



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS AND AUDIT COMMITTEE

HELD ON
Tuesday, June 9, 2015
11:00 A.M., Arizona Time

The Operations and Audit Committee (OAC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Jeff Tyne, Chair, called the meeting to order at 11:00 A.M.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jeff Tyne, Chair
Dr. Richard Jacob

A quorum of the Committee was present for the purpose of conducting business.

The Tucson office did not connect to the meeting because there were no members of the public present.

2. Presentation, Discussion and Appropriate Action Regarding the ASRS Retiree Health Insurance Programs, the Health Benefit Supplement Program and the Retrospective Rate Adjustment Agreement Funds

Mr. Paul Matson, Director, provided an introduction from a staff perspective regarding what the ASRS hopes to accomplish. Mr. Matson identified the four topics to be discussed and the lead personnel assigned to each topic as follows:

- Determine the optimal Strategic Plan goals for the ASRS Health Insurance – Mr. Patrick Klein;
- Determine the optimal application of whole case underwriting and cross-subsidization in setting premiums – Mr. Paul Matson and Mr. Patrick Klein;
- Determine the optimal utilization and allocation options of the Retrospective Rate Adjustment Agreement Fund – Mr. Paul Matson and Mr. Patrick Klein;
- Determine the future direction of Medicare and non-Medicare coverages – Mr. Patrick Klein.

Mr. Matson concluded his introduction by indicating the goal for today's discussion is:

- Possibly conclude whether "accessible, affordable, reliable, and efficiently run" is an appropriate conceptual framework in which to operate; and
- Conclude the discussion on the future direction of Medicare and non-Medicare coverages.

Mr. Matson advised the Committee that staff has draft conceptual models for #2 and #3 above, however, they will likely not be presented to the Committee today. Upon receiving Committee input from today's discussions, the conceptual models will be updated and presented at a future meeting. Mr. Matson turned the discussion over to Mr. Klein. Mr. Klein provided a summary regarding #1, defined accessibility; affordability; reliability; and efficiently run and responded to questions from the Trustees. Mr. Dan Cadriel of UnitedHealthcare (UHC), Mr. Tim Upson and Ms. Denise Jewell, Mercer Consultants, were also present to assist in responding to questions.

Questions raised during this discussion surrounded the frequency of member surveys to determine the level of member satisfaction in the programs offered and whether providers were surveyed. Mr. Cadriel responded by stating that UHC conducts sample surveys annually with its members and indicated that over the last three years the results of the surveys reflect 89% satisfaction. Dr. Jacob expressed the desire to have the survey results presented to the Board regularly. Mr. Matson offered the suggestion that maybe non-members should also be surveyed to find out why they are not on the ASRS program to assist in determining how the ASRS can better its programs. Another question raised for consideration is whether the ASRS wants to be the provider of choice, be a competitive option or an option of last resort.

Mr. Matson introduced #2 stating the factors that need to be considered are: the concept of whole case underwriting vs. partial case underwriting; the magnitude of cross-subsidizing; and what does the ASRS want to subsidize. Mr. Klein reviewed the Rate Analysis Report with the Committee, which was provided by Mercer, to assist in determining options for consideration to balance subsidization. With regard to cross-subsidization, Mr. Upson indicated that each state is different. Mr. Matson requested that Ms. Sara Orozco construct a survey with the National Association of State Retirement Administrators (NASRA) regarding the extent other states cross-subsidize for both Medicare eligible subsidizing non-Medicare and active subsidizing retirees. Mr. Matson also asked Mr. Upson to pull together similar information. Mr. Klein will be working on a proposal of options for the Committee to discuss at the next meeting.

Mr. Matson reviewed #3 and discussed the ASRS Retrospective Rate Agreement funds to consider who the monies are to be distributed to and how to distribute the monies. Some options discussed were: reduce premiums; implement premium holidays; embarking on self-funding; add benefits; and upgrade systems. Mr. Klein expanded on the options Mr. Matson identified for the Committee's consideration and welcomed any additional suggestions the Committee may have to offer.

Mr. Klein provided a brief overview of #4 citing there is no anticipated change in the provision of Medicare plans either from the federal government or the marketplace.

3. Request for Future Agenda Items

- Determine the optimal Strategic Plan goals for the ASRS Health Insurance
- Determine the optimal application of whole case underwriting and cross-subsidization in setting premiums
- Determine the optimal utilization and allocation options of the Retrospective Rate Adjustment Agreement Fund

4. Call to the Public

There were no members of the public in Phoenix who requested to speak.

5. Adjournment

Motion: Dr. Richard Jacob moved to adjourn the meeting at 12:44 p.m. Mr. Jeff Tyne seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved.

Respectfully Submitted,

ARIZONA STATE RETIREMENT SYSTEM

Melanie Alexander
Committee Administrator

Anthony Guarino
Deputy Director and Chief Operations Officer