



## spotlight on **benefits**

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# Participants Receive Higher Returns From Pension Plans' Low Expenses

Expenses matter. When you're building an investment portfolio, you'll likely consider the mix of assets in your portfolio, the inherent risk associated with a particular investment and, of course, its perceived future value. But you shouldn't forget about expenses. Some believe that an investment's expense ratio (i.e. the expenses associated with owning that investment) is one of the most important aspects to take into account during the investment decision-making process. High expenses erode investment returns. And low expenses can boost returns, especially over the long term.

The DGA-Producer Pension Plans' Board of Trustees understands the value of keeping expenses low and the positive impact that low expense ratios can have on the Plans' bottom line. One of the Board's main areas of focus is to ensure that Pension Plan participants are receiving maximum value on the money that comes into the Pension Plans.

Let's say you have \$10,000 to invest and you divided it between two investments: Investment A with

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# Plans' Expense Ratios

## INSIDE SPOTLIGHT

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Cover Story. The Pension Plans' Board of Trustees places a high priority on making sure Pension Plan participants receive maximum value on the money that comes into the Plans.

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The Health Plan is making changes effective January 1 that comply with Mental Health Parity legislation and put the Plan's mental health and chemical dependency benefits on par with its medical benefits.

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The January 1, 2010 Health Plan Booklet has been updated to reflect changes to the Plan's policy in regard to verifying eligible dependents.

an expense ratio of 2% and Investment B with an expense ratio of 1%. Then, let's say that over the next ten years, both investments increased 7% annually. When you factor in the expense ratios, Investment B is clearly the better performer. Investment A actually returned 5% annually (the 7% investment return minus the 2% expense ratio), while Investment B returned 6%

As of July 31, 2011, the Pension Plans' annualized investment expense ratio stood at 0.64% (0.7% for the Basic Plan and 0.59% for the Supplemental Plan). This is the annual cost associated with managing the Plans' investment portfolio, which includes, but is not limited to, fees paid to the Plans' investment managers and to the Plans' investment consultant. It does

	Basic Plan	Supplemental Plan	Both Plans
Total Assets	\$1.123 Billion	\$1.234 Billion	\$2.357 Billion
Investment Expenses*	\$7.907 Million	\$7.256 Million	\$15.163 Million
Investment Expense Ratio	0.7%	0.59%	0.64%
Total Plan Expenses*	\$11.249 Million	\$10.788 Million	\$21.875 Million
Total Expense Ratio	1%	0.87%	0.93%

\*annualized as of 7/31/11

annually (the 7% investment return minus the 1% expense ratio).

Ten years later, your \$5,000 investment in Investment A would have grown to \$8,144. Investment B would have grown to \$8,954. So you would have increased the value of your investment by nearly 10% simply by choosing the investment with the lower expense ratio. Over the long term, this difference is even more profound. Assuming the same 7% investment return, after 30 years, Investment A would have grown to \$21,609 and Investment B would have grown to \$28,717, a difference of nearly 33%.

not include the Plans' operating costs, like the insurance premium paid to the Pension Benefit Guaranty Corporation (PBGC), salaries paid to Plans' employees and costs associated with processing monthly pension payments.

When you factor in operating costs and consider the total cost of managing the Pension Plans, the expense ratio is 0.93%, or approximately \$21.9 Million.

So, are the Plans' expense ratios high or low? One method of determining this is to see what it would cost to build a similar investment portfolio on the open market.

So, as you can see, expenses do matter. Especially over the long term.

[See Plans' Expense Ratios on Page 7](#)

# Health Plan Expands Mental Health and Chemical Dependency Benefits to Comply with Mental Health Parity Legislation

The Board of Trustees has taken action to bring the Health Plan into compliance with the Mental Health Parity and Addiction Equity Act of 2008 (Mental Health Parity). The Board-approved changes (as outlined in the table) will be effective January 1, 2012 and will allow our Health Plan to continue providing participants with a comprehensive set of mental health and chemical dependency benefits, while at the same time meeting the legislation's requirement that mental health benefits be covered on par with the Plan's other medical benefits.

The costs of compliance with Mental Health Parity are estimated to be up to \$3.4 Million annually. For our plan alone, this mandated change is a 4.9% increase in cost. The Board will closely monitor this projected cost impact on the overall health of the plan.

## Changes Effective January 1, 2012

### Anthem Blue Cross to Replace OptumHealth

OptumHealth, the Health Plan's current mental health and chemical dependency benefit manager, will be replaced by Anthem Blue Cross on January 1, 2012. You should be aware that your OptumHealth network provider may not be part of the Anthem Blue Cross network. Now is the time to determine if your provider is part of Anthem's provider network. Visit [www.dgaplans.org](http://www.dgaplans.org) and click the **Find a Network Provider** quick link.

Claims for visits that take place **in California** on or after January 1 should be submitted to the Health Plan. When you visit a network provider, your claim will be submitted to the Health Plan on your behalf and the Health Plan will reimburse your provider directly. In cases where you are required to pay your entire claim up-front you'll need to file your claim with the Health Plan for reimbursement.

Mental Health and Chemical Dependency Benefits	Network <sup>1</sup>	Non-Network <sup>1</sup>	
		Premier	Choice
Deductible		None	
Co-insurance Inpatient	90%	70%	60%
Co-insurance intensive outpatient	90%	70%	60%
Co-insurance outpatient	90%	70%	60%
Out-of-pocket limit <sup>2</sup> (excluding deductibles)	\$1000	\$3,000	\$7,500
Inpatient	Preauthorization required <sup>3</sup>		
Outpatient	No preauthorization required		
Visit Limits	None		

<sup>1</sup> Network is paid at 90% of the PPO network rate, and non-network is paid at 70% or 60% of the Reasonable and Customary charge.

<sup>2</sup> The out-of-pocket limit applies to the combined total for medical and mental health and chemical dependency benefits.

<sup>3</sup> All inpatient admissions will need to be pre-authorized with Anthem Blue Cross under the same process that applies to medical admissions.

Claims for visits that take place **outside of California** must be submitted to the local Blue Cross/Blue Shield where services were rendered. For more information about filing a claim and for a list of claims submission addresses by state, please visit [www.dgaplans.org](http://www.dgaplans.org) and click the **How to File a Claim** quick link.

### Deductible, Co-Insurance, Out-of-Pocket Limit, Preauthorization, Visit Limits

Network and non-network mental health and chemical dependency claims will be covered as shown in the chart above.

### HealthNet HMO Coverage

For participants who are covered under the HealthNet HMO option, the only change to your mental health and chemical dependency coverage is the removal of day and visit limits.

### Questions

If you have any questions regarding mental health and chemical dependency coverage, please contact the Participant Services Department at (323) 866-2200, ext. 401 or toll-free at (877) 866-2200, ext. 401. **PH**



# a healthy life begins with

One of the most important benefits provided by the Pension Plans is a secure form of retirement income. Having a secure source of income in retirement can help you maintain your standard of living after retirement. However, we should all remember that making sure we have enough income after retirement is only half the battle: maintaining a healthy lifestyle is important to ensuring that we have the good health necessary to fully enjoy retirement. You don't want to spend your youth gaining wealth, only to spend your retirement trying to regain your health.

**SHORT TAKE**

» Living a healthy lifestyle improves your quality of life and it saves you money over the course of your lifetime.

As America becomes alarmingly less healthy, far too many people are faced with a reality that could have been avoided. Consider:

- ▶ Only 47% of adults 18 years and over meet the 2008 federal physical activity guidelines for aerobic activity.
- ▶ 19% of adults 18 years and over currently smoke.

- ▶ 34% of adults 20 years and over are obese. (2007-2008)
- ▶ 33% of adults 20 years and over have hypertension. (2007-2008)

Despite the disturbing story told by these statistics, the good news is that we have the power to invest in our own health and live our lives with not only financial security, but with a measure of health that will allow us to thrive. In other words, while



You don't want to spend your youth-gaining wealth, only to spend your retirement trying to regain your health.

# Healthy retirement with you

## The importance of wealth and health equity

As you build wealth equity, you should also work to build health equity.

And, as you no doubt already know, there is no magic pill and no amazing tonic that we can take to build health equity. The answers are simple.

### Steps to Live a Healthier and Longer Life

#### Avoid Excessive Alcohol Use:

- ▶ Drink alcohol in moderation (men should have no more than two drinks per day; and women no more than one drink per day).

#### Avoid Tobacco:

- ▶ If you do not smoke, don't start.
- ▶ If you currently smoke, and want to quit, visit [smokefree.gov](http://smokefree.gov) or call

1-800-Quit-Now, for local and state telephone quit lines.

- ▶ If you live within the Motion Picture and Television Fund (MPTF) service area and are interested in the Picture Quitting Program, contact (818) 526-7644 or visit [picturequitting.org](http://picturequitting.org).
- ▶ If you are thinking about enrolling in a specific program, it is a good idea to contact the Plan office to see if the program is covered under the Plan's wellness benefit.

#### Improve Nutrition:

- ▶ Eat more fruits, vegetables, whole grains, fat-free and low-fat dairy products, and seafood.
- ▶ Eat fewer foods with sodium (salt), saturated fats, trans-fats, cholesterol, added sugars, and refined grains.

#### Engage in Physical Activity:

- ▶ Participate in moderate intensity physical activity 5 or more days per week (150 minutes), such as brisk walking, or
- ▶ Practice vigorous physical activity 3 or more days per week (75 minutes) such as jogging or race walking.

Making positive changes to improve your lifestyle will not only help you improve the quality of your life today and tomorrow, it could also help you preserve the wealth you have worked hard to earn—since those that live healthier lifestyles typically have lower medical expenses.

Saving for retirement takes discipline and self-control. So does maintaining a healthy lifestyle. But, in the end, can you really afford not to do both? **PH**



# How can I give someone **permission** to contact the Health Plan on my behalf?

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a federal law that protects the privacy of your medical information, including your Health Plan claims. This medical information, known as Protected Health Information (PHI), generally cannot be shared with third parties (including family members, caregivers, or business managers) unless you give the Health Plan permission to share this information by filling out the Authorization for Release of Health Information form.

## **Can I give the Health Plan permission to disclose information to my caregiver about a specific surgery?**

Yes. You can be as specific or general as you choose. It can be as general as *all health claims and health eligibility information* or as specific as *claims information regarding my surgery on August 1, 2011*.

## **Can I authorize my entire business management firm to receive information on my behalf?**

You can designate a specific person or an entity to receive your PHI. An entity can be a company, an organization, or a department within an organization.

## **My dependent is covered by the Health Plan, can I receive their PHI?**

Generally, HIPAA Privacy Rules allow the parent of a minor child to receive their child's PHI. However, if your child is 18 or over, you may need an authorization to receive their PHI. Also, you may need an authorization to receive a spouse's PHI, even if you are the participant who earned coverage.

## **Does this authorization expire?**

You must specify an expiration date. However, the date specified can be a specific date or an event. The date could be 20 years from now or the event could be your termination of participation in the Health Plan. If you do not select an expiration date or event, your authorization will remain in effect for one year or until revoked in writing, whichever is earlier.

Once the authorization expires, the Health Plan will require a new form be completed prior to releasing your PHI.

[See HIPAA Authorization on Page 8](#)

# Plans' Expense Ratios

Morningstar Fund Category	Average Expense Ratio	Plans' Asset Allocation	Weighted Expense Ratio
US All Diversified Stock Funds	1.31%	28.7%	0.38%
Non-US All Diversified Stock Funds	1.53%	11.3%	0.17%
All General Bond Funds	0.94%	25.9%	0.24%
Multi-alternative Fund Universe	1.61%	27.5%	0.44%
Real Estate Fund Universe	1.45%	6.6%	0.10%
			<b>1.33%</b>

As of July, the Plans' investment portfolio features a balanced mix of investments, with approximately 28.7% invested in domestic equities, 25.9% in fixed income, 27.5% in alternative assets (e.g. private equity, hedge funds), 11.3% in international equities and 6.6% in real estate.

When we build a comparable portfolio using average expense ratios by category (provided by the Plans' investment consultant via Morningstar, the mutual fund research and ratings service), the estimated average expense ratio is 1.33%, or 0.4% higher than the Plans' current expense ratio.

It doesn't seem like a lot, but consider this: at an expense ratio of 1.33% and assuming a 7.25% investment return, the Plans' current assets (\$2.36 Billion) would grow to \$13.25 Billion in 30 years. At the Plans' current expense ratio (0.93%) and with the same investment return, the Plans' assets would grow to \$14.84 Billion, an increase of nearly \$1.6 Billion! In this example, a 0.01% reduction in the Plans' expense ratio (to 0.92%) is worth an additional \$41.9 Million over 30 years. So even small reductions in the expense ratio can have a profound effect.

## Conclusion

We should note that it is impossible to do an apples-to-apples comparison of the Plans' expense ratios. The Plans' investment portfolio is actively managed, so our expense ratio will typically be higher than some types of mutual funds (e.g. index funds). On the other hand, while our expense ratio reflects 100% of our costs, a mutual fund's expense ratio will not always reflect 100% of costs you pay to own that investment. You must also factor in additional costs, like loads, purchase fees, redemption fees or fees paid to a financial advisor. Also, some of our Plans' investment vehicles, particularly in the alternative investment class, are not available to the typical individual investor, either through a mutual fund or otherwise.

Finally, we should also point out that the Plans' assets will fluctuate over the years as contributions levels change and as participants receive their benefits.

Nevertheless, it should be quite clear that the Plans' low expense ratios will continue to play an important part in shaping the ongoing health of the Pension Plans. **PH**

## Spotlight on Benefits

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The Pension and Health Plans were created as a result of the Directors Guild of America's collective bargaining agreements with producer associations representing the motion picture, television and commercial production industries.

The DGA-Producer Pension and Health Plans are separate entities from the DGA and are administered by a Board of Trustees made up of DGA representatives and Producers' representatives.

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## HIPAA Authorization

### **If I have a valid power of attorney, do I need to complete an Authorization for Release of Health Information form?**

If you have a valid power of attorney for health care matters, which is a legal document that designates an individual (known as your health care agent or proxy) to make medical decisions for you in the event that you're unable to do so, the Health Plan will accept this document on your behalf. As a precaution, while you're able to make health care decisions on your own, you should consider completing an authorization form as well.

### **Where can I get a copy of an Authorization for Release of Health Information form?**

You can download a copy of this form from the Documents and Forms page at [www.dgaplans.org](http://www.dgaplans.org). You can also contact the Participant Services Department at (323) 866-2200, ext. 401 or toll-free at (877) 866-2200, ext. 401 to request a copy by mail or fax.

### **I have questions about completing this form, who should I contact?**

If you have questions about the Authorization for Release of Health Information form or a general privacy question, you can contact the Participant Services Department at (323) 866-2200, ext. 401 or toll-free at (877) 866-2200, ext. 401. **PH**

## Health Plan Change

Effective September 16, 2011, the January 1, 2010 Health Plan Booklet has been amended as follows:

The section titled "Verifying Eligible Dependents" on page 36 before the heading "Marriage" is revised as follows:

In order to verify if your dependent qualifies as an eligible dependent, you must promptly send the Health Plan office a copy of any document or information requested by the Health Plan that is necessary to establish initial qualification as a dependent or continued eligibility as a dependent. In addition to providing any such requested documentation or information, you are required to provide the following documents:

[After list of documents, the following language is added:]

By participating in the Health Plan, you are agreeing to cooperate with the Plan's reasonable efforts to audit the status of any dependent. Timely providing information or documents that are required or requested is a condition of your dependent's eligibility for benefits. Therefore, if the information or documents are not provided, the Health Plan in its sole discretion may determine that your dependent does not qualify as a dependent or loses continued eligibility as a dependent. You may be held responsible for any overpayments made as a result of the failure to provide such information or documentation. **PH**