

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

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, MARCH 19, 2019

9:00 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. Rob Feckner, Chairperson

Mr. Ramon Rubalcava, Vice Chairperson

Ms. Margaret Brown

Mr. Henry Jones

Mr. David Miller

Ms. Eraina Ortega, represented by Mr. Ralph Cobb

Ms. Mona Pasquil Rogers

Ms. Theresa Taylor

Ms. Betty Yee, represented by Ms. Karen Green-Ross

BOARD MEMBERS:

Ms. Dana Hollinger

Ms. Fiona Ma, represented by Mr. Matthew Saha

Mr. Jason Perez

Mr. Bill Slaton

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms. Liana Bailey-Crimmins, Chief Health Director

Mr. Matt Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Dr. Kathy Donneson, Chief, Health Plan Administration
Division

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

STAFF:

Ms. Jennifer Jimenez, Committee Secretary

Mr. Anthony Suine, Chief, Benefit Services Division

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P R O C E E D I N G S

1
2 CHAIRPERSON FECKNER: Good morning. We're going
3 to call the Pension and Health Benefits Committee meeting
4 to order.

5 The first order of business is to call the roll,
6 please.

7 COMMITTEE SECRETARY JIMENEZ: Rob Feckner?

8 CHAIRPERSON FECKNER: Good morning.

9 COMMITTEE SECRETARY JIMENEZ: Theresa Taylor?

10 VICE CHAIRPERSON TAYLOR: Good morning.

11 COMMITTEE SECRETARY JIMENEZ: Margaret Brown?

12 COMMITTEE MEMBER BROWN: Present.

13 COMMITTEE SECRETARY JIMENEZ: Henry Jones?

14 COMMITTEE MEMBER JONES: Here.

15 COMMITTEE SECRETARY JIMENEZ: David Miller?

16 COMMITTEE MEMBER MILLER: Here.

17 COMMITTEE SECRETARY JIMENEZ: Ralph Cobb for
18 Eraina Ortega?

19 ACTING COMMITTEE MEMBER COBB: Here.

20 COMMITTEE SECRETARY JIMENEZ: Mona Pasquill
21 Rogers?

22 COMMITTEE MEMBER PASQUILL ROGERS: Here.

23 COMMITTEE SECRETARY JIMENEZ: Ramon Rubalcava?

24 COMMITTEE MEMBER RUBALCAVA: Here.

25 COMMITTEE SECRETARY JIMENEZ: Karen Greene-Ross

1 for Betty Yee?

2 ACTING COMMITTEE MEMBER GREENE-ROSS: Here.

3 CHAIRPERSON FECKNER: Thank you. And please note
4 Mr. Saha, Mr. Slaton, and Mr. Perez joining the Committee.

5 We are only going to take one item up in open
6 session right now, then we're going to move into closed
7 session, and we'll be come back into open session. I
8 would say to gauge about 45 minutes, maybe a little
9 longer. But you don't want to be late in case we get done
10 earlier.

11 So the order of business now is Item number 2,
12 election of the Committee Chair and Vice Chair. And I'm
13 going to turn the gavel over to Ms. Taylor.

14 VICE CHAIRPERSON TAYLOR: Yes. Hi. I would like
15 to take nominations for the Chair of the Pension and
16 Health Benefits Committee.

17 Ramon.

18 COMMITTEE MEMBER RUBALCAVA: Yes. Good morning,
19 everybody. Yes, I would like to --

20 VICE CHAIRPERSON TAYLOR: Oh, it went back off
21 sorry.

22 You're good -- oh.

23 CHAIRPERSON FECKNER: Leave it alone, Ramon.

24 You're good.

25 COMMITTEE MEMBER RUBALCAVA: Good morning,

1 everybody.

2 I would like to nominate Rob Feckner for Chair of
3 the Pension and Health Benefits Committee.

4 VICE CHAIRPERSON TAYLOR: Great. I have a
5 nomination for Rob Feckner for Chair.

6 Do I have any further nominations?

7 Do I have any further nominations?

8 Do I have any further nominations?

9 Hearing no further nominations.

10 All those in favor of Rob Feckner for Chair of
11 Pension and Health Benefits Committee say aye?

12 (Ayes.)

13 CHAIRPERSON FECKNER: All those opposed?

14 All right. Motion carries.

15 Congratulations, Rob.

16 CHAIRPERSON FECKNER: Thank you. So the next
17 order of --

18 (Applause.)

19 CHAIRPERSON FECKNER: Thank you.

20 Next order of business will be the election of
21 the Vice Chair. For that, I call upon Ms. Taylor.

22 VICE CHAIRPERSON TAYLOR: Yes. Thank you. I
23 would like to nominate Ramon Rubalcava for Vice Chair of
24 Pension and Health Benefits Committee.

25 CHAIRPERSON FECKNER: We have Mr. Rubalcava being

1 nominated for Vice Chair.

2 Any further nominations for Vice Chair?

3 Any further nominations for Vice Chair?

4 Third and final time, any other -- further
5 nominations for Vice Chair?

6 Seeing none.

7 The Chair will entertain a motion for a unanimous
8 ballot for Mr. Rubalcava.

9 VICE CHAIRPERSON TAYLOR: So moved.

10 CHAIRPERSON FECKNER: Is there a second?

11 COMMITTEE MEMBER JONES: Second.

12 CHAIRPERSON FECKNER: It's been moved and
13 seconded.

14 Any discussion?

15 Seeing none.

16 All in favor say aye?

17 (Ayes.)

18 CHAIRPERSON FECKNER: Opposed, no?

19 Motion carries. Congratulations, Mr. Rubalcava.

20 (Applause.)

21 CHAIRPERSON FECKNER: So at this point, we're
22 going to move into closed session. Like I said, I would
23 gauge about 45 minutes. So if we could please clear the
24 room, and at that time, Mr. Rubalcava and Ms. Taylor can
25 switch seats.

1 (Off record: 9:03 a.m.)

2 (Thereupon the meeting recessed
3 into closed session.)

4 (Thereupon the meeting reconvened
5 open session.)

6 (On record: 10:30 a.m.)

7 CHAIRPERSON FECKNER: If the Committee could
8 please take their seats.

9 Well, good morning, everybody. We're going to
10 reconvene the open session. The -- we're on item 3,
11 approval of the March 19th timed agenda. What's the
12 pleasure of the Committee?

13 COMMITTEE MEMBER JONES: Move it.

14 CHAIRPERSON FECKNER: Moved by Jones.

15 COMMITTEE MEMBER TAYLOR: Second.

16 CHAIRPERSON FECKNER: Seconded by Taylor.

17 Any discussion on the motion?

18 Seeing none.

19 All in favor say aye?

20 (Ayes.)

21 CHAIRPERSON FECKNER: Opposed no?

22 Motion carries.

23 Item 4, Executive Report, Ms. Bailey-Crimmins and
24 Ms. Lum, please.

25 DEPUTY EXECUTIVE OFFICER LUM: Good morning, Mr.

1 Chair, members of the Committee.

2 CHAIRPERSON FECKNER: Good morning.

3 DEPUTY EXECUTIVE OFFICER LUM: Donna Lum, CalPERS
4 team member.

5 Before I get started with my update, I'd like to
6 extend my congratulations to you, Mr. Feckner --

7 CHAIRPERSON FECKNER: Thank you.

8 DEPUTY EXECUTIVE OFFICER LUM: -- for your
9 reelection as the Chair of this Committee. And
10 congratulations, Mr. Rubalcava, for your election as the
11 Vice Chair of the Committee. We look forward to working
12 with you throughout the year on the many critical and
13 important items that this Committee hears.

14 So I have a couple of quick updates that I'd like
15 to share with you. The first is around our CalPERS
16 Benefit Education Events, also known as our CBEEs. We did
17 have a CBEE here in Sacramento. And it was held on March
18 1st and March 2nd at the Sacramento Convention Center. We
19 had nearly 3,000 attendees at this event. And Sacramento
20 does draw a large crowd, and our teams were very well
21 prepared. All of our members were able to get into the
22 classes that they desired. And they were also able to
23 meet with our team members that were in the exhibit hall.

24 Our team was very pleased to see several of our
25 Board Members in attendance. And I would again like to

1 extend my thanks and appreciation to all of you that did
2 attend. It's nice to have you there, and I know that our
3 members also do enjoy interacting with our Board members.

4 We do have another CBEE that is scheduled for
5 this weekend. It's Saturday, March 22nd and March 23rd,
6 and it will be held in Eureka at the Red Lion Inn. This
7 is considered to be one of our remote locations. And
8 that's because the nearest office -- CalPERS office to
9 Eureka is here in Sacramento. And it's about a five to
10 five and a half hour drive. We have held an event in this
11 area previously. The last time we were there, we had
12 about 425 attendees. I'm happy to share with you that as
13 far as pre-registration this week, we have over 800
14 members pre-registered to attend.

15 So I anticipate, like we've seen throughout all
16 of last year and the early part of this year, that our
17 CBEEs are continuing to be well attended.

18 In addition to that, we are -- we have completed
19 the new schedule for the CBEEs. I believe each of you has
20 a copy of the schedule there. This schedule goes from now
21 through June of 2020. We have six CBEEs that are
22 scheduled between now and the end of August. And then we
23 will pick up with the CBEE schedule in January with six
24 additional CBEEs scheduled from June -- up to June of
25 2020.

1 And you can see on the schedule that we do have a
2 wide range of locations. We always attempt to get to the
3 very large metropolitan areas, as well as some low -- some
4 of our more remote locations. We do have the schedule
5 posted on the CalPERS website, and members are able to go
6 there and see the dates, and location, and the schedules
7 as well. And we also do have a couple of copies that we
8 have printed in the back room for anyone in attendance
9 that would like to have one.

10 Next, I'm happy to also share with you some good
11 news on an accomplishment of a body of work that has come
12 before this Committee over the last year. The Office of
13 Administrative Law has approved our regulation for the
14 definition of full-time employment. And the regulations
15 will be published by the Secretary of State on April 1st.
16 This was a significant accomplishment. It -- what it did
17 is it further solidified the Board's previous resolution
18 on this regulation and therefore strengthened our
19 position.

20 And then lastly, I'd like to update you on a
21 presentation that our team members recently gave at the
22 CALAPRS General Assembly on March 4th. For those of you
23 that are not familiar with CALAPRS, it is the California
24 Association of Public Retirement Systems. And its
25 membership is primarily made up of county and city

1 retirement systems throughout the State of California.

2 The mission of CALAPRS is to provide education
3 and information sharing opportunities to enable retirement
4 systems to share information to be able to manage their
5 public pension plans.

6 The General Assembly was attended by more than
7 300 members -- or 300 attendees, consisting of trustees of
8 systems, board members, administrators, chief executive
9 officers, and pension leaders, as well as conference
10 sponsors. And there were over 31 retirement systems in
11 California that were represented at this conference.

12 Anthony Suine from our Benefit Services Division
13 and Kell Aoki from Policy Research and Data Analytics
14 Division participated on a Lean Six Sigma panel. Anthony
15 was able to share how his team has used Lean Six Sigma
16 methodology to implement process improvements to the
17 disability retirement determination process, which has
18 resulted in more than a 33 percent improvement in their
19 average determination timeliness, and that they have been
20 able to sustain these process changes for over two years.

21 He also provided materials on how his team has
22 used Lean Six Sigma to reduce the average amount of time
23 that it takes to pay a pre-retirement survivor benefit.
24 And the average time has been reduced from 27 days to 17
25 days.

1 So as you can imagine in the audience that was at
2 this conference, there was quite a bit of interest in
3 learning how Lean has been able to enable CalPERS to
4 become very efficient and to also enhance our service
5 delivery.

6 Kelli also shared the efforts that CalPERS has
7 undertaken to implement Lean into our business culture.
8 And I think one of the most important things that she did
9 is she discussed the importance of the getting to the
10 heart of the process improvements through employee
11 empowerment and engagement to immerse a Lean culture into
12 our organization. And we are very well on our path with
13 regards to our Lean framework and our maturity.

14 As I mentioned, the attendees were very
15 interested in our success. And I also wanted to share
16 with you, both Kelli and Anthony will be hosting a
17 workshop at -- on CalPERS Lean framework, our
18 implementation, and our successes at the CEM conference,
19 which is held in May. And I think you know that CEM --
20 the CEM conference is very well attended by pension
21 systems from around the world.

22 So this will give us an opportunity to really
23 share and exchange information with regards to the many
24 enhancements that we've had centered around customer
25 service and our Lean implementation.

1 And that completes my update, and I'm happy to
2 answer any questions you may have.

3 CHAIRPERSON FECKNER: Thank you.

4 Ms. Brown.

5 COMMITTEE MEMBER BROWN: Thank you, Mr. Chair,
6 and congratulations.

7 I have been attending CBEEs around the state as
8 guys have them. I know how much your staff likes to
9 attend them. And I can understand why, because these
10 future retirees are in a very good mood.

11 (Laughter.)

12 COMMITTEE MEMBER BROWN: They're very close or
13 several years away from retirement. And they're really
14 there to learn all their options that are available them.
15 And I would like to say that I was most recently at the
16 CBEE in Sacramento. And your speakers were very dynamic,
17 they used humor to impart bad news, especially about being
18 a divorced spouse, and you can't collect your husband's --
19 your ex-husband's Social Security unless he's deceased.
20 And he used some humor about that. So it was very good.

21 And I also thought your staff was great when --
22 when -- you had a lot of Q&A, a lot of microphone running.
23 It reminded me of Phil Donahue. But when there was a
24 question that was more personal, your staff was very quick
25 to say, let me get someone to help you. We'll answer that

1 one-on-one, so we don't necessarily need to understand the
2 personal issues that that person is facing.

3 But all in all, it's just a wonderful experience
4 for not only the future bene -- the future retirees, but I
5 think your staff enjoy it too. It's just a real good
6 experience, and people love coming. I'd be happy to --
7 also, if you could share some of the comments that we get
8 back to the Board. Just though -- I know you have these
9 comment sheets that come back. I assume you assemble them
10 and put them together. I would love to see those as well.

11 DEPUTY EXECUTIVE OFFICER LUM: Certainly. We do
12 collect a lot of survey and feedback information at the
13 CBEE. And I'd be more than happy to bring that back and
14 share it with the Committee.

15 Ms. Brown, thank you very much for your comments.
16 Obviously, our team has been working at this for many,
17 many years. And I do want to acknowledge the fact that
18 it's more than just the Customer Service teams that put on
19 these CBEEs. We have a lot of support from our Events
20 Management and Public Affairs. We have a lot of support
21 from different programs areas throughout CalPERS,
22 including the Information Technology Branch.

23 So it really does take a lot of effort to put
24 this on. And as you mentioned, you can certainly see when
25 our team members are interacting with our members

1 face-to-face, there is a great sense of pride in the work
2 that they do knowing that they are helping our members on
3 very important decisions. So I appreciate your comments
4 and we'll be sure to share that with the team.

5 COMMITTEE MEMBER BROWN: Thank you.

6 CHAIRPERSON FECKNER: Thank you.

7 Ms. Taylor.

8 COMMITTEE MEMBER TAYLOR: Thank you, Mr. Chair.

9 Ms. Brown stole my thunder, man.

10 (Laughter.)

11 COMMITTEE MEMBER TAYLOR: But I wanted to
12 reiterate -- I had two comments. One on the customer
13 service program you're working, but also on the CBEE.
14 It's my first. I haven't attended any, because retirement
15 seems so far away, but it's not really, now that I think
16 about it. So I attended it as a retiree -- future
17 retiree.

18 And I thought -- and I also found it very
19 enjoyable, very informative. The main session that Marcie
20 spoke at that you did -- took a lot of questions. I just
21 thought that was amazing that you took all those
22 questions. We -- I was able to also help with my -- a lot
23 of those folks are my members, and I was able to go talk
24 to them as well. And then I attended a session for
25 retirees in the under 10-year range. But it was very

1 informative. And I just wanted to congratulate you on how
2 well run it was, and organized, and all of the enthusiasm.

3 And I learned a lot of stuff that I didn't know.
4 So -- and it makes me -- I've heard from my fellow workers
5 that when they come in to retire, right, and they've made
6 an appointment with CalPERS, they feel very taken care of.
7 And I can see that from the CBEEs transferring very easily
8 into when they have to be one-on-one with our retirees to
9 talk about, okay, this is your time. You know, this is
10 how -- you know, so I thought it was -- sorry, I thought
11 it was just a wonderful experience.

12 And then secondly, I wanted to congratulate you
13 on your new customer service program that you guys have
14 launched, and have been successful with, and are now
15 rolling out to share with other organizations like SACRS
16 which is -- I'm sorry CALAPRS, not SACRS.

17 DEPUTY EXECUTIVE OFFICER LUM: Thank you. Thank
18 you for your feedback.

19 Yes, we're -- the entire team is very excited
20 about our Lean initiatives and our framework. Certainly,
21 we've seen a lot of positive outcome. And we know that
22 there is more that we can do. And, you know, being
23 prudent and looking at how we can be more cost effective,
24 and more efficient, these have been proven ways that we
25 can do that without sacrificing the delivery of services

1 to our members and employers, which is an important piece.
2 So thank you again for your comments.

3 CHAIRPERSON FECKNER: Thank you.

4 Mr. Miller.

5 COMMITTEE MEMBER MILLER: Yeah. I also share the
6 applause for the CBEE. I was at the Sacramento one. And
7 I just -- I wanted to add two other things. I was
8 really -- it's a great opportunity for our members, for
9 our staff. I enjoyed it. But I think it was also -- it
10 was really nice to see some of the retiree associations
11 there, and how well received they were, and how -- what a
12 valuable opportunity that was for our members and our
13 providers. They were well staffed. A lot of interest and
14 a great opportunity for our members to interact directly
15 with them.

16 And then be able to walk, you know, a few yards
17 away and walk with our -- talk with our staff and say,
18 wait a minute. Here's what I heard here. Is that the
19 real deal? What do you think? And talk to their
20 associations, go to classes. I mean, it was just -- they
21 continue to amaze me as a really, really gold plated
22 opportunity for our members, staff, providers,
23 associations, everybody.

24 So kudos again on that.

25 DEPUTY EXECUTIVE OFFICER LUM: Thank you, Mr.

1 Miller. And certainly, our exhibit halls are very well
2 attended. We have great partners that are with us at each
3 of the CBEEs. And again, it's just another opportunity
4 for our members to get insights and information as they're
5 moving through the retirement process.

6 So thank you.

7 CHAIRPERSON FECKNER: Thank you.

8 Seeing no other requests.

9 Ms. Bailey-Crimmins.

10 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Good
11 morning, Mr. Chair and members of the Committee. Liana
12 Bailey-Crimmins, CalPERS team member.

13 I would also like to congratulate Mr. Feckner and
14 Mr. Rubalcava on your election to the Chair and Vice Chair
15 of the Pension and Health Benefits Committee. The team
16 look forward to working with you throughout the next year.

17 Today, I have three items to highlight. First
18 are CalPERS enhancements in support of open enrollment for
19 2019. Second, our recent steps we are taking in relation
20 to CalPERS to make it easier for members and employers to
21 do business with the CalPERS Health Program. And lastly,
22 I'd like to highlight just a few items that we will be
23 discussing today here at the Pension and Health Benefits
24 Committee.

25 So consistent with previous years, CalPERS's 2019

1 open enrollment period will be from September 9th to
2 October 4th of 2019. We are well underway to have a very
3 comprehensive outreach effort. And CalPERS wants its
4 members to have readily accessible information at their
5 fingertips to make sure that they're making informed
6 decisions when it comes to their health plans.

7 And as you are aware, last year, CalPERS received
8 very high member satisfaction scores and positive
9 responses for our open enrollment app. And members were
10 able to view their health statements online, compare
11 rates, and for retirees to actually make health plan
12 changes. So I am pleased to report that our app will
13 again be available for the 2019 open enrollment period.

14 But in addition to the app, we are changing the
15 name of the current Find a Medical tool to search health
16 plans. And this will include member-requested
17 functionality. So between now and open enrollment we'll
18 be sharing that that functionality is going to pertain.

19 And then I'm also excited that we are going to be
20 launching a health provider directory utility. Once
21 implemented, members will actually have the ability to
22 look up their personal physicians and find which health
23 plans their doctor participates in and compare the rates.

24 The provider directory is expected to be
25 completed by the end of the fiscal -- the end of the

1 calendar year in 2019. Members, as you're aware, have
2 qualifying events. They have babies, they get married
3 out -- throughout the year. And so this will allow them
4 to have educated information at their fingertips.

5 Today, a member has to actually go to a health
6 plan's portal -- web portal and look up a doctor. So this
7 enhancement will provide one single pane of glass and
8 aggregate all that information so our members can go to a
9 CalPERS site and look that information up. So it will
10 simplify the process, and it will improve the member
11 experience overall.

12 And like -- with any enhancement, we push the
13 envelope. So we are pushing to have it available for open
14 enrollment. So I will be keeping you apprised of the
15 project update as it progresses throughout the year, but
16 we're very excited about this opportunity.

17 For the second item, last year, CalPERS improved
18 its enrollment forms. And it did that by taking multiple
19 forms and creating a single form. We also created
20 fillable PDFs, which are available by -- online to make
21 them more user-friendly.

22 And because our members and our employers are at
23 the heart of everything we do, based on recent feedback,
24 they want more. And so now employers may accept
25 electronic signatures on all their health enrollment

1 forms. This improves efficiency, and it just helps
2 overall the experience when dealing with CalPERS. So
3 we're excited about that.

4 And then lastly, just some highlights of what to
5 expect from today. Under consent, the 2018 open
6 enrollment results are now available. 6.4 percent of our
7 members changed health plans this past year. It is
8 comparable to 5 percent, which was made in the prior year.

9 This month, we have also included the first
10 quarterly PERS Select value-based insurance design. It's
11 an implementation report. And just as a reminder, we just
12 launched this program January 1st, so the data that you're
13 seeing is about a month and a half's worth of data. These
14 reports will provide -- be provided to this Committee
15 quarterly throughout the year, and you will receive your
16 next one in June.

17 And finally, for your action today is the
18 selection of the third-party administrator for our
19 self-insured PPO plans. And just as -- aka, also known
20 as, PERS Choice, PERS Select, and PERSCare.

21 And hot off the presses, we just found coming
22 into this meeting that the Anthem/Sutter negotiations were
23 successful. And so our members that have the Anthem PPO
24 and HMO will still be able to see Sutter docs. And that
25 contract was inked last night. And it will be valid all

1 the way through 2022. So that has been something that I
2 know the Board has been keeping an eye on. So I wanted to
3 share that good news.

4 And, Mr. Chair, that concludes my opening
5 remarks. And I am now available for any questions.

6 CHAIRPERSON FECKNER: Very Good. Thank you.
7 Seeing no other requests.

8 Moving on to Item 5, the action consent items.
9 I've had a request to pull Item 5c from the consent
10 calendar. Seeing no other requests to pull anything else,
11 what's the pleasure of the Committee.

12 COMMITTEE MEMBER BROWN: Move approval.

13 COMMITTEE MEMBER TAYLOR: Second.

14 CHAIRPERSON FECKNER: Moved by Brown, seconded by
15 Taylor.

16 All in favor say aye?

17 (Ayes.)

18 CHAIRPERSON FECKNER: Opposed, no?

19 Motion carries.

20 Before we go onto the consent -- information
21 condition items, let's take up 5c, the Pension and Health
22 Benefits Committee Delegation. Mr. Cobb, it was your
23 request.

24 You've got push your button, sir. There you go.

25 There you go.

1 ACTING COMMITTEE MEMBER COBB: Thank you, Mr.
2 Chair.

3 I just think that this item -- the reason I
4 pulled this item is because of the language being proposed
5 in the delegation regarding the budget change proposals
6 coming to the Committee. I think -- I'm not saying that
7 the Committee -- they shouldn't come to the Committee, but
8 I think that there should be some conversation at the
9 staff level between CalPERS and Department of Finance to
10 talk that through and work out the process before the
11 delegation is approved.

12 So I'm just asking that we hold this over for a
13 month and have those discussions and then bring it back as
14 appropriate.

15 CHIEF FINANCIAL OFFICER COHEN: Mr. Chair, thank
16 you. Michael Cohen. I -- and we're happy to have those
17 staff conversations. But I would say this is pretty
18 standard operating procedure for every public board in the
19 state in terms of approving their budget proposals before
20 they go to Finance. So State Lands Commission, State
21 Commission -- the Commission on State Mandates, Franchise
22 Tax Board, all of these organizations sort of discuss
23 their budget proposals. Otherwise, the alternative is
24 really for us to be submitting things to Finance that you
25 have no idea about, which doesn't seem like a particularly

1 good alternative.

2 That being said, you know, these recommendations
3 on the delegations come to the full Board in April, so I
4 think we can have conversations before you act in April.
5 But that being said, this delegation is very much
6 consistent with every other public board that I'm familiar
7 with in California.

8 CHAIRPERSON FECKNER: Thank you.

9 Anything else, Mr. Cobb?

10 ACTING COMMITTEE MEMBER COBB: No.

11 CHAIRPERSON FECKNER: Okay. All right. Thank
12 you.

13 This Committee has gotten very important.
14 Michael Cohen testified in front of us.

15 (Laughter.)

16 CHAIRPERSON FECKNER: Okay. Seeing no other
17 requests.

18 Item 6 is information consent. Having no
19 requests to move anything, it takes us to Item 7, which is
20 the Preferred Provider Third-Party Plan Administration
21 Contract Award.

22 Ms. Donneson.

23 (Thereupon an overhead presentation was
24 presented as follows.)

25 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

1 DONNESON: Mr. Chair, members of the Committee, this is
2 Agenda Item 7a, which is the PPO procurement final
3 evaluation, discussion, and result.

4 Just give me a moment.

5 Thank you.

6 So good morning.

7 CHAIRPERSON FECKNER: Good morning.

8 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

9 DONNESON: This item provides the final results of
10 solicitation 2019-8505 and recommends the contract award
11 for the Preferred Provider Organization three plans for
12 2020 to 2024. And as Liana said, that's PERSCare, PERS
13 Choice, and PERS Select.

14 --o0o--

15 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

16 DONNESON: We are going to present the finalists and ask
17 you to make an award.

18 Today, we will cover the timeline for the
19 procurement, where the firms stand in relationship to each
20 other through all four phases of the procurement, and then
21 offer you the final evaluation upon which we will ask you
22 to make a decision.

23 --o0o--

24 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

25 DONNESON: The procurement timeline shows that we began in

1 August for phase 1 and 2, which carried forward to --
2 through December. And then in March -- or in January
3 through March, we finalized the procurement through phases
4 3 and 4.

5 --o0o--

6 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

7 DONNESON: For the phase 1 approach, we asked for the
8 minimum qualifications for the bidding firms. And we had
9 five who bid this procurement.

10 --o0o--

11 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

12 DONNESON: The minimum quals required that they be
13 licensed in the United States, that they administer both a
14 basic and Medicare set of plans, that they had to have the
15 ability to service our members who live throughout the
16 United States and worldwide, and they must have the
17 ability to process 50,000 claims per week.

18 The firms that met the minimum qualifications --
19 the firms that did not meet the minimum qualifications was
20 Blue Shield of California and a joint venture by Sutter
21 and Anthem.

22 Aetna, Anthem Blue Cross, and UnitedHealthcare
23 all did meet the minimum requirements, and they advanced
24 to phase 2.

25 --o0o--

1 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

2 DONNESON: In phase 2, we asked for information on each
3 plan that included the geographic coverage and the
4 provider networks, the fee-for-service billed charges
5 discounts, and the administrative services fees.

6 And now I'd like to refer your attention to
7 attachment 1, which is the geographic and provider
8 coverage areas for the three firms. So for those in the
9 audience, if you would turn to that attachment, you will
10 see the coverage areas for these three firms.

11 So in attachment 1, we'll start with the Anthem
12 provider network.

13 --o0o--

14 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

15 DONNESON: Anthem has the broadest geographic coverage
16 with 82,000 approximate contracted providers. If you look
17 at the second map for Aetna, it has a geographic coverage
18 area that is broad in California, but these -- the number
19 of contracted providers in these counties is around
20 54,000. And then if you look at the final map in your
21 attachment 1, UnitedHealthcare also has broad geographic
22 coverage with approximately 43,000 providers.

23 --o0o--

24 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

25 DONNESON: Continuing on, looking at the fee-for-service

1 billed charge discounts. Anthem ranked number 1 at
2 approximately 1.4 billion, Aetna ranked second at
3 approximately 1.3 billion, and UnitedHealthcare ranked
4 third at approximately 1.1 billion.

5 We looked at the -- we used the actual discounts
6 for -- we used the actual discounts for 2019, so that we
7 could then estimate what the discount rates would look
8 like for 2020.

9 --o0o--

10 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

11 DONNESON: For the administrative services fees, we had --
12 we asked for all five years of administrative service fees
13 for 2020 to 2024. Anthem did have the lowest fees for the
14 basic -- for the basic plan and Aetna had the lower fees
15 for the Medicare plans, and the UnitedHealthcare fees were
16 higher than -- in both categories for either of the plans.

17 So moving on to the final results in phase 3 and
18 phase 4.

19 Carl, could you advance?

20 --o0o--

21 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

22 DONNESON: Thank you.

23 In phase 3 and phase 4, we had -- we looked at
24 the performance measures -- the fees at risk for our
25 performance measures for both plans, I will say that at

1 the end of December, United was advised that they would
2 not be advancing to phase 3 and 4, so the two successful
3 firms that did advance were Anthem and Aetna.

4 So we looked at the performance measures and the
5 fees at risk, and we looked at the financial -- final
6 financial offers, which included renegotiated
7 administrative service fees by both plans, and they
8 negotiated downward; and then the firm's contract
9 acceptance.

10 So part of phase 3 was that they had to agree to
11 accept the contract on CalPERS terms, and they both did
12 so.

13 So for the score card, which I'm going to show
14 you in a minute what the final results are, the score card
15 was a combination of the provider networks and the
16 coverage areas, the performance measures and the fees at
17 risk and who was willing to put more or less on those --
18 on performance, the fee-for-service billed charge
19 discounts, the administrative service fees, combined
20 billed charge discounts minus administrative fees, and
21 then contract acceptance.

22 So that is the criteria around which we evaluated
23 these -- all vendors coming down to two competing vendors,
24 Anthem Blue Cross and Aetna.

25 --o0o--

1 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

2 DONNESON: So at this point, I'd like to show you the
3 final results for 2019. And as you can see, the provider
4 networks, Anthem scored higher. Fees at risk Anthem
5 scored higher. Discounted fee-for-service savings, Anthem
6 scored higher. Administrative services fees combined
7 Medicare and basic, Anthem scored higher. And then the
8 overall savings of 78 million made Anthem the number one
9 ranked firm. I will note that both Aetna and Anthem
10 accepted our contract.

11 And many thanks to all the firms who went through
12 this process, especially to those final three, and then
13 the final two.

14 And with that, that concludes -- oh, one more
15 slide. The 2020 results.

16 --o0o--

17 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

18 DONNESON: Again, the same score card at 60 -- about 64
19 million, which makes Anthem the number one ranked vendor.

20 And at this time, I'd like to ask you to approve
21 and award the contract to Anthem Blue Cross for 2020 to
22 2024.

23 That concludes my presentation.

24 CHAIRPERSON FECKNER: Thank you. Thank you for
25 the presentation. Thank you for the presentation. I

1 thank you and your staff for all the hard work.

2 What's the pleasure of the Committee?

3 Mr. Jones.

4 COMMITTEE MEMBER JONES: Thank you, Mr. Chair. I
5 move approval.

6 COMMITTEE MEMBER BROWN: Second.

7 CHAIRPERSON FECKNER: It's been moved by Jones,
8 seconded by Brown.

9 Any discussion on the motion?

10 Seeing none.

11 All in favor say aye?

12 (Ayes.)

13 CHAIRPERSON FECKNER: Opposed, no?

14 Motion carries.

15 Thank you, Ms. Donneson.

16 That brings us to Agenda Item 8. 8a Retired
17 member cost of living. Mr. Suine. His attempt to play
18 hero for the day. He may have his Superman shirt on.

19 (Laughter.)

20 BENEFIT SERVICES DIVISION CHIEF SUINE: Thank
21 you, Mr. Feckner.

22 (Laughter.)

23 BENEFIT SERVICES DIVISION CHIEF SUINE: Good
24 morning, Mr. Chair and members of the Committee. Anthony
25 Suine, CalPERS team member.

1 CHAIRPERSON FECKNER: Good morning.

2 BENEFIT SERVICES DIVISION CHIEF SUINE:

3 Congratulations, Mr. Feckner and Mr. Rubalcava on
4 your appointments. Look forward to our continued
5 relationship.

6 Agenda Item 8a is our annual information item on
7 the cost of living adjustment or more routinely referred
8 to as COLA. And our retirement law provides for an annual
9 cost of living adjustment to eligible retirees on the May
10 1st retirement check. And the cost of living adjustment
11 is measured by the CPIU, or the Consumer Price Index for
12 all urban consumers, which is specified in our law.

13 A retiree becomes eligible for a COLA in their
14 second calendar year of retirement. Therefore, if you
15 retired in 2018, you would not yet be eligible for a COLA.

16 For the year ending 2018, the rate of inflation
17 as measured by the CPIU was 2.44 percent. Approximately
18 95 percent of all our retirees contract for a 2 percent
19 cost of living adjustment. So they will all receive at
20 least a 2 percent adjustment. Those who retired between
21 20 -- 2005 and 2015 had certain lower rates of inflation
22 during that time, so they are entitled to 2.44 percent.

23 Those other 5 percent of retirees who may
24 contract -- their employer may contract for a 3, 4, or 5
25 percent cost of living adjustment, will receive at least

1 2.44 percent up to there contracted amounts.

2 The -- in the agenda item, you'll find a helpful
3 chart that shows a retiree, based on the year they
4 retired, what they might be receiving and their contract
5 provision.

6 And this information has been shared with our
7 stakeholders. And it's available for our members on our
8 website, and in the upcoming PERSpective publication. We
9 also have it on our IVRs and on the message of the month,
10 on the May 1 retirement check, or direct deposit stubs,
11 whether that's electronic or by mail. It will also be
12 informative to the retiree.

13 And that concludes my presentation. And I'm
14 happy to take any questions.

15 CHAIRPERSON FECKNER: Mr. Jones.

16 COMMITTEE MEMBER JONES: Yeah. Thank, you, Mr.
17 Chair. Thank you, Mr. Suine.

18 Good information. And I've been sharing this
19 information with the retiree groups that I've been talking
20 with as I travel around the state.

21 One other request though, could you comment
22 briefly on the PPP, the Purchasing Power Protection Act,
23 where some members get -- in addition to this, they may
24 get an additional COLA. Could you comment on that,
25 please?

1 BENEFIT SERVICES DIVISION CHIEF SUINE: Sure. So
2 the Purchasing Power Protection Agreement or allowance
3 works in conjunction with the cost of living adjustment.
4 And those who have been retired for 30 plus years may have
5 an additional component to their retirement check that
6 includes PPPA to keep them based on the contract 75 to 85
7 percent of their purchasing power.

8 And when COLA is higher than the rate of
9 inflation, say a 2.44 percent, that usually sees a
10 reduction in the amount of PPPA that needs to be paid out.
11 But there are about 16 to 17 thousand retirees who also
12 receive a PPPA amount in addition to the COLA. It's
13 stayed pretty steady. A couple hundred went out of the
14 program, meaning they were getting paid a little bit, but
15 the cost of living caught them up. And there was a few
16 decreases in PPPA over the course of this year, because
17 they received more COLA, so needed less PPPA to keep up
18 with the cost of inflation.

19 COMMITTEE MEMBER JONES: Yeah. And the 16,000
20 members thank you for that information

21 (Laughter.)

22 BENEFIT SERVICES DIVISION CHIEF SUINE: Yes.

23 CHAIRPERSON FECKNER: All right. Seeing no other
24 requests. Thank you, Mr. Suine.

25 BENEFIT SERVICES DIVISION CHIEF SUINE: Thank

1 you.

2 CHAIRPERSON FECKNER: Before we move on to Item
3 8b, I want go back and revisit 5c, which was an action
4 consent item. We did not take action on that, because Mr.
5 Cobb asked to discuss that. So what's the pleasure of the
6 Committee?

7 COMMITTEE MEMBER MILLER: Move it.

8 CHAIRPERSON FECKNER: Moved by Miller.

9 COMMITTEE MEMBER JONES: Second.

10 CHAIRPERSON FECKNER: Seconded by Jones.

11 Any discussion on the motion?

12 Ms. Taylor.

13 COMMITTEE MEMBER TAYLOR: So what is -- what's
14 the motion? What are we -- what are we talking about
15 here?

16 CHAIRPERSON FECKNER: The motion was the action
17 consent on Pension and Health Benefits Committee
18 delegation.

19 CHIEF EXECUTIVE OFFICER FROST: Chair Feckner?

20 CHAIRPERSON FECKNER: Yes.

21 CHIEF EXECUTIVE OFFICER FROST: You can actually
22 wait and take action on that item next month.

23 CHAIRPERSON FECKNER: Okay. Very well then.

24 COMMITTEE MEMBER MILLER: I withdraw my mention.

25 CHAIRPERSON FECKNER: Your motion has been

1 withdrawn.

2 All right. Then we're on 8b, Summary of
3 Committee Direction.

4 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Mr.
5 Chair, that was the only item that I had on my list.

6 CHAIRPERSON FECKNER: Well, good.

7 Item 8c, Public Comment. I have no requests to
8 speak. Anybody from the public wish to address the
9 Committee at this time?

10 Seeing none.

11 This Committee is adjourned.

12 (Thereupon the California Public Employees'
13 Retirement System, Board of Administration,
14 Pension & Health Benefits Committee open
15 session meeting adjourned at 11:06 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 23rd day of March, 2019.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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