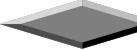


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

February 20, 2013



The Pension and Health Benefits Committee met on Wednesday, February 20, 2013, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 8:56 a.m. with the following members present:

Priya Mathur, Chair
George Diehr, Vice Chair
Michael Bilbrey
Howard Schwartz for Julie Chapman
Terry McGuire for John Chiang
Rob Feckner
JJ Jelincic
Tricia Wynne for Bill Lockyer

Henry Jones was excused.

Other Board Members Present:
Richard Costigan
Ron Lind
Bill Slaton

AGENDA ITEM 2 – ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

Priya Mathur was elected Chair, and George Diehr was elected Vice Chair, of the Pension and Health Benefits Committee.

AGENDA ITEM 3 – EXECUTIVE REPORT(S)

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, updated the Committee on several issues. The topics Ms. Boynton discussed were: implementation of the Employer Group Waiver Plan (EGWP) and implications of Medicare Part D; CVS Caremark issues in regards to EGWP; highlights of possible upcoming discussion in Health Care Reform; and, Long-term Care communication letters.

Ms. Boynton also took a moment of personal privilege to acknowledge Clark Heitkamp of United Health Actuarial Services for his actuarial support to our Long-Term Care Program.

At this time, Henry Jones joined the meeting.

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following Action Consent Items:

4a. Approval of the December 11, 2012, Pension and Health Benefits Committee Meeting Minutes

AGENDA ITEM 5 – CONSENT ITEMS

The Committee accepted the following Information Consent Items:

5a. Annual Calendar Review

5b. Draft Agenda for March 19, 2013, Pension and Health Benefits Committee Meeting

5c. Update on Retiree Cost-of-Living Adjustments

5e. Public Agency Recruitment and Retention for the Health Program

Agenda Item 5d was removed from the Information Consent Items.

AGENDA ITEM 6a – PENSION REFORM: IMPLEMENTATION UPDATE

As an information item, Donna Lum, Deputy Executive Officer, Customer Services and Support (CSS), provided an overview of the implementation of pension reform legislation within the California Public Employees' Retirement System (CalPERS).

AGENDA ITEM 6b – SENATE BILL 13 – PENSION REFORM CLARIFYING LANGUAGE

Danny Brown, Chief, Office of Governmental Affairs, presented staff's recommendation to adopt a Support position on Senate Bill (SB) 13.

On **MOTION** by Michael Bilbrey, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt a Support position on SB 13 because it would clarify ambiguities and correct defects in recently enacted pension reform statutes and would assist CalPERS staff in the implementation of pension reform and in the orderly and efficient administration of the System.

AGENDA ITEM 6c – STATE LEGISLATIVE PROPOSAL; CONFORMITY WITH THE PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 (PEPRA)

Danny Brown, Chief, Office of Governmental Affairs, presented staff's recommendation to sponsor proposed legislation to add and amend certain sections of the Government Code.

On **MOTION** by Henry Jones, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to sponsor legislation to add

and amend certain sections of the Government Code administered by the Board of CalPERS to clarify ambiguities and to better conform these provisions to the newly enacted pension reform statutes.

AGENDA ITEM 6d – PROPOSED REGULATIONS TO IMPLEMENT PEPRA

Renee Ostrander, Customer Account Services Division, presented staff's recommendation on adding proposed regulations to the California Code of Regulations in relation to PEPRA.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to approve the proposed six regulations and the initiation of the rulemaking process to rename Article 6 to "Public Employees' Pension Reform Implementation" and add sections 579, 579.1, 579.2, 579.4, 579.5, and 579.24 to Chapter 2 of Division 1 of Title 2 of the California Code of Regulations. (Attachment 1)

Howard Schwartz ABSTAINED.

At this time, Ralph Cobb represented Julie Chapman.

AGENDA ITEM 7 – LONG-TERM CARE NEW BENEFIT DESIGN AND PRODUCT PRICING

Kathy Donneson, Chief, Health Plan Administration Division, presented staff's recommendation on plan designs and new products for the Long-Term Care Program, as well as, a continuous open application period starting in December 2013.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to approve benefit design and pricing for the LTC4 product offering; set a continuous open application for the CalPERS Long-Term Care (LTC) Program to begin December 2013; and, sponsor legislation to extend eligibility to adult children and other qualified persons by amending the Long-Term Care Act.

Harvey Robinson, Retired Public Employees' Association, spoke on this item.

AGENDA ITEM 8 – HEALTH BENEFIT PURCHASING AND DATA AVAILABILITY RESOLUTION

Doug McKeever, Chief, Health Policy Research Division, presented a proposed resolution for the Boards consideration. The resolution was developed by staff based on stakeholder comments during the public comment period and subsequent collaboration and reflects CalPERS commitment to continue collaboration with California's health care stakeholders.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt the proposed Health Benefit Purchasing and Data Availability Resolution. (Attachment 2)

The following people spoke on this item:

Dennak Murphy, Service Employees' International Union

Neal Johnson, Service Employees' International Union, Local 1000

Roxanne Sanchez, Service Employees' International Union, Local 1021

AGENDA ITEM 9a – HEALTH PREMIUM RISK ADJUSTMENT – PROPOSED METHODOLOGY

As an information item, Doug McKeever, Chief, Health Policy Research Division, and James DeBenedetti, Health Policy Research Division, presented an overview of the proposed methodology for risk-adjusting 2014 health plan premiums. Risk adjustment is an actuarial tool used to calibrate payments to health plans based on the relative risk of the population.

Cindy Striegel, Kaiser Permanente spoke on this item.

AGENDA ITEM 9b – HEALTH PREMIUM RISK ADJUSTMENT – ADOPTION OF REGULATIONS

Doug McKeever, Chief, Health Policy Research Division, presented staff's recommendation to adopt proposed regulations permitting CalPERS Board to implement risk adjustment procedures across plans.

At this time a fifteen minute recess was taken.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt proposed regulations permitting the CalPERS Board to implement risk adjustment procedures in order to adjust health plan payments in relation to risk adjustment and implement risk adjustment for 2014 rate negotiations. (Attachment 3)

JJ Jelincic voted NO.

AGENDA ITEM 10 – ADOPTION OF REGULATIONS: OPTIONS FOR MEDICARE SUPPLEMENT PLANS

Doug McKeever, Chief, Health Policy Research Division, presented staff's recommendation to adopt proposed regulations in relation to Medicare supplemental plans.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt proposed regulations to provide the CalPERS Board flexibility to offer Medicare supplemental health plans from the same or different carriers that provide basic coverage. (Attachment 4)

AGENDA ITEM 11 – PERFORMANCE MEASUREMENT FOR CUSTOMER SERVICE AREAS

As an information item, Donna Lum, Deputy Executive Officer, Customer Services and Support, presented their recently implemented performance measurement methodology to evaluate and gauge the overall performance in regards to customer service delivery. CSS is using performance measurement to evaluate performance with respect to an updated service delivery mission, and measure the impact of service delivery initiatives on operations.

AGENDA ITEM 12 – IMPLEMENTATION OF IRS PROPOSED DRAFT REGULATIONS FOR PUBLIC AGENCY DETERMINATIONS

As an information item, Renee Ostrander, Customer Account Services Division, gave an overview of proposed rulemaking, issued by the IRS and the Treasury Department, that reviews the scope of existing law and provides proposed draft regulations pursuant to Internal Revenue Code (IRC) section 414(d). CalPERS is a governmental pension plan under the authority of section 414(d) of the IRC.

AGENDA ITEM 13 – LONG-TERM CARE PROGRAM SEMI-ANNUAL UPDATE

As an information item, Kathy Donneson, Chief, Health Plan Administration Division and Tyrone Espinoza, Health Plan Administration Division, provided an update on the Long-Term Care Program statistics and program enhancements included in the five-year Third-Party Administrator Contract.

AGENDA ITEM 14 – HEALTH BENEFITS QUALITY REPORT

As an information item, Dr. Richard Sun, Health Plan Administration Division, presented results and methodologies of two sets of quality measures available to CalPERS members: Health Plan Member Survey data for 2008-2012, and Healthcare Effectiveness Data and Information Set data for reporting years 2010-2012.

AGENDA ITEM 15 – HEALTH OPEN ENROLLMENT RESULTS

As an information item, Doug McKeever, Chief, Health Policy Research Division, presented information on the movement of members into different health plans based on the results of the 2012 open enrollment period.

AGENDA ITEM 16 – 2012 HEALTH BENEFIT CHANGES – UPDATE ON IMPACTS

As an information item, Doug McKeever, Chief, Health Policy Research Division, presented information on two pharmacy benefit changes implemented in 2012. Blue Shield and CVS Caremark's analyses found the savings were less than anticipated, with a preliminary total savings of \$15.6 million between the two plans.

AGENDA ITEM 5d – RESULTS OF THE JUNE 30, 2011, ACTUARIAL VALUATIONS FOR PUBLIC AGENCIES

George Diehr requested that for future reports, this item be included under Information Items as opposed to the Information Consent Items.

AGENDA ITEM 17 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 12:27 p.m.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 19, 2013, in Sacramento, California.

Attachments

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning