CSU ERFA REPORTER

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Emeritus & Retired Faculty Association

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Inside this issue:

Bilbrey Wins CalPERS Board Seat

CalPERS has announced that Michael Bilbrey is the winner of a special runoff election to fill a vacancy on the 13-member CalPERS Board of Administration. The unofficial vote count shows Bilbrey with 117,034 votes and Richard Ross with 78,718 votes; the results are official when certified by the Secretary of State.

Bilbrey and Ross survived the preliminary election in April and May, when eight candidates vied for the post. Bilbrey had 46,032 votes, and Ross was second with 26,522. The vote turnout was normal for CalPERS board elections at approximately 13% of the eligible voters. Under state law, the winning candidate must receive a majority of the votes cast. Bilbrey's term runs to January 15, 2014.

Under California law, the CalPERS board has exclusive authority to administer the CalPERS pension fund. Six of the 13 members are elected by various segments of the CalPERS membership. Two members are appointed by the governor while one member is jointly appointed by the Assembly speaker and State Senate rules committee. There are four ex officio members: the state controller, state treasurer, director of the department of personnel administration, and a designee of the state personnel board. CalPERS has $233+ billion in assets and is the largest public pension fund in the U.S.

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CSU-ERFA is Going Green

CSU-ERFA is going green. Members who read *The Reporter* online or who don't need the paper copy of the pocket calendar sent out each November can notify the office, thus saving the organization the cost of printing and mailing the respective items.

In addition, CSU-ERFA is using this opportunity to survey interested members on whether they would like to contribute volunteer time or money to their campus or their retired faculty association.

Members interested in any of these alternatives should send an email to the CSU-ERFA office at csuerfa@csun.edu, and the office will take appropriate action on whichever of the three options is chosen.

Just let us know.

What's That Symbol Above?

The Reporter now sports an unusual symbol in the upper right of our front page. This is a QR or "Quick Response" code for our website address or URL – http://csuerfa.org, which can be read by any cell phone or computer that includes a camera and a bar code reader program or "app" installed on it.

The QR code is actually a two-dimensional data matrix that can include all the information that a conventional bar code represents and much more in a much smaller area than a conventional bar code uses. The QR code actually is one of several two-dimensional data codes that now are being used to encode information on all manner of products. Until recently, QR codes were seen more frequently outside the United States, while here in the United States the two-dimensional "data matrix" code format was more likely to be seen on products.

That situation has been changing rapidly

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From the President...

As I assume the presidency of CSU ERFA, I bring you greetings and good wishes. It is an interesting and challenging time to be involved with the leadership of our organization and I look forward to an exciting term. I am grateful to be provided with an able, effective and diligent executive committee and an exceedingly capable executive director.

Linking to the campuses. When I think about the goals that I would like our association to achieve, one of the first that comes to mind is the need to establish and maintain positive linkage with our various campuses. The impact of a poor economy and its resulting budget restrictions within the CSU is a major consideration. Granted, these restrictions may not affect us directly, but they certainly influence faculty, classes, new programs, students, timely graduation, support staff, general activities and more. We are the ones who built our universities, and we cannot simply walk away at this time of significant need. We should help to improve the situation if at all possible.

A liaison with the Chancellor's Office? Inquiries about CSU-ERFA's potential liaison with the Chancellor's Office are in process and I encourage you to consider interaction with each of your own universities. You will be hearing more about this, but in the meantime, think about how you envision such a relationship and what part individuals, affiliate members and the organization as a whole might play.

Another goal is to encourage emeriti and retirees to become members of CSU-ERFA and concomitantly increase the activities that our organization provides for members. Do let me know if you want us to enhance social, educational, artistic endeavors—or other pastimes that you might enjoy. Also, we must continue to enhance the status and rights of all retired faculty as well as assist faculty in their transition to retirement.

CalPERS. Keeping our members aware of current issues that affect or potentially affect us is of great importance. Perhaps heading this list is the topic of public pensions: Are they really safe – do the courts protect us? – will legislation change the retirement system as it now exists? Then there is CalPERS and whether it will sustain the level of earnings needed to maintain a fully funded pension system. We are fortunate that recent findings rate it at the highest level for a credit enhancement program but even so, questions exist as to whether the organization will closely examine equitability among allocated pensions and make changes as appropriate. Questions also arise regarding programs offered by CalPERS and how they may affect retirees. An example of this is a recent problem that we helped to solve involving health insurance. Whenever possible, CSU-ERFA will continue to provide such interaction with program entities and function as a positive "go-between" for our members.

In addition to the areas that I've mentioned, there is more information that I hope to share with you in future publications. Meanwhile, I will work with the state council which, in turn, can keep you abreast of on-going activities. I truly look forward to hearing any of your questions and welcome your ideas. Please feel free to be in touch.

Barbara Peterson Sinclair
President, CSU-ERFA
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Bilbrey Wins

(From page 1)

Bilbrey was endorsed by over 30 state labor organizations, including the California Labor Federation, CSEA, CSEA's retiree board, the California Nurses Association, the Orange County Labor Federation, the SEIU state council, the LA County Labor Federation, many regional labor councils, the California Federation of Teachers, and the California Faculty Association.

Ross was endorsed by CSU-ERFA, among others, after executive committee members saw the debates and read their transcripts from both the preliminary election and the runoff.

Editorial: "Invisible Elections"

We all know that American democracy isn't perfect. We've had major periods of our history when women couldn't vote, when African-Americans couldn't vote, when even those who didn't own property couldn't vote. Today, almost everyone can vote, but there are some elections when almost no one votes. They don't vote because the election might be held at an odd time, because voters don't have enough information to differentiate the candidates, because the voters don't care, etc.

> CalPERS Board of Administration elections are invisible, with turnouts sometimes less than 10%. In the most recent election, the turnout was 13.1% of the eligible voters. Is this a good way to run a railroad?

Mayoral and city council elections in some California cities fall into this category. They are often held in March or April, there is almost no information either online or in the newspapers about the candidates, and many people consider that city councils don't have that much authority anyway – so why bother.

The CalPERS Board of Administration elections are invisible too. You don't find information on them in the newspapers, magazines or other mainstream media. You don't find voters who care. You find absurdly small turnouts, in some cases fewer than 10% of the eligible CalPERS members. In the most recent election between Robert Ross and Michael Bilbrey, about 196,000 votes were cast from the 1,500,000+ members of CalPERS who were eligible to vote, a turnout rate of 13%. All you had to do to vote was to fill in a circle, seal the envelope, sign it, and send it in.

In CalPERS elections, you need to reach the voters, most of whom live in California, although some 10%-15% live outside the state. You could mail to them via the U.S. postal service, which for the most recent election would be a mailing to the entire CalPERS membership, some 1.5 million members x 50 cents per letter at least = $750,000 minimum. And that would be only one mailing. You could use organizations, but the only organizations that reach the voters, and even there the effectiveness is limited, are the public sector unions, which normally endorse their own members – usually former officers – in the election. The average winning candidate in recent contested elections has some $100,000-$150,000 spent on each candidacy, mostly through the unions.

How well has this process worked? We all know the results: very low turnouts, so low that they are manipulable by organizations, and many of the winning candidates have had to be investigated for corruption. We'd say this is not a good way to run a railroad. Improvements would be welcome.

Next issue: your suggestions, and mine.

Send your suggestions to the editor at csuerfa@csun.edu.

--Ted Anagnoson

Letter to the Editor

To the editor:

I would like to thank Don Cameron and David Humphers for the help that they gave me in trying to overcome some obstacles in transferring from PERS retirement medical insurance to Medicare upon returning from overseas. I couldn't have done it without you.

Margaret Hartman, Professor Emerita, CSU Los Angeles.

The Fall of the Faculty

Readers interested in the changes that have affected faculty all over the nation ranging from increased emphasis on productivity, the increasingly public arguments about tenure, attacks on faculty expertise and ability to collectively bargain to the lessened emphasis on shared governance might like to check out Benjamin Ginsberg's new book *The Fall of the Faculty: The Rise of the All-Administrative University and Why It Matters* (Oxford University Press).

ASCSU Report

By Harold Goldwhite, Retiree/Emeriti Senator

The Academic Senate CSU (ASCSU) met in its final plenary meeting of the 2010 – 2011 academic year at the office of the chancellor (CO), Long Beach. Inevitably budgetary matters occupied some of the Senate's attention. The governor has signed into law the part of the budget that, among other reductions, reduces the allocation to the CSU by $500 million for 2011 – 2012. For the ASCSU, which is treated for budgetary purposes as part of academic affairs of the CO, that translates into a roughly 10% cut in the operational budget.

Senate budget cuts. One immediate consequence is that all interim meetings of Senate standing committees next year will be virtual (i.e. by conference call or other technologically mediated methods). A presentation to the senate was made by Ben Quillian, Executive Vice Chancellor and Chief Financial Officer; in addition to the budget remarks above. Dr. Quillian said that part of the strategy to address the $500 million cut would be to increase tuition fees (now the accepted term!) by 10% as already announced; and to cut projected enrollment by 8,000 FTES. If there is to be a further $500 million cut, which is still a very real possibility, then "central action" will be needed where the campuses would be told from which categories their share of the cuts would come, reduced enrollments, staff reductions, etc. The decisions would not be left to the campuses.

CFA. Lillian Taiz and John Travis visited the Senate for CFA and commented on the challenging bargaining process; the administration wants workload "flexibility" in the successor contract that has the potential of erasing many hard won gains for faculty. A national conversation on higher education, in which CFA has a significant role, is under way.

Ronald Vogel, the new Associate Vice Chancellor for Academic Affairs, was introduced; he will be Chancellor Reed's appointee to the ASCSU. Since he has been on the job for less than a week, he confined his remarks to assurances that he was both experienced in, and fully supportive of, shared governance.

On-line and distance education. Richard Katz, a consultant to the CO, gave a presentation on the present and future of on-line and distance education in the CSU. His group has done surveys and interviews and will present its report to the Presidents' council on technology. The bulk of the questions and comments addressed to him by senators showed a healthy skepticism about some of the broadest claims for some of the new technologies.

The ASCSU acted on 19 resolutions, most of them being adopted. For a full list go to the ASCSU website. Highlights (for me) included:

- A commendation for the work of Academic Affairs in the CO, supported by faculty input, on integrating career technical education courses into admissions requirements for the CSU;
- Reporting requirements for the effectiveness of campuses' early start programs;
- Addition of a second faculty trustee to the board of trustees;
- C grade minima for four essential general education courses; and
- Support for Title 5 language for two new doctoral programs – Doctor of Nursing Practice and Doctor of Physical Therapy.

American institutions. There was extensive discussion about a Board item suggesting the possibility of waiving the CSU graduation requirements in American Institutions that is on the Board's May agenda as an information item. The Senate asked the Board to delay action until its November meeting to give time for a full discussion and recommendations from the faculty; and it passed a resolution reaffirming the importance of civic education for CSU students. (See page 11 of this issue.)

New Officers. In its organizational meeting the 2011 – 2012 the ASCSU elected the following executive committee members:

- Chair – James Postma, Chico
- Vice Chair – Darlene Yee-Melichar, San Francisco
- Secretary – Kevin Baaske – Los Angeles
- Members-at-Large – Christine Miller, Sacramento and Paul O'Brien, Stanislaus.

The CSU-ERFA Charitable Foundation: An Opportunity for Growth

By Adnan Daoud, President

For the last fifteen years CSU-ERFA has had a 501(c)(3) tax exempt charitable foundation organized to provide support for academic research and creative projects of its members.

Funded primarily by memorial contributions on behalf of deceased association members, the CSU-ERFA Foundation has been able to support thirty-six different scholarly and creative projects with grants totaling about $30,000.

Increased resources of the Foundation will allow it to expand its contributions to support a variety of projects such as underwriting scholarly research by association members on issues important to emeriti and retirees; supporting oral history projects and establishing a library of resource materials on emeriti and retirees issues and undoubtedly other relevant projects.

The needed resources will not materialize without our help.

CSU-ERFA members have the opportunity to make tax deductible contributions to the Foundation, and we encourage them to include the Foundation among their tax-deductible contributions each year.

For more information contact the CSU-ERFA office at the address on page 2.

CalPERS Funding and Benefits in Perspective

By John G. Kilgour, CSU East Bay

(Adapted from an article that appeared in the February 2011 CSU East Bay emeriti newsletter Postscripts.)

Public sector pension plans are under attack in California and throughout the country. The critics cite pension plan underfunding, overly generous benefits and examples of abuse. This note is an attempt to set the record straight.

California has three large statewide public pension plans: CalPERS, CalSTRS and UCRP (UC system). There are another 56 local government plans. CalPERS gets most of the attention. It is the largest and most visible public pension plan in the United States.

CalPERS consists of three roughly equal parts covering: state employees, classified school employees, and employees of contracting local government agencies. The system has 1.6 million participants: 1.1 million actives and 514 thousand annuitants.* CalPERS is funded by a combination of mandatory employee contributions, earnings on accumulated assets, and employer contributions. For state miscellaneous employees, the contribution is fixed at 5% of earnings above $513 per month. Earnings on invested assets move with the equity and other financial markets. Employer annual required contributions (ARC) fluctuate with the funded status of the plan.

Funded status is measured by the "funded ratio" (assets ÷ liabilities). Liabilities are based on various economic and demographic assumptions; the most important and controversial of which is the assumed interest rate. Assets are measured as actuarial value of assets (AVA) or market value of assets (MVA). AVA involves "smoothing" or averaging asset values over a number of years to ameliorate fluctuations in ARC. In 2005, CalPERS moved from 3-year to 15-year smoothing (in response to the 2001 recession).

In 2009, the AVA funded ratio was 83.8 and its MVA funded ratio was 60.8. The recent recession began in the fourth quarter of 2008 and bottomed in March 2009 when the DJIA dropped to 6,547. This devastated CalPERS asset values, about 63% of which are invested in equities. MVA fell from $251.2 billion in 2007 to $178.9 billion in 2009. During the same period, the AVA funded ratio fell from 87.2 to 83.4 and the MVA funded ratio from 102.2 to 60.8. It is the last number that is often cited by critics of the system, even though AVA drives ARC. The DJIA was recently over 12,200 and assets were $235.6 billion in spring 2011.

CalPERS, and by extension most other public pension funds in California, will soon be in pretty good shape. This cannot be said for "other post-employment benefits" (OPEB), mainly retiree health benefits. Critics of public pensions regularly combine pension unfunded liabilities with the much larger OPEB liabilities. They are different. Pensions are prefunded. Their assets (and required employer contributions) rise and fall with the financial markets. OPEBs operate on a pay-as-you-go basis, and consequently have no automatic corrective mechanism in place. Elected officials would be well advised to concentrate on OPEB benefits. They are the larger problem, but easier to fix. OPEBs do not have the constitutional, statutory and judicial protections of pension benefits.

CalPERS critics cite pension plan underfunding, overly-generous benefits and examples of abuse. This note is an attempt to set the record straight.

This is not to imply that there are no pension problems or that nothing has been done. There are problems and a number of improvements have already been adopted.

An Alternate Retirement Plan (ARP) was implemented in 2004 under which new state employees are not to be eligible for CalPERS membership for the first two years (the CSU is exempt from the ARP). They will contribute the required employee contribution to a defined contribution plan. At the end of the period, they may take the ARP funds as a lump-sum distribution, roll it into a 401(k) plan or purchase retirement service credit.

In 2010, the State enacted legislation to rescind the ill-advised benefit formula improvements adopted in 1999. That included a return to calculating "final average salary" on the highest consecutive 3 years, rather than 12 months (for new employees). CalPERS also reduced its interest rate assumption from 8% to 7.75%.

The funding problems of CalPERS and, by extension, those of most other California public pension plans has been greatly exaggerated, in part due to focusing on MVA, rather than AVA, funded ratios. The 2010 and 2011 data will be much improved. This cannot be said about OPEB underfunding. That will require major long-run surgery.

The second complaint often voiced is the relative generosity of public pension benefits compared to the private sector. Traditional employer-provided defined-benefit pension plans in the private sector are all but gone. They have been replaced by 401(k) and cash-balance plans that shift much of the cost and all of the risk from the employer to the employee. The result will be a massive increase in elder poverty in the near future.

The average CalPERS service retirement benefit for state employees in 2010 was $2,500 per month (after 21.3 years of service). Of course, many (of us) receive more and many less. That hardly seems overly generous when it is remembered that employee contributions account for a considerable portion of CalPERS revenue and assets.

Between 2000 and 2010, members contributed $30.4 billion (21.3%), employers $46.9 billion (32.8%) while earnings on invested assets generated $67.7 billion (45.7%). Given the fact that members have contributed almost 40% of total new contributions, these benefits are hardly overly generous. We have paid for a significant

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* Note: All data drawn from tables in Kilgour, J. "California Public Sector Pensions in Perspective. *Compensation and Benefits Review*. May/June 2011.

Health Benefits Report

By David Humphers, Health Benefits Chair

Dear CSU-ERFA members,

The CSU-ERFA Executive Committee asked CalPERS to improve health plan descriptions and clarity (as a result of Professor Janet Hoult's experience following knee replacement surgery). CalPERS staff informed us that health plan descriptions, including Medicare Part A (hospital), Part B (medical care), Part D (pharmacy), and Part C (if your plan is HMO), would be improved with the next issue. You will receive the "explanation of benefits" over the next few weeks. Please review your health plan description, including Medicare Parts A, B, C and D. If you have questions about your health plan coverage call the PERS customer service number.

Assembly Bill 52 by Mike Feuer (D), Los Angeles, transfers authority to approve, deny or modify health insurance rates from CalPERS to the California Department of Managed Health Care (DMHC) or the California Department of Insurance (CDI). AB 52 appears to favor consumers by preventing a repetition of the recent excessive health insurance rates; however, the bill transfers rate setting regulations and authority away from CalPERS.

CalPERS staff recommendation to the CalPERS Health Benefits Committee was to oppose AB 52 unless it is amended; both the committee and the CalPERS board voted to oppose AB 52 August 16-17.

The Public Employees Medical and Hospital Care Act (PEMHCA) grants the CalPERS board of administration the authority to administer the health benefits program for eligible active and retired public employees and their families. AB 52 will terminate CalPERS' authority.

While AB 52 has the laudable goal of protecting the public from excessive, unfair and discriminatory health insurance rate increases, my view is that our health benefits will be at risk if the regulatory authority is transferred from CalPERS to the DMHC and CDI; remember, we have a role in electing members of the CalPERS board. We have no role in appointing the directors of the DMHC and CDI.

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CalPERS Investment Return Best in 14 Years

CalPERS reported a 20.7 percent return on investments in preliminary estimates for the one-year period that ended June 30, 2011. The net-of-fees performance was the strongest since the 20.1 percent return of 1997 and the highest since the 2007-09 recession.

"This is a great one-year achievement that powerfully affirms our strategy and the skills of our investment team," said Chief Investment Officer Joseph Dear. "While we can't assume that we'll sustain this high level of earnings, we have averaged a net return on investments of 8.4 percent for 20 years." As of June 30, 2011, the market value of CalPERS assets stood at approximately $237.5 billion. A year earlier, the fiscal year ended with $200.5 billion. Investment returns are based on compounded daily earnings over the year, including continuing member contributions and benefit payments, and don't precisely correspond to one-year changes in market value.

"The portfolio is quite healthy with positive benchmark-beating gains for nearly all of our asset classes over the past year," Dear said. "Global equity (public stocks), private equity, fixed income, inflation-linked and cash equivalents all did well, and our real estate portfolio is back in positive territory after reversals during the financial crisis and recession."

Today's announcement includes asset performance gains as follows: global fixed income, 7.0 percent; private equity, 25.3 percent; public stocks, 30.2 percent; commodities, infrastructure, forestland and inflation-linked bonds, a combined 13.6 percent; and real estate, 10.2 percent. Returns for real estate, private equity and some components of the inflation-linked class reflect market values through March 31, 2011 (not June 30, 2011). Final performance including the last quarter of the fiscal year will be available after asset valuations are completed.

CSU-ERFA QR Code

(Continued from page 1)

because QR codes, which originally were developed in Japan, have some significant advantages over the other formats. One advantage is that the QR code is an "open" rather than a "proprietary" standard. This means that anyone can create QR codes using free software; and the codes that are created can be added to documents, business cards, product packaging, etc. without having to pay any fees.

Another significant advantage is that the QR-code standard really does produce codes that can be read almost instantly by a dedicated scanner or by a cell phone camera and bar code "app."

QR codes also are more easily read from curved surfaces such as bottles and cans than most other two-dimensional data codes.

Free QR-code generating programs like the online one from Kaywa (http://qrcode.kaywa.com) allow the user to generate a code that represents a web address (URL), a telephone number, a cell phone text message (SMS), or a plain text message of up to 250 characters. (The QR-code standard actually allows for codes that contain up to several thousand alphanumeric characters, though not all readers are capable of decoding these dense codes.)

Cell-phone "apps" that read QR codes generally produce links that allows the user to open the web address on the phone's browser, dial the phone number, or send the text message with just a tap of a finger.

Several retailers have started to add QR-codes to their products, which allow consumers to access detailed information on their products while they are shopping.

And, the EPA is now including QR-codes on the mileage stickers that are required on new cars. Shoppers with cell-phones can use these codes to look up the detailed test results for cars they might be interested in while they are still on the dealer's lot.

These are just a few of the potential applications of these codes.

Legislative Report: What Can Brown Do For you?

By Alan Wade, CSU-ERFA Legislative Committee Chair

What will once-and-current governor Jerry Brown do in his second and last chance to get California moving again? Many of us who were on the scene in the 1970s remember his flamboyant and unpredictable style, always with his eye on the White House. We remember also his skepticism about the importance of higher education.

Many of us voted for him this time as the lesser of two evils, hoping that his pragmatic streak might actually work to resolve the state's chronic budget shortfall.

Some very dangerous initiatives are out there in the hands of aggressive signature gatherers. Our advice: DO NOT SIGN ANY OF THEM.

As we know, he did manage to engineer a budget almost on time, with the aid of last year's voter initiative eliminating the 2/3 requirement for budget passage, and threatening legislators with loss of pay for every day the budget is late. The GOP minority was able to frustrate Brown's plan for a fall 2011 initiative to extend temporary taxes, through their refusal to give him the two votes he needed in each house to ensure his *quid pro quo*. The result—a budget based on deep cuts in the social safety net and education, and a heavy dose of the sort of budget "gimmicks" that Brown said he would not support.

On the positive side, friends and colleagues who support good public services were fortunate in that the governor did not have to accept any of the extortionate demands that the GOP insisted on—for what?—the opportunity for the people to vote not on tax increases, but on the mere extension of temporary revenue enhancements. Among these demands were a whole series of efforts at "pension reform."

The result so far? No pension reform, despite numerous bills awaiting action in the legislature, including some that are needed and obvious, and many others that are simply blatant assaults on the public interest. And the almost certain prospect of another huge hole in the state budget in January remains ahead.

Where is Brown now? We don't really know. He has been enigmatic, to say the least, over the summer. Some even ask what happened to the old Jerry Brown, or rather, the young JB? The legislature returned to Sacramento on August 15, and we await hearing the governor's plans. He seems to be leaning toward another initiative effort to by-pass the legislature to obtain additional revenue. He also will have to decide whether to wrap up a package of many existing bills aimed at pension reform and support their passage, or put them together in an initiative alongside some sort of revenue bill, offering the voters a *quid pro quo*. That sounds too ambitious for June, but could be on the ballot for November 2012.

Initiatives. Meanwhile, a motley assortment of very dangerous initiatives is out there in the hands of aggressive signature-gatherers and their well-heeled keepers. Our best advice is DO NOT SIGN ANY OF THEM. Should you engage any of these people in arguments at the Safeway (just one of the public places where they can't be missed), or hear them lying to potential signers, you can take a more active role and CALL THIS NUMBER : 877-440-9585. At least in the large communities, a "truth squad" can be dispatched to your location. At the very least, THINK BEFORE YOU INK!

What avenues are open for obtaining revenues (dare we say "taxes") to run the state, now that most of the cuts possible have been made? Steinberg's (Senate majority leader) bill giving new taxing authority to local governments has been passed by both houses and seems to be waiting as a possible bargaining chip.

Reform Prop. 13? Los Angeles Mayor Villaraigosa supports reform of Prop. 13 by splitting the property tax rolls with the aim of subjecting business properties to increased tax rates. The homeowner exemption would remain. In a recent notable speech before the Sacramento Press Club, the mayor called the business property exemption "the great corporate tax giveaway" of 1978. Brown seems to be opposed to such a radical idea, perhaps because he fears a firestorm of a fight if such an initiative were to be put before the voters. Such an initiative would be long overdue and might well be worthy of our strong support.

Except that we now have a budget, little has changed since my prediction in the May 2011 *Reporter* of a "Battle of Initiatives." It remains to be seen if future initiatives come forth that ERFA can actually urge our members to support. Whether any will come forth without the support of Jerry Brown is doubtful.

In Memoriam

Dominguez Hills – Herman J. Loether

East Bay – Robert A. Kennelly

Fullerton – Arthur D. Earick
Charles C. Lambert

Humboldt – George H. Allen
Ernest G. Bednar
Simon R. Green
Thomas G. MacFarlane

Long Beach – Jeanne E. Bader
Vivian S. Crabtree

Los Angeles – Maxine L. Miller

Northridge – Merwin E. Soyster

Pomona – Paul J. Carlson
L. Lynne Emery
Patricia J. Richards

Sacramento – Charles E. Nelson
William G. Van Velkinburg

San Diego – Lars H. Hellberg
Chester R. Lodge
Robert Penn

San Jose – Jack H. Holland
Jen-Yu Wang

San Luis Obispo – Eugene L. O'Connor

On 401(k)s, 403(b)s, and Other Savings Strategies

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

Q. In the last issue, you mentioned that it might be desirable to look into a 401(k) – or specifically for us in the CSU, a 403(b) – style investment program. Has this matter ever been discussed at meetings of the ERFA state council?

A. You refer to the advice given in the last issue to save money at any and all times. Some of those FERPing in our system have taken the opportunity to put aside sums in a tax-deferred saving plan during the five year span of that program, in, among others, the recent Roth 457 provision, administered by, for example, Nationwide Retirement Solutions as the Savings Plus Program.

You ask specifically about 401(k) type plans: this very topic did come up at the spring, 2011 meeting of the CSU-ERFA state council in Los Angeles. There are two important points to consider concerning 401(k)-like programs. The first of these was discussed at the meeting, and the second point has arisen in the news since that time.

401(k) as a pension supplement. First, as was mentioned at the state council, a 401(k) investment program, or other programs investing tax-deferred dollars at the outset, were initially intended only as a supplement to a pension – and never as a substitute for a defined benefit pension. But here is the good news: if a person investing from an academic salary knows what he or she is doing, and has a span of thirty years to contribute money to the investment program – it is possible to accumulate between one and a half and two million dollars.

In our case as retirees, the person who worked all or most of his/her career with the CSU and is now on FERP will likely have substantially more spendable income during the FERP years than he/she ever had before, or will have when the FERP term ends. For that reason some folks on the program can choose to make the maximum legal contribution to their 403B each FERP year. A retiree who makes that maximum 403b contribution of $21,000 per year ($16.5K plus $5.5 K) for five years would thereby add $105,000 in principal to his or her retirement capital. What's more that person would not pay income taxes on $17,000 each year he or she is still employed.

Yet, considering the real world, academic careers with tenure may not last for thirty years in the future. A person may be hired at age 35 or later, and there then ensues a variety of difficulties: an academic salary may bear little relation to the actual cost of living and may offer only a tiny margin for investing, the market is chancy, and a person investing in such circumstances will be rather too conservative in his or her choices. With only a modest investment plan intended as a salary supplement, a person can have some benefit, but our defined contribution plan with CalPERS is much more dependable and advantageous.

Second, as was reported in an article by Ron Lieber ("Revealing Hidden Costs of your 401(k)") in the *New York Times* of June 11, 2011, it is common practice for the investment companies running these programs not to mention their mutual fund fees. Furthermore, firms investing in 401(k) programs follow a practice of raising their fees for those customers who place larger sums in the pool and who need more actively-managed accounts. Starting in 2012 the U.S. Department of Labor will require exact statements for all fees charged the clients by their investment firms – but not until then.

Those of us now FERPing know that for many years we have been working in a time of destructive retrenchment. If in semi-retirement some money at last springs free and you intend to get into a 403(b) plan, caution is in fact normal and necessary. Please take notice of the following discussion from New York Life:

The maximum amount contributable (MAC)—formerly called an "exclusion allowance"— is the maximum amount that can be deferred to the plan free of tax. Thus, if the MAC is $2,000, up to $2,000 worth of deferrals will be tax-free. Amounts exceeding that will be taxed. The IRS issues regulations and formulas to help compute an individual's MAC for the year. Generally, an employee can elect to defer up to $16,500 for 2009 (up from $15,500 for 2008); those over 50 are entitled to defer a "catch-up" of $5,500 for 2009 (up from $5,000 for 2008). However, both elective deferrals and employer contributions may not exceed the lesser of $49,000 in 2009 ($46,000 in 2008) or the maximum amount contributable.

Amounts for 2010 and 2011 are the same as 2009 because of the lack of inflation.

It is important to consider that the length of time during which one deposits sums for saving is extraordinarily important. If you choose to invest during the brief span of the FERP years, the total amount of the yield in that investment likely will only serve as a small help and will not compare favorably with the sums achieved through the long-term practices at CalPERS.

Please send questions for the Q&A column to:
dunnie10@sbcglobal.net

CalPERS Funding and Benefits in Perspective

(Continued from page 5)

portion of them.

The third often-voiced criticism of public pension plans involves abuse of the system, often referred to as spiking. This is a legitimate complaint. There are many examples, especially in local government and among public-safety employees, in which the pension benefit is significantly increased by converting overtime, unused vacation time and sick leave into participation, or employees are promoted to a supervisors or other higher paying job shortly before retirement. These are matters of plan design and responsible administration. Where found, they should be corrected and even punished.

(Continued on page 12)

CFA Report: New Year, Unresolved Contract

By Dave Du Fault, CSU-ERFA Liaison to CFA

As the 2011-12 academic year began, the CFA and the Chancellor's Office (CO) were still involved in bargaining for a successor contract. Given the budget and economic difficulties of the state, the lack of meaningful progress was no surprise.

During the summer three issues stood out: first, the bargaining teams' exchange of positions about article 31 on salary; second, the issue of transparency; third, the problem of salaries for executives.

Collective bargaining. The initial exchange of positions by CFA and the CO about salary did not bode well for a quick agreement. CFA characterized the CO's salary offer as "Nothing Now, Less Later."

The proposal included
1. No salary increases for 2011-12.

2. Reopeners for reductions on salaries and benefits in 2012-13 and 2013-14.

3. No change by the CO of previous take-back proposals of the last contract including General Salary Increases (GSI) and Service Salary Increases (SSI).

4. Elimination of PPI (Post Promotion Increases) and equity raises from the contract.

The CFA countered with its salary proposal:
1. A faculty pay increase of 1% (GSI) in each of the next three years.

2. An increase of the GSI to 5% "in the first year in which the CSU's operating budget grows to what it should have been in 2008-09." In that year faculty should have received a 5% increase.

3. Implement year 2 of the previously negotiated equity provision for associate and full professors.

4. Pay SSIs each year. This is already done for other employees of the state. Negotiations will continue in September and October.

Legislative proposal. CFA welcomed the final passage of Senate Bill (SB) 8 by a vote in the Assembly of 78-0. CFA had cosponsored this bill. When signed by the governor, the bill will make transparent the "books of CSU foundations and other auxiliary organizations."

Executive salaries. This issue returned when CSU trustees announced the incoming president at SDSU would receive a pay level $100,000 higher than the person he replaced. At the same meeting in which trustees increased the new president's pay, they also voted for yet another increase in student tuition. This marked the second raise in tuition during the past year.

The result of the trustees' actions was anger among faculty and CFA. At this point the state legislature intervened, with Senator Lieu writing to the trustees asking them to rescind the salary increase. Then Senators Lowenthal and Alquist introduced a bill "to prohibit the trustees from approving executive raises of more than 10% in the same year" in which tuition increases, although the bill is not approved as yet.

With the CSU and faculty facing potential new budget cuts, increased size of classes, lower enrollment and higher student tuition, the CFA confronts a tough year of bargaining for a new contract.

July CSU-ERFA Executive Committee Meeting

At right, the CSU-ERFA Executive committee meeting July 20th in Torrance, near LAX. In front of the fireplace, Barbara Sinclair, president. Continuing clockwise, Don Cameron (Northridge), executive director; Rita Jones (Long Beach), secretary; Dieter Renning, past president; Mark Shapiro, webmaster; Judith Stanley, at-large member; David Humphers, health benefits chair. Not pictured: Bill Blischke, vice president; Ted Anagnoson, editor of *The Reporter*; Alan Wade, legislative affairs chair; and Harry Sharp, treasurer. Not present: Milt Dobkin. The group dealt with issues relating to members who move from one area to another, fall's state council meeting, communicating with campus HR departments, and others.

Chapter Reports: SDSU and EB

San Diego State University Retirement Association

By Patricia S. Koppman, President

The San Diego State University Retirement Association began 25 years ago, so this past year we celebrated, honored our charter members and published a 25th Silver Anniversary Newsletter. If you would like a copy please email your request to retire@mail.sdsu.edu.

For all of those 25 years, our goal and theme has been "Faculty and Staff Staying Connected." We stay connected through our activities, newsletter, website, email and other university events. Our famous red SDSU RA shirts can be seen at many of our Association and campus events!

Activities. We stay connected through numerous activities throughout the year such as:
• October: Oktoberfest picnic at a county park.
• December: Holiday dinner – joint event with SDSU women's association.
• February: Valentine's Day luncheon.
• March: Borrego Springs desert escape.
• May: Kentucky Derby party.
• May: Spring luncheon and business meeting, honoring our scholarship recipients and service awardees, plus election of officers.
• July: Day at the Del Mar races.

PostScript. We stay connected by publishing our newsletter, PostScript, three times a year, with articles written by members, including personal commentary about experiences, personalities and campus history. If you are interested in past issues of PostScript, view our web-site.

Web site. We stay connected through our web-site, http://retire.sdsu.edu/newsletter.html where we publish photos of all of our past events. The website has copies of our newsletter, list of current officers, a list of goals and a calendar of events.

The University Senate. We stay connected to the university by having an elected emeritus faculty member serve on our board of directors and on the University Senate.

Membership. At the present time we have 405 members, but one of our 2011-2012 goals is to increase that membership. Our dues are $25 for the retiree or surviving spouse and $30 for the retiree plus spouse/partner.

Scholarships. Our other goal for 2011-2012 is to increase the number, as well as the amount of our scholarships. Over the 25 years, we have given over 131 scholarships. Our recipients must have a 3.0 GPA. These scholarships are reserved for students whose relatives have served this university as staff or faculty. We encourage our members to give scholarship donations to honor deceased members, a friend or relative's birthday, retirement, or anniversary.

East Bay Emeritus and Retired Faculty Association

By Sherman Lewis, Newsletter Editor

Our major activity is two luncheons with speakers each year, one in November and one in March. In March our speaker was Nan Maxwell, who was chair of the Economics Department for 14 years. She also founded and led the HIRE Center and is an accomplished and widely published scholar. Nan is now with Mathematica, a think tank/research group looking at the effectiveness of the American Recovery and Reinvestment Act of 2009, President Obama's stimulus package, with particular attention to the subsidization of the continuation of health care benefits (COBRA) for the unemployed.

In preparation for these events the Board of about eight active members meets about two months ahead of time in the home of a Board member. These meetings get things organized inefficiently but enjoyably. The ERFA Newsletter editor, if I may say so, who is also writing this, is very efficient on newsletters, not so much other things.

Our newsletters hype the lunch–luncheon–and have a message from our president, who also frequently tries to raise, actually does raise, money for our beleaguered CSU library. We get a good turn out, about 60, thanks to the phone calls Jack Kilgour makes to get people to come. The newsletter typically has obituaries of about one third to half page long. We may reduce this and provide web links to obits elsewhere. The newsletter also has a report from the emeriti academic senator, sometimes interesting; sometimes about bylaw changes, election procedures, consent calendars, and reading of resolutions.

Our Spring newsletter featured Jack Kilgour's excellent analysis of CalPERS retiree benefits (a similar analysis is in this issue, page 5). The recession devastated CalPERS assets, but they have largely recovered, and growth rate assumptions have been reduced to be more realistic about the future. The average benefit is $30,000, hardly excessive. The collapse of employer-provided defined-benefit programs has increased poverty among seniors and is not a good reason to do the same to public employees. We should prohibit "spiking" of benefits by promoting an employee to a higher paying job shortly before retirement.

We also ran Henry Reichman's analysis of how much money the CSU administration wastes on lobbyists, no bid contracts, car allowances for overpaid administrators, growth in administrators outpacing faculty by two to one. And why is instruction only 35 percent of the CSU budget?

Last fall we had a page on a high tech, fast/free/frequent shuttle I am proposing to serve the campus, running to the Hayward BART station. We recently changed printers, with a reduction in cost and an increase in convenience. We are also starting to push on emailed newsletters, to save money, probably, but if I know the board, to subsidize even more the wine served at lunch. I don't drink wine and have the vegetarian lasagna, thus keeping the whole organization in the black.

Our leader is Bea Pressley, who makes the calls to keep us on track.

Trustees Change American Institutions Requirement Over Faculty Opposition

CSU's Board of Trustees, acting without faculty support and in the face of a petition of opposition signed by 500+ CSU and community college faculty as well as 13 campus senate resolutions and a statewide senate resolution asking for delay to allow full faculty input, approved revisions to the Title 5 American Institutions (AI) requirement at their July meetings.

The changes were designed to comply with the community college-driven requirements of the transfer AA degree, as embodied in SB1440, passed in 2010 by the legislature and signed into law by Governor Brown. The community colleges have refused to include the Title 5 American Institutions requirement as part of the newly created transfer degrees.

The changes will enable campuses to request waivers of the AI requirement for certain majors and groups, usually large majors where there are problems meeting the requirements for general education and the major in 120 semester or 180 quarter units.

CSU's traditional AI requirement required all CSU graduates to "acquire knowledge and skills that will help them to comprehend the workings of American democracy and of the society in which they live, to enable them to contribute to that society as responsible and constructive citizens." Faculty argued that the requirement was needed now more than ever because of the low level of knowledge of American history and government found among Americans of all ages.

The requirement has usually been met by an introductory level course in American history and one in American politics. On many campuses, ethnic studies courses covering the same material are used as well.

The proposal was first publicly broached in April. Faculty argued that there was insufficient time for adequate consultation with local senates and the affected political science and history faculty. In spite of the short time frame, a report on AI opposing the changes garnered the signatures of more than 500 faculty across the CSU and community colleges, and several campus academic senates passed resolutions asking for more time to consider the proposal or of opposition.

The statewide academic senate passed two resolutions at its May meeting, one urging that the approval of the waiver be delayed to allow full faculty input, and another recognizing the problem and asking that faculty and community college advisers urge students to meet the requirements anyway.

Faculty urged that the proposal consider the use of the existing "challenge" exams to meet the requirements without adding units to the bachelors degrees affected.

As the school year opens, many campuses will be debating in committees or senates the wisdom of requesting waivers of the requirements.

Health Benefits Report

(Continued from page 6)

Health Reform and Illness Prevention. CalPERS announced at the August 16 meeting that federal Affordable Care Act funding is available to improve work environments, support healthy lifestyles and reduce risk factors for chronic diseases. The U.S. Department of Health and Human Services announced requirements that will provide preventive health services for women with no cost sharing; no co-pays or co-insurance.

The preventive services include:
• Screening for gestational diabetes,
• Human papillomavirus testing for women 30 and older,
• Sexually-transmitted infection counseling,
• Human immunodeficiency virus (HIV) screening and counseling,
• FDA-approved contraception methods and contraceptive counseling,
• Breast feeding support, supplies and counseling,
• Domestic violence screening and counseling, and
• Well-woman visits.

These preventive services guidelines become effective January 1, 2013, for CalPERS health plans.

Long-Term Care. The CalPERS Long Term Care (LTC) financial situation is improving, but enrolling new members is not expected this year.in the program. The program will issue a request for proposal at the end of August in an effort to interest qualified bidders who can provide both administration and LTC services required by the CalPERS LTC program. New bidders will compete with Univita Health, the organization that has held the CalPERS contract since the LTC program was established. Over the next six months, PERS and Univita Health will conduct a study to determine the Impact of PERS LTC program on medical care utilization, the cost of medical care, and whether LTCP services reduce the overall cost of health care services.

Thoughts from the Schoolyard

by Janet Hoult 4/12/2010

As I look at the students come and go
And the tall grasses wave to and fro
It's clear they're at the mercy of Mother Nature
As well as the whims of the legislature.

Do you think our politicians will ever learn
That kids need knowledge in order to earn
And hold jobs that will help our state to grow?
Makes you wonder just what politicians know.

On prisons and guards they spend a lot
Seeming not to care what's left in the pot
To pay for our students' education,
Thereby letting down our state and nation.

We need to remind the leaders of our state
That a sure fire way to make it stay great
Is to invest in our students, the future of our nation,
And ensure that they all get the finest education.

And They Ask Why I Like Retirement

Question: What's the biggest gripe of retirees?
Answer: There is not enough time to get everything done.

Question: Why don't retirees mind being called seniors?
Answer: The term comes with a 10% percent discount.

Question: Among retirees what is considered formal attire?
Answer: Tied shoes.

Question: Why do retirees count pennies?
Answer: They are the only ones who have the time.

Question: What is the common term for someone who continues to work and refuses to retire?
Answer: NUTS!

Question: Why are retirees so slow to clean out the basement, attic or garage?
Answer: They know that as soon as they do, one of their adult kids will want to store stuff there.

Question: What is the best way to describe retirement?
Answer: The never ending coffee break.

Question: What's the biggest advantage of going back to school as a retiree?
Answer: If you cut classes, no one can call your parents.

Question: Why does a retiree often say he doesn't miss work, but misses the people he used to work with ?
Answer: He is too polite to tell the whole truth.

Question: What do you do all week?
Answer: Monday to Friday; Nothing, Saturday & Sunday I rest.

CalPERS

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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.

CSU-ERFA New Members

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

Chico – John Gregg Berryman

Fullerton – Leah M. Cleveland
Gerald E. Gannon
Young D. Kwon

Long Beach – Simeon J. Crowther
Sara W. Smith

Los Angeles – Stephen K. Pollard
Robert G. Zahary

Northridge – Jack D. Alanen
Susan C. Curzon
Cynthia G. Desrochers
Mary M. Finley

Sacramento – Virginia L. Dixon

San Jose – Judith L. Demko

Stanislaus – Nancy J. Taniguchi

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

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