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Inside this issue:

Health Benefits Report: Cancer Insurance? By David Humphers

(David Humphers is the CSU-ERFA Director of Health Benefits and chair of the Health Benefits Committee.)

Is there a "CSU health plan" independent of CalPERS? A CSU-ERFA colleague retired, moved to southern California, and was invited to purchase a **"CSU Cancer Insurance Plan."** She purchased the cancer plan (supplemental insurance) for a couple of years and then submitted an inquiry: Is the "CSU Cancer Insurance Plan" actually endorsed by the CSU?

I asked Michelle Hamilton, Manager, Benefits and HR Programs, Office of the Chancellor. Her response: "Products offered by Sanders and Associates or Thomas E. Mestmaker Insurance & Associates are not endorsed by the CSU."

Regarding cancer insurance, the Wisconsin state Commissioner of Insurance states that these policies do not cover cancer diagnosed before you apply for the insurance, the policy is not a substitute for comprehensive insurance (cancer expenses are only about 10% of all US health expenses), and that those considering cancer insurance should ask three questions:
• Is my current coverage adequate for these costs?
• How much will the treatment cost if I do get cancer?
• How likely am I to contract the disease?
The Wisconsin consumer guide is available

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ASCSU Report: CSU Budget Declining

by Bill Blischke, CSU-ERFA Liaison to ASCSU

The last meeting of ASCSU for the 2011-12 academic year was held at the chancellor's office in Long Beach on May 3rd and 4th. With three "time certains," twenty-three resolutions (a number of them commemorating senators who would not be returning next year) and the election of officers for 2012-13, it turned out to be two very long, intense, and depressing days. I am more glad than ever that I am retired!

Chancellor Reed. The chancellor has met regularly with ASCSU this year. Unfortunately, he has had no choice but to share increasingly negative news about the CSU budget. He put it very succinctly: California is spending more and collecting less. The state has at least a $14 billion deficit, and it may be worse when the May revise is announced. If the governor's tax initiative either doesn't qualify for the ballot or, if it does and loses in November, that will mean another $250 million decrease for the CSU. (Though the chancellor did not mention it, a competing tax initiative sponsored by Molly Munger may also qualify for the ballot, and some predict that that would increase the confusion among voters and the likelihood that both would fail.) A compromise between the two is possible, but the sands shift on almost a daily basis.

Cuts to the CSU. In sum, the cuts in the CSU could exceed $1 billion. Other depressing news is that the CSU's per student funding is at a 40 year low. The CSU has 96,000 more students with the same budget we had in 1996. We have 3,000 fewer employees then three years ago, and

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From the President...

Dear Colleagues,

Recently, I had an interesting experience with the Cal State Long Beach emeriti association when they invited me to speak on "What CSU-ERFA Can Do For Me." I say interesting not only because I had the opportunity to meet a stimulating group, enjoy a delicious lunch, and share some of my personal opinions, but also because it required me to review how we evolved as an organization as well as several of the major issues already accomplished or currently facing us. Let me share some thoughts and information with you.

Origins. Our organization actually started in 1985 following four years of careful consideration and discussion. It evolved as a result of potential threats that would eliminate selected retiree rights and benefits. We were fortunate in that a number of initial advantages were forthcoming, and through the years, some new ones were added.

Retired faculty benefits. Today, benefits vary considerably from campus to campus. The subject is obviously of great importance as our organization is still talking about entitlements and benefits for retired faculty. In fact, an ad hoc committee has already met with several of the vice chancellors at Golden Shore to discuss the subject. An extensive survey was completed by our own pre- and post-retirement concerns committee to ascertain current retirement conditions on campuses throughout the CSU System. Based on survey results and general discussion on the subject, the initial ad hoc committee will be meeting with associate vice chancellor Ron Vogel in the near future to discuss (and hopefully finalize) the concept of privileges at our various locales. Volunteerism also will be discussed. We will keep you posted.

What else does CSU-ERFA do for you?

• It keeps association members informed about potential state or federal legislation that could affect us, as well as about activities or changes in the CSU chancellor's office or the board of trustees or CalPERS that could likewise affect us.

• **It was instrumental in the establishment of a voting member** position for a retired faculty member on the statewide academic senate.

• **It provides a communication network via "The Reporter,"** published four times per year, and a website that posts relevant information on a frequent basis. I urge you to carefully read the newsletter and frequently scan the website for new and important information.

• **CSU-ERFA maintains ongoing liaisons** with all affiliated CSU retiree associations, the California Faculty Association, and the statewide academic senate.

• **It encourages all of our emeriti associations to work together** for protection and enhancement of retiree benefits and shares among them positive actions that have potential for our members.

• **Of great importance, CSU-ERFA continues to assist members who have problems** with their health insurance or retirement benefits. We are very fortunate to have a knowledgeable health benefits committee. The chair attends CalPERS health benefits meetings and has developed a positive working relationship with members of that group. This is to our advantage as our colleagues who have problems with CalPERS can request to talk with one of the health committee members. If appropriate, the CalPERS group will be contacted and in most instances the problem is resolved or at least explained in an understandable manner.

Pension changes. Obviously, there is an ongoing concern regarding whether or not changes will be made to our pensions. I wish I had an absolute answer for you, but I don't. As you know, pensions and health benefits are forms of delayed compensation, and that fact helps to offset our CSU salaries that are generally lower than those in comparable institutions.

CalPERS. One of the reasons solid pensions are possible for California public employees is CalPERS' positive history of strong investment returns. If CalPERS returns decrease, then employer and employee contributions will need to increase. We really do need to keep an eye on the situation.

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Editorial: Will CalPERS Survive the 21st Century?

By Ted Anagnoson, Editor

(What follows is a synopsis of a talk your editor delivered to the CSU Fresno emeriti faculty on May 11, 2012.)

CalPERS, like any agency or government program, doesn't exist in a vacuum. What happens in other parts of the public and private sectors influences CalPERS, just as CalPERS has influenced others. Here we will discuss the changes in the private sector over the past three decades nationally and in California, and then how we might respond to strengthen CalPERS and its defined benefit retirement system.

The private sector has changed substantially. From the 1980 world where most companies and employees who had a retirement plan at all had a defined benefit plan, we now see that group with defined contribution plans.

• **A defined benefit plan** is one where the company bears the risk and responsibility of paying for the plan while the employee is retired, and the employee's retirement check is a function of years of service and the highest or last salary earned.

• **A defined contribution plan**, on the other hand, is one where the employee saves monthly, with the employer having the option of matching up to 6% of the employee's pay, and the amount accumulates in an investment chosen by the employee from those the employer makes available. At retirement, the employee lives on the nest egg, assuming it is large enough. The employer's risk is minimal, and there is no responsibility for the employer to support the employee in retirement.

Defined contribution (DC) plans do offer some advantages. Employers typically support them with smaller monthly contributions than they do with defined benefit (DB) plans, so they save money. Employees like them because they allow more portability from one employer to another. They also play into the American notion of "consumption now," since employees typically have more take-home pay while they are working.

The disadvantages are severe, however. The responsibility for choosing sound long-term investments is on the employee, and we have considerable evidence that employees don't invest well. Employees typically save too little. Many employers don't match any of the employee's savings.

Only half the full-time employees in the private sector even have a retirement plan (54% in 2009), and for all wage and salary workers aged 21 to 64 in the private sector, the proportion is even smaller, with only 45% participating in 2009. Sixty percent of workers reported in a January 2012 survey that the total value of their investments, excluding the value of their primary home and any DB plans, was less than $25,000.

And California is worse, largely because our industry structure has even more small companies than the US does nationally. Small firms are substantially less likely to have a retirement plan than larger ones. Typically the national figures run 5% or more less in California than nationally.

The end result for California is that if we arrange all Californians by income, the bottom 25% are obtaining 79% or more of their retirement income from Social Security, at a time when the average Social Security check is about $1,200 per month. The middle 50% obtains 70% or more of their income from Social Security – only the upper 25% gets 25% or less of its income from SS.

What this all means for CalPERS and other defined benefit retirement systems in the public sector is that they are vulnerable to taxpayer anger of the same kind that overtook the public sector in 1978 when Prop. 13 was on the June primary ballot, and nothing that anyone said about its implications had the slightest impact on the voters. It passed overwhelmingly. Those against the public sector having good benefits are waiting for the right combination of taxpayer anger about scandals, economic vulnerability from a recession, etc. The scandals we have had in some local government retirement plans where senior administrators retire with retirement checks larger than their salaries don't help. Neither do the continuing series of scandals affecting the publicly elected CalPERS board members.

How can we strengthen the claim of public employees to a good system in the face of all these changes?

One way clearly is to have public employees pay for more of the system, on the assumption that the greater the proportion of your retirement that you have paid for, the more it is "yours." However, given the few pay raises that anyone in the public sector has had in California in the last decade, this will be difficult to implement.

Another option that might help is embodied in SB 1234, the "California Retirement Savings Plan." This option would assist those who have no retirement plan beyond Social Security to save

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From the President...

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CSU-ERFA grant program. Another area I would like to mention is the CSU-ERFA grants program. This allows grants to be awarded to members selected for the research or creative projects that they describe. Applications are available now (from the CSU-ERFA office or on our web site) and are due in December. Awards are announced in February.

I hope this small overview gives you some idea of the efforts and accomplishments of CSU-ERFA. There are many more areas I could discuss; of great importance is the work done by committee chairs and their committee members, and I thank them. In particular, I would like to call attention to the work done by the executive committee; it has been terrific, and I offer thanks to each of them. If you are pleased with the CSU-ERFA accomplishments, perhaps you could share your opinions with your colleagues and encourage them to become members.

Please let me know what you think about our organization.

Barbara Peterson Sinclair, President

Legislative Report: Some Things to Watch on the California Political Scene, By Alan D. Wade, Legislative Chair

First on the agenda is the so-called "May Revise" of the state's always contentious budget. It is expected that revenues received since April 17 will come in at a lower rate than anticipated; hence, a larger than expected shortfall.

Second, the June 5 Primary Election is causing consternation among legislators whose seats are up for grabs in newly reconstituted districts. This does not bode well for clear decisions on key issues prior to that time, especially the shape of the budget debate and the governor's pension reform package. Although the people voted two years ago to suspend legislative pay until a budget alleged to be balanced is passed and signed by the governor, a judicial ruling has declared against the authority of the state controller to actually stop the checks from flowing. How that will play out is not known.

Third, Brown's twelve point pension reform proposal is currently in the hands of the conference committee whose decision will be final, and the leadership of the legislature, both currently struggling with the decision as to what to include and what to exclude in the bill.

Some of the proposals for reform are long overdue and should be accepted as "no brainers." **Others, like the proposal for a "hybrid" defined contribution system must be opposed.** The big political

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ASCSU Report: CSU Budget Declining....

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up to 3,000 more could be laid off next year. Since 82% of our operating costs are in people, we have few choices. Just about everything other than closing campuses is on the table. The chancellor's office and board of trustees are seriously considering converting the six campuses on the quarter system to the semester calendar as one cost-saving device.

Students vs. prisoners. In public speeches, op-ed pieces and at ASCSU, the chancellor frequently compares the state's annual cost for a CSU student to that of a prisoner in California; namely, we get approximately $8,000 per enrollee per year compared to $64,000 for the average cost of a prisoner. Even more astounding, according to Reed, is that due to federal mandates, the cost of providing the required medical care for prisoners 75 years old or older is $265,000 per year (there are not very many of that age, but with life sentences and good health care the number is increasing). He reiterated that the total budget for the CSU and UC is less than that of the prison system, and that is the most poignant reflection of our budget priorities.

Campus policies on emeriti faculty. Despite the continuing doom and gloom re future funding, the ASCSU dealt with a number of important substantive issues at its last meeting of the year. The one most directly relevant to CSU-ERFA was the resolution entitled "Calling for the Review or Creation of Campus Policies on Emeriti Faculty." This resolution encourages campuses to review policies for currency and completeness addressing the "eligibility/criteria for determining emeritus status, the process to acquire the title of emeritus status, the honors/privileges for emeriti faculty and the responsibilities of emeriti faculty." It also encourages those campuses that do not have such policies to develop them as soon as possible. Thanks are due to Tom Donahue and the pre- and post retirement committee, who compiled systematic information on these issues for most of the CSU campus affiliates. I shared those data with the ASCSU faculty affairs committee.

Other resolutions. The other resolutions ranged from one calling for an executive order banning the sale and distribution of tobacco products on CSU campuses to votes of "no confidence" in CSU presidents and the chancellor as well as timely and detailed responses from the chancellor's office and the board to ASCSU resolutions. The latter two (AS-3074-12 and AS-3075-12) were generated by the ASCSU Shared Governance Task Force, on which I served as your representative. They reflect what I perceive to be a widespread concern that CSU faculty are not involved in key decisions on many campuses or at the systemwide level at the beginning of the decision-making process or that their advice is ignored when decisions are made.

There were a number of other important resolutions passed. I especially would like to draw your attention to: AS-3056-12, "Recognizing the Integration of Sustainability into CSU Academic Endeavors"; AS-3061-12,"Endorsing the Joint Statement on Academic Freedom by CSU Presidents Armstrong, Hellenbrand and Welty"; AS-3076-12, "Amending the Constitution of ASCSU to Include Advancing Academic Freedom"; and AS3067-12, "CSU Faculty Profile: Proportion of Tenure-Track/Tenured Faculty and Demographic Trends, 2001-2009 Report on Commitment of the CSU Access to Excellence Strategic Plan." There were several others focusing on appointment of trustees (AS3065-12), online education (AS-3069-12), digital textbooks (AS-3070-12), and LGBT data collection (AS-3077-12) that are worthy of your attention. For all the final versions, go to the ASCSU website.

The new executive committee. I would like to close on a positive note. I have a great deal of admiration for my colleagues on the Senate, especially Jim Postma (Chico), the chair during these last two difficult years. Senators work very hard to represent the faculty and are deeply dedicated to the mission of the CSU. I look forward to working with the 2012-13 Senate Officers: chair Diana Guerin (Fullerton), vice chair Steven Filling (Stanislaus), secretary Glen Brodowsky (San Marcos), and members-at-large Christine Miller (Sacramento) and Catherine Nelson (Sonoma).

If you have questions or comments, please contact me at wblischke@csudh.edu.

Explanations: The CalPERS COLA and PPPA

By John G. Kilgour, Emeritus, CSU East Bay*

The Cost of Living Allowance (or Adjustment) (COLA) for most state of California and CSU retirees is limited to the lesser of 2% or the actual rate of inflation. A widely held misconception is that the 2% is applied to the current gross retirement benefit each year and that when the rate of inflation is above 2%, the difference is "banked" to be drawn upon in future years when the inflation rate is below 2%. It is a little more complicated than that.

How the COLA works. There is no COLA in the first year of retirement. It starts in the second calendar year after retirement and is then calculated annually and applied each May 1 thereafter. CalPERS annually calculates the compounded 2% maximum (1.02 X 1.02) -1 = .04; (1.02 X 1.04) -1 = .061; (1.02 X 1.061) - 1 = .082 etc. (rounded). It then compares it to the actual rate of inflation compounded.

CalPERS uses the annual average of the "All Urban Consumer Price Index" (CPI-U), one of the numerous CPIs published by the Bureau of Labor Statistics (BLS). CalPERS uses the CPI-U based on 1967 (1967 = 100). The BLS currently publishes CPI data based on 1982 – 1984.

CalPERS then compares the two compounded numbers and applies the lesser of the two to the retiree's basic (initial) benefit.

For those of us who have been retired for more than a few years, this means an annual 2% increase even when the inflation rate is lower than 2%. Until recently, the rate of price increase has been well above 2%. In 2010 it was a negative 3.57%. Participants who retired in 2005 or earlier received the full 2% COLA effective May 2011. Those with retirement dates of 2006 or 2007 received slightly less. And those who retired in 2008 and 2009 received 1.27% and 1.64% respectively.

For 2011, the inflation rate was 3.2%, so most of us received a 2% adjustment on May 1, 2012. Recent retirees received larger adjustments as follows: 2006, 2.1%; 2007, 2.9%; 2008, 3.2%; and 2009, 2.4%. Those who retired in 2010 got 2.0% and 2011 retirees were ineligible.

The PPPA. CalPERS provides another adjustment called the "Purchasing Power Protection Allowance." The PPPA is separate and in addition to the COLA. The calculations are similar. When the purchasing power of the retirement benefit falls below 75% of the basic benefit, it is restored to the 75% level. CalPERS used to say that the PPPA kicked in 10 or 12 years after retirement. Given the low levels of price inflation after 2008, that is no longer the case.

Until this year, the PPPA was made in January. Beginning 2012, it was made on May 1, the same as the COLA.

How do we compare? CalPERS also provides pension services to local government agencies. They may contract for COLA rates of 2, 3, 4 or 5%. Obviously, we do not compare well with those local agencies with more generous arrangements. The University of California Retirement Plan's (UCRP) COLA equals 100% of the first 2% of price increase, 75% of the next 4% to a maximum of 6% of inflation. The UC also periodically makes an ad hoc adjustment to restore purchasing power to the 75% level. The California State Teachers' Retirement System (CalSTRS) provides a flat (not compounded) 2% adjustment annually. It does not seem to have the equivalent of our PPPA.

The Wisconsin Legislative Council's 2010 Comparative Study of Major Public Employee Retirement Systems (released December 2011) reports that of the 87 plans studied, 28 had COLAs indexed to the CPI, 29 had automatic percentage increases, 19 had ad hoc adjustments made by the legislature, 5 based their COLAs on investment surpluses and 6 plans had no COLA provisions at all. The maximum adjustments and other specifics varied widely.

Conclusion. Is the glass two-thirds full or is it one-third empty. Compared to the University of California and many local government agencies, our 2% cap looks rather paltry. Compared to CalSTRS, it looks pretty good. And compared to private-sector defined-benefit pension plans, it looks great! The glass is two-thirds full.

**John G. Kilgour, Ph.D. is Professor Emeritus in the Department of Management and Finance at California State University, East Bay and the author of numerous papers in the employee benefits field.*

In Memoriam

Fresno – John E. Lindberg

Long Beach – Albie Burke
Eldon Dvorak
Dieter K. Muller-Stach
James E. Ryan

Northridge – Richard Campbell

Pomona – Jerome Dimitman

San Francisco – Alma S. Lamb

The Retiree's Lament

Have you been guilty of looking at others your own age and thinking, "Surely, I can't look that old." Well, I was sitting in the waiting room for my first appointment with a new dentist. I noticed his diploma, which bore his full name. Suddenly, I remembered a tall, handsome, dark haired boy with the same name had been in my high school class some 40-odd years ago. Could this be the same guy that I had a secret crush on, way back when? Upon seeing him, however, I quickly discarded any such thought. This balding, gray-haired man with the deeply lined face was way too old to have been my classmate. Hmmm, or could he? After he examined my teeth, I asked him if he had attended Central High School.

"Why, yes, I did." He gleamed with pride. "When did you graduate?" I asked. He answered, "In 1955, Why do you ask?"

"You were in my class!" I exclaimed. He looked at me closely, and then, that miserable, near-sighted, ugly, old, wrinkled block head asked, "What did you teach?"

CFA Report: "Bargaining Stalls; Tensions Rise"

By David Du Fault, CSU-ERFA Liaison to CFA

April 2012 brought significant changes to the stalled bargaining situation.

Mediation fails. As April began, CFA and CSU were in the process of mediation. As you may recall, CFA had declared an impasse at the bargaining table. At that point, bargaining regulations require that the two parties move to mediation conducted by a neutral third party. In early 2012, the mediator worked to find positions to which both CFA and CSU might agree. However, by early April the mediator had not found a basis for agreement and certified "the parties to fact finding." The CSU immediately informed CFA of the administration's positions on the outstanding issues, in effect, CSU's "last best offer."

CFA then countered with an offer to return to the bargaining table, a suggestion that CSU quickly refused. Unfortunately, CSU's last best position did not refer to CFA's most important issues, for example, workload, benefits, and shared governance, but rather put forward a "status quo" agreement for contract provisions "currently in force," with a number of "take backs" on other issues. The union characterized the administration's proposals as "nothing now and less later."

Strike authorization vote. While the events described above occurred, the union planned and carried out a strike vote on all campuses to authorize a series of rolling two-day strikes. CFA members voted on this proposal from April 16th to the 26th. Then on May 2, CFA reported that 95% of those voting had authorized the first-ever system-wide strike featuring a series of two-day rolling walkouts. Also CFA reported that 70% of its members had turned out to vote.

Bargaining resumes. As faculty members voted, CSU proposed a return to the table to "discuss bargaining issues." The new round of talks were scheduled to take place on May 4-5.

Of course, CFA hoped for a settlement but reminded union members of the difference of "being at the table" and "bargaining at the table" with the CSU. While CFA president Lillian Taiz hoped for a beneficial contract, she reminded union members of the serious differences between management and the CFA's positions. "The chancellor's offer would let class size keep soaring, take away lecturer job security and pay us less for the same work." Taiz concluded by stating that the union's positions were not only about money but about "defending a quality education." If these talks fail then the parties will embark on the process of fact-finding.

Political Action

Governor Brown's tax initiative. CFA voted "overwhelmingly" at its delegate assembly in late April to endorse Brown's tax initiative. CFA believes that the approval of the initiative "would bring stability to the state's public higher education and reduce the need for future cuts."

Legislative bills. CFA has sponsored three bills which now have passed through the Assembly's higher education committee on their way to the appropriations committee. These bills are:

• **AB 1965 (Pan)—This would allow *ex-officio* members of the CSU Trustees to appoint a designee to "attend and vote" at Trustee's meetings.** It also allows the non-voting student trustee to vote when the voting student trustee is absent.

• **AB 2427 (Butler)—This requires that CSU provide an annual report on CSU's extended education courses.**

• **AB 2497 (Solorio)—This requires that the CSU submit a report every two years on the impact of the CSU's early start program.**

Legislative Report

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players are divided in their support/opposition to the governor's proposal. Another big sticking point is the proposal for raising the retirement age for all employee groups. (The CSU-ERFA executive committee will have recommendations for you as this mystery unfolds in time for its August meeting.) We can expect a lively discussion of its recommendations at the fall state council meeting.

Fourth, there is the matter of budget cuts. Although Brown has not called the Democrats in the legislature "girlie men" as did his predecessor, he has come close by challenging them to "man up" and make deeper cuts to California's already tattered social safety net, which includes the once sacred cow of K-12 education. (Apparently, our leaders consider the way to become a man is to take a fearless stand against the poor, the weak, and the young, including the latter's prospects for public higher education.)

Finally, an update on the revenue side of the budget equation is in order. As *The Reporter* goes to press, the governor claims that his "Schools and Local Public Safety Protection Act of 2012" has obtained sufficient signatures to qualify for the ballot. We have not yet heard of the fate of Molly Munger's competing measure, although it could also qualify.

The likely scenario is that the usual smoke and mirrors budget debate will include attempts to fill a very large hole with the assumption that the Brown initiative will pass in November. There is one certainty: the Republicans in the legislature will courageously (or stubbornly) stick to their "no tax" blood oath.

What, then, is to be done? Vote on June 5 – you might just end up with a candidate who believes that good public policy is worth pursuing. Stay tuned to the budget debate. Your CSU-ERFA colleagues will do our best to help make some sense out of this surreal mess before the November elections.

And, don't underestimate the value of a personal letter to your own legislators if you would like to have your views compete in this very unusual market place of competing views of the polity.

And, finally, *please* let us know what you think about all of this!

CalPERS News

SEC lawsuits. On April 23, 2012 the Sacramento Bee and the Los Angeles Times reported that the U.S. Securities and Exchange Commission has filed suit against former CalPERS CEO Federico Buenrostro Jr. and former CalPERS board member Alfred J.R. Villalobos alleging that the two provided Apollo Global Management of New York, NY with fabricated documents. The suit alleges that these documents were provided to Apollo to assure the company that placement fees of more than $20 million that were paid to Villalobos and his two companies, ARVCO Capital Research and ARVCO Financial Ventures of Zephyr Cove, NV, had been approved by CalPERS investment staff.

The suit attempts to recover the placement fees that were obtained by Villalobos and Buenrostro Jr. using these allegedly false documents, as well as additional penalties.

In a press release issued shortly after the SEC announcement, current CalPERS CEO Anne Stausboll and CalPERS Board President Rob Feckner condemned the alleged misconduct outlined in the SEC complaint and they praised the SEC for recognizing the severity of the wrongdoing.

CalPERS lowers earning projections. In March and April, the CalPERS board lowered the pension fund's assumed interest rate from 7.75% to 7.5%. The staff had recommended lowering the rate to 7.25%. The change will be phased in over time. Governor Brown criticized the phasing in as costing the state extra money in the long run, but with an assumed $16 billion deficit for the rest of the present fiscal year and next year, the governor did not offer to send the state's share early.

The Sacramento Bee in an editorial stated that "while modest, the CalPERS board's action helps bring into sharper focus the gravity of the state's long-term public employee pension obligations. Proponents of pension reform have rightly argued that the board's overly optimistic earning

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Health Benefits Report: Additional Part B?

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at: http://www.oci.wi.gov/pub_list/pi-001.htm.

You may be eligible for more Medicare Part B reimbursement. The Spring 2012 issue of *PERSpective* that you received a few days ago has important health benefits information.

Regarding the Part B premium on page 5., for example, CSU and State retirees are eligible for reimbursement for some or all of the of the Part B premium. The Social Security Administration (SSA) establishes Medicare Part B premiums each year. The SSA uses your most recent federal tax return to determine whether you will be assessed an additional income-related monthly adjustment for the Medicare Part B premium. If you or your dependent is paying a higher Part B premium, you may be eligible for additional reimbursement. The reimbursement will not occur unless you apply for it. Submit a copy of your annual Social Security premium notice to CalPERS.

Other articles from *PERSpective* include:

- **Choosing the right hospital**, page 4, provides quality of care and safety ratings for California hospitals.
- **Hip and Knee replacements**, page 4, will be of interest to CSU-ERFA members insured with Anthem Blue Cross and Blue Shield of California.
- **Pharmacy Benefit Changes for 2012,** see the correction at page 7: a member pays the difference when a brand name drug is prescribed by the physician, "but a U.S. Food and Drug Administration approved generic equivalent is available."

CalPERS Long Term Care (LTC): A new contract with Univita Health. On April 17th, the CalPERS Pension and Health Benefits Committee interviewed the three candidates for the Long Term Care (LTC) Third-Party Administrator contract and selected Univita Health as the winner. The five year contract covers January 1, 2013 through December, 2017. The CalPERS LTC program was established by legislation in 1991. The first LTC policies were issued in 1995. Univita Health, based in Arizona and Minnesota, has served as "third party administrator" from the beginning.

In early 2011, CalPERS issued a Request For Proposal for the five year administrative services agreement. CalPERS announced that it was seeking a high degree of transparency in information, pricing and LTC management.

The candidates for the third party administrator contract were:
- CHCS Services, Inc., a firm with 26,400 employees serving populations across the Americas, Europe and Asia Pacific, with over $1 billion (US) in revenues.
- Long-Term Care Partners, began providing long term care in 1980s and was the first LTC program to accept "on line" applications.
- Univita Health, the firm that has been the CalPERS LTC program third party administrator since the program was established (1994-95).

All three of the candidates were evaluated by CalPERS staff as qualified to participate in the pension and health benefits (P&HB) committee interview process. The P&HB committee interviews were held in the CalPERS public board meeting auditorium.

Each of the three executive candidates had a half dozen of their staff present to provide information during the public interview. Members of the other two LTC contractors waited outside the auditorium during the interviews. Each interview consisted of a 10 minute presentation by the executive followed by a 20 minute period for the executive and staff to respond to questions from CalPERS board members.

Following the three interviews and without the three candidates in the room, the CalPERS Board members received additional information from CalPERS staff. This included the fact that one candidate did not provide complete application information, with some sections of the application left blank. Another could not meet the January 1, 2013 performance date. And one of the candidate firms has a 25-day application status arrangement; the other two complete applications within 2 or 3 days.

The CalPERS Health Benefits Committee vote was unanimous, awarding the contract to Univita for another 5 years.

June Primary Election the First Under Top Two Election System, by Ted Anagnoson, Editor

The June 5th primary election will be the first conducted under the new "top two" system being used in California. Under the new system, primary elections are being run like a track or swim meet, in which there are "preliminary" and "final" heats. In the new system, the preliminary heat is the primary election, where every candidate from every party is listed on the ballot, and voters can choose a candidate from any party. The top two finishers go on to the "final," which is the election on November 6, 2012.

Systems similar to the new system in California have been in use in Louisiana and the state of Washington for many years. In the Louisiana system, however, if one of the candidates receives more than 50% of the vote in the primary election, there is no election in November. This feature is a legacy of the post-Civil War reconstruction era, when the election system was designed to keep African-Americans from winning. In the California version, the top two candidates go on to the November runoff no matter how many votes the top candidate receives, and even if only two candidates run in the primary.

Write-in candidates can run in the primary election, but not in the general election, unless they are one of the two top vote getters in the primary and move on to the general election.

The new system is in use except for:

- **Presidential primaries** – these are still party primaries, and the parties decide for each election whether voters from other parties or those who decline to state are allowed to vote in their primary. In this primary election, the Democratic party and the American Independent party are allowing non-members to vote in their presidential primary;
- **County central committees**;
- **Local offices;**
- **Special elections;**
- The election of the **Superintendent of Public Instruction** (the state K-12 chief).

In special elections and for the Superintendent of Public Instruction, if the primary winner obtains more than 50% of the vote, there is no election in November. The hope of proponents of the new system is that more moderate candidates will be elected to the Assembly, the state Senate, and to Congress. Whether that will be the case will not be known for some years, until voting and re-election records clarify whether more moderate voting records have truly occurred.

Can CalPERS Survive the 21st Century?

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through payroll deduction a small proportion of their pay, with the example usually being about 3% (there are IRS limits, much higher, on how much pay can be tax deferred until retirement). **The employer obligation** would be only to set up the payroll deduction system; there are no employer fiduciary obligations or administrative fees. The money would go to an insurance company that would guarantee a return, right now about the level of federal long-term bonds, just short of 3%. The insurance company could invest the money itself or coordinate with an agency such as CalPERS, with CalPERS doing the investing and the insurance company providing the guarantee.

This plan has a lot of promise. It would reduce pension envy. If the plan chosen was the one where CalPERS teamed up with an insurance company, it would allow private individuals to "own" a portion of CalPERS. There would be a guaranteed rate of return, like an annuity. And anyone who didn't have a 401(k) or DB plan could participate. Participation would be totally voluntary.

We should support this bill. It has the potential to help an enormous number of private sector employees who otherwise face years of lean retirement income. It would involve no state money and no state bureaucracy. It has the potential to be a winner for employees in both the private and the public sector.

CalPERS News

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assumptions hide the true cost of this mounting debt."

The Bee also argued that "the Legislature can't afford to dillydally any longer over Gov. Jerry Brown's modest but absolutely necessary pension reform plan." With employee unions dead set against the governor's relatively harsh hybrid pension proposal for new employees, the fall election could be a lively one, depending on what plan, if any, the legislature decides to put on the ballot.

CalPERS board gift policy. In April the CalPERS board approved a new policy limiting gifts to $50 per calendar year from any one person or entity that does business with CalPERS or is seeking to do so in the future.

The policy does not include all entities. It covers financial and other service providers, but does not include non-profit trade associations, governmental advisory committees, or companies that issue publicly traded securities whose only business with CalPERS is that CalPERS buys, sells, or holds its securities.

The policy will cover CalPERS staff as well as board members.

CSU-ERFA New Members

New members joining CSU-ERFA since the March issue of *The Reporter*:

Bakersfield – Diane L. Decker

Long Beach – Richard F. Marrs

Los Angeles – Kathryn C. Reilly

State Council Meets at CSU Long Beach April 21st

CSU-ERFA's state council met at the Anatol Center at CSU Long Beach on April 21, 2012, with some 43 delegates attending from most of the system's 23 campuses. President Barbara Sinclair presided. The major focus of the meeting was the state's budget status as it affects higher education and retirees, with additional discussion of CSU-ERFA's membersship situation. The guest speaker was Dr. Regina Lark, who talked about "De-clutter 101," something that most academics can identify with.

CSU-ERFA officers, from left, Rita Jones (LB), Secretary; Bill Blischke (DH), Vice President; Barbara Sinclair (LA), President; Don Cameron (NO), Executive Director.

Dave Elliott (SJ), Larry Ianni (SF), and Harry Sharp (SLO) praised Milt Dobkin, who recently celebrated his 90th birthday, as one of the founders of CSU-ERFA and a tireless worker for retiree health benefits, both with CSU-ERFA and with the Retired Public Employees Association. Ianni praised Dobkin by discussing the basic structure of universities, noting that Dobkin was the academic vice president for many years at Humboldt State University. Presidents, he said, are supposed to speak in public. Faculty are supposed to think – to write and teach about their areas of expertise. The job of the academic vice president is to ensure that the president doesn't think….and the faculty don't speak! In doing this, Dobkin was be among the best.

On more serious matters, Alan Wade, Legislative Director, presented a generally pessimistic view of the situation in Sacramento (see his legislative report on page 4). Discussion ensued about the governor's proposed 12-point pension reform as well as his proposed initiative for the November ballot, which will raise the sales tax slightly and for a limited period as well as taxes on relatively wealthy Californians. If the tax initiative doesn't pass, the CSU and UC systems will each lose an additional $250 million on top of the almost $1 billion each has been cut in the last decade. The employee unions are focusing in addition on the proposed "paycheck protection" act that will make it more difficult for them to operate in the political arena. Bill Blischke, Vice President, passed out petitions to support the Brown initiative; these were due the next week but there was time to collect at least a few signatures. Most present urged support for the Brown initiative.

David Humphers, health benefits director, discussed the problems with the lack of service in CalPERS, both from the new computer system, still being tweaked, and from the existing long-term care program provider, Univita Health Inc., which was awarded the contract again after a competition with two other potential providers, discussed in the health benefits column beginning on page 1.

The luncheon speaker, Dr. Regina Lark of "A Clear Path, Professional Organizing for Home, Work, Life" began by saying that she knew that her PhD would open doors, but that she didn't realize that most of them would be garage doors. She focused on the emotional meaning of the various kinds of clutter that most academics are all too familiar with.

A third focus of the meeting was CSU-ERFA's membership situation. More members are needed to replace those who leave the organization, a long-term concern. The Council also unanimously approved the recommendation of the personnel committee that Don Cameron be reappointed as executive director for an additional two years. President Sinclair reappointed executive committee officers and members, adding Barry Paster-nack (FU) to the executive committee to replace Milt Dobkin. She also reappointed committee chais and members.

State Council delegates eating lunch at the Karl Anatol Center at CSU Long Beach. In the foreground, Marshelle Thobaben (HU) and Barry Pasternack (FU), both former statewide seante chairs. At the middle table, facing us, Don Dewey (LA), former CSU-ERFA President.

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Highlighting Chapters and Affiliates

Cal State LA's Emeriti Association

By Bill Taylor, President

The California State University Los Angeles Emeriti Association is in its 34th year. This past year we initiated several projects in addition to some ongoing activities. The projects include an oral/video history; co-sponsorship of a lecture series; and consideration of establishment of an emeriti volunteer program.

The oral/video history project is being coordinated by Dorothy Keane, our vice president for administration. She is interviewing emeriti who have played a role in the establishment and development of academic governance on our campus. Included are interviews with chairs of our academic senate. We believe that the video will be of use to future faculty members as they continue to carry the academic governance torch for the university. It should also be of great interest to our members.

We were invited to co-sponsor the Gigi Gaucher-Morales Memorial Conference Series. Gigi was an emeritus professor of French and Spanish in our modern languages department. When Gigi passed away her husband, Alfredo Morales, an emeritus professor of Spanish, endowed the conference series in her name. Our executive committee voted to become a co-sponsor. The 2012 conference on Carlos Fuentes was held on the campus May 4-5, 2012. The conference program is available at http://conferenceoncarlosfurentes.blogspot.com.

The executive committee is considering establishment of a formal emeriti faculty volunteer program. The CSUDH model and input from the CSU-ERFA executive committee are providing guidance as we deliberate.

Our association supports the lifelong learning program. Peter Brier is our liaison to this program, which provides lectures on a variety of topics at local senior citizen centers. We provide speakers and some office support.

The 25 member executive committee of our emeriti association meets monthly in the university president's conference room to coordinate the projects described above and attend to ongoing duties. Nine of the members are former chairs of the campus academic senate. Executive committee duties include publication of our newsletter, the EmeriTimes, three issues per year. Harold Goldwhite is the chair of the editorial board. Copies of the EmeriTimes can be accessed at our webpage, http://www.calstatela.edu/emeriti. Demetrius Margaziotis is our webmaster. We also have a faculty biography project, similar to SJSU's, which is coordinated by Ted Anagnoson. Emeriti are encouraged to submit their biography in electronic form so that it can be included in the webpage. Stanley Burstein is our historian/archivist. He maintains our archives which are housed in the University Library.

The emeriti association is involved in many campus activities. We elected Donald Dewey to serve as our member of the academic senate. Our president escorts the university banner carrier at honors convocation and commencement exercises in the spring.

(Continued on next page)

San Francisco State's Retirement Association

By Tom Spencer, President

The SFSU Retirement Association for faculty and staff (est. 1979) helps retirees stay in touch with their friends, keeps them informed about campus changes, provides social events and learning opportunities, and helps support the campus and its employees.

The Association has two or three luncheons a year at restaurants in San Francisco. The November luncheon is traditionally associated with Thanksgiving and the spring luncheon with St. Patrick's Day. These luncheons are opportunities to catch up with colleagues and to reminisce about "the good old days." Occasionally we have a speaker. One of our recent presenters was Don Gerth (a local member) who talked about his recent book The people's university: A history of the California State University. Another current speaker was our new Vice President/Provost Sue Rosser, who updated us on the reorganization of colleges and departments on campus.

We also have outings. Recent ones include a guided backstage tour of the San Francisco Opera House, a hard-hat tour of our library construction (now completed), a Lamplighters Music Theatre presentation of Gilbert and Sullivan productions and a Beach Blanket Babylon performance. Our Mare Island tour was so popular we had to schedule a second one. It featured a visit to historic sites in the Naval Shipyard including a chapel with Tiffany stained glass windows and a tour of a World War II "Mighty Midget" gunboat that our colleague Bill Mason has spent seven years helping acquire and refurbish.

We distribute a newsletter, the Off-Campus Bulletin (est. 1982) to keep members informed about association activities, member activities and campus happenings. Members enjoy our "history corner," articles written by resident campus historian Meredith Eliassen about different aspects of campus history. In the fall 2011 issue we were pleased to publish an article congratulating our previous vice president Larry Ianni. Larry returned to the Bay Area after serving several years as chancellor of the Duluth campus of the University of Minnesota. He now has a residence building named after him, Ianni Hall. Back issues of our Off-Campus Bulletin can be found on our website (www.sfsu.edu/~retire). The Association is fortunate to have a graduate student volunteer (John Stenson) who has helped us to develop this website and maintain it.

Every other year we publish a membership directory listing current members with contact information. Our association is particularly proud of providing career-related travel grants for professional development to current faculty and staff. Each year we award $3,500 in grants ($500 per award). We encourage donations to our endowment fund to carry on this program. One of the significant features of our history is that we have done what we have done as volunteers. We have no office, no paid staff, but lots of heroes in our ranks who have organized meetings, kept records, and given many happy hours of fellowship for over 30 years.

Dealing with Pension Envy

By Tom Donahue, Chair, Pre/Post Retirement Issues Committee

***Question**: I am very sensitive to the fact that many members of the voting public resent our pensions. Do you have any idea where this could lead?*

Answer: Many of us have acquaintances--lukewarm, tepid, or even chilly--outside academic life who are eager to claim that our CalPERS pensions are unfair because they are different from, and more generous than, private sector values and practices. It is worthwhile to take a bit of time to see just what those values and practices really are.

ERISA. But first, we should recall that since 1974 private pensions have federal protection through the Employee Retirement Income Security Act (ERISA.) This law sets standards for fiduciary responsibility, accounting and reporting, the precise listing of benefits, and the processing of claims, and as well it protects against the possibility of discrimination within retirement plans. ERISA was intended to be binding and reliable, but recently American business interests have found weaknesses in it and ways to slip around those weaknesses.

A recent discussion of this subject is *Retirement Heist: How Companies Plunder and Profit from the Nest Eggs of American Workers* (Penguin, 2011) by Ellen Schultz. The author, in recent years a reporter for the *Wall Street Journal,* tells of the policy changes toward pensions in a large range of American companies since the "dot.com" market rise in the 1990s. Those heady times produced a significant pension surplus in many American firms, and the chief executives decided that those funds could be put to better use. After enlisting the advice of such pension specialist firms as Tower and Perrin and Watson Wyatt Worldwide, they found that ERISA could be compromised if pension funding was claimed to undermine competitiveness in business. Following this outside advice, here is what a great number of American businesses did:

• **The freeze and transfer scheme**: starting around 1998, some companies chose to restructure their pension plans in a way that allowed the surplus to be used for other purposes, such as the financing of new business acquisitions, the funding of future pensions for executives, the addition of sums to the bottom line of company earnings, or defraying a variety of other business expenses such as "termination benefits." Companies pursuing this strategy include Lucent Technologies, DuPont, GTE/Verizon, GE, Delta Airlines, United, Fruehauf Trailer Corporation, GM, and Ford.

• **The "cash balance" scheme:** defined benefits pensions (like ours) were frozen at their current value, and employees were asked to convert to 401k plans or some alternative so that companies could lower their future contributions and thus improve their chances against their competitors. AT&T was a prime mover in this initiative, followed by IBM, CenturyTel, Intel, Georgia Pacific, Prudential Financial, Montgomery Ward, Enron, Occidental Petroleum, and many others.

• **The diminution of health benefits ploy:** once the above methods were underway, the emphasis on reducing the support of retirees and their future costs ballooned. Health, disability and life insurance benefits can be cut drastically. Among others, Cigna, Boeing, Xerox, Georgia-Pacific, and Polaroid took this route.

• Lastly, special mention must be given to **the merge-and-liquidate method:** when companies merge under changed ownership, the old pension plans can be changed using the above methods to a form more useful to the new corporate entity. This is an argument that promotes mergers and new acquisitions in modern business practice.

So what is the result of all this? Upon retirement, long-time employees find that their pensions have been reduced to a third or less of what they once expected, and in fact their take-home sums may be only enough to pay the costs of their HMO health plan.

This, then, is the emerging model: live on your savings, your part-time job in retirement, your Social Security, and little else. In the talk of our acquaintances on our CalPERS advantage, however, it is helpful to remember that many of these friends are suffering, and are in the midst of grievous losses.

Ellen Schultz's book is readily available on Amazon and elsewhere. For computer devotees, you will enjoy her presentation on YouTube at: http://www.youtube.com/watch?v=0GqGtkge5dQ.

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Cal State LA's Emeriti Association

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We have seven members on the CSU-ERFA state council, including Barbara Sinclair, president and Ted Anagnoson, editor of The Reporter.

Each year we have three general membership meetings. At the fall luncheon we presented seven fellowships to graduate students for $1,300 each. Emeritus professor Daniel Crecelius spoke on the “Arab Spring.” He is a noted scholar in middle eastern history with special emphasis on modern Egyptian history. At the winter meeting we were recognized at the academic senate meeting. This recognition of emeriti started in 1980. Following the academic senate meeting a reception was held at which Mandy Graves Hillstrom, professor of nutritional science, gave “A Heart to Heart Talk – Protecting Your heart with Proper Nutrition in Your Senior years.” At the spring luncheon we elected officers for the 2012-2013 year.

e-Reporter?

Notify the CSU-ERFA office at csuerfa@csun.edu if you wish to receive *The Reporter* electronically only.

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.

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California State University
Emeritus & Retired Faculty Association

CSU-ERFA State Council Meets

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chairpersons and members.

The Nominating Committee recommended at-large terms on the state council for Adnan Daoud (SJ), Don Gerth (SA) and Marshelle Thobaben (HU), all of whom were approved.

Highlights of other reports given were the continued increase in usage of the CSU-ERFA web site, the three awards from the grants committee (previously reported in *The Reporter*), and the report from the pre- and post-retirement concerns committee on the conditions for emeriti at the various CSU campuses.

From the latter, of special note is the fact that Stanislaus is the only campus in the CSU not to provide free parking for emeriti, one of the most common benefits in American universities for retired faculty.

On the Costs of Long-Term Care

The state reports that long-term care (LTC) can be expensive, and many people will use long-term care for an extended period of time. More than half the people who go into a nursing home will spend between $91,250 and $456,250 (in 2011 dollars), and one person out of every five will spend even more. Before most people enter a nursing home, typically they have already struggled for years with the cost of long-term care in their own homes.

• **Nursing home costs** in California averaged $250 a day in 2010.

• **Average annual cost of nursing care** in California is $91,250.

• 55 percent of people in long-term care will have a total lifetime use of **one year**.

• 24 percent of people in long-term care will stay between **one and five years**.

• 21 percent of people in LTC will have a total lifetime use of **five years or more**.

CSU-ERFA's Grant Cycle 2012-2013

CSU-ERFA Foundation is accepting grant proposals beginning May 21, 2012. The research grant deadline is December 17, 2012.

Who? CSU-ERFA members pursuing scholarly research, creative projects, and publications.

Those who are not members can join at the time of application.

What? Grants up to $6,000 for the current 2012-2013-grant cycle.

Grant applications, guidelines, and submission information may be downloaded from the CSU-ERFA website at http://www.csuerfa.org or contact the CSU-ERFA office for more information at (818) 718-7996.