

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

ROBERT F. CARLSON AUDITORIUM
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TUESDAY, FEBRUARY 14, 2017

8:07 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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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. Steve Juarez

Mr. Rob Feckner

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. Henry Jones

Ms. Theresa Taylor

Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:

Mr. Richard Costigan

Mr. J.J. Jelincic

Mr. Ron Lind

Mr. Bill Slaton

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matt Jacobs, General Counsel

Ms. Liana Baily-Crimmins, Interim Deputy Executive Officer

Ms. Donna Lum, Deputy Executive Officer

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Carene Carolan, Chief, Member Account Management
Division

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

STAFF:

Dr. Kathy Donneson, Chief, Health Plan Administration
Division

Ms. Anita Jones, Committee Secretary

Ms. Shari Little, Chief, Health Policy Research Division

Ms. Renee Ostrander, Chief, Employer Account Management
Division

Mr. Anthony Suine, Chief, Benefit Services Division

Mr. David Van der Griff, Staff Counsel

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Al Darby, Retired Public Employees Association

Mr. Kent McKinney

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

2 CHAIRPERSON MATHUR: Good morning, everyone, and
3 Happy Valentine's day. I see lots of festive red in the
4 audience.

5 First order of business is roll call.

6 COMMITTEE SECRETARY JONES: Priya Mathur?

7 CHAIRPERSON MATHUR: Good morning.

8 COMMITTEE SECRETARY JONES: Michael Bilbrey?

9 VICE CHAIRPERSON BILBREY: Good morning.

10 COMMITTEE SECRETARY JONES: Steve Juarez for John
11 Chiang?

12 ACTING COMMITTEE MEMBER JUAREZ: Here.

13 COMMITTEE SECRETARY JONES: Rob Feckner?

14 COMMITTEE MEMBER FECKNER: Good morning.

15 COMMITTEE SECRETARY JONES: Richard Gillihan?

16 COMMITTEE MEMBER GILLIHAN: Here.

17 COMMITTEE SECRETARY JONES: Dana Hollinger?

18 COMMITTEE MEMBER HOLLINGER: Here.

19 COMMITTEE SECRETARY JONES: Henry Jones?

20 COMMITTEE MEMBER JONES: Here.

21 COMMITTEE SECRETARY JONES: Theresa Taylor?

22 COMMITTEE MEMBER TAYLOR: Here.

23 COMMITTEE SECRETARY JONES: Alan Lofaso for Betty
24 Yee.

25 ACTING COMMITTEE MEMBER LOFASO: Good morning.

1 Here.

2 CHAIRPERSON MATHUR: All right. Well, we have a
3 full complement of our Committee this morning.

4 The first -- the second order of business is the
5 election of the Pension and Health Benefits Committee
6 Chair and Vice Chair. And so I'm going to first turn it
7 over to our Vice Chair, Mr. Bilbrey.

8 And let me turn you on.

9 VICE CHAIRPERSON BILBREY: Thank you, Madam
10 Chair.

11 At this time, nominations are open for Chair of
12 Pension and Health Benefits Committee.

13 Are there any nominations?

14 Ms. Hollinger.

15 COMMITTEE MEMBER HOLLINGER: Yes, I'd like to --

16 VICE CHAIRPERSON BILBREY: Hold on. I'm doing it
17 left handed. Okay.

18 COMMITTEE MEMBER HOLLINGER: Sorry.

19 I'd like to nominate Priya Mathur. Ms. Mathur
20 really demonstrates her expertise in this area. And it's
21 such a complex area, health care, and navigating our
22 members through this system. So I'm really proud to
23 nominate her and have her represent us.

24 VICE CHAIRPERSON BILBREY: Thank you.

25 Are there any further nominations?

1 Any further nominations?

2 Any further nominations?

3 Seeing none.

4 Then I take a motion by acclamation to vote Priya
5 Mathur as Chair of the Pension and Health Benefits.

6 COMMITTEE MEMBER FECKNER: So moved.

7 VICE CHAIRPERSON BILBREY: Moved by Feckner.

8 COMMITTEE MEMBER TAYLOR: Second.

9 VICE CHAIRPERSON BILBREY: Second by Taylor.

10 All those in favor say aye?

11 (Ayes.)

12 VICE CHAIRPERSON BILBREY: Opposed?

13 Motion carries. Congratulations, Ms. Mathur.

14 (Applause.)

15 CHAIRPERSON MATHUR: Thank you. Thank you very
16 much. Honored to serve again as the Chair of Pension and
17 Health Benefits Committee. It's a Committee that I -- and
18 a body of work that I take very seriously and -- on behalf
19 of the members. So thanks for your confidence.

20 I will now entertain nominations for Vice Chair
21 of the Committee.

22 Mr. Lofaso.

23 ACTING COMMITTEE MEMBER LOFASO: Thank you, Madam
24 Chair. It would be my great honor to nominate Michael
25 Bilbrey for Vice Chair.

1 CHAIRPERSON MATHUR: Thank you very much.
2 Michael Bilbrey has been offered into nomination.
3 Any other nominations?
4 Any other nominations?
5 Any other nominations?
6 Seeing none.
7 I will entertain a motion to elect Mr. Bilbrey by
8 acclamation
9 COMMITTEE MEMBER TAYLOR: So moved.
10 CHAIRPERSON MATHUR: Moved by Taylor.
11 COMMITTEE MEMBER FECKNER: Second.
12 CHAIRPERSON MATHUR: Seconded by Feckner.
13 Any discussion on the motion?
14 Seeing none.
15 All those in favor say aye?
16 (Ayes.)
17 CHAIRPERSON MATHUR: All opposed?
18 Motion passes.
19 Congratulations, Mr. Bilbrey.
20 VICE CHAIRPERSON BILBREY: Thank you.
21 (Applause.)
22 CHAIRPERSON MATHUR: Okay. Now, we'll move on to
23 the executive reports.
24 Ms. Bailey-Crimmins.
25 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

1 All right. Good morning, Madam Chair --

2 CHAIRPERSON MATHUR: Good morning.

3 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

4 -- and members of the Committee. Liana

5 Bailey-Crimmins, CalPERS team member.

6 I'd like to congratulate Ms. Mathur and Mr.
7 Bilbrey for being reelected to Chair and Co-Chair of this
8 Committee.

9 This is my first report as the Interim Deputy
10 Executive Officer. And I would like to provide
11 updates in 3 categories: Affordability, accountability,
12 and innovation.

13 For affordability, CalPERS makes every effort to
14 keep member's health care costs as low as possible. As
15 highlighted in the winter PERSpective, drug prices are a
16 significant factor when it comes to the cost. In fact, in
17 2015, approximately 17 percent of our health care spend
18 was on prescription drugs, which is approximately
19 \$2,000,000,000.

20 Because of strong external partnerships we have
21 and the negotiated lowest price with our pharmacy benefit
22 manager, our CalPERS members only paid approximately 1
23 percent of that total amount.

24 In January, CalPERS kicked off the 2008 rate
25 development process, which is a mechanism for us to work

1 with each plan, and ensure that they reasonably reflect
2 the cost of benefits provided to our members and their
3 families. This past year, the team enhanced our processes
4 to better correlate cost with the rates. This ensures
5 that future premiums will reasonably reflect the provided
6 benefit cost while improving transparency to our
7 constituents and to the public.

8 On February 10th, the plans submitted their rate
9 packages, and we are on track to bring back the first
10 reading of this to the Pension and Health Committee in
11 March.

12 Regarding accountability, there are 2 updates
13 regarding the pharmacy benefit manager transition from CVS
14 Caremark to OptumRx. One is a prior authorization
15 mailings going to our members, and then the overall
16 transition.

17 This months OptumRx mailed approximately 56,000
18 letters to our CalPERS basic members. And the first wave
19 of these letters were sent out in October. The purpose of
20 the letters is to explain how OptumRx may have different
21 requirements for specific drugs from what members have
22 received under CVS Caremark.

23 In addition, the letter highlights what members
24 should do if they wish to continue taking those drugs. If
25 members receive the letters twice and they have already

1 worked with their physician, they may disregard the
2 letter. If they haven't had time or the opportunity, the
3 letter will serve as a reminder.

4 And then in January, the transition to OptumRx
5 resulted in a migration of 500 -- approximately a
6 500,000,000 members of their profiles and their medication
7 information moving from CVS Caremark to OptumRx. In the
8 past 30 days, there's been 640,000 prescription fills,
9 9,000 approved prior authorizations, and approximately
10 20,000 members have registered on the secure portal, where
11 members can view their current medication profile, and
12 place orders to have home delivery.

13 But as with any transition, challenges and
14 opportunities for improvement have been identified, which
15 CalPERS and OptumRx are already actively addressing and
16 committed to resolving. For example, the technical
17 difficulties that the system had within the 24 -- the
18 first 24 and 48 hours of launching; also, the need to
19 increase training for the OptumRx agents to make sure that
20 they are providing our members accurate information; and
21 then also addressing Walgreens and staffing concerns to
22 make sure that those pharmacies are ready for the members
23 that are showing up to those pharmacies.

24 So in pursuit to deliver the highest quality of
25 service to our members, we felt that we needed to

1 emphasize our member's best interest. As such, on
2 February 2nd, CalPERS sent OptumRx a corrective action
3 memo, which requires that they complete a plan and improve
4 its customer service to our members.

5 In addition to the member -- memo CalPERS and
6 OptumRx meet on a weekly basis to go over escalated issues
7 regarding our member concerns, remove -- actually
8 reviewing member phone calls, and to ensure that OptumRx
9 is responding timely and accurately.

10 If members are experiencing any medication fill
11 issues, we would like them to call OptumRx at the toll
12 free number (855)505-8110. I'm going to repeat that
13 again. Toll free (855)505-8110. And for Medicare members
14 the phone number is (855)505-8106.

15 In relation to innovation, the CalPERS team plans
16 to reinstate quarterly presentations on health care
17 innovations. Last year, we provided the Committee an
18 update on C-sections. But we believe increasing the
19 frequency of high-impact discussion topics such as this
20 will provide the Committee, the members, and the employers
21 the latest data on how to improve quality, access, and
22 affordability to health care.

23 The first series will include conditions we are
24 working on through the SmartCare coalition. This includes
25 CalPERS, Covered California, and Department of Health Care

1 Services. Our topics in the coalition work on overuse of
2 C-sections, opioid use, and innovative ways to addressing
3 lower back pain, with a focus delivering on right care at
4 the right time at the right place.

5 In closing, I want to remind our members that
6 from January to March 1st, their plans will be mailing
7 them a 1095B and a 1095C form to their home in order to be
8 compliant with the proof of coverage listed out in the
9 Affordable Care Act. So please keep an eye out for those
10 forms and keep them close by with your tax information.

11 Madam Chair, that concludes my remarks and I am
12 available for questions.

13 CHAIRPERSON MATHUR: Thank you. And just one
14 clarification, we migrated 500,000 members --

15 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:
16 Oh, 500,00, sorry.

17 (Laughter.)

18 CHAIRPERSON MATHUR: -- to OptumRx. We are big,
19 but not quite that big.

20 (Laughter.)

21 CHAIRPERSON MATHUR: Thank you.

22 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:
23 Thank you.

24 CHAIRPERSON MATHUR: I see no requests, at this
25 time, so we can move on to Ms. Lum.

1 DEPUTY EXECUTIVE OFFICER LUM: Thank you. Good
2 morning, Madam Chair, members of the Committee. Donna
3 Lum, CalPERS team member. Before I start with my update,
4 I, too, would like to congratulate Ms. Mathur on your
5 reelection of Chair of this Committee, as well as Mr.
6 Bilbrey for reelection of the Vice Chair.

7 In addition to that, for all the returning
8 Committee members, it's been a pleasure to work with you
9 on this Committee and we look forward to working with you
10 going forward.

11 So as you know, January can be a very typical
12 high volume month for us. And it's primarily due to the
13 changes in increased volumes for retirement applications,
14 for health transactions, for tax changes, as well as
15 deduction changes. And certainly the customer service
16 teams are very busy during that time -- that period of
17 time.

18 So in my update today, what I'd like to do is
19 provide you with some information on some customer service
20 performances that we achieved during the month of January,
21 as well as a few project updates.

22 The customer contact center again is very, very
23 busy in January. And this past January was no different
24 than in previous years. We did receive a number of
25 increased inquiries, and it was primarily due to the

1 annual processes that I just previously mentioned.

2 In anticipation of higher call volumes, we put in
3 a number of mitigation plans and efforts to ensure that
4 our members would have optimal customer experience, and
5 reduce the call wait times. I'm pleased to share with you
6 that these mitigation efforts, along with the permanent
7 staffing that was approved by the Board during the last
8 fiscal year, really contributed to the enhanced
9 performance that we saw of this team.

10 And to give an example, this team answered more
11 than 5,000 calls in the month of January than they did in
12 the previous year, in January. In addition to that, the
13 call wait time was decreased from nearly 4 minutes in 2016
14 to under 2 minutes in 2017. And we increased our service
15 delivery, achieving our established service levels by 8
16 percent, achieving more than 70 percent of all of our
17 calls answered in less than 2 minutes in the month of
18 January.

19 In addition to the increased calls, we also saw
20 an increase in secure messaging, which is another vehicle
21 that our members have to communicate with us through a
22 secured on-line message. We did see an increase of 16
23 percent in January over the previous year. And I'm also
24 pleased to say that 100 percent of all the inquiries that
25 we received through the secured message line were answered

1 within our established timeline.

2 Just to give you a highlight for next month, we
3 are planning for a tour for the Board to come out to the
4 West Sacramento office to tour the call center. And I
5 know some of you have been on that tour previously, but
6 many of you, this will be new. And so I'm hoping that
7 you'll take the opportunity to sit and shadow with a
8 couple of the agents, see firsthand the work that they do,
9 and the pride that they take in serving our members.

10 On average, we also receive about 2,900
11 retirement applications in any given month. However,
12 during the month of December, we more than doubled that,
13 and we had nearly 6,000 retirement applications. And
14 again, with the outstanding performance of the Benefit
15 Services Division, along with other supporting divisions.
16 They were able to process 98 percent of all of those
17 retirement applications onto the warrant roll for January
18 in a timely basis.

19 So I also want to give you an update on a project
20 that we initiated in the fall. And in the fall of 2016,
21 we transitioned our members to receiving customized open
22 enrollment materials on-line through their my|CalPERS
23 accounts. I'm pleased to share with you that a couple of
24 the issues that we had anticipated and planned mitigation
25 efforts around did not materialize.

1 For example, one of the concerns that we had was
2 that some members would miss the open enrollment period,
3 because they received information on-line instead of in
4 the mail. And as of January 31st, we have received no
5 calls from members indicating that they were unaware of
6 open enrollment dates or requests to change health plans
7 due to any lack of awareness.

8 The other area of concern that we had was that
9 there would be an increased number of phone calls received
10 by our customer contact center from members who were
11 confused about not receiving open enrollment information
12 by mail or other related questions.

13 Instead, we experienced a decrease of nearly
14 8,000 calls during the open enrollment period as compared
15 to the open enrollment period previously. We believe that
16 again the mitigation efforts we put in, the communication
17 outreach, along with the retiree organization partners,
18 who assisted us greatly in communicating with our
19 retirees, were very instrumental to the overall success of
20 the on-line health statements.

21 So following that initiative, we are continuing
22 to leverage my|CalPERS to increase efficiency, to reduce
23 operational costs, and to deliver enhanced customer
24 service. Therefore, we have recently initiated a new
25 project, and that is to move all retiree remittance

1 advises to on-line. This functionality currently exists
2 within my|CalPERS. And we have started to meet with, and
3 we shared an update on this initiative, with our
4 stakeholders in December.

5 Once again, we are going to work very closely
6 with all the stakeholder groups to provide us with
7 feedback and input. We'll take the lessons learned that
8 we had from the on-line health enrollment statements, and
9 utilize that to ensure that we have a smooth transition of
10 putting these retirement admittance on-line.

11 In addition to that, I just want to give a final
12 update on our CalPERS Benefit Education Events. We hosted
13 2 recently. We had a very successful event in Carlsbad on
14 January 27th and 28th with a total attendance of nearly
15 1,300. This exceeded the last time that we were in that
16 area. We were in San Diego, and the attendance was just
17 slightly over 1,000.

18 We followed up that -- with that retirement -- or
19 excuse me, the CBEE, with the event in Sacramento, which
20 was held on February 3rd and February 4th. This event
21 drew nearly 3,700 members. And despite the very, very
22 poor weather that we had -- stormy weather on that Friday
23 morning, we were pleased to see the turn-out.

24 It was nice to see Mr. Feckner in attendance, as
25 well as a number of CalPERS executives and team leaders as

1 well. This -- just as a slight note, this was our second
2 highest ever attendance at any of our CBEEs. And it was
3 only surpassed by Sacramento in 2015, where we had just
4 slightly over 4,000. But again, we had much nicer weather
5 on that day.

6 So not only do we continue to see record numbers
7 at nearly every event, and members continually -- member
8 continually express how valuable these events are, and how
9 much they appreciate having our teams listen to their
10 questions, explain our complex topics in an easy and
11 understandable manner.

12 As one member commented to me while I was in
13 Carlsbad, she was very happy to be able to reduce her --
14 have her anxiety reduced at this event by talking to many
15 of the staff, and enabling her to make her retirement
16 decision.

17 We do have 2 upcoming events that I just would
18 like to remind you of in March. On March 3rd and 4th, we
19 will be in the Bay Area in Millbrae. And on March 17th
20 and 18th, we will be in Santa Barbara.

21 That concludes my update. And again, I'd like to
22 answer any questions that you have.

23 CHAIRPERSON MATHUR: Well, thank you very much.
24 A lot of -- so good planning really does lead to better
25 results. That's terrific. All the outcomes that you

1 indicated around both the conversion to on-line open
2 enrollment materials, as well as prepping for the January
3 surge that we always expect. So congrats to you and your
4 team on that.

5 I see no requests from the Committee, so we'll
6 move on to the consent items.

7 First is the consent action items, which is
8 the --

9 VICE CHAIRPERSON BILBREY: Move approval.

10 COMMITTEE MEMBER JONES: Second.

11 CHAIRPERSON MATHUR: Motion has been made by
12 Bilbrey and seconded by Jones to approve the minutes.

13 Any discussion on the motion?

14 Seeing none.

15 All those in favor say aye?

16 (Ayes.)

17 CHAIRPERSON MATHUR: Any opposition?

18 Seeing none. It passes.

19 I'm the -- with respect to the consent items, we
20 are going to move Agenda Item E off the consent and put it
21 at the end of the agenda, the cost of -- the retired
22 members cost of living report. So I know there's been a
23 request to speak on that. That will be at the end of the
24 agenda.

25 And I also just want to note that Agenda Item 8

1 has a 9:00 a.m. time certain. So if we -- if we get there
2 before 9:00, we'll skip over it and then come back to it.

3 Agenda Item -- so we'll move on to Agenda Item
4 number -- I've seen -- oh, sorry, Mr. Jelincic.

5 BOARD MEMBER JELINCIC: I have a short question
6 on 5f. And in the chart that shows the growth, there was
7 a big spike in 2014. I don't remember what that was
8 caused by, do you?

9 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

10 OSTRANDER: Good morning. Renee Ostrander CalPERS team
11 member. So if you actually look at the chart the year
12 before, you'll see that there was a very low growth in
13 2013, and then a large growth in 2014.

14 And we believe that that was due to ACA coming
15 in, that there wasn't a lot of movement in 2013 when that
16 bill first came in. And so then when everything
17 normalized, then we saw the changes. Because if you
18 look -- if you look across the entire set of years, then
19 it does really average out to the last 2 years we've had
20 in 15-16.

21 BOARD MEMBER JELINCIC: Okay. Thank you.

22 CHAIRPERSON MATHUR: Okay. Any requests to pull
23 anything off Agenda Item 5, the consent items, other than
24 E?

25 Okay. So then we'll move on to Agenda Item

1 number 6, which is the review of the Pension and Health
2 Benefits Committee delegation.

3 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

4 All right. Madam Chair, members of the
5 Committee, this is an annual opportunity to review the
6 delegation for the Board of Administration to the Pension
7 and Health Benefits Committee.

8 I want to point out that the CalPERS team has no
9 recommended changes from the prior year. So as an action
10 item, we're looking for your approval of the delegation.

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

13 VICE CHAIRPERSON BILBREY: Move approval.

14 COMMITTEE MEMBER FECKNER: Second.

15 CHAIRPERSON MATHUR: Moved by Bilbrey, seconded
16 by Feckner.

17 Any discussion on the motion?

18 Seeing none.

19 All those in favor say aye?

20 (Ayes.)

21 CHAIRPERSON MATHUR: All opposed?

22 Motion passes.

23 Agenda Item number 7, Annual Review of the
24 Legislative and Policy Engagement Guidelines, second
25 reading.

1 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good
2 morning, Madam Chair and members of the Committee.

3 CHAIRPERSON MATHUR: Good morning.

4 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: And
5 congratulations to Ms. Mathur and Mr. Bilbrey for your
6 reelection.

7 CHAIRPERSON MATHUR: Thank you.

8 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Mary
9 Anne Ashley, CalPERS team member.

10 I will be presenting Agenda Item 7a, which is a
11 continuation of the annual review and discussion of the
12 legislative and policy engagement guidelines. This is an
13 action item. The background materials and draft
14 recommended revisions to the guidelines are available in
15 your Board materials.

16 As discussed at the Investment Committee
17 yesterday, in November 2016, the legislative and
18 engagement policy guidelines were scheduled for annual
19 review and first reading at the appropriate committee
20 meetings. However, given that the federal and
21 Presidential elections were pending, the committees
22 decided to defer review and discussion of the guidelines
23 until post-election at the January Board off-site.

24 Additionally, the committees decided to put the
25 item over until the Board could have a chance to discuss

1 whether to eliminate the guidelines altogether. This
2 discussion occurred at the January off-site. However, it
3 was not completed. The discussion did, however, result in
4 2 alternatives regarding the continuing use of the
5 guidelines being advanced.

6 This agenda item asks the Committee to choose
7 between the 2 alternatives, which are option number 1 to
8 dispense with the guidelines in favor of relying on other
9 Board-approved documents, such as the Pension Beliefs and
10 Investment Beliefs; to guide CalPERS staff and our federal
11 representatives in regards to State and federal -- State
12 and federal legislation and regulatory proceedings;
13 another document could be the federal health care
14 priorities, which staff is bringing forward next month in
15 consultation with the federal representatives.

16 Option number 2 is to continue use and update the
17 guidelines as necessary. If Option number 2 is chosen,
18 then the Committee is also asked to review and adopt the
19 proposed changes to the guidelines as noted on attachment
20 3.

21 Additionally, the Committee has asked to clarify
22 that it has or has not delegated to the CEO primary
23 responsibility for determining whether CalPERS should take
24 a position on any federal legislation, and if so, what
25 that position should be?

1 In any case, all significant State legislation
2 will continue to be brought to the Board for decision, and
3 regular updates on CalPERS activities related to federal
4 legislation will be provided to the Board.

5 Furthermore, staff will be bringing forward in
6 March, it's proposed federal legislative priorities for
7 the current congressional session.

8 So starting with question number 1, the issue is
9 whether the Committee wishes to retain the legislative
10 policy and engagement guidelines?

11 Staff is recommending dispensing with the
12 guidelines for the reasons stated in the agenda item.
13 Yesterday, the Investment Committee decided to dispense
14 with the guidelines.

15 So, at this point, I'd like to stop and ask if
16 there are any questions, and also ask what the Committee's
17 decision is regarding the legislative guidelines?

18 CHAIRPERSON MATHUR: Thank you.

19 Mr. Bilbrey.

20 VICE CHAIRPERSON BILBREY: Thank you, Madam
21 Chair.

22 So I don't feel that we have enough documents to
23 go with health care. I mean, we have the Pension Beliefs
24 but I think we need some sort of a health care, I don't
25 know if they'd be Beliefs, but some sort of a health care

1 document that shows our priorities clearly around health
2 care.

3 I would recommend or encourage the Chair to put
4 it on a future that we -- agenda that we work on those -
5 maybe this year - to get a document together that was much
6 more clear around health care, because I think it was in
7 easier in investment. We have our Investment Beliefs that
8 we worked so hard on. Pension Beliefs kind of go back and
9 forth between both committees, but we really need a set of
10 health care guidelines.

11 CHAIRPERSON MATHUR: Well, I agree with you that
12 we need a set of Health Beliefs to match the ones we have
13 in Pension and Investments. And absent any opposition
14 from the rest of the Committee, and I see lots of nods,
15 I -- that will be the direction that we will -- we will
16 embark upon developing a set of Health Beliefs. And we'll
17 work on the timing of that, given all the other things on
18 the agenda.

19 Thank you.

20 Ms. Taylor.

21 COMMITTEE MEMBER TAYLOR: Given the development
22 of the Health Beliefs, then I do agree with staff
23 recommendation and move the agenda item.

24 CHAIRPERSON MATHUR: So they are asking 3
25 questions, so could you -- could you articulate which ones

1 you're moving?

2 COMMITTEE MEMBER TAYLOR: So move that we
3 dispense with the current guidelines -- I'm trying to find
4 number 2 --

5 CHAIRPERSON MATHUR: Both with respect to
6 retirement and to health, or should we retain health until
7 we have a adopted a set of Health Beliefs?

8 COMMITTEE MEMBER TAYLOR: So we probably should
9 retain health until we have the guidelines -- I'm sorry,
10 the new Beliefs system. Okay. So only for retirement,
11 and then also giving the CEO the latitude necessary to
12 make the decisions.

13 CHAIRPERSON MATHUR: Primary responsibility for
14 determining CalPERS positions on -- so if I can -- if I
15 may restate the motion?

16 COMMITTEE MEMBER TAYLOR: Please.

17 CHAIRPERSON MATHUR: Is that CalPERS should
18 retain the guidelines with respect to health until such
19 time as we have adopted a set of Health Beliefs, at which
20 time we would then repeal the guidelines; and -- and that
21 we delegate to the CEO primary responsibility for
22 determining CalPERS positions -- or we reaffirm that we
23 are delegating that to the CEO for determining federal --
24 CalPERS positions on federal bills.

25 COMMITTEE MEMBER TAYLOR: Correct.

1 CHAIRPERSON MATHUR: Is that -- okay. And you
2 were moving the health guidelines as they have been
3 amended in the agenda item.

4 COMMITTEE MEMBER TAYLOR: That's correct.

5 CHAIRPERSON MATHUR: Okay. Is there a second to
6 that motion?

7 COMMITTEE MEMBER FECKNER: Second.

8 CHAIRPERSON MATHUR: Seconded by Feckner.

9 Thank you.

10 Discussion on the motion?

11 Mr. Jelincic.

12 BOARD MEMBER JELINCIC: It doesn't say in the
13 agenda item itself, but I assume that this is only for
14 federal policy and federal guidelines, or does it impact
15 your dealing with the State as well?

16 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: The
17 leg. guidelines would be State and federal, so they're
18 meant to be an overarching, more evergreen guidelines.
19 Whereas the federal priorities will just be for the
20 federal representatives.

21 BOARD MEMBER JELINCIC: So the guidelines that
22 we're proposing to eliminate also guide you in dealing
23 with the State legislature?

24 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

25 That's correct.

1 BOARD MEMBER JELINCIC: Okay. Thanks for that
2 clarification.

3 And as I said yesterday, for the federal, we have
4 delegated that RFP to the staff. And if they control the
5 RFP, and they control the selection, and they control the
6 administration, I think it's sort of redundant to say that
7 we've delegated it, because we already did. It certainly
8 doesn't hurt to repeat it, but it is kind of a redundancy.

9 Thank you.

10 CHAIRPERSON MATHUR: Thank you.

11 Mr. Lofaso.

12 ACTING COMMITTEE MEMBER LOFASO: Thank you, Madam
13 Chair. I -- knowing that we're in a posture where the
14 guidelines are sort of in a temporary state in pending the
15 Beliefs, there's one issue I wanted to raise I had a
16 concern about. And it's -- it's more an example in the
17 thing itself, and that's the -- on page of 5 of 6 the
18 recommendation under, A, prescription drugs to remove the
19 reference to direct negotiations with Medicare for
20 pharmaceutical -- with pharmaceutical manufacturers.

21 And I understand from a prior conversation with
22 staff the thinking was that that general concept is
23 subsumed in B4 below, which basically talks about
24 strengthening the Medicare program.

25 And I'm not asking for a substitute or an

1 amendment, but I just -- I just wonder if we might think
2 about how general the statements are. And is -- is
3 Medicare direct negotiations really say on the same par as
4 physician payment reform, and the latest bundled payment
5 regulation at CMS and that kind of thing?

6 And, moreover, I note that the B4 is framed
7 around strengthening the Medicare program. And I'm
8 wondering if our focus on this issue is solely related to
9 the Medicare program as -- in itself, which is a very
10 worthy goal, but it's impact on the health care system
11 more generally.

12 So just to close out, I was under the impression
13 that our federal representatives had some input in the
14 crafting and not -- and really not wanting to do kind of a
15 big wordsmithing thing, but as we embark on refining
16 these, we might think about having the federal
17 representatives present at some point in time, so we can
18 get a perspective from them on how they interpret them,
19 and some of their advice.

20 CHAIRPERSON MATHUR: Thank you.

21 So certainly as we embark on a Health Beliefs
22 endeavor, it might -- it will be worthwhile getting their
23 feedback and their input, and taking your comments into
24 account.

25 ACTING COMMITTEE MEMBER LOFASO: Thank you.

1 CHAIRPERSON MATHUR: Thank you.

2 Any further discussion on this motion?

3 Seeing none.

4 All those in favor say aye?

5 (Ayes.)

6 CHAIRPERSON MATHUR: All opposed?

7 Motion passes. Thank you very much.

8 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank
9 you.

10 CHAIRPERSON MATHUR: So as I said, we're going to
11 have to skip over Agenda Item number 8, until 9:00
12 o'clock, unless -- we can't take it up early we've set a
13 time certain.

14 Right.

15 So we'll move on to Agenda Item number 9, Peace
16 Officers Research Association of California, 2018 Regional
17 Rates.

18 Ms. Donneson.

19 HEALTH PLAN ADMINISTRATION DIVISION CHIEF
20 DONNESON: Good morning, Madam Chair, members of the
21 Pension and Health Benefits Committee. And I, too, want
22 to congratulate you, Ms. Mathur and Mr. Bilbrey on your
23 election. We look forward to continuing to serve under
24 your guidance.

25 Kathy Donneson, CalPERS team member.

1 Madam Chair, members of the Committee, this
2 agenda item outlines the Peace Officers Research
3 Association of California, which we call PORAC, their
4 proposal to implement regional rating for its basic health
5 plan for the 2018 plan year.

6 PORAC's basic health plan is a fully ensured
7 product. It's a PPO, Preferred Provider Organization,
8 plan, and it's underwritten by Anthem Blue Cross of
9 California.

10 As of January 1, 2017, the PORAC plan has 24,889
11 enrolled members, most of whom are in contracting agencies
12 and distributed throughout the State of California, as
13 we've shown in Attachment 1.

14 PORAC plans to use the same regions for rating
15 that the CalPERS PPO program uses. It's regional rate
16 setting process will follow the same timeline as the
17 CalPERS rate development process, which means these
18 regional rates will need to be developed prior to the
19 Board's June 2017 meeting.

20 The Board reviews, but does not approve, the
21 PORAC rates. In 2004, legislation was enacted to give the
22 California Correctional Peace Officers Association the
23 authority to regionally rate its health plan premiums.

24 Based on this legislative history, PORAC must
25 seek legislation to amend Government Code section 22850(g)

1 to add itself as an entity authorized to do so as well.

2 If PORAC wants to implement regional rating for
3 the 2018 plan year, then it will need to pursue urgency
4 legislation to assure it has the authority to do so prior
5 to June, when our health plan rates are set.

6 The Health Plan Administration team has worked
7 with staff from the Member Account Management and Health
8 Policy Research Divisions to identify activities,
9 processes, and costs to facilitate the implementation of
10 PORAC's regional rates.

11 They expect to cost -- the expected cost to
12 CalPERS is less than \$5,000, which would be used to test
13 the eligibility and the enrollment systems for this
14 change. And that concludes my report, and I'm happy to
15 take any questions.

16 CHAIRPERSON MATHUR: Thank you very much.

17 We do have one question. Mr. Jelincic.

18 BOARD MEMBER JELINCIC: As this moves through the
19 legislature, will we attempt to make sure there's an
20 amendment in there that requires them to use the same
21 regions that we do, because administratively it becomes
22 really complex if they decide they want to define the
23 regions differently.

24 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

25 DONNISON: It's not actually proposed. Well, first of

1 all, PORAC will have to work on the legislation. Under
2 the Correctional Peace Officers Association provision in
3 22850(g), they do not list specific regions. They're just
4 allowed the authority to regionally rate, so...

5 BOARD MEMBER JELINCIC: Well, but if we're going
6 to be administering it, shouldn't we at least attempt to
7 get language in the legislation that says you have to use
8 the same regions, so we don't wind up having to manage 2
9 different sets of regions?

10 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

11 DONNISON: Well, we can certainly take it back and
12 consider it, but again --

13 BOARD MEMBER JELINCIC: Okay.

14 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

15 DONNISON: -- the CCPOA also does regional rating, and I
16 don't believe that we asked them to identify the specific
17 regions of CalPERS, but I'll go back with our legal team
18 and check on that.

19 BOARD MEMBER JELINCIC: Okay. Thank you.

20 CHAIRPERSON MATHUR: Thank you. Thanks very
21 much. No further questions.

22 Oh, I'm sorry, Mr. Juarez.

23 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I just had
24 a question. So for these members, when they enroll,
25 they're enrolled in an Anthem program, correct?

1 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

2 DONNESON: Actually, under the PORAC PPO, they are
3 enrolled through the PORAC plan, and Anthem is the
4 administrator of that plan.

5 ACTING COMMITTEE MEMBER JUAREZ: Okay. And --
6 but in that -- see if I can crystallize my question a bit.
7 So when they go out to get treatment, are they being
8 treated -- I understand they're under the PORAC plan, but
9 are they treated within the Anthem system, is that
10 correct?

11 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

12 DONNESON: Yes.

13 ACTING COMMITTEE MEMBER JUAREZ: So -- and I'm
14 really bringing this up with reference to the item we're
15 going to take up at 9:00 o'clock, because it mentions here
16 that basic health plan members could be affected by the --
17 by the regulations that would restrict folks from being in
18 combined plans. And it suggests that basic health care
19 members are those that might be affected.

20 If these are basic health care members, it sounds
21 like they're not affected if we were to limit folks to
22 only being able to participate in one plan, is that right?

23 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

24 DONNESON: Under the PORAC plan, they have both the basic
25 and the Medicare plans, so I don't believe -- although, I

1 suppose we could check with our Legal Office. I don't
2 believe it affects them, since they are in a single plan
3 administered through Anthem, and they have a basic and
4 Medicare plan.

5 ACTING COMMITTEE MEMBER JUAREZ: Yeah, it may be
6 basic members that are referenced in the letter that we
7 received today are different than these basic members.
8 I'm just trying to define what the universe is of folks
9 that are going to be affected.

10 CHAIRPERSON MATHUR: It's CalPERS member, not the
11 PORAC plan.

12 ACTING COMMITTEE MEMBER JUAREZ: All right.
13 Thank you.

14 HEALTH PLAN ADMINISTRATION DIVISION CHIEF
15 DONNISON: Correct. Thank you.

16 CHAIRPERSON MATHUR: Thank you.

17 Any further questions from the Committee?

18 Okay. Seeing none, we'll move on to Agenda Item
19 number 10, Health Open Enrollment Results.

20 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:
21 Good morning, Madam Chair.

22 CHAIRPERSON MATHUR: Microphone, please, Shari.
23 Thanks.

24 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:
25 Good morning, Madam Chair and members. To echo

1 my predecessors congratulations to both Ms. Chair and Mr.
2 Vice Chair on the election.

3 I just wanted to briefly bring up open enrollment
4 agenda items and give you an update.

5 CHAIRPERSON MATHUR: Use your microphone, please.

6 STAFF COUNSEL VAN der GRIFF: David Van der Griff
7 with CalPERS Legal Office. Just on the last item, the
8 Association plans have a basic and Medicare plan. We
9 think the current interpretation is that the members who
10 are enrolled in the Association plans would have to enroll
11 in the Association's Medicare plan, so there would not be
12 an impact from the regulation that you're considering
13 today.

14 CHAIRPERSON MATHUR: Thank you.

15 STAFF COUNSEL VAN der GRIFF: So, yeah.

16 ACTING COMMITTEE MEMBER JUAREZ: Thank you.

17 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

18 Any questions on that issue?

19 CHAIRPERSON MATHUR: Go ahead.

20 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

21 Okay. I'm sorry. Okay. So to give you an
22 update on open enrollments. During the 2016 open
23 enrollment period, we saw 105,419 members change health
24 plans, roughly 7.35 percent. So by contrast, last year at
25 this time, we saw about 7.74 percent migration. So we saw

1 a slight decrease.

2 A lot of that migration can be attributed to the
3 wind-down of the NetValue plan. As you'll recall in
4 January, Blue Shield of California no longer offers
5 NetValue, so that impacted roughly 76,000 members for us.

6 Of those, about half of those open-enrolled and
7 selected other plans, and the other half were
8 administratively moved.

9 To break down the movement further, on the HMO
10 side, we saw the largest increase in Health Net SmartCare
11 with a gain of 20,807. We saw Kaiser came in second with
12 a net gain of roughly 17,374, and lastly, UnitedHealthcare
13 with a gain of 16,796 total covered lives.

14 On the PPO side, PERSCare saw the greatest gain
15 with an increase of 2,279 members. And PERS Select saw a
16 gain of 2,153. The plans that experienced the biggest
17 loss were Blue Shield Access+ with a net loss of 16,507
18 members or roughly 1.2 percent. And PERS Choice saw a
19 loss of about 4,000 members with a 0.28 percent decrease.

20 Overall, the premium savings that our members
21 discovered were about \$95.6 million.

22 And with that, I will take any questions you may
23 have.

24 CHAIRPERSON MATHUR: Thank you very much.

25 We do have some questions. Ms. Taylor.

1 COMMITTEE MEMBER TAYLOR: Yes. Thank you.

2 I actually am getting some questions from members
3 regarding Anthem, I guess, traditional, and having like a
4 100 percent increase. I don't know if that -- if that was
5 something that happened last year. I've had 2 people come
6 up to me and say that, that it went from \$300 to \$600. So
7 I just was bringing that to your attention. I don't know
8 if they were on another plan like maybe Anthem's Select
9 Care and ended up -- I don't know.

10 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

11 We'd be happy to take those questions back and
12 respond.

13 COMMITTEE MEMBER TAYLOR: Sure. Thank you.

14 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

15 Thank you.

16 CHAIRPERSON MATHUR: Okay. Any further questions
17 on this item?

18 Seeing none.

19 Thanks very much for the report.

20 So we will now move on to Agenda Item 5e, which
21 is the retired members cost of living report.

22 Mr. Suine.

23 BENEFIT SERVICES DIVISION CHIEF SUINE: Good

24 morning, Madam Chair, members of the Committee. Anthony

25 Suine, CalPERS team member. Congratulations as well on

1 your appointment to Chair and Vice Chair. Look forward to
2 continuing to working with you on this Committee.

3 CHAIRPERSON MATHUR: Thank you.

4 BENEFIT SERVICES DIVISION CHIEF SUINE: This
5 agenda item is our annual information item to inform you
6 of the cost of living adjustments to our retirees, or more
7 formally known as COLA increases.

8 The adjustments are due to our retirees' warrants
9 on May 1st of 2017. And the amount of the COLA per the
10 retirement law is limited to either the rate of inflation
11 or the contracted COLA from the employer's contract,
12 whichever is less.

13 As a reminder, due to the low rate of inflation
14 in 2015, more than 45 percent of our retirees who are
15 eligible for a COLA did not receive one in 2016 on their
16 retirement warrants.

17 However, this May, all eligible retirees will
18 receive an increase of at least 1.26 percent as a result
19 of the growth in the Consumer Price Index. And this
20 population of retirees who did not receive the COLA in
21 2016 will see an additional increase ranging from 1.38
22 percent to 1.61 percent this year.

23 Retirees from 2004 and prior have experienced
24 many early years of high inflation, and therefore still
25 earn a full 2 percent cost of living adjustment. The

1 chart in the agenda item provides you the history of the
2 various contracted rates of COLA, and what each member,
3 based on their retirement year, would receive. More than
4 95 percent of our retiree population is entitled to a 2
5 percent cost of living adjustment based on contracts.
6 Just a small percentage have a 3, 4, or 5 percent
7 eligibility.

8 We are communicating to our retirees in a variety
9 of ways. We have a spring PERSpective news article that
10 will be delivered sometime in mid-April, so they would be
11 informed of this cost of living adjustment. We also, in
12 early March, will have on our CalPERS website FAQs and
13 fact sheets regarding the cost of living adjustment.

14 The May retirement warrant on the stub will have
15 information on the cost of living adjustment. Our IVR is
16 being updated with messages for retirees who call in.
17 They would hear about the cost of living adjustment. And
18 communications from our social media team throughout the
19 Public Affairs Office will be notified about the
20 adjustments.

21 We also met with our stakeholder team last week
22 to give them a preview of this cost of living adjustment
23 information.

24 So that concludes my presentation, and I'm happy
25 to take any questions.

1 CHAIRPERSON MATHUR: Thank you. We do have a
2 question. Mr. Jones.

3 COMMITTEE MEMBER JONES: Yeah, thank you. Than
4 you, Mr. Suine, for providing that information, because
5 that is important to our members. Just one additional
6 question however though, do you have the estimated number
7 of retirees that would be impacted by the Protection
8 Purchasing Power provision?

9 BENEFIT SERVICES DIVISION CHIEF SUINE: So the
10 numbers -- the PPPA you're referring to, Purchasing Power
11 Protection Allowance, that -- we don't have those numbers
12 finalized for 2017 yet. We're still working on those.
13 They work in conjunction with the cost of living
14 adjustment. So as the cost of living increases, these
15 member's allowance sometimes their PPPA will go down in
16 correlation. We believe it's around the 18,000 member
17 range, but we can bring that back and make sure we confirm
18 all those numbers.

19 COMMITTEE MEMBER JONES: Okay. But to the degree
20 it is imposed, it will be reflected in the May 1st check
21 also?

22 BENEFIT SERVICES DIVISION CHIEF SUINE:
23 Absolutely, yes.

24 COMMITTEE MEMBER JONES: Okay. Okay. Okay.
25 Thank you.

1 CHAIRPERSON MATHUR: Thank you.

2 Any further questions from the Committee?

3 Seeing none.

4 We do have a member of the public who wishes to
5 speak on this item. Mr. Darby from RPEA. Would you
6 please come up and take a seat over here on my left and
7 please share your name and your affiliation for the
8 record, and you'll have 3 minutes in which to speak.

9 MR. DARBY: Good morning. Al Darby, CalPERS
10 retired member.

11 Based on labor department numbers, I recommend
12 using California Urban CPI as opposed to all U.S. cities
13 CPI, which is being -- currently being used. In 2016,
14 California Urban CPI exceeded all U.S. cities by about 9
15 and a half percent. Overall cost of living is higher in
16 California than most U.S. cities. In 2016, the cost of
17 living increase in L.A./Orange is lower than SF Bay Area
18 and San Diego. However, L.A./Orange is still higher than
19 all U.S. cities.

20 If you removed L.A./Orange County, the COLA for
21 San Francisco Bay Area and San Diego area would be closer
22 to 15 percent higher than all U.S. cities or national
23 CPIU.

24 A Senior in California -- Senior CPI in
25 California would be even better for retired CalPERS

1 retirees, and it would likely be even higher due to the
2 higher drug costs that we experienced in 2016.

3 A California senior -- let's see -- finally, I
4 know that legislation is needed. I urge CalPERS to
5 propose this legislation.

6 Thank you.

7 CHAIRPERSON MATHUR: Thank you very much for your
8 comments Mr. Darby.

9 So I have no further requests to speak on this
10 item. We do have a time certain at 9:00 o'clock. Mr.
11 Juarez, did you have something you wanted to say at this
12 time?

13 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I did.
14 And since we have a little bit of time, I'll go ahead and
15 take this opportunity now.

16 I wanted to make the Board and the people in the
17 audience aware of where Treasurer Chiang is today. He's
18 in Washington D.C. meeting with our representatives on
19 Capitol Hill because of the fact that the current policies
20 affecting regulations affecting and regulations affecting
21 the Secure Choice Program here in California and
22 throughout the rest of the country is a bit under siege by
23 the Congress. They're slated to take up HRJ -- HJR,
24 excuse me, 66 in the next day or so that would undermine
25 the regulations that allow State run retirement security

1 programs to be operated.

2 And so we will fight that fight, I think,
3 throughout. And we'll see where this ends up in the next
4 couple of days relative to that particular regulation.
5 And I just wanted to make sure that people are aware that
6 there is something going on there relative to retirement
7 security programs. And we hope that we can be sustained
8 through the congress in the next couple of days.

9 CHAIRPERSON MATHUR: And really this is with
10 respect to Secure Choice, so...

11 Okay. Well, at this time, it's 8:50. I think
12 we'll take a 10-minute break and reconvene at 9:00
13 o'clock. Thanks, everyone.

14 (Off record: 8:49 a.m.)

15 (Thereupon a recess was taken.)

16 (On record: 9:02 a.m.)

17 CHAIRPERSON MATHUR: I'm going to reconvene the
18 Pension and Health Benefits Committee. It is now 9:03 on
19 February 14th, 2017. We are located in the auditorium at
20 CalPERS Headquarters, Lincoln Plaza North, Sacramento,
21 California.

22 This is the time and place which has been noticed
23 for public hearing on the proposed adoption of amendments
24 to Title 2, California Code of Regulations, Article 1,
25 Section 599.502(g), subdivision (g), paragraph (4), which

1 would clarify existing rules governing combination health
2 plan benefit -- health benefit plan enrollments.

3 This hearing is being transcribed for the
4 administrative record. I am Priya Mathur, Chair of the
5 CalPERS Pension and Health Benefits Committee.

6 Before the Committee opens the floor to accept
7 public testimony and comments on the proposed regulations,
8 I would like to briefly go over some of the rules
9 governing the rulemaking process.

10 The Committee will listen attentively to any
11 testimony which is presented. And all comments which are
12 received today will become part of the rulemaking file.
13 Comments received at this hearing, as well as written
14 comments received during the public comment period, will
15 be responded to in writing in the rulemaking file.

16 The rulemaking file is a public record, and is
17 open for public review during the rulemaking process.
18 Should you wish to review the rulemaking file, you can
19 make an appointment to do so by contacting our regulations
20 coordinator Anthony Martin at (916)795-3038.

21 If you wish to speak at this time, and have
22 turned in a speaker form, you will be recognized in the
23 order in which those forms were received. If you have not
24 submitted a form, or would prefer not to, you'll be given
25 an opportunity to speak after the last speaker has

1 completed his or her comments. The record of this hearing
2 will close at the completion of the last speaker's
3 comments. We request that each speaker begin by providing
4 his name or her name and affiliation for the record.

5 The purpose of this public hearing is to allow
6 the public to present testimony regarding the proposed
7 regulatory action. The Committee is not required to
8 respond to these comments during the hearing. Rather, all
9 comments must receive a response from CalPERS as part of
10 the final rulemaking file.

11 At this time, is there any person who would like
12 to speak? And I do have a list of 2 names. I will call
13 Tim Behrens and Kent McKinney forward, please.

14 Go ahead, Mr. Behrens.

15 MR. BEHRENS: Good morning. My name is Tim
16 Behrens. I'm the President of the California State
17 Retirees. And I did submit in writing why we are against
18 these proposed regulation change that I sent in on
19 February 6th to Anthony. And I just wanted to radiate --
20 reiterate a couple of paragraphs in that letter.

21 The proposed changes would potentially harm a
22 significant number of families in combination enrollments.
23 There are a total of 33,338 basic health plan members, and
24 28,613 Medicare health plan members enrolled in
25 combination plans for a total of nearly 62,000 members

1 affected by this change.

2 The California State Retirees not only urges the
3 CalPERS Board to reject the proposed regulatory changes,
4 but to advise CalPERS staff to change its business model
5 and systems, comply with the current regulatory language,
6 and allow family members in combination enrollments to
7 enroll in plans provided by different carriers.

8 Having said that, I want to thank Anthony for the
9 raise coming in May.

10 (Laughter.)

11 MR. BEHRENS: We always appreciate a COLA raise.
12 And again, add my congratulations to Priya and to Michael
13 for your appointments.

14 Having said that, I'd be happy to answer any
15 questions any members of the Committee might have.

16 CHAIRPERSON MATHUR: Thank you very much, Mr.
17 Behrens.

18 Mr. McKinney.

19 MR. MCKINNEY: Good morning. Thank you for this
20 opportunity. I'm Kent McKinney, a retired CalPERS member.

21 In 2013, the Board changed its regulations to
22 allow combination enrollments in plans from 2 different
23 carriers. The first year CalPERS offerings were available
24 where carriers offered basic plans without Medicare plans
25 was 2016. If the new regulation had been properly

1 implemented, members and families with split eligibility
2 would have been able to choose the best basic carrier
3 offering to suit their circumstance, while the Medicare
4 eligible member would chose the best Medicare offering.

5 Instead, CalPERS chose not to put processes
6 required by the regulation in place, thereby forcing basic
7 members and split families to choose from a much more
8 limited selection of plans than non-split families.

9 Basic members and split eligibility families
10 were, and still are, denied access to basic plans
11 available to all other CalPERS families. Split
12 eligibility families usually occur when a member is aged
13 65 or older, Medicare eligible. So the failure to
14 implement the regulation has discriminated against family
15 access to the full range of basic plans, based on the
16 older age of the member.

17 CalPERS continued this practice of
18 non-implementation and discrimination against certain
19 age-related split eligibility families in the 2017 plan
20 year as well.

21 Now, in preparation for the 2018 plan year,
22 CalPERS proposes to change the regulation for so-called
23 clarification. However, the proposed change uses the same
24 language as the previous regulation when describing split
25 enrollments with 2 carriers. It does not clarify the

1 language. It simply removes the requirement, which has
2 been ignored so far, but allows the Board authorization to
3 reinstate the requirement.

4 So the change will remove the requirement to do
5 what makes sense, that is to allow split eligibility
6 families the same choice as the basic plans as all other
7 families. However, it still allows CalPERS to do the
8 sensible thing with Board authorization.

9 Therefore, I ask the Board to please consider
10 examining the benefits of allowing full access by split
11 eligibility families to all the wonderful plans available
12 to all other CalPERS families, consider authorizing and
13 implementing the multiple carrier process allowed in the
14 proposed regulation, and required in the current
15 regulation, and most importantly, considered taking the
16 necessary steps to modify business procedures in
17 implementing these enrollment processes for the 2018 plan
18 year.

19 Thank you for your consideration. I also
20 submitted a document that's somewhat longer in writing to
21 the clerk in the rear.

22 CHAIRPERSON MATHUR: Thank you very much for your
23 testimony, Mr. McKinney.

24 Does anyone else wish to speak at this time?

25 No one wants to speak.

1 There being no further testimony on this matter,
2 the record of this hearing is now closed, and the hearing
3 is adjourned. The time is 9:10 a.m.

4 Now, do any Board members wish to speak on the
5 proposed regulations?

6 Mr. Jones.

7 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
8 Chair. First, I would like to see if the number Mr.
9 Behrens used, 62,000 members affected, whether or not
10 that's a CalPERS number or is that -- is that verifiable?

11 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

12 We'll go back and check that number. But as I
13 believe it -- I believe it's a smaller population within
14 that group that's been impacted directly, but we can
15 respond to that at a later time, Mr. Jones.

16 COMMITTEE MEMBER JONES: Yeah, because he's
17 referring to both the Medicare member and the --

18 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

19 Correct, the ones that have actually exercised --
20 tried to exercise that option. As I believe in past
21 testimony, Mr. McKeever mentioned it was roughly 1,500
22 members that were impacted by that.

23 COMMITTEE MEMBER JONES: Okay. Well, that's a
24 big difference than 62,000.

25 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: It

1 is, but we will -- we'll go back and check that. I'll get
2 back to you on that number.

3 COMMITTEE MEMBER JONES: Okay. Okay. And, Madam
4 Chair, I would -- you know, it stated that the business
5 model and systems would be evaluated, and perhaps changed
6 at a future date. I would argue that why not do that
7 before we seek a modification of the regulation to the
8 amendment, so that if it is possible later, then we have
9 to change again.

10 So I would suggest that we defer the action until
11 we go through that process of evaluating the particular
12 business model or the systems that may be needed before we
13 take this action, because I think it's -- it affects
14 the retiree families more than anybody else. It -- and it
15 possibly means that a member who has a primary care
16 physician for years, and then all of a sudden now they
17 have to change their primary care physician, I think
18 that -- I would like to have -- if it can be a direction,
19 if I need a motion and get support it, I would like for
20 staff to go through that process and explore the new
21 systems and the business systems before we --

22 CHAIRPERSON MATHUR: So just to be clear, Mr.
23 Jones, this proposed regulation does authorize the Board
24 to, at a later date, change -- changed its policy and
25 allow for -- for separate enrollments within a family --

1 within a combo family.

2 COMMITTEE MEMBER JONES: Yes, I understand.

3 CHAIRPERSON MATHUR: So it would not require a
4 regulatory change to go back and do that.

5 COMMITTEE MEMBER JONES: Yeah, but it would be
6 the impact on the member though is what I'm talking about,
7 because if we go forward with this regulation, the members
8 will be impacted right away.

9 CHAIRPERSON MATHUR: Well, I -- at this time, as
10 I understand it, we don't have the capability to do
11 separate enrollments, so the impact is not any different.

12 COMMITTEE MEMBER JONES: So what's happening
13 right now?

14 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: As
15 I understand it, Madam Chair and Mr. Jones, I believe a
16 few years ago, the cost estimate was roughly a million
17 dollars to put the systems in place to do that.

18 Part of the issue for us is the fact that when
19 we're doing the rate development process, the rate build
20 up, there is an incapability to be able to do that, when
21 we have split plan enrollments. So we were going -- we
22 can review that and explore what that cost would be now.

23 COMMITTEE MEMBER JONES: So that's why, I mean,
24 I'm even more convinced that we should have -- the only
25 reason we're doing this is because we -- it's a workload

1 issue. And so these are members that are in the system,
2 and been in the system all their working careers, and the
3 system is there for them.

4 So I would suggest that we take those steps to --
5 if it requires an expenditure to develop those systems.

6 CHAIRPERSON MATHUR: It's a workload and a cost
7 benefit issue. So I -- this would be my direction that we
8 review again what the cost implications would be of
9 changing our systems and processes to accommodate separate
10 enrollments for these combo families, and bring that back
11 as a report to the Committee, at which time the Committee
12 can consider how it wants to proceed.

13 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:
14 Thank you. Will do.

15 CHAIRPERSON MATHUR: Okay. We have several
16 members of the Committee who wish to speak.

17 Mr. Juarez.

18 ACTING COMMITTEE MEMBER JUAREZ: Yes. I was
19 going to ask about the cost, but it sounds like you'll
20 come back and give us --

21 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:
22 Yes.

23 ACTING COMMITTEE MEMBER JUAREZ: -- what the cost
24 for this change would be. My only concern -- and I'm very
25 close to where Mr. Jones is at. My only concern would be

1 if we take the action today, are there people caught in
2 the cross fire where they would have to go ahead in the
3 time before we can actually act to give them the ability
4 to do different plans? Are there people who are going to
5 have to change their health care decisions and then wait
6 for us to act later on?

7 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

8 Mr. Juarez, this is the current practice. All it
9 seeks to do is to eliminate the ambiguity in the current
10 regulation.

11 ACTING COMMITTEE MEMBER JUAREZ: So right now --

12 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: So
13 it doesn't make a change.

14 ACTING COMMITTEE MEMBER JUAREZ: -- people can't
15 be in combination plans?

16 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

17 Not as it stands. We don't have a systematic way
18 of doing that.

19 ACTING COMMITTEE MEMBER JUAREZ: Okay. So to
20 respond to the people that testified, they're asking for
21 something that we don't currently provide?

22 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

23 Correct.

24 ACTING COMMITTEE MEMBER JUAREZ: And that -- but
25 at some point in the future, if we choose to, per the

1 Chair's direction, we could come back and say we want to
2 be able to allow those people to have combination plans?

3 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

4 That's correct.

5 ACTING COMMITTEE MEMBER JUAREZ: Okay.

6 CHAIRPERSON MATHUR: Mr. Gillihan.

7 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
8 Chair. I just want -- I'm a little confused. So if we
9 don't offer this today, and we don't have the capability
10 to offer it, why do we have people that would be impacted
11 by this clarification?

12 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

13 Because some people are enrolled in a Medicare
14 plan, because they're of age, and some people -- and they
15 have dependents who are within that plan.

16 Currently, we can offer enrollment into the same
17 plan for both. We can't do split enrollments, because of
18 the way that we build up rates. And because of our system
19 capabilities, we don't have the opportunity to do that.

20 COMMITTEE MEMBER GILLIHAN: But I thought I heard
21 in testimony that there are some people today that are
22 split enrolled that would be affected by this change. Did
23 I misunderstand?

24 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

25 This is not a change in the way that we currently

1 do practice.

2 CHAIRPERSON MATHUR: I think there are some
3 people --

4 COMMITTEE MEMBER GILLIHAN: So nobody would be --
5 nobody would be affected by this reg becoming finalized.
6 Nobody would -- is currently split enrolled that would
7 have to switch their enrollment, is that correct?

8 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:
9 That's correct.

10 COMMITTEE MEMBER GILLIHAN: Then I misunderstood
11 the public comment.

12 CHAIRPERSON MATHUR: Yeah, I think currently
13 there are some members who wish to have separate
14 enrollments who have been unable to do so, and that was...

15 Okay. Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: Yeah, I was -- I was
17 going to ask, and I think it's in the same line as Mr.
18 Gillihan's question, when did this become an issue that we
19 decided we were -- I mean, obviously, somebody brought
20 this to your attention, so then you decided to go ahead
21 and make this a more clear policy or law? So when did
22 this come to your attention? Was it when we switched to
23 UnitedHealthcare?

24 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: As
25 I understand it, it was 2 years ago when people started

1 seeking split enrollments 2 years ago. Yes, that's
2 correct. And so --

3 COMMITTEE MEMBER TAYLOR: So was it prior to the
4 UnitedHealthcare plan being -- taking over our Medicare
5 business, is that the difference? It looks like she's
6 taking her head.

7 CHAIRPERSON MATHUR: Turn on your mic.

8 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:
9 Hi. I'm Carene Carolan, CalPERS team member with
10 the Member Account Management Division.

11 I believe that this issue became raised when Mr.
12 McKinney, we were unable to accommodate his request for a
13 splint enrollment, where he wanted, I believe, his family
14 members in the basic plan of one carrier and himself in
15 the Medicare plan of another carrier.

16 My understanding -- and I was not here in 2013
17 when the regulation was implemented, but my understanding
18 from extensive conversations with Doug McKeever and Donna
19 Lum was that the intent was to give the Board more
20 flexibility, that if the Board directed, it was cost
21 effective and provided good customer service to allow
22 split enrollments where Medicare members of the family
23 could be enrolled under one carrier and basic members, so
24 those under 65, could be enrolled with another carrier.

25 The Board never exercised that option. That

1 could have been due to system challenges, because I
2 believe that at the time it was estimated that it would
3 cost more than \$1,000,000 to make system changes.

4 I believe some other issues, as Shari alluded to,
5 is that right now when we have multiple people receiving
6 care under one subscriber, they pay a family rate or a
7 2-person rate. They don't pay a single rate times 2 or 3.
8 If we have people enrolled with different carriers, that
9 would be a whole different rate strategy, because how
10 would we split a premium equitably if we had a family of 3
11 with 2 members in a basic plan with one carrier, a
12 Medicare member in a plan with another carrier, how do we
13 split that premium to adequately cover cost?

14 So I just want to make sure it's not just the
15 system issues, there's also a whole rate negotiation
16 issue.

17 COMMITTEE MEMBER TAYLOR: Okay. So then in
18 addition to that, when we moved to UnitedHealthcare, we
19 had -- before that, if I'm not mistaken, we had several
20 carriers in our Medicare plan, correct? So that's why
21 this was not an issue before probably.

22 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:

23 I'm not sure if it was an issue before. It
24 sounds as if Shari is aware of other people that had
25 requested split enrollments in the past and were denied,

1 but there were more plans offered prior to
2 UnitedHealthcare. We did some consolidation and people
3 can still, of course, enroll through our PPO plans as well
4 as Kaiser Senior Advantage. So it -- there is -- it's not
5 just UnitedHealthcare is the only choice, there are
6 multiple options.

7 COMMITTEE MEMBER TAYLOR: For our Medicare folks?

8 CHAIRPERSON MATHUR: Yes.

9 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:
10 Yes.

11 COMMITTEE MEMBER TAYLOR: Okay. Then -- and so
12 let me clarify. I just want to clarify. So what's going
13 on is somebody that is our member is -- say they're --
14 they're receiving the Medicare plan, they have a dependent
15 that's not on Medicare yet, so --

16 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:
17 Correct.

18 COMMITTEE MEMBER TAYLOR: -- whatever health care
19 they get has to be whatever carrier the Medicare employee
20 has?

21 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:
22 Correct. Last year, when we moved to
23 UnitedHealthcare, we undertook, with the advice and
24 support of our retiree associations, an education campaign
25 specific to these families - we call them combo plan

1 families - to really educate them that when making their
2 choice, they needed to, as Mr. Jones spoke about, think
3 about their primary care providers and relationships when
4 they looked at choosing a health plan that would serve the
5 basic members, their dependents, as well as themselves in
6 a Medicare plan.

7 So we -- you know, providers aren't necessarily
8 limited, with the exception of Kaiser, to one plan. Some
9 of them are active in multiple plans. So we advise people
10 to, you know, work with us, work with the plans to choose
11 the best coverage for themselves and their families.

12 But my understanding is that CalPERS is not, in
13 recent history, perhaps ever, offered the ability for
14 these families to have different carriers and pay one
15 premium.

16 COMMITTEE MEMBER TAYLOR: Okay. Thank you.

17 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:
18 So there is no change to current practice.

19 COMMITTEE MEMBER TAYLOR: Thank you.

20 CHAIRPERSON MATHUR: Thank you.

21 Mr. Jelincic.

22 BOARD MEMBER JELINCIC: I think it is just silly
23 to propose to adopt a regulation that says this is the
24 rule, unless it isn't. What we should do is adopt a
25 regulation that says this is the rule. And if we change

1 our policy, we change the regulation.

2 So I think -- and I will point out we're 8 months
3 away from open enrollment, and we've got time to work it,
4 and get it correct. But to adopt a rule that's -- a
5 regulation that says this is the rule, unless it isn't is,
6 quite frankly, silly.

7 Thank you.

8 CHAIRPERSON MATHUR: Mr. Slaton.

9 BOARD MEMBER SLATON: Thank you, Madam Chair.

10 I'm certainly not a health care expert, but when
11 Mr. McKeever was retiring, I told him that we should give
12 him a cell phone just in case, so we could reach out to
13 him as a safety line, at least for some historical
14 perspective.

15 Two things. One is I do think, and as Mr. Jones
16 talked about, of getting a cost estimate as soon as
17 possible. And I would encourage the Chair to direct the
18 staff to incorporate, whether it's done by external
19 sources, internal sources, that time is of the essence of
20 something like this. So I think you should consider a
21 broader look at it than just getting it into our workplan,
22 you know, at the end of the train, might be helpful.

23 The other thing is I was -- and again not being a
24 health care expert, I was talking earlier with someone
25 about that one way -- and you talked about it being a

1 price issue and rate issue. If you have a single member
2 and you have another single member who has dependents,
3 those are 2 different price structures. They're already
4 out there.

5 So one solution potentially could be - and I'll
6 just toss this out - is essentially a -- for purposes of
7 health care, a faux member. So, yes, it might not be as
8 attractive a price as allowing a split system, but a split
9 system, as you talked about, is very complex. That has a
10 lot of complexity to it, as opposed to Member A in
11 Medicare, Member B with -- who's only a member by virtue
12 of being a spouse or a domestic partner with or without
13 other dependents in a different plan, under that separate
14 pricing, as if they were an individual member with
15 dependents.

16 So just another thought of a way to tackle this
17 as opposed to trying to do a whole new rate structure.
18 And perhaps that could alleviate the problem for some
19 people, and it might be of value to them.

20 MEMBER ACCOUNT MANAGEMENT DIVISION CHIEF CAROLAN:

21 Thank you, Mr. Slaton. We can certainly consider
22 that. And I'm sure the rates folks will, you know, take
23 that under advisement.

24 CHAIRPERSON MATHUR: Thank you.

25 Mr. Juarez.

1 ACTING COMMITTEE MEMBER JUAREZ: Yes. I would
2 just conclude by saying that I hope that this Committee
3 will seriously look at, when you return to us, if, in
4 fact, the cost-benefit analysis suggests that it's a
5 doable proposition, that we would consider allowing those
6 folks, who choose to go on a combined plan, to do so. It
7 just seems like it's the right thing to do, the
8 appropriate thing to do. And again, I don't want to
9 prejudge it, because I don't know the cost associated with
10 it. But if it's de minimis, I would hope that we would
11 consider taking that action?

12 CHAIRPERSON MATHUR: Are there any other Board
13 members who wish to speak on this item?

14 So seeing that there are no further Committee
15 members who wish to speak, I will now entertain a motion
16 to recommend to the Board the adoption of the proposed
17 amendment to the regulation as modified?

18 I need a motion. I need a maker.

19 ACTING COMMITTEE MEMBER JUAREZ: I'll make that
20 motion.

21 CHAIRPERSON MATHUR: Motion made by Mr. Juarez.
22 Is there a second to the motion.

23 COMMITTEE MEMBER TAYLOR: I'll second.

24 CHAIRPERSON MATHUR: Seconded by Taylor.

25 Motion made and seconded.

1 Any discussion on the motion?

2 Seeing none.

3 All those in favor say aye?

4 (Ayes.)

5 CHAIRPERSON MATHUR: All those opposed?

6 (Noes.)

7 CHAIRPERSON MATHUR: So please note 2 noes. The
8 motion passes.

9 The noes were Mr. Bilbrey and Mr. Jones.

10 Okay. So that bring us to the end of our agenda.

11 Summary of Committee direction.

12 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

13 Madam Chair and members of the Committee, the
14 Board has directed staff to set Health Care Beliefs for a
15 future agenda. And then I was hearing direction before,
16 but review the cost implications in accordance to separate
17 enrollments and combo plans, and bring that back.

18 CHAIRPERSON MATHUR: Yes.

19 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

20 Those are the 2 directions that I wrote down.

21 CHAIRPERSON MATHUR: I would say the cost and
22 other implications. I think the rate implications are
23 also an important consideration.

24 Thank you.

25 INTERIM DEPUTY EXECUTIVE OFFICER BAILEY-CRIMMINS:

1 Thank you.

2 CHAIRPERSON MATHUR: Any public comment at this
3 time? I have no paper requests to speak.

4 Seeing none.

5 The public -- the open session of the
6 Performance -- sorry, the Pension and Health Benefits
7 Committee is adjourned.

8 (Thereupon the California Public Employees'
9 Retirement System, Board of Administration,
10 Pension & Health Benefits Committee open
11 session meeting adjourned at 9:25 a.m.)

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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 20th day of February, 2017.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063