

Joint Benefits Committee Meeting

Zoom Meeting

3/19/2020

Agenda

- Other Post Employment Benefits (OPEB) Presentation – Adam O'Connor
- Initial Renewal Rates from ASCIP
- Covid-19 Testing costs waived by Anthem and Kaiser
- Telemed Option
- RFP subcommittee formation and meeting schedule
- ASCIP opt-out dates
- ASCIP refunds from 2017-2019

Attendees

Narges Rastii - Rakon

Joanne Armstrong

Diane Loya

Sheryl Martin

Adam O'Connor

Sean Small

Barry Resnick

Morrie Barenbaum

Don Maus

Nancy Turner

Rudy Carrion

RSCCD Joint Benefits Committee

Other Post Employment Benefits (OPEB)
Unfunded Liability Update and
Recommendation

March 19, 2020

OPEB Retiree Health Benefits

- RSCCD provides full time employees with two forms of Retiree Health Benefits at retirement
 - Lifetime Health Benefits – F/T employees hired prior to 1986/87 after 15 years of service
 - Up to age 70 Health Benefits – F/T employees hired after 1986/87 after 15 years of service
- RSCCD pays annual retiree health premiums out of general fund
 - Approximately \$8.2 million per year for 2019/20
 - Plus the difference of ARC/ADC charged to all funds as a percent of payroll
- Contractual Obligation to pay per CBA's
- Increasing annual cost of premiums for retiree health benefits
- Annual health premiums increase an average of 5% per year
- Future annual premium costs?
 - Larger and larger financial burden on General Fund

OPEB Retiree Health Benefits

- GASB 75 issued November 2017 for all future actuarial studies
 - GASB 43/45 prior pronouncements
- RSCCD has contributed full Annual Required Contribution (ARC) since 2012 - now called Actuarially Determined Contribution (ADC)
 - But only in designated fund until June 2019.
 - Accumulated cash balance of \$67 million as of June 2019
- Established Irrevocable Trust with \$40 million in June 2019 by transferring \$30 million of the Retiree Health Benefits Fund + \$10 million of Self Insurance Funds
- A major influencer of unfunded liability calculation is interest earnings on deposited funds
- Had been earning approximately 1% interest in the County Treasury
 - Actuary had used 3.5% since current funds are not considered Irrevocable Trust Plan Assets
 - If idle funds earn higher interest earnings, ARC/ADC obligation is reduced
- With Irrevocable trust, actuary increased earnings assumption to 6.3%/6.5%

Retiree Health Benefits Actuarial Valuation Comparison

	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Discount/Investment Rate Assumption	3.50%	6.30%	6.50%	
Inflation Assumption	2.75%	2.75%	2.50%	
Payroll Increase Assumption	2.75%	2.75%	3.00%	
Medical Trend Assumption	4.00%	4.00%	6.50%	2020
	all years	all years	6.00%	2021
			5.50%	2022
			5.00%	2023
			4.50%	2024+
Total Accrued OPEB Liability	\$167,278,154	\$138,984,339	\$149,205,110	
Net Unfunded OPEB Liability	\$167,278,154	\$138,984,339	\$109,086,035	
ARC/ADC	\$14,394,639	\$12,698,406	\$9,927,050	Projected
	2017/18	2018/19	2019/20	2020/21
			2020/21 Savings	\$2,473,545
			(General Fund Portion)	\$1,899,032

Irrevocable Trust

- Plan Assets (irrevocable trust) vs Health Benefits Fund (revocable by Board action)
- \$40 million initial deposit grew to \$42.7 million by January 31, 2020
- Market has fluctuated wildly since then
- As of February 29, 2020 balance was \$40.9 million
- Additional transfer into the Irrevocable Trust can further reduce the ADC
- Current balance in the Health Benefits Fund is \$41.5 million
- Expected balance June 30, 2020 is \$43 million
- Each \$10 million transfer to Irrevocable Trust = approximately \$450,000 in reduced annual cost to the General Fund

Irrevocable Trust

Benefits of an Irrevocable Trust

- Increase earnings if have Irrevocable Trust (up to 7%)
- Counts as Plan Assets and reduces the OPEB liability
- Employees can feel comfortable that funds are “locked away” for their future retiree benefits
- Reduce costs and strain to General Fund
- Potential credit rating increase
- Accreditation Standard

Drawbacks of an Irrevocable Trust

- Less Board flexibility as it cannot be tapped for other needs
- Once deposited to trust it cannot be removed
- Need to set careful rules for investment options as we don't want to bet on stock market volatility (investment risk assessment)

Recommendation

- Retiree Health Benefits Fund (Fund 63) – maintain \$30 million in revocable
- Irrevocable Trust (Fund 78)– invest any future excess funds over amount maintained in the Retiree Health Benefits Fund
- Transfer \$13 million by June 30, 2020

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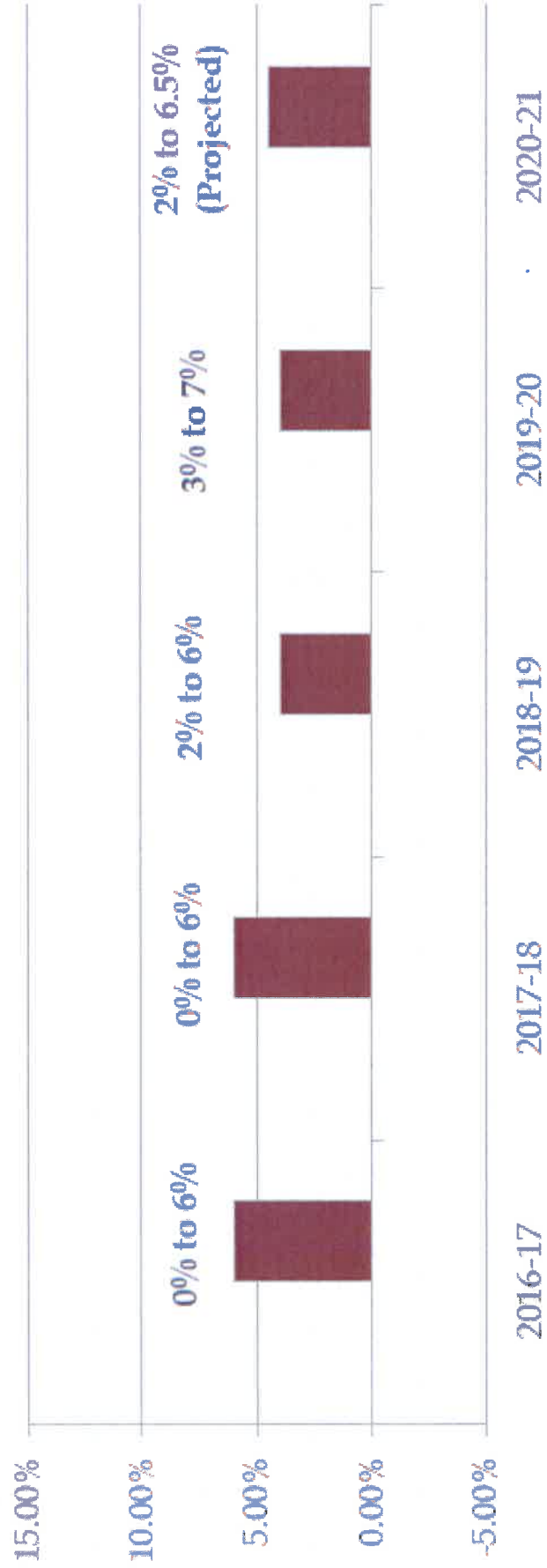
Health Benefits Program Renewal Rate Change Projections 2020-21

Carrier/Coverage	Percentage Change
Kaiser	Pending: May 2020
UnitedHealthcare HMO & PPO	Pending: May 2020
Anthem/Blue Shield HMO & PPO	Range: 2% to 6.5% (average ~ +4%)

Health Benefits Program Renewal Rate Change Projections 2020-21

Carrier/Coverage	Percentage Change
Delta Dental PPO	Range: -3 to 2% (average ~ -2%)
VSP Vision PPO	Range: -3% to 2% (average ~ 0%)
Voya Life & Disability	0%

Health Benefits Program - Self-Funded Medical Anthem & Blue Shield HMO/PP0 Five-Year Rate Range History



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In-person visit

Same-day appointments are often available. Sign on to **kp.org** anytime, or call us to schedule a visit.



Email

Message your doctor's office with nonurgent questions anytime. Sign on to **kp.org** or use our mobile app.²



Phone appointment

Save yourself a trip to the doctor's office for minor conditions by scheduling a call with a doctor.²



Video visit

Meet face-to-face online with a doctor on your computer, smartphone, or tablet for minor conditions or follow-up care.^{2,3}



E-visit

Get quick online care for minor health problems. Fill out a short questionnaire about your symptoms, and a clinician will get back to you with a care plan – usually within 2 hours.

	CDCTA	CSEA	FARSCCD	MGMT	Grand Total
Anthem Blue Cross HMO					
EO	5	49	24	10	88
E+1	8	81	27	18	134
FA	8	156	91	36	291
	21	286	142	64	513
Anthem Blue Cross PPO					
EO	2	59	68	10	139
E+1		52	90	22	164
FA		3	23	17	43
	2	114	181	49	346
Kaiser HMO					
EO	4	40	12	5	61
E+1	2	27	10	4	43
FA	2	39	22	14	77
	8	106	44	23	181
Delta Dental PPO					
EO	10	115	87	17	229
E+1	5	124	108	26	263
FA	2	124	106	34	266
	17	363	301	77	758
DeltaCare USA HMO					
EO	1	33	17	10	61
E+1	5	36	19	15	75
FA	8	74	30	21	133
	14	143	66	46	269

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Maus, Donald

From: Tanner, Nancy
Sent: Friday, March 27, 2020 9:46 AM
To: Maus, Donald
Subject: RE: Joint Benefits Meeting

Yes I was there, my ID is NT00259. No I am not in favor of FARSCCD's recommendation to solicit bids.

From: Maus, Donald <Maus_Donald@rscdd.edu>
Sent: Friday, March 27, 2020 9:37 AM
To: Castellanos, Mary <Castellanos_Mary@sac.edu>; Candela, Catherine <Candela_Catherine@rscdd.edu>; Tanner, Nancy <Tanner_Nancy@rscdd.edu>
Subject: Joint Benefits Meeting

Good Morning,

Last week's Joint Benefits Meeting was my first Zoom meeting and I forgot to record the meeting. I also did not write down who attended the meeting. Were you there?

If you attended the meeting, were you in favor of FARSCCD's recommendation to solicit bids for our health benefits? I forgot to record that as well.

I'll make sure to record the next meeting.

Thanks.

Don

