

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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November 9, 2009

Board of Supervisors
County of Santa Barbara
105 E. Anapamu Street
Santa Barbara, CA 93101

RE: County-Sponsored Health Insurance for Retirees

Dear Supervisors:

The SBCERS Board of Retirement would like to thank your staff for its effort to find affordable health care in Santa Barbara County. However, we would like to express our concern regarding the disproportionate impact of health insurance changes on the retired employees of the County and other participating employers.

Like active employees, retirees have seen diminished health coverage at higher costs over the past five years. However, unlike active employees, many retirees have absorbed premium increases of more than 300% since 2005. Retirees who cannot afford these extraordinary premium increases are either left without health insurance or seek less expensive coverage without the benefit of the retiree health insurance subsidy.

As you may know, prior to July 2005, all plan participants were pooled for purposes of premium rate setting. In July 2005, in response to changing governmental accounting standards the County made a decision to "de-pool" actives and retirees, leading to dramatic increases in retiree costs over a short period of time. The chart below shows the monthly premiums for the Low Option HMO (soon-to-be EPO) in 2004-05, in the current year, and as proposed for 2010.

Low Option HMO/EPO Employee/Retiree Only	2009			2010	
	2004-05	2009	2010	% increase over 2009	% increase over 2004-05
Active Employee*	\$186.20	\$327.62	\$408.68	24.7%	119.5%
Non-Medicare Retiree**	\$186.20	\$619.10	\$787.09	27.1%	322.7%
Medicare Retiree***	\$186.20	\$256.20	\$421.00	64.3%	126.1%

*The County pays this lowest cost premium for Active employees

**Non-Medicare retirees include pre-65 retirees as well as Safety members who do not participate in Medicare

***Medicare retirees also pay for Medicare Part B, currently \$96.40/month minimum

The figures above are for the most popular and lowest cost plan for Medicare retirees. Costs for higher benefit plans and dependents are of course more expensive, with premiums in excess of \$1600/month

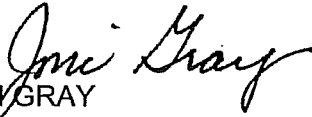
for retiree and spouse for HMO coverage. As of June 30, 2009, the average monthly retirement benefit was \$2467, and most retirees receive less.

According to the County consultant's projections, the proposed premiums for *Blue Shield only* will increase retiree costs by \$2.98 million in 2010. There are currently 38 retirees who write a check to the Retirement System every month because their insurance premium exceeds the amount of their retirement benefit. We fear that this number will increase when the 2010 rates go into effect, and that some retirees may become uninsured.

While the Board of Retirement well understands that this is not a problem that is unique to Santa Barbara County nor entirely within the control of the Board of Supervisors, we are concerned that disclosure and consideration of the impact of insurance decisions on the retired employee population is insufficient. The Board of Retirement respectfully requests that the County Board of Supervisors ensure that the impact of health insurance changes on retired employees be fully considered, and that the County take all reasonable steps to mitigate the financial impact on those that can least afford it.

Thank you for your consideration.

Sincerely,



JONI GRAY
Chair, Board of Retirement

cc: SBCERS Board of Retirement
Vincent Brown, SBCERS CEO
Lila Deeds, SBCERS Assistant CEO
Mike Brown, County Executive Officer
Susan Paul, Assistant County Executive Officer
All Participating Employers
Retired Employees of Santa Barbara County (RESBC)
Members, Health Oversight Committee