VIDEOCONFERENCE 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, JUNE 16, 2020

8:05 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

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 Ms. Michelle Mitchell

Ms. Theresa Taylor

Ms. Shawnda Westly

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

BOARD MEMBERS:

Ms. Fiona Ma, represented by Mr. Frank Ruffino

Ms. Lisa Middleton

Ms. Stacie Olivares

Mr. Jason Perez

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matt Jacobs, General Counsel

Dr. Donald Moulds, Chief Health Director

Mr. Scott Terando, Chief Actuary

Mr. Anthony Suine, Deputy Executive Officer

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

STAFF:

Ms. Marta Green, Chief, Health Plan Research and Administration Division

Ms. Pam Hopper, Committee Secretary

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Michael Bidart, Shernoff, Bidart, Echeverria

Mr. Al Darby, Retired Public Employees Association

Mr. Jerry Fountain, California State Retirees

Mr. Ernest Goldsmith

Mr. Steve Kawai

Ms. Andrea Kune-Clark

Ms. Eileen Lodyga

Ms. Pat Pringle

Mr. Holly Wedding

Mr. Larry Woodson, California State Retirees

Ms. Paula Zinnamin

I N D E X

P R O C E E D I N G S

CHAIRPERSON FECKNER: We're going to call the Pension and Health Committee meeting to order. The first order of business, Item 1, will be to call the roll please.

Ms. Hopper.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Here.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Here.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING COMMITTEE MEMBER MITCHELL: Here.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

VICE CHAIRPERSON RUBALCAVA: Here.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Present.

COMMITTEE SECRETARY HOPPER: Karen Greene-Ross for Betty Yee?

ACTING COMMITTEE MEMBER GREENE-ROSS: Here.

COMMITTEE SECRETARY HOPPER: That concludes the roll call, Mr. Chair.

CHAIRPERSON FECKNER: Thank you, Ms. Hopper.

Thank you. Appreciate that. So now we're going to move into closed session. So those of you from the public that are visiting with us this morning, we're going into closed session now, come back into open session and -- when we're done, I'm assuming around the lunch hour. Keep watching your screen and the time will be posted on there.

We're going to go into closed session for items 1 through 4 from the closed session agenda. So at this time, the Board members will exit this open session meeting and connect to the closed session meeting. The members of the public watching via the livestream, the open session for Pension and Health meeting will reconvene following our closed session. Watch your monitors.

Thank you and we'll see you in closed session.

(Off record: 8:07 a.m.)

(Thereupon the meeting recessed into closed session.)

(Thereupon the meeting reconvened open session.)

(On record: 10:46 a.m.)

CHAIRPERSON FECKNER: We're going to reconvene the open session. In a little while, we're going to have the rates -- preliminary rates will be posted to the website. We'll let you know as soon as that's done, but it should be done very shortly. We're going to continue on with the rest of our agenda until we get to that point.

So we are Agenda Item 2, approve of the June 16th, 2020 Pension and Health Benefits Committee meeting timed agenda. What's the pleasure of the Committee.

COMMITTEE MEMBER TAYLOR: Move approval.

COMMITTEE MEMBER MILLER: So moved.

CHAIRPERSON FECKNER: It's been moved by Ms. Taylor, seconded by Mr. Miller.

Ms. Hopper, can you please call the roll?

COMMITTEE SECRETARY HOPPER: Margaret Brown?

Is she in?

CHAIRPERSON FECKNER: It appears we may have some folks that aren't in yet. So let's just hold off a minute or two.

COMMITTEE SECRETARY HOPPER: Okay.

(Off record: 10:48 a.m.)

(Thereupon a recess was taken.)

(On record: 10:48 a.m.)

CHAIRPERSON FECKNER: Go ahead.

COMMITTEE SECRETARY HOPPER: Okay. Margaret

Brown?

COMMITTEE MEMBER BROWN: Present.

COMMITTEE SECRETARY HOPPER: And this is for Item 2, correct, Mr. Chair?

CHAIRPERSON FECKNER: Yes, ma'am.

COMMITTEE SECRETARY HOPPER: Okay. Margaret Brown?

Henry Jones?

COMMITTEE MEMBER JONES: Here and yes.

CHAIRPERSON FECKNER: This is the timed agenda. This -- we're talking about the timed agenda.

COMMITTEE MEMBER BROWN: Yes.

COMMITTEE MEMBER JONES: Yes.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Aye. Here and aye.

COMMITTEE SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING COMMITTEE MEMBER MITCHELL: Aye.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

VICE CHAIRPERSON RUBALCAVA: Aye.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Aye.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Here and I.

COMMITTEE SECRETARY HOPPER: Lynn Paquin for

Betty Yee?

ACTING COMMITTEE MEMBER PAQUIN: Aye.

ACTING COMMITTEE MEMBER GREENE-ROSS: And actually Karen Greene-Ross is here for Betty Yee?

COMMITTEE SECRETARY HOPPER: Okay. Karen Greene-Ross for Betty Yee?

ACTING COMMITTEE MEMBER GREENE-ROSS: Here.

COMMITTEE SECRETARY HOPPER: And, Mr. Chair, I have Theresa Taylor making the motion and David Miller seconding it?

CHAIRPERSON FECKNER: Yes, ma'am.

COMMITTEE SECRETARY HOPPER: Okay. I have all ayes for Item 2.

CHAIRPERSON FECKNER: Thank you.

That brings us to Agenda Item 3. Before I go there, I just wanted to let the public know that, as you may have just tuned in, that we have completed our closed session. The preliminary rates that we would -- had discussed will be posted to the website momentarily. We will let you know as soon as those are up. We're going to continue on with the agenda until we get to that point.

Item 3, Executive Report. We have Mr. Moulds and Mr. Suine.

DEPUTY EXECUTIVE OFFICER SUINE: Good morning.

CHAIRPERSON FECKNER: I've got to get me one of those. I want to see where you're flying to today.

(Laughter.)

DEPUTY EXECUTIVE OFFICER SUINE: I thought this was the new norm.

(Laughter.)

CHAIRPERSON FECKNER: I like it.

DEPUTY EXECUTIVE OFFICER SUINE: So hopefully you hear me clearly.

CHAIRPERSON FECKNER: Yes. Just fine.

DEPUTY EXECUTIVE OFFICER SUINE: Good. Good morning, Mr. Chair and members of the Committee. I'm Anthony Suine, CalPERS team member.

And today, I have some good news to share about our team's progress in telework and providing customer services, and in our member and employer education offerings. I'm pleased to report the team has maintained the ability to provide customer services and support through telework with more than 80 percent of our team members working remotely from their homes.

I'm proud for the team to not only be able to balance, home, work, quarantine, and new demands, but also to really sustain the customer services levels throughout the branch. In some cases, we're even exceeding our service goals, not only in benefit payment timeliness, but we've also seen call wait times at a lower average than normal.

We've made these gains while also maintaining the exceptionally strong customer satisfaction ratings that we've been used to. The metrics are important to track, but the satisfaction of our customers is really of the utmost importance to us. And everything from the acknowledge of our contact center representatives to the retirement application process online has seen satisfaction numbers in the high 90 percentiles.

This remote environment has also seen an increased usage in our online services by our members and our employers. One example is the online usage of our retirement application has increased to 58 percent, which is over 20 percent increase just in the last few months.

And in many cases, we're seeing innovations from team members that are leading to efficiencies in transitioning from our old paper environment to now more almost exclusively electronic environment. We're also transforming our member and employer education opportunities. Last time we spoke, I was speaking about our phone appointments with our members who would typically come into the regional offices for retirement counseling. I think we're doing about 150 to 175 phone appointments a day, back -- last time I spoke to you. Now we've been up to over 300 appointments a day in certain peak periods. So we're really happy to report that.

We're also looking at what the -- a bit longer term looks like, and what we would do to open the regional offices to our members for some limited capacities of coming in to review applications, but on an appointment-only basis and for shorter periods of time, and continue the majority of our counseling via online phone appointments and also teleconferences.

We're also conducting several webinars for our members at remote locations through their employer. So the employer is setting up these member webinars. And then we're also performing employer webinars to inform them about things like Social Security, working after retirement, and how to use our online systems.

And I'm really happy to report on a bigger scale we're looking to transform our CalPERS Benefit Education Events, or the CBEEs, into a digital format. So we are planning our first virtual CBEE and we're aiming for the end of July. And as there is in the in-person CBEEs, we'll really be delivering several retirement planning presentations over a number of days. That will allow our members to get that information on -- near retirement, early to mid-career retirement, and health offerings, how to use our online transactions, and looking at their retirement options.

So finally, we continue to work with all of our team to maintain their health and safety, as well as that of our members. And I want to extend the appreciation to the team for all their hard work and the mission of serving our customers.

And this concludes my report. And I'm happy to take any questions.

CHAIRPERSON FECKNER: Thank you, Mr. Suine, and thank you and to all of your staff. I just have to say, on behalf of myself, that I'm very proud of all of the work that all of the CalPERS employees have put forth. They're just doing a great job making sure that we continue to help our members and continue to provide what they need, even in these horrific times that we're going through. And I know it's been a change for everyone, just like these meetings are a change. But the staff has done a great job in being prepared, and running, and making sure that we are protecting our members. So I want to thank you and your staff, but thank all of the CalPERS staff for a job well done.

I've been actually -- I've done some webinars lately about the importance of the power of attorney and making sure your beneficiary is up-to-date. I've met with over 4,000 members so far via webinar. And it's amazing to see how engaged they've become and are getting used to this. And the comments that I've heard about the staff when they've reached out and made contact with the CalPERS staff have just been phenomenal. So I just want to pass that on to you and also to Ms. Frost that, you know, that it's very much appreciated the job that's being done out there. So thank you.

Mr. Moulds.

DEPUTY EXECUTIVE OFFICER SUINE: Thank you. Really appreciate it.

CHIEF HEALTH DIRECTOR MOULDS: Great. Good morning, Mr. Chair and members of the Committee. Don Moulds, Chief -- Chief Health Director. I have five brief updates I'd like to include in my remarks today. The first is on our pharmaceutical cost reduction strategies, the second is on COVID-19 testing, the third is an update on COVID-19 treatment cost sharing, with the fourth, I want to bring you up to speed on some steps we're taking to identify and ultimately address disparities in the health care services we provide to our members, and last, I'll update you on a grant we just received on Friday afternoon.

Just to jog your memory, I updated the Committee in April on our two pharmaceutical cost reduction strategies, reference based pricing and biosimilars first. Both were originally scheduled to launch on July 1st of this year and then were delayed until at least January of next year because of the pandemic.

I want to talk about reference pricing first. To successfully implement pharmaceutical reference pricing on a January 2021 timeline would require us to launch communication plans with both providers and members this summer informing them about the program and warning some CalPERS members that without changes to their medications, they could face significant increases in cost -- in cost sharing.

The time is still not right to do this. There are currently -- there's currently enough noise in the health care system that communication with providers is still very difficult and it can be hard in the current environment for members to get their prescriptions. Many are anxious about going into see a doctor or visiting a pharmacy, unless absolutely necessary. And we've seen changes in the way members elect to receive prescriptions, a rapid shift to mail-order prescriptions in particular. In this disruptive time, we don't want to be creating additional disruption, so our plan is to delay reference pricing an additional year.

The second initiative, Biosimilars First, makes the default prescription for certain inflammatory conditions a generic biologic instead of a name brand biologic. We will make a final decision in October, but right now, our plan is to move forward with this initiative in January. Unlike reference pricing, the biosimilars initiative targets new starts only. This means that we would not replace an existing prescription a member is already taking, so the risk of disruption is significantly lower. It's also limited to one drug and would affect only a small number of members.

Second, I want to address COVID-19 diagnostic testing and the CARES Act, which is the federal relief bill that became law at the end of March. Currently, there is some disagreement about what tests insurance plans must cover. On its face, it appears that the CARES Act says that both insurers and self-insured employers are obligated to pay for all COVID tests, provided they are FDA approved or authorized for the diagnostic -- diagnostic use in question.

From this, we believe that the CARES Act doesn't require plans to cover at least one type of COVID test, the COVID antibody test, if it is used for the purpose of establishing immunity. However, there is some confusion as to whether some types of testing is required to be covered by health plans, including tests administered in the workplace and those not ordered by a health care professional.

In the stakeholder meeting last week, we advised member representatives that we're continuing to work with DMHC on this issue and are hopeful that guidance is going to be issued soon.

In the interim, we recommend members -- to members that any of the FDA approved diagnos -- diagnostic tests for COVID will be covered, provided they are medically necessary. This we interpret broadly to include any test ordered by a medical professional or one of the screening sites that's currently being used for the large drive-through testing centers.

If and when additional regulatory guidance is issued, we will update our policy and intend to apply the same policy to our PPO plans. This testing will continue to be covered by CalPERS -- for all CalPERS members and their beneficiaries free of cost.

The next update is on COVID treatment costs. CalPERS has been covering copay and deductible costs for members who receive in-network treatment for COVID-19. We'd like to propose CalPERS continue to cover members' copays and deductibles for in-network COVID treatment through the end of 2020. In-network cost sharing has not been a significant cost driver. And while it could increase in a second wave of the virus, we don't anticipate it increasing exponentially and we think this is also just the right thing to do.

Next, health disparities. The horrible killing of George Floyd and the ensuing protests have led all of us to re-examine what we can do to surface and root-out inequity. I know Marcie will be talking more about this tomorrow and I'm personally grateful for her leadership on this issue.

Like many other teams at CalPERS, the health team has been looking at what it can do to address implicit bias and disparities, which, as many of you know, have a long and dubious history in U.S. health care that sadly continues today.

One meaningful way of addressing these issues is through data. Right now, CalPERS collects limited data on race, ethnicity, sexual orientation, and gender identity, but it doesn't stratify that data to identify implicit bias or potential disparities among its membership. Going forward, we will be asking members, on a voluntary basis, to self-identify in these categories in myCalPERS as they currently do in our surveys. We're also developing a framework for using that data to identify any inequities in health outcomes, satisfaction levees, or in the frequency or resolution of grievances. We will also be working with our health insurance plans on strategies to address issues that arise from this work.

Last, some good news. We received a grant from the California Health Care Foundation that will support the development of a health policy training curriculum for both the Board and the Health Branch staff. We will use it to update Board members on developments in health policy at future educational meetings and offsites. Here's hoping that the future will include offsites sooner rather than later, and to keep staff abreast of the same.

A special thanks to Marta Green and her team for securing funding for doing this.

Transitioning to our agenda today, for your action is the proposed plan benefit design changes for 2021. We'll then present preliminary health rates and discuss challenges facing the CalPERS Long-Term Care Program.

That concludes my opening remarks, and I'm happy to answer any questions.

CHAIRPERSON FECKNER: Thank you, Mr. Moulds. Appreciate the report. Did you need direction on the part where you talked about on the continuing to fund the testing?

CHIEF HEALTH DIRECTOR MOULDS: Chair's direction would be sufficient.

CHAIRPERSON FECKNER: Without any objection, that will be the direction of the Chair.

Before I move on, I've just been informed that the website has been updated with the new information. So if any of our stakeholders wish to look at the website, it is now current.

Any questions from for Mr. Moulds?

Seeing none. All right. Very good.

We will move on to Item 4, action consent items. This is the approval of the April 21, 2020 Pension and Health Benefits Committee meeting minutes. What's the pleasure of the Committee?

COMMITTEE MEMBER JONES: Move it.

COMMITTEE MEMBER BROWN: Second.

CHAIRPERSON FECKNER: It's been moved by Mr. Jones, seconded by Ms. Brown?

COMMITTEE MEMBER BROWN: Brown.

CHAIRPERSON FECKNER: Very good. Ms. Hopper, can you please call the roll?

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Aye.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Aye.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Aye.

COMMITTEE SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING COMMITTEE MEMBER MITCHELL: Aye.
COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
VICE CHAIRPERSON RUBALCAVA: Aye.
COMMITTEE SECRETARY HOPPER: Theresa Taylor?
COMMITTEE MEMBER TAYLOR: Aye.
COMMITTEE SECRETARY HOPPER: Shawnda Westly?
COMMITTEE MEMBER WESTLY: Aye.
COMMITTEE SECRETARY HOPPER: Karen Greene-Ross for Betty Yee?
CHAIRPERSON FECKNER: You're muted, Karen.
ACTING COMMITTEE MEMBER GREENE-ROSS: Aye.
COMMITTEE SECRETARY HOPPER: I have all ayes, Mr. Chair. I have Henry Jones making the motion and Margaret Brown seconding it.
CHAIRPERSON FECKNER: Very good. Thank you very much.
That brings us to Agenda item 5, information consent items, having had no requests to remove anything from that item.
We move to Agenda Item 6, the action agenda items. The 2021 new health plan coverage area changes and benefit design changes.
Mr. Moulds or Ms. Green, who's going first?
CHIEF HEALTH DIRECTOR MOULDS: Ms. Green, I will turn it over to you.

(Thereupon an overhead presentation was presented as follows.)

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Great. Thank you. Good afternoon, Mr. Chair and members of the Pension and Health Benefits Committee. Marta Green, CalPERS team member.

Item 6a is an action item with several proposals for your consideration, a new Medicare Advantage health plan, coverage area changes, and benefit design enhancements.

Next slide, please.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: The first proposal you have before you is a service area expansion for Blue Shield Trio. Trio is a narrower network lower cost HMO ACO that was added in 2020 in six counties. We're proposing expanding Trio into Santa Barbara, San Luis Obispo, and Ventura counties. This is particularly important in Santa Barbara, where a low cost HMO option doesn't currently exist. Further, this expansion supports CalPERS initiative to increase health care competition in low-competition areas, such as Santa Barbara and San Luis Obispo County.

The CalPERS team recommends approval of the proposed expansion.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: We are very excited to bring you this proposal this year. It is supportive of our stakeholder desire to include optional Medicare benefits consistent with the CHRONIC Care Act. This proposal includes post-hospital discharge home meal delivery of up to 84 meals immediately following an inpatient hospitalization. It also includes both routine and post-hospital discharge transportation of up to 24 one-way trips per year.

These proposed benefits are designed to reduce hospital readmissions by supporting the safe and healthy Transition back home for our members. The transportation benefit for routine care is designed to keep members healthy by ensuring they have access to routine care. This benefit design change would increase premium by 2.06 percent. Even with this change, the Kaiser members will see a 4.4 percent decrease in premium in 2021. Again, the CalPERS team recommends approval of this proposal.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: United is also proposing benefit design changes to its Medicare Advantage plan. UnitedHealthcare proposes to cover up to 84 home delivered meals, unlimited trips for up to 30 days following hospital discharge, and up to 16 hours per month of non-skilled in-home care post-hospital discharge. Again, these proposed benefits are designed to reduce hospital readmissions by supporting the safe and healthy transition back home for our members.

This proposal would increase the premium by 0.91 percent. But even with this change, UnitedHealthcare members will still see a 4.73 percent decrease in premium in 2021. Again, the team recommends this approval.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Sharp Heath Plan is proposing a Medicare Advantage coverage -- Medicare Advantage plan, excuse me, in San Diego County. We're excited about this for a number of reasons. First, the proposed new Medicare plan provides Sharp Basic HMO members an option to remain with the Sharp plan if they or a family member transitions to the Medicare plan.

Currently, Sharp Basic HMO members cannot remain in the Sharp plan if a family member needs to enroll in a Medicare plan. Second, it allows for continuity of health plan experience as members age into Medicare. And third, it is 20 percent less expensive than the other offerings in San Diego County.

I also want to point out that Sharp is consistently a high performing health plan in terms of both quality scores and patient satisfaction, and is a good partner to CalPERS. The team recommends approval of this proposal.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Anthem Blue Cross Select Medicare Advantage proposal. So the proposed changes here would allow Anthem subscribers who are enrolled in a combination plan an option to choose either Anthem select or Anthem Traditional to remain in the Anthem plan. As a reminder, a combination plan means at least one family member is in the basic plan, so they're not yet Medicare eligible, and at least one family member is in a Medicare plan.

This proposal does not expand Anthem's service area. It just provides an option for members in the Anthem Select HMO Basic plan to stay in their plan when one of their Medicare-eligible family members puts them into a combination tier plan.

I do want to note, however, that there was an error in the agen -- printed agenda item. San Diego County was included by error. It is not part of this proposal. If approved, the combo members will see a significant reduction in their premium as evidenced by the chart on the slide. The CalPERS team recommends approval of this proposal.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: So that concludes our recommended plan changes. We believe that they support CalPERS objective to provide high quality affordable health care.

Thank you. And I am available for questions.

CHAIRPERSON FECKNER: Thank you very much, Ms. Green. These are some great proposals. Thank you very much for all the hard work that went into those.

Do I have any questions from Committee members or Board members?

Ms. Taylor.

COMMITTEE MEMBER JONES: You skipped me, Rob.

CHAIRPERSON FECKNER: I don't see you up here, Henry, but I'll get back to you.

COMMITTEE MEMBER JONES: Okay.

COMMITTEE MEMBER TAYLOR: Sorry, Henry.

So I just want to thank our team, Ms. Green, Mr. Moulds, on these new benefit designs. They're really, really good. They're not very costly. I'm very happy to see Blue Shield Trio expanding into areas, like I said before, that have one hospital. They're much more difficult to have an HMO plan, because of the one hospital. So I'm really happy to see that. I hope that work continues.

The traditions of Kaiser and UnitedHealthcare's supplemental benefits are just amazing. So that will help our folks as they move out of the hospital and stay at home.

So again, just really good work. I just wanted to comment on what great work you guys have done moving Sharp into San Diego with the combo plan and Blue Cross also with their combination plan. So great job you guys.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

CHAIRPERSON FECKNER: Thank you.

Mr. Jones.

COMMITTEE MEMBER JONES: Yeah. Thank you, Mr. Chair. Yeah, I just want to echo your comments and Ms. Taylor's comments about these proposals. I think they're great to enhance services and to our members. And I also would like to highlight a couple of them, because several years ago our members came to us about these combo plans where one member was an active employee and the other was retired and was part of Medicare. And they were concerned about they were not able to be part of the same program. And so I'm very pleased to see that Anthem Blue Cross and also Sharp are now allowing the -- that process to occur with our members.

And so with that question, Ms. Green, it was a vision several years ago to make sure that we expand that kind of coverage to all of our plans. So where are we in terms of achieving that goal?

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: We are in conversations with all of our carriers about the opportunity relative to Medicare Advantage plans. But we are doing that in -- with consciousness towards our upcoming competition study that we're looking at the right combination of health plans in each geographic area to maximize competition. So we're going to apply both of those at the same time to come up with a right answer.

COMMITTEE MEMBER JONES: Okay. Thank you.

So with that, Mr. Chair, I would move approval of all these proposals.

CHAIRPERSON FECKNER: All right. It's been moved by Mr. Jones. Is there a second?

COMMITTEE MEMBER TAYLOR: Second.

VICE CHAIRPERSON RUBALCAVA: I'll second.

CHAIRPERSON FECKNER: Mr. Rubal -- Second by Mr.

Rubalcava. I'm sure we have public comment. So we're going to see if there's anymore questions from the Committee or Board first, and then we'll move to the public comment.

Let's see. Yeah, seeing no other requests at this point from the Board or the Committee, Mr. Fox, I believe we have some folks on the line that wish to comment on Item 6a?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, we have one person to comment on 6a, several others waiting in the queue for Item 7.

CHAIRPERSON FECKNER: Very good.

STAKEHOLDER RELATIONS CHIEF FOX: Stand by. I am going to introduce Larry Woodson for Item 6a.

MR. WOODSON: Good morning. This is Larry Woodson, California State Retirees. Have you can -- can you hear me okay?

CHAIRPERSON FECKNER: We can hear you just fine, Mr. Woodson. Thanks for being here.

MR. WOODSON: Great. Thanks for the opportunity to speak.

First of all, I applaud the expansion of Anthem Select MA plans to 24 counties. It gives members additional choice. It's worth noting, however, that none of these counties are in rural areas for which members really have no choice, other than the Anthem PPO plans. And so while I applaud the expansion, I would encourage CalPERS to advocate with the HMOs and DMHC to expand into some rural areas to give those folks greater choice.

The second thing, I'd like to also applaud the benefit design changes. CSR has been pushing for a couple of years for the MA plans to add supplemental/preventive type services and per the federal CMS directive. And so I am thankful Kaiser and UHC has finally stepped forward. I would point out that these I feel are modest additions. CMS listed many more, so I hope that there are some more to come in future years.

And I also know, in wrapping up, that the CMS rule was only for Medicare Advantage plans and not the Medicare program itself. But I hope CalPERS will consider some form of assistance in supplemental services for its self-funded PPO plans in the future.

Thank you.

CHAIRPERSON FECKNER: Thank you for your comments.

Anyone else, Mr. Fox?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, that concludes the public comment for Item 6a.

CHAIRPERSON FECKNER: Very good. Thank you very much. So we have a motion before us. The motion being clear, Ms. Hopper, would you please call the roll.

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Aye.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Aye.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Aye.

COMMITTEE SECRETARY HOPPER: Michelle Mitchell for Eraina Ortega?

ACTING COMMITTEE MEMBER MITCHELL: Aye.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

VICE CHAIRPERSON RUBALCAVA: Aye.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Aye.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Aye.

COMMITTEE SECRETARY HOPPER: Karen Greene-Ross for Betty Yee?

ACTING COMMITTEE MEMBER GREENE-ROSS: Aye.

COMMITTEE SECRETARY HOPPER: Mr. Chair, Henry Jones motioned, Ramon seconded, and I have all ayes.

CHAIRPERSON FECKNER: Very good. Thank you very much. Thank you, Board members, Committee members.

We will now move on to -- anything else, Ms. Green, on that item?

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: That is it. Thank you.

CHAIRPERSON FECKNER: Very good. Thank you. And thank you for the presentation.

That brings Agenda Item 7, information agenda items. 7a is the preliminary 2021 HMO and PPO plan rates.

Ms. Green.

(Thereupon an overhead presentation was presented as follows.)

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you. Good morning again, Mr. Chair and Pension and Health Benefits Committee members. Marta Green, once again, CalPERS team member.

Can we get the slides, please.

Go ahead and go to the agenda slide, please.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Next slide. Thank you. Here's the agenda for today's session. I will review the rate development process highlighting the CalPERS team's efforts in improvements that we've made since last year. We will discuss the Health Care Fund Reserve Policy and how we're recommending to veer slightly from it due to the COVID-19 pandemic. I will also talk about how the medical trend for 2021 was affected by the pandemic and what some of the plans are doing with their administrative services fees to help ease the burden for our members due to the economic crisis.

I will show you how the statewide average premiums have changed from 2020 to 2021. We will go through our HMO and PPO plans separately and provide details on the preliminary premiums. Then we will talk about next steps for this week through July.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Over the past year, we have made significant and dramatic changes to the rate development process to improve transparency and the factors that contribute to and enhanced CalPERS note -- contribute to the rate and enhance CalPERS negotiating position. First and most importantly, CalPERS staff developed our own projected baseline rate for the 2021 plan year using 2019 capitation payments and fee-for-service claims with assumptions regarding unpaid claims liability.

To this baseline experience, we applied actuarial assumptions to project the 2021 costs, including utilization trend, unit cost trend, changes in population risk, and geographic risk. This baseline rate is the starting point for all negotiations with the plans and it gives CalPERS a benchmark against which to compare all of the plans' rate proposals.

This puts CalPERS in a much stronger negotiating position. The rate process has become more of a reconciliation between CalPERS numbers and the plan's numbers.

In order to be able to make an apples-to-apples comparison of the health plan rate filings, we also created a standardized methodology for the plans to use when they submitted their rate proposals. This methodology separated claims expenses into 29 distinct categories and separated cost drivers into utilization trend and unit cost trend.

Once we received the rate filings, we compared each plan's proposal to the baseline rate to determine reasonableness of the proposal. We met individually with each plan in February and continued to meet, albeit virtually, on specific issues with each plan.

Finally, in the preliminary rates, you will see before you, we applied health care fund adjustments based on our Health Care Fund Reserve Policy with some modifications due to the COVID-19 pandemic that I'll get more into in a moment.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: In September of 2018, the Board approved a Heath Care Fund Reserve Policy. The Reserve Policy provides thresholds for PPO reserves at an actuarially prudent level and a process to adjust premiums based on those reserves. It also provides a procedure to handle any surplus or deficits in the flex funded HMO subaccounts.

On the next slide I'll discuss in more specific detail -- no, sorry. Go back. Not yet. I will discuss in more specific detail about how the flex funding program works.

As we have discussed previously, COVID-19 has caused fee-for-service claims to decrease as people sheltered in place and didn't seek routine medical care. Because of this delayed and deferred care in the 2020 plan year, the reserve balance in our funds are increasing slightly. As a result, for some plans, we are proposing to use 80 percent of the excess reserve to offset any costs related to COVID-19 in the 2021 plan year. I will address more on the COVID-19 impacts more on the next slide. And we can actually go to the next slide at this point.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

Before we get into the HMO plans, I want to talk generally about two things, the impact of COVID-19 on our health portfolio and a request we made to our plans to consider reducing their administrative service fees in like of the -- in light of the likely reduction in State workers pay month due to the economic crisis.

Regarding COVID-19 the month delay in our rate setting calendar gave us, our contracted health plans, and our actuarial firms time to more accurately model the impact of the pandemic on our health portfolio.

As I mentioned previously, there are multiple impacts, a reduction in the health care costs in 2020 due to delayed and deferred care, and increased costs in 2021 due to delayed care that is being pushed into the 2021 plan year, and increased costs for the necessary measures to protect patient safety while the CO -- while the COVID pandemic continues.

Regarding cost savings in the 2020 plan year, many of you may have read stories about how the delayed and deferred care is causing health plan profits to increase. The Good news for CalPERS is the unique structure of our health plan arrangements means that any fee-for-service sayings that accrue due to avoided or delayed care by our members will accrue to CalPERS. I will get into this a little bit more, but savings only occur on the fee-for-service portion of our program, because capitated payments to providers are continuing to be made and do not result in cost savings.

The reason these savings accrue to CalPERS is the way we flex fund much of our health program. In a traditional insurance model, a purchaser like CalPERS pays a premium to its health plans and the health plans either make or lose money on that premium based on the health care cost to the members and how accurate they are in their cost projections.

Our flex funded arrangements are different. In these arrangements, we negotiate a flat per member administrative fee in our contracts with the plans. And this is fee is set for the term of the five-year contract with the plan. We then pay the portion of the medical costs that are capitated to the plan and then pay fee-for-service claims directly up to the contracted maximum.

If the plan underestimates these claims, the plan pays for any additional costs. However, if fee-for-service costs come in less than expected, CalPERS retains the savings and uses those savings to reduce premiums in subsequent years.

What does this mean? It means that health plan profits -- profits are renegotiated and do not increase as a result of fewer fee-for-service claims. In fact, CalPERS plans have much lower administrative expense and profit levels than typical for the commercial market.

Pivoting back to COVID-19, there is no impact to the HMO Medicare Advantage Plans and the PPO Medicare supplemental plans since all of the COVID-19 related costs are covered by Medicare. The overall impact of COVID-19 on the 2021 rates came in at a modest 0.57 percent across the portfolio, but it impacts each plan differently. I'll get more into the differences later, but they largely break on the percentage of services performed on a fee-for-service basis and the population served by each health plan.

As I mentioned, the savings due to delayed and deferred care in the 2020 plan year accrue to CalPERS, which means the reserve balances in our fund are increasing. As a result, for some plans, we are proposing using 80 percent of the excess reserve to offset any costs related to COVID-19 in the 2021 plan year.

In addition, we are recommending varying slightly from our PPO Reserve Policy to use the anticipated savings from the 2020 plan year to offset the impact of COVID-19 in our PPO plans.

Finally, as a result of the economic crisis we now face and the Governor's proposal to reduce State worker pay, in May, we requested that the plans consider a reduction in their administrative services fees. I am pleased to share that several of our carriers, Blue Shield, Sharp, United, and Western Health Advantage were willing to reduce their administrative fees or make other concessions for 2021 to help offset the potential cutbacks that our members will be facing next year.

I'll share more details as we walk through each plan.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: So here is the preliminary statewide weighted average for our portfolio and for the sections of our portfolio. We believe the overall change in preliminary '21 -- 2021 premiums, especially given the significant uncertainty created by the pandemic is very modest.

Before the last agenda item vote, the overall weighted average increase stood at 4.3 percent. Overall, with the inclusion of new plan proposals just approved by the Board, the statewide weighted average increase in the portfolio is 4.41 percent for the 2021 plan year.

Of course, some plans are lower and some plans are higher than the average. And this is largely due to the risk and geographic concentration in certain plans. I will speak more specifically about risk and adverse selection as we move through the presentation.

Even better, Medicare plans are seeing a reduction, even with the inclusion of the new important benefit design changes.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: I'm going to go through each plan separately and discuss each element of the proposed rate and whether it appears to be reasonable based on CalPERS data. We will start with the HMO plans, but first a caveat about risk concentration.

When risk adjustment ended in 2019, some plans' rates increased significant -- significantly and others dropped significantly. Plans that had more unhealthy lives, i.e. plans with high risk, whose premium was reduced through risk adjustment, had very high increases for 2019. Initially, this was Blue Shield Access+ and PERSCare PPO.

I will discuss further how relatively healthy or sick each plan's risk mix is as we walk through the proposed rates. In general, we are seeing further concentration of risk. Plans with an unhealthy risk mix are getting unhealthier and plans with better-than-average risk mix are continuing to attract healthy lives.

That being said, overall, we're seeing a weighted average increase in the HMO basic plans at 4.57 percent if we use excess reserves to buy down premiums.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: First, I'm going to describe the way we're presenting information for each plan. On this slide, you will see that the proposed premium change table shows the current premium for 2020 and the proposed premium for 2021, the change in dollars, and as a percentage before any recommended Health Care Fund adjustments, as well as the total covered lives currently in the plan.

To the right of this table, we have a chart of the cost drivers that lead to the 2021 premium increase, including the premium impact due to COVID-19. The next table shows the 2020 open enrollment migration impact, which includes changes to the population's health risk and geographic mix. The geographic mix captures the overall cost impact due to the migration of members between high and low cost areas of our state.

The bottom table shows the team's recommendation regarding any Health Care Fund adjustments based on the projected subaccount surplus or deficits as of March 2020. Now, regarding this plan, this is Anthem Select, which is a narrow network HMO offered in 24 counties in the state, it has seen its share of network volatility in the last couple of years.

UC Davis was in Select's network in 2018, removed in 2019, and then reintroduced in 2020 with improved contracting. This led to an overprojection of the 2020 premium, because UC Davis costs were not known at the time that rates were set.

This overprojection in 2020 offsets the 2021 medical trend, and even a portion of the COVID-19 impact, leading to a relatively low premium increase of 1.62 percent. This plan currently has a deficit and -- in the CalPERS Health Care Fund subaccount and we do not have any excess reserves to buy it down.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Anthem Traditional is the other HMO plan offered by Anthem. It is a broad network HMO and is offered in many of the high-cost low-competition areas of our state. Additionally, it has very low enrollment and an unhealthy risk mix. Approximately, 21 percent less healthy than the CalPERS basic average risk.

It's high cost has driven many healthy members out of this plan and into lower cost alternatives. This migration further exacerbates the negative risk mix, putting this plan in what is often called a death spiral.

In addition, based on the claims data we have, Anthem lost approximately 12 million on this product to an under projection of the 2019 medical costs.

Anthem projected a 1.81 percent COVID impact to the premium. As I mentioned previously, we are making recommendations regarding usage of any surplus funds in the plan's subaccount. This helps to offset any costs related to COVID-19 in 2021.

Anthem's -- Anthem Traditional, their surplus is approximately 17.9 million. Due to the very high proposed rate increase, we recommend using much of that surplus to offset some of that increase. Therefore, we recommend using 80 percent of the surplus to adjust the premium from 18.57 percent to 9.37 percent.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Blue Shield Access+ is a broad network HMO offered in 27 counties. As background, the elimination of risk adjustment for the 2019 rate year would have resulted in a significant increase to the premium. To mitigate, the plan exited out of eight high cost Bay Area counties. In addition, a $99 million buydown of the premium was approved by the Board that further brought the proposed increase down from 16.7 to 6.2 percent.

In 2020, Access+ had at 13.9 percent premium increase. The majority of that premium increase was due to a snapback from the 2019 premium buydown. A snapback occurs when you artificially lower a premium increase through a buydown.

Since the underlying medical costs are at the higher rate, without buydowns in later years, the rate snaps back to its natural rate. Since Blue Shield's Access+ premium was artificially lowered by ten percent in 2019, a portion of the 2020 premium increase is attributed to rate snapping back to the original 2019 cost and the remainder of the percent increase is then attributable to the projected medical trends.

So the 2019 rate increase drove many healthy members out of the plan and the membership shrank by 23 percent. The overall risk worsened as a result and the population is now 22 percent less healthy than the CalPERS basic average. Blue Shield is not proposing any increase to its premium due to the impact of COVID-19.

We are proposing reducing the 7.96 premium increase down to 3.16 by using 70 percent of the excess reserve dollars.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Blue Shield introduced Trio, a narrow network HMO, ACO product in 2020 serving six counties. With the approval of the service area expansion, Trio will also be available in Santa Barbara, San Luis Obispo, and Ventura counties in 2021.

Blue Shield is not proposing to increase its premium due to the impact of COVID-19. Further, Blue Shield reduced Trio's proposed rate by an additional two percent to further support State and local employees that are potentially experiencing a salary reduction, which is leading to a modest premium increase of 3.07 percent. Because Trio was a new plan for 2020, it does not have any surplus in the Health Care Fund subaccount.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Health Net Salud y Más is very narrow network plan that provides services to a small population in the lowest cost counties, Kern, Los Angeles, Orange, Riverside, San Bernardino, and San Diego.

It is a unique plan in the CalPERS portfolio as it is cross -- it is a cross-border health plan, providing a narrow network of providers in California and access to some providers in Mexico. Since the Mexico border is experiencing high rates of COVID-19 infection and hospitalization, and the pandemic is disproportionately impacting people of color, including latinos, this plan has seen the largest rate impact from COVID-19, which is 3.22 percent of premium.

Salud y Más consistently has the lowest HMO premium, which is lower than the 80/80 State contribution. This is due to the risk level being almost 50 percent lower than the statewide average. The proposed premium increase is a modest 5.32 percent. And it is reasonable based on CalPERS data and analysis.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Health Net SmartCare is a standard network HMO operating in 20 counties. Between 2017 and 2020, SmartCare experienced extremely volatile member migration patterns. The 2018 contract year saw a membership loss of near 50 percent, for 2019, an increase of 40 percent, and for 2020, a loss of nearly 30 percent. SmartCare's premiums have mirrored that volatility.

In 2019, to reduce their premium following the end of risk adjustment, the exited the Sacramento area and lost approximately 7,000 members. Additionally, when Blue Shield -- excuse me. Additionally, when Blue Shield Access+ exited the Bay Area in 2019, they gained approximately 10,000 members. And as a result, the overall risk in SmartCare worsened by ten percent.

In 2020, SmartCare experienced an 18 percent premium increase due to the worsening of health risks and geographic mix. For 2021, the proposed rate increase is more modest and the assumptions are reasonable and in line with CalPERS data and analysis.

Health Net proposed a 1.3 percent premium increase due to COVID-19. This assumption is higher than the other plans with high levels of capitation. Again, for this plan, we are proposing reducing the 9.88 percent premium increase down to 7.37 percent by using 80 percent of the excess reserve dollars.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Kaiser Foundation Health Plan is a closed network fully insured HMO and carries all financial risk for services provided. It operates in 31 counties throughout the State. Membership is currently approximately 540,000, which is about half of our total basic membership.

Kaiser is also not proposing to increase its premium due to the impact of COVID-19. It's proposed rate increase is 4.32 percent. We're showing a slightly different chart for -- here for Kaiser. It is how it's price compared to other HMOs in our portfolio. And as you can see, they are at or below the plans that have multi-county footprints. The rate increase is reasonable based on the market data we have, as well as the claims and encounter data that we have available to us.

Strategically, we are looking at ways we can provide competition to Kaiser on pricing in their service area. Kaiser is a fully insured plan, which leaves no opportunity of -- for accrual of a Health Care Fund balance.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Sharp is a fully capitated provider network HMO that provides service in the San Diego area. This is another plan that isn't proposing to increase its 2021 rate due to the impacts of COVID-19. Historically, Sharp's premiums have been relatively stable. It's projections for the 2021 plan year are reasonable and consistent with CalPERS data and analysis.

Currently, there's a $3.8 million deficit in their Health Care Fund due -- due to the ten percent risk corridor that was part of the 2014 to 2018 contract. Because the proposed premium is 4.44 percent this year, we do not feel it's prudent to add a surcharge to address the deficit.

Additionally, if CalPERS State employees suffer a ten percent reduction in their salaries in 2020, Sharp Health Plan will reduce its administrative services fees to its 2019 level for the remainder of the calendar year 2020. This proposal is contingent upon the State budget and whether State employees do in fact experience a reduction. We will have more information to share next month once we are certain of the State budget and the impact on State employee compensation.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: UnitedHealthcare Alliance is a standard network HMO in 26 counties. High cost UC Davis members historically constrib -- contributed to high medical cost increase for United. Since 2019, United closed the UC Davis panel for new members. For 2020 and 2021, the contract between UC Davis and United was improved by changing from fee-for-service to a capitation arrangement.

United is projecting its 2021 COVID-19 impact to be 0.81 percent.

We are proposing to use 80 percent of the excess reserves to reduce the proposed premium from 7.56 to 5.31 percent. Additionally, UnitedHealthcare is providing a ten percent premium credit to CalPERS for the May 2020 administrative services fees. CalPERS will use this credit to reduce the premium very slightly when final rates are presented in July.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Western Health Advantage is one of CalPERS smallest plans that was introduced in 2018. It is a fully capitated provider model in the Sacramento area. We believe that the trend is appropriate for this plan and a 3.49 percent increase is reasonable.

Similar to Sharp Health Plan, in the event that the proposed ten percent pay cut for State workers goes into effect, Western Health Advantage is agreeable to reducing its administrative services fees for 2020. We will be discussing further with the plan once the State budget is enacted and have a final impact of any reduction on final rates in July.

This is the last of the basic plans I'm going to cover before I switch to Medicare.

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CHIEF HEALTH DIRECTOR MOULDS: Mr. Feckner, I think Ms. Taylor had a -- had a question.

CHAIRPERSON FECKNER: Ms. Taylor? I think she said she wanted to wait till she was done, but let's see if she wants to come in now.

COMMITTEE MEMBER TAYLOR: I can come in now, because I am commenting on these rather than the Medicare, so...

CHAIRPERSON FECKNER: Okay.

COMMITTEE MEMBER TAYLOR: So I just wanted to congratulate staff. I think this is the most in-depth look at our health care rates that staff has brought to us in some years. And I really appreciate the work you guys did. I know you had to change the -- a little bit of the way you did the work from previous years. So I'm really appreciative of that and also of including the COVID impact. That is really, really important.

And finally, as the representative for State workers, I do also appreciate that you asked for those rate breaks. I don't know what you call them, but administrative fee breaks, whatever you want, you know, for State workers, because, yes, we are -- hopefully we're not getting a big cut, but -- at the most, we're at least getting a ten percent cut. So it does help when we are looking at a ten percent cut to have our health care rates not go up as much.

And again, thank you very much, Mr. Moulds and Ms. Green for the in-depth work you guys have done on this. Thank you.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

CHAIRPERSON FECKNER: Thank you. Ms. Taylor.

Seeing no one else, please continue, Ms. Green.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

Slide 18, please. Before I get into the individual Medicare plans, as I mentioned earlier, there is no COVID-19 impact to the HMO Medicare plans. Overall, the Medicare HMO plans are experiencing a weighted average decrease in premium of 4.43 percent.

Anthem HMO, Anthem Traditional Select, the one on our screen, operates in 36 counties. The new proposal that I discussed earlier -- or that the Board approved earlier has no impact to the premium.

Never -- Nevertheless, the current proposed premium is 4.38 percent without a premium buydown and 0.06 with a premium buydown.

Anthem is fully insured for the medical portion and self-funded for the pharmacy portion of the costs. The surplus is primarily due to the accumulation of funds from the plan years 2018 and 2019.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: The chart compares Kaiser's Medicare Advantage premiums to other plans including the Sharp Medicare Advantage plan in San Diego, the new one just approved in our portfolio. As you can see, it is priced closer to the median than the basic plan, which is typically the lowest cost.

Even with inclusion of the new plan enhancements, Kaiser members will see a 4.4 percent decrease in premium in 2021. The decrease from April is due to the reduction in capitation trend and pharmacy costs.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: UntedHealthcare Medicare Advantage is a fully insured plan offered in all 58 counties. As a reminder, we have a surplus profit-sharing agreement with UnitedHealthcare. If the health plan's revenues exceed expenses by more than two percent, then the plan will pay CalPERS a premium refund of 50 percent of any amount over the two percent threshold.

Due to the COVID pandemic, this plan is very unique this year. United is anticipating a significant decrease in CMS revenue, $30 per member per month, largely driven by a change in its risk score. This would create a 9.17 increase to its premium. However, United is offering to offset this by using the first two percent of profits. So this is the portion that they make before the profit sharing kicks in in the 2020 plan year, bringing the net impact of the decrease in CMS revenue to zero.

The overall premium decrease is 4.73 percent, even with the new benefit enhancements. The majority of the decrease is due to the removal of the health insurance tax.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: That should do it for the HMO basic and the Medicare Advantage plans.

Now, let's move on to our PPO plans. Just as I mentioned, the ripple effect of risk concentration, we have a similar effect in the PPOs. But this is more of a waterfall, as healthy risk moves out of PERSCare into PERS Choice, and from PERS Choice into PERS Select.

Additionally, CalPERS is projecting an average

COVID-19 impact of 1.6 percent to our PPO basic plans due to the delayed and deferred care from 2020 that is pushed into the 2021 plan year and increased costs for any COVID-related testing and treatments.

The reason that these projections are generally higher in the PPO than in our fully insured or flex-funded plans is because our PPO plans are 100 percent fee-for-service. Our insured plans are a combination of fee-for-service and capitation. And those plans with significant capitation arrangements are seeing lower impact for 2021 for COVID-19.

Given the current pandemic and to help provide financial relief to CalPERS members and employers, we are proposing to use 80 percent of the Health Care Fund surplus in the basic PPO subaccounts to offset the COVID-19 impact to the 2021 premiums. This is also consistent with the premium buydown approach that we suggested in the basic HMO plans.

Overall, the PPO basic program weighted average increase is 8.54 percent with premium buydowns.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: PERS Choice like all of our PPOs is a self-funded fee-for-service health plan. Choice is the largest of the three health plans with almost 60 percent of the total basic PPO population. It has the same broad network as PERSCare, but with slightly less rich benefit design. All three of our PPO plans offered are offered all 58 counties. When risk adjustment was removed in 2019, PERS Choice gained 12,000 members from PERSCare, but also lost the same number of members to PERS Select resulting in a worsening of their risk miss. This is the waterfall effect I suggested.

For 2021, PERS Choice is projected to increase by almost ten percent, driven mostly by an underprojection of the 2020 rate, overall medical trend, and a COVID impact of 1.59 percent.

For the PPO Health Care Fund Reserve Policy, there's an actuarially prudent threshold a fund balance to actuarial reserve ratio to trigger premium adjustments. As a reminder when the ratio falls below 90 percent, this triggers consideration for a premium surcharge. And similarly, when the ratio exceeds 110 percent, this triggers a consideration for a premium reduction. The current PERS Choice falls at 109 percent.

In order to provide financial relief to CalPERS members and employers during the pandemic, we are proposing to veer slightly from the policy by using 80 percent of the Health Care Fund surplus in Basic Choice subaccounts to offset the COVID-19 costs. That would bring the prudent reserve threshold to 102 percent, so still above a hundred percent.

With the premium buydown, the proposed rate is 7.91 percent increase over 2020.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: PERS Select is the narrow network PPO that has the same basic benefits as PERS Choice with some value-based insurance design elements. PERS Select members are some of the healthiest in the Basic program, more than 30 percent healthier than the statewide average, which has led to its low premiums. However, its 2020 rate was underprojected, and that combined with its medical trend and COVID impact of 1.62 percent has led to an increase of just over eight percent. As a reminder, this is the plan that saw a 25 percent rate decrease two years ago when risk adjustment ended.

Similar to PERS Choice, current PERS Select fund balance to actuarial reserve ratio falls at 107 percent. We are proposing varying from that policy by using 80 percent of the Health Care Fund surplus in Basic's subaccount to offset the COVID-19 costs. This would bring the prudent reserve threshold down to 101 percent. With the premium buydown, the proposed rate is 7.14 percent increase over 2020.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: PERSCare Basic plan is -- has the sickest population among the entire Basic program. On average, PERS -- the PERSCare population is 60 percent sicker than the overall basic population. The discontinuation of risk adjustment would have caused the 2019 PERSCare premium increase to -- by more than 40 percent.

To help mitigate the high premium increase for PERSCare members, the Board approved a premium buydown of $50 million in May of 2019 -- 2018, excuse me. As part of the Reserve Policy, CalPERS reduced the risk-based capital reserve from 300 percent to 250 percent, which freed up additional excess reserves.

The 2020 rate development process, the team recommend the use of 44 million to buy down the premium for 2020. Without the buydown, the 2020 premium would have increased by 21 percent. Most of the increase to the 2021 premium is due to the snapback, which I've already described, to the 2020 buydown.

Following the same premium buydown approach for Basic PERS Choice and PERS Select, we are recommending using 80 percent of the PERSCare surplus to reduce the 19.23 rate increase to 12.32 percent. This would bring PERSCare's actuarial prudent threshold to 106 percent.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Before I jump into the individual Medicare supplement plans, overall the weighted average change across the plans is a 0.65 percent decrease with buydowns. In 2019, CalPERS used 18 million, the combined value of the PPO Medicare subaccounts, to buy down all three Medicare PPO premiums by three percent.

The 2020 premium for all three PPO Medicare plans decreased by 2.5 percent, which was mainly due to the improvements in pharmacy rebates and the 2020 Employer Group Waiver Plan, or EGWP, subsidy projections.

The 2021 premium is projected to increase 8 -- by 8.16 percent for PERS Choice and Select. Applying the Reserve Policy, the premium change is adjusted down to a 0.41 percent decrease.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: This is essentially the same story as PERS Choice/Select. The 2021 premium for PERSCare is projected to increase by 7.8 percent. Based on the Reserve Policy, the projected premium change is adjusted down to a 0.92 percent decrease.

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HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: So for next steps, we'll continue to monitor heath care trends and claims data through July, but we do not expect any significant changes. Any proposed changes will require substantial data from the health plans to support. We are sending the preliminary rates to our colleagues in the Administration and the Legislature today. We will consider all input from stakeholders as we prepare to present the final rates for 2021 during the July off-site.

And that concludes my presentation. And I'm happy to take any questions you have at this time.

CHAIRPERSON FECKNER: Thank you. Thank you for a great presentation.

Mr. Rubalcava.

VICE CHAIRPERSON RUBALCAVA: Thank you, Mr. Chair. Great presentation, Marta and Don. I appreciate all the work you have done.

I particularly appreciate that you explained how the flex funded arrangements, because the fee-for-service and how we accrue the savings from the COVID-deferred and delayed care. So that's a good thing. And the other part is how the -- we've created the baseline so you can keep the carrier proposals on us to ensure they're reasonable and justified.

You made a comment how you don't expect a lot of change between now and July. Can you please explain why you do not expect a big change in the premiums?

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Yes. The premiums as they're presented today are based on all of the claims data we have to date, as well as the claims data that we know is coming. And so for a change to occur, we would need to see a significant change in what we already have in front of us. And we don't believe that we're going to see a significant change in the claims data. We think we have a pretty solid understanding of the patterns that we've seen to date.

It could happen, but it -- we would need to actually see that health care costs are changing significantly in order to justify any additional increases or decreases.

VICE CHAIRPERSON RUBALCAVA: How many months -- how many months of claims data do you base -- do -- base your baseline and the rates are projected on and how much -- do you expect just one additional month of claims to come in?

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Yeah, about an additional month. So the claims lag is about 45 days. So what we have right now typically is about the health -- the costs that occurred 45 days ago. But we do have a line-of-sight on those claims that have not yet arrived. It's called the incurred but not yet received, the IBNR. And what it is is we have an understanding of what health care services have been performed, but then the claims are not yet received. It's not an exact number, but it's a good way to monitor on a more real-time basis the claims that are coming in.

And so we -- that in partnership with our actuarial firm and looking at health care patterns throughout the state, we believe we have a pretty good line of sight on where health care claims are coming in during the shelter-in-place period, as well as now as we are beginning to open up.

VICE CHAIRPERSON RUBALCAVA: Now, I'm very grateful for your answer. And I came from an environment where everything was fully insured. And I always thought it was risky to do anything else, but I appreciate with the val -- with depth of the staff and your resources how it has paid off for CalPERS.

So thank you for that --

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

VICE CHAIRPERSON RUBALCAVA: -- and your leadership, Don. Thank you.

Thank you, Chair.

CHAIRPERSON FECKNER: Thank you, Mr. Rubalcava.

Any other questions?

I'm not seeing any yet.

All right, I guess not. I know we have some folks on the line that wish to comment.

Mr. Fox, anybody on Item 7a?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, yes, we have two public commenters for Item 7a. First, we have Mr. Tim Behrens.

MR. BEHRENS: Hello. Can you hear me?

CHAIRPERSON FECKNER: We can hear you just fine, Mr. Behrens. You have your three minutes. Thanks for being here.

MR. BEHRENS: Hello. This is Tim Behrens, President of the California State Retirees.

Hang on. I've got two different things going here.

I want thank Done Moulds, and Marta Green, and the health team at CalPERS. It was the most thorough explanation of rates that I have ever heard. I actually understood it. I applaud you for the United -- Medicare UnitedHealthcare coverage going down, Kaiser too down. I would like to see you try to expand into more of the rural areas in the future. It's something we've been working with you for several years. I would like to comment on the basic PPO increases on the UnitedHealthcare, Kaiser, and the PERS Choice and PERSCare increases of 7.91 percent and 12.32.

I don't know if you said it, I didn't hear it, it seems like the health providers the first half of the year have made a significant amount of money. And I know now that the elective surgeries are coming back, that they will be spending money. But I didn't hear if there was any talk between you and them regarding reducing at least the PERS Choice, PERSCare rates.

I also want to thank you for the risk assessment. It makes a lot more sense the way you presented it. Thank you again to the health team.

CHAIRPERSON FECKNER: Thank you very much for being here with us, Mr. Behrens.

Who's next, Mr. Fox?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, we have Larry Woodson.

MR. WOODSON: Good morning again. Larry Woodson, California State Retirees. Can you hear me okay?

CHAIRPERSON FECKNER: We can hear you just fine, Mr. Woodson. Thank you.

MR. WOODSON: Okay. So thanks for the opportunity to comment. The preliminary rates, four percent overall average increase sounds pretty good, considering a few years back double digit increases. But I do have some concerns I'd like to go into and provide some context.

Overall context, the latest Fortune 500 the highest earning companies in the country UnitedHealth group continues to be right up at the top, number seven, $13 billion in profits. And that was a 15 percent increase over the prior year. Anthem had a 28 percent increase in profits. Kaiser, not on the Fortune 500, but Kaiser recently reported their highest quarterly profit in history at $3 billion.

And all of that provides some -- I think some context for, you know, what -- how well they're doing and how little they're giving here in terms of the Basic plans. I am glad to see decreases in the Medicare plans. And, of course, those are the least costly to the big insurers anyway and they should be going down.

But, a couple of points. The HIT tax was repealed and the health carriers added big increases on the basis of the HIT tax. UHC announced that six percent of their nine percent increase last year was due to the HIT tax. Well, that -- that should be going back down to the same proportion.

The other thing is that the -- a little more on Tim's -- what he mentioned, the elective procedures were suspended. And UnitedHealthcare CEO announced that a large portion of their record $5 billion quarterly profit was due to the freezing of the elective procedures. That's no longer -- I mean, that doesn't seem to be well accounted for here. And so I'd like to suggest that -- that the Board ask the staff to go back and look at the Basic plan increases, because I do feel that some of them are still unreasonable. Also, with the PERS Choice, Select, and Care, the same principles apply there with the -- you know, the elective procedures being suspended.

And the last thing is I -- we did not get the COVID table that Marta presented. And I would ask that the staff put that online as well, so we can look at the impacts of COVID.

Thank you for the opportunity to comment.

CHAIRPERSON FECKNER: Thank you, Mr. Woodson. We'll make sure that those slides are attached.

Anybody else, Mr. Fox?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman, that concludes comments on Item 7a.

CHAIRPERSON FECKNER: Very good. I see one more comment from Mr. Rubalcava.

VICE CHAIRPERSON RUBALCAVA: Thank you, Mr. Chair. Ms. Green, I forgot to mention, I thought that was a very sobering presentation on the PPOs. But I'm looking forward -- and so I'm -- I want to thank you and Rob for the PPO study that's underway, and we're looking forward to the update in September. Thank you very much.

Thank you, Mr. Chair.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you.

CHAIRPERSON FECKNER: Thank you, Mr. Rubalcava.

Seeing no other requests to speak, Ms. Green, I want to thank you and your staff for all the hard work. Job well done. Especially in these difficult times, it had to be completely strange to negotiate this way. But thank you and your staff for all the hard work. We really appreciate it.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF GREEN: Thank you, Mr. Chair.

CHAIRPERSON FECKNER: And moves us on to Item 7b, the long-term care.

Mr. Moulds, Mr. Terando who's first?

CHIEF HEALTH DIRECTOR MOULDS: So I'm actually delivering this. Scott is available for questions. Let me start by also thanking Ms. Green and her team for a terrific job on rates. I am deeply grateful for all of their work and for their -- the presence at CalPERS.

Mr. Chair, members, of the Committee, Don Moulds, CalPERS Chief Health Director. Today, I'm going to be updating you on two challenges facing the CalPERS Long-Term Care Program. I'll also be suggesting a temporary action while we work to address those challenges.

As I stated at the end of my opening comments at the April Board meeting, CalPERS is facing the potential need to adjust actuarial assumptions in the model it uses project -- to project future costs and to reduce the discount rate for the Long-Term Care Fund in light of recent returns of fixed income investments, which is long -- the Long-Term Care Fund's primary holding. Such changes would unfortunately require significant premium increases.

It's important to emphasize that the Long-Term Care Fund and its discount rate are totally separate from the CalPERS pension fund. We are exploring multiple options that may allow us to mitigate the size of the rate increase, but some increase in rates will, in all likelihood, be necessary.

We recognize that this is an exceedingly difficult time to be having this discussion. The world continues to face the COVID-19 pandemic, and as a result, a deep economic downturn. And we are responding to multiple systemic issues facing the entire long-term care sector. That we are contemplating significant rate increases is only because there are no other viable alternatives.

CalPERS is currently in the midst of a thorough process evaluating alternatives. My team is working closely with the Investment and Actuarial team to do everything possible to minimize the financial impact on the women and men who have purchased and are relying on CalPERS long-term care coverage, now and in the future.

We expect to make a final recommendation this fall and we'll be proactively communicating with policyholders and stakeholders in the meantime. Throughout, we will transparent and keep you informed.

I will add that the soonest rate increases would take effect would be July of 2021. By way of background, the Long-Term Care Program was authorized by the California Legislature in 1991. And at their direction, CalPERS began offering policy coverage in 1995. Today, there are approximately 118,000 policyholders.

Long-term care insurance is designed to fund in-home care, assisted living, and nursing facilities. It fills a critical gap helping pay for services that are not covered by private health insurance, Medicare, or Medi-Cal. Long-term care benefits are funded through a combination of the pooled premiums that are invested and produce returns. Long-term care premiums are paid into the CalPERS Long-Term Care Fund. As I said before, the Long-Term Care Investment Fund is independent and separate from the CalPERS Pension Trust Fund.

As I previously noted, we're facing significant challenges that threaten the sustainability of our Long-Term Care Program. Most are not unique to CalPERS. At one point, more than a hundred insurers offered long-term care coverage. All, but a few, have stopped selling it because of the high costs associated with ensuring plans are financially sound.

There are several underlying factors, but chief among them is underpricing due to a general lack of understanding in the early 1990s of what was then a new insurance offering. Plans have also had lower than expected investment returns.

CalPERS faces unique constraints that limit what it can do to address the need for rate increases. Traditional insurance companies have had the option to take write-offs to earnings on more profitable lines of business or to otherwise offset rate increases with proceeds from other lines. In other cases, traditional insurers have experienced program insolvencies and resulting liquidations. None of these are options for CalPERS.

These and other factors have caused the situation we are now facing. It is both -- in both CalPERS' and our policyholder's best interest to address these difficult choices and take action.

Our goal is to protect policyholders by preserving their coverage and ensuring the program's long term sustainability. Without adjustments, the Long-Term Care Insurance Fund will face a significant shortfall. And if we delay taking this action, policyholders will face even greater rate increases in the future.

Before I walk you through a calendar of the next 13 months, I want to talk about a second challenge facing our Long-Term Care Program, COVID-19. Right now, the COVID pandemic is affecting every aspect of long-term care. As you know, a disproportionate number of COVID deaths have taken place in long-term care facilities. A recent New York Times analysis reported that 40 percent of U.S. COVID deaths have occurred in them. The Centers for Medicare and Medicaid Services have put out recommendations in light of the elevated risk. And in order to protect their residents, nursing homes and assisted living facilities have had to dramatically alter the way in which they deliver long-term care, closing facilities to outside visitors, ending congregate meals and most recreational activities, and limiting their intake of new residents.

Nursing homes and assisted living facilities have all also had to implement extensive and costly new safety protocols. Last week, the Wall Street Journal reported that nationwide nursing home residency is down by over a hundred thousand. Because nursing homes in particular are often independently owned businesses that operate on tight margins, some experts expect the supply of nursing homes could decrease in the future.

Home care has also faced challenges. National sources have reported decreased demand which is threatening viability of some home care agencies.

We're just starting to understand the way in which COVID is and will affect the CalPERS Long-Term Care Program. Already, our third-party administrator has had to change the way it conducts -- conducts eligibility determinations by significantly reducing its use of in-person assessments for example. We also know that the protective steps long-term care facilities are needing to take to safeguard residents are going to affect cost, and that any changes to the supply of long-term care services could affect costs.

As the experience of receiving long-term care services changes, we also anticipate that our preference for -- that the preferences of our policyholders about long-term care settings will change. So, too, will the regulatory environment which could include new rules and regulations on care and facilities that impact the cost of care, the availability of care, and how care is received.

All of these changes are going to affect the financial exposure of the Long-Term Care Fund, not to mention what policyholders want and expect out of the CalPERS Long-Term Care Program.

I want to walk through the calendar over the next 13 months leading up to the July 2021 timeline when we would be instituting any rate increase or other changes to the CalPERS Long-Term Care Program. Before I do, I want to again acknowledging -- acknowledge that enacting significant rates increases will cause hardship to our policyholders, most of whom are on fixed incomes, who have limited ability to increase their contribution to the program. That is why we are proceeding carefully and exploring every possible option to help mitigate how much of an increase is necessary, and it is one of the reasons why we are delaying action until next summer.

We are currently working with our Investment Office, our actuaries, and outside consultants to conduct a thorough review of our investment strategy to determine whether changes to our asset allocation could improve the long-term returns of the CalPERS Long-Term Care Fund while sufficiently protecting the fund from risk. Results of that work will be reported to the Board at our September meeting in open session.

In September, the Board will need to consider any changes to the asset allocation. Based on those deliberations, which will be informed by input from our Actuary and Investment offices, the Board will also have to adopt a revised discount rate. We will also be discussing the size of the rate increase in September, which is directly related to the discount rate.

In September, we will also be presenting to the Board alternatives that we could offer to our policyholders, that would help mitigate the rate increases. These may include voluntary -- voluntary changes to the actuarial value of the beneficiary's policy through benefit reductions or increased elimination periods for example that pol -- that a policy could agree to -- a policyholder could agree to in lieu of some or all of the pol -- the premium increase.

On a more positive note, in September, we also hope to discuss potential benefit design changes that serve dual roles. I'm personally optimistic that we're going to be able to identify changes to the program that will better meet the needs and desires of policyholders in light of some of the changes I discussed earlier with respect to COVID, and ultimately that will help on the premium side.

A recent example of this is the newly adopted LIFT Program, which evidence leads us to believe will both allow our policyholders to stay in their homes longer, something every survey tells us is a first-order priority for policyholders, and which will ultimately lower cost.

Integrating additional support for people who want to stay in their homes and out of institutional settings for as long as possible is going to be a critical strategy for the Long-Term Care Program going forward. It speaks to the clear preference of our policyholders and it reduces program cost exposure.

The revised discount rate, premium rates, buydown type policyholder options, and any benefit design changes will all need to be adopted by the Board in the fall. Ideally, that will take place in September, but it will need to take place by November -- the November Board meeting at the very latest. Once that happens, we will notice our policyholders of the forthcoming changes and work with our third-party administrator to calculate the revised cost under the terms of each policy.

The CalPERS Long-Term Care Program has several different policy blocks and within each of those blocks, policyholders have chosen different benefits. So rate increases and buydown type options will price differently depending on the specifics of each individual policy.

Starting in July 2021, the new rates for the policies will start going into effect. Throughout this effort, we also pledge to communicate with stakeholders about our progress and any new developments. To that end, there will be a standing long-term care agenda item at either our monthly meeting with the retiree representatives or our pre-Board stakeholder meetings throughout this process.

Before concluding, I want to bring one other item to the Board for consideration. In light of the uncertainty I discussed earlier, due to COVID and other challenges facing long-term care, and our program, I'm recommending that we suspend the sale of new policies during this time of transition. Uncertainty about the future costs associated with long-term care, as well as potential changes to our own program make it impossible for us to price new policies appropriately right now.

We ask the Chair's direction regarding our recommendation to suspend the program to new enrollees temporarily.

That concludes my presentation and I'm available to answer any questions.

Thank you.

CHAIRPERSON FECKNER: Thank you, Mr. Moulds, for a great report. I -- without any objection from other Committee members, I think it just makes sense to grant that we -- put this on hold for new, any new members coming in, until we can figure out where we're actually headed. So that will be the direction of the Chair.

Any questions for Mr. Moulds on this item?

I'm not seeing any.

Okay. Well, if nobody -- if more questions come up, I will certainly come back to them, but I know we have some from -- comments from the public. So, Mr. Fox, do we have people who would like to speak on Item 7b?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, yes. We have a number of public commenters. First we'll begin with Mr. Michael Bidart.

MR. BIDART: Good morning. This is Michael Bidart. I'm with the law firm of Shernoff, Bidart, and Echeverria, 600 South Indian Hill Boulevard, Claremont, California. I'm one of four law firms who represent over 100,000 class members in a currently pending certified class action entitled Wedding versus CalPERS.

While I was on hold this morning, roughly 15 minutes ago, I received a phone call from attorney Michael Proctor of the Durie Tangri law firm who indicated that he was aware I was holding to speak. And he thought that it would be inappropriate for me to address the Board regarding the merits.

I read to him, as a professional courtesy, my statement. He knows what I was intending to say. It is my intention, based on what I've heard regarding the timing of rate increases, to not proceed with reading my statement as a professional courtesy to Mr. Proctor and to avoid any controversy on that issue. And I told him that I would just instead bring these matters to the attention of the court.

I have nothing further, unless you have any questions of me. And thank you for the opportunity to address you.

CHAIRPERSON FECKNER: Thank for your time.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair. We have another caller Holly Wedding.

MS. WEDDING: Hello. My name is Holly Wedding. I am a class representative in a CalPERS Long-Term Care Fund class action lawsuit. I purchased the long-term care policy when I was 45 years old. I am now 70 years old and I have faithfully been paying my premium for 25 years. I am a senior citizen living on a limited fixed income. I cannot afford any increase to my premium, and most certainly cannot afford a significant increase.

I also have absolutely no intention to reduce my coverage and feel it would not be fair to force me to change my coverage after paying premiums for 25 years.

I believe if the rates are increased, policyholders will be forced to abandon their policies, and as a result, the sustainability of the plan will suffer greatly.

I am disappointed and saddened that the Board would even slightly entertain a rate increase considering the almost seven-year ongoing lawsuit pertaining to the last increase that was imposed by the Board. I respectfully request you consider my perspective and thank you for this opportunity to make a public comment.

Good day.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, the next public commenter is Eileen Lodyga.

MS. LODYGA: Hello. This is Eileen Lodyga. Can you hear me?

CHAIRPERSON FECKNER: We can. Thank you.

MS. LODYGA: Okay. I'm calling for myself and for my husband Richard regarding a proposal to raise the premiums for CalPERS long-term care policyholders.

We purchased the long-term care insurance in 1997 and have paid premiums for 23 years. We're currently class representatives in the class action lawsuit challenging the 85 percent premium hike imposed in 2015. We represent a class of more than 100,000 State employees and members of CalPERS and CalSTRS. After seven years of legal battles, this case is finally scheduled for trial on September 13th.

The issue of premium increases is central to the courtroom battle yet to be waged. The final outcome could prevent or qualify the circumstances underwhich CalPERS can legally raise premiums under the existing contract. We're not telling you this because we think the lawsuit is news to you, but because knowing about it, we cannot understand why you would even consider raising rates at this time.

More than 20 years ago, as State employees, these policyholders trusted the promise of CalPERS that locking in early on lower premiums would ensure health care benefits when they needed them down the road. Now, down the road, they're faced with losing benefits or paying higher premiums just to keep their insurance.

We currently pay three times our original premiums, and we would be paying five times our original premiums had we not given up the lifetime benefits and inflation protection.

Policy owners have seen their premiums go up when the stock market goes down, but they have not seen their premiums go down when the stock market goes up. Now, we're told that returns on bonds are low, so our premiums need to go up again. Will the premiums come down when interest rates go back up? Likely not.

What's most troubling is that this is hurting real people at a vulnerable age who trusted CalPERS, State employees now being priced out of the insurance they planned on for over 20 years, at a time when they should be able to count on their benefits.

By raising premiums that force more people out of their policies and by suspending sales, you are once more reducing the amount of money being paid in this fund and forcing those who remain to one day face additional premium hikes to keep the fund solvent.

Intended or unintended, the result of your action has already been to create a trend that makes the fund more and more reliable on outside money. You need to fix this, not buy gouging your policyholder, but by honoring the commitment you made to them and acting responsibly to protect them from the problems created when this long-term care insurance was set up over 20 years ago, something that you sold and you are unable to deliver.

Thank you.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, the next caller is Andrea Kune-Clark.

MS. KUNE-CLARK: Hello. Can you guys hear me?

CHAIRPERSON FECKNER: We can hear you, ma'am.

MS. KUNE-CLARK: Hello.

CHAIRPERSON FECKNER: Hello.

MS. KUNE-CLARK: Okay. Thank you very much. Hello. Thank you. I don't have a prepared speech, but I do say that I purchased this plan, the long-term health care, for myself and my husband when I was 38 years old. I was a State employee. I took a decrease in my annual employment salary to work for the State of California with pleasure, with pride, and everything. And I was told about this Long-Term Care Health Care Program that was offered. It was supposed to be for State employees and their families. And it also was told to us that there would not be any increases.

Well, I understand there was small increases. I didn't complain. In 2015, it went up 85 percent. I started at $103 a month. I'm now at $398 a month. My husband started at 356. He's at $800. We pay $1,100 a month in just long-term health care that is deducted from our pension. Our pension from the State, unless you were maybe a CalPERS employee or certain agencies that had larger incomes, but a lot of State -- the average State employment pension is not that high. These increases are very difficult for State employees that live on fixed incomes.

You talked about that this is a separate fund, the CalPERS pension fund versus the CalPERS Long-Term Care Fund. I'm just curious and I'd like to find out if the investments are similar and the funds are doing the same? Because I have to agree what the last woman just mentioned, when the economy goes up, our rates don't go down or you don't even lock our rates down. In 2015, the economy was pretty strong, but we got hit very heavily.

I know that the actuary rates and I don't know who you're hiring this time. It was my understanding that part of the increase was because you guys had hired people that weren't -- that weren't able to do the actuaries correctly. What's to say that the people you're hiring this time is? It's at the expense of State employees.

You guys work and represent the State of California. These are all former State employees that you guys are -- are basically giving us false hope. You sold us programs. You told us about benefits. We're paying. We're paying your benefits. We're paying everything and our services are getting declined.

And where -- and when we're getting older, we need these benefits that we've paid in for. So I hope that there will be no longer increases. Again, I'm 56 years old. Like how many more increases are you going to give me by the time I need the plan. I purchased it young, because I was told that we would be locked into these premiums.

So I went from $103 to three hundred and something. I can't afford that. And that's not fair, because otherwise I would have looked at other long-term policies, but I chose and gave faith to the State of California, where my employer --

STAKEHOLDER RELATIONS CHIEF FOX: Ma'am, if I could ask you to wrap -- to wrap-up your comments.

MS. KUNE-CLARK: Okay. Well, I just hope that you will be -- revisit this with -- with understanding that we are long -- we are State employees that are factored by this increase.

Thank you.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, the next caller is Ms. -- is Pat Pringle.

MS. PRINGLE: Hello. My name is Pat Pringle. Can you hear me?

CHAIRPERSON FECKNER: I can hear you just fine, ma'am. Thank you.

MS. PRINGLE: Great. Thank you very much. I'm Pat Pringle a retired educator and policyholder. Not only am I a part of the class in the CalPERS long-term care class action lawsuit, but I kept track and attended the legal proceedings over the last seven years, and I've been reporting back as a leader and advocacy person in my -- to retiree organizations, three organizations, with people that were public employees that purchased those long-term care policies.

Now, more than ever, since I started paying the first L -- long-term care premium in 1998, I have these lingering doubts that the program will be there for me in the event that I need it. My piece of mind has been very shattered since I received that letter about the 85 percent increase.

At 72, married, with two existing health conditions, I'm staying in place under the guidelines of Governor Newsom during COVID-19, because I'm now in that group of a grandparent, and an elder, and very vulnerable. My hope is that you'll carefully consider what is at stake if you increase the long-term care premiums. We're in the middle of this pandemic, sheltered in place, doing our best to not increase our dosage of exposure, like my doctor likes to call it.

Look at us today meeting virtually. We don't know when this is going to end. What about reducing the risk of loss of these policies for this 104 plus people. These stewards of this Long-Term Care Program search and find another way, another measure to address this discount change. Commit to turning this long-term care plan around.

We know our portfolios will come back. We've already seen a sea-change in numbers for stocks. There are other players, the State of California, the Legislators. We're public employees. We've devoted our lives to public service and we deserve the best outcome. Do you know there are over 300 retired teachers who have reached a hundred years old and they've been taken care of by CalSTRS and CalPERS and with their pension funds, and CalPERS with their long-term care needs.

We had Nurse Betty in our school district who had the long-term care policy and also Don Bickle who just passed. They invested in this program and they did it for one purpose, peace of mind. And that's what those families got and that's what those former teachers and nurse got.

Now is not the time to pull the rug out from our senior active and retired public employees, and families who purchase this program. Another choice to consider before it's too late, go back to the table and talk about settlement of this lawsuit. But go back with the agenda to save, save the CalPERS Long-Term Care Program from failing, becoming insolvent, and ask for oversight, ask for oversight from the Department of Insurance from the State of California.

This is your moment. Whatever it takes, save the CalPERS long-term care plan. Give them back their peace of mind. Your website says --

CHAIRPERSON FECKNER: Sorry, ma'am, you'll need to come to a close.

MS. PRINGLE: This is it, my last thing I have to say. Your website says peace of mind begins with a plan, the CalPERS Long-Term Care Plan. Help us to keep our peace of mind. Thank you.

CHAIRPERSON FECKNER: Thank you for your

comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman, we have Mr. -- or Judge Ernest Goldsmith.

CHAIRPERSON FECKNER: Mr. Goldsmith, are you there?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, I can return Mr. Goldsmith to the queue and move on to the next person.

CHAIRPERSON FECKNER: Please do.

STAKEHOLDER RELATIONS CHIEF FOX: All right, Mr. Chair, we have Steve Kawai.

MR. KAWAI: Hi. This is Steve Kawai. I've spoken in the past about the long-term care. I'm a -- I guess Anne Stausboll called me a member of the class way before the class action -- class action lawsuit.

I have primarily one comment, in regards to what Don Moulds said that there's only one viable alternative to -- to the status of the Long-Term Care Fund, and that was to raise the premium rates. I'm sure, Mr. Feckner, you'll remember that I argued against changing the investments from more of a balanced asset allocation to this five percent securities and 95 percent of underperforming bonds, and what have you.

Well, since that time, we've had an eight year run of a bull market, or at least seven, and we've missed out on all the -- all the gains of securities. So I -- I would recommend that the Board consider changing the discount rate for the Long-Term Care Fund back to seven or even six percent to try and recover some of the losses that, you know, we -- we've suffered because of the -- of the poor -- poor performance of the bonds that we've been investing in.

And at least that will minimize -- help to minimize the losses that we've had and maybe regain some of it, and maybe you won't have to raise the rates at all. But I do believe that raising the premiums at this time kind of not only flies in the face of the pending court action, but I wouldn't be surprised if the Legislature and the Governor gets involved and possibly considers removing the plenary authority that CalPERS has, not only over the Long-Term Care Fund, but other programs within CalPERS purview.

So I wish that you folks would sit down and consider changing your investment strategy for the Long-Term Care Fund, because all it's doing is making the a bad situation worse.

And with that, I'll -- I'm finished. Thank you.

CHAIRPERSON FECKNER: Thank you very much, Mr. Kawai.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, we'll try Judge Ernest Goldsmith one more time.

MR. GOLDSMITH: Hello. Can you hear me? It's Judge Goldsmith.

CHAIRPERSON FECKNER: Yes, we can hear you, sir.

MR. GOLDSMITH: Okay. First of all, I've been a member since 19 -- and my wife, since 19 -- 1997. We've paid our premiums in. This was aggressively -- this plan was aggressively marketed to us as a CalPERS entity, with the advantage of stable rates and other plans by the sales people were deprecated, because of the premium stability that we would enjoy with this as a CalPERS entity.

Second, the optics of raising the rates is simply this, that you are attempting to cause elderly insureds to leave the plan due to higher rates. That will discourage new -- new members. And I take issue with Dr. Moulds plan to suspend new policy sales, because that would just mean less income.

Third, I know of no legal reason why the plan cannot borrow from CalPERS. And I think this should -- if it needs money, it could borrow it. CalPERS lends money at interest to hedge funds and to -- to all sorts of institutions. And this -- they could -- LTC could borrow from the CalPERS pension fund.

Fourth, there have been a series of bad investments over many years. I recommend that CalPERS -- that long-term care pay an outside objective review of investments. This has gone on too long, where there have been a string over many years of underperforming investments, quite contrary to just even the simplest -- what a simple -- simplest money manager -- management company would do. It hasn't kept up with the average money manager.

And the increase in rates will discourage new members, who will know -- because they will know the rates become unaffordable when they reach old age, which is what's happening to me, and my wife, and many of the people who have spoken and who are in the class.

Then I seriously urge that the Long-Term Care Plan be supervised by the Department of Insurance. I think that while you may not want supervision, the -- it may have a -- an effect of causing better management, which is apparently needed, given --

CHAIRPERSON FECKNER: Your time has expired, sir. Please come to an end.

MR. GOLDSMITH: You should get new investment coun -- new investment advice, and new actuarial advice, and consider the optics of raising rates, which looks like it's -- you're trying to cause elderly people who were insured for many years to leave the plan.

That's not fair.

CHAIRPERSON FECKNER: Well, we thank you for comments, sir.

MR. GOLDSMITH: Thank you.

CHAIRPERSON FECKNER: I believe that if you do some research, a lot of the comments you made are not accurate. We cannot lend money to the plan, but that will with be taken up aside.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman, we have Paula Zinnamin.

MS. ZINNAMIN: Yes. This is Paula Zinnamin. In 2001, I was Commissioner of the Department of Real Estate. And at the request of CalPERS Long-Term Care, I invited them to come and make a presentation to the Department and all of our employees. It was a hard sell. It wasn't, oh, this is available, if you'd like it. There was every reason why we should buy into their plan, the stability of the premiums, and, you know, it would stay that way forever.

Where is the sanctity of contract? You know, where is the ability to rely on a State agency to live up to their obligations? In the interim, my premiums have gone up 85 percent, because I chose to take on the policy that I bought into and didn't want any fewer benefits.

In the interim, I had several health conditions, which precluded me from going elsewhere to get a policy to replace the Long-Term Care Policy with CalPERS.

I agree with what many of the other people have said, that the strategy for investment by long-term care is an embarrassment. I'm not an expert, and if I can get a seven percent return on my investments, I don't understand why CalPERS can't hire a decent money manager to manage their fund better, rather than laying it on all the policyholders by an increase.

Better that they should go to the lawsuit, settle it, get the State to back them up to pay the premiums down from all these people who have been paying these huge premiums for a long time, and get on with it. There has to be some reliability as far as the State's backing up their agencies.

And I suggest that change how you invest, get an investment manager, and let's move on with this and no increases. I think everything else has been said. I don't want to repeat more.

Thank you for your time.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman, we have two more callers. Next, we have Kimberly Granger.

MS. GRANGER: Kimberly Granger. Hi. This is Kimberly Granger. Can you hear me?

CHAIRPERSON FECKNER: We can hear you. Thank you.

MR. GRANGER: Thank you. I am the daughter of Holly Wedding, one of the named class representatives in the case against CalPERS. I wanted to speak with you today about the rate increase that CalPERS is imposing to place -- sorry, is proposing to place upon senior citizens such as my mother.

My mother, as she previously stated, bought this policy when she was age 45, which coincidentally is the age that I am right now. My mother bought this policy to ensure that her needs for long-term care would not cause a financial burden upon me. I am so proud of her and that she has the forethought at that age to purchase this policy and appreciated the love that she had for me and taking care of her possible future long-term care needs.

It is simply unconscionable the mount of stress, harm, and sleepless nights that CalPERS has caused senior citizens, such as my mother, who are only trying to do what was best for their families and honestly believed that CalPERS would keep the promise that it had made to them.

I feel that it looks like you're taking advantage of people who honorably and loyally serve the State of California as public servants. You are causing this retiree's unnecessary stress during a time that should be the prime years of their retirement. Many of the senior citizens, such as my mother, are on fixed incomes and are going to be unable to afford any significant increase to their premiums.

So my mother is going to have to be forced to make a decision, pay for the increase and try to cut out additional, necessary expenses on her fixed income or give up the benefits that she's been paying for for 25 years.

And to do this while the lawsuit is pending is just unconscionable. What you're doing to our parents, our grandparents this amazing generation of State workers, people who paved the way for us current State workers and teachers. It will not be forgotten. And I, along with the other children and grandchildren of these class members will continue to fight against this unjustified and unfair rate increase.

I urge you to listen to your conscience and to not impose a significant rate increase on the greatest generation of people like my mother, and those other class members.

Thank you for your time and take care.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox.

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, the final commenter on this agenda item is Larry Woodson.

MR. WOODSON: I won't say good morning. I'll say good afternoon again. Larry Woodson, California State Retirees.

I guess, first, I'd just like to express my appreciation for the comments of the many policyholders that have commented. They're in line -- in alignment with a lot of our CSR members who have policies. And I think the Board needs to hear their stories.

Secondly, I, too, along with Judge Goldsmith, have some concerns about the proposal to freeze new member sign-up. It does -- it will prevent a source of income, which seems to be counterintuitive, and it also -- it sends kind of an ominous signal. And I -- so I -- you know, I hope the Board considers that carefully.

And thirdly, you know, in terms of the overall landscape of policies, you know, to amplify it a little bit on what Dr. Moulds said, in -- Morningstar put out some data that said in 2000 -- the year 2000, there were 125 companies providing long-term care policies. Today, there are less than 15.

Lastly, I have some concerns about transparency of information. And I know there's a lawsuit, but we've been looking for the valuation report, which gives us a glimpse of where the fund is. And we understand it's out of Finance and Administration. The last one that was issued appears to be February 21st, 2019. And if that's an annual report, why didn't one come out in February of 2020.

We've been told it won't come out till September 2021. I'll actually leave this as question, if anyone, like maybe stakeholders, can get back to me is, is there a valuation report that's not been posted and where can we find it? So thank you.

CHAIRPERSON FECKNER: Thank you for your comments.

Anyone else, Mr. Fox?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chair, that concludes public comment on Agenda Item 7b.

CHAIRPERSON FECKNER: Thank you. Mr. Moulds, do you have any comments about the last speaker and the valuation?

CHIEF HEALTH DIRECTOR MOULDS: Yeah. And Scott can jump in here, but, you know, one of the questions that we're -- one of the things that we're doing over the course of the summer is obviously looking at many of the -- of the considerations that were raised here, asset allocation included.

And so -- so we can't obviously, while we are -- we are looking at all of our options, produce at the same time a valuation report. That -- that should come with the -- with what would be delivered in open in September. I'll let Scott add any additional information on that.

CHAIRPERSON FECKNER: Thank you.

CHIEF ACTUARY TERANDO: Hi. This is Scott Terando. Agreeing with what Don said. There are just too many unknowns at this time that we can issue the report. Once we get some of those decisions made by the Board, we'll be able to go ahead and issue the report, later this fall, not 2021, but fall of 2020.

CHAIRPERSON FECKNER: Thank you. I see I have a question from Ms. Brown.

COMMITTEE MEMBER BROWN: Thank you, Mr. Chair. And this is more of a comment. I just want to thank the callers for all their comments today. And I want to reiterate that because of COVID-19, the Board is actually able to hear directly from more policyholders and other persons impacted by this potential change.

And hearing these firsthand stories is a real triumph for transparency. I'm hoping that when we start meeting in person again, that we can continue to allow public comment by phone, because it allows the Board to hear firsthand from individuals impacted by pending actions of the Board. And I think it will help us make better decisions in the future.

Thank you.

CHAIRPERSON FECKNER: Thank you.

Seeing no other comments, that takes us to Agenda Item 7c, summary of Committee direction. Mr. Moulds.

CHIEF HEALTH DIRECTOR MOULDS: That's it for me. I can turn it back over to you.

CHAIRPERSON FECKNER: It was summary of Committee direction. Do you have any Committee direction?

CHIEF HEALTH DIRECTOR MOULDS: Oh, I'm sorry. I'm sorry. My apologies. I do not have any recorded Committee direction at this time.

CHAIRPERSON FECKNER: Except for the two that the Committee Chair directed for the suspension of --

CHIEF HEALTH DIRECTOR MOULDS: Thank you.

(Laughter.)

CHIEF HEALTH DIRECTOR MOULDS: Suspension of the -- temporary suspension of the program, and at the pleasure of the Chair.

CHAIRPERSON FECKNER: Correct. Very good.

CHIEF HEALTH DIRECTOR MOULDS: Thank you. My apologies.

CHAIRPERSON FECKNER: So that brings is to Item 7d, public comment. Mr. Fox, is there anybody on the line that wants to have public comment?

STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair. We have Al Darby.

MR. DARBY: Al Darby. Al Darby, President, Retired Public Employees Association.

These are preliminary rates that were issued today. Always in the past, these rates were not taken very seriously. With the huge profit reports from our insurance providers just released, should we consider these preliminary rates anywhere close to acceptable or do we issue the usual admonition to the providers to sharpen their pencils and come back with lower and final rates next month. So, at what -- what will be the case this time?

CHAIRPERSON FECKNER: Well, speaking from the Chair's position, I will say that I think the plans heard us the last few years about coming in with a sharper pencil to begin with. But I think beyond that, our staff has done an incredible job working through this time around, making sure that we were giving the best information and the best numbers we could moving forward.

Not saying there won't be another change, but I think that they've done a pretty good job in holding these plans with their feet to the fire.

MR. DARBY: I hope they will consider the profit -- the excess profit that the insurance providers are reporting and make some effort to get a little improvement in the rate as a result.

Thank you.

CHAIRPERSON FECKNER: Appreciate your comments. Thank you.

Mr. Fox.

Mr. Fox, do you have anybody else on the line?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Fountain.

MR. FOUNTAIN: Good afternoon. This is Jerry Fountain, California State Retirees.

I don't have any new issues beyond what Mr. Behrens and Mr. Woodson have brought up. And I think both of those subjects should be given extreme consideration.

Thank you for the opportunity to speak.

CHAIRPERSON FECKNER: Thank you for your comments.

Mr. Fox, anyone else?

STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman, that concludes or public comment section for this Committee.

CHAIRPERSON FECKNER: Very good. Thank you.

That brings us to the end of our agenda. So we will be adjourning this meeting.

Performance, and Compensation and Talent Management Committee will begin at let's say 2:00 o'clock. That gives everybody a nice break for lunch. So we will reconvene the Performance, Compensation and Talent Management Committee at 2:00 p.m.

This concludes the Pension and Health Benefits Committee. And thank you all for being here today and for your participation. We'll see you later.

(Thereupon California Public Employees' Retirement System, Pension and Health Benefits Committee open session meeting adjourned at 12:49 p.m.)

C E R T I F I C A T E OF 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 and Health Benefits Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 18th day of June, 2020.

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