



REPORTER

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

LONG-TERM CARE PROGRESS REPORT

On January 15, 1991, the PERS Committee on Benefits and Program Administration received a report from Craig W. Hartung about work in progress pursuant to AB 44 (Connelly, Public Employees Long-Term Care Act).

The Act, successor to AB 4213 (Connelly), an act supported by ERFA and other retiree organizations, directs PERS to contract with insurance companies to provide PERS annuitants with optional long term care insurance, premiums to be paid by the enrollees.

The PERS Board is required to define the scope of covered benefits, the criteria for receiving benefits, and any other appropriate criteria, in addition to setting eligibility and underwriting requirements for enrollees (spouses included). The Act also "appropriated" \$125,000 interest bearing loan from the PERS fund to the PERS Board to cover costs of developing this program. AB 44 also direct that the plans adopted be made available on or before January 1, 1992.

At the conclusion of the presentation of the report at the Committee meeting, ERFA President Dobkin thanked the Committee and staff for moving with dispatch on the implementation of AB44. He pointed out, by nature of the membership, that the ERFA organization contained a reservoir of expertise on health care, health insurance, and related matters of economics and public administration. Additionally, he noted that CSU-ERFA has a committee presently working on problems of providing long term care, a resource that can be made available to the PERS staff.

Dobkin also urged that any consultants selected be directed to consult with ERFA, CFA, and other employee and retiree organizations for advice on selecting criteria for developing long term care programs for PERS sponsorship.

At the meeting of the ERFA Executive Committee on February 2, 1991, the Committee voted to continue its support of the development of this PERS program and to ask the PERS Committee to include consideration of the development of several nursing care and medical facilities for State employees similar to that provided for employees of the motion picture industry. The Executive Committee also voted to continue its own efforts of developing a long term care insurance program for ERFA members.

FUTURE ERFA MEETINGS

Tentative schedule for ERFA meetings:
Executive Committee, March 23
May 4, Los Angeles

THE PRESIDENTIAL ADDRESS

THE RAIDERS SADDLE-UP AGAIN

The allusion chosen for the heading of this message has nothing to do with the storied guerilla raiders of the Civil War, such as "Bloody Bill" Anderson or William C. Quantrill, not even the sometimes dangerous Los Angeles Raiders. Instead, I refer to the State of California's Department of Finance, some PERS Board members and staff, and perhaps many cooperating legislators.

In brief review:

In the December 1990 issue of *The ERFA Reporter* we told you of the PERS Board's action approving long term changes in the method of calculating the financing of benefits and, thereby, the funding of PERS. Simply put: the "bargain" exchanged improved retirement benefits for future retirees (*i. e.*, their benefits to be based on their year of highest compensation) in exchange for reduced compensation of PERS by employers (State and other California governmental bodies who belong to PERS).

Those of you who responded to my call last October for letters to PERS Board members asking them to protect the integrity of the fund earn the thanks of all of us. Now, however, we desperately need even more letters from even more members *if we are to protect the integrity of the PERS fund from the current threat.*

The current threat:

Using the precedent of SB1809 the Department of Finance has announced that it will ask the Legislature to urge the PERS Board to change the method of calculating PERS funding. Here is the new set of smoke and mirrors the Department of Finance wants PERS to use:

(1) Change the *assumed* yield on PERS investments from 8.5% to 9.5%. (2) Change the calculation of actuarial gains *permanently* in order to reduce the amount of employer contributions to the PERS fund. (Previously the PERS Board reduced the actuarial period to three years from the requested five, thereby providing the State with a financial gift at the expense of the PERS fund.) The Department of Finance estimates that adoption of these two provisions will save the State this year \$279 million, funds that otherwise would go into the PERS fund.

Obviously, one must also doubt the "wisdom" of assuming a one per cent increase in yield on investments during present economic troubles. PERS is obligated to follow conservative investment strategies to produce fund

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revenue.

Although the PERS advisers indicate that IDDA/EPDA payments should remain secure for the present, their message clearly indicates that in the future these funds will be at risk. Even the representative from the Department of Finance at this meeting recognized that "a change in the interest assumption will directly impact our IDDA/EPDA programs."

(At a recent meeting of the PERS Committee on Benefits and Programs, Jake Petrosino felt obligated to remind the PERS staff members and consultants present that they worked for PERS, not the Department of Finance.)

Here is my special ironic reflection :

Just as California now faces serious financial problems, so have other states. These states have borrowed from their public retirement funds, but they have done so with a promise to repay. Even the Federal government asserts it is borrowing from the Social Security trust fund, although there is no published repayment schedule.

But not in California. So far our administration once more proposes to reduce employer contributions to the fund, thereby, once again, threatening the integrity of the fund.

We have two choices:

We can whistle or hum, "Don't worry! Be happy!" Or we can write to the Chief Executive Officer of PERS, the PERS President, and the elected PERS members and point out to them that we retirees expect them to honor their positions as Trustees of the Public Employees' Retirement System and protect the integrity of the Fund they hold in trust. We should also make clear to them that they should stand firm against the pressure from the Department of Finance (and possibly, subsequently, the Legislature) that PERS indulge in "creative accounting" to mitigate the state's budget crisis. (In this issue of *The ERFA Reporter*, page 3, you will find the names and addresses of these officials.)

DO NOT WAIT TOO LONG TO WRITE! The PERS Benefits and Program Administration Committee is expected to consider these "creative accounting" proposals at its meeting February 19, with the full Board considering them the next day.

We can not rely on other public employee membership organizations to fight for us. A number of them have active public employees who are beholden to the State for approving last year the calculation of retirement benefits based on the highest year of compensation. Hence, the support of present employees for protecting the integrity of the PERS funding for those already retired may not be forthcoming, even though the future benefits of present employees are also placed in jeopardy.—Milt Dobkin

WRITE TODAY!

NEW ERFA AFFILIATES

At the Executive Committee meeting on February 2, the retirement organizations at CSU Hayward and CSU San Bernardino were approved as new ERFA affiliates. Eleven campus retirement organizations are now affiliated with ERFA.

CFA IMPROVES RETIREE REPRESENTATION

At its November 17, 1990, meeting the CFA overwhelmingly approved four bylaw amendments that significantly increases retired faculty participation in CFA governance at the state level and encourages greater attention to the interests of retired faculty at the campus CFA chapter level.

The Committee on Retired Faculty that CFA President Pat Nichelson had appointed and that ERFA President Milt Dobkin had chaired first proposed these amendments. The Committee consisted of six retired CSU faculty who were also members of ERFA.

The approved bylaw amendments provide for (1) adding a non-voting retired member to the CFA Board of Directors, (2) adding a voting retired member to the CFA delegate assembly, in addition to the Chair of the Committee on Retired Faculty, (3) mandating that at least three members of the Committee on Retired Faculty must be retired members, and (4) urging campus chapters to arrange for representation of the interests of retired faculty.

The Committee on Retired Faculty also made two recommendations for future CFA consideration. The Committee asked CFA to protect retiree benefits by opposing any future state efforts to balance the budget by withholding employing agency contributions to PERS. This proposal was a reaction to SB 2465 (Green) and the October 17, 1990, PERS Board's subsequent meeting that approved such withholding of contributions.

The second recommendation urged CFA to seek an increase in the base on which retirements benefits are calculated; these have not changed in more than ten years. ERFA CFA representatives will continue to advocate favorable CFA consideration of these two proposals.—Jim Ryan.

CORRECT PERS MEDICAL CLASS?

Dora Polk writes that she has just learned she was in PERS Basic Medical plan, not in Supplement to Medicare. She has been out additional funds, as a result. She suggests that all retirees make certain that they are in the "right" plan.

BELATED CORRECTION. In the March 1990 issue of *The ERFA Reporter* Edwin R. Carr was identified as emeritus from Fresno. He is emeritus from Fullerton.

THE ERFA EXECUTIVE COMMITTEE

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THE CSU ACADEMIC SENATE REPORT

According to Nicholas P. Hardeman, ERFA Liaison to the CSU Academic Senate, the Senate has recently approved one policy that ERFA has recommended and is taking under consideration another.

The recently approved policy concerns the protection of on-campus professional personal property of faculty. Apparently, on several campuses little effort is made to protect such items from theft or damage, especially when a faculty member is on leave or a FERPer is "off." The adopted policy states CSU campuses "should establish regulations designed to provide reasonable protection of on-campus professional property of faculty and that such regulations should be reasonably observed by the institutions and their employees. . . . For example, the Senate believes that work schedules involving faculty offices and laboratories should be announced by personal memos to all concerned faculty, with ample lead time for the faculty to respond realistically, and that workers should be carefully instructed as to the importance of security and the nature of the university's obligation. . . . Given the special problems of retiring faculty and high percentage of temporary faculty on the campuses, the specifying of ample lead time for vacating offices and laboratories would appear to be critical to the success of property protection policies. In addition, preparedness plans for earthquakes and other disasters should perhaps be re-examined in the interests of protecting the personal belongings of faculty as well as state property."

The ERFA recommended policy under consideration by the Senate deals with the need for each campus to develop appropriate procedures for the retention and removal of faculty now that Federal law in 1994 will remove age limitations as a consideration. The white paper under examination recognizes that the CSU is "entitled to satisfactory job performance." But it also recognizes that the CSU must not use "improper tactics" to dismiss those who are performing satisfactorily—"mailing unsolicited retirement forms to employees," "threats of disciplinary action if employees do not

ERFA TELEPHONE TREE ESTABLISHED

At the December 1990 State Council Meeting, the Council approved the establishing of a "telephone tree." The purpose of such a tree is to help ERFA rapidly bombard lawmakers with telephone calls (and letters, even if we do not call it a "letter tree.") The idea is that one person can call ten or so members, each of whom will call ten or more, who will in turn also call ten or more. Finally, all then call or write a lawmaker, explaining to him/her why some legislative action should or should not be approved. If you are willing to serve as a "branch" or "leaf" of the tree, please tell your local retirement organization president or Jack Byrom, Executive Director, ERFA, 9010 Reseda Blvd., Suite 224, Northridge, CA 91324. Please participate and let ERFA know ASAP.

'voluntarily' retire," "punitive scheduling in terms of hours, assignments, and the like," and so forth. When the Senate finally approves a policy on this topic, *The ERFA Reporter* will provide a summary.

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tax levels, but prefers to raise "user fees" (e.g., tuition), if no other solution seems possible. He wants to focus upon preventive measures (e.g., headstart education) in place of remediation. However, he wants to fund the one by robbing the other.

This year various groups will seek to fund vision care for retirees, since funding was approved in principle last year, but funding is unlikely.

The reserves of the PERS fund will again be a likely target for fiscal relief; it seems doubtful that it can escape modification entirely. (See related story on page 1.)—William Tidwell

The *CSU ERFA Reporter* is a publication of California State University Emeritus and Retired Faculty Association. President: Milton Dobkin. Executive Director: Jack Byrom. Office Manager: Ann Oliver (818)886-1196. Editor: Fred McMahon, 1400 S. Catalina 309, Redondo Beach, CA 90277, (213)540-1111. All rights reserved.

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