



SJVIA

San Joaquin Valley
Insurance Authority

BOARD OF DIRECTORS

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**Meeting Location:
Fresno County Employee
Retirement Association Board
Chambers
1111 H Street
Fresno, CA 93721
July 26, 2013 9:00 AM**

AGENDA DATE: July 26, 2013

ITEM NUMBER: 11

SUBJECT: Report on Retiree Pool Options

REQUEST(S): That the Board of Directors receive the report on retiree pool options within the SJVIA and provide direction to staff.

DESCRIPTION:

In response to a request from the City of Tulare, GBS was asked to review the feasibility, methodology, potential opportunities and impact of rating the Pre65 retiree population separately within the SJVIA. As a general rule of thumb, rating a population as a 'pool within a pool' is typically not viable unless there are more than 500 subscribers.

Currently, there are approximately 400 Pre65 subscribers within the SJVIA and all participants are rated as one unit. Some member entities then adjust premiums for this pre-65 retiree population to eliminate an implicit rate subsidy. Blending the rates for the actives and retirees creates an implicit rate subsidy that is accounted for by the participating entity in their financial statements consistent with Governmental Accounting Standards Board (GASB) statement 45.

A summary of retiree benefits for the SJVIA's Participating Entities follows:

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- **County of Tulare:** 340 retirees are covered in the SJVIA. 129 are Pre65 and 211 Post65. The rate structure is “blended” meaning that the retirees have common plan designs and share risk in the same rate structure to that of the active employees. This creates a GASB 45 implicit subsidy.
- **County of Fresno:** 268 Pre65 retirees are covered in the SJVIA. Post65 retirees are covered outside of the SJVIA on group plans offered by the County. The Pre65 and Post65 rates are unblended resulting in a separate rate structure from that of the employees. Prior to the SJVIA, the Pre65 retiree rates were developed based on the actual claims experience of that subset population. Since the formation of the SJVIA, the cost differential between retiree and active rates was maintained based on the differential that existed prior . Because the retiree rates are unblended, the County of Fresno does not have a GASB 45 implicit subsidy. Since the unblending of the retiree rates, many Pre65 retirees at the County of Fresno elect COBRA (18 months) and CalCOBRA (18 months) at their retirement date. Currently, there are approximately 200 retirees electing COBRA.
- **City of Tulare:** 25 Pre65 retirees are covered in the SJVIA. Post65 retirees are covered outside of the SJVIA on a group plan through the City. Like the County of Fresno, the rates are unblended. Prior to the SJVIA, the retiree rates were developed based on an accepted actuarial methodology that called for retiree rates to be 1.85 times that of the active rates. This methodology was adopted to alleviate the radical fluctuations that existed in the past when the City used a true cost methodology to calculate rates based only on retiree claims experience (fewer retirees resulted in higher volatility in the rates). Since the formation of the SJVIA, the cost differential between retiree and active rates has been maintained with the 1.85 differential that existed prior to joining. Because the retiree rates are unblended, the City of Tulare does not have a GASB 45 implicit subsidy.

Analysis

Establishing a ‘pool within a pool’ would constitute a change in underwriting methodology from the Board approved existing methodology. GBS and SJVIA staff have worked with Glen Volk, Actuarial Consulting Manager for GBS

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Analytics to complete the attached report (Exhibit A) summarizing and analyzing the opportunity for establishing a retiree pool within the SJVIA. In this study, retiree information consisting of census demographics, plan selection, and rate structure by member entity is compared against active membership by member entity as well as to that of entire SJVIA.

This analysis deals primarily with the pre-Medicare retirees. Experience on Medicare retirees is more similar to the active experience, thus suggesting that there should be some consideration to have a separate pool for Medicare retirees. Fewer employers offer coverage to Medicare retirees, so this issue will affect a smaller subset of the participating entities.

Staff & GBS Recommendation

If the SJVIA elects to move forward with a retiree pool, we would recommend focusing on the Medicare retirees in that pool at this time, but with separate rates to reflect the impact of Medicare being the primacy payer for medical claims. Once the pre 65 population reaches 500 participants it is recommended that the staff return to the Board with a plan pool structure for consideration. Currently, approximately 1,000 County of Fresno Medicare retirees are covered outside of the SJVIA under a Kaiser plan along with a Hartford Benistar plan. The current rates and benefits for these plans are included with this item (Exhibit B). Improved pricing may be achieved for 2014 if the County of Fresno, Tulare, and City of Tulare were to come together to form a SJVIA Medicare Retiree Pool. We recommend further exploration of this concept and return to your Board with plan options and 2014 pricing at the next Board meeting.


FISCAL IMPACT/FINANCING:

None at this time.

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ADMINISTRATIVE SIGN-OFF:



Jeffrey Cardell
SJVIA Manager



Paul Nerland
Assistant SJVIA Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Report on Retiree Pool Options

RESOLUTION NO. _____

AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY
DIRECTOR _____, THE FOLLOWING WAS ADOPTED BY
THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board of Directors received the report on retiree pool options within the SJVIA and provided staff with direction.