

AGENDA

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**

THURSDAY, MAY 11, 2017 - 9:00 A.M.**

*The Committee may take action on any item on the agenda,
and agenda items may be taken out of order.*

COMMITTEE MEMBERS:

William de la Garza, Chair
Vivian H. Gray, Vice Chair
Alan Bernstein
Ronald Okum
David Muir, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of April 13, 2017

II. PUBLIC COMMENT

III. ACTION ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee recommend the Board of Retirement adopt the Policy on Engagement for Issues of Public Policy Relating to Plan Administration and Retirement and Health Care Benefits. (Memorandum dated May 2, 2017)
- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Assembly Bill 526, which provides for the Sacramento County Employees' Retirement System to become a district. (Memorandum dated April 26, 2017)
- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Assembly Bill 995, which relates to the transfer of leave balances. (Memorandum dated April 21, 2017)

May 11, 2017

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IV. FOR INFORMATION

- A. Staff Activities Report for April 2017
- B. Annual Claims Audit Reports
 - Anthem Blue Cross Medical Plan
 - Cigna Dental Plan
- C. Cigna & Anthem Blue Cross Claims Experience
- D. Federal Legislation

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

***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 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

THURSDAY, APRIL 13, 2017, 8:05 A.M. – 8:45 A.M.

COMMITTEE MEMBERS

PRESENT: Vivian H. Gray, Vice Chair (*arrived at 8:20 a.m.*)
Alan Bernstein
Ronald Okum
David L. Muir, Alternate

ABSENT: William de la Garza, Chair

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Anthony Bravo (*arrived at 8:35 a.m.*)
Yves Chery (*arrived at 8:40 a.m.*)
Joseph Kelly

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith
Steven Rice
Barry Lew

Aon Hewitt

Kirby Bosley
Susie Lee

The meeting was called to order by Acting Chair Bernstein at 8:05 a.m. Due to the absence of Mr. de la Garza, the Chair announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of March 3, 2017

Mr. Okum made a motion, Mr. Muir seconded, to approve the minutes of the special meeting of March 3, 2017. The motion passed unanimously.

II. PUBLIC COMMENT

III. ACTION ITEMS

A. Recommendation as submitted by Cassandra Smith, Director, Retiree Healthcare: Authorize LACERA to join as a member of the Coalition for Affordable Prescription Drugs. (Memorandum dated March 24, 2017)

Mr. Muir made a motion, Mr. Bernstein seconded, to approve the recommendation. The motion passed unanimously.

B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee recommend the Board of Retirement approve the issuance of:

1. A Request for Proposals for state legislative advocacy services on health, benefit, and plan administration issues; and
2. A Request for Proposals for federal legislative advocacy services on health, benefit, and plan administration issues.

(Memorandum dated April 3, 2017)

Mr. Bernstein made a motion, Mr. Okum seconded, to approve the recommendation. The motion passed unanimously.

III. ACTION ITEMS (Continued)

- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Assembly Bill 1310, which requires certain disclosures on member statements. (Memorandum dated March 22, 2017)

Mr. Bernstein made a motion, Mr. Muir seconded, to approve the recommendation. The motion passed unanimously.

- D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Senate Bill 32, which would enact the California Public Employees' Pension Reform Act of 2018. (Memorandum dated March 29, 2017)

A provision of PEPRA 2018 which would apply to LACERA states that a public retirement system shall not make a cost-of-living adjustment to any allowance payable to a retired member or beneficiary if the unfunded actuarial liability of either CalPERS or CalSTRS is greater than zero. The author's office indicated this might be an unintentional drafting error, which might be changed in the future.

Mr. Muir made a motion, Mr. Okum seconded, to oppose SB 32, unless amended, and if the language is corrected, maintain a watch position. The motion passed unanimously.

- E. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt an "Oppose" position on Senate Constitutional Amendment 8, which provides authority to a government employer to reduce public employee retirement benefits. (Memorandum dated April 4, 2017)

Ms. Gray made a motion, Mr. Okum seconded, to take no action on the recommendation at this time. The motion passed unanimously.

III. ACTION ITEMS (Continued)

- F. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Neutral" position on Senate Constitutional Amendment 10, which requires retirement benefit increases to be approved by a two-thirds vote of the electorate. (Memorandum dated April 4, 2017)

Mr. Bernstein made a motion, Mr. Muir seconded, to adopt an oppose position on SCA 10.

LACERA's lobbyist recommends that we wait and see if this item passes out of Committee before taking a position.

Mr. Muir made a substitute motion, Mr. Bernstein seconded, to oppose SCA 10 unless pulled from the Senate Committee. The motion passed unanimously.

The Committee requested the vote on Item III-E be revisited.

Mr. Muir made a motion, Mr. Bernstein seconded, to reconsider Item III-E. The motion passed unanimously.

Mr. Bernstein made a motion, Mr. Muir seconded, to oppose SCA 8 unless pulled from the Senate Committee. The motion passed unanimously.

IV. FOR INFORMATION

- A. Staff Activities Report for March, 2017

The staff activities report was discussed.

- B. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through February 2017 were discussed.

- C. Federal Legislation
- Aon Hewitt Washington Report

Submitted for information only.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 8:45 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.**

May 2, 2017

TO: Insurance, Benefits & Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: May 11, 2017 Insurance, Benefits & Legislative Committee Meeting

SUBJECT: **POLICY ON ENGAGEMENT FOR ISSUES OF PUBLIC POLICY
RELATING TO PLAN ADMINISTRATION AND RETIREMENT AND
HEALTH CARE BENEFITS**

RECOMMENDATION

That the Insurance, Benefits & Legislative Committee recommend to the Board of Retirement that it adopt the Policy on Engagement for Issues of Public Policy Relating to Plan Administration and Retirement and Health Care Benefits.

LEGAL AUTHORITY

The Insurance, Benefits & Legislative Committee (Committee) addresses legislative and benefits issues, including retiree healthcare, and makes recommendations to the Board of Retirement (Board). These responsibilities are consistent with the plenary authority and fiduciary duty of the Board under Article XVI, Section 17 of the California Constitution to administer the plan, giving precedence to the interests of members and their beneficiaries. In the exercise of its fiduciary duty, the Board and the Committee may engage with issues of public policy. The proposed Policy on Engagement for Issues of Public Policy Relating to Plan Administration and Retirement and Health Care Benefits (Policy) furthers the performance of the Board's fiduciary duty in this area. The proposed Policy includes a section on Legal Authority that further explains how the proposal is consistent with the Board's fiduciary duty.

DISCUSSION

At the January 2017 Offsite meeting, the Board was provided with a presentation on Activism. During the discussion that followed the presentation, staff was encouraged to

present proposed guidelines, policy, and process as to how the Board may engage in matters of public policy. The attached Policy follows from that discussion.

The Policy does not predetermine a specific level of activism. Instead, the Policy confirms the Board's view that engagement in public policy is an important part of the Board's performance of its fiduciary duty, while leaving the issues on which the Board will engage, and the method of engagement, to determination on a case-by-case basis. This approach preserves flexibility for the Board.

The Policy includes five sections:

1. **Introduction.** This section confirms the Board's belief in engagement as a tool to positively impact plan administration and retirement and health benefits. The Introduction also provides that the Policy does not bind the Board to specific positions because application will be determined separately for each issue.
2. **Legal Authority.** The fiduciary duties of loyalty and prudence are discussed in this section. The section states the Board's belief that engagement is a means for the Board to exercise its fiduciary duty when it will further effective plan administration and is in the interests of members and beneficiaries.
3. **Definitions.** For clarity, the Policy defines "Engagement," "Support," and "Oppose."
4. **Guidelines.** This section sets forth general policy propositions which the Board will either support or oppose.
5. **Policy and Process.** This section provides that engagement will be a part of the annual Strategic Planning process, and will be the subject of ongoing staff monitoring and information to the Board and the Committee. Proposals for engagement will first be presented to the Committee and then to the Board, where a determination will be made as to whether engagement is in the interest of effective plan administration and members and beneficiaries. Staff will present reports to the Committee twice per year as to the status of all engagements.

In the future, once LACERA's federal legislative consultant has been engaged, the treatment of federal legislation may need to be revisited because the timeline for such legislation is very short – often not leaving enough time for either a Committee or Board meeting. The federal legislative advocate may be able to assist in a solution for this dilemma.

Finally, the proposed Policy on engagement does not replace the current Legislative Policy, jointly adopted by both Boards, which will remain in effect. This proposed Board of Retirement engagement policy, if adopted, and the Legislative Policy will be read and applied together.

CONCLUSION

For the reasons stated above, it is recommended that the Insurance, Benefits & Legislative Committee recommend to the Board of Retirement that it adopt the Policy on Engagement for Issues of Public Policy Relating to Plan Administration and Retirement and Health Care Benefits.

Reviewed and Approved.



Gregg Rademacher
Chief Executive Officer

Attachment

- c. Gregg Rademacher
- Robert Hill
- John J. Popowich
- Cassandra Smith
- Leilani Ignacio
- Cynthia Martinez
- Barry Lew

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
POLICY ON ENGAGEMENT FOR ISSUES OF PUBLIC POLICY RELATING TO
PLAN ADMINISTRATION AND RETIREMENT AND HEALTH CARE BENEFITS**

I. INTRODUCTION

The Board of Retirement (Board) values engagement with matters of public policy as a tool to positively impact the administration of the system and retirement and health benefits for LACERA's members and beneficiaries. The Board believes that it should be actively aware of and proactively attempt to affect the environment in which the fund operates when in the interest of plan administration and members and beneficiaries. The Board establishes this Policy on Engagement for Issues of Public Policy Relating to Plan Administration and Retirement and Health Care Benefits (Policy) for itself, staff, and consultants to assist in developing and implementing strategies for engagement that will further the achievement of the Board's goals and priorities, and serve the interests of system administration and members and beneficiaries, by influencing public policy and attitudes.

This Policy summarizes the Board's perspectives that will impact the effectiveness of LACERA's engagement program and facilitate consistent promotion of positions. This Policy reflects a statement of values, intent, and process endorsed by the Board; nothing in this Policy binds the Board or limits discussion in determining the Board's position on specific public policy issues and proposals because application will be made on a case-by-case basis.

II. LEGAL AUTHORITY

Engagement is a means through which the Board can further its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations and case authority. The Board's fiduciary duty has two components:

- A. *Duty of Loyalty.*** Under the duty of loyalty, Board members have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. (Article XVI, Section 17(a).) Board members shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. (CERL Section 31595(a).) A retirement board's duty

to participants and their beneficiaries shall take precedence over any other duty. (Article XVI, Section 17(b).)

- B. *Duty of Prudence.*** Under the duty of prudence, Board members shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. (Article XVI, Section 17(c); CERL Section 31595(b).)

Engagement under this Policy will be consistent with the fiduciary duties of loyalty and prudence when the Board determines that action will assist in the effective administration of the fund and is in the interest of members and their beneficiaries.

III. DEFINITIONS

This Policy is framed in terms of engagement in actions that will support and oppose proposals or influence attitudes and outcomes. Key terms are defined as follows:

- A. "*Engagement*"** means the full range of tools that may be lawfully employed by the Board to influence attitudes and outcomes in furtherance of Board objectives, including but not limited to: support or opposition to proposed legislation or regulations; sponsorship of legislation or regulations; initiation or defense of litigation; participation as amicus curiae in litigation between other parties; presence and visibility with the legislative, executive, and judicial branches of state and federal governments; expression of views in the media, including traditional and social media; retention and use of consultants; communication with members, member organizations, the plan sponsor, and other stakeholders; contractual provisions and requirements of vendors; participation in interest and advocacy groups; and coordination with public retirement systems and other persons and entities sharing LACERA's values.
- B. "*Support*" and "*Oppose*"** mean the full range of actions and positions that may be lawfully employed to protect existing rights and interests with respect to administration of the plan and benefits, preserve favorable existing law and policy and cause positive changes where needed to clarify or correct ambiguity in existing rights and interests, create new law and policy protective of existing rights and interests, prevent adverse impact upon existing rights and interests, and publicly express LACERA's views with respect to existing rights and interests and proposals for change.

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IV. GUIDELINES

A. Support proposals and action that enhance the administration of the system and protection for the benefit rights of members and their beneficiaries, including those that:

1. Add protections to the retirement fund and the Other-Post Employment Benefits (OPEB) program.
2. Give the Board increased flexibility in its administration of the system or reduce administrative costs.
3. Correct ambiguities, errors, or deficiencies in the Plan to ensure clarity of benefits and plan administration.
4. Reduce waste, prevent fraud, in or abuse of the LACERA plans and programs.
5. Promote transparency and accountability for the system and entities that conduct business with the system.
6. Enhance ethics and integrity in system governance.
7. Enhance or protect the fiduciary authority of the Board.
8. Foster positive communication to stakeholders and the broader community concerning the retirement system and the benefits administered by the system.
9. Further secure and flexible retirement options for employees, including employees in the private sector.
10. Provide for strong health care and prescription drug rights, benefits, and access for retirees.

B. Oppose proposals that impede or infringe upon system administration and protection of benefit rights, including those that:

1. Deprive members of vested benefits and that do not provide an equivalent, compensating benefit for that deprivation.
2. Endanger the tax-exempt status of the retirement fund or the deferred treatment of income tax on employer and employee contributions and related earnings.

3. Create unreasonable cost, complexity, or uncertainty in the administration of the System.
4. Reduce or limit the Board's administrative authority or flexibility to administer the system.
5. Encourage a negative impression of the retirement system and the benefits provided by the system.
6. Impair the security and flexibility of retirement options for employees, including employees in the private sector.

V. POLICY AND PROCESS

- A. *Strategic Planning.*** LACERA's annual Strategic Plan will consider and include goals with respect to engagement on issues of public policy relating to the administration of the system and retirement and health benefits for LACERA's members and beneficiaries consistent with the Guidelines.
- B. *Staff Monitoring and Information.*** Staff is responsible to proactively monitor issues of public policy, through their own efforts and with LACERA's consultants, and provide information on a monthly basis to the Insurance, Benefits & Legislative Committee (Committee) concerning such issues.
- C. *Committee.*** Proposals for engagement will first be presented to the Committee for consideration and formulation of a recommendation to the Board.
- D. *Board Action.*** Each proposal for engagement will be approved by the Board on a case-by-case basis. With respect to each proposal, the Board will discuss and determine that engagement will assist in the effective administration of the fund and is in the interest of members and their beneficiaries.
- E. *Review and Reporting.*** Staff will present a report to the Committee in January and July each year as to the status of all Board-approved engagements.

Adopted: Board of Retirement, July __, 2017

April 26, 2017

TO: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 11, 2017 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Assembly Bill 526—Sacramento County**

Author: Cooper [D]
Sponsor: Sacramento County Employees' Retirement System
Introduced: February 13, 2017
Amended: April 4, 2017
Status: Re-referred to ASSEMBLY Committee on Public
Employment, Retirement & Social Security (04/05/2017)

Staff Recommendation: Watch

RECOMMENDATION

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement adopt a "Watch" position on Assembly Bill 526, which provides for the Sacramento County Employees' Retirement System to become a district.

LEGISLATIVE POLICY STANDARD

A "Watch" position indicates that the legislative proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA or other retirement systems of the County Employees Retirement Law of 1937 (CERL). AB 526 would amend sections of CERL and apply only to the Sacramento County Employees' Retirement System.

SUMMARY

AB 526, as amended on April 4, 2017, would authorize the Sacramento County Employees' Retirement System (SCERS) to become a district and specify administrative provisions for the process of becoming a district. The bill would also authorize SCERS to adopt any of the existing provisions that apply to other retirement systems that are districts within CERL. The bill would make other conforming changes within CERL.

ANALYSIS

Existing Law

The retirement systems of the counties of Orange, San Bernardino, Contra Costa, and Ventura are currently districts. Each system provides for specific positions to which employees are appointed as employees of the retirement system rather than the county.

This Bill

AB 526 would authorize the Sacramento County Employees' Retirement System (SCERS) to become a district and to adopt any of the existing provisions that apply to CERS retirement systems that are currently districts. The applicable provisions would provide for the positions to which employees are appointed as employees of the retirement system rather than the county.

At least 60 days prior to adopting a resolution to become a district and the applicable operating authority, SCERS must notify its participating employers, the employees of the retirement system, and any employee organizations representing those employees of its intent to become a district. SCERS must meet with its stakeholders to discuss its intended action and make good faith efforts to address questions and concerns.

Prior to the adoption of the resolution by the board of retirement or any time thereafter, an employee organization representing the employees working at the retirement system may advise the system in writing that the employees wish to cease being county employees and become employees of the retirement system.

Prior to the adoption of the resolution by the board of retirement or any time thereafter, an unrepresented employee—except for those who were previously appointed as employees not subject to county civil service—may also advise the system in writing that he or she wishes to cease being a county employee and become an employee of the retirement system. That employee and successor employees in that position will be retirement system employees.

Employees who were not new members under the California Public Employees' Pension Reform Act of 2013 (PEPRA) and who make the election to become retirement system employees will retain the retirement plan available to them before the enactment of PEPRA.

Employees who elect to cease being county employees will become retirement system employees at their existing or equivalent classifications. In the transition from county employment to retirement system employment, employees would retain seniority rights, salary rates, leaves of absence, and leave accrual rates earned as county employees, which are subject to subsequent revisions based on regulations governing the terms and conditions of employment or a subsequent memorandum of understanding. The retirement system would recognize the employee organization of represented county employees who become retirement system employees as their exclusive representative

and would honor any existing memorandum of understanding for its duration. The compensation of personnel appointed as retirement system employees would be considered an expense of administration.

Retirement system employees would be afforded the opportunity to participate in county benefit plans and programs, and the board of retirement would contract with the county to administer the plans and programs for the retirement system's employees and provide the employer cost for such programs unless and until the board of retirement chooses to provide different benefits or benefit levels through another provider.

Any other agreements may be entered into between the board of retirement and the county to implement the objectives related to the election by a retirement system to become a district. The county will cooperate fully and act in a timely manner to implement the agreements; the retirement system will pay reasonable and appropriate expenses related to the implementation of the agreements.

Upon becoming a district, the board of retirement may continue to make regulations not inconsistent with CERL, but such regulations would no longer require approval by the board of supervisors.

AB 526 would also make technical and conforming changes in CERL related to the revolving door of personnel, contracting for legal services, subpoena power, budgeting, and effective date of membership.

AB 526 would apply only to the Sacramento County Employees' Retirement System.

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE recommend that the Board of Retirement adopt a "Watch" position on Assembly Bill 526, which provides for the Sacramento County Employees' Retirement System to become a district

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

AB 526 (Cooper) as amended on April 4, 2017

AB 526 (Cooper) as introduced on February 13, 2017

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 1853 (2016, vetoed) authorized the retirement board of any retirement system operating under the County Employees Retirement Law of 1937 to become a district. It provided for various administrative requirements and authority related to the implementation of district status by a retirement system. It authorized existing retirement systems that are districts to be able to change to any other existing administrative structure. The Board of Retirement adopted an “Oppose” position.

AB 1291 (Chapter 223, Statutes of 2015) included the Ventura County Employees’ Retirement System (VCERA) within the definition of “district” and authorized the VCERA board of retirement to appoint specified personnel as employees of the retirement system. LACERA’s Board of Retirement adopted a “Watch” position.

SB 673 (Chapter 244, Statutes of 2014) included the Contra Costa County Employees’ Retirement System (CCCERA) within the definition of “district” and authorized the CCCERA board of retirement to appoint personnel as employees of the retirement system. LACERA’s Board of Retirement adopted a “Watch” position.

AB 1034 (2009, died in committee) included the Marin County Employees’ Retirement Association (MCERA) within the definition of “district” upon adoption of a resolution by the MCERA board of retirement and authorized the board to appoint specified personnel as employees of the retirement system. LACERA’s Board of Retirement adopted a “Watch” position.

AB 1406 (Chapter 393, Statutes of 2009) expanded the list of positions that the San Bernardino County Employees’ Retirement Association (SBCERA) board of retirement may appoint as employees of the retirement system. LACERA’s Board of Retirement adopted a “Watch” position.

SB 777 (Chapter 369, Statutes of 2006) included the San Bernardino County Employees’ Retirement Association (SBCERA) within the definition of “district” upon adoption of a resolution by the SBCERA board of retirement and authorized the board to appoint specified personnel as employees of the retirement system. LACERA’s Board of Retirement adopted a “Support” position since the bill contained clean-up provisions related to LACERA’s noncontributory Plan E.

AB 1992 (Chapter 74, Statutes of 2002) included the Orange County Employees Retirement System (OCERS) within the definition of “district” and authorized the OCERS board of retirement to appoint specified personnel as employees of the retirement system. LACERA’s Board of Retirement adopted a “Watch” position.

AB 526
Attachment 2—Support And Opposition
Insurance, Benefits and Legislative Committee
April 26, 2017
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SUPPORT

Sacramento County Employees' Retirement System (Sponsor)
Law Enforcement Managers' Association
State Association of County Retirement Systems

OPPOSITION

California State Association of Counties
Urban Counties of California

AMENDED IN ASSEMBLY APRIL 4, 2017

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 526

Introduced by Assembly Member Cooper

February 13, 2017

An act to amend Section 31459 of the Government Code, relating to county employees' retirement. An act to amend Sections 31468, 31522.5, 31522.7, 31522.9, 31528, 31529.9, 31535, 31557.3, and 31580.2 of, and to add Section 31522.75 to, the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 526, as amended, Cooper. ~~County employees' retirement. County employees' retirement: districts: retirement system governance.~~

(1) The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to their employees. CERL defines a district for these purposes, includes specified county retirement systems within that definition, and permits a district to participate in CERL retirement systems. CERL generally provides that the personnel of a county retirement system are county employees, subject to county civil service provisions and salary ordinances, but also authorizes the boards of retirement in specified counties to adopt provisions providing for the appointment of personnel who are to be employees of the retirement system, as well as other administrative provisions that reflect the independence of the retirement system from the county.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires a public retirement system, as defined, to modify its

plan or plans to comply with the act and establishes new retirement formulas that a public employer offering a defined benefit pension plan for employees first hired on or after January 1, 2013, may not exceed. PEPRAs authorizes individuals who were employed by any public employer before January 1, 2013, and who became employed by a subsequent public employer for the first time on or after January 1, 2013, to be subject to the retirement plan that would have been available to employees of the subsequent employer who were first employed by the subsequent employer on or before December 31, 2012, if the individual was subject to reciprocity, as specified.

This bill would define the Sacramento County retirement system as a district under CERL. The bill would authorize the board to adopt, by resolution, specified administrative provisions that would classify various personnel of the retirement system as employees of the retirement system and not employees of the county. The bill would require the retirement system to notify, and to meet and discuss with, participating employers in the retirement system, the employees of the system, and specified employee organizations, regarding the retirement system's intent to exercise this authority at least 60 days before considering a resolution to make these provisions applicable. The bill would grant an employee organization representing people who work for the retirement system, and an unrepresented person who works for the retirement system, the right to elect to be employees of the retirement system, which would be irrevocable, except as specified, and the status of the affected employee positions would remain changed for successor employees. In regard to county employees who would become retirement system employees, the bill would prescribe requirements in connection with their compensation and employment benefits and status. These provisions would include maintaining their county retirement benefits that would otherwise be reduced under PEPRAs, keeping their employment classifications, providing for the transfer of leave balances accrued as county employees to the retirement system, as specified, and affording employees the opportunity to continue participation in group health and dental plans, among other things. The bill would prescribe requirements regarding labor negotiations and the continuity of labor agreements. The bill would grant the retirement system the authority to adopt the regulations and enter into the agreements necessary to implement them. The bill would require counties to cooperate and act in a timely manner to establish and implement agreements in this regard. The bill would make technical and conforming changes.

(2) Existing law permits a board of retirement operating under CERL to issue subpoenas and to compensate persons who are subpoenaed. Existing law permits a board to delegate its subpoena power to a referee or administrator who is appointed pursuant to specified authority.

This bill would authorize specified retirement systems operating as districts to delegate the subpoena power, as described above.

The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county and district employees. CERL authorizes the board of supervisors of any county in which the assets of the retirement system exceed \$800,000,000 to establish a board of investments and specifies the division of certain duties between the board of investments and the retirement board.

This bill would make a nonsubstantive change to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 31468 of the Government Code is
- 2 amended to read:
- 3 31468. (a) “District” means a district, formed under the laws
- 4 of the state, located wholly or partially within the county other
- 5 than a school district.
- 6 (b) “District” also includes any institution operated by two or
- 7 more counties, in one of which there has been adopted an ordinance
- 8 placing this chapter in operation.
- 9 (c) “District” also includes any organization or association
- 10 authorized by Chapter 26 of the Statutes of 1935, as amended by
- 11 Chapter 30 of the Statutes of 1941, or by Section 50024, which
- 12 organization or association is maintained and supported entirely
- 13 from funds derived from counties, and the board of any retirement
- 14 system is authorized to receive the officers and employees of that
- 15 organization or association into the retirement system managed
- 16 by the board.
- 17 (d) “District” also includes, but is not limited to, any sanitary
- 18 district formed under Part 1 (commencing with Section 6400) of
- 19 Division 6 of the Health and Safety Code.
- 20 (e) “District” also includes any city, public authority, public
- 21 agency, and any other political subdivision or public corporation

1 formed or created under the constitution or laws of this state and
2 located or having jurisdiction wholly or partially within the county.

3 (f) "District" also includes any nonprofit corporation or
4 association conducting an agricultural fair for the county pursuant
5 to a contract between the corporation or association and the board
6 of supervisors under the authority of Section 25905.

7 (g) "District" also includes the Regents of the University of
8 California, but with respect only to employees who were employees
9 of a county in a county hospital, who became university employees
10 pursuant to an agreement for transfer to the regents of a county
11 hospital or of the obligation to provide professional medical
12 services at a county hospital, and who under that agreement had
13 the right and did elect to continue membership in the county's
14 retirement system established under this chapter.

15 (h) "District" also includes the South Coast Air Quality
16 Management District, a new public agency created on February
17 1, 1977, pursuant to Chapter 5.5 (commencing with Section 40400)
18 of Part 3 of Division 26 of the Health and Safety Code.

19 (1) Employees of the South Coast Air Quality Management
20 District shall be deemed to be employees of a new public agency
21 occupying new positions on February 1, 1977. On that date, those
22 new positions are deemed not to have been covered by any
23 retirement system.

24 (2) No retirement system coverage may be effected for an
25 employee of the South Coast Air Quality Management District
26 who commenced employment with the district during the period
27 commencing on February 1, 1977, and ending on December 31,
28 1978, unless and until the employee shall have elected whether to
29 become a member of the retirement association established in
30 accordance with this chapter for employees of Los Angeles County
31 or the retirement association established in accordance with this
32 chapter for employees of San Bernardino County. The election
33 shall occur before January 1, 1980. Any employee who fails to
34 make the election provided for herein shall be deemed to have
35 elected to become a member of the retirement association
36 established in accordance with this chapter for the County of Los
37 Angeles.

38 (3) The South Coast Air Quality Management District shall
39 make application to the retirement associations established in
40 accordance with this chapter for employees of Los Angeles County

1 and San Bernardino County for coverage of employees of the South
2 Coast Air Quality Management District.

3 (4) An employee of the South Coast Air Quality Management
4 District who commenced employment with the district during the
5 period commencing on February 1, 1977, and ending on December
6 31, 1978, and who has not terminated employment before January
7 1, 1980, shall be covered by the retirement association elected by
8 the employee pursuant to paragraph (2). That coverage shall be
9 effected no later than the first day of the first month following the
10 date of the election provided for in paragraph (2).

11 (5) Each electing employee shall receive credit for all service
12 with the South Coast Air Quality Management District. However,
13 the elected retirement association may require, as a prerequisite
14 to granting that credit, the payment of an appropriate sum of money
15 or the transfer of funds from another retirement association in an
16 amount determined by an enrolled actuary and approved by the
17 elected retirement association's board. The amount to be paid shall
18 include all administrative and actuarial costs of making that
19 determination. The amount to be paid shall be shared by the South
20 Coast Air Quality Management District and the employee. The
21 share to be paid by the employee shall be determined by good faith
22 bargaining between the district and the recognized employee
23 organization, but in no event shall the employee be required to
24 contribute more than 25 percent of the total amount required to be
25 paid. The elected retirement association's board may not grant that
26 credit for that prior service unless the request for that credit is
27 made to, and the required payment deposited with, the elected
28 retirement association's board no earlier than January 1, 1980, and
29 no later than June 30, 1980. The foregoing shall have no effect on
30 any employee's rights to reciprocal benefits under Article 15
31 (commencing with Section 31830).

32 (6) An employee of the South Coast Air Quality Management
33 District who commenced employment with the district after
34 December 31, 1978, shall be covered by the retirement association
35 established in accordance with this chapter for employees of San
36 Bernardino County. That coverage shall be effected as of the first
37 day of the first month following the employee's commencement
38 date.

39 (7) Notwithstanding paragraphs (2) and (4) above, employees
40 of the South Coast Air Quality Management District who were

1 employed between February 1, 1977, and December 31, 1978, and
2 who terminate their employment between February 1, 1977, and
3 January 1, 1980, shall be deemed to be members of the retirement
4 association established in accordance with this chapter for the
5 employees of Los Angeles County commencing on the date of
6 their employment with the South Coast Air Quality Management
7 District.

8 (i) “District” also includes any nonprofit corporation that
9 operates one or more museums within a county of the 15th class,
10 as described by Sections 28020 and 28036 of the Government
11 Code, as amended by Chapter 1204 of the Statutes of 1971,
12 pursuant to a contract between the corporation and the board of
13 supervisors of the county, and that has entered into an agreement
14 with the board and the county setting forth the terms and conditions
15 of the corporation’s inclusion in the county’s retirement system.

16 (j) “District” also includes any economic development
17 association funded in whole or in part by a county of the 15th class,
18 as described by Sections 28020 and 28036 of the Government
19 Code, as amended by Chapter 1204 of the Statutes of 1971, and
20 that has entered into an agreement with the board of supervisors
21 and the county setting forth the terms and conditions of the
22 association’s inclusion in the county’s retirement system.

23 (k) “District” also includes any special commission established
24 in the Counties of Tulare and San Joaquin as described by Section
25 14087.31 of the Welfare and Institutions Code, pursuant to a
26 contract between the special commission and the county setting
27 forth the terms and conditions of the special commission’s
28 inclusion in the county’s retirement system with the approval of
29 the board of supervisors and the board of retirement.

30 (l) (1) “District” also includes the retirement system established
31 under this chapter in Orange County.

32 (2) “District” also includes the retirement system established
33 under this chapter in San Bernardino County at such time as the
34 board of retirement, by resolution, makes this section applicable
35 in that county.

36 (3) “District” also includes the retirement system established
37 under this chapter in Contra Costa County.

38 (4) “District” also includes the retirement system established
39 under this chapter in Ventura County.

1 (5) “District” also includes the retirement system established
2 under this chapter in Sacramento County.

3 (m) “District” also includes the Kern County Hospital Authority,
4 a public agency that is a local unit of government established
5 pursuant to Chapter 5.5 (commencing with Section 101852) of
6 Part 4 of Division 101 of the Health and Safety Code.

7 SEC. 2. Section 31522.5 of the Government Code is amended
8 to read:

9 31522.5. (a) In a county in which the board of retirement has
10 appointed personnel pursuant to Section 31522.1, the board of
11 retirement may appoint an administrator, an assistant administrator,
12 a chief investment officer, senior management employees next in
13 line of authority to the chief investment officer, subordinate
14 administrators, senior management employees next in line of
15 authority to subordinate administrators, and legal counsel.

16 (b) Notwithstanding any other provision of law, the personnel
17 appointed pursuant to this section may not be county employees
18 but shall be employees of the retirement system, subject to terms
19 and conditions of employment established by the board of
20 retirement. Except as specifically provided in this subdivision, all
21 other personnel shall be county employees for purposes of the
22 county’s employee relations resolution, or equivalent local rules,
23 and the terms and conditions of employment established by the
24 board of supervisors for county employees, including those set
25 forth in a memorandum of understanding.

26 (c) Except as otherwise provided by Sections 31529.9 and
27 31596.1, the compensation of personnel appointed pursuant to this
28 section shall be an expense of administration of the retirement
29 system, pursuant to Section 31580.2.

30 (d) The board of retirement and board of supervisors may enter
31 into any agreements as may be necessary and appropriate to carry
32 out the provisions of this section.

33 (e) Section 31522.2 is not applicable to any retirement system
34 that elects to appoint personnel pursuant to this section.

35 (f) This section shall apply ~~only~~ in Orange County.

36 (g) This section shall apply to the retirement system established
37 under this chapter in San Bernardino County at such time as the
38 board of retirement, by resolution, makes this section applicable
39 in that county.

1 *(h) This section shall apply to the retirement system established*
2 *under this chapter in Sacramento County at the time that the board*
3 *of retirement, by resolution, makes this section applicable in that*
4 *county.*

5 SEC. 3. Section 31522.7 of the Government Code is amended
6 to read:

7 31522.7. (a) In addition to the authority provided pursuant to
8 Section 31522.5, the board of retirement in the County of San
9 Bernardino Bernardino, or in any other county in which this section
10 has been made applicable, may appoint an administrator, an
11 assistant administrator, a chief investment officer, senior
12 management employees next in line of authority to the chief
13 investment officer, subordinate administrators, senior management
14 employees next in line of authority to subordinate administrators,
15 supervisors and employees with specialized training and knowledge
16 in pension benefit member services, investment reporting
17 compliance, investment accounting, pension benefit tax reporting,
18 pension benefit financial accounting, pension law, and legal
19 counsel.

20 (b) Notwithstanding any other provision of law, the personnel
21 appointed pursuant to this section may not be county employees
22 but shall be employees of the retirement system, subject to terms
23 and conditions of employment established by the board of
24 retirement. Except as specifically provided in this subdivision, all
25 other personnel shall be county employees for purposes of the
26 county's employee relations resolution, or equivalent local rules,
27 and the terms and conditions of employment established by the
28 board of supervisors for county employees, including those set
29 forth in a memorandum of understanding.

30 (c) Except as otherwise provided by Sections 31529.9 and
31 31596.1, the compensation of personnel appointed pursuant to this
32 section shall be an expense of administration of the retirement
33 system, pursuant to Section 31580.2.

34 (d) The board of retirement and board of supervisors may enter
35 into any agreements as may be necessary and appropriate to carry
36 out the provisions of this section.

37 (e) Section 31522.2 is not applicable if the retirement system
38 elects to appoint personnel pursuant to this section.

39 (f) This section shall apply ~~only~~ to the retirement system
40 established under this chapter in San Bernardino County at such

1 time as the board of retirement, by resolution, makes this section
2 applicable in that county.

3 *(g) This section shall apply to the retirement system established*
4 *under this chapter in Sacramento County at the time as the board*
5 *of retirement, by resolution, makes this section applicable in that*
6 *county.*

7 *SEC. 4. Section 31522.75 is added to the Government Code,*
8 *immediately following Section 31522.7, to read:*

9 *31522.75. (a) The retirement system established under this*
10 *chapter in Sacramento County may elect to make this section,*
11 *paragraph (5) of subdivision (l) of Section 31468, and Section*
12 *31522.5, 31522.7, or 31522.9, applicable to the retirement system*
13 *upon adoption of a resolution by the board of retirement.*

14 *(1) Before deciding upon a particular operating authority, the*
15 *retirement system that intends to make this section applicable shall*
16 *notify the participating employers in the retirement system, the*
17 *employees of the retirement system, and any employee organization*
18 *that represents those employees of its intent at least 60 days prior*
19 *to the board of retirement's consideration of a resolution making*
20 *this section applicable. During this period, the retirement system*
21 *shall meet with and discuss the proposed action with any of these*
22 *parties that wish to do so and shall make good faith efforts to*
23 *address any questions or concerns raised by these parties.*

24 *(2) (A) Prior to the adoption by the board of retirement of a*
25 *resolution making this section applicable, or at any time thereafter,*
26 *any employee organization that represents people who work at*
27 *the retirement system may advise the retirement system in writing*
28 *that the employees represented by the organization wish to cease*
29 *being county employees and wish to elect to become retirement*
30 *system employees under the terms of this section.*

31 *(B) Upon election by an employee organization that the*
32 *employees it represents will become retirement system employees,*
33 *the retirement system job classifications, positions, and future*
34 *retirement system employees represented by that employee*
35 *organization shall be retirement system employees.*

36 *(3) (A) Prior to the adoption by the board of retirement of a*
37 *resolution making this section applicable, or at any time thereafter,*
38 *any unrepresented employee of the retirement system, other than*
39 *those in positions appointed pursuant to Section 31522.2, 31522.3*
40 *or 31522.4, may advise the retirement system in writing that the*

1 *employee wishes to cease being a county employee and wishes to*
2 *elect to become a retirement system employee under the terms of*
3 *this section.*

4 *(B) Upon the election by an unrepresented employee to become*
5 *a retirement system employee, that employee, and future employees*
6 *in that position, shall be retirement system employees.*

7 *(4) An election to cease being a county employee and to become*
8 *a retirement system employee, whether made by an employee*
9 *organization on behalf of the employees it represents or by an*
10 *unrepresented employee, shall be irrevocable, except that an*
11 *employee who has elected to become a retirement system employee*
12 *by virtue of this section who subsequently moves to a position,*
13 *whether with the retirement system or with the county, that is not*
14 *deemed a position of the retirement system, shall be a county*
15 *employee unless and until the time as the employee elects to return*
16 *to being a retirement system employee as that may be authorized*
17 *by this section.*

18 *(5) The retirement system shall elect to make either Section*
19 *31522.5, 31522.7 or 31522.9 applicable to the retirement system,*
20 *as necessary, in order to allow the employees who elect to become*
21 *retirement system employees, successor employees in those*
22 *positions, and other appointed employees to have the status of*
23 *employees of the retirement system.*

24 *(b) The board of retirement may elect to appoint personnel, or*
25 *may authorize the retirement administrator to appoint personnel,*
26 *to administer the system as provided in this section.*

27 *(c) (1) Notwithstanding any other law, the personnel appointed*
28 *pursuant to this section and the sections referenced in subdivision*
29 *(a) shall not be county employees, but shall be employees of the*
30 *retirement system, subject to terms and conditions of employment*
31 *established by the board of retirement and the provisions of this*
32 *section.*

33 *(2) A county employee to whom the California Public*
34 *Employees' Pension Reform Act of 2013 (Article 4 (commencing*
35 *with Section 7522) of Chapter 21 of Division 7 of Title 1) did not*
36 *apply before becoming a retirement system employee shall maintain*
37 *that status as an employee of the retirement system.*

38 *(3) For purposes of employment by a subsequent public*
39 *employer, as described in paragraph (1) of subdivision (c) of*

1 Section 7522.02, the retirement system shall have the status of the
2 county as a subsequent employer.

3 (4) With regard to an individual who was employed by the
4 county before January 1, 2013, and who becomes a retirement
5 system employee and then changes employment positions as
6 described in paragraph (2) of subdivision (c) of Section 7522.02,
7 the retirement system shall have the former obligations of the
8 county to provide a defined benefit plan that otherwise would have
9 been available to the employee had he or she remained a county
10 employee.

11 (d) Any employees who were appointed to retirement system
12 personnel positions pursuant to Section 31522.2, 31522.3, or
13 31522.4, prior to the retirement board electing to make this section
14 applicable, shall cease to be county employees and shall become
15 retirement system employees at their existing or equivalent
16 classifications as of the date the board of retirement makes this
17 section applicable pursuant to subdivision (a), subject to any
18 subsequent revisions the retirement board may make pursuant to
19 regulations governing terms and conditions of employment, and,
20 when applicable, the provisions of a subsequent memorandum of
21 understanding or bargaining agreement covering the employee.

22 (e) Any employees who were appointed to retirement system
23 personnel positions pursuant to Section 31522.1 prior to the
24 retirement board electing to move this section applicable and who
25 are subsequently appointed as retirement system employees
26 pursuant to subdivision (a) shall cease to be county employees
27 and shall become retirement system employees at their existing or
28 equivalent classifications as of the date the board of retirement
29 makes this section applicable, subject to any subsequent revisions
30 the retirement board may make pursuant to regulations governing
31 terms and conditions of employment and, when applicable, the
32 provisions of a subsequent memorandum of understanding or
33 bargaining agreement covering the employee.

34 (f) Upon electing to make this section applicable, the retirement
35 system shall recognize as the exclusive representative of those
36 former county employees who become retirement system employees
37 the employee organization that represented those employees, if
38 any, and shall honor the provisions in any memorandum of
39 understanding or bargaining agreement in effect on the date the

1 board of retirement makes this section applicable for the duration
2 of the memorandum of understanding or bargaining agreement.

3 (g) The following shall apply to those persons who become
4 retirement system employees pursuant to this section:

5 (1) Employment seniority of a retirement system employee,
6 including, but not limited to, an employee's continuous service
7 date used for purposes of retirement or other benefits, as calculated
8 and used under the county system in effect before the date this
9 section becomes applicable, shall be calculated and used in the
10 same manner by the retirement system at the time the county
11 employee becomes a retirement system employee, subject to any
12 subsequent revisions the retirement board may make pursuant to
13 regulations governing terms and conditions of employment, and
14 when applicable, the provisions of a subsequent memorandum of
15 understanding or bargaining agreement covering the employee.

16 (2) Retirement system employees shall have the same status they
17 had as probationary, permanent, or regular employees under the
18 county system in effect on the date this section becomes applicable,
19 subject to any subsequent revisions the retirement board may make
20 pursuant to regulations governing terms and conditions of
21 employment, and, when applicable, the provisions of a subsequent
22 memorandum of understanding or bargaining agreement covering
23 the employee.

24 (3) Retirement system employees shall receive their same salary
25 rates, leaves of absence, leave accrual rates, including all related
26 compensation rules and provisions applicable to those salary rates,
27 leaves, and accrual rates as under the county system on the date
28 this section becomes applicable, subject to any subsequent
29 revisions the retirement board may make pursuant to regulations
30 governing terms and conditions of employment, and when
31 applicable, the provisions of a subsequent memorandum of
32 understanding or bargaining agreement covering the employee.

33 (4) (A) Retirement system employees shall be afforded the
34 opportunity to participate in county benefit plans and programs,
35 including, but not limited to, group health, dental, and life
36 insurance, workers' compensation, and deferred compensation
37 that existed on the date this section becomes applicable, under the
38 same terms and conditions as those programs were available to
39 county employees. The retirement board shall contract with the
40 county to administer the county benefit plans and programs for

1 retirement system employees, under the same terms and conditions
2 applicable to county employees, and shall provide the employer
3 cost and reasonable administrative expenses for participation in
4 the programs unless and until the retirement board chooses to
5 provide different benefits or different benefit levels through another
6 provider.

7 (B) The participation of retirement system employees in county
8 benefit plans or programs, and the county's administration of
9 certain compensation or benefits for retirement employees pursuant
10 to this section, shall not create or be construed to create a meet
11 and confer obligation between the county and any employee
12 organization recognized to represent retirement system employees.

13 (5) Any leave balance accrued by a county employee prior to
14 his or her appointment as a retirement system employee pursuant
15 to this section or the provisions that it authorizes the retirement
16 system to adopt shall be transferred from the county to the
17 retirement system and the county shall pay to the retirement system
18 an amount equal to the value of the accrued leave.

19 (h) The board of retirement and the county shall enter into any
20 agreements necessary and appropriate to carry out this section.
21 The county shall cooperate fully, and act in a timely manner, to
22 establish and implement these agreements and any other measures
23 necessary to accomplish the objectives in this section. The
24 retirement system shall pay reasonable and appropriate
25 administrative expenses associated with implementing these
26 agreements and measures.

27 (i) Sections 31522.2, 31522.3, and 31522.4 shall no longer
28 apply to the retirement system after electing to make this section
29 applicable.

30 (j) Upon electing to make this section applicable, the board of
31 retirement may make regulations consistent with this chapter, and
32 the provisions of Section 31525 that require approval of retirement
33 board regulations by the board of supervisors shall no longer
34 apply.

35 (k) The compensation of personnel appointed pursuant to this
36 section shall be an expense of administration of the retirement
37 system pursuant to Section 31580.2, except as provided in Section
38 31522.5, 31522.7, or 31522.9, as those sections may apply to the
39 retirement system.

1 *SEC. 5. Section 31522.9 of the Government Code is amended*
2 *to read:*

3 31522.9. (a) The board of retirement of a county may appoint
4 a retirement administrator and other personnel as are required to
5 accomplish the necessary work of the board. The board may
6 authorize the administrator to make these appointments on its
7 behalf. Notwithstanding any other law, the personnel so appointed
8 shall not be county employees but shall become employees of the
9 retirement system, subject to terms and conditions of employment
10 established by the board of retirement, including those set forth in
11 ~~memoranda~~ *a memorandum* of understanding executed by the
12 board of retirement and recognized employee organizations.

13 (b) Sections 31522.1 and 31522.2 shall not apply to a retirement
14 system that appoints personnel pursuant to this section.

15 (c) The retirement system that appoints personnel pursuant to
16 this section is a public agency for purposes of the
17 Meyers-Milias-Brown Act (Chapter 10 (commencing with Section
18 3500) of Division 4).

19 (d) The compensation of personnel appointed pursuant to this
20 section shall be an expense of administration of the retirement
21 system, pursuant to Section 31580.2, except as provided in Sections
22 31529.5, 31529.9, and 31596.1.

23 (e) The board of retirement and the board of supervisors may
24 enter into agreements as they determine are necessary and
25 appropriate in order to carry out the provisions of this section.

26 (f) The retirement system, upon the effective date of this section,
27 shall retain, for a 90-day transition employment period,
28 nonprobationary employees who, upon the effective date of this
29 section, were covered by a county memorandum of understanding
30 and employed by the county at the retirement system's facilities,
31 unless just cause exists to terminate the employees or legitimate
32 grounds exist to lay off these employees. If during the 90-day
33 period the retirement system determines that a layoff of these
34 employees is necessary, the retirement system shall retain the
35 employees by seniority within job classification. The terms and
36 conditions of employment of the employees retained pursuant to
37 this subdivision shall be subject to the terms and conditions
38 established by the applicable ~~memoranda~~ *memorandum* of
39 understanding executed by the board of retirement and the
40 recognized employee organizations. During the 90-day transition

1 period, probationary employees shall maintain only those rights
2 they initially acquired pursuant to their employment with the
3 county.

4 (g) Subject to the employees' rights under the
5 Meyers-Milias-Brown Act (Chapter 10 (commencing with Section
6 3500) of Division 4), the retirement system, upon the effective
7 date of this section, shall recognize as the exclusive representative
8 of the employees retained pursuant to subdivision (f) the recognized
9 employee organizations that represented those employees when
10 employed by the county. The initial terms and conditions for those
11 employees shall be as previously established by the applicable
12 ~~memoranda~~ memorandum of understanding executed by the county
13 and recognized employee organizations.

14 (h) This section shall apply ~~only~~ in Contra Costa County.

15 (i) *This section shall apply to the retirement system established*
16 *under this chapter in Sacramento County at the time that the board*
17 *of retirement, by resolution, makes this section applicable in that*
18 *county.*

19 *SEC. 6. Section 31528 of the Government Code is amended to*
20 *read:*

21 31528. (a) Unless permitted by this chapter, a member or
22 employee of the board shall not become an endorser, surety, or
23 obligor on, or have any personal interest, direct or indirect, in the
24 making of any investment for the board, or in the gains or profits
25 accruing from those investments. A member or employee of the
26 board shall not directly or indirectly, for himself or herself, or as
27 an agent or partner of others, borrow or use any of the funds or
28 deposits of the retirement system, except to make current and
29 necessary payments authorized by the board.

30 (b) A member or employee of the board shall not, directly or
31 indirectly, by himself or herself, or as an agent or partner or
32 employee of others, sell or provide any investment product that
33 would be considered an asset of the fund, to any retirement system
34 established pursuant to this chapter.

35 (c) An individual who held a position designated in Section
36 31522.3, 31522.4, ~~or~~ 31522.5, or *established pursuant to Section*
37 *31522.75, or was a member of the board or an administrator, shall*
38 *not, for a period of two years after leaving that position, for*
39 *compensation, act as agent or attorney for, or otherwise represent,*
40 *any other person except the county, by making any formal or*

1 informal appearance before, or any oral or written communication
2 to, the retirement system, or any officer or employee thereof, if
3 the appearance or communication is made for the purpose of
4 influencing administrative or legislative action, or any action or
5 proceeding involving the issuance, amendment, awarding, or
6 revocation of a permit, license, grant, contract, or sale or purchase
7 of goods or property.

8 *SEC. 7. Section 31529.9 of the Government Code is amended*
9 *to read:*

10 31529.9. (a) In addition to the powers granted by Sections
11 31522.5, 31522.75, 31522.9, 31529, 31529.5, 31614, and 31732,
12 the board of retirement and the board of investment may contract
13 with the county counsel or with attorneys in private practice or
14 employ staff attorneys for legal services.

15 (b) Notwithstanding Sections 31522.5, 31522.7, 31522.75,
16 31529.5, and 31580, the board shall pay, from system assets,
17 reasonable compensation for the legal services.

18 (c) This section applies to any county of the 2nd class, 7th class,
19 9th class, 14th class, 15th class, or the 16th class as described by
20 Sections 28020, 28023, 28028, 28030, 28035, 28036, and 28037.

21 (d) This section shall also apply to any other county if the board
22 of retirement, by resolution adopted by majority vote, makes this
23 section applicable in the county.

24 *SEC. 8. Section 31535 of the Government Code is amended to*
25 *read:*

26 31535. The board may issue subpoenas and subpoenas duces
27 tecum, and compensate persons subpoenaed. This power shall be
28 exercised and enforced in the same manner as the similar power
29 granted the board of supervisors in Article 9 (commencing with
30 Section 25170) of Chapter 1, Part 2, Division ~~2~~; 2, except that the
31 power shall extend only to matters within the retirement board's
32 jurisdiction, and committees of the board shall not have this power.
33 Reasonable fees and expenses may be provided for by board
34 regulation for any or all of such witnesses regardless of which
35 party subpoenaed them.

36 Subpoenas shall be signed by the chairman or secretary of the
37 retirement board, except that the board may by regulation provide
38 for express written delegation of its subpoena power to any referee
39 it appoints pursuant to this chapter or to any administrator

1 appointed pursuant to Section ~~31522.2~~, 31522.2, 31522.5, 31522.7,
2 31522.9, or 31522.10.

3 Any member of the board, the referee, or any person otherwise
4 empowered to issue subpoenas may administer oaths to, or take
5 depositions from, witnesses before the board or referee.

6 *SEC. 9. Section 31557.3 of the Government Code is amended*
7 *to read:*

8 31557.3. On the date a district, as defined in subdivision (l) of
9 Section 31468, is included in the retirement system, any personnel
10 appointed pursuant to Sections 31522.5, 31522.7, 31522.75,
11 31522.9, 31522.10, and 31529.9 who had previously been in county
12 service shall continue to be members of the system without
13 interruption in service or loss of credit. Thereafter, each person
14 entering employment with the district shall become a member of
15 the system on the first day of the calendar month following his or
16 her entrance into service.

17 *SEC. 10. Section 31580.2 of the Government Code is amended*
18 *to read:*

19 31580.2. (a) In counties in which the board of retirement, or
20 the board of retirement and the board of investment, have appointed
21 personnel pursuant to Section 31522.1, 31522.5, 31522.7,
22 31522.75, 31522.9, or 31522.10, the respective board or boards
23 shall annually adopt a budget covering the entire expense of
24 administration of the retirement system which expense shall be
25 charged against the earnings of the retirement fund. The expense
26 incurred in any year may not exceed the greater of either of the
27 following:

28 (1) Twenty-one hundredths of 1 percent of the accrued actuarial
29 liability of the retirement system.

30 (2) Two million dollars (\$2,000,000), as adjusted annually by
31 the amount of the annual cost-of-living adjustment computed in
32 accordance with Article 16.5 (commencing with Section 31870).

33 (b) Expenditures for computer software, computer hardware,
34 and computer technology consulting services in support of these
35 computer products shall not be considered a cost of administration
36 of the retirement system for purposes of this section.

37 ~~SECTION 1. Section 31459 of the Government Code is~~
38 ~~amended to read:~~

39 ~~31459. (a) In a county in which a board of investments has~~
40 ~~been established pursuant to Section 31520.2:~~

- 1 ~~(1) As used in Sections 31453, 31453.5, 31454, 31454.1,~~
2 ~~31454.5, 31472, 31588.1, 31589.1, 31591, 31592.3, 31594,~~
3 ~~31595.1, 31595.9, 31596, 31596.1, 31601.1, 31607, 31611, 31616,~~
4 ~~31625, 31784, and 31872, “board” means a board of investments.~~
5 ~~(2) As used in the first paragraph of Section 31592.2, “board”~~
6 ~~means a board of investments.~~
7 ~~(3) Sections 31510.4, 31522, 31523, 31524, 31525, 31528,~~
8 ~~31529, 31529.5, 31595, 31618, 31680, and 31680.1 apply to both~~
9 ~~the board of retirement and board of investments, and as used in~~
10 ~~those sections, “board” means both “board of retirement” and~~
11 ~~“board of investments.”~~
12 ~~(b) In Article 17 (commencing with Section 31880), “board”~~
13 ~~means the Board of Administration of the Public Employees’~~
14 ~~Retirement System.~~
15 ~~(c) In all other cases, “board” means the board of retirement.~~

O

ASSEMBLY BILL

No. 526

Introduced by Assembly Member Cooper

February 13, 2017

An act to amend Section 31459 of the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 526, as introduced, Cooper. County employees' retirement.

The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county and district employees. CERL authorizes the board of supervisors of any county in which the assets of the retirement system exceed \$800,000,000 to establish a board of investments and specifies the division of certain duties between the board of investments and the retirement board.

This bill would make a nonsubstantive change to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 31459 of the Government Code is
2 amended to read:
3 31459. (a) In a county in which a board of investments has
4 been established pursuant to Section 31520.2:
5 (1) As used in Sections 31453, 31453.5, 31454, 31454.1,
6 31454.5, 31472, 31588.1, 31589.1, 31591, 31592.3, 31594,

1 31595.1, 31595.9, 31596, 31596.1, 31601.1, 31607, 31611, 31616,
2 31625, 31784, and 31872, “board” means a board of investments.

3 (2) As used in the first paragraph of Section 31592.2, “board”
4 means a board of investments.

5 (3) Sections 31510.4, 31522, 31523, 31524, 31525, 31528,
6 31529, 31529.5, 31595, 31618, 31680, and 31680.1 apply to both
7 the board of retirement and board of investments, and *as used in*
8 *those sections*, “board” means both “board of retirement” and
9 “board of investments.”

10 (b) In Article 17 (commencing with Section 31880), “board”
11 means the Board of Administration of the Public Employees’
12 Retirement System.

13 (c) In all other cases, “board” means the board of retirement.

April 21, 2017

TO: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 11, 2017 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Assembly Bill 995—Transfer of Leave Balances**

*Author: Limón [D]
Sponsor: Ventura County Employees' Retirement Association
Introduced: February 16, 2017
Amended: April 17, 2017
Status: Re-referred to ASSEMBLY Committee on Public Employees,
Retirement & Social Security (04/18/2017)*

Staff Recommendation: Watch

RECOMMENDATION

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement adopt a "Watch" position on Assembly Bill 995, which relates to the transfer of leave balances.

LEGISLATIVE POLICY STANDARD

A "Watch" position indicates that the legislative proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA or other retirement systems of the County Employees Retirement Law of 1937 (CERL). AB 995 amends a provision in CERL that applies only to the Ventura County Employees' Retirement Association and is not consistent with existing legislative policy standards that would entail support or opposition.

SUMMARY

As amended on April 17, 2017, AB 995 requires leave balances accrued by a county employee to be transferred from the county to the retirement system upon his or her appointment as a retirement system employee.

ANALYSIS

Background

The Ventura County Employees' Retirement Association (VCERA) is authorized under AB 1291 (Statutes of 2015, Chapter 223) to become a district and appoint a retirement administrator, chief financial officer, chief operations officers, chief investment, and general counsel who would be employees of the retirement system rather than of the County of Ventura.

In its implementation of AB 1291, VCERA was informed by the County of Ventura that the appointment of any existing County employees to VCERA employment would result in the payout of leave balances to those employees pursuant to Section 227.3 of the Labor Code. VCERA sought to have those leave balances transferred from the County to VCERA when appointing existing County employees to VCERA employment to ensure a seamless transition for those employees.

In 2016, VCERA submitted a proposal to the State Association of County Retirement Systems (SACRS) to sponsor legislation for the 2017 legislative year that would enable leave balances to be transferred from the county to the retirement system for county employees appointed to retirement system employment. That proposal was contingent on the enactment of AB 1853, which was sponsored by SACRS for the 2016 legislative year. AB 1853 would have authorized any CERL retirement system to become a district and would have provided for administrative provisions related to the implementation of district status. VCERA's proposal would have expanded the administrative provisions in AB 1853 to include the transfer of leave balances. Since AB 1853 was ultimately vetoed, VCERA's proposal was no longer applicable.

This Bill

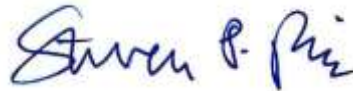
AB 995 requires leave balances accrued by a county employee to be transferred from the county to the retirement system upon his or her appointment as a retirement system employee. The value of the leave balance would be based on the compensation paid to the employee by the county immediately before the transfer from the county to the retirement system.

AB 995 applies only to the Ventura County Employees' Retirement Association.

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IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE recommend that the Board of Retirement adopt a “Watch” position on Assembly Bill 995, which relates to the transfer of leave balances.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

AB 995 (Limón) as amended on April 17, 2017

AB 995 (Limón) as amended on March 21, 2017

AB 995 (Limón) as introduced on February 16, 2017

AB 995

Attachment 1—Board Positions Adopted on Related Legislation

Insurance, Benefits and Legislative Committee

April 21, 2017

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 1853 (2016, vetoed) authorized the retirement board of any retirement system operating under the County Employees Retirement Law of 1937 to become a district. It provided for various administrative requirements and authority related to the implementation of district status by a retirement system. It authorized existing retirement systems that are districts to be able to change to any other existing administrative structure. The Board of Retirement adopted an “Oppose” position.

AB 995
Attachment 2—Support And Opposition
Insurance, Benefits and Legislative Committee
April 21, 2017
Page 1

SUPPORT

Ventura County Employees' Retirement Association (Sponsor)
Peace Officers Research Association of California

OPPOSITION

None

AMENDED IN ASSEMBLY APRIL 17, 2017

AMENDED IN ASSEMBLY MARCH 21, 2017

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 995

Introduced by Assembly Member Limón

February 16, 2017

An act to amend Section 31522.10 of the Government Code, relating to county employee retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 995, as amended, Limón. County employee retirement: retirement board appointees: leave balances.

Existing law, the County Employees Retirement Law of 1937, authorizes counties to establish retirement systems, as specified, in order to provide pension benefits to county, city, and district employees. Existing law defines a district for these purposes and includes the retirement system established in Ventura County within the definition. The law authorizes the board of retirement in Ventura County to appoint specified personnel who, subsequent to their appointments, become employees of the retirement system subject to the terms of employment determined by the board of retirement.

This bill would require any leave balance accrued by a county employee prior to his or her appointment as a Ventura County retirement system employee, as described above, to be transferred from the county to the retirement system and would require the county to pay to the retirement system an amount equal to the value of the accrued ~~leave~~ *leave, as specified*.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 31522.10 of the Government Code is
2 amended to read:

3 31522.10. (a) In a county in which the board of retirement has
4 appointed personnel pursuant to Section 31522.1, the board of
5 retirement may appoint a retirement administrator, chief financial
6 officer, chief operations officer, chief investment officer, and
7 general counsel.

8 (b) Notwithstanding any other law:

9 (1) The personnel appointed pursuant to this section shall not
10 be county employees but shall be employees of the retirement
11 system, subject to terms and conditions of employment established
12 by the board of retirement. Except as specifically provided in this
13 subdivision, all other personnel shall be county employees for
14 purposes of the county's employee relations resolution, or
15 equivalent local rules, and the terms and conditions of employment
16 established by the board of supervisors for county employees,
17 including those set forth in a memorandum of understanding.

18 (2) Any leave balance accrued by a county employee prior to
19 his or her appointment as a retirement system employee pursuant
20 to this chapter shall be transferred from the county to the retirement
21 ~~system and the system.~~ *The county shall pay to the retirement*
22 *system at the time that the leave is transferred an amount equal*
23 *to the value of the accrued leave. leave at that time based on the*
24 *compensation paid to the employee by the county immediately*
25 *before the transfer.*

26 (c) Except as otherwise provided by Sections 31529.9 and
27 31596.1, the compensation of personnel appointed pursuant to this
28 section shall be an expense of administration of the retirement
29 system, pursuant to Section 31580.2.

30 (d) The board of retirement and board of supervisors may enter
31 into any agreements as may be necessary and appropriate to carry
32 out the provisions of this section.

33 (e) Section 31522.2 is not applicable to a retirement system that
34 elects to appoint personnel pursuant to this section.

1 (f) This section shall apply only to the retirement system
2 established under this chapter in Ventura County at such time as
3 the board of retirement, by resolution, makes this section applicable
4 in that county.

O

AMENDED IN ASSEMBLY MARCH 21, 2017

CALIFORNIA LEGISLATURE—2017—18 REGULAR SESSION

ASSEMBLY BILL

No. 995

Introduced by Assembly Member Limón

February 16, 2017

An act to amend Section ~~25132~~ *31522.10* of the Government Code, relating to ~~local government~~. *county employee retirement*.

LEGISLATIVE COUNSEL'S DIGEST

AB 995, as amended, Limón. ~~Ordinances: violations: administrative fines.~~ *County employee retirement: retirement board appointees: leave balances.*

Existing law, the County Employees Retirement Law of 1937, authorizes counties to establish retirement systems, as specified, in order to provide pension benefits to county, city, and district employees. Existing law defines a district for these purposes and includes the retirement system established in Ventura County within the definition. The law authorizes the board of retirement in Ventura County to appoint specified personnel who, subsequent to their appointments, become employees of the retirement system subject to the terms of employment determined by the board of retirement.

This bill would require any leave balance accrued by a county employee prior to his or her appointment as a Ventura County retirement system employee, as described above, to be transferred from the county to the retirement system and would require the county to pay to the retirement system an amount equal to the value of the accrued leave.

~~Existing law authorizes the legislative body of a county to make, by ordinance, any violation of an ordinance subject to an administrative~~

~~fine or penalty and limits the maximum fine or penalty amounts for infractions, as specified.~~

~~This bill would make nonsubstantive changes to this provision.~~

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 31522.10 of the Government Code is*
2 *amended to read:*

3 31522.10. (a) In a county in which the board of retirement has
4 appointed personnel pursuant to Section 31522.1, the board of
5 retirement may appoint a retirement administrator, chief financial
6 officer, chief operations officer, chief investment officer, and
7 general counsel.

8 (b) Notwithstanding any other ~~law, the law:~~

9 (1) *The personnel appointed pursuant to this section shall not*
10 *be county employees but shall be employees of the retirement*
11 *system, subject to terms and conditions of employment established*
12 *by the board of retirement. Except as specifically provided in this*
13 *subdivision, all other personnel shall be county employees for*
14 *purposes of the county’s employee relations resolution, or*
15 *equivalent local rules, and the terms and conditions of employment*
16 *established by the board of supervisors for county employees,*
17 *including those set forth in a memorandum of understanding.*

18 (2) *Any leave balance accrued by a county employee prior to*
19 *his or her appointment as a retirement system employee pursuant*
20 *to this chapter shall be transferred from the county to the*
21 *retirement system and the county shall pay to the retirement system*
22 *an amount equal to the value of the accrued leave.*

23 (c) Except as otherwise provided by Sections 31529.9 and
24 31596.1, the compensation of personnel appointed pursuant to this
25 section shall be an expense of administration of the retirement
26 system, pursuant to Section 31580.2.

27 (d) The board of retirement and board of supervisors may enter
28 into any agreements as may be necessary and appropriate to carry
29 out the provisions of this section.

30 (e) Section 31522.2 is not applicable to a retirement system that
31 elects to appoint personnel pursuant to this section.

1 (f) This section shall apply only to the retirement system
2 established under this chapter in Ventura County at such time as
3 the board of retirement, by resolution, makes this section applicable
4 in that county.

5 ~~SECTION 1. Section 25132 of the Government Code is~~
6 ~~amended to read:~~

7 ~~25132. (a) Violation of a county ordinance is a misdemeanor~~
8 ~~unless by ordinance it is made an infraction. The violation of a~~
9 ~~county ordinance may be prosecuted by county authorities in the~~
10 ~~name of the people of the State of California, or redressed by civil~~
11 ~~action.~~

12 ~~(b) Every violation determined to be an infraction is punishable~~
13 ~~by the following:~~

14 ~~(1) A fine not exceeding one hundred dollars (\$100) for a first~~
15 ~~violation.~~

16 ~~(2) A fine not exceeding two hundred dollars (\$200) for a second~~
17 ~~violation of the same ordinance within one year.~~

18 ~~(3) A fine not exceeding five hundred dollars (\$500) for each~~
19 ~~additional violation of the same ordinance within one year.~~

20 ~~(c) Notwithstanding any other law, a violation of local building~~
21 ~~and safety codes determined to be an infraction is punishable by~~
22 ~~the following:~~

23 ~~(1) A fine not exceeding one hundred dollars (\$100) for a first~~
24 ~~violation.~~

25 ~~(2) A fine not exceeding five hundred dollars (\$500) for a second~~
26 ~~violation of the same ordinance within one year.~~

27 ~~(3) A fine not exceeding one thousand dollars (\$1,000) for each~~
28 ~~additional violation of the same ordinance within one year of the~~
29 ~~first violation.~~

ASSEMBLY BILL

No. 995

Introduced by Assembly Member Limón

February 16, 2017

An act to amend Section 25132 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 995, as introduced, Limón. Ordinances: violations: administrative fines.

Existing law authorizes the legislative body of a county to make, by ordinance, any violation of an ordinance subject to an administrative fine or penalty and limits the maximum fine or penalty amounts for infractions, as specified.

This bill would make nonsubstantive changes to this provision.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 25132 of the Government Code is
2 amended to read:
3 25132. (a) Violation of a county ordinance is a misdemeanor
4 unless by ordinance it is made an infraction. The violation of a
5 county ordinance may be prosecuted by county authorities in the
6 name of the people of the State of California, or redressed by civil
7 action.
8 (b) Every violation determined to be an infraction is punishable
9 by ~~(1)~~ a the following:

- 1 (1) A fine not exceeding one hundred dollars (\$100) for a first
2 violation; ~~(2) a violation.~~
- 3 (2) A fine not exceeding two hundred dollars (\$200) for a second
4 violation of the same ordinance within one year; ~~(3) a year.~~
- 5 (3) A fine not exceeding five hundred dollars (\$500) for each
6 additional violation of the same ordinance within one year.
- 7 (c) Notwithstanding any other ~~provision of~~ law, a violation of
8 local building and safety codes determined to be an infraction is
9 punishable by ~~(1) a~~ the following:
- 10 (1) A fine not exceeding one hundred dollars (\$100) for a first
11 violation; ~~(2) a violation.~~
- 12 (2) A fine not exceeding five hundred dollars (\$500) for a second
13 violation of the same ordinance within one year; ~~(3) a year.~~
- 14 (3) A fine not exceeding one thousand dollars (\$1,000) for each
15 additional violation of the same ordinance within one year of the
16 first violation.

**INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE
RETIREE HEALTHCARE BENEFITS PROGRAM
STAFF ACTIVITIES REPORT
APRIL 2017
FOR INFORMATION ONLY**

Retiree Wellness Program - Staying Healthy Together Spring Half-Day Workshop

The half-day Staying Healthy Together Program spring workshop was held on April 18 at the Pickwick Gardens in Burbank. We are happy to report that the event was well attended by our retirees (approximately 300).

Members found the presentation by Kristie Holt informative (sponsored by Anthem Blue Cross). Kristie talked about the benefits of relaxation techniques such as deep breathing and palming and the importance of things as simple as laughing more in improving mindfulness. Here's a sample of what members had to say:

- "Very good activity for seniors"
- "Well organized, thank you!"
- "Thank you so much for sponsoring these useful workshops for your members. I'm looking forward to your next seminar. The workshop today was informative and helpful. I love the mindfulness Book"

We thank our carriers (Anthem Blue Cross, Cigna, CVS Caremark, Kaiser Permanente, SCAN Health Plan, UnitedHealthcare), Aon, and staff for another successful event.

2017 CVS Health Forum

Staff recently attended the 2017 CVS Health Forum in Orlando, Florida. During the forum, the following topics were addressed:

- Accordant Disease Management Program
- EGWP
- Government Business: Opioid Discussion
- Analytics and the Robust Drug Pipeline
- Member Engagement Experience
- CVS Specialty Pharmacy
- Executive Insights

Centers for Medicare and Medicaid Services (CMS) Medicare Part D Retiree Drug Subsidy (RDS) Applications for Plan Year 7/1/2017 – 6/30/2018

Staff and carriers completed the RDS application process and the submission of the required Initial Retiree List to CMS/RDS by the May 3, 2017, CMS deadline for the following RDS applications:

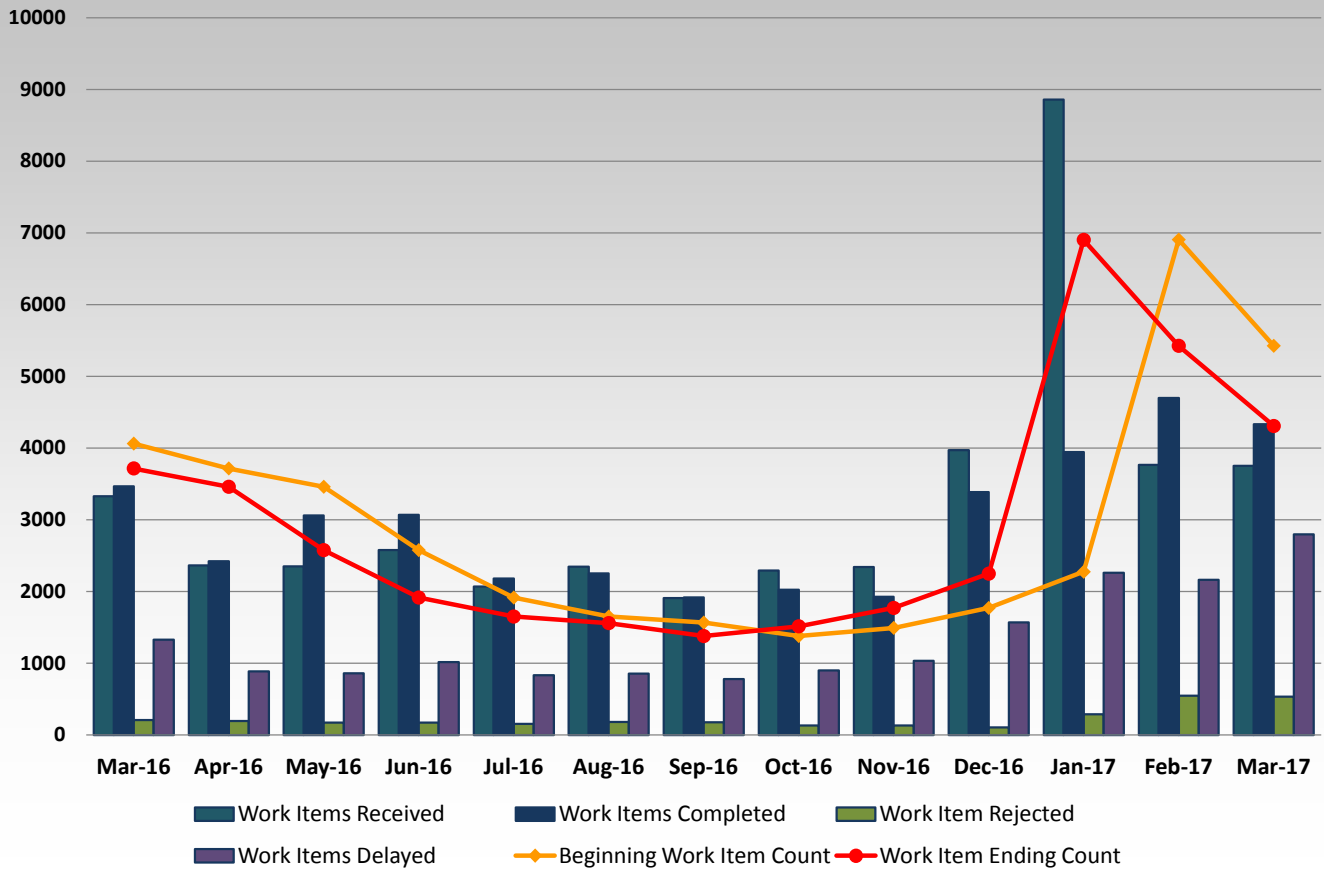
- Anthem Blue Cross
- Cigna Medical
- Kaiser
- Local 1014

LACERA received confirmation from CMS/RDS that all applications listed above were received and approved.

Kudos to staff, carriers, and Aon's actuary for the assistance they provided in completing this annual project.

Retiree Healthcare Division Trend Report

March 2016-March 2017
Updated 4/28/2017

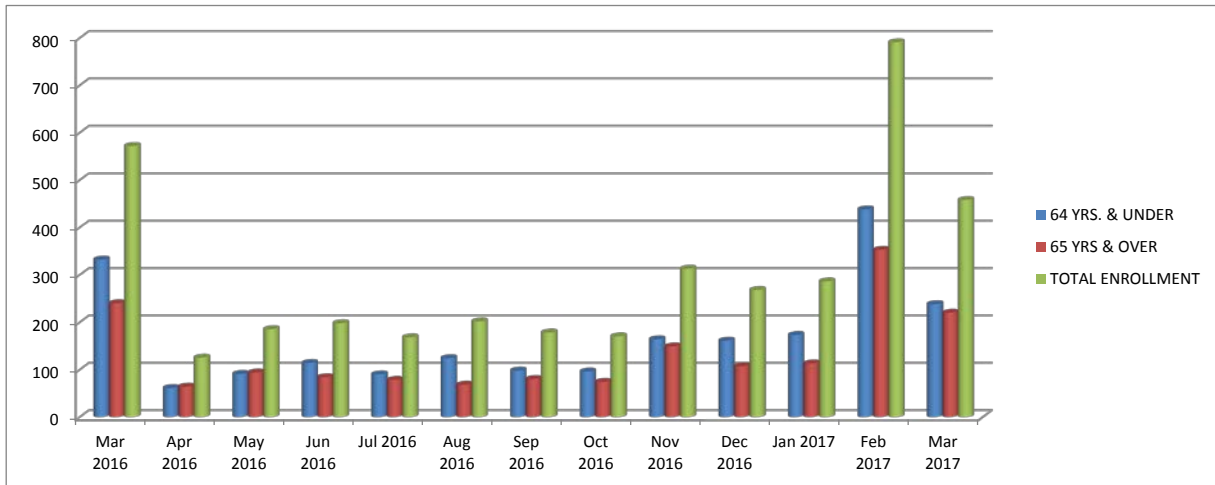


	Beginning Work Item Count	Work Items Received	Work Items Completed	Work Item Rejected	Work Items Delayed	Work Item Ending Count
Mar-16	4063	3331	3467	210	1328	3717
Apr-16	3717	2365	2423	198	887	3461
May-16	3461	2350	3059	174	860	2578
Jun-16	2578	2579	3068	172	1015	1917
Jul-16	1917	2072	2183	154	836	1652
Aug-16	1652	2347	2255	183	855	1561
Sep-16	1568	1910	1920	178	780	1380
Oct-16	1380	2295	2027	132	899	1516
Nov-16	1494	2342	1929	135	1034	1772
Dec-16	1772	3970	3387	105	1572	2250
Jan-17	2276	8859	3944	288	2260	6903
Feb-17	6906	3767	4698	549	2164	5426
Mar-17	5426	3753	4334	537	2798	4308

Retirees Monthly Age Breakdown MARCH 2016 ~ MARCH 2017

Service Retirement

MONTH	64 YRS. & UNDER	65 YRS & OVER	TOTAL ENROLLMENT
Mar 2016	332	240	572
Apr 2016	61	64	125
May 2016	91	94	185
Jun 2016	114	84	198
Jul 2016	90	78	168
Aug 2016	124	68	202
Sep 2016	98	80	178
Oct 2016	96	74	170
Nov 2016	164	149	313
Dec 2016	161	107	268
Jan 2017	173	113	286
Feb 2017	438	353	791
Mar 2017	238	220	458



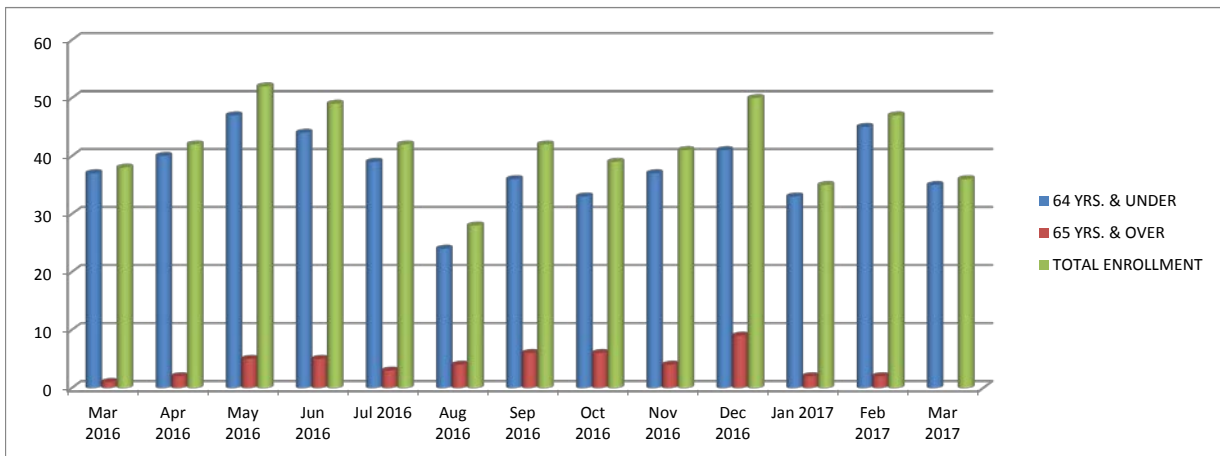
PLEASE NOTE:

- April (4/2017) data is not yet available as data is provided on a **full month basis**.
- Next Report will include the following dates: April 1, 2016 through April 30, 2017.

Retirees Monthly Age Breakdown MARCH 2016 ~ MARCH 2017

Disability Retirement

MONTH	64 YRS. & UNDER	65 YRS. & OVER	TOTAL ENROLLMENT
Mar 2016	37	1	38
Apr 2016	40	2	42
May 2016	47	5	52
Jun 2016	44	5	49
Jul 2016	39	3	42
Aug 2016	24	4	28
Sep 2016	36	6	42
Oct 2016	33	6	39
Nov 2016	37	4	41
Dec 2016	41	9	50
Jan 2017	33	2	35
Feb 2017	45	2	47
Mar 2017	35	1	36



PLEASE NOTE:

- April (4/2017) data is not yet available as data is provided on a **full month basis**.
- Next Report will include the following dates: April 1, 2016 through April 30, 2017.

Medicare Part B Reimbursement and Penalty Report

PAY PERIOD 4/30/2017

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
ANTHEM BC III				
202	1	\$268.00	0	\$0.00
240	6,354	\$698,412.70	9	\$262.20
241	164	\$17,825.30	0	\$0.00
242	825	\$93,665.80	0	\$0.00
243	3,653	\$802,307.90	6	\$537.10
244	19	\$2,087.40	0	\$0.00
245	52	\$5,973.00	0	\$0.00
246	19	\$2,137.20	0	\$0.00
247	95	\$11,083.40	0	\$0.00
248	11	\$2,406.50	1	\$36.50
249	41	\$9,272.10	0	\$0.00
250	14	\$3,123.00	0	\$0.00
Plan Total:	11,248	\$1,648,562.30	16	\$835.80
CIGNA-HEALTHSPRING PREFERRED with RX				
321	31	\$3,386.70	0	\$0.00
322	9	\$1,032.50	0	\$0.00
324	14	\$2,976.90	0	\$0.00
327	2	\$238.90	0	\$0.00
329	2	\$440.70	0	\$0.00
Plan Total:	58	\$8,075.70	0	\$0.00
KAISER SR. ADVANTAGE				
403	9,876	\$1,088,703.10	7	\$206.50
404	1	\$268.00	0	\$0.00
413	1,671	\$191,894.70	1	\$0.00
418	4,998	\$1,092,741.10	4	\$217.30
419	275	\$29,838.10	0	\$0.00
426	210	\$22,995.10	0	\$0.00
427	161	\$17,428.40	0	\$0.00
445	2	\$210.90	0	\$0.00
451	33	\$3,598.10	0	\$0.00
457	11	\$2,329.00	0	\$0.00
458	1	\$134.00	0	\$0.00
462	50	\$5,382.90	0	\$0.00
465	12	\$1,274.20	0	\$0.00
466	25	\$5,355.30	0	\$0.00
472	34	\$3,698.30	0	\$0.00
476	6	\$733.60	0	\$0.00
478	11	\$2,382.40	0	\$0.00
482	80	\$8,693.20	0	\$0.00
486	11	\$1,391.90	0	\$0.00
488	44	\$9,032.80	0	\$0.00
492	1	\$104.90	0	\$0.00
494	1	\$226.70	0	\$0.00
Plan Total:	17,514	\$2,488,416.70	12	\$423.80

Medicare Part B Reimbursement and Penalty Report

PAY PERIOD 4/30/2017

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
SCAN				
611	292	\$32,656.70	0	\$0.00
613	109	\$22,776.40	0	\$0.00
Plan Total:	401	\$55,433.10	0	\$0.00
UNITED HEALTHCARE GROUP MEDICARE ADV. HMO				
701	1,533	\$170,998.20	1	\$36.50
702	331	\$38,698.40	0	\$0.00
703	856	\$189,586.80	1	\$10.50
704	74	\$8,738.40	0	\$0.00
705	27	\$6,471.70	0	\$0.00
Plan Total:	2,821	\$414,493.50	2	\$47.00
Grand Total:	32,042	\$4,614,981.30	30	1,306.60

Medicare Part B Reimbursement and Penalty Report

PAY PERIOD 4/30/2017

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
ANTHEM BC III				
202	1	\$268.00	0	\$0.00
240	6,354	\$698,412.70	9	\$262.20
241	164	\$17,825.30	0	\$0.00
242	825	\$93,665.80	0	\$0.00
243	3,653	\$802,307.90	6	\$537.10
244	19	\$2,087.40	0	\$0.00
245	52	\$5,973.00	0	\$0.00
246	19	\$2,137.20	0	\$0.00
247	95	\$11,083.40	0	\$0.00
248	11	\$2,406.50	1	\$36.50
249	41	\$9,272.10	0	\$0.00
250	14	\$3,123.00	0	\$0.00
Plan Total:	11,248	\$1,648,562.30	16	\$835.80
CIGNA-HEALTHSPRING PREFERRED with RX				
321	31	\$3,386.70	0	\$0.00
322	9	\$1,032.50	0	\$0.00
324	14	\$2,976.90	0	\$0.00
327	2	\$238.90	0	\$0.00
329	2	\$440.70	0	\$0.00
Plan Total:	58	\$8,075.70	0	\$0.00
KAISER SR. ADVANTAGE				
403	9,876	\$1,088,703.10	7	\$206.50
404	1	\$268.00	0	\$0.00
413	1,671	\$191,894.70	1	\$0.00
418	4,998	\$1,092,741.10	4	\$217.30
419	275	\$29,838.10	0	\$0.00
426	210	\$22,995.10	0	\$0.00
427	161	\$17,428.40	0	\$0.00
445	2	\$210.90	0	\$0.00
451	33	\$3,598.10	0	\$0.00
457	11	\$2,329.00	0	\$0.00
458	1	\$134.00	0	\$0.00
462	50	\$5,382.90	0	\$0.00
465	12	\$1,274.20	0	\$0.00
466	25	\$5,355.30	0	\$0.00
472	34	\$3,698.30	0	\$0.00
476	6	\$733.60	0	\$0.00
478	11	\$2,382.40	0	\$0.00
482	80	\$8,693.20	0	\$0.00
486	11	\$1,391.90	0	\$0.00
488	44	\$9,032.80	0	\$0.00
492	1	\$104.90	0	\$0.00
494	1	\$226.70	0	\$0.00
Plan Total:	17,514	\$2,488,416.70	12	\$423.80

Medicare Part B Reimbursement and Penalty Report

PAY PERIOD 4/30/2017

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
SCAN				
611	292	\$32,656.70	0	\$0.00
613	109	\$22,776.40	0	\$0.00
Plan Total:	401	\$55,433.10	0	\$0.00
UNITED HEALTHCARE GROUP MEDICARE ADV. HMO				
701	1,533	\$170,998.20	1	\$36.50
702	331	\$38,698.40	0	\$0.00
703	856	\$189,586.80	1	\$10.50
704	74	\$8,738.40	0	\$0.00
705	27	\$6,471.70	0	\$0.00
Plan Total:	2,821	\$414,493.50	2	\$47.00
LOCAL 1014				
803	1	(967.65)	0	\$0.00
804	164	\$23,251.30	0	\$0.00
805	179	\$24,622.00	0	\$0.00
806	555	\$132,815.66	0	\$0.00
807	34	\$4,959.40	0	\$0.00
808	10	\$2,280.00	0	\$0.00
812	217	\$25,147.40	0	\$0.00
Plan Total:	1,160	\$212,108.11	0	\$0.00
Grand Total:	33,202	\$4,827,089.41	30	\$1,306.60

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Medical Plan							
Anthem Blue Cross Prudent Buyer Plan							
201	719	\$606,735.34	\$99,322.27	\$506,569.21	\$605,891.48	(\$1,687.72)	\$604,203.76
202	398	\$660,210.36	\$67,288.65	\$565,068.57	\$632,357.22	(\$3,317.64)	\$629,039.58
203	101	\$189,058.87	\$43,389.81	\$136,309.71	\$179,699.52	\$0.00	\$179,699.52
204	37	\$40,113.55	\$15,373.15	\$24,740.40	\$40,113.55	\$0.00	\$40,113.55
205	1	\$231.33	\$9.25	\$222.08	\$231.33	\$0.00	\$231.33
SUBTOTAL	1,256	\$1,496,349.45	\$225,383.13	\$1,232,909.97	\$1,458,293.10	(\$5,005.36)	\$1,453,287.74
Anthem Blue Cross I							
211	894	\$952,816.26	\$60,941.54	\$891,874.72	\$952,816.26	(\$8,526.32)	\$944,289.94
212	323	\$620,111.55	\$34,826.00	\$578,066.91	\$612,892.91	(\$7,679.40)	\$605,213.51
213	53	\$120,005.78	\$18,702.75	\$107,552.39	\$126,255.14	\$0.00	\$126,255.14
214	20	\$28,189.60	\$6,342.65	\$24,665.91	\$31,008.56	\$0.00	\$31,008.56
215	4	\$1,418.04	\$205.61	\$1,212.43	\$1,418.04	\$0.00	\$1,418.04
SUBTOTAL	1,294	\$1,722,541.23	\$121,018.55	\$1,603,372.36	\$1,724,390.91	(\$16,205.72)	\$1,708,185.19
Anthem Blue Cross II							
221	2,098	\$2,236,027.42	\$135,823.66	\$2,106,598.50	\$2,242,422.16	(\$12,789.48)	\$2,229,632.68
222	1,897	\$3,641,955.45	\$99,716.88	\$3,387,294.51	\$3,487,011.39	\$5,759.55	\$3,492,770.94
223	601	\$1,360,820.26	\$54,432.66	\$1,250,845.04	\$1,305,277.70	\$0.00	\$1,305,277.70
224	136	\$191,689.28	\$16,631.87	\$189,152.21	\$205,784.08	\$0.00	\$205,784.08
225	3	\$1,063.53	\$177.25	\$886.28	\$1,063.53	\$0.00	\$1,063.53
SUBTOTAL	4,735	\$7,431,555.94	\$306,782.32	\$6,934,776.54	\$7,241,558.86	(\$7,029.93)	\$7,234,528.93

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Anthem Blue Cross III							
240	6,379	\$2,753,814.30	\$434,557.89	\$2,324,436.78	\$2,758,994.67	(\$6,907.20)	\$2,752,087.47
241	166	\$228,344.62	\$25,744.64	\$189,121.30	\$214,865.94	\$0.00	\$214,865.94
242	830	\$1,141,723.10	\$74,363.15	\$1,054,979.82	\$1,129,342.97	(\$2,751.14)	\$1,126,591.83
243	3,670	\$3,145,703.80	\$366,233.16	\$2,755,650.44	\$3,121,883.60	(\$5,142.84)	\$3,116,740.76
244	19	\$14,655.27	\$3,285.86	\$11,369.41	\$14,655.27	\$0.00	\$14,655.27
245	53	\$40,880.49	\$5,414.73	\$34,694.43	\$40,109.16	\$0.00	\$40,109.16
246	19	\$32,586.90	\$2,812.76	\$29,774.14	\$32,586.90	\$0.00	\$32,586.90
247	96	\$164,649.60	\$8,884.22	\$155,765.38	\$164,649.60	\$0.00	\$164,649.60
248	11	\$13,162.49	\$1,914.54	\$11,247.95	\$13,162.49	\$0.00	\$13,162.49
249	42	\$50,256.78	\$4,283.80	\$44,776.39	\$49,060.19	\$0.00	\$49,060.19
250	14	\$18,770.78	\$965.35	\$17,805.43	\$18,770.78	\$0.00	\$18,770.78
SUBTOTAL	11,299	\$7,604,548.13	\$928,460.10	\$6,629,621.47	\$7,558,081.57	(\$14,801.18)	\$7,543,280.39
CIGNA Network Model Plan							
301	360	\$479,710.80	\$114,304.92	\$366,738.41	\$481,043.33	(\$2,665.06)	\$478,378.27
302	159	\$382,280.52	\$83,120.56	\$294,351.40	\$377,471.96	(\$2,404.28)	\$375,067.68
303	22	\$62,436.00	\$16,727.87	\$40,032.13	\$56,760.00	\$0.00	\$56,760.00
304	23	\$40,655.72	\$15,989.82	\$24,665.90	\$40,655.72	\$0.00	\$40,655.72
SUBTOTAL	564	\$965,083.04	\$230,143.17	\$725,787.84	\$955,931.01	(\$5,069.34)	\$950,861.67

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
CIGNA Healthspring Pref w/ Rx - Phoenix, AZ							
321	31	\$10,679.19	\$1,729.35	\$8,949.84	\$10,679.19	\$0.00	\$10,679.19
322	10	\$14,155.30	\$452.96	\$12,286.81	\$12,739.77	\$0.00	\$12,739.77
324	14	\$9,533.72	\$1,157.67	\$8,376.05	\$9,533.72	\$0.00	\$9,533.72
327	2	\$3,697.48	\$369.75	\$3,327.73	\$3,697.48	\$0.00	\$3,697.48
329	2	\$2,362.48	\$0.00	\$2,362.48	\$2,362.48	\$0.00	\$2,362.48
SUBTOTAL	59	\$40,428.17	\$3,709.73	\$35,302.91	\$39,012.64	\$0.00	\$39,012.64

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser/Senior Advantage							
401	1,609	\$1,467,327.55	\$134,384.54	\$1,337,502.76	\$1,471,887.30	\$0.00	\$1,471,887.30
403	9,961	\$2,416,538.60	\$259,502.98	\$2,168,404.72	\$2,427,907.70	(\$4,852.00)	\$2,423,055.70
404	528	\$523,100.16	\$20,408.91	\$500,709.81	\$521,118.72	(\$990.72)	\$520,128.00
405	908	\$864,788.28	\$20,019.68	\$844,768.60	\$864,788.28	(\$1,904.82)	\$862,883.46
406	43	\$72,863.50	\$28,292.36	\$41,182.14	\$69,474.50	\$0.00	\$69,474.50
411	1,804	\$3,275,883.60	\$181,880.57	\$3,043,285.93	\$3,225,166.50	\$1,815.90	\$3,226,982.40
413	1,685	\$1,931,936.75	\$92,641.06	\$1,838,357.94	\$1,930,999.00	\$0.00	\$1,930,999.00
414	150	\$284,200.50	\$5,039.81	\$264,003.33	\$269,043.14	\$0.00	\$269,043.14
418	5,003	\$2,387,431.60	\$190,536.61	\$2,172,557.79	\$2,363,094.40	(\$1,908.80)	\$2,361,185.60
419	277	\$339,413.64	\$7,645.97	\$352,598.11	\$360,244.08	\$0.00	\$360,244.08
420	124	\$244,706.56	\$1,341.95	\$243,364.61	\$244,706.56	\$0.00	\$244,706.56
421	10	\$9,119.50	\$729.58	\$8,389.92	\$9,119.50	\$0.00	\$9,119.50
422	220	\$408,399.20	\$1,262.31	\$418,275.05	\$419,537.36	\$0.00	\$419,537.36
423	15	\$38,976.75	\$5,703.03	\$28,076.82	\$33,779.85	\$0.00	\$33,779.85
426	210	\$249,272.10	\$3,394.82	\$251,812.33	\$255,207.15	\$0.00	\$255,207.15
427	165	\$318,301.50	\$3,472.37	\$282,034.43	\$285,506.80	\$1,929.10	\$287,435.90
428	56	\$108,367.28	\$1,083.68	\$107,283.60	\$108,367.28	\$0.00	\$108,367.28
429	11	\$29,449.42	\$4,542.56	\$24,906.86	\$29,449.42	\$0.00	\$29,449.42
430	132	\$250,380.24	\$3,376.33	\$247,003.91	\$250,380.24	\$0.00	\$250,380.24
431	9	\$23,750.19	\$3,371.85	\$20,378.34	\$23,750.19	\$0.00	\$23,750.19
432	8	\$27,048.00	\$8,933.92	\$18,114.08	\$27,048.00	\$0.00	\$27,048.00
SUBTOTAL	22,928	\$15,271,254.92	\$977,564.89	\$14,213,011.08	\$15,190,575.97	(\$5,911.34)	\$15,184,664.63

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser - Colorado							
450	5	\$5,313.05	\$1,062.61	\$4,250.44	\$5,313.05	\$0.00	\$5,313.05
451	33	\$11,324.28	\$1,393.25	\$9,931.03	\$11,324.28	\$0.00	\$11,324.28
453	2	\$4,698.66	\$858.96	\$3,839.70	\$4,698.66	\$0.00	\$4,698.66
457	11	\$7,461.52	\$1,302.37	\$6,159.15	\$7,461.52	\$0.00	\$7,461.52
458	1	\$2,391.04	\$126.78	\$2,264.26	\$2,391.04	\$0.00	\$2,391.04
SUBTOTAL	52	\$31,188.55	\$4,743.97	\$26,444.58	\$31,188.55	\$0.00	\$31,188.55
Kaiser - Georgia							
440	1	\$1,164.41	\$98.62	\$1,065.79	\$1,164.41	\$0.00	\$1,164.41
441	2	\$2,328.82	\$197.24	\$2,131.58	\$2,328.82	\$0.00	\$2,328.82
442	4	\$4,657.64	\$394.48	\$4,263.16	\$4,657.64	\$0.00	\$4,657.64
445	2	\$3,129.34	\$0.00	\$3,129.34	\$3,129.34	\$0.00	\$3,129.34
461	14	\$16,301.74	\$3,051.26	\$12,086.07	\$15,137.33	\$0.00	\$15,137.33
462	52	\$21,229.52	\$3,796.80	\$17,432.72	\$21,229.52	(\$408.26)	\$20,821.26
463	3	\$6,962.49	\$2,162.86	\$4,799.63	\$6,962.49	\$0.00	\$6,962.49
465	12	\$18,776.04	\$938.80	\$17,837.24	\$18,776.04	\$0.00	\$18,776.04
466	25	\$20,213.00	\$1,552.36	\$18,660.64	\$20,213.00	\$0.00	\$20,213.00
SUBTOTAL	115	\$94,763.00	\$12,192.42	\$81,406.17	\$93,598.59	(\$408.26)	\$93,190.33

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser - Hawaii							
471	7	\$7,022.40	\$1,123.58	\$5,898.82	\$7,022.40	\$0.00	\$7,022.40
472	34	\$12,859.48	\$1,981.87	\$10,877.61	\$12,859.48	\$0.00	\$12,859.48
473	1	\$1,496.36	\$430.57	\$1,065.79	\$1,496.36	\$0.00	\$1,496.36
474	3	\$5,995.20	\$235.65	\$5,759.55	\$5,995.20	\$0.00	\$5,995.20
476	6	\$8,240.52	\$3,241.27	\$4,999.25	\$8,240.52	\$0.00	\$8,240.52
478	11	\$8,232.84	\$329.31	\$7,903.53	\$8,232.84	\$0.00	\$8,232.84
SUBTOTAL	62	\$43,846.80	\$7,342.25	\$36,504.55	\$43,846.80	\$0.00	\$43,846.80
Kaiser - Oregon							
481	7	\$7,625.17	\$2,019.10	\$5,606.07	\$7,625.17	\$0.00	\$7,625.17
482	80	\$36,432.80	\$6,020.53	\$32,689.32	\$38,709.85	\$0.00	\$38,709.85
484	2	\$4,341.24	\$655.13	\$3,686.11	\$4,341.24	\$0.00	\$4,341.24
486	11	\$16,903.92	\$2,889.04	\$15,551.60	\$18,440.64	\$0.00	\$18,440.64
488	44	\$39,724.08	\$3,502.94	\$30,804.22	\$34,307.16	\$0.00	\$34,307.16
489	1	\$991.06	\$0.00	\$991.06	\$991.06	\$0.00	\$991.06
492	1	\$1,603.48	\$320.70	\$1,282.78	\$1,603.48	\$0.00	\$1,603.48
494	1	\$1,984.13	\$0.00	\$1,984.13	\$1,984.13	\$0.00	\$1,984.13
495	2	\$4,608.28	\$768.58	\$3,839.70	\$4,608.28	\$0.00	\$4,608.28
SUBTOTAL	149	\$114,214.16	\$16,176.02	\$96,434.99	\$112,611.01	\$0.00	\$112,611.01
SCAN Health Plan							
611	294	\$90,258.00	\$20,262.00	\$71,531.00	\$91,793.00	(\$307.00)	\$91,486.00
613	109	\$66,054.00	\$9,962.64	\$53,061.36	\$63,024.00	\$0.00	\$63,024.00
SUBTOTAL	403	\$156,312.00	\$30,224.64	\$124,592.36	\$154,817.00	(\$307.00)	\$154,510.00

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
UHC Medicare Adv.							
701	1,539	\$511,840.62	\$63,263.60	\$451,237.66	\$514,501.26	(\$317.00)	\$514,184.26
702	333	\$443,396.16	\$28,867.32	\$410,534.28	\$439,401.60	\$0.00	\$439,401.60
703	857	\$563,186.12	\$58,446.84	\$504,082.12	\$562,528.96	(\$657.16)	\$561,871.80
704	75	\$112,771.50	\$5,352.85	\$105,915.03	\$111,267.88	(\$1,503.62)	\$109,764.26
705	27	\$22,390.02	\$1,144.38	\$22,074.90	\$23,219.28	\$0.00	\$23,219.28
SUBTOTAL	2,831	\$1,653,584.42	\$157,074.99	\$1,493,843.99	\$1,650,918.98	(\$2,477.78)	\$1,648,441.20
United Healthcare							
707	420	\$422,914.80	\$46,379.74	\$377,542.00	\$423,921.74	\$0.00	\$423,921.74
708	348	\$639,359.52	\$25,647.97	\$589,152.63	\$614,800.60	\$0.00	\$614,800.60
709	277	\$603,303.23	\$32,016.43	\$565,061.89	\$597,078.32	\$2,177.99	\$599,256.31
SUBTOTAL	1,045	\$1,665,577.55	\$104,044.14	\$1,531,756.52	\$1,635,800.66	\$2,177.99	\$1,637,978.65

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Local 1014 Firefighters							
801	45	\$46,530.00	\$1,344.20	\$45,185.80	\$46,530.00	\$0.00	\$46,530.00
802	260	\$484,738.80	\$12,976.11	\$478,772.75	\$491,748.86	\$0.00	\$491,748.86
803	231	\$508,015.20	\$17,857.50	\$501,153.70	\$519,011.20	\$3,166.85	\$522,178.05
804	165	\$170,610.00	\$8,540.84	\$162,069.16	\$170,610.00	(\$23,251.30)	\$147,358.70
805	180	\$335,588.40	\$11,298.16	\$326,154.62	\$337,452.78	(\$24,622.00)	\$312,830.78
806	557	\$1,038,459.66	\$32,887.71	\$996,030.53	\$1,028,918.24	(\$132,815.66)	\$896,102.58
807	35	\$76,972.00	\$703.74	\$76,268.26	\$76,972.00	(\$4,959.40)	\$72,012.60
808	10	\$21,992.00	\$175.94	\$21,816.06	\$21,992.00	(\$2,280.00)	\$19,712.00
809	23	\$23,782.00	\$3,164.04	\$20,617.96	\$23,782.00	\$0.00	\$23,782.00
810	5	\$9,321.90	\$1,528.79	\$7,793.11	\$9,321.90	\$0.00	\$9,321.90
811	5	\$10,996.00	\$791.71	\$10,204.29	\$10,996.00	\$0.00	\$10,996.00
812	218	\$225,412.00	\$19,625.32	\$206,696.60	\$226,321.92	(\$25,147.40)	\$201,174.52
SUBTOTAL	1,734	\$2,952,417.96	\$110,894.06	\$2,852,762.84	\$2,963,656.90	(\$209,908.91)	\$2,753,747.99
Medical Plan Total	48,526	\$41,243,665.32	\$3,235,754.38	\$37,618,528.17	\$40,854,282.55	(\$264,946.83)	\$40,589,335.72

Medical and Dental Vision Insurance Premiums May 2017

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<u>Dental/Vision Plan</u>							
CIGNA Indemnity Dental/Vision							
501	22,886	\$1,170,161.18	\$137,640.58	\$1,037,633.60	\$1,175,274.18	(\$2,588.14)	\$1,172,686.04
502	21,201	\$2,252,394.24	\$177,055.05	\$2,039,836.31	\$2,216,891.36	(\$1,699.84)	\$2,215,191.52
503	13	\$816.92	\$144.53	\$672.39	\$816.92	\$0.00	\$816.92
SUBTOTAL	44,100	\$3,423,372.34	\$314,840.16	\$3,078,142.30	\$3,392,982.46	(\$4,287.98)	\$3,388,694.48
CIGNA Dental HMO/Vision							
901	3,195	\$147,513.15	\$19,377.21	\$128,551.47	\$147,928.68	(\$184.68)	\$147,744.00
902	2,296	\$215,824.00	\$19,942.08	\$193,882.64	\$213,824.72	\$282.00	\$214,106.72
903	4	\$187.00	\$5.61	\$181.39	\$187.00	\$0.00	\$187.00
SUBTOTAL	5,495	\$363,524.15	\$39,324.90	\$322,615.50	\$361,940.40	\$97.32	\$362,037.72
Dental/Vision Plan Total	49,595	\$3,786,896.49	\$354,165.06	\$3,400,757.80	\$3,754,922.86	(\$4,190.66)	\$3,750,732.20
GRAND TOTALS	98,121	\$45,030,561.81	\$3,589,919.44	\$41,019,285.97	\$44,609,205.41	(\$269,137.49)	\$44,340,067.92

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
<u>Anthem Blue Cross Prudent Buyer Plan</u>		
\$630.26	201	Retiree Only
\$1,239.88	202	Retiree and Spouse/Domestic Partner
\$1,399.26	203	Retiree, Spouse/Domestic Partner and Children
\$810.01	204	Retiree and Children
\$172.06	205	Survivor Children Only Rates
<u>Anthem Blue Cross Plan I</u>		
\$904.25	211	Retiree Only
\$1,630.31	212	Retiree and Spouse/Domestic Partner
\$1,923.10	213	Retiree, Spouse/Domestic Partner and Children
\$1,196.44	214	Retiree and Children
\$299.58	215	Survivor Children Only Rates
<u>Anthem Blue Cross Plan II</u>		
\$904.25	221	Retiree Only
\$1,630.31	222	Retiree and Spouse/Domestic Partner
\$1,923.10	223	Retiree, Spouse/Domestic Partner and Children
\$1,196.44	224	Retiree and Children
\$299.58	225	Survivor Children Only Rates
<u>Anthem Blue Cross Plan III</u>		
\$365.20	240	Retiree Only with Medicare
\$1,167.61	241	Retiree and Spouse/Domestic Partner - One with Medicare (Non-Medicare has Anthem Blue Cross I)
\$1,167.61	242	Retiree and Spouse/Domestic Partner - One with Medicare (Non-Medicare has Anthem Blue Cross II)
\$726.87	243	Retiree and Spouse/Domestic Partner - Both with Medicare
\$653.93	244	Retiree and Children (Retiree has Medicare; Children have Anthem Blue Cross I)
\$653.93	245	Retiree and Children (Retiree has Medicare; Children have Anthem Blue Cross II)
\$1,456.25	246	Retiree, Spouse/Domestic Partner and Children - One with Medicare (Non-Medicare has Anthem Blue Cross I)
\$1,456.25	247	Retiree, Spouse/Domestic Partner and Children - One with Medicare (Non-Medicare has Anthem Blue Cross II)
\$1,015.45	248	Retiree, Spouse/Domestic Partner and Children - Two with Medicare (Children have Anthem Blue Cross I)
\$1,015.45	249	Retiree, Spouse/Domestic Partner and Children - Two with Medicare (Children have Anthem Blue Cross II)
\$1,138.02	250	Member, Spouse/Domestic Partner, Child (3 with Medicare)

*Benchmark premiums are bolded.

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
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CIGNA Network Model Plan

\$1,143.49	301	Retiree Only
\$2,064.71	302	Retiree and Spouse/Domestic Partner
\$2,438.35	303	Retiree, Spouse/Domestic Partner and Children
\$1,517.57	304	Retiree and Children
\$378.87	305	Survivor Children Only Rates

CIGNA Medicare Select Plus Rx (Available in the Phoenix, AZ area only)

\$328.00	321	Retiree Only with Medicare
\$1,249.22	322	Retiree and Spouse/Domestic Partner/Domestic Partner - One with Medicare
\$651.00	324	Retiree and Spouse/Domestic Partner -Both with Medicare
\$702.09	325	Retiree and Children
\$1,622.87	327	Retiree, Spouse/Domestic Partner and Children - One with Medicare
\$1,025.09	329	Retiree, Spouse/Domestic Partner and Children - Two with Medicare

Kaiser

\$774.10	401	Retiree Only ("Basic")
N/A	402	Retiree Only ("Supplement")
\$235.64	403	Retiree Only ("Senior Advantage")
\$894.95	404	Retiree Only ("Excess I")
\$795.39	405	Retiree Only - ("Excess II")
\$1,408.39	406	Retiree Only ("Excess III")
\$1,543.20	411	Retiree and Family (All family members are "Basic")
N/A	412	Retiree and Family (One family member is "Supplement"; others are "Basic")
\$1,004.74	413	Retiree and Family (One family member is "Senior Advantage"; others are "Basic")
\$1,664.05	414	Retiree and Family (One family member is "Excess I"; others are "Basic")
N/A	415	Retiree and Family (Two or more family members are "Supplement")
N/A	416	Retiree and Family (One family member is "Senior Advantage"; others are "Supplement")
N/A	417	Retiree and Family (One family member is "Excess I"; others are "Supplement")
\$466.28	418	Retiree and Family (Two or more family members are "Senior Advantage")
\$1,125.59	419	Retiree and Family (One family member is "Excess I"; others are "Senior Advantage")
\$1,784.90	420	Retiree and Family (Two or more family members are "Excess I")
N/A	421	Survivor Children Only Rates
\$1,564.49	422	Retiree and Family (One family member is "Excess II"; others are "Basic")
\$2,177.49	423	Retiree and Family (One family member is "Excess III"; others are "Basic")

*Benchmark premiums are bolded.

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
<u>Kaiser (continued)</u>		
N/A	424	Retiree and Family (One family member is "Supplement"; others are "Excess II")
N/A	425	Retiree and Family (One family member is "Supplement"; others are "Excess III")
\$1,026.03	426	Retiree and Family (One family member is "Senior Advantage"; others are "Excess II")
\$1,639.03	427	Retiree and Family (One family member is "Senior Advantage"; others are "Excess III")
\$1,685.34	428	Retiree and Family (One family member is "Excess I"; others are "Excess II")
\$2,298.34	429	Retiree and Family One family member is "Excess I"; others are "Excess III")
\$1,585.78	430	Retiree and Family (Two or more family members are "Excess II")
\$2,198.78	431	Retiree and Family (One family member is "Excess II"; others are "Excess III")
\$2,811.78	432	Retiree and Family (Two or more family members are "Excess III")
<u>Kaiser Colorado</u>		
\$793.06	450	Retiree Only ("Basic" under age 65)
\$327.27	451	Retiree Only ("Senior Advantage")
\$1,754.57	453	Retiree and Family (Two family members are "Basic")
\$2,369.25	454	Retiree and Family (Three or more family members are "Basic")
\$1,115.33	455	Retiree and Family (One family member is "Senior Advantage"; one family member is "Basic")
\$649.55	457	Retiree and Family (Two family members are "Senior Advantage")
\$1,857.56	458	Retiree and Family (One family member is "Senior Advantage"; two or more are "Basic")
\$1,437.60	459	Retiree and Family (Two family members are "Senior Advantage"; one or more are "Basic")
<u>Kaiser Georgia</u>		
\$847.24	440	Retiree Only ("Basic" over age 65 with Medicare Part B only)
\$847.24	441	Retiree Only ("Basic over age 65 with Medicare Part A only)
\$847.24	442	Retiree Only ("Basic over age 65 without Medicare Part A or Medicare Part B)
\$361.11	443	Retiree Only ("Basic" over age 65 - Medicare eligible who is classified as having renal failure)
\$1,203.35	444	Retiree and Family (One family member is "Senior Advantage"; one family member is "Basic" over age 65 with Medicare Part B only)
\$1,203.35	445	Retiree and Family (One family member is "Senior Advantage"; one family member is "Basic" over age 65 with Medicare Part A only)
\$1,203.35	446	Retiree and Family (One family member is "Senior Advantage"; one family member is "Basic" over age 65 without Medicare Part A and B)
\$847.24	461	Retiree Only ("Basic" under age 65)
\$361.11	462	Retiree Only ("Senior Advantage")

*Benchmark premiums are bolded.

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
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Kaiser Georgia (continued)

\$1,689.48	463	Retiree and Family (Two family members are "Basic")
\$2,531.72	464	Retiree and Family (Three or more family members are "Basic")
\$1,203.35	465	Retiree and Family (One family member is "Senior Advantage"; one is "Basic")
\$717.22	466	Retiree and Family (Two family members are "Senior Advantage")
\$2,045.59	467	Retiree and Family (One family member is "Senior Advantage"; two or more are "Basic")
\$1,559.46	468	Retiree and Family (Two family members are "Senior Advantage"; one is "Basic")
\$1,915.57	469	Retiree and Family (Three or more family members are "Senior Advantage"; one is "Basic")
\$2,045.59	470	Retiree and Family (Three or more family members are "Basic"; one is "Senior Advantage")

Kaiser Hawaii

\$795.16	471	Retiree Only ("Basic" under age 65)
\$346.45	472	Retiree Only ("Senior Advantage")
\$1,381.42	473	Retiree Only (Over age 65 without Medicare Part A or Medicare Part B)
\$1,585.31	474	Retiree and Family (Two family members are "Basic")
\$2,375.47	475	Retiree and Family (Three or more family members are "Basic")
\$1,136.61	476	Retiree and Family (One family member is "Senior Advantage"; one is "Basic")
\$2,171.58	477	Retiree and Family (One family member is "Basic" under age 65; one is over age 65 without Medicare Part A or Medicare Part B)
\$687.90	478	Retiree and Family (Two family members are "Senior Advantage")
\$1,722.87	479	Retiree and Family (One family member is "Senior Advantage"; one is over age 65 without Medicare Part A or Medicare Part B)

Kaiser Oregon

\$806.67	481	Retiree Only ("Basic" under age 65)
\$465.92	482	Retiree Only ("Senior Advantage")
\$1,205.27	483	Retiree Only (Over age 65 without Medicare Part A or Medicare Part B)
\$1,608.34	484	Retiree and Family (Two family members are "Basic")
\$2,410.01	485	Retiree and Family (Three or more family members are "Basic")
\$1,267.59	486	Retiree and Family (One family member is "Senior Advantage"; one is "Basic")
N/A	487	Retiree Only (Medicare Cost "Supplement" program)
\$926.84	488	Retiree and Family (Two family members are "Senior Advantage")
\$1,110.84	489	Retiree Only (Over age 65 with Medicare Part A only)
\$1,205.27	490	Retiree Only (Over age 65 with Medicare Part B only)

*Benchmark premiums are bolded.

PREMIUMS*	CARRIER DEDUCTION CODES	DEDUCTION CODE DEFINITIONS
<u>Kaiser Oregon (continued)</u>		
\$1,571.76	491	Retiree and Family (One family member is "Senior Advantage"; one is over age 65 with Medicare Par A only)
\$1,666.19	492	Retiree and Family (One family member is "Senior Advantage"; one is over age 65 without Medicare Part A or Medicare Part B)
\$2,069.26	493	Retiree and Family (One family member is "Senior Advantage"; two or more are "Basic")
\$1,728.51	494	Retiree and Family (Two family members are "Senior Advantage"; one is "Basic")
\$2,405.54	495	Retiree and Family (Two family members are over age 65 without Medicare Part A or Medicare Part B)
\$2,216.68	496	Retiree and Family (Two family members are over age 65 with Medicare Part A only)
\$2,216.68	497	Retiree and Family (One family member is "Basic"; one is over age 65 with Medicare Part A only)
\$2,006.94	498	Retiree and Family (One family member is "Basic"; one is over age 65 without Medicare Part A or Medicare Part B)

Kaiser Rate Category Definitions

"Basic" - includes those who are under age 65

Medicare Cost ("Supplement")

- Includes people who have both Part A and Part B of Medicare, who were enrolled in Kaiser's Medicare supplement ("M" coverage) before July 1, 1987, and who chose to stay in that Kaiser arrangement.
- It is not open to new enrollments.
- People who have left it cannot return to it.

"Senior Advantage"

- Includes participants who are age 65 or older and who have assigned both Medicare Part A and Part B to Kaiser.

"Excess I"

- Is for participants who have Medicare Part A only.

"Excess II"

- Is for participants in the Excess Plan who either have Medicare Part B only or are not eligible for Medicare.

"Excess III"

- Is for participants in the Excess Plan who either have Medicare Parts A and B and have not assigned their Medicare benefits to Kaiser or have not provided their Medicare status to LACERA. Premium is above the Anthem Blue Cross I and II Benchmark rate. and II Benchmark.

PREMIUMS*	CARRIER DEDUCTION CODES	DEDUCTION CODE DEFINITIONS
<u>SCAN Health Plan</u>		
\$304.00	611	Retiree Only with SCAN
\$603.00	613	Retiree and 1 Dependent - Both with SCAN (Retiree and 1 Dependent = Retiree and Spouse/Domestic Partner OR Retiree and 1 Child. Both Retiree and Dependent must have Medicare.)
<u>United Healthcare Medicare Advantage (UHCMA)</u>		
(For both members and dependents who are enrolled in UHCMA, or a family combination of UHCMA/UHC)		
\$293.62	701	Retiree Only with Secure Horizons
\$1,203.81	702	Retiree and 1 Dependent - One with Secure Horizons (Retiree and 1 Dependent = Retiree and Spouse/Domestic Partner OR Retiree and 1 Child)
\$582.24	703	Retiree and 1 Dependent - Both with Secure Horizons (Retiree and 1 Dependent = Retiree and Spouse/Domestic Partner OR Retiree and 1 Child)
\$1,360.59	704	Retiree and 2 or More Dependents - One with Secure Horizons (Retiree and 2 or More Dependents = Retiree, Spouse/Domestic Partner and 1 or More Children OR Retiree and 2 or More Children)
\$739.02	705	Retiree and 2 or More Dependents - Two with Secure Horizons (Retiree and 2 or More Dependents = Retiree, Spouse/Domestic Partner and 1 or More Children OR Retiree and 2 or More Children)
\$261.24	706	Survivor Children Only Rates
<u>United Healthcare (UHC)</u>		
(For members and dependents under age 65 [no Medicare])		
\$915.18	707	Retiree Only
\$1,671.68	708	Retiree and 1 Dependent
\$1,982.16	709	Retiree and 2 Or More Dependents
<u>Local 1014 Firefighters</u>		
\$914.03	801	Member Under 65
\$1,648.06	802	Member + 1 Under 65
\$1,944.04	803	Member + 2 Under 65
\$914.03	804	Member with Medicare
\$1,648.06	805	Member + 1; 1 Medicare
\$1,648.06	806	Member + 1; 2 Medicare
\$1,944.04	807	Member + 2; 1 Medicare
\$1,944.04	808	Member + 2; 2 Medicare

*Benchmark premiums are bolded.

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
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Local 1014 Firefighters (continued)

\$914.03	809	Surviving Spouse Under 65
\$1,648.06	810	Surviving Spouse + 1; Under 65
\$1,944.04	811	Surviving Spouse + 2 Under 65
\$914.03	812	Surviving Spouse with Medicare
\$1,648.06	813	Surviving Spouse + 1; 1 Medicare
\$1,944.04	814	Spouse + 1; 1 Medicare
\$1,648.06	815	Surviving Spouse + 1; 2 Medicare

CIGNA Indemnity - Dental/Vision

\$46.55	501	Retiree Only
\$99.61	502	Retiree and Dependent(s)
\$57.81	503	Survivor Children Only Rates

CIGNA HMO - Dental/Vision

\$39.02	901	Retiree Only
\$81.07	902	Retiree and Dependent(s)
\$39.56	903	Survivor Children Only Rates



Medical Plan Audit

Los Angeles County Employees Retirement Association
Anthem Blue Cross
January 2017

Prepared by Aon Hewitt
U.S. Health & Benefits | Audit Services

Presentation to Los Angeles County Employees Retirement Association
Anthem Blue Cross—Rancho Cordova



About This Material

Los Angeles County Employees Retirement Association (LACERA) provides medical plan benefits to approximately 18,500 retirees and their dependents. Anthem Blue Cross (Anthem), located in Rancho Cordova, California, performs claims processing services and customer service assistance for the LACERA medical plans.

The primary purpose of our evaluation was to provide LACERA with a comprehensive assessment concerning the quality of claim handling being provided to LACERA plan participants by Anthem.

Other specific objectives of the audit were to:

- Verify that LACERA's medical benefits are being paid accurately and according to the plan provisions.
- Assess the overall quality of claim administration being delivered by Anthem personnel.
- Identify opportunities and changes that will improve Anthem's overall performance on the account and increase the level of service being provided to LACERA participants.

The Aon Hewitt team was on-site at Anthem's Rancho Cordova facility during the week of October 3, 2016 to conduct the claim audit.

This report summarizes our findings, observations, and recommendations concerning Anthem's performance. The Aon Hewitt team wishes to acknowledge the excellent assistance and cooperation we received from Anthem personnel throughout the course of this project.

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Summary of Findings

- Claim Audit
- Next Steps

Summary of Claim Audit Findings

- Aon Hewitt's audit consisted of a random, stratified sample of 220 claims processed 07/01/2015 through 06/30/2016
- Of the \$1,422,228.18 total benefits paid within the sample, gross errors totaled \$26,468.30
- Of the 220 claims audited, 18 in-sample and 5 out-of-sample errors were identified
- A detailed description can be found in the Claim Audit Evaluation Methodology section of this report
- Based on the audit findings, Anthem was unable to meet the performance guarantee objectives for Financial Accuracy and the 30-calendar day turnaround time

Claim Audit Findings

	2016 Audit Results	2015 Audit Results	2014 Audit Results	2013 Audit Results	2012 Audit Results	LACERA Performance Guarantees	Satisfactory	Good	Excellent
Financial Accuracy	96.06% ●	99.28% ●	99.87% ●	99.63% ●	98.88% ●	99.00%	99.30%	99.60%	99.80%
Nonfinancial Accuracy*	99.55% ●	94.55% ●	99.55% ●	100.00% ●	99.55% ●	97.00%	—	—	—
Overall Accuracy	91.30% ●	92.33% ●	65.04% ●	95.93% ●	98.61% ●	—	96.00%	97.50%	99.00%
Payment Accuracy	91.79% ●	93.07% ●	65.26% ●	95.93% ●	98.89% ●	—	97.50%	98.50%	99.50%
Turnaround Time	94.90% ●	93.00% ●	84.60% ●	91.50% ●	94.80% ●	90.00%	92.00% within 14 calendar days		
Turnaround Time	97.40% ●	96.00% ●	87.40% ●	95.40% ●	99.60% ●	98.00%	99.00% within 30 calendar days		

Results Key:			
● Excellent	● Good	● Satisfactory	● Fail

Summary of Claim Audit Findings

Summary of Error Categories

	In-Sample Errors	Out-of-Sample Errors*	Total Dollars (Ranked from Highest to Lowest)
Incorrect COB with Medicare	7	*1	\$11,035.88
Incorrect allowable amount applied	3	*1	9,763.35
Ineligible charges paid and incorrect allowable amount applied	1	0	5,522.01
Incorrect allowable amount applied and claim adjusted in error	0	*1	757.68
Incorrect allowable amount applied and incorrect number of units entered	1	0	510.45
Eligible charge denied	1	*2	337.55
Eligible charge denied and incorrect COB with Medicare	1	0	18.68
Deductible omitted	3	0	11.15
Number of units omitted	1	0	—
Total	18	*5	\$27,956.75

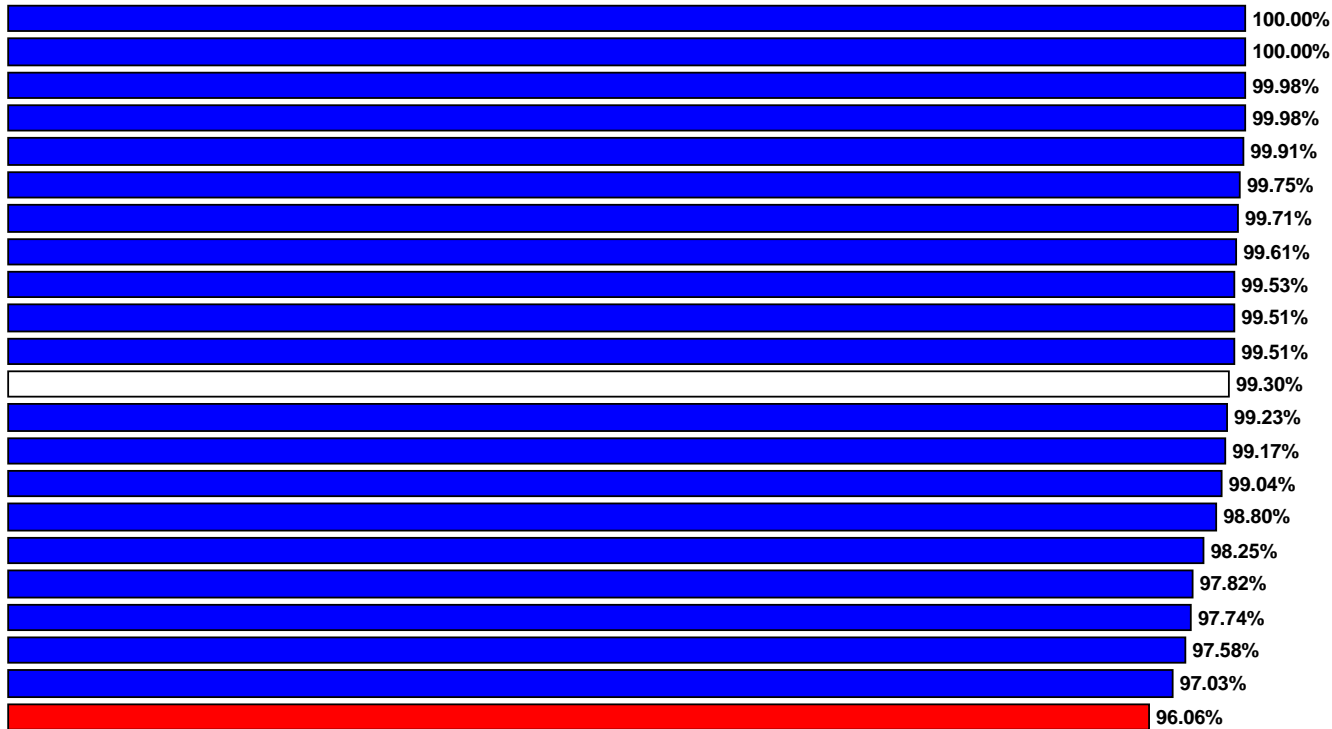
*Out-of-sample errors will not be included in our calculation of the statistical audit results but will be included as a commentary in this report.



Summary of Claim Audit Findings

Comparative Results

When comparing the results against Aon Hewitt's 20 most recent claim audits, which include other administrators, Anthem's results ranked as follows:

Financial Accuracy (Anthem ranked last)



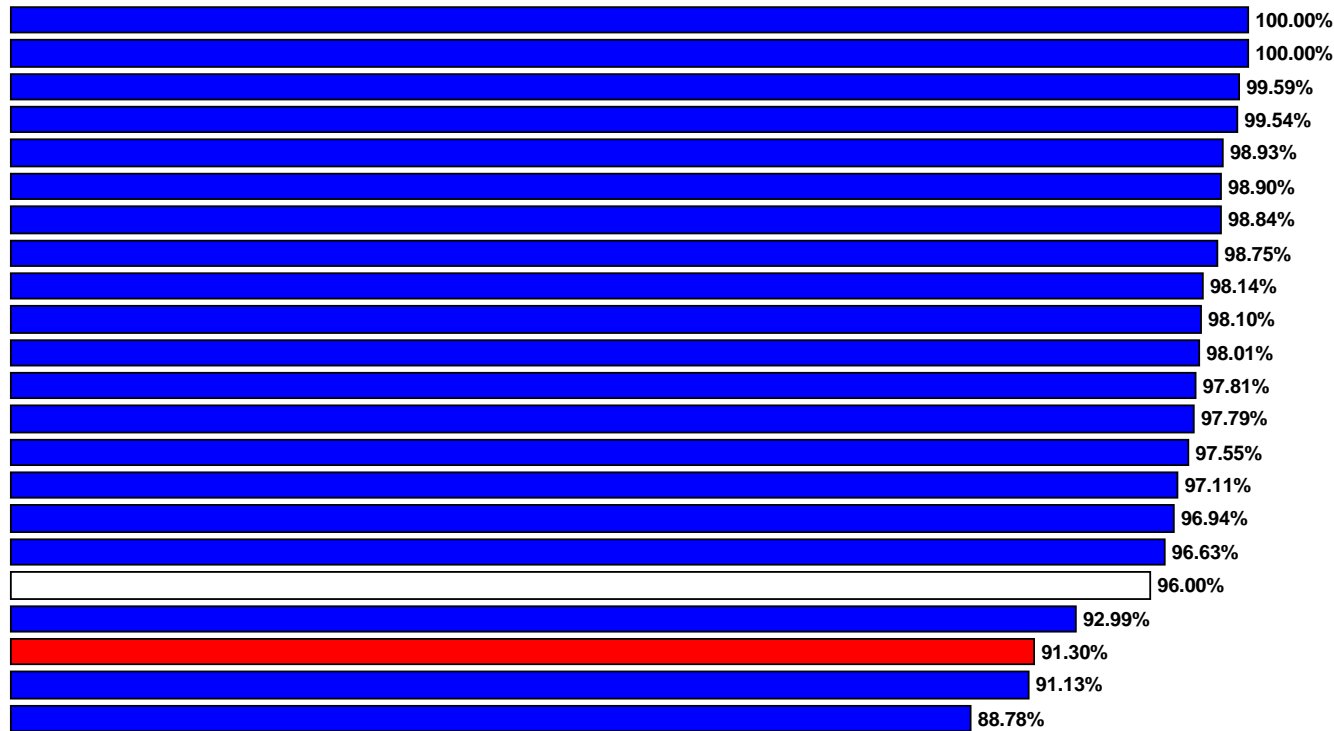
 LACERA
 Minimum Standard



Summary of Claim Audit Findings

Comparative Results

When comparing the results against Aon Hewitt's 20 most recent claim audits, which include other administrators, Anthem's results ranked as follows:

Overall Accuracy (Anthem ranked 19th)



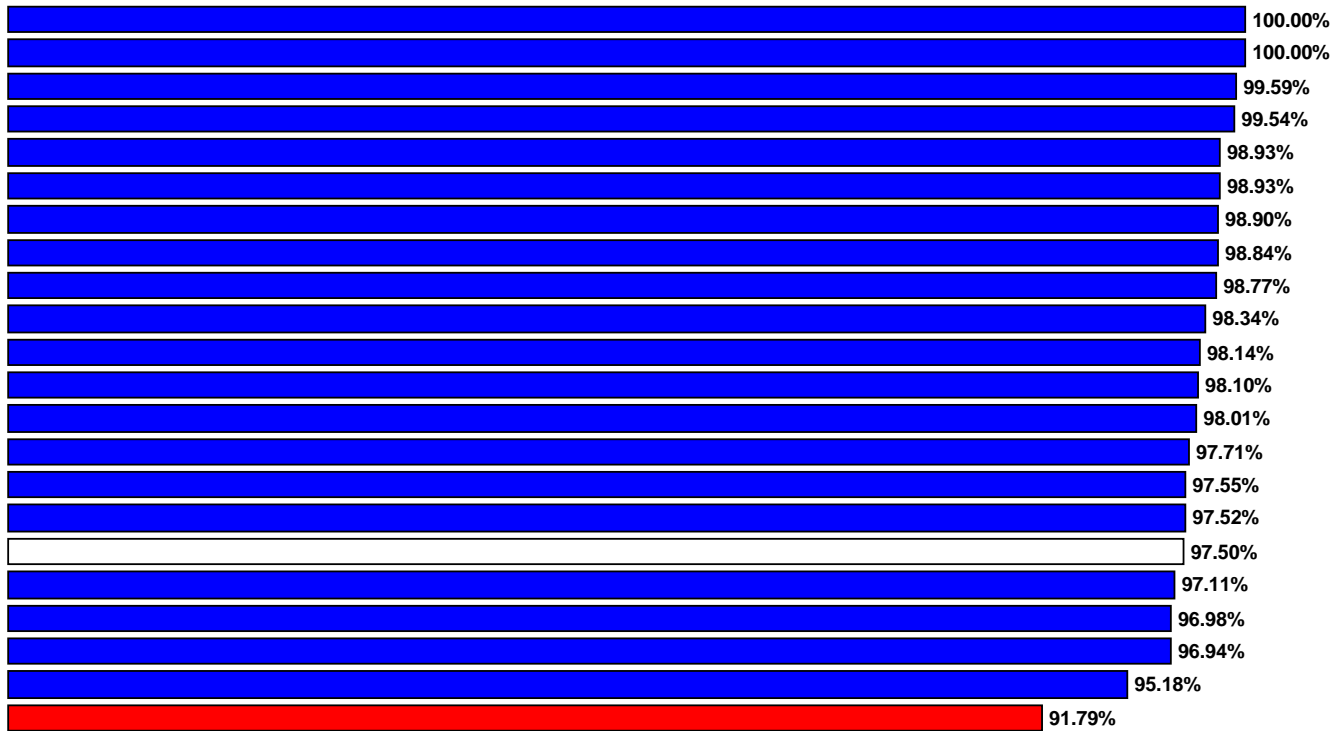
 LACERA
 Minimum Standard



Summary of Claim Audit Findings

Comparative Results

When comparing the results against Aon Hewitt's 20 most recent claim audits, which include other administrators, Anthem's results ranked as follows:

Payment Accuracy (Anthem ranked last)



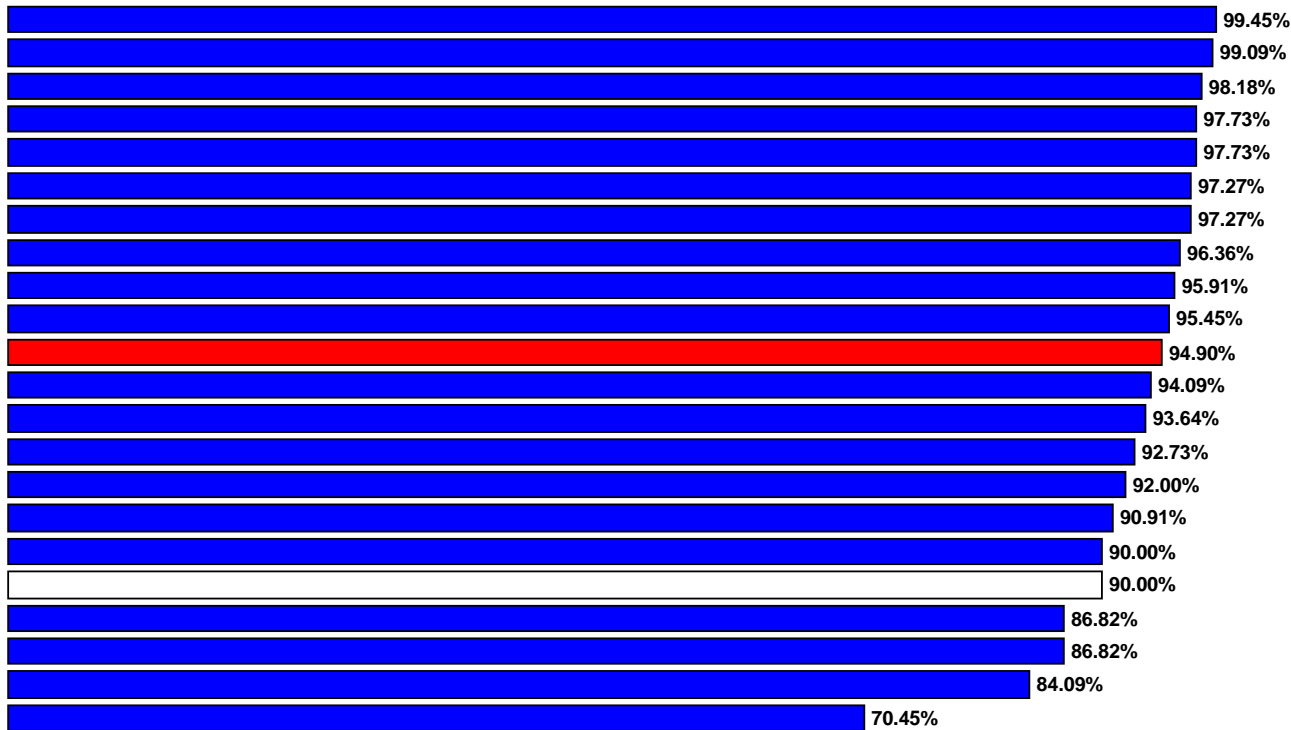
 LACERA
 Minimum Standard



Summary of Claim Audit Findings

Comparative Results

When comparing the results against Aon Hewitt's 20 most recent claim audits, which include other administrators, Anthem's results ranked as follows:

14-Calendar Day Claim Turnaround (Anthem ranked 11th)



 LACERA
 Minimum Standard



Summary of Claim Audit Findings

Comparative Results

When comparing the results against Aon Hewitt's 20 most recent claim audits, which include other administrators, Anthem's results ranked as follows:

30-Calendar Day Claim Turnaround (Anthem ranked 17th)



 LACERA
 Minimum Standard

Next Steps

We suggest the following steps.

- Aon Hewitt is sending a copy of the audit report to Anthem, requesting a written response to our audit findings and recommendations.
- Anthem should respond to each item contained in the Detailed Claim Audit Recommendations section of our report.
 - The claim audit response also needs to address recommendations in the same order as this report.
 - All responses should also include any root cause analysis, project plans, and/or impact reports.
- Anthem should respond to LACERA and Aon Hewitt within 15 business days of receipt of the report.
- A follow-up meeting should be held with the appropriate Anthem personnel assigned to LACERA to discuss the evaluation and audit, and the response to our report. Individuals from LACERA, Anthem and Aon Hewitt should be in attendance at the joint meeting.
- Following the three-party meeting, Anthem should prepare a timetable for implementing agreed upon changes.
- Anthem should also establish a follow-up process to ensure that needed changes are made according to schedule and that these changes are working effectively.



Detailed Findings

- Claim Audit and Recommendations

Detailed Claim Audit Findings: Claim Turnaround Time

As in the prior audits conducted for LACERA, the statistical results for claim turnaround time is based upon the entire population of claims for the time period audited, in order to calculate the results for contract performance guarantee purposes. However, the following provides additional information on the claim processing turnaround time for the 220 claims within our sample

Claim Turnaround Time Results—Aon Hewitt Standards

Calendar Day Turnaround Time	Number	Percentage	Cumulative	
			Number	Percentage
Claims processed 7 days or less	187	85.00%	187	85.00%
Claims processed 8 to 14 days	15	6.82%	202	91.82%
Claims processed 15 to 21 days	6	2.73%	208	94.55%
Claims processed 22 to 30 days	7	3.18%	215	97.73%
Claims processed 31 days or more	5	2.27%	220	100%
Total	220	100.00%	220	100.00%

Detailed Claim Audit Findings: Selection Strata Summary

The following table provides additional information regarding the claim audit sample and findings

Claim Sample Statistics

Statistical Category	All Sample Claims	Auto-Adjudicated Claims		Stateside Manually Processed Claims	
Number of claims	220	171	77.73%	49	22.27%
Total charges reviewed	\$4,246,286.01	\$955,400.97	22.50%	\$3,290,885.04	77.50%
Total benefits paid	\$1,422,228.18	\$252,010.69	17.72%	\$1,170,217.49	82.28%
Percentage of charges paid	33.49%	26.38%		35.56%	
Total number of overpayments	11	9	81.82%	2	18.18%
Total amount of overpayments	\$17,080.87	\$529.42	3.10%	\$16,551.45	96.90%
Average overpayment amount	\$1,552.81	\$58.82		\$8,275.73	
Total number of underpayments	6	4	66.67%	2	33.33%
Total amount of underpayments	\$9,387.43	\$26.68	0.28%	\$9,360.75	99.72%
Average underpayment amount	\$1,564.57	\$6.67		\$4,680.38	
Gross financial error	\$26,468.30	\$556.10	2.10%	\$25,912.20	97.90%
Net error	\$7,693.44	\$502.74		\$7,190.70	

Detailed Claim Audit Findings: Paid Claims Data (Sample & All Claims)

The following tables show the paid claim data for both the 220 claim sample as well as for all claims within the sample period

Selection Strata Summary—Claim Sample

Claims Processed 07/01/2015 through 06/30/2016

Payment Strata	Submitted Amount	Paid Amount	Number of Claims	Percentage of Charges Paid
\$0	\$9,920.43	\$0.00	30	0.00%
\$.01–\$1,000.00	\$59,332.95	\$7,972.38	130	13.44%
\$1,000.01–\$5,000.00	\$456,695.20	\$41,210.99	20	9.02%
\$5,000.01–\$10,000.00	\$383,330.16	\$123,936.07	20	32.33%
\$10,000.01+	\$3,337,007.27	\$1,249,108.74	20	37.43%
Total	\$4,246,286.01	\$1,422,228.18	220	

Selection Strata Summary—Entire Population

Claims Processed 07/01/2015 through 06/30/2016

Payment Strata	Submitted Amount ¹	Paid Amount ¹	Number of Claims	Percentage of Charges Paid
\$0	\$242,311,418.70	\$0.00	110,732	0.00%
\$.01–\$1,000.00	\$527,580,019.20	\$43,805,359.62	636,766	8.30%
\$1,000.01–\$5,000.00	\$407,208,408.69	\$25,254,561.40	13,728	6.20%
\$5,000.01–\$10,000.00	\$25,039,986.59	\$7,836,064.24	1,130	31.29%
\$10,000.01+	\$79,948,582.40	\$30,405,732.75	1,082	38.03%
Total	\$1,282,088,415.58	\$107,301,718.01	763,438	

¹ This does not include any claims where the total paid amount was <0

Detailed Claim Audit Findings: Root Cause of Errors

The table below exhibits the root cause of the errors found during the audit

Summary of Errors

Type of Error	Claim Errors	Vendor Processor Errors	Anthem Processor Errors	System Errors	Provider File Maintenance Errors
In-Sample Errors	Overpayment errors	0	2	9	0
	Underpayment errors	0	2	4	0
	Nonpayment errors	0	0	1	0
	Total in-sample errors	0	4	14	0
Out-of-Sample Errors	Overpayment errors	0	1	0	0
	Underpayment errors	0	1	3	0
	Nonpayment errors	0	0	0	0
	Total out-of-sample errors	0	2	3	0

Detailed Claim Audit Findings: Root Cause of Errors

The tables below state Anthem's position on the assessment of the identified errors

In-Sample Claim Number	Plan	Agree/ Disagree
6	Plan 1	Disagree
18	Prudent Buyer	Agree
41	Plan 2	Agree
42	Plan 3	Agree
65	Plan 3	Agree
68	Plan 1	Agree
82	Plan 1	Agree
95	Plan 3	Agree
103	Plan 3	Agree
110	Plan 2	Agree
115	Plan 2	Agree
119	Plan 3	Agree
126	Plan 3	Agree
136	Plan 3	Agree
190	Plan 2	Agree
193	Plan 2	Agree
208	Plan 2	Agree
213	Prudent Buyer	Agree

Out-of-Sample Claim Number	Plan	Agree/ Disagree
89	Plan 3	Agree
97	Plan 2	Disagree
127	Plan 2	Agree
162	Plan 2	Agree
193	Plan 2	Agree

Detailed Claim Audit Findings: In-Sample Errors (Overpayments)

We identified 11 overpayments, totaling \$17,080.87

Summary of Errors—Overpayments

Reason	Frequency	Dollar Value	Claim Number
Incorrect COB with Medicare	5	\$11,034.76	42, 65, 95, 126, 213
Ineligible charges paid and incorrect allowable amount applied	1	\$5,522.01	193
Incorrect allowable amount applied and incorrect number of units entered	1	\$510.45	82
Deductible omitted	3	\$11.15	41, 110, 115
Incorrect allowable amount applied	1	\$2.50	190
Total	11	\$17,080.87	

Error Details

Error Description	Error Reason	Current Status
Errors totaling \$11,034.76 occurred on claims 42, 65, 95, 126 and 213 as a result of benefits not having been properly coordinated with Medicare.	Four of the errors were due to Anthem's WSG claim system paying more than the patient's responsibility after Medicare. The \$11,029.44 overpayment on sample claim 213 was the result of a claim processor failing to apply the correct Medicare allowance to out-of-network emergency room charges.	Open. At the time of the audit, none of the claims in question had been adjusted. Anthem should therefore reprocess these claims and request reimbursement of the overpayments.

Detailed Claim Audit Findings: In-Sample Errors (Overpayments)

Error Details (continued)

Error Description	Error Reason	Current Status
<p>An error in the amount of \$5,522.01 occurred on claim 193 due to a claim processor having allowed ineligible charges and applying an incorrect allowable amount to radiation therapy charges.</p>	<p>In this instance, the claim processor was adjusting a previously processed claim due to a corrected claim having been received reflecting an increase in a fee for one of the services submitted. The service in question (as well as another charge on the claim) had previously been denied as investigational/experimental after medical review. Rather than deny the service at the time of the adjustment, the claim processor erroneously allowed both experimental procedures, and also allowed more than the contracted allowance for the covered procedures. An out-of-sample error was also assessed on this claim.</p>	<p>Open. Anthem should reprocess the claim and request the overpaid funds from the provider.</p>
<p>A \$510.45 error was assessed on claim 82 due to incorrect allowable amounts having been applied by the WGS system, as well as incorrect number of units having been entered.</p>	<p>In this case, WGS failed to apply the contracted allowances provided by the Host plan (Texas) when adjudicating ambulance charges. In addition, only 1 unit was entered for the advanced life support and disposable supplies charges, when in fact the provider billed for 10 units.</p>	<p>Open. Anthem should reprocess the claim and request reimbursement of the overpaid funds.</p>

Detailed Claim Audit Findings: In-Sample Errors (Overpayments)

Error Details (continued)

Error Description	Error Reason	Current Status
Errors totaling \$11.15 occurred on claims 41, 110 and 115 when the WGS system omitted applying the deductible to certain charges during the adjudication process.	Under LACERA's Plan II, venipuncture (i.e. blood draw) charges are subject to deductible and coinsurance. In all three cases, the system paid venipuncture charges at 100%, rather than apply them to the deductible.	Open. Anthem should correct the WGS system programming to process venipuncture charges at the deductible and coinsurance benefit level. Anthem should also request a refund for these claims, and should quantify the overall impact of this systemic error on the LACERA account.
A \$2.50 error was assessed on claim 190 due to an incorrect allowable amount having been applied.	In this instance, WGS applied an incorrect contract allowance to a charge for an unlisted chemotherapy procedure (CPT code 96549).	Open. Anthem should determine if other LACERA claims from this provider have also had incorrect allowable amounts applied, and should quantify their findings. In addition, this claim should be reprocessed and a request for the overpayment should be recovered.

Detailed Claim Audit Findings: In-Sample Errors (Underpayments)

We identified 6 underpayments, totaling \$9,387.43

Summary of Errors—Underpayments

Reason	Frequency	Dollar Value	Claim Number
Incorrect allowable amount applied	2	\$9,338.86	68, 208
Eligible charge denied	1	\$28.80	6
Eligible charge denied and incorrect COB with Medicare	1	\$18.68	103
Incorrect COB with Medicare	2	\$1.09	119, 136
Total	6	\$9,387.43	

Error Details

Error Description	Error Reason	Current Status
Errors totaling \$9,338.86 occurred on claims 68 and 208 due to an incorrect allowable amount having been applied during the adjudication of these claims.	On claim 68, a \$6.91 underpayment was the result of procedure code 90834 having been erroneously entered rather than 90837, which caused an incorrect contract allowable amount to be used when the system automatically adjudicated the claim. In the case of claim 208, the \$9,331.95 underpayment was the result of a claim processor failing to apply the correct contract allowance to a network inpatient facility claim.	Open. Anthem should reprocess these claims and issue additional benefits to the appropriate providers.

Detailed Claim Audit Findings: In-Sample Errors (Underpayments)

Error Details (continued)

Error Description	Error Reason	Current Status
<p>A \$28.80 error was assessed as a result of an eligible charge having been denied on sample claim 6.</p>	<p>In this case, a claim processor erroneously denied a network home health care charge due to lack of precertification. Per the LACERA Summary Plan Document (SPD), precertification is not required for this service.</p>	<p>Closed. Anthem reprocessed this claim prior to our on-site Audit.</p> <p>It is important to note that Anthem disagrees with our assessment of this error since the charge was paid on a subsequent claim during the audit period. It is Aon's position that an error should be assessed whenever the benefit payment is different than what should have been paid at the time of processing.</p>
<p>An error in the amount of \$18.68 occurred on claim 103 due to an eligible charge having been denied and incorrect COB with Medicare.</p>	<p>In this instance, the WGS system incorrectly denied a psychotherapy charge stating the "...service exceeds either the benefit limit, time limit, number of units or dollar maximum." In addition, the system paid more than the patient's responsibility after Medicare on the other psychotherapy charge on the claim.</p>	<p>Closed. Anthem correctly reprocessed the claim prior to our on-site audit.</p>
<p>Errors amounting to \$1.09 were assessed on claims 119 and 136 as a result of benefits not having been properly coordinated with Medicare.</p>	<p>On both claims, the system failed to correctly coordinate benefits with Medicare on claims for office visits. We believe these errors are related to the Medicare Sequestration issue noted in previous audit results.</p>	<p>Closed. Both claims were re-adjudicated and the correct benefits issued prior to the date of our audit.</p>

Detailed Claim Audit Findings: In-Sample Errors (Nonfinancial Errors)

We identified 1 nonfinancial error. In addition to causing confusion to providers and members, this type of error could potentially lead to financial errors

Summary of Errors—Nonfinancial

Reason	Frequency	Claim Number
Number of units omitted	1	18
Total	1	

Error Details

Error Description	Error Reason	Current Status
An error occurred on sample claim 18 due to the number of units having been omitted at the time of adjudication.	It appears that when this claim was data entered by Anthem's mailroom vendor, they failed to input the 10 units for an injection charge billed by the provider. Importantly, the charge was appropriately denied by the system with a request for the provider to resubmit the charges with the explanation of Medicare benefits (EOMB) included.	Closed. Since the claim was accurately denied for the EOMB, there is no need to reprocess the claim at this time.

Detailed Claim Audit Findings: Out-of-Sample Errors

We identified 5 out-of-sample errors. While these errors are not included in our calculation of the statistical audit results, they are included here as commentary to give a more comprehensive view of Anthem's management of the LACERA plans

Summary of Errors—Out-of-Sample

Reason	Error Type	Frequency	Dollar Value	Claim Number
Incorrect allowable amount applied and claim adjusted in error	Underpayment	1	\$757.68	162
Incorrect allowable amount applied	Overpayment	1	421.99	193
Eligible charge denied	Underpayment	2	308.75	97, 127
Incorrect COB with Medicare	Underpayment	1	.03	89
Total		5	\$1,488.45	

Error Details

Error Description	Error Reason	Current Status
A \$757.68 underpayment occurred on claim number 162 as a result of an incorrect allowable amount having been applied in addition to the claim having been adjusted in error.	In this case, network outpatient pulmonary rehabilitation charges were reprocessed based on an audit of the claim which determined the correct pricing had not been utilized when the claim was originally processed. Unfortunately, the audit findings were based on 2016 contract rates when the services were actually rendered in 2015; therefore, the claim was adjudicated correctly when it was first processed and should not have been reprocessed.	Open. This claim should be re-adjudicated to apply the correct contract rates from 2015.

Detailed Claim Audit Findings: Out-of-Sample Errors

Error Details (continued)

Error Description	Error Reason	Current Status
An overpayment error in the amount of \$421.99 occurred on claim 193 when the claims examiner did not properly allow the correct contracted rate.	An error is being assessed due to a claim processor having applied incorrect contract allowable amounts to multiple surgeries. This was the original claim processing related to the in-sample overpayment on the claim adjustment noted earlier in this report.	Open. Anthem should re-adjudicate the claim adjustment to reflect the correct benefit level and recoup all overpaid funds on this claim.
A \$20.75 underpayment on claim 97 was the result of an eligible charge having been denied.	In this instance, the system erroneously denied a network chiropractic service as having "...exceed(ed) the maximum frequency limitation allowed for this service."	Closed. Anthem reprocessed the claim and issued the correct benefits prior to our audit. Anthem disagrees with our assessment of this error since they corrected the claim during the time period/scope of the audit. It is Aon's position that an error should be assessed whenever the amount paid on a claim is different than the amount that should have been paid at the time of adjudication.
Likewise, a \$288.00 underpayment error was assessed on claim 127 due to an eligible charge having been denied.	In this case, the system erroneously denied a charge for network allergy treatment as beyond the frequency limit. The LACERA plan does not have a frequency limit on this type of service.	Closed. Anthem corrected this claim prior to our on-site audit.
An underpayment error occurred in the amount of \$0.03 on claim 89 as a result of the claim having been incorrectly coordinated with Medicare.	It appears that the WGS system incorrectly coordinated benefits with Medicare due to the Medicare Sequestration issue noted in prior audit results for LACERA.	Closed. This claim was reprocessed prior to the audit, and the correct benefits were issued to the provider.

Detailed Claim Audit Findings: Commentary

Audit Area	Comment
Medicare Eligibility	<ol style="list-style-type: none"> 1. On sample 219, we noted that Anthem paid a claim for a LACERA retiree without verification as to whether Medicare was primary over the LACERA medical plan. Anthem paid a total of \$481,755.00 on this inpatient admission. 2. We confirmed with LACERA during the audit process that Anthem is supposed to be applying a “pay and pursue” logic when adjudicating claims. Essentially, Anthem will pay a claim as primary under the LACERA plan while pursuing verification of other coverage under Medicare, which is what occurred in this case. 3. Upon confirmation that Medicare should be prime, Anthem will adjust any affected claims and request reimbursement for any overpaid funds. 4. In this case, Anthem processed the claim as primary in April 2016 and confirmed that Medicare is retrospectively primary for this retiree in August 2016. As of the date of our audit in October, the claim in question had yet to be reprocessed. Following the audit, Anthem confirmed they have no set timeframe to reprocess claims once it has been determined that Medicare is the primary payer. 5. We therefore recommend that Anthem set forth definitive guidelines concerning the timeframe in which a retiree’s claims should be reviewed once it is determined that Medicare is primary, and any affected claims reprocessed accordingly. 6. Following the audit, Anthem confirmed that they set up an overpayment refund request on sample claim 219. Anthem should provide a status regarding this overpayment request in the response to this report.

Detailed Claim Audit Recommendations

Audit Area	Recommendations
Claim Audit	<ol style="list-style-type: none"> 1. Eight of the in-sample errors were related to issues with coordinating benefits with Medicare. Anthem should review system programming for COB to ensure LACERA retirees and their dependents are receiving the correct benefits under the plan. 2. Anthem should provide status of claims 41, 42, 65, 82, 95, 110, 115, 126, 190, 193 and 213 as these are overpayments and refunds should be recovered. 3. Anthem should correct their system processing of procedure code 36415. Currently, this procedure code is programmed to pay at 100%. Anthem should also provide status on when this programming issue has been corrected as well as the financial impact to LACERA. 4. In addition, Anthem should determine if there are system programming issues related to omission of deductible from certain services and incorrect allowable amounts being applied. If systemic in nature, Anthem should provide the time period these system issues have occurred, the date the issues were corrected and the number of LACERA claims affected by these issues. In addition, Anthem should quantify the financial impact in the response to this report. 5. Anthem should provide an update regarding the status of the overpayment request for sample claim 219.



Supporting Documentation

- Claim Audit Evaluation Methodology

Claims Audit Evaluation Methodology

- Aon Hewitt's audit sample consisted of a random, stratified sample of 220 claims
 - The sample size of 220 claims has a statistically valid confidence level of 95%, with an interval of 3.75%, that any similarly selected sample will produce similar results
- We classify errors by category according to the financial consequences of the errors
 - **Payment Errors**—include benefit payments issued for a different dollar amount than what should have been paid, issued to an incorrect payee, or issued for the incorrect patient; payment errors are quantified as overpayments and underpayments
 - **Nonpayment Errors**—include errors that do not affect the dollar accuracy of the payment or cannot be quantified as a dollar amount at the time of our audit
- Aon measures claim processing performance based on the following four standards:
 - **Financial Accuracy**—is calculated by taking the total benefit dollars paid in the population, minus the sum of the weighted absolute value of overpayments and underpayments identified from the sample, divided by the total dollars paid in the population; Aon's minimum satisfactory goal is 99.3%. The minimum performance guarantee objective is 99.0% within the contract between LACERA and Anthem
 - **Overall Accuracy**—is a frequency measure of all error types; this is measured by dividing the weighted number of claims processed without any type of error by the total number of claims in the population; Aon's minimum satisfactory goal is 96.0%
 - **Payment Accuracy**—measures the frequency of payment errors by dividing the weighted number of correct benefit payments by the total number of payments in the population; Aon's minimum satisfactory goal is 97.5%
 - **Nonfinancial Accuracy**—measures the frequency of non-payment errors by dividing the total number of claims audited without a nonfinancial error by the total number of claims audited. Nonfinancial Accuracy is not a performance standard for Aon Hewitt; however, this is a performance guarantee category for LACERA. The minimum satisfactory goal under the contract is 97.0%.
 - **Turnaround Time**—measures the time elapsed from the date all information necessary to process a claim is received to the date the claim is processed; only the received date, not the processed date, is included in our calculation; Aon's minimum satisfactory goal is 92.0% in 14 calendar days and 99.0% in 30 calendar days. The contract service objectives for Anthem is 90.0% within 14 calendar days and 98.0% within 30 calendar days.
- Errors that are discovered during the course of auditing a claim, but were made on claims outside of the audit sample, are considered to be out-of-sample errors
 - Out-of-sample errors are categorized as payment and nonpayment errors, but are not included in our calculation of the statistical audit results
 - These errors are, however, noted in this report as a means of evaluating the overall accuracy and efficiency of claim processing

Legal Disclaimer

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Aon plc (NYSE:AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, best reinsurance intermediary, best captives manager, and best employee benefits consulting firm by multiple industry sources. Visit aon.com for more information on Aon and aon.com/manchesterunited to learn about Aon's global partnership with Manchester United.

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January 31, 2017

Cathy Weis
Aon Hewitt / Consulting / U.S. Health & Benefits
4 Overlook Point
Lincolnshire, IL 60069-4302

Re: Los Angeles County Employees Retirement Association Medical Plan Audit Report

Dear Ms. Weis:

Anthem Blue Cross of California (Anthem) reviewed the audit report prepared by Aon Hewitt (Aon) on behalf of Los Angeles County Employees Retirement Association (LACERA) for the on-site audit of claims processed from July 1, 2015 through June 30, 2016. The on-site review took place the week of October 3, 2016 at our Rancho Cordova facility.

Anthem's response to the Findings, Observations and Recommendations are presented below:

Claims Audit Results

In-Sample Errors – Overpayments

Aon Hewitt identified eleven overpayments, totaling \$17,080.97

- Samples 42, 65, 95, 126 and 213 - five errors totaling \$11,034.76 occurred as a result of incorrect coordination with Medicare.

Anthem Response: Anthem agrees with the assessed overpayment errors on samples (42, 65, 95 & 126) which resulted in total overpayments of \$5.32. The overpayments were caused by a known issue with the handling of Medicare Sequestration. Anthem reprogrammed the processing system to accommodate the calculation of Medicare Sequestration. Testing was done and the system was modified in August 2016. The overpayments are under the dollar threshold for recovery. Anthem also agrees to the \$11,029.44 overpayment noted on sample 213. This overpayment was caused by manual processing. The individual processor has been provided additional education on the handling of such claims and an adjustment was performed on 12/12/16.

- Sample 193 - One error totaling \$5,522.01 occurred due to a claim processor allowing ineligible charges and applying an incorrect allowable amount to radiation therapy charges.

Anthem Response: Anthem agrees with the assessed error which resulted in the overpayment of \$5,522.01. The processor adjusted the claim to add corrected charges and paid ineligible services. The claim was placed into the adjustment and recovery process on 10/20/16.

Management met with the associate on 10/28/16 to review audit error. The Employer Service Representative and unit Lead will provide coaching as necessary to the designated staff processing LACERA claims.

- Sample 82 – One error totaling \$510.45 occurred due to incorrect pricing, as well as incorrect number of units having been entered.

Anthem Response: Anthem agrees with the assessed overpayment error in the amount of \$510.45. Anthem priced the claim according to the information provided by the ITS Host plan. The ITS Host plan has determined that the pricing provided to Anthem is incorrect. That Plan is researching the root cause and will provide Anthem with details when they become available. The claim will be placed into the adjustment and recovery process and the details of the research will be provided to LACERA when they become available.

- Samples 41, 110 and 115 – three errors totaling \$11.15 occurred when the WGS system omitted applying the deductible to certain charges during the adjudication process.

Anthem Response: Anthem agrees with the assessed errors on claims 41, 110 and 115 resulting in overpayments totaling \$11.15. System coding caused venipuncture services to process under the office surgery benefit in error. The issue was reviewed and a system fix was completed on 10/10/16. An impact report will be generated and the results shared as soon as they become available.

- Sample 190 – one error totaling \$2.50 occurred due to an incorrect allowable amount having been applied.

Anthem Response: Anthem agrees with the assessed overpayment error in the amount of \$2.50. The Provider had a contract change causing claims to be overpaid. An impact report will be generated from the time the change went into effect and the results shared as soon as they become available.

In – Sample Errors – Underpayments

Aon Hewitt identified six underpayments totaling \$9,387.43

- Samples 68 and 208 - Underpayments in the amount of \$9,338.86 occurred due to an incorrect allowable amount having been applied during the adjudication of these claims.

Anthem Response: Anthem agrees with the assessed underpayment error on sample 68 which resulted in the underpayment of \$6.91. The error was the result of a claim processor incorrectly keying the claim. The claim was adjusted on 10/14/16.

Anthem agrees with the assessed system error on sample 208, which resulted in the underpayment of \$9,331.95. The error was the result of the system being programmed with the incorrect contract rate. The claim was adjusted on 10/14/16. An impact report will be generated and the results shared as soon as they become available.

- Sample 6 - An underpayment of \$28.80 occurred when an eligible charge was denied in error.

***Anthem Response:** Anthem agrees with the assessed error on claim 6, resulting in the underpayment of \$16.26. This was a manual processing error. The processor incorrectly denied the services for preauthorization.*

Management met with the associate on 10/28/16 to review the audit error. The Employer Service Representative and Unit Lead will provide coaching as necessary to the entire designated staff processing LACERA claims.

- Sample 103 -An underpayment in the amount of \$18.68 occurred when an eligible charge was denied in error.

***Anthem Response:** Anthem agrees with the assessed error on claim 103, resulting in the underpayment of \$18.68. The error was caused by the incorrect calculation of Medicare Sequestration. The issue was identified through Anthem's internal processes and the claim was adjusted prior to the audit but outside of the audit period. The Medicare Sequestration issue was corrected in August 2016 and the claim was adjusted on July 13, 2016.*

- Samples 119 and 136 - Underpayments totaling \$1.09 occurred due to the incorrect coordination with Medicare.

***Anthem Response:** Anthem agrees to the underpayment of \$.37 on sample 119. The issue was identified prior to the audit and the claim was adjusted outside of the audit period. Anthem agrees that an underpayment in the amount of \$.72 was made on sample 136. Anthem does not agree to a financial error; the issue was identified prior to the audit and the claim was adjusted within the audit period.*

In-Sample Errors – Nonfinancial Errors)

Aon Hewitt identified 1 nonfinancial error...

- Sample 18 - A non-financial error occurred because the number of units was omitted during processing.

***Anthem Response:** Anthem agrees to the non-financial error. The claim was adjusted on 10/05/16 to correct the number of units. The adjustment occurred outside of the audit period.*

Out-of-Sample Errors

Aon Hewitt identified five out-of-sample errors.

- Sample 162 - An underpayment in the amount of \$757.68 occurred when the incorrect allowable amount was applied; in addition to the claim having been adjusted in error.

***Anthem Response:** Anthem agrees with the assessed error which resulted in an underpayment of \$757.68. The error occurred when the claim was adjusted incorrectly. An additional adjustment was performed on 10/05/16 (outside of the audit period) to re-pay the \$757.68.*

Management met with the associate on 10/28/16 to review audit error. The Employer Service Representative and Unit Lead will provide coaching as necessary to the entire designated staff processing LACERA claims.

- Sample 193 - An overpayment of \$421.99 occurred when the claims examiner did not apply the correct contracted rate.

***Anthem Response:** Anthem agrees with the assessed error which resulted in an out of sample overpayment of \$ \$421.99. The error occurred when a claim processor paid services that should have been denied. The claim was placed into the adjustment and recovery process on 10/20/16.*

Management met with the associate on 10/28/16 to review audit error. The Employer Service Representative and Unit Lead will provide coaching as necessary to the entire designated staff processing LACERA claims.

- Sample 97 - An underpayment in the amount of \$20.75 occurred when eligible charges were denied in error.

***Anthem Response:** Anthem agrees to a non-payment error on sample 97. The claim processor denied services that should have been paid, causing the underpayment. The underpayment was identified through Anthem's internal processes and the claim was adjusted on 1/29/16 prior to the audit and within the audit period.*

Management met with the associate on 10/28/16 to review audit error. The Employer Service Representative and Unit Lead will provide coaching as necessary to the entire designated staff processing LACERA claims.

- Sample 127 - An underpayment of \$288.00 occurred when an eligible charge was denied in error.

***Anthem Response:** Anthem agrees to a non-payment error on sample 127. The underpayment was identified through Anthem's internal processes and the claim was adjusted prior to the audit and within the audit period.*

- Sample 89 - The underpayment of \$0.03 was due to the incorrect coordination with Medicare.

Anthem response: Anthem agrees to a non-payment error. The issue was identified through Anthem's internal processes and the claim was adjusted prior to the audit and within the audit period. The incorrect payment was caused by the Sequestration issue previously identified. The claims processing system was reprogrammed to accommodate the handling of Sequestration in September of 2016.

Audit Findings: Commentary

Medicare Eligibility

1. On sample 219, we noted that Anthem paid a claim for a LACERA retiree without verification as to whether Medicare was primary over the LACERA medical plan. Anthem paid a total of \$481,755.00 on this inpatient admission.

Anthem Response: Anthem disagreed with the assessed error during the audit. LACERA follows the Pay and Pursue guidelines (i.e., related situations are identified and pursued after a claim is paid). Anthem will pay all claims that come in. The only time the COB information will be pursued is if there is an indication on the claim form that there is other insurance coverage or if the client specifically requests a special mailing. We collect COB information via enrollment applications, claims submissions, customer service calls, our website, and an annual member questionnaire. Benefit coverage information is updated on an ongoing basis as information is received. Once a year members are sent a questionnaire inquiring if other coverage exists. Information from the questionnaire is loaded into the system to allow claims to process correctly. Our claims processing system is programmed to check information submitted on a claim, to review the consumer's membership profile to verify if other coverage exists and to identify a COB situation.

2. We confirmed with LACERA during the audit process that Anthem is supposed to be applying "pay and pursue" logic when adjudicating claims. Essentially, Anthem will pay a claim as primary under the LACERA plan while pursuing verification of other coverage under Medicare, which is what occurred in this case.

Anthem Response: Anthem is in agreement with AON's notations.

3. Upon confirmation that Medicare should be prime, Anthem will adjust any affected claims and request reimbursement for any overpaid funds.

Anthem Response: Anthem will make any necessary adjustments upon confirmation of primary coverage.

4. In this case, Anthem processed the claim as primary in April 2016 and confirmed that Medicare is retrospectively primary for this retiree in August 2016. As of the date of our audit in October, the claim in question had yet to be reprocessed. Following the audit, Anthem confirmed they have no set timeframe to reprocess claims once it has been determined that Medicare is the primary payer.

Anthem Response: Anthem recovery guidelines adhere to a 45 day window to process this type of overpayment once it is sent to the overpayment recovery team. However, Anthem has 365 days from date processed to recover any overpayments.

5. We therefore recommend that Anthem set forth definitive guidelines concerning the timeframe in which a retiree's claims should be reviewed once it is determined that Medicare is primary, and any affected claims reprocessed accordingly.

Anthem Response: See response to question #4 above.

6. Following the audit, Anthem confirmed that they set up an overpayment refund request on sample claim 219. Anthem should provide a status regarding this overpayment request in the response to this report.

Anthem Response: The claim was adjusted on 01/30/17 to retract the payment.

Audit Recommendations

Claim audit Results

1. Eight of the in-sample errors were related to issues with coordinating benefits with Medicare. Anthem should review system programming for COB to ensure LACERA retirees and their dependents are receiving the correct benefits under the plan.

Anthem Response: Anthem has explained the pay and pursue COB option above – under Medicare Eligibility commentary #1. Anthem reviewed the eight in-sample errors and it was determined that Medicare Sequestration was the cause of the incorrect payments. This was a known system limitation. The system enhancement was completed in August 2016.

2. Anthem should provide status of claims 41, 42, 65, 82, 95, 110, 115, 126, 190, 193 and 213 as these are overpayments and refunds should be recovered.

Anthem Response: Anthem is unable to recover overpayments on claims 41, 42, 65, 95, 110, 115, 126 and 190. The recovery dollar amounts are under the \$30.00 recovery threshold.

Sample 82: there is ongoing investigation to determine the root cause. An adjustment request has been initiated with the Host plan.

Sample 193: the claim was placed into the adjustment and recovery process on 10/20/16.

Sample 213: the overpayment recoupment was completed on 12/12/16.

3. Anthem should correct their system processing of procedure code 36415. Currently, this procedure code is programmed to pay at 100%. Anthem should also provide status on when this programming issue has been corrected as well as the financial impact to LACERA.

Anthem Response: The system was corrected on 10/10/16.

4. In addition, Anthem should determine if there are system programming issues related to omission of deductible from certain services and incorrect allowable amounts being applied. If systemic in nature, Anthem should provide the time period these system issues have occurred, the date the issues were corrected and the number of LACERA claims affected by these issues. In addition, Anthem should quantify the financial impact in the response to this report.

Anthem Response: An impact report was generated and is currently being reviewed. Once the review is completed, we will report our findings to the account management team to discuss with LACERA.

5. Anthem should provide an update regarding the status of the overpayment request for sample claim 219.

Anthem Response: Claim was adjusted on 01/30/17. Recovery invoice is not yet available.

Anthem appreciates the opportunity to respond to the report and is available to discuss this audit, the findings, and our responses with both Aon Hewitt and LACERA. If you have any questions, please do not hesitate to call me at (818) 234-3276 or if you prefer, my email address is george.garcia@anthem.com.

Sincerely,

George R. Garcia
External Audit Manager
Customer Audit Services

cc: Lisa Adams, Anthem
Ivan Ashby, Anthem
Jill Bromberg, Anthem
Marijane Gadbury, Anthem
Tina Griffin, Anthem
Michael Saavedra, Anthem
Kristine Walsh, Anthem



Dental Plan Audit

Los Angeles County Employees Retirement Association
Cigna
January 2017

Prepared by Aon Hewitt
U.S. Health & Benefits | Audit Services

Presentation to Los Angeles County Employees Retirement Association
Cigna—Scranton



About This Material

Los Angeles County Employees Retirement Association (LACERA) provides dental plan benefits to approximately 49,000 retirees and their dependents. Cigna, located in Scranton, Pennsylvania, performs claims processing services and customer service assistance for the LACERA dental plans.

The primary purpose of our evaluation was to once again provide LACERA with a comprehensive assessment concerning the quality of claim handling, plan management, and customer service being provided to LACERA plan participants by Cigna.

Other specific objectives of the audit were to:

- Verify that LACERA's dental benefits are being paid accurately and according to the plan provisions.
- Assess the overall quality of claim administration being delivered by Cigna personnel.
- Identify opportunities and changes that will improve Cigna's overall performance on the account and increase the level of service being provided to LACERA participants.

The Aon Hewitt team was on-site at Cigna's Denison, Texas facility during the week of 9/26/2016 to conduct the claim audit.

This report summarizes our findings, observations, and recommendations concerning Cigna's performance. The Aon Hewitt team wishes to acknowledge the excellent assistance and cooperation we received from Cigna personnel throughout the course of this project.

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Summary of Findings

- Claim Audit
- Next Steps

Summary of Claim Audit Findings

- Aon Hewitt's audit consisted of a random sample of 220 dental claims processed 7/1/2015 through 6/30/2016
- Of the \$40,405.97 total benefits paid within the sample, gross errors totaled \$574.16
- Of the 220 claims audited, 10 in-sample and 3 out-of-sample errors were identified
- A detailed description can be found in the Claim Audit Evaluation Methodology section of this report
- Finally, the 2016 audit results reflect a decrease in the accuracy of Cigna's performance as compared to 2015, while the timeliness of claim processing has improved

Claim Audit Findings

	2016 Audit Results	2015 Audit Results	2014 Audit Results	2013 Audit Results	2012 Audit Results	Satisfactory	Good	Excellent	
Financial Accuracy	98.58% ●	100.00% ●	100.00% ●	98.64% ●	95.74% ●	99.50%	99.70%	99.90%	Results Key: ● Excellent ● Good ● Satisfactory ● Fail
Overall Accuracy	95.45% ●	100.00% ●	98.64% ●	98.64% ●	95.40% ●	96.00%	97.50%	99.00%	
Payment Accuracy	98.18% ●	100.00% ●	100.00% ●	99.09% ●	98.64% ●	97.50%	98.50%	99.50%	
Turnaround Time	95.91% ●	82.27% ●	97.73% ●	99.09% ●	94.09% ●	92.00% within 14 calendar days			
Turnaround Time	100.00% ●	95.91% ●	100.00% ●	99.55% ●	99.09% ●	99.00% within 30 calendar days			

Summary of Claim Audit Findings

Summary of Error Categories

	In-Sample Errors	Out-of-Sample Errors*	Total Dollars
COB investigation not conducted	0	1	\$1,500.00
COB investigation not conducted	2	0	\$403.76
Eligible charge denied	0	1	\$129.60
Claim adjustment omitted	1	0	\$123.20
Eligible charge denied	1	0	\$47.20
Claim adjustment omitted	0	1	\$2.40
Untimely claim adjustment	1	0	—
Incorrect remark code applied	2	0	—
Incorrect date of service entered	1	0	—
COB investigation not conducted	1	0	—
Incorrect charge amount entered	1	0	—
Total	10	3	\$2,206.16

*Out-of-sample errors will not be included in our calculation of the audit results but will be included as a commentary in this report.

Next Steps

We suggest the following steps.

- We are sending a copy of the audit report to Cigna, requesting a written response to our audit findings and recommendations.
- Cigna should respond to each item contained in the Detailed Claim Audit Recommendations section of our report.
 - The claim audit response also needs to address recommendations in the same order as this report.
 - All responses should also include any root cause analysis, project plans, and/or impact reports.
- Cigna should respond to LACERA and Aon Hewitt within two weeks of receipt of the report.
- If requested by LACERA, a follow-up meeting will be held with the appropriate Cigna personnel assigned to LACERA to discuss the evaluation and audit, and the response to our report. Aon Hewitt will be in attendance as well to discuss the findings and Cigna's response.
- Following the three-party meeting, Cigna should prepare a timetable for implementing agreed upon changes.
- Cigna should also establish a follow-up process to ensure that needed changes are made by Cigna according to schedule and that these changes are working effectively.



Detailed Findings

- Claim Audit and Recommendations

Detailed Claim Audit Findings: Claim Turnaround Time

The following provides additional information on the claim processing turnaround time for the 220 claims within our sample

Claim Turnaround Time Results—Aon Hewitt Standards

Calendar Day Turnaround Time	Number	Percentage	Cumulative	
			Number	Percentage
Claims processed 7 days or less	184	83.64%	184	83.64%
Claims processed 8 to 14 days	27	12.27%	211	95.91%
Claims processed 15 to 21 days	8	3.64%	219	99.55%
Claims processed 22 to 30 days	1	0.45%	220	100.00%
Claims processed 31 days or more	0	0.00%	220	100.00%
Total	220	100.00%	220	100.00%

Detailed Claim Audit Findings: Selection Strata Summary

The following table provides additional information regarding the claim audit sample and findings

Claim Sample Statistics

Statistical Category	All Sample Claims	Auto-Adjudicated Claims		Stateside Manually Processed Claims		Offshore Manually Processed Claims	
Number of claims	220	155	70.45%	64	29.09%	1	0.45%
Total charges reviewed	\$111,951.00	\$42,265.00	37.75%	\$68,617.00	61.29%	\$1,069.00	0.95%
Total benefits paid	\$40,405.97	\$19,682.95	48.71%	\$20,358.22	50.38%	\$364.80	0.90%
Percentage of charges paid	36.09%	46.57%		29.67%		34.13%	
Total number of overpayments	2	2	100.00%	0	0.00%	0	0.00%
Total amount of overpayments	\$403.76	\$403.76	100.00%	\$0.00	0.00%	\$0.00	0.00%
Average overpayment amount	\$201.88	\$201.88		\$0.00		\$0.00	
Total number of underpayments	2	0	0.00%	2	100.00%	0	0.00%
Total amount of underpayments	\$170.40	\$0.00	0.00%	\$170.40	100.00%	\$0.00	0.00%
Average underpayment amount	\$85.20	\$0.00		\$85.20		\$0.00	
Gross financial error	\$574.16	\$403.76	70.32%	\$170.40	29.68%	\$0.00	0.00%
Net error	\$233.36	\$403.76		(\$170.40)		\$0.00	

Detailed Claim Audit Findings: Root Cause of Errors

The table below exhibits the root cause of the errors found during the audit

Summary of Errors

Type of Error	Claim Errors	Vendor Processor Errors	Cigna Processor Errors	System Errors	Provider File Maintenance Errors
In-Sample Errors	Overpayment errors	0	0	2	0
	Underpayment errors	0	2	0	0
	Nonpayment errors	1	2	2	1
	Total in-sample errors	1	4	4	1
Out-of-Sample Errors	Overpayment errors	0	1	0	1
	Underpayment errors	0	0	0	1
	Nonpayment errors	0	0	0	0
	Total out-of-sample errors	0	1	0	2

Detailed Claim Audit Findings: Root Cause of Errors

The tables below state Cigna's position on the assessment of the identified errors

In-Sample Claim Number	Plan	Agree/ Disagree
1	DPPO	Agree
41	DPPO	Agree
78	DPPO	Agree
114	DPPO	Agree
132	DPPO	Agree
137	DPPO	Agree
141	DPPO	Agree
157	DPPO	Agree
180	DPPO	Agree
189	DPPO	Agree

Out-of-Sample Claim Number	Plan	Agree/ Disagree
110	DPPO	Agree
157	DPPO	Agree
180	DPPO	Agree

Detailed Claim Audit Findings: In-Sample Errors (Overpayments)

We identified 2 overpayments, totaling \$403.76

Summary of Errors—Overpayments

Reason	Frequency	Dollar Value	Claim Numbers
Coordination of benefits (COB) investigation not conducted	2	\$403.76	78, 132
Total	2	\$403.76	

Error Details

Error Description	Error Reason	Current Status
Two errors, totaling \$403.76, were assessed as a result of COB investigations not having been conducted. These errors occurred on claims 78 and 132.	In both instances, the claims submitted reflected that the LACERA plan participants had coverage under other dental plans. Rather than investigating this information to determine which plan would be primary, Cigna's Dentacom system automatically paid the claims under the LACERA plan as primary. It is important to note that while Cigna agreed to these errors, they stated that the financial impact of the errors could not be determined until the other insurance investigations were completed.	Open. At the time of the audit, Cigna was conducting outreach for primacy information and/or the explanation of benefits (EOBs). Cigna should provide an update regarding these other insurance investigations in the response to this report.

Detailed Claim Audit Findings: In-Sample Errors (Underpayments)

We identified 2 underpayments, totaling \$170.40

Summary of Errors—Underpayments

Reason	Frequency	Dollar Value	Claim Numbers
Eligible charge denied	2	\$170.40	137, 157
Total	2	\$170.40	

Error Details

Error Description	Error Reason	Current Status
Two errors, amounting to \$170.40, occurred on claims 137 and 157 as a result of eligible charges having been denied.	In the case of sample claim 137, a corrected claim was submitted by the provider which reflected that the charge for a crown core build-up was \$200, instead of \$20 which had previously been submitted and processed. Rather than pay the additional benefits due, a claim processor denied the charge as a duplicate, resulting in a \$47.20 underpayment. Similarly, on claim 157 a claim processor erroneously denied a periodontal scaling charge as a duplicate submission for the for the lower right quadrant, when in fact it was a new submission for the upper left quadrant. This resulted in a \$123.20 underpayment. In addition, an out-of-sample overpayment error was assessed on this claim.	Open. Cigna should provide an update regarding the status of these underpayment errors.

Detailed Claim Audit Findings: In-Sample Errors (Nonfinancial Errors)

We identified 6 nonfinancial errors. In addition to causing confusion to providers and members, these types of errors could potentially lead to financial errors

Summary of Errors—Nonfinancial

Reason	Frequency	Claim Numbers
Untimely claim adjustment	1	1
Incorrect remark code applied	2	41, 114
Incorrect date of service entered	1	141
COB investigation not conducted	1	180
Incorrect charge amount entered	1	189
Total	6	

Error Details

Error Description	Error Reason	Current Status
An error was assessed on sample claim 1 as due to an untimely claim adjustment.	Claim number 1 was originally processed on April 25, 2015 under the provider's network contract. On May 11, 2015, there was a retroactive termination of the network contract back to March 5, 2015. Our sample claim was the adjustment to process this claim as non-network using reasonable and customary (R&C) allowances. The adjustment occurred on September 11, 2015, which was 4 months after the termination information was received.	Closed. This claim was adjusted correctly.

Detailed Claim Audit Findings: In-Sample Errors (Nonfinancial Errors)

Error Details (continued)

Error Description	Error Reason	Current Status
<p>Errors occurred on claims 41 and 114 due to incorrect remark codes having been applied.</p>	<p>In the case of claim 41, the Dentacom system disallowed charges with a remark code stating they were being denied due to lack of information, when in fact they should have been denied as duplicate charges. On claim 114, a claim processor incorrectly denied implant charges after a dental consultant review with a remark that referenced alternate benefits rather than using a more descriptive remark code that states, "Based on review by our licensed dental consultants and the information currently provided to Cigna, the presenting condition does not meet dental plan criteria for benefit allowance."</p>	<p>Open. Cigna should confirm if the denial reasons have been updated on these claims.</p>
<p>On sample claim 141, an error was assessed as a result of an incorrect date of service having been entered.</p>	<p>A claim processor entered January 9, 2016 as the date of service for a resin-based composite when the date of service on the submitted claims was actually February 6, 2016.</p>	<p>Open. Cigna should reprocess this claim using the correct date of service to ensure the member's claim history is accurate.</p>

Detailed Claim Audit Findings: In-Sample Errors (Nonfinancial Errors)

Error Details (continued)

Error Description	Error Reason	Current Status
<p>An error occurred on claim 180 due to charges having been allowed prior to a COB investigation having been conducted.</p>	<p>When sample claim 180 was submitted, the dentist indicated that the retiree had other dental coverage in effect. Rather than investigating this other coverage to determine which carrier is primary, the system automatically processed this claim and applied the allowable amount toward the deductible. An out-of-sample error was also assessed on this claim for the same reason.</p>	<p>Open. Cigna should provide an update regarding the verification of other coverage.</p>
<p>The final nonfinancial error occurred on claim 189, due to an incorrect charge amount having been entered.</p>	<p>In this case, it appears that Cigna's mailroom vendor, Xerox, entered a charge as \$107.00 rather than \$1,070.00. Importantly, this claim was correctly denied as a duplicate charge at the time of adjudication.</p>	<p>Closed. Since the claim was correctly denied as a duplicate charge, there is no need to reprocess the claim.</p>

Detailed Claim Audit Findings: Out-of-Sample Errors

We identified 3 out-of-sample errors. While these errors are not included in our calculation of the statistical audit results, they are included here as commentary to give a more comprehensive view of Cigna's management of the LACERA plans

Summary of Errors—Out-of-Sample

Reason	Error Type	Frequency	Dollar Value	Claim Numbers
COB investigation not conducted	Overpayment	1	\$1,500.00	180
Claim adjustment omitted	Overpayment	1	129.60	157
Claim adjustment omitted	Underpayment	1	2.40	110
Total		3	\$1,632.00	

Error Details

Error Description	Error Reason	Current Status
A \$1,500.00 overpayment error was assessed on claim 180 due to a COB investigation not having been conducted.	As previously mentioned, this retiree's claim was submitted indicating that other dental coverage was in force. Rather than investigate whether the other coverage was primary, a claim processor paid benefits for an implant.	Open. Again, Cigna should provide an update regarding the verification of other coverage.

Detailed Claim Audit Findings: Out-of-Sample Errors

Error Details (continued)

Error Description	Error Reason	Current Status
On claim 157, a \$129.60 overpayment occurred due to a claim adjustment having been omitted.	In this case, charges for periodontal scaling and root planing were correctly paid using R&C to determine the allowable amounts. However, when Cigna reactivated the provider's network contract back to the original effective date of August 1, 2014, they failed to reprocess this claim under the contracted allowance.	Open. Cigna should provide an update regarding the status of this overpayment.
An underpayment, in the amount of \$2.40, was the result of a claim adjustment having been omitted on claim 110.	In this instance, Cigna failed to reprocess a claim for amalgams and resin-based composite restorations upon receipt of updated fee allowances for the contracted network dentist.	Open. Cigna should reprocess this claim in order to apply the updated contracted allowances for these services.

Detailed Claim Audit Findings: Commentary

Audit Area	Comment
Claim Turnaround Time	<ol style="list-style-type: none"> 1. During the audit, we noticed that the received date stamped on paper claims often did not match the received date entered into the Dentacom system. 2. We learned that Cigna uses the date it receives the claim from Xerox (their mailroom vendor) as the received date. This may result in a difference of 1 to 4 days (which is what we observed) between the time Xerox receives a claim and prepares the document, including data entry, for electronic submission to Cigna. 3. Cigna noted that the expectation is for Xerox to transmit 98% within 48 hours and 100% within 96 hours as required by the contractual agreement between Xerox and Cigna. 4. Most administrators utilize the date received at the mailroom vendor as the received date of the claim, since this would mirror what would normally occur when mailroom operations are not outsourced. 5. Cigna advised us that they are currently taking the following steps to assess the situation: pulling date received reports from both Xerox and Cigna Dental, analyze the data to identify the level of impact by comparing the Xerox received date and the Cigna Dental received date, and implementing a call schedule with Xerox and Cigna IT to discuss and identify key next steps towards a permanent resolution to avoid such discrepancies. 6. Cigna should provide an update as to their findings in the response to this report.
Coordination of Benefits	<ol style="list-style-type: none"> 1. On sample claim 161, we questioned why Cigna used their R&C allowances when coordinating benefits with a primary carrier, rather than using the contracted allowances noted by the primary plan. 2. Under the Coordination of Benefits section, Allowable Expenses subsection of LACERA's summary plan document (SPD), it states the following: "If you are covered by one Plan that provides services or supplies on the basis of reasonable and customary fees and one Plan that provides services and supplies on the basis of negotiated fees, the Primary Plan's fee arrangement shall be the Allowable Expense." 3. Per Cigna, they coordinate benefits using the "higher-of" covered expense, which in this case was Cigna's R&C allowance. 4. We encourage Cigna to discuss their current handling with LACERA, to determine if the SPD language should be updated or if Cigna should change their process of allowing the "higher of" when coordinating benefits.

Detailed Claim Audit Recommendations

Audit Area	Recommendations
Claim Audit	<ol style="list-style-type: none"> 1. Cigna should provide an update regarding their outreach to determine primacy of insurance coverage on sample claims 78, 132 and 180. 2. Cigna should advise if the claims 137 and 157 have been adjusted to pay the incorrectly denied charges. 3. An update should be provided as to whether claims 41 and 114 were adjusted to correct the remark codes as well as the date of service on claim 141. 4. Cigna should confirm if claims 157 and 110 were adjusted to allow the correct allowances. 5. Cigna should provide an update as to their findings from the analysis of data concerning the difference in received dates between Xerox and Cigna. 6. We encourage Cigna to discuss their standard of using the “higher of” allowable amounts when coordinating benefits with a primary plan. LACERA and Cigna should determine if there needs to be a change made to the SPD or if Cigna’s current process should be changed.



Supporting Documentation

- Claim Audit Evaluation Methodology

Claims Audit Evaluation Methodology

- Aon Hewitt's audit sample consisted of a random sample of 220 claims. Claims in the audit sample were processed 7/1/2015 through 6/30/2016.
 - The sample size of 220 claims has statistical relevance. Though not statistically credible, there is relative confidence that any similarly selected sample, of these types of claims, will produce similar results.
- We classify errors by category according to the financial consequences of the errors
 - **Payment Errors**—include benefit payments issued for a different dollar amount than what should have been paid, issued to an incorrect payee, or issued for the incorrect patient; payment errors are quantified as overpayments and underpayments
 - **Nonpayment Errors**—include errors that do not affect the dollar accuracy of the payment or cannot be quantified as a dollar amount at the time of our audit
- Aon measures claim processing performance based on the following four standards:
 - **Financial Accuracy**—measures the dollars paid correctly. The absolute value of all payment errors is subtracted from the total benefits paid in the sample. The result is divided by the total benefits paid in the sample.
 - **Payment Accuracy**—measures the frequency of payment errors by dividing the number of correct benefit payments by the total number of payments within the audit sample.
 - **Overall Accuracy**—is a frequency measure of all error types. This is measured by dividing the number of claims processed without any type of error by the total number of claims in the audit sample.
 - **Turnaround Time**—measures the time elapsed from the date all information necessary to process a claim is received to the date the claim is processed. Only the received date, not the processed date, is included in our calculation.
- Errors that are discovered during the course of auditing a claim, but were made on claims outside of the audit sample, are considered to be out-of-sample errors
 - Out-of-sample errors are categorized as payment and nonpayment errors, but are not included in our calculation of the statistical audit results
 - These errors are, however, noted in this report as a means of evaluating the overall accuracy and efficiency of claim processing

Legal Disclaimer

About Aon

Aon plc (NYSE:AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, best reinsurance intermediary, best captives manager, and best employee benefits consulting firm by multiple industry sources. Visit aon.com for more information on Aon and aon.com/manchesterunited to learn about Aon's global partnership with Manchester United.

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Steven P. Fallgren
Senior Account Manager
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January 31, 2017

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RE: LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)
Cigna Account Number: 3211348
Dental Plan Audit (Claims Paid July 1, 2016 through June 30, 2016)

Dear Cassandra;

Thank you for the opportunity to respond to the findings of the final report from the dental plan audit of Cigna HealthCare's Claim Administration Services completed the week of September 26, 2016 by Aon Hewitt on behalf of LACERA. We reviewed the audit findings and want to share our commitment to resolve any outstanding items or questions.

Attached please find Cigna HealthCare's response which identifies the steps that will be taken to improve quality based on the results and the recommendations identified through the audit of the medical program. We want to assure you that we have addressed each of the claim processing issues identified in the report.

Cigna values our relationship with LACERA and Aon Hewitt. We look forward to meeting with you in the near future to discuss the audit findings and recommendations in more detail. In the meantime, please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink that reads "Steven P. Fallgren" with a long horizontal flourish extending to the right.

Steven P. Fallgren
Senior Account Manager

Cc Leslie McKee, Aon Hewitt
Cathy Weis, Aon Hewitt
Kirby Bosely, Aon Hewitt
Susie Lee, Aon Hewitt
Sonia Ledesma, Cigna
Susan Cabarloc, Cigna
Cindy Yanaga, Cigna
Tamyra Line, Cigna

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Cigna Response
Dental Plan Audit

Together, all the way.



EXECUTIVE SUMMARY

- > Cigna would like to thank both Los Angeles County Employees Retirement Association (LACERA) and Aon Hewitt for the opportunity to respond to the Dental Plan Audit report provided by Aon Hewitt.

- > The onsite claim review was conducted in our Denison, Texas office the week of September 26, 2016 and consisted of claims that were paid during the time period of July 1, 2015 through June 30, 2016.

- > Cigna appreciates the Summary of Recommendations and history of the audit that Aon Hewitt has provided. Cigna has reviewed the specific feedback noted by Aon Hewitt and we have included our comments to each recommendation.

- > In regards to the financial errors assessed on Samples 78, 132 & 180 (for failure to pend) it's been confirmed that Cigna is indeed primary for these participants and no overpayments exist therefore, we propose also presenting results with the absence of these payment errors in which case, the audit result would increase to:
 - 99.58% Financial
 - 99.09% Payment
 - 96.82% Overall



RECOMMENDATIONS & RESPONSES

Aon Hewitt Recommendation	Cigna Response
<p>Claim Audit:</p> <p>Cigna should provide an update regarding their outreach to determine primacy of insurance coverage on sample claims 78, 132 and 180.</p> <p>Cigna should advise if the claims 137 and 157 have been adjusted to pay the incorrectly denied charges.</p> <p>An update should be provided as to whether claims 41 and 114 were adjusted to correct the remark codes as well as the date of service on claim 141.</p> <p>Cigna should confirm if claims 157 and 110 were adjusted to allow the correct allowances.</p>	<p>Outreach and investigation have been completed and it's been confirmed that Cigna is primary for each participant.</p> <ul style="list-style-type: none"> • #78 & #132— Insureds are retiree's and do have Delta Dental under retiree plans however, Cigna is primary due to length of coverage. • #180-- Other coverage is supplemental therefore, Cigna is prime. <p>Please refer to the attached Action Plan “Summary of Client Audit Findings and Remediation” chart which shows root cause, corrective actions and status of claim adjustments and overpayment recovery.</p>



RECOMMENDATIONS & RESPONSES

Aon Hewitt Recommendation

Claim Audit:

Cigna should provide an update as to their findings from the analysis of data concerning the difference in received dates between Xerox and Cigna.

We encourage Cigna to discuss their standard of using the “higher of” allowable amounts when coordinating benefits with a primary plan. LACERA and Cigna should determine if there needs to be a change made to the SPD or if Cigna’s current process should be changed.

Cigna Response

Cigna continues to analyze the data to identify key next steps and will provide updates as they become available.

Cigna is reviewing the standard Coordination of Benefits language used in our fully insured Certificate Booklets to determine if changes need to be considered.



LACERA
Summary of Client Audit Findings and Remediation
DENTAL CLAIM AUDIT

Audit Number	Category	Financial Impact	Root Cause	Corrective Action
1	Rework	Procedural	Delayed adjustment	1) The claim was corrected prior to the audit (Sept 2016), unable to determine delay in adjustment.
41 114	Front End	Procedural	Incorrect denial code applied to claim	1) Related to Sample 114 - reinforcement coaching has been provided to the individual as well as discussed with the processing team. 2) Sample 41 has been corrected.
78 132 180	Other Insurance	n/a	Failure to investigate other insurance	1) Outreach and investigation have been completed and confirmed that Cigna is primary for each participant.
110 oos 157 oos	Reimbursement	u/p \$2.40 o/p \$129.60	Incorrect contract rates applied	1) Sample 110 was corrected and additional payment issued on 12/19/16. 2) Sample 157 was sent to Accent for recovery on 12/20/16.
137	Duplicate	u/p \$47.20	Incorrectly denied as duplicate	1) Reinforcement coaching was provided on 10/7/16 to the individual as well as discussed with the processing team. 2) The claim was corrected and additional payment issued on 10/7/16.
141 189	Front End	Procedural	Incorrect date of service entered Incorrect charge amount entered	1) Reinforcement coaching has been provided to the individual as well as discussed with the team. 2) Sample 141 has been corrected.
157	Reimbursement	u/p \$123.20	Corrected claim not handled appropriately	1) Reinforcement coaching was provided on 12/20/16 to the individual as well as discussed with the processing team. 2) The claim was corrected and additional payment issued on 12/20/16.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

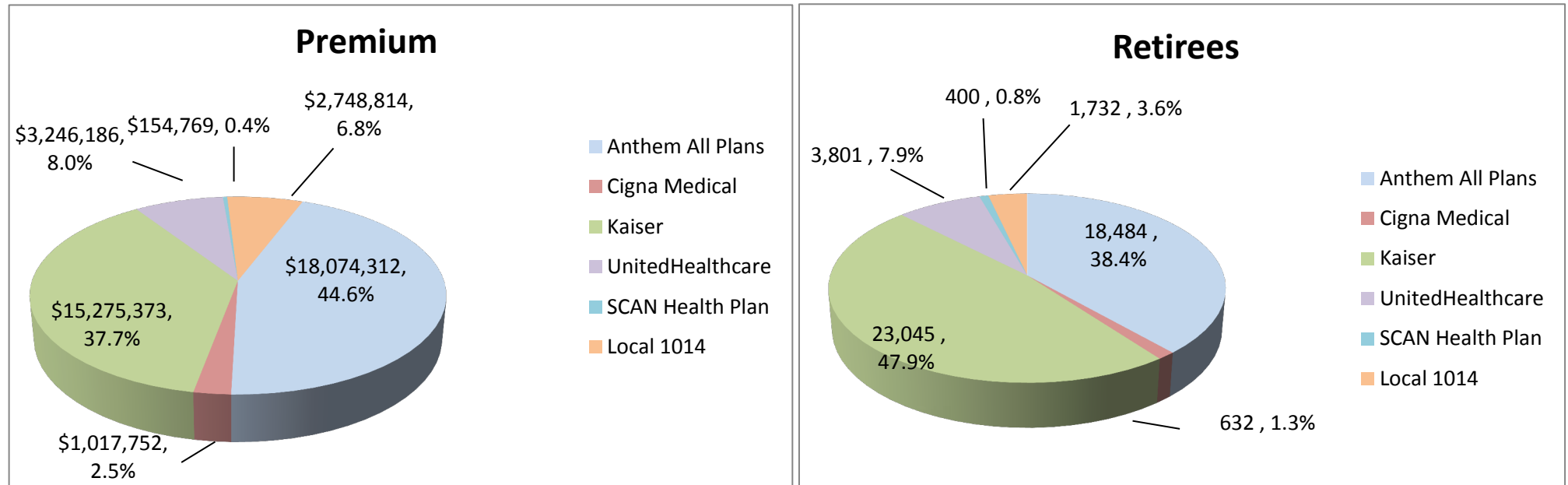


Premium & Enrollment

Coverage Month March 2017

Carrier / Plan	Monthly Premium	Percent of Total	Retirees	Percent of Total
Anthem All Plans	\$18,074,312	44.6%	18,484	38.4%
Cigna Medical	\$1,017,752	2.5%	632	1.3%
Kaiser	\$15,275,373	37.7%	23,045	47.9%
UnitedHealthcare	\$3,246,186	8.0%	3,801	7.9%
SCAN Health Plan	\$154,769	0.4%	400	0.8%
Local 1014	\$2,748,814	6.8%	1,732	3.6%
Combined Medical	\$40,517,207	100.0%	48,094	100.0%

Cigna Dental & Vision	\$3,753,453	49,197
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LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



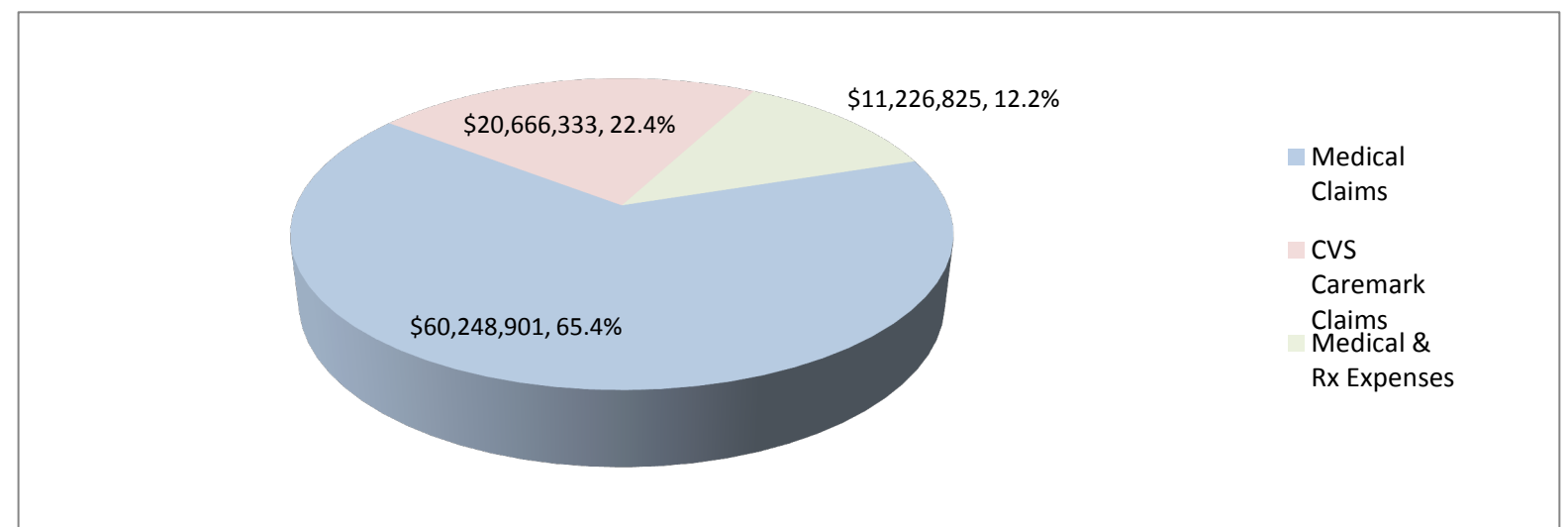
Anthem Plans I & II

Coverage Month March 2017

Month	Monthly Enrollment	Monthly Premium	Medical Claims	CVS Caremark Claims	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Medical & Rx Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	6,088	\$9,121,640	\$6,534,411	\$2,101,899	\$8,636,310	\$1,418.58	94.7%	\$1,191,231	\$9,827,541	107.7%
Aug-16	6,078	\$9,135,046	\$7,874,179	\$2,364,260	\$10,238,438	\$1,684.51	112.1%	\$1,200,737	\$11,439,175	125.2%
Sep-16	6,065	\$9,111,569	\$6,408,946	\$1,939,840	\$8,348,785	\$1,376.55	91.6%	\$1,186,724	\$9,535,509	104.7%
Oct-16	6,043	\$9,086,383	\$6,521,156	\$2,190,072	\$8,711,228	\$1,441.54	95.9%	\$1,182,770	\$9,893,999	108.9%
Nov-16	6,025	\$9,041,462	\$7,823,642	\$2,310,711	\$10,134,352	\$1,682.05	112.1%	\$1,179,437	\$11,313,789	125.1%
Dec-16	6,016	\$9,027,477	\$7,044,987	\$2,176,658	\$9,221,645	\$1,532.85	102.2%	\$1,178,090	\$10,399,734	115.2%
Jan-17	6,010	\$9,029,340	\$5,286,698	\$2,412,010	\$7,698,708	\$1,280.98	85.3%	\$1,176,968	\$8,875,676	98.3%
Feb-17	6,005	\$9,030,218	\$5,747,803	\$2,564,515	\$8,312,318	\$1,384.23	92.1%	\$1,176,081	\$9,488,398	105.1%
Mar-17	6,010	\$9,063,902	\$7,007,080	\$2,606,369	\$9,613,449	\$1,599.58	106.1%	\$1,754,786	\$11,368,236	125.4%
Apr-17										
May-17										
Jun-17										

YTD Plan Year	54,340	\$81,647,038	\$60,248,901	\$20,666,333	\$80,915,234	\$1,489.05	99.1%	\$11,226,825	\$92,142,059	112.9%
9 Month Average	6,038	\$9,071,893	\$6,694,322	\$2,296,259	\$8,990,582	\$1,489.05	99.1%	\$1,247,425	\$10,238,007	112.9%
12 Month Rollup	72,642	\$109,007,830	\$79,951,632	\$26,872,544	\$106,824,176	\$1,470.56	98.0%	\$14,188,097	\$121,012,273	111.0%

Medical Claims reported by Anthem
 CVS Caremark Claims reported by CVS
 Expenses: Anthem Admin, Stop Loss, and Premium Taxes
 Enrollment and Premium Reported by LACERA



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



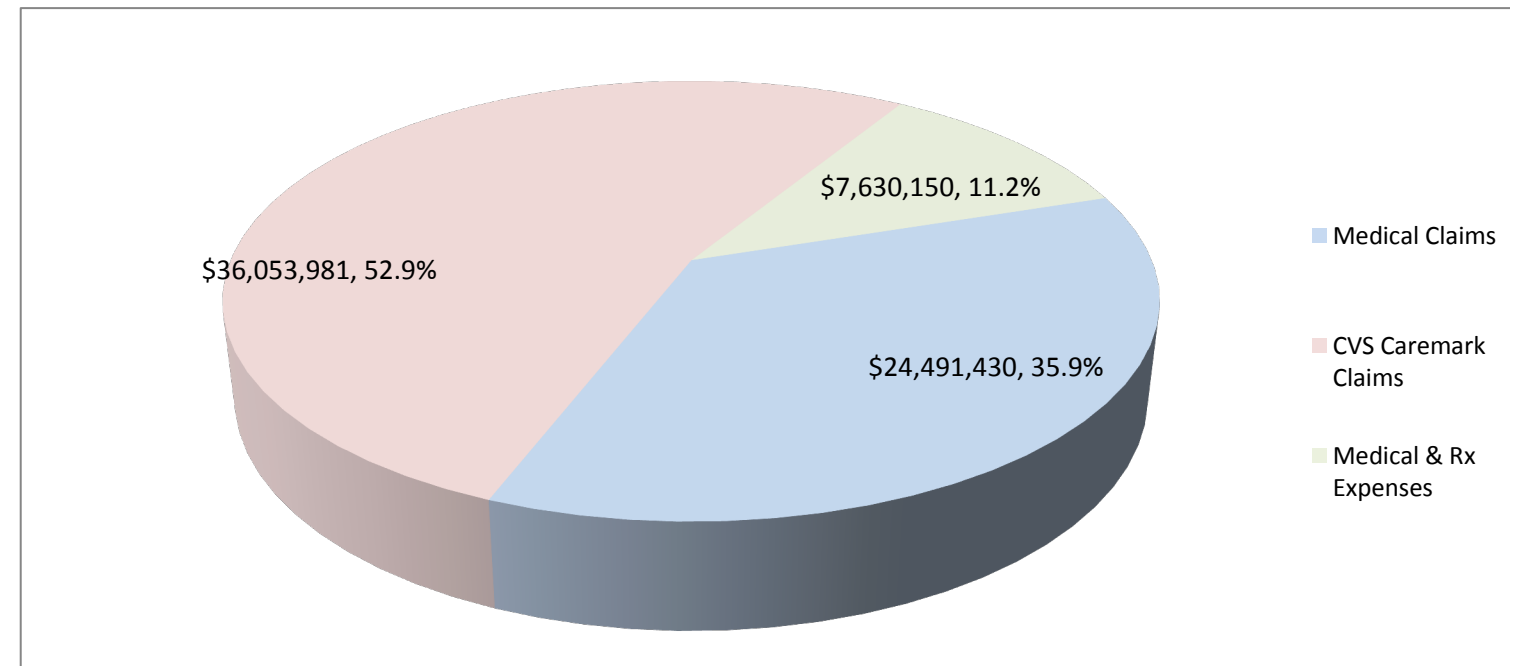
Anthem Plan III

Coverage Month March 2017

Month	Monthly Enrollment	Monthly Premium	Medical Claims	CVS Caremark Claims	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Medical & Rx Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	11,065	\$7,446,109	\$2,789,671	\$3,515,111	\$6,304,782	\$569.80	84.7%	\$841,852	\$7,146,634	96.0%
Aug-16	11,083	\$7,427,254	\$2,960,288	\$3,940,053	\$6,900,341	\$622.61	92.9%	\$843,221	\$7,743,562	104.3%
Sep-16	11,112	\$7,458,876	\$2,956,685	\$3,631,303	\$6,587,988	\$592.87	88.3%	\$845,427	\$7,433,415	99.7%
Oct-16	11,131	\$7,449,421	\$3,010,763	\$3,770,776	\$6,781,539	\$609.25	91.0%	\$846,873	\$7,628,412	102.4%
Nov-16	11,150	\$7,412,057	\$2,933,086	\$3,773,422	\$6,706,508	\$601.48	90.5%	\$848,319	\$7,554,827	101.9%
Dec-16	11,160	\$7,479,004	\$2,734,313	\$3,895,819	\$6,630,133	\$594.10	88.6%	\$849,079	\$7,479,212	100.0%
Jan-17	11,185	\$7,479,338	\$2,556,474	\$3,895,819	\$6,452,293	\$576.87	86.3%	\$850,981	\$7,303,274	97.6%
Feb-17	11,195	\$7,494,130	\$1,847,070	\$4,476,666	\$6,323,736	\$564.87	84.4%	\$851,742	\$7,175,479	95.7%
Mar-17	11,207	\$7,509,780	\$2,703,079	\$5,155,011	\$7,858,091	\$701.18	104.6%	\$852,655	\$8,710,746	116.0%
Apr-17										
May-17										
Jun-17										

YTD Plan Year	100,288	\$67,155,968	\$24,491,430	\$36,053,981	\$60,545,411	\$603.72	90.2%	\$7,630,150	\$68,175,561	101.5%
9 Month Average	11,143	\$7,461,774	\$2,721,270	\$4,005,998	\$6,727,268	\$603.72	90.2%	\$847,794	\$7,575,062	101.5%
12 Month Rollup	133,256	\$89,304,560	\$33,069,048	\$46,617,257	\$79,686,305	\$597.99	89.2%	\$9,920,757	\$89,607,062	100.3%

Medical Claims reported by Anthem
 CVS Caremark Claims reported by CVS
 Expenses: Anthem Admin and Premium Taxes
 Enrollment and Premium Reported by LACERA



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Anthem Plans I,II,III

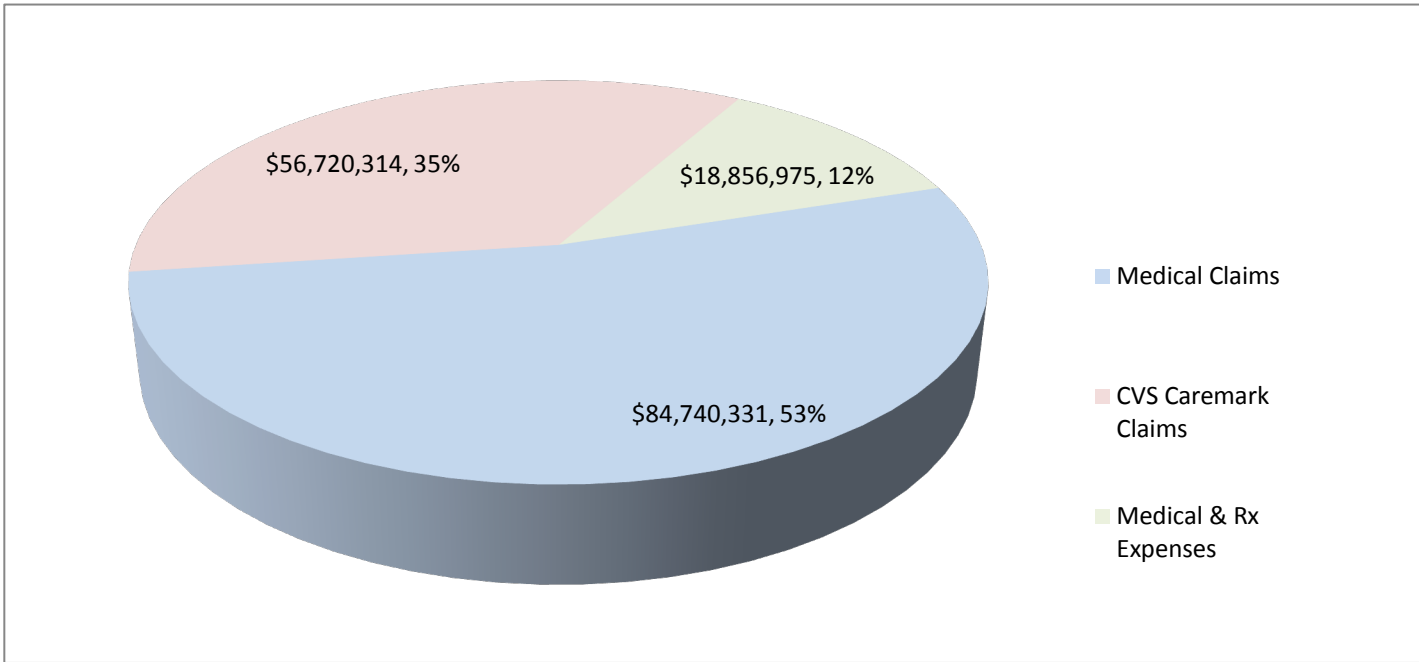
Coverage Month March 2017



Month	Monthly Enrollment	Monthly Premium	Medical Claims	CVS Caremark Claims	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Medical & Rx Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	17,153	\$16,567,748	\$9,324,082	\$5,617,010	\$14,941,092	\$871.05	90.2%	\$2,033,083	\$16,974,175	102.5%
Aug-16	17,161	\$16,562,300	\$10,834,467	\$6,304,312	\$17,138,779	\$998.71	103.5%	\$2,043,958	\$19,182,737	115.8%
Sep-16	17,177	\$16,570,445	\$9,365,631	\$5,571,142	\$14,936,773	\$869.58	90.1%	\$2,032,151	\$16,968,924	102.4%
Oct-16	17,174	\$16,535,805	\$9,531,919	\$5,960,848	\$15,492,768	\$902.11	93.7%	\$2,029,643	\$17,522,411	106.0%
Nov-16	17,175	\$16,453,519	\$10,756,728	\$6,084,132	\$16,840,860	\$980.54	102.4%	\$2,027,756	\$18,868,616	114.7%
Dec-16	17,176	\$16,506,482	\$9,779,300	\$6,072,477	\$15,851,777	\$922.90	96.0%	\$2,027,169	\$17,878,946	108.3%
Jan-17	17,195	\$16,508,678	\$7,843,172	\$6,307,829	\$14,151,001	\$822.97	85.7%	\$2,027,949	\$16,178,951	98.0%
Feb-17	17,200	\$16,524,347	\$7,594,873	\$7,041,181	\$14,636,054	\$850.93	88.6%	\$2,027,823	\$16,663,877	100.8%
Mar-17	17,217	\$16,573,683	\$9,710,160	\$7,761,380	\$17,471,540	\$1,014.78	105.4%	\$2,607,442	\$20,078,981	121.1%
Apr-17										
May-17										
Jun-17										

YTD Plan Year	154,628	\$148,803,006	\$84,740,331	\$56,720,314	\$141,460,645	\$914.84	95.1%	\$18,856,975	\$160,317,620	107.7%
9 Month Average	17,181	\$16,533,667	\$9,415,592	\$6,302,257	\$15,717,849	\$914.84	95.1%	\$2,095,219	\$17,813,069	107.7%
12 Month Rollup	205,898	\$198,312,389	\$113,020,680	\$73,489,801	\$186,510,481	\$905.84	94.0%	\$24,108,854	\$210,619,335	106.2%

Medical Claims reported by Anthem
 CVS Caremark Claims reported by CVS
 Expenses: Anthem Admin, Stop Loss, and Premium Taxes
 Enrollment and Premium Reported by LACERA



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



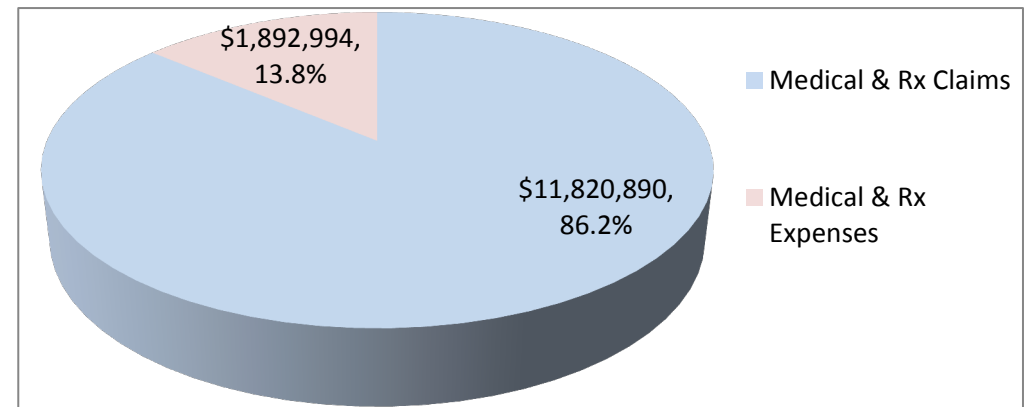
Anthem Prudent Buyer

Coverage Month March 2017

Month	Monthly Enrollment	Monthly Premium	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Medical & Rx Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	1,321	\$1,562,451	\$1,318,391	\$998.03	84.4%	\$214,611	\$1,533,002	98.1%
Aug-16	1,312	\$1,564,102	\$1,376,003	\$1,048.78	88.0%	\$213,149	\$1,589,152	101.6%
Sep-16	1,302	\$1,546,234	\$1,512,698	\$1,161.83	97.8%	\$211,524	\$1,724,222	111.5%
Oct-16	1,298	\$1,529,406	\$1,442,196	\$1,111.09	94.3%	\$210,874	\$1,653,070	108.1%
Nov-16	1,297	\$1,519,166	\$1,313,711	\$1,012.88	86.5%	\$210,712	\$1,524,423	100.3%
Dec-16	1,296	\$1,534,396	\$1,226,492	\$946.37	79.9%	\$210,549	\$1,437,041	93.7%
Jan-17	1,281	\$1,511,991	\$1,081,781	\$844.48	71.5%	\$208,112	\$1,289,893	85.3%
Feb-17	1,278	\$1,515,171	\$1,240,390	\$970.57	81.9%	\$207,625	\$1,448,015	95.6%
Mar-17	1,267	\$1,500,630	\$1,309,228	\$1,033.33	87.2%	\$205,838	\$1,515,066	101.0%
Apr-17								
May-17								
Jun-17								

YTD Plan Year	11,652	\$13,783,546	\$11,820,890	\$1,014.49	85.8%	\$1,892,994	\$13,713,884	99.5%
9 Month Average	1,295	\$1,531,505	\$1,313,432	\$1,014.15	85.8%	\$210,333	\$1,523,765	99.5%
12 Month Rollup	15,658	\$18,524,603	\$15,724,905	\$1,004.27	84.9%	\$2,432,650	\$18,157,554	98.0%

Monthly Enrollment and Premium Data as reported by LACERA
 Medical Claims reported by Anthem
 Expenses: Anthem Admin, Stop Loss, and Premium Taxes
 Enrollment and Premium Reported by LACERA



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



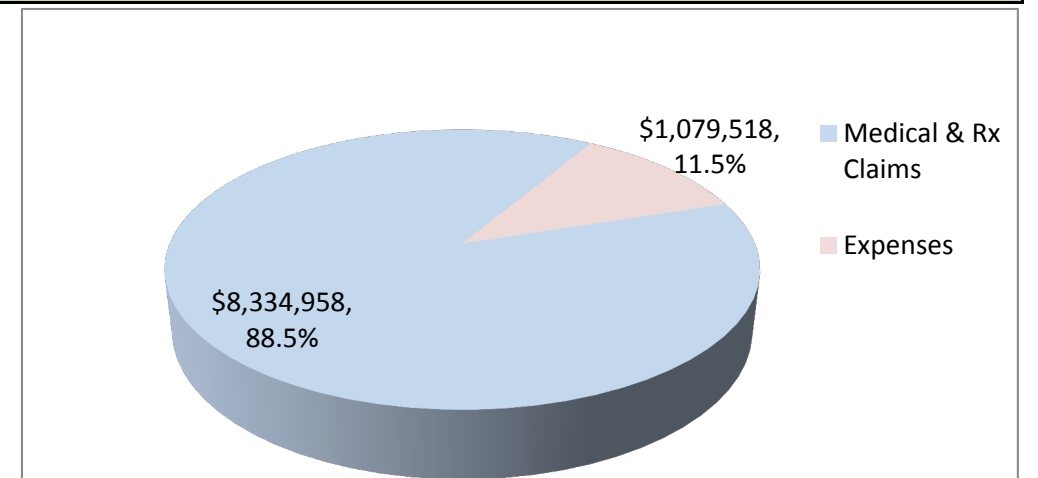
Cigna HMO

Coverage Month March 2017

Month	Monthly Enrollment	Monthly Premium	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	600	\$1,024,268	\$1,053,209	\$1,755.35	102.8%	\$122,810	\$1,176,019	114.8%
Aug-16	598	\$1,023,919	\$898,265	\$1,502.11	87.7%	\$122,768	\$1,021,033	99.7%
Sep-16	594	\$1,014,533	\$1,055,166	\$1,776.37	104.0%	\$121,643	\$1,176,808	116.0%
Oct-16	591	\$1,003,760	\$915,797	\$1,549.57	91.2%	\$120,351	\$1,036,147	103.2%
Nov-16	586	\$997,382	\$910,226	\$1,553.29	91.3%	\$119,586	\$1,029,813	103.3%
Dec-16	586	\$994,079	\$916,156	\$1,563.41	92.2%	\$119,190	\$1,035,346	104.2%
Jan-17	582	\$986,897	\$850,611	\$1,461.53	86.2%	\$118,329	\$968,940	98.2%
Feb-17	576	\$977,802	\$833,174	\$1,446.48	85.2%	\$117,238	\$950,413	97.2%
Mar-17	577	\$980,844	\$902,355	\$1,563.87	92.0%	\$117,603	\$1,019,958	104.0%
Apr-17								
May-17								
Jun-17								

YTD Plan Year	5,290	\$9,003,484	\$8,334,958	\$1,575.61	92.6%	\$1,079,518	\$9,414,476	104.6%
9 Month Average	588	\$1,000,387	\$926,106	\$1,575.61	92.6%	\$119,946	\$1,046,053	104.6%
12 Month Rollup	7,102	\$12,017,664	\$11,207,263	\$1,578.04	93.3%	\$1,399,031	\$12,606,294	104.9%

Monthly Enrollment and Premium Data as reported by LACERA
 Medical Claims reported by Cigna
 Expenses: Cigna Admin Costs and Premium Taxes
 Enrollment and Premium Reported by LACERA



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



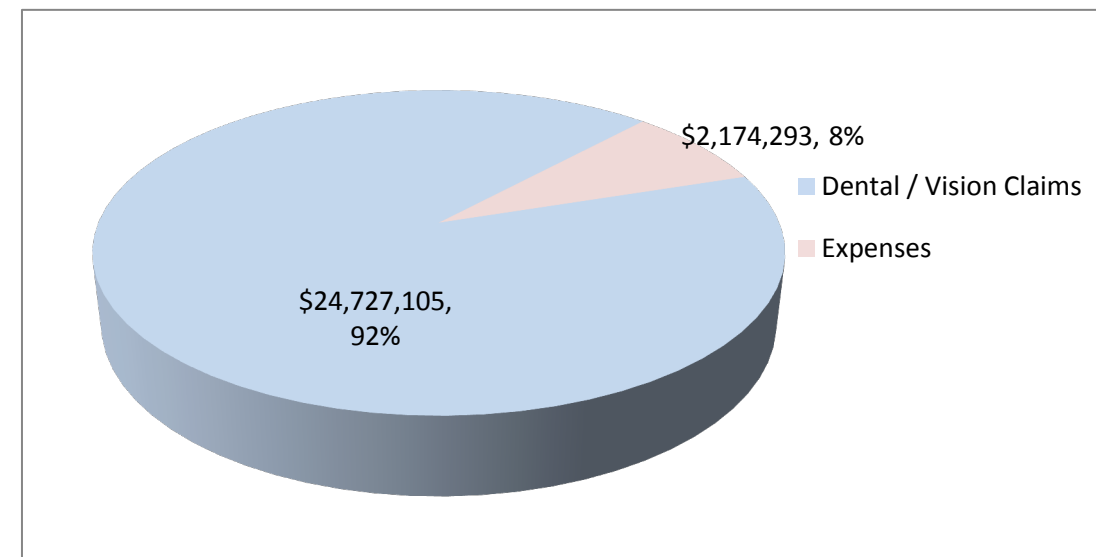
Cigna Dental PPO+Vision

Coverage Month March 2017

Month	Monthly Enrollment	Monthly Premium	Dental / Vision Claims	In-Network Dental Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-16	43,276	\$3,364,467	\$2,534,298	54.5%	\$58.56	75.3%	\$240,769	\$2,775,067	82.5%
Aug-16	43,353	\$3,367,060	\$2,730,885	57.7%	\$62.99	81.1%	\$240,955	\$2,971,840	88.3%
Sep-16	43,417	\$3,364,087	\$2,602,511	56.8%	\$59.94	77.4%	\$240,742	\$2,843,253	84.5%
Oct-16	43,475	\$3,370,847	\$2,457,048	58.3%	\$56.52	72.9%	\$241,226	\$2,698,274	80.0%
Nov-16	43,509	\$3,368,847	\$2,492,934	58.3%	\$57.30	74.0%	\$241,083	\$2,734,017	81.2%
Dec-16	43,572	\$3,379,536	\$2,489,459	56.2%	\$57.13	73.7%	\$241,848	\$2,731,307	80.8%
Jan-17	43,639	\$3,386,797	\$2,807,693	55.3%	\$64.34	82.9%	\$242,367	\$3,050,060	90.1%
Feb-17	43,678	\$3,388,192	\$3,098,119	54.3%	\$70.93	91.4%	\$242,467	\$3,340,586	98.6%
Mar-17	43,758	\$3,393,355	\$3,514,158	54.4%	\$80.31	103.6%	\$242,837	\$3,756,994	110.7%
Apr-17									
May-17									
Jun-17									

YTD Plan Year	391,677	\$30,383,190	\$24,727,105	57.1%	\$63.13	81.4%	\$2,174,293	\$26,901,398	88.5%
9 Month Average	43,520	\$3,375,910	\$2,747,456	56.7%	\$63.13	81.4%	\$241,588	\$2,989,044	88.5%
12 Month Rollup	520,772	\$39,939,174	\$33,351,305	56.8%	\$64.04	83.5%	\$2,997,145	\$36,348,451	91.0%

Expenses: Cigna Admin Costs and Premium Taxes
Enrollment and Premium Reported by LACERA



April 24, 2017

Legislative/Executive

President Trump Signs Executive Order Calling for Review of H-1B Immigration Visa Program

On April 18, 2017, President Trump signed an Executive Order (Buy American and Hire American) mandating a review of the highly skilled immigration program (H-1B visas). The order states "...in order to promote the proper functioning of the H-1B visa program, the Secretary of State, the Attorney General, the Secretary of Labor, and the Secretary of Homeland Security shall, as soon as practicable, suggest reforms to help ensure that H-1B visas are awarded to the most-skilled or highest-paid petition beneficiaries."

The Executive Order is available [here](#).

The news release is available [here](#).

Aon Hewitt Publications

HHS Finalizes Rules to Stabilize Individual Insurance Market

On April 13, 2017, the Centers for Medicare and Medicaid Services of the Department of Health and Human Services (HHS) released final regulations aimed at stabilizing the individual and small group health insurance markets. The final regulations amend standards relating to special enrollment periods, guaranteed availability, and the timing of the annual open enrollment period in the individual market for the 2018 plan year; standards related to network adequacy and essential community providers for qualified health plans; and the rules around actuarial value requirements. The regulations become effective June 19, 2017.

The Aon Hewitt bulletin, which details the changes, is available [here](#).

Aon Hewitt Webinar Events

A Closer Look: Health Care Reform in the First 100 Days of the Trump Administration

When: Wednesday, May 10, 2017

Time: 2:00 p.m. ET

With the ongoing debate over health care reform and the uncertain future of the Affordable Care Act, how should employers think about moving forward with health and benefit strategies? Join us on May 10 as our experts explore:

- The latest legislative developments;
- Potential implications for employer-sponsored health care; and
- How to stay compliant with new laws and regulations, as well as ways to ensure your health care strategies are adaptive and supportive of business objectives and the needs of your people.

Click on the link below to reserve your spot.

Register for "A Closer Look: Health Care Reform in the First 100 Days of the Trump Administration" [here](#).

April 17, 2017

Legislative

House and Senate Adjourn for Spring Recess

Congress has adjourned for spring recess and is scheduled to return to the Hill on Monday, April 24, 2017.

Health

CMS Releases Final Regulations on Affordable Care Act Market Stabilization

On April 13, 2017, the Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) released regulations that finalize changes that will help stabilize the individual and small group markets and affirm the traditional role of state regulators under the Affordable Care Act. This final rule amends standards relating to special enrollment periods, guaranteed availability, and the timing of the annual open enrollment period in the individual market for the 2018 plan year; standards related to network adequacy and essential community providers for qualified health plans; and the rules around actuarial value requirements. These regulations become effective on June 19, 2017.

The final regulations are temporarily available [here](#).

(The final regulations will be published in the April 18, 2017, *Federal Register*.)

The CMS news release is available [here](#).

Retirement

President Trump Signs Legislation Halting City-Run Retirement Plans for Private-Sector Employees

On April 13, 2017, President Trump signed H.J. Res. 67 into law. The legislation nullifies a rule and prevents a Department of Labor (DOL) regulation regarding savings arrangements established by qualified state political subdivisions for private sector workers from going into effect. In August 2016, the DOL issued final safe harbor regulations that describe how states may design and operate payroll deduction savings programs using automatic enrollment for private-sector employees, without causing the states or the private-sector employers to establish employee pension benefit plans under ERISA.

The DOL followed up with additional final safe harbor regulations in December 2016, to include cities and other political subdivisions. H.J. Res. 67 only addresses these December 2016 regulations regarding the extension of such savings arrangements to qualified state political subdivisions.

The House approved a separate resolution of disapproval (H.J. Res. 66) in February 2017, that would prevent the August 2016 DOL regulations regarding state-run retirement plans for private sector employees from going into effect. A Senate vote on H.J. Res. 66 is expected in May.

H.J. Res. 67 is available [here](#).

The DOL news release (from December 2016) on the ERISA safe harbor regulations for municipally sponsored plans (including a fact sheet, regulations, etc.) is available [here](#).

The DOL news release (from August 2016) on the final regulations for state plans (including a link to the regulations) is available [here](#).

April 10, 2017

Legislative

House and Senate Recess for Two Weeks

Congress has adjourned for spring recess and is scheduled to return to the Hill on Monday, April 24, 2017.

Retirement

DOL Releases Final Rule Extending Fiduciary Rule Applicability Date to June 9, 2017

On April 4, 2017, the Department of Labor's (DOL's) Employee Benefits Security Administration released final regulations announcing a 60-day extension of the applicability dates of the fiduciary rule and related exemptions, including the Best Interest Contract Exemption. The announcement follows a February 3, 2017, presidential memorandum which directed the DOL to examine the fiduciary rule.

According to the DOL, advisers to retirement investors will be treated as fiduciaries and have an obligation to give advice that adheres to "impartial conduct standards" beginning on June 9 rather than on April 10, 2017, as originally scheduled. The DOL has requested comments on the issues raised by the presidential memorandum, and urges commenters to "submit data, information and analyses responsive to the requests, so that it can complete its work pursuant to the memorandum as carefully, thoughtfully and expeditiously as possible."

In the period between now and January 1, 2018, when all of the exemptions' conditions are scheduled to become fully applicable, the DOL intends to complete its review under the presidential memorandum and decide whether to make or propose further changes to the fiduciary rule or associated exemptions. In the absence of further action by the DOL, the delay announced in the final regulations does not affect the requirement to enter into a Best Interest Contract and other requirements that are currently scheduled for January 1, 2018.

The final regulations become effective on April 10, 2017. For other provisions related to applicability dates, please refer to the guidance.

The final regulations are available [here](#).

The news release is available [here](#).

April 3, 2017

Legislative/Executive

President Trump Signs H.J. Res. 37 Into Law; Nullifies Former "Blacklisting"

Executive Order

On March 27, 2017, President Trump signed H.J. Res. 37 into law. The legislation invalidates Executive Order 13673—Fair Pay & Safe Workplaces. Signed by President Obama in July 2014, Executive Order 13673 required prospective federal contractors to disclose labor law violations and provided agencies guidance on how to consider labor violations when awarding federal contracts. It also directed the Department of Labor (DOL) and Federal Acquisition Regulatory Council to issue regulations and guidance to implement the requirements.

Additionally, President Trump on the same day issued an Executive Order (Presidential Executive Order on the Revocation of Federal Contracting Executive Orders) officially revoking the initial authorizing Executive Order signed by President Obama. President Trump's Order directs the DOL and other executive agencies to "...consider promptly rescinding any orders, rules, regulations, guidance, guidelines, or policies implementing or enforcing the revoked Executive Orders..."

H.J. Res. 37 is available [here](#).

The Presidential Executive Order on the Revocation of Federal Contracting Executive Orders is available [here](#).