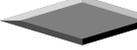


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

October 16, 2012



The Pension and Health Benefits Committee met on Tuesday, October 16, 2012, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:31 a.m. with the following members present:

Priya Mathur, Chair
George Diehr, Vice Chair
Michael Bilbrey
Howard Schwartz for Julie Chapman
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)

Alan Milligan, Chief Actuary, Actuarial Office, provided an update on a couple of issues with respect to the annual actuarial valuations. The state and schools actuarial valuation report is completed and will be posted to the California Public Employees' Retirement System (CalPERS) website. The report includes key results along with additional information with respect to the sensitivity to discount changes and discount rates.

Mr. Milligan also provided an update on the public agency annual actuarial valuation reports. Normally these reports are completed by the actuarial office by the end of October; due to analysis required by the Legislature and others during pension reform discussions and the significant additional information, including hypothetical termination liabilities, and discount rate sensitivity in the report, the traditional October 31st target completion date will be missed. The actuarial office does expect to have all the reports completed by the end of November.

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, provided an update on the dependent eligibility verification audit. The RFP was released on October 8th and the final filing date for vendors is November 8th. No public comments received on the regulations package, so CalPERS is permitted to move forward with the amnesty portion of the audit. Staff expects the regulations to be in place sometime in late December 2012 or early January 2013.

Ms. Boynton also provided an update around essential health benefits. Beginning January 1, 2014, individual and small group plans, offered both inside and outside of the health insurance exchanges must offer a comprehensive package of essential health benefits based on provisions in the Affordable Care Act. The State of California has selected Kaiser's small group HMO plan as its benchmark plan.

Ms. Boynton reported on the development of the RFP for the Health Care Decision Support System. A Request for Information was released on October 5th which gives interested vendors the opportunity to review the requirements, provide suggestions of ways to improve the procurement document, and additional areas that they think should be considered. The final RFP is planned for release in December of this year.

Ms. Boynton concluded her report with a quick update on the self-funded pharmacy benefit manager 2012 market check. For the 2012 market check, Mercer Consulting determined that the original pharmacy pricing terms that were negotiated in June 2011 between CVS Caremark and CalPERS were found to be highly competitive and that a 1% savings was potentially achievable.

AGENDA ITEM 3 – CONSENT ITEMS

The Committee accepted the following Action Consent Items:

3a. Approval of the September 11, 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 November 14, 2012, Pension and Health Benefits Committee Meeting

AGENDA ITEM 5 – LONG-TERM CARE PREMIUM RATES

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, began by stating that staff realizes and understands that what they are bringing before the committee is an incredibly challenging decision and that the implications are potentially significant for some of our policyholders. Staff does believe that this is the most appropriate motion for staff to bring before the committee for consideration.

Kathy Donneson, Chief, Health Plan Administration Division, presented staff's recommendation to take action of the following items:

- a. Implement a rate increase of 85 percent for specific Long-Term Care (LTC) 1 and LTC 2 policies to be levied over a two year period beginning in 2015;
- b. Offer a 10-year long-term care policy with Retained Inflation (RI);
- c. Extend the RI option to all policies with built-in inflation protection; and
- d. Include an Optional Daily Benefit Amount (DBA) purchase option for policyholders who dropped their built-in inflation protection or decreased their DBA after the 2010 premium increase.

Staff believes that the best course of action to create stability in the fund and allow policyholders to plan for long-term care is to implement this rate increase rather than continuing the 5 percent annual increases into the future. Staff also believes that the new benefit level provides adequate support for policyholders, and noted that less than 1 percent of the current policyholders to date have been in claim more than 10 years. If policyholders avail themselves of these options in 2013, it will avoid the ongoing 5 percent rate increase for LTC 1 lifetime with inflation protection policyholders, significantly reduce or avoid the 2015 projected premium increase, and allow some policyholders to realign their daily benefit amounts to prior levels.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt the following actions for the CalPERS Long-Term Care Program (LTC Program).

- a. Implement a rate increase of 85 percent for specific LTC1 and LTC2 policies to be levied over a two-year period, or if the member chooses to do so, the rate increase can be paid all in the first year, beginning in 2015;
- b. Offer a 10-year long-term care policy with Retained Inflation (RI);
- c. Extend the RI option to all policies with built-in inflation protection; and
- d. Include an Optional Daily Benefit Amount (DBA) purchase option for policyholders who dropped their built-in inflation protection or decreased their DBA after the 2010 premium increase.

The following people spoke on this item:

Harvey Robinson, Retired Public Employees Association
 Donna Snodgrass, Retired Public Employees Association
 Phil Sherwood, Executive Director of the California State Retirees
 George Linn, Director of Public Relations for RPEA
 Ray Snodgrass, CDF Firefighters
 Marian Stout
 Ann McWherter, Retired Public Employees Association
 Patricia Gatz
 Dave Elder, Dave Elder Consulting
 Steve Kawai, Retired Public Employees Association
 Michael Garabedin

Staff was directed to bring back at the next Committee meeting in November, a tentative benefit design for a possible open application period for the Long-Term Care Program in 2013.

Terry McGuire sat in for John Chiang, 11:44 a.m.

AGENDA ITEM 6 – ADOPTION OF REGULATIONS: DEPENDENT ELIGIBILITY VERIFICATION AMNESTY

Doug McKeever, Chief, Health Policy Research Division, presented staff's report to adopt the proposed regulations permitting the California Public Employees' Retirement System (CalPERS) Board of Administration to provide amnesty from retroactive cancellation and collection of an employer's paid portion of a dependent's premium, and/or claims paid fraudulently on behalf of an ineligible dependent to employees and annuitants who voluntarily terminate their ineligible dependent(s) enrollment in a CalPERS health benefits plan on or before June 30, 2013.

Mr. McKeever also provided an update to the Committee on what has been done with the project to date, the efforts that staff have been undertaken and those that staff will begin to undertake in the coming months.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt the proposed regulations permitting the California Public Employees' Retirement System (CalPERS) Board of Administration to provide amnesty from retroactive cancellation and collection of an employer's paid portion of a dependent's premium, and/or claims paid fraudulently on behalf of an ineligible dependent to employees and annuitants who voluntarily terminate their ineligible dependent(s) enrollment in a CalPERS health benefits plan on or before June 30, 2013, as shown in Attachment 1.

The following people spoke on this item:
Steve Kawai, Retired Public Employees Association
Neal Johnson, SEIU Local 1000

12:08 p.m. recessed until 1:04 p.m.

AGENDA ITEM 7 – CUSTOMER SERVICE UPDATE

As an information item, Donna Lum, Deputy Executive Officer, Customer Services and Support (CSS), presented an update on several initiatives that are underway to align CSS core business processes with the my|CalPERS system with the goal of reducing processing times and gaining operational efficiencies. CSS anticipates and has planned for the increase in calls due to the influx of service retirement applications over the next couple months.

Ms. Lum also reported that her team is on target to achieve the backlog elimination and that they have achieved their goal of the ready to review death benefit cases. Inventory that CSS has on hand is within 30 days of the last receipt of documents. This enables payment of death benefits to be made more timely to the survivors and the beneficiaries. Ms. Lum also noted that staff is continuing to make progress on health deduction discrepancies and issues that have impacted the public agency billings. With respect to the call center, wait times over the last month did increase due to the CalPERS open enrollment period; however, once open enrollment ended, the member

wait time went back down. Implementation of new contact center technology is scheduled to take place in mid-November which will provide new functionality to assist with the call wait times; allow the ability to route specific calls to individuals that are well trained in a number of different topics; and provide real-time reporting, to actively see what is happening within the call queues and make decisions on how staff should manage the queues and route the calls. Once the platform is fully implemented, staff expect to see a significant reduction in the call wait times and improvements in customer satisfaction.

AGENDA ITEM 8 – CUSTOMER SERVICE DELIVERY TRANSFORMATION ROADMAP

As an information item, Lori McGartland, Chief, Customer Service and Outreach Division, presented a report on the Customer Services and Support (CSS) 2012-2014 business plan objective to develop a 3 to 5 year service delivery transformation roadmap. There are four key areas to focus and excel at: access, quality, effectiveness, and the services that are delivered. CSS is continuing to focus on these four key areas through a wrap-around customer care approach. With this approach CSS is wrapping its services and attention around its customers to ensure they have the best possible customer service. Ms. McGartland provided high-level overview of projects that staff will undertake over the next three years to accomplish this objective.

AGENDA ITEM 9 – PENSION REFORM IMPLEMENTATION STATUS UPDATE

As an information item, Douglas Hoffner, Deputy Executive Officer, Operations and Technology, presented an update on staff efforts to review, analyze and identify program and technology impacts, identify resource needs, and develop an implementation plan for Assembly Bill (AB) 340, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and related Public Employees' Retirement Law (PERL) changes.

AGENDA ITEM 10 – PUBLIC COMMENT

The following person spoke:

Dolores Duran-Flores, California School Employees Association

The meeting was adjourned at 1:46 p.m.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 14, 2012, in Sacramento, California.

Attachment

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning