



California Public Employees' Retirement System

Executive Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3829

888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

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Subject: Update on CalPERS and COVID-19

Dear Valued Stakeholders,

I hope that you and your teams are healthy and safe.

As we enter into May, I wanted to give you some updates on our operations. We continue to manage operations remotely and we plan to do this through the end of the month. This will allow us to plan and account for the proper policies and protocols that need to be in place before returning to our buildings. If the COVID-19 data in California continues to remain stable and improve, we will begin to transition back into our buildings on June 1. However, that date could change if circumstances dictate.

Below are some additional updates for your information:

Pensions and Customer Service

Our data is showing good signs in member service. Despite our Regional Offices being closed to physical appointments, our teams reported the highest level of phone appointments for retirement counseling this week. We had more than 220 appointments each day. All other operations are running well and there are no changes to CalPERS' processes related to retirement checks.

Health Care

At our Pension and Health Benefits Committee last week our health team discussed some significant changes that we have made to our annual rate development process with our health plans. These changes have improved transparency on the rating factors used by the health plans and CalPERS to set rates and have greatly improved our negotiating position. This year, CalPERS is using its own claims and financial data to create baseline projections for each plan. We are using these projections to review each health plan's rate filing, and we are requiring the health plans to segregate the data-points into specific trend categories so that CalPERS can compare them to our projections and assumptions. This allows CalPERS to analyze in more detail what specifically is driving the claims trend at each plan. This includes increased utilization, increases in unit costs, demographic shifts among members and/or geographic

shifts. We believe this new approach will ultimately lead to better rate outcomes for all participants in the CalPERS health program.

On a related topic, the COVID-19 pandemic has introduced significant uncertainty regarding health care costs and rates that have caused some delays in our process.

We plan to bring preliminary rates to the Board in June and adopt final health premiums in July at the board offsite. Delaying final rates puts us in a better position to understand the likely 2021 impact COVID will have on the health delivery system. It will also give stakeholders the opportunity to comment on rates ahead of final adoption. This change will delay the 2020 Open Enrollment period by one week, with a revised schedule of September 21 through October 16.

Finally, we have received inquiries about the announcement made at our Board meeting that CalPERS will cover all out of pocket costs for in-network care related to COVID. This policy covers any copays, deductibles or co-insurance in all of our PPO plans through at least the end of May. It applies to both testing and treatment. While this policy is in effect, the only cost exposure a PPO member could have for COVID-related testing or treatment would be from care he or she receives out of network. All Insurers offering CalPERS HMO products have adopted a similar policy.

CalPERS Investment Portfolio

As of April 30, our assets stood at \$376.6 billion which puts us slightly back in positive territory. Our balance sheet liquidity continues to remain strong. However, we do expect to see continued volatility in the markets for some time.

Board Meetings & Events

Our next Board and committee meetings are scheduled for June 15-17. We are hopeful that we will be back in our buildings and can hold the meetings in person through a combination of social distancing and video conference. We are also evaluating our scheduled events through the remainder of the calendar year. These include our Benefit Education Events, July Board Offsite and Educational Forum. We will keep you informed of our decisions related to these events.

Please don't hesitate to contact me if you have any questions.

Marcie