CSU ERFA REPORTER

California State University
Emeritus & Retired Faculty Association

December 2012

Publication of the California State University Emeritus and Retired Faculty Association
http://www.csuerfa.org

Inside this issue:

CalPERS Approves 85% Increase in Long-Term Care Premiums

In October, the CalPERS board of administration approved an 85 percent premium increase for early purchasers of its long-term care (LTC) insurance program policies.

The increase will be spread over two years starting in July 2015. It is being implemented to help stabilize the program's finances. Approximately 75% of the 150,000 members of the program will be affected. (For a related story, see the Health Benefits Report on page 5.)

Policyholders affected by the increase purchased two types of policies between 1995 and 2004: policies with lifetime benefits with inflation protection, and policies with lifetime benefits without inflation protection (California Partnership policies are excluded).

The premium increase is necessary to offset the effect of higher-than-expected claims, lower-than-expected investment income, the board's adoption of a more conservative fund investment mix for this program, and a lowering of the fund's investment discount rate to 5.75 percent to align with the more conservative investment portfolio.

The Board also approved three new optional alternative benefit plans that will provide the affected CalPERS LTC policyholders with options for relief from the financial impact of the 2015 rate increase. These new alternatives will

(Continued on page 4)

Timothy P. White Appointed CSU Chancellor

In a move that excited most CSU constituencies, the board of trustees on October 4th appointed UC Riverside Chancellor Timothy P. White the seventh chancellor of the California State University system. White will start late December, replacing retiring Chancellor Charles Reed. Reed was chancellor for 14 years.

White has been chancellor of UC Riverside since 2008 and is known for his Friday letters to the UCR community, commenting on education-related issues facing the university and nation. UCR has recently opened a new school of medicine and has announced the opening of a new school of public policy. UCR also has the most racial and ethnic minority students proportionately of any of the UC campuses, and more than half of all UCR students receive Pell grants. The university is well-ranked in both academic quality and diversity in national rankings.

White himself is an immigrant to northern California from Argentina. He is a first generation college student who began at Diablo Valley Community College near Concord. He earned his bachelor's degree from CSU Fresno, a master's degree from CSU East Bay, and his Ph.D. at UC Berkeley.He is internationally recognized for his work in muscle plasticity, injury, and aging. He was professor and chair of the department of human biodynamics at UC Berkeley and held the same positions at the Department of Movement Science at the University of Michigan. He was president of the University of Idaho from 2004 to 2008.

White requested that the CSU board reduce the state-funded portion of his salary by 10% in November, from

(Continued on page 2)

From the President...

Dear Colleagues,

When I thought about the various subjects that might be valuable to share with you I was all but overwhelmed. There are the elections, the new Chancellor of the CSU, the federal and state fiscal deficits that must be handled, volunteer activities by retired faculty, changes in CalPERS long-term care insurance and lots more. After considering options, I decided to forego the entire list and share an entirely different situation with you. It is one that pertains to me.

As you may know, I am a nurse and Cal State Los Angeles was my home base. A number of years prior to my retirement, LA “loaned” me to Cal State Dominguez Hills to be the interim dean of the school of health. It was a good experience for me and evidently met the need for the university. I returned to LA, was then “loaned” to Cal State Northridge, returned again, subsequently retired, FERPed, and then got more involved in various community and professional activities. Imagine my surprise when some months ago, I was called and asked if I would consider returning to Dominguez Hills for a year to be the Interim Director of the School of Nursing. Wow! I thought long and hard about the situation and given the fact that I missed my husband who had passed away earlier this year; I went down to the school to discuss possibilities with the dean and then the provost. Again, I debated within myself and finally decided that this might be good for me and I accepted the offer.

Now remember, I was retired and I didn’t quite know how my status would be affected. So, I inquired at CalPERS and it turns out that if you are requested to work in an agency that they cover, you do so as a “retired annuitant” and agree to work no more than 960 hours over a fiscal year. I started on August 20. What an interesting circumstance! I knew some of the people as they were there during my last experience and I met a lot of new ones. I was well received and immediately put forth significant effort to learn necessary information regarding the current status of the School of Nursing, the College of Professional Studies and the university as a whole.

Thus far, I have attended two meetings of deans and directors of nursing programs (state and national) and was delighted to see old friends and make new acquaintances. Also, I plan on enhancing relationships with various clinical agencies with whom we have associations and hopefully let more nurses know about our high quality on-line programs (RN to BSN; MSN in education, administration, clinical specialty (gerontology and parent-child), or family nurse practitioner); variety of certification offerings; and an on-site master’s entry RN program. Thus far, it has been an interesting and rewarding circumstance albeit one that requires a good deal of work. Oh yes, I am also assisting in the search for a new director.

Even though I am formally working again as opposed to completing consultation activities that I took on when I retired, I decided to maintain my role as president of CSU-ERFA. I did so assuming that I will have sufficient time to continue meeting requirements and expectations in a positive manner. I really believe in this organization and in the activities that it undertakes on behalf of emeriti and retired faculty. I decided to write about my circumstance because I know that many of you are involved in a variety of your own activities and are interested in what is going on with others; I wanted you to know what I was doing. If you are having good experiences during your retirement, perhaps you will share your story as well.

--Barbara Sinclair
CSU-ERFA President

New Chancellor

(Continued from page 1)

$421,500 to $380,000. The $421,500 was the same salary level as received by the current incumbent, Charles Reed. In addition, the compensation package includes a $30,000 supplement from the CSU Foundation. White indicated that he made the decision to request the reduction after speaking with a variety of stakeholders, both internally at the CSU and externally, and that he viewed the compensation reduction as appropriate in light of the fact that most employees in the CSU have seen no pay increase since 2007.

Legislative Report: On the Election

By Alan D. Wade, CSU-ERFA Legislative Committee Chair

The wise men and women of the media will no doubt be making a living for years to come over President Obama's reelection and its meaning. The losers will have to retreat into some kind of internal civil war in order to redefine their collective political soul. Was the loss driven by demographics, ideology, or some combination thereof? Will they bring a united front to upcoming efforts to resolve the "fiscal cliff," or will they split ranks and recognize that a broad coalition of voters actually rejected their hardline canon? The pundits in their wisdom will no doubt explain it all.

So, let's turn to our statewide election. We need to recognize that CSU-ERFA is not a political action body. To the best of our ability, through *The Reporter*, our website, and email we attempt to inform and occasionally make recommendations to our membership about matters that affect our central and vital interests as CSU retirees. **While these interests are not cast in stone, they are generally framed by two primary concerns: first, our own retirement security (pensions and health benefits), and, second, public higher education, with primary emphasis on the California State University.** Given our framework, the results of the recent election were cause for some satisfaction and cautious optimism for the future.

We have in the recent past cast implicit though often ambivalent support for "The Enigmatic One," Jerry Brown. However difficult his approach may be to gauge (and sometimes even to stomach!), the victory in the recent election clearly belonged to him. He campaigned tirelessly and with the winning arguments for the tax increases in Proposition 30. We urged a "yes" vote on 30, and it won, thus averting insolvency – and additional deep cuts for the CSU and the UC.

We also urged a "no" vote on Proposition 32, suggesting that the official silencing of its public workers would not be in the best interests of the state. Again, we won without spending a penny – we rode on the backs of our public employee union brothers and sisters! And the electorate spoke a resounding "NO" to BIG MONEY.

While we did not take a position on Proposition 38, many of us saw the folly in a tax increase designed to benefit K-12 alone, while ignoring the decaying infrastructure in which our schools would struggle to survive. Especially heartening was that Prop. 38 went down roughly 70-30, again rejecting a ballot proposition advanced by wealthy buyers. General-election voters are actually on to political action bought and paid for by "malefactors of great wealth." Certainly a step forward in the governance of our state.

It now appears that the legislature will have a Democratic super-majority in both houses. It seems unlikely that it will be abused in a new frenzy of tax and spend as some fear. Restraint will be the order of the day. The governor, public opinion, and some very prudent Democrats should see to that. Still, an interesting and possibly even productive legislative session lies ahead. Maybe we'll even get some movement on reforming the initiative process itself! Progressive reform of Proposition 13 may be too much to expect, but some are *sotto voce* talking about it.

Ever mindful of Bismarck's equating governance with the making of sausage, your CSU-ERFA legislative committee will be watching and trying to understand the basic ingredients.

2012 Election Turnout Down, California Registration Up

Turnout went down in both the US and California between the 2008 and 2012 presidential elections. The 2012 turnout rate was approximately 56% of the voter-eligible population of about 219 million, compared with the 2008 rate of 62%. Using the less-accurate Census Bureau estimation of the "voter-age" population of 241 million, the approximately 122 million votes yield a rate that barely surpassed 50% of the adult population of the United States, at about 50.6%, compared with the 2008 rate of 57%.

California. In California the turnout figures were almost the same as the national estimates, with 55.6% of the voter eligible population turning out and 50.6% of the voter-age population. The big news in California is that the registration rolls hit 18,245,970 voters in 2012, almost a million more people than in 2008 and a whopping 3.5 million voters more than the 1994 California registration figure of 14.7 million voters. Of that 3.5 million voter increase, about 3 million voters, according to Mark DiCamillo of the Field Polls of California, or – "nearly 90% – came from Latino and Asian American voters."

National. The voter age population is estimated by the Census Bureau on July first of each year, based on the previous Census and the American Community Survey. It includes the entire civilian, non-institutional population of the US. The United States Election Project at George Mason University, run by Prof. Michael McDonald, interpolates the July first figures to yield an approximation for the population of the US, by state, in November.

The problem with the voter-age population estimate is that it includes both non-citizens and those who cannot vote because they either are in jail or live in a state where felons or those who are on parole or probation cannot vote. Each state varies on this measure. Several southern states ban convicted felons from voting for life. Vermont and Maine, on the other hand, allow felons serving jail time to apply for an absentee ballot and vote from jail.

The voter-eligible population, then, starts with the voter-age population and subtracts from it official estimates of non-citizens, as well as those who are felons or on probation or parole in each state, according to each state law. The U.S. Election Project does the calculations.

(Continued on page 4)

LTC Program Premium Increase

(Continued from page 1)

allow policyholders to avoid further premium increases by converting to policies that will still provide adequate protection and possibly lower their premiums.

Affected policyholders will be given the opportunity to convert their policies to these new options in the spring of 2013. The policy changes will take effect July 1, 2013. "We feel the plan options we will offer our policyholders make this a win-win situation, especially for those with lifetime benefit policies," said Priya Mathur, Chair of the Board's Pension and Health Benefits Committee. "With the average length of stay in a care facility a little over three years, we think the 10-year conversion option will provide more than adequate coverage when our policyholders need it."

The CalPERS long-term care program began in 1995 and currently has more than 150,000 members and approximately $3.6 billion in LTC fund assets. The LTC Program is a voluntary, self-funded, not-for-profit program funded entirely by policyholder premiums and investment earnings.

Ted Anagnoson, editor of *The Reporter*, said that many private insurers had dropped out of the long-term care marketplace because of changing perceptions about long-term care. When the actuarial assumptions of many of these programs were developed, most people didn't use or want to use long-term care.

In the meantime, societal perceptions and people's desires had changed, with long-term care being considerably more acceptable now than it was 20 or more years ago. The result is a substantial increase in usage of the various long-term care options. In addition, all of us are living longer now than even 20 to 30 years ago, which has also worsened the financial situation of long-term care programs.

Three Options for CalPERS LTC Participants

The following description of the three options for existing participants of CalPERS long-term care program is from the CalPERS web site:

CalPERS will offer policyholders in its Long-Term Care Insurance Program the following options to convert their policies to help them avoid future premium increases and maintain adequate benefits for their long-term care needs:

Retained Inflation (RI) – This policy conversion option allows all policyholders with built-in inflation protection (excluding California Partnership polices) the opportunity to drop their built-in inflation protection and retain the increased Daily Benefit Amount (DBA) they've earned. Without the RI option, if policyholders elect to drop their built-in inflation protection, their increased DBA drops to the original amount they had at the time of purchase.

Policyholders who drop their built-in inflation protection will be eligible for a Benefit Increase Option (BIO) allowing them to increase their DBA. The BIO is offered every three years to policyholders who do not have built-in inflation protection. Policyholders accepting the BIO offer will have to pay the increased premium amount required for the additional coverage.

10-Year/Retained Inflation – This policy conversion option is available only for policyholders with lifetime benefits including built-in inflation protection, and provides an opportunity to convert to a 10-year benefit policy with Retained Inflation.

Optional Daily Benefit Amount – This option is for policyholders who dropped their built-in inflation protection or decreased their Daily Benefit Amount following the 2010 Long-Term Care premium increase. They will be able to increase their current DBA under this option, but they will also be required to participate in the RI option. Those taking advantage of this alternative will have to pay the additional premium costs associated with repurchasing up to 100 percent of the DBA they had at the time they elected to drop their built-in inflation protection or decreased their DBA. Underwriting will be waived for policyholders who elect this option.

Turnout

(Continued from page 3)

For a country that seems to believe that it is important to vote, it is clearly paradoxical that almost half of all adult Americans don't vote in most elections. For presidential elections, using the voter-eligible population figuresthe results since 2000 are:

- 2000 – 54.2%
- 2004 – 60.1%
- 2008 – 61.6%
- 2012 – 55.6% (an approximation based on preliminary figures of about 122,000,000 ballots cast in 2012)

Off-year elections are lower. The results since 2002:

- 2002 – 39.5%
- 2006 – 40.4%
- 2010 – 41.0%

The difference between the 2012 presidential election and the 2010 off-year election is about 40,000,000 votes. The 40 million contain disproportionate numbers of Democrats, as we know from the 2010 election results.

Americans don't vote at the same levels as some other nations. Voting has a cost for most people in time and effort, both in time to vote on what is normally a work day for most people and time and effort to understand what is a complex ballot in many places. California ballots often ask voters to make over 25 separate decisions, between confirming judges, voting on local and state propositions, and voting for numerous office holders, many of whom serve on boards and districts where the electorate receives little information about the performance of the board or governmental body aside from what the body itself distributes.

Registration has also increased the cost of voting, now easier through mail-in cards and online registration. When registration and the complex office-block ballot were introduced over 100 years ago, turnout plummeted, as was the intention of the Progressive movement leaders who introduced these changes.

A second factor is that the U.S. holds a lot of elections, with primaries and general elections every two years, and in many

(Continued on page 8)

Health Benefits Report: LTC Increases & the Medicare Improvement Standard

By David Humphers, CSU-ERFA Health Benefits Chair

Long-term care (LTC) has been a popular topic at CalPERS for the past two years. It will be another year or two before the CalPERS LTC program will be open to new members. The premium increase announced in October was based on a September survey of LTC insured members. I have not been impressed with the LTC program because I have received requests from LTC insured CSU-ERFA members who are not being served by their local LTC providers. However, when I have relayed complaints to CalPERS staff members, the response has been prompt and effective. The CalPERS LTC managers tell me that the LTC program has a high approval rating from insured members (except for the premium bump-ups).

Nationwide Financial, a firm that manages investments for many California state employees and retirees, has a full page "wealth management" advertisement in the October 17 issue of the Wall Street Journal titled "Long-Term Care Mythbusters." Of course, life insurance with a long-term-care rider is offered. It appears that the Myth authors were not familiar with the California CalPERS LTC-insured population, many of whom buy the insurance, live long lives, but never use the LTC benefit.

Myth 1: I will never need long-term care. That answer is true for 95% of the California state male retirees who are insured by the CalPERS LTC program. Only 5% of the insured male population use LTC before death. However, almost all (about 90%) of the insured females use the long-term care program.

Myth 2: My spouse will take care of me. That appears to be true for the CalPERS LTC insured males.

Myth 3: I'll be dead before I need long-term care. That may be true for some of the CalPERS LTC insured males and females.

Myth 4: If I need long-term care my kids will provide it. In the present economy few children can support aging family members.

Myth 5: Medicare, Medicaid and Social Security will pay for long-term care. The answer was "No, Medicare, Medicaid and Social Security will not pay for long-term care" … until settlement of a nationwide class action legal suit this fall that will extend Medicare coverage.

While the cost of long-term care continues to climb, the number of Medicare beneficiaries continues to grow, and more are living longer. **The settlement of a nationwide class action law-suit will result in significant expansion in Medicare coverage** rules. Robert Pear, writing in the New York Times, explained that the agreement results in significant change in Medicare coverage rules that have been in effect for decades. Thousands of people with chronic illness or disabilities will qualify for Medicare coverage of costly home health care, skilled nursing, home stays and outpatient therapy under the changes planned by the Obama administration.

The policy in effect for decades required a Medicare beneficiary to show a "likelihood of medical or functional improvement before Medicare would pay for skilled nursing and therapy services." The agreement changes the Medicare coverage rules: henceforth "Medicare will pay for services that are needed to maintain the patient's current condition or prevent or slow further deterioration, regardless of whether the patient's condition is expected to improve."

According to Pear, the Medicare manual will be revised to read that nursing care and therapy services do not turn on the presence or absence of an individual's potential for improvement, but is based on the beneficiary's need for skilled care. The lead lawyer for the beneficiaries, Judith Stein, director of the Center for Medicare Advocacy, said "the settlement would help people with chronic conditions like Alzheimer's disease, multiple sclerosis, Parkinson's disease, stroke, spinal cord injuries and traumatic brain injury. It could also provide relief for families and caregivers who often find themselves stretched financially and personally by the need to provide such care. As the population ages and people live longer with chronic and long term conditions, the government's insistence on evidence of medical improvement threatened an ever-increasing number of older and disabled people. The denial of coverage led to a denial of care because most people cannot afford to pay for these services on their own."

The lead plaintiff, a 76 year old Glenda Jimmo of Bristol, Vermont, has been blind since childhood. One leg had been amputated because of circulation problems related to diabetes, and she is in a wheelchair. She receives visits from nurses and home health aids who provide wound care and other treatment, but Medicare denied coverage for home health services because her condition was not likely to improve.

Another plaintiff, 81 year old Rosalie Berkowitz, in Stamford CT, has multiple sclerosis. Medicare denied coverage for home health visits and physical therapy because her condition was not improving. Her family said that she would have to go into a nursing home if Medicare did not cover the services.

The proposed settlement negotiated by attorneys from the Justice Department and the Department of Health and Human Services was submitted to Christina Reiss, Chief Judge of the U.S. District Court, Vermont. The District Court judge has the authority to enforce the agreement for four years.

Dr. Lynn Gerber, Center for Study of Chronic Illness and Disability, George Mason University, Virginia, referred to the settlement as "a landmark decision for Medicare recipients with chronic illness, and especially those with disability." Pear pointed out that "the settlement of the case will likely generate additional costs for the government; also the settlement might save money too. For example, physical therapy and home health care may provide the necessary prevention to avoid more expensive hospital care."

(Continued on the next page)

Pre- & Post-Retirement Concerns: Why is Our CalPERS Pension an Especially Good Deal?

By Tom Donahue, Chair, Pre- & Post-Retirement Concerns

Q: In the last issue of the ERFA Newsletter, you promised to tell how our CalPERS retirement program compares to the state systems found elsewhere. Please do!

A: You will recall that the argument in that issue was that the CalPERS system gives a CSU retiree a sense of relief after a career spent at a salary level averaging 17% below that of comparison institutions. The proof that CalPERS has excellent provisions is found in the state of Wisconsin study, mentioned last time and found at http://legis.wisconsin.gov/lc/publications/crs/2010_retirement.pdf.

In Part C of that document on page 25, 70 retirement plans throughout the country work in concert with the Social Security system, including CalPERS. The average "multiplier" in these plans, which in general multiplies salary times years of service times age, is 1.95%. **As reported in this study for 2010 [consult Chart IV], there were only 12 plans in 8 states which provided a multiplier of 2.1% or higher:**

--California's at 2.5% at age 63;
--Two in Louisiana at 2.5%;
--Two in Minnesota--one at 2.5% and another at 2.7%;
--Nevada at 2.5%;
--North Carolina at 3.5% for those serving over 30 years;
--Two in Ohio at 2.5%;
--Two in Pennsylvania, each maxing out at 2.5%; and
--One in Rhode Island, with a 2.5% multiplier for those serving between 32 and 37 years.

As you see, with the size of this multiplier California is well-positioned in a distinct minority of states providing defined benefits in the retiree's pensions.

The success of CalPERS, which in this respect serves as an investment agency for the money contributed by state employees, is naturally enough a function of its years in operation and of the enormous pool of funds it has under investment. **As we stated last time, for those currently in the retirement system (and when a Social Security stipend is added) this is a matter not just of work-life salary, but of lifetime earnings when all of one's retirement support is taken into account.**

If you have a question for this column, please write Tom Donahue at **donahue_thomas@ymail.com** (note the change of e-mail address.)

CSU-ERFA New Members

Bakersfield – Maguy Feghali

Chico – William Todd-Mancillas

Dominguez Hills – Joan E. Dunklee, Naomi Moy, Edward J. Whetmore

Fresno – Gerald R. McMenamin
Elizabeth N. Nelson,
Stephen A. Rodemeyer,
John N. Tinker,
Joanne Schroll

Fullerton – Pauline S. Abbott, Anne T. Feraru

Humboldt – John D. Stuart

Long Beach – Elizabeth Hoffman

Northridge – Cheryl Slobod, Ronald S. Stone, Don Brownlee

Sacramento – Rosalind Van Auker

San Bernardino – C. E. Tapie Rohm, Jr.

San Diego – Elizabeth A. Keith

San Francisco – Jacob E. Perea

San Jose – Julio R. Garcia

Stanislaus – Donna M. Pierce

Health Benefits Report

(Continued from the previous page)

The proposed settlement will apply to both fee-for-service Medicare programs and private Medicare Advantage plans that serve one-fourth of the 50 million Medicare beneficiaries. The settlement applies to retirees over age 65 and to people under age 65 who qualify for Medicare because of a disability.

According to Pear, the Obama administration initially asked the judge to dismiss the lawsuit because Medicare executives denied they had a formal policy requiring beneficiaries to show that their health conditions would improve.

The lawsuit expanding the Medicare program will provide many of the same services as LTC insurance to a large population of Medicare beneficiaries. Many of the 50 million Medicare beneficiaries cannot afford the cost of LTC coverage.

The fall state council meeting was my final meeting as health benefits chair. I have enjoyed working with the CSU-ERFA executive committee. I think that we have been an effective team.

I am resigning so that I can complete some tasks that began years before I retired from Sacramento State. I have been collecting information for two family histories (my mother’s and father’s), and it is time to prepare them for publication and distribution to a family spread across the U.S. from Alaska to Florida. Also, I am preparing an article for publication on early California medical care. When I complete the early California medical care paper I will ask the CSU-ERFA grant awards committee for funding to distribute copies in California.

Senior Texting Acronymns

LMDO: Laughing My Dentures Out
LWO: Lawrence Welk's On
MGAD: My Grandson's A Doctor
SUS: Speak Up, Sonny
WIWYA: When I Was Your Age
GOML: Get Off My Lawn
FYI: For Your Indigestion...
JK: Just Kvetching

ASCSU Report: The CSU Budget After the Election

By William Blischke, CSU-ERFA Liaison to the ASCSU

The statewide Academic Senate (ASCSU) met at the Chancellor's Office for the first plenary session of the 2012-13 academic year in September and for the second plenary in November.

I have been privileged to serve as the CSU-ERFA Liaison to the Senate for the last two years. Given the problems facing our twenty-three campuses that are spelled out in gory detail at these sessions, I am delighted to be "retired."

The ASCSU meets for two days every other month during the academic year (a week before the Board of Trustees meeting), and the bulk of the agenda is, understandably, reports from the Chancellor's Office as well as CFA, the California State Student Association (CSSA) and CSU-ERFA. Since the CSU has unprecedented budgetary and educational issues to confront, these reports and the resulting question-and-answer sessions are very informative. Given the dire future we seem to be facing, we need to work together and communicate openly.

Meeting with the Chancellor. Chancellor Reed met with the ASCSU on Friday morning, updated the Senate on CSU budgetary problems, emphasized that the collective bargaining agreements were near completion (they were completed subsequent to the meeting), and answered a number of tough questions from Senators. Since the CSU has 96,000 more students than it had in 1996 with the same budget, students, faculty, staff, and administrators are facing unprecedented challenges and the solutions are largely beyond the system's control.

In terms of formal actions, the ASCSU voted unanimously to support Proposition 30 and oppose Proposition 32. The CSU-ERFA executive committee took similar positions on these initiatives and, as you know, the majority of California voters concurred. An unexpected Board agenda item proposing to eliminate upper division general education and to limit lower division GE to 40 units was vigorously debated (see below). There were several other less important resolutions that will be considered at the next plenary session.

There is a "newly inaugurated" ASCSU newsletter called "Faculty to Faculty." For details of what I have reported in this article, this is an excellent source of information. See http://www.calstate.edu/AcadSen/.

Online courses. A critical new development, discussed extensively, was the Cal State On-Line program. The vendor that has been selected is Pearson e-College, and the program is scheduled to be implemented in February 2013. If any retired faculty are interested in working on the development of these on-line courses and programs, please inform your campus or CSU-ERFA.

The budget after the election. The November ASCSU meeting took place two days after the election. The collective mood among senators and Chancellor's Office staff was not euphoria but subdued relief. As Chancellor Reed pointed out in his final meeting with the senate, the CSU simply avoided an additional cut of $250 million due to the passage of Proposition 30. The bad news is that state revenues are running below projections, health care costs are skyrocketing and, if we go over the federal fiscal cliff in January, the CSU will take an additional budgetary hit.

> **The CSU has 96,000 more students than it had in 1996 with the same budget....**

For the first time in the history of our system, this year tuition revenue will exceed state support, another step in the privatization of our "public" university! The Senate unanimously approved a resolution to urge the board to convey to the governor, the legislature and the public that the 2013-14 support budget represents only a partial restoration of cuts experienced by the CSU in recent years and would leave the CSU far short of the resources necessary to fulfill its mission.

Faculty trustee selection process. There was an extensive, if not torturous, process for selecting the Senate faculty trustee nominating committee. Your CSU-ERFA voting representative, Harold Goldwhite, who served as a faculty trustee in the past, was elected in the first round and will serve as chair of the seven-member committee.

Resolutions. This was Chancellor Reed's last meeting with the senate, and a resolution commemorating his twelve years of service was passed. The Chancellor also joined us at the evening social hour. Two other resolutions directed toward individuals were promulgated; one honored the many years of leadership service by John Travis as CFA president and ASCSU liaison and the other one welcomed Chancellor Timothy White.

There were several resolutions regarding very important academic and student fee issues. The one regarding international programs, passed unanimously, requested more time for the new Chancellor, the faculty, and others to review the draft executive orders due to concerns that the orders "would impede curricular advances and internationalization efforts on campuses."

There was strong opposition to three new fees being proposed by the Chancellor's Office. These are the graduation incentive, the third-tier tuition, and the course repeat fee. The CSSA, CFA, and many local senates have added their voices to this opposition.

The other contentious issue involved faculty consultation on baccalaureate unit limits. Some programs have extended major requirements beyond the 120/180 usually needed for graduation. The chancellor's office and some campus administrations are trying to force these programs (e.g., accounting and engineering) to eliminate some of their courses.

The 50th anniversary of the ASCSU. The senate will be celebrating its 50th anniversary during the March meeting. You will be hearing much more about this in the next few months. Hopefully, those of you who were members of the senate during this half century can join us.

If Your Address Changes

Please notify the CSU-ERFA office if you change address. The address is on page 2 of *The Reporter*, bottom left.

State Council Meets in Long Beach

Some 35 CSU-ERFA members of the State Council assembled at CSU Dominguez Hills on Saturday, October 27 for enthusiastic discussions of the issues facing CSU retirees.

CSU Dominguez Hills Emeriti Association chair David Karper welcomed members to the campus, highlighting the extra space at DH by telling of the burial on campus of a zoo elephant without the prior knowledge of either Karper, then serving as vice president, or campus president Donald Gerth. The latter confirmed the story.

David Humphers of CSU Sacramento announced that he will be resigning as health benefits chair as of the end of the present year, June 30, 2013. Bob Maurer of CSU Chico resigned as treasurer of the CSU-ERFA Foundation. His replacement will be Mark Shapiro of CSU Fullerton, CSU-ERFA's webmaster and former treasurer.

Harold Goldwhite reported on the statewide Academic Senate, including a letter from senate chair Diana Guerin addressed to CSU-ERFA.

Judd Grenier, CSU-ERFA archivist, reported on efforts to gain access to the chancellor's files. In the past several chancellors have considered the files to be their personal property, and they took the files with them. One council member remembered some files that still remained in California. Grenier mentioned that he is working

(Cointinued on page 11)

Retiree representative to the Statewide Senate Harold Goldwhite making a point at the State Council meeting. Donald Gerth, former president of CSU Sacramento, at the right.

CSU-ERFA Foundation Grants Available

Deadline December 17, 2012

CSU-ERFA members in good standing may apply: for funds to support research and creative projects as follows:

1) Scholarly research on issues important to the retiree as a continuing member of an academic discipline or community,
2) Research and scholarly projects that contribute to the quality of life of the retirees in the University system,
3) Research and creative projects that contribute to a given academic discipline,
4) Research pertaining to the retirement concerns of faculty within the California State University System.

Grants can range from a few hundred dollars to as much as $6,000.

For more information: see the CSU-ERFA web site, http://www.csuerfa.org.

Turnout

(Continued from page 4)

locations, local elections at different times of the year, in the Spring for some California cities.

A third factor is the decline of political parties, which once contacted people individually and offered small incentives to get people to vote. Until the Obama campaign, not enough people were involved to contact every voter, and the U.S. is a nation where voting levels are low unless voters are mobilized. Thus, in 2012, voting levels in the 10-15 most competitive states for the presidency went up, while turnout levels in the other 35-40 states declined.

The accomplishments of the Obama campaign organization in the 10-15 most crucial states for the electoral college are all the more notable when one considers the context of the U.S., where most people don't care about politics and don't pay attention to campaigns and public affairs.

As Robert G. Kaiser, Associate Editor of the Washington Post, said the day after the election in a question-and-

(Continued on page 12)

Public Pension Wars and Discount Rates

By John G. Kilgour, CSU East Bay

In another of our series explaining public pensions, Prof. Emeritus John G. Kilgour of CSU East Bay explains the relationship between the fiscal health of a public pension fund and the assumed rate its investments will accrue in the future.

Dr. Kilgour is vice president of the East Bay affiliate of CSU-ERFA.

The funding of state and local government pension plans received little attention before about 2000. Then, with the recessions of 2001, and even more so with the Great Recession of 2008, pension funded ratios (assets ÷ liabilities) declined markedly as reported in the following table. The funded ratio is often referred to as "percent funded" meaning the extent to which "projected benefit obligations" (PBO) are covered by current assets. The funded ratio also drives the employer's annual required contribution.

Funded Ratio/Percent Funded of Public Sector Retirement Plans, U.S., CalPERS, CalSTRS

Year	2001	2004	2007	2011
All Plans	101.9	87.3	87.1	74.8
CalPERS	111.9	87.3	87.2	86.9
CalSTRS	98.0	87.0	85.0	73.1

The most important element in calculating the funded ratio is the discount rate used to convert the PBO to present value (current dollars). The lower the discount rate, the higher the liability and vice versa.

Two other factors affect funded-ratio calculations. One is the period over which unfunded liabilities are amortized. The other is whether asset values are based on "actuarial value of assets" (AVA) or "market value of assets" (MVA). AVA involves some smoothing (averaging) of asset values over five to 10 years. MVA is as of the valuation date.

Due to space limitations, this discussion will focus on the discount rate.

Currently, public pension plans and their sponsors (employers) use their expected long-run rate of return on invested assets as the discount rate, typically 8%. Beginning about 2004, a number of "financial economists" proclaimed that this was wrong. Rather, they held that since the pension benefits were guaranteed to the participants, they should be backed by risk-free assets (U.S. Treasuries) and that PBO should be discounted at a riskless rate of 4% or less. They derived this position from the seminal work of Modigliani and Miller (1958) and the large body of literature on corporate finance that followed. By one measure, the lower discount rate increased aggregate unfunded liability from $885 billion to $4.6 trillion. (Biggs, 2012). **The critics of public pension plans and the media accepted these numbers at face value and reported the much higher levels of underfunding as revealed truth.**

On June 25, 2012, after six years of vetting, the Governmental Accounting Standards Board (GASB) approved Statements 67 and 68 to replace Statements 25 and 27. The accountants and actuaries who control the GASB did not buy the reasoning of the economists. Rather, GASB 67/68 (effective June 15, 2013 and 2014 respectively) adopted a single "blended" discount rate. **Plans and employers may continue to discount their PBO at the higher rate based on expected earnings on assets, as long as the plan's assets covered its liabilities.** Beyond that "run-out date" they must use a lower rate based on the cost of their other borrowing (derived from an index of high-quality municipal bonds). As indicated in the following table, the new rules (blended discount rates, curtailed amortization periods and market valuation of assets) will impact plans and employers differentially.

The Impact of New GASB Rules on Funded Ratios and Plan Run-Out Dates

Plans	FUNDED RATIOS Current/AVA	Current/MVA	Blended/MVA	Blended Discount Rate	Run-Out Date
All Plans	76.9%	67.1%	52.8%	6.1%	2042
CalPERS	80.8	62.6	56.3	7.0	2053
CalSTRS	71.5	66.1	38.9	4.9	2034

One of the concerns about the size of unfunded pension liabilities is their impact on state and local government credit ratings. The three main credit rating bureaus have traditionally accepted the figures reported by the plans and employers. **How they incorporated them into their credit ratings is a different matter.** In July 2012, Moody's Investor Services proposed changing its methodology for the 50 state and 3,500 local governments that it rates. The proposal includes a discount rate based on Citibank's Pension Discount Curve. For 2010 and 2011, the discount rate will be 5.5% and the aggregate unfunded liabilities would increase from $766 billion to $2.2 trillion.

The pension wars will continue. The financial economists are not happy and are busily trashing the GASB and its new blended discount rate. Much of the debate will focus on the size of the unfunded liabilities generated by the three discount-rate approaches: GASB's, economists' and Moody's.

I confess that I am a shameless proponent of traditional employment-based defined-benefit pension plans. Their virtual disappearance in the private sector is a tragedy that portends a massive increase in elder poverty in the not-too-distant future. When listening to - or participating in - the ongoing public sector pension wars, please be aware of the role that the discount rate employed plays in calculating the funded ratio and, hence the extent of unfunded liabilities. Pass the word.

I do not mean to imply that all is well with the funding of government pension plans. There are big problems and improvements are needed. In fairness, many changes

(Continued on the next page)

Highlighting Chapters and Affiliates

Humboldt State University Emeritus and Retired Faculty Association

By Jae Emenhiser, Coordinator

Over two decades ago, Professor Kathryn Corbett and Ray Barratt spearheaded the establishment of HSU-ERFA. All emeritus and retired faculty are members, and nearly fifty attend at least one of our eight luncheon meetings per year.

We engage in four major activities to benefit our members and the University:

1. We maintain relations with CSU ERFA through sending representatives to two system-wide meetings per year.
2. We keep emeritus and retired faculty informed of benefits, especially regarding pensions and healthcare as well as campus parking, interlibrary loans, email, and personal webpage creation and maintenance.
3. We make $500 awards to three or four meritorious young faculty members per year to enhance their teaching, research, and service assisting them to qualify for tenure.
4. We provide opportunities for emeritus faculty to renew friendships and keep up with changes on campus and in the community.

Most members donate to our endowment fund and contribute $10 per year dues, which, along with rebates from the dues of those who join CSU ERFA, provide the revenue for our faculty awards, biennial mailings, and lunches for monthly speakers.

Professor Emeritus Kathryn Corbett, founding member of HSU ERFA, presents an award to Dr. Robert Cliver, Department of History. Photo: Ellen Land-Weber

For further information please see our website at: http://www.humboldt.edu/erfahumboldt/.

Pensions

(Continued from the previous page)

have already been made and more are in the pipeline (including AB 430 in California).

However, we should not over-respond due to exaggerated claims of underfunding based on questionable theories about discount rates.

Ref. All data in this note are derived from Munnell, et. al., www.crr.bc.edu. May 2012.

Excerpted from John G. Kilgour, "Public Sector Pension Plans and the New GASB Rules. WorldatWork Journal (forthcoming, Q 1, 2013).

A Letter to the Editor of the Sacramento Bee

By Alan D. Wade, CSU-ERFA Legislative Committee Chair

To the editor:

Two Bee editors attacked the ballot initiative process from different angles in Sunday's Forum—BALLOT EFFORTS SUCK UP MILLIONS (Dan Morain), and BIG MONEY AGAIN SEEKS TO HIJACK AN ELECTION (Stuart Leavenworth).

Progressives who championed the initiative idea more than one hundred years ago were passionate about returning to the people the growing power of corporate giants like Southern Pacific Railroad to buy the legislative process. They also feared that at some future point even the initiative process could be coopted by corporate interests.

That point has arrived. Most of the measures currently before the voters are underwritten by one or more donors who contributed $5 million or more.

But neither Morain nor Leavenworth suggests how this gigantic swindle can be suppressed.

Here are some possibilities:

1. Join a campaign to "just say no"—urge voters **never** to sign any petition for any ballot measure (best, as it avoids the need for more expensive political actions);

2. Double or triple the number of signatures needed for qualifying a proposition;

3. Cap the contribution amounts, restricting all such to residents of California;

4. Require all initiatives to be vetted by the legislature.

Signed: Alan D. Wade

CSU Long Beach Emeritus and Retired Faculty Association

By Steve Ross, President, CSULB ERFA

There are rumors that CSU Long Beach ERFA doesn't contribute to the CSU-ERFA newsletter. That's not true. Here is Long Beach's latest news.

For many years we have had two separate and distinct chapters of 'ERFA' at Cal State Long Beach, both fully supported by the central administration, both open to anyone who wanted to attend. Now we have come to an agreement that the constitutional language that officially required us to separate can be bridged and more members of the two groups can officially join CSU-ERFA if they wish.

We acknowledge that for many the longstanding separation still might be preferred, but the official separation has become a thing of the past.

The CSULB ERFA executive committee at our first meeting this fall amended the minutes of our previous meeting as follows: "amend Article III. Section 1: Membership to read as follows: Membership: All retired and emeritus faculty members, librarians, and academic administrators are eligible to join CSU-ERFA, thereby becoming members of CSULB ERFA. In addition, retired staff who remain in contact with the campus are also eligible, as are surviving spouses of retired faculty."

This replaces the old language that in effect created two organizations, the Association of Emeriti, which was more of a social organization, and ERFA, whose duties and functions were more professional.

Janice Hatanaka, the associate vice president for alumni relations and annual giving, is officially the administrator of both organizations, but she has Noemi Guevara assisting her with ERFA, and Leticia Lozoya assists with the Association of Emeriti. All three have worked professionally above and beyond the call of duty.

In Memoriam

Humboldt – Annie-Laurie Quackenbush

Long Beach – Gordon Leis

Los Angeles – Terry R. Kandal, Kenneth Wynsma

Northridge – Roger N. Moss, Nick Breit

San Diego – Robert Isensee, Lucile South

San Jose – Farrar M. Wilson

State Council Meeting

(Continued from page 8)

with CSU Chancellor's Office staff to obtain access to their archives so that these records will be preserved in the CSU-ERFA archive. A proposed video interview of past chancellors and faculty who were involved in the early history of the CSU was also discussed.

Several questions were asked, if not answered, at the end of the meeting, including whether meetings should be held midweek instead of Saturdays, whether meetings should be virtual, whether paper handouts should be done electronically, and whether the new Chancellor should be invited to attend.

Compliments were delivered to the CSU Dominguez Hills campus affiliate for their excellent job at hosting the meeting, including providing a cart to take council members from the parking lot to the Loker student union. The next State Council meetings will be in April 20, 2013 at Cal Poly Pomona's Kellogg Center, and the October 26, 2014 meeting will be at San Jose State University.

Governor Signs New Pension Reform Act, Strong Impact on New CSU Employees

Governor Jerry Brown signed the Public Employee Pension Reform Act of 2012 in September 2012. It goes into effect January 1, 2013. While the provisions do not affect those of us who are already retired, they do affect those who are working and prospective employees.

According to the CSU chancellor's office, the effects include the following:

- Employees will not be able to purchase "airtime," up to five years' credit toward retirement in return for cash, after January 1, 2013. Airtime has been severely criticized by both liberals and conservatives as offering employees a 7%+ return on their investment.
- Post-retirement employment will require a 180 day "sit-out" period. The provision would not apply to faculty participating in the FERP program.
- Any employee convicted of a felony committed within the scope of official duties would forfeit all pension benefits.
- Retroactive pension increases would not be permitted if they apply to service performed prior to the enhancement date.

For new employees, hired on or after January 1, 2013:

- The employee will be responsible for contributing 50% of the pension contribution rate calculated by CalPERS, with the employer paying the other 50%. Faculty in the CSU already pay a bit less than 5% of their salaries as their retirement contribution. An increase of 50% would mean a substantial increase in the current contribution.
- The amount of compensation that can be used to calculate the retirement benefit will be equal to the Social Security wage index limit, currently $110,000. The amount is adjusted annually based on the Consumer Price Index.
- Employees hired after January 1, 2013 will be on a defined benefit retirement formula of 2% at 62, moving up to a maximum of 2.5% at 67. This applies to all employees except for public safety.

It is already the case that employees who become members of CalPERS on or after July 1, 1996 are subject to the internal revenue code provision 401(a)(17) limit,

(Continued on page 12)

CALIFORNIA STATE UNIVERSITY EMERITUS AND RETIRED FACULTY ASSOCIATION
The Retirement Center
18111 Nordhoff Street
Northridge, CA 91330-8339
http://www.csuerfa.org

Have you moved? If so, please report your new address to the CSU-ERFA office at the above address.

Address Service Requested

CSU ERFA

California State University
Emeritus & Retired Faculty Association

Pension Reform

(Continued from page 11)

which restricts the amount of compensation that can be used to calculate a CalPERS retirement benefit to $250,000 (2012). This provision appears to apply only to the campus presidents and the top few staff members at the chancellor's office.

The CalPERS statement on the impact of the new legislation notes that it has other provisions, including:

- All benefits are to be based on regular, recurring pay, defined as "the normal rate of regular, recurring pay, excluding special bonuses, unplanned overtime, payouts for unused sick leave, and other special compensation." These provisions already apply to state employees, including the CSU, but not to local governments, where the use of these provisions has given some employees higher pensions than they ever made in regular salaried employment.
- Pensions are to be based on the employee's highest consecutive three years of compensation.
- Pension "holidays" are prohibited.

Turnout Down in 2012 Election

(Continued from page 8)

answer session, "America's is an apolitical, and often anti-political culture. Most Americans do not pay close attention to politics, or try to understand economics and social policy and foreign policy and all the rest of it. Every four years a majority of Americans tunes in to the presidential campaign, and we choose a president. Then we go back to indifference. It is the American way. We can argue endlessly whether this is good, bad, whatever, but it is a fact. It is an important part of who we are." A major London newspaper sent a team of reporters to Dunkirk, Ohio in October 2012 to check on how voters in this city with a British name felt about the election, only to find that **most voters in Dunkirk weren't paying any attention to the election.**

A fourth factor is the fact that many states and localities are dominated by one party. If a voter is among the minority in that area, what is the point of voting? One of the unappreciated ironies of the Electoral College as a way of organizing our presidential vote is that it renders the presidential race invisible (and in some ways irrelevant) in most of the country, as the candidates concentrate on the 10 or 15 most competitive states. For the candidates, there is no point in campaigning in states where they are either far ahead or far behind, which means that candidates visit California during the campaign only to raise money.

The last candidate that visited all 48 states in the continental U.S. was Richard Nixon, in 1960, and he lost.

Moving? Recently Moved?

Please let the CSU-ERFA office know. Address is at the bottom left on page 2.

Each mailing we make results in several returned items, and it is difficult to find members who have moved.

Thank you.