


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

April 16, 2013



The Pension and Health Benefits Committee met on Tuesday, April 16, 2013, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:06 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
Grant Boyken for Bill Lockyer

Other Board Members Present:

Ron Lind
Bill Slaton

The Chair announced that Agenda Item 5c was withdrawn from the Agenda and Items 5d and 8 were deferred to May.

AGENDA ITEM 2 – EXECUTIVE REPORT(S)

Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning, provided an update on communications regarding the Long-Term Care Program and the Dependent Eligibility Verification Project.

AGENDA ITEM 3 – CONSENT ITEMS

The Committee accepted the following Action Consent Items:

3a. Approval of the March 19, 2013, 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 May 14, 2013, Pension and Health Benefits Committee Meeting
- 4c. Survey of Retirement Systems with Funded Status Below 40%

AGENDA ITEM 5a – ASSEMBLY BILL 410 (JONES-SAWYER) – RETENTION OF HEALTH BENEFITS AFTER REINSTATEMENT FROM RETIREMENT

Danny Brown, Chief, Office of Governmental Affairs, presented staff's recommendation regarding Assembly Bill (AB) 410. AB 410 would allow an annuitant who reinstates to active employment with a different employer, then subsequently retires from that second employer, to still enroll as an annuitant of the first employer from which he or she first retired.

On **MOTION** by Michael Bilbrey, **SECONDED** and **CARRIED**, the Committee recommended the Board adopt a **Support** position with clarifying technical amendments on Assembly Bill 410.

Howard Schwartz ABSTAINED.

AGENDA ITEM 5b – ASSEMBLY BILL 459 (MITCHELL) – FOOD AND BEVERAGE GUIDELINES FOR STATE CONCESSIONS AND VENDING OPERATIONS

Danny Brown, Chief, Office of Governmental Affairs, presented staff's recommendation regarding AB 459. AB 459 increases the required percentage of food and beverages meeting specified nutritional guidelines that are provided in vending machines on State-owned or occupied property, to 50 percent by January 1, 2015, and increases the percentage each year by 25 percent until it reaches 100 percent.

On **MOTION** by Ruth Holton-Hodson, **SECONDED**, the Committee recommended the Board adopt a **Support** position on Assembly Bill 459.

The Chair requested a roll call vote.

An electronic vote was taken:

Michael Bilbrey	NO
Howard Schwartz for Julie Chapman	YES
Ruth Holton-Hodson for John Chiang	YES
George Diehr	NO
Rob Feckner	NO
JJ Jelincic	NO
Henry Jones	YES
Grant Boyken for Bill Lockyer	YES
Priya Mathur	YES

Final vote was 5 YES, 4 NO. The motion **CARRIED**.

AGENDA ITEM 6 – JUDGES’ RETIREMENT SYSTEM ACTUARIAL VALUATION

Alan Milligan, Chief Actuary, presented the annual valuation report for the Judges’ Retirement System (JRS) and staff’s recommendation to prefund the System.

On **MOTION** by Henry Jones, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff’s recommendation to approve the June 30, 2012, JRS Actuarial Valuation Report and the corresponding transmittal letter to the Governor to adopt an employer contribution schedule that includes advanced funding of the JRS.

AGENDA ITEM 7 – JUDGES’ RETIREMENT SYSTEM II ACTUARIAL VALUATION AND EMPLOYER CONTRIBUTION RATES

Alan Milligan, Chief Actuary, and Fritzie Archuleta, Actuarial Office, presented the annual valuation report for the Judges’ Retirement System (JRS) II, as well as, staff’s recommended employer contribution rate for the System.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff’s recommendation to approve the June 30, 2012, JRS II Actuarial Valuation Report and the corresponding transmittal letter to the Governor and Legislature; and, adopt the employer contribution rate of 22.687 percent for the period of July 1, 2013, through June 30, 2014, for the JRS II.

AGENDA ITEM 10 – 2013 FEDERAL HEALTH POLICY AGENDA

Doug McKeever, Chief, Health Policy Research Division, presented staff’s proposed 2013 Federal Health Care Policy Initiatives. The California Public Employees’ Retirement System (CalPERS) Board sets the policy direction for the CalPERS Health Benefits Program; including, advocating for and taking positions on federal health care issues that impact the members and employers that participate in the program.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the CalPERS proposed 2013 Federal Health Care Policy Initiatives with amendments to clarify that the efforts not be limited to public programs under the Waste, Fraud and Abuse section of the Policy. (Attachment 1)

AGENDA ITEM 12 – PEPRA IMPLEMENTATION UPDATE

As an information item, Donna Lum, Deputy Executive Officer, Customer Services and Support, and Renee Ostrander, Customer Account Services Division, provided an update on CalPERS implementation efforts regarding the Public Employees’ Pension Reform Act (PEPRA).

At this time, Richard Costigan joined the meeting.

AGENDA ITEM 13 – SUPPLEMENTAL INCOME PLANS UPDATE AND STRATEGIC REVIEW

As an information item, Karen DeFrank, Chief, Customer Account Services Division and Geraldine Jimenez, Investment Office, presented an overview of the CalPERS Supplemental Income Plans (SIP) and the strategic review process. The SIP consists of the CalPERS 457 Plan, Peace Officers and Firefighters' Plan, Supplemental Contributions Plan and Placer County 401(k) Plan.

AGENDA ITEM 14 – SELF-FUNDED HEALTH PLANS QUARTERLY REPORT (3RD)

As an information item, Gary McCollum, Actuarial Office, provided an update on the overall financial position of the Self-funded Preferred Provider Organization health plans. The ongoing financial results for the program assets are positive, providing assurance that the rates approved by the Board for the 2012 plan year were sufficient to fund benefits and maintain adequate reserves.

AGENDA ITEM 15 – PSR TRANSITION UPDATE

As an information item, Karen Ruiz, Pension System Resumption Project, provided information on the Projects transition from a full project to maintenance and operations. In April CalPERS will evaluate key project milestones and take the next steps toward taking over full maintenance of the myCalPERS system.

At this time, the Pension and Health Benefits Committee meeting recessed for lunch and reconvened at 1:00 p.m.

At this time, Terry McGuire represented John Chiang.

AGENDA ITEM 9 – AMORTIZATION PERIODS AND SMOOTHING METHODS FOR RETIREMENT TRUST FUNDS (SECOND READING)

Alan Milligan, Chief Actuary, Actuarial Office, presented staff's recommendations on amending existing actuarial smoothing and amortization policies to improve the soundness and sustainability of the system.

On **MOTION** by JJ Jelacic, **SECONDED**, the Committee recommended the Board defer this item to the May Finance and Administration Committee Meeting.

The motion **FAILED**.

On **MOTION** by Henry Jones, **SECONDED**, the Committee recommended the Board amend existing actuarial smoothing and amortization policies to improve the soundness and sustainability of the system by:

Adopting amendments to the following existing actuarial policies as shown in the attachments:

- Board Resolution No. ACT-96-05E (Rev.) regarding amortization and smoothing policies (Attachment 2)
- Board Resolution No. 05-02-AESD (Rev.) regarding smoothing employer contribution rates (Attachment 3)
- Board Resolution No. 95-05C (Rev.) regarding the actuarial asset valuation method effective with the June 30, 2013 actuarial valuation (Attachment 4)

Rescinding the following actuarial policy:

- Board Resolution No. 05-01-AESD (Rev.) regarding the employer rate stabilization policy (Attachment 5)

These proposed changes would impact employer contribution rates for the State plans, School pool and public agencies starting with fiscal year 2015-16.

The Chair requested a roll call vote.

An electronic vote was taken:

Michael Bilbrey	NO
Howard Schwartz for Julie Chapman	YES
Terry McGuire for John Chiang	NO
George Diehr	YES
Rob Feckner	YES
Henry Jones	YES
Grant Boyken for Bill Lockyer	YES

Final vote was 5 YES, 2 NO. The motion **CARRIED**.

JJ Jelincic ABSTAINED.

The following people spoke on this item:

Mike Sabin
 Susan Sears, California State Retirees
 Jon Hamm
 Terry Brennand, Service Employees' International Union (SEIU)
 Neal Johnson, SEIU Local 1000
 Dorothy Holzem, California Special Districts Association
 Natasha Karl, League of California Cities
 George Linn, Retired Public Employees' Association (RPEA)
 Christy Bouma, California Professional Fire Fighters
 Richard Gillihan, Department of Finance

At this time, the Pension and Health Benefits Committee took a 15 minute recess.

At this time, Ruth Holton-Hodson represented John Chiang.

AGENDA ITEM 11 – SELECTION OF HEALTH MAINTENANCE ORGANIZATION PLANS

Kathy Donneson, Chief, Health Plan Administration Division and Doug McKeever, Chief, Health Policy Research Division, presented information on the 2014 Health Maintenance Organization Request for Proposal Final Proposal evaluation results. CalPERS solicited proposals for a five year agreement beginning January 1, 2014, and ending December 31, 2018.

On **MOTION** by Grant Boyken, **SECONDED** and **CARRIED**, the Committee recommended the Board award a non-exclusive contract as a result of Request for Proposal (the “RFP”) No. 2012-6334 to Blue Shield of California. Blue Shield of California is comprised of two health benefit plans, a fully insured plan and a self-funded plan. This contract award is at the discretion of the Board as authorized by Section VII.F.1 of the RFP, and subject to successful negotiations of terms and conditions satisfactory to CalPERS. Should negotiations with Blue Shield of California not be successful, the Board may, based on its exclusive discretion as authorized under Section VII.F.1 of the RFP, direct staff to negotiate with other Proposer(s) regarding proposals that meet the needs of the Board. Those plans will likewise be comprised of two health benefit plans, a fully insured plan and a self-funded plan.

Rob Feckner voted NO.
Michael Bilbrey voted NO.

On **MOTION** by Grant Boyken, **SECONDED**, the Committee recommended the Board award a non-exclusive contract as a result of Request for Proposal No. 2012-6334 (the “RFP”) to Anthem Blue Cross. Anthem Blue Cross is comprised of two health benefit plans, a fully insured plan and a self-funded plan. This contract award is at the discretion of the Board as authorized by Section VII.F.1 of the RFP, and subject to successful negotiations of terms and conditions satisfactory to CalPERS. Should negotiations with Anthem Blue Cross not be successful, the Board may, based on its exclusive discretion as authorized under Section VII.F.1 of the RFP, direct staff to negotiate with other Proposer(s) regarding proposals that meet the needs of the Board. Those plans will likewise be comprised of two health benefit plans, a fully insured plan and a self-funded plan.

The Chair requested a roll call vote.

An electronic vote was taken:

Michael Bilbrey	YES
Howard Schwartz for Julie Chapman	YES
Ruth Holton-Hodson for John Chiang	NO
George Diehr	NO
Rob Feckner	NO
JJ Jelincic	YES
Henry Jones	YES
Grant Boyken for Bill Lockyer	YES

Final vote was 5 YES, 3 NO. The motion **CARRIED**.

On **MOTION** by JJ Jelincic, **SECONDED**, the Committee recommended the Board award a non-exclusive contract as a result of Request for Proposal No. 2012-6334 (the “RFP”) to UnitedHealthcare Services, Inc. UnitedHealthcare Services, Inc. is comprised of two health benefit plans, a fully insured plan and a self-funded plan. This contract award is at the discretion of the Board as authorized by Section VII.F.1 of the RFP, and subject to successful negotiations of terms and conditions satisfactory to CalPERS. Should negotiations with UnitedHealthcare Services, Inc. not be successful, the Board may, based on its exclusive discretion as authorized under Section VII.F.1 of the RFP, direct staff to negotiate with other Proposer(s) regarding proposals that meet the needs of the Board. Those plans will likewise be comprised of two health benefit plans, a fully insured plan and a self-funded plan.

The Chair requested a roll call vote.

An electronic vote was taken:

Michael Bilbrey	NO
Howard Schwartz for Julie Chapman	NO
Ruth Holton-Hodson for John Chiang	YES
George Diehr	NO
Rob Feckner	NO
JJ Jelincic	YES
Henry Jones	YES
Grant Boyken for Bill Lockyer	YES
Priya Mathur	YES

Final vote was 5 YES, 4 NO. The motion **CARRIED**.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board award a non-exclusive contract as a result of Request for Proposal No. 2012-6334 (the “RFP”) to Sharp Health Plan. Sharp Health Plan is comprised of two health benefit plans, a fully insured plan and a self-funded plan. This contract award is at the discretion of the Board as authorized by Section VII.F.1 of the RFP, and subject to successful negotiations of terms and conditions satisfactory to CalPERS. Should negotiations with Sharp Health Plan not be successful, the Board may, based on its exclusive discretion as authorized under Section VII.F.1 of the RFP, direct staff to negotiate with other Proposer(s) regarding proposals that meet the needs of the Board. Those plans will likewise be comprised of two health benefit plans, a fully insured plan and a self-funded plan.

Rob Feckner voted NO.

On **MOTION** by Grant Boyken, **SECONDED**, the Committee recommended the Board award a non-exclusive contract as a result of Request for Proposal No. 2012-6334 (the “RFP”) to Health Net of California. Health Net of California is comprised of two health

benefit plans, a fully insured plan and a self-funded plan. This contract award is at the discretion of the Board as authorized by Section VII.F.1 of the RFP, and subject to successful negotiations of terms and conditions satisfactory to CalPERS. Should negotiations with Health Net of California not be successful, the Board may, based on its exclusive discretion as authorized under Section VII.F.1 of the RFP, direct staff to negotiate with other Proposer(s) regarding proposals that meet the needs of the Board. Those plans will likewise be comprised of two health benefit plans, a fully insured plan and a self-funded plan.

The motion **FAILED**.

On **MOTION** by Henry Jones, **SECONDED** and **CARRIED**, the Committee closed discussions regarding selection of the Health Maintenance Organization plans.

The following people spoke on this item:

Darryl Cardoza, Hill Physicians Medical Group
Paul Markovich, Blue Shield of California
Marvin O'Quinn, Dignity Health
Terry Brennand, SEIU

AGENDA ITEM 16 – PUBLIC COMMENT

George Linn, RPEA, spoke regarding member Health Benefit payment discrepancies.

Randy Cheek spoke regarding the amortization smoothing methods for the Retirement Trust Funds.

The meeting was adjourned at 4:45 p.m.

The next meeting of the Pension and Health Benefits Committee is scheduled for May 14, 2013, in Sacramento, California.

Attachments

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning