



REPORTER

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

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Herbert Rutemiller (Fullerton) *retirement concerns*
Don Moore (Los Angeles) *liaison to CFA*
Len Mathy (Los Angeles) *liaison to CSU Senate*
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Next Enrollment Period for Long-Term Care Insurance

The CalPERS Board of Administration has announced that a second enrollment period for the CalPERS Long-Term Care Program will run from April 1, 1997, through June 30, 1997. Over 20,000 persons are projected to enroll to add to the more than 70,000 who signed up in the first enrollment period. Telephone 800-338-2244 if you wish to get on the waiting list; enrollment materials will be sent to you in March.

Tax Advantages

A new Federal law, the Health Insurance Portability and Accountability Act of 1996 (Kennedy-Kassebaum law) makes long-term care (LTC) insurance premiums deductible as a medical expense. The law applies both for those who have purchased a PERS LTC insurance policy prior to December 31, 1996 and for those who after this date purchase a policy that is deemed 'federally qualified' under the new law. PERS has taken all necessary steps and made a small number of policy language changes to ensure that all PERS policies will be "federally qualified."

The way this works is that you have to itemize your deductions, and the sum of all your medical expenses including long-term care insurance pre-

miums must exceed 7.5 percent of your adjusted gross income. Whatever amount is in excess of this level is deductible, subject to the following limitations for LTC premiums:

Attained age 51 to 60	\$ 750
61 to 70	2,000
More than 70	2,500

Another benefit for those who purchase "federally-qualified" policies is that any benefits paid out under the policy are *not* considered taxable income. Favorable tax treatment, as described, applies to tax years beginning after December 31, 1996.

To be accepted as a "federally-qualified" policy, all insurance companies and PERS must have made certain changes in the wording of their policies. For example, to qualify for benefits with an Activity of Daily Living performance deficiency, a licensed health care practitioner must project that the deficiency will last for a minimum of 90 days. PERS has drafted these language changes and allowed your CSU-ERFA representative to review them. We believe that the language changes will not in practice significantly affect the benefits of PERS policies. •

—Wilma Krebs, Legislative Committee Chair

President Long Reports—

As we enter a new year, CSU-ERFA has a new look as a result of decisions we made in the past year. The newest item was our **Issues Conference** on January 11. We are still evaluating it and will decide whether to make it a permanent activity.

The idea of the conference resulted from our structural changes, in which we eliminated the larger Executive Committee, kept the State Council, and instituted a smaller Executive Committee (which in turn replaced the old Steering Committee). This resulted in two fewer meetings a year. The new Executive Committee de-

cided that, in place of having a third meeting of the State Council to conduct business, we would see if the issues conference, to which were invited the State Council members as well as other interested members, would allow us to pursue topics of concern in some depth.

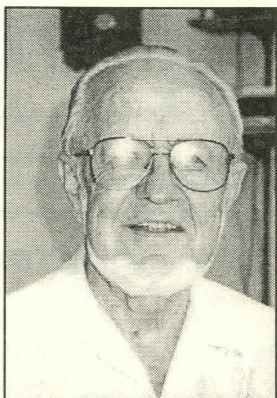
CSU-ERFA Committees: We also now have a full complement of committee membership, something we did not have in the past; and we are asking committee chairs to send a written report to each meeting of the Executive Committee and the State Council. We are seeking broader activity on issues of concern and wish to encourage our committees to be part of it.

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In the past, we have had excellent work done by the chairs of our committees, but they have not usually had additional assistance from other members. Even though some argue that the "best committee is a committee of one" and although we know that a committee's success depends heavily on its chair, wider participation in all our activity is desirable and we hope the new appointments and procedures will be productive.

CSU-ERFA Office: Executive Director **Robert Kully** continues to provide superb leadership. Our office staff of **Linda Zimmerman** and **LaTisha Calhoun** is excellent and continues to deal with a wide variety of issues. We also have a fine office setup at Northridge with



a new "state-of-the-art" computer, thanks to the help of **Victor Payse**. We also believe our communications to and from the office are excellent with two phone lines, e-mail, fax, and an office staffed daily. Pocket calendars were sent to you in December.

We hope this new year will bring significant activity on health care plans, retirement contributions, and

CSU-ERFA endowment issues. You can expect a review of our discussions and referral to appropriate groups for further research and action. In addition, CSU-ERFA stands ready to encourage the affiliates to increase activities for their members.

We also foresee increased activity for preretirement assistance to CSU personnel and our consulting program. **Herb**

Rutemiller and his Retirement Concerns committee have been quite active and **Nathan Kravetz** is working to improve our consulting program. Other committee chairs are also busy: **Wilma Krebs** (Legislative), **Hal Jackson** (Dispersed Membership), and **Elizabeth Brady** (Membership). Liaisons **Don Moore** (CFA), **Len Mathy** (CSU Senate), and **Sidney Albert** (California Conference of the AAUP), keep us in touch with their organizations. **Ralph Bigelow** (Publications), as this issue demonstrates, continues as editor of the *Reporter*.

Please let us know of how we may help you in your retirement concerns. We are as near as whatever communication medium you choose to use. HAPPY NEW YEAR. •

--**Emmett Long**, president

New Hearing Aid Benefit:

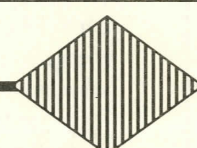
As of January 1, 1997, PERS managed-care plans will provide audiological and hearing aid evaluations and up to \$1,000 per member for hearing aids (every 36 months), as well as visits for fitting, adjusting, and repairs. One of our members was mistakenly denied this benefit, but a CSU-ERFA call to PERS confirmed and restored the right of our member to get his hearing aid. • [WK]

Freedom of teaching and of opinion in book or press is the foundation for the sound and natural development of any people. —Albert Einstein

CSU-ERFA Issues Conference

About 40 members attended the CSU-ERFA Issues Conference in early January. The agenda included discussion of defined benefit retirement plans as contrasted with defined contribution plans, retiree health benefits (with special attention to PERS-Care), and the CSU-ERFA Educational Endowment Program. Discussion leaders included **Milt Dobkin**, **Wilma Krebs**, and **Max Norton**, assisted by **Mark Van Aken**, **Bill Gustafson**, **Eleanor Price**, **Judd Grenier**, and **C. Dale Johnson**.

See the item elsewhere in this issue on the endowment program; subsequent issues of the *Reporter* will provide continuing attention to developments in retirement and health plans. • [HR]



Editorial: Watch 'em Carefully

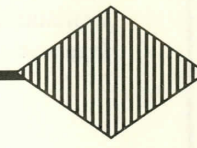
The 105th Congress is off to a mixed start, combining energetic charges of ethics violations with public-spirited protestations for bipartisanship.

Surrounding the rhetoric are at least two issues of consequence to the retired community: "saving" Social Security, and balancing the budget.

Too often these two issues are spoken of as one—that each depends on the other. In the long run, Social Security will need to be revised in some way to meet the needs of the "baby boomers" when they start retiring about 15 years from now and the trust fund will no longer have a surplus.

Balancing the budget is more immediate. And balancing it without using contributions to the trust funds. What needs scrutiny is the possibility that the Congress will combine lower retirement benefits with increased payroll taxes—and continue to use trust fund surpluses to offset general fund outlays to achieve a balanced "unified" budget.

Consideration of alternatives will require hard choices, which in turn will call for truly energetic and public-spirited decision making. • [RB]



A Report from Max Norton, Member-at Large

An Endowment Fund for CSU-ERFA

The CSU-ERFA Executive Committee appointed an Educational Endowment Committee for the purpose of exploring the need to establish a tax-free educational endowment fund. The members are **Sid Albert, Sol Buchalter, Milt Dobkin, Bob Kully, Emmett Long, and Max Norton**, chair.

Purpose of the Fund:

The Fund provides a vehicle for accepting gifts, bequests, or donations from CSU-ERFA members. It provides tax benefits for the donor as well as assuring that the gift will be put to use in support of a specific program of the donor's choice. It would be administered through the CSU-ERFA Endowment Trust Fund (The Fund).

Benefits:

Planning a future gift is beneficial to both the donor and CSU-ERFA. By setting up an annuity or trust, the donor can transfer ownership of assets such as stocks, bonds, and real estate to the nonprofit fund, which invests in a pool of assets from other donors. The donor receives an annual income earned from donations based upon his or her share of the pool.

The benefits of The Fund are summarized as follows:

- a. It provides the financial support for the retiree who wishes to continue his or her research and academic pursuits.
- b. It provides the vehicle by which CSU-ERFA members can contribute directly to projects and programs that are of importance to them.
- c. Contributions to The Fund provide substantial savings on capital gains taxes that would normally incur as the result of the sale of securities, or real estate or other forms of taxable wealth. It is also a useful instrument for alleviating the burden of estate taxes that may accrue as a result of death of the retiree.

How the Fund Operates:

This is accomplished through the use

of three tax saving instruments;

(1) *THE CHARITABLE REMAINDER UNITRUST*. This trust receives the gift of appreciated assets to the CSU-ERFA Endowment Fund (The Fund), a nonprofit foundation that would be established to handle gifts of securities, real estate, or cash. Such contributions would create an immediate *income tax deduction in the year in which the gift is made*. The deduction can offset up to thirty percent of the adjusted gross income (50 percent for cash) with an additional 5-year carry-forward of the remainder of the contribution. All assets transferred to the trust

The donor shall have the right to designate that his or her contributions be used to fund certain types of research projects and scholarly endeavors . . .

could facilitate savings of *estate taxes* in the event of the donor's death, because the assets are in an irrevocable charitable trust. During the gifter's lifetime, the income from the trust and investments goes to the donor.

(2) *THE CHARITABLE REMAINDER ANNUITY TRUST*. This trust is set up from either cash or securities (real estate not included) contributed to The Fund. Immediately upon the transfer of funds to the trust, the donor is assured of an established payout in *fixed dollar amounts*. The fixed payout is derived from interest on the investment made from the trust. If the interest is insufficient, the trust uses the principal. The payout is made as long as any principal is remaining in the trust. The tax benefits are comparable to those shown for the Unitrust noted above.

(3) *THE GUARANTEED CHARITABLE GIFT ANNUITY*. This annuity contract is entered into between donor and The Fund. It can provide for one or two lifetime incomes for the donor and his or her living beneficiaries. The tax advantages are compa-

rable to the plans outlined above.

What happens to the gift or contribution?

Each donor transferring property, securities, or cash to The Fund shall retain an income interest in the asset for the life of one or more beneficiaries. Each beneficiary must be a living person at the time of the transfer.

Usually the gift (real property, securities, or cash) shall be pooled with other contribution and invested in accordance with appropriate Federal tax laws. The situs of The Fund shall be in all respects governed by the laws of the State of California.

How is The Fund used?

Income earned from the gift or contribution in excess of the contractual amount paid to the beneficiaries would be used for:

1. Funding of scholarships, research grants, special studies, projects, and programs that contribute to the quality of life for the retiree and the betterment of the academic community.

2. Provide grants to CSU-ERFA members who wish to pursue research interests or for special projects that will be of direct benefit to the academic discipline. For example, any CSU-ERFA member shall have the right to apply for a grant from the fund provided he or she meets certain criteria for eligibility. The CSU-ERFA member shall not be required to be a donor to the fund to be eligible to apply for a grant.

How does The Fund benefit the CSU-ERFA member who is seeking assistance in continuing his or her academic involvement?

Donors wishing all their contributions to go directly to campus programs and individual scholarships may designate The Fund as the beneficiary. Such income may be used to underwrite specific projects and programs as designated by the beneficiary. Income not accruing directly to a given beneficiary may be used to fund grants for research projects

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Academic Senate Report

Senate Chair **James Highsmith** opened the November meeting of the CSU Academic Senate on a rather negative note. He indicated that the three major elements of the Master Plan for Higher Education—access, quality, and affordability—are all in danger. Expenditures for higher education as a percentage of all expenditures have declined in all western states except Nevada, and tenure and academic freedom are under attack.

Chancellor **Barry Munitz**, in his presentation to the senate, indicated that he did not anticipate significant changes in CSU programs as a result of the passage of Prop. 209. Again, on the negative side, he warned the members of the senate that there will be painful trade-offs between deferred maintenance, work load, faculty compensation, and growth. The concept of merit pay adjustments (PSSI) will be continued.

Baccalaureate Review: The committee meetings of the senate were devoted once more to a review of the baccalaureate. While there is general agreement about the learning and skills that should be acquired by students, substantial differences exist as to how these goals can be achieved. Several

different types of degrees were discussed. The possibilities include:

- 1) a general baccalaureate involving only three years of full-time study
- 2) a specialized baccalaureate requiring four years of full-time study
- 3) an honors baccalaureate consisting of a general baccalaureate plus one year of "honors" study requiring four years
- 4) a technical baccalaureate involving a general baccalaureate and one or two years of professional programs.

Plenary Session Actions: In the plenary session the senate approved the following items:

- 1) International programs policy statement
- 2) Response to the mission statement of the CSU presidents regarding teacher preparation and K-18 education
- 3) Receipt of the draft document "Ownership on New Works at the University: Unbundling of Rights and the Pursuit of Higher Learning"
- 4) Response to "A State of Emergency—In a State of Emergency Teachers"
- 5) Receipt of the draft report "Information Resources and Library Sciences for Distance Learners: A Framework for Quality"
- 6) Receipt of the draft report "The Academic Library in the Information Age: Changing Roles."• [LM]

Nothing can ever happen twice.
In consequence, the sorry fact is
that we arrive here improvised
and leave without the chance to practice.

Even if there is no one dumber,
if you're the planet's biggest dunce,
you can't repeat the class in summer:
this course if only offered once.

From "Nothing Twice"
by Wislawa Szymborska

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and scholarly endeavors of academic merit as determined by a Proposal Review Committee appointed by the Board of Trustees of The Fund.

As a donor, how can I be assured that my contributions are used in accordance with my wishes or the wishes of my estate?

The donor shall have the right to designate that his or her contributions be used to fund certain types of research projects and scholarly endeavors provided that the contribution be made program specific and that The Fund be designated the beneficiary of the contribution.

Please get in touch with your State Council representative for further information about the draft proposal. We would like to hear your opinion regarding whether such a program should be established. Would you be interested in making tax-free donations to The Fund? Would you have an interest in applying for a grant through The Fund to pursue your academic interests and research ideas?• [MN]

We Get Letters—

As a member of the executive committee of the San Francisco outpost of ERFA I have been asked to tell you of a recent presentation to our group by Faculty Trustee **Bernie Goldstein**. We were informed and entertained by Bernie as he gave a realistic assessment of the knowledge explosion the world faces, the budget binds of California, the implications for the CSU, and the strategies that have been and are being developed to meet the rather grim challenges that we face.

We are proud of Trustee Goldstein and feel other groups such as ours would have a similar positive response to hearing from him.•

Franklin Sheehan
Professor Emeritus
1476 Forge Rd.
San Mateo, CA 94402

The Legislative Chair Reports—

New Assembly Speaker Cruz Bustamante (D-Fresno) has appointed **Wally Knox** (D-Los Angeles) as chair of the Assembly Public Employees, Retirement, and Social Security Committee, replacing **Howard Kaloogian**. Kaloogian had sponsored a defined contribution pension plan, *AB 3252*, which was successfully blocked by active and retired public employee groups, including CSU-ERFA. Many friends of these groups have left the Legislature because of term limits. We will have to work hard to make new friends and educate the newcomers.

One defined contribution bill, *AB 3453* (Chap. 385), by Kaloogian did pass that affects faculty and staff in the CSU. This bill permits an optional defined contribution retirement program, offering investment funds and annuities, but it must be established by collective bargaining and an MOU.

Several bills increasing consumer protection for those in HMOs passed and went into effect in January. Among them:

AB 2659 (Chap. 979) **Thompson**—prohibits HMOs from providing incentives to providers to reduce or limit medically necessary service.

SB 1805 (Chap. 1094) **Rosenthal**—prohibits interference with physician advocacy of appropriate health care.

SB 1581 (Chap. 1113) **Rosenthal**—requires HMOs to make referral to HI-CAP (Health Insurance Counseling for elderly and disabled) in their literature.

SB234 Vetoed

Our *SB 234*, which would have given us a pension guarantee of 75 percent of initial purchasing power, was vetoed by the governor, but Sen. Teresa Hughes has pledged to reintroduce the bill in the 1997 session.

CalPERS has selected me to as the representative from CSU-ERFA to serve on the Task Force on Future Health Plan Designs. One major topic is the preservation of the self-funded plans, PERS-Care and PERS-Choice. Another important topic on the agenda is improvements in the managed care plans. Your committee encourages

members to send additional comments about these topics to the CSU-ERFA office. •

— **Wilma Krebs**, Chair, Legislative Committee



In Memoriam

Chico: **Thomas Rogers,**
Santiago Rojas, George
Strem

Dominguez Hills: **Ruth Larson**

Fullerton: **Rita Oleyar**

Long Beach: **Phyllis Beacom**

Los Angeles, **Howard Holladay**

Northridge: **Richard**
O'Connell

Pomona: **John Esterline, Stuart**
Friedman

Sacramento: **Jean Faurot,**
Robert Trimmingham

San Francisco: **Ruth Aubrey**

San Luis Obispo: **L. Harry**
Strauss

CSU-ERFA makes a contribution to a memorial fund, held by the CSU Foundation, in memory of each of its deceased members. The funds are used for research into concerns of retirees, e.g., gerontology, health care.

News from CalPERS

The \$105 billion CalPERS investment portfolio earned 12.2 percent for the one-year period ending Sept. 30, above the actuarially assumed 8.5 percent earnings rate. According to an independent study, CalPERS investment expenses were equivalent to approximately 0.1 percent of the value of the fund, and is below the average of 11 other large pension funds used for comparison. Earnings were also above the average.

Approximately 34 percent of the fund is invested in fixed income assets, 60 percent in equities, and 6 percent in real estate.

CalPERS has also announced a change in the way it manages its core real estate holdings to generate higher returns by establishing a management team for each of the four major property types of apartment, office, industrial, and retail properties.

For further information about CalPERS, visit the web site at www.calpers.ca.gov.

News from CSU-ERFA

Hal Jackson (Hum), chair of the Dispersed Membership committee has announced that the CSU-ERFA home page on the World Wide Web should be up and running in March. Hal suggests that should you wish to look for the web site before we can announce its address you could use one of the standard search programs (such as Alta Vista or Yahoo) on search for the keywords RETIREMENT or EMERITUS.

Linda Zimmerman, CSU-ERFA's office manager, suggests that any member who plans to visit the Northridge campus and our office should call her in advance. The office is somewhat difficult to find; she would be pleased to provide directions and to assist in your visit. The office phone number is 818-718-7996; e-mail: csuerfa@csun.edu.

Herb Rutemiller (Ful), chair of the Retirement Concerns Committee, reports that the committee has identified three projects for 1996-97: 1) an update of the 1995 report "CSU Retirement

Policies and Practices," to address specifically the conditions for attaining emeritus status on each campus and the rights and privileges extended to emeriti; 2) to create a "check list" for retirees and their spouses to assist at the time of death; and 3) offer to potential retirees a financial analysis of retirement benefits under PERS and also under the FERP option.

Serving with Rutemiller are **Frieda Stahl** (LA) and **Bob Martin** (Hay).



And from the Chancellor's Office:

The Chancellor has announced the appointment of Samuel A. Strafacci to serve as the interim leader of the Human Resources division, replacing June Cooper, who has retired. Strafacci has been serving as senior director of employee relations with responsibilities that included collective bargaining. • [Staff]

ANNOUNCEMENT: CSU-ERFA STATE COUNCIL WILL MEET IN NORTHERN CALIFORNIA NEXT MAY. At the May meeting the State Council will review reports from officers and committee chairs, summarize the topics covered at the January 11th Issues Conference, discuss the endowment fund, and receive the slate of officers from the Nominating Committee. All CSU-ERFA members are welcome to attend. Further details about the May meeting will be published in the April Reporter.

Have you moved? If so, please report your new address to the CSU-ERFA office (address above).

Forwarding and address correction requested

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