

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, FEBRUARY 15, 2018 - 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:

Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman B. Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

I. APPROVAL OF THE MINUTES

- A. Approval of the minutes of the regular meeting of December 14, 2017
- B. Approval of the minutes of the regular meeting of January 11, 2018

II. PUBLIC COMMENT

III. ACTION ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee make a recommendation to the Board of Retirement (Board) that the Board authorize staff to execute Retiree Health Care (RHC) Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles (LAFCO), (2) the South Coast Air Quality Management District (SCAQMD), and (3) the Los Angeles County Office of Education (LACOE). (Memorandum dated February 6, 2018)
- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt the revised Legislative Policy. (Memorandum dated February 6, 2018)

IV. FOR INFORMATION

- A. Single-Payer Healthcare Update
Barry W. Lew, Legislative Affairs Officer
- B. Engagement Report for January 2018
Barry W. Lew, Legislative Affairs Officer
- C. Anthem Blue Cross Benefit Plans – Lifetime Maximum
Cassandra Smith, Director, Retiree Healthcare
- D. Staff Activities Report for January 2018
Cassandra Smith, Director, Retiree Healthcare
- E. LACERA Claims Experience
Stephen Murphy, Segal Consulting
- F. Federal Legislation
Stephen Murphy, Segal Consulting
(for discussion purposes)

V. REPORT ON STAFF ACTION ITEMS

VI. GOOD OF THE ORDER

(For information purposes only)

VII. 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, DECEMBER 14, 2017, 4:05 P.M. – 4:10 P.M.

COMMITTEE MEMBERS

PRESENT: Vivian H. Gray, Vice Chair
David L. Muir, Alternate

ABSENT: William de la Garza, Chair
Alan Bernstein
Ronald Okum

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Shawn R. Kehoe
Keith Knox (Chief Deputy to Joseph Kelly)
Herman B. Santos

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith
Barry Lew

Segal Consulting

Stephen Murphy

Due to the absence of Messrs. de la Garza, Bernstein, and Okum, Board of Retirement Chair Shawn Kehoe appointed Mr. Adams as a voting member of the Committee. Mr. Kehoe also announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

The meeting was called to order by Chair Gray at 4:05 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of November 9, 2017

Mr. Adams made a motion, Ms. Gray seconded, to approve the minutes of the regular meeting of November 9, 2017. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. Engagement Report for November 2017
Barry W. Lew, Legislative Affairs Officer

The engagement report was discussed.

B. Staff Activities Report for November 2017
Cassandra Smith, Director, Retiree Healthcare

The staff activities report was discussed.

C. LACERA Claims Experience
Stephen Murphy, Segal Consulting

The LACERA Claims Experience reports through October 2017 were discussed.

D. Federal Legislation
Stephen Murphy, Segal Consulting

(for discussion purposes)

Segal Consulting gave an update on federal legislation.

IV. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 4:10 p.m.

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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, JANUARY 11, 2018, 12:05 P.M. – 12:15 P.M.

COMMITTEE MEMBERS

PRESENT: Vivian H. Gray, Vice Chair
Alan Bernstein

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
JP Harris
Joseph Kelly
Les Robbins
Herman B. Santos
Thomas Walsh
Gina Zapanta-Murphy

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith
Barry Lew

Segal Consulting

Stephen Murphy

The meeting was called to order by Chair Gray at 12:05 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of December 14, 2017

Due to lack of a quorum, the approval of the minutes was postponed until the February Committee meeting.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. Single-Payer Healthcare Update
Barry W. Lew, Legislative Affairs Officer

Mr. Lew discussed recent developments related to Senate Bill 562, which would enact the Healthy California Act and establish a universal single-payer health care system in California.

B. Engagement Report for December 2017
Barry W. Lew, Legislative Affairs Officer

The engagement report was discussed.

C. Staff Activities Report for December 2017
Cassandra Smith, Director, Retiree Healthcare

The staff activities report was discussed.

D. LACERA Claims Experience
Stephen Murphy, Segal Consulting

The LACERA Claims Experience reports through November 2017 were discussed.

E. Federal Legislation
Stephen Murphy, Segal Consulting

(for discussion purposes)

Segal Consulting gave an update on federal legislation.

IV. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 12:15 p.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.**

February 6, 2018

TO: Insurance, Benefits & Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman B. Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: February 15, 2018 Insurance, Benefits & Legislative Committee Meeting

SUBJECT: **AGENCY RHC PROGRAM ADMINISTRATION AGREEMENTS**

RECOMMENDATION

That the Insurance, Benefits & Legislative Committee (Committee) make a recommendation to the Board of Retirement (Board) that the Board authorize staff to execute Retiree Health Care (RHC) Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles (LAFCO), (2) the South Coast Air Quality Management District (SCAQMD), and (3) the Los Angeles County Office of Education (LACOE).

LEGAL AUTHORITY

LACERA has authority under the 1982 Agreement, and its modifications (all discussed below), to administer the Retiree Healthcare Program for the County of Los Angeles (County). The program was established and exists pursuant to Government Code Section 31691 of the County Employees Retirement Law of 1937 (CERL).

The proposed agreements with LAFCO, SCAQMD, and LACOE address issues regarding the administration and administrative costs of the program provided to these agencies as they are independent of the County. The agreements are consistent with the authority exercised by LACERA under the 1982 Agreement; importantly, these contracts do not change the 1982 Agreement. The agreements confirm each agency's acceptance that LACERA will administer the program as it has been administered under the 1982 Agreement, along with the agencies' financial responsibilities to LACERA. In that these agencies are not mentioned in the 1982 Agreement, it is prudent, and protects the pension fund, for the Board to approve that administration of the program for the agencies be documented in a separate agreement with each agency.

As such, the proposed agreements are consistent with the Board's plenary authority and fiduciary duty to prudently administer the system under Article XVI, Section 17 of the California Constitution. The Committee has authority for initial review of matters relating to the Retiree Healthcare Program. (Standing Committee Charters, Section H.1, pages 5-6.)

BACKGROUND

In 1982, LACERA and the County entered into an agreement (1982 Agreement) under which the Board "agrees to administer such program [the Retiree Healthcare Program] for retired employees and their dependents on behalf of the County." The 1982 Agreement was modified in 1994 (Modification No. 1) to provide continuing support for the retiree program, even if the active employee program were to be terminated, and to include the retiree program in a County ordinance. The 1982 Agreement was further modified in 2014 (Modification No. 2) with the creation of Tier 2. LACERA remains administrator of the program, including both Tier 1 and Tier 2. The costs of the program are borne by participating employers and retirees.

Through the County, employees of LAFCO, SCAQMD, and LACOE have long participated in the Retiree Healthcare Program under the 1982 Agreement. Over time, these agencies have separated their financial affairs from the County. As a result, it is necessary and appropriate for LACERA to confirm that the Retiree Healthcare Program administered by LACERA for retirees of these agencies is made pursuant to the 1982 Agreement and that the agencies will pay their share of program costs.

In late 2016, LACERA began negotiations with LAFCO, SCAQMD, and LACOE regarding the need for an administrative services agreement.¹ The start of the negotiations roughly corresponded with the establishment of the Superior Court's OPEB Trust in July 2016; as part of those negotiations, LACERA obtained confirmation from the Court that it acknowledges its separate obligations to LACERA with respect to administration of the program under the 1982 Agreement.

LACERA's business and legal teams, including representatives of the Financial and Accounting Services, Retiree Healthcare, and Legal Divisions as well as the Executive Office, had numerous meetings, emails, and phone calls with staff from the three

¹ LACERA also attempted to negotiate with another participating employer, Little Lake Cemetery District (Little Lake). LACERA did not receive a response from Little Lake. However, Little Lake is very small. Based on historical experience regarding other issues, we do not anticipate an issue in administering the Retiree Healthcare Program for Little Lake, even without a formal agreement, in the same way as will be done for the other agencies under their agreements.

agencies, and exchanged many drafts of the proposed agreements. By January 2018, the agreements were finalized, and LAFCO, SCAQMD, and LACOE had all approved and signed an agreement, subject to review and approval by the Board of Retirement.

The proposed LAFCO agreement is attached as Exhibit A. The proposed SCAQMD agreement is attached as Exhibit B. The proposed LACOE agreement is attached as Exhibit C. The template used for the three agreements was developed by LACERA's outside tax and benefits counsel and the Legal Division.

DISCUSSION

The agreements include the following key terms, all of which are important and beneficial to LACERA:

- 1. *Relationship to the 1982 Agreement.*** Each agreement provides that the agency is subject to the terms of the 1982 Agreement, with no agency having greater rights and LACERA having no greater obligations than under the 1982 Agreement. If there is an ambiguity, the parties' rights and obligations will be determined by the custom and practice between LACERA and the County. (Each Agreement, Paragraph 2.) This provision preserves the 1982 Agreement, in the way it has been implemented between LACERA and the County, as the reference point for the Retiree Healthcare Program.
- 2. *Plans and Coverage.*** Each agreement attaches a schedule listing the plans and carriers currently in place. LACERA preserves its authority to negotiate contracts with carriers on the same terms as negotiated for the County, to the extent possible. LACERA has the authority to terminate and replace a carrier if LACERA finds good cause. LACERA has the authority to implement risk adjustment procedures, and to distribute premiums, subsidies, and other proceeds in its discretion. (Each Agreement, Paragraph 3; Exhibit A to Each Agreement.) This provision provides that LACERA may implement a single plan structure for all agencies and need not customize the plan for individual agencies, while giving LACERA appropriate discretion and flexibility.
- 3. *Eligibility and Enrollment.*** Each agreement provides for LACERA's responsibility to provide enrollment information, subject to receipt of information from an agency or a retired employee that the individual has submitted a retirement application or is eligible for coverage or a change in coverage. LACERA will also provide member service. Each agreement confirms that LACERA's role is only ministerial; LACERA does not make eligibility determinations or process claims. The carriers are responsible for decisions on eligibility and claims. (Each

Agreement, Paragraphs 4 and 5.) This description of LACERA's role is the same as the role that LACERA currently serves under the program.

- 4. Reserve Fund and Operational Account.** Each agreement provides for LACERA to set up a Reserve Fund to hold contributions and pay premiums and an Operational Account to pay expenses. Funds from each agency may be commingled with funds from other agencies, subject to LACERA's responsibility to maintain separate accounting. If the Reserve Fund and Operational Account are insufficient to pay any obligation, the obligation is the responsibility of the agency, not LACERA. (Each Agreement, Paragraph 6.) These financial terms do not change current practice.
- 5. Contributions, Premiums, and Expenses.** Premiums are paid according to the terms of the program. Retired employees pay premiums, less any portion paid by the agency. Each agency pays a portion of the premiums according to the premium subsidy program. LACERA does not have the responsibility to pay premiums due in connection with an agency's retirees. Each agency also pays its share of LACERA's administrative expenses, including LACERA's start-up expenses in establishing the separate agency agreements. (Each Agreement, Paragraphs 7 and 8.) These terms are consistent with current practice and shield the assets of the pension fund from any exposure to the costs of the program provided to each agency.
- 6. External Reporting, Compliance, and Taxes.** The responsibility for external reporting, compliance, and taxes belongs to each agency, except that LACERA will provide Notices of Creditable Coverage, will cause the carriers to provide Forms 1095-B, and will provide each agency with reasonable administrative assistance (subject to reimbursement of LACERA's costs). (Each Agreement, Paragraph 10.) This provision limits LACERA's responsibility for functions that should be performed separately by each agency, in accordance with current practice.
- 7. Confidentiality.** As under the current program structure, LACERA will maintain program information in confidence, except to the extent disclosure is legally required. (Each Agreement, Paragraph 11.) The focus of this provision is to protect member information.
- 8. Limitation of Liability and Indemnification.** Each agreement provides that LACERA will have no liability for its actions in administering the program, except to the extent covered by insurance. Specifically, retirement fund assets are not available as a source of recovery for any liability associated with the program.

Each agency will indemnify LACERA from first and third party losses arising from LACERA's administration of the program except to the extent any loss results from LACERA's negligence, willful misconduct, or material breach of the agreement. (Each Agreement, Paragraph 12.) This provision is important in ensuring that pension fund assets are protected from liabilities associated with administration of the Retiree Healthcare Program. LACERA's insurance provides additional protection against such liabilities.

9. Conflicts of Interest. Each agreement contains an acknowledgement by each agency that LACERA may have conflicts of interest in connection with its administration of the program for the County and the separate agencies and its duties to the retirement fund. Each agency waives these conflicts and agrees that LACERA may put the interests of the retirement fund first. (Each Agreement, Paragraph 13.) This provision protects LACERA from claims that its administration of the program for the separate agencies or its administration of the retirement fund create actionable conflicts of interest.

The agreements differ slightly by agency because of unique factors in their individual history and relationship with the County. However, the substance of each agreement is the same.

Execution of the agreements is in LACERA's interest for the reasons stated above in the discussion of key terms. LACERA staff does not believe there will be any negative consequences from executing the agreements. Most importantly, as noted above, the agreements are completely consistent with, and expressly confirm, the 1982 Agreement and do not change any of its terms.

CONCLUSION

For the foregoing reasons, staff recommends that the Committee make a recommendation to the Board that it authorize staff to execute Retiree Health Care Related Administrative Services Agreements with (1) the Local Agency Formation Commission for the County of Los Angeles (LAFCO), (2) the South Coast Air Quality Management District (SCAQMD), and (3) the Los Angeles County Office of Education (LACOE).

Attachments

c.	Robert Hill	Bernie Buenaflor	Beulah Auten	Jill Rawal
	James Brekk	Cassandra Smith	Ted Granger	Barry Lew
	John J. Popowich	Leilani Ignacio	Ervin Wu	

EXHIBIT A
PROPOSED LAFCO AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/LAFCO**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this 11th day of January, 2018, by and between the Local Agency Formation Commission for the County of Los Angeles (“Employer”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, pursuant to the County Agreement, the Administrator currently provides retiree health care related administrative services on behalf of the County of Los Angeles (the “County”) with respect to the Plans sponsored by the County for the benefit of its retired employees and their eligible dependents, which services are ministerial in nature and do not include claims adjudication (the “County Services”);

WHEREAS, the Employer desires to sponsor the Plans for the benefit of its retired employees and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the County Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement, such that the Employer shall be subject under this Agreement to all obligations to which the County is subject under the County Agreement.

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A and any carriers subsequently selected under Section 3 of this Agreement.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means together the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; the June 17, 2014 Modification No. 2 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; and all other agreements, understandings, policies, and

practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement.

(k) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan.

(l) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations. The Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the

Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

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6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer, subject to the provisions of Section 12 below.

7. CONTRIBUTIONS

(a) Premiums. The Employer and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer Contribution. The portion of the Premium to be paid by the Employer shall be based on the Retired Employee's completed years of credited service at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms agreed by the County, as they may change from time to time, with 30 days' advance

notice of any changes to Employer. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when due, the Administrator shall have the right, but not the obligation, in its sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such

additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. **INFORMATION**

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, and employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 4980I.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final judicial determination where all opportunities for appeal have been exhausted. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

13. **CONFLICTS OF INTEREST**

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot

be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law, with 30 days' advance notice of any changes to Employer.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer. This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to

ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices. All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified

mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Paul Novak, AICP
Executive Officer
Local Agency Formation Commission for the County of Los Angeles
80 South Lake Avenue, Suite 870
Pasadena, CA 91101
Tel: (626) 204-6500

With a copy to:

Office of County Counsel
500 West Temple, Suite 651
Los Angeles, CA 90012
Tel: (213) 974-4334

(1) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

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(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

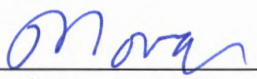
By:  _____
Paul Novak, AICP
Executive Officer,
LAFCO

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (SF20477-P)
Anthem Blue Cross Plan III (SF20477-P)
Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (WF20477-W)
Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)
Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)
Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)
Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)
Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)
Kaiser Permanente—Georgia (3221-100)
Kaiser Permanente—Hawaii (34628-001)
Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)
UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

EXHIBIT B

PROPOSED SCAQMD AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/SCAQMD**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this ___ day of _____, 20__, by and between the South Coast Air Quality Management District (“Employer” or “SCAQMD”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, the SCAQMD was created on February 1, 1977, pursuant to Chapter 5.5 (commencing with Section 40400) of Part 3 of Division 26 of the California Health & Safety Code;

WHEREAS, between February 1, 1977 and December 31, 1979, SCAQMD employees had the option of electing retirement system coverage with either LACERA or the San Bernardino County Employees Retirement Association (“SBCERA”);

WHEREAS, employees who became employed by the SCAQMD after December 31, 1979, were required to join SBCERA and no longer had the option of joining LACERA;

WHEREAS, Government Code Section 31691 authorizes a county, a district, or a board of retirement, at its option, to contribute toward the payment of health insurance premium benefits for retired employees;

WHEREAS, Government Code Section 31789 authorizes the payment of a burial allowance death benefit by a county or district, and Government Code Section 31789.1 authorizes the payment of a burial allowance death benefit by a board of retirement, at its option;

WHEREAS, pursuant to the County Agreement, as defined below, and any related resolutions adopted by participating outside districts, the Administrator currently provides retiree health care related administrative services, which services are ministerial and do not include claims adjudication (the “Services”), on behalf of the County of Los Angeles (the “County”), SCAQMD, and three other outside districts, with respect to the Plans for the benefit of retired employees and their eligible dependents;

WHEREAS, the Employer desires to sponsor the Plans, as defined below, for the benefit of its retired employees who are members of LACERA and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement and SCAQMD Resolution No. 82-24, as defined below, as applicable;

WHEREAS, LACERA has been billing SCAQMD for its portion of the costs associated with these post-retirement benefits; and

WHEREAS, LACERA and SCAQMD wish to memorialize the terms of the agreement between them with respect to the Plans, provision of administrative services by LACERA associated with providing these benefits, and payment for the Plans and LACERA’s administrative

services for start-up and during the term of this Agreement. Exhibit B is a current list of retired employees covered by this Agreement;

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means, together, the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents and all other agreements, understandings, policies, and practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program that affect retiree healthcare and death benefits of SCAQMD retirees and their beneficiaries.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Resolution No. 82-24. Means the resolution adopted by the Board of Directors of SCAQMD on July 9, 1982.

(k) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement and Resolution No. 82-24, as applicable.

(l) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan. The SCAQMD employees and/or their eligible dependents currently covered by this Agreement are identified in Exhibit B. SCAQMD acknowledges that, going forward, this list may change. As part of its monthly reconciliation as referenced in Paragraph 7(d), below, LACERA agrees to provide SCAQMD with a list of covered Retired Employees.

(m) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations but only with respect to Retired Employees entitled to benefits under the County Agreement. With respect to Retired Employees entitled to benefits under the County Agreement, Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements and Resolution No 82-24, as applicable. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or

Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer.

7. CONTRIBUTIONS

(a) Premiums. The Employer and/or the County and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. The proportionate shares of the Employer and the County are reflected in Exhibit B. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer and/or the County. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer and/or County Contribution. The portion of the Premium to be paid by the Employer and/or the County shall be based on the Retired Employee's completed years of credited service with the Employer and/or the County at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer and/or the County contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms of the County Agreement and Resolution No. 82-24, as applicable, as they may change from time to time. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when invoiced and due, the Administrator shall have the right, but not the obligation, in its sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts invoiced and due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when invoiced and due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis. As part of its monthly reconciliation, LACERA agrees to provide the Employer with a breakdown of the Employer's contributions with respect to each Retired Employee.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other participating employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. INFORMATION

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired

Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, and employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed on the Employer or in connection with the benefits afforded to or on behalf of the Employer under this Agreement by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 4980I.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to

suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final adjudication in a California court. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

(f) The Employer's obligations under this Section 12 survive the termination of this Agreement.

13. CONFLICTS OF INTEREST

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer. This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision

of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Sujata Jain
Assistant Deputy Executive Officer, Finance
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765
Tel: (909) 396-2000

(l) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

By: Wayne Nastri/kykru
Wayne Nastri
Executive Officer

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (SF20477-P)
Anthem Blue Cross Plan III (SF20477-P)
Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (WF20477-W)
Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)
Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)
Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)
Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)
Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)
Kaiser Permanente—Georgia (3221-100)
Kaiser Permanente—Hawaii (34628-001)
Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)
UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

Exhibit B

List of Current Retirees

[Attached]

EXHIBIT C
PROPOSED LACOE AGREEMENT

**RETIREE HEALTH CARE RELATED
ADMINISTRATIVE SERVICES AGREEMENT/LACOE**

This Retiree Health Care Related Administrative Services Agreement (“Agreement”) is entered into this ___ day of _____, 20__, by and between the Los Angeles County Office of Education (“Employer”) and the Los Angeles County Employees Retirement Association (“LACERA” or “Administrator”) with reference to the following:

WHEREAS, pursuant to the County Agreement, the Administrator currently provides retiree health care related administrative services on behalf of the County of Los Angeles (the “County”) with respect to the Plans sponsored by the County for the benefit of its retired employees and their eligible dependents, which services are ministerial in nature and do not include claims adjudication (the “County Services”);

WHEREAS, the Employer desires to sponsor the Plans for the benefit of its retired employees and their eligible dependents, and further desires to retain the Administrator to provide retiree health care related administrative services that are identical in all respects to the County Services (the “Employer Services”) and that are provided under the terms and conditions reflected in the County Agreement, such that the Employer shall be subject under this Agreement to all obligations to which the County is subject under the County Agreement.

NOW THEREFORE, the Employer and the Administrator hereby agree as follows:

1. **DEFINITIONS**

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) ACA. Means the Patient Protection and Affordable Care Act of 2010, as amended from time to time, or any replacement legislation, including regulations and guidance prescribed pursuant thereto.

(b) Carriers. Means the carriers identified on Exhibit A.

(c) COBRA. Means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(d) Code. Means the Internal Revenue Code of 1986, as amended from time to time.

(e) County Agreement. Means together the April 20, 1982 Agreement between the County and LACERA, by and through its Board of Investments and its Board of Retirement (Agreement 41638); the August 9, 1994 Modification No. 1 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; the June 17, 2014 Modification No. 2 to Agreement No. 41638, Relating to a Health Insurance Program for Retired Employees and Their Dependents; and all other agreements, understandings, policies, and practices, whether or not written, between or employed by LACERA and the County with respect to the Retiree Health Care Program.

(f) HIPAA. Means the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, including regulations and guidance prescribed pursuant thereto.

(g) MMA. Means the Medicare Prescription Drug Improvement and Modernization Act, including regulations and guidance prescribed pursuant thereto.

(h) Plans. Means those certain fully-insured health and dental plans identified on Exhibit A.

(i) Premium. Means the total cost per month of the benefit coverage afforded to a Retired Employee, and his or her eligible dependents, as applicable, for the Plan in which the Retired Employee is enrolled, including an administrative component as described in Section 7.

(j) Retiree Health Care Program. Means the program for the provision of the Plans as described in the County Agreement and as administered by Administrator under the County Agreement.

(k) Retired Employee. Means a retired employee of the Employer, or dependent of a retired employee of the Employer, eligible to participate in a Plan.

(l) Retirement Fund. Means the retirement fund established under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., and the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522 et seq., for the purposes of holding the assets of the retirement system administered by LACERA.

2. RELATIONSHIP TO COUNTY AGREEMENT

The Employer shall be subject to all obligations related to the Employer Services to which the County is subject under the County Agreement, including, without limitation, payment and reimbursement obligations. The Employer shall have no greater rights under this Agreement than the County has under the County Agreement. LACERA shall have no greater obligations under this Agreement than it has under the County Agreement. To the extent there is any ambiguity as to the rights and obligations of any party under the terms of the County Agreement, those rights and obligations will be determined by custom and practice as between LACERA and the County with respect to such rights and obligations.

3. CARRIERS, PLANS, RATES, AND TERMS OF COVERAGE

As of the date of this Agreement, the Retiree Health Care Program includes the Plans and Carriers identified on Exhibit A. The Administrator shall be responsible for negotiating contracts with the Carriers on behalf of the Employer with benefit levels, rates, and other terms that are identical in every respect, including the terms of coverage, so far as reasonably possible to those offered by the County, and which may be included within the same contracts negotiated with the Carriers for the County. The Administrator shall negotiate rates which may be based on regional variations in the cost of health care services, or other factors, as reasonably determined by the Administrator. The Administrator is authorized to terminate or replace a Carrier identified on Exhibit A if the Administrator reasonably determines that the Carrier is not performing as

expected or is in material breach of its contract, or that other good cause exists, and provided further that the Administrator may discontinue contract negotiations with a Carrier if the Administrator reasonably determines that the Carrier is not negotiating in good faith, that the parties will be unable to agree on rates, or that other good cause exists. The Administrator may, but is not required to, implement and administer risk adjustment procedures that require Carriers to adjust premiums and other cost saving measures and government subsidies and other programs that are consistent with the County Agreement, and the Employer authorizes the Administrator to redistribute premiums, subsidies, and other proceeds received from any source, based on policies and procedures established by the Administrator in its discretion for this purpose; provided however, the Administrator shall be under no obligation to implement any such procedures or cost saving measures.

4. **PLAN INTERPRETATION; RELATIONSHIP OF THE PARTIES**

The Retiree Health Care Program will be administered, the Plans will be interpreted, and eligibility of individual Retired Employees to participate in the Retiree Health Care Program will be determined in the same manner as under the County Agreements. Carriers shall have the responsibility and authority to decide all questions of eligibility for and entitlement to benefits and determine the amount, manner, and time of payment of benefits, review and make final decisions on benefit claims and appealed benefit claims, and interpret the provisions of the Plans for purposes of resolving any inconsistency or ambiguity, or correcting any error or supplying information to correct any omitted term in the Plans. The Administrator assumes no financial or administrative responsibility for claims (or assisting in any way with claims). Moreover, all processing of claims is done directly through the Carriers. The Administrator shall act only in a ministerial role with respect to the Plans and participation in the Retiree Health Care Program. As the Plans are fully-insured, the Administrator shall have no role whatsoever in claims adjudication. Administrator is not the plan sponsor, trustee of any assets associated with the Plans, or a fiduciary of the Plans.

5. **ELIGIBILITY AND ENROLLMENT**

The Administrator shall provide enrollment information to each retired, or retiring, employee of the Employer as follows: (i) upon receipt of a retirement application from such an employee; (ii) upon receipt of notice from the Employer that an individual is eligible for coverage; or (iii) upon receipt of notice from a Retired Employee (or his or her eligible dependents) or the Employer that an individual is eligible for a change in coverage. It is Employer's and/or Employee's responsibility to notify the Administrator when an individual becomes eligible for coverage or eligible for a change in coverage. Administrator will also provide customer service support for Retired Employees and their eligible dependents related to the Plans, including answering routine questions regarding eligibility, enrollment and where to direct claim disputes. Employer shall be responsible for all program eligibility determinations, and Administrator shall act only in a ministerial role with respect to administering the Plans.

6. **RESERVE FUND AND OPERATIONAL ACCOUNT**

The Administrator shall establish a fund (the "Reserve Fund") to hold contributions and to pay Premiums related to this Agreement. The Administrator shall also establish one or more

accounts (which together are referred to as the "Operational Account") to pay expenses, and hold expense related contributions, related to this Agreement, which Operational Account shall be separate and apart from the Reserve Fund. All amounts received by the Administrator in conjunction with this Agreement shall be deposited into the Reserve Fund and/or Operational Account, including, without limitation, amounts received for Premiums, expenses, drug subsidies and other government subsidies; provided however, the Administrator shall separately account for such amounts to reasonably reflect their source and purpose (recognizing that allocation of certain amounts may require the exercise of discretion, which will be exercised solely by Administrator in its sole discretion as between any relevant parties, persons, or entities). Neither the Employer nor retired members shall be entitled to interest or other earnings on the assets in the Reserve Fund or Operational Account. The Administrator is not required to invest funds in the Reserve Fund or Operational Account. In order to facilitate administration of the Plans, the Administrator may commingle the Employer's Reserve Fund and/or Operational Account with amounts deposited by other employers; provided, however, that each employer's funds shall be separately accounted for, and amounts attributable to the Employer shall not be used for any purpose other than as permitted by this Agreement. To the extent the Operational and Reserve Accounts are insufficient to pay any obligation under this Agreement, such obligation shall be the responsibility of the Employer.

7. CONTRIBUTIONS

(a) Premiums. The Employer and each Retired Employee participating in a Plan shall contribute a portion of the total cost per month of the Premium for the Plan in which the Retired Employee is enrolled according to the terms of the Retiree Health Care Program. A Retired Employee may make no contribution or his or her contribution may be reduced based on subsidies provided under the Retiree Health Care Program. The Administrator, in its sole and absolute discretion, may increase the Premium to cover additional expenses, including expenses of Administrator in performing under this Agreement.

(b) Retired Employee Contribution. The contribution of each Retired Employee shall be equal to the Premium, less the portion of the Premium to be paid by the Employer. Such amount shall be withheld by the Administrator from the retirement allowance payable to him or her. A Retired Employee whose retirement allowance is not sufficient to pay his or her required contribution may only remain enrolled in the applicable Plan if the Retired Employee pays to the Administrator the balance of the Retired Employee's share of the Premium, in accordance with procedures determined by the Administrator.

(c) Employer Contribution. The portion of the Premium to be paid by the Employer shall be based on the Retired Employee's completed years of credited service at retirement, according to the same terms as under the County Agreement, as they may change from time to time. In addition, the Employer contribution shall include an amount allocated toward expenses, as determined by the Administrator, including an appropriate share of start-up costs and overhead costs, which amount may be increased by the Administrator, in its sole and absolute discretion, as needed to cover additional expenses. The Employer shall pay its contribution according to the same terms agreed by the County, as they may change from time to time. If the Employer fails to remit the entire amount of contributions (including any amount allocated toward expenses) when due, the Administrator shall have the right, but not the obligation, in its

sole discretion to immediately take one or more of the following actions: (i) offset the outstanding amount due against the Reserve Fund and/or Operational Account; (ii) stop forwarding plan premiums to the Carriers on or after that date, allowing coverage to lapse; and/or (iii) terminate this Agreement in accordance with the provisions of Section 15 (b) below. The Administrator may also assess interest, plus the costs of collection, including reasonable legal fees, when necessary to collect any amounts due. Administrator will in no event have the responsibility to advance premiums or other costs, and failure of Employer to pay amounts when due under any term of this Agreement may jeopardize coverage or other services or benefits.

(d) Contribution Reconciliation. The Administrator shall reconcile contribution amounts on a monthly basis.

(e) Federal Subsidies. Amounts received by the Administrator for retiree drug subsidy payments or other federal subsidies that are attributable to Retired Employees of the Employer shall be deposited into the Reserve Fund and/or Operational Account and accounted for separately. These amounts shall be used for the payment of premiums, costs, contributions, or other benefits to the extent consistent with the MMA and other applicable laws in Administrator's sole discretion. The Administrator may, in its sole discretion but only to the extent consistent with the MMA and other applicable laws, allocate these amounts among costs attributable to the Retired Employees of the Employer or the County or other employers, persons, or entities, or on a proportional basis if it is not possible or feasible to attribute amounts to specific Retired Employees or employers.

8. REIMBURSEMENT OF EXPENSES

(a) Payment of Expenses. The Administrator shall be entitled to payment or reimbursement of all of its reasonable and appropriate expenses incurred in conjunction with this Agreement, including, without limitation, all start-up costs incurred prior to or following execution of this Agreement.

(b) Invoices. The Administrator may furnish monthly invoices to the Employer for administration expenses, as reasonably determined by the Administrator in its sole and absolute discretion. Unless the Employer elects to pay the expenses directly no later than the 10th day of the month following receipt of the invoice, the Administrator shall pay the invoiced expenses from the Reserve Fund. The Administrator shall maintain adequate records of expenses incurred in administering the Plans, which records shall be subject to audit by the Employer upon written request. Administrator's costs may include start-up costs associated with this Agreement, including the negotiation and drafting of this Agreement.

(c) Premium Reserve. Separate and apart from the contribution for start-up costs described above, upon execution of this Agreement, the Employer shall deposit into the Reserve Fund the amount determined by Administrator in its sole discretion as a premium reserve in the manner determined by the Administrator. In the event that the Administrator determines in its sole and absolute discretion that additional amounts are needed for purposes of a premium reserve, it shall invoice Employer for such additional amounts, and Employer shall promptly pay such additional amounts. The Administrator, in its sole and absolute discretion, may allocate these reserve amounts between the Employer and the County and other employers, persons, or

entities, whether by a memorandum of understanding or by the Administrator's independent action.

9. **INFORMATION**

The Employer shall provide to the Administrator information reasonably requested by the Administrator to perform its duties and to calculate Premiums and expenses under this Agreement. The Administrator shall assume that all information provided to it by the Employer, a Retired Employee or a Retired Employee's eligible dependent is complete and accurate, and the Administrator is under no duty to question or verify the completeness or accuracy of such information. Employer shall review and reconcile reports and records of activity made available to Employer by Administrator, and shall promptly notify Administrator of any discrepancies.

10. **EXTERNAL REPORTING, COMPLIANCE AND TAXES**

The Employer assumes all responsibility for tax reporting relating to the Plans, including, without limitation, income withholding, employer-based reporting, to the extent required. Administrator will provide Notices of Creditable Coverage and will cause carriers to provide Forms 1095-B. The Administrator shall provide assistance, based on information it may possess, with respect to the preparation of any tax return, report or other document required by any local, State or Federal government or agency thereof with respect to the Plans, and such assistance shall be treated as a reimbursable expense chargeable to the Operational Account. However, the ultimate responsibility for the preparation and the filing of any such document shall be that of that Employer or Carrier, as applicable, except as expressly provided in this section. It is Employer's responsibility to pay any fee or penalty arising from the Plans that is assessed by the Internal Revenue Service, the Department of Labor, and/or other federal or state governmental agencies, including, without limitation, any excise tax due under Code section 49801.

11. **CONFIDENTIALITY**

Administrator shall maintain as confidential all information furnished, obtained or developed in respect to its services under this Agreement and as provided under applicable law, unless the person to whom such information pertains consents in writing to disclosure or unless disclosure is required or permitted by law. Legally permitted disclosure includes, without limitation, disclosure for verification purposes, for proper plan administration, pursuant to statute or court order for the production of evidence or the discovery thereof, or disclosure to an insurer, plan fiduciary or the Commissioner of Insurance.

12. **LIMITATION OF LIABILITY; INDEMNIFICATION**

(a) Administrator has no liability for its actions under this Agreement, except to the extent covered by insurance. Specifically, but without limitation, the assets of the Retirement Fund are not available and may not be used as source of payment or recovery for any amounts which may be alleged by any person or entity to be due under or in connection with this Agreement, the Administrator's acts or omissions under or in connection with this Agreement, or any claim or loss alleged to arise from or relate to this Agreement.

(b) Administrator may defend any action in which the Administrator is named and any reasonable expense incurred in such defense shall be a charge against the Reserve Fund and/or Operational Account.

(c) The Employer shall indemnify, defend, and hold the Administrator harmless against any loss (including first party losses by Administrator or third party losses claimed by others against Administrator), liability, claims, causes of action, suits (including but not limited to suits by Retired Employees), or expense of any and every kind (including but not limited to reasonable attorney's fees and defense costs, lien fees, judgments, fines, penalties, expert witness fees, appeals, and claims for damages of any nature whatsoever) not charged to the Reserve Fund or Operational Account, or covered by insurance, and imposed upon or incurred by the Administrator as a result of, arising out of, related to or in connection with (i) the performance of its duties or responsibilities under this Agreement, except to the extent that such loss, liability, suit or expense results or arises from the Administrator's own negligence, willful misconduct or material breach of this Agreement, (ii) without limiting the scope of Section 12(b)(i) of this Agreement, any conflicts of interest or other acts or omissions within the scope of Section 13 of this Agreement, or (iii) any acts taken or transactions effected in accordance with written directions from the Employer or any of its agents or any failure of the Administrator to act in the absence of such written directions to the extent the Administrator is authorized to act only at the direction of the Employer.

(d) For the purposes of this Section, determination of the Administrator's negligence, willful misconduct or material breach of this Agreement shall be made by a final adjudication without opportunity for further appeal. Upon such a determination, the Administrator shall reimburse the Reserve Fund and/or Operational Account for any expenses previously charged to the Reserve Fund and/or Operational Account in defense of such conduct, and shall reimburse the Employer for any amounts previously paid to indemnify or defend the Administrator as a result of or arising from such conduct.

(e) The Administrator may purchase liability insurance covering the Administrator, its officers and employees, and the Operational Account shall pay the cost of such insurance.

(f) The Employer's obligations under this Section 12 survive the termination of this Agreement.

13. **CONFLICTS OF INTEREST**

The Employer acknowledges and agrees that the Administrator and its Board of Retirement and Board of Investments (collectively, the "Boards") have a potential conflict of interest between and among performance of duties as or in connection with the functions of Administrator under this Agreement, its duties as Administrator of the County Plans, its duties to other employers or to any other person or entity for any reason, and the duties to and for the Retirement Fund. The Employer expressly waives any such potential conflict or any conflict that actually arises and agrees that any action that is required to fulfill the Administrator's lawful duties to the Retirement Fund or to the County, to others employer, or to any other person or entity for any reason (as reasonably determined by the Administrator in its sole and absolute discretion) will not constitute a breach of this Agreement or any duties otherwise owed by the

Administrator to the Employer or Plan participants. Furthermore, the Employer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, if such a conflict of interest actually arises and cannot be eliminated, the Administrator may put the interests of the Retirement Fund above the interests of the Employer in performing its duties and obligations under this Agreement.

14. **ADVICE OF COUNSEL**

The Administrator may consult with and rely upon qualified legal counsel, including, without limitation, LACERA in-house counsel, with respect to the meaning and construction of this Agreement, of any provision hereof, or concerning its powers or obligations, including but not limited to its duties, hereunder. The Operational Account shall pay the cost of any such consultation.

15. **AMENDMENT AND TERMINATION**

(a) **Amendment.** The parties may not amend this Agreement, except by a written agreement that each party signs. Notwithstanding the foregoing, the Administrator may amend this Agreement without the consent of the Employer as needed to comply with any changes in applicable law.

(b) **Termination.** This Agreement may be terminated for convenience by the Administrator or Employer at any time upon one hundred eighty (180) days written notice to the other party. Any assets remaining in the Reserve Fund and/or Operational Account upon termination of the Agreement shall be used solely to satisfy any obligation that the Employer may have related to this Agreement; provided, however, that any assets that remain in the Reserve Fund and/or Operational Account upon termination and after satisfaction of all of the Employer's obligations related to this Agreement shall revert to the Employer.

16. **MISCELLANEOUS**

(a) **Employer's Directions.** Directions by the Employer to the Administrator shall be in writing and signed by a person authorized to give directions on behalf of the Employer. Persons authorized to give directions to the Administrator on behalf of the Employer shall be identified to the Administrator by written notice from the Employer and such notice shall contain specimens of the authorized signatures. The Administrator shall be entitled to rely upon such written notice as evidence of the identity and authority of the persons appointed until a written cancellation of the appointment, or the written appointment of a successor, is received by the Administrator.

(b) **Electronic Communications.** Any direction required to be given in writing by this Agreement may be delivered electronically, provided that any such electronic direction shall comply with the digital signature requirements set forth in California Government Code section 16.5 (or any successor provision thereto) and the regulations issued thereunder.

(c) **Construction and Governing Law.** The parties intend, but Administrator does not guarantee, that any income of the Reserve Fund or Operational Account qualify for exemption from federal income tax under section 115(1) of the Code or as an integral part of the Employer.

This Agreement shall be construed and administered consistent with this intent, and shall otherwise be construed, administered and enforced according to applicable laws of the State of California. If any provision is susceptible to more than one interpretation, the interpretation to be given is that which is consistent with the foregoing intent. It is Employer's sole responsibility and duty to ensure compliance with all applicable laws and regulations, including, without limitation, COBRA, HIPAA, ACA and other applicable sections of the Code, and Administrator's provision of services under this Agreement does not relieve the Employer of its obligation to ensure compliance with applicable laws.

(d) Headings and Construction. Headings or subheadings are inserted for convenience of reference only and are not to be considered in the construction of the provisions of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(e) Execution and Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one instrument, which may be sufficiently evidenced by any one counterpart.

(f) Gender. As used in this Agreement, the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and the plural the singular as the context requires.

(g) Entire Agreement. This Agreement and any and all Exhibits, Schedules and Appendices attached hereto contain the final, complete, entire and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all other previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between the parties, relating to the subject matter of this Agreement.

(h) Severability. If any provision of this Agreement is held by any court to be void, illegal, invalid, or unenforceable, in whole or in part, the remaining terms and provisions will not be affected thereby, and each of such remaining terms and provisions of this Agreement will be valid and enforceable to the fullest extent permitted by law, unless a party shows by a preponderance of the evidence that the invalidated provision was an essential economic term of the agreement or that an essential purpose of this Agreement would be defeated by the loss of the void, illegal, invalid or unenforceable provision.

(i) Surviving Provisions. The provisions of this Agreement that expressly survive the termination of this Agreement, and other provisions which by their nature are intended to survive expiration of this Agreement or must survive to further the intent of the Agreement, including but not limited to Sections 12 and 13, will survive the expiration or termination of this Agreement.

(j) Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance.

(k) Notices All notices, requests, demands or other communications required or desired to be given hereunder or under any law now or hereafter in effect shall be in writing. Such notices shall be deemed to have been given one business day after delivery by facsimile with telephone confirmation of receipt, or by reputable overnight courier, or if delivered as permitted by Section 16(b), or three business days after being mailed by first class registered or certified mail, postage prepaid, and addressed as follows (or to such other address as either party from time to time may specify in writing to the other party in accordance with this notice provision).

If to LACERA:

Chief Executive Officer
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 620
Pasadena, CA 91101
Tel: (626) 564-6000

If to the Employer:

Debra Duardo
Superintendent
Los Angeles County Office of Education
9300 Imperial Highway
Downey, California 90242-2890
Tel: (562) 922-6111

(l) Recitals Incorporated. The recitals set forth at the beginning of this document are incorporated in and made a part of the substantive terms of this Agreement.

(m) Waiver. Failure by Employer to insist upon strict performance of any provision of this Agreement will not modify such provision, render it unenforceable, or waive any subsequent breach.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be duly executed, as of the day and year first written above.

ADMINISTRATOR

By: _____
Robert Hill
Interim Chief Executive Officer,
LACERA

EMPLOYER

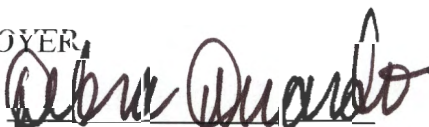
By: 
Debra Duardo
Superintendent

Exhibit A

Plans and Carriers

Anthem Blue Cross

California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (SF20477-P)
Anthem Blue Cross Plan III (SF20477-P)
Anthem Blue Cross Prudent Buyer (SF00037-P)

Outside California

Anthem Blue Cross Plan I (WF20477-W)
Anthem Blue Cross Plan II (WF20477-W)
Anthem Blue Cross Plan III (WF20477-W)

Cigna

Cigna Network Model Plan (3211348)
Cigna HealthSpring Preferred Rx – Phoenix, Arizona (3211348)
Cigna Dental HMO / Vision (3211348 – DHMO; 3211348 – VIS)
Cigna Indemnity Dental / Vision (3211348 – DPPO; 3211348 – VIS)

Kaiser Permanente

California

Kaiser Permanente Traditional Plan (Southern California: 101002; Northern California: 604657)
Kaiser Permanente Senior Advantage (Southern California: 101002; Northern California: 604657)

Outside California

Kaiser Permanente—Colorado (11178-001)
Kaiser Permanente—Georgia (3221-100)
Kaiser Permanente—Hawaii (34628-001)
Kaiser Permanente—Oregon (4310-001)

SCAN

SCAN Health Plan (105)

UnitedHealthcare

UnitedHealthcare Group HMO (Pre-65) (004238, 004239, 004240, 147243, 004241)
UnitedHealthcare Medicare Advantage HMO (Post-65) (004237)

February 6, 2018

TO: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: February 15, 2018 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

RECOMMENDATION

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement adopt the revised Legislative Policy.

LEGAL AUTHORITY

The Legislative Policy provides that “[it] shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.” If your Committee recommends that the Board of Retirement adopt the revised Legislative Policy, staff will concurrently recommend that the Board of Investments also adopt the revised Legislative Policy.

DISCUSSION

An issue that arose with the introduction of H.R. 1 on November 2, 2017, the tax reform bill formerly known as the “Tax Cuts and Jobs Act”, prompted a review of the current Legislative Policy to ensure that LACERA can respond efficiently and effectively to time-sensitive matters before consideration at the next regularly scheduled board meeting.

H.R. 1 contained a provision that would adversely affect state and local public sector pension plans by requiring them to pay unrelated business income tax (UBIT) on certain investments. The Board of Investments’ legislative policy standard is to oppose proposals that create unreasonable costs or complexity in the administration of investments. H.R. 1 would have required LACERA to pay UBIT on certain of its investments that would thereby dilute the returns on those investments and impose compliance costs on LACERA to seek alternative ways of structuring its investments to mitigate or eliminate the effects of UBIT.

Although the subject matter of the bill was under the jurisdiction of the Board of Investments, the constraint of time-sensitivity in general can affect the ability of both the Board of Retirement and Board of Investments to respond efficiently and effectively to issues under their respective jurisdictions. The bill was introduced on November 2, 2017 and signed into law on December 22, 2017. Media reports on the bill indicated that the President intended to sign the bill by Christmas. The Board of Investments was scheduled to meet on November 2, 2017 (the same day the bill was introduced), and its next regularly scheduled meeting was on December 13, 2017, a month-and-a-half later and less than two weeks before the bill was signed into law.

Shortly after the introduction of the bill, the National Conference of Public Employee Retirement Systems (NCPERS), the National Association of State Retirement Administrators (NASRA), and the National Council on Teacher Retirement (NCTR) issued a joint letter to the Chairman of the House Ways and Means Committee expressing serious concerns regarding the UBIT provision in H.R. 1. NCPERS also advised its member organizations to consider individually relaying their concerns to the Congressional committees and leadership by writing their own letters of opposition regarding the UBIT provision. However, the current Legislative Policy does not provide staff with the discretion to send letters of support or opposition until the Board of Retirement or Board of Investments has adopted a position on the legislation. Thus, staff had to wait until the Board of Investments adopted a position on H.R. 1 at its meeting of December 13, 2017 before having the authorization to send a letter of opposition.

The following proposed revisions to the Legislative Policy are intended to enhance the ability of the Boards to respond to time-sensitive matters. Related revisions are also proposed to enhance efficiency in the legislative engagement process. The proposed revisions to the Legislative Policy are modeled after certain provisions in the Board of Investments' approved Corporate Governance Policy that provide for joint written communications with formally affiliated organizations or approval of action on time-sensitive matters.

SUMMARY OF PROPOSED REVISIONS

Action Between Board Meetings

Page 13: The revision provides for staff action related to issues that have been addressed by organizations with which LACERA is formally affiliated before consideration in a board meeting. Given the fact that LACERA's membership in such organizations is intended to promote the interests of LACERA, if an issue has already been vetted by such an organization and the organization's position is consistent with LACERA's legislative policy standards, the revision authorizes staff to either participate in joint written communications with such an organization or engage in further individual

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE recommend that the Board of Retirement adopt the revised Legislative Policy.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment A—Legislative Policy (redlined)

Attachment B—Legislative Policy (clean)

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven Rice
Jonathan Gabel
Allan Cochran
Ricki Contreras
Vanessa Gonzalez
Cassandra Smith

ATTACHMENT A

LACERA LEGISLATIVE POLICY

Restated Revised:
and Approved:

Board of Retirement: ~~October 13, 2016~~[date]

Board of Investments: ~~October 12, 2016~~[date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA's legislative advocate to achieve passage or defeat of the proposal.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. ~~The~~ Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

~~The policy will provide direction for staff to~~ Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a ~~Support, Support If Amended, Oppose, or Oppose Unless Amended~~ Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the ~~Chief Counsel,~~ Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline¹ and a flowchart² of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

¹ Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

² The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

The Author

A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

Repeat Process in other House

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

Resolution of Differences

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

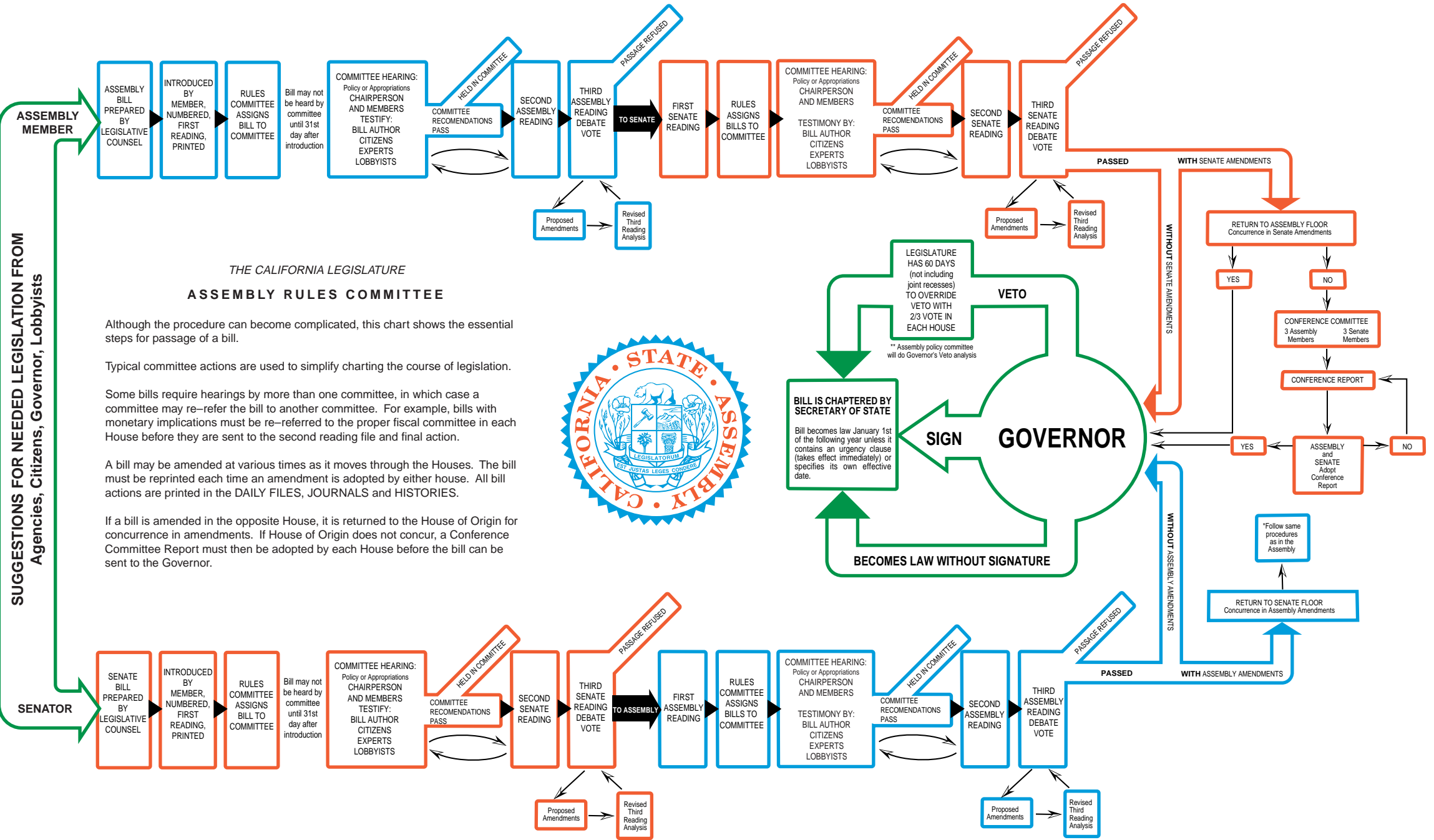
California Law

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

ATTACHMENT B

LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: [date]

Board of Investments: [date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA's legislative advocate to achieve passage or defeat of the proposal.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline¹ and a flowchart² of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

¹ Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

² The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

The Author

A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

Repeat Process in other House

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

Resolution of Differences

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

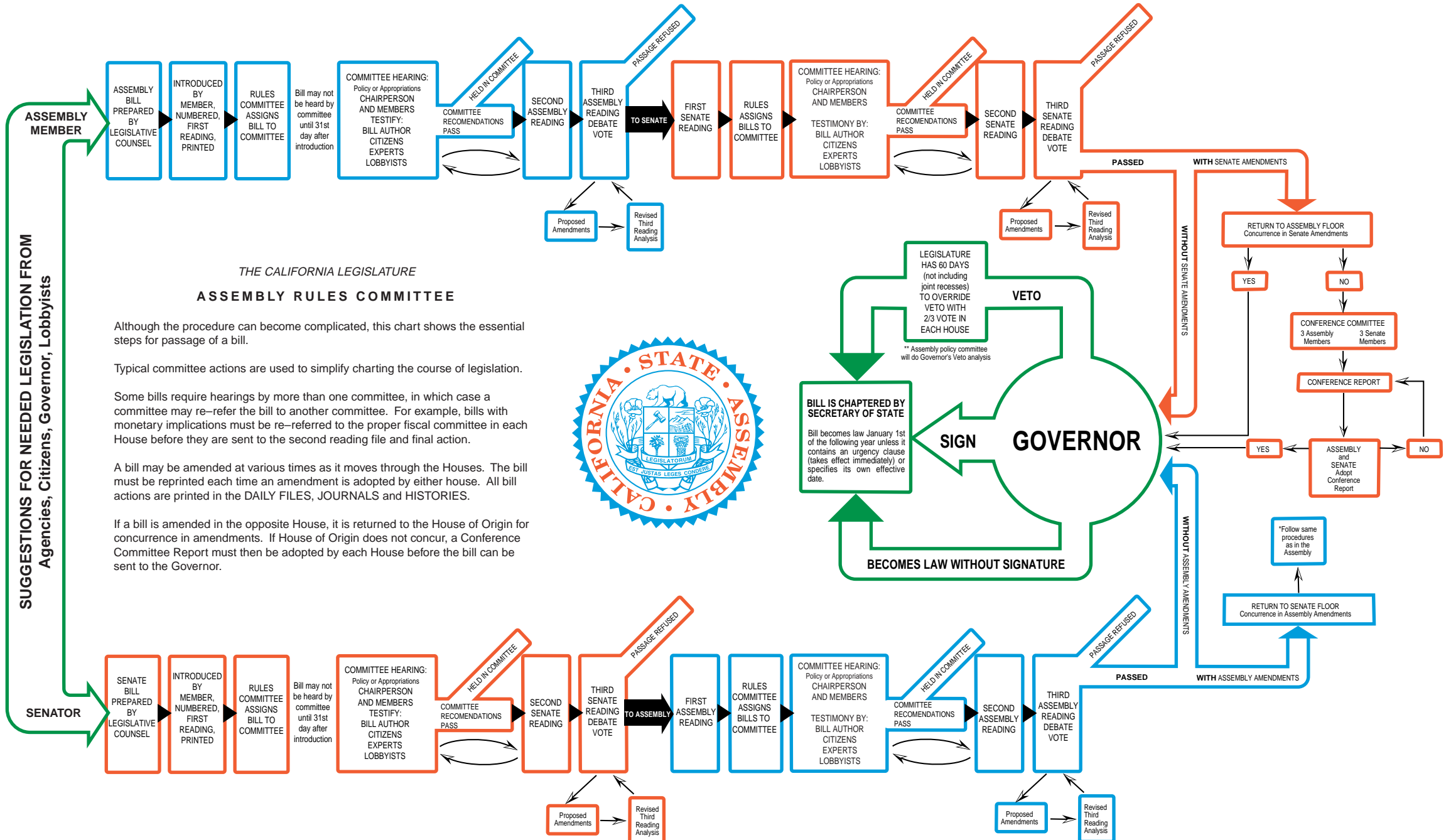
California Law

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The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



THE CALIFORNIA LEGISLATURE

ASSEMBLY RULES COMMITTEE

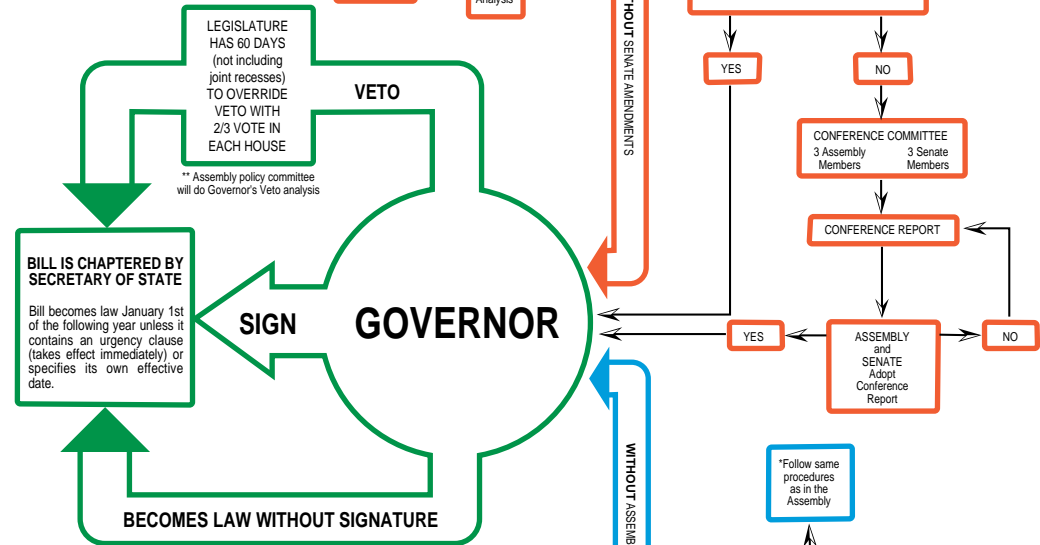
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



SUGGESTIONS FOR NEEDED LEGISLATION FROM
 Agencies, Citizens, Governor, Lobbyists
ASSEMBLY MEMBER
SENATOR


Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016

February 5, 2018

FOR INFORMATION ONLY

TO: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice-Chair
Herman Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: February 15, 2017 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Single-Payer Healthcare Update**

This memo summarizes a recent informational hearing related to Senate Bill 562, which would enact the Healthy California Act and establish a universal single-payer health care system in California. Staff provides this memo for informational purposes only and not for action. No inference should be drawn as to the impact on LACERA's retiree health care program. The Retiree Healthcare Division will separately, at the appropriate time and as necessary, provide information to the Board on the impact of this legislation on LACERA.

BACKGROUND

SB 562, which would enact the Healthy California Act, was introduced on February 17, 2017 and passed by the Senate on June 1, 2017. When the bill moved to the Assembly, Speaker Anthony Rendon indicated that there were flaws in the bill that needed to be addressed. He made the decision to have the bill remain in the Assembly Rules Committee until further notice and thus have the bill carry over into the 2018 legislative year. He later announced that during the legislative interim, the Assembly Select Committee on Health Care Delivery Systems and Universal Coverage will hold hearings to develop plans for achieving universal health care in California. Although SB 562 discusses accommodation of employer retiree health benefits, the implications on LACERA are unclear with regard to out-of-state retirees, alignment of benefits between SB 562 and the retiree healthcare program, and funding from public sector sponsors of retiree healthcare plans. The Board of Retirement adopted a "Watch" position on SB 562.

ASSEMBLY SELECT COMMITTEE ON HCDS&UC HEARINGS

On January 17, 2018, the Assembly Select Committee held its third informational hearing on universal coverage entitled "Achieving Better Access and Greater Value in California's Health Care System." The hearing covered topics on access to care and

coverage as well as understanding and addressing high prices. The speakers included representatives from the Kaiser Family Foundation, Georgetown University's Health Policy Institute, California Health Care Foundation, University of California's San Francisco School of Medicine, Vanderbilt University, University of Southern California, and Stanford University. LACERA staff attended the hearing in person.

OVERVIEW

The current healthcare system in California is fragmented among different sources of insurance coverage. Employer-based coverage is the largest source of coverage for 46 percent of the California population. Medicare and Medicaid cover 11 percent and 25 percent, respectively. The remainder consists of the individual market, other public coverage, and the uninsured.

California's fragmented system results in coverage churn from one source of insurance coverage to another due to changing circumstances in individual's lives. These transitions are often disruptive due to differences among sources of health insurance in terms of eligibility, cost-sharing, doctor and hospital networks, drug formularies, prices paid to providers, authorization and care management procedures, and governance. Some of the consequences of this disruption include difficulty in controlling costs, unstable care and provider relationships, unclear accountability for costs and population health, and a tiered healthcare system. Opportunities to address fragmentation in the health care system include establishing a single payer plan, allowing buy-ins to public programs, requiring all-payer rate setting or other uniform pricing mechanisms, providing greater uniformity of benefits, cost-sharing, or care management, increased transparency, and technological solutions.

ACCESS TO CARE AND COVERAGE

Individual Market

The individual market in California has about 2.3 million participants. It's a relatively small market compared to employer-based coverage, which has 11.8 million, or Medi-Cal and other public coverage, which has 10.5 million. The individual market is generally a transitional one where people cycle in and out. For example, the individual market may be the only choice available for recent college graduates who are not employed, people who leave the workforce to care for aging parents, or those who leave the workforce before qualifying for Medicare. It also covers people who work but do not receive employer-based coverage such as entrepreneurs, farmers, musicians, and freelancers. The Affordable Care Act provided new protections in the individual market, established an individual mandate, provided cost-sharing subsidies, and established insurance exchanges.

Medi-Cal

The discussion on Medi-Cal focused on adult enrollees instead of children since 98 percent of children are covered due to a number of Medi-Cal expansions. Physician participation in Medi-Cal in terms of accepting new patients lags behind private

insurance and Medicare. Participation has also not kept pace with enrollment growth since the number of Medi-Cal physicians per 100,000 beneficiaries has fallen between 2013 and 2015. The main reason physicians give for limiting participation in Medi-Cal is the amount of payment for services; physicians also report difficulties in obtaining referrals for their Medi-Cal patients.

Access to care for adult Medi-Cal enrollees is comparable to the individual market in terms of having a usual source of care and number of doctor visitations in the past year. Although adult Medi-Cal enrollees are less likely to forgo care due to cost, they do experience difficulty in obtaining care in a timely manner (e.g., an appointment within two days). Hence, there also tends to be a higher use of emergency department services by adult Medi-Cal enrollees. In terms of difficulty by adult Medi-Cal enrollees in accessing care, there are differences in the population of enrollees based on race/ethnicity, disability status, health status, and region. Overall, however, about 90 percent of enrollees perceive Medi-Cal to be a “pretty good” program or a “very good” program. Some ideas for improving access include better performance through value-based payment and contracting, telehealth, delivery system transformation, and initiatives for improved measurement and reporting mechanisms.

Access to Physicians

An overview of California’s physician workforce presented five key findings:

- Only 51 percent of physicians licensed in California provide patient care.
- One-third of California physicians are in primary care and two-thirds are specialists.
- Physicians are unevenly distributed geographically across California.
- California physicians do not reflect the diversity of California’s population.
- Large numbers of physicians are expected to retire within the next decade, especially in rural areas.

In 2015, there were 139,222 physicians licensed in California. Of the 71,000 who provide any patient care, about 61,000 provide patient care more than 20 hours per week. The 71,000 physicians consist of 26,000 in primary care and 45,000 specialists. Licensed physicians who do not provide patient care include those who are retired but want to maintain their license, are located outside of California, or are still in training.

About 27 percent of active patient care physicians are age 60 or older. The rural counties tend to have the oldest physicians. At the same time, nurse practitioners (NP) and physician assistants (PA) are a major source of primary care in rural areas of California. Overall, although the number of NP’s and PA’s are expected to increase until

2030, the growth may not be able to offset the projected decrease in number of primary care physicians.

Some of the strategies for expanding primary care capacity include enhancing the education pipeline, recruiting and retaining clinicians, maximizing the existing workforce through delivery and payment reforms, and leveraging data for analysis and planning.

Coverage Churn

Churn is the process of transition by individuals between sources of health insurance as a result of changes in income, employment, and family circumstances. One in six adults in the U.S. change their primary source of health insurance coverage each year. In the next two years, an estimated 11 million Californians will change their current source of health insurance. The 11 million comprises 4.2 million in employer-based coverage, 4.1 million in Medi-Cal, 800,000 in Covered California, and 1.8 million uninsured.

A key factor contributing to churn is the erosion of employer-based coverage in the U.S., which in 1999 covered 67 percent of the population and in 2014 covered 56 percent. Some of the reasons for the erosion include higher costs that lead employers not to offer insurance coverage, mobility by the workforce among many different employers, and the rise of contingent labor. The consequences of churn result in higher utilization and costs. Churn also affects access to and continuity of care since marketplace plans offer little out-of-network coverage and narrower provider networks than employer-based plans. Ensuring accurate and up-to-date provider directories is one of the key strategies for dealing with churn.

UNDERSTANDING AND ADDRESSING HIGH PRICES

Variation in Provider Payment by Public and Private Payers

The determination of provider rates depends on the source of insurance coverage. Under Medicare, the federal government sets rates. In the commercial market, payers and providers negotiate rates and networks. Under Medi-Cal, the state of California sets physician rates and negotiates hospital rates.

On a national level, hospitals are reimbursed 75 percent more by private insurers than by Medicare and Medicaid, although there are variations within and across markets. Although some hospitals have positive Medicare margins, the U.S. average hospital margin in 2015 was -7.1 percent (but this average masks variation among different types of hospitals). In California, per diem payments are common in the commercial market, whereas Medicare and Medi-Cal use payments based on Diagnosis Related Groups.

The U.S. average payment for primary physicians is higher by private insurers than by Medicare; specialists also receive higher mark-ups over Medicare rates from private insurers. On a national level, Medicaid physician fees average 72 percent of Medicare rates. However, they are 52 percent in California; almost half of California physicians would not accept new Medi-Cal patients.

CONCLUSION

Staff and LACERA's legislative advocate will continue to monitor and report on the informational hearings on SB 562 as well as any changes in the bill's status during the 2018 legislative session.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

cc: Robert Hill
James Brekk
JJ Popowich
Bernie Buenaflor
Steven P. Rice
Cassandra Smith
Leilani Ignacio
Joe Ackler, Ackler & Associates

**INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE
ENGAGEMENT REPORT
JANUARY 2018
FOR INFORMATION ONLY**

Manhattan Institute Report on New Jersey Pension Crisis

The Manhattan Institute recently issued a report entitled “Garden State Crowd-Out: How New Jersey’s Pension Crisis Threatens the State Budget.” New Jersey operates five pension plans for state and local workers: the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS), the Teachers’ Pension and Annuity Fund (TPAF), the State Police Retirement System (SPRS), and the Judicial Retirement System (JRS); PERS and PFRS also enroll workers employed by municipalities. In 2016, Standard & Poor estimated New Jersey’s net pension liability at \$124 billion and pension funding status at 30 percent, which puts it as the worst-funded state pension system in the U.S. (The next two worst systems were Kentucky at 31 percent and Illinois at 35 percent.)

In 1997, New Jersey passed the Pension Security Act, which allowed the use of pension obligation bonds and provided for contribution holidays; the law also provided to workers a statutory guarantee against a change in benefits once a government employee was vested in the system. In 2011, although New Jersey attempted pension reforms, the 1997 statutory guarantee meant that almost nine in 10 workers were not affected by most of the benefit reductions enacted.

The report concludes by noting that going forward the growth in annual required contributions would exceed the growth in the state’s revenues. In the last 10 years, New Jersey’s revenues have grown by less than 1 percent annually. The report projects that New Jersey would need a 3-percent growth in revenues to cover projected annual required contributions, although two-thirds of that revenue would have to be devoted to pension costs. However, in that scenario, New Jersey would have just \$2 billion over 5 years (averaging \$400 million annually) to spend on other budget items. ([Source](#))

Staff Note: The Manhattan Institute report continues the discussion on the concept of “crowd-out” that was also the subject of the Stanford Institute for Economic Policy Research working paper entitled “Pension Math: Public Pension Spending and Service Crowd Out in California: 2003-2030” (as noted in the October 2017 Engagement Report). The Manhattan Institute has been quoted by California State Senator Moorlach in his resolutions for Senate Constitutional Amendment 8, which proposes prospective reductions of retirement benefits, and for Senate Constitutional Amendment 10, which requires voter approval for

benefit increases. It also appears that there was a “New Jersey Rule” on vested rights that was created by the 1997 Pension Security Act.

Center for Retirement Research at Boston College (CRR)

The CRR issued a brief entitled “The Funded Status of Local Pensions Inches Closer to States.” In its last review in 2011, the CRR found that the funded status of local plans lagged behind that of state pension plans. The current review uses data from 2015 and 2016 of a sample of 130 large local plans across the U.S; it uses 114 state plans for comparison. The review notes that although 90 percent of local plans have assets under \$1 billion in 2015, three plans—the New York City Employee Retirement System, the New York City Teachers Retirement System, and the *Los Angeles County Employees Retirement System*—have assets in excess of \$40 billion.

Since 2012 the gap between state and local funding has been shrinking. The aggregate funded status of local plans has increased modestly from 67.0 to 69.9 percent, whereas the funded status of state plans has been fairly level between 73.3 to 73.9 percent. The brief analyzes two key determinants of funded status: contributions and investment returns.

Although many plans use a “level-percentage-of-payroll” method to amortize unfunded liabilities, the CRR analyzed the same contribution data under a level-dollar amortization method and found that under this method the unfunded liability is paid down more quickly. Also, under this method, local plans receive more of their required contributions than state plans. Currently, about a third of local plans use a level-dollar method compared to a quarter of state plans.

The CRR noted that between 2000 and 2012, both state and local plans achieved returns lower than their assumed returns. However, since 2013, when both state and local plans exceeded their assumed returns, local plans exceeded their assumption by 2.2 percentage points more than state plans. The CRR hypothesized that the difference may be due to local plans having a lower allocation in alternative investments compared to state plans, which have an allocation that is 6 percentage points higher than local plans. Although alternative investments had robust returns between 2000 and 2007 and lost substantially less than equities during the financial crisis, the CRR observed that in its previous research of the period 2010-2015, a 10-percentage point increase in the allocation to alternatives was related to a 44-basis-point decrease in annual returns. The CRR noted that further research between investment allocation and performance is needed to explain differences in returns. ([Source](#))

Staff Note: In contrast to the CRR observing that local plans generally lag state plans in funded status, the Manhattan Institute report on New Jersey found that

the municipal portion of New Jersey's pension system is better funded than the state portion; the Manhattan Institute observed that New Jersey largely required its municipalities to meet their own required pension contributions.

California Gubernatorial Candidates and Public Pensions

An opinion piece by George Skelton of the Los Angeles Times noted that one topic that the Democratic candidates for governor are not talking about is public pension reform. He observed that the issue was not discussed among the candidates during their first major debate in early January. Skelton discussed the issue of crowd-out of public services resulting from higher pension costs with Joe Nation of the Stanford Institute for Economic Policy Research. Skelton also discussed the view of Governor Brown who believes the California Supreme Court will modify the California Rule and that future governors will have the option of considering pension cutbacks when the next recession takes place. ([Source](#))

Staff Note: As noted in the October 2017 Engagement Report, the Stanford Institute for Economic Policy Research issued a working paper entitled "Pension Math: Public Pension Spending and Service Crowd Out in California: 2003-2030."

Pensions and the Next Recession


Governor Jerry Brown's prediction that the California Rule will be modified by the California Supreme Court continues to be visible in the media. The Governor continues to emphasize that pension cutbacks will be an issue at the forefront of the next recession. ([Source](#)) ([Source](#))

Staff Note: These articles continue the discussion and visibility of Governor Brown's efforts in pension reform as noted in editorials in the Wall Street Journal, Sacramento Bee, and Mercury News in the November and December 2017 Engagement Reports.

FOR INFORMATION ONLY

February 6, 2018

TO: Insurance, Benefits & Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FROM: Cassandra Smith 
Director, Retiree Healthcare

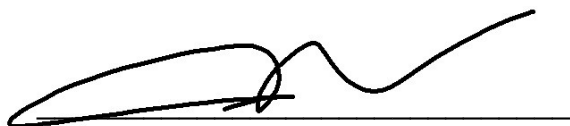
FOR: February 15, 2018 Insurance, Benefits & Legislative Committee Meeting

SUBJECT: **ANTHEM BLUE CROSS BENEFIT PLANS – LIFETIME MAXIMUM**

On January 31, 2018, LACERA received the attached written correspondence from Sachi Hamai, Los Angeles County Chief Executive Officer. The letter serves as notification that, based on the conditions stated, the County is unable to support removing the lifetime maximum at this time.

CS
Attachment

REVIEWED AND APPROVED:



James P. Brekk
Interim Deputy Chief Executive Officer



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
JANICE HAHN
Fourth District
KATHRYN BARGER
Fifth District

January 30, 2018

Robert R. Hill
Interim Chief Executive Officer
Los Angeles County Employees Retirement Association
Gateway Plaza
300 N. Lake Avenue
Pasadena, CA 91101-4199

Dear Mr. Hill:

RETIREE HEALTHCARE PROGRAM - LIFETIME MAXIMUM FOR THE ANTHEM BLUE CROSS BENEFIT PLANS

Beginning in 2015, representatives from the Los Angeles County Employees Retirement Association (LACERA) requested that the County of Los Angeles (County) explore the possibility of increasing the lifetime maximum benefit for the LACERA Anthem Blue Cross I, Anthem Blue Cross II and Anthem Blue Cross Prudent Buyer plans. The inquiry was to increase the benefit from a \$1.0 million lifetime benefit to an unlimited benefit. After carefully evaluating this proposal both in 2015 and revisiting it again in 2018, we, as the plan sponsor, are unable to support this increase in benefits.

Based upon our analysis in 2015, we determined that lifting the \$1.0 million lifetime limit on the Anthem Blue Cross plans would increase premiums by approximately \$3.8 million annually. Additionally, this increase in benefits would cause the County's unfunded liability to grow between \$113.0 million and \$136.0 million. Furthermore, if the lifetime maximum is changed to an unlimited benefit, the incentive for retirees to participate in either the Anthem Blue Cross III Medicare Supplement plan or one of the Medicare Advantage HMO plans offered is expected to decrease, thereby increasing cost to the County. Even if only 25 percent of retirees shift to the non-Medicare supplement plan, the increased cost would be approximately \$10.0 million annually.

We believe the current Retiree Healthcare Program offered by LACERA is generous and one of the most comprehensive in the State. Based upon information provided by your office, under the Anthem plans for plan year 2015-16, only three members reached the \$1.0 million maximum, while in plan year 2016-17, only one member reached the

Robert R. Hill
January 30, 2018
Page 2

\$1.0 million maximum. In those rare cases where retirees reach the maximum limit, other health insurance plans are offered so their medical needs are still met.

As you are aware, the County already faces a \$24.2 billion unfunded liability related to the Retiree Healthcare Program. As well, in the current fiscal year, we expect to incur \$680.0 million in expenditures related to the Retiree Healthcare Program and that figure is estimated to grow to \$782.6 million in Fiscal Year 2018-19. These estimates include both pay-as-you-go contributions, as well as pre-funding contributions into the County's Other Post-Employment Benefits trust fund. The proposed benefit increase would further exacerbate the financial burden the Retiree Healthcare Program has on the County's budget.

While we continue to value your office as partners in administering the Retiree Healthcare Program, at this time, we are unable to support this increase in benefits based upon the totality of conditions described above.

If you have questions or need additional information, please contact Maryanne Keehn at (213) 974-0470 or via email at mkeehn@ceo.lacounty.gov.

Sincerely,


SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:MM:MTK
TP:LR:mst

**INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE
RETIREE HEALTHCARE BENEFITS PROGRAM
STAFF ACTIVITIES REPORT
JANUARY 2018
FOR INFORMATION ONLY**

Domestic Partner Imputed Income Project

On January 16, 2018, staff completed the 1099-R manual entries for 274 members (277 in 2018) with Domestic Partner dependents for the 201 Plan Year.

Affected members will receive the 2017 1099-R imputed income statement in the mail. The federal government does not recognize a domestic partner as a qualified dependent. Therefore, member is responsible for the federal tax portion of their County contribution (referred to as imputed income) applicable to his/her domestic partner and his/her dependent(s).

Retiree Healthcare Benefits Program Annual Contract Renewal Meeting – 7/1/2018 – 6/30/2019 Plan Year

On January 23, 2018, staff attended an all-day renewal discussions meeting at Segal offices in Glendale, CA. Staff and representatives from all insurance carries and Segal were in attendance. Staff will present the results of the contract renewals to your Board once the renewals are finalized.

2018 Medicare Part B Premium Amount Verification Mass Mailing

As staff previously informed your Board, at their meeting held on January 16, 2018, the Board of Supervisors approved continuing the Medicare Part B Premium Reimbursement Program in 2018. As a result, staff conducted a mass mailing to all members and survivors currently enrolled in a LACERA-administered healthcare plan informing members of this action.

In this mailing, we are asking qualified members and survivors to submit a copy of their 2018 Medicare Part B monthly premium amount received from Social Security as proof to LACERA for verification. Once the verification is processed and completed, we will adjust the 2018 Medicare Part B premium amount accordingly.

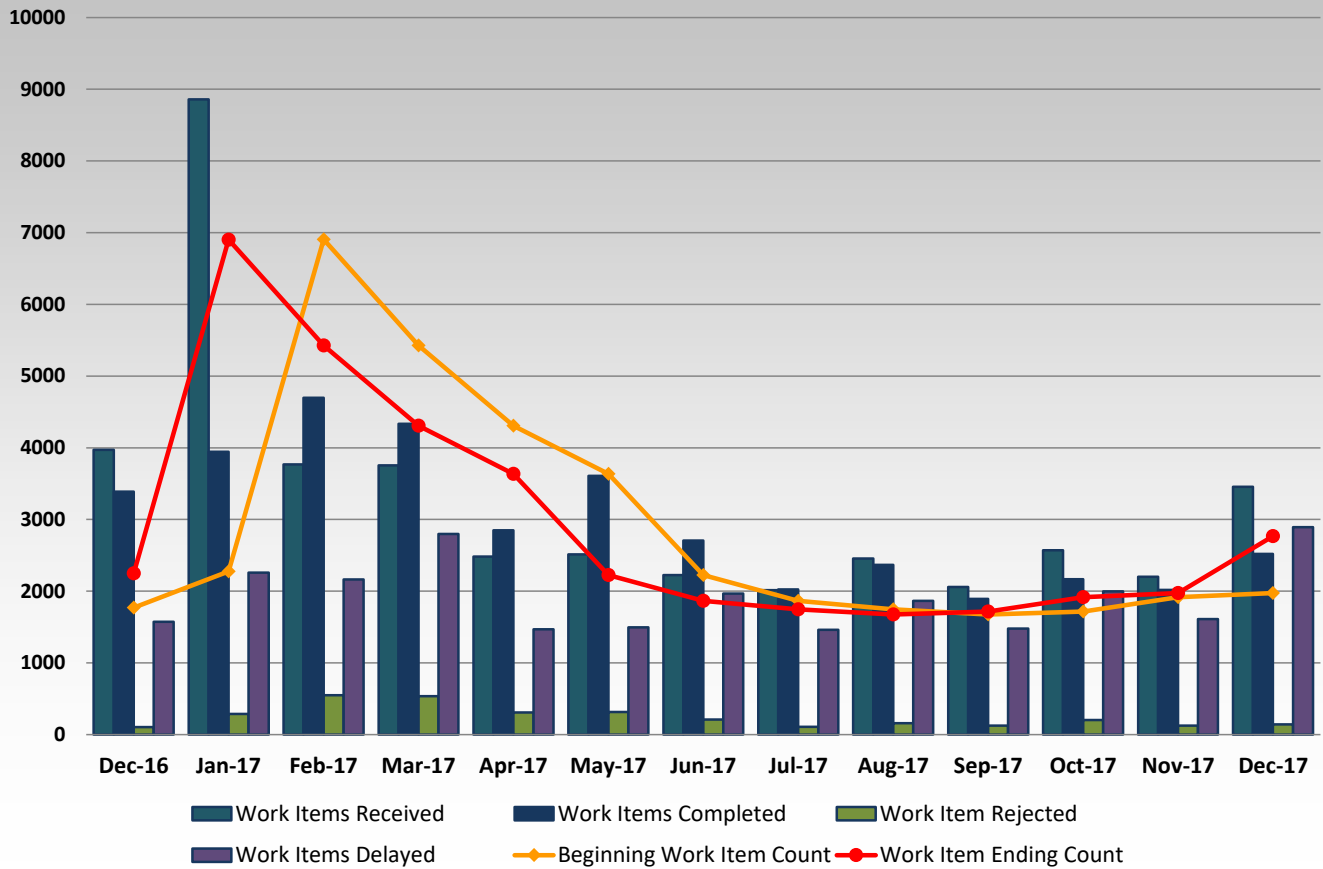
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Retiree Healthcare Division

Trend Report

DEC. 2016 ~ DEC. 2017

Updated 1/30/2018

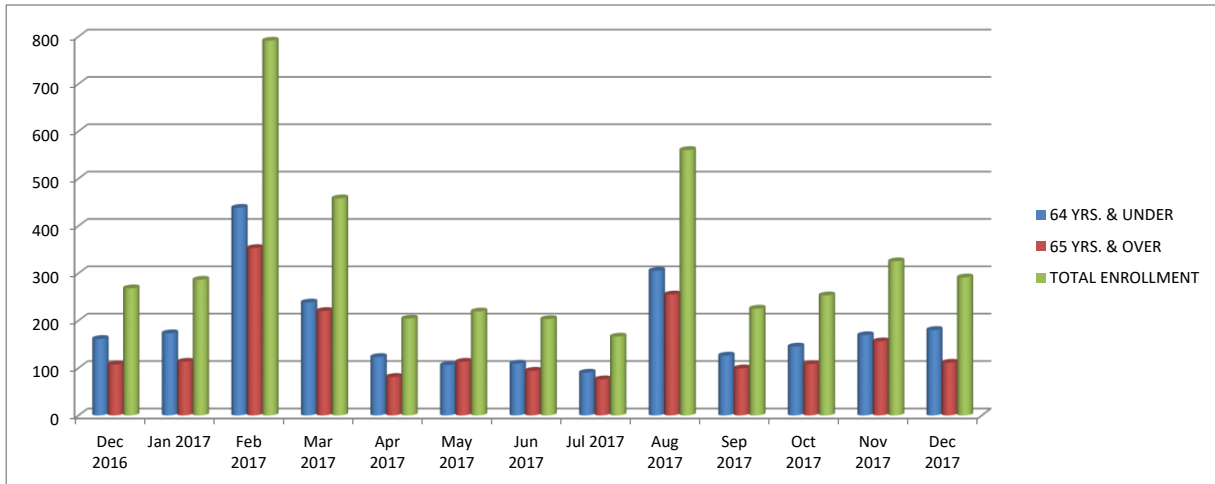


	Beginning Work Item Count	Work Items Received	Work Items Completed	Work Item Rejected	Work Items Delayed	Work Item Ending Count
Dec-16	1772	3970	3387	105	1572	2250
Jan-17	2276	8859	3944	288	2260	6903
Feb-17	6906	3767	4698	549	2164	5426
Mar-17	5426	3753	4334	537	2798	4308
Apr-17	4308	2484	2848	308	1467	3636
May-17	3636	2513	3609	314	1495	2226
Jun-17	2226	2225	2706	211	1966	1864
Jul-17	1864	2016	2026	108	1460	1746
Aug-17	1746	2457	2368	160	1865	1675
Sep-17	1675	2059	1893	125	1480	1716
Oct-17	1716	2571	2167	205	1999	1915
Nov-17	1915	2202	2018	126	1611	1973
Dec-17	1973	3457	2521	143	2892	2766

Retirees Monthly Age Breakdown DEC. 2016 ~ DEC. 2017

Service Retirement

<u>MONTH</u>	<u>64 YRS. & UNDER</u>	<u>65 YRS. & OVER</u>	<u>TOTAL ENROLLMENT</u>
Dec 2016	161	107	268
Jan 2017	173	113	286
Feb 2017	438	353	791
Mar 2017	238	220	458
Apr 2017	123	81	204
May 2017	106	113	219
Jun 2017	109	94	203
Jul 2017	90	76	166
Aug 2017	305	255	560
Sep 2017	126	99	225
Oct 2017	145	108	253
Nov 2017	169	156	325
Dec 2017	180	111	291



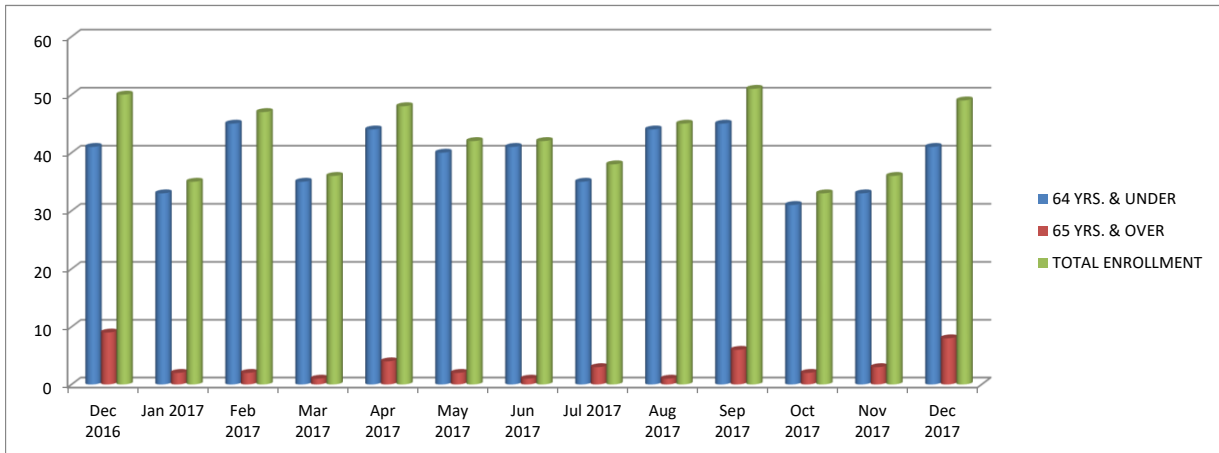
PLEASE NOTE:

- January's data (01/2018) is not yet available as data is provided on a **full month basis**.
- Next Report will include the following dates: January 1, 2017 through January 31, 2018.

Retirees Monthly Age Breakdown DEC. 2016 ~ DEC. 2017

Disability Retirement

<u>MONTH</u>	<u>64 YRS. & UNDER</u>	<u>65 YRS. & OVER</u>	<u>TOTAL ENROLLMENT</u>
Dec 2016	41	9	50
Jan 2017	33	2	35
Feb 2017	45	2	47
Mar 2017	35	1	36
Apr 2017	44	4	48
May 2017	40	2	42
Jun 2017	41	1	42
Jul 2017	35	3	38
Aug 2017	44	1	45
Sep 2017	45	6	51
Oct 2017	31	2	33
Nov 2017	33	3	36
Dec 2017	41	8	49



PLEASE NOTE:

- January's data (01/2018) is not yet available as data is provided on a full month basis.
- Next Report will include the following dates: January 1, 2017 through January 31, 2018.

Medicare Part B Reimbursement and Penalty Report
PAY PERIOD 1/31/2018

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
ANTHEM BC III				
240	6,467	\$718,591.70	8	\$246.50
241	151	\$16,415.10	0	\$0.00
242	858	\$100,916.10	0	\$0.00
243	3,746	\$827,680.30	5	\$449.10
244	20	\$2,385.90	0	\$0.00
245	53	\$6,111.70	0	\$0.00
246	20	\$2,281.40	0	\$0.00
247	101	\$12,073.30	0	\$0.00
248	10	\$2,167.60	1	\$36.50
249	45	\$10,345.00	0	\$0.00
250	15	\$3,173.60	0	\$0.00
Plan Total:	11,486	\$1,702,141.70	14	\$732.10
CIGNA-HEALTHSPRING PREFERRED with RX				
321	30	\$3,360.20	0	\$0.00
322	9	\$1,032.50	0	\$0.00
324	14	\$2,973.90	0	\$0.00
327	2	\$238.90	0	\$0.00
329	1	\$226.70	0	\$0.00
Plan Total:	56	\$7,832.20	0	\$0.00
KAISER SR. ADVANTAGE				
401	1	-\$104.90	0	\$0.00
403	10,198	\$1,136,836.40	7	\$206.50
404	1	-\$104.90	0	\$0.00
413	1,644	\$193,076.40	0	\$0.00
418	5,198	\$1,154,583.50	3	\$175.30
419	275	\$29,639.30	0	\$0.00
426	215	\$23,643.60	0	\$0.00
427	164	\$17,843.10	0	\$0.00
445	2	\$210.90	0	\$0.00
451	33	\$3,730.10	0	\$0.00
455	1	\$134.00	0	\$0.00
457	10	\$1,699.60	0	\$0.00
458	1	\$134.00	0	\$0.00
462	52	\$5,747.80	0	\$0.00
465	10	\$1,087.40	0	\$0.00
466	29	\$6,327.30	0	\$0.00
467	1	\$134.00	0	\$0.00
472	33	\$3,614.40	0	\$0.00
476	4	\$465.60	0	\$0.00
478	13	\$3,000.70	0	\$0.00
482	80	\$8,778.60	0	\$0.00
486	10	\$1,180.00	0	\$0.00
488	43	\$9,646.20	0	\$0.00
491	2	\$209.80	0	\$0.00
492	1	\$104.90	0	\$0.00
494	1	\$226.70	0	\$0.00
Plan Total:	18,022	\$2,601,844.50	10	\$381.80

Medicare Part B Reimbursement and Penalty Report

PAY PERIOD 1/31/2018

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
SCAN				
611	300	\$33,801.90	0	\$0.00
613	104	\$22,226.70	0	\$0.00
Plan Total:	404	\$56,028.60	0	\$0.00
UNITED HEALTHCARE GROUP MEDICARE ADV. HMO				
701	1,594	\$178,536.70	1	\$36.50
702	330	\$39,065.00	0	\$0.00
703	909	\$203,347.50	0	\$0.00
704	69	\$8,805.70	0	\$0.00
705	28	\$6,482.30	0	\$0.00
Plan Total:	2,930	\$436,237.20	1	\$36.50
Grand Total:	32,898	\$4,804,084.20	25	\$1,150.40

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Medicare Part B Reimbursement and Penalty Report

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704	69	\$8,805.70	0	\$0.00
705	28	\$6,482.30	0	\$0.00
Plan Total:	2,930	\$436,237.20	1	\$36.50
LOCAL 1014				
804	169	\$26,682.50	0	\$0.00
805	166	\$24,437.10	0	\$0.00
806	576	\$163,294.70	0	\$0.00
807	37	\$5,707.80	0	\$0.00
808	12	\$3,754.50	0	\$0.00
812	224	\$31,306.70	0	\$0.00
Plan Total:	1,184	\$255,183.30	0	\$0.00
Grand Total:	34,082	\$5,059,267.50	25	\$1,150.40

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Medical Plan							
Anthem Blue Cross Prudent Buyer Plan							
201	674	\$584,256.90	\$94,746.33	\$489,510.57	\$584,256.90	(\$1,733.70)	\$582,523.20
202	362	\$620,336.08	\$59,954.52	\$555,268.90	\$615,223.42	\$1,704.22	\$616,927.64
203	91	\$175,004.83	\$42,462.63	\$130,619.07	\$173,081.70	\$0.00	\$173,081.70
204	33	\$36,753.42	\$14,322.73	\$22,430.69	\$36,753.42	\$0.00	\$36,753.42
205	1	\$237.47	\$9.50	\$227.97	\$237.47	\$0.00	\$237.47
SUBTOTAL	1,161	\$1,416,588.70	\$211,495.71	\$1,198,057.20	\$1,409,552.91	(\$29.48)	\$1,409,523.43
Anthem Blue Cross I							
211	851	\$933,932.64	\$59,561.81	\$869,991.31	\$929,553.12	(\$4,379.52)	\$925,173.60
212	298	\$587,784.14	\$33,373.46	\$552,438.25	\$585,811.71	(\$1,972.43)	\$583,839.28
213	56	\$130,273.36	\$18,052.12	\$112,221.24	\$130,273.36	\$0.00	\$130,273.36
214	19	\$27,512.38	\$4,807.43	\$22,704.95	\$27,512.38	\$0.00	\$27,512.38
215	3	\$1,092.12	\$211.14	\$880.98	\$1,092.12	\$0.00	\$1,092.12
SUBTOTAL	1,227	\$1,680,594.64	\$116,005.96	\$1,558,236.73	\$1,674,242.69	(\$6,351.95)	\$1,667,890.74
Anthem Blue Cross II							
221	2,123	\$2,326,620.00	\$140,867.84	\$2,179,182.88	\$2,320,050.72	(\$13,138.56)	\$2,306,912.16
222	1,854	\$3,666,747.37	\$95,741.66	\$3,513,254.24	\$3,608,995.90	(\$3,944.86)	\$3,605,051.04
223	613	\$1,426,028.03	\$58,343.74	\$1,360,705.36	\$1,419,049.10	\$2,326.31	\$1,421,375.41
224	145	\$209,962.90	\$20,156.43	\$189,806.47	\$209,962.90	\$0.00	\$209,962.90
225	2	\$728.08	\$182.02	\$546.06	\$728.08	\$0.00	\$728.08
SUBTOTAL	4,737	\$7,630,086.38	\$315,291.69	\$7,243,495.01	\$7,558,786.70	(\$14,757.11)	\$7,544,029.59

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Anthem Blue Cross III							
240	6,487	\$2,877,784.85	\$444,173.09	\$2,444,252.16	\$2,888,425.25	(\$9,387.12)	\$2,879,038.13
241	150	\$213,390.18	\$24,476.26	\$183,261.20	\$207,737.46	(\$1,413.18)	\$206,324.28
242	866	\$1,225,227.06	\$85,073.48	\$1,130,261.32	\$1,215,334.80	\$1,413.18	\$1,216,747.98
243	3,747	\$3,313,283.87	\$374,430.74	\$2,886,671.02	\$3,261,101.76	(\$6,140.08)	\$3,254,961.68
244	20	\$15,846.40	\$3,438.68	\$12,407.72	\$15,846.40	\$0.00	\$15,846.40
245	54	\$42,785.28	\$5,356.08	\$36,636.88	\$41,992.96	\$0.00	\$41,992.96
246	20	\$35,241.00	\$2,643.07	\$32,597.93	\$35,241.00	\$0.00	\$35,241.00
247	103	\$181,491.15	\$7,929.23	\$171,799.87	\$179,729.10	\$0.00	\$179,729.10
248	10	\$12,292.80	\$1,229.28	\$11,063.52	\$12,292.80	\$0.00	\$12,292.80
249	46	\$56,546.88	\$4,818.77	\$50,498.83	\$55,317.60	\$0.00	\$55,317.60
250	15	\$20,661.30	\$991.74	\$19,669.56	\$20,661.30	\$0.00	\$20,661.30
SUBTOTAL	11,518	\$7,994,550.77	\$954,560.42	\$6,979,120.01	\$7,933,680.43	(\$15,527.20)	\$7,918,153.23
CIGNA Network Model Plan							
301	337	\$478,509.67	\$128,254.22	\$351,675.36	\$479,929.58	(\$1,419.91)	\$478,509.67
302	146	\$374,101.64	\$91,296.42	\$280,242.88	\$371,539.30	(\$2,562.34)	\$368,976.96
303	17	\$51,434.18	\$14,443.17	\$30,939.93	\$45,383.10	\$0.00	\$45,383.10
304	24	\$45,208.56	\$17,348.66	\$27,859.90	\$45,208.56	\$0.00	\$45,208.56
SUBTOTAL	524	\$949,254.05	\$251,342.47	\$690,718.07	\$942,060.54	(\$3,982.25)	\$938,078.29

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
CIGNA Healthspring Pref w/ Rx - Phoenix, AZ							
321	30	\$11,534.70	\$1,730.21	\$9,804.49	\$11,534.70	\$0.00	\$11,534.70
322	10	\$15,262.40	\$488.40	\$13,247.76	\$13,736.16	\$0.00	\$13,736.16
324	14	\$10,653.72	\$1,293.67	\$9,360.05	\$10,653.72	\$0.00	\$10,653.72
327	2	\$3,976.10	\$397.61	\$3,578.49	\$3,976.10	\$0.00	\$3,976.10
329	1	\$1,297.77	\$0.00	\$1,297.77	\$1,297.77	\$0.00	\$1,297.77
SUBTOTAL	57	\$42,724.69	\$3,909.89	\$37,288.56	\$41,198.45	\$0.00	\$41,198.45

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser/Senior Advantage							
401	1,530	\$1,440,199.68	\$137,592.99	\$1,314,795.88	\$1,452,388.87	(\$1,875.26)	\$1,450,513.61
403	10,275	\$2,638,823.46	\$276,742.57	\$2,364,647.10	\$2,641,389.67	(\$3,835.28)	\$2,637,554.39
404	541	\$561,322.30	\$20,050.15	\$553,699.95	\$573,750.10	\$1,035.65	\$574,785.75
405	950	\$932,702.76	\$19,928.86	\$911,793.14	\$931,722.00	(\$2,942.28)	\$928,779.72
406	53	\$94,235.40	\$34,882.65	\$50,627.25	\$85,509.90	\$0.00	\$85,509.90
411	1,765	\$3,301,315.68	\$174,401.60	\$3,085,834.36	\$3,260,235.96	(\$3,734.52)	\$3,256,501.44
413	1,650	\$1,966,802.50	\$93,428.91	\$1,856,766.09	\$1,950,195.00	\$1,186.25	\$1,951,381.25
414	138	\$271,208.64	\$4,480.82	\$266,727.82	\$271,208.64	\$0.00	\$271,208.64
418	5,184	\$2,627,753.24	\$205,452.92	\$2,409,164.08	\$2,614,617.00	(\$6,062.88)	\$2,608,554.12
419	274	\$354,458.52	\$6,807.86	\$349,713.96	\$356,521.82	\$0.00	\$356,521.82
420	133	\$274,418.90	\$1,485.57	\$272,933.33	\$274,418.90	\$0.00	\$274,418.90
421	9	\$8,438.67	\$750.11	\$7,688.56	\$8,438.67	\$0.00	\$8,438.67
422	225	\$429,837.75	\$1,681.16	\$428,156.59	\$429,837.75	\$0.00	\$429,837.75
423	23	\$61,518.79	\$9,805.44	\$49,038.62	\$58,844.06	\$0.00	\$58,844.06
426	214	\$264,316.70	\$3,663.58	\$255,436.30	\$259,099.88	\$0.00	\$259,099.88
427	165	\$328,963.80	\$3,668.47	\$325,295.33	\$328,963.80	(\$1,993.72)	\$326,970.08
428	56	\$112,470.96	\$1,124.70	\$111,346.26	\$112,470.96	\$0.00	\$112,470.96
429	12	\$33,273.00	\$5,357.28	\$27,915.72	\$33,273.00	\$0.00	\$33,273.00
430	133	\$259,818.16	\$3,477.25	\$256,340.91	\$259,818.16	\$0.00	\$259,818.16
431	13	\$35,332.18	\$5,090.15	\$30,242.03	\$35,332.18	\$0.00	\$35,332.18
432	5	\$17,411.00	\$5,779.45	\$11,631.55	\$17,411.00	\$0.00	\$17,411.00
SUBTOTAL	23,348	\$16,014,622.09	\$1,015,652.49	\$14,939,794.83	\$15,955,447.32	(\$18,222.04)	\$15,937,225.28

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser - Colorado							
450	6	\$6,029.22	\$884.29	\$5,144.93	\$6,029.22	\$0.00	\$6,029.22
451	33	\$12,098.46	\$1,305.15	\$11,159.93	\$12,465.08	\$0.00	\$12,465.08
453	1	\$2,221.15	\$248.72	\$1,972.43	\$2,221.15	\$0.00	\$2,221.15
455	1	\$1,363.49	\$0.00	\$1,363.49	\$1,363.49	\$0.00	\$1,363.49
457	9	\$7,252.40	\$1,392.46	\$4,409.46	\$5,801.92	\$0.00	\$5,801.92
458	1	\$2,302.38	\$0.00	\$2,302.38	\$2,302.38	\$0.00	\$2,302.38
SUBTOTAL	51	\$31,267.10	\$3,830.62	\$26,352.62	\$30,183.24	\$0.00	\$30,183.24
Kaiser - Georgia							
441	3	\$3,493.23	\$208.59	\$3,284.64	\$3,493.23	\$0.00	\$3,493.23
442	4	\$4,657.64	\$278.12	\$4,379.52	\$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	13	\$15,137.33	\$2,104.42	\$11,868.50	\$13,972.92	\$0.00	\$13,972.92
462	54	\$22,046.04	\$2,947.62	\$19,098.42	\$22,046.04	\$0.00	\$22,046.04
463	3	\$6,962.49	\$2,031.41	\$4,931.08	\$6,962.49	\$0.00	\$6,962.49
465	10	\$15,646.70	\$938.80	\$14,707.90	\$15,646.70	\$0.00	\$15,646.70
466	29	\$23,447.08	\$840.86	\$22,606.22	\$23,447.08	(\$808.52)	\$22,638.56
467	1	\$2,721.09	\$394.78	\$2,326.31	\$2,721.09	\$0.00	\$2,721.09
SUBTOTAL	119	\$97,240.94	\$9,744.60	\$86,331.93	\$96,076.53	(\$808.52)	\$95,268.01

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Kaiser - Hawaii							
471	6	\$6,019.20	\$561.79	\$5,457.41	\$6,019.20	\$0.00	\$6,019.20
472	33	\$14,173.83	\$2,336.51	\$11,837.32	\$14,173.83	\$0.00	\$14,173.83
473	1	\$1,547.10	\$452.22	\$1,094.88	\$1,547.10	\$0.00	\$1,547.10
474	3	\$5,995.20	\$77.91	\$5,917.29	\$5,995.20	\$0.00	\$5,995.20
476	4	\$5,698.84	\$2,678.45	\$3,020.39	\$5,698.84	\$0.00	\$5,698.84
478	13	\$11,050.26	\$782.02	\$10,268.24	\$11,050.26	\$0.00	\$11,050.26
SUBTOTAL	60	\$44,484.43	\$6,888.90	\$37,595.53	\$44,484.43	\$0.00	\$44,484.43
Kaiser - Oregon							
481	8	\$8,701.04	\$1,892.47	\$6,808.57	\$8,701.04	\$0.00	\$8,701.04
482	80	\$30,180.00	\$4,617.52	\$25,562.48	\$30,180.00	(\$377.25)	\$29,802.75
484	2	\$4,334.54	\$547.47	\$3,787.07	\$4,334.54	\$0.00	\$4,334.54
485	0	\$3,246.90	(\$920.59)	(\$2,326.31)	(\$3,246.90)	\$0.00	(\$3,246.90)
486	10	\$14,568.80	\$2,156.18	\$12,412.62	\$14,568.80	\$0.00	\$14,568.80
488	43	\$32,099.50	\$3,911.66	\$28,187.84	\$32,099.50	\$0.00	\$32,099.50
491	2	\$2,759.82	\$0.00	\$2,759.82	\$2,759.82	\$0.00	\$2,759.82
492	1	\$1,544.92	\$308.98	\$1,235.94	\$1,544.92	\$0.00	\$1,544.92
494	1	\$1,826.13	\$0.00	\$1,826.13	\$1,826.13	\$0.00	\$1,826.13
495	2	\$4,686.68	\$741.82	\$3,944.86	\$4,686.68	\$0.00	\$4,686.68
SUBTOTAL	149	\$103,948.33	\$13,255.51	\$84,199.02	\$97,454.53	(\$377.25)	\$97,077.28
SCAN Health Plan							
611	302	\$89,996.00	\$18,964.72	\$71,627.28	\$90,592.00	(\$298.00)	\$90,294.00
613	103	\$61,152.00	\$9,843.12	\$49,544.88	\$59,388.00	\$0.00	\$59,388.00
SUBTOTAL	405	\$151,148.00	\$28,807.84	\$121,172.16	\$149,980.00	(\$298.00)	\$149,682.00

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
UHC Medicare Adv.							
701	1,591	\$541,833.86	\$65,759.27	\$473,361.98	\$539,121.25	(\$2,034.42)	\$537,086.83
702	331	\$467,422.11	\$28,241.77	\$429,354.65	\$457,596.42	\$1,403.67	\$459,000.09
703	905	\$609,827.40	\$63,381.84	\$539,074.02	\$602,455.86	(\$1,340.28)	\$601,115.58
704	72	\$114,269.76	\$7,713.22	\$108,143.62	\$115,856.84	\$0.00	\$115,856.84
705	28	\$23,899.40	\$785.27	\$23,114.13	\$23,899.40	\$0.00	\$23,899.40
706	1	\$307.71	\$12.31	\$295.40	\$307.71	\$0.00	\$307.71
SUBTOTAL	2,928	\$1,757,560.24	\$165,893.68	\$1,573,343.80	\$1,739,237.48	(\$1,971.03)	\$1,737,266.45
United Healthcare							
707	434	\$467,653.60	\$45,606.93	\$417,756.27	\$463,363.20	\$1,072.60	\$464,435.80
708	378	\$739,916.10	\$32,180.47	\$703,820.73	\$736,001.20	\$0.00	\$736,001.20
709	286	\$668,332.80	\$34,762.57	\$621,967.23	\$656,729.80	\$0.00	\$656,729.80
SUBTOTAL	1,098	\$1,875,902.50	\$112,549.97	\$1,743,544.23	\$1,856,094.20	\$1,072.60	\$1,857,166.80

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Local 1014 Firefighters							
801	52	\$56,063.80	\$1,725.03	\$56,495.07	\$58,220.10	\$0.00	\$58,220.10
802	281	\$546,261.19	\$12,985.88	\$541,051.27	\$554,037.15	\$0.00	\$554,037.15
803	245	\$561,811.95	\$20,958.98	\$553,373.35	\$574,332.33	\$4,586.22	\$578,918.55
804	169	\$182,207.35	\$8,560.48	\$173,646.87	\$182,207.35	(\$26,682.50)	\$155,524.85
805	166	\$322,702.34	\$10,575.31	\$313,915.50	\$324,490.81	(\$26,381.09)	\$298,109.72
806	576	\$1,119,738.24	\$33,708.79	\$1,086,029.45	\$1,119,738.24	(\$165,238.69)	\$954,499.55
807	37	\$84,845.07	\$1,651.04	\$83,194.03	\$84,845.07	(\$5,707.80)	\$79,137.27
808	12	\$27,517.32	\$183.45	\$27,333.87	\$27,517.32	(\$3,754.50)	\$23,762.82
809	23	\$24,797.45	\$3,126.62	\$22,748.98	\$25,875.60	\$0.00	\$25,875.60
810	8	\$15,551.92	\$1,905.11	\$13,646.81	\$15,551.92	\$0.00	\$15,551.92
811	5	\$11,465.55	\$825.52	\$10,640.03	\$11,465.55	\$0.00	\$11,465.55
812	224	\$241,505.60	\$20,786.66	\$222,875.24	\$243,661.90	(\$31,306.70)	\$212,355.20
SUBTOTAL	1,798	\$3,194,467.78	\$116,992.87	\$3,104,950.47	\$3,221,943.34	(\$254,485.06)	\$2,967,458.28
Medical Plan Total	49,180	\$42,984,440.64	\$3,326,222.62	\$39,424,200.17	\$42,750,422.79	(\$315,737.29)	\$42,434,685.50

Medical and Dental Vision Insurance Premiums February 2018

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
Dental/Vision Plan							
CIGNA Indemnity Dental/Vision							
501	23,311	\$1,215,953.92	\$141,030.86	\$1,081,993.68	\$1,223,024.54	(\$3,061.83)	\$1,219,962.71
502	21,479	\$2,335,334.40	\$185,045.51	\$2,140,893.14	\$2,325,938.65	(\$2,499.72)	\$2,323,438.93
503	13	\$833.95	\$118.04	\$715.91	\$833.95	\$0.00	\$833.95
SUBTOTAL	44,803	\$3,552,122.27	\$326,194.41	\$3,223,602.73	\$3,549,797.14	(\$5,561.55)	\$3,544,235.59
CIGNA Dental HMO/Vision							
901	3,245	\$149,886.55	\$19,448.69	\$131,176.80	\$150,625.49	(\$554.28)	\$150,071.21
902	2,271	\$215,033.00	\$19,351.60	\$194,266.20	\$213,617.80	(\$189.04)	\$213,428.76
903	3	\$140.34	\$5.61	\$134.73	\$140.34	\$0.00	\$140.34
SUBTOTAL	5,519	\$365,059.89	\$38,805.90	\$325,577.73	\$364,383.63	(\$743.32)	\$363,640.31
Dental/Vision Plan Total	50,322	\$3,917,182.16	\$365,000.31	\$3,549,180.46	\$3,914,180.77	(\$6,304.87)	\$3,907,875.90
GRAND TOTALS	99,502	\$46,901,622.80	\$3,691,222.93	\$42,973,380.63	\$46,664,603.56	(\$322,042.16)	\$46,342,561.40

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

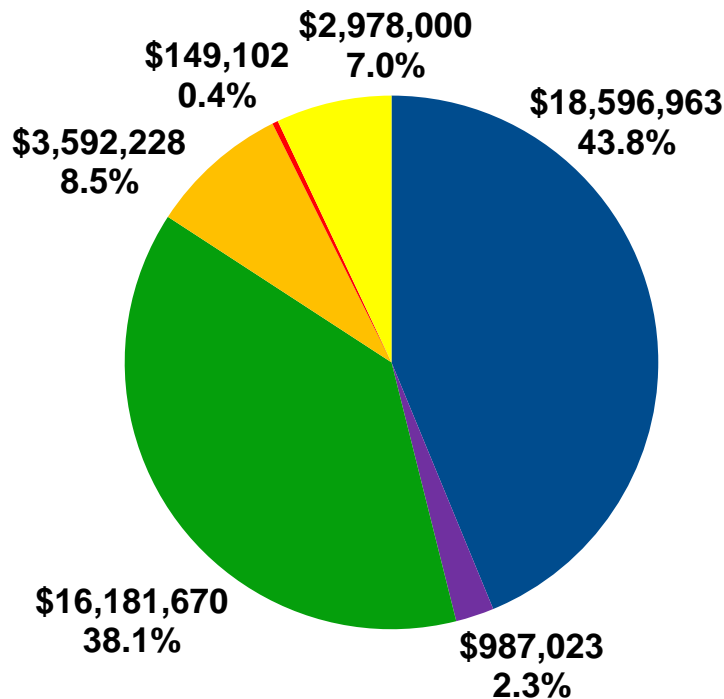
\$39.02	901	Retiree Only
\$81.07	902	Retiree and Dependent(s)
\$39.56	903	Survivor Children Only Rates

Los Angeles County Employees Retirement Association
 Premium & Enrollment
 Coverage Month December 2017

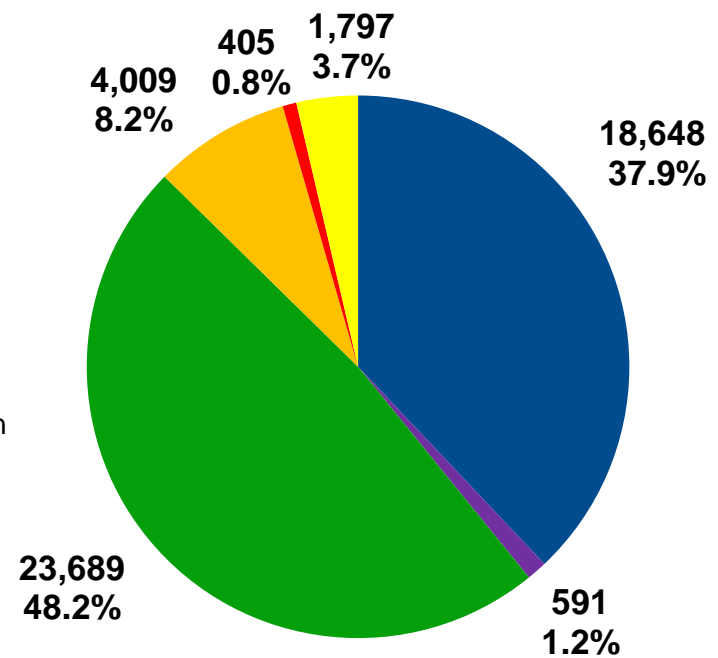
Carrier / Plan	Monthly Premium	Percent of Total	Retirees	Percent of Total
Anthem All Plans	\$18,596,963	43.8%	18,648	37.9%
Cigna Medical	\$987,023	2.3%	591	1.2%
Kaiser	\$16,181,670	38.1%	23,689	48.2%
UnitedHealthcare	\$3,592,228	8.5%	4,009	8.2%
SCAN Health Plan	\$149,102	0.4%	405	0.8%
Local 1014	\$2,978,000	7.0%	1,797	3.7%
Combined Medical	\$42,484,986	100.0%	49,139	100.0%

Cigna Dental & Vision (PPO and HMO)	\$3,904,464	50,234
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Monthly Premium



Retirees



- Anthem All Plans
- Cigna Medical
- Kaiser
- UnitedHealthcare
- SCAN Health Plan
- Local 1014

Los Angeles County Employees Retirement Association

Anthem Plans I & II

Coverage Month December 2017

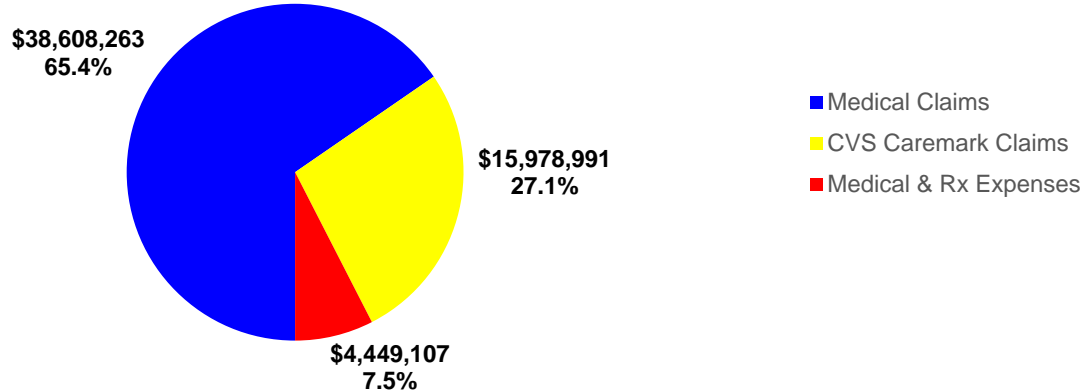
Month	Monthly Enrollment	Monthly Premium	Medical Claims	CVS Caremark Claims	Medical & Rx Claims	Claims Per Retiree Per Month	Paid Loss Ratio	Medical & Rx Expenses	Total Paid Claims & Expenses	Expense Ratio
Jul-17	6,003	\$9,296,857	\$5,371,906	\$2,613,705	\$7,985,611	\$1,330.27	85.9%	\$742,630	\$8,728,240	93.9%
Aug-17	6,007	\$9,314,660	\$8,829,894	\$2,744,147	\$11,574,041	\$1,926.76	124.3%	\$743,259	\$12,317,300	132.2%
Sep-17	5,994	\$9,275,562	\$5,646,555	\$2,506,725	\$8,153,280	\$1,360.24	87.9%	\$741,988	\$8,895,268	95.9%
Oct-17	5,984	\$9,267,345	\$6,588,991	\$2,773,387	\$9,362,378	\$1,564.57	101.0%	\$740,846	\$10,103,224	109.0%
Nov-17	5,982	\$9,270,299	\$5,962,491	\$2,579,978	\$8,542,469	\$1,428.03	92.1%	\$740,610	\$9,283,079	100.1%
Dec-17	5,975	\$9,260,918	\$6,208,427	\$2,761,049	\$8,969,476	\$1,501.17	96.9%	\$739,774	\$9,709,250	104.8%
Jan-18										
Feb-18										
Mar-18										
Apr-18										
May-18										
Jun-18										
YTD Plan Year	35,945	\$55,685,641	\$38,608,263	\$15,978,991	\$54,587,255	\$1,518.63	98.0%	\$4,449,107	\$59,036,362	106.0%
12 Month Rollup	72,045	\$110,004,671	\$76,313,547	\$31,324,664	\$107,638,211	\$1,494.04	97.8%	\$11,522,946	\$119,161,157	108.3%

Medical Claims reported by Anthem

CVS Caremark Claims reported by CVS

Expenses: Anthem Admin, Stop Loss, and Premium Taxes

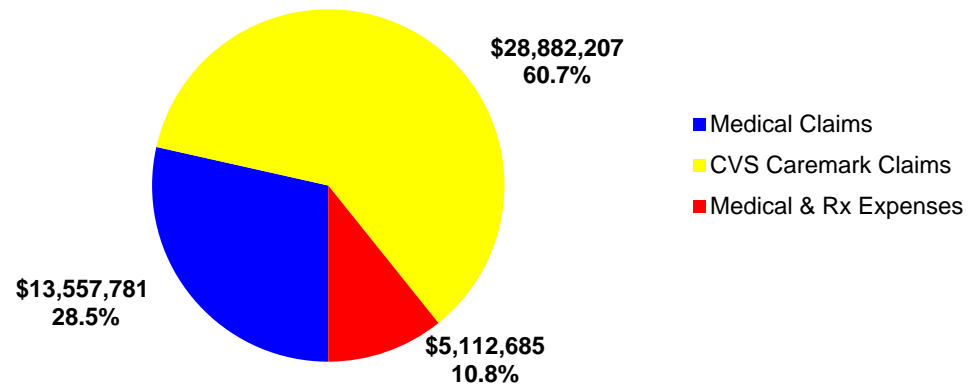
Enrollment and Premium Reported by LACERA



Los Angeles County Employees Retirement Association
Anthem Plan III
Coverage Month December 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-17	11,381	\$7,802,939	\$1,930,103	\$4,624,278	\$6,554,380	\$575.91	84.0%	\$847,547	\$7,401,927	94.9%
Aug-17	11,406	\$7,865,983	\$2,678,326	\$4,777,074	\$7,455,401	\$653.64	94.8%	\$849,408	\$8,304,809	105.6%
Sep-17	11,443	\$7,867,942	\$2,286,704	\$4,713,992	\$7,000,696	\$611.79	89.0%	\$852,164	\$7,852,860	99.8%
Oct-17	11,460	\$7,880,228	\$2,253,007	\$5,010,897	\$7,263,904	\$633.85	92.2%	\$853,430	\$8,117,334	103.0%
Nov-17	11,474	\$7,906,791	\$2,307,058	\$5,014,847	\$7,321,905	\$638.13	92.6%	\$854,472	\$8,176,378	103.4%
Dec-17	11,490	\$7,900,212	\$2,102,584	\$4,741,118	\$6,843,702	\$595.62	86.6%	\$855,664	\$7,699,366	97.5%
Jan-18										
Feb-18										
Mar-18										
Apr-18										
May-18										
Jun-18										
YTD Plan Year	68,654	\$47,224,096	\$13,557,781	\$28,882,207	\$42,439,988	\$618.17	89.9%	\$5,112,685	\$47,552,673	100.7%
12 Month Rollup	136,121	\$92,418,875	\$28,623,820	\$57,749,129	\$86,372,949	\$634.53	93.5%	\$10,245,574	\$96,618,523	104.5%

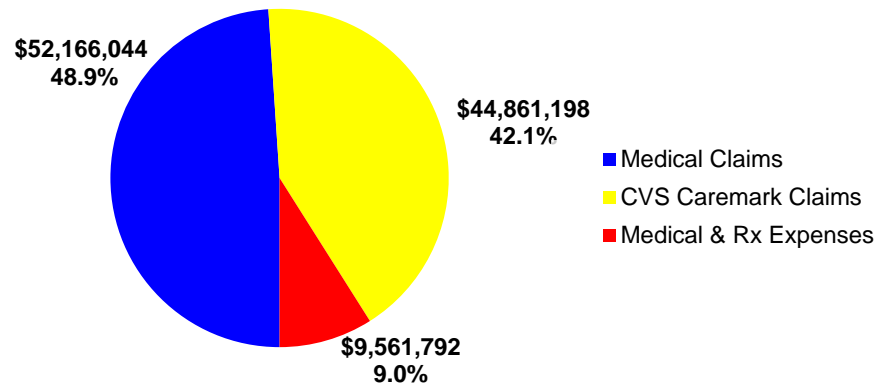
Medical Claims reported by Anthem
 CVS Caremark Claims reported by CVS
 Expenses: Anthem Admin, Stop Loss, and Premium Taxes
 Enrollment and Premium Reported by LACERA



Los Angeles County Employees Retirement Association
 Anthem Plans I, II, & III
 Coverage Month December 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-17	17,384	\$17,099,797	\$7,302,008	\$7,237,983	\$14,539,991	\$836.40	85.0%	\$1,590,176	\$16,130,167	94.3%
Aug-17	17,413	\$17,180,643	\$11,508,220	\$7,521,222	\$19,029,442	\$1,092.83	110.8%	\$1,592,667	\$20,622,109	120.0%
Sep-17	17,437	\$17,143,504	\$7,933,258	\$7,220,717	\$15,153,976	\$869.07	88.4%	\$1,594,152	\$16,748,127	97.7%
Oct-17	17,444	\$17,147,574	\$8,841,997	\$7,784,284	\$16,626,282	\$953.12	97.0%	\$1,594,276	\$18,220,558	106.3%
Nov-17	17,456	\$17,177,089	\$8,269,549	\$7,594,825	\$15,864,374	\$908.82	92.4%	\$1,595,083	\$17,459,457	101.6%
Dec-17	17,465	\$17,161,130	\$8,311,011	\$7,502,167	\$15,813,178	\$905.42	92.1%	\$1,595,438	\$17,408,616	101.4%
Jan-18										
Feb-18										
Mar-18										
Apr-18										
May-18										
Jun-18										
YTD Plan Year	104,599	\$102,909,737	\$52,166,044	\$44,861,198	\$97,027,243	\$927.61	94.3%	\$9,561,792	\$106,589,034	103.6%
12 Month Rollup	208,166	\$202,423,547	\$104,937,367	\$89,073,794	\$194,011,161	\$932.00	95.8%	\$21,768,520	\$215,779,680	106.6%

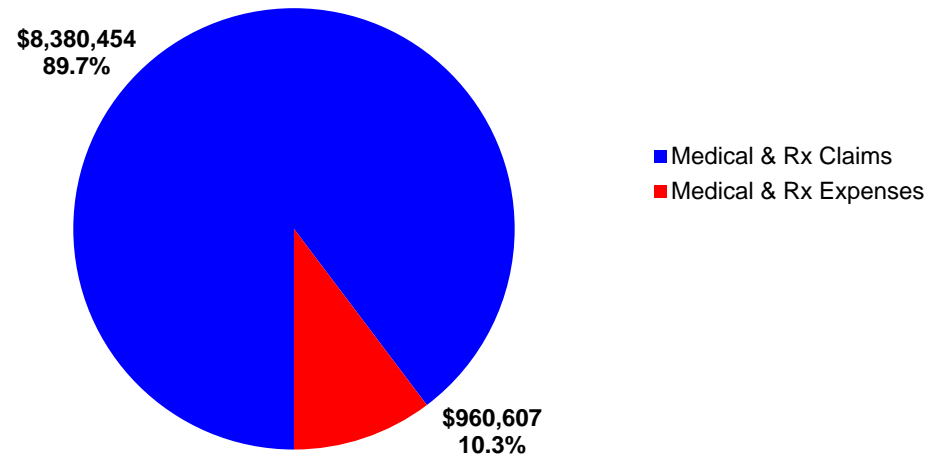
Medical Claims reported by Anthem
 CVS Caremark Claims reported by CVS
 Expenses: Anthem Admin, Stop Loss, and Premium Taxes
 Enrollment and Premium Reported by LACERA



Los Angeles County Employees Retirement Association
 Anthem Prudent Buyer
 Coverage Month December 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-17	1,232	\$1,492,151	\$1,099,832	\$892.72	73.7%	\$163,756	\$1,263,589	84.7%
Aug-17	1,217	\$1,479,494	\$1,531,310	\$1,258.27	103.5%	\$161,763	\$1,693,072	114.4%
Sep-17	1,205	\$1,465,281	\$1,195,213	\$991.88	81.6%	\$160,168	\$1,355,380	92.5%
Oct-17	1,197	\$1,455,738	\$1,697,487	\$1,418.12	116.6%	\$159,104	\$1,856,591	127.5%
Nov-17	1,193	\$1,447,772	\$1,321,479	\$1,107.69	91.3%	\$158,573	\$1,480,051	102.2%
Dec-17	1,183	\$1,435,833	\$1,535,133	\$1,297.66	106.9%	\$157,243	\$1,692,377	117.9%
Jan-18								
Feb-18								
Mar-18								
Apr-18								
May-18								
Jun-18								
YTD Plan Year	7,227	\$8,776,270	\$8,380,454	\$1,159.60	95.5%	\$960,607	\$9,341,060	106.4%
12 Month Rollup	14,814	\$17,729,059	\$15,702,416	\$1,059.97	88.6%	\$2,193,191	\$17,895,607	100.9%

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

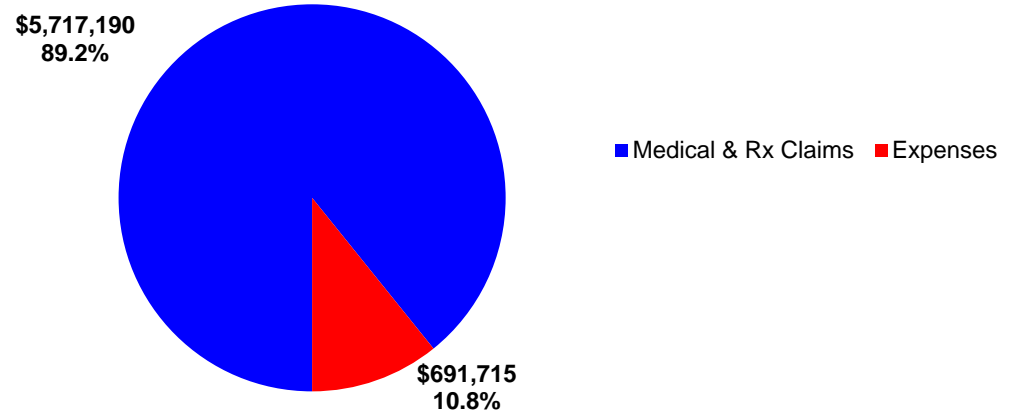
Cigna HMO ⁽¹⁾

Coverage Month December 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-17	553	\$975,087	\$966,449	\$1,747.65	99.1%	\$116,133	\$1,082,582	111.0%
Aug-17	551	\$983,796	\$873,851	\$1,585.94	88.8%	\$117,170	\$991,021	100.7%
Sep-17	549	\$984,764	\$939,360	\$1,711.04	95.4%	\$117,285	\$1,056,645	107.3%
Oct-17	539	\$960,763	\$1,273,588	\$2,362.87	132.6%	\$114,427	\$1,388,015	144.5%
Nov-17	536	\$959,687	\$948,237	\$1,769.10	98.8%	\$114,299	\$1,062,535	110.7%
Dec-17	531	\$943,758	\$715,705	\$1,347.84	75.8%	\$112,402	\$828,107	87.7%
Jan-18								
Feb-18								
Mar-18								
Apr-18								
May-18								
Jun-18								
YTD Plan Year	3,259	\$5,807,855	\$5,717,190	\$1,754.28	98.4%	\$691,715	\$6,408,905	110.3%
12 Month Rollup	6,689	\$11,622,989	\$11,240,677	\$1,680.47	96.7%	\$1,388,947	\$12,629,625	108.7%

⁽¹⁾ Excludes Cigna's HealthSpring Preferred Plan.

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



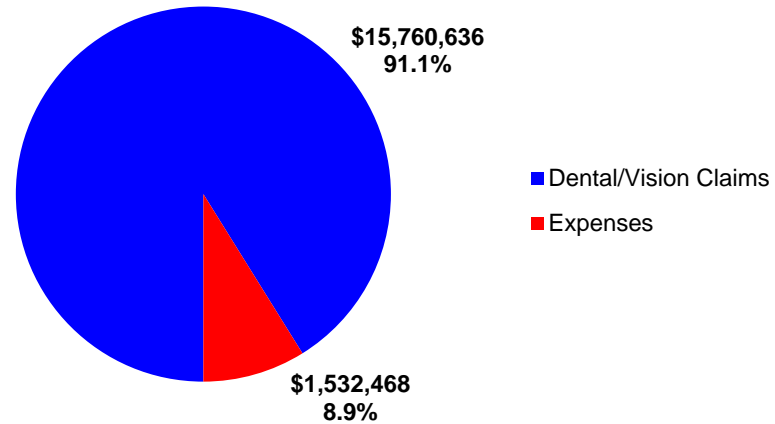
Los Angeles County Employees Retirement Association

Cigna Dental PPO + Vision

Coverage Month December 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-17	44,382	\$3,514,433	\$2,517,042	56.8%	\$56.71	71.6%	\$254,699	\$2,771,742	78.9%
Aug-17	44,439	\$3,509,103	\$2,968,943	56.5%	\$66.81	84.6%	\$254,313	\$3,223,256	91.9%
Sep-17	44,537	\$3,521,546	\$2,618,579	54.8%	\$58.80	74.4%	\$255,215	\$2,873,794	81.6%
Oct-17	44,600	\$3,524,019	\$2,729,264	57.1%	\$61.19	77.4%	\$255,394	\$2,984,659	84.7%
Nov-17	44,669	\$3,536,624	\$2,444,360	57.3%	\$54.72	69.1%	\$256,308	\$2,700,668	76.4%
Dec-17	44,709	\$3,539,802	\$2,482,447	58.1%	\$55.52	70.1%	\$256,538	\$2,738,985	77.4%
Jan-18									
Feb-18									
Mar-18									
Apr-18									
May-18									
Jun-18									
YTD Plan Year	267,336	\$21,145,527	\$15,760,636	56.8%	\$58.95	74.5%	\$1,532,468	\$17,293,104	81.8%
12 Month Rollup	530,650	\$41,552,851	\$33,701,619	55.8%	\$63.51	81.1%	\$2,992,867	\$36,694,486	88.3%

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



Los Angeles County Employees Retirement Association

Kaiser Utilization

Coverage Month December 2017

- Kaiser insures approximately 24,000 LACERA retirees, with the majority enrolled in Medicare Advantage plans.
- Kaiser's Periodic Utilization Report (PUR) monitors utilization patterns of LACERA's non-Medicare population in Southern California.

Category	Current Period 8/1/2016 - 7/31/2017	Prior Period 8/1/2015 - 7/31/2016	Change
Average Members	8,744	8,713	0.36%
Inpatient Claims PMPM	\$196.05	\$201.41	-2.66%
Outpatient Claims PMPM	\$270.17	\$252.72	6.90%
Pharmacy	\$90.64	\$94.09	-3.67%
Other	\$107.63	\$109.97	-2.13%
Total Claims PMPM	\$664.49	\$658.19	0.96%

Total Paid Claims	\$69,722,919	\$68,817,726	1.32%
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Large Claims over \$400,000 Pooling Point			
Number of Claims over Pooling Point	8	5	
Amount over Pooling Point	\$872,808	\$1,667,107	-47.65%
% of Total Paid Claims	1.25%	2.42%	

Inpatient Days / 1000	280.5	348.0	-19.40%
Inpatient Admits / 1000	58.6	73.6	-20.38%
Outpatient Visits / 1000	11,904.8	12,353.0	-3.63%
Pharmacy Scripts PMPY	10.9	11.4	-4.39%