


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

November 14, 2012



The Pension and Health Benefits Committee met on Wednesday, November 14, 2012, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:15 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
Tricia Wynne for Bill Lockyer

Henri Jones, excused absence.

AGENDA ITEM 2 – EXECUTIVE REPORT(S)

George Diehr, Vice Chair of the Committee, provided an update on the current activities of the National Coalition on Health Care (NCHC). When the organization first began, their primary focus was to bring awareness to the public and leaders on the disaster of the American health care system; more recently, it has evolved to an organization that's primary focus is on cost containment and improving quality.

Mr. Diehr also discussed a report that NCHC released focusing on Medicare and Medicaid. The Affordable Care Act targets savings and the report discusses achieving those savings through improvements in efficiency, improvements in care, and not through cost shifting. A press conference was held at the National Press Club on November 8th in D.C. which Mr. Diehr attended and spoke to members on how many of the recommendations within the report were being demonstrated in practice already at California Public Employees' Retirement System (CalPERS).

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, provided an update informing the Board that both the HMO and PPO RFPs have been

released and that potential respondents are busy working away on those, and proposals for the dependent eligibility audit have been received and staff have begun the evaluation process.

Ms. Boynton also pointed out staff discussions that had taken place around the self-funded health plans financial reports. Staff feels that there is room for improvement on the report in order to provide better information that reflects both what staff expects to see and what staff is seeing in the report to provide the Board a better sense of what is actually happening with the program relative to our expectations. Ms. Boynton also thought it would be a good idea, to once a year, have an in-depth discussion with the Board, to discuss what has been taking place over the past two years and how staff sees that moving into the future.

Ms. Boynton concluded her report by noting the long-term care valuation, which is an action consent item, which reflects the June valuation of the fund. Since June, the Board has had some challenging issues around the fund overall, and the information in the report summary does not reflect the actions that the Board recently took.

AGENDA ITEM 3 – CONSENT ITEMS

The Committee accepted the following Action Consent Items:

- 3a. Approval of the October 16, 2012, Pension and Health Benefits Committee Meeting Minutes
- 3b. Long-Term Care Program Annual Valuation
- 3c. CalPERS Appointee to the California Actuarial Advisory Panel

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following Information Consent Items:

- 4a. Annual Calendar Review
- 4b. Draft Agenda for December 11, 2012, Pension and Health Benefits Committee Meeting

Item 4c was pulled from the consent items for further discussion at the end of the agenda.

AGENDA ITEM 5 – CONSIDER ESTABLISHING AN OPEN APPLICATION PERIOD FOR THE LONG-TERM CARE PROGRAM

Kathy Donneson, Chief, Health Plan Administration Division, presented staff's recommendation to approve an open application period for the CalPERS Long-Term Care (LTC) Program to begin December, 2013.

Staff presented a draft benefit design for a new product offering in conjunction with the proposed open application period. The objectives of the new benefit design are to promote independence, provide the ability for our members to remain safely in the home as long as possible when they need long-term care, and create products that are competitive in today's long-term care market. Staff also recommended that the eligibility

be extended in the LTC program to adult children of California public employees. By statute, the CalPERS LTC program is currently open to all California public employees and their spouses, parents, spouse's parents, and siblings, but not adult children.

On substitute **MOTION** by Trish Wynne, **SECONDED**, the Committee recommended the Board approve an open application period for the CalPERS Long-Term Care (LTC) Program to begin December 2013 subject to final benefit design and cost structure approval in February 2013.

The Chair requested a roll call vote.

An Electronic vote was taken.

George Diehr, Vice Chair	NO
Michael Bilbrey	YES
Howard Schwartz	YES
for Julie Chapman	
Ruth Holton-Hodson	
for John Chiang	YES
Rob Feckner	NO
JJ Jelincic	NO
Trish Wynne	
for Bill Lockyer	YES

The final vote was 4 YES, 3 NO. The motion **CARRIED**.

The following person spoke on this item:

Harvey Robinson, Retired Public Employees Association

AGENDA ITEM 6a – CREATION OF TWO NEW RISK POOLS DUE TO THE PUBLIC EMPLOYEES' PENSION REFORM ACT

Danny Brown, Chief, Office of Governmental Affairs, provided some updates on decisions that have been made and described how the organization is moving forward in pension reform implementation. Many questions were raised at the Educational Forum in October around three key areas: working after retirement, member contribution rates and pensionable compensation.

With regards to working after retirement, this is a provision that takes many of the CalPERS rules dealing with retired annuitants and extends them to all retirement systems and one piece, the 180-day waiting period, which is new to all systems. CalPERS interpretation is that the 180-day rule will not apply to those retired annuitants who are already employed prior to January 1, 2013. It will only impact those individuals that are seeking employment as a retired annuitant after the first of the year.

With regards to the contribution rate for new members, PEPRA states that new members shall pay an initial contribution rate of at least 50 percent of the total normal cost rounded to the nearest 1 percent, or the current contribution rate of similarly

situated employees, whichever is greater. Staff's interpretation is that the new members going in the 2 percent at 62 formula will be similarly situated to other employees in the 2 percent at 62 formula, and not those in the 2 percent at 55 formula. CalPERS actuaries will be calculating the initial contribution rate at 50 percent of the total normal cost. The third area of pensionable compensation is still under review at this time.

Karen DeFrank, Chief, Customer Account Service Division, provided an update on some of the implementation activities that staff have been working on over the course of the last month. Staff is focusing on three key areas: training and educating internal staff on the new legislation and its impacts, identifying and completing my|CalPERS system modifications that are required for PEPRA, and, the development of information and communication for stakeholders and employers on the implementation of the legislation for CalPERS pension and health programs. As staff move forward with the implementation, the webpage will regularly be updated through the Pension Reform Impacts page.

Alan Milligan, Chief Actuary, Actuarial Office, presented staff's recommendation to adopt the amended Board Policy No. 03-03-AESD (Rev.) to create two new pension risk pools for local agencies due to Public Employees' Pension Reform Act, as shown in Attachment 1. The Governor signed Public Employees' Pension Reform Act on September 12, 2012, which in turn created four new retirement formulas, one (2% at age 62) for miscellaneous members and three (2% at age 57, 2.5% at age 57, and 2.7% at age 57) for safety members.

On **MOTION** by Michael Bilbrey, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt the amended Board Policy No. 03-03-AESD (Rev.) to create two new pension risk pools for local agencies due to Public Employees' Pension Reform Act, as shown in Attachment 1.

AGENDA ITEM 7 – PERFORMANCE MEASUREMENT FOR CUSTOMER SERVICE AREAS

As an information item, Lori McGartland, Chief, Customer Service and Outreach Division, presented an update on performance measurement for customer service areas. Customer Services and Support (CSS) has adopted a new performance measurement methodology to evaluate its overall performance in regards to customer service delivery.

AGENDA ITEM 8 – CONTRACTING AGENCIES' RISK POOL ANALYSIS

As an information item, Doug McKeever, Chief, Health Policy Research Division, presented an updated health pool risk analysis of the new contracting agencies' which showed that while their average health risk is 3.6% higher than the CalPERS average, the impact to the entire CalPERS risk pool is small (0.3%).

AGENDA ITEM 9 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 11:32 a.m.

The next meeting of the Pension and Health Benefits Committee is scheduled for December 11, 2012, in Sacramento, California.

Attachment

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning