrolled in a LACERA administered non-Medicare plan who wish to transfer into Anthem Blue Cross Plan III upon becoming eligible and enrolled in Medicare Parts A and B, effective January 1, 2012. (Memo dated November 10, 2011.) A motion was made by Mr. Morris, seconded by Mr. Chery, to approve the recommendation.

The motion passed unanimously.

- B.** Recommendation as submitted by Cassandra Smith, Director, Retiree Health Care: That the Board adopt a Prior Authorization approach for selected brand name drugs under the 2012 CVS Caremark Formulary. (Memo dated December 1, 2011.)

A motion was made by Mr. Adams, seconded by Mr. Morris, to approve the recommendation.

Ms. Smith and Mr. Levington addressed the Board and provided an overview on staff's proposed recommendation and noted that this was based on CVS Caremark informing LACERA that they would be adopting a new formulary strategy. This strategy excludes some selected brand name drugs from coverage. This modification will exclude coverage of a select number of brand named drugs from the formulary. The brand name drugs being removed were based on their low usage rates, cost, and clinical efficacy relative to alternatives in the same therapeutic class, and the ready availability of alternate drugs within the same therapeutic drug class. While the exclusion of these drugs from coverage is new to the commercial market, it is however, consistent with what benefits are offered within the Medicare Plan D coverage.

The formulary change is scheduled to become effective with CVS Caremark on January 1, 2012, the effective date for LACERA members is not set to occur until April 1, 2012. CVS Caremark is providing LACERA with three (3) options to choose from. A lengthy discussion followed.

A substitute motion was made by Mr. Kehoe, seconded by Ms. Antebi, to approve CVS Caremark's Option 3 which would create a custom formulary for LACERA. (This will provide coverage for the excluded brand name drugs, but would significantly reduce the overall rebates to LACERA from participating in Caremark's standard formulary.)

Additional discussion ensued and the following substitute motion was made:

Mr. Kehoe and Ms. Antebi withdrew their substitute motion.

A substitute motion to table this agenda for one month allowing staff to provide the Board with additional information regarding costs to all the different options and address what the Los Angeles County's contribution (plan sponsor) would be. The motion passed unanimously.

Chair Robbins asked if staff could bring back additional information on the 982 members that will be impacted by this decision. Ms. Smith said she would try to have a representative from CVS Caremark Pharmacy to be present at the next Board Meeting to answer questions that the Board may have.

- C.** Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Determine whether to ratify attendance by Cassandra Smith at the AHIP Fall Forum 2011, held November 14-16, 2011, in Chicago, Illinois; and, if ratified, approve reimbursement of conference fees and travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated November 22, 2011.)

A motion was made by Mr. Bernstein, seconded by Mr. Chery, to ratify attendance by Cassandra Smith at the AHIP Fall Forum 2011, held November 14-16, 2011, in Chicago, Illinois; and, if ratified, approve reimbursement of conference fees and travel costs incurred in accordance with LACERA's Education and Travel Policy. The motion passed unanimously.

- D.** For information only as submitted by Robert R. Hill, Assistant Executive Officer regarding: Report on member Mervat El-Haddad. (Memo dated December 7, 2011.)

Mr. Hill reviewed LACERA service efforts in administering Dr. El-Haddad's (member) account. The correct benefits are being provided to Mervat El-Haddad (survivor) and his estate.

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only.)

Mr. Rademacher presented Board Service Scrolls to Messrs. Adams, Bernstein, de la Garza, Morris, and Chery. The scroll expressed the Board's appreciation for their dedicated service on the Board of Retirement.

VII. EXECUTIVE SESSION

- A.** Conference with Legal Counsel — Existing Litigation
(Subdivision (a) of Section 54956.9)

1. *Los Angeles County Professional Peace Officers' Association v. Los Angeles County Employees Retirement Association et al.*

(Los Angeles County Superior Court Case No. BC470065)

2. *Los Angeles Times Communications LLC v. LACERA*

(Los Angeles County Superior Court Case No. BS133956)

This item was pulled from the agenda.

Green Folder Information

(Information distributed in each Board Member's Green Folder at the beginning of the meeting.)

1. Memo to Each Member, Boards of Retirement and Investments from James Beasley, Risk Management, LACERA, regarding International Travel Insurance Procedures.
(Memo dated December 8, 2011.)
2. Memo to Each Member, Boards of Retirement and Investments from Gregg Rademacher, Chief Executive Officer, regarding Board Offsite Agenda.
(Memo dated December 7, 2011.)

VIII. ADJOURNMENT