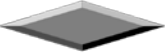



California Public Employees' Retirement System

**Board of Administration
Pension and Health Benefits Committee
Meeting Minutes**

March 14, 2017



The Pension and Health Benefits Committee (PHBC) met in Open Session on Tuesday, March 14, 2017, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:01 a.m. with the following members present:

Priya Mathur, Chair
Michael Billbrey, Vice Chair
Steve Juarez for John Chiang
Rob Feckner
Richard Gillihan
Dana Hollinger
Henry Jones
Teresa Taylor
Alan LoFaso for Betty Yee

Other Board Members Present:

JJ Jelincic
Ron Lind
Bill Slayton

Agenda Item 2 – Executive Report(s)

Donna Lum, Deputy Executive Officer (DEO), Customer Support Services, provided an update regarding the evolution on presenting educational materials at the Benefit Education Events. The last event was held in Millbrae on March 2, 3, and 4. This event had the second highest record of attendance. Some members came with their personal information and were able to receive personalized assistance from the staff. The next events are in Santa Barbara on March 17 and 18, and in Fresno on April 28 and 29. Planning is already under way for next year. Ms Lum also provided an update to the initiative from last month to go paperless with the retirees direct deposit advices. Ms Lum gave a brief overview of the fact sheet which gave information regarding going paperless with the CalPERS direct deposit statements and how the change will help cut costs and conserve precious resources. Ms Lum emphasized that retirees who wish to continue to receive a paper warrant will still have that opportunity. Information will be provided as to when the opt-out capability will be available, and how the retirees will be able to opt-out.

Liana Bailey-Crimmins, Interim Deputy Executive Officer (DEO), Benefit Programs Policy and Planning, provided two updates. The first was an update based on a discussion held in February regarding OptumRx and the second was an update of what has been going on with the repeal and replace regarding the Affordable Care Act (ACA). In February, there was an executive briefing with the OptumRx senior leaders centering around discussions about improving customer service and really focusing on the details related to the corrective action memo. As a result of the meeting, on February 27, an on-site review of the contact center was conducted in Southern California. It was important to see the improvements firsthand. On March

8, Marcie Frost, CEO received a letter from OptumRx wanting to share their continued commitment to recognize us as a very valuable customer of theirs and apologized that they had not met our customer service expectations. In a span of 90 days, OptumRx has hired over 100 new agents to take on the calls from our members and has enhanced their continuing education program. They have established a secret shopper program, and doing pop-quizzes to make sure that the representatives are providing correct information to the members related to their coverage. A SWAT team has been working to resolve prior authorization issues, and an Ombudsman is on board to work with CalPERS staff. There still remains a concern from our members regarding prior authorizations, both the approval and the denial criteria, so a meeting will be scheduled in the next few weeks to address that issue and to have a specific discussion about Walgreens.

In Washington, D.C., on March 6, House Republicans submitted two bills which constitute the first attempt to replace and repeal the ACA. Over the past seven days, CalPERS has gone to Washington, D.C. and attended a board meeting for the National Coalition of Health Care where a very robust discussion was held. We've also received one-on-one debriefs from our federal representatives, and have analyzed several of the analyst reports and have also spoken with State experts on discussing the impacts specifically to California. Even though CalPERS does not necessarily have a direct impact in relation to the American Health Care Act (AHCA), we are paying close attention to the taxes related to what is going to stay in place and what is not. The Cadillac Tax is not going to be eliminated. It has been pushed out another five years and will reappear in 2025. The bill does not impose a tax on employer-sponsored plans, which is important to us, and it also repeals the employee and individual mandates. In addition to the ACA taxes, indirectly we are keeping an eye on when we shift cost to the State, specifically related to Medicaid and what happens to the market when looking at commercial Medicare and Medicaid. We have to be conscious when going through rate development to ensure that things are not going to be showing up in our rates that we do not want on behalf of our members. We promise to monitor the possible impacts and will continue to make sure that we are staying apprised of what is necessary to protect CalPERS and the members we serve.

Agenda Item 3 – Consent Items

The Committee accepted the following Action Consent Items:

- 3a. Approval of the February 14, 2017 Pension & Health Benefits Committee Meeting Minutes.

Agenda Item 4 – Consent Items

The Committee accepted the following Information Consent Items:

- 4a. Annual Calendar Review
- 4b. Draft Agenda for the April 18, 2017, Pension & Health Benefits Committee Meeting
- 4c. Federal Health Care Policy Representative Update – there was a request to take this off and it will be done at the end of the agenda.
- 4d. Federal Retirement Policy Representative Update

Agenda Item 5 – Proposed Regulation for Pensionable Compensation under PEPRA

Ms Lum, and Renee Ostrander, Employer Account Management Division Chief, presented staff's recommendation to approve the proposed draft regulations to define CalPERS' interpretation of what is considered pensionable compensation for "new members" hired on, or after, January 1, 2013. A recently modified version of the regulations to provide additional clarity on the ability of future Board actions, was handed out as a late item. Minor changes were made to the final paragraph.

Richard Gillihan moved staff's recommendation to pursue the proposed regulation defining pensionable compensation. The motion was seconded and carried.

Agenda Item 6 – Federal Health Care Priorities

Mary Anne Ashley, Chief, Legislative Affairs Division, and Gretchen Zeagler, Assistant Division Chief, presented staff's recommendation that the PHBC approve the proposed 115th Congress Federal Health Care Priorities for the 2017-18 congressional session. Federal Representatives, Yvette Fontenot and Chris Jennings from Avenue Solutions and Jennings Policy Strategies, attended the meeting via teleconference to be available to answer any questions.

Theresa Taylor moved staff's recommendation to approve the proposed 115th Congress Federal Health Care Priorities for the 2017-18 congressional session with direction from the Board to replace the word "Board" for the word "CalPERS" so that the sentence on page two, paragraph two, last sentence will now read "They do not bind CalPERS in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles." The motion was seconded and carried with the modified language.

Agenda Item 4c – Federal health Care Policy Representative Update

As an information consent item, the CalPERS Federal Health Care Policy Representatives, Avenue Solutions and Jennings Policy Strategies (a joint venture), provided a written federal legislative update covering recent developments on issues of interest to CalPERS and related activities. Board Member JJ Jelencic had questions for Chris Jennings and Yvette Fontenot who were both on the phone for Agenda Item 6.

Agenda Item 7 – Federal Retirement Security Priorities

Ms Ashley and Ms Zeagler presented staff's recommendation that the PHBC approve the proposed 115th Congress Federal Retirement Security Priorities for the 2017-18 congressional session. The background for this Agenda Item is the same as for Agenda Item 6 with one difference. In February, the Board decided to dispense with the use of the Legislative and Policy Engagement Guidelines for Retirement Security in favor of relying on other Board-approved documents, for example the CalPERS Pension Beliefs. As per Committee direction in January, the Board directed CalPERS team members to work with our federal representatives in developing priorities for the 115th Congress. This work was done and the recommended priorities are meant to be specific to this given congressional session and they also are taking into consideration the new dynamics given the new administration. Federal Representatives, Tom Lussier and Tony Roda, Lussier Group and Williams and Jensen, attended the meeting via teleconference to be available to answer any questions.

Michael Bilbrey moved staff's recommendation to approve the proposed 115th Congress Federal Retirement Security Priorities for the 2017-18 congressional session with direction from the Board to replace the word "Board" for the word "CalPERS" so that the sentence on page two, paragraph one, last sentence will now read "They do not bind CalPERS in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles." The motion was seconded and carried with the modified language.

Agenda Item 8 – 2017-2022 Health Initiatives

As an information item, Ms Bailey-Crimmins and Kathy Donneson, Chief, Health Plan Administration Division, presented a summary and slide show presentation of the CalPERS 2012-2017 Strategic Planning Initiatives and close-out and accomplishments achieved and also provided the process by which nine new health initiatives were developed and aligned to the CalPERS new strategic planning goals and objectives for the CalPERS 2017-2022 Strategic Plan.

Agenda Item 9 – Statewide Collaboration through Smart Care California: Low Back Pain

As an information item, Ms Donneson and Dr. Richard Sun, CalPERS Staff, presented an update of activities by CalPERS team members to support the use of evidence-based medicine via the Smart Care California workgroup. On the workgroup, CalPERS is the lead in the area of

promoting safe, affordable approaches to low back pain. Special guest speaker, Dr. Tobias Moeller-Bertram, MD, PhD, MAS, Desert Clinic Pain Institute, discussed and showed a presentation on chronic low back pain management and treatment.

Agenda Item 10 – Long-Term Care Program Semi-Annual Report

As an information item, Ms Donneson provided an update and overview to the PHBC on the CalPERS Long-Term Care Program. Ms Flora Hu, Senior Life Actuary, Actuarial Office was there to assist with any questions of an actuarial nature. The overview and presentation compared the calendar years 2014, 2015, and 2016.

Agenda Item 11 – Summary of Committee Direction

Ms Bailey-Crimmins provided a summary of the Committee direction from the March 14, 2017, meeting. The Committee directed staff as follows:

- Agenda Item 6 – Replace the word on page two, paragraph two, last sentence from “Board” with the word “CalPERS”. The sentence will now read “They do not bind CalPERS in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles.”
- Agenda Item 7 – Replace the word on page two, paragraph one, last sentence from “Board” with the word “CalPERS”. The sentence will now read “They do not bind CalPERS in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles.”
- Bring back a cost benefit analysis for Member and Children Tiering.
- Explore if the spousal surcharge can be administered at the employer level.
- Engage with the Board as appropriate in meeting with the Federal Representatives on issues beneficial to CalPERS.

Agenda Item 12 – Public Comment

The Committee received Public Comment from the following:

James Prigoff, Retiree

Tim Behrens, President, California State Retirees

James Anderson, Legislative Director, Retired Public Employees’ Association

Larry Woodson, California State Retirees

Al Darby, Vice President, Retired Public Employees’ Association

Jerry Fountain, CFO, California State Retirees

The meeting was adjourned at 12:17 pm.

The next meeting of the PHBC is scheduled for April 18, 2017, in Sacramento, California.

Liana Bailey-Crimmins
Interim Deputy Executive Officer
Benefit Programs Policy and Planning