



Agenda Item 3b

September 17, 2013

ITEM NAME: Contingency Reserve Fund Adjustment

PROGRAM: Health Program

ITEM TYPE: Consent Action

RECOMMENDATION

The Committee accepts an increase to the Public Employees' Contingency Reserve Fund (CRF) of \$2,005,000 in 2013-14 for a total CRF budget of \$28,813,000 (from \$26,808,000) and recommends the Board of Administration approve the revised 2013-14 Administrative Budget of \$407,983,000 (from \$405,978,000).

EXECUTIVE SUMMARY

Staff is requesting approval of an adjustment to the FY 2013-14 CRF budget. This action will realign the CRF as a result of the inclusion of a one-time augmentation to the CRF to implement the dependent eligibility verification project included in the 2013 Budget Act.

STRATEGIC PLAN

This agenda item supports Goal A of the CalPERS 2012-2017 Strategic Plan, to improve long-term pension and health benefit sustainability with the strategic objective to ensure high-quality, accessible and affordable health benefits.

BACKGROUND

In an effort to contain rising health benefits costs, CalPERS is conducting a verification of all dependents enrolled in CalPERS. The reduced claims experience could result in approximately \$21.5 million in health claims cost avoidance. The State's portion to fund this project is \$2,005,000, CalPERS requested Control Section 4.20 of the proposed Budget Act be amended to reflect a 0.33% CRF administrative rate for Fiscal Year 2013-14.

ANALYSIS

All augmentations from the CRF require approval through the annual legislative budget process prior to CRF administrative rate increases. The request for CRF funding augmentation was approved by the Department of Finance, submitted to the Legislature, and approved as part of the 2013 Budget Act in July 2013. Approval by the CalPERS Board of Administration is required to revise the 2013-14 Administrative Budget.

BENEFITS/RISKS

In partnership with HMS Employer Solutions (HMS), CalPERS is conducting a dependent eligibility verification project. CalPERS is requiring members who have one or more dependents receiving health benefits to verify their dependent's eligibility. The verification of all CalPERS dependents runs from July 2013 through June 2015 with the primary verification period for state employees anticipated to run from July 2013 through to June 2014. An additional verification of all dependents of employees hired after the primary verification period is anticipated at the end of the project. The CRF augmentation of \$2,005,000 will provide the funding necessary to carry out the State's portion of the verification.

ATTACHMENTS

Attachment 1: FY 2013-14 Contingency Reserve Fund Adjustment

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