CSU ERFA REPORTER

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Emeritus & Retired Faculty Association

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http://www.csuerfa.org

Inside this issue:

Initiative Proposal Seeks to Abolish Defined Benefit Public Pensions

Advocates for public pension reform have yet another proposal – the third in four years – to place before the voters. Former Mayor Chuck Reed (D) of San Jose and former San Diego city councilman Carl DeMaio (R) would require voter approval any time any public officials in California seek to upgrade benefits. Voter approval would also be required to enroll new employees in a defined benefit retirement plan.

The CSU-ERFA executive committee passed a resolution at its last meeting opposing the initiative and urging members not to sign petitions for it – for a copy of the resolution, see page 3.

In addition, the initiative, now in the signature-collection phase with signatures due February 8, 2016, would, according to the Attorney-General's description:

• Eliminate constitutional protections for vested pension and retiree healthcare benefits for *current* public employees for *future* work performed,

• Prevent any governmental body from

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Health Benefits: Four Medicare Options to be Eliminated

By David Wagner, Health Benefits Director

Most of the health benefits news from CalPERS of greatest interest to retirees involves the elimination of four existing Medicare plan options and the creation of a new Medicare Advantage plan for 2016. The new Medicare Advantage plan is a preferred provider organization (PPO) offered through UnitedHealthcare (UHC).

As stakeholders, CSU-ERFA and other public employee retirees groups were informed of these changes and met with CalPERS staff to formulate an active communication plan to disseminate information to members affected by these board decisions.

Open Enrollment. All CalPERS retirees should have received a mailing noting that the open enrollment period for health benefit plans starts September 14 and ends October 9. Additional reminders will be sent in the middle of September. If you wish to change your health plan you may do so online at my.calpers.ca.gov or by calling 888-225-7377 or by requesting a change in writing and mailing to CalPERS Member Account Management Division, P.O. Box 942715, Sacramento, CA 94229-2715. Remember that any changes are effective January 1, 2016.

This is a good time to examine your satisfaction with your current plan provider, check the rates for 2016, and drugs covered in the plan's formulary.

Number of Medicare Health Plans Reduced. After December 31, 2015 the following Medicare health plans will no longer be available through CalPERS: Anthem Blue Cross HMO, Blue Shield of

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The Reporter welcomes submissions by members of CSU-ERFA or other appropriate individuals of advertisements for academically oriented materials or services, to be printed at the discretion of the editor. To contact the editor, email tanagno@calstatela.edu.

From the President...

Dear Colleagues,

I am pleased, excited and honored to have been elected as president of CSU-ERFA at our last state council meeting. After serving for seven years as CSU-ERFA Liaison to ASCSU and four years as vice president of our organization, I am, hopefully, prepared to assume this responsibility. I want to thank my dear friend and colleague, Barbara Sinclair, for her years of superb leadership during her presidency. I look forward to working closely with her as I transition into that role.

I have the exceptional group of individuals listed in the left-hand column of this page to guide and administer CSU-ERFA during the coming year. I want to welcome three new members of our leadership team: George Diehr (San Marcos) as member-at-large on the executive committee, Dean Popp (San Diego) as delegate-at-large on the state council and David Wagner (Sacramento) as a member of the CSU-ERFA personnel committee.

President's Goals, 2015-17. Three of the six goals I presented to the state council are discussed in other sections of this report; namely, headquarters office location, chancellor's office (CO) relationships and working closely with our new and continuing staff. I want to emphasize the importance of the other three goals.

First, working closely with the CSU-ERFA membership committee and the campuses on the recruitment and retention of members. Many CSU retirees are unaware of or uninterested in CSU-ERFA and/or our campus affiliates. We want them to be members of both and involved at the campus and system levels. Copies of our colorful and informative new brochure are available by calling the office at (818) 677-6522.

Second, The executive committee and I are dedicated to working more closely with our faculty colleagues in the statewide academic senate, the chancellor's office, the Retired Public Employees' Association, and other organizations to lobby for the CSU in Sacramento.

Third, there are many additional options for CSU-ERFA members to be involved in volunteer opportunities locally and statewide. Once again, Executive Director Don Cameron can provide information concerning what various associates are doing. In this electronically connected world, regardless of where you live, you can assist faculty and students in their endeavors.

CSU-ERFA Staff and Office Location. Since we have not been able to fill the executive director position, Don Cameron has agreed to postpone his retirement, limit his golf rounds and vacations, and remain in his position until June 30, 2016. I am very grateful for his continuing administrative expertise. Melanie Mamakos is our new office manager. In my numerous telephone conversations with her, she seems very professional and personable. I plan to battle the infamous 405 to have an old-fashioned face-to-face with her and Don in the near future.

We have explored transferring our headquarters to Dominguez Hills or Long Beach. Unfortunately, neither campus can offer the generous office space, equipment, mail service, etc. that CSUN has provided for a number of years. We will have a revised ad for the executive director position in the November *Reporter*.

Chancellor's Office Relations. One of the initiatives that our executive committee has stressed in the last year has been expanding and institutionalizing (I am an organizational theorist so excuse the latter term) our ongoing relationships with the Chancellor's Office. We met with Chancellor White and provided him with information regarding the history of our organization, our mission and our accomplishments.

We summarized our mission as lobbying on behalf of the CSU; in general, but especially in regard to pensions and benefits; philanthropy, i.e., funds for scholarships, professional development and generic campus support; and volunteerism. We gave him a list of 13 types of campus volunteer services our campus affiliates have provided.

The Chancellor suggested sharing this information with the campus presidents at their next meeting, and he did so. A few months later, we met with Lori Lamb, vice chancellor of human resources. Our focus for that meeting was trying to improve the information that is distributed to retirees

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Initiative Seeks to Abolish Defined Benefit Pensions

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enrolling *new* employees in a defined benefit pension plan unless the voters of the particular jurisdiction approve the action,

• Prevent any governmental body from paying more than one-half the cost of new employees' retirement benefits, or enhancing retirement benefits, unless the action is first approved by the voters in the particular jurisdiction.

If the initiative is approved, the crucial date will be January 1, 2019. After that point, defined contribution plans, 401(k)s, would be the default retirement program for state and local government employees. Any government that wanted to add more employees to its defined benefit plan – the standard CalPERS or CalSTRS plan now common in California – would have to get voter approval after that date. The initiative would also apply to public employee retiree health costs.

The assumption of both Reed and DeMaio is that voter approval would be difficult to obtain, given retirement plan trends in the private sector, where most employers who still offer a retirement plan offer only a 401(k) type plan, and many employers do not match employee contributions. While this has lowered employer costs, it has produced a situation in the United States where anywhere from one-third to two-thirds of all retirees are either totally or mostly dependent on Social Security for their retirement. The average Social Security check in July 2015 for those on the old age or survivors program was $1,268.20, according to Social Security. For those on Social Security disability, the average check was $1,022.16.

A survey of pre-retirees conducted by the Government Accountability Office in 2014 found that almost 30% of all those heading toward retirement had no savings at all, corresponding to the one-third of those on Social Security who have Social Security only, with no supplemental help for retirement.

Reed contends that the measure is necessary because soaring public employee pension costs have crowded out other spending for local and state governmental services.

Public employee unions are strongly opposed. As noted above the CSU-ERFA executive committee on August 29, 2015 passed a resolution noting the characteristics of the initiative and urging voters not to sign the petitions.

The Reed initiative is a constitutional amendment, requiring 585,407 signatures. The number of signatures is significantly less than in 2014 and earlier years because of the low level of turnout in the gubernatorial election of November 2014. The required number of signatures is 8% of the number of votes in the last gubernatorial election.

Most observers agree that the initiative would curtail public pensions, and in many areas with relatively conservative voters on financial issues, possibly severely so. This seems to be the intent of the proposers. Beyond that, there is no agreement. CalPERS contends that closing down defined benefit pension plans is fraught with legal and administrative peril, to which one of the measure's proponents responded that this assessment is a "lie."

In a July 28th letter to Assembly member Rob Bonta, CalPERS CEO Anne Stausboll states that the proposal "…raises complex legal and administrative issues." Among them are that the initiative appears to abolish the "California rule" for new employees, meaning that employees would no longer be "entitled to roughly the same set of benefits for future work performed as were in place on the day they started working." The wording in the initiative doesn't make it clear whether cutting benefits to existing employees would be legal; the issue would go to the courts for interpretation.

Stausboll brings up the issue of CalPERS' tax exempt status, stating that the initiative could create issues with the IRS because of its complexities and the "patchwork of CalPERS-administered pension plans that could ensue." She also states that the "elimination of defined benefit retirement plans (at least without voter approval) would almost certainly make providing death or disability benefits extremely impracticable." If these could not be provided within the CalPERS system, governments could purchase such insurance outside, but this would raise their costs.

Stausboll says further that the most direct impact would be the closing of all CalPERS defined benefit plans to new employees on January 1, 2019. This would create "huge administrative challenges" resulting from the new investment strategies and actuarial assumptions that would be required. CalPERS has issued a separate document describing the difficulties of closing a defined benefit plan.

Resolution Advising CSU-ERFA Members Not to Sign the "Public Employees. Pension and Retiree Healthcare Benefits. Initiative Constitutional Amendment" (Chuck Reed Initiative)

WHEREAS CSU-ERFA has taken positions in the past against the restriction of retirement benefits for current and future public employees, such as those proposed by former Mayor Chuck Reed of San Jose; and

WHEREAS the current Chuck Reed Initiative, "1696. (15-0033) Public Employees. Pension and Retiree Healthcare Benefits. Initiative Constitutional Amendment," proposes to eliminate constitutional protections for vested pension and retiree healthcare benefits for current public employees, including those of the CSU; and

WHEREAS the current Chuck Reed initiative proposes barring all new public employees in California from being placed in defined benefit retirement plans and barring public employers from paying more than one-half the cost of new employees' retirement benefits or enhancing retirement benefits, unless changes are first approved by the voters; **THEREFORE**

BE IT RESOLVED that the CSU-ERFA Executive Committee unanimously opposes the current Chuck Reed initiative that will be circulated between August 11, 2015 and February 8, 2016 and advises all CSU-ERFA members not to sign it.

The "Cadillac Tax" and CalPERS

By John G. Kilgour, CSU East Bay

About 5 (10?) years ago, I gave a talk to ERFA/CSUEB on CalPERS funding. At the end of the talk, a member asked "Should I worry about my pension?" I said, "No. Worry about your health benefits."

Pension benefits, once accrued and vested, are sacrosanct. In the public sector in California they are protected by the state constitution and a mountain of case law, including the so-called "California Rule" discussed in an earlier *Reporter*. Employer-provided health benefits do not have the same protection.

In a proceeding under Chapter 9 of the federal bankruptcy law, retirees of the City of Stockton lost their health benefits. There is currently no procedure for states to file for bankruptcy. However, there have been discussions in Washington to change that, mainly to help Illinois and a number of other states get out from under their crushing public retirement debt. California is not in that bad shape…yet.

In January 2015, the U.S. Supreme Court ruled that retiree health benefits are not vested (M&G Polymers). That is, they do not outlive the life of the collective bargaining agreement. It is not clear how this will affect our CalPERS (legislated but union-negotiated) health benefits.

The Affordable Care Act (ACA) was passed by Congress and signed law in 2010. It is a lengthy (906 pages) and complex law that reinvents health care in the United States. One of its numerous provisions is an excise tax on overly generous employer-sponsored health plans. The so-called "Cadillac tax" will take effect in 2018. Health plans to which the employer and employees contribute more than $10,200 for an individual or $27,500 for a family annually will be subject to a 40% excise tax on the excess amount.

Here's the interesting part. Before 2018, the excise tax thresholds will be adjusted by a specified formula called "CPI + 1" (CPI-U + 1 percentage point). After that, they will be indexed to general price inflation (the CPI-U), not to medical cost inflation. The average increase in the CPI-U from 2001 to 2014 was 2.2%. That compares to a 3.7% rate for medical cost inflation. If healthcare inflation continues to outpace general inflation, as it almost certainly will, the Cadillac tax will apply to more and more plans.

The IRS issued Notice 2015-16 containing its thoughts on the Cadillac tax in February and invited comments by May 15, 2015. It received 245 responses. The U.S. Chamber of Commerce pointed out that instead of applying only to a small subset of very generous plans, as intended, the Cadillac tax will be much more pervasive. By 2018, it will apply to 30% of all plans and by 2022 to 60%. More recently, Towers Watson, a highly regarded benefits consulting firm, estimated that that the Cadillac tax will apply to 48% of plans by 2018 and 82% by 2023. Eventually, any plan that provides the "essential health benefits" required by the ACA will be subject to the excise tax.

One might wonder why Congress wanted to discourage generous health benefit plans. It was hoped that the Cadillac tax would help drive down health benefit spending. A second reason was money. It was estimated that the Cadillac tax would generate $111 billion in additional federal revenue by 2022. This was important to help the ACA bill "score" well with the Congressional Budget Office. Current law requires that the proposal not add to the annual federal deficit over the next 10 years or add to the national debt. A bill that scores well improves its chances of gaining congressional approval. It now appears that the excise tax will generate only $79 billion for the treasury between 2018 and 2023.

> If healthcare inflation continues to outpace general inflation, as it almost certainly will, the Cadillac tax will apply to more and more plans.

In March 2015, CalPERS, the source of our retiree health benefits, discussed responding to the Cadillac tax by removing broad networks in areas where narrow networks are widely available. In Northern California, that means the Bay Area and the Sacramento area. Currently, both Anthem and Blue Shield of California offer both broad and narrow network HMOs. Broad networks provide more choice of primary care physicians, specialists and hospitals, and they cost more than the more restricted narrow networks. The proposal was to delete "Anthem Traditional HMO" and allow only its "Anthem Select HMO." For Blue Shield it would mean deleting "Access +" and allowing only "Net Value."

The savings would be impressive. In the Bay Area, Blue Shield Access + has 4,886 single-only enrollees with excess benefits of $946. That would result in an aggregate excise tax of $4.6 million annually. There are also 3,437 family plans with an excess benefit of $1,481 resulting in an aggregate excise tax of $5.1 million. The total savings will be $9.7 million. There are no similar developments in Southern California. [See the Health Benefits column on page 1 for details of recent developments].

These measures will not solve the problem. CalPERS is operating in a static model. It has not taken into account the likely adjustment to the Cadillac tax by 2018 and the CPI-U indexing requirement thereafter. If the excise-tax provision remains unchanged, it will apply to more and more plans. CalPERS will have to adopt more stringent measures to avoid the 40% excise tax on excessively expensive plans. That's us!

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Source: Kilgour, John G. "The Affordable Care Act and the Cadillac Tax." *WorldatWork Journal*. (forthcoming, 2015, Q4)

In Memoriam

Chico – Lorraine B. DeGraff
Hugh G. Campbell

Los Angeles – John M. Leiman
Jane S. Lewis

Northridge – Ruth Wold Sullo
Gloria R. Lothrop

San Jose – Charles "Mac" Larsen

Sonoma – Carl M. Jensen

CFA Report: Pay Raise? Abolishing "Supplanting"?

By Leni Cook, CSU Dominguez Hills, CSU-ERFA Liaison to CFA

Pay Raise? California Faculty Association welcomed the 2015 fall semester campuses with the news that the CSU had refused to consider a 5% raise for faculty on year two of the faculty contract at the reopener session in June, sticking to the 2% offer that CFA turned down last fall, and that the Board of Trustees had approved an approximately $7,000 year raise for campus presidents just eight months after granting their last salary increase.

For 2015-16, CFA proposes a 5% general salary increase for all unit 3 members as well as a 2.65% service salary increase (SSI) for all SSI-eligible Unit 3 members. Both sides have agreed that they are at impasse, which under the California Higher Education Employment Relations Act moves the talks to the next stage of mediation. The first meeting with the mediator took place on August 31 where no progress was made. Another meeting will take place on September 18. Local campus chapters have scheduled events in September to highlight "The Fight for Five." The Sacramento State chapter held informational picketing on their first day of the fall semester, August 31. CFA members, activists, and leaders were at the CSU Trustees' meeting in Long Beach, September 8-9, to advocate on behalf of faculty.

Abolishing Supplanting. A CFA-sponsored bill, AB 716, seeks to define more specifically the act of "supplanting" within the CSU. "Supplanting" is the situation where students pay more and faculty are paid less. In 2012, the Legislature became concerned that the CSU was violating statutes that forbid "supplanting," that is, the practice of shifting state-supported classes into higher cost, self-supported extended education programs. AB 716 passed the legislature on August 19 and was signed by Gov. Jerry Brown in early September. It goes into effect on January 1, 2016.

An audit of three campuses had revealed that, depending on how "supplanting " is defined, hundreds of classes had been inappropriately moved out of the state-supported university. This situation resulted in students paying up to thousands of dollars more to take these courses through extended education. The audit recommended that the legislature more clearly define "supplanting" so that future audits could better track whether a university was inappropriately engaging in the practice. The initial bill on this subject was vetoed by the governor in 2014. The present bill met the governor's objections while continuing to further define the term.

Medicare Part B Monthly Payment to Increase - For a Few

By J. Theodore Anagnoson, Editor

Seventy percent of those enrolled in Medicare will find no increase in their Part B payments January first, but the other 30% may find that their monthly fee increases from $104.90 to $159.60.

These thirty percent are new enrollees to Medicare in 2016, those who have "filed and suspended," that is, delayed their Social Security benefits even though they are enrolled in Part B of Medicare, and those subject to the income-related Part B premiums, starting at $85,000 per person or $170,000 per couple per year.

The reason the 70% will find no increase is that current law provides that when there is no increase in the Social Security cost of living adjustment (COLA), the Medicare Part B payment, paid from the monthly Social Security check for most people, cannot increase.

The Social Security COLA is based on inflation during the third quarter of the previous year, and it appears that there will be no inflation during that period.

Sylvia Burwell, Secretary of the Department of Health and Human Services, said that she would make a decision on the Part B payment in October. She has the right to set a lower premium than the $159.60.

The last times this happened, in 2010 and 2011, there were unsuccessful efforts to overturn the payment increase in Congress.

The 30% of Medicare beneficiaries subject to the fee increase include the 2.8 million Medicare enrollees new to the program next year, 3.1 million Medicare beneficiaries with incomes higher than $85,000 a year, 1.6 million Medicare beneficiaries who pay their premium directly instead of having it deducted from Social Security, and 9 million people who are eligible for both Medicare and Medicaid. The Part B monthly fee is paid by the states for those in that latter category. It is not known how many people "file and suspend."

CSU-ERFA New Members

Long Beach – Denise Truong

Los Angeles – Ethan B. Lipton

Northridge – Diane Schwartz

Sacramento – Timothy Capron

San Diego – Dan M. Gilbreath

San Jose – Wiggsy Sivertsen

Stanislaus – Paul W. O'Brien
James T. Payne
Elizabeth M. Breshears
Juan M. Flores
Marvin W. Johnson

Pre- and Post-Retirement Concerns: CalPERS Investing: "Moving Inside and Then Going Wide Outside"

By Tom Donahue, Chair, Pre and Post-Retirement Concerns Committee

Q: What do you recommend as the most useful website in this issue?

A: This month the most useful website is presented by CalPERS itself: https://www.calpers.ca.gov/. Go to the "NEWSROOM" at the top, select "CalPERS News," and start looking in the present and then in the recent past history.

As background, please recall our recent discussion in the *Reporter* of the new CalPERS plan to move four billion dollars of invested funds away from hedge funds because the fees were too high (about $100 million) and the returns were too low. At the time this was called a "back to basics" move, and it followed a newer strategy of investing money "in house" – inside CalPERS – rather than through money managers on the outside.

There is further news this month concerning that same strategy. According to the *Sacramento Bee* of June 8, at the beginning of this year there were 212 firms assisting in the management of the CalPERS portfolio for real estate, private equity, and other holdings. The *Bee* quotes spokesman Joe DeAnda as saying that the system is "moving toward 100 (firms) by the year 2020." Among the firms undergoing re-evaluation, according to the *Wall Street Journal*, are Carlyle Group LP, KKR & Co, and Blackstone Group LP. The leadership effort behind the move planning for these reductions is headed by the chief investment officer of CalPERS, Theodore Eliopoulos.

The news on the CalPERS website also reports that there will be a more accurate account of fees paid to investment partners some time in the fall of this year. This particular matter warrants more investigation through looking around elsewhere on the web.

In an article by Randy Diamond in the June 15 issue of the *Pensions & Investments* newsletter, we see that there is at present no conventional approach for determining just how much money in total fees is paid to money managers by any large investment system. Reported results for 2014 show that CalPERS paid $1.6 billion in management fees to external managers, with $441 million dollars going to private equity firms.

This sum, however, does not include a figure for an additional amount called "carried interest," the term for the fees paid to reward those firms for performance, or the overall investment successes of those companies with CalPERS accounts. According to board member J. J. Jelincic, this amount could be an additional $600 to $900 million, for a total approaching $2.5 billion. According to the CalPERS website, in 2014 the amount under investment for CalPERS with private equity companies was $28.9 billion, and it seems they were quite handsomely rewarded.

In a July 2, 2015 website article entitled "CalPERS to Report Private Equity Carried Interest," we see that CalPERS has now warmed to the task of correcting this shocking oversight and of reporting the carried interest figures in its new and revised accounting practices. In the future it will thus make its reporting procedures more nearly transparent, and at the same time it will reduce the number of management firms (and their fees) that it once partnered with. We all await the next reporting cycle to see what numbers Mr. Eliopoulos releases.

Please send any questions for this column to: donahue_thomas@ymail.com.

CSU Campuses Ranked Highly on "Contributing to the Public Good"

Among Masters degree-granting universities ranked by the *Washington Monthly* based on their contributions to "the public good," the CSU had 14 campuses in the top 100 of the 673 universities ranked.

"The public good" was defined as 1. "social mobility," meaning the recruitment and graduation of low-income students; 2. research, meaning producing "cutting–edge scholarship and PhDs"; and 3. service, meaning encouraging students to give something back to their country.

Each university's rank in terms of bachelors to PhDs, research expenditures, Pell grants, Peace Corps volunteers, ROTC, federal work-study funds spent on service, community service participation hours, and financial aid support are in the rankings.

The top three Masters' level universities were Valparaiso University in Indiana, Truman State University in Missouri, and Creighton University in Nebraska, with:

CSU Fresno ranked	4th;
CSU Los Angeles,	8th;
CSU Dominguez Hills,	11th;
Humboldt State University,	20th;
CSU Fullerton,	23rd;
CSU Stanislaus,	28th;
CSU San Bernardino,	35th;
CSU Sacramento,	48th;
Cal Poly SLO,	57th;
CSU Northridge,	58th;
San Francisco State University,	60th;
CSU Monterey Bay	78th;
CSU Long Beach	79th; and
CSU Bakersfield,	87th.

The rankings can be found on the *Washington Monthly* web site, at http://www.washingtonmonthly.com/. Look for the red box at the right, titled "2015 College Rankings."

Public Attitudes Toward Medicare/Medicaid Reform

Fifty years after President Lyndon Johnson signed the law creating the Medicare and Medicaid programs, a new Kaiser Family Foundation poll finds that a majority of the public and the vast majority of program beneficiaries view the two programs positively. Likely as a result, the public starts with a preference for the status quo over major structural changes that would reshape how the programs serve beneficiaries.

A strong majority (70%) say that Medicare should continue to ensure that all seniors get the same defined set of benefits. Far fewer (26%) say that the program should be changed to instead guarantee each senior a fixed contribution to the cost of their health insurance – a system known as premium support that has been proposed to address Medicare's long-term financing challenges.

By at least two-to-one margins, majorities of Democrats, Republicans and independents favor keeping Medicare as is rather than change to a premium support program. Adults under 65 years old are somewhat more likely than seniors to favor premium support (28% compared to 18%), though large majorities in all age groups prefer Medicare's current structure.

Despite the public's lack of support for this change, a majority (54%) worry that Medicare will not be able to provide the same level of benefits to future enrollees, and two thirds (68%) say that changes are needed to keep Medicare sustainable for the future.

The poll finds that the public opposes changes to Medicaid that would turn the program into a block grant to states by nearly a two-to-one margin (62% opposed, 32% in favor). Some Republicans in Congress have supported Medicaid block grants in the past, and the poll finds a big partisan divide on the question: Half of Republicans support block grants, while only one in five Democrats do.

By far the most popular change to Medicare is allowing the federal government to negotiate with drug companies. Overall, 87% of the public supports such an option, including majorities of Democrats, Republicans and independents and across generations.

Smaller majorities favor increasing Medicare premiums for wealthier seniors (58%), which already occurs and was expanded earlier this year as part of Medicare's physician payment reforms, and reducing payments to Medicare Advantage plans (51%). Fewer support raising Medicare's age of eligibility from 65 to 67 (39%), raising premiums for all Medicare beneficiaries (31%), or increasing cost-sharing for future Medicare beneficiaries (24%).

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From the President...

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regarding the campus groups as well as CSU-ERFA. Lori has communicated that goal to the HR folks on the campuses.

In the last month, Barbara and I have met with Garrett Ashley, vice chancellor of university relations and advancement, and Loren Blanchard, the new executive vice chancellor of academic and student affairs.

Once again, they were incredibly receptive and enthusiastic about working with us. Garrett has agreed to serve as chancellor's office liaison to CSU-ERFA.

Please become informed and involved!

Marching forward,

Bill
Bill Blischke
President, CSU-ERFA

Legislative Report: Major Tasks Coming

By Alan Wade, CSU-ERFA Legislative Committee Chair

The current legislative session is in its last few days, and, although there is a lot of activity, there are few bills with a major impact on our pensions and health care that should cause concern. As pointed out on page 1 of this issue of the *Reporter*, the next big battleground over pensions is tentatively slated for the forthcoming ballot-box initiative season. The latter is beginning to heat up, even though (given success in signature-gathering) it (the Reed initiative) will not be on the ballot until November 2016.

Despite the lull in legislative assaults on our pensions, some major issues are coming down to the wire. In a rare legislative defeat, the Brown administration had to give up for this session on a major climate change bill (SB 350, deLeon) which would have instructed the Air Resources Control Board to cut petroleum fuel use by 50% by 2030. The oil industry was successful in opposing the bill by a huge publicity campaign that somehow managed to change the minds of moderate Democrats. It has been revealing to read the daily full page ads featuring new-found oil industry concern for the plight of the poor who might have to pay more for gasoline. Meanwhile, there will be no new taxes to pay for repairing the roads on which all this driving will take place, at least not in this session.

These and dozens of other issues (to say nothing of water policy and the drought—a survival matter for all) affect us all as citizens, but as an organization our legislative agenda is limited to keeping up with the politics of health care and pension preservation. We have many strong allies in that effort, including SCORE of which we are a charter member, and our partners in RPEA (the Retired Public Employees' Association).

Your legislative chair sits on the RPEA Legislative Committee, and CSU-ERFA's budget makes a strong commitment each year to the latter's lobbying efforts. Our contribution is small as lobbying funds go ($4800 this year), but it signifies our willingness to be a part of the process. Among other things, we are aided by the daily legislative presence of ARA (Aaron Read and Associates), a highly respected and experienced legislative advocacy firm.

Is CSU-ERFA's Title Too Restrictive, Given That Many Campus Affiliates Admit Both Faculty and Staff?

CSU-ERFA's state council will discuss whether the term "Emeritus and Retired Faculty" in CSU-ERFA's name is too restrictive, given that so many of the campus affiliates have moved toward including all CSU CalPERS retirees as potential members rather than those who have faculty status, or in a couple of cases, those who have "emeritus" faculty status.

A memo from Don Cameron to the campus affiliate presidents has opened the issue for preliminary discussion. About half the campus affiliates now have moved toward including all CalPERS annuitants from the campus as potential members. Many of those who do not normally allow non-faculty have provisions to invite selected staff to join.

Cameron notes that "some have argued that inclusion of 'Emeritus' in our title and our recruitment literature discourages staff participation." And of course, the benefits enjoyed by retired faculty at the statewide level are the same – through CalPERS – as those enjoyed by staff. Most campuses provide retired faculty a free parking permit; in fact, national surveys have found that a parking permit and faculty library privileges are the most common benefits, beyond a pension and a contribution toward health benefits, given faculty at retirement.

In order to change the name and membership requirements for CSU-ERFA, a by-law change would be necessary, so the discussion at the October 17th state council meeting is intended to initiate a discussion that might lead to further action. The campus affiliates are asked to discuss the issue themselves, if need be, before the state council meeting.

State Council To Hear Chancellor Timothy P. White

CSU Chancellor Timothy White is scheudled to address the CSU-ERFA state council on Saturday October 17, 2015, at 11 a.m. The council meets from 10 a.m. until 3 p.m. and is the organization's decision-making body. On the agenda are the new job announcement for the executive director, the Chuck Reed initiative, and other issues.

New UHC Plan Substitutes for 4 Existing Medicare Plans

(Continued from page 1)

California HMO, Health Net HMO, and Sharp HMO.

All retirees currently enrolled in these Medicare plans should have received written notice of this action by CalPERS in August. The material provided by CalPERS noted that members affected by these changes have two options. One option is to choose a new plan, either Kaiser's Senior Advantage HMO plan or one of the Supplemental PPO plans (PERSCare, PERS Choice, PERS Select) during the September 14 to October 9, 2015 Open Enrollment period. The second option is to do nothing: if you do nothing, CalPERS will automatically enroll you in a new Medicare Advantage plan offered by UnitedHealthcare.

New Medicare Advantage Option. The CalPERS Board selected a new Medicare Advantage option through UnitedHealthcare. The Board determined that this was the best plan for members from among those proposed. As a preferred provider organization, UHC has a network of health care providers offering services to those who participate in the plan. UHC is aggressively recruiting additional doctors and medical facilities to join its network.

An advantage of this plan is that it covers all 58 counties in California and has out-of-state providers. The UHC plan covers medical care both within and outside their network of doctors and hospitals. This is a major departure from most plans, which are more restrictive or costly if out-of-network providers are used. As UHC explains: "you have access to our national network and can see any provider as long as the provider participates in the Medicare program and accepts the plan; the provider does not have to be in the UnitedHealthcare network."

As a Medicare Advantage plan, UHC also focuses on prevention and in-home services. For example, UHC provides wellness and in-home programs and separate dental and vision plans as options for retirees not covered as part of their CalPERS benefits.

The approval of a new Medicare Advantage option for CalPERS members responds to concerns about stabilizing rates and supporting efforts to enhance the quality of care through a reduction in hospital readmissions and a focus on wellness. Dr. Robert Pearl of Stanford University notes in his column for Forbes magazine that Medicare Advantage plans have "demonstrated improved clinical outcomes and increased patient satisfaction. As a result, nearly half of all newly enrolled Medicare members select a Medicare Advantage plan."

For more information on the UHC proposal, go to the CalPERS web site (http://www.calpers.ca.gov), where as of early September there was a link to more information on the open enrollment period and the UHC option. A direct link to this page is at: https://goo.gl/mn4EaB.

For background information on the UHC proposal, please click on the agenda for the May 19th CalPERS Pension and Health Benefits Committee meeting at https://goo.gl/PmGqOc.

Under Item 8, 2016 Medicare Advantage Plan Approaches, there are two attachments. Attachment 1 is a 33-page document providing details of the UHC plan. Attachment 2 is a list of answers to frequently asked questions about the UHC Medicare Advantage Plan.

ASCSU Report: Plenary Meeting September 2015

By Harold Goldwhite, CSU-ERFA Liaison to the ASCSU, and Barry Pasternack, Emeriti and Retired Faculty Senator

In this first plenary of the academic year, there were many reports to the Senate, a small number of resolutions passed on waivers of first reading, and a number of first reading resolutions to be acted on later.

Chancellor's Report. Chancellor White stressed his interest and that of the legislature in student learning and the impact of faculty on that. He opined that a new vision statement might be needed for the CSU. There are four presidential searches underway, which is a substantial workload for trustees and his administration. He expects two to be concluded by January 2016, and the others by March 2016. While in principle searches can be open, Chancellor White believes that closed searches lead to stronger pools of candidates. The CSU was treated well by the legislature this session; next year may be tougher.

Board of Trustees' Chair Monville echoed many of the Chancellor's concerns. He is in his final term and will not seek reappointment.

Fiscal Sustainability Report. Executive Vice Chancellor for Finance and Administration Steve Relyea gave an extended analysis of the draft report on fiscal sustainability that included the possibility of a return to year-round operations. In a lively question and reply time many senators raised significant issues about the report, especially its lack of emphasis on the need for increasing state support. The report will be the subject of more briefings before being submitted in final form.

Executive Vice Chancellor for Academic and Student Affairs Loren Blanchard (note the addition of student responsibilities to his title) stressed his concern for holistic student success in the classroom and in life.

Resolutions. Resolutions passed by the senate included support for AB 707 (Wolk) which forbids the carrying of concealed weapons in and near educational establishments, and for SB 172 (Liu) and SB725 (Hancock and O'Donnell), which allow high-school students to graduate without passing the California Graduation Test (which is no longer available).

First reading items include resolutions supporting the addition of an emeritus/a faculty member to the Board of Trustees; and support for the 2016-17 budget request of the Board of Trustees.

Full details of all the Senate actions can be found on the Senate website, readily accessible through the CSU's website at www.calstate.edu.

The next plenary will be in November 2015.

Attitudes Toward Medicare and Medicaid Reform

(Continued from page 7)

The poll finds most Americans consider Medicare (77%) and Medicaid (63%) very important programs, with some partisan differences. Strong majorities among Democrats (89%), Republicans (69%) and independents (72%) view Medicare as very important; most Democrats (78%) and independents (62%) say Medicaid is very important, while a plurality of Republicans (47%) say so.

Most Americans (60%) also say Medicare is working well for most seniors, while half (50%) say Medicaid is working well for most low-income people covered by the program. Fewer say Medicare (30%) and Medicaid (33%) are not working well. Those who are currently covered by the programs are more likely to say the programs are working well for beneficiaries.

The survey shows Medicaid now has a broad reach, as nearly two thirds (64%) of the public report a personal connection to the program either because they are or have been covered or have close friends or family members who are or have been covered. Medicaid's image does not appear to be a major barrier to enrollment, with a large majority (85%) of those not enrolled saying they would sign up if they needed it.

The survey also explores the experiences of those currently covered by Medicare and Medicaid. Very large majorities of those covered report positive experiences with Medicare (91%) and with Medicaid (86%), shares similar to what people with employer coverage say (87% positive).

Similar majorities also say they feel well-protected financially by their coverage, though minorities report some financial hardships, which may reflect beneficiaries' relatively low incomes. About one in five Medicaid enrollees (19%) and one in seven Medicare beneficiaries (14%) say that in the past 12 months they or a family member have had to spend less money on food, heat or other basic needs to pay for health care. In comparison, about one in four of those without insurance (27%) and one in 10 of those with employer coverage (11%) report such hardships.

> About one in five on Medicaid and one in seven on Medicare say that they have had to spend less on food, heat, or other basic needs to pay for health care.

The survey finds some adult beneficiaries report delaying or going without various types of health care in the past 12 months due to cost, often for services such as dental or vision care that aren't covered by the programs.

Further information can be found at the Kaiser Family Foundation web site, http://www.kff.org, where a search for "Medicare and Medicaid at 50" resulted in the poll as the second item.

Gallup: Public Sector Workers More Satisfied With Pensions, Benefits

Reinforcing the attitude of the CSU-ERFA executive committee on the new Chuck Reed initiative to eliminate defined benefit pension systems in the California public sector comes a survey analysis from Gallup comparing the attitudes of public and private sector workers on their benefit programs. In most areas, public and private sector workers are similarly satisfied, with the differences at six percent or less.

But on retirement plans, health insurance and the amount of vacation time, public sector workers are much more satisfied than private sector workers in the United States.

These ratings are based on combined data from the last five years of Gallup Poll's annual Work and Education poll, conducted each August since 2001.

The largest gap in satisfaction between government and nongovernment workers is in regard to their retirement plan. While 82% of government employees say they are "completely" or "somewhat satisfied" with their retirement plan, this percentage is much lower among nongovernment employees, with 57% reporting satisfaction. The gap in satisfaction is nearly as large for health insurance benefits, where 80% of government workers and 57% of nongovernment workers are satisfied with the benefits that their employer offers.

Government workers are even more likely to be satisfied with their vacation time than they are with their retirement or health insurance, with 91% saying they are satisfied. Among non-government employees, 74% are similarly satisfied, resulting in a 17 percentage-point gap.

Overall, private sector workers are least satisfied with their retirement plan and health insurance benefits, while government workers are least satisfied with their on-the-job stress.

Results for this Gallup poll are based on combined telephone interviews from Gallup's 2011-2015 Work and Education surveys, conducted each August with random samples of employed adults, aged 18 and older, living in all 50 U.S. states and the District of Columbia.

More information can be found on the Gallup web site at: http://goo.gl/6SLQtz.

CSU-ERFA Charitable Foundation Gets 4th Challenge Grant

The CSU-ERFA Charitable Foundation recently received a fourth $500 challenge grant from a CSU-ERFA member. The donor will match all donations from individuals received by the foundation through December 30, 2015 up to a total of $500.

The CSU-ERFA Charitable Foundation is a 501(c)3 organization that provides competitive grants to CSU-ERFA members to support their research and scholarly activities. Donations in any amount from both CSU-ERFA members and the general public are welcomed. Donations to the foundation generally are deductible from state and federal income taxes, and all donations are acknowledged in writing.

You may donate to the foundation either by sending a check made out to the CSU-ERFA Charitable Foundation to CSU-ERFA, 18111 Nordhoff Street, Northridge, CA 91330-8339 or through monthly deductions from their CalPERS pension warrant.

If you wish to contribute through a deduction from your CalPERS pension warrant, please download our donation agreement form from http://goo.gl/2xyteQ, fill it out and return it to the foundation at the above address.

Most Prospective Retirees Have Little to Live On...

A Government Accountability Office (GAO) analysis of retirees and workers approaching retirement found that three-quarters of them have limited financial resources.

• About half of households 55 and over have no retirement savings at all (such as a 401(k) or IRA).

• Among households 55 and over, about 29% have neither retirement savings nor a defined benefit retirement plan, meaning that they would be totally dependent on Social Security or living off the equity in their homes. A traditional finding, and one found in these data, is that Social Security provides most of the income for about half of households age 65 and older.

• Among those with some retirement savings, the GAO analysis of the 2013 Survey of Consumer Finances found that the median amount of those savings is about $104,000 for households age 55-64 and $148,000 for households age 65-74, equivalent to an inflation-protected annuity of $310 and $649 per month, respectively.

For households 55 and over, the median income was $18,932, and the median net worth is $34,760. On home ownership, 35% own a home with no debt, 24% own a home with some debt, and 41% do not own a home. Of all households 55 and over,

•23% have a defined benefit retirement plan, but no additional savings.

• 48% have retirement savings, although the median amounts are low, as per the above.

• 29% have no defined benefit retirement plan and no retirement savings.

All in all, this is a discouraging picture. Many older households without retirement savings have few other resources beyond Social Security. These are the conditions that can lead to the kind of “pension envy” that the Chuck Reed initiative (see pages 1 and 3) is trying to take advantage of. For more information, see GAO’s web site at www.gao.gov/assets/680/670153.pdf.

UC Retirement Changing

After Governor Jerry Brown and UC President Janet Napolitano met for their series of meetings on the future of state funding of UC, they reached an arrangement. UC would receive four years of funding increases and in return would freeze tuition for two years. But the agreement also had pension provisions: the governor promised to give the university some $430 million over three years for its pension deficit, and in return the UC president agreed to shift new hires from UC's defined benefit pension plan to a new 401(k)-style defined contribution plan.

The changes would apply to all of UC's campuses and other operations as of July 1, 2016. Details have not been worked out as of September 2015.

UC has already made changes to deal with its pension debt, now estimated at some $7.8 billion. Payroll contributions to the UC pension system are now 14% of payroll for the university and 8% of payroll for employees. A new pension tier started in 2013 raised the retirement age by five years to 65. UC is to adopt the state limit on the amount of employees' salaries that will be used to calculate their defined benefit pension. The limit is currently $117,000. The federal cap, which applies to older workers and to UC employees from before 2013, is $265,000.

One possibility is that new employees in 2016 will be able to choose an investment-based supplement for their compensation over $117,000. Another possibility is that they will be able to opt for a 401(k) that would be their only UC pension plan; it in turn would not be subject to the state cap, which applies only to defined benefit retirement plans.

The Real State Budget Size

Governor Jerry Brown released the May revise of the 2015-16 state budget in May 2015. Some news media reported $115.4 billion, the size of the general fund, which includes, by the way, the CSU.

However, in addition to the general fund, there are special funds that add to the state budget, some $45.7 billion more, including highway construction and maintenance. Plus another $6.5 billion in bond funds. Revised total, general and special funds, plus bond funds: $167.6 billion.

Except that this doesn't include federal aid, almost $100 billion for Medi-Cal, education, welfare, etc. That brings the total to about $265 billion.

Even this isn't the real total. The listed funds for higher education cover only the state's contribution, not student tuition, research grants and other revenues. UC's total budget alone is $27 billion. And the budget doesn't include our pensions, paid by CalPERS, CalSTRS, UC, and other agencies. These total some $30 billion per year. When Governor Brown pursued "realignment" by moving prisoners to the county level, giving county officials some of the state's sales tax revenues to pay for it, he also moved those revenues off the state budget.

Including all of those, calculated Dan Walters of the *Sacramento Bee* last spring, the real state budget is more like $350 billion.

As the old adage goes, "figures don't lie, but liars sure can figure," or, in this case, portray numbers to their advantage!

Can California's Turnout Rate Be Increased?

By J. Theodore Anagnoson, Editor

California Secretary of State Alex Padilla points to the obvious: the turnout rate in California elections is low, even by American standards. In 2014 only 25% of the registered voters voted in the June primary, and only 42% in the November general election. Percentages of eligible adults are even lower.

For municipal elections, sometimes held in the spring of odd-numbered years, the figures can be as low as 10% to 20% of registered voters.

SB 450 would have changed the election system in California to bring it closer to the Colorado model, where each voter automatically receives a mail ballot. These may be returned by mail or in person at drop off centers and vote centers. In return, money is saved by serverely reducing, or even eliminating, the number of precincts.

Dropoff and vote centers are placed in convenient locations, such as shopping centers, and are open several days before the election. They have voting machines for voters with a disability. With this system, Colorado's turnout in November 2014 was 53.4% of the adult-eligible population, compared with California's 30.0%.

To keep the new system from costing more money, traditional precincts are abolished in the new system.

SB 450 would have implemented this system in California starting in 2018 on a county by county basis, where counties would have the choice of opting in to the new system.

In California, the drop-off centers would be open 24 hours for eight to 10 days before election day. Voters on election day could vote at any election center in the state.

SB 450 was the brainchild of the new Secretary of State, Alex Padilla, and introduced in the Senate by Senators Ben Allen (D-Santa Monica) and Robert M. Hertzberg (D-Los Angeles). The bill passed the Senate, 36-0. However, there were objections in the Assembly, where the bill was sponsored by Assembly members Lorena Gonzalez (D-San Diego) and Kevin Mullin (D-San Mateo).

Disability rights groups objected to mail ballots as being inaccessible for some voters. The ACLU objected, saying that a pilot program should be tried first in order to ensure that everyone is able to use the new system.

Consequently the bill died for 2015. It will probably be back next year.

CALIFORNIA STATE UNIVERSITY EMERITUS AND RETIRED FACULTY ASSOCIATION
The Retirement Center
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Medicare Home Health Agencies Rated on Five Point Scale

In July 2015, the Centers for Medicare and Medicaid Services, the agency that administers Medicare and Medicaid, released a five-star rating system for home health agencies. Nearly 9,000 agencies across the country were rated on how quickly visits began and how well patients improved under their care.

Nearly half received average ratings. Nationally, 26% of the agencies received four or five stars, the top ratings, 46% received three stars, the average rating, and 28% received 2.5 stars or fewer, the lower ratings. In California, 1,004 agencies were rated, and 254 were not. California's ratings were better than the national average, with 42% in the top category, 44% in the middle category, and only 13% receiving 2.5 stars or lower.

Kaiser Health News reported that several states had 33% or more of their agencies in the top two categories, including, in addition to California, Alabama, Florida, Maryland, New Jersey, Pennsylvania, Rhode Island, South Dakota, and Utah. The highest proportion (40% or more) of poorly rated agencies were in Alaska, Arkansas, Minnesota, Ohio, Oregon, Texas, Wyoming, and the District of Columbia.

The ratings are based on the home health agencies' own assessments of their patients, as reported to the government, plus Medicare billing records. The data are adjusted to take into account how frail the patients are and other potential influences. Medicare intends to use the same or similar data sources when it eventually begins to pay bonuses and penalties to agencies based on performance, as it does for hospitals.

Some 3.4 million of the 49.4 million Medicare beneficiaries receive home health services each year, and Medicare spends about $18 billion of its $685 billion budget on home health. Home health services must be authorized by a doctor.

For ratings of California's five-star and one- or two-star home health agencies, go to the original Kaiser Health News story at http://goo.gl/8Ot2Gp.

CSU-ERFA Calendar of Events

October 17, 2015 - State Council meets at CSU Fullerton. Chancellor Timothy P. White is scheduled to speak at 11 a.m.

January 23, 2016 - CSU-ERFA Executive Committee meets in Torrance.

April 23, 2016 - State Council meets at San Jose State University.

October 22, 2016 - State Council meets at Cal Poly Pomona.