



REPORTER

A publication of the California State University Emeritus and Retired Faculty Association

THE RAID OF PERS

ERFA members will recall that they were notified in October in a letter from ERFA President Dobkin that the State had passed and the Governor had signed SB 2465 (Cecil Green), a bill that could "easily affect the fiscal integrity of the [PERS] retirement fund" and that it was "UP TO THE PERS BOARD TO ADOPT IMPLEMENTATION REGULATIONS." All ERFA members were urged "to write or phone [PERS] Board members" and to tell them "to make certain that any changes in current regulations they adopt [must] protect the ability of PERS to . . . maintain 75% of your [retirees'] original purchasing power" and protect the integrity of the PERS fund.

The PERS Board held its meeting in San Diego on October 17. Despite the protests of ERFA and its members and other retiree organizations and the contrary advice of the PERS staff, the PERS Board adopted long term changes in methods of financing PERS and of paying benefits that, on the one hand, provide improved benefits for future retirees and, on the other hand, decrease state and employer contributions to PERS.

Employees retiring after July 1, 1991, will benefit through a redefinition of final compensation, one based on earnings in a twelve month period of highest compensation instead of the average of thirty-six months; further, employees and retirees living in rural areas will benefit from a three year extension of special "subsidy" for health care coverage.

The apparent price extracted for these improved benefits comes from changes that reduce state contributions to PERS:

"The following Legislative intent language was placed in the Budget bill:

'It is the intent of the Legislature that the Board reduce the employer contribution to the extent appropriate to reflect actuarial experience which is better than the Board adopted actuarial assumptions.'

"PERS staff reports that they could save the state about \$70 million a year for five years if PERS were allowed to take its actuarial gains as of June 30, 1989, over the next five years. Savings: Approximately \$350 million over the next five years.

"Three additional items were placed in SB 1809 [a related bill]:

"1. Authorization for the PERS Board to extend the funding periods for all state miscellaneous and peace officer/firefighter

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THE PRESIDENT'S MESSAGE

It is a pleasure to welcome CSU Chico and Fullerton to join with the campuses which have affiliated with ERFA. The nine campuses which the State Council has now affirmed as providing official liaison with the state organization have named specific representatives who are now the ERFA contacts for communication with their campuses and who can advise ERFA of specific wishes of their campus organizations.

Of course ERFA will continue to be as responsive as possible to individual ERFA members, but an affiliated campus organization gives ERFA a potentially potent link to groups of emeriti.

If you are active in your campus emeriti or faculty retiree organization (or combined faculty/staff organization), please urge the group to affiliate. The benefits of affiliation operate on a two-way street, and nobody gives anyone "orders."

Several weeks ago I wrote to campus organization presidents offering to appear on ERFA's behalf and/or to answer any queries about the state organization. The offer is a standing one, but the requests need to come from the campuses.

And, now, on to some comments about the most recent Executive Committee and State Council meetings. The September 22 meeting of the Committee took action on the concerns we had about the possible imminent "raid" on PERS retirement funds as a result of SB 2465. That is why each of you was mailed the flyer which urged you to request the PERS Board not to act to implement the bill unless the Board could provide "assurance that such implementation would not be at the expense of PERS' long term ability to present and future retirees, or at the expense of permanent implementation of IDDA, EPDA, and similar programs." (See story about this PERS meeting on page one of this issue of *The ERFA Reporter*.)

Many of you followed through with letters to PERS Board members. Thank you!

Unfortunately, ERFA representatives (Byrom, Northridge; Johnson, San Diego; Mathy, Los Angeles; and, earlier, Ryan of Long Beach, who had personally contacted member Bill Crist) report that only one Board member, Petrosino, understood the bad precedent implications of solving part of the state general fund problem by reducing employer contributions to PERS funds.

I think it is fair to point a finger of blame at both CSEA and RPEA for permitting their lobbyists free reign to negoti-

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from a 30 year period to a 40 year period. Savings: \$19.5 million in 1990-91.

"2. Authorization for the PERS Board to reduce the Reserve Against Deficiencies by the amount of State Funds contained and to use that money to reduce the State employer's retirement contribution by the same amount. Savings: One-time savings of \$27 million.

"3. Conversion of the State's monthly PERS retirement contribution to a quarterly payment. Savings: One-time savings of \$126 million."

Prior to the PERS Board's approving this "raid" on the retirement funds, interesting and "depressing" negotiations had occurred among the Governor, Legislature, PERS and labor organizations.

"Interestingly enough, although the budget package contained these multi-million dollar savings when the Governor signed it, for the most part, they were still wishful thinking. Although the Legislature and the Governor had worked closely with PERS staff while developing these four items, there had been very little contact with either the Board or organized labor, both of whom would have to agree before most of the savings would become real.

"To be real, such agreement would have to come in the form of a bill, passed by the Legislature and signed by the Governor. Negotiations began on such a bill almost immediately.

"Labor and the PERS Board found themselves in the position of the potential spoilers because the other two players, the Governor and the Legislature, both wanted the large budget savings very much. This meant that labor and the Board could either refuse to agree to the budget changes or they could agree to them and attempt to get something in return.

"The potential cost of defying the Governor and the Legislature when they agree on something important to them both can be very high indeed. In part because they were aware of that, labor and the Board decided to at least consider possible trade-offs in exchange for the accounting changes called for in the budget. The negotiations began.

"PERS. But what exactly did PERS want? Independence from the State and Consumer Services Agency, as called for in the final version of SB 2587 (Alquist). Since that bill had stopped in the Assembly, this final budget trade off would be the last chance in 1990 to achieve this level of autonomy. Therefore, PERS staff began to explore the possibility of such an exchange.

"LABOR. The representatives of state employees had a very clear picture of what they wanted as a quid pro quo. In fact, they had a shopping list which they put before the Governor to see what he would sign off on. High on that list were one year final compensation for retirement calculations, vision care for retirees, higher state health care contributions for state employees and retirees in rural areas, and the limited autonomy which PERS was seeking.

"THE GOVERNOR. The Governor initially rejected one year final compensation as too expensive (\$125 million annually) but then accepted it if combined with the extension of the funding period mentioned above (this reduced the cost

THE CSU ACADEMIC SENATE REPORT

The CSU Academic Senate met in plenary session September 7, 1990. The standing committees had convened the previous day, but earlier committee sessions had been cancelled because of budgetary constraints. Thus, the committees had no opportunity to fulfill first and second reading requirements in time to place substantive business items on the floor for Senate consideration.

However, the Senate had many issues that provided a very lively and productive day of discussion and direction-finding. Fiscal Affairs representatives presented the grim budget picture that is now more or less familiar to all of us. The only ray of encouragement was that, through various expedients, the CSU cut was reduced from \$ 51,000,000 to \$28,500,000

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to about \$63 million annually). In addition, he was willing to provide \$13 million annually for three years to help pay the higher health costs of rural state workers and retirees. However, he was adamantly opposed to removing PERS from Consumer Services, and he rejected retiree vision care as too expensive. The most he would do on the subject of autonomy was to allow a joint study by the Department of Finance and PERS to determine the appropriate place for PERS in the State hierarchy.

"This left labor in an awkward position. While the Governor was supportive of two of their most desired items, he was absolutely opposed to the only item which PERS was seeking. Since this arrangement was arrived at only two days before the end of the Legislative session, labor had to decide if it would support the exchange without the Board being able to meet and evaluate the Governor's offer.

"The answer was to give the Board the final say in the bill itself. To that end, SB 2465 (Cecil Green) had its contents totally amended out on the Assembly floor, and the conditions of the trade off amended in." What remained were the items subsequently approved by the PERS Board at the October 17 meeting, as listed earlier in this article. Additionally, SB 2465 states that if the [PERS] Board does not approve all the provisions of this bill or if "any of them are held by a court to be invalid, ALL of the bills' provisions will become inoperative."

ERFA President Dobkin urges all ERFA members to register with their legislators and the incoming Governor their concerns about the integrity of the PERS fund in hopes that their concerns will help prevent such raids in the future. "Now that we know revenues to cover State budget operating expenses next year are estimated to be two to three billion short, we must stress to the Governor-elect and the Legislature that PERS funds are not available to cover the shortage."

*The quoted segments in this article, except those of President Dobkin, come from Dave Cox, "A Bill Becomes Law—Sacramento Style," *The Public Retirement Journal*, October 1990, and are reprinted with permission. Len Mathy (LA) also contributed to this article.

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ate the new "arrangement." We know now that we must be increasingly alert and active in such matters, and that is why we shall work toward the establishment of a "telephone tree" to advise our legislators, governor's staff, and other officials of our concern about "raids" and other issues, e. g., long term health care.

The State Council meeting on November 11 in Sacramento enabled me to report (and others, also) some better news in other areas of interest.

During October Acting Chancellor McCune graciously acceded to my request for some time to discuss matters of concern to emeriti and other retired faculty. We spoke about the Trustee resolution recognizing the emeritus title and of those who held it as continuing members of the faculty.

While Acting Chancellor McCune is serving for the interim and is not a candidate for appointment on a continuing basis, his understanding of the need to move toward greater support for emeriti and to recognize their value to the CSU was most heartening. Perhaps his wisdom will be called up by the next Chancellor.

I reported to the State Council that the Emeriti Placement Program is up and running. We have begun the "no cost" registration for twelve faculty to date and expect to receive an increasing number of applications.

The Committee on Long Term Medical Care is grinding away at its task of considering the data which, it hopes, will enable it to bring forth recommendations for the next Executive Committee meeting, a meeting to be held in the LAX area in late January or early February.

My view is that some of the programs or policies currently sponsored by other organizations may not be in the best interests of their members, comparatively. We shall see what our Committee says.

In closing I must comment on the fine work Max Norton, Stanislaus, has performed for ERFA. He is respon-

NEED FOR PERS POWER OF ATTORNEY

Many retirees have set up a living trust to avoid the cost of probate and conservatorship. However, if a PERS retiree becomes incompetent, PERS can not pay the retirees' monthly allowance to a trust; such benefits are not assignable to anyone but the retiree—not even the retirees' own trust; benefits are assignable only to a human being. (One's lump sum death benefits may, though, be paid to the trust. But the

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Acting Chancellor Ellis McCune and Board of Trustees Chair William D. Campbell addressed the Senate and answered questions. They assured the Senate that it would be consulted in the reorganization of headquarters, delegation of more authority and responsibility to campuses (e.g., presidents?), and search for a Chancellor. Two members from the CSU Senate will serve on the Chancellor Search Committee. But the Senate pointed out that the decision to reorganize the Central Cyber computer out of existence was made unilaterally and was of grave concern to many faculty. On this issue some belated discussion with the Senate is now taking place.

The ERFA representative to the Senate was meaningfully consulted on several issues now before Senate Committees—issues such as 1) selection of committees to review administrators and 2) proposed action on a statement about security of on-campus property of faculty, including retiring or retired faculty. The ERFA representative had previously introduced this issue to the Faculty Affairs Committee and was asked to write a first-draft of a position paper on the subject for the Academic Senate. —Nicholas P. Hardeman (LB)

sible for getting the State of California to recognize ERFA as a "non-profit mutual benefit corporation." Next step? We shall see. Perhaps we should create a foundation to raise funds to do those good deeds of which emeriti/retired faculty are capable.—Milton Dobkin



CALIFORNIA STATE UNIVERSITY
EMERITUS AND RETIRED FACULTY ASSOCIATION

Membership Form

ERFA

(Please Print)

Last Name	First Name	Initial	Social Security Number
Home Address — Number and Street		City	State _____ Zip Code _____
Date Retired	CSU Campus	Department	Home Phone _____

Please enroll me as a retired ERFA member. I hereby authorize deductions to be made from my retirement warrants by Public Employees' Retirement System for the payment of dues to the Emeritus and Retired Faculty Association. I further agree that ERFA act as my agent in payroll deduction agreements and transactions between myself, ERFA, and the Public Employees' Retirement System. This authorization will continue in effect until I submit a timely written notice of cancellation to the ERFA office.

Monthly Retirement Payment:	Recommended Dues	Check One
\$1599 and under.....	\$2.00 per month	<input type="checkbox"/>
\$1600 to \$2299.....	\$3.00 per month	<input type="checkbox"/>
\$2300 and more.....	\$4.00 per month	<input type="checkbox"/>
Contributing Member.....	\$5.00 & up per mo.	<input type="checkbox"/>
	Amount \$ _____	<input type="checkbox"/>

Please mail the completed form to:
 CALIFORNIA STATE UNIVERSITY
 EMERITUS AND RETIRED FACULTY ASSOCIATION
 9010 Reseda Boulevard, Suite 224
 Northridge, CA 91324

Signature	Date
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LEGISLATIVE REPORT

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Now that the dust has settled on the Sacramento scene, consensus is that state employees came out much better than anyone thought possible a few months ago.

The following bills of particular interest to ERFA were signed by the governor:

AB 373 (Elder): Requires the Director of Health Services to contract for catastrophic health insurance and to make it available to all state residents; this bill calls for the program to pay for all basic health care services in excess of \$50,000.

SB 1683 (Mello): Increases the lump sum death benefit paid upon the death of a state member of PERS from \$600 to \$2,000.

SB 2645 (C. Green): Contains several major retirement items "negotiated" with the Governor:

1) Changes the retirement formula base for active employees who retire on or after July 1, 1991, from the highest three year average to the highest one year of compensation. This is an enormous gain, long sought, for active employees.

2) Continues for three years a subsidy to cover the higher costs of PERS Care health plan for those who live in areas where no alternative is available.

3) Requires a study on where in the organization of the state government the retirements system most logically belongs. Presently, it is within the Consumer Services Agency, with its budget controllable by the Governor and other state agencies.

4) Modifies several requirements affecting the state's contributions to PERS, whereby the state's costs in the 1990 budget are reduced. It was this action, requiring adoption by the PERS Board, which caused the Governor to accept the first three items above. Had the PERS Board refused to adopt these changes, the entire bill would not have been accepted. After several weeks of intense study, including an open hearing, the Board did adopt the changes and the bill was activated.

retiree must file with PERS form PRS-509, giving the name of the trust and the address of the person with whom the trust is filed; as well as providing PERS a copy of the trust.)

Because a retiree's monthly allowance is not payable to a trust how can a retiree best insure protection should s/he become incompetent? PERS will require a conservator—an expensive, time consuming court procedure—**unless the retiree arranged for a durable power of attorney before becoming incompetent.** PERS has a "Special Power of Attorney" form (PERS-OSS-138) for the use of PERS retirees. This form and a fact sheet are available from the Post-Retirement Services Division, P O Box 942716, Sacramento, CA 94229-2716. One may also call (916)326-3848 or a local field office.

SB 2892 (Royce): Allows PERS retirees residing in another state where the board maintains a health benefit plan for out-of-state active employees to transfer to that plan and receive the state's health plan contribution.

Two other bills of interest were not signed by the Governor: he vetoed **AB 510 (Roos)**; this bill, sought by CFA, would have required non-CFA members to pay to CFA a fee for its costs of representing them in setting wages, benefits, and other conditions of employment. The fee would have been a negotiable part of the contract and could have been rescinded by a majority vote of the unit.

Much to the surprise of the Legislature, **AB 4213 (Connally)** was not included in a package of bills passed by consent during the closing hours. Consideration is being given to taking the bill up during the December session, when laws are not usually enacted. AB 4213 would have required the PERS Board to contract for long-term care insurance plans by January 1992. Those eligible for enrollment would be active and retired employees, their spouses, and their parents. Enrollees would have to pay the full costs of the insurance.—William Tidwell (S)

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THE ERFA REPORTER

A PUBLICATION OF THE CSU EMERITUS AND
RETIRED FACULTY ASSOCIATION
9010 Reseda Blvd., Suite 224
Northridge, CA 91324

DECEMBER 1990

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