

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
PENSION & HEALTH BENEFITS COMMITTEE
OPEN SESSION

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JAMES F. PETERS, CSR
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Priya Mathur, Chairperson

Mr. Michael Bilbrey, Vice Chairperson

Mr. John Chiang, represented by Mr. Grant Boyken

Mr. Rob Feckner

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. Henry Jones

Ms. Theresa Taylor

Ms. Betty Yee

BOARD MEMBERS:

Mr. Richard Costigan

Mr. J.J. Jelincic

Mr. Ron Lind

Mr. Bill Slaton

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Mr. Matt Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Mr. Doug McKeever, Deputy Executive Officer

Mr. Alan Milligan, Chief Actuary

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

A P P E A R A N C E S C O N T I N U E D

STAFF:

Ms. Jan Falzarano, Interim Chief, Health Policy Research
Division

Ms. Jennifer Jimenez, Committee Secretary

Mr. Anthony Suine, Chief, Benefit Services Division

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. George Linn, Retired Public Employees Association

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1 P R O C E E D I N G S

2 CHAIRPERSON MATHUR: Good morning, everyone. I'm
3 going TO call the Pension and Health Benefits Committee to
4 order. The first order of business is roll call.

5 COMMITTEE SECRETARY JIMENEZ: Priya Mathur?

6 CHAIRPERSON MATHUR: Good morning.

7 COMMITTEE SECRETARY JIMENEZ: Michael Bilbrey?

8 VICE CHAIRPERSON BILBREY: Good morning.

9 COMMITTEE SECRETARY JIMENEZ: Grant Boyken for
10 John Chiang?

11 ACTING COMMITTEE MEMBER BOYKEN: Here.

12 COMMITTEE SECRETARY JIMENEZ: Rob Feckner?

13 COMMITTEE MEMBER FECKNER: Good morning.

14 COMMITTEE SECRETARY JIMENEZ: Richard Gillihan?

15 COMMITTEE MEMBER GILLIHAN: Here.

16 COMMITTEE SECRETARY JIMENEZ: Dana Hollinger?

17 COMMITTEE MEMBER HOLLINGER: Here.

18 COMMITTEE SECRETARY JIMENEZ: Henry Jones?

19 COMMITTEE MEMBER JONES: Here.

20 COMMITTEE SECRETARY JIMENEZ: Theresa Taylor?

21 COMMITTEE MEMBER TAYLOR: Here.

22 COMMITTEE SECRETARY JIMENEZ: Betty Yee?

23 COMMITTEE MEMBER YEE: Here.

24 CHAIRPERSON MATHUR: Terrific. Well, I want to
25 welcome Dana Hollinger to the Committee. She's a new

1 Committee member, and thank J.J. Jelincic for his service
2 on the Committee. And I also want to just welcome to
3 the -- to the dais, J.J. Jelincic is her, and Ron Lind,
4 and Bill Slaton are also here with us today.

5 Okay. So let's move on to the Agenda Item number
6 2, Election of the Pension and Health Benefits Committee
7 Chair and Vice Chair. And I'm going to turn it over to
8 the Vice Chair to run the Chair election.

9 VICE CHAIRPERSON BILBREY: All right.

10 CHAIRPERSON MATHUR: You're on. Oh, no, you're
11 not on. I'm sorry. My fault.

12 VICE CHAIRPERSON BILBREY: Good morning. I'll
13 open nominations for Chair of the Pension and Health
14 Benefits Committee, and I'll call on Ms. Hollinger.

15 COMMITTEE MEMBER HOLLINGER: Thank you. It's my
16 honor to nominate Priya Mathur as Chair. She's done an
17 excellent job in leading this committee through very
18 challenging issues in navigating health care. And it's my
19 pleasure to nominate her.

20 CHAIRPERSON MATHUR: Thank you.

21 VICE CHAIRPERSON BILBREY: Do we need a second?

22 CHAIRPERSON MATHUR: You don't need a second.

23 VICE CHAIRPERSON BILBREY: Any other nominations?

24 Any other nominations?

25 Any other nominations?

1 Seeing none. A vote by acclamation for Priya
2 Mathur as Chair of the Pension and Health Benefits
3 Committee.

4 All those in favor say aye?

5 (Ayes.)

6 VICE CHAIRPERSON BILBREY: Opposed?

7 Motion carries.

8 Did I do it right?

9 (Applause.)

10 VICE CHAIRPERSON BILBREY: You'll have to forgive
11 me. I'm a little off today. I actually need that to be a
12 motion.

13 COMMITTEE MEMBER YEE: So moved

14 VICE CHAIRPERSON BILBREY: So moved by Ms. Yee.

15 COMMITTEE MEMBER TAYLOR: Second.

16 VICE CHAIRPERSON BILBREY: Second by Ms. Taylor.

17 Now, a vote by acclamation. All those in favor
18 say aye?

19 (Ayes.)

20 VICE CHAIRPERSON BILBREY: Opposed?

21 Motion carries. Thank you.

22 (Applause.)

23 VICE CHAIRPERSON BILBREY: Congratulations, Madam
24 Chair.

25 CHAIRPERSON MATHUR: Thank you. Well, it is one

1 of the great honors and privileges of my life and my
2 career to be able to serve this Committee and the members
3 of CalPERS. So I am very honored to take this up again
4 for another year.

5 Now, let me open for the election of the Vice
6 Chair.

7 Ms. Taylor.

8 COMMITTEE MEMBER TAYLOR: Yes. It's my honor and
9 privilege to nominate Mr. Michael Bilbrey for Vice Chair
10 for the Health Committee.

11 Thank you.

12 CHAIRPERSON MATHUR: Thank you, Ms. Taylor.

13 Are there any further nominations?

14 Any further nominations?

15 Any further nominations?

16 Seeing none. I'll entertain a motion to elect
17 Michael Bilbrey to Vice Chair of this Committee by
18 acclamation.

19 COMMITTEE MEMBER YEE: Move it.

20 ACTING COMMITTEE MEMBER BOYKEN: Second.

21 CHAIRPERSON MATHUR: Moved by Ms. Yee, seconded
22 by Mr. Boyken. Any discussion on the motion?

23 Seeing none.

24 All those in favor say aye?

25 (Ayes.)

1 CHAIRPERSON MATHUR: Motion carries.

2 All opposed?

3 Seeing none. Motion carries.

4 VICE CHAIRPERSON BILBREY: Thank you.

5 (Applause.)

6 CHAIRPERSON MATHUR: Okay. Let's move on to the
7 Executive report, Mr. McKeever.

8 DEPUTY EXECUTIVE OFFICER MCKEEVER: Thank you,
9 Madam Chair, members of the Committee. Doug McKeever,
10 CalPERS staff. And first, let me extend my
11 congratulations to you, Madam Chair, and Vice Chair for
12 your election this morning.

13 This morning, I have three items to update you
14 on, two are health care related and one is on the
15 retirement side. For the health care side, the two items,
16 the first one I'm going to tackle the excise tax. And as
17 I promised at the January off-site, any updates that come
18 up relative to the tax as we move forward, I'll bring back
19 to your attention, so that you're aware of what's going on
20 back in D.C.

21 You may recall that we've already gotten a delay
22 of the excise tax until 2020. However, on the 9th of
23 February, the President released his budget for '17, and
24 it does actually include some modifications to the excise
25 tax. So for the first time, there has been written

1 indications of the flaws in the tax, and some of the
2 things that the President has outlined to address in that
3 tax. Some of the things look at the geographical
4 differences. We've talked about the geographic
5 differences that are currently in the tax where it's the
6 thresholds are spread across the country consistently.
7 There's now thought that there should be some geographic
8 differences in those thresholds.

9 And then there's some issues relative to the
10 flexible savings account and how the applicability of that
11 account will now apply versus how it was intended in the
12 actual law itself.

13 And then finally, and what is encouraging, is
14 they're funding the governmental accounting office to
15 study the effect of the excise tax on employers,
16 especially those who have unusually sick employees. So
17 three areas in which we will continue to keep focus and
18 energy and effort on, looking at those as it moves
19 forward. Obviously, a lot can happen. These are just
20 proposals in the actual budget itself. And as this moves
21 forward, we'll keep you updated. It will be a long
22 journey, no doubt.

23 The second, and this came up yesterday, so I
24 don't know if anybody caught this in the press clippings,
25 but the Centers for Medicare and Medicaid Services, along

1 with the America's health insurance plans reached an
2 agreement on how to measure physician quality in seven
3 medical areas. And this is great news as it relates to, I
4 think, consumers wanting to understand how their doctors
5 and how they pick doctors, how they can go to a source and
6 actually get some viable quality metrics to assist them in
7 that endeavor.

8 And so this is great news as it applies to both
9 Medicare and the commercial market. It's also great news
10 as it relates to doctors, because it's been an
11 administrative burden when multiple insurance plans are
12 asking for different quality data and metrics. This will
13 now consolidate that for the first time, at least at the
14 federal level, so that initially those seven that are
15 rolled out will be consistently applied and measured.

16 It's going to take some time to implement. They
17 now need to go through the federal regulatory process to
18 get approval of these seven. So there's again a lot of
19 work that needs to be done with this, but really good news
20 on that front.

21 Moving on to the retirement side. On January
22 27th of this year, the IRS issued a notice of proposed
23 rule-making on the applicability of normal retirement age
24 regulations to govern pension plans. Those proposed regs
25 provide guidance for determining whether a governmental

1 pension plan's normal retirement age complies with the IRS
2 code.

3 So we're working with our federal representatives
4 right now. We're following the developments that are
5 taking place in D.C. on this issue, as well as looking at
6 and analyzing those proposed regulations to determine
7 whether or not we're going to submit public comments. If
8 we do so, those comments are due April 26th, 2016. So we
9 have some time to continue to weigh-in and determine
10 whether or not we want to make a public comment.

11 Madam Chair, that concludes my comments for this
12 morning.

13 CHAIRPERSON MATHUR: Thank you, Mr. McKeever.

14 We do have one member who wishes to speak. Mr.
15 Jelincic.

16 BOARD MEMBER JELINCIC: Doug, on the normal
17 retirement age for governmental plans and the IRS, what's
18 the catch there? I mean, why is that important?

19 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr. Jelincic,
20 I would need to bring forward someone who's done the
21 analysis on that initially. I'm not aware of the
22 specifics of that. So if you're comfortable, I'd like to
23 get back to you on that particular question.

24 BOARD MEMBER JELINCIC: That's fine.

25 DEPUTY EXECUTIVE OFFICER McKEEVER: Thank you.

1 BOARD MEMBER JELINCIC: Thank you.

2 CHAIRPERSON MATHUR: Thank you.

3 Okay. We'll move on to Agenda Item number 4, the
4 action consent items, approval of the December 2015
5 meeting minutes.

6 VICE CHAIRPERSON BILBREY: Move approval.

7 CHAIRPERSON MATHUR: Moved by Mr. Bilbrey. Is
8 there a second?

9 COMMITTEE MEMBER TAYLOR: Second.

10 CHAIRPERSON MATHUR: Seconded by Ms. Taylor.

11 Any discussion on the motion?

12 Seeing none.

13 All those in favor say aye?

14 (Ayes.)

15 CHAIRPERSON MATHUR: Motion passes.

16 Move on to Agenda Item number 5, which is the
17 consent items. I had no requests to pull anything off of
18 consent.

19 So moving on to Agenda Item number 6, State
20 Legislative Proposal: Retirement Options Simplification.

21 Ms. Lum.

22 DEPUTY EXECUTIVE OFFICER LUM: Good morning,
23 Madam Chair. Donna Lum, CalPERS staff. And joining me
24 this morning is Anthony Suine who will be presenting this
25 item. Before we get started on the item, I would like to

1 also extend my appreciation and congratulations to Priya
2 Mathur as the Chair of this Committee, and Michael Bilbrey
3 for the Vice Chair. It's a wonderful committee to work
4 with. I have had the privilege over the last couple of
5 years to work with you and look forward to continuing to
6 work with you as we move forward a number of really
7 important items this year. So congratulations.

8 CHAIRPERSON MATHUR: Thanks you. Thanks, Donna.

9 CHAIRPERSON MATHUR: Mr. Suine.

10 BENEFIT SERVICES DIVISION CHIEF SUINE: Thanks,
11 Donna. Congratulations to you both. Good morning, Madam
12 Chair, members of the Committee. I'm Anthony Suine,
13 CalPERS staff.

14 And Agenda Item 6 is an action item that is a
15 follow-up to the information and recommendations I
16 previously provided to the Committee in February and
17 October of 2015. Approval of this item will allow staff
18 to pursue the necessary legislative and regulatory changes
19 needed to implement the proposed retirement options.

20 In case you all don't remember the events of the
21 last year, I'll just recap them briefly. From the
22 February 2015 Committee meeting, we recommended
23 eliminating two of the option 4 retirement choices that
24 were elected less than 100 times over the last 25 years.
25 In addition, we recommended consolidating three of the

1 flexible beneficiary retirement options into one option.

2 The Committee was supportive of that action, and
3 requested additional analysis to be performed to see if
4 further simplification made sense. At the October 2015
5 committee meeting, I brought back the additional analysis
6 on each of the retirement options and provided them to the
7 Committee. And a recommendation was made to pursue
8 legislative changes to reduce the number of retirement
9 options from 13 to five.

10 At that meeting, we had some stakeholder feedback
11 asking us to provide additional information about the
12 option selections and outcomes for their specified member
13 population, specifically the school members, and asked to
14 consider the seven options to allow for further
15 stakeholder outreach to occur prior to bringing a final
16 recommendation back to the Board.

17 The Board did request us to move forward with the
18 seven, until we could do that further analysis. So based
19 on that request, we did provide that additional data to
20 the school member group. We reviewed that data with them.
21 And after consideration of the additional data, we
22 followed up with our stakeholders, and there was no
23 opposition to us pursuing our original recommendation.

24 Therefore, our recommendation today is back to
25 our original recommendation to pursue legislative and

1 regulatory actions to reduce our number of retirement
2 options from 13 to five, which are listed in your agenda
3 item.

4 While we understand different approaches to our
5 optional benefits may be feasible, we believe best
6 practices of other retirement systems and our years of
7 data suggest the options we are proposing to retain are
8 those that are the most popular and provide for the most
9 appropriate amount of financial flexibility for our
10 members.

11 I'm happy to take any questions.

12 CHAIRPERSON MATHUR: Thank you. This is an
13 action item. What's the pleasure of the Committee?

14 Mr. Jelincic.

15 BOARD MEMBER JELINCIC: Do we have a vested -- do
16 we have a vested rights issue where people came into the
17 system having these rights and now we're saying these
18 options are no longer available?

19 BENEFIT SERVICES DIVISION CHIEF SUINE: So as
20 with any statutory change that affects benefits, there is
21 a potential vested rights issue, but we believe that the
22 retirement options we are -- have remaining provide our
23 members with benefit simplicity without significantly
24 impacting their retirement choices. So there shouldn't be
25 a significant vested rights issue made.

1 BOARD MEMBER JELINCIC: Thank you.

2 CHAIRPERSON MATHUR: Thank you. We do -- Mr.
3 Boyken.

4 ACTING COMMITTEE MEMBER BOYKEN: Thank you.
5 Thanks for the report, and the work that you've done over
6 the last year in reaching out to stakeholders. One of the
7 things we hear year after year with the cost effectiveness
8 measures report is that part of our costs are related to
9 our complexity. And this is, you know, one solution that,
10 you know, gets a little more towards Simplicity.

11 So with that, I would move staff's
12 recommendation.

13 COMMITTEE MEMBER YEE: Second.

14 CHAIRPERSON MATHUR: Moved by Boyken, seconded by
15 Yee.

16 There is a request to speak from the public.
17 David Haxton, are you here in the room?

18 Seeing that he's -- not seeing him, I will
19 move -- sorry.

20 BOARD MEMBER JELINCIC: There was a written
21 statement.

22 CHAIRPERSON MATHUR: There was a written
23 statement from him. Okay. So it's -- there's a written
24 statement from Mr. Haxton in our files apparently. I'm
25 not sure if I've seen it.

1 Okay. Thank you. Okay. So since every
2 Committee member has his statement, there's a motion on
3 the table. Mr. Gillihan, did you want to speak at this
4 time or just to note --

5 COMMITTEE MEMBER GILLIHAN: Yes.

6 CHAIRPERSON MATHUR: Yes, you did?

7 COMMITTEE MEMBER GILLIHAN: Yes.

8 CHAIRPERSON MATHUR: Oh, sorry. Go ahead, Mr.
9 Gillihan.

10 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
11 Chair.

12 So with regard to the written statement from
13 David Haxton, has staff had a chance to review the issues
14 he raised, in particular the option for further
15 simplification as opposed to having an option for 50 and
16 100 percent, just to have a generic option that allows the
17 member to pick a percentage? And then -- because we have
18 that option anyhow, so why do we need all three? And I
19 think that's a good point -- or a fair anyhow. And then
20 this notion about continued over-collections of people
21 that live past a certain age. I just wondered if you
22 could comment on that and the validity of that argument?

23 Thank you.

24 BENEFIT SERVICES DIVISION CHIEF SUINE: Sure. We
25 did have a chance, and I had some communications with Mr.

1 Haxton as well. Regarding the -- yes, flexible
2 beneficiary option does provide for any choice of
3 percentage or specific dollar amount for that beneficiary.
4 However, the two most popular choices are 150 percent --
5 100 percent and 50 percent of an ongoing lifetime benefit.
6 So we felt calling those two out is more explainable to
7 the member and understandable to the member. And so we
8 feel it is more prudent to have those two along with the
9 multiple beneficiary option.

10 In regards to the question is about the option
11 one. And when I choose an option one, I have a reduction
12 in my benefit over the lifetime of that benefit, even
13 though my contributions might expire after 10 or 12 years.
14 And what I explained to Mr. Haxton is that it's -- it is
15 an insurance, and that if we calculated it to last only
16 over those 10 to 12 years, the cost of that reduction
17 would be much greater. So it's much more affordable to
18 the member to provide that insurance of the option 1 by
19 amortizing that cost over the lifetime of the benefit, as
20 opposed just to over the 10 to 12 years.

21 COMMITTEE MEMBER GILLIHAN: And when we do that,
22 are we somehow subsidizing that option? I mean, I don't
23 know. I'm trying to figure out how the math works here.
24 Maybe Alan can shed some light on it for us.

25 BENEFIT SERVICES DIVISION CHIEF SUINE: Sure.

1 CHIEF ACTUARY MILLIGAN: So all of the option
2 factors are calculated to be cost neutral, so that we're
3 not expecting to get a gain or a loss as a result of an
4 individual member electing a particular option. So this
5 option is not subsidizing. As Anthony correctly stated,
6 if we were to only collect -- you know, only have the
7 reduced pension amount for the period where the member
8 contributions were still being paid out, we would have to
9 take a larger reduction from the member's retirement, in
10 order for it to be cost neutral.

11 And there's an added administrative complexity
12 to, you know, bumping the pension amount back up. Since
13 what we're trying to do here is to simplify things to
14 minimize administrative costs, it just makes sense to
15 continue the refund -- the cost of the refund feature the
16 way we are currently doing it.

17 COMMITTEE MEMBER GILLIHAN: Great. Thank you.

18 CHAIRPERSON MATHUR: Thank you.

19 Mr. Jelincic.

20 BOARD MEMBER JELINCIC: Given that David had
21 asked this be read into the record, I would like to rather
22 request that we simply give a copy to the court reporter
23 and ask him to attach it to the transcript.

24 CHAIRPERSON MATHUR: I don't -- oh, I see. This
25 was for him to read himself I think during public comment,

1 because he did submit a request to speak, but he's not
2 here. I don't particularly have an objection to attaching
3 it, but he's not here for his own public comment.

4 Okay. There's a motion --

5 GENERAL COUNSEL JACOBS: Madam Chair, if I may?

6 CHAIRPERSON MATHUR: Yes, Mr. Jacobs.

7 GENERAL COUNSEL JACOBS: The -- along the lines
8 of what Mr. Jelincic just mentioned, we should make clear
9 that the letter is part of the public record, and that we
10 would make copies available at the back of the room, as
11 soon as they can be made and placed back there.

12 CHAIRPERSON MATHUR: Thank you. Okay. And do
13 you think we should just attach this to the record as
14 well, would that be helpful?

15 GENERAL COUNSEL JACOBS: I don't think that's
16 necessary. But certainly, they should be made available
17 in the back of the room.

18 CHAIRPERSON MATHUR: Okay. So copies of the
19 letter will be made available to the back of the room, as
20 soon as copies can be made.

21 All right. Seeing no further requests to speak,
22 there's a motion before you.

23 All those in favor say aye?

24 (Ayes.)

25 CHAIRPERSON MATHUR: Any nays?

1 Any abstentions?

2 COMMITTEE MEMBER GILLIHAN: Yes.

3 CHAIRPERSON MATHUR: Please note Mr. Gillihan's
4 abstention.

5 Okay. We'll move on to the next agenda item,
6 Agenda Item number 7, Customer Service and Support
7 Performance Update. Ms. Lum.

8 DEPUTY EXECUTIVE OFFICER LUM: Thank you. Donna
9 Lum again, CalPERS staff. Alongside me is Anthony Suine.

10 Agenda Item number 7 is an information item.
11 It's our quarterly update on customer service performance.
12 And we're happy today to share with you that customer
13 service and performance overall continues to remain very
14 high and very strong.

15 However, we would like to raise a metric to your
16 attention, which was inadvertently omitted from the
17 original agenda item. However, it is featured in the hard
18 copy revised agenda item that you should have received in
19 your folder today. The website will be updated shortly
20 with the revised agenda item.

21 The metric is related to our overall customer
22 satisfaction regarding our payroll reporting process,
23 which we engage our business partners or our employers in.
24 And during Anthony's presentation, he'll provide some
25 additional information surrounding that particular metric,

1 which does meet our exception reporting to this Committee.

2 Before Anthony gets started, I'd like to share a
3 couple of things with you. One is as part of our ongoing
4 commitment to provide customer service and to reach out to
5 our membership to enhance our customer experience, we
6 continue to engage in our Customer Benefit Education
7 Events, which I've reported to this Committee on several
8 occasions.

9 We kicked off the 2016 series of CBEEs in Rohnert
10 Park, which was on January 29th and 30th. And our members
11 were very appreciative of the fact that CalPERS has hosted
12 this CBEE in that area. During this event, we were able
13 to serve more than 1,100 members over the two days. And
14 our customer service teams were very happy to see a few of
15 our Board members in attendance at the event.

16 Our next event is scheduled for February 26th and
17 27th. And it will be in Seaside, Monterey. Also, in the
18 agenda item is the schedule for the benefit events. And
19 we also do have copies in the back room available for the
20 members that are here. And it looks likes this. Shortly,
21 we will have them all posted as well on our website.

22 We believe that the schedule allows us to carry
23 out our education and outreach to very many locations,
24 including a few remote locations across the State. And
25 we're always very appreciative of hearing from our members

1 feedback regarding the education and the services that
2 they -- that they receive at these events.

3 And with that, I'd like to turn the presentation
4 over to Anthony, and he'll cover some highlights on some
5 new things that are happening.

6 CHAIRPERSON MATHUR: Thank you. Mr. Suine.

7 BENEFIT SERVICES DIVISION CHIEF SUINE: Good
8 morning again, Madam Chair, members of the Committee.
9 Anthony Suine, CalPERS staff.

10 I wanted to take a minute to share with you some
11 of the opportunities and customer service highlights in
12 the CSS Branch over the last quarter, and some exciting
13 things we have upcoming. As we approach the new open
14 enrollment season, we're excited about being able to
15 deliver our health enrollment information in a new
16 fashion, that provides more efficient ways for members to
17 access personalized health data. That's in line with our
18 green initiatives and provides a cost savings to the
19 organization.

20 For 2016, all active and retired members will
21 receive their open enrollment information electronically
22 via their my|CalPERS member self-service accounts. This
23 will allow members to have a more dynamic view of their
24 health information with specialized messages that are
25 personalized to them and links to resources that are more

1 applicable to their situation.

2 For those members who prefer to continue
3 receiving a hard copy of health enrollment information, a
4 robust marketing campaign will be rolled out to allow them
5 to opt in to receiving their materials in the mail, and
6 also to opt in for hard copies for future open enrollment
7 years. Subscribers will be receiving notifications in
8 March and social media and newsletters will also be used
9 to communicate these changes.

10 In the area of customer service, one program we
11 have focused on making improvements recently is the
12 replacement benefit plan. And this is a relatively small
13 program administered by CalPERS that impacts retirees who
14 are subject to Internal Revenue Code 415(b). When the
15 membership population in this program was extremely small,
16 it could be administered manually. However, with the
17 population doubling -- more than doubling over the last
18 couple of years, we had to move to an automated process
19 that was more customer friendly and compliant with the IRS
20 rules.

21 Now that our system rules are stable, we've been
22 looking at ways to improve the customer service for these
23 participants. Changes were recently made in December that
24 have significantly improved the timeliness of the payments
25 from our employers to the plan, which then expedites the

1 payments to our participants for this program.

2 We're excited about those changes, and I believe
3 our members have seen those improvements, and we have some
4 future enhancements scheduled as well to improve
5 communication and customer service even further in this
6 area.

7 Further, on customer service, we have the area of
8 charter schools. And previously, we've been in front of
9 you we've discussed our new process for reviewing,
10 approving, and enrolling eligible charter schools. And we
11 just wanted to report that the process is working
12 efficiently and effectively, and it's helped prepare us
13 for a potential increase in contract requests from our
14 charter school population.

15 Lastly, as Donna touched on, in the area of
16 customer satisfaction, in December, I had the opportunity
17 to present our strategic measures to you. One was related
18 to customer satisfaction surveys. And with your help, we
19 established a threshold of 85 percent. And that if any
20 survey within that strategic measure fell below 85
21 percent, we would come and give an update to you about
22 that survey and what's being done to mitigate that lower
23 score.

24 And so ending the second quarter of 2015, our
25 on-line survey which covers our payroll reporting process,

1 which surveys our employers as they submit payroll data to
2 us on a monthly or more frequent basis, fell below the
3 reporting threshold. And it is at 82 percent currently,
4 so slightly below the 85 percent.

5 What we've done is we've looked at -- the survey
6 also has several touchpoint questions of the process,
7 engaging their satisfaction with each touchpoint, as well
8 as the ability to provide comments. So we looked at the
9 scores of each touchpoint. We really reviewed their
10 comments and what they're asking for. And we've -- we are
11 making changes. We've made some already that -- the two
12 major issues with -- were with the navigation of the
13 payroll submission pages, and the reporting of that
14 payroll, the reports they can run.

15 So we've made some recent improvements to those
16 areas. We have some future enhancements scheduled that
17 will help improve their score. It is a complex and
18 arduous process, so we continue to work with them in hopes
19 to improve those scores and reach our goal of 95 percent
20 satisfaction.

21 That concludes my report, and I'm happy to take
22 any questions.

23 CHAIRPERSON MATHUR: Thank you. Excuse me. Mr.
24 Jones.

25 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam

1 Chair. Yeah, I have a few questions on the health plan
2 statement improvement, and always looking to see
3 efficiency and improvement. And so one of the first
4 questions about improvements in efficiency is what are the
5 potential savings, so that savings then end up resulting
6 to the member. So is there a potential savings related to
7 this activity?

8 BENEFIT SERVICES DIVISION CHIEF SUINE: There is
9 a potential savings of over a half a million dollars.
10 We're -- that isn't our major concern. Our major concern
11 is providing the more specialized information to our
12 subscriber population, but there is a cost savings of
13 upwards of a half a million dollars.

14 COMMITTEE MEMBER JONES: And the second question
15 is you have a proposal to opt-in to continue to receiving
16 materials by mail. What about opting out? In other
17 words, reversing it, so there's no requirement on the
18 person to act?

19 BENEFIT SERVICES DIVISION CHIEF SUINE: Sure. We
20 considered opting everybody out or opting everybody in,
21 and have them opt-in to go on-line. Previous
22 communications where we've done this before, such as
23 annual member statements, and our retirement warrants, the
24 level of adoption isn't there. And so we really wanted to
25 push the customization, the real-time data, to our

1 members. And we felt that with a robust marketing
2 campaign, we would hit those individuals who really still
3 prefer to receive the on-line communication via the mail
4 and hard copy, provide them ample opportunity to do that.

5 So we felt that this was more efficient having
6 them opt-in to the hard copy. And it is a best practice
7 in the industry that this type of information is provided
8 via the member self-service account.

9 COMMITTEE MEMBER JONES: And so what is your
10 back-up plan to ensure that no one falls through the
11 cracks?

12 BENEFIT SERVICES DIVISION CHIEF SUINE: So we
13 have, as I mentioned, a robust marketing campaign that's
14 going out in March. We'll let every subscriber know that
15 they can send back a postcard -- a simple postcard that's
16 provided to them to opt back in to receive a hard copy.
17 They can call our contact center. Our phone tree will
18 have the ability for them to press a button to opt back in
19 to receiving a paper form or they can speak to a contact
20 center agent who can opt them in.

21 And even if they were to miss the deadline for
22 this open enrollment period, at any time, they could call
23 the contact center, receive a hard copy of that
24 information in the mail, and opt-in to receive that paper
25 for a future year of open enrollment.

1 COMMITTEE MEMBER JONES: Okay. Thank you.

2 My next question is on the charter schools. I
3 see you indicate that there are 12 schools with 16 in the
4 queue for review. Does this cover all charter schools
5 that were at risk from the beginning?

6 DEPUTY EXECUTIVE OFFICER LUM: Yes, it does. So
7 basically, what we have left in the queue are those in
8 which we may be waiting additional information. As far as
9 the timing and the timeliness of processing the
10 applications when we get them, they're very timely. I
11 think we're turning them around in less than 30 days
12 currently. So anything that's pending is because we're
13 awaiting additional documents or information to be able to
14 move those forward.

15 COMMITTEE MEMBER JONES: Thank you.

16 CHAIRPERSON MATHUR: Thank you. We do have two
17 members of the public who wish to speak on this item. Mr.
18 Behrens. And then following him Mr. Linn. You can both
19 take a seat over here and the mics will be turned on for
20 you. Please identify yourself and your affiliation for
21 the record, and you'll have three minutes to speak.

22 You're on.

23 MR. BEHRENS: Okay. Thank you. Congratulations
24 again, Madam Chair and Vice Chair.

25 CHAIRPERSON MATHUR: Thank you.

1 MR. BEHRENS: Board members, I'm Tim Behrens.
2 I'm the President of the California State Retirees. I
3 wanted to share an issue that just happened yesterday with
4 a member who was upset about Delta Dental. And it seems
5 that Delta Dental would not pay his bill at his dentist.
6 So he tried to get on Delta Dental's website, which he
7 said was very unuser-friendly.

8 And so then he called CalPERS. And within 15
9 minutes CalPERS solved his problem. He had been a member
10 of Delta Dental for over three years. They did arrange to
11 make the payment to the dentist. The dentist was happy.
12 The member was happy. And it's another example of what I
13 believe CalPERS has increased the help with the
14 stakeholders in my organization, and --

15 (Thereupon a phone rang.)

16 MR. BEHRENS: Excuse me for not turning my phone
17 off.

18 COMMITTEE MEMBER JONES: Five dollars.

19 (Laughter.)

20 MR. BEHRENS: Five dollars?

21 CHAIRPERSON MATHUR: You should know.

22 (Laughter.)

23 MR. BEHRENS: You could take that out of my
24 pension. Thank you.

25 (Laughter.)

1 MR. BEHRENS: I want to highlight a couple of
2 people that have been working with our organization since
3 the changeover to the UnitedHealthcare for Medicare
4 stakeholders, and that's Rita Gallardo and Corinne[sic] --
5 and I'm sorry if I butchered your name Corinne[sic].

6 We have had, I would say, probably 90 percent of
7 our cases, where we've had people that have had issues,
8 within 24 to 48 hours, with their help, our members are on
9 track, understand what their options are, and have moved
10 forward. And this is something that we have never had
11 this level of communication from CalPERS with our members.
12 The head of our health care committee, Stephanie Hueg, is
13 in constant contact with these two ladies, and other
14 members of CalPERS staff specializing in when you think
15 you've heard them all, there's always one more issue
16 that's different from all the other issues that we have.

17 We really enjoy continuing to get information
18 from CalPERS and put it into our monthly newspaper that
19 goes out to over about 35,000 former State employees. So
20 we're trying to Educate our members, and we really
21 appreciate the CalPERS staff giving us information, and
22 working with us on issues that sometimes we don't like the
23 outcome, but there is an outcome, and we can move along,
24 and our members stay informed. Thank you.

25 CHAIRPERSON MATHUR: Thank you so much for your

1 comments. It's always wonderful to hear good feedback
2 about our customer service and our staff. Thank you,
3 Rita.

4 MR. BEHRENS: Yeah. I am hoping that somewhere
5 that someone here today can help us understand the 1095Bs
6 that are coming out. They're just now starting to filter
7 their way to our membership. I haven't gotten one yet,
8 and I don't know if I'm going to have to redo my taxes,
9 because I'm getting this after the fact, after I've
10 already filed my taxes. And if there's anybody today that
11 could touch on that issue, that would be helpful.

12 CHAIRPERSON MATHUR: Mr. McKeever, is that
13 something you can address on the fly, or do we need to
14 circle back around?

15 DEPUTY EXECUTIVE OFFICER MCKEEVER: We can
16 address that on the fly. In fact, we flew so fast, we
17 addressed it yesterday.

18 (Laughter.)

19 CHAIRPERSON MATHUR: Turning back time.

20 DEPUTY EXECUTIVE OFFICER MCKEEVER: We were made
21 away of this particular issue, and actually we provided
22 Stakeholder Relations some additional information
23 clarifying the 1095B issue. That should have been already
24 sent out to the retiree stakeholders. So I will make sure
25 that that is done. If that clarification is not

1 sufficient, we will continue to work with them.

2 CHAIRPERSON MATHUR: Okay. Thank you.

3 MR. BEHRENS: Thank you.

4 CHAIRPERSON MATHUR: Before we move on, Mr.
5 Jelincic.

6 BOARD MEMBER JELINCIC: Doug, can you educate a
7 Board member a little bit. What's a 1099B?

8 DEPUTY EXECUTIVE OFFICER McKEEVER: It's a
9 requirement under the affordable care act, whereby we have
10 to send out notification to the members relative to their
11 health care spend. And the fact that they're getting
12 health care. It's validation of receiving health care.
13 It's for the federal government to find out who isn't
14 getting health care, and then by virtue of not having
15 health care, there are penalties associated with that. So
16 it's a notification process really is what it comes down
17 to.

18 CHAIRPERSON MATHUR: Notification and
19 verification of having health care.

20 DEPUTY EXECUTIVE OFFICER McKEEVER: That is
21 correct.

22 CHAIRPERSON MATHUR: Mr. Jones.

23 COMMITTEE MEMBER JONES: Yeah. I just -- based
24 on J.J.'s question, I'm wondering -- I've received mine,
25 and is this just a retiree thing?

1 CHAIRPERSON MATHUR: No. No, it's not. It's for
2 everyone.

3 Okay. Mr. Linn.

4 MR. LINN: George Linn, President of RPEA. And
5 first of all, congratulations to the reelection of the
6 Committee Chairs and Vice Chair.

7 Committee members, my concern is not for me,
8 because I believe in moving electronically to everything
9 we can do. But when we take a look at what my
10 constituents are, the retired folks out there, about 30
11 percent of our members identify that they have email
12 addresses. I don't know how many of those lie to us or go
13 on-line to my|CalPERS. I have no idea what that tracking
14 record is.

15 But to have a situation where they opt out of
16 electronic, bothers me, because I think -- I don't care
17 how much we tell them ahead of time, when it comes down to
18 the point in time that they need to opt-out to get
19 something written, it's not going to happen. And I am
20 concerned that we're going to have a lot of seniors that
21 are going to miss the open enrollment process.

22 CHAIRPERSON MATHUR: Thank you for your comments.
23 This is not really notification of the open enrollment
24 process. It's really the EOC information, plan statement
25 information, correct?

1 DEPUTY EXECUTIVE OFFICER LUM: Yes.

2 CHAIRPERSON MATHUR: Okay. Thank you.

3 Mr. Jones.

4 COMMITTEE MEMBER JONES: No, I just was going to
5 follow up on that particular question, so you've already
6 answered it.

7 CHAIRPERSON MATHUR: Thank you.

8 Okay. We will move -- seeing no further requests
9 from the public, we'll move on to Agenda Item number 8,
10 Public Agency Recruitment and Retention for the Health
11 Benefits Program. Thanks for --

12 DEPUTY EXECUTIVE OFFICER LUM: Thank you.

13 So Agenda Item number 8 is an information item.
14 And it's related to our public agency recruitment and
15 retention for the Health Benefits Program. And it's a
16 look back at what happened during the fiscal year -- or
17 the year 2015.

18 So during the 2015 calendar year, we were able to
19 add 16,402 total covered lives to the program, and that
20 included 23 new agencies. And the details surrounding
21 those new agencies are featured on the Attachment 3 in the
22 agenda item.

23 As in past years, we also experienced termination
24 of some agencies, which resulted in a loss of 6,122 total
25 covered lives. And a breakdown of those terminations is

1 also featured on Attachment 2.

2 When you total the gains and losses for 2015, our
3 efforts resulted in a total net gain of 9,920 additional
4 total lives -- our total covered lives, which is on
5 Attachment 1. Attachment 1, however, I want to bring to
6 your attention does feature an incorrect total. And the
7 actual total net gain is 9,920 as I mentioned.

8 I also understand that the chart that we had in
9 the attachment on the top of page two added some
10 confusion, in terms of what the total loss and total net
11 gain was of the total covered lives.

12 And so as a point of clarification on page two,
13 there is a table that highlights the average annual net
14 gains and losses. The first three rows point out what our
15 average gains and losses are, as well as our net gain from
16 2012 and 2015. The fourth row reads average net loss 2012
17 to 2015, and it should actually read total net loss, not
18 average net loss, for those particular years.

19 So when you look at that, we lost a total of
20 17,870 total covered lives during that time frame.
21 However, we did net over 38,755 additional total covered
22 lives. So I think the mislabeling of that row added to
23 some confusion, and I just wanted to clarify that.

24 CHAIRPERSON MATHUR: I'm sorry, Ms. Lum.

25 DEPUTY EXECUTIVE OFFICER LUM: Sure.

1 CHAIRPERSON MATHUR: If I could just -- so the
2 net loss, that is the losses net of the gains, is 17,870
3 over that time period?

4 DEPUTY EXECUTIVE OFFICER LUM: So yes, the total
5 net less, not the average per year.

6 CHAIRPERSON MATHUR: The total net loss, not the
7 average. The total net loss.

8 DEPUTY EXECUTIVE OFFICER LUM: That's correct.

9 CHAIRPERSON MATHUR: Okay.

10 DEPUTY EXECUTIVE OFFICER LUM: So as we move
11 forward, we continue to work with our health plan partners
12 and prospective agencies and school employers to promote
13 and create more awareness of the CalPERS health benefits.
14 And I think Doug would like to provide some additional
15 information surrounding some of the terminations and what
16 we might be seeing going forward in the future.

17 DEPUTY EXECUTIVE OFFICER McKEEVER: Thank you,
18 Donna. I just wanted to call out what may be obvious in
19 Attachment 2, and it lists the reasons for the contracting
20 agencies for departing CalPERS. And I think there's a
21 theme here that we just need to be aware of and cognizant
22 of as we move forward in our planning efforts to ensure
23 that this program is attractive to contracting agencies
24 moving forward.

25 The two themes that I -- that resonate are that

1 agencies are leaving us because of low deductible -- or a
2 high deductible low cost premium plans that are being
3 offered in the -- whatever the plan or program is that
4 they have moved to outside of CalPERS.

5 The other option is no surprise. We brought this
6 up in our public agency retirement project a couple of
7 years ago. And that is some of the agencies are leaving
8 us as a result of the retiree coverage, the mandate that
9 we have in our program.

10 So I just wanted to call out that those are two
11 themes that we see. And we're going to be looking at
12 those and planning for efforts to bring back to this
13 committee in the near future some strategies as to how we
14 can push forward and address this, and then seek your
15 guidance on some of those ideas and suggestions moving
16 forward, so that we can direct staff to certainly look at
17 whether or not we can be more attractive in the future in
18 our Health Benefits Program.

19 CHAIRPERSON MATHUR: Thank you.

20 Ms. Yee.

21 COMMITTEE MEMBER YEE: Thank you, Madam Chair.

22 Thank you, Mr. McKeever for pointing out the --
23 kind of a common theme among the reasons for terminating.
24 Conversely, do we have any information as to why we're
25 attracting new employers and employee groups?

1 DEPUTY EXECUTIVE OFFICER McKEEVER: Yeah. Ms.
2 Yee, I don't -- I don't know, and we certainly can't --
3 and are not able to quantify today why those agencies have
4 joined CalPERS. We can certainly speculate that the fact
5 that the CalPERS program is still a very attractive health
6 benefits program to many of our employers and those
7 seeking health care.

8 It also can be attributed to some employers that
9 we know have left us in the past. And when they do so,
10 they think that they're going to get a benefit. A couple
11 of years into that, they find out that they're not getting
12 the achieved savings that they had hoped, and then they
13 come back into CalPERS. So it's probably a combination of
14 things that are drawing them into CalPERS. I just can't
15 quantify it.

16 COMMITTEE MEMBER YEE: Right, such a broad
17 diverse array of agencies.

18 DEPUTY EXECUTIVE OFFICER McKEEVER: Yeah.

19 COMMITTEE MEMBER YEE: I was just curious. Okay.
20 Thank you.

21 CHAIRPERSON MATHUR: Thank you.

22 Mr. Jelincic.

23 BOARD MEMBER JELINCIC: Doug, do we track people
24 who have left to see if they are getting what they think
25 they're going to get? I mean obviously we've had some

1 who've said, gee, you know, we kind of got conned and
2 we're coming back. But do we regularly track to see if
3 they're getting the kind of savings they had anticipated?

4 DEPUTY EXECUTIVE OFFICER LUM: Mr. Jelincic,
5 that's a good question. So one of the things that we have
6 added into our marketing and outreach strategy this fiscal
7 year is we are reaching back to agencies that terminated,
8 because there's a five-year waiting termination -- or
9 waiting period when an agency terminates, whether they
10 want to consider coming back to CalPERS.

11 And so what we're going to be doing is reaching
12 out to those agencies to inquire about the current status
13 of their health benefits, and if there's anything that
14 CalPERS can do to provide any additional information. So,
15 more or less, finding out the current state.

16 We're also going to be reaching out to those
17 agencies that terminated within four years, because they
18 have another year before they can decide whether they want
19 to come back to CalPERS, and determine again if there's
20 additional information that can be provided to them based
21 on what their understanding was when they left CalPERS,
22 what they had anticipated and expected going to a
23 different health coverage, and to provide any updated
24 information that we can share at that time to help them
25 make any potential decisions that they might be facing in

1 the near future. We had not done that previously and that
2 was part of our new plan this year.

3 BOARD MEMBER JELINCIC: Okay. So we will start
4 capturing that going forward?

5 DEPUTY EXECUTIVE OFFICER LUM: Correct.

6 BOARD MEMBER JELINCIC: Thank you.

7 CHAIRPERSON MATHUR: Thank you.

8 Mr. Slaton.

9 BOARD MEMBER SLATON: Thank you, Madam Chair.
10 I'm interested in some broader statistics here. And I
11 guess I could research and do the math, but maybe you have
12 quick answers to this. So the universe of covered lives
13 that we provide for, what is that as a percentage of the
14 total covered lives in -- who -- you know, of the total
15 universe, in other words all public agencies who could be
16 in our system versus what we have?

17 And then the other piece -- the other statistic
18 that I think would be useful to know is that of that
19 universe, and this -- maybe there's too much work to
20 derive this number, but there's -- I've heard two
21 conditions talked about when you talk about why they left.
22 One was that looking for a high deductible plan, a low
23 cost plan, and the other one was our requirement for
24 retiree health care.

25 And it would be interesting to know of the

1 universe, how many covered lives are under local
2 government plans that do not provide retiree medical? I
3 don't know if that's a determinable number or not. But I
4 think that understanding the universe that we're in might
5 be useful to the Committee and the rest of the Board
6 members.

7 DEPUTY EXECUTIVE OFFICER McKEEVER: So, Mr.
8 Slaton, I don't think -- we don't have either one of those
9 readily available. We would actually have to look into
10 both of those. I do know, for example, on the school
11 side, there are many, many, many school districts that are
12 not part of CalPERS that are eligible to join CalPERS, and
13 they've chosen alternative programs.

14 Relative to public agencies, cities, counties,
15 special districts, that would require quite a bit of
16 effort on staff's part to look into that to find out what
17 that universe is. So we would have to go back and look at
18 whether or not that's something we could pull together.

19 BOARD MEMBER SLATON: I see. So the -- but the
20 covered live percentage, is that -- that's a fairly easy
21 determinable number, because we know on the pension side
22 how many people we have in the system.

23 DEPUTY EXECUTIVE OFFICER McKEEVER: Yes, we do,
24 and we also know how many agencies that contract with
25 CalPERS for pension only that don't contract with the

1 health side, so that one we can gather.

2 BOARD MEMBER SLATON: That one is easy to get.

3 DEPUTY EXECUTIVE OFFICER McKEEVER: Yeah.

4 CHAIRPERSON MATHUR: Although, do we necessarily
5 know how many dependents each of those would --

6 DEPUTY EXECUTIVE OFFICER McKEEVER: We would not
7 know the number of dependents --

8 CHAIRPERSON MATHUR: It wouldn't be total covered
9 lives.

10 DEPUTY EXECUTIVE OFFICER McKEEVER: -- relative
11 to total covered lives. We would just be able to know the
12 number of agencies that don't currently participate in the
13 PEMHCA program, yeah.

14 And then your other question about how many of
15 those local agencies that don't contract with us may not
16 provide retiree coverage again --

17 BOARD MEMBER SLATON: It's hard to determine.

18 DEPUTY EXECUTIVE OFFICER McKEEVER: -- that would
19 be an effort that we would have to look at finding at how
20 we would actually collect that data from those agencies
21 that were currently not members of PEMHCA.

22 BOARD MEMBER SLATON: Well, I know you're
23 stressed on workload, so I'm not sure --

24 CHAIRPERSON MATHUR: It might be something to
25 think about for a future time.

1 BOARD MEMBER SLATON: All right. Thank you.

2 CHAIRPERSON MATHUR: Thank you, Mr. Slaton.

3 Mr. Bilbrey, did you have something?

4 VICE CHAIRPERSON BILBREY: Yes, just real quick.

5 So do we have any numbers on the number of plan -- or
6 agencies who have come back after they've left? Do we
7 have those kind of numbers?

8 DEPUTY EXECUTIVE OFFICER LUM: Our little button
9 here is hard to press. Although, again, I don't have that
10 readily available, that's information that I can go back
11 to our team and find out if we have that information.

12 VICE CHAIRPERSON BILBREY: That would be good.
13 That would be helpful.

14 CHAIRPERSON MATHUR: Thank you.

15 Mr. Boyken.

16 ACTING COMMITTEE MEMBER BOYKEN: Thanks. Just
17 real quick to Mr. Slaton's question. This is about a
18 decade old now, but in 2007 there was a commission that
19 did a pretty comprehensive -- it was a commission to look
20 at retiree health and pension benefits, but they did a
21 comprehensive survey. And then CalSTRS in 2008 looked
22 specifically at school employers to see who offered what
23 and what the retirees got. I don't know if those have
24 been updated, but there might be other sources out there
25 so that we wouldn't have to do the work. Maybe the League

1 of Cities or CSAC has done something.

2 CHAIRPERSON MATHUR: Thank you. Helpful
3 suggestions. So perhaps to the extent that we can find
4 another sources without ourselves doing a significant
5 survey, that would be -- might be worth looking into.

6 DEPUTY EXECUTIVE OFFICER McKEEVER: Okay. That's
7 easily doable relative to reaching out to others to see if
8 there's some data. To Mr. Boyken's point, we can
9 certainly look to see how the prior surveys provided that
10 information. Of course, it would be a bit dated back in
11 07/08, but at least it would give us a flavor.

12 CHAIRPERSON MATHUR: Thank you. Terrific. Good
13 suggestion.

14 I see no further requests to speak. Did you have
15 anything else on this item, Ms. Lum?

16 DEPUTY EXECUTIVE OFFICER LUM: No.

17 CHAIRPERSON MATHUR: Okay. We'll move on to
18 Agenda Item number 9, Health Open Enrollment Results.

19 Mr. McKeever.

20 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF
21 FALZARANO: Good morning, Jan Falzarano, CalPERS staff.

22 CHAIRPERSON MATHUR: Good morning.

23 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF
24 FALZARANO: So before I begin my presentation, I just
25 wanted to extend my congratulations to Ms. Priya Mathur

1 and Mr. Michael Bilbrey for your reelection to Chair and
2 Vice Chair of the Pension and Health Benefits Committee.

3 CHAIRPERSON MATHUR: Thank you.

4 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF

5 FALZARANO: So during this 2015 open enrollment period, we
6 experienced the largest number of members that
7 transitioned to other plans for the 2016 plan year. In
8 total, we had 145,802 total covered lives that moved.
9 This represents about 10.3 percent of our total
10 membership. And this is an increase from the prior year's
11 open enrollment, where we experience a percentage move of
12 about 6.34 percent, which represented a little bit over
13 88,000 members.

14 And so the past two years we've seen an unusually
15 high open enrollment transition. Typically, in years
16 prior to that, our trend has been between three and three
17 and a half percent. So this year's open enrollment is
18 also different than prior year's due to the fact that
19 CalPERS rolled out a single Medicare provider with
20 UnitedHealthcare.

21 So with this new product, we informed our members
22 that if they wanted -- if they did not voluntarily enroll
23 in an available Medicare plan during the 2015 open
24 enrollment period, which would be Kaiser or one of our PPO
25 plan products, CalPERS would automatically enroll them

1 into the UnitedHealthcare beginning on January 1st, 2016.

2 So for those members that are currently enrolled
3 in the Medicare combo plan, and if they lived in an area
4 that did not have access to the UnitedHealthcare basic
5 plan, but yet they had dependents that were not eligible
6 for Medicare, we would enroll these individuals into the
7 PERS Choice plan, so that they can continue with their
8 health coverage.

9 So for the auto enrollment, we transitioned
10 34,788 members into the UnitedHealthcare product, and a
11 little bit under 1,700 total covered lives were moved into
12 the PERS Choice plan. So out of the 145,802 total covered
13 lives that moved plans this year, 98,000 of them were in a
14 basic plan, and over 47,700 of those were in a Medicare
15 product.

16 And so of the 47,000, about 11,200 of those
17 individuals were actually voluntarily elected a Medicare
18 plan during open enrollment while the remainder 36 plus
19 thousand were actually auto enrolled into UnitedHealthcare
20 or PERS Choice.

21 So for the total open enrollment movement,
22 UnitedHealthcare experienced the largest total growth of
23 net gain this year with over 62,458 total covered lives.
24 Now, the bulk of those, over 39,000 of those, were in the
25 Medicare product. Kaiser had a net gain of 13,364, with

1 the bulk of those being in the basic plan, over 12,841 of
2 those individuals. Health Net SmartCare had a net gain of
3 11,799, with all of those being in the basic plan.

4 So for our PPO products, two of our PPO products
5 also experienced a small net gain. PERSCare had a net
6 gain of 5,327 total covered lives, with the bulk of those
7 being in the Medicare product. And the PERS Select had a
8 net gain of 3,204 lives with the bulk of those being in a
9 basic plan.

10 So we did have a couple of our plans this year
11 that did experience some significant net loss. Blue
12 Shield Access+ had a net loss of 41,829 total covered
13 lives, but the bulk of those, over 35,562 of them were in
14 the Medicare product. So these individuals would have
15 automatically transitioned into -- out of Blue Shield
16 regardless.

17 So Blue Shield NetValue had a net loss of close
18 to 60,000 total covered lives, with over 50,277 of those
19 individuals in the basic plan. So for the two Blue Shield
20 products combined, it was a loss of 101,755 totaled
21 covered lives, with 56 percent of those in a basic plan
22 and 44 percent of those in the Medicare product. And then
23 our PERS Choice had a small net loss of 2,922 individuals.

24 So the estimated savings that we have from all of
25 those, the annual net premium savings is \$87.2 million.

1 And on Attachment 2 there is an error on the title of the
2 page. It says State annuitant cost premium savings, but
3 it's actually total program cost savings. The basic plan
4 experienced 66.6 million of that savings, and then the
5 Medicare product experienced \$20.6 million.

6 The estimated savings may increase or decrease as
7 members make allowed enrollment changes throughout the
8 year.

9 So that concludes my presentation. I'm happy to
10 answer any questions.

11 CHAIRPERSON MATHUR: Thank you.

12 Ms. Yee.

13 COMMITTEE MEMBER YEE: Thank you, Madam Chair.
14 Thank you for the report. I was curious, and you may not
15 know the answer to this, but obviously United Healthcare
16 has become attractive to many of our members, but it seems
17 to be the opposite experience of what Covered California
18 is experiencing with respect to Blue Shield, being kind of
19 the top provider of choice.

20 Any insights as to why that is or why that may
21 be?

22 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF
23 FALZARANO: I would have to compare the premiums and the
24 benefit design structure in the Blue Shield product to be
25 able to answer. I can follow up and take a look at those

1 benefit design and premiums to determine why Blue Shield
2 is the more favorable plan in Covered California.

3 COMMITTEE MEMBER YEE: Yeah, it just seems so
4 stark. And, I mean, it's completely the opposite with the
5 Covered California experience, so -- and understanding
6 that there could be different products being offered for
7 it.

8 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF
9 FALZARANO: Right. And the Covered California also offer
10 bronze level and silver level -- silver plans in addition
11 to the gold and platinum plans. And so it could be that
12 Blue Shield offers a different type of benefit design that
13 more people are enrolled in, but I really don't -- I would
14 have to go back and do some research. I can't answer that
15 off the top of my head right now.

16 DEPUTY EXECUTIVE OFFICER McKEEVER: Ms. Yee, I
17 think just to echo on Jan's comments, I think she hit the
18 real point, which is the benefit design structures between
19 the two programs are vastly different. Apart from the
20 fact that we're a group purchaser versus an individual
21 market number one, but number two because they offer the
22 medals, and their silver plan is by far the most popular
23 plan that folks enroll to -- into, that that is primarily
24 what has driven the pricing structure for them in the
25 silver plan versus the group plan that they have with

1 CalPERS, and the benefit design structures that are
2 different. And that's different primarily because of the
3 out-of-pocket costs that are absorbed by members who go
4 into Covered California, as opposed to what they
5 experience here at CalPERS.

6 CHAIRPERSON MATHUR: And I believe the actuarial
7 value of the silver plans is about 70 percent?

8 DEPUTY EXECUTIVE OFFICER McKEEVER: It can go
9 down to 70 percent, that's correct. And as a reminder,
10 our plans -- I think the HMOs are in the neighborhood of
11 90 plus percent. So we would be in the platinum range for
12 Covered California. So again, if we did an
13 apples-to-apples comparison, we would have to look at
14 their platinum plan and our plans, and then look at the
15 enrollment, and see whether or not there's any congruity
16 between the two. And my guess would be most of the folks
17 are probably in that silver plan.

18 COMMITTEE MEMBER YEE: Yeah. Okay. Thank you.

19 CHAIRPERSON MATHUR: Thank you.

20 Mr. Gillihan.

21 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
22 Chair.

23 So on the table on page three, these numbers are
24 groupings -- these have the basic and the Medicare plans
25 lumped together, that's correct, right?

1 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF

2 FALZARANO: The savings, yes. The total savings.

3 COMMITTEE MEMBER GILLIHAN: Oh, no, the net
4 change.

5 CHAIRPERSON MATHUR: The numbers.

6 HEALTH POLICY RESEARCH DIVISION INTERIM CHIEF

7 FALZARANO: Oh, the numbers.

8 CHAIRPERSON MATHUR: On the agenda item, page
9 three of four.

10 COMMITTEE MEMBER GILLIHAN: Yeah, sorry.

11 So I just think it would be helpful in the future
12 if when you display this kind of data, if you could break
13 out the Medicare and the basic plans as separate numbers.
14 I know you provided them in your presentation, but I think
15 it provides a little more context when we look at this to
16 kind of see where the movement is happening, and can
17 understand, you know, where it is relative to being basic
18 or in the Medicare plans.

19 DEPUTY EXECUTIVE OFFICER McKEEVER: Yeah, Mr.
20 Gillihan, we're happy to do so.

21 COMMITTEE MEMBER GILLIHAN: Thank you.

22 CHAIRPERSON MATHUR: Thank you.

23 Any further discussion on this item?

24 DEPUTY EXECUTIVE OFFICER McKEEVER: Madam Chair?

25 CHAIRPERSON MATHUR: Yes.

1 DEPUTY EXECUTIVE OFFICER McKEEVER: I just want
2 to point out one item that we did not include in the
3 agenda itself. And you may recall that the
4 UnitedHealthcare Medicare product offered to contracting
5 agencies an option to enroll in dental or vision. And
6 that that would be done directly between the member and
7 UnitedHealthcare.

8 And I just want to share with you that it's
9 around 3,000 individuals who took advantage of that
10 particular option.

11 CHAIRPERSON MATHUR: Thank you. That's helpful.

12 Any questions from the Committee?

13 Seeing none.

14 We'll move on to Agenda Item number 10, which is
15 summary of direction.

16 DEPUTY EXECUTIVE OFFICER McKEEVER: Madam Chair,
17 I have one item. Apart from the approval of Item number
18 6, the direction item that I have is to staff's ability to
19 look at what data may be available presently for us to
20 look at relative to agencies who are eligible, the total
21 universe is what Mr. Slaton would call it, to come into
22 PEMHCA, number one. And then number 2 would be if its
23 data is available, look at, of those agencies, which ones
24 do not currently provide retiree coverage.

25 CHAIRPERSON MATHUR: Yes, but I think if we're

1 going to look for available sources, not do a -- create a
2 whole new body of --

3 DEPUTY EXECUTIVE OFFICER McKEEVER: That's
4 Correct. Right. We'll see what's out there in the space
5 available to us, so that we don't have to actually go out
6 and do it ourselves.

7 CHAIRPERSON MATHUR: Good. The other thing I had
8 was just a question of how many agencies have left and
9 returned into our health programming, which that should be
10 an easy number to come up with.

11 DEPUTY EXECUTIVE OFFICER McKEEVER: Okay. Thank
12 you.

13 CHAIRPERSON MATHUR: Okay. Thank you.

14 Agenda Item number 11 is public comment. I have
15 no requests to speak here, but are there any members of
16 the public who wish to speak at this time?

17 Seeing none.

18 The open session is adjourned.

19 We will move into closed session in 15 minutes at
20 9:45, and we expect that to take about 45 minutes.

21 (Thereupon the California Public Employees'
22 Retirement System, Board of Administration,
23 Pension & Health Benefits Committee open
24 session meeting adjourned at 9:31 a.m.)

25

C E R T I F I C A T E O F R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Pension & Health Benefits Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of February, 2016.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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