

**TITLE 2. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
NOTICE OF PROPOSED REGULATORY ACTIONS**

NOTICE IS HEREBY GIVEN that the Board of Administration (Board) of the California Public Employees' Retirement System (CalPERS) proposes to take the regulatory action described below after considering public comments, objections, or recommendations.

**I. PROPOSED REGULATORY ACTION**

In this filing, the Board proposes to amend § 599.500, subdivision (o), of the California Code of Regulations (CCR), Title 2, entitled "Definitions, Coverage, Enrollment, Conversion, Minimum Standards, Alternative Benefit Plans, Contributions, Contingency Reserve Fund, Contracting Agency Participation and Medicare Part B."

**II. WRITTEN COMMENT PERIOD**

Any interested person may submit written comments relevant to the proposed regulatory action. The written comments period closes at 5:00 p.m. on December 22, 2014. The Regulations Coordinator must receive all written comments by the close of the comment period. Comments may be submitted via Fax at (916) 795-4607; e-mail at [Regulation\\_Coordinator@calpers.ca.gov](mailto:Regulation_Coordinator@calpers.ca.gov) or mailed to the following address:

Anthony Martin, Regulation Coordinator  
California Public Employees' Retirement System  
P.O. Box 942702  
Sacramento, California 94229-2702  
Phone: (916) 795-3038

**III. PUBLIC HEARING**

Pursuant to Government Code (GC) § 11346.8, a public hearing on this matter has not been scheduled. However, if an interested person or his or her duly authorized representative submits in writing to the CalPERS Regulations Coordinator a request for a public hearing no later than 15 days prior to the close of the written comment period, December 8, 2014, a public hearing shall be scheduled before the CalPERS Pension and Health Benefits Committee. Notice of the time, date, and place of the hearing will be provided to every person who has filed a request for notice with CalPERS.

**IV. ACCESS TO HEARING ROOM**

The hearing room will be accessible to persons with mobility impairments, and it can be made accessible to persons with hearing or vision impairments upon advance request to the Regulation Coordinator.

## V. AUTHORITY AND REFERENCE

The Board has general authority to take regulatory action under GC § 22750, 22751, 22775, 22794, 22796, 22797, 22818. The Board has specific authority to amend § 599.500, subdivision (o). Reference citation: California Government Code § 22775 and 22796.

## VI. INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

During the amnesty period of the CalPERS Dependent Eligibility Verification (DEV) project (the purpose of which is to verify enrollment eligibility of more than 738,000 health dependents in the program), subscribers were allowed to voluntarily remove dependents from their coverage before their verification cycles began. Out of the amnesty disenrollments, Parent-Child Relationship (PCR) dependents accounted for more than 50% of the total population. Since the project's inception and to date, the overall number of PCR dependent disenrollment has decreased by more than half. Staff attributes this reduction to the subscriber's inability to validate his/her "assumption of parental status or duties" through supporting documentation.

CalPERS provides health care benefits to State and contracting agency employees, annuitants, and eligible family members under the Public Employees' Medical and Hospital Care Act (PEMHCA) in GC § 22750 et seq. Pursuant to Section 22775, a family member includes a natural, step and adopted child. PEMHCA regulations allow the definition of a family member to also include a child for whom the subscriber has assumed a parental role, labeled as a PCR dependent. Under GC § 22775, the definition of "family member" specifically allows the Board to "prescribe age limits and other conditions and limitations pertaining to children."

Current PEMHCA regulations do not clearly specify the types of documentation required to certify the existence of the parental role within a PCR. Subscribers are required to submit a signed Affidavit of Parent-Child Relationship form (HBD 40, rev.6/13) at the time of enrollment and annually thereafter (up to the child reaching age 26). By signing this form, the subscriber agrees to "provide supporting documentation such as, but not limited to, court records, birth certificate, tax returns, statement of financial liability, or any other documents, when requested by my employer or CalPERS." But Health Benefit Officers (HBOs) at each of CalPERS 1,200+ contracting agencies and State departments do not have the clear guidance through regulations for accepting or denying the dependent's eligibility for health benefits aside from the HBD 40.

The form HBD 40 also requires the member to sign under penalty of perjury that the member has *either*: assumed a primary custodial role, is considered the parent, or has assumed responsibility for providing essential needs for the child, among other *optional* criteria. The member is

required to sign and submit this form annually upon the arrival of his or her birthday. For consistency purposes, CalPERS will modify this portion of the form to reflect the regulatory text and state that the supporting documentation named above will be required upon enrollment and recertification. This language will replace the optional eligibility criteria currently listed.

CalPERS will continue to use the HBD 40 in its current state to allow appropriate time for adjustment and preparation for the changes. Members and employers will be given ample notification before these changes are enforced.

The specific benefits anticipated by the proposed amendments are nonmonetary. However, amending CCR § 599.500, subdivision (o), would increase productivity and efficiency in the workplace by streamlining the enrollment processes among all State and contracting agency employers, by implementing clear-cut enrollment eligibility criteria for CalPERS health plan subscribers.

CalPERS has performed an evaluation of whether there are any other regulations related to this area and has concluded that these are the only regulations dealing with the enrollment eligibility criteria of parent-child relationships. Therefore, the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

VII. EFFECT ON SMALL BUSINESS

The proposed regulatory action does not affect small business because it applies only to CalPERS health plan subscribers.

VIII. DISCLOSURES REGARDING THE PROPOSED REGULATORY ACTION/RESULTS OF THE ECONOMIC ANALYSIS/ASSESSMENT

- A. MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS: The proposed regulatory action does not impose requirements on local agencies and school districts that contract with CalPERS above and beyond the normal scope of health enrollment procedures.
- B. COST OR SAVINGS TO ANY STATE AGENCY: The proposed regulatory action will not reflect a cost or savings to any State agency.
- C. COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT: The proposed regulatory action will not impact costs to any local agency or school district.

- D. **NONDISCRETIONARY COSTS OR SAVINGS IMPOSED ON LOCAL AGENCIES:** The proposed regulatory action will not impose nondiscretionary costs or savings on local agencies.
- E. **COSTS OR SAVINGS IN FEDERAL FUNDING TO THE STATE:** The proposed regulatory action will not impact federal funding to the State.
- F. **ADVERSE ECONOMIC IMPACT:** CalPERS has made an initial determination that the proposed regulatory actions will not have a significant statewide adverse economic impact directly affecting businesses including the ability of business in California to compete with businesses in other states.
- G. **COST IMPACT ON REPRESENTATIVE PRIVATE PERSONS OR BUSINESSES:** CalPERS is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.
- H. **IMPACT ON JOBS AND BUSINESS WITHIN CALIFORNIA:** The proposed regulatory action will not: (1) create or eliminate jobs within California; (2) create new businesses or eliminate existing businesses within California; (3) affect the expansion of businesses currently doing business within California; or (4) affect worker safety or the state's environment.

CalPERS believes the adoption of this regulation benefits the health and welfare of California residents by ensuring program integrity and sustainability of the CalPERS health benefits programs which covers more than 1.3 million active and retired state, local government, and school employees, and their family members.

- I. **EFFECT ON HOUSING COSTS:** The proposed regulatory action will have no significant effect on housing costs.
- J. **COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT WHICH MUST BE REIMBURSED IN ACCORDANCE WITH GC SECTIONS 17500 THROUGH 17630:** None.

#### IX. **CONSIDERATION OF ALTERNATIVES**

The Board must determine that no reasonable alternative considered by the Board or that has otherwise been identified and brought to the attention of the Board would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The

Board invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations at the above mentioned hearing or during the written comment period.

X. CONTACT PERSONS

Please direct inquiries concerning the substance of the proposed rulemaking action to:

Jan Falzarano, Assistant Division Chief  
Health Policy Research Division  
California Public Employees' Retirement System  
P.O. Box 720724  
Sacramento, CA 94229-0724  
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Please direct requests concerning processing of this rulemaking action to the CalPERS Regulation Coordinator, at the address shown in Section II.

XI. AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The entire rulemaking file is available for public inspection through the Regulations Coordinator at the address shown above. To date, the file consists of this notice, the proposed text of the regulations, and the Initial Statement of Reasons (ISOR). A copy of the proposed text and the ISOR is available at no charge upon telephone or written request to the Regulations Coordinator.

The Final Statement of Reasons can be obtained, once it has been prepared, by written request to Anthony Martin, Regulation Coordinator, at the address shown in Section II.

For immediate access, the regulatory material regarding this action can be accessed at CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

XII. AVAILABILITY OF CHANGED OR MODIFIED TEXT

The Board may, on its own motion or at the recommendation of any interested person, modify the proposed text of the regulations after the public comment period closes.

If the Board modifies its regulatory action, it will prepare a comparison of the original proposed text and the modifications for an additional public comment period of not less than 15 days prior to the date on which the Board adopts, amends, or repeals the resulting regulation. A copy of the comparison text will be mailed to all persons who submitted written comments or asked to be kept informed as to the outcome of this regulatory action.

XIII. AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon completion, copies of the Final Statement of Reasons may be obtained by contacting the CalPERS Regulation Coordinator at the address shown in Section II.