

# LIVE VIRTUAL COMMITTEE MEETING

\*The Committee meeting will be held following the Committee meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

## 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, APRIL 15, 2021 - 9:00 A.M.\*\*

This meeting will be conducted by the Insurance, Benefits and Legislative Committee by teleconference under the Governor's Executive Order N-29-20.

Any person may view the meeting online at  
[https://members.lacera.com/Impublic/live\\_stream.xhtml](https://members.lacera.com/Impublic/live_stream.xhtml)

*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  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald A. Okum  
Wayne Moore, Alternate

#### I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of March 11, 2021

#### II. PUBLIC COMMENT

(You may submit written public comments by email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.)

You may also request to address the Boards. A request to speak must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

### III. ACTION ITEMS

- A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement direct its voting delegate to vote YES on sponsorship by the State Association of County Retirement Systems (SACRS) of Senate Bill 634 for the SACRS 2021 legislative platform. (Memorandum dated April 4, 2021)
- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a “Support” position on H.R. 82, which would enact the “Social Security Fairness Act of 2021.” (Memorandum dated April 2, 2021)
- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a “Support” position on Assembly Joint Resolution 9, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act. (Memorandum dated March 30, 2021)

### IV. FOR INFORMATION

- A. Engagement Report for March 2021  
Barry W. Lew, Legislative Affairs Officer
- B. Staff Activities Report for March 2021  
Cassandra Smith, Director, Retiree Healthcare
- C. Medical and Dental Claims Audit Findings  
Amber Turner, Segal Consulting
  - Anthem Medical Plan Audit
  - Cigna Dental Plan Audit
- D. LACERA Claims Experience  
Stephen Murphy, Segal Consulting
- E. Federal Legislation  
Stephen Murphy, Segal Consulting  
*(for discussion purposes)*

V. ITEMS FOR STAFF REVIEW

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.**

***Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email [PublicComment@lacera.com](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.***

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

MARCH 11, 2021, 11:55 A.M. – 1:06 P.M.

This meeting was conducted by the Insurance, Benefits & Legislative Committee by teleconference under the Governor's Executive Order No. N-29-20.

**COMMITTEE MEMBERS**

PRESENT: Les Robbins, Chair  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald Okum  
Wayne Moore, Alternate

**ALSO ATTENDING:**

BOARD MEMBERS AT LARGE

Alan Bernstein  
Elizabeth Ginsberg  
JP Harris  
Herman B. Santos

STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith, Director, Retiree Healthcare  
Santos H. Kreimann, Chief Executive Officer  
Steven P. Rice, Chief Counsel  
Barry W. Lew, Legislative Affairs Officer

Stephen Murphy, Vice President  
Segal Consulting

Paul Sadro, Senior Actuary  
Segal Consulting

Richard Ward, Senior Vice President  
Segal Consulting

STAFF, ADVISORS, PARTICIPANTS (Continued)

Joe Ackler  
Ackler & Associates

Naomi Padron  
McHugh Koepke & Associates

Ton Roda  
Williams & Jensen

Shane Doucet  
Doucet Consulting Solutions

The meeting was called to order by Chair Robbins at 11:55 a.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of February 11, 2021

Mr. Okum made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of February 11, 2021. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. Legislative Process Presentation  
Barry W. Lew, Legislative Affairs Officer

Joe Ackler, Ackler & Associates  
Naomi Padron, McHugh Koepke & Associates  
Tony Roda, Williams & Jensen  
Shane Doucet, Doucet Consulting Solutions

LACERA's state and federal legislative advocates presented an educational session on the legislative process in the state and federal governments. These presentations focused on the process through which a bill originates and is enacted into law, and the legislative policy committees that are relevant to LACERA's priorities.

III. FOR INFORMATION (Continued)

- B. Engagement Report for February 2021  
Barry W. Lew, Legislative Affairs Officer

The engagement report was discussed.

- C. Staff Activities Report for February 2021  
Cassandra Smith, Director, Retiree Healthcare

The staff activities report was discussed.

- D. LACERA Claims Experience  
Stephen Murphy, Segal Consulting  
Paul Sadro, Segal Consulting

The LACERA Claims Experience reports through January 2021 were discussed.

- E. Federal Legislation  
Stephen Murphy, Segal Consulting

*(for discussion purposes)*

Segal Consulting gave an update on federal legislation.

IV. ITEMS FOR STAFF REVIEW

There was nothing to report.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 1:06 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.**

April 4, 2021

TO: Insurance, Benefits and Legislative Committee  
Les Robbins, Chair  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald A. Okum  
Wayne Moore, Alternate

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: April 15, 2021 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **PROVIDE VOTING DIRECTIONS ON SACRS 2021 LEGISLATIVE PROPOSAL**

### **RECOMMENDATION**

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement direct its voting delegate to vote YES on sponsorship by the State Association of County Retirement Systems (SACRS) of Senate Bill 634 for the SACRS 2021 legislative platform.

### **BACKGROUND**

Each year, the 20 retirement systems operating under the County Employees Retirement Law of 1937 (CERL) are asked to submit proposals to the SACRS Legislative Committee for sponsorship in the annual SACRS legislative platform. The items submitted should have application to all CERL systems rather than an individual system; they should not propose new benefits that will be paid for by the plan sponsor; and they should not create major issues, such as conflicts with Proposition 162 or with any of the 19 other CERL retirement systems.

### **DISCUSSION**

On September 2, 2020, the Board of Retirement approved submission of a legislative proposal for inclusion in the SACRS 2021 Legislative Platform on technical and clarifying amendments to CERL. However, the SACRS Legislative Committee subsequently intended to use a two-year cycle for technical and clarifying amendments to CERL, so that legislation is introduced during the second (even-numbered) year of each legislative session, whereas the first (odd-numbered) year of the session is used to review and further develop the amendments.

Due to the disruption of the California State Legislature's schedule in 2020 from the pandemic and the need for efficiency, separate technical bills for CalPERS, CalSTRS, and the CERL systems that were in process in 2020 were combined into one omnibus bill (AB 2101), which became law on September 29, 2020. That bill contained technical and



clarifying provisions on CERL that were developed by the SACRS Legislative Committee during the 2019-20 legislative session and were originally introduced in SB 783.

The Legislature's retirement policy committees will continue to use a combined omnibus bill for these type of changes for CalPERS, CalSTRS, and the CERL retirement systems and intend to introduce such bills on an annual basis. Consequently, the SACRS Legislative Committee decided to include amendments, including LACERA's, that did not require further review or development into SB 634 for the 2021 legislative year.

**Senate Bill 634:**

- *Staff Recommendation: **Vote YES to Sponsor.***
- *SACRS Legislative Committee Recommendation: **Sponsor.***

The following is an outline of the technical and clarifying amendments for CERL in SB 634.

**County Health Officer as Medical Advisor**

*Description*

CERL requires the county health officer to advise the board on medical matters and, if requested by the board, shall attend its meetings. In practice, medical matters generally arise in the adjudication of disability retirement applications, and the various retirement systems operating under CERL usually do not have the actual county health officer perform this function. The county health officer's deputy or other representative may be performing this function, or the retirement systems may be engaging physicians in private practice.

*Proposed Amendments*

Clarify that the county health officer, either directly or through a duly authorized representative, shall advise the board on medical matters. Also clarify that the board may contract with a physician in private practice under its existing authority to secure the necessary medical service and advice in carrying out its adjudication of disability retirement applications. The changes will provide flexibility to retirement boards in procuring the services of a medical advisor.

*Government Code Sections Affected*

31530 and 31732.

**County Office of Education**

*Description*

A member of a county retirement system who ceases to be a member due to the transfer of retirement coverage of a county office of education to CalPERS may elect to remain a member of the county retirement system.

### *Proposed Amendments*

Update the incorrect references to the Education Code when it was reorganized years ago.

*Government Code Sections Affected*  
31565.5.

### Installment Payments

#### *Description*

Members who elect to make additional contributions to purchase service credit may elect to make the contributions either on a pretax or after-tax basis. If members make pretax contributions, federal tax law prohibits them from changing or stopping the contributions before termination of service.

Section 31641.8 was enacted in 1955 and provides that a member who has elected to make contributions by installment payments may, at any time prior to the effective date of retirement, complete payment by lump sum. This section does not conform with current federal tax law with respect to pretax contributions.

### *Proposed Amendments*

Section 31641.8 should be deleted as being obsolete. The payment terms related to pretax and after-tax contributions in conformity with federal tax law are generally specified in the contracts that members sign when they elect to make additional contributions. Moreover, members have up to 120 days after the effective date of retirement to complete the payment of contributions.

*Government Code Sections Affected*  
31641.8.

### Post-Retirement Employment

#### *Description*

Section 31680.2 provides that retired members may be reemployed without reinstatement to membership in a position requiring special skills or knowledge for a period of time not to exceed 90 working days or 720 hours in one fiscal year of any other 12-month period. Section 31680.3 provides that the period of time not exceed 120 working days or 960 hours.

### *Proposed Amendments*

The current statutes are missing the phrase “a period of time,” which should be inserted between “for” and “not” in the first sentence of each. Section 31680.6 provides context for this correction in that it extends “...the period of time provided for in Section 31680.2...” The corrections will enhance readability of the statutes.

*Government Code Sections Affected*  
31680.2 and 31680.3.

Survivor Benefits

*Description*

The surviving spouse of a member who dies prior to reaching the minimum retirement age and who has 10 or more years of service credit has the option to leave the death benefit on deposit until the earliest date when the deceased member could have retired.

If a surviving spouse dies before making this election and has a minor child, the legally appointed guardian shall make the election on behalf of the minor child.

*Proposed Amendments*

The word "the" is missing and should be inserted within the phrase "in guardian's judgment" in the last sentence of the second paragraph. The correction will enhance readability of the statute.

*Government Code Sections Affected*  
31781.2

**IT IS THEREFORE RECOMMENDED THAT THE COMMITTEE** recommend that the Board of Retirement direct its voting delegate to vote YES on sponsorship by the State Association of County Retirement Systems (SACRS) of Senate Bill 634 for the SACRS 2021 legislative platform.

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

**Attachment**

SACRS May 14, 2021 Business Meeting: Agenda Item 5.B.

cc: Santos H. Kreimann  
JJ Popowich  
Steven P. Rice  
Ricki Contreras  
Frank Boyd  
Vincent Lim  
Fern Billingsy  
Joe Ackler, Ackler & Associates



SACRS Business Meeting Agenda  
Friday, May 14, 2021  
10:00 AM - Upon Adjournment  
Online Via SACRS Conference Platform

SACRS Parliamentarian – TBD  
Sergeant at Arms – Bob Goodchild, San Diego CERA

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**1. SACRS System Roll Call**

Kathryn Cavness, Mendocino CERA, SACRS Secretary

**2. Secretary's Report - Receive and File**

Kathryn Cavness, Mendocino CERA, SACRS Secretary

- A. November 2020 SACRS Business Meeting Minutes

**3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2020 – January 2021 Financials

**4. SACRS President Report - No Action**

Vivian Gray, Los Angeles CERA, SACRS President

- A. SACRS President Update

**5. SACRS Legislative Committee Update – Action**

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2021 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – Action

**6. SACRS Nomination Committee - 2021-2022 SACRS Election Notice – Action**

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Elections 2021-2022

**7. SACRS Audit Report – Action**

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. SACRS 2019-2020 Annual Audit



**8. SACRS Education Committee Report – No Action**

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Virtual Spring 2021 Conference Evaluations/Feedback

**9. SACRS Program Committee Report – No Action**

Roger Hilton, Orange CERS, SACRS Program Committee Chair

- A. SACRS Annual Virtual Spring 2021 Conference Report

**10. SACRS Affiliate Committee Report – No Action**

Scott Draper, Algert Global LLC, SACRS Affiliate Committee Chair

- A. Affiliate Committee Update

**11. SACRS Bylaws Committee Report – No Action**

Johanna Fontenot, Los Angeles CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee Update

**12. SACRS Spring Conference Breakout Reports – No Action**

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees

**13. Adjournment**

Next scheduled SACRS Association Business Meeting will be held Friday, November 12, 2021 at the Hollywood Loews Hotel unless Covid-19 restrictions are in place.



**5. SACRS Legislative Committee Update – Action**

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2021 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – Action

March 5, 2021

TO: SACRS Board of Directors

FROM: SACRS Legislative Committee

**RE: Sponsorship of SB 634 (Committee on Labor, Public Employment and Retirement)**

Similar to last year with AB 2101 (Committee on Public Employment and Retirement), the Legislative Committee is pursuing another omnibus bill to provide technical and clarifying changes to the CERL. You may recall that SACRS' cleanup changes were initially placed into SB 783, then ultimately amended into AB 2101, a bill sponsored by SACRS, CalPERS, and CalSTRS that provided noncontroversial changes to each entity's respective code sections.

This year, the Senate Committee on Labor, Public Employment and Retirement is authoring another omnibus bill for SACRS, CalPERS, and CalSTRS technical cleanup.

After fielding proposals from member systems and deliberating among the legislative committee, several minor cleanup proposals were selected to be amended into SB 634 at the start of the new legislative session.

These changes include clarifying that a Board of Retirement may contract with a private physician to provide medical advice as part of the board's duties related to processing disability claims, deleting an obsolete reference to procedures for purchasing additional service, changing incorrect code references, and fixing typos. Along with these changes, the Legislative Committee will continue to review noncontroversial proposals to be added into this vehicle in the coming months.

On a separate track, the Legislative Committee continues to review more substantive CERL amendments for consideration by the Board of Directors for the 2022 legislative session.

The SACRS Legislative Committee is requesting Board of Directors approval for SACRS to formally sponsor SB 634. Thank you for your consideration.

The bill language for SB 634 and a summary matrix of CERL provisions in SB 634 are attached.



## 2021 CERL Amendments

Sec	Gov Code	Topic	Issue/Justification
9 14	31530 31732	County Health Officer as Medical Advisor	Updates statutes to conform to existing practices in which many retirement systems currently use outside, independent medical advisors to evaluate disability claims. Amendments clarify that the county health officer, either directly or through a duly authorized representative, shall advise the board on medical matters. Also clarifies that the board may contract with a physician in private practice under its existing authority to secure the necessary medical service and advice in carrying out its adjudication of disability retirement applications.
10	31565.5	County Office of Education	Fixes incorrect cross references when the Education Code was restructured years ago.
11	31641.8	Service Purchase-Installment Payments	Deletes obsolete section. The payment terms related to pre-tax and after-tax contributions in conformity with federal tax law are generally specified in the contracts that members sign when they elect to make additional contributions.
12 13	31680.2 31680.3	Post-Retirement Employment	Fixes typo/missing words. Section 31680.2 provides that retired members may be reemployed without reinstatement to membership in a position requiring special skills or knowledge for a period of time not to exceed 90 working days or 720 hours in one fiscal year of any other 12-month period. Section 31680.3 provides that the period of time not exceed 120 working days or 960 hours. The current statutes are missing the phrase "a period of time," similar to sentence structure in Section 31680.6.
15	31781.2	Survivor benefits	Fixes typo. The word "the" is missing before "guardian."

**Introduced by Committee on Labor, Public Employment and Retirement (Senators Cortese (Chair), Durazo, Laird, Newman, and Ochoa Bogh)**

February 19, 2021

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An act to amend Sections 22011, 22802, 24204, and 26804 of the Education Code, and to amend Sections 20320, 20322, 20324, 31530, 31565.5, 31680.2, 31680.3, 31732, and 31781.2 of, to add Section 21499.1 to, and to repeal Section 31641.8 of, the Government Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 634, as introduced, Committee on Labor, Public Employment and Retirement. Public employees' retirement.

(1) Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. STRS is administrated by the Teachers' Retirement Board. Existing law requires STRS to pay premiums associated with Medicare Part A for certain retired or disabled members, as specified. Existing law creates the Cash Balance Benefit Program, which is administered by the board, to provide a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time.

Existing law applicable to the Defined Benefit Program, for applications and documents requiring a signature, requires that the signature be in a form prescribed by the system.

This bill would apply the above-described requirements regarding signed applications and documents to the Cash Balance Benefit Program and the requirement that STRS pay certain Medicare Part A premiums.

Existing law authorizes a member of STRS who is not retired and who was previously excluded from membership in the Defined Benefit Program request to purchase service credit in the program for certain types of other service. The bill would delete and obsolete cross-reference.

This bill would prohibit a member from purchasing service credit for any school year if the purchase would result in more than one year of service for that school year.

Existing law authorizes a member of STRS who files an application for service retirement to change or cancel their retirement application if specified requirements are met. In this regard, existing law requires a member to return the total gross distribution amount of all payments for any canceled retirement benefit, including a lump-sum payment, as specified.

This bill would extend the requirement to return total gross distribution amount, as described above, to apply to any canceled benefit.

(2) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS), which is administered by the Board of Administration of the Public Employees' Retirement System. PERL excludes specified appointees, elective officers, and legislative employees from membership in the system unless the person to whom these provisions apply elects to file with the board an election in writing to become a member.

This bill would prescribe the circumstances pursuant to which the start date would be determined for an appointee, elective officer, or legislative employee who elects to become a member of PERS. If the written election is received by the system within 90 days of the applicable appointment, current term, or start date for the position, the bill would require that the effective date be the start date of the appointment, the start date of the term, or the start date of the position. If the election is not received by the system within 90 days, as specified, the effective date would be the first day of the month in which the election is received by the system.

PERL prescribes the circumstances pursuant to which specified payments and benefits may be paid by PERS in connection with the death of a member, among others.

This bill would require that overpayments, issued after the date of death to a member, retired member, or beneficiary, made to or on behalf of any member, retired member, or beneficiary, as specified, be deducted from any subsequent payment or benefit that is payable by PERS as a result of the death.

(3) The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension, disability, and death benefits to county and district employees. CERL vests management of the retirement systems created pursuant to its provisions in a board of retirement. CERL requires the county health officer to advise the board on medical matters and, if requested, attend its meetings.

This bill would authorize a county health officer's duly authorized representative to also advise the board of retirement with advice on medical matters.

CERL authorizes a member of a system established under its provision who ceases to be an employee of the county under certain provisions of the Education Code to elect to remain a member of the CERL system.

This bill would correct an obsolete cross-reference in this regard.

CERL provides benefits based upon service credit, defines service for this purpose, and authorizes a member to elect to receive service credit for other forms of public service, as defined, by making contributions. CERL authorizes a member who has elected to make contributions to receive service credit to complete payment, at any time prior to the effective date of the member's retirement, by a lump sum.

This bill would repeal the above-described authority of a member to complete a payment by lump sum.

CERL requires a board of retirement to secure medical, investigatory, and other service and advice as is necessary for the purpose of administering provisions relating to disability retirement.

This bill would authorize the board to contract with a physician in private practice for the medical advice necessary to carry out the purpose of provisions relating to disability retirement.

This bill would make various technical and stylistic changes.

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

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

1 SECTION 1. Section 22011 of the Education Code is amended  
2 to read:

3 22011. For an application or document requiring a signature,  
4 that signature shall be in a form prescribed by the system,  
5 including, but not limited to, on paper or made by electronic means.  
6 Notwithstanding any other law, an application or document made  
7 under this ~~part~~ *part, Part 13.5 (commencing with Section 25900),*  
8 *or Part 14 (commencing with Section 26000)* that is signed and  
9 submitted by the person authorized to do so using technology and  
10 security measures prescribed by the system shall be deemed to be  
11 a signed and valid original document.

12 SEC. 2. Section 22802 of the Education Code is amended to  
13 read:

14 22802. (a) A member, other than a retired member, who was  
15 previously excluded from membership in the Defined Benefit  
16 Program may request to purchase service credit for:

17 (1) Service as a substitute excluded under Section 22602.

18 (2) Creditable service subject to coverage under the Cash  
19 Balance Benefit ~~Program, excluding service credited pursuant to~~  
20 ~~Section 26402, Program~~ if the member is currently contributing  
21 to the Defined Benefit Program and has terminated all service  
22 subject to coverage under the Cash Balance Benefit Program. Upon  
23 requesting to purchase service credit under this paragraph, the  
24 member shall cease to be eligible for a benefit for the same service  
25 or time previously credited under the Cash Balance Benefit  
26 Program pursuant to Part 14 (commencing with Section 26000).

27 (3) Service performed on a part-time basis excluded under  
28 Section 22601.5 or Section 22604, other than service credited  
29 under paragraph (2).

30 (4) Adult education service excluded under Section 22603, as  
31 it read on December 31, 1995.

32 (5) Service as a school nurse excluded under Section 22606, as  
33 it read on December 31, 1995.

34 (6) Service performed in a position prior to the date the position  
35 was made subject to coverage under the Defined Benefit Program.

36 (7) Service subject to coverage under the Defined Benefit  
37 Program performed while a member of another California public  
38 retirement system, provided the member has ceased to be a member

1 of, and has ceased to be entitled to benefits from, the other  
2 retirement system. The member shall not receive credit for the  
3 service if the member may redeposit withdrawn contributions and  
4 subsequently be eligible for any benefits based upon the same  
5 service or based upon other full-time service performed during the  
6 same period, from another California public retirement system.

7 (b) A member who requests to purchase service credit under  
8 this part for service performed while excluded from membership  
9 under the Defined Benefit Program shall pay all of the required  
10 contributions for all or the portion of that service for which the  
11 member requests to purchase service credit.

12 (c) A member ~~may~~ shall not request to purchase service credit  
13 for service or time described in paragraphs (1) and (3) to (7),  
14 inclusive, of subdivision (a) if, after the request, the member would  
15 continue to receive credit for the same service or time in the Cash  
16 Balance Benefit Program under Part 14 (commencing with Section  
17 26000) or another public retirement system.

18 (d) *A member shall not purchase service credit for any school*  
19 *year if the purchase would result in more than one year of service*  
20 *for that school year.*

21 SEC. 3. Section 24204 of the Education Code is amended to  
22 read:

23 24204. (a) A service retirement allowance under this part shall  
24 become effective upon any date designated by the member,  
25 provided all of the following conditions are met:

26 (1) An application for service retirement allowance is filed on  
27 a form provided by the system, which is executed no earlier than  
28 six months before the effective date of retirement allowance.

29 (2) The effective date is later than the last day the member  
30 earned creditable compensation pursuant to Section 22119.2 or  
31 22119.3.

32 (3) The effective date is no earlier than one day after the date  
33 on which the retirement allowance was terminated under Section  
34 24208.

35 (4) The effective date is no earlier than one year following the  
36 date on which the retirement allowance was terminated under  
37 subdivision (a) of Section 24117.

38 (5) The effective date is no earlier than the date upon and  
39 continuously after which the member is determined to the  
40 satisfaction of the board to have been mentally incompetent.

1 (6) The effective date is no earlier than one day after the date  
 2 upon which the member completes payment of a service credit  
 3 purchase pursuant to Section 22801, 22820, or 22826, or payment  
 4 of a redeposit of contributions pursuant to Section 23200, except  
 5 as provided in Section 22801 or 22829.

6 (b) A member who files an application for service retirement  
 7 may change or cancel their retirement application if all of the  
 8 following are met:

9 (1) The form provided by the system is received in the system's  
 10 headquarters office no later than 30 days from the date the  
 11 member's initial benefit payment for the member's most recent  
 12 retirement under the Defined Benefit Program is paid by the  
 13 system.

14 (2) The member returns the total gross distribution amount of  
 15 all payments for any canceled ~~retirement~~ benefit, including a  
 16 lump-sum payment being changed to an annuity, to the system's  
 17 headquarters office no later than 45 days from the date of the  
 18 member's initial benefit payment. The member shall be liable for  
 19 any adverse tax consequences that may result from these actions.

20 (c) The retirement date of a member who files an application  
 21 for retirement pursuant to Section 24201 on or after January 1,  
 22 2012, shall be no earlier than January 1, 2012.

23 (d) Nothing in this section shall be construed to allow a member  
 24 to receive more than one type of retirement or disability allowance  
 25 for the same period of time by virtue of the member's own  
 26 membership.

27 SEC. 4. Section 26804 of the Education Code is amended to  
 28 read:

29 26804. Application for a retirement benefit under this part shall  
 30 be made on a form prescribed by the system. A participant who  
 31 files an application for a retirement benefit may change or cancel  
 32 the retirement application if all of the following are met:

33 (a) The form provided by the system is received in the system's  
 34 headquarters office no later than 30 days from the date of the  
 35 ~~member's~~ *participant's* initial benefit payment.

36 (b) The participant returns the total gross distribution amount  
 37 *of all payments* for any canceled retirement benefit, including a  
 38 lump-sum payment being changed to an annuity, to the system's  
 39 headquarters office no later than 45 days from the date of the  
 40 ~~participants's~~ *participant's* initial benefit payment. The participant

1 shall be liable for any adverse tax consequences that may result  
2 from these actions.

3 SEC. 5. Section 20320 of the Government Code is amended  
4 to read:

5 20320. (a) A person directly appointed by the Governor,  
6 without the nomination of any officer or board, or directly  
7 appointed by the Attorney General, Lieutenant Governor,  
8 Controller, Secretary of State, Treasurer, or Superintendent of  
9 Public Instruction exempt from civil service under Article VII of  
10 the California Constitution, except those appointed pursuant to  
11 subdivision (i) of Section 4 thereof, is excluded from membership  
12 in this system unless ~~he or she~~ *the person* files with the board an  
13 election in writing to become a member. *The election effective*  
14 *date shall be the start date of the current appointment, provided*  
15 *the election is received by this system within 90 days of the*  
16 *applicable start date. If the election is not received by this system*  
17 *within 90 days from the start date, the effective date shall be the*  
18 *first day of the month in which the election is received by this*  
19 *system.*

20 (b) Upon electing to become a member, the person may further  
21 elect at any time prior to retirement to receive service credit for  
22 ~~his or her~~ *their* prior, excluded state service by making the  
23 contributions as specified in Sections 21050 and 21051.

24 SEC. 6. Section 20322 of the Government Code is amended  
25 to read:

26 20322. (a) An elective officer is excluded from membership  
27 in this system unless the officer files with the board an election in  
28 writing to become a member. *The election effective date shall be*  
29 *the start date of the current term, provided the election is received*  
30 *by this system within 90 days of the applicable start date. If the*  
31 *election is not received by this system within 90 days from the start*  
32 *date, the effective date shall be the first day of the month in which*  
33 *the election is received by this system.* Upon electing to become a  
34 member, the officer may further elect at any time prior to retirement  
35 to receive service credit for ~~his or her~~ *their* prior, excluded service  
36 by making the contributions as specified in Sections 21050 and  
37 21051.

38 (b) As used in this part, “elective officer” includes any officer  
39 of the Senate or Assembly who is elected by vote of the members  
40 of either or both of the houses of the Legislature, and any



1 appointive officer of a city or county occupying a fixed term of  
2 office, as well as officers of the state or contracting agencies elected  
3 by the people, and persons elected to a city council or a county  
4 board of supervisors.

5 (c) Notwithstanding any other provision of subdivision (a) or  
6 (b), elected or appointed officers of a county superintendent of  
7 schools, school district, or community college district, or of a  
8 contracting agency, who serve on public commissions, boards,  
9 councils, or similar legislative or administrative bodies are  
10 excluded from membership in this system. This exclusion shall  
11 only apply to those elected or appointed officers, other than city  
12 or county officers, who are first elected or appointed to an office  
13 on or after July 1, 1994, or who are elected or appointed to a term  
14 of office not consecutive with the term of office held on June 30,  
15 1994. For city or county elected or appointed officers, this  
16 exclusion shall only apply to those officers who are first elected  
17 or appointed to an office on or after January 1, 1997, or who are  
18 elected or appointed to a term of office not consecutive with the  
19 term of office held on December 31, 1996. This exclusion shall  
20 not apply to persons elected to a city council or county board of  
21 supervisors.

22 (d) Any person holding the office of city attorney or the office  
23 of assistant city attorney, whether employed, appointed, or elected,  
24 is excluded from the definition of “elective officer” as defined in  
25 subdivision (b). This subdivision shall apply only to persons first  
26 employed, elected, or appointed on or after July 1, 1994, or  
27 following any break in state service while serving in the office if  
28 the office was held on June 30, 1994.

29 (e) In accordance with Section 20125, the board shall be the  
30 sole judge of which elected or appointed positions qualify the  
31 incumbent as an “elective officer” in this system under this section.

32 (f) Notwithstanding any other provision of law, with respect to  
33 elective officers of contracting agencies, payment by a contracting  
34 agency of employer contributions and any other amounts for  
35 employer paid benefits under this system shall not be construed  
36 as receipt of salary or compensation by the elective officer for  
37 purposes of any statutory salary or compensation limitation.

38 SEC. 7. Section 20324 of the Government Code is amended  
39 to read:

1 20324. (a) An employee of the Senate or the Assembly, or the  
 2 respective committees thereof, whose salaries or wages are paid  
 3 from the Senate Operating Fund or the Assembly Operating Fund  
 4 or the Operating Funds of the Assembly and Senate, shall be  
 5 deemed a “legislative employee.” A legislative employee is  
 6 excluded from membership in this system unless ~~he or she~~ *the*  
 7 *person* files with the board an election in writing to become a  
 8 member. *The election effective date shall be the start date of the*  
 9 *current position, provided the election is received by this system*  
 10 *within 90 days of the applicable start date. If the election is not*  
 11 *received by this system within 90 days from the start date, the*  
 12 *effective date shall be the first day of the month in which the*  
 13 *election is received by this system.* The election shall not be  
 14 required of a legislative employee who was a member of this  
 15 system on October 1, 1963.

16 (b) Upon electing to become a member, a legislative employee  
 17 may further elect at any time prior to retirement to receive service  
 18 credit for ~~his or her~~ *their* prior, excluded legislative service and  
 19 ~~he or she~~ *the legislative employee* shall have the option as to how  
 20 much of that prior legislative service is to be credited. The  
 21 legislative employee shall make contributions to this system as  
 22 specified in Sections 21050 and 21051 for the previous service as  
 23 a legislative employee for which ~~he or she~~ *desires they desire* to  
 24 receive service credit.

25 SEC. 8. Section 21499.1 is added to the Government Code, to  
 26 read:

27 21499.1. Any overpayment, issued after the date of death to a  
 28 member, retired member, or beneficiary, made to or on behalf of  
 29 any member, retired member, or beneficiary, including, but not  
 30 limited to, contributions, interest, retirement allowance, payments  
 31 of any kind, or federal or state tax, shall be deducted from any  
 32 subsequent payment or benefit that is payable by this system as a  
 33 result of the death.

34 SEC. 9. Section 31530 of the Government Code is amended  
 35 to read:

36 31530. The county health ~~officer~~ *officer, either directly or*  
 37 *through a duly authorized representative*, shall advise the board  
 38 on medical matters and, if requested by the board, shall attend its  
 39 meetings.

1 SEC. 10. Section 31565.5 of the Government Code is amended  
2 to read:

3 31565.5. Any member of a system established under this  
4 chapter who ceases to be an employee of the county under the  
5 provisions of ~~Education Code Section 873~~ *Section 1312 of the*  
6 *Education Code* may elect as authorized in ~~Education Code Section~~  
7 ~~873.1~~ *Section 1313 of the Education Code* to remain a member of  
8 such system.

9 SEC. 11. Section 31641.8 of the Government Code is repealed.

10 ~~31641.8. Any member who has elected to make contributions~~  
11 ~~pursuant to this chapter by installment payments may, at any time~~  
12 ~~prior to the effective date of his retirement, complete payment~~  
13 ~~thereof by lump sum.~~

14 SEC. 12. Section 31680.2 of the Government Code is amended  
15 to read:

16 31680.2. (a) Any person who has retired may be employed in  
17 a position requiring special skills or knowledge, as determined by  
18 the county or district employing ~~him or her, for them, for a period~~  
19 ~~of time~~ not to exceed 90 working days or 720 hours, whichever is  
20 greater, in any one fiscal year or any other 12-month period  
21 designated by the board of supervisors and may be paid for that  
22 employment. That employment shall not operate to reinstate the  
23 person as a member of this system or to terminate or suspend ~~his~~  
24 ~~or her~~ *their* retirement allowance, and no deductions shall be made  
25 from ~~his or her~~ *their* salary as contributions to this system.

26 (b) (1) This section shall not apply to any retired person who  
27 is otherwise eligible for employment under this section if, during  
28 the 12-month period prior to an appointment described in this  
29 section, that retired person receives unemployment insurance  
30 compensation arising out of prior employment subject to this  
31 section with the same employer.

32 (2) A retired person who accepts an appointment after receiving  
33 unemployment insurance compensation as described in this  
34 subdivision shall terminate that employment on the last day of the  
35 current pay period and shall not be eligible for reappointment  
36 subject to this section for a period of 12 months following the last  
37 day of employment.

38 (3) Beginning January 1, 2013, if any provision of this section  
39 conflicts with the California Public Employees' Pension Reform  
40 Act of 2013, the provisions of that act shall prevail, except that

1 the limit on postretirement employment provided in subdivision  
2 (a) to the greater of 90 working days or 720 hours shall remain  
3 effective.

4 SEC. 13. Section 31680.3 of the Government Code is amended  
5 to read:

6 31680.3. (a) Notwithstanding Section 31680.2, any member  
7 who has been covered under the provisions of Section 31751 and  
8 has retired may be reemployed in a position requiring special skills  
9 or knowledge, as determined by the county or district employing  
10 the member, for *a period of time* not to exceed 120 working days  
11 or 960 hours, whichever is greater, in any one fiscal year and may  
12 be paid for that employment. That employment shall not operate  
13 to reinstate the person as a member of this system or to terminate  
14 or suspend the person's retirement allowance, and no deductions  
15 shall be made from the person's salary as contributions to this  
16 system.

17 (b) (1) This section shall not apply to any retired member who  
18 is otherwise eligible for reemployment under this section if, during  
19 the 12-month period prior to an appointment described in this  
20 section, that retired person receives unemployment insurance  
21 compensation arising out of prior employment subject to this  
22 section with the same employer.

23 (2) A retired person who accepts an appointment after receiving  
24 unemployment insurance compensation as described in this  
25 subdivision shall terminate that employment on the last day of the  
26 current pay period and shall not be eligible for reappointment  
27 subject to this section for a period of 12 months following the last  
28 day of employment.

29 (c) Beginning January 1, 2013, if any provision of this section  
30 conflicts with the California Public Employees' Pension Reform  
31 Act of 2013, the provisions of that act shall prevail.

32 SEC. 14. Section 31732 of the Government Code is amended  
33 to read:

34 31732. The board shall secure such medical, investigatory and  
35 other service and advice as is necessary to carry out the purpose  
36 of this article. Notwithstanding Section 31529, the board may  
37 contract with an attorney in private practice for the legal services  
38 and advice necessary to carry out the purpose of this article.  
39 *Notwithstanding Section 31530, the board may contract with a*  
40 *physician in private practice for the medical advice necessary to*

1 *carry out the purpose of this article.* It shall pay for such services  
2 and advice such compensation as it deems reasonable.

3 SEC. 15. Section 31781.2 of the Government Code is amended  
4 to read:

5 31781.2. In lieu of accepting in cash the death benefit payable  
6 under Section 31781 or 31781.01, the surviving spouse of a  
7 member who dies prior to reaching the minimum retirement age  
8 and who at the date of the member’s death has 10 or more years  
9 of service to the member’s credit, shall have the option to leave  
10 the amount of the death benefit on deposit in the retirement system  
11 until the earliest date when the deceased member could have retired  
12 had the member lived, and at that time receive the retirement  
13 allowance provided for in Section 31765, 31765.1, or 31765.11,  
14 whichever is applicable.

15 If, at the death of the spouse, the spouse is survived by one or  
16 more unmarried children of the member, under the age of 18 years,  
17 the retirement allowance shall continue to the child or children,  
18 collectively, until every child dies, marries, or attains the age of  
19 18 years. If the spouse dies, either before or after the death of the  
20 member, without either making the election or receiving any  
21 portion of the death benefit, and no part of the death benefit had  
22 been paid to any person, prior to the payment of any benefits, the  
23 legally appointed guardian of the children shall make the election  
24 herein provided for on behalf of the surviving children as, in *the*  
25 guardian’s judgment, may appear to be in their interest and  
26 advantage, and the election so made shall be binding and  
27 conclusive upon all parties in interest.

28 Notwithstanding any other provisions of this section, the benefits  
29 otherwise payable to the children of the member shall be paid to  
30 those children up to the 22nd birthdays of the children if the  
31 children remain unmarried and are regularly enrolled as full-time  
32 students in an accredited school as determined by the board.

O

April 2, 2021

TO: Insurance, Benefits and Legislative Committee  
Les Robbins, Chair  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald A. Okum  
Wayne Moore, Alternate

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: April 15, 2021 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **H.R. 82—Social Security Fairness Act of 2021**

*Author: Davis [R-IL]*

*Sponsor: Author and 118 co-sponsors*

*Introduced: January 4, 2021*

*Status: Referred to House Committee on Ways and Means  
(01/04/2021)*

*Staff Recommendation: Support*

## **RECOMMENDATION**

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement adopt a “Support” position on H.R. 82, which would enact the “Social Security Fairness Act of 2021.”

## **LEGISLATIVE POLICY STANDARD**

LACERA’s legislative policy standard is to support proposals that have a positive impact upon LACERA’s members (page 6). In addition, the Board Policy on Engagement (pages 2-3) provides that the Board has a full range of positions that may be lawfully taken to further Board objectives, including preventing adverse impact upon existing rights and interests. H.R. 82 would repeal the Windfall Elimination Provision and the Government Pension Offset, which reduce or eliminate the Social Security benefits that LACERA members may have earned through service with the County of Los Angeles before January 1, 1983 (the effective date that the County withdrew its employees from Social Security) or through employment outside of the County.

## **SUMMARY**

H.R. 82 would repeal the Windfall Elimination Provision and the Government Pension Offset of the Social Security Act.

## **ANALYSIS**

### *Participation in Social Security by the County of Los Angeles*

Prior to July 1, 1964. Employees of the County were not covered under Social Security because the County did not participate in Social Security.

July 1, 1964 through December 31, 1982. The County elected to participate in the Social Security system effective July 1, 1964. General members who were hired before July 1, 1964 were given the option to elect Social Security coverage and pay Social Security taxes retroactive to January 1, 1959 or date of hire, whichever was later. General members who were hired on or after July 1, 1964 were mandatorily covered under Social Security. Safety members were never participants under Social Security.

On and after January 1, 1983. The County withdrew its participation from Social Security effective January 1, 1983. As a result, some LACERA members may not have earned sufficient credits under County employment to be fully insured under Social Security, unless they had other employment that was covered by Social Security.

### *Windfall Elimination Provision (WEP)*

Social Security benefits are designed to replace a percentage of a worker's pre-retirement earnings. A Social Security benefit is calculated by separating average monthly earnings into three amounts known as "bend points." Each bend point is multiplied by a percentage, and the total of the three amounts is the Social Security benefit.

For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent, earnings between \$996 and \$6,002 are multiplied by 32 percent, and the earnings over \$6,002 are multiplied by 15 percent. The benefit amount is decreased or increased depending on whether the worker begins receiving benefits before or after full retirement age.

For workers who qualify for a pension from a government employer that does not participate in Social Security, the percentage that is multiplied against the first \$996 of average monthly earnings is reduced from 90 percent to as low as 40 percent, based on years of substantial earnings. Those who have 30 years or more of substantial earnings do not see a reduction of the 90-percent factor. Note that to protect workers who receive a low government pension, the reduction of the Social Security benefit under the WEP cannot exceed more than one-half of the worker's government pension amount.

### *Government Pension Offset (GPO)*

Under the GPO, dependent benefits paid by Social Security to a spouse, widow, or widower would be offset by two-thirds of the government pension paid to that person. Therefore, in some cases, if a person receives a government pension and two-thirds of the pension benefit is greater than his or her own Social Security dependent benefits, the GPO will completely eliminate the Social Security dependent benefit.

*Social Security Beneficiaries Affected by WEP and GPO*

According to analyses of the WEP<sup>1</sup> and GPO<sup>2</sup> by the Congressional Research Service, as of December 2020, the WEP affects 273,399 beneficiaries in California, consisting of retired workers, disabled workers, and spouses and children. Nationwide, the WEP affects 1,948,427 beneficiaries. The GPO affects 101,789 beneficiaries in California, consisting of spouses and widow(er)s. Nationwide, the GPO affects 716,662 beneficiaries.

*Conclusion*

For LACERA members who are eligible for a pension, the WEP and GPO reduce and, in some cases, eliminate the Social Security benefits that they earned through covered employment with the County of Los Angeles or become eligible for through their spouses. LACERA has traditionally supported legislation to repeal the WEP and GPO as well as resolutions by the California State Legislature urging the President and Congress of the United States to repeal the provisions.

**IT IS THEREFORE RECOMMENDED THAT THE COMMITTEE** recommend that the Board of Retirement adopt a “Support” position on H.R. 82, which would enact the “Social Security Fairness Act of 2021.”

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

**Attachments**

Attachment 1—Board Positions Adopted on Related Legislation  
Attachment 2—Support and Opposition  
H.R. 82 (Davis) as introduced on January 4, 2021  
Windfall Elimination Provision Fact Sheet  
Government Pension Offset Fact Sheet

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<sup>1</sup> Li, Z. (2021). *Social Security: The Windfall Elimination Provision (WEP)*. (CRS Report No. 98-35, updated February 4, 2021). Retrieved from <https://crsreports.congress.gov/product/pdf/RS/98-35>

<sup>2</sup> Li, Z. (2021). *Social Security: The Government Pension Offset (GPO)*. (CRS Report No. RL32453, updated February 8, 2021). Retrieved from <https://crsreports.congress.gov/product/pdf/RL/RL32453>



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cc: Santos H. Kreimann  
JJ Popowich  
Steven P. Rice  
Tony Roda, Williams & Jensen

## **BOARD POSITIONS ADOPTED ON RELATED LEGISLATION**

HR 3934 (2019, held in committee) would amend the Social Security Act to replace the Windfall Elimination Provision with a formula equalizing benefits for certain individuals with noncovered employment. The Board of Retirement adopted a “Support” position.

HR 4540 (2019, held in committee) would amend the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

SJR 3 (Resolution Chapter 129, Statutes of 2019) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

H.R. 141 (2019, held in committee) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 521 (2019, held in committee) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1205 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 915 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

SJR 1 (Resolution Chapter 92, Statutes of 2015) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

H.R. 711 (2015, held in committee) would have amended the Social Security Act to replace the Windfall Elimination Provision with a new formula for the treatment of noncovered earnings in determining Social Security benefits for individuals who become eligible for benefits after 2016. It would have established a second formula to modify the Windfall Elimination Provision for current beneficiaries. The Board of Retirement adopted a “Watch” position.

H.R. 973 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 1651 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1332 (2011, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 10 (Resolution Chapter 103, Statutes of 2009) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

S. 484 (2009, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 5 (Resolution Chapter 116, Statutes of 2007) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

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Attachment 2—Support and Opposition  
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**SUPPORT**

National Active and Retired Federal Employees Association  
National Education Association  
Fraternal Order of Police  
National Association of Police Organizations  
California State Teachers' Retirement System

**OPPOSITION**

Unknown

117TH CONGRESS  
1ST SESSION

# H. R. 82

To amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2021

Mr. RODNEY DAVIS of Illinois (for himself, Ms. SPANBERGER, Mr. GRAVES of Louisiana, Mr. COHEN, Mr. VICENTE GONZALEZ of Texas, Mr. GARAMENDI, Mr. CICILLINE, Ms. ESHOO, Mr. JOYCE of Ohio, Mr. MULLIN, Ms. BROWNLEY, Mr. DEUTCH, Mr. TAKANO, Mr. DIAZ-BALART, Mrs. WATSON COLEMAN, Mr. RUIZ, Mr. COMER, and Mr. GOHMERT) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Social Security Fair-  
5 ness Act of 2021”.

1 **SEC. 2. REPEAL OF GOVERNMENT PENSION OFFSET PROVI-**  
2 **SION.**

3 (a) IN GENERAL.—Section 202(k) of the Social Secu-  
4 rity Act (42 U.S.C. 402(k)) is amended by striking para-  
5 graph (5).

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 202(b)(2) of the Social Security Act  
8 (42 U.S.C. 402(b)(2)) is amended by striking “sub-  
9 sections (k)(5) and (q)” and inserting “subsection  
10 (q)”.

11 (2) Section 202(c)(2) of such Act (42 U.S.C.  
12 402(c)(2)) is amended by striking “subsections  
13 (k)(5) and (q)” and inserting “subsection (q)”.

14 (3) Section 202(e)(2)(A) of such Act (42  
15 U.S.C. 402(e)(2)(A)) is amended by striking “sub-  
16 section (k)(5), subsection (q),” and inserting “sub-  
17 section (q)”.

18 (4) Section 202(f)(2)(A) of such Act (42 U.S.C.  
19 402(f)(2)(A)) is amended by striking “subsection  
20 (k)(5), subsection (q)” and inserting “subsection  
21 (q)”.

22 **SEC. 3. REPEAL OF WINDFALL ELIMINATION PROVISIONS.**

23 (a) IN GENERAL.—Section 215 of the Social Security  
24 Act (42 U.S.C. 415) is amended—

25 (1) in subsection (a), by striking paragraph (7);

1           (2) in subsection (d), by striking paragraph (3);

2           and

3           (3) in subsection (f), by striking paragraph (9).

4           (b) CONFORMING AMENDMENTS.—Subsections (e)(2)  
5 and (f)(2) of section 202 of such Act (42 U.S.C. 402) are  
6 each amended by striking “section 215(f)(5), 215(f)(6),  
7 or 215(f)(9)(B)” in subparagraphs (C) and (D)(i) and in-  
8 serting “paragraph (5) or (6) of section 215(f)”.

9   **SEC. 4. EFFECTIVE DATE.**

10          The amendments made by this Act shall apply with  
11 respect to monthly insurance benefits payable under title  
12 II of the Social Security Act for months after December  
13 2021. Notwithstanding section 215(f) of the Social Secu-  
14 rity Act, the Commissioner of Social Security shall adjust  
15 primary insurance amounts to the extent necessary to take  
16 into account the amendments made by section 3.

○



# Windfall Elimination Provision

## Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

## When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

## How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent; earnings between \$996 and \$6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending

on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

## Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

## Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.



The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

## Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit [www.ssa.gov/benefits/retirement/planner/wep.html](http://www.ssa.gov/benefits/retirement/planner/wep.html).

## A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

## Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit [www.ssa.gov](http://www.ssa.gov). There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	\$900	1989	\$8,925	2013	\$21,075
1955–1958	\$1,050	1990	\$9,525	2014	\$21,750
1959–1965	\$1,200	1991	\$9,900	2015–2016	\$22,050
1966–1967	\$1,650	1992	\$10,350	2017	\$23,625
1968–1971	\$1,950	1993	\$10,725	2018	\$23,850
1972	\$2,250	1994	\$11,250	2019	\$24,675
1973	\$2,700	1995	\$11,325	2020	\$25,575
1974	\$3,300	1996	\$11,625	2021	\$26,550
1975	\$3,525	1997	\$12,150		
1976	\$3,825	1998	\$12,675		
1977	\$4,125	1999	\$13,425		
1978	\$4,425	2000	\$14,175		
1979	\$4,725	2001	\$14,925		
1980	\$5,100	2002	\$15,750		
1981	\$5,550	2003	\$16,125		
1982	\$6,075	2004	\$16,275		
1983	\$6,675	2005	\$16,725		
1984	\$7,050	2006	\$17,475		
1985	\$7,425	2007	\$18,150		
1986	\$7,875	2008	\$18,975		
1987	\$8,175	2009–2011	\$19,800		
1988	\$8,400	2012	\$20,475		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



Securing today  
and tomorrow

Social Security Administration  
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Windfall Elimination Provision

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# Government Pension Offset

## A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

## How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ( $\$500 - \$400 = \$100$ ). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

## Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

## When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  - Your last day of employment (that your pension is based on) is before July 1, 2004; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain

conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - Your last day of service (that your pension is based on) is before July 1, 2004;
  - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

**Note:** A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

## What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

## Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today  
and tomorrow

March 30, 2021

TO: Insurance, Benefits and Legislative Committee  
Les Robbins, Chair  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald A. Okum  
Wayne Moore, Alternate

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: April 15, 2021 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Assembly Joint Resolution 9—Social Security**

*Author: Cooper [D]*

*Sponsor: Author-sponsored*

*Introduced: March 1, 2021*

*Status: Re-referred to ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT (03/11/2021)*

*Staff Recommendation: Support*

## **RECOMMENDATION**

That the Insurance, Benefits and Legislative Committee recommend that the Board of Retirement adopt a “Support” position on Assembly Joint Resolution 9, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

## **LEGISLATIVE POLICY STANDARD**

The Board of Retirement’s legislative policy standard is to support proposals that have a positive impact upon LACERA’s members (page 6). In addition, the Board Policy on Engagement (pages 2-3) provides that the Board has a full range of positions that may be lawfully taken to further Board objectives, including preventing adverse impact upon existing rights and interests. AJR 9 would urge the repeal of the Windfall Elimination Provision and the Government Pension Offset, which reduce or eliminate the Social Security benefits that LACERA members may have earned through service with the County of Los Angeles before January 1, 1983 (the effective date that the County withdrew its employees from Social Security) or through employment outside of the County.

## **SUMMARY**

AJR 9 would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

## **ANALYSIS**

Participation in Social Security by the County of Los Angeles prior to July 1, 1964. Employees of the County were not covered under Social Security because the County did not participate in Social Security.

July 1, 1964 through December 31, 1982. The County elected to participate in the Social Security system effective July 1, 1964. General members who were hired before July 1, 1964 were given the option to elect Social Security coverage and pay Social Security taxes retroactive to January 1, 1959 or date of hire, whichever was later. General members who were hired on or after July 1, 1964 were mandatorily covered under Social Security. Safety members were never participants under Social Security.

On and after January 1, 1983. The County withdrew its participation from Social Security effective January 1, 1983. As a result, some LACERA members may not have earned sufficient credits under County employment to be fully insured under Social Security, unless they had other employment that was covered by Social Security.

### Windfall Elimination Provision (WEP)

Social Security benefits are designed to replace a percentage of a worker's pre-retirement earnings. A Social Security benefit is calculated by separating average monthly earnings into three amounts known as "bend points." Each bend point is multiplied by a percentage, and the total of the three amounts is the Social Security benefit.

For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent, earnings between \$996 and \$6,002 are multiplied by 32 percent, and the earnings over \$6,002 are multiplied by 15 percent. The benefit amount is decreased or increased depending on whether the worker begins receiving benefits before or after full retirement age.

For workers who qualify for a pension from a government employer that does not participate in Social Security, the percentage that is multiplied against the first \$996 of average monthly earnings is reduced from 90 percent to as low as 40 percent, based on years of substantial earnings. Those who have 30 years or more of substantial earnings do not see a reduction of the 90-percent factor. Note that to protect workers who receive a low government pension, the reduction of the Social Security benefit under the WEP cannot exceed more than one-half of the worker's government pension amount.

### Government Pension Offset (GPO)

Under the GPO, dependent benefits paid by Social Security to a spouse, widow, or widower would be offset by two-thirds of the government pension paid to that person. Therefore, in some cases, if a person receives a government pension and two-thirds of the pension benefit is greater than his or her own Social Security dependent benefits, the GPO will completely eliminate the Social Security dependent benefit.

### Social Security Beneficiaries Affected by WEP and GPO

According to analyses of the WEP<sup>1</sup> and GPO<sup>2</sup> by the Congressional Research Service, as of December 2020, the WEP affects 273,399 beneficiaries in California, consisting of retired workers, disabled workers, and spouses and children. Nationwide, the WEP affects 1,948,427 beneficiaries. The GPO affects 101,789 beneficiaries in California, consisting of spouses and widow(er)s. Nationwide, the GPO affects 716,662 beneficiaries.

### Reasons for the Repeal of the WEP and GPO

AJR 9 states that the WEP and GPO were passed by Congress over 30 years ago and diminish or eliminate the Social Security benefits of more than 300,000 public service employees in California. These provisions affect workers employed in government positions that are not coordinated with the Social Security program, such as public school teachers, peace officers, firefighters, and other public servants working for cities and special districts. The resolution also states that effective government requires qualified and motivated personnel, including hiring 16,000 new public school teachers each year, but that recruitment and retention by California government agencies of individuals reentering the workforce is impeded by these provisions.

Repealing the WEP would restore the formula that reimburses low-income workers at a higher rate than high-income workers, which would avoid causing hardships for those who did not have high-paying public service. Repealing the GPO would avoid severely cutting or eliminating spousal and survivor benefits that were earned from community property income. Repeal of these provisions would facilitate recruitment and retention of public servants.

**IT IS THEREFORE RECOMMENDED THAT THE COMMITTEE** recommend that the Board of Retirement adopt a “Support” position on Assembly Joint Resolution 9, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

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<sup>1</sup> Li, Z. (2021). *Social Security: The Windfall Elimination Provision (WEP)*. (CRS Report No. 98-35, updated February 4, 2021). Retrieved from <https://crsreports.congress.gov/product/pdf/RS/98-35>

<sup>2</sup> Li, Z. (2021). *Social Security: The Government Pension Offset (GPO)*. (CRS Report No. RL32453, updated February 8, 2021). Retrieved from <https://crsreports.congress.gov/product/pdf/RL/RL32453>

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

**Attachments**

Attachment 1—Board Positions Adopted on Related Legislation  
Attachment 2—Support and Opposition  
AJR 9 (Cooper) as introduced on March 1, 2021  
Windfall Elimination Provision Fact Sheet  
Government Pension Offset Fact Sheet

cc: Santos H. Kreimann  
JJ Popowich  
Steven P. Rice  
Joe Ackler, Ackler & Associates

## **BOARD POSITIONS ADOPTED ON RELATED LEGISLATION**

HR 3934 (2019, held in committee) would amend the Social Security Act to replace the Windfall Elimination Provision with a formula equalizing benefits for certain individuals with noncovered employment. The Board of Retirement adopted a “Support” position.

HR 4540 (2019, held in committee) would amend the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

SJR 3 (Resolution Chapter 129, Statutes of 2019) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

H.R. 141 (2019, held in committee) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 521 (2019, held in committee) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1205 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 915 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

SJR 1 (Resolution Chapter 92, Statutes of 2015) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

H.R. 711 (2015, held in committee) would have amended the Social Security Act to replace the Windfall Elimination Provision with a new formula for the treatment of noncovered earnings in determining Social Security benefits for individuals who become eligible for benefits after 2016. It would have established a second formula to modify the Windfall Elimination Provision for current beneficiaries. The Board of Retirement adopted a “Watch” position.



H.R. 973 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 1651 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1332 (2011, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 10 (Resolution Chapter 103, Statutes of 2009) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

S. 484 (2009, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 5 (Resolution Chapter 116, Statutes of 2007) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

**SUPPORT**

Unknown

**OPPOSITION**

Unknown

(Note: The legislative policy committee that has subject-matter jurisdiction over AJR 9 has not released a bill analysis listing officially registered support or opposition by interested parties.)

**Assembly Joint Resolution**

**No. 9**

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**Introduced by Assembly Member Cooper**

March 1, 2021

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Assembly Joint Resolution No. 9—Relative to Social Security.

LEGISLATIVE COUNSEL'S DIGEST

AJR 9, as introduced, Cooper. Social Security.

This measure would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.

Fiscal committee: no.

1     WHEREAS, Two Federal Social Security Administration laws,  
2     the Windfall Elimination Provision and the Government Pension  
3     Offset, passed by Congress more than 30 years ago without  
4     statistical analysis, diminish or eliminate the fully earned Social  
5     Security benefits of large numbers of public service employees in  
6     California; and

7     WHEREAS, These provisions affect workers who have been  
8     employed in a government position that is not coordinated with  
9     the Social Security program, such as California public school  
10    teachers who have not been able to receive Social Security credits  
11    since 1965; and

12    WHEREAS, Most peace officers, including the California  
13    Highway Patrol, firefighters, and many other public servants  
14    working for cities and special districts are not covered by Social  
15    Security, making them subject to these provisions; and

1 WHEREAS, In California, more than 300,000 retirees have had  
2 their Social Security benefits diminished or completely eliminated  
3 by these laws; and

4 WHEREAS, Effective government requires highly qualified  
5 and motivated personnel, and California government agencies need  
6 to compete to recruit and retain outstanding employees, including  
7 hiring 16,000 new public school teachers each year; and

8 WHEREAS, The recruitment and retention of qualified  
9 individuals reentering the workforce is impeded by these two  
10 provisions, which reduce or eliminate the Social Security retirement  
11 benefits either earned by workers, themselves, or received through  
12 dependent status; and

13 WHEREAS, The Government Pension Offset severely cuts, and  
14 usually eliminates, all spousal and survivor benefits that were  
15 earned from what is deemed by the State of California to be  
16 community property income; and

17 WHEREAS, The Government Pension Offset requires that a  
18 recipient of benefits report any yearly cost-of-living increase in  
19 the recipient's public pension, so that the recipient's Social Security  
20 benefits may be reduced by two-thirds of that amount; and

21 WHEREAS, The Windfall Elimination Provision cuts earned  
22 Social Security benefits from work that is separate from the work  
23 for which the individual earned a pension from a governmental  
24 entity; and

25 WHEREAS, The Windfall Elimination Provision subverts the  
26 purpose of Social Security retirement benefits by eliminating the  
27 formula that reimburses low-income workers at a higher rate than  
28 high-income workers, causing severe hardships for those who have  
29 not had high-paying public service; and

30 WHEREAS, Until 2005, there were no requirements that a public  
31 employer advise new workers that they would be subject to these  
32 penalties; now, therefore, be it

33 *Resolved by the Assembly and the Senate of the State of*  
34 *California, jointly*, That the Legislature requests that the Congress  
35 of the United States enact legislation to repeal the Government  
36 Pension Offset and the Windfall Elimination Provision from the  
37 Social Security Act, and further requests that President Joe Biden  
38 sign that legislation; and be it further

39 *Resolved*, That the Chief Clerk of the Assembly transmit copies  
40 of this resolution to the President and the Vice President of the

- 1 United States, to the Speaker of the House of Representatives, to
- 2 the Majority Leader of the Senate, to each Senator and
- 3 Representative from California in the Congress of the United
- 4 States, and to the author for appropriate distribution.

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# Windfall Elimination Provision

## Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

## When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

## How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent; earnings between \$996 and \$6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending

on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

## Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

## Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

## Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit [www.ssa.gov/benefits/retirement/planner/wep.html](http://www.ssa.gov/benefits/retirement/planner/wep.html).

## A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

## Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit [www.ssa.gov](http://www.ssa.gov). There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	\$900	1989	\$8,925	2013	\$21,075
1955–1958	\$1,050	1990	\$9,525	2014	\$21,750
1959–1965	\$1,200	1991	\$9,900	2015–2016	\$22,050
1966–1967	\$1,650	1992	\$10,350	2017	\$23,625
1968–1971	\$1,950	1993	\$10,725	2018	\$23,850
1972	\$2,250	1994	\$11,250	2019	\$24,675
1973	\$2,700	1995	\$11,325	2020	\$25,575
1974	\$3,300	1996	\$11,625	2021	\$26,550
1975	\$3,525	1997	\$12,150		
1976	\$3,825	1998	\$12,675		
1977	\$4,125	1999	\$13,425		
1978	\$4,425	2000	\$14,175		
1979	\$4,725	2001	\$14,925		
1980	\$5,100	2002	\$15,750		
1981	\$5,550	2003	\$16,125		
1982	\$6,075	2004	\$16,275		
1983	\$6,675	2005	\$16,725		
1984	\$7,050	2006	\$17,475		
1985	\$7,425	2007	\$18,150		
1986	\$7,875	2008	\$18,975		
1987	\$8,175	2009–2011	\$19,800		
1988	\$8,400	2012	\$20,475		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



Securing today  
and tomorrow

Social Security Administration  
Publication No. 05-10045  
January 2021 (Recycle prior editions)  
Windfall Elimination Provision

Produced and published at U.S. taxpayer expense



# Government Pension Offset

## A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

## How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ( $\$500 - \$400 = \$100$ ). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

## Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

## When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  - Your last day of employment (that your pension is based on) is before July 1, 2004; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain



conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - Your last day of service (that your pension is based on) is before July 1, 2004;
  - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

**Note:** A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

## What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

## Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today  
and tomorrow

**INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE  
ENGAGEMENT REPORT  
MARCH 2021  
FOR INFORMATION ONLY**

**Kentucky Approves Hybrid Plan for Kentucky Teachers Retirement System**

The Kentucky General Assembly approved a bill that would create a hybrid plan for teachers hired after January 1, 2022. Although Governor Andy Beshear vetoed the bill, the veto was overridden by the Kentucky House and Senate.

Under the new tier, 17% of employer and employee contributions would fund the defined benefit side of the plan, and 4% (split evenly between employers and employees) would be contributed to a supplemental 403(b) plan. The new plan is funded above 100% with amounts in a stabilization reserve account that would be used if funding falls below 100%.

The hybrid plan establishes new retirement eligibility rules. Currently, teachers can retire at any age with 27 years of service. The new plan would provide retirement at age 57 with 30 years of service, age 60 with 10 years of service, or age 65 with five years of service. [\(Source\)](#) [\(Source\)](#) [\(Source\)](#)

**Pandemic Forced Millions of Workers to Retire Early**

The American Association of Retired Persons (AARP) profiles some older adults who were forced by the pandemic to end their careers and retire early. The early retirements create risk for long-term financial insecurity due to lower than anticipated savings and payouts from pensions and Social Security. Future increases for these benefits are generally to adjust for inflation rather than to provide for upward mobility.

In contrast to previous recessions, older Americans are more likely to mid-career workers to be out of work this time, and more than a quarter of workers say the pandemic has caused them to move up their retirement date. About 2 million older workers have permanently left the labor force since the start of the pandemic.

Lower-income older workers have been most adversely affected by job losses since they may not have jobs that can be done from home. Moreover, those at the bottom half of income have lower retirement savings and would rely more on Social Security. The average monthly Social Security benefit is \$1,503, but 67 percent of retirees get less than that because they claim benefits before full retirement age. The Social Security program as a safety net worked reliably during the pandemic as checks continue to go out, and policymakers are urged to ensure that Social Security remain viable past 2035, when it is projected to pay less than full benefits. [\(Source\)](#)

### **Teacher Retirements Soar in Michigan amid COVID Pandemic**

Retirements for Michigan teachers are up 40 percent this school year,. School leaders blame the pandemic as teachers deal with virtual learning, in-person socially distanced classrooms and sometimes both at the same time under a hybrid teaching model. Although the number of additional teachers retiring is modest, about 200 in a workforce of 100,000, if the trend continues into the summer when most teachers retire, there may be problems in the fall of not having enough teachers.

In addition to retirements, younger teachers are leaving the profession before they qualify for benefits at 10 years of service. Although the state tracks retirement data, it does not track overall departures from the education field. The departures add to the growing concern about teacher shortages.

There are also fewer people entering the teaching profession as enrollment in teacher preparation programs dropped 70 percent in 8 years between 2008-09 and 2016-17, resulting in 16,000 fewer college students majoring in education degree programs. Graduation rates for new instructors also dropped 45 percent between 2011 and 2017. The shortages have led to the increased use of long-term substitute teachers, who are not required to be certified teachers, and neighboring districts competing for substitutes. [\(Source\)](#)

### **Public Sector Defined Contribution Plans**

Although public sector defined benefit (DB) plans traditionally have been the focus of public sector retirement research, public sector defined contribution (DC) plans have received less attention. These plans include 457(b), 401(a), 401(k), and 403(b) plans. The Public Retirement Research Lab (PRRL), a collaborative effort of the Employee Benefit Research Institute and the National Association of Government Defined Contribution Administrators, was created to address the lack of attention to public sector DC plans and to address retirement preparedness through insight and analysis.

The PRRL Database contains data from 2019 for 213 of the above-mentioned plan types; nearly 2.3 million state and local government employees; and \$113 billion in assets. Key findings in the database include the following—

#### Account Balances

- Average account balances for participants in their 60s are just over \$96,000; median account balances are nearly \$32,000.

#### Contributions

- Average employee contributions in their 60s are nearly \$3,900 annually; median contributions are just over \$1,300 annually.

## Loans

- Use of loans is 1.1% for participants in their 20s, peaks at 7.3% for those in their 40s, and falls to 3% for those in their 60s.
- The average loan as a percentage of account balances is 10.9% for those in their 20s and 19% for those in their 60s.

## Asset Allocations

- Use of target-date funds is significantly higher by participants in their 20s (63%).
- Use of stable value funds increases steadily as participants approach retirement age, reaching 29% for participants in their 60s.

[\(Source\)](#)

**INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE  
RETIREE HEALTHCARE BENEFITS PROGRAM  
STAFF ACTIVITIES REPORT  
MARCH 2021  
FOR INFORMATION ONLY**

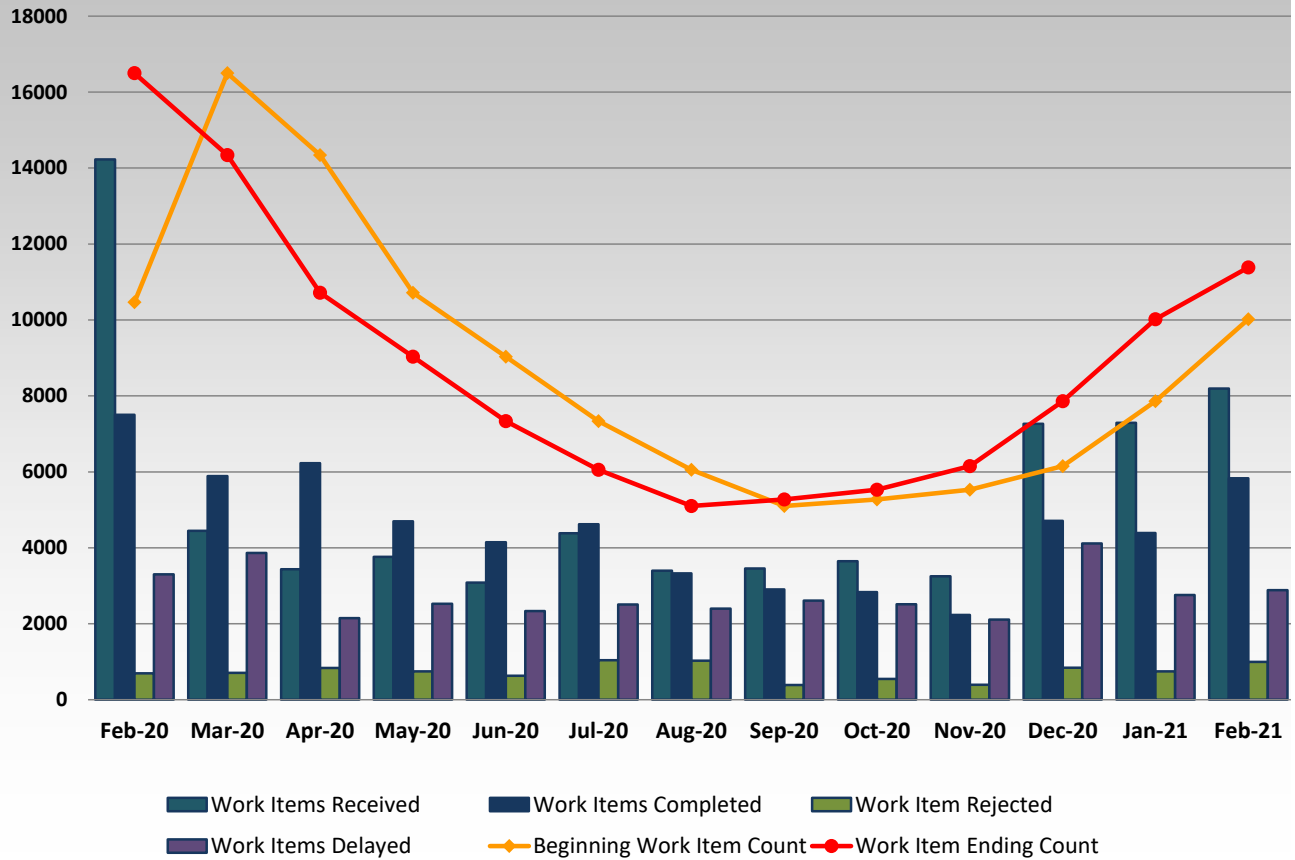
There is nothing to report this month.

# Retiree Healthcare Division

## Trend Report

FEBRUARY 2020 ~ FEBRUARY 2021

Updated 3/24/2021

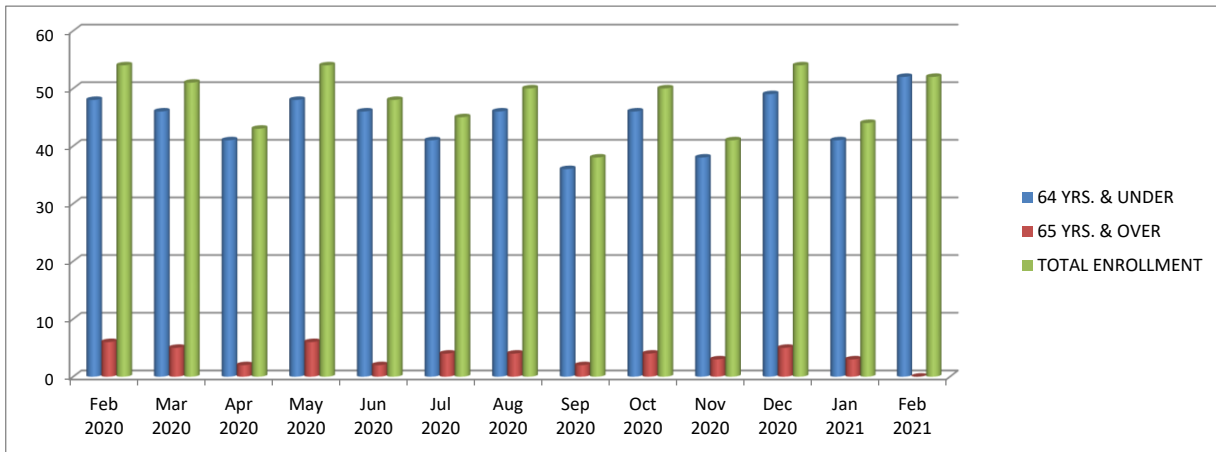


	Beginning Work Item Count	Work Items Received	Work Items Completed	Work Item Rejected	Work Items Delayed	Work Item Ending Count
Feb-20	10470	14225	7504	694	3301	16497
Mar-20	16497	4445	5888	709	3864	14345
Apr-20	14345	3434	6228	836	2147	10715
May-20	10715	3764	4697	748	2526	9034
Jun-20	9034	3084	4150	633	2334	7335
Jul-20	7335	4382	4623	1038	2510	6056
Aug-20	6056	3397	3324	1027	2400	5102
Sep-20	5102	3458	2903	386	2612	5271
Oct-20	5271	3648	2837	549	2514	5533
Nov-20	5533	3250	2235	396	2110	6152
Dec-20	6152	7263	4709	842	4117	7864
Jan-21	7864	7289	4388	746	2760	10019
Feb-21	10019	8195	5830	999	2885	11385

## Retirees Monthly Age Breakdown FEBRUARY, 2020 ~ FEBRUARY, 2021

### Disability Retirement

MONTH	64 YRS. & UNDER	65 YRS. & OVER	TOTAL ENROLLMENT
Feb 2020	48	6	54
Mar 2020	46	5	51
Apr 2020	41	2	43
May 2020	48	6	54
Jun 2020	46	2	48
Jul 2020	41	4	45
Aug 2020	46	4	50
Sep 2020	36	2	38
Oct 2020	46	4	50
Nov 2020	38	3	41
Dec 2020	49	5	54
Jan 2021	41	3	44
Feb 2021	52	0	52



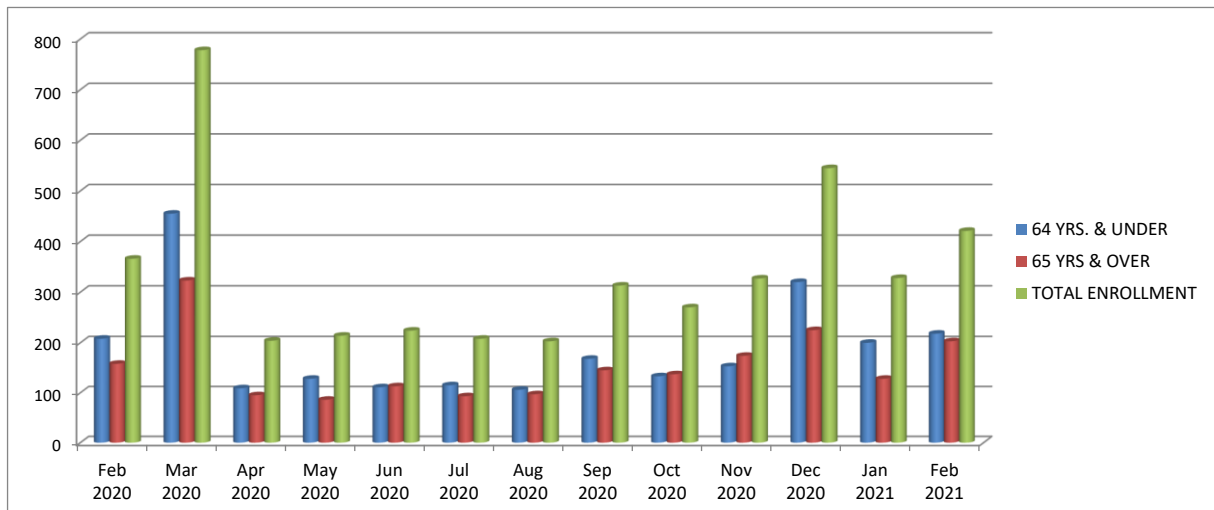
**PLEASE NOTE:**

- Next Report will include the following dates: March 1, 2021 through March 31, 2021.

## Retirees Monthly Age Breakdown FEBRUARY, 2020 ~ FEBRUARY, 2021

### Service Retirement

MONTH	64 YRS. & UNDER	65 YRS & OVER	TOTAL ENROLLMENT
Feb 2020	208	158	366
Mar 2020	455	323	778
Apr 2020	109	95	204
May 2020	128	86	214
Jun 2020	111	113	224
Jul 2020	115	93	208
Aug 2020	106	97	203
Sep 2020	168	145	313
Oct 2020	133	137	270
Nov 2020	153	174	327
Dec 2020	320	225	545
Jan 2021	200	128	328
Feb 2021	218	203	421



**PLEASE NOTE:**

- Next Report will include the following dates: March 1, 2021 through March 31, 2021.



**Medicare Part B Reimbursement and Penalty Report**  
**PAY PERIOD 3/31/2021**

<b>Deduction Code</b>	<b>No. of Members</b>	<b>Reimbursement Amount</b>	<b>No. of Penalties</b>	<b>Penalty Amount</b>
<b>ANTHEM BC III</b>				
240	6923	\$935,637.40	2	\$148.30
241	137	\$18,439.50	0	\$0.00
242	881	\$118,792.90	0	\$0.00
243	4145	\$1,142,238.80	1	\$54.20
244	17	\$2,219.10	0	\$0.00
245	60	\$8,701.70	0	\$0.00
246	22	\$3,189.40	0	\$0.00
247	130	\$20,742.20	0	\$0.00
248	8	\$1,982.80	1	\$43.00
249	52	\$13,453.10	0	\$0.00
250	14	\$3,811.20	0	\$0.00
<b>Plan Total:</b>	<b>12,389</b>	<b>\$2,269,208.10</b>	<b>4</b>	<b>\$245.50</b>
<b>CIGNA-HEALTHSPRING PREFERRED with RX</b>				
321	26	\$3,376.80	0	\$0.00
322	6	\$515.90	0	\$0.00
324	21	\$5,669.50	0	\$0.00
327	3	\$424.00	0	\$0.00
329	1	\$226.70	0	\$0.00
<b>Plan Total:</b>	<b>57</b>	<b>\$10,212.90</b>	<b>0</b>	<b>\$0.00</b>
<b>KAISER SR. ADVANTAGE</b>				
394	11	\$1,541.40	0	\$0.00
397	6	\$861.40	0	\$0.00
398	3	\$307.40	0	\$0.00
401	2	(\$229.90)	0	\$0.00
403	11239	\$1,494,742.62	3	\$57.90
413	1602	\$219,471.40	0	\$0.00
418	5760	\$1,594,495.80	0	\$0.00
419	261	\$33,680.90	0	\$0.00
426	220	\$29,122.60	0	\$0.00
427	87	\$6,675.40	0	\$0.00
445	3	\$426.80	0	\$0.00
446	2	\$248.10	0	\$0.00
451	35	\$4,086.70	0	\$0.00
455	2	\$289.20	0	\$0.00
457	8	\$1,880.80	0	\$0.00
458	2	\$336.60	0	\$0.00
462	63	\$9,028.70	0	\$0.00
465	6	\$841.10	0	\$0.00
466	28	\$8,465.20	0	\$0.00
472	32	\$4,254.20	0	\$0.00
476	4	\$541.50	0	\$0.00
478	17	\$4,720.70	0	\$0.00
479	1	\$144.60	0	\$0.00
482	80	\$11,518.30	0	\$0.00
486	4	\$528.10	0	\$0.00
488	44	\$11,582.40	0	\$0.00
491	1	\$134.00	0	\$0.00
494	1	\$297.00	0	\$0.00
<b>Plan Total:</b>	<b>19,524</b>	<b>\$3,439,993.02</b>	<b>3</b>	<b>\$57.90</b>

**Medicare Part B Reimbursement and Penalty Report**  
**PAY PERIOD 3/31/2021**

<b>Deduction Code</b>	<b>No. of Members</b>	<b>Reimbursement Amount</b>	<b>No. of Penalties</b>	<b>Penalty Amount</b>
<b>SCAN</b>				
611	318	\$42,534.60	0	\$0.00
613	90	\$24,284.50	0	\$0.00
<b>Plan Total:</b>	<b>408</b>	<b>\$66,819.10</b>	<b>0</b>	<b>\$0.00</b>
<b>UNITED HEALTHCARE GROUP MEDICARE ADV. HMO</b>				
701	1795	\$247,568.50	1	\$36.50
702	393	\$54,915.30	0	\$0.00
703	1153	\$317,348.85	0	\$0.00
704	96	\$13,730.00	0	\$0.00
705	35	\$11,147.90	0	\$0.00
<b>Plan Total:</b>	<b>3,472</b>	<b>\$644,710.55</b>	<b>1</b>	<b>\$36.50</b>
<b>Grand Total:</b>	<b>35,850</b>	<b>\$6,430,943.67</b>	<b>8</b>	<b>\$339.90</b>

**Medicare Part B Reimbursement and Penalty Report**  
**PAY PERIOD 3/31/2021**

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
<b>ANTHEM BC III</b>				
240	6923	\$935,637.40	2	\$148.30
241	137	\$18,439.50	0	\$0.00
242	881	\$118,792.90	0	\$0.00
243	4145	\$1,142,238.80	1	\$54.20
244	17	\$2,219.10	0	\$0.00
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246	22	\$3,189.40	0	\$0.00
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248	8	\$1,982.80	1	\$43.00
249	52	\$13,453.10	0	\$0.00
250	14	\$3,811.20	0	\$0.00
<b>Plan Total:</b>	<b>12,389</b>	<b>\$2,269,208.10</b>	<b>4</b>	<b>\$245.50</b>
<b>CIGNA-HEALTHSPRING PREFERRED with RX</b>				
321	26	\$3,376.80	0	\$0.00
322	6	\$515.90	0	\$0.00
324	21	\$5,669.50	0	\$0.00
327	3	\$424.00	0	\$0.00
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<b>Plan Total:</b>	<b>57</b>	<b>\$10,212.90</b>	<b>0</b>	<b>\$0.00</b>
<b>KAISER SR. ADVANTAGE</b>				
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486	4	\$528.10	0	\$0.00
488	44	\$11,582.40	0	\$0.00
491	1	\$134.00	0	\$0.00
494	1	\$297.00	0	\$0.00
<b>Plan Total:</b>	<b>19,524</b>	<b>\$3,439,993.02</b>	<b>3</b>	<b>\$57.90</b>

**Medicare Part B Reimbursement and Penalty Report**  
**PAY PERIOD 3/31/2021**

Deduction Code	No. of Members	Reimbursement Amount	No. of Penalties	Penalty Amount
<b>SCAN</b>				
611	318	\$42,534.60	0	\$0.00
613	90	\$24,284.50	0	\$0.00
<b>Plan Total:</b>	<b>408</b>	<b>\$66,819.10</b>	<b>0</b>	<b>\$0.00</b>
<b>UNITED HEALTHCARE GROUP MEDICARE ADV. HMO</b>				
701	1795	\$247,568.50	1	\$36.50
702	393	\$54,915.30	0	\$0.00
703	1153	\$317,348.85	0	\$0.00
704	96	\$13,730.00	0	\$0.00
705	35	\$11,147.90	0	\$0.00
<b>Plan Total:</b>	<b>3,472</b>	<b>\$644,710.55</b>	<b>1</b>	<b>\$36.50</b>
<b>LOCAL 1014</b>				
804	183	\$33,115.50	0	\$0.00
805	185	\$30,591.00	0	\$0.00
806	621	\$205,227.00	0	\$0.00
807	52	\$8,583.30	0	\$0.00
808	13	\$4,514.40	0	\$0.00
812	243	\$39,798.00	0	\$0.00
813	1	\$148.50	0	\$0.00
<b>Plan Total:</b>	<b>1,298</b>	<b>\$321,977.70</b>	<b>0</b>	<b>\$0.00</b>
<b>Grand Total:</b>	<b>37,148</b>	<b>\$6,752,921.37</b>	<b>8</b>	<b>\$339.90</b>

## Medical and Dental Vision Insurance Premiums

### April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Medical Plan</b>							
<b>Anthem Blue Cross Prudent Buyer Plan</b>							
201	535	\$538,074.32	\$85,750.02	\$460,355.26	\$546,105.28	(\$6,023.22)	\$540,082.06
202	282	\$558,876.89	\$51,384.99	\$487,743.60	\$539,128.59	(\$5,924.49)	\$533,204.10
203	72	\$162,692.91	\$34,410.57	\$119,367.66	\$153,778.23	\$0.00	\$153,778.23
204	25	\$34,834.05	\$6,166.87	\$14,475.53	\$20,642.40	\$0.00	\$20,642.40
<b>SUBTOTAL</b>	<b>914</b>	<b>\$1,294,478.17</b>	<b>\$177,712.45</b>	<b>\$1,081,942.05</b>	<b>\$1,259,654.50</b>	<b>(\$11,947.71)</b>	<b>\$1,247,706.79</b>
<b>Anthem Blue Cross I</b>							
211	649	\$804,981.03	\$51,686.80	\$748,348.11	\$800,034.91	(\$9,892.24)	\$790,142.67
212	251	\$566,026.30	\$31,064.58	\$505,991.87	\$537,056.45	(\$6,440.74)	\$530,615.71
213	55	\$144,564.75	\$19,923.62	\$124,641.13	\$144,564.75	\$0.00	\$144,564.75
214	19	\$31,078.30	\$4,023.83	\$27,054.47	\$31,078.30	\$0.00	\$31,078.30
215	2	\$837.14	\$33.48	\$803.66	\$837.14	\$0.00	\$837.14
<b>SUBTOTAL</b>	<b>976</b>	<b>\$1,547,487.52</b>	<b>\$106,732.31</b>	<b>\$1,406,839.24</b>	<b>\$1,513,571.55</b>	<b>(\$16,332.98)</b>	<b>\$1,497,238.57</b>
<b>Anthem Blue Cross II</b>							
221	2,197	\$2,729,021.71	\$151,894.75	\$2,591,965.32	\$2,743,860.07	(\$14,838.36)	\$2,729,021.71
222	1,961	\$4,385,589.60	\$109,818.05	\$4,233,431.00	\$4,343,249.05	(\$9,416.50)	\$4,333,832.55
223	819	\$2,168,471.25	\$79,326.58	\$2,073,373.97	\$2,152,700.55	\$0.00	\$2,152,700.55
224	171	\$284,611.80	\$31,372.76	\$241,789.14	\$273,161.90	\$1,635.70	\$274,797.60
225	1	\$418.57	\$209.28	\$209.29	\$418.57	\$0.00	\$418.57
<b>SUBTOTAL</b>	<b>5,149</b>	<b>\$9,568,112.93</b>	<b>\$372,621.42</b>	<b>\$9,140,768.72</b>	<b>\$9,513,390.14</b>	<b>(\$22,619.16)</b>	<b>\$9,490,770.98</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Anthem Blue Cross III</b>							
240	6,945	\$3,503,616.31	\$506,922.14	\$3,054,171.63	\$3,561,093.77	(\$19,195.18)	\$3,541,898.59
241	138	\$222,122.04	\$20,860.18	\$207,700.18	\$228,560.36	(\$3,219.16)	\$225,341.20
242	877	\$1,437,354.94	\$92,390.02	\$1,269,314.76	\$1,361,704.78	\$0.00	\$1,361,704.78
243	4,151	\$4,176,123.38	\$458,811.40	\$3,687,743.55	\$4,146,554.95	(\$11,414.61)	\$4,135,140.34
244	17	\$15,332.98	\$2,868.18	\$12,464.80	\$15,332.98	\$0.00	\$15,332.98
245	59	\$54,116.40	\$5,808.51	\$57,327.29	\$63,135.80	\$0.00	\$63,135.80
246	22	\$44,158.40	\$4,255.26	\$43,917.54	\$48,172.80	\$0.00	\$48,172.80
247	131	\$266,957.60	\$20,071.97	\$266,957.63	\$287,029.60	\$0.00	\$287,029.60
248	8	\$11,199.76	\$391.99	\$10,807.77	\$11,199.76	\$0.00	\$11,199.76
249	52	\$74,198.41	\$5,375.88	\$57,622.77	\$62,998.65	\$0.00	\$62,998.65
250	14	\$21,963.48	\$815.79	\$21,147.69	\$21,963.48	(\$4,706.46)	\$17,257.02
<b>SUBTOTAL</b>	<b>12,414</b>	<b>\$9,827,143.70</b>	<b>\$1,118,571.32</b>	<b>\$8,689,175.61</b>	<b>\$9,807,746.93</b>	<b>(\$38,535.41)</b>	<b>\$9,769,211.52</b>
<b>CIGNA Network Model Plan</b>							
301	258	\$420,310.38	\$113,796.14	\$308,143.35	\$421,939.49	(\$3,258.22)	\$418,681.27
302	83	\$244,085.57	\$63,581.13	\$180,504.44	\$244,085.57	\$0.00	\$244,085.57
303	6	\$20,834.70	\$5,849.63	\$11,512.62	\$17,362.25	\$0.00	\$17,362.25
304	14	\$30,260.44	\$13,903.43	\$16,357.01	\$30,260.44	\$0.00	\$30,260.44
<b>SUBTOTAL</b>	<b>361</b>	<b>\$715,491.09</b>	<b>\$197,130.33</b>	<b>\$516,517.42</b>	<b>\$713,647.75</b>	<b>(\$3,258.22)</b>	<b>\$710,389.53</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>CIGNA Healthspring Pref w/ Rx - Phoenix, AZ</b>							
321	27	\$10,381.23	\$1,507.21	\$8,874.02	\$10,381.23	(\$384.49)	\$9,996.74
322	6	\$11,873.19	\$678.47	\$6,106.21	\$6,784.68	\$0.00	\$6,784.68
324	21	\$15,980.58	\$1,795.92	\$14,945.64	\$16,741.56	\$0.00	\$16,741.56
327	3	\$6,685.56	\$445.70	\$6,239.86	\$6,685.56	\$0.00	\$6,685.56
329	1	\$1,334.15	\$0.00	\$1,334.15	\$1,334.15	\$0.00	\$1,334.15
<b>SUBTOTAL</b>	<b>58</b>	<b>\$46,254.71</b>	<b>\$4,427.30</b>	<b>\$37,499.88</b>	<b>\$41,927.18</b>	<b>(\$384.49)</b>	<b>\$41,542.69</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Kaiser/Senior Advantage</b>							
401	1,520	\$1,685,079.65	\$148,425.79	\$1,550,795.91	\$1,699,221.70	(\$2,115.70)	\$1,697,106.00
403	11,244	\$3,256,897.34	\$318,661.51	\$2,951,512.25	\$3,270,173.76	(\$10,662.29)	\$3,259,511.47
404	561	\$664,194.60	\$13,307.47	\$649,709.48	\$663,016.95	(\$2,355.30)	\$660,661.65
405	1,127	\$1,276,640.10	\$20,923.23	\$1,258,020.40	\$1,278,943.63	(\$4,519.08)	\$1,274,424.55
406	7	\$22,305.36	(\$5,316.20)	(\$6,850.36)	(\$12,166.56)	\$0.00	(\$12,166.56)
411	1,825	\$4,023,251.20	\$186,335.60	\$3,702,518.20	\$3,888,853.80	\$10,838.50	\$3,899,692.30
413	1,573	\$2,214,824.38	\$100,959.51	\$2,010,279.15	\$2,111,238.66	(\$1,368.02)	\$2,109,870.64
414	101	\$228,007.50	\$2,618.70	\$241,191.30	\$243,810.00	\$0.00	\$243,810.00
418	5,737	\$3,275,911.76	\$248,046.42	\$3,064,181.80	\$3,312,228.22	(\$5,115.06)	\$3,307,113.16
419	261	\$384,864.48	\$4,198.52	\$351,528.25	\$355,726.77	\$0.00	\$355,726.77
420	128	\$300,454.40	\$1,126.70	\$299,327.70	\$300,454.40	(\$2,347.30)	\$298,107.10
421	8	\$8,702.80	\$1,305.42	\$10,660.93	\$11,966.35	\$0.00	\$11,966.35
422	254	\$565,662.72	\$2,297.98	\$554,526.26	\$556,824.24	(\$2,209.62)	\$554,614.62
423	8	\$31,076.10	\$1,051.38	(\$1,051.38)	\$0.00	\$0.00	\$0.00
426	218	\$310,186.80	\$2,425.11	\$300,711.99	\$303,137.10	(\$1,409.94)	\$301,727.16
427	75	\$200,789.91	\$3,877.32	\$120,750.90	\$124,628.22	\$0.00	\$124,628.22
428	57	\$133,366.36	\$827.78	\$125,640.32	\$126,468.10	(\$2,299.42)	\$124,168.68
429	3	\$12,789.64	\$0.00	\$0.00	\$0.00	(\$2,275.84)	(\$2,275.84)
430	139	\$315,215.60	\$3,557.42	\$333,826.18	\$337,383.60	(\$2,251.54)	\$335,132.06
431	6	\$22,046.71	(\$3,105.84)	(\$15,346.77)	(\$18,452.61)	\$0.00	(\$18,452.61)
432	2	\$8,095.04	\$2,838.14	\$5,256.90	\$8,095.04	\$0.00	\$8,095.04
<b>SUBTOTAL</b>	<b>24,854</b>	<b>\$18,940,362.45</b>	<b>\$1,054,361.96</b>	<b>\$17,507,189.41</b>	<b>\$18,561,551.37</b>	<b>(\$28,090.61)</b>	<b>\$18,533,460.76</b>



## Medical and Dental Vision Insurance Premiums

### April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Kaiser - Colorado</b>							
450	7	\$7,349.51	\$2,099.85	\$6,299.59	\$8,399.44	\$0.00	\$8,399.44
451	34	\$12,217.10	\$753.96	\$10,066.90	\$10,820.86	(\$349.06)	\$10,471.80
453	6	\$13,927.08	\$834.57	\$20,056.05	\$20,890.62	\$0.00	\$20,890.62
454	2	\$9,401.67	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
455	2	\$2,781.98	\$0.00	\$2,781.98	\$2,781.98	\$0.00	\$2,781.98
457	8	\$5,520.96	\$1,104.19	\$4,416.77	\$5,520.96	\$0.00	\$5,520.96
458	2	\$4,744.64	\$94.89	\$4,649.75	\$4,744.64	\$0.00	\$4,744.64
<b>SUBTOTAL</b>	<b>61</b>	<b>\$55,942.94</b>	<b>\$4,887.46</b>	<b>\$48,271.04</b>	<b>\$53,158.50</b>	<b>(\$349.06)</b>	<b>\$52,809.44</b>
<b>Kaiser - Georgia</b>							
441	3	\$3,326.01	\$0.00	\$3,326.01	\$3,326.01	\$0.00	\$3,326.01
442	4	\$4,434.68	\$0.00	\$4,434.68	\$4,434.68	\$0.00	\$4,434.68
445	3	\$4,572.42	\$0.00	\$4,572.42	\$4,572.42	\$0.00	\$4,572.42
446	2	\$3,048.28	\$0.00	\$3,048.28	\$3,048.28	\$0.00	\$3,048.28
461	18	\$19,956.06	\$2,749.50	\$16,097.89	\$18,847.39	(\$1,108.67)	\$17,738.72
462	64	\$27,102.08	\$3,455.51	\$27,034.33	\$30,489.84	\$0.00	\$30,489.84
463	2	\$4,418.68	\$1,104.67	\$3,314.01	\$4,418.68	\$0.00	\$4,418.68
465	6	\$9,144.84	\$914.48	\$8,230.36	\$9,144.84	\$0.00	\$9,144.84
466	28	\$23,490.32	\$872.50	\$25,973.58	\$26,846.08	\$0.00	\$26,846.08
<b>SUBTOTAL</b>	<b>130</b>	<b>\$99,493.37</b>	<b>\$9,096.66</b>	<b>\$96,031.56</b>	<b>\$105,128.22</b>	<b>(\$1,108.67)</b>	<b>\$104,019.55</b>

## Medical and Dental Vision Insurance Premiums

### April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Kaiser - Hawaii</b>							
471	3	\$2,972.25	\$832.23	\$4,121.52	\$4,953.75	\$0.00	\$4,953.75
472	32	\$14,791.92	\$2,286.03	\$11,985.65	\$14,271.68	\$0.00	\$14,271.68
473	1	\$1,774.62	\$538.09	\$1,236.53	\$1,774.62	\$0.00	\$1,774.62
474	4	\$7,894.00	\$0.00	\$7,894.00	\$7,894.00	\$0.00	\$7,894.00
475	1	\$2,956.26	\$327.81	\$2,628.45	\$2,956.26	\$0.00	\$2,956.26
476	4	\$5,723.96	\$2,547.17	\$3,176.79	\$5,723.96	\$0.00	\$5,723.96
478	17	\$15,104.16	\$1,563.72	\$13,540.44	\$15,104.16	\$0.00	\$15,104.16
479	1	\$2,214.86	\$0.00	\$2,214.86	\$2,214.86	\$0.00	\$2,214.86
<b>SUBTOTAL</b>	<b>63</b>	<b>\$53,432.03</b>	<b>\$8,095.05</b>	<b>\$46,798.24</b>	<b>\$54,893.29</b>	<b>\$0.00</b>	<b>\$54,893.29</b>
<b>Kaiser - Oregon</b>							
481	5	\$5,787.60	\$1,273.27	\$4,514.33	\$5,787.60	\$0.00	\$5,787.60
482	81	\$38,828.16	\$8,072.39	\$34,478.87	\$42,551.26	\$0.00	\$42,551.26
484	4	\$9,228.20	\$581.82	\$8,646.38	\$9,228.20	\$0.00	\$9,228.20
486	4	\$6,515.52	\$1,303.10	\$5,212.42	\$6,515.52	\$0.00	\$6,515.52
488	43	\$41,831.68	\$4,962.77	\$34,967.47	\$39,930.24	\$0.00	\$39,930.24
489	1	\$1,076.08	\$0.00	\$1,076.08	\$1,076.08	\$0.00	\$1,076.08
491	1	\$1,547.44	\$0.00	\$1,547.44	\$1,547.44	\$0.00	\$1,547.44
494	1	\$2,100.24	\$1,008.12	\$1,092.12	\$2,100.24	\$0.00	\$2,100.24
495	1	\$2,508.00	\$279.55	\$2,228.45	\$2,508.00	\$0.00	\$2,508.00
498	2	\$4,815.04	\$358.14	\$4,456.90	\$4,815.04	\$0.00	\$4,815.04
<b>SUBTOTAL</b>	<b>143</b>	<b>\$114,237.96</b>	<b>\$17,839.16</b>	<b>\$98,220.46</b>	<b>\$116,059.62</b>	<b>\$0.00</b>	<b>\$116,059.62</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>SCAN Health Plan</b>							
611	317	\$86,814.00	\$18,760.56	\$68,053.44	\$86,814.00	(\$1,365.00)	\$85,449.00
613	90	\$48,420.00	\$8,016.20	\$40,403.80	\$48,420.00	\$0.00	\$48,420.00
<b>SUBTOTAL</b>	<b>407</b>	<b>\$135,234.00</b>	<b>\$26,776.76</b>	<b>\$108,457.24</b>	<b>\$135,234.00</b>	<b>(\$1,365.00)</b>	<b>\$133,869.00</b>
<b>UHC Medicare Adv.</b>							
701	1,799	\$618,013.15	\$73,564.39	\$558,599.57	\$632,163.96	(\$686.30)	\$631,477.66
702	385	\$621,054.72	\$44,007.07	\$555,302.89	\$599,309.96	(\$3,136.64)	\$596,173.32
703	1,146	\$782,758.20	\$77,258.20	\$696,666.40	\$773,924.60	(\$678.30)	\$773,246.30
704	95	\$179,717.38	\$9,893.39	\$144,892.67	\$154,786.06	\$0.00	\$154,786.06
705	35	\$31,127.60	\$2,063.31	\$34,400.45	\$36,463.76	\$0.00	\$36,463.76
706	1	\$352.92	\$14.12	\$338.80	\$352.92	\$0.00	\$352.92
<b>SUBTOTAL</b>	<b>3,461</b>	<b>\$2,233,023.97</b>	<b>\$206,800.48</b>	<b>\$1,990,200.78</b>	<b>\$2,197,001.26</b>	<b>(\$4,501.24)</b>	<b>\$2,192,500.02</b>
<b>United Healthcare</b>							
707	451	\$567,258.20	\$49,429.61	\$522,761.27	\$572,190.88	\$1,233.17	\$573,424.05
708	414	\$950,124.56	\$37,812.70	\$892,002.78	\$929,815.48	\$0.00	\$929,815.48
709	347	\$942,298.20	\$60,049.75	\$866,232.05	\$926,281.80	(\$2,669.40)	\$923,612.40
<b>SUBTOTAL</b>	<b>1,212</b>	<b>\$2,459,680.96</b>	<b>\$147,292.06</b>	<b>\$2,280,996.10</b>	<b>\$2,428,288.16</b>	<b>(\$1,436.23)</b>	<b>\$2,426,851.93</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Local 1014 Firefighters</b>							
801	65	\$78,616.20	\$2,636.67	\$75,979.53	\$78,616.20	\$0.00	\$78,616.20
802	311	\$678,216.36	\$19,016.16	\$663,561.72	\$682,577.88	\$2,180.76	\$684,758.64
803	319	\$820,601.98	\$21,659.76	\$788,652.54	\$810,312.30	\$2,572.42	\$812,884.72
804	183	\$221,334.84	\$6,410.25	\$233,717.76	\$240,128.01	(\$35,534.46)	\$204,593.55
805	187	\$407,802.12	\$16,224.82	\$363,536.57	\$379,761.39	\$0.00	\$379,761.39
806	623	\$1,358,613.48	\$31,620.93	\$1,316,786.58	\$1,348,407.51	\$2,180.76	\$1,350,588.27
807	52	\$133,765.84	\$2,675.31	\$120,800.85	\$123,476.16	\$0.00	\$123,476.16
808	13	\$33,441.46	\$205.79	\$33,235.67	\$33,441.46	\$0.00	\$33,441.46
809	23	\$27,818.04	\$3,434.92	\$24,383.12	\$27,818.04	\$0.00	\$27,818.04
810	7	\$15,265.32	\$2,486.06	\$12,779.26	\$15,265.32	\$0.00	\$15,265.32
811	3	\$7,717.26	\$926.07	\$6,791.19	\$7,717.26	\$0.00	\$7,717.26
812	243	\$293,903.64	\$22,206.06	\$276,535.50	\$298,741.56	\$2,418.96	\$301,160.52
813	1	\$2,180.76	\$0.00	\$2,180.76	\$2,180.76	\$0.00	\$2,180.76
<b>SUBTOTAL</b>	<b>2,030</b>	<b>\$4,079,277.30</b>	<b>\$129,502.80</b>	<b>\$3,918,941.05</b>	<b>\$4,048,443.85</b>	<b>(\$26,181.56)</b>	<b>\$4,022,262.29</b>
<b>Kaiser - Washington</b>							
393	6	\$6,972.66	\$976.18	\$5,996.48	\$6,972.66	\$0.00	\$6,972.66
394	11	\$4,801.72	\$392.87	\$4,408.85	\$4,801.72	\$0.00	\$4,801.72
395	2	\$4,326.42	\$0.00	\$4,326.42	\$4,326.42	\$0.00	\$4,326.42
396	1	\$3,616.76	\$988.31	\$2,628.45	\$3,616.76	\$0.00	\$3,616.76
397	7	\$10,063.34	\$345.03	\$8,280.69	\$8,625.72	\$0.00	\$8,625.72
398	2	\$2,595.12	\$449.82	\$415.22	\$865.04	\$0.00	\$865.04
<b>SUBTOTAL</b>	<b>29</b>	<b>\$32,376.02</b>	<b>\$3,152.21</b>	<b>\$26,056.11</b>	<b>\$29,208.32</b>	<b>\$0.00</b>	<b>\$29,208.32</b>
<b>Medical Plan Total</b>	<b>52,262</b>	<b>\$51,202,029.12</b>	<b>\$3,584,999.73</b>	<b>\$46,993,904.91</b>	<b>\$50,578,904.64</b>	<b>(\$156,110.34)</b>	<b>\$50,422,794.30</b>

## Medical and Dental Vision Insurance Premiums April 2021

Carrier Codes	Member Count	Premium Amount	Member Amount	County Subsidy Amount	Total	Adjustments	Total Paid
<b>Dental/Vision Plan</b>							
<b>CIGNA Indemnity Dental/Vision</b>							
501	24,721	\$1,275,119.82	\$140,458.60	\$1,157,520.41	\$1,297,979.01	(\$5,776.25)	\$1,292,202.76
502	23,133	\$2,486,484.00	\$190,371.37	\$2,287,878.24	\$2,478,249.61	(\$4,380.84)	\$2,473,868.77
503	10	\$634.00	\$84.96	\$739.24	\$824.20	\$0.00	\$824.20
<b>SUBTOTAL</b>	<b>47,864</b>	<b>\$3,762,237.82</b>	<b>\$330,914.93</b>	<b>\$3,446,137.89</b>	<b>\$3,777,052.82</b>	<b>(\$10,157.09)</b>	<b>\$3,766,895.73</b>
<b>CIGNA Dental HMO/Vision</b>							
901	3,423	\$159,389.77	\$19,916.13	\$141,287.53	\$161,203.66	(\$825.18)	\$160,378.48
902	2,427	\$231,862.84	\$19,900.78	\$215,867.72	\$235,768.50	(\$381.04)	\$235,387.46
903	1	\$47.09	\$20.72	\$26.37	\$47.09	\$0.00	\$47.09
<b>SUBTOTAL</b>	<b>5,851</b>	<b>\$391,299.70</b>	<b>\$39,837.63</b>	<b>\$357,181.62</b>	<b>\$397,019.25</b>	<b>(\$1,206.22)</b>	<b>\$395,813.03</b>
<b>Dental/Vision Plan Total</b>	<b>53,715</b>	<b>\$4,153,537.52</b>	<b>\$370,752.56</b>	<b>\$3,803,319.51</b>	<b>\$4,174,072.07</b>	<b>(\$11,363.31)</b>	<b>\$4,162,708.76</b>
<b>GRAND TOTALS</b>	<b>105,977</b>	<b>\$55,355,566.64</b>	<b>\$3,955,752.29</b>	<b>\$50,797,224.42</b>	<b>\$54,752,976.71</b>	<b>(\$167,473.65)</b>	<b>\$54,585,503.06</b>

CARRIER DEDUCTION PREMIUMS*	CODES	DEDUCTION CODE DEFINITIONS
<b><u>Anthem Blue Cross Prudent Buyer Plan</u></b>		
\$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
<b><u>Anthem Blue Cross Plan I</u></b>		
<b>\$904.25</b>	211	Retiree Only
<b>\$1,630.31</b>	212	Retiree and Spouse/Domestic Partner
<b>\$1,923.10</b>	213	Retiree, Spouse/Domestic Partner and Children
<b>\$1,196.44</b>	214	Retiree and Children
\$299.58	215	Survivor Children Only Rates
<b><u>Anthem Blue Cross Plan II</u></b>		
<b>\$904.25</b>	221	Retiree Only
<b>\$1,630.31</b>	222	Retiree and Spouse/Domestic Partner
<b>\$1,923.10</b>	223	Retiree, Spouse/Domestic Partner and Children
<b>\$1,196.44</b>	224	Retiree and Children
\$299.58	225	Survivor Children Only Rates
<b><u>Anthem Blue Cross Plan III</u></b>		
\$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
<b><u>Kaiser (continued)</u></b>		
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")
<b><u>Kaiser Colorado</u></b>		
\$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")
<b><u>Kaiser Georgia</u></b>		
\$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
<b><u>Kaiser Oregon (continued)</u></b>		
\$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
<b><u>SCAN Health Plan</u></b>		
\$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.)
<b><u>United Healthcare Medicare Advantage (UHCMA)</u></b>		
(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
<b><u>United Healthcare (UHC)</u></b>		
(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
<b><u>Local 1014 Firefighters</u></b>		
\$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**

<b>\$46.55</b>	501	Retiree Only
<b>\$99.61</b>	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 Employee Retirement Association

# Anthem Blue Cross

## Analysis of Medical Claims Processing and Payment Procedures

**Audit Period: July 1, 2019 through June 30, 2020**  
**Final Report**

March 5, 2021 / Amber M. Turner, MBA, PMP

# Anthem Blue Cross Claims Audit – Final Report

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# Section I – Executive Summary

This report analyzes and evaluates the claims processing and payment procedures utilized by Anthem Blue Cross (“Anthem”) in its administration of the Los Angeles County Employee Retirement Association (“LACERA”) group medical benefits. Amber Turner and Jennifer Laguna conducted the remote audit the week of November 16, 2020. The audit encompassed a total sample of 255 claims for the audit period.

## Scope of Services

Anthem provided an electronic data file of all medical claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020. The objective of the review was to ensure claims that were paid in accordance with LACERA’s plan provisions. Segal’s audit included the following in-house and remote review components:

1. An adjudication procedures review to assess day-to-day processing guidelines and claim control measures;
2. A random, stratified sample of 220 claims to measure validity in the financial dollar value and incidence (number) accuracy of all benefit payments processed during the audit period; and,
3. A 35 target claim selection identified through an electronic analyses of all claims designed to explore potential duplicate payments and/or sample various benefit applications (i.e. deductibles, employee cost-shares, limitations, and exclusions).

The auditors completed a form for each sampled claim serving as the primary documentation on which the report is based. To maintain patient confidentiality, claims addressed within this report are referred to as “Worksheets”. These worksheets (1–220) are further distinguished with an alphabet character (A-K) that identifies the respective payment tier in the statistical analysis. The auditors reviewed each claim from receipt to release for check disbursement to identify any variances in procedures and benefit determination.

Worksheets T1–T35, include a “T” to distinguish the “target” sampling of claims identified through electronic analyses. These claims were reviewed for the attribute selected for validation (i.e., copayment application, duplicate payment, benefit provision, etc.). Due to the focused review and selection of these claims, they are excluded from the overall calculation of processing performance.

## Statistical Results

Industry standards are developed through ongoing review and comparison of measures utilized by major carriers and third-party administrators (“TPAs”) nationwide. Standards include acceptable performance levels for administration of fully-insured, self-insured, corporate, public, and multiemployer plan benefits.

During the 12-month period of July 1, 2019 through June 30, 2020 total benefit payments of \$125,371,984.51 were issued for 701,729 claims. Benefits payment for 220 stratified claims totaled \$3,731,858.14 (2.98% of total payments).

The stratified audit sample was selected through analyses performed by actuarial staff to provide statistical validity in both the dollar value and incidence of errors. The statistical sample was expected to identify less than a 3% error rate, which would then provide a 95% confidence level with  $\pm 3\%$  precision.

A basic principle of the sampling technique is that the stratified audit findings are representative of all claims; therefore, the respective strata error rate is used to project the total errors for each stratum. The total projected errors are used to calculate the statistical accuracy levels for comparison to performance guarantees and industry standards.

**The sample of 220 claims identified 23 errors: one (1) in-sample overpayment for \$26.27, two (2) in-sample underpayments for -\$2.19, ten (10) out-of-sample underpayments for -\$1,091.76, one (1) out-of-sample overpayment for \$37,210.88, and nine (9) out-of-sample procedural errors.** Further information on these areas are located in Section II of this report. Only the in-sample errors are counted against the accuracy calculations. As seen in the chart below, Anthem met the performance guarantee standard in Financial, Procedural, and Time-to-process. Time-to-process for 30 days is slightly below the industry standard but it can be explained by multiple processing events.

Category	Statistical Achievement	Performance Guarantee	Industry Standards
Financial Accuracy (dollar value)	99.89%	99.00%	99.00%
Payment Accuracy (free from financial error)	97.89%	N/A	97.00%
Procedural Accuracy (free from processing error)	100.00%	97.00%	95.00%
Overall Processing Accuracy (free from error)	97.89%	N/A	95.00%
Time-to-Process* (within 14 calendar days)	99.29%	90.00%	95.00%
(within 30 calendar days)	99.90%	N/A	100.00%

\* Time-to-process achievement has been calculated on 100% of the claims population for the audit period and does not take adjustments into account.

## Target Sample Results

In addition to the statistical sample, Anthem supported a target sample of 35 claims selected through a series of electronic analyses of all claims to identify and confirm the accuracy of specific plan provisions and exclusions.

Segal's selection focused on single claims and patterns that would present the greatest financial risk to the Plan. Claims were sampled from the following categories:

- Duplicate claims analysis;
- Reimbursement of Plan exclusions and limitations;



- Patient out-of-pocket expenses (deductible, copay and coinsurance); and,
- Plan variables not represented in the random selection.

The auditors manually reviewed the electronic results and the patient history for the sampled claims in the remote review to validate the processing event or identify the root cause of the error; as applicable. **The target sample of 35 claims identified 21 errors and 2 plan intent items: 16 in-sample overpayments totaling \$13,079.34, three (3) out-of-sample overpayments for \$4,783.00, two (2) out-of-sample underpayments for -\$15.93 and 2 plan intent items.** Further information on these errors are identified in Section III of this report.

## Key Findings and Recommendations

The following bullet points summarize the primary findings identified by Segal's auditors during the individual claims review with recommendations, as indicated. Anthem was presented with a draft report on January 6, 2021 for its review and comment. Anthem provided their formal response to the draft report on January 27, 2021. Excerpts from their responses can be found throughout this report in italics; their full formal response can be located in Section V – Anthem's response to the Draft Report.

- Overpayment recovery efforts should be initiated by Anthem for the errors identified within the statistical and target sample with monthly status reports to LACERA.

Anthem should discuss with LACERA appropriate action to correct identified underpayments.

**Segal requested that financial impact reports be provided by Anthem where indicated as requested.**

- The following are the key findings from the audit.
  - Anthem incorrectly coordinated Medicare benefits. This was a residual issue from last year's audit but has since subsided. (Samples: 15A & 23A, Total: -\$2.19)

*Anthem agreed to the underpayments during the remote review.*

**Segal requested that Anthem provide details regarding when and how this issue was resolved.**

***Anthem's Response:*** *Anthem agrees to the assessed errors on Sample 15A and 23A. These claims are currently under review by Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.*

- Anthem applied their allowed amount instead of Medicare's allowed amount. (Samples: 113C & T23, Total: \$270.01)

*Anthem agreed to the overpayment during the remote review and is currently working with operations in obtaining details of the issue.*

**Segal requested that Anthem generate a financial impact report for this issue and a corrective action plan.**

**Anthem's Response:** *Anthem agrees to the assessed errors on Sample 113C and T23. These claims are currently under review with Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.*

- Anthem over applied the deductible. This overage is due to pharmacy integration but did not have any financial impact on the claim as the out-of-pocket was not met. (Samples: 30A, 86C, 122D, 124D, 152E, 180G, 182H, 192I, & 218K, Total: 9 procedural errors)

*Anthem agreed to these errors during the remote review.*

**Segal noted that the errors have no financial impact on the claim as the out of pocket maximum was not reached, as such, Segal has assessed out-of-sample procedural errors for incorrect deductible application. Segal recommended that Anthem provide an action plan regarding the handling of pharmacy integration.**

**Anthem's Response:** *Anthem agrees to the procedural errors. These underpayments were due to pharmacy claims. Pharmacy claims met and exceeded the members' deductible/out-of-pocket maximums. Due to the nature of the transmission of data between Anthem and the pharmacy vendor, overages to the deductible/out-of-pocket will occur. Since there is no way to avoid these overages, Anthem implemented a process to identify and correct them. Over-applied (exceeds) reports are system generated weekly and assigned to the accumulator team for review. Once assigned to the team, the team reviews the report and corrects the deductible/out-of-pocket accordingly. The accumulator team will adjust medical claims to correct the overages. If no medical claims are available, any remaining overages are sent to the pharmacy vendor so they can apply the appropriate refunds. Since this is a manual process, there may be times when overages are missed or not corrected immediately. Anthem continues to review workflows for the opportunity to enhance and reduce our process for adjusting overages. The members' deductible/out-of-pocket overages identified in this audit are in the process of being resolved.*

- The out-of-pocket amounts were exceeded. This overage is due to pharmacy integration. (Samples: 97C, 101C, 128D, 163F, 165F, 175G, 191I, 193I, 214K, 217K, T17 & T35, Out-of-Sample Total: -\$1,107.69)

*Anthem agreed to the underpayments during the remote review.*

**Segal recommended that Anthem provide details on the steps they are taking to mitigate these underpayments in the future.**

*Anthem's response is noted in the preceding error response.*

- Anthem paid a member over the lifetime limit of \$1,000,000. (Samples: 150D, Out-of-Sample Total:\$37,184.61)

Anthem agreed to the error during the remote review and noted this overage is due to pharmacy integration.

**Segal requested that Anthem generate a financial impact report for this issue.**

**Anthem's Response:** Anthem agrees to the out-of-sample error in the amount of \$37,184.61. This overpayment is due to pharmacy integration. Payments on eleven (11) pharmacy claims caused the lifetime maximum of \$1,000,000 to be exceeded. An impact report has been requested to determine if there are other members who have over-exceeded lifetime maximum benefit as a result of payments from pharmacy vendor. The impact report findings will be shared with LACERA by Anthem's Account Management when available.

- Hearing aids were paid over the maximum (\$300.00) amount allowed. (Samples: T1, T2, T3, T4, T5, & T6, Total: \$10,893.00, Out-of-Sample Total: \$2,397.00)

Anthem agreed to the overpayments of hearing aids benefit during the remote review.

**Although this benefit was manually adjudicated, due to the number of incidences, Segal requested that Anthem generate a financial impact report.**

**Anthem's Response:** Anthem agrees to the assessed errors on Sample T1, T2, T3, T4, T5 and T6. Manual processing of these claims resulted in the total overpayments of \$10,893.00 for in sample and \$2,397.00 for the out-of-sample claims. Processors have been provided with coaching on the proper handling of hearing aid claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The misapplication of benefit plan hearing aid errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.

**Segal recommends that LACERA follow up with a request for a financial impact report for hearing aids over the \$300.00 maximum allowed amount. Although these claims were manually adjudicated, the repetitive nature of these errors justify the request for additional reporting.**

- Acupuncture paid over the \$30.00 per visit limit. (Samples: T7, T8, T9, T10 & T11, Total: \$938.00, Out-of-Sample Total: \$2,386.00)

Anthem agreed to the overpayments of acupuncture benefits during the remote review.

**Although this benefit was manually adjudicated, due to the number of incidences and this being a reoccurring issue from the 2019 audit, Segal requested that Anthem generate a financial impact report.**

**Anthem's Response:** Anthem agrees to the assessed errors on Samples T7, T8, T9, T10, and T11. Manual processing of these claims resulted in the total overpayments of \$938.00 for in sample and \$2,386.00 for out of sample claims. Processors have been provided with coaching on the proper handling of acupuncture claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The misapplication of benefit plan acupuncture

*errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.*

**Segal recommends that LACERA follow up with a request for a financial impact report for acupuncture paid over the \$30.00 maximum allowed amount per visit limit. Although these claims were manually adjudicated, the repetitive nature of these errors justify the request for additional reporting.**

- Two (2) claims for outpatient surgery did not have pre-certifications. (Samples: T19 & T20, Plan Intent)

*Anthem noted only certain procedures performed in an ambulatory surgery center require pre-certification.*

**The Summary Plan Document notes pre-certification is required for “surgeries, wherever performed” or a non-certification deductible applies. Segal recommended that LACERA and Anthem discuss the specific requirements (type of surgery, place of service, etc.) for a surgery requiring pre-certification.**

**Anthem’s Response:** *Anthem maintains that the sample claims processed correctly. The procedure codes billed for samples T19 and T20 are not on Anthem’s list of procedure codes requiring prior authorization.*

**Segal recommends that LACERA discuss with Anthem the intention of the precertification for outpatient surgeries. If Anthem is correct, corrective action needs to be executed to clarify LACERA’s Summary Plan Documents.**

- Duplicate claim payments. (Samples: T31, T32, T34, & T35, Total: \$1,004.60)

*Anthem agreed to the duplicate claim overpayments that were due to human error during the remote review.*

**Anthem’s Response:** *Anthem agrees to the assessed errors on Sample T31, T32, T34 and T35. Processors incorrectly paid duplicate charges resulting in the overpayments of \$1,004.60. Processors have been provided with coaching and refresher training on the proper handling of duplicate claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. Anthem will place the overpayment into the adjustment process with LACERA’s approval.*

**Segal recommends that LACERA discuss with Anthem approval or non-approval of placing the claims into the adjustment process.**

## Medical Key Findings Summary Table

Below is a table summarizing the above key audit findings and recommendations section.

Issue	Audit Findings			Anthem's Financial Impact Report	
	Financial Impact	# of claims in sample	Financial Impact Out-of-Sample	Financial Impact	# of claims
Incorrect Medicare Coordination	-\$2.19	2	N/A	N/A	N/A
Incorrect Medicare Allowed Applied	\$270.01	2	N/A	Not Provided	Not Provided
Out-of-pocket Maximum Over Applied	N/A	N/A	-\$1,107.69	N/A	N/A
Lifetime Maximum Overpaid	N/A	N/A	\$37,184.61	Not Provided	Not Provided
Hearing Aids over \$300.00 limit	\$10,893.00	6	\$2,397.00	Not Provided	Not Provided
Acupuncture over \$30.00	\$938.00	5	\$2,386.00	Not Provided	Not Provided
Duplicate Claim Payment	\$1,004.60	4	N/A	N/A	N/A
<b>Totals</b>					
<b>Underpayment</b>	<b>-\$2.19</b>	<b>2</b>	<b>-\$1,107.69</b>	<b>N/A</b>	<b>N/A</b>
<b>Overpayment</b>	<b>\$13,105.61</b>	<b>17</b>	<b>\$41,967.61</b>	<b>N/A</b>	<b>N/A</b>

# Section II – Statistical Claim Sample

Anthem provided a data file of all medical claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020, which was utilized for sampling purposes. Benefit payments for 701,729 claims totaled \$125,371,984.51. Sampled benefit payments for 220 stratified claims totaled \$3,731,858.14. Relevant claims processing information was verified through Anthem’s responses to the adjudication questionnaire, remote review discussions, auditor’s observations, and the individual claims review.

## Stratification Table

The selection of 220 claims was stratified by dollar amount in order to provide large claims representation that is more valid in determining financial accuracy levels. The methodology of Segal’s stratified selection process utilizes a formula designed to take full advantage of statistical sampling procedures that allows a quantifiable degree of confidence, whereby results obtained in the audit sample are a true reflection of the way all claims were processed during the audit period.

A basic principle of the sampling technique is the premise that stratified audit findings are representative of all claims; therefore, the respective strata error rate is used to project the total errors for each stratum. The total projected errors are used to calculate the statistical accuracy levels for comparison to industry standards.

Strata	Dollar Range of Strata	Number of Claims in		Dollar Amount in	
		Range	Selection	Selection	Strata
A	\$0.01 - \$19.99	227,791	45	\$558.22	\$2,554,848.62
B	\$20.00 - \$39.99	188,682	40	\$1,081.53	\$5,145,630.06
C	\$40.00 - \$119.99	163,890	35	\$2,417.55	\$11,608,270.17
D	\$120.00 - \$319.99	72,815	30	\$5,607.51	\$13,634,333.91
E	\$320.00 - \$849.99	27,129	10	\$5,599.86	\$13,666,613.29
F	\$850.00 - \$2,099.99	14,489	10	\$12,271.08	\$19,220,672.45
G	\$2,100.00 - \$5,749.99	4,751	10	\$39,926.58	\$15,977,248.03
H	\$5,750.00 - \$17,999.99	1,517	10	\$118,866.86	\$14,710,162.92
I	\$18,000.00 - \$47,499.99	505	10	\$271,521.99	\$14,474,138.40
J	\$47,500.00 - \$189,999.99	150	10	\$693,621.13	\$11,799,680.83
K	\$190,000.00 - \$426,626.96	10	10	\$2,580,385.83	\$2,580,385.83
<b>Total</b>		<b>701,729</b>	<b>220</b>	<b>\$3,731,858.14</b>	<b>\$125,371,984.51</b>

## Review Process

Anthem provided a copy of the sampled claim submissions and access to their claims system for the auditors' reference. Each claim was manually recalculated and reviewed from initial receipt to final benefit determination seeking evidence of compliance with established adjudication procedures and plan provisions; each patient's claim history was reviewed to confirm proper application of plan deductibles and benefit maximums. In addition to verifying the amount paid, evidence of the following processing tasks was explored.

- Claims were paid only on behalf of eligible individual based on records contained in the claims system.
- Documentation (i.e., provider bills, physician statements, utilization review decisions or penalty findings, surgical reports, etc.) is on file for claims paid and verified when necessary.
- Coordination of benefits and subrogation provisions were enforced, where applicable.
- Proper application of age, gender, and disease specific edits.
- Amounts paid were within the network discount fees or designated non-contracted allowances.
- Proper medical necessity was investigated as defined by the Plan.
- Benefits were paid under the proper classification, diagnostic, and procedure codes as an incorrect entry may affect payment accuracy or future benefit determinations.
- Appropriate benefit limitations, deductibles, copayments, coinsurance, and out-of-pocket maximums were applied.
- As appropriate, high dollar claims were considered for care management and applicable stop-loss notifications were timely filed.
- Claims system logic for examiner edits and auto-adjudication capabilities.
- Arithmetic calculations were correct.
- Duplicate submissions were properly denied.
- Payment was made to the proper party (i.e., the provider of service if benefits were assigned; claimant if benefits were not assigned).
- Turnaround time for processing of claims was within industry standards or established performance guarantees.

All questions and potential errors were presented to Anthem's representatives daily; additional supporting documentation was provided through December 22, 2020.

## Statistical Error Table

**The sample of 220 claims identified 23 errors:** one (1) in-sample overpayment for \$26.27, two (2) in-sample underpayments for -\$2.19, ten (10) out-of-sample underpayments for -\$1,091.76, one (1) out-of-sample overpayment for \$37,210.88, and nine (9) out-of-sample procedural errors. Anthem should initiate overpayment recovery for the claims identified in the following table and generate financial impact reports, where indicated.

Statistical Sample Errors		
Worksheet	Over/Under payments	Explanation
15A	-\$0.12	Anthem incorrectly coordinated Medicare benefits. This is a residual issue but has since subsided. (Auto adjudication)
23A	-\$2.07	<p>Anthem agreed to the underpayments during the remote review.</p> <p><b>Segal recommended that Anthem provide details regarding when and how this issue was resolved.</b></p> <p><b>Anthem's Response:</b> Anthem agrees to the assessed errors on Sample 15A and 23A. These claims are currently under review by Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.</p>
113C	\$26.27	<p>Anthem applied the coordination of benefits with Medicare incorrectly by applying their allowed amount. (Auto adjudication)</p> <p>Anthem agreed to the overpayment during the remote review and is currently working with operations in obtaining details of the issue.</p> <p><b>Segal requested that Anthem generate a financial impact report for this issue and a correction action plan.</b></p> <p><b>Anthem's Response:</b> Anthem agrees to the assessed error on Sample 113C. The claim is currently under review with Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.</p>
30A	Out-of-Sample Procedural Error	<p>Anthem over applied the deductible. This overage is due to pharmacy integration. (Auto and manual adjudication)</p> <p>Anthem agreed to these errors during the remote review.</p>
86C	Out-of-Sample Procedural Error	<p><b>Segal noted that the errors have no financial impact on the claim as the out of pocket maximum was not reached, as such, Segal has assessed out-of-sample procedural errors for incorrect deductible application. Segal recommended that Anthem provide an action plan regarding the handling of pharmacy integration.</b></p> <p><b>Anthem's Response:</b> Anthem agrees to the procedural errors. These underpayments were due to pharmacy claims. Pharmacy claims met and exceeded the members' deductible/out-of-pocket maximums. Due to the nature of the transmission of data between Anthem and the pharmacy vendor, overages to the deductible/out-of-pocket will occur.</p>
122D	Out-of-Sample Procedural Error	
124D	Out-of-Sample Procedural Error	
152E	Out-of-Sample Procedural Error	



Statistical Sample Errors		
Worksheet	Over/Under payments	Explanation
180G	Out-of-Sample Procedural Error	<i>Since there is no way to avoid these overages, Anthem implemented a process to identify and correct them. Over-applied (exceeds) reports are system generated weekly and assigned to the accumulator team for review. Once assigned to the team, the team reviews the report and corrects the deductible/out-of-pocket accordingly. The accumulator team will adjust medical claims to correct the overages. If no medical claims are available, any remaining overages are sent to the pharmacy vendor so they can apply the appropriate refunds. Since this is a manual process, there may be times when overages are missed or not corrected immediately. Anthem continues to review workflows for the opportunity to enhance and reduce our process for adjusting overages. The members' deductible/out-of-pocket overages identified in this audit are in the process of being resolved.</i>
182H	Out-of-Sample Procedural Error	
192I	Out-of-Sample Procedural Error	
218K	Out-of-Sample Procedural Error	
97C	Out-of-Sample: -\$15.62	The out-of-pocket amounts were exceeded. This overage is due to pharmacy integration. (Auto and manual adjudication)
101C	Out-of-Sample: -\$7.34	<i>Anthem agreed to the underpayments during the remote review.</i>
128D	Out-of-Sample: -\$12.05	<b>Segal requested that Anthem provide details on the steps they are taking to mitigate these underpayments in the future.</b>
163F	Out-of-Sample: -\$81.00	<i>Anthem's response is noted in the preceding error response.</i>
165F	Out-of-Sample: -\$47.29	
175G	Out-of-Sample: -\$363.33	
191I	Out-of-Sample: -\$62.77	
193I	Out-of-Sample: -\$1.80	
214K	Out-of-Sample: -\$500.00	
217K	Out-of-Sample: -\$0.56	
150D	Out-of-Sample: \$37,184.61	

Statistical Sample Errors		
Worksheet	Over/Under payments	Explanation
		<p><i>Anthem agreed to the error during the remote review and noted this overage is due to pharmacy integration.</i></p> <p><b>Segal requested that Anthem generate a financial impact report for this issue and status reports of overpayment recovery.</b></p> <p><b><i>Anthem's Response:</i></b> <i>Anthem agrees to the out-of-sample error in the amount of \$37,184.61. This overpayment is due to pharmacy integration. Payments on eleven (11) pharmacy claims caused the lifetime maximum of \$1,000,000 to be exceeded. An impact report has been requested to determine if there are other members who have over-exceeded lifetime maximum benefit as a result of payments from pharmacy vendor. The impact report findings will be shared with LACERA by Anthem's Account Management when available.</i></p>
<b>Total</b>	<b>1 overpayment</b> <b>2 underpayments</b> <b>10 out-of-sample underpayments</b> <b>1 out-of-sample overpayment</b> <b>9 out-of-sample procedural errors</b>	<b>\$ 26.27</b> <b>\$ (2.19)</b> <b>\$ 1,091.76</b> <b>\$ 37,184.61</b>

## Time-to-Process Achievement

**There were no concerns with the time-to-process measurement for non-adjusted claims.** Results from the electronic analysis of all claims processed during the audit period revealed that Anthem processed 99.29% of the claims within 14 calendar days and 99.90% within 30 calendar days.

Time-to-process is measured from the date a claim is first received to the initial date processed for payment or denial; subsequent adjustments were measured from receipt of the new information to the benefit determination date with processing measured as the longest interval. Measurements included routing delays due to internal review (i.e., documentation review, quality audit).

Industry standards indicate 95% of all claims should be processed within 14 calendar days. Best practice, which follows Department of Labor regulations, requires 100% within 30 calendar days.

# Section III – Target Claims

Segal performed an electronic review of all claims processed and paid during the audit period (July 1, 2019 through June 30, 2020). The electronic review was designed to identify potential deficiencies in the benefit delivery system; however, the analysis was not expected to identify data entry errors (i.e., incorrect patient, date of service, or provider) or creative billing practices of the provider.

The random nature of statistical sampling does not ensure every benefit provision or plan variation was identified in the selection. Therefore, the electronic analyses included exploration of scenarios that could suggest a systematic error in programming and/or administrative procedures with focus given to patterns suggesting a greater financial impact to the Plan. Segal's query process was defined by the following categories:

- Potential duplicate payments.
- Reimbursement of Plan exclusions, limitations, and prior authorizations.
- Patient out-of-pocket expenses (deductible, copay and coinsurance).
- Plan variables not represented in the random selection.

The respective Summary Plan Document ("SPD") served as the reference for the electronic analyses. Electronic reports provided a list of suspected errors that required the auditor's manual review to refine the analysis and identify any patterns of concern; a selection of claims was chosen to confirm suspected errors and identify appropriate query revisions.

The remote review of target claims focused on the attribute(s) selected to gain confidence and to understand how a change in query programs could present more accurate results (e.g., minimize the number of false-positives evidenced in such electronic reviews).

Of the 35 claims targeted through electronic analyses, 19 were supported by claim documentation, confirmation of Plan intent, and/or explanation of established administrative procedures.

## Target Error Table

**The target sample of 35 claims identified 21 errors and 2 plan intent items:** 16 in-sample overpayments totaling \$13,079.34, three (3) out-of-sample overpayments for \$4,783.00, two (2) out-of-sample underpayments for -\$15.93 and two (2) plan intent items. Anthem should initiate overpayment recovery for the claims identified in the following table and generate financial impact reports, where indicated.

Target Sample Errors		
Worksheet	Overpayment	Explanation
T1	\$2,697.00 Out-of-Sample: \$2,397.00	Hearing aids were paid over the \$300.00 lifetime maximum limit. (Manual Adjudication) <i>Anthem agreed to the overpayments of hearing aids benefit during the remote review.</i>
T2	\$1,600.00	<p><b>Although this benefit was manually adjudicated, due to the number of incidences, Segal requested that Anthem generate a financial impact report.</b></p> <p><b>Anthem's Response:</b> Anthem agrees to the assessed errors on Sample T1, T2, T3, T4, T5 and T6. Manual processing of these claims resulted in the total overpayments of \$10,893.00 for in sample and \$2,397.00 for the out-of-sample claims. Processors have been provided with coaching on the proper handling of hearing aid claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The misapplication of benefit plan hearing aid errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.</p> <p><b>Segal recommends that LACERA follow up with a request for a financial impact report for hearing aids over the \$300.00 maximum allowed amount. Although these claims were manually adjudicated, the repetitive nature of these errors justify the request for additional reporting.</b></p>
T3	\$1,344.00	
T4	\$2,190.00	
T5	\$372.00	
T6	\$2,690.00	
T7	\$170.00 Out-of-Sample: \$306.00	Acupuncture paid over the \$30.00 per visit limit. (Manual Adjudication) <i>Anthem agreed to the overpayments of acupuncture benefits during the remote review.</i>
T8	\$116.00	<p><b>Although this benefit was manually adjudicated, due to the number of incidences and this being a reoccurring issue from 2019 audit, Segal requested that Anthem generate a financial impact report.</b></p> <p><b>Anthem's Response:</b> Anthem agrees to the assessed errors on Sample T7, T8, T9, T10, and T11. Manual processing of these claims resulted in the total overpayments of \$938.00 for in sample and \$2,386.00 for out of sample claims. Processors have been provided with coaching on the proper handling of acupuncture claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The misapplication of benefit plan acupuncture</p>
T9	\$450.00	
T10	\$132.00	
T11	\$70.00 Out-of-Sample: \$2,080.00	

Target Sample Errors		
Worksheet	Overpayment	Explanation
		<p>errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.</p> <p><b>Segal recommends that LACERA follow up with a request for a financial impact report for acupuncture paid over the \$30.00 maximum allowed amount per visit limit. Although these claims were manually adjudicated, the repetitive nature of these errors justify the request for additional reporting.</b></p>
T17	Out-of-Sample: -\$14.55	<p>The out-of-pocket amounts was exceeded. This overage is due to pharmacy integration. (Manual adjudication)</p> <p><i>Anthem agreed to the over application of the out-of-pocket underpayment during the remote review.</i></p> <p><b>Segal requested that Anthem provide details on the steps they are taking to mitigate these underpayments in the future.</b></p> <p><i>Anthem's response is noted in the statistical error box for samples 97C, 101C, 128D, 163F, 165F, 175G, 191I, 193I, 214K, 217K, T17 &amp; T35.</i></p>
T19	Plan Intent	<p>Two claims for outpatient surgery did not have the required precertifications. (Auto adjudication)</p> <p><i>Anthem noted only certain procedures performed in an ambulatory surgery center require precertification.</i></p> <p><b>The Summary Plan Document notes that precertification is required for “surgeries, wherever performed” or a non-certification deductible applies. Segal recommended that LACERA and Anthem discuss the specific requirements (type of surgery, place of service, etc.) for a surgery requiring pre-certification.</b></p> <p><b><i>Anthem's Response:</i></b> <i>Anthem maintains that the sample claims processed correctly. The procedure codes billed for samples T19 and T20 are not on Anthem's list of procedure codes requiring prior authorization.</i></p> <p><b>Segal recommends that LACERA discuss with Anthem the intention of the precertification for outpatient surgeries. If Anthem is correct, corrective action needs to be executed to clarify LACERA's Summary Plan Documents.</b></p>
T20	Plan Intent	<p><i>Anthem's Response:</i> <i>Anthem maintains that the sample claims processed correctly. The procedure codes billed for samples T19 and T20 are not on Anthem's list of procedure codes requiring prior authorization.</i></p> <p><b>Segal recommends that LACERA discuss with Anthem the intention of the precertification for outpatient surgeries. If Anthem is correct, corrective action needs to be executed to clarify LACERA's Summary Plan Documents.</b></p>
T23	\$243.74	<p>Anthem applied the coordination of benefits with Medicare incorrectly by applying Anthem's allowed amount. (Auto adjudication)</p>

Target Sample Errors		
Worksheet	Overpayment	Explanation
		<p>Anthem agreed to the incorrect coordination of Medicare overpayment during the remote review and is currently working with operations in obtaining details of the issue.</p> <p><b>Segal requests that Anthem generate a financial impact report for this issue and provide a corrective action plan.</b></p>
T31	\$100.74	Duplicate claim payments were made. (Manual Adjudication)
T32	\$18.77	Anthem agreed to the duplicate claim overpayments during the remote review.
T34	\$112.63	<p><b>Anthem's Response:</b> Anthem agrees to the assessed errors on Sample T31, T32, T34 and T35. Processors incorrectly paid duplicate charges resulting in the overpayments of \$1,004.60. Processors have been provided with coaching and refresher training on the proper handling of duplicate claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. Anthem will place the overpayment into the adjustment process with LACERA's approval.</p> <p><b>Segal recommends that LACERA discuss with Anthem approval or non-approval of placing the claims into the adjustment process.</b></p>
T35	\$772.46 Out-of-Sample: -\$1.38	<p>A duplicate claim payment was identified and an out-of-sample maximum over application of the out of pocket maximum was also identified. (Manual Adjudication)</p> <p>Anthem agreed to the duplicate claim overpayment and the over application of the out-of-pocket underpayment during the remote review.</p> <p>Anthem's response to the in sample error is noted in the preceding error box. Anthem's error for the out-of-sample error is noted in statistical error box for samples 97C, 101C, 128D, 163F, 165F, 175G, 191I, 193I, 214K, 217K, T17 &amp; T35.</p>
<b>Total</b>	<b>16 overpayments</b> <b>3 out-of-sample overpayments</b> <b>2 out-of-sample underpayments</b> <b>2 plan intent items</b>	<b>\$ 13,079.34</b> <b>\$ 4,783.00</b> <b>\$ (15.93)</b>

# Section IV – Claim Control Measures

The following processing guidelines were described in the Adjudications Procedures Review and evidenced within the 220 statistical and 35 target claim samples or confirmed through discussion with Anthem personnel. While the list did not capture all administrative procedures and system functions, it does support that established guidelines are in place to control Plan costs.

- Anthem's claims for LACERA are processed by a dedicated unit.
- During peak times Anthem institutes overtime and have team leads assist with the higher volume.
- Any off-premise workers must be able to work in a HIPAA-compliant work area. Associates sign a work-from-home agreement that includes specifics about their workspace and processes to protect PHI. Associates who work from home use a virtual private network (VPN) security process to access the Anthem network. Before transferring to work from home, the associate's workspace is inspected by a manager. Random inspections are performed periodically throughout the year.
- Approximately 77,000 claims are received for LACERA per month.
  - 88% of LACERA claims are auto-adjudicated.
  - 83% of claims are auto-adjudicated company-wide.
- AntheM's system can automatically identify COB or TPL claims for further review by Anthem team members.
- Once, per year Anthem sends out a questionnaire to inquire if other coverage exists. Additionally investigations are completed based on indicators presented in claim submissions.
- Claims over \$19,000.00 are automatically routed to Anthem's high-dollar amount claims team for review.
  - All claims over \$300,000 require review by a high-dollar claims auditor as well as a sign off from a senior auditor manager.
- When a claim is found in error through Anthem's internal review, the claim is sent for recovery when over the \$30.00 threshold. Refunds that are received are credited to LACERA's experience.

# Section V – Anthem’s Response to the Draft Report



Anthem Blue Cross of California  
Customer Audit Services  
3080 Bristol Street Suite 200  
Costa Mesa, CA 92626

January 27, 2021

Amber M. Turner  
The Segal Company  
330 North Brand Boulevard, Suite 1100  
Glendale, CA 91203

**Subject: Analysis of Medical Claims Processing and Payment Procedures, Los Angeles County Employee Retirement Association – Response to Draft Report**

Dear Ms. Turner:

Anthem Blue Cross (Anthem) has reviewed The Segal Company (Segal) draft report of the audit conducted on behalf of Los Angeles County Employee Retirement Association (“LACERA”). The audit review consisted of claims processed from July 1, 2019 through June 30, 2020. Anthem’s response to the findings and recommendations is presented below:

## Statistical Results

Segal’s sample of 220 claims identified 23 errors: one (1) in-sample overpayment for \$26.27, two (2) in-sample underpayments for -\$2.19, ten (10) out-of-sample underpayments for -\$1,091.76, one (1) out-of-sample overpayment for \$37,210.88, and nine (9) out-of-sample procedural errors. Anthem agrees with these findings.

## Target Sample Results

The target sample of 35 claims identified 21 errors and 2 plan intent items: 16 in-sample overpayments totaling \$13,079.34, three (3) out-of-sample overpayments for \$4,783.00, two (2) out-of-sample underpayments for -\$15.93 and 2 plan intent items. Anthem agrees with all findings except the two plan intent items and our rationale is provided below.

## Key Findings and Recommendations

**Sample 15A and 23A:** Anthem incorrectly coordinated Medicare benefits. This was a residual issue but has since subsided. (Samples: 15A & 23A, Total: -\$2.19).

Segal requests that Anthem provide details regarding when and how this issue was resolved.



**Anthem's Response:** *Anthem agrees to the assessed errors on Sample 15A and 23A. These claims are currently under review by Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.*

**Sample 113C and T23:** Anthem applied their allowed amount instead of Medicare's allowed amount. (Samples: 113C & T23, Total: \$270.01)

Segal requests that Anthem generate a financial impact report for this issue and a correction action plan.

**Anthem's Response:** *Anthem agrees to the assessed errors on Sample 113C and T23. These claims are currently under review with Anthem's operations team to determine root cause. Details of the findings will be shared with LACERA by Anthem's account management when they become available.*

**Sample 30A, 86C, 122D, 124D, 152E, 180G, 182H, 192I and 218K:** Anthem over applied the deductible. This overage is due to pharmacy integration but did not have any financial impact on the claim as the out-of-pocket was not met. (Samples: 30A, 86C, 122D, 124D, 152E, 180G, 182H, 192I, & 218K, Total: 9 procedural errors)

Segal notes that the errors have no financial impact on the claim as the out of pocket maximum was not reached, as such, Segal has assessed out-of-sample procedural errors for incorrect deductible application. Segal recommends that Anthem provide an action plan regarding the handling of pharmacy integration.

**Anthem's Response:** *Anthem agrees to the procedural errors. These underpayments were due to pharmacy claims. Pharmacy claims met and exceeded the members' deductible/out-of-pocket maximums. Due to the nature of the transmission of data between Anthem and the pharmacy vendor, overages to the deductible/out-of-pocket will occur. Since there is no way to avoid these overages, Anthem implemented a process to identify and correct them. Over-applied (exceeds) reports are system generated weekly and assigned to the accumulator team for review. Once assigned to the team, the team reviews the report and corrects the deductible/out-of-pocket accordingly. The accumulator team will adjust medical claims to correct the overages. If no medical claims are available, any remaining overages are sent to the pharmacy vendor so they can apply the appropriate refunds. Since this is a manual process, there may be times when overages are missed or not corrected immediately. Anthem continues to review workflows for the opportunity to enhance and reduce our process for adjusting overages. The members' deductible/out-of-pocket overages identified in this audit are in the process of being resolved.*

**Sample 97C, 101C, 128D, 163F, 165F, 175G, 191I, 193I, 214K, 217K, T17 and T35:** The out-of-pocket amounts was exceeded. This overage is due to pharmacy integration. (Samples: 97C, 101C, 128D, 163F, 165F, 175G, 191I, 193I, 214K, 217K, T17 & T35, Out-of-Sample Total: -\$1,107.69)

Segal recommends that Anthem provide details on the steps they are taking to mitigate these underpayments in the future.

**Anthem's Response:** *Anthem agrees to the assessed errors on these out-of-sample claims. These underpayments were due to pharmacy claims. Pharmacy claims met and exceeded the members'*

*deductible/out-of-pocket maximums. Due to the nature of the transmission of data between Anthem and the pharmacy vendor, overages to the deductible/out-of-pocket will occur. Since there is no way to avoid these overages, Anthem implemented a process to identify and correct them. Over-applied (exceeds) reports are system generated weekly and assigned to the accumulator team for review. Once assigned to the team, the team reviews the report and corrects the deductible/out-of-pocket accordingly. The accumulator team will adjust medical claims to correct the overages. If no medical claims are available, any remaining overages are sent to the pharmacy vendor so they can apply the appropriate refunds. Since this is a manual process, there may be times when overages are missed or not corrected immediately. Anthem continues to review workflows for the opportunity to enhance and reduce our process for adjusting overages. The members' deductible/out-of-pocket overages identified in this audit are in the process of being resolved.*

**Sample 150D:** Anthem paid a member over the lifetime limit of \$1,000,000. (Samples: 150D, Out-of-Sample Total: \$37,184.61)

Segal requests that Anthem generate a financial impact report for this issue.

**Anthem's Response:** *Anthem agrees to the out-of-sample error in the amount of \$37,184.61. This overpayment is due to pharmacy integration. Payments on eleven (11) pharmacy claims caused the lifetime maximum of \$1,000,00 to be exceeded. An impact report has been requested to determine if there are other members who have over-exceeded lifetime maximum benefit as a result of payments from pharmacy vendor. The impact report findings will be shared with LACERA by Anthem's Account Management when available.*

**Sample T1, T2, T3, T4, T5, and T6:** Hearing aids were paid over the maximum (\$300.00) amount allowed. (Samples: T1, T2, T3, T4, T5, & T6, Total: \$10,893.00, Out-of-Sample Total: \$2,397.00)

Although this benefit was manually adjudicated, due to the number of incidences, Segal requests Anthem generate a financial impact report.

**Anthem's Response:** *Anthem agrees to the assessed errors on Sample T1, T2, T3, T4, T5 and T6. Manual processing of these claims resulted in the total overpayments of \$10,893.00 for in sample and \$2,397.00 for the out-of-sample claims. Processors have been provided with coaching on the proper handling of hearing aid claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The misapplication of benefit plan hearing aid errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.*

**Sample T7, T8, T9, T10 and T11:** Acupuncture paid over the \$30.00 per visit limit. (Samples: T7, T8, T9, T10 & T11, Total: \$938.00, Out-of-Sample Total: \$2,386.00)

Although this benefit was manually adjudicated, due to the number of incidences and this being a reoccurring issue from 2019 audit, Segal requests Anthem generate a financial impact report.

**Anthem's Response:** *Anthem agrees to the assessed errors on Sample T7, T8, T9, T10 and T11. Manual processing of these claims resulted in the total overpayments of \$938.00 for in sample and \$2,386.00 for out of sample claims. Processors have been provided with coaching on the proper handling of acupuncture claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. The*

*misapplication of benefit plan acupuncture errors were a result of manual processing. We identify these as isolated incidents and do not request impact reports.*

**Sample T19 and T20:** Two (2) claims for outpatient surgery did not have pre-certifications. (Samples: T19 & T20, Plan Intent)

As the summary plan document notes precertification is required for “surgeries, wherever performed” or a non-certification deductible applies. Segal recommends LACERA and Anthem discuss the specific requirements (surgery, place of service, etc.) of a surgery requiring pre-certification.

***Anthem’s Response:** Anthem maintains that the sample claims processed correctly. The procedure codes billed for samples T19 and T20 are not on Anthem’s list of procedure codes requiring prior authorization.*

**Sample T31, T32, T34 and T35:** Duplicate claim payments. (Samples: T31, T32, T34, & T35, Total: \$1,004.60)

***Anthem’s Response:** Anthem agrees to the assessed errors on Sample T31, T32, T34 and T35. Processors incorrectly paid duplicate charges resulting in the overpayments of \$1,004.60. Processors have been provided with coaching and refresher training on the proper handling of duplicate claims. These errors have also been shared with the entire team handling claims for LACERA during team meetings to prevent future errors from recurring. Anthem will place the overpayment into the adjustment process with LACERA’s approval.*

Thank you for allowing Anthem the opportunity to respond to this draft report. Anthem representatives are available to discuss the results of this audit with Segal and LACERA upon request. We look forward to working with Segal and LACERA in the future.

Sincerely,

Sent via e-mail:  
Frank Evangelista  
External Audit Manager, Customer Audit Services

cc:

Michael Saavedra, Anthem  
Marijane Gadbury, Anthem Inc  
Jeff Byers, Anthem  
Norma Huizar, Anthem  
Lisa Adams, Anthem



**Los Angeles County Employee  
Retirement Association**

# **Cigna Health and Life Insurance Company**

**Analysis of Dental Claims Processing and  
Payment Procedures – Final Report**

**Audit Period: July 1, 2019 through June 30, 2020**

March 5, 2021 / Amber M. Turner, MBA, PMP

# Cigna Dental Claims Audit – Final Report

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# Section I – Executive Summary

This report analyzes and evaluates the claims processing and payment procedures utilized by Cigna Health and Life Insurance Company (“Cigna”) in the administration of the Los Angeles County Employees Retirement Association (“LACERA”) group dental benefits. Amber Turner and Jennifer Laguna conducted the remote review from November 2 through November 5, 2020 via system access through Cigna’s Dentacom claims adjudication system.

## Scope of Services

Cigna provided data files for all dental claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020, representing \$28,715,444.23 in benefit payments. The review objective was to ensure claims were paid in accordance with LACERA’s plan provisions, including the following components:

- An Adjudication Procedures Review to assess day-to-day processing guidelines and claim control measures; and,
- A stratified sample of 225 random claims providing statistical validity in processing accuracy levels with comparison to performance guarantees and industry standards.

The auditors completed an electronic form for each sampled claim; this worksheet served as the primary documentation on which the report is based upon. Due to the confidentiality of names, diagnosis, etc., claims addressed within this report are referred to as “Worksheets”. These worksheets (1–225) are further distinguished with an alphabetic character (A-J) that identifies the respective payment tier in the statistical analysis. The auditors reviewed each claim from receipt to release for check disbursement in order to identify any variances in procedures and benefit determination.

## Statistical Results

During the 12-month audit period July 1, 2019 through June 31, 2020, total benefit payments of \$28,715,444.23 were issued for 126,502 claims. Benefit payments for the 225 stratified claims sample totaled \$99,744.62 (0.35% of total payments).

**The sample of 225 statistical claims did not identify any claims adjudication errors.**

As seen in the chart following, Cigna met or exceeded each of its performance guarantees.

Performance Measurements			
Category	Statistical Achievement	Performance Guarantee	Industry Standards
Financial Accuracy (dollar value)	100.00%	99.00%	99.00%
Overall Processing Accuracy (free from error)	100.00%	95.00%	95.00%
Payment Accuracy (free from financial error)	100.00%	N/A	97.00%
Procedural Accuracy (free from processing)	100.00%	97.00%	95.00%
Time-to-Process (within 10 business days)*	95.45%*	93.00%	95.00%

\* The electronic calculation, based on 14 calendar days, supports achievement in time-to-process goals.

The statistical sample was structured to identify less than a 3% error rate, which provides a 95% confidence level with  $\pm 5\%$  precision. For comparison to performance guarantees and industry standards, processing errors are classified as “payment” or “procedural”. Procedural errors do not involve a variance in payment.

Industry standards are developed through ongoing review and comparison of measures utilized by major carriers and third-party administrators nationwide. These standards include acceptable performance levels for administration of fully-insured, self-insured, corporate, public, and multi-employer plan benefits.

## Key Observations

The following bullet points summarize the primary review findings identified by Segal’s auditors during the individual claims review with recommendations, as indicated. Cigna was presented with a draft report on November 10, 2020 for their review and comment. Cigna responded with their formal response on November 19<sup>th</sup>. Their responses are paraphrased in italics throughout this report; Cigna’s entire response is included in Section V – Cigna’s Formal Response (starting on page 9).

- Due to the pandemic, Cigna allowed an additional \$8.00 to be billed under code D1999 for personal protective equipment (PPE) during the time period of June 15, 2020 through August 1, 2020.

*Cigna noted that they previously communicated this update to LACERA.*

- Claims submitted during the pandemic and the California stay at home order were not investigated for possible fraud. Cigna noted that fraud measures are in place for all of their providers and will provide this additional information in their formal response.

*Cigna noted that Cigna's Special Investigation Unit (SIU) is responsible for investigating suspect claim activity. Suspect claims can be identified using “Red Flags”, which are anomalies in either paper or electronic transactions whose unusual pattern or characteristics trigger additional review or investigation. Claim information may contain red flags that raise*

*suspicion about the integrity of the information. SIU uses red flags to educate claim processors and underwriting personnel to identify potential fraud.*

- Cigna noted that due to the pandemic, a month of premiums were refunded back to LACERA.

*Cigna noted that they previously communicated this update to LACERA.*

In addition, all applicable findings from the prior audit period were resolved prior to report distribution.

Segal appreciates Cigna's ongoing support in resolving audit questions posed as well as Cigna providing support and alternative means for review during this audit.



# Section II – Statistical Claim Review

Cigna provided a data file of all dental claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020, which was utilized for sampling purposes. Benefit payments for 126,502 claims totaled \$28,715,444.23. Sampled benefit payments for 225 stratified claims totaled \$99,744.62 (0.35%). Relevant claims processing information was verified through Cigna's responses to the adjudication questionnaire, remote review discussions, auditors' observations, and the individual claims review.

## Stratification Table

The following table identifies the payment tiers and respective number of claims and dollar value in the entire population and represented within the statistical claims sample. The methodology of the stratified selection process utilizes a formula designed to take full advantage of statistical sampling procedures that allow a quantifiable degree of confidence so the results obtained in the audit sample are a true reflection of the actual way all claims were processed during the audit period.

A basic principle of the stratified sampling technique is that the audit findings are representative of all claims; therefore, the respective strata error rate is used to project the total errors for each stratum. The total projected errors are used to calculate the statistical accuracy levels for comparison to performance guarantees and/or industry standards.

Strata	Dollar Range of Strata	Number of Claims in		Dollar Amount in	
		Range	Selection	Selection	Strata
A	\$0.01 - \$79.99	33,044	50	\$2,766.80	\$1,846,920.70
B	\$80.00 - \$119.99	29,052	40	\$3,923.80	\$2,846,765.06
C	\$120.00 - \$189.99	25,971	30	\$4,550.56	\$3,868,535.18
D	\$190.00 - \$309.99	15,193	25	\$6,166.60	\$3,627,169.96
E	\$310.00 - \$474.99	7,583	20	\$7,588.00	\$2,895,852.68
F	\$475.00 - \$749.99	6,883	20	\$12,078.10	\$4,097,980.79
G	\$750.00 - \$1,049.99	4,471	10	\$9,052.50	\$3,984,309.56
H	\$1,050.00 - \$1,499.99	3,538	10	\$12,128.36	\$4,378,618.20
I	\$1,500.00 - \$2,199.99	757	10	\$15,344.00	\$1,143,146.20
J	\$2,200.00 - \$2,834.40	10	10	\$26,145.90	\$26,145.90
<b>Total</b>		<b>126,502</b>	<b>225</b>	<b>\$99,744.62</b>	<b>\$28,715,444.23</b>

## Review Process

Cigna provided copies of the sample claim submissions and access to their claims system for the auditors' reference as each claim was manually reviewed and recalculated from initial receipt to final benefit determination. Evidence of compliance with established adjudication procedures and plan provisions was explored for each claim; the sampled patients' claims history was reviewed to confirm proper application of deductibles and calendar year maximums.

Identification of potential financial and non-financial errors were documented and discussed with Cigna's representative on a daily basis. Evidence of the following processing tasks was explored:

- Claims were paid in strict accordance with plan provisions;
- Documentation (e.g., provider bills, pre-determinations, etc.) was on file for claims paid and verified when necessary;
- Claims were paid only on behalf of eligible individuals, based on eligibility data in Cigna's claims system;
- Amounts paid were within the designated non-contracted allowances or discounted fees based on schedules utilized. Segal did not determine medical/clinical necessity; however, auditors confirmed if claims were reviewed or referred as appropriate;
- Benefits were paid under the proper benefit classification and procedure codes, as an incorrect entry may affect payment accuracy or future benefit determinations;
- Appropriate benefit limitations, deductibles, and coinsurance levels were applied;
- Coordination of benefits (COB) provisions were enforced, where applicable;
- Duplicate claims were properly denied; and,
- Time-to-process achievements for processing of claims was within established performance guarantees.

## Statistical Error Table

**The sample of 225 statistical claims did not produce any errors.**

## Additional Observation

**The following are observations noted during the audit.**

- Due to the pandemic, Cigna allowed an additional \$8.00 to be billed under code D1999 for personal protective equipment during the time period of June 15, 2020 through August 1, 2020. Cigna noted that information regarding this additional payment was communicated to LACERA.

*Cigna noted that they previously communicated this update to LACERA.*

- Claims submitted during the pandemic and the California stay at home order were not investigated for possible fraud. Cigna noted that fraud measures are in place for all of their providers and will provide this additional information in their formal response.

*Cigna noted that Cigna's Special Investigation Unit (SIU) is responsible for investigating suspect claim activity. Suspect claims can be identified using "Red Flags", which are anomalies in either paper or electronic transactions whose unusual pattern or characteristics trigger additional review or investigation. Claim information may contain red flags that raise suspicion about the integrity of the information. SIU uses red flags to educate claim processors and underwriting personnel to identify potential fraud.*

## Time-To-Process Analysis

### **No concerns were identified.**

Time-to-process achievement for all claims (100%) processed from July 1, 2019 through June 30, 2020 was electronically calculated from the date a claim was first received to the date it was completed with payment or denial; delays for draft issuance were excluded. This electronic calculation measures calendar days.

The report supports that Cigna met their 10 business day "time-to-process" performance guarantee of 93.00% with 95.45% achieved within 14 calendar (10 business) days. The claims system does not capture multiple events when a claim was pended for additional information or adjusted; consequently, the electronic review was expected to understate measurements beyond 10 business or 14 calendar days.

During the review of sampled claims, processing times exceeding 14 calendar days were reviewed for explanation with particular attention to those beyond the Department of Labor's (DOL) 30-day requirement. Each claim was found to be processed in a timely manner; documentation supported proper delays for additional information and/or later adjustment to the claim.

# Section III – Claim Control Measures

The following processing guidelines were described in the Adjudications Procedures Review and evidenced within the 225 statistical or confirmed through discussion with Cigna personnel. While the list did not capture all administrative procedures and system functions, it does support that established guidelines are in place to control Plan costs.

- Cigna has a 16-member team that is dedicated to the adjudication of LACERA's claims.
- Average monthly claims for LACERA is 15,000.
  - 75.0% of LACERA claims are electronically submitted.
  - 65.83% of LACERA claims are auto-adjudicated.
- Eligibility information updates for LACERA are received via paper, email, and phone calls from LACERA.
  - A Cigna eligibility analyst audits the eligibility records on a monthly basis to ensure that the information matches the dental benefit option for each member.
- Each dentist interested in joining the Cigna network undergoes a rigorous screening process to review their credentials and certifications for their licenses. Reverification of their credentials occurs every three (3) years.
- Possible fraud, waste, and abuse is investigated through Cigna's Special Investigation Unit (SIU).
  - When a case is found to have possible fraudulent claims activity it can be reported to such groups as the Department of Insurance, law enforcement, leadership within the National Health Care Anti-Fraud Association (NHCAA) Healthcare Fraud Prevention Partnership, and other fraud-focused organizations.

# Section IV – Performance Guarantees

The July 1, 2016 Performance Guarantee Agreement between Cigna and LACERA contained eight (8) service guarantees, each with a \$25,000 penalty at risk. Processing Accuracy levels measured and reported by Cigna were determined from a statistically-valid sample of claims paid during the Guarantee Period.

Segal’s statistical sampling places emphasis on the financial dollars paid during the audit period. The statistical sample of 225 claims was structured to identify less than a 3% error rate, which provides a 95% confidence level with ±5% precision. Statistical measurements are presented below for comparison to Cigna’s Performance Guarantee goals.

Performance Guarantee (Account Specific)	Goal	Audit Result
<b>Financial Accuracy</b> represents the sum of the absolute value of total dollars overpaid and the total dollars underpaid subtracted from the total dollars paid, divided by the total dollars paid, expressed as a percentage.	99.00%	Met; 100.00%
<b>Claims Processing Accuracy (Overall Accuracy)</b> represents the total number of claims/claims processed without any errors (both financial and non-financial errors) divided by the total claims/claims processed, expressed as a percentage.	95.00%	Met; 100.00%
<b>Claim Time-to-Process (TTP)</b> is calculated by counting the number of business days or calendar days (as appropriate as determined by Cigna) from the day that a claim is received by Cigna to and including the day the claim is processed. The day that the claim is received will not be included in this calculation.		
Claims processed within 10 Business Days	93.00%	Met; 100.00%
Claims processed within 20 Business Days	98.00%	Met*

\* The electronic analysis for all claims reports 97.08% within 30 calendar days. Electronic calculations cannot carve out delays pending additional information or multiple processing dates associated with adjustments; therefore, these calculations are likely understated.

The following guarantees were not included in the audit scope:

- Average Speed of Answer – not to exceed 30 seconds, measured at the special account queue,
- Call Abandonment Rate – less than 2% of calls received, measured at the special account queue,
- CSA Quality – 95%, measured at the Office level,
- Account Management – 3.0 or better composite score from four quarterly assessments.

# Section V – Cigna’s Formal Response

Steven P. Fallgren  
Senior Account Manager  
Sales Department  
CA License No. 0C91825



400 North Brand Boulevard  
Glendale, California 91203  
Tel (818) 546-5363  
stevenpaul.fallgren@cigna.com

November 11, 2020  
Cassandra Smith Director LACERA  
300 N. Lake Avenue, Suite 650  
Pasadena, CA 91101

**RE: LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)  
Cigna Account Number: 3211348  
Dental Plan Audit (Claims Paid July 1, 2019 through June 30, 2020)**

Dear Cassandra;

Thank you for the opportunity to respond to the findings of the final report from the dental plan audit of Cigna HealthCare’s Claim Administration Services completed the week of November 2<sup>nd</sup>, 2020 by Segal Consulting on behalf of LACERA. We reviewed the audit findings and want to share our commitment to resolve any outstanding issues or questions.

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

Sincerely,

Steven P. Fallgren Senior  
Account Manager

Cc Sonia  
Ledesma,  
Cigna Susan  
Cabarcos,  
Cigna Cindy  
Yanaga,  
Cigna Leslie  
Cole, Cigna

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# CIGNA RESPONSE TO LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)

## SEGAL GROUP EVALUATION OF CIGNA

### Executive Summary

Segal Consulting conducted a remote review November 2<sup>nd</sup>, 2020 – November 5<sup>th</sup>, 2020 via system access of Los Angeles County Employees Retirement Association (LACERA) claims processed by Cigna. The sample consisted of 225 random dental claims processed and paid during the 12 month audit period of July 1, 2019 through June 30, 2020. Total benefit payments of \$28,715,444.23 were paid on behalf of eligible employees and their dependents. Segal’s sample and analysis represents benefit payments in the amount of \$99,744.62.

The objectives of the audit included the following components:

- An Adjudication Procedures Review to assess day-to-day processing guidelines and claim control measures; and,
- A stratified sample of 225 claims providing statistical validity in processing accuracy levels with comparison to performance guarantees and industry standards.

Cigna has reviewed the report submitted by Segal Consulting and appreciates the insights and feedback shared.

Segal Consulting’s recommendations have been thoughtfully considered and Cigna's response is provided in the detailed information that follows.

### Audit Overview

The audit consisted of a Random, Stratified Sample of 225 dental claims and an Operational Questionnaire.

#### **Sample Summary:**

Platform	Scope Period	Total Volume of Paid Claims	Total Volume of Claim Payments	Audit Type	Audit Claim Sample Volume	Audit Sample Claim Payments
Dental	07/01/2019 - 06/30/2020	126,502	\$28,715,444.23	<i>Random stratified Dental</i>	225	\$99,744.62

#### **Performance Measurements**

Quality Metric	Segal Consulting Recognized Audit Results	Cigna Recognized Audit Results	Performance Guarantee	Segal Recognized Industry Standard
Financial Accuracy	100.00%	100.00%	99.0%	99.0%
Payment Accuracy	100.00%	100.00%	n/a	97.0%
Procedural Accuracy	100.00%	100.00%	97.0%	95.0%

# CIGNA RESPONSE TO LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)

## SEGAL GROUP EVALUATION OF CIGNA

### **Audit Results**

*Dental Claim Audit Findings: Cigna is pleased to report there were no errors identified in the review.*

*Key Findings and Recommendations: - All findings from prior audit period were resolved prior to the report distribution.*

Observations	Cigna Response
Due to the pandemic, Cigna allowed an additional \$8.00 to be billed under code D1999 for personal protective equipment during the time period of June 15, 2020 through August 1, 2020. Cigna noted information regarding this additional payment was communicated to LACERA.	Cigna previously communicated this update to LACERA related to personal protective equipment. Cigna is happy to discuss the administration of this benefit with LACERA.
Claims submitted during the pandemic and the California stay at home order were not investigated for possible fraud. Cigna noted fraud measures are in place for all of their providers and will provide this additional information in their formal response	Cigna's Special Investigation Unit (SIU) is responsible for investigating suspect claim activity. Suspect claims can be identified using “Red Flags”, which are anomalies in either paper or electronic transactions whose unusual pattern or characteristics trigger additional review or investigation. Claim information may contain red flags that raise suspicion about the integrity of the information. SIU uses red flags to educate claim processors and underwriting personnel to identify potential fraud.
Cigna noted due to the pandemic, a month of premiums was refunded back to LACERA.	Cigna previously communicated this update to LACERA related to the month of premiums refunded back to LACERA.

### **Conclusion**

Cigna recognizes LACERA as a valued client and Segal Consulting as a valued business partner. Cigna sincerely appreciates the ability to share the findings of this audit with LACERA.

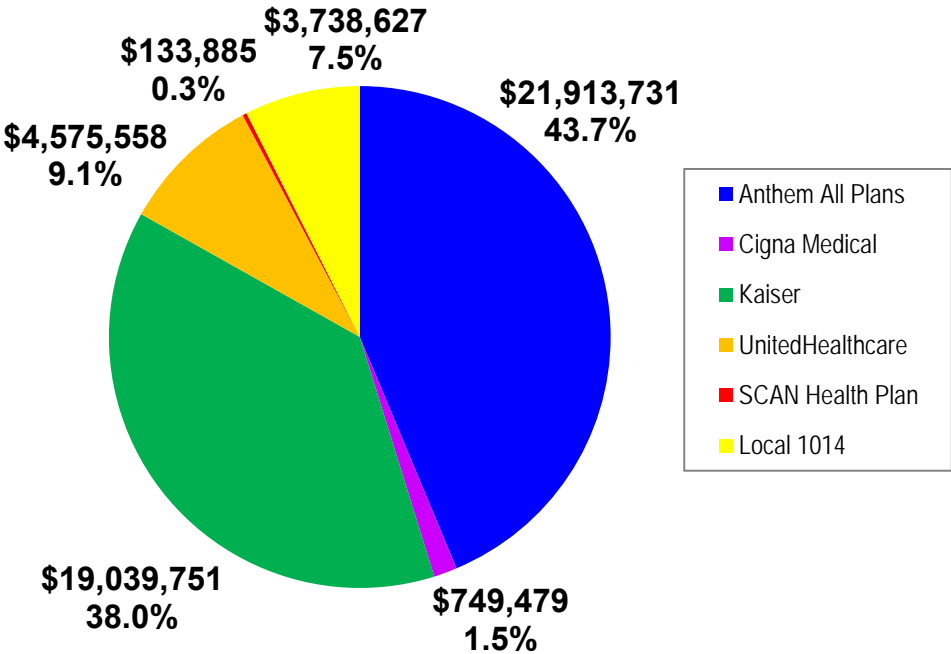


**Los Angeles County Employees Retirement Association**  
**Premium & Enrollment**  
*Coverage Month Ending February 2021*

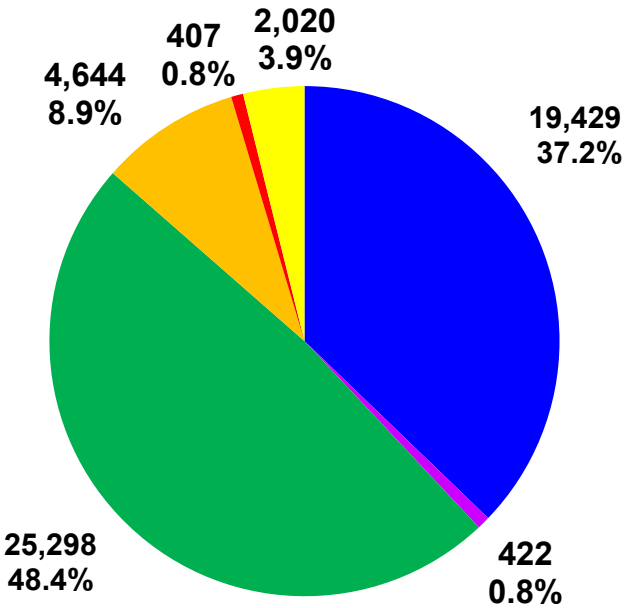
Carrier / Plan	Monthly Premium	Percent of Total	Retirees	Percent of Total
Anthem All Plans	\$21,913,731	43.7%	19,429	37.2%
Cigna Medical	\$749,479	1.5%	422	0.8%
Kaiser	\$19,039,751	38.0%	25,298	48.4%
UnitedHealthcare	\$4,575,558	9.1%	4,644	8.9%
SCAN Health Plan	\$133,885	0.3%	407	0.8%
Local 1014	\$3,738,627	7.5%	2,020	3.9%
<b>Combined Medical</b>	<b>\$50,151,031</b>	<b>100.0%</b>	<b>52,220</b>	<b>100.0%</b>

<b>Cigna Dental &amp; Vision (PPO and HMO)</b>	<b>\$4,141,762</b>	<b>53,692</b>
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**Monthly Premium**

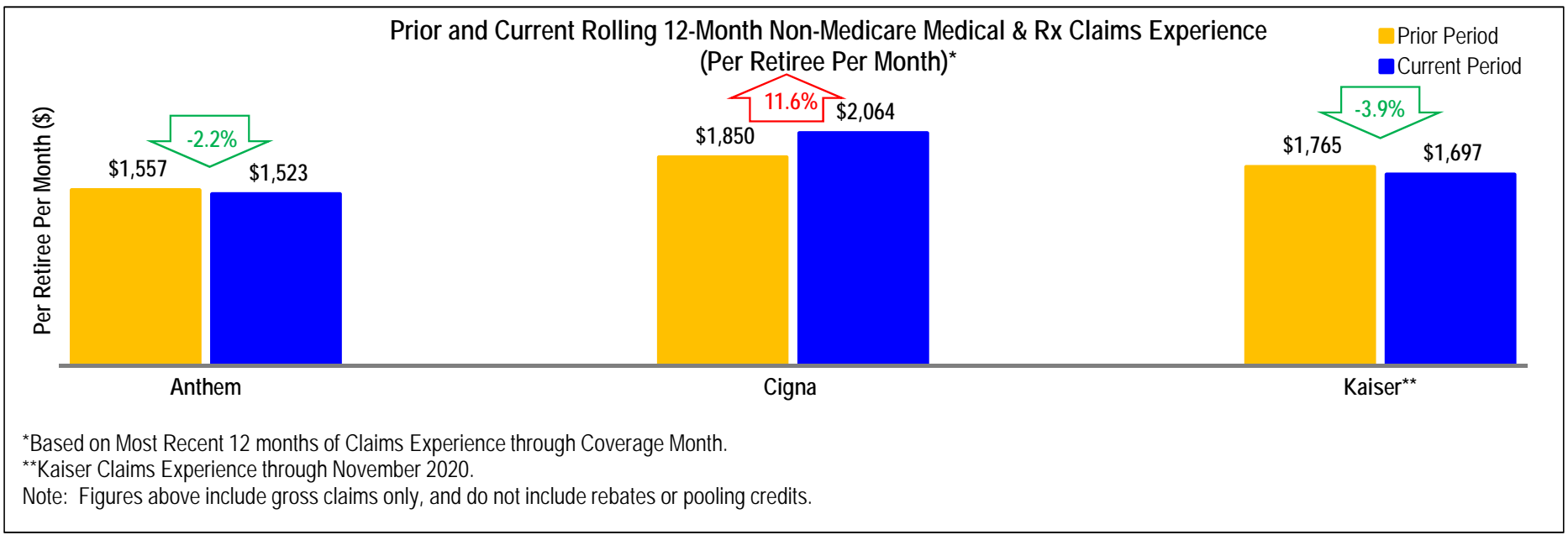
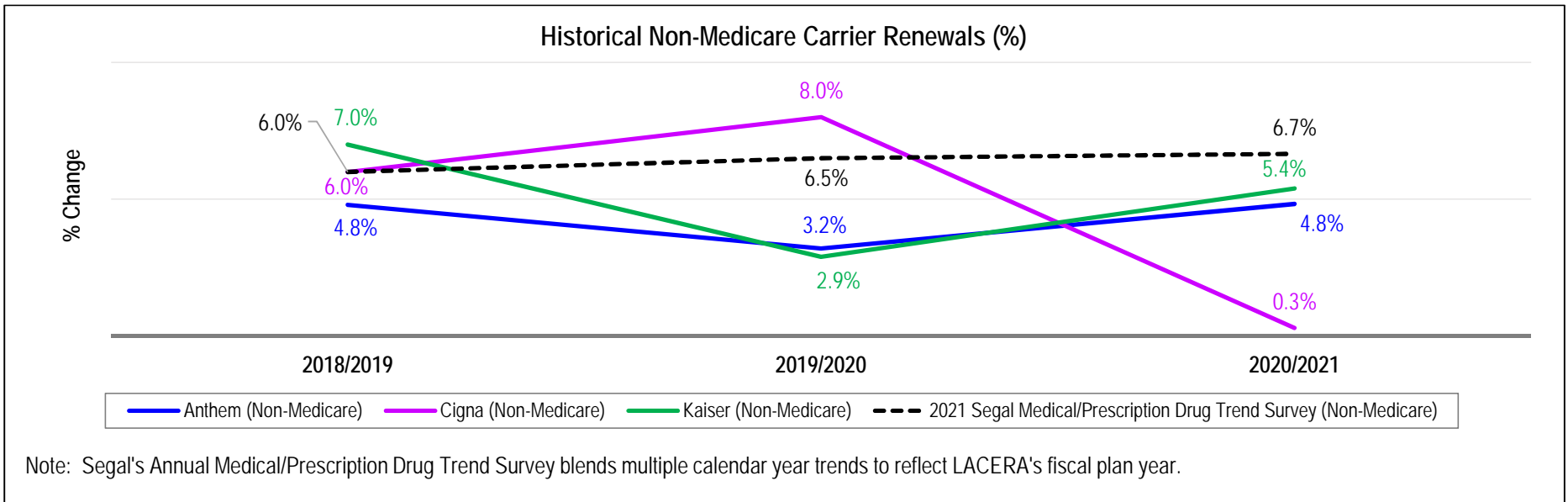


**Retirees**



Note: Premiums **include** LACERA's Administrative Fee of \$8.00 per member, per plan, per month.

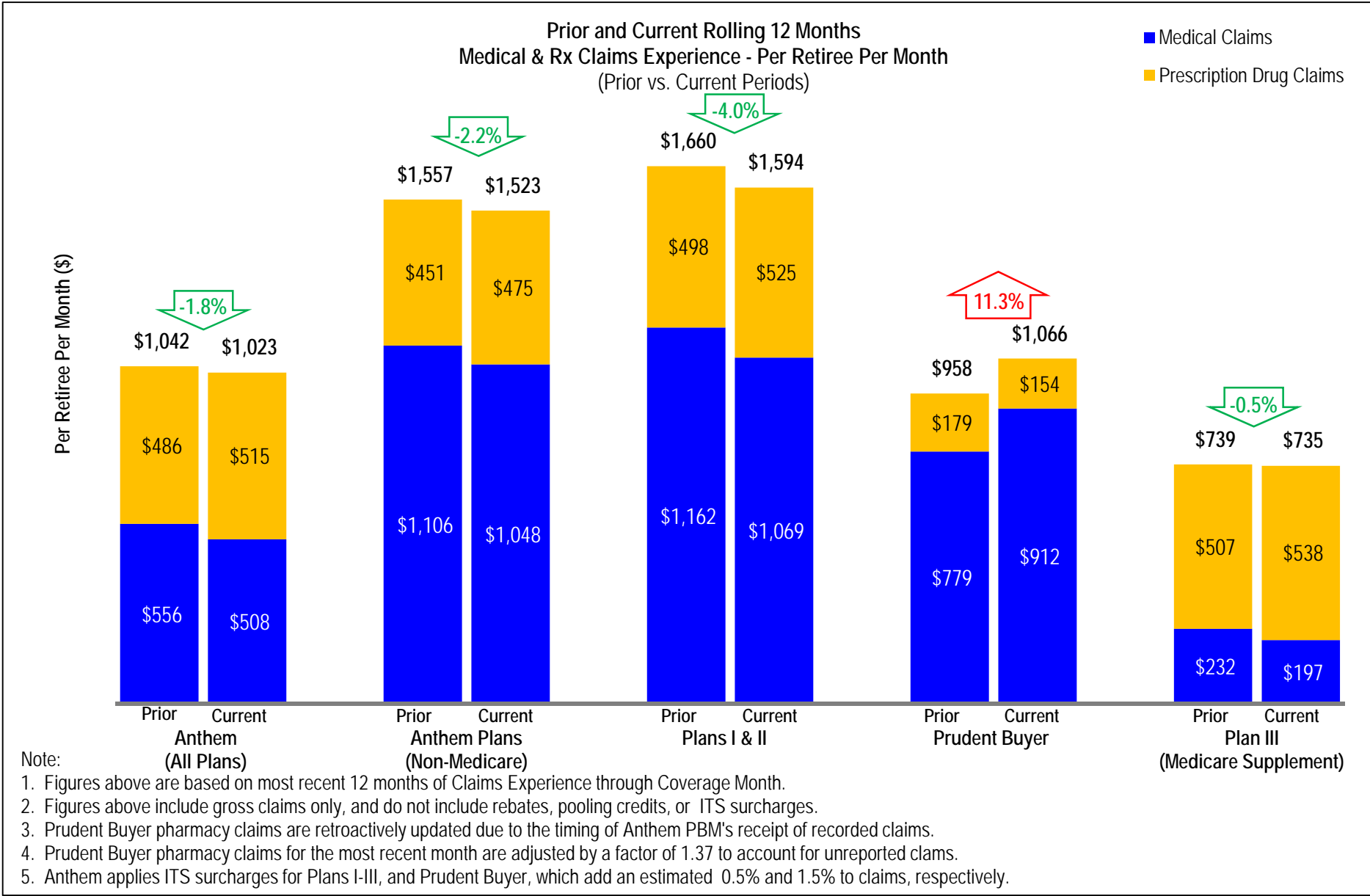
**Los Angeles County Employees Retirement Association**  
**Claims Experience by Carrier**  
*Coverage Month Ending February 2021*



# Los Angeles County Employees Retirement Association

## Anthem Claims Experience By Plan

Coverage Month Ending February 2021



# Los Angeles County Employees Retirement Association

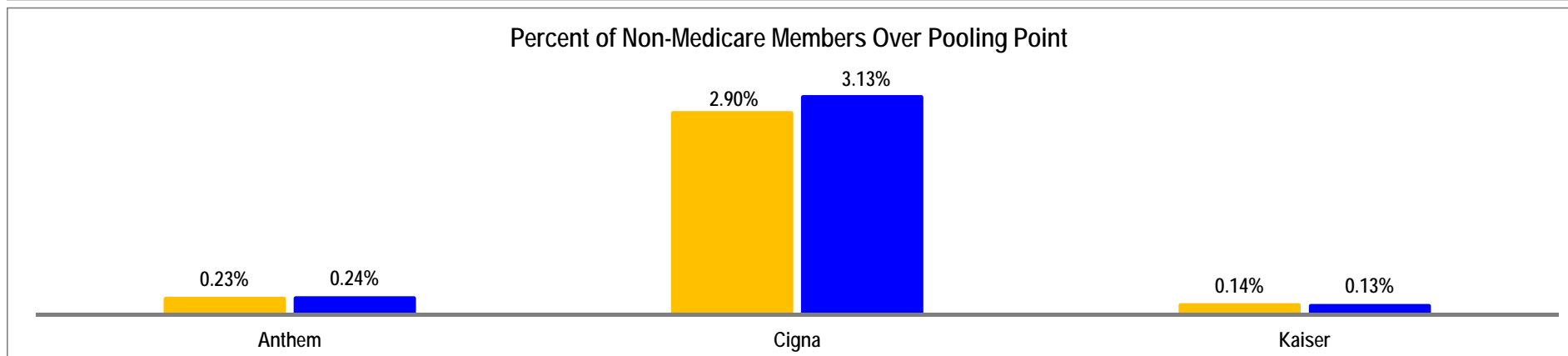
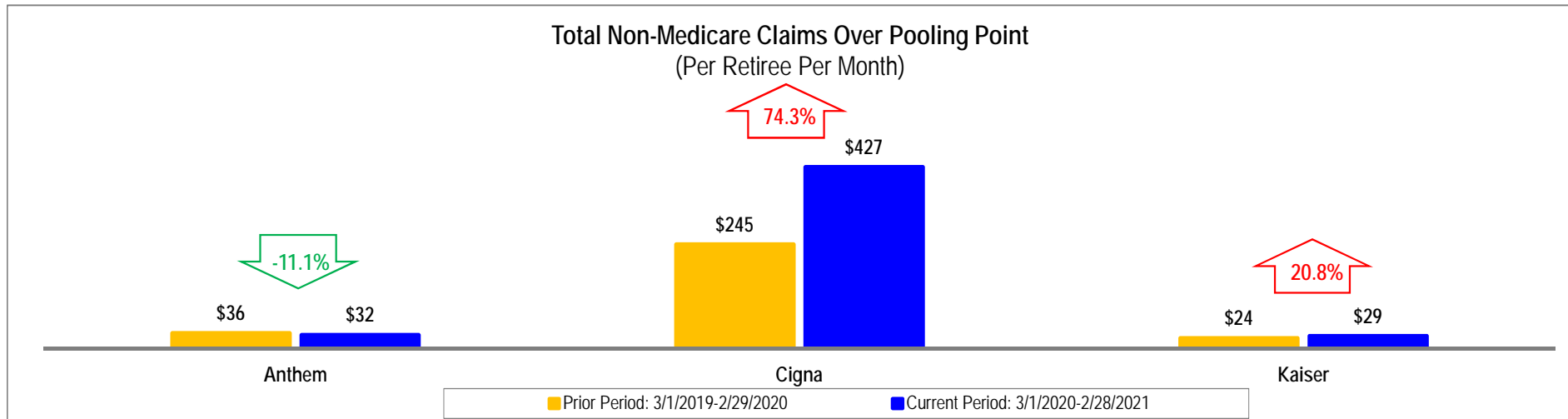
## Kaiser Utilization

### Coverage Month Ending February 2021

- Kaiser insures approximately 25,000 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 12/1/2019 - 11/30/2020	Prior Period 12/1/2018 - 11/30/2019	Change
<b>Average Contract Size</b>	<b>2.39</b>	<b>2.37</b>	<b>0.84%</b>
<b>Average Members</b>	<b>8,883</b>	<b>8,772</b>	<b>1.27%</b>
Inpatient Claims Per Member Per Month	\$179.19	\$182.32	-1.72%
Outpatient Claims Per Member Per Month	\$307.99	\$349.19	-11.80%
Pharmacy Per Member Per Month	\$108.64	\$99.76	8.90%
Other Per Member Per Month	\$114.10	\$113.39	0.63%
<b>Total Claims Per Member Per Month</b>	<b>\$709.92</b>	<b>\$744.66</b>	<b>-4.67%</b>
<b>Total Paid Claims</b>	<b>\$75,676,140</b>	<b>\$78,382,155</b>	<b>-3.45%</b>
Large Claims over \$475,000 Pooling Point			
Number of Claims over Pooling Point	5	5	
Amount over Pooling Point	\$1,283,918	\$1,087,731	18.04%
% of Total Paid Claims	<b>1.70%</b>	<b>1.39%</b>	
Inpatient Days / 1000	356.2	299.6	18.89%
Inpatient Admits / 1000	53.4	51.0	4.71%
Outpatient Visits / 1000	11,426.4	13,197.4	-13.42%
Pharmacy Scripts Per Member Per Year	10.2	10.5	-2.86%

**Los Angeles County Employees Retirement Association**  
 High Cost Claimants (Anthem, Cigna, & Kaiser)  
 Coverage Month Ending February 2021



**Stop-Loss & Pooling Points Overview:**

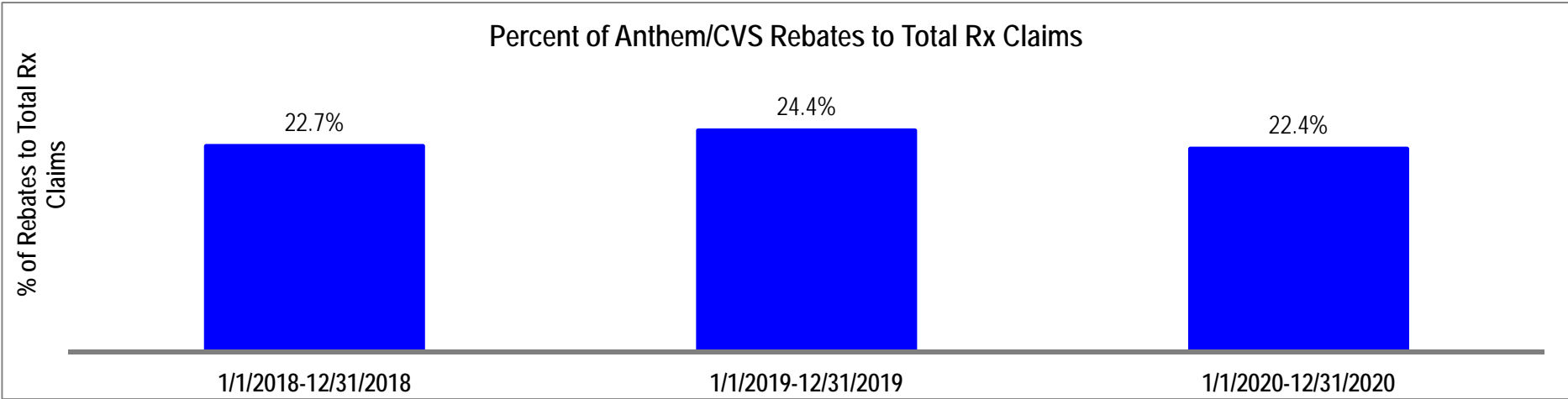
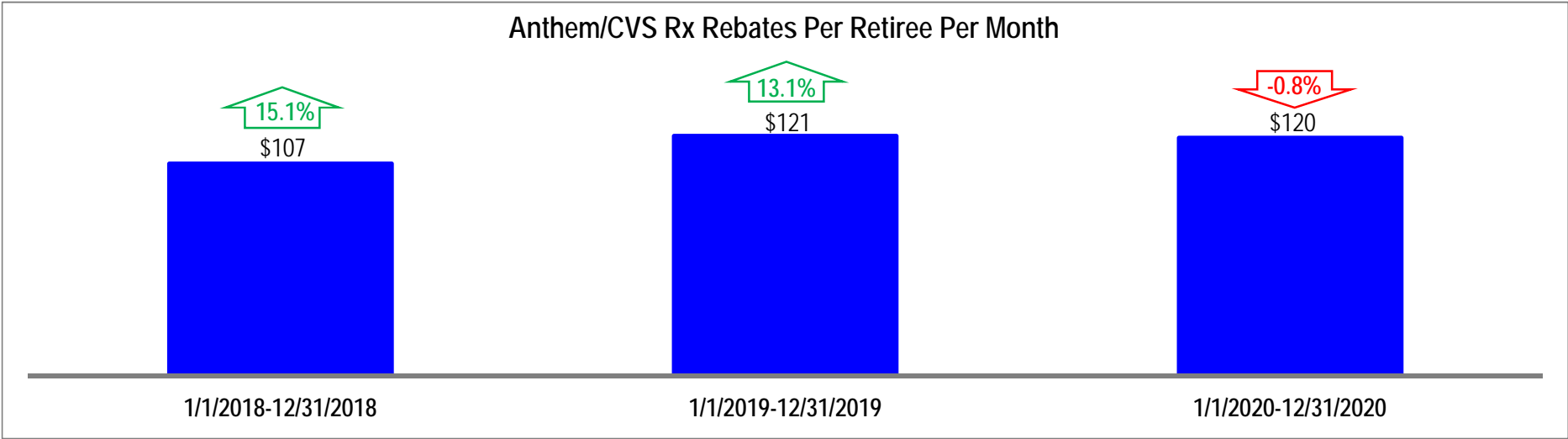
Plan sponsors mitigate the financial risk associated with individual large claimants through reinsurance. Claims exceeding the specified individual pooling threshold are deducted from the carrier's renewal calculation. The pooling credit is offset by the carrier's pooling expense, which is applied to all policyholders.

Anthem and Cigna's figures are based on most recent 12 months of Claims Experience through Coverage Month. Kaiser's figures are based on claims experience period between December through November.

**Pooling Points by Carrier:**

1. Anthem's pooling points are \$350,000 for Plans I & II, and \$300,000 for Prudent Buyer.
2. Cigna's pooling point is \$100,000.
3. Kaiser's pooling point is \$475,000.

**Los Angeles County Employees Retirement Association**  
Prescription Drug Rebates (Anthem)  
Coverage Month Ending February 2021



**Rebates Overview:**

Pharmacy Benefit Managers negotiate volume-based rebates with drug manufacturers of brand medications. Manufacturer rebates are passed on to plan sponsors and are used to offset pharmaceutical claims expenses.

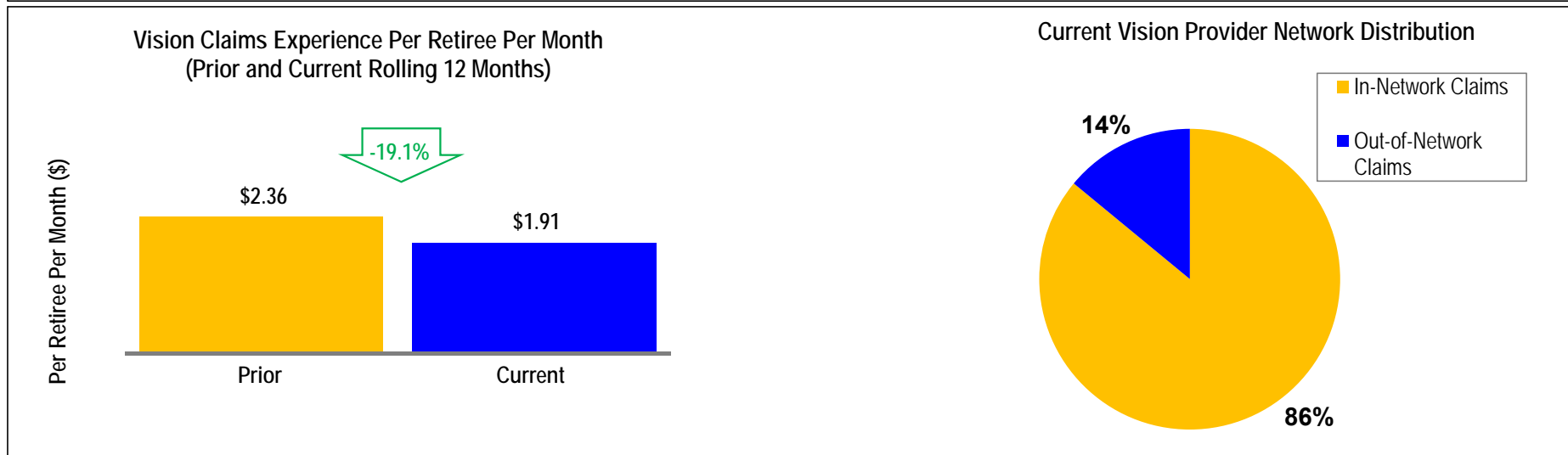
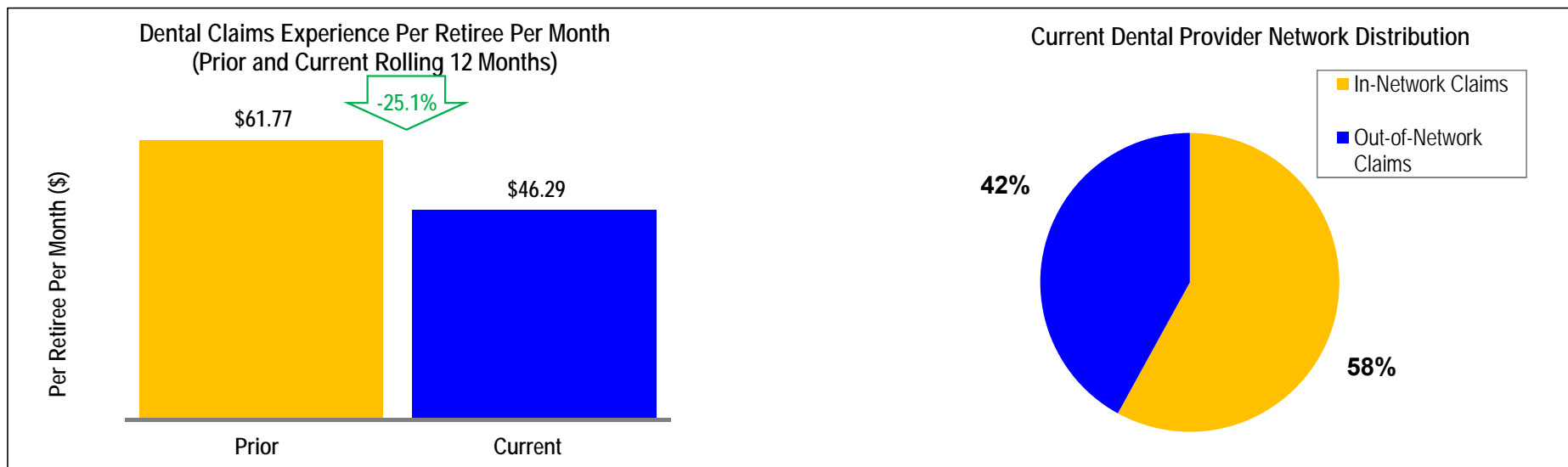
**Note:**

1. Prescription Claims and Rebates Data were provided by CVS.
2. Anthem Prudent Buyer prescription drugs are provided by Express Scripts Inc. and are not included in the charts above.

# Los Angeles County Employees Retirement Association

Cigna Dental & Vision Claims Experience

Coverage Month Ending February 2021



Notes:

1. Figures above are based on most recent 12 months of Claims Experience through Coverage Month.
2. Dental Claims Experience reflects passive use of Cigna's PPO Dental Network.