

## California Public Employees' Retirement System

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

March 15, 2022

The Pension & Health Benefits Committee (PHBC) met in Open Session on Tuesday, March 15, 2022, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:00 a.m. with the following members present:

Rob Feckner, Chair  
Ramon Rubalcava, Vice Chair  
Lisa Middleton  
David Miller  
Eraina Ortega  
Jose Luis Pacheco  
Theresa Taylor  
Karen Greene-Ross for Betty Yee

Other Board Members Present:  
Frank Ruffino for Fiona Ma

#### **Agenda Item 2 – Election of the PHBC Chair and Vice Chair**

On **MOTION** by Theresa Taylor and **SECONDED** and **CARRIED**, the Committee re-elected Rob Feckner as Chair of the PHBC.

On **MOTION** by Jose Luis Pacheco and **SECONDED** and **CARRIED**, the Committee re-elected Ramon Rubalcava as the Vice Chair of the PHBC.

At this time, the Open Session recessed and convened Closed Session. Open Session reconvened at 10:15 a.m.

#### **Agenda Item 3 – Approval of the March 15, 2022, PHBC Timed Agenda**

On **MOTION** by David Miller and **SECONDED** and **CARRIED**, the Committee recommended to approve the March 15, 2022, PHBC Timed Agenda.

#### **Agenda Item 4 – Executive Report(s)**

Don Moulds, Chief Health Director, Health Policy & Benefits Branch (HPBB), provided this year's open enrollment dates of September 19 through October 14 with the addition of online change submissions for active members, and provided a summary of today's agenda items.

Anthony Suine, Deputy Executive Officer, Customer Services and Support (CSS) provided an update on the regional offices reopening on March 1 to the public, while continuing to provide

virtual services, reviewed retirement trends, and benefit overpayment minimizing by death detection.

### **Agenda Item 5 – Action Consent Items**

On **MOTION** by Theresa Taylor and **SECONDED** and **CARRIED**, the Committee voted to accept the following Action Consent Item:

- 5a. Approval of the November 16, 2021, PHBC Meeting Minutes

Jose Luis Pacheco **ABSTAINED**.

On **MOTION** by Theresa Taylor and **SECONDED** and **CARRIED**, the Committee voted to accept the following Action Consent Item:

- 5b. Review of the Pension & Health Benefits Committee Delegation
- 5c. Proposed Revisions to the Public Employees' Medical and Hospital Care Act (PEMHCA) Regulations: Definition of Parent-Child Relationships

The following person spoke on this item:

J.J. Jelincic, Retired Public Employees Association

### **Agenda Item 6 – Information Consent Items**

The Committee accepted the following Information Consent Items:

- 6a. Annual Calendar Review
- 6b. Draft Agenda for the April 19, 2022, PHBC Meeting
- 6c. Health Open Enrollment Results

### **Agenda Item 7a – Proposed Regulation for the Definition of Limited Duration Employment**

Ms. Renee Ostrander, Chief, Employer Account Management Division (EAMD), presented a proposed regulation necessary to clarify what is considered "limited duration" employment as stated in Government Code (GC) sections 7522.56, 21224, and 21229 for retired persons serving after retirement and section 571(a)(3) of Title 2 of the California Code of Regulations (CCR) for employees required by their employer or governing board or body to work in an upgraded position or classification. The California Public Employees' Retirement Law (PERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA) do not explicitly define "limited duration" employment for either situation. By proposing this regulation, CalPERS seeks to explicitly define "limited duration" employment and to provide clarity and uniformity for CalPERS, its members, CalPERS-covered employers, and other stakeholders by ensuring the consistent use of the term "limited duration."

The Committee requested the team take back Committee recommendations to modify the current Proposed Regulation for the Definition of Limited Duration Employment.

The following person spoke on this item:

Terry Brennand, Service Employees International Union

## **Agenda Item 7b – Pharmacy Benefits Manager Contract Extension**

Mr. Moulds presented a summary of the CalPERS existing six-year contract with OptumRx administering pharmacy benefits with an option to extend for an additional year, i.e., through 2023. Under this existing contract, OptumRx procures prescription drugs distributed through mail order and OptumRx's specialty drug pharmacy on an acquisition-cost basis. Under this arrangement, CalPERS compensates OptumRx for its actual costs associated with procuring and dispensing drugs through these channels. This limits OptumRx's ability to retain the difference between what it pays a drug manufacturer for drugs and what it charges customers for these drugs under an average wholesale price discount arrangement. The negotiated two-year contract extension will allow CalPERS to achieve best in market pricing. It will also provide CalPERS the opportunity to further evaluate the acquisition cost-based model without committing to a new five-year agreement.

On **MOTION** by Ramon Rubalcava and **SECONDED** and **CARRIED**, the Committee voted to approve the extension of CalPERS Pharmacy Benefit Manager (PBM) contract with OptumRx for two additional years.

## **Agenda Item 7c – Approval of Solicitation for Long-Term Care Third-Party Administrator and Contract Extension**

Ms. Kim Malm, Division Chief, Strategic Health Operations Division (SHOD), presented a summary of information on the Long-Term Care (LTC) Program Third-Party Administrator (TPA) solicitation strategy, structure, and process.

On **MOTION** by Ramon Rubalcava and **SECONDED** and **CARRIED**, the Committee voted to approve the release of a LTC Program TPA solicitation. Approve a 1+1+5 year contract term if the LTC TPA contract is awarded to a new vendor. The 1+1 terms would allow for transition from the current vendor to the new vendor prior to starting the standard 5-year term. Approve a standard 5-year term if awarded to the incumbent. Approve extension of the current LTC TPA contract with Long-Term Care Group, Inc. (LTCG) for up to 24 months in order for CalPERS to complete the 2022 premium increase, the required 2022 Benefit Increase Option (BIO) offer and to provide enough time for the TPA solicitation process and avoid disruption to policy holders.

## **Agenda Item 8a – Update on Retiree Cost-of-Living Adjustment**

As an information item, Ms. Kimberly Pulido, Chief, Retirement Benefit Services Division, informed the Board of the Cost-of-Living Adjustment (COLA) that will be applied to eligible retirement warrants on May 1, 2022. Based on Consumer Price Index Urban (CPI-U), the annual rate of inflation ending 2021 was 4.70%. Therefore, eligible retirees will receive between 2% to 4.70%, based on the law, retirement date and employer's contract.

## **Agenda Item 8b – Summary of Committee Direction**

Mr. Moulds and Mr. Suine provided a summary of the Committee direction from the March 15, 2022, meeting. The Committee directed staff as follows:

- Include cumulative totals for health plan enrollment for part of the Open Enrollment report and provide to Board members.

- Take back Committee recommendations to modify the current Proposed Regulation for the Definition of Limited Duration Employment.

### **Agenda Item 7b – Public Comment**

The Committee received Public Comment from Larry Woodson, California State Retirees, regarding the cancellation of phone-in comments.

The meeting was adjourned at 11:05 a.m.

The next meeting of the PHBC is scheduled for April 18, 2022, in Sacramento, California.

Prepared by: Jenna Hayes  
Committee Secretary

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Don Moulds  
Chief Health Director  
Health Policy & Benefits Branch