City of Bell Salaries Inspire Pension Outrage

Many of our Southern California readers have no doubt already heard about the City of Bell, a city of 40,000 south and east of Los Angeles, because The Los Angeles Times has had daily stories about the salaries paid to its top officials for the last six to eight weeks. But for those of you in other areas of the state or who don't read the Times, we begin with the city manager, Mr. Robert Rizzo, whose salary of $787,637 per year tops the President of the United States, the Governor of California, almost every other public official we have heard of, and is only matched in outrage by the cost of his benefits package, which was another $700,000 to $800,000, making his total compensation about $1.5 million per year.

His deputy city manager made almost $400,000; his police chief, $457,000. Several other public officials in Bell were making $230,000 to $423,000. The Los Angeles city chief executive makes about $220,000 by comparison. City managers in much larger and more complex cities than Bell generally make $200,000 to $300,000 per year in Southern California.

And his pension? Rizzo's pension, if it survives Los Angeles District Attorney and CalPERS investigations, is estimated to be over $600,000 per year. And the other public officials with similar salaries – comparably high pensions.

And the outrage? It is still building. The (Continued on p. 2)

Extension of Dependent Coverage - Re-Enroll Your Dependent in Open Enrollment 9/13-10/8

Under the new federal health reform act, dependents from age 23 until they turn 26 will receive coverage on their parents’ health plan. For CalPERS, as of January 1, 2011, children of CalPERS health benefit subscribers, whether or not they have been covered previously on their parent’s plan, are eligible for health coverage until age 26. Children who will be 23 before December 1, 2010 need to be re-enrolled during open enrollment by contacting CalPERS at 888-225-7377. You will need your child’s birth certificate and Social Security number. If your child’s birthday is on or after December 1, 2010, his or her dependent coverage will be automatically continued. If you do not want coverage continued, contact CalPERS to request his or her removal from the plan.

Some specific questions and answers from CalPERS follow. These are from a CalPERS publication dated June 2010.

How will the legislation affect young adults? If you're an adult younger than age 26, you'll be able to stay on your parents' insurance. Children of CalPERS health benefit subscribers, whether previously on their parent’s plan or not, are eligible for health coverage up to age 26. They are eligible even if they are married, do not live with their parent, or are not a student. The spouse or children of the dependent child are not eligible. All CalPERS benefit packages available to dependents under age 23 will be offered up to age 26. The costs of coverage will be consistent with those applicable to dependents under age 23.

Subscribers may enroll and re-enroll adult children during the annual CalPERS
From the President...

This time my notes will be rather brief, because little has happened since the last *Reporter* issue that merits/requires my commentary. Or, to put it differently: the important developments of the last few months will be adequately addressed in committee reports and other contributions in these pages.

**CalPERS.** Let me just say that I, like you, am conscious of the fact that CalPERS and its board continue to be much in the news these days. I am also aware of the increasingly critical public sentiment regarding pensions of public sector retirees, especially here in California. The officials of the community of Bell have done nobody a favor with their outrageous compensation and benefit levels, except themselves, of course.

**State budget.** At this writing, the California state budget still hasn’t been completed, but it appears that as the system goes into the new academic year, the financial prospects for the CSU are not quite as dire as they appeared a few months ago. No more furloughs (at least for the CSU)! I certainly regard that as happy news!

**Fiscal.** At this point let me express my delight again with the fiscal health of our organization! As I have stated before: our management team in Northridge is keeping things well under control. However and here, too, I know I am repeating myself, we need to maintain and if at all possible increase our efforts to recruit new members for CSU-ERFA! So far we still manage to replace colleagues who leave us with others who join us. But we should expect this to be an increasing challenge in the years to come. Besides, raising our membership level isn’t such a bad idea, either, in order for our organization to have a stronger voice.

**Membership for spouses?** This topic was addressed at the July meeting of the Executive Committee. In this context we discussed one proposal in particular: adding spouses of deceased members who would like to stay connected with ERFA as a new membership category to our list (and establishing a specific dues level for it). This item will be on the agenda of the next ERFA State Council meeting, which is scheduled for October 16. That meeting, by the way, is going to take place at a new venue for us: on the campus of CSU Dominguez Hills!

H. Dieter Renning
President, CSU-ERFA

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**City of Bell Salaries & Pensions, from p. 1**

City of Bell and Mr. Rizzo’s pension are the best symbols of pension excess that pension reformers have seen in many years. Those who support the existing system of defined benefit pensions should thank their lucky stars that there is no initiative on the ballot to replace the entire system with 401(k)s, because it would pass in a second. As it is, candidates across the state are invoking Bell and Mr. Rizzo as an example of why the defined benefit pension system should be replaced.

There’s more. The City of Bell’s city council members were making almost $100,000 per year for standard council part-time positions. The District Attorney’s office is investigating whether ballot fraud was committed in the election that enacted the charter changes that allowed this. In that election, for a city of 40,000, fewer than 400 people voted, a good number of them by absentee ballot. In the wake of the controversy, the council, which is still in office, reduced its salaries by about 90%. Whether a recall petition will be submitted is not known at this time. And the top three officials in Bell have resigned.

Bell has the second highest property tax rate of any city in Los Angeles County, along with a median household income of $40,556, well below the Los Angeles county median of $57,152. In early August, state controller John Chiang said that the city raised its property tax in 2007 illegally and must return the $2.9 million it has collected as a result since then. He also ordered the city to reduce its “retirement tax,” a special tax to cover its increasing pension costs (!).

In other related news, the city of Maywood, which is next door to Bell and which fired its entire city workforce and outsourced its city government functions to Bell, is being investigated by the FBI and other agencies over city contracts that

(Continued on p. 4)
Fall 2010 Ballot Measures - A Brief Appraisal

By Ted Anagnoson, Editor

This article is something new for The Reporter. It is the result of your editor’s having given a three-week course on the initiative to a group of senior citizens in Santa Barbara in 2008. The students insisted that I read each initiative, and my conclusion was that these were much too complicated for citizens to understand, for the most part, never mind to vote on. And almost every initiative is sponsored by some interest group seeking to benefit itself. Here and there are some good ones that I could recommend voting YES on, but by and large, I have two rules regarding initiatives:

1. Never sign any petition for an initiative outside the grocery store or wherever. You’re not signing “just to get something on the ballot” – you are signing to help some interest group benefit itself financially at YOUR expense.

2. Vote NO on almost every initiative. Fortunately, that seems to be the normal rule for California voters anyway.

Here is what is on the ballot so far in November, with my comments in italics.

Proposition 19, an initiative statute (law). Purpose: “Changes California Law to Legalize Marijuana and Allow It to Be Regulated and Taxed.” The previous medical marijuana initiative was known as one of the most poorly written initiatives to be passed in recent years, so look for information to the contrary on this one in the newspapers. If you don’t find it, the editor recommends a NO vote. Several members of the CSU-ERFA Executive Committee, however, will vote YES on this initiative on the grounds that it will relieve some of the financial pressures on California’s overstressed prison system.

Proposition 20, an initiative constitutional amendment. Purpose: “Redistricting of Congressional Districts.” This amendment to the state constitution would bring congressional districts under the commission presently being formed to redistrict the State Assembly and State Senate. Another proposition (27) would discontinue the commission altogether. Congressional districts were left out of Prop. 209 in November 2008. Prop. 209 established the citizens commission to redistrict the State Assembly and Senate. This one is good; editor’s recommendation: vote YES.

Proposition 21, an initiative statute. Purpose: “Establishes $18 Annual Vehicle License Surcharge to Help Fund State Parks and Wildlife Programs and Grants Free Admission to All State Parks to Surcharged Vehicles.” This initiative is the result of the governor’s seeking to shut down portions of the state park system as a result of the budget crunch of the last few years. It would “increase taxes” (!!!) – we’ll have to see if the taxpayer groups make it a big issue. Otherwise, I would guess that it will pass, and I recommend voting YES.

Proposition 22, an initiative constitutional amendment. Purpose: “Prohibits the State from Taking Funds Used for Transportation or Local Government Projects and Services.” Prop. 13 centralized decision-making on many local government issues – in fact, almost all of them – in the state legislature, and ever since, local governments have chafed when the state has taken their money and used it for whatever. This amendment to the constitution would further constrain the legislature by not letting it touch “funds used for transportation or local government projects and services.” I’m against all restrictions on the legislature, which already is at the point where it really doesn’t have the flexibility needed to manage a state of our size. Again something so complicated the average citizen shouldn’t be voting on it. Editor’s recommendation: vote NO.

Proposition 23, an initiative statute. Purpose: “Suspends Air Pollution Control Laws Requiring Major Polluters to Report and Reduce Greenhouse Gas Emissions That Cause Global Warming Until Unemployment Drops Below Specified Level for Full Year.” Business and industry’s effort to suspend Gov. Schwarzenegger’s greenhouse gas initiative. They have to be kidding. Editor’s recommendation: vote NO.

Proposition 24, an initiative statute. Purpose: “Repeals Recent Legislation That Would Allow Businesses to Carry Back Losses, Share Tax Credits, and Use a Sales-Based Income Calculation to Lower Taxable Income.” The last budget agreement, a year and a quarter ago, had a provision for business, placed there to obtain enough Republican votes to pass the budget. It required a 2/3rds vote of the absolute number of Assemblymembers and Senators – and the Democrats have 2-3 members too few, so you need some Republican votes. There’s a long tradition in California of reneging on promises. My view is that they made a deal and promise a year ago; they should stick with it. Editor’s recommendation: vote NO.

Proposition 25, an initiative constitutional amendment. Purpose: “Changes Legislative Vote Requirement to Pass a Budget from Two-Thirds to a Simple Majority. Retains Two-Thirds Vote Requirement for Taxes.” Willie Brown once said that the single factor making California government most dysfunctional was the 2/3rds rule. Because of it, we have late budgets, we have budgets with pork (because in order to get the last few votes, one has to include projects for those legislators), we have frustration on the part of citizens, etc. This measure would change the legislative vote for the budget, not the legislative vote to raise taxes, to a simple majority like most states. Editor’s recommendation: vote YES.

Proposition 26, an initiative constitutional amendment. Purpose: “Increases Legislative Vote Requirement to (Continued on page 4)
Fall Ballot Measures,
from p. 3

Two-Thirds for State Levies and Charges. Imposes Additional Requirement for Voters to Approve Local Levies and Charges with Limited Exceptions.” And here we have the effort to go in the other direction from Prop. 25, to have even more items subject to a 2/3rds rule so that one-third of whatever body is involved can block them. Haven’t you had enough of the frustration of having bodies that can’t pass budgets? Editor’s recommendation: vote NO.

Proposition 27, an initiative constitutional amendment and statute. Purpose: “Eliminates State Commission on Redistricting. Consolidates Authority for Redistricting with Elected Representatives.” OK, here we go -- the opposite of Prop. 20! The voters approved a citizens commission in 2008 to redistrict the state after the 2010 Census. The Commission is now being formed and will do its work in 2011. But the parties want to shut it down and go back to the old system of having the legislature draw districts to benefit itself without even giving the commission a chance to show it can work. Editor’s recommendation: vote (a very emphatic) NO.

City of Bell Salaries,
from p. 2

may have conflicts of interest. The person involved is a member of the city council.

CalPERS has been criticized for its actions vis-a-vis the Bell crisis. CalPERS officials were notified about the pay increase of 47% for the city manager and were asked to grant an exemption to its rules on the grounds that other officials in Bell also received comparable pay increases. It turned out that an exemption wasn’t needed. CalPERS in early August said that the city may have violated other rules, and that it was assisting law enforcement in their investigations of the city. And at the August board meeting, CalPERS announced “several actions the pension fund is taking to address concerns raised by the City of Bell salary controversy,” including posting audit reviews of membership and payroll data sent to CalPERS, highlighting significant findings of these reviews at the board meetings, establishing procedures to ensure that senior staff know of “unusually high compensation and salary increases,” and forming a “Public Employee Compensation and Benefits Task Force,” composed of the agency and major employer associations, to work on greater public disclosure, capping total compensation, and mitigating the impact of high salaries on the pension obligations of other members of the various risk pools that CalPERS has to spread out pension obligations.

Editorial: Just in Case You’re Not Outraged...

Well, you should be. It has now been over one year with no faculty trustee appointed by the governor. No faculty member with the right to vote at the Trustee meetings.

The governor refuses.

He has good – in fact, great – candidates.

He doesn’t want them.

He is supposed to appoint from the list sent by the Statewide Academic Senate. He doesn’t have discretion under the law.

He still refuses.

[He actually doesn’t even “refuse,” which implies that he has taken some action to acknowledge the situation. He simply doesn’t act.]

The ostensible reason is that he wants more “diversity” in the pool. Both of the candidates are white males. But the appointees to the faculty trustee position in the past have been very diverse, and this year’s pool included people who weren’t white males. Under the voting procedures used by the Senate, the white males won.

That doesn’t matter to the governor. The real reason, everyone suspects, is that both candidates have present or past union affiliations, with CFA – one as a member of a recent bargaining team, and the other as head of his campus chapter 20 years ago. And you know how the governor feels about public employee unions.

It’s political power, pure and simple. The Statewide Senate, so far, has refused to knuckle under. Good for them, you say – they are standing up for the law, for a principle, for the two candidates who were nominated.

Or not so good, you say – they are standing up for their principle, but there is no trustee and no representation at the Board meetings. The Senate, you can say, doesn’t get how politics works in this state, which all too often is something along the lines of a three year old’s reasoning: “I have political power, I get my way, you don’t get your way – what is it about my power that you don’t get?”

What a sad situation, and outrageous at the same time. But it is how California works, or doesn’t work. We used to laugh about dividing the state up into three states – euphemistically called “Logland,” “Fogland,” and “Smogland.” It won’t happen, because the Republicans would be afraid that too many Democrats would be added to the Senate. But it should.

Maybe whoever is elected as governor this fall will actually know how to be a governor and respect the law. We’ll see.

Maybe the Statewide Senate should acknowledge a horrible situation and go through its procedures again to produce more candidates – it stinks, but then the whole state’s politics stinks.

What else is new.

Oh, one more thing. Maybe you voted for Arnie in one of his two elections? Your editor suggests (very, very gently) that the next time you vote perhaps you should think about whether the person you are voting for actually knows something about politics and being a governor, maybe?

Because this guy doesn’t.

(And the above is not making any recommendation, subtle or otherwise, about this fall’s governor’s race. We are just expressing our disgust at California’s dysfunctional political process.)

--Ted Anagnoson, Editor

RPEA Endorsements

The Retired Public Employees’ Association of California (RPEA), representing more than 30,000 retired public employees in 88 chapters statewide, announced in July their endorsements of Jerry Brown for Governor, John Chiang for State Controller, and Bill Lockyer for State Treasurer.

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**CFA Begins Successor Contract Bargaining, by Dave DuFault**

**Bargaining.** A new bargaining season to negotiate a successor contract began in May 2010 when CFA and CSU made public the issues to be renegotiated. However, negotiations quickly turned negative when the CSU refused to continue the current Faculty Early Retirement Program (FERP) after the expiration of the present contract. Faculty members who are participants or indicated that they would be by June 30, 2010 will receive the full five years of FERP. Those planning to enter FERP after June 30 will not be able to until bargaining concludes. This was the “first time that [the CSU] has refused to extend the FERP program while the parties are bargaining.”

At the initial face-to-face bargaining session on June 25, both sides focused on leftover pay issues from previous contract years. At the next meeting on July 9 the parties agreed to extend grievance procedures from the expired contract for the duration of bargaining. Negotiators also signed a Memorandum Of Understanding to resolve a pay issue remaining from a previous contract year. Under this agreement “residual funds [$700,000] from the post promotion increase [program] will be distributed as a 0.045% general salary increase to each faculty member effective with the September pay period.”

In August, the parties agreed on the distribution of funds remaining from 2007/08 to address inequalities in CSU’s pay structure. This money will be apportioned among eligible associate and full professors including “equivalent-rank librarians, coaches, and counselors.” The Chancellor’s bargaining team rejected CFA’s call to provide “full funding” for the second year (2008/09) of the past contract. Also at the August meeting both sides approached the issue of “reopener” talks on salaries for the 2009/10 academic year. The Chancellor had renegotiated raises for that year because of the state’s budget crisis. After extended discussion CSU refused to renegotiate the promised raises. Consequently, the two sides agreed that they had reached impasse on the issue of 2009/10 faculty salaries. The dispute now moves on to mediation.

**State Workers/Minimum Pay.** In addition to bargaining, CSU faced several other major problems. In early summer the Governor issued an executive order reducing pay for many state workers to the federal minimum pay level. Although this draconian measure is still contested by officials and courts, the Chancellor announced that CSU would not adopt the governor’s plan.

**Furlough Order.** After CSU employees were reassured that pay would not be cut by the Governor’s minimum wage plan, the Governor ordered furloughs for state civil service employees. Again, employees found that CSU would not participate in seeking furlough agreements with the “organized labor groups in the CSU.”

**State Budget.** As of this writing, California remains without a state budget. The legislature’s Budget Conference Committee is still trying to reconcile differences between Senate and Assembly budget plans. The committee previously had approved the governor’s plan to restore to the projected CSU budget $305 million in funding, as well as an additional $60.6 million for CSU student enrollment growth.” Of course, the above represents only an early step in the budget process.

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**CalPERS News: Out-of-State Coverage, Health Premiums, LTC...**

**CalPERS coverage out of state.** If you live out of state, Kaiser Permanente has coverage in some but not all states, although the benefits “may vary outside of California.” PERSCare and PERS Choice are both preferred provider plans that are available with no geographical restrictions, in fact, anywhere in the world. If you have the Blue Shield HMO, you are eligible for the BlueCard Worldwide Network. According to their web page, “urgent services are available through the BlueCard Worldwide Network but may be received from any provider.” This coverage is intended for people traveling in foreign countries, not for those who live abroad.

More information on CalPERS coverage out of state can be found on the CalPERS web site. Go to http://www.calpers.ca.gov and search for “out-of-state plans” to find the page. Retirees living out of state continue to report difficulties in finding primary care physicians who will accept new Medicare patients. The problem is national; the new health reform act may help in the future with an extra 10% payment for primary care physicians beginning in 2011.

**Health premiums increase.** CalPERS health premiums will rise an average of 9.1% as of 2011. The increases are 10.5% for basic HMO plans, 8.6% for basic PPO plans, and 3.4% for Medicare beneficiaries. In addition, CalPERS in 2011 will lift lifetime limits on coverage and extend coverage to dependents of CalPERS members until age 26. Both changes are required under the federal health reform law. Pharmacy changes include:

- Excluding the non-preferred brand prescription co-pay from the $1,000 maximum out-of-pocket mail-order spending limit for members.
- Changing the partial co-pay waiver for non-preferred brand (non-formulary) drugs. Non-preferred brand retail co-pays will increase from $30 to $40; mail order co-pays will increase from $45 to $70.
- Establishing a 50 percent co-insurance for discretionary drugs, such as those medications used for erectile dysfunction.
- Excluding coverage of a prescription drug if there is an over-the-counter (OTC) alternative.

**CalPERS Long-Term Care Program.** At the August Board meeting, the options taken by the policyholders in reaction to the recent premium increase were detailed. Of the 160,000 policyholders, 3,218 opted to cancel their policies, a lapse rate of 1.4% above what might have otherwise have been expected. Some 128,577 policyholders or 79% opted to accept the rate increase; another 21,275 or 13% opted for a daily benefit reduction. Some 9,164 or 6% opted for plan change, and the balance, some 2%, cancelled their policies. Of the total policyholders, some 20,000 do not have inflation protection and are offered the opportunity to adjust their benefits for inflation every 3 years.

**Board member censured.** CalPERS Board of Administration member Priya Mathur, who represents public agency members of CalPERS, was censured in May for failing to file personal and campaign disclosure statements required under state law. Her travel privileges (“except for travel to and from board and committee meetings and meetings with constituents”) and her position as Chair of the Board’s health benefits committee were suspended until December 1, 2010. She is up for re-election this

(Continued on page 8)
CSU-ERFA members who are in the FERP program will join other active state employees to vote in September for a member of the CalPERS Board of Administration. George Diehr, CSU San Marcos Professor of Management, who has served in the position since 2003, is running for re-election against Inderjit Kallirai, an information technology specialist with the state who ran for one of the seats elected last year at this time. Ballots will be mailed September 3, 2010 and must be postmarked or received by CalPERS by October 1 to be counted.

The newly elected candidate will take his seat on January 16, 2011, with a four-year term. Two other seats that expire on January 15th are held by Priya Mathur and Rob Feckner; neither has opposition, and both have been declared the unofficial winners of their elections.

Retirees who are no longer in the FERP program and thus not “active” state members of CalPERS helped to elect two at-large representatives to the Board a year ago. The winners were Kurato Shimada, who was re-elected, and J. J. Jelincic. Ed Mendel, who runs CalPensions.com, reports that turnout in the election was dismal, with mail ballots being returned by only 15.7% of the 1.26 million eligible voters in the first round of voting and a slightly larger 17.2% in the runoff. The two rounds of elections cost about $3.1 million. James McRitchie, who runs the web site PERSWatch.net, has urged that CalPERS use instant runoff voting, in which voters would rank each of the candidates. If no candidate has a majority of first place votes, the rest of the votes are tallied to produce a winner. Instant runoff voting would eliminate the need for the runoff election.

CalPERS elections are expensive for candidates and their supporting organizations. In the 2009 election, CalPensions reports that Jelincic, the winner of the runoff, reported receiving $78,679 in contributions, although he spent only $20,293, but a committee sponsored by the American Federation of State, County and Municipal Employees, AFL-CIO, spent another $229,832 in his support. His opponent spent $128,072.

On September 7, 2010, the Sacramento Central Labor Council and PERSWatch.net will host a “CalPERS Candidates’ Forum,” moderated by the League of Women Voters of Sacramento County. The forum will be held in the CalSTRS Boardroom at 100 Waterfront Place in West Sacramento from 6 until 7:30 p.m. The forum can be listened to over the Internet via the PERSWatch.net web site.

Below are statements from both candidates for this election.

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**Statement by George Diehr, Candidate for the CalPERS Board**

**Re-Elect George Diehr to the CalPERS Board of Administration**

I was first elected to the CalPERS Board in 2002 and re-elected in 2006. I am now running for a third term to represent active employees of State agencies and the CSU. My elections were the product of support and efforts of hundreds of volunteers who worked tirelessly. My second term of office expires January 15, 2011. I’m seeking your support and vote so that I may continue to serve the interests of hard-working public employees and retirees.

For eight years I have worked with CalPERS members to protect our benefits and keep our retirement secure. I look forward to continuing our efforts to make sure our investments grow and that CalPERS members and families have the benefits we deserve. I pledge to work for solutions that keep our healthcare affordable and our pensions safe.

Don’t be mislead by simplistic promises. I have the professional training, business background, pension experience and well-tested relationships to ensure the continued security of your benefits. Visit my web site at www.diehr4pers.org to learn more.

Please vote and encourage other CSU faculty members and staff to vote for me. Ballots will be mailed September 3.

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**Statement by Inderjit Kallirai, Candidate for the CalPERS Board**

Members and Retirees of any retirement system deserve a system operating at its peak. As CalPERS members we deserve nothing less. We invest into a system expecting our dreams and aspirations for our golden years to be hazard free. Fiscally restrained times did not fare well on CalPERS. Our system needs protection from legislative and administrative claws.

With your support, I commit to work on your behalf to preserve benefits for CalPERS’ retirees and protect member contributions from inequitable increases. I shall represent, promote and protect long-term interests of CalPERS and its membership.

Service as a representative of membership demands responsibility, integrity, merit, dignity without self serving gain, while protecting services, benefits and member interests. Recent media reports highlight that some past Board Members and executives have strayed from this basic ethic. It is therefore time for Regime change at CalPERS.

As board member, I will push for co-operation, adoption of Corporate Governance and facilitate outreach to membership.

I believe in conservative approaches to investment and fiscal management as well as the establishment of a secure nest egg for our golden years. This I would bring to the board and use for decision making.

Please visit www.kallirai4calpersboard.com for more information.
Health Benefits Report: Health Legislation Update

By David Humphers

David Humphers is on vacation. In lieu of his report, he submitted the July 26, 2010 report on health related legislation in Sacramento, courtesy of Health Access, at http://www.health-access.org/default.asp. Health Access describes itself as the “statewide health care consumer advocacy coalition” working on preserving access to care and comprehensive health reform, as well as fighting for consumer protections in the health care area. The report has been summarized by the editor.

Key Health Legislation Heads Into Final Month. Key health consumer protection bills in the California legislature, including several that would implement and improve the federal health reform law passed earlier this year, are heading into their final month of consideration before final floor votes.

Several are being heard [in early August] in Assembly and Senate appropriations committees, which are one of the last legislative hurdles before the final push to pass measures out of the legislature before the end-of-August deadline. If bills are passed, the governor has the month of September to either sign or veto the measures.

At stake are bills that would draw down new federal funds, from specific grants for consumer assistance, rate review, and community transformation, to a new Medicaid waiver that is hoped to bring an additional $2 billion into our beleaguered health care system and safety-net. Other measures would institute new consumer protections and new rules and oversight over insurers.

Among the bills up next week is SB810, a longstanding bill to establish a universal, single-payer health care system. While Governor Schwarzenegger has vowed to veto the measure (and the financing requires a 2/3 legislative vote), supporters have pressed on in order to continue to present, refine, and organize for the vision of a fully universal health system.

Many of the other bills seek to fulfill the promise of the new federal law passed earlier this year, including the following measures:

Creating a Consumer-Friendly and Transparent Individual Insurance Market & Exchange. AB 1602 and SB 900 establish a California Health Benefits Exchange for individuals and small businesses to obtain insurance coverage and federal affordability subsidies available from 2014 forward. The bills allow the exchange to negotiate for prices and values for consumers in the exchange. SB 890 standardizes and simplifies the individual insurance market in California. AB 1825 requires most health plans to cover maternity services. AB 1600 requires most health plans to provide coverage for mental illness.

Federal Medicaid Waiver. AB 342 (Perez) & SB 208 (Steinberg) Medi-Cal Waiver: the state’s 1115 Medicaid Waiver would draw down up to $2 billion in federal funding to expand coverage to new medically indigent populations. The waiver would also move seniors and people with disabilities to Medi-Cal managed care. The waiver is intended as a bridge between the existing Medi-Cal program and the full access expansion that will happen in 2014 as a result of federal reform.

Providing Access for Those with Pre-Existing Conditions. AB 2244 (Feuer) Access And Affordability For Children With Pre-Existing Conditions: requires guaranteed issue, eliminates all pre-existing condition exclusions, and limits premium increases based on health status. Sponsored by Health Access California.

AB 2470 (De La Torre) Regulating Recussions And Medical Underwriting: establishes standard information and health history questions used by health insurers on application forms. AB 2540 (De La Torre) Postclaims Underwriting: outlaws rescinding, canceling, or limiting of a policy or certificate due to the insurer’s failure to complete medical underwriting before issuing the policy or certificate or after a claim has been filed.

Regulating Insurer Rates. AB 2578 requires approval by the Department of Managed Health Care or Insurance of increases in premiums, co-pays, co-insurance, deductibles, or other charges. AB 591 would impose a 90-day moratorium on rate increases above the averages in the medical care consumer price index. AB 2042 prohibits mid-year rate hikes, ensuring that rates cannot change more than once a year. AB 2110 extends the grace period for insurance plans from 10 or 31 days up to 50 days for most plans.

Prevention. AB 2287 requires the state to apply for community transformation grants to support prevention. AB 2345 requires insurers to eliminate cost-sharing for some preventive services.

Additional Consumer Protections Under Reform. SB 56 would facilitate a public health insurance option in California. SB 1088 allows young adults to stay on their parents’ coverage through age 26, including group dental and vision plans. AB 2787 establishes an ombudsman in the health area. AB 1503 limits charges for uninsured persons in emergency rooms. AB 542 ends Medi-Cal payments under some circumstances for events that should never happen, such as surgery on the wrong body part.

For more information related to federal health reform, read the new report, “Health Reform Three-Month Status Report: Californians Begin To See the Benefit, Much More Work To Do,” which is available on the Health Access website.

[Ed. note: For information on the status of any bill, go to http://www.leginfo.ca.gov, choose “Bill Information” at the bottom, and input the bill number, e.g., SB 56.]

RPEA, from p. 4

RPEA is the only state organization representing all CalPERS retirees. The reasons cited for the endorsements were Jerry Brown’s experience both as governor and attorney-general in supporting the fair treatment of California retirees and the other candidates’ experience in a time when the state faces severe fiscal problems.

CSU-ERFA, however, does not endorse individuals, as has been its historical policy. The Executive Committee, however, made three endorsements on propositions, as stated in the box on page 3.
Q&A: When Do You Know It Is Time To Retire?
By Tom Donahue, Pre- & Post-Retirement Concerns

Donahue is chair of CSU-ERFA’s Committee on Pre- and Post-Retirement Concerns. This is Part III of the series of articles on this issue.

We conclude the discussion of this topic this month with an emphasis on a service provided by ERFA, and with a cautionary word for some of us.

Free retirement analysis. On the ERFA website is a form that provides a free retirement analysis.

http://csuera.org/planning.html. At this time, Professor Herb Rutemiller offers a form which, once it is sent to him, will give a free retirement analysis in 30 days. Professor Rutemiller promises that the results will show “all possible retirement dates to age 70 and the corresponding income” (including five years of FERS if desired) for all the various options. The FERS figures, of course, are pertinent pending the current retirement negotiations with the Chancellor. This service will take into account the CalPERS Cost of Living Adjustment (COLA) reduced below the usual 2% for recent retirees because of the current (let’s call it what it is) issue of economic deflation.

Golden Anniversary of the CSU? Pick Your Date
By Judd Grenier

While many State University campuses in recent years have been celebrating the 50th anniversaries of the passage by the California legislature of bills establishing their existence, there are a variety of anniversaries that one could choose to mark the Golden Anniversary of the California State University as a whole.

As Don Gerth’s The People’s University records, those dates include (1) enactment into law of the Master Plan for Higher Education Act on April 14, 1960, authorizing a unified state college system with its own governing body; (2) the first meeting of the interim Board of Trustees on Aug. 12, 1960; (3) passage by the voters in the general election of November, 1960, of a constitutional amendment establishing the Board as a state government entity, or (4) assumption by the Trustees on July 1, 1961, of legal responsibility for the new California State College system (the date favored by lawyers).

The CSU might celebrate various golden anniversaries throughout the year.

In Memoriam

Fresno- Eraste Martinez
Humboldt – Carl L. Barlow
John E. Jones

Long Beach – Esther Hovey
Dixon L. Gayer
Eileen Lothamer
Janet B. Sawyer
Richard H. Swift

Los Angeles – Harold C. Brown
Geraldine Dimondstein
Sarah Utz

Pomona – Robert A. Bruns
Jessie Parker

Sacramento – Paul Dempsey
Robert J. Mattos
Addison W. Somerville

San Diego – Raymond Weeter

San Francisco – Sol E. Cooper
Mary B. Lane

San Jose – Anna N. Ballarian
Nettye G. Goddard
Doris V. Jackson
Natalie H. Mayer

San Luis Obispo – Herman E. Rickard
Mina A. Vaughn

Sonoma – Evangeline A. Geiger
Charles Rhinehart

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CalPERS News, from p. 5

year and has been declared the informal winner since no one filed to run against her. Rob Feckner, chair of the board, has also been declared the informal winner of his re-election race for the same reason.

Governor reaches agreement on pension reform with six unions. Governor Schwarzenegger has negotiated agreements with six state employee unions with reforms that reduce future pension liabilities. The six unions are relatively small ones, representing 40,000 of the more than 200,000 state employees. The agreements will save some $1.4 billion in FY 2010-11; similar agreements with the six other state employee unions could raise the total to $2.2 billion. The governor is insisting that the state budget include rolling back the expansion of pension benefits adopted in 1999, requiring that employees pay an addition 5% in pension contributions, changing the rule on the highest one year to the highest three years for pension calculations, and “requiring full disclosure by pension funds and honest funding of pension promises as and when those promises are made.” Whether these changes will become part of the negotiations in the CSU is not known.

Medicare retiree drug subsidy funds distributed. CalPERS announced in July that it distributed about $15 million in Medicare retiree drug subsidy funds to 800 contracting local public agencies. The subsidy is to reward employers who keep high quality drug coverage for their retirees.
Three Member Responses on Long-Term Care Decision-Making

We asked in the last issue of The Reporter if members wanted to share their decision making regarding the increase in the CalPERS Long-Term Care Program fee increases. Here are three responses:

From Gregory and Rene Nesty of Bayside, California:

Long-term care insurance is not like health insurance or auto insurance where the likelihood of filing claims is comparatively high right from the start. Even knowing that we likely wouldn’t use it for decades, we bought long-term care insurance early to be sure we could not be denied coverage and to get it at a rate that we could afford to pay. How can it be ethical to offer this insurance at affordable rates to younger workers and then use exorbitant rate increases to force them to drop the insurance just when it becomes more likely they’ll use it? The system needs to remain solvent, but not by forcing older subscribers to choose between unaffordable rates or giving up coverage and losing decades of contributions.

We’re keeping ours, but after 15 years of premiums, it feels like extortion.

From Margaret Hartman, Singapore:

My decision was to pay the highest premium to continue maximum payout.

One reason was demographic (I am female, my father is still alive at 95, my paternal grandparents lived to be 88, my maternal grandparents lived to be 83, one great grandmother lived to be 97. All of them needed helpers in their later years.)

The other reason was that I observed first hand what happened to my father and stepmother. About 10 years ago they moved into a residential facility that begins with independent living and progresses to assisted living and then long term care. My father does not have any long term health care insurance; my stepmother does. About three years ago, my father had a stroke and was hospitalized. When he came out of the hospital, he was put into the long term care at his residence facility. The first month was paid for by Medicare. After the first month, my stepmother was told that the nursing staff at the long term care facility had determined that Dad was not improving, so Medicare would no longer cover his stay. The cost of staying in the long term care facility was on top of the costs for the residential facility and the monthly cost of long term care facility was greater than the amount of my father’s pension. That started a drain on their joint financial resources and a concern about my stepmother’s pension. On top of that, although my father was in good enough condition for my stepmother to take care of him, the long term facility refused to release him. It took her three months to get him released because of the length of time it took to get an appointment with a doctor. If she had not been there for him and been so persistent, he would still be in the long term care facility.

With my chances of surviving and needing long term care being so great, and the effect of not having long-term health care insurance being brought home to me so dramatically, my decision was a no-brainer.

From David McNeil:

My problem with the LTC options (and even LTC itself) is my inability to evaluate this insurance. The costs (and increases) are clear, and the alternative of not having insurance is pretty clear, but LTC policy benefits are murky at best. I suppose I could try to interpret the wording of the policy, but it would be helpful to me (and I imagine others) if there were a brochure that discussed a whole range of possibilities (maybe some personal examples) of what it means to those who have the policy AND need LTC. For example, in my own case, would the policy pay for (or help pay for) home care, and if so, what kind of home or community care, provided by whom, for what services, etc. Also, who decides when a nursing facility is to be used instead of home or community care (and is the fact that the policy is paying in whole or part going to affect which facility I go to?). And so on.

Being in fine health, I haven’t begun to explore the variables and possibilities, so, again, some kind of informational brochure (or seminar or bibliographical reference) would be useful. I’ll bet someone in ERFA could help with this, maybe even through the website or newsletter.

My questions are of course flavored by recent months of fussing about Obamacare, which seemed to involved more discussion of "coverage" (who will have it) and precious little mention of what improved "care" results from coverage. In short, I am less interested in details of the costs than I am about "care" in the long term, whether it’s US medical care in general or LTC from CalPERS.

Finally, since I seem to have missed the deadline for electing LTC options, will there be future opportunities to opt for something other than "Option One" and its escalating costs, if I ever figure out the cost/benefit things as it applies to my own situation?

We’ll print more if other members want to react to these articles or share their decision making criteria and process. Send them to the editor via email at tanagno@calstatela.edu or to The Retiree Center, 18111 Nordhoff St., Northridge, CA 91330-8339.

CSU-ERFA New Members

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

Chico – Steven Brydon
Shekhar Misra
Charles D. Scott

Dominguez Hills – Dorothy M. Fisher
Rex L. Heuschkel
James E. Sudalkin

Northridge – Larry Caretto
James H. Macklin
Karen L. Robinette
Dee L. Shepherd-Look
Barbara T. Swerkes

San Bernardino – Lloyd E. Peake

Sacramento – Nancy Kalish

San Diego – Patricia S. Koppman

San Jose – Leslie V. Foster

San Luis Obispo – James R. Conway
David J. Keil

Sonoma – Richard A. Zimmer

Next Issue - The New Health Reform Act and You!
Legislative Report: “Still On Hold”

By Alan Wade, Chair, CSU-ERFA Legislative Committee

CSU-ERFA’s Legislative Committee report in May was titled “All on Hold.” The same could be said now, 2½ months later. The $19 billion state budget hole still remains to be filled. The legislature returned from recess preoccupied with re-election campaign fundraisers (a near-record 18 scheduled for August 11 alone, according to the Sacramento Bee). Public employees and their pensions continue to be blamed for the state’s bleak economy. The two contenders for the governor’s office have thus far successfully avoided discussion of serious policy differences. Meanwhile, Whitman has spent (as of June 30) a whopping $99.7 million, more than 100 times that of Brown.

Political gridlock. It’s easy to bash our legislators for California’s political gridlock. Fact is, we the people are responsible for the mess defined by hard line positions on the left and right, gerrymandered political districts, the 2/3 vote requirement for new taxes and the budget, and Proposition 13, which strangles local government. (Did I mention electing an actor as governor?)

The next governor. Neither Whitman nor Brown is sufficiently strong either as actor or politician to move her/his agendas through the legislature. Instead, we expect the next governor to rely primarily on the initiative process for any big-ticket changes. This provision, CalPERS will offer coverage effective date is January 1, 2011 after September 2010. For CalPERS that is January 1, 2011. In the interim, you are responsible for the cost of COBRA.

Pension changes? It is likely that both candidates will press for pension changes. Brown has already signaled his interest in eliminating certain provisions regarded as excessive, while Whitman will likely press for drastic measures that could alter the entire public pension landscape for years to come. Thus far, no serious effort has been launched to effect changes in the benefits of current PERS annuitants. [See article on p. 11.]

In the past, CSU-ERFA’s Legislative Committee kept busy analyzing bills and providing testimony when indicated on matters of direct concern to our members as Cal-PERS annuitants. This session, only two bills stand out. One (actually two identical bills, SB 1425 (Simitian) and AB 1987 (Ma)) is the anti-spiking proposal that would eliminate some of the more egregious abuses on the part of county and local government pension funds, currently before the Senate Appropriations Committee. CSU-ERFA has joined numerous other retiree organizations and unions in support of these proposals. They represent essentially a small start toward pension reform.

The other, SB 919 (Hollingsworth) is the governor’s pension reform bill – a bargaining chip in the budget stalemate. We recommend an “oppose” position.

After discussion of the legislative committee’s recommendations, the CSU-ERFA executive committee recommended a process of

(Continued on p. 11)

Young Adult Dependent Coverage, from p. 1

Health Open Enrollment period for the new plan year beginning January 1, 2011. This year’s Open Enrollment is planned to be held September 13 through October 8, 2010. Communications to all current subscribers about Open Enrollment begin in August. Enrollment and re-enrollment instructions for dependents under age 26 will be communicated at that time.

The Health Plans and HHS publications state that they are ready to offer coverage for adult children 23 years and over effective June 1. Why aren’t you doing this? The CalPERS Health Benefits Committee met in June 2010 to evaluate implementation alternatives. Implementation of this provision has various requirements and impacts that were evaluated to determine the appropriate implementation date. Consistent with the federal government’s implementation of this provision, CalPERS will offer coverage in the new plan year beginning January 1, 2011.

Many private and governmental entities are communicating that the expansion of health coverage for young adults starts in September. Is that the implementation date? Under the Patient Protection and Affordable Care Act (Act), extension of dependent coverage becomes effective for plan years beginning on or after September 2010. The effective date for CalPERS is January 1, 2011, the beginning of the new plan year.

Is CalPERS aware that COBRA will cost us $4,000 for our child if the effective date is January 1, 2011? CalPERS acknowledges the cost associated with enrolling an adult child on COBRA. The Act is effective the first plan year after September 2010. For CalPERS that is January 1, 2011. Implementation of this change has fiscal, workload, communication, and other impacts which must be weighed so that we can best serve our members.

If I pay the COBRA cost for my child now, will CalPERS reimburse me (for the gap) between now and the implementation of the extended coverage date? The Act is effective the first plan year after September 2010. For CalPERS that is January 1, 2011. In the interim, you are responsible for the cost of COBRA.

My daughter is pregnant. If she is seeing a doctor (not in Kaiser) now while not covered on my plan, will she be allowed to continue to see the same doctor when she is added to my Kaiser plan? You will need to examine the out-of-network information provided by Kaiser and contact the plan directly.

Who is going to pay for this coverage? The payment of coverage costs is consistent with premium payments for other dependents.

My son was married and lost coverage. Will his wife and children be covered? Coverage will not extend to your son’s wife or children. You may re-enroll your son during Open Enrollment between September 13, 2010 and October 8, 2010 with a coverage effective date of January 1, 2011.
Brown, Whitman: Pension Reform?

Jerry Brown and Meg Whitman, the Democratic and Republican candidates for governor in November respectively, both want to reform California’s public pension system, but their approaches are diametrically opposed.

Brown proposes incremental changes that would roll back the liberalizing reforms that were enacted in 1999 by SB 400, while Whitman wants to change California’s defined benefit pension system into a 401(k) type system for new state workers while reducing the pension amounts available for existing state workers significantly. The legality of the latter change is unclear, although three states have presently enacted reductions to the pensions of existing workers or retirees and have cases in the courts to test their legality. The three states are Colorado, Minnesota, and North Dakota, each of which has reduced the cost of living increases promised to existing retirees.

Whitman proposes on her web site to institute “a defined contribution plan for new state workers,” keeping the existing system for current state workers. A primary goal of her approach, repeated twice on the site, is to “align the retirement savings program available to state workers with what most private-sector workers receive from their employers today.” For existing employees outside of the public safety area, she wants to reduce pensions by raising the “retirement age for receiving a full pension...from 55 to 65,” which presumably means changing the “2% at 55” formula to “2% at 65,” which would result in a significant lowering of the pensions available for existing workers when they retire. Along with her promise to reduce the state workforce by 40%, these changes would result in a much smaller state pension contribution. She also believes “there should be longer vesting periods and a prohibition on pension spiking.”

Brown issued a detailed program in late July, asking current employees to contribute more to their pension plans and raising the retirement age for new hires. Pension spiking would be ended by basing local government pensions on base salary (as was done for state employees, including the CSU, in 1993). This would end the practices that have led to so many recent “outrage” articles in the press. He also supports a “reasonable” cap on pension payouts, although he was not more specific on what the cap might be. He would bar retrospective payments if benefits are enhanced and end pension “holidays” in which governments are told not to contribute to pension plans because the plan’s investments have done so well in the stock market. For new state hires, the retirement age would be raised from 55 to 60, which would change the existing “2% at 55” formula to “2% at 60,” which was the formula present prior to the 1999 changes. He would also institute independent oversight of pension funds and special ethics training for board members.

Pension Reformer Keith Richman Dies at 56

Keith Richman, former Assemblyman and healthcare advocate died July 30, 2010 at the age of 56 after an extended battle against brain cancer. He was known to CalPERS retirees as the man who founded California’s future will be decided. Help CSU-ERFA to make a difference by staying informed, taking positive action, and spreading the word.

Keith Richman, former Assemblyman and healthcare advocate died July 30, 2010 at the age of 56 after an extended battle against brain cancer. He was known to CalPERS retirees as the man who founded the California Foundation for Fiscal Responsibility and led the fight against public sector pensions.

The California Foundation for Fiscal Responsibility continues its work under the leadership of the current president, Marcia Fritz, including the posting of two databases of retirees receiving pensions of $100,000 or more from CalPERS and CalSTRS. He was also a leader in the San Fernando Valley secession movement.

In the state Assembly he was known as a problem-solver, according to Dan Walters, who said in a column in the Sacramento Bee that Richman was elected to the Assembly in 2000 and immediately began working on serious issues like the budget, pension reform, redistricting, and medical care for the poor. Walters continued, “But he also quickly learned that at its core, the Legislature is disinterested in complicated and unsexy public policy matters.”

Richman was quoted in the Los Angeles Daily News after being term-limited out of office as saying that “I went up there to try to solve problems. But the problem in Sacramento for a moderate is that most of the time moderates lose. What I found out very quickly is that the special interests – on both sides of the aisle – pretty much call all the shots.”
Most Prolific Retiree in the CSU?

To the editor:

With a tip of the authorial hat to the late Prof. Paul Zall, who was mentioned in the May 2010 issue and surely deserves all credit for his fine work, I wrote or edited 97 published books between 1970-2005 while serving at CSU San Bernardino, and during my five-year FERP (which ended June 1st), added 17 more. In addition, I’ve recently completed two 600-page tomes, a fantasy novel and a history of CSUSB, and am about to embark on several others, now that I have all this free time (ha!).

All best:
Michael Burgess


CalPERS Pension Facts

We got a graphic of this from CalPERS, but it didn’t reproduce well. So here are some facts from it:

Every dollar paid from CalPERS comes from one of three sources:

- 63 cents - CalPERS investment earnings (historically as high as 75 cents)
- 22 cents - CalPERS employers.
- 15 cents - CalPERS members.

CalPERS pays out nearly $12 billion in pension benefits each year to retirees and beneficiaries using investment income and cash contributions from members and employers. Investment assets are not sold to generate cash and the fund continues to grow.

About public pensions:

- Average annual pension is approximately $25,000 a year for more than 20 years of public service.
- Average age of retirement is 60.
- 78% of all retirees earn $38,000 or less in a pension.
- Pension costs for the state are less than 5% of the $86.1 billion general fund budget.

CALIFORNIA STATE UNIVERSITY
EMERITUS AND RETIRED FACULTY
ASSOCIATION

The Retirement Center
18111 Nordhoff Street
Northridge, CA 91330-8339
http://www.csuerfa.org

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