


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**BOARD OF ADMINISTRATION
PENSION & HEALTH BENEFITS COMMITTEE
MEETING MINUTES**

September 11, 2012



The Pension and Health Benefits Committee met on Tuesday, September 11, 2012, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:19 a.m. with the following members present:

Priya Mathur, Chair
George Diehr, Vice Chair
Michael Bilbrey
Howard Schwartz for Julie Chapman
Ruth Holton-Hodson for John Chiang
Rob Feckner
JJ Jelincic
Henry Jones
Tricia Wynne for Bill Lockyer

Other Board Members present:
Bill Slaton

AGENDA ITEM 2 – EXECUTIVE REPORT(S)

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, provided an update on the Early Retiree Reinsurance Program audit that took place on site during the week of August 20, 2012. The auditors are still reviewing the materials they gathered, but their preliminary report stated that they had found no issues identified related to chronic and high cost condition programs or fraud, waste, and abuse programs. Claims testing at our contracted health plans are set to begin in October, with the final report being available in November.

AGENDA ITEM 3 – CONSENT ITEMS

The Committee accepted the following Action Consent Items:

3a. Approval of the August 14, 2012, Pension and Health Benefits Committee Meeting Minutes

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following Information Consent Items:

- 4a. Annual Calendar Review
- 4b. Draft Agenda for October 16, 2012, Pension and Health Benefits Committee Meeting
- 4c. California Employers' Retiree Benefit Trust Fiscal Year 2011-12 Results and Outlook

AGENDA ITEM 5 – LONG-TERM CARE PROGRAM OPTIONS AND LONG-TERM CARE PROGRAM DISCOUNT RATE

Alan Milligan, Chief Actuary, Actuarial Office, presented staff's report to adopt a new Long-Term Care (LTC) Program discount rate of 5.75 percent. The discount rate will be used in the base case for the annual valuations in the future, as well as for all other actuarial work on this program, including the determinations of premiums adequacy.

Doug McKeever, Chief, Health Policy Research Division, presented a report of what took place at the Constituent meeting on September 6, 2012. The Constituents were walked through the Long-Term Care Program presentation and items that were talked about specifically were discussing the projections by plan type, including Long-Term Care 1, using a 37 percent rate increase, along with the annual 5 percent increase; and looking at Long-Term Care 2 projections using a 37 percent increase. This would provide the Constituent with a sense of what the impacts may look like with that percentage applied. The possibility of program changes, including a 9-year option with retained inflation benefit was also discussed. Responses and concerns were shared with the Board as well.

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, reported that for the October PHBC meeting, proposed rate increases, as well as, program changes will be brought to the Board for consideration.

Kathy Donneson, Chief, Health Plan Administration Division, presented staff's presentation outlining the history of the program and rate increases the program has seen, and, the likely impacts of the proposed changes, that will be presented in October.

On **MOTION** by Tricia Wynne, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt a new Long-Term Care Program discount rate of 5.75 percent.

The following people spoke on this item:

- Harvey Robinson, Retired Public Employees Association
- Steve Kawai, Retired Public Employees Association

AGENDA ITEM 6 – PROPOSED REGULATION: RISK ADJUSTMENT FOR HEALTHCARE PREMIUMS

Doug McKeever, Chief, Health Policy Research Division, presented staff's report to pursue proposed regulations that permit the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) to implement risk adjustment procedures in order to adjust health plan payments in relation to risk adjustment, subject to Assembly Bill (AB) 2142 being enacted into law.

Mr. McKeever noted a minor error that was brought to his attention in the regulations and requested approval from the Chair for the changes to be made and brought back for the Committee report and the full Board to adopt on September 12, 2012. The changes have no substantive bearing on the regulations themselves, just some wording that needed to be changed.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt the proposed regulations that permit the CalPERS Board to implement risk adjustment procedures in order to adjust health plan payments in relation to risk adjustment, subject to Assembly Bill (AB) 2142 being enacted into law, as shown in Attachment 1, which reflect the changes discussed above.

AGENDA ITEM 7 – my|CalPERS UPDATE

As an information item, Donna Lum, Deputy Executive Officer, Customer Services and Support (CSS), presented an update highlighting positive experience and improvement with the member call wait times in August; open enrollment began September 10, 2012 and runs through October 5, 2012; health lab continues to work on the warrant deduction issues, which have declined significantly; and, with regards to backlogs, which include three core backlogs: death benefits, service credit purchases and retirement payroll adjustments, CSS is on track with the backlog elimination plans that have been presented to the Board.

Ms. Lum also reported since the launch of member self-service, there has been a lot of activity on member self-service. More than 10,000 members registered to use the new application since its launch. The most used function of the application has been the retirement estimates, with over 90,000 completed. CSS is on target for the next release, which is at the end of October.

AGENDA ITEM 8 – PUBLIC COMMENT

The following person spoke:

Steve Kawai, Retired Public Employees Association

The meeting was adjourned at 1:06 p.m.

The next meeting of the Pension and Health Benefits Committee is scheduled for October 16, 2012, in Sacramento, California.

Attachment

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning