

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

CALPERS AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

TUESDAY, MARCH 15, 2022

9:00 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Rob Feckner, Chairperson

Ramon Rubalcava, Vice Chairperson

Lisa Middleton

David Miller

Eraina Ortega

Jose Luis Pacheco

Theresa Taylor

Betty Yee, represented by Ms. Karen Greene-Ross

BOARD MEMBERS:

Fiona Ma, represented by Mr. Frank Ruffino

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Donald Moulds, PhD, Chief Health Director

Anthony Suine, Deputy Executive Officer

Pam Hopper, Committee Secretary

Ron Jarzombek, Chief, Health Account Management Division

Kimberly Malm, Chief, Strategic Health Operations Division

Renee Ostrander, Employer Account Management Division

Kimberly Pulido, Chief, Retirement Benefit Services  
Division

APPEARANCES CONTINUED

ALSO PRESENT:

Terry Brennand, Service Employees International Union

J.J. Jelincic, Retired Public Employees Association

Larry Woodson, California State Retirees

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Election of the Pension & Health Benefits Committee Chair and Vice Chair	2
3. Approval of the March 15, 2022, Pension & Health Benefits Committee Meeting Timed Agenda	5
4. Executive Report - Don Moulds, Anthony Suine	6
5. Action Consent Items - Don Moulds	14
a. Approval of the November 16, 2021, Pension & Health Benefits Committee Meeting Minutes	
b. Review of the Pension & Health Benefits Committee Delegation	
c. Proposed Revisions to the Public Employees' Medical and Hospital Care Act (PEMHCA) Regulations: Definition of Parent-Child Relationships	
6. Information Consent Items - Don Moulds	16
a. Annual Calendar Review	
b. Draft Agenda for the April 19, 2022, Pension & Health Benefits Committee Meeting	
c. Health Open Enrollment Results	
7. Action Agenda Items	
a. Proposed Regulation for the Definition of Limited Duration Employment - Renee Ostrander	18
b. Pharmacy Benefits Manager Contract Extension - Don Moulds	31
c. Approval of Solicitation for Long-Term Care Third-Party Administrator and Contract Extension - Don Moulds, Kim Malm	36
8. Information Agenda Items	
a. Update on Retiree Cost-of-Living Adjustment - Anthony Suine	38
b. Summary of Committee Direction - Don Moulds	44
c. Public Comment	44
Adjournment	48
Reporter's Certificate	49

PROCEEDINGS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CHAIRPERSON FECKNER: Good morning. We'd like to call the Pension and Health Benefits Committee meeting to order. The first order of business will be to call the roll.

Ms. Hopper.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Good morning.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Present.

COMMITTEE SECRETARY HOPPER: Eraina Ortega?

COMMITTEE MEMBER ORTEGA: Here.

COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

COMMITTEE MEMBER PACHECO: Present.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

VICE CHAIRPERSON RUBALCAVA: Present.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

CHAIRPERSON FECKNER: Excused.

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

ACTING COMMITTEE MEMBER GREENE-ROSS: Here.

1 COMMITTEE SECRETARY HOPPER: Mr. Chair, all is in  
2 presence with an excused for Shawnda Westly.

3 CHAIRPERSON FECKNER: Thank you.

4 Item 2 is the election of Pension and Health  
5 Benefits Committee Care and Vice Chair. And for the  
6 election of the Chair, I'm going to pass the gavel to the  
7 Vice Chair, Mr. Rubalcava.

8 VICE CHAIRPERSON RUBALCAVA: Thank you. Thank  
9 you. The order of business now is to take nominations for  
10 the Chair of the Committee.

11 Mr. Pacheco, please.

12 COMMITTEE MEMBER PACHECO: Yes. I would like to  
13 nominate Mr. Rob Feckner.

14 VICE CHAIRPERSON RUBALCAVA: Thank you. We have  
15 a nomination. Do I --

16 COMMITTEE MEMBER MILLER: I'll second that.

17 VICE CHAIRPERSON RUBALCAVA: Thank you. I'm not  
18 sure we need a second, but thank you.

19 So, nomination -- any more nominations?

20 Any more nominations?

21 Any more nominations?

22 So I -- do I have a motion to approve Mr. Rob  
23 Feckner as Chair by --

24 COMMITTEE MEMBER TAYLOR: I'll make the motion.

25 VICE CHAIRPERSON RUBALCAVA: Thank you, Ms.

1 Theresa Taylor.

2 COMMITTEE MEMBER MILLER: I'll second it.

3 VICE CHAIRPERSON RUBALCAVA: Thank you. Thank  
4 you for the second.

5 So I guess we don't -- just by --

6 CHAIRPERSON FECKNER: You have to vote.

7 VICE CHAIRPERSON RUBALCAVA: We have to vote?

8 CHAIRPERSON FECKNER: Um-hmm.

9 VICE CHAIRPERSON RUBALCAVA: Okay. So let's call  
10 for the roll then.

11 CHAIRPERSON FECKNER: No. You just say ayes?

12 VICE CHAIRPERSON RUBALCAVA: Do we have the ayes,  
13 please for --

14 (Ayes.)

15 VICE CHAIRPERSON RUBALCAVA: Any nays?

16 Any abstentions?

17 Congratulations, Mr. Feckner.

18 CHAIRPERSON FECKNER: Thank you, sir.

19 (Applause.)

20 VICE CHAIRPERSON RUBALCAVA: I'll return the  
21 gavel to you.

22 CHAIRPERSON FECKNER: Thank you. Thank you  
23 everyone, and thank you to my colleagues for their vote of  
24 support. I'm now going to open the floor for nominations  
25 for the Office of Vice Chair of the Pension and Health

1 Benefits Committee.

2 Ms. Taylor.

3 COMMITTEE MEMBER TAYLOR: Yes. Thank you, Mr.  
4 Chair. It's my honor to nominate Mr. Ramon Rubalcava for  
5 Vice Chair of Health.

6 CHAIRPERSON FECKNER: Thank you.

7 Are there any further nominations for Vice Chair?

8 Are there any further nominations for Vice Chair?

9 Third and final time, are there any third nom --  
10 any nominations for Vice Chair?

11 Seeing none, I will close nominations, and  
12 entertain a motion for electing Mr. Rubalcava by  
13 acclamation.

14 COMMITTEE MEMBER PACHECO: (Hand raised.)

15 COMMITTEE MEMBER MILLER: So moved.

16 CHAIRPERSON FECKNER: It's been moved by Mr.  
17 Pacheco, seconded by Mr. Miller.

18 Any discussion on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 CHAIRPERSON FECKNER: Opposed, no?

23 Any abstentions?

24 Seeing none, motion carries. Congratulations,  
25 sir.

1 (Applause.)

2 VICE CHAIRPERSON RUBALCAVA: Thank you, all.

3 CHAIRPERSON FECKNER: Thank you.

4 We are now going to go into closed session for  
5 Items 1 through 3 on the closed session agenda. I would  
6 assume we'll be back in here in 45 minutes. So if you  
7 could please go and enjoy our lovely cafe, spend some time  
8 together, but we will be back before too long into open  
9 session.

10 So thank you. We are now recessing the open  
11 session.

12 (Off record: 9:04 a.m.)

13 (Thereupon the meeting recessed  
14 into closed session.)

15 (Thereupon the meeting reconvened  
16 open session.)

17 (On record: 10:15 a.m.)

18 CHAIRPERSON FECKNER: Good morning. We're going  
19 to reconvene the Pension and Health Benefits Committee  
20 meeting.

21 The first order of business upon reconvening is  
22 Item 3, the approval of the timed agenda. What's the  
23 pleasure of the Committee?

24 COMMITTEE MEMBER MILLER: Move approval.

25 COMMITTEE MEMBER PACHECO: (Hand raised.)

1 CHAIRPERSON FECKNER: It's been moved by Mr.  
2 Miller, seconded by Mr. Pacheco.

3 Any discussion on the motion?

4 Seeing none.

5 All in favor say aye?

6 (Ayes.)

7 CHAIRPERSON FECKNER: Opposed, no?

8 Motion carries.

9 Item 4, Executive report. Mr. Moulds.

10 CHIEF HEALTH DIRECTOR MOULDS: Good morning --  
11 oops, sorry.

12 Better.

13 Good morning, Mr. Chair, members of the  
14 Committee. Don Moulds, CalPERS team. Congratulations to  
15 Mr. Feckner and Mr. Rubalcava on your reelection as Chair  
16 and Vice Chair of the Committee. Our teams look forward to  
17 working with both of you again this year.

18 CHAIRPERSON FECKNER: Thank you.

19 CHIEF HEALTH DIRECTOR MOULDS: I want to let the  
20 Committee and our members know that open enrollment this  
21 year will be held from September 19th through October  
22 14th. New for open enrollment this year, our active  
23 members will be able to submit their changes online  
24 through their myCalPERS account. There will be no need to  
25 complete a paper form and submit it to their employer.

1 Our retirees have been able to do this for years. We're  
2 excited to open this up to our active members as well. We  
3 have a lot of communication plan and we're looking forward  
4 to an active open enrollment period.

5 On our agenda today, we have two action items for  
6 the Committee. First is an extension of our Pharmacy  
7 Benefits Manager contract with OptumRx, the other is the  
8 Long-Term Care Program third-party administer solicitation  
9 and contract extension. That concludes my remarks, and  
10 I'm happy to take any questions.

11 CHAIRPERSON FECKNER: Thank you. Appreciate  
12 that. Seeing no requests, Mr. Suine.

13 DEPUTY EXECUTIVE OFFICER SUINE: Good morning,  
14 Mr. Chair and members of the Committee. Anthony Suine,  
15 CalPERS team member. Grateful for the opportunity to be  
16 here in person with you again and congratulations to Mr.  
17 Feckner and Mr. Rubalcava on your --

18 CHAIRPERSON FECKNER: Thank you.

19 DEPUTY EXECUTIVE OFFICER SUINE: -- reelection.  
20 Look forward to working with you.

21 It's my pleasure to give a general update on  
22 what's happening with our Customer Services and Support  
23 team, since I last met with you last November.

24 On today's agenda, later you'll hear more  
25 specifically on the cost of living adjustments coming to

1 our retirees and on our proposed regulation to define  
2 limited duration as it relates to retired annuitant  
3 employment and temporary upgrade pay assignments.

4           First and foremost, I'm very happy to provide an  
5 update on the resumption of our in-person services and our  
6 regional offices. Beginning on March 1st, our regional  
7 offices successfully opened to the public. And to  
8 maintain both an in-person and virtual services to our  
9 members, the regional offices have adopted a appointment  
10 focused approach that allows the member to choose between  
11 an in-person or virtual appointment at a time that works  
12 for them. This approach allows our offices to ensure  
13 availability for both types of appointments and provide  
14 our members with a choice on how they'd like to interact  
15 with us.

16           Offering the virtual appointments as well as the  
17 in-person, increases our capacity to meet the member's  
18 demand, since we can utilize any benefits counselor across  
19 the State instead of only the ones that are in that  
20 particular regional office. Just in March, we have over  
21 55 -- 5,500 appointments that have either been completed  
22 our scheduled, and that's the highest we've seen in many,  
23 many months. Approximately 60 percent of those will be  
24 virtual and 40 percent are scheduled for in-person. We've  
25 also been able to help over 200 walk-ins since we started.

1 We've ramped up what we call our triage efforts to handle  
2 those walk-ins in the offices. So if they just have a  
3 form to turn in, a question to ask, we can assist them or  
4 if they need a full counseling appointment, we can set  
5 that up at a later time with them.

6           The feedback has been overwhelmingly positive and  
7 the members have seemed to appreciate this new virtual and  
8 in-person choices. We worked with our Office of Public  
9 Affairs to, you know, slow roll the marketing on these  
10 efforts. We have banners on the website. We have  
11 communications with our employers. And recently, we  
12 started marketing specifically with the members to allow  
13 them to make them aware that the appointments are  
14 available and how to schedule those online. We'll  
15 continue to monitor how they're using those various types  
16 of appointments to meet their demands. And then in April  
17 we'll resume our in-person retirement planning classes at  
18 each of our offices across the state.

19           And then our first in-person CalPERS CBEE, or  
20 CalPERS Benefit Education Event, is scheduled for August  
21 in Oakland. But in the meantime, we'll have another  
22 virtual CBEE in June.

23           Moving on to our operations. Since this is the  
24 first time we've met in the year, I wanted to review our  
25 retirement trends with you from 2020 to 2021. As a

1 reminder, in 2020, our retirements were up about eight  
2 percent overall, and the State was up 17 percent. And the  
3 majority coming from State safety is increasing heavily.  
4 Public agencies were also up five percent, and that was  
5 due to public safety increase in retirements. Meanwhile,  
6 the schools remain fairly flat during 2020.

7 In 2021, retirements overall were fairly steady,  
8 just about a two-percent decrease. That was about 35,000  
9 total retirements. But digging deeper, the State had a 17  
10 percent decrease in overall retirements, public agencies  
11 saw an increase of four percent, and the schools saw an  
12 increase of 10 percent in their retirements during 2021.

13 Making sense of it all could be difficult to  
14 explain of the various reasons why, but, you know, we  
15 assume that furloughs, pay increases, and just generally  
16 the COVID environment were probably all contributing  
17 factors to those up and downs.

18 Moving on from retirement, I wanted to update you  
19 on efforts we spoke about last year to minimizing benefit  
20 overpayments by identifying retiree deaths utilizing more  
21 effective products and tools. And I'm happy to report  
22 that recently we completed our contract with Pension  
23 Benefits Information, or PBI, which is a company  
24 specializing in helping organizations avoid overpayments  
25 through death, audit, and beneficiary research.

1           We just recently exchanged our first file with  
2 them. We're consuming that file. And in a future month  
3 report, I'll be able to report how beneficial that has  
4 been for us.

5           We're also sharing our lessons learned on death  
6 detection and verification with other retirement systems.  
7 Just this week, two of our team members -- last week, two  
8 of our team members presented at the California  
9 Association of Public Retirement Systems, or CALAPRS, and  
10 they were able to share our feedback on how we've done  
11 with death verification and finding more deaths more  
12 timely. And we've really used that system, even though  
13 our sizes of the different systems can vary greatly. We  
14 all have been able to leverage each other and we've  
15 received great feedback from that partnership and  
16 continually ident -- exchange ideas and information.

17           So besides our regional offices, we also welcome  
18 back approximately 700 of our Customer Services and  
19 Support employees on March 1st. Our offices and hallways  
20 are buzzing again, as we transition to our hybrid work  
21 model, with most team members in the office Tuesday  
22 through Thursday and teleworking Monday and Friday.

23           And we hope this hybrid model provides our team  
24 with the ability to collaborate and connect while in the  
25 offers, but also provide a balance with the additional

1 telework options.

2           And regardless of where they've been working, the  
3 team is doing an amazing job serving our customers in the  
4 traditional fashion and in the new methods we've been able  
5 to incorporate over the last couple of years.

6           And that concludes my update and I'm happy to  
7 answer any questions.

8           CHAIRPERSON FECKNER: Thank you. I do have Ms.  
9 Taylor.

10           COMMITTEE MEMBER TAYLOR: Sorry about that. Just  
11 a quick question on you said the customer service team is  
12 back in the office, the three days a week. Who  
13 constitutes that? I'm confused.

14           DEPUTY EXECUTIVE OFFICER SUINE: That's -- that  
15 constitutes approximately six divisions, so that includes  
16 our regional offices, our Benefits Services Division,  
17 Employer Services, Member Services Division.

18           COMMITTEE MEMBER TAYLOR: It's not our call  
19 centers, right?

20           DEPUTY EXECUTIVE OFFICER SUINE: The contact  
21 center is still remote.

22           COMMITTEE MEMBER TAYLOR: Okay.

23           DEPUTY EXECUTIVE OFFICER SUINE: So there's about  
24 nine hundred total and a couple hundred in the Contact  
25 Center that are still working full-time remote.

1 COMMITTEE MEMBER TAYLOR: Okay. Great. Thank  
2 you.

3 DEPUTY EXECUTIVE OFFICER SUINE: And that's going  
4 ale well.

5 COMMITTEE MEMBER TAYLOR: Yeah, I heard. Thank  
6 you.

7 CHIEF EXECUTIVE OFFICER FROST: And the, Ms.  
8 Taylor, the entire organization is back on a hybrid  
9 schedule. Anthony is just giving an update for his own  
10 program, but the entire organization came back March 1 in  
11 the new hybrid.

12 COMMITTEE MEMBER TAYLOR: Great. Thank you.

13 CHAIRPERSON FECKNER: Mr. Pacheco.

14 DEPUTY EXECUTIVE OFFICER PACHECO: Yes. Thank  
15 you. Thank you, Mr. Suine. I'd like to ask you question  
16 about resident -- I mean, the retirees in 2020 and 2021.  
17 Do you think some of that may be attributed to the great  
18 resignation aspect as well? Thank you.

19 DEPUTY EXECUTIVE OFFICER SUINE: Thanks, Mr.  
20 Pacheco. I don't think we've seen that just yet. I mean,  
21 that may come in 2022 and we'll continue to monitor that  
22 data. You know, the trends we've seen in 2021, we believe  
23 that with the State they might be awaiting -- you know,  
24 they received the pay increase July 1 of 2021 and so  
25 they're probably waiting that out to have a full year of

1 final compensation.

2           Meanwhile, other sectors of our membership have  
3 had different types, like the schools, were getting paid  
4 for a while while they were out, and then when they were  
5 coming back, we think that drove the increases in the  
6 retirement. So I'm not sure we're seeing the impacts of  
7 that just yet, but we'll continue to monitor.

8           COMMITTEE MEMBER PACHECO: Okay. Thank you very  
9 much.

10           CHAIRPERSON FECKNER: Thank you.

11           Seeing nothing else, thank you, Mr. Suine.

12           DEPUTY EXECUTIVE OFFICER SUINE: Thank you.

13           CHAIRPERSON FECKNER: Brings us to Agenda Item 5,  
14 action consent items. What's the pleasure of the  
15 Committee?

16           COMMITTEE MEMBER TAYLOR: Move approval.

17           COMMITTEE MEMBER MILLER: Second.

18           CHAIRPERSON FECKNER: Moved by Ms. Taylor,  
19 seconded by Mr. Miller.

20           Any discussion on the motion?

21           I do have a request to speak from the audience.  
22 So does anybody have any questions from the Board?

23           Seeing none, Mr --

24           CHAIRPERSON FECKNER: You have to push your  
25 button, sir. There you go.

1 COMMITTEE MEMBER PACHECO: Sorry.

2 CHAIRPERSON FECKNER: Mr. Pacheco.

3 COMMITTEE MEMBER PACHECO: Yes. I think I want  
4 to abstain from the Pension and Health Benefits approval  
5 of the November 16, 2021 meeting.

6 CHAIRPERSON FECKNER: Very good. We'll split the  
7 vote.

8 COMMITTEE MEMBER PACHECO: Thank you.

9 CHAIRPERSON FECKNER: We'll take that separately.  
10 But right now we have before us Mr. Jelincic to talk about  
11 Item 5c

12 MR. JELINCIC: J.J. Jelincic. I don't need to  
13 make my public comment. I talked to the staff and I  
14 believe they will address my concerns.

15 CHAIRPERSON FECKNER: Thank you.

16 All right. We will now split that motion,  
17 because Mr. Pacheco would like to abstain and not have to  
18 abstain on all items. So can we re -- Ms. Taylor, can you  
19 redo your motion. We'll do A and then we'll do B, C  
20 together.

21 COMMITTEE MEMBER TAYLOR: Sure. I'd like to make  
22 a motion to take 5a separately from 5B and C.

23 CHAIRPERSON FECKNER: Thank you.

24 Mr. Miller, you agree?

25 COMMITTEE MEMBER MILLER: (Nods head.)

1 CHAIRPERSON FECKNER: All right. So we're taking

2 5a. Any discussion on 5a?

3 Seeing none.

4 All in favor say aye?

5 (Ayes.)

6 CHAIRPERSON FECKNER: Opposed, no?

7 Abstentions?

8 COMMITTEE MEMBER PACHECO: Abstention.

9 CHAIRPERSON FECKNER: Thank you. Mr. Pacheco is  
10 abstaining.

11 Ms. Taylor, you want to do 5b and 5c together  
12 now?

13 COMMITTEE MEMBER TAYLOR: I'd like to make a  
14 motion for 5b and 5c taken together.

15 COMMITTEE MEMBER MILLER: Second.

16 CHAIRPERSON FECKNER: Mr. Miller is seconding.  
17 So we have 5b and 5c, 5c is being -- we've already dealt  
18 with that. So any discussion on 5b or 5c?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 CHAIRPERSON FECKNER: Opposed, no?

23 Motion carries. Thank you.

24 Brings us to Item 6, the information consent  
25 items. I do have a request to pull Item 6c. So I believe

1 that request came from Mr. Rubalcava.

2 Push your button, sir.

3 There you go.

4 VICE CHAIRPERSON RUBALCAVA: Thank you.

5 CHAIRPERSON FECKNER: Go ahead.

6 VICE CHAIRPERSON RUBALCAVA: Good morning. Thank  
7 you. Great report. I appreciate knowing who the net  
8 gain -- you know, the population shift between -- for open  
9 enrollment. But I think it would be helpful if we also  
10 have like a total column, like at the end of the open  
11 enrollment, how many people are in Kaiser? Is that still  
12 the biggest plan? How many people were in -- you know, we  
13 introduced a new plan, so I want to see what the total  
14 gain was from the other plans. So if that's possible for  
15 next time, for April maybe?

16 HEALTH ACCOUNT MANAGEMENT DIVISION CHIEF

17 JARZOMBK: Yeah. Absolutely, we can definitely provide  
18 that information to you after the meeting and then  
19 incorporate that in year's -- in future years, so we have  
20 it all together.

21 VICE CHAIRPERSON RUBALCAVA: Thank you very much.  
22 Appreciate that.

23 HEALTH ACCOUNT MANAGEMENT DIVISION CHIEF

24 JARZOMBK: Thank you.

25 VICE CHAIRPERSON RUBALCAVA: Great report.

1 HEALTH ACCOUNT MANAGEMENT DIVISION CHIEF

2 JARZOMBEK: Thank you.

3 CHAIRPERSON FECKNER: Thank you. Appreciate it.

4 All right, moves us on to Item 7.

5 7a, proposed regulation of defund -- definition  
6 of limited duration. Ms. Ostrander.

7 CHAIRPERSON FECKNER: There you go.

8 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

9 OSTRANDER: It is on. Okay. Good morning, Mr. Chair,  
10 members of the Committee. Renee Ostrander, CalPERS team  
11 member. Today, we're bringing forward to you an action  
12 item to approve draft language to define, "limited  
13 duration", so that it may be released for a public  
14 comment.

15 The term, "limited duration", is used multiple  
16 times within the PERL and there is no context for all of  
17 our stakeholders to operate off of. So we are proposing  
18 these draft regulations in order to provide clarity and  
19 uniformity in its application going forward.

20 The two contacts to which the limited durations  
21 will address, the first one is for retired annuitants and  
22 so that their work be of limited duration. The second  
23 area is for temporary upgrade pay, so that's a type of  
24 special compensation for classic members. And so it is  
25 when an employee temporarily steps into another role to do

1 duties instead of their own.

2           The proposed regulation in both instances defines  
3 limited duration as 24 months per appointment with an  
4 option of two 12-month extensions that can be submitted to  
5 CalPERS for approval if a retired annuitant appointment  
6 has not yet been concluded.

7           We -- in developing these regulations, we  
8 utilized multiple inputs in defining this. So we reviewed  
9 our own current system data. We also did surveys with  
10 other California retirement systems, and then we met with  
11 stakeholders to obtain their feedback. As the language  
12 was developed, multiple modifications have been made to  
13 address their concerns.

14           This item was originally brought forward to all  
15 of you in September and no action was taken, but direction  
16 was given to go back and do some additional work with the  
17 California Department of Human Resources. Since that  
18 time, we have engaged with them, and once again we have  
19 met with the employer, the labor, and the retirees. So  
20 this is the same language currently being brought forward  
21 to you today that was brought forward in September.

22           If this is approved by the Committee and then  
23 the Board, this draft language will be released for a  
24 45-day public comment. This is not the last time you will  
25 see it. You will see it at least one more time. So after

1 public comment, if there's any changes, it would come  
2 forward again.

3           Once the final language is determined, then that  
4 is brought forward to you for approval to go to the Office  
5 of Administrative Law. If anything happens to change it  
6 there, it will come back to you one more time, so you will  
7 see a final version for approval prior to any type of  
8 publication.

9           And with that, that concludes my presentation.  
10 And I'm happy to answer any questions.

11           CHAIRPERSON FECKNER: Thank you very much.  
12           Ms. Taylor.

13           COMMITTEE MEMBER TAYLOR: Sorry. I'd like to --  
14 thank you, Mr. Chair. So as I -- as I look at this, I  
15 know there's a lot of concern when it comes to the State  
16 agencies not -- I'm sure it's the same with the public  
17 agencies, that making sure that we're not overusing these  
18 positions and not replacing them with an actual worker  
19 that's paying into the system, and also paying whatever.

20           So one of the questions I had was I know that  
21 the -- there's a requirement to come in, and if you want  
22 to extend it, if the agency or whomever wants to extend it  
23 past the two, plus one, plus one, they have to submit it  
24 to CalPERS, is that correct, is that what I'm  
25 understanding, or is that what --

1 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

2 OSTRANDER: The current regulations, as they are presented  
3 today, does not allow for that. An adjustment can be made  
4 if that is the Committee's desire. We can draft  
5 additional language to provide for an approval of the  
6 Board beyond the two, plus one, plus one.

7 COMMITTEE MEMBER TAYLOR: And, yeah, I would like  
8 to actually make a motion to include some language. We  
9 can either have guys bring the language back. I have some  
10 language here that we could read into the -- for the  
11 motion to have it come back for approval rather than just,  
12 you know, sitting out there, but I want to make -- also  
13 make sure that we have the resources to cover that, so --  
14 okay.

15 So I'd like to make the motion to either send it  
16 back for that language for approval or I can read some  
17 language that I have here and read it into the record.

18 CHAIRPERSON FECKNER: Well, let's see what the  
19 rest of the commenters want to say first --

20 COMMITTEE MEMBER TAYLOR: Okay.

21 CHAIRPERSON FECKNER: -- and then we'll back to  
22 you.

23 Ms. Ortega.

24 COMMITTEE MEMBER ORTEGA: Thank you, Mr. Chair,  
25 and thank you, Ms. Ostrander for your staff's time working

1 with CalHR on this. I think that I do remain concerned  
2 with the current draft. I'm intrigued by some sort of  
3 exemption process beyond the current time period. I want  
4 to make clear that I very much support limiting the use of  
5 what has sometimes become permanent part-time staff that  
6 are retired annuitants, and departments and other  
7 employers not training and doing their best -- making  
8 their best effort to recruit new employees into those  
9 positions. I think though that the draft today doesn't  
10 recognize that there are some professions and there are  
11 some rural areas where the actual workforce is quite  
12 limited, and those departments, I think, need some ability  
13 to be able to seek an exemption from the restriction.

14 I think the other thing that is missing in the  
15 draft as it reads today is there are annuitants who work  
16 very few hours per year, so they're not actually earning  
17 very much income. They're certainly not replacing any  
18 potential to recruit a new person, but they come in as an  
19 expert witness, or they come in to work on an audit or a  
20 particular issue that has something to do with, you know,  
21 long-standing court cases.

22 I know we -- CalHR has used a trainer on a  
23 particular type of personnel investigation who's a retired  
24 annuitant. That person works less than five hours a year.  
25 But the way it's drafted today, it just times out. It

1 doesn't matter that that person comes in very infrequently  
2 to help out a department or CalHR. So I would like to  
3 see -- and maybe this exemption process would be the way  
4 to get there. Having not been able to read anything yet,  
5 I'd like to reserve a little bit of time to look at that  
6 and maybe the 45-day comment period is, in fact, that  
7 time.

8           But I think that the reality of how hard it is to  
9 recruit certain classifications, there are many, many  
10 departments. I'm sure CalPERS experiences this as well,  
11 where you just have failed recruitments. You do not get  
12 enough candidates to fill jobs. There are critical State  
13 operations that we need to have a little bit of  
14 flexibility to bring in an annuitant in those  
15 circumstances.

16           So for those reasons, I will not be supporting  
17 the draft today, but certainly will work with everyone in  
18 the 45-day period to see if we can get somewhere closer to  
19 what would work for us.

20           Thank you.

21           CHAIRPERSON FECKNER: Ms. Greene-Ross.

22           ACTING COMMITTEE MEMBER GREENE-ROSS: Similarly,  
23 we, at the Controller's Office, support not abusing  
24 retired annuitants at all, but we do have situations like  
25 the ones Ms. Ortega described, where there are times where

1 we've got litigation, or we've got other people that we  
2 need to occasionally plug in experts that have retired,  
3 and need some flexibility. So definitely appreciate this  
4 exemption process. And the only other immediate thing of  
5 concern, ideally, I would like to run it by our HR  
6 Director and our counsel. But if the process allows for  
7 some comment on that, that would be fine.

8 I think the only other issue is just the process  
9 and whether you have enough staff to do the approval. I  
10 assume we delegate this to the staff and it won't have to  
11 have actual Board involvement.

12 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

13 OSTRANDER: That is correct.

14 ACTING COMMITTEE MEMBER GREENE-ROSS: Say that on  
15 the record.

16 (Laughter.)

17 ACTING COMMITTEE MEMBER GREENE-ROSS: That will  
18 give me a lot more comfort. Is just that sometimes  
19 emergencies -- we've been through that at our office,  
20 where emergencies come up and all of a sudden somebody has  
21 a horrible illness or something, and it's -- even during  
22 these tiers of process, so where you can accommodate the  
23 timing -- because we're under these regs, as I understand  
24 it, on the statute, we still have to go -- our department  
25 would still have to get approval from CalHR, and then also

1 then come to you, once we have that. So just don't want  
2 to get bogged down in that process in emergency situations  
3 where we do need expert retired assistance.

4 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

5 OSTRANDER: And in response to that, I can let you know  
6 that we do have -- we do have other processes that require  
7 these approval steps, and they do move fairly quickly. So  
8 there's not -- there's not long delays. So especially if  
9 an employer is facing a particularly urgent situation, we  
10 will work in conjunction, and have with CalHR, to make  
11 sure those approvals do move quickly.

12 ACTING COMMITTEE MEMBER GREENE-ROSS: Appreciate  
13 that.

14 CHAIRPERSON FECKNER: All right.

15 CHIEF EXECUTIVE OFFICER FROST: And Anthony, can  
16 you clarify the process for the plus one, plus one, and  
17 the governing body's authority and CalPERS for those two  
18 plus one periods?

19 DEPUTY EXECUTIVE OFFICER SUINE: Yeah. I think  
20 Ms. Ostrander kind of outlined it there about, you know,  
21 after the two-year expiration, then you would go to your  
22 governing body, so -- in that example you gave, it would  
23 go to CalHR for approval and then it would come to CalPERS  
24 in the public agencies, right, it would go in front of  
25 their boards or commissions to get those approvals,

1 similarly with the school employers.

2           They would then come to us to review to make sure  
3 they've met the criteria that are outlined in the  
4 regulation. And then that would have to be done for the  
5 other plus one year before that extension expires. It  
6 would be done a second time, if you were seeking the other  
7 plus one.

8           CHAIRPERSON FECKNER: All right. So, Ms. Taylor,  
9 rather than a motion why don't you give us your -- the  
10 language, read that out, and let us hear it. And then by  
11 Chair direction we'll put it back to staff and let them  
12 bring back a --

13           COMMITTEE MEMBER TAYLOR: Better language of  
14 whatever.

15           CHAIRPERSON FECKNER: -- agenda item next time,  
16 so that we don't take a vote now when people aren't  
17 prepared to do so.

18           COMMITTEE MEMBER TAYLOR: That's makes absolute  
19 sense.

20           So let me read the language.

21           "A CalPERS covered employer may request an  
22 exemption to the maximum number of 12 consecutive month  
23 extensions prescribed in subdivision (a)(4) by filing a  
24 written request with the Board. The Board will grant the  
25 exemption request, if the Board determines the CalPERS

1 covered employer met the following:

2 "A, the conditions set forth in paragraphs A1  
3 through A3 of subdivision (a)(4) for each subsequent  
4 extension as applicable.

5 "B, CalPERS receives the approved extension  
6 request for a review by the end date of the second  
7 extension or the end date of any subsequent 12 consecutive  
8 month extension as applicable".

9 And then number 8, "The date on which the  
10 subsequent extension request is granted by the Board  
11 pursuant to subdivision (a)(7) or the first day following  
12 the end of the prior extension limit of 12 consecutive  
13 months, for which the subsequent extension is granted by  
14 the Board, whichever is later, initiates time counted  
15 toward the limit of 12 consecutive months for the  
16 subsequent extension".

17 And then 9, "Addition -- a report of the  
18 exemptions granted under subdivision (a)(7) will be  
19 provided to the Board annually".

20 And that is the language.

21 CHAIRPERSON FECKNER: Thank you. Now that we all  
22 have complete clarity.

23 (Laughter.)

24 CHAIRPERSON FECKNER: Ms. Ortega.

25 COMMITTEE MEMBER ORTEGA: I just wanted to make

1 one additional point --

2 COMMITTEE MEMBER TAYLOR: You're not on.

3 There you go.

4 COMMITTEE MEMBER ORTEGA: Sorry -- since the  
5 staff are going to take another look at this is just to --  
6 I'd ask that you consider the use of the term  
7 "appointment" in the current draft, because a person who  
8 has been a retired annuitant of the --

9 CHAIRPERSON FECKNER: Eraina, can you move your  
10 mic closer please.

11 COMMITTEE MEMBER ORTEGA: Sorry.

12 CHAIRPERSON FECKNER: The Controller is -- I  
13 mean, the reporter is having trouble hearing you.

14 COMMITTEE MEMBER ORTEGA: Okay. Sorry. Can you  
15 hear me okay.

16 THE COURT REPORTER: (Nods head.)

17 COMMITTEE MEMBER ORTEGA: Okay. So the use of  
18 the term, "appointment", in the current draft, I think one  
19 of the things that concerns me is that a person who comes  
20 back as a retired annuitant and they work for some period  
21 of time, the way it's drafted today, if they are asked to  
22 come in on an expert issue in the future, and they've  
23 already exhausted their extensions, even if they're going  
24 to work two hours, they'd have to come through a Board  
25 process for approval. And I just think that there should

1 be a little more flexibility for these very one-off kind  
2 of intermittent uses, that -- it's -- they are infrequent,  
3 but critical. That -- those are the types of things that  
4 again I very much support moving in a way that moves  
5 departments and employers away from the use of annuitants  
6 as part-time staff. But this is a very different type of  
7 thing where people are needed for something and I don't  
8 know that we need to create so much review for an  
9 exemption process for these very limited uses, so I'd  
10 encourage you to take a look at that.

11 CHAIRPERSON FECKNER: Thank you. So, Ms. Taylor,  
12 if you could give that language to staff and the direction  
13 will be to staff to come back to us with the revised first  
14 draft.

15 All right. Anything else, Mr. Suine, Ms.  
16 Ostrander?

17 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

18 OSTRANDER: (Shakes head.)

19 DEPUTY EXECUTIVE OFFICER SUINE: (Shakes head.)

20 CHAIRPERSON FECKNER: I do have a comment from  
21 Mr. Brennand. Public comment. I don't know if you still  
22 wish to make your comment, sir.

23 You're running up to the mic, so he must --

24 MR. BRENNAND: Got a tee time.

25 CHAIRPERSON FECKNER: I figured something along

1 those lines. Darn it.

2 (Laughter.)

3 MR. BRENNAND: Good morning.

4 CHAIRPERSON FECKNER: I wish you bogeys in your  
5 future.

6 (Laughter.)

7 MR. BRENNAND: Good morning, Mr. Chair and  
8 members. Terry Brennand on behalf of Service Employees  
9 International Union. I'm a little disturbed by all this  
10 talk about exemptions to what is already an exemption.  
11 The intent was never to have retired annuitants returning  
12 for lengthy periods of time. And I appreciate staff and  
13 the Board trying to define what a limited term is and we  
14 support the original recommendation, only because I don't  
15 understand what Ms. Taylor presented.

16 (Laughter.)

17 MR. BRENNAND: I'm sure someone will explain it  
18 to me later --

19 CHAIRPERSON FECKNER: It's complete clarity.

20 MR. BRENNAND: -- and perhaps I'll join, but --  
21 and let's be clear about who this benefits. It's none of  
22 my members. This benefits the highly compensated, the  
23 most privileged members of the public sector. This is not  
24 for my janitors. You guys know how difficult it is to  
25 recruit for probably the most difficult job in State

1 service and you got it done in 18 months. You got  
2 harassed a lot by how long it took, but you got it done in  
3 under four years. I think you can fill just about any  
4 position in State, local agency service in under four  
5 years. And it's absurd to think that we need to have  
6 people coming back for 20 and 25 years.

7           And on the political side of it, this is double  
8 dipping procedure where somebody is getting paid and a  
9 retiree is exactly one of the things you get hit with.  
10 The fewer of those they have to point to, the better.

11           For that reason, I support the staff  
12 recommendation. Thank you.

13           CHAIRPERSON FECKNER: Thank you. Appreciate  
14 that.

15           I see no other requests. Thank you, Ms.  
16 Ostrander.

17           That brings us to Item 7b, pharmacy benefit  
18 manager contract extension. Mr. Moulds.

19           CHIEF HEALTH DIRECTOR MOULDS: Great. Thank you,  
20 Mr. Feckner, members.

21           For Item 7b, we're asking you to approve a  
22 two-year contract extension with OptumRx, our  
23 pharmaceutical benefit manager. We're currently in the  
24 sixth year of our contract with Optum. In 2020, we  
25 significantly overhauled the contract transitioning from a

1 traditional PBM contract to an acquisition price based  
2 contract. If you recall, that means that we moved to a  
3 relationship with Optum where for the majority of our drug  
4 spend, the only fees Optum receives from us are for the  
5 costs associated with procuring and dispensing drugs.

6 In that contract, we significantly limit Optum's  
7 ability to profit from acquisition price spread, which is  
8 the difference between the price they pay when they  
9 acquire drugs and the price they make those drugs  
10 available to CalPERS.

11 As you know, we've been disappointed with the  
12 pricing we've seen in the new contract. And in 2021, we  
13 issued an RFI and took steps towards releasing an RFP. At  
14 the same time, we also opened a dialogue with Optum to see  
15 if we could address some of the challenges we were seeing  
16 in the new contract. Specifically, we wanted to see if we  
17 could retain the acquisition price model, but include  
18 stronger price guarantees.

19 We also engaged Milliman who performed a market  
20 check and -- on two proposals put forth by Optum and who  
21 advised us throughout the negotiations. The proposal  
22 we're bringing forward today has significantly stronger  
23 price guarantees and what our market check tells us is the  
24 best in-market pricing, specifically improves our current  
25 year 2022 pricing by about \$71 million. The projected

1 savings for 2023 and 2024 are better than \$130 million  
2 annually.

3           While it's possible that we could have done as  
4 well in 2023 and 2024 if we had gone out to solicitation,  
5 it was unlikely we would have done better in those two  
6 years. Moreover, going out to RFP would have meant  
7 leaving the \$71 million 2022 savings on the table. So the  
8 cumulative pricing with another vendor wasn't likely going  
9 to match what we're bringing forward for you today.

10           The other reason we're recommending that you  
11 adopt this contract extension is that it avoids potential  
12 disruption to our members. As some of you experienced  
13 when we transitioned to OptumRx five years ago, large  
14 scale PBM transitions are frequently disruptive moving the  
15 prescriptions of hundreds of thousands of people can cause  
16 temporary gaps in medication access, and other worrisome  
17 consequences. We've been watching with trepidation as  
18 DHCS has been undergoing challenges similar to those our  
19 members experienced in 2016 and 2017. It's a reminder  
20 that no matter how well planned transitions are, problems  
21 are the norm rather than the exception.

22           So to summarize, the contract extension we're  
23 bringing you today retains most of the key features of the  
24 current contract, continues with acquisition price-based  
25 structure of the existing contract, but it includes price

1 guarantee improvements that cumulatively would unlikely be  
2 matched if we were to go out to RFP. It also avoids  
3 potential disruption that's a very real possibility were  
4 we to decide to change vendors.

5           On the other -- one other important feature of  
6 this contracts is -- contract is that it includes a  
7 provision that allows us to audit the contract annually to  
8 ensure that CalPERS will pay the same prices for all the  
9 drugs that are under the acquisition price provisions of  
10 the contract that Optum pays manufacturers. The audit  
11 will be done by -- at Optum's expense and allows us to  
12 know with confidence that our contracts are truly  
13 acquisition pricing based.

14           I'm still hopeful that at some point in the  
15 future we'll be able to move away from our dependence on a  
16 pharmaceutical benefit manager and for key pieces of our  
17 drug procurement strategy. We continue to support the  
18 Governor's efforts to move with bulk purchasing, and  
19 generic manufacturing. And I have more optimism than I  
20 did a year ago that that strategy may begin to bear fruit  
21 sometime in the near future.

22           We also continue to explore the possibility of  
23 buying some of our drugs directly from manufacturers. For  
24 now though, I'm confident that the extension we're asking  
25 you to adopt is our best path forward.

1 I'll stop there and see if there are any  
2 questions.

3 CHAIRPERSON FECKNER: Thank you.

4 Mr. Rubalcava.

5 VICE CHAIRPERSON RUBALCAVA: Thank you, Don. I  
6 want to congratulate you and your team for stepping into a  
7 very complex situation. And I read your memo and I  
8 appreciate how you've been able to get the price  
9 guarantees. You've been able to get the contract revision  
10 about the audit. And so I would support -- if there's no  
11 other questions from the Board, I would make a motion that  
12 we extend the current contract to December 31st, 2024 and  
13 that includes the best in market pricing. And thank you  
14 again for figuring out the best path.

15 CHAIRPERSON FECKNER: Thank you. We have a  
16 motion before us. Is there a second?

17 COMMITTEE MEMBER TAYLOR: Second.

18 CHAIRPERSON FECKNER: Ms. Taylor seconds the  
19 motion.

20 Ms. Middleton.

21 COMMITTEE MEMBER MIDDLETON: Okay. Don, I just  
22 want to make note for the public record that I'm  
23 personally encouraged by the comments you made at the end  
24 regarding efforts to move beyond the PBMs that we find  
25 ourselves restricted to. And I encourage you to ask for

1 any help and support that we as a Board can be in that  
2 effort.

3 CHIEF HEALTH DIRECTOR MOULDS: We appreciate  
4 that. Thank you.

5 CHAIRPERSON FECKNER: Thank you.

6 Seeing no other requests to speak, a motion being  
7 before you, all in favor say aye?

8 (Ayes.)

9 CHAIRPERSON FECKNER: Opposed, no?

10 Motion carries. Thank you.

11 That brings us to Item 7c, approval of  
12 solicitation of long-term care. Ms. Malm.

13 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
14 Good morning, members of the Pension and Health  
15 Benefits Committee. Kim Malm, CalPERS team member.

16 In front of you is an action item that requests  
17 for you to approve the release of the long-term care  
18 third-party administrator solicitation. The term of the  
19 new contract to be either a five-year term with the  
20 current vendor or a one, plus one, plus five, if there's a  
21 new vendor to accommodate for the transition to it. And  
22 then also an extension of the current contract with Long  
23 Term Care Group for up to a 24-month period.

24 A few activities to also note during this  
25 solicitation process time frame is we'll be implementing

1 the second rate increase in November of 2022 and that does  
2 not complete by December 31st, 2022, which is when the  
3 current contract expires.

4 We are also administering a benefit increase  
5 option to all of our policyholders. The bio is  
6 contractually required every three years, according to  
7 their policyholder's evidence of coverage. These offer  
8 letters were just mailed last week, March 7th through the  
9 11th, and the implementation date of that is June 1st.

10 Lastly, we have a managed care aging-in-place RFP  
11 that's currently underway for a potential new plan  
12 offerings to work in conjunction with our current  
13 Long-Term Care Program. The requested contract extension  
14 would mitigate disruption to the policyholders that could  
15 occur if we were to transition to a new vendor at this  
16 time.

17 We're currently working with the Operations  
18 Support Services Division and the Legal office to release  
19 this RFP shortly after the Board approves. We appreciate  
20 their partnership in this large solicitation. This  
21 concludes my presentation, and I'm happy, or Don is, to  
22 answer any questions that you might have.

23 CHAIRPERSON FECKNER: Very Good. Thank you.

24 I see no questions. You must have answered them  
25 all in your presentation.

1 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

2 Great.

3 CHAIRPERSON FECKNER: Thank you.

4 So this is action item. We need a motion from  
5 the Committee.

6 VICE CHAIRPERSON RUBALCAVA: I'll make the motion  
7 to approve.

8 COMMITTEE MEMBER TAYLOR: I'll second.

9 CHAIRPERSON FECKNER: Mr. Rubalcava makes a  
10 motion, seconded by Ms. Taylor.

11 Any discussion on the motion.

12 Seeing none.

13 All in favor say aye?

14 (Ayes.)

15 CHAIRPERSON FECKNER: Opposed, no?

16 Motion carries. Thank you.

17 Bring us to Agenda Item 8, the information agenda  
18 items. 8a, you're the most popular guy in the room right  
19 now. Mr. Suine.

20 DEPUTY EXECUTIVE OFFICER SUINE: Thank you, Mr.  
21 Chair. Today, I have with me Kimberly Pulido who is the  
22 Chief of our Retirement Benefit Services Division.  
23 Kimberly started with us -- well, she's been with CalPERS  
24 for many years, but started in our Branch during the  
25 pandemic. She did present to you, but it was virtually

1 last year. So I thought I would introduce her again in  
2 person and have her present the COLA informational item to  
3 you.

4 CHAIRPERSON FECKNER: Excellent. Welcome.

5 DEPUTY EXECUTIVE OFFICER SUINE: I'll turn it  
6 over to Kimberly.

7 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

8 PULIDO: Good morning. Thank you, Anthony. Good morning,  
9 Mr. Chair and members of the Committee. I'm Kimberly  
10 Pulido, as Anthony had mentioned, CalPERS team member. I  
11 would like to congratulate you, Mr. Feckner and Mr.  
12 Rubalcava on your reelections.

13 CHAIRPERSON FECKNER: Thank you.

14 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

15 PULIDO: Agenda Item 8a is an annual information item to  
16 provide an update on the retiree cost of living  
17 adjustment, routinely referred to as COLA.

18 Our retirement law provides for the payment of an  
19 annual COLA each May to all eligible retirees based on the  
20 rate of inflation, as measured by the CPIU, or the  
21 Consumer Price Index Urban. A retiree becomes eligible  
22 for COLA in the second year of retirement. Therefore,  
23 members who retired just this last year will not yet be  
24 eligible to receive a COLA.

25 For the year ending in 2021, the rate of

1 inflation is measured by the CPIU was 4.7 percent.  
2 Approximately 95, 96 percent of our retirees are  
3 contracted for a two percent COLA, so those who are  
4 eligible will receive at least a two percent COLA  
5 adjustment on their May retirement check.

6           Because of lower inflation in previous years,  
7 some members who retired in certain years, or bands of  
8 years, will receive the full two percent or even higher,  
9 making up for those years where they did not receive their  
10 full COLA cap.

11           For less than five percent of retirees who have  
12 contracted for three, four, or five percent COLA, they'll  
13 receive at least three percent up to their contracted  
14 amount this year. The agenda item also includes a helpful  
15 chart that lays out the retirees by calendar year, so  
16 retirees can see what they should expect for their COLA  
17 adjustment this year.

18           This information has been shared with the  
19 stakeholders in our newsletter. We have a lot of retirees  
20 that have been calling and asking as well. Starting April  
21 4th, members will be able to go out into their online  
22 account through member self-service and see their precise  
23 COLA adjustment for their May 1st warrant.

24           This concludes my presentation and be happy to  
25 take any questions.

1 CHAIRPERSON FECKNER: Thank you.

2 Nice presentation. Great news.

3 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

4 PULIDO: Thank you.

5 CHAIRPERSON FECKNER: Not great that inflation is  
6 going up, but great for the retirees.

7 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

8 PULIDO: Yes.

9 CHAIRPERSON FECKNER: Ms. Taylor.

10 COMMITTEE MEMBER TAYLOR: Yes. Thank you for the  
11 presentation. Really good news for the retirees. I'm  
12 just curious, because I -- you know, this is my eighth  
13 year on the Board, how did we come up with so many  
14 different COLA formulas? Was those just agreements  
15 throughout the years that people -- unions made or  
16 whatever, or the retirees made?

17 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

18 PULIDO: Are you referring to the three percent, four  
19 percent, and five percent, or the COLA adjustments in the  
20 chart.

21 COMMITTEE MEMBER TAYLOR: So its COLA each year  
22 has a different amount.

23 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

24 PULIDO: Sure. So those --

25 COMMITTEE MEMBER TAYLOR: So when they retired

1 right is when it goes into effect, so --

2 RETIREMENT BENEFIT SERVICES DIVISION CHIEF

3 PULIDO: Exactly. So the inflation and their contracted  
4 COLA amounts are compounded annually based on their  
5 retirement years, so that's why you'll see those  
6 differences.

7 COMMITTEE MEMBER TAYLOR: So the contracted COLA  
8 amounts are the difference. It's the driver. It's not  
9 just a set COLA for everybody that's retired.

10 CHAIRPERSON FECKNER: Mr. Suine, can you explain  
11 like you did to Ramon and I what the banking is.

12 DEPUTY EXECUTIVE OFFICER SUINE: Sure.

13 CHAIRPERSON FECKNER: That might help.

14 COMMITTEE MEMBER TAYLOR: Thank you.

15 DEPUTY EXECUTIVE OFFICER SUINE: So the  
16 contract -- the only contracted COLA amounts for our  
17 employers are two -- two, three, four, or five percent.  
18 So that's what's in their contract. That's what's in the  
19 law.

20 As Kimberly mentioned, 95 percent of our retirees  
21 have two percent COLA. But that chart, those bands,  
22 represent -- we'll put -- we sometimes refer to as banked  
23 COLA. So if an inflation doesn't hit the cap in a certain  
24 year. So I forget what last year's COLA was but 1.71 --  
25 what was it -- 1.23, so there was actually 0.77 banked,

1 right, because they didn't get their two percent. So this  
2 year, those retirees from the previous year, who didn't  
3 get the full two percent are not only going to get the two  
4 percent from this year, but they're going to make up that  
5 0.77 percent from the previous year.

6 COMMITTEE MEMBER TAYLOR: Oh.

7 DEPUTY EXECUTIVE OFFICER SUINE: And that gets  
8 more complex as you --

9 COMMITTEE MEMBER TAYLOR: As you go back.

10 DEPUTY EXECUTIVE OFFICER SUINE: -- reach back  
11 more over the years.

12 COMMITTEE MEMBER TAYLOR: I get it.

13 DEPUTY EXECUTIVE OFFICER SUINE: So what you see  
14 in the chart are not contracted COLA amounts, but they're  
15 either the cap or the contracted COLA amount.

16 COMMITTEE MEMBER TAYLOR: Now, I get it.

17 DEPUTY EXECUTIVE OFFICER SUINE: So that's why  
18 you see so many variations, because it will vary every  
19 year when that range shifts.

20 COMMITTEE MEMBER TAYLOR: Well, because we went  
21 for years without ever hitting a cap, right?

22 DEPUTY EXECUTIVE OFFICER SUINE: Thirty -- this  
23 is the highest rate of inflation in 30 years --

24 COMMITTEE MEMBER TAYLOR: Right.

25 DEPUTY EXECUTIVE OFFICER SUINE: -- for us, so

1 that's -- and then with the lower inflation over the  
2 several years prior, they're making up that cap each  
3 differently in each year.

4 COMMITTEE MEMBER TAYLOR: Okay. I got. Thank  
5 you.

6 CHAIRPERSON FECKNER: Very good. All right.  
7 Seeing no other requests, thank you very much for the  
8 presentation and the great information.

9 Brings us to Agenda Item 8b, summary of Committee  
10 direction. Mr. Moulds, Mr. Suine.

11 CHIEF HEALTH DIRECTOR MOULDS: Still getting used  
12 to that again. I have one item which is the request from  
13 Mr. Rubalcava to include cumulative totals for health plan  
14 enrollment as part of the open enrollment report to make  
15 that available at a future Board meeting. So we're both  
16 happy to do that for the future Board meeting and going  
17 forward. That's all I had.

18 CHAIRPERSON FECKNER: Mr. Suine.

19 DEPUTY EXECUTIVE OFFICER SUINE: And I have  
20 taking back Ms. Taylor's language to incorporate and also  
21 Ms. Ortega's recommendation for us to look closer at  
22 some -- reducing some overhead on other positions.

23 CHAIRPERSON FECKNER: Very good. Thank you.

24 Brings us to 8c, public comment. I have a  
25 request from Mr. Woodson. Please come up front.

1 MR. WOODSON: Good morning. Larry Woodson,  
2 California State Retirees. First, congratulations to  
3 Chairman Feckner and Mr. Rubalcava for your election.

4 CHAIRPERSON FECKNER: Thank you.

5 VICE CHAIRPERSON RUBALCAVA: Thank you.

6 MR. WOODSON: I sent an email on behalf of CSR on  
7 March 4th to Stakeholder Relations with copies to Theresa  
8 Taylor, Marcie Frost, Don Moulds, and Brad Pacheco  
9 requesting reconsideration of CalPERS decision to cancel  
10 phone-in public comments. I don't know if that email was  
11 shared with the rest of the Board, but we -- the notice  
12 stakeholders received stated quote, "Both the Board  
13 meeting itself and the opportunity for public comment will  
14 be returning to our regular pre-pandemic format", end  
15 quote.

16 The statement seemingly implies the pandemic is  
17 over. I'm sure it wasn't intended but, that statement,  
18 along with the absence of any suggested precautions,  
19 implies such.

20 My email to CalPERS described a long discussion  
21 that took place on the March 3rd retiree roundtable where  
22 there was strong consensus among stakeholders that hybrid  
23 meetings should continue due to the risk and extreme  
24 transportation costs. And we saw no reason why it could  
25 not continue with phone-in comments, which you've employed

1 successfully for close to two years. We recognize and are  
2 encouraged by the significant drop in COVID cases in  
3 California and Sacramento County.

4 I would point out that the current State guidance  
5 from California HHS, while dropping mask mandates, still  
6 strongly recommends masks for indoor public settings.  
7 This auditorium, cafeteria, waiting areas meet that  
8 criterion, yet nothing in your meeting notices, agendas,  
9 or statement from Stakeholder Relations includes the HHS  
10 recommendations.

11 Those who have lost family members to COVID,  
12 those who are immune compromised or live with someone who  
13 is, and those who are in a higher risk group by virtue of  
14 age, retirees, are being asked to take some degree of risk  
15 in order to fully participate in these meetings. The  
16 solution is very simple continue comments by phone, which  
17 have been successful for many months. Although there were  
18 occasional glitches, there was no huge increase in the  
19 number of commenters nor undue burden for the Board, in my  
20 opinion.

21 The pandemic is not over. There were 162  
22 confirmed new cases in Sacramento County last week. The  
23 true number is likely higher. The UK just reported a 48  
24 percent increase in cases due to new the BA.2 variant last  
25 week. They attribute that in part to people mingling more

1 indoors without masks and it will likely be here soon.

2 In conclusion, CSR asks CalPERS to reconsider  
3 their decision to cancel phone-in comments. I know the  
4 Board doesn't usually respond to public comments. So  
5 after hearing from us and other stakeholders on this, we'd  
6 appreciate some Board and Health team discussion today, if  
7 possible. Thank you.

8 CHAIRPERSON FECKNER: We. Thank you for your  
9 comments. Ms. Taylor

10 COMMITTEE MEMBER TAYLOR: Yes. I did remember  
11 getting this letter from Mr. Woodson. Could I suggest the  
12 Chair have it sent back to staff that maybe we should  
13 consider in-person and phone comments?

14 CHAIRPERSON FECKNER: Staff is already having  
15 that discussion. I understand there's already some  
16 movement in the Legislature to move that direction.

17 COMMITTEE MEMBER TAYLOR: Oh, wow.

18 CHAIRPERSON FECKNER: So this is a moving target.  
19 It's not just us.

20 COMMITTEE MEMBER TAYLOR: Okay.

21 CHAIRPERSON FECKNER: So we'll see where we end  
22 up, but staff is certainly engaged with this. So thank  
23 you and thank you, Mr. Woodson.

24 With that, that comes to the end of our agenda.  
25 The Board Governance Committee will begin at 11:15. This

1 meeting is adjourned.

2           (Thereupon California Public Employees'  
3           Retirement System, Pension and Health Benefits  
4           Committee meeting open session adjourned  
5           at 11:05 a.m.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

