



REPORTER

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

PERS' LONG TERM CARE INSURANCE

WRITTEN BY WILMA KREBS

The board of the Public Employees' Retirement System (PERS) recently announced final details of its long-term care (LTC) program available to active and retired members of PERS, the State Teachers' Retirement System (STRS), and all California county systems except San Francisco and San Luis Obispo. Also eligible are spouses, parents, and parents-in-law. If you would like an enrollment packet, call 800-338-2244.

PERS will launch the LTC program on a phased-in basis, starting in Northern California with a new area phased in every three to four months. PERS will offer seminars, educational materials, and specially-trained people to answer questions at a PERS 800 number. If you do not want to wait until your area is singled out, you can call PERS and enroll at any time.

WHAT IS LONG-TERM CARE?

LTC includes home care, assisted-living facilities, adult day care, and care in a nursing home. It may include personal care (help with dressing, bathing, eating, toileting), therapeutic care, and supervision, such as might be needed after a stroke, cancer, or accident, or by persons with cognitive impairment like Alzheimer's. In California the average annual bill for a nursing home is \$40,000, and even in-home care can cost \$15,000 or more per year. Traditional health insurance and Medicare include only limited amounts of this kind of care.

WHAT ADVANTAGES ARE THERE TO THE PERS LTC PROGRAM COMPARED TO PRIVATE INSURANCE?

The PERS program is not being offered by an insurance company, but is self-funded by PERS. Because of superior investment performance, and no carrier profits or agent commissions, PERS will be able to offer protection at an average cost of 30% less than commercial insurance, and still have a program that is broader and more flexible than most insurance companies offer. Care advisors will be available to help in locating and selecting appropriate care, and to assist in making choices about the kind of care needed and desired.

WHAT PLAN OPTIONS DOES THE PERS PROGRAM OFFER?

(1) *PERS Comprehensive Plan.* This option includes care at home, in adult day care centers, in assisted-living facilities, and in nursing homes. These types of care are interchangeable. Choose lifetime, or 3-years nursing home coverage (6 years of home care).

(2) *PERS Nursing Home/Assisted-Living Facility Plan.* This option provides affordable protection against the high cost of institutional care. Choose lifetime, or 3-years of nursing home coverage.

MESSAGE FROM CSU-ERFA PRESIDENT

On December 10, 1994, thirty-seven members of the CSU-ERFA State Council, representing thirteen campus affiliates, attended the fall meeting at the Crown Plaza Holiday Inn in Los Angeles.

Along with reports from all committees and liaison representatives, several important actions were taken.

Bob Kully (LA), Nathan Kravetz (SB), and Herb Rutemiller (Ful) were appointed as an ad hoc committee to recommend policies and procedures for implementing the consulting project CSU-ERFA initiated last summer. In cooperation with the CSU office of the Chancellor, CSU-ERFA hopes to have in place by late spring a consulting program for the 250 members who have indicated an interest.

As usual, the Council spent a significant amount of time on the PERS Long Term Care insurance program, with Wilma Krebs (Sac) providing information concerning its beginning in early 1995. As you know, CSU-ERFA has been heavily involved in the development of the program, including helping create various options that will be available. The Council, having reviewed the PERS program, voted to support it and to recommend that all CSU-ERFA members seriously consider it. At present CSU-ERFA has under consideration efforts to provide personal counseling to assist emeriti in reaching decisions on participation in the programs.

After extensive discussion, the Council passed the one dollar per month dues increase proposal, to become effective July 1, 1995. This action, plus the continuing growth in membership, should allow CSU-ERFA to add to the office staff.

As the association moves into 1995, it continues to implement its long range programs as well as to discuss new directions. The officers, as always, solicit your comments and support.—E. Long.

(3) *PERS PARTNERSHIP PLAN.* This option provides for comprehensive care at home, in adult day care centers, assisted-living facility or nursing home. Built-in 5% compound interest inflation protection. Its unique feature is asset protection, in the event you become eligible for Medi-Cal, in the amount of benefits received under the policy. The amount of protection is either \$36,500 or \$73,000 (increased annually by the inflation adjustment). As a result, you don't have to "spend-down" all your assets to be eligible for Medi-Cal, should you need an exceptionally long period of care.

The daily benefit amount for nursing home care under the Partnership plan is \$100 a day; under the first two

(continued page 5)

Long-Term Care Program Monthly Rate Tables

Comprehensive Plans

Age At Purchase	Lifetime Coverage Options*		\$131,400 Coverage Options**	
	Comprehensive	Comprehensive With Inflation	Comprehensive	Comprehensive With Inflation
30	\$13.44	\$29.93	\$11.94	\$24.62
40	\$19	\$46	\$16	\$37
50	\$31	\$73	\$25	\$58
55	\$43	\$96	\$34	\$76
60	\$64	\$129	\$48	\$100
65	\$97	\$177	\$72	\$134
70	\$152	\$248	\$109	\$184
75	\$241	\$354	\$171	\$257
80	\$374	\$499	\$261	\$357

Plans cover up to \$120 per day for nursing home; \$1,800 per month for home care; 90-day deductible.

*Preferred plan for active members.

**Three years of nursing home care, more than six years of home care, or a combination of the two.

Nursing Home Plans

Age At Purchase	Lifetime Coverage Options		\$131,400 Coverage Options***	
	Nursing Home Only	Nursing Home Only With Inflation	Nursing Home Only	Nursing Home Only With Inflation
30	\$11.15	\$21.70	\$10.23	\$18.04
40	\$14	\$32	\$12	\$25
50	\$22	\$49	\$18	\$39
55	\$28	\$63	\$23	\$50
60	\$40	\$82	\$32	\$65
65	\$57	\$109	\$46	\$86
70	\$85	\$145	\$68	\$116
75	\$129	\$198	\$103	\$158
80	\$190	\$267	\$153	\$215

Plans cover up to \$120 per day for nursing home; 90-day deductible.

***Three years of nursing home care.

Partnership Options

Age At Purchase	\$36,500 Partnership****	\$73,000 Partnership*****
40	\$26	\$35
50	\$37	\$51
55	\$44	\$64
60	\$55	\$81
65	\$71	\$105
70	\$93	\$141
75	\$126	\$193
80	\$171	\$265

Plans cover up to \$100 per day for nursing home; \$1,500 per month for home care; 30-day deductible. Inflation automatically included.

****Up to one year of nursing home care, more than two years of home care, or a combination of the two.

*****Up to two years of nursing home care, more than four years of home care, or a combination of the two.

CSU-ERFA HAS NEW OFFICE AT CSUN

CSU-ERFA has returned to the California State University Northridge campus. On January 17, 1994, CSU-ERFA was forced to leave this campus because the Northridge quake closed the building that housed the office. For several months CSU-ERFA located its office in a commercial building near the campus. Fortunately, this past September, CSUN made arrangements with CSU-ERFA and the Northridge Association of Retired Faculty to join together once again and share a facility on the campus. The two organizations now share what was designed to serve as a two bedroom apartment for student housing. There are other campus organizations also housed in this building, including the headquarters for the campus police.

If you want to travel to the CSU-ERFA office, you should go to the CSUN campus to the corner of Zelzah and Nordhoff. There, you will turn north on Zelzah, the street that runs along the east side of the campus. When you get to the "earthquake monument" (the parking structure that collapsed—pictures televised throughout the world), you will find the sign for the campus police immediately to the north of the parking structure. Park in the street adjacent to the police station, also the location of the CSU-ERFA new office. The office is in apartment 204; its location is clearly marked.

ALBERT SHAW EXHIBIT RESCHEDULED

The last issue of *The CSU-ERFA Reporter* announced an exhibit of Sidney Albert's Shaw collection at Brown University. Because Michael Holroyd, who was to introduce the exhibit and lecture on Shaw was ill, Brown University has rescheduled the lecture and exhibit for some time this spring.

LEGISLATIVE REPORT

Politics and state financial difficulties succeeded in killing most of the legislation that CSU-ERFA helped develop and supported. In particular AB 1872, designed to guarantee that state retirees would retain purchasing power at seventy-five per cent of their pension's original value, died in committee, as did AB 993, which would have given retirees a two per cent cost-of-living adjustment in January rather than in May. The same fate fell to AB 300, the bill designed to provide an income tax exemption for those who live out-of-state.

SB 400, however, did pass; it permits the retirement allowance to increase to a higher option level in "the event of a divorce, if the member had been awarded the retirement interest."

Among the new proposals for legislation in the coming session are these:

PERS is expected to co-sponsor a new bill to guarantee retirees' purchasing power at seventy-five per cent. CSU-ERFA believes it is important to keep striving to pass such legislation even though current inflation is below five per cent.

CSEA will sponsor a bill for payment of the COLA in March instead of May.

PERS will sponsor a bill to lower the "age for the '59 survivor benefit from sixty-five to sixty for those who do not have Social Security."

PERS will sponsor a bill to eliminate the medical test requirement for reinstatement after retirement, currently required by PERS.

PERS is expected to sponsor a bill to extend the Long-Term Care insurance program to judges and legislators.

SUPPORT YOUR INTERESTS JOIN CSU-ERFA



(Please Print)

CALIFORNIA STATE UNIVERSITY EMERITUS AND RETIRED FACULTY ASSOCIATION Membership Application

ERFA

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	☐
\$1600 to \$2299.....	\$3.00 per month	☐
\$2300 and more.....	\$4.00 per month	☐
Contributing Member.....	\$5.00 & up per mo.	☐
	Amount \$ _____	☐

Please mail the completed form to:
CALIFORNIA STATE UNIVERSITY
EMERITUS AND RETIRED FACULTY ASSOCIATION
The Retiree Center
18111 Nordhoff Street
Northridge, CA 91330-8339

Signature _____

Date _____

PERS FOLLOWS 'BENIGN' INVESTMENT PRACTICES

With the collapse of the financial structure in Orange County, many state employees tied to retirement with PERS have wondered, has the Orange County collapse had any effect on PERS? Is what happened to OC likely to affect PERS?

According to an article in a recent issue of the *Sacramento Bee*, the answer to both these questions is no.

The eighty billion "California Public Employees' Retirement System is using the same kind of unconventional and complex investment technique that resulted in huge losses for a government investment pool in Orange County."

But there is a world of difference between the two.

The investment program in OC borrowed against its assets, hoping to increase its returns. OC also "gambled that interest rates would fall."

The PERS giant pension fund uses "futures contracts—one form of so-called 'derivative' financial instruments—to reinvest stock dividends for the short term."

PERS receives about forty-five million dollars a month in dividends from its nearly twenty billion dollars in stock holdings in U S companies. Instead of having these dividends sit in cash in money market funds, the PERS strategy is "to try to match the makeup of its huge portfolio of stocks."

But the millions in dividends that come monthly are not enough to purchase "more shares of stocks outright with the exact weighting of the hundreds of companies in PERS' portfolio."

Instead, the pension fund accomplishes that by reinvesting the dividends "in future contracts on the Standard & Poor 500 index which approximates the makeup of the pension fund's stock holdings."

Carl Wilberg, principal investment officer at PERS, explains, "If the market goes up, we go up in lock step." Those futures "contracts typically mature in three to four months. And at some point, when the balance reaches two hundred million to three hundred million dollars, the pension fund invests that amount in regular stocks. " PERS has been using this investment strategy for several years. "We are very satisfied the way we're doing it," Wilberg said.

Zane Mann, PERS bond advisor, said PERS is "doing exactly what it should be doing. Reinvesting stock dividends is what a good money manager should do. You can't just go running into the stock market every time you want to buy one hundred shares. You have to accumulate blocks of some size."

Rich Barnett, senior vice president for the Dean Witter brokerage firm in Sacramento, "described PERS' use of that financial instrument as 'benign' in contrast to the risky approach used in OC."

REPORT ON THE CSU ACADEMIC SENATE MEETING IN NOVEMBER

At the CSU Academic Senate meeting on November 3 and 4, Chair Harold Goldwhite reported that the Trustees had adopted a budget request that provided 9.4 per cent more for 1995/96 than for the current year. They asked for a ten per cent increase in undergraduate fees and fifteen per cent for graduate students. Goldwhite advised that year-to-date state revenue is \$106 million above the amount expected; hence, the proposed November cut should be unnecessary. He advised that there is a joint graduate board of UC and CSU that is charged with coordinating joint graduate programs; apparently there may be a change in UC policy, one supportive of joint programs.

Bob Kully, Chair of the Task Force to Revise the CSU Academic Senate Constitution, reported on several suggestions, including a proposal to add a voting member from the emeriti to the senate. Don Moore, emeritus non voting-representative, spoke for the suggestion, but the presentation was followed only with "a moment of silence."

The senate received a recommendation that the CSU cease giving the statewide award for outstanding professor to two professors and that the award funds be divided among the campus nominations.

Gene Dinelli, vice-chair of the senate and chair of the faculty advisory committee to the formation of the Monterey Bay campus, reported. In the search for a core faculty, there were 25,000 applications. Seventeen were selected and recommended to the president and provost. Eventually, forty to fifty new faculty will be appointed before classes begin fall 1995.—based on information provided by Don Moore.

NEW CSU CAMPUS IN VENTURA COUNTY?

According to the *Los Angeles Times* a lemon grower has agreed to sell his grove site of 200 acres near Camarillo to the CSU for the long awaited Ventura area CSU campus. If the sale goes through, it will be the first time that CSU has been able to acquire land for a Ventura County campus in more than twenty-five years.

ROBERT KULLY HONORED

Robert Kully (LA), Professor Emeritus of Communication Studies and a former member of the CSU Board of Trustees, is the recipient of one of the highest awards of the Speech Communication Association: the Lifetime Teaching Excellence Award.

CSU-ERFA MEMBERSHIP GROWTH

CSU-ERFA Executive Director Jack Byrom reports that membership has now reached 2,602. "If you are not a member, you should join," Byrom advises. "The more members we have, the easier it is to gain influence in Sacramento and at the CSU."

plans \$120 a day. The monthly home care benefit under the Partnership plan is \$1500, and \$1800 a month under the PERS Comprehensive Plan.

The deductible is 30 days, once in a lifetime, under the PERS Partnership Plan, and 90 days under the other two PERS plans.

HOW DO I QUALIFY FOR BENEFITS?

The three triggers are (1) for home care: you are unable to perform 2 out of 6 "Activities of Daily Living"; for nursing home care: you are unable to perform 3 out of 6 "Activities of Daily Living"; or (2) you suffer from cognitive impairment, or (3) you have a complex yet stable medical condition.

WHAT WILL THESE POLICIES COST?

The cost depends on the type of policy you select, your age, and what type of inflation protection you choose. Remember that the cost of nursing home care is expected to rise about 5% a year. Some examples:

(1) At age 60, a PERS Partnership policy providing \$36,500 in benefits (1 year of nursing home care, or 2 years of home care) would cost \$55 a month. A \$73,000 policy (2 years of nursing home or 4 years of home care) would cost \$81 a month. This also buys asset protection. At age 65 these policies would cost \$71 or \$105 a month.

(2) At age 60, the PERS Comprehensive lifetime plan would cost \$64 a month (with no inflation protection), or \$129 a month with 5% compound inflation. At age 65, the cost would be \$97 or \$177 a month. Another alternative would be the Comprehensive plan covering 3 years of nursing home or 6 years of home care, which at age 65 would cost \$72 (no inflation) or \$134 a month with inflation protection. (It is also possible to purchase periodic catchup inflation coverage, but you should understand that you will then have rising monthly premiums, whereas if you purchase a policy with built-in inflation protection your premium remains level, and will not rise with your increasing age.)

(3) At age 60, the PERS Nursing Home only policy with built-in inflation protection would cost \$65 for the 3-years of benefits, or \$82 a month for the lifetime policy. At age 65, the amounts would be \$86 or \$109 per month. [See page two of this issue of *The CSU-ERFA Reporter* for rate tables.] It is apparent that long-term care protection is less expensive the younger you are, and that buying a policy early locks in a premium rate based on age upon entering the program. However, even at older ages, the potential cost of long-term care could be greatly in excess of the premium cost.

WHAT IS THE LIKELIHOOD OF NEEDING LONG-TERM CARE?

A survey by the National Center for Health Statistics, a unit of the Department of Health and Human Services, concluded that about 40% of Americans over the age of 65 will need nursing home care at some point in their lives. This study showed the average nursing home stay to be 2.5 years. Another study, reported in the *New England Journal of Medicine* (Feb. 1991), showed the average stay at 2.1 years. *Financial Planning News* (1994) showed the average stay for Alzheimer's at 8 years.

WHAT FACTORS SHOULD BE CONSIDERED BEFORE DECIDING TO BUY A POLICY?

1. Your income and your ability to pay the premium. It should not be more than about 5% of your income.

2. Your assets. You may wish to pay some of your long-term care costs yourself. You may wish to protect some of your assets for your family, or for emergencies.

3. Your age, and your spouse's age. Affects premiums, impact of inflation.

4. Your health. Those who already have disabling conditions are rarely accepted for long-term care coverage, as you may wish to get coverage.

5. Your unique circumstances. Will there be a support system when you need care? How much risk are you willing to take? Do you want to insure against the average risk, knowing there is a backup system like Medi-Cal for the less likely but possible prolonged period of care? Or are you risk averse, with a desire for the most extensive coverage available? What are your financial and emotional priorities?

WHAT ARE THE UNDERWRITING REQUIREMENTS?

Retirees, their spouses, surviving spouses, parents and parents-in-law will be required to complete an application. You will be asked whether you currently require "hands-on" assistance in performing activities of daily living (moving in/out of bed or chair; controlling bowel/bladder; bathing; eating; dressing; or using the toilet). You will also be asked whether you are now receiving (or within the past 12 months) nursing home care or home health care services.

You will also be asked additional medical questions. The intention is to accept individuals if they do not currently have a condition that puts them at high risk of needing long-term care services now or in the *near* future. Persons who have medical conditions that are under control will probably be approved. Example: a person with diabetes who has no complications and is stable, or a person who had a heart attack over 6 months ago, with no complicating factors, would probably be approved.

* * * * *

WHAT IS THE PERS PARTNERSHIP PLAN?

How is this option different from other long-term care policies? Its key difference is in the asset protection feature. The PERS Partnership is an alliance between the State of California and PERS to help moderate and middle-income people cover the cost of their long-term care without depleting their life savings.

HERE'S HOW IT WORKS

You buy a PERS Partnership policy, one that covers 1 year of nursing home or 2 years of home care (\$36,500 in total benefits), or one that covers 2 years of nursing home or 4 years of home care (\$73,000 in total benefits). If care over and above the coverage limit is needed, you may keep assets equal to the amount the Partnership policy has paid out, and still qualify

(continued page 6)

(continued from page 5)

for Medi-Cal. This avoids being forced to "spend-down" one's assets to just \$2,000 to qualify for Medi-Cal benefits. Remember that the amount of Partnership-protected assets is over and above the normal Medi-Cal exempt amounts of home, car, personal property and the spousal exemption. (If you had assets exceeding all of this, you would have to spend them down until you reached your total exempt amount.)

So you decide which level of assets you want to protect in this way, either \$36,500 or \$73,000, and then sign up for the Partnership policy that pays that amount. Because your Partnership policy has built-in 5% compound interest inflation protection, both your dollar benefits and your Partnership asset protection rise at this same annual rate, doubling in 14 years. Once on Medi-Cal, a portion of your monthly income must be applied toward long-term care expenses, but the program allows you to keep your asset "nest-egg."

It's the difference you get from feeling you have maintained some financial control and independence in your life.

WHAT ARE THE OTHER FEATURES OF A PERS PARTNERSHIP POLICY?

- 5% compound interest built-in inflation protection
- level premiums
- comprehensive coverage (home care, community care, residential facility or nursing home care, and these benefits can be combined or interchanged)
- independent Care Advisor to help you with your plan of care
- a "forgetfulness" clause if you are ill and forget to pay your premiums

ARE THE ASSETS PROTECTED IN MY ESTATE?

Yes, your heirs can receive the assets you protected for them through your Partnership policy.

CAN I USE A PARTNERSHIP PLAN TO GET CARE OUTSIDE OF CALIFORNIA?

Yes, your policy benefits are payable in any state. However to claim the special asset protection, you must reside in California at the time you apply for Medi-Cal.

WILL THE BENEFITS UNDER MEDI-CAL BE THE SAME AS UNDER MY POLICY?

You will be eligible for the services which Medi-Cal provides at the time you apply. They will cover nursing home and home care, but there may be some differences in coverage. If your income is high enough, you will be asked to pay a "share of the cost" out of your monthly income, but the spouse at home can keep at least \$1,800 per month.

WHO SHOULD CONSIDER A PERS PARTNERSHIP POLICY?

Retirees and pre-retirees with moderate to middle-income and moderate assets. Those who feel they can't afford more expensive long-term care insurance policies, but have resources too large to qualify for Medi-Cal. Others may wish to suggest these policies to their parents and parents-in-law.

THE BOTTOM LINE

Your PERS Partnership policy will pay all or most of the average monthly cost of long-term care. Should you need care for a really long period of time, you will be able to get Medi-Cal benefits without fear of impoverishment. And you can rely on this high-quality policy if you need it, knowing that it is backed up by PERS and the State of California.

IN MEMORIAM

FRESNO: ROBERT CARR & DORIS FALK
 LONG BEACH: WALTER NAGLE
 NORTHRIDGE: DOROTHEA EXTENCE
 SAN DIEGO: CHARLES COOPER,
 WILLIAM KAUFMAN, ROBERT MCCABE
 LEONARD MESSIER

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