

NOTICE OF MEETING AND AGENDA

SPECIAL MEETING OF THE INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 North Lake Avenue, Suite 810
Pasadena, CA 91101

May 17, 2012 - 9:00 A.M.**

COMMITTEE MEMBERS:

Les Robbins, Chair
Simon S. Russin, Vice Chair
Marvin Adams
William de la Garza
Shawn R. Kehoe, Alternate

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT
- II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 12, 2012
- III. ACTION ITEMS
 - A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Committee withdraw its recommendation to the Board of Retirement to "Oppose" Senate Bill 1231, which addresses STAR COLA. (Memorandum dated May 8, 2012)
- IV. FOR INFORMATION
 - A. Senate Bill 1234 – "California Secure Choice Retirement Savings Act"
Cynthia Lau, Legislative Affairs Officer
 - B. Staff Activities Report for April, 2012
 - C. Claims Administration Audit of Anthem Blue Cross
 - D. Claims Administration Audit of CIGNA Healthcare
 - E. CIGNA & Anthem Blue Cross Claims Experience
 - F. GRIST Report: ERRP Imposes Continuing Obligations on Retiree Medical Plan Sponsors

May 17, 2012

Page 2

IV. FOR INFORMATION (Continued)

G. Federal Legislation

- Weekly Highlights – April 30, 2012
- Weekly Highlights – April 23, 2012
- Weekly Highlights – April 16, 2012
- Weekly Highlights – April 9, 2012
- Weekly Highlights – April 2, 2012

V. MISCELLANEOUS

VI. PUBLIC COMMENT

VII. GOOD OF THE ORDER

(For discussion purposes only)

VIII. ADJOURNMENT *and*

SET TIME FOR OPERATIONS OVERSIGHT COMMITTEE MEETING

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

****Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Retirement meeting preceding it. Please be on call.**

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626)-564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

MINUTES OF THE SPECIAL MEETING OF THE
INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE
and
BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

GATEWAY PLAZA - 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

MAY 17, 2012, 10:35 A.M. – 11:45 A.M.

COMMITTEE MEMBERS

PRESENT: Les Robbins, Chair
Simon S. Russin, Vice Chair
Marvin Adams
William de la Garza
Shawn R. Kehoe, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Sadonya Antebi
John Barger (*left at 10:50 a.m.*)
Yves Chery

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith
Cynthia Lau
Robb Van Der Volgen

Mercer Human Resource Consulting

Clay Levister
Laurie Silva
Kathy Slothour

The meeting was called to order by Chairman Robbins at 10:35 a.m.

I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE
OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 12, 2012

A motion was made by Mr. de la Garza, seconded by Mr. Russin, to approve the minutes of the regular meeting of April 12, 2012. The motion passed unanimously.

III. ACTION ITEMS

- A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Committee withdraw its recommendation to the Board of Retirement to "Oppose" Senate Bill 1231, which addresses STAR COLA. (Memorandum dated May 8, 2012)

Senate Bill 1231 failed passage in the Senate Committee on Public Employment and Retirement on May 7, 2012.

A motion was made by Mr. de la Garza, seconded by Mr. Adams, to approve the recommendation. The motion passed unanimously.

IV. FOR INFORMATION

- A. Senate Bill 1234 – "California Secure Choice Retirement Savings Act"
Cynthia Lau, Legislative Affairs Officer

This bill would create a state-administered retirement savings program for private sector employees. Under this bill, eligible employers with five or more employees who do not offer an employer-sponsored retirement plan would make the program available to eligible employees. A Trust would be established and be administered by a seven member Board. The Board would initially conduct a market analysis to determine whether the necessary conditions exist to implement the program. This bill is currently in the suspense file of the Senate Appropriations Committee. As this bill applies to workers in the private sector, it is being presented to the Committee for information only.

Mr. Kehoe requested staff review this bill in-depth and report back to the Committee.

- B. Staff Activities Report for April, 2012

The staff activities report was discussed.

IV. FOR INFORMATION (Continued)

C. Claims Administration Audit of Anthem Blue Cross

Kathy Slothour of Mercer presented the results of the annual Anthem Blue Cross (Anthem) claims audit. This was a review of a statistical sample of 250 medical claims processed during the period of July 1, 2010 through June 30, 2011. The objectives of the audit were to ensure that medical claims are being processed in accordance with LACERA's plan provisions, and to measure the quality and timeliness of Anthem's performance as compared to existing performance standards.

Based on this audit, it appears that Anthem has administered LACERA's claims with mixed results. On the positive side, the timeliness of claims processing was satisfactory, having met the LACERA performance standards and generally accepted industry standards. However, with the exception of non-financial accuracy, all audit quality results were below LACERA's performance standards and generally accepted industry standards, and were in the bottom 50% of results when compared to other recent Mercer audits. Anthem did not meet the performance standard for financial accuracy, resulting in penalties due LACERA.

Opportunities for improvement were noted in Anthem's policies and procedures for negotiating discounts on out-of-network claims. Anthem's practice of utilizing reasonable and customary pricing rather than bill negotiation as the first option in reducing costs may result in balance-billing of the plan member for the disallowed amounts.

D. Claims Administration Audit of CIGNA Healthcare

Kathy Slothour of Mercer presented the results of the annual audit of the dental plan claims at CIGNA's Scranton, Pennsylvania claims processing facility. The audit consisted of a review of a statistical sample of 200 dental claims processed during the period of July 1, 2010 through June 30, 2011. The objectives of the audit were to determine whether dental claims are being processed in accordance with LACERA's plan provisions, and to measure the quality and timeliness of CIGNA's performance as compared to existing performance guarantees.

Based on Mercer's review of the materials made available during the course of the audit, it appears that CIGNA administered the LACERA dental plan with mixed results. The financial payment accuracy rate exceeded CIGNA's performance guarantee standard and generally accepted industry standards, while the overall claims processing accuracy rate fell below the performance standard and generally accepted industry standards. The payment incidence accuracy rate was within generally accepted industry standards.

IV. FOR INFORMATION (Continued)

CIGNA's turnaround time performance for the percentage of claims processed in 10 business days or less met CIGNA's performance guarantee standard and the generally accepted industry standard. The turnaround time performance for the percentage of claims processed in 20 business days or less, as calculated by Mercer, fell below LACERA's performance guarantee standard and the generally accepted industry standard; however, the claim history data provided by CIGNA in connection with this audit does not include adequate data to enable Mercer to accurately measure turnaround time for claim adjustments, claims involving pre-determinations, and some pended claims. Taking this into consideration, it is possible that CIGNA met this performance standard.

The audit identified a total of 27 errors. CIGNA disagreed with the 20 errors attributed to weak internal policies and procedures, or conflicts between CIGNA's internal dental policies and the terms of the LACERA plan.

CIGNA continues its practice of denying an entire claim for additional information, when part of the claim could have been reimbursed without that information. California insurance regulations require timely payment of the uncontested portion of the claim, and payment of interest if the uncontested portion of the claim is not processed timely. Mr. Kehoe requested that staff look into this and consider sending notice to CIGNA's legal department.

Based on CIGNA's self-reported results, all performance standards for which results are available for Plan Year 2010-2011 were met, and no penalties are due LACERA.

E. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through March 2012 were discussed.

F. GRIST Report: ERRP Imposes Continuing Obligations on Retiree Medical Plan Sponsors

Although all of the early retiree reinsurance program's \$5 billion funding is spoken for, plan sponsors that participated in the program still have to meet certain requirements, which staff are currently doing and will continue to do. ERRP reimbursements may be utilized only to offset premium payments for members and the plan sponsor.

IV. FOR INFORMATION (Continued)

- G. Federal Legislation
- Weekly Highlights – April 30, 2012
 - Weekly Highlights – April 23, 2012
 - Weekly Highlights – April 16, 2012
 - Weekly Highlights – April 9, 2012
 - Weekly Highlights – April 2, 2012

Submitted for information only.

V. MISCELLANEOUS

VI. PUBLIC COMMENT

VII. GOOD OF THE ORDER

(For discussion purposes only)

VIII. ADJOURNMENT

The meeting adjourned at 11:45 a.m., after setting the time for the Operations Oversight Committee at 11:50 a.m.

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**