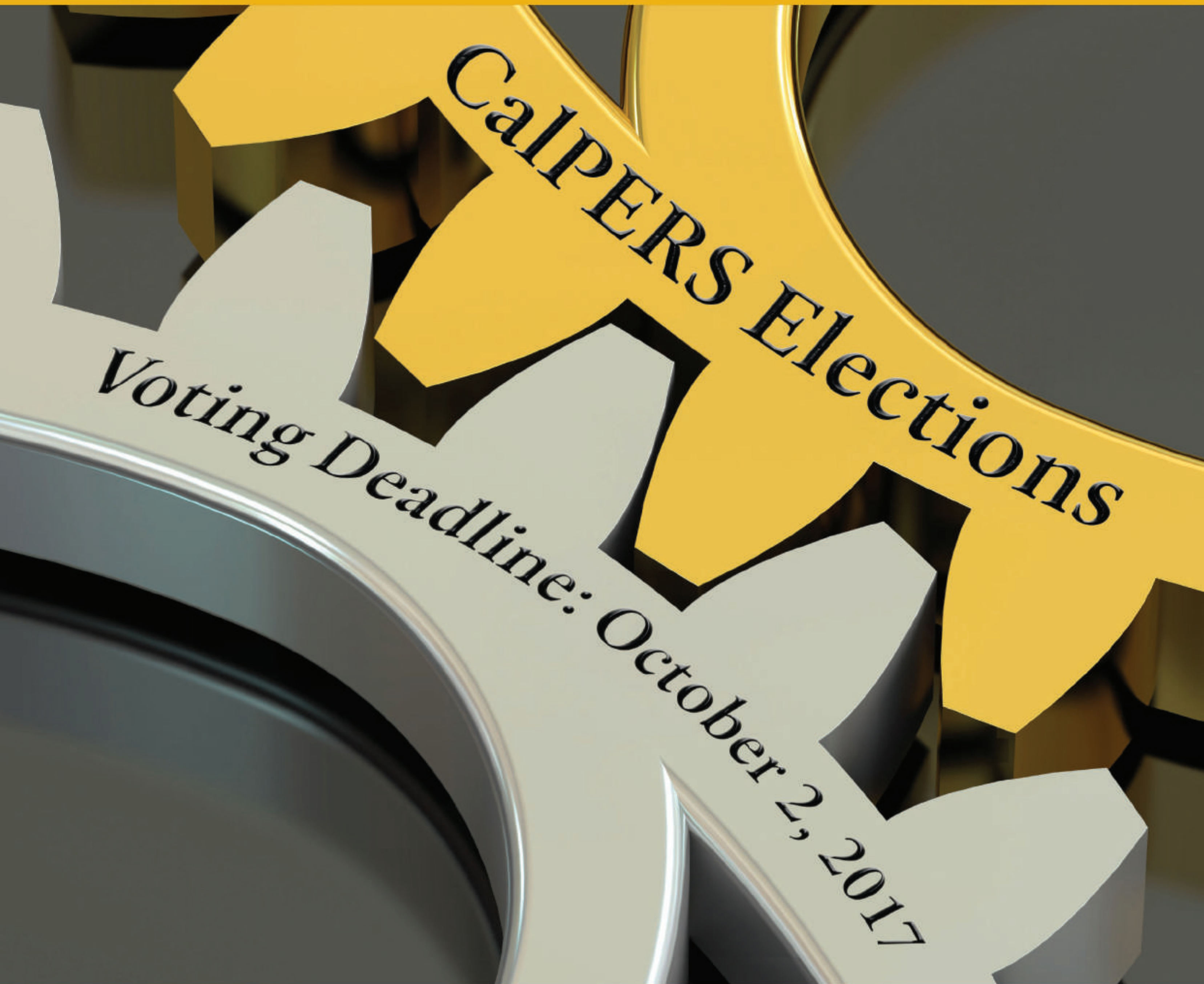
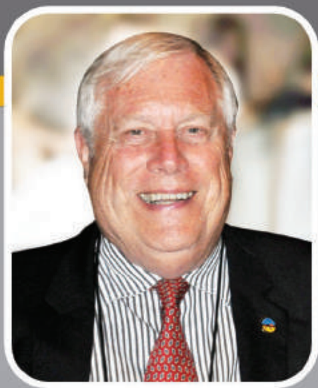
ISSUE 3
MAY/JUNE 2017

RETIRED PUBLIC EMPLOYEES' ASSOCIATION OF CALIFORNIA



UPCOMING CALPERS BOARD ELECTIONS MAY HELP SHAPE YOUR PENSION & HEALTH CARE FUTURE. STAY TUNED...

President's Report



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A Message From President George Linn

All I can say is…WOW! Membership is slowly creeping up. Remember the challenge I proposed at General Assembly. Let's have our chapters bring in more new members than we receive through our arrangement with AMBIA. So far, AMBIA is winning, but there are still six months left for our chapters to respond and generate new members. Let's have our chapters win the race. *What can you do, personally?* **Be an active RPEA advocate.** Always look for opportunities to invite current and former public employees to join. We at the headquarters level are continually working to protect the pensions and health care programs. Explain that to your former co-workers. We are already working for them, so they should join.

Currently CalPERS has communicated new ways for retirees to interact with them by no longer mailing paper warrants to members with direct deposit and disseminating information about how to vote for the CalPERS Board candidates. This is a continuation of the CalPERS push to eliminate paper and move to all-electronic communication.

First, the elimination of paper warrants for those using direct deposit. Paper advisements of what has been automatically deposited monthly from CalPERS stops with the June 2017 warrant. If this applies to you, you should have already received a mailing with instructions on how to retain your paper deposit notice. If you are comfortable going to your my|CalPERS page to learn that your warrant has been deposited, you have nothing to do. The important fact is that If you want paper, you must either send back the card included in the mailing or contact CalPERS at 888-CalPERS (or 888-225-7377) at any future date to resume mailings of your direct deposit statements. RPEA is always concerned about moving things to all-electronic mode because we know many of our members are not computer savvy. We continue to voice our opposition to moving members to 100% electronic communications without the member's request and having CalPERS decide and tell members how they will be treated.

Second, there is an important election for two seats on the CalPERS Board in which retirees have an opportunity to elect the Board members. Instead of *opportunity* I should have said *obligation* to vote and elect Board members that understand retiree issues. CalPERS has increased the voting methods to include internet and voice voting. Now there is no longer a need to wonder where your ballot is. Complete details will be sent prior to the election, but it is important to keep this in mind. Look for ballot information this fall. Here is a preview of your options:

☐ Vote online using your personal computer with an authentic personal ID number

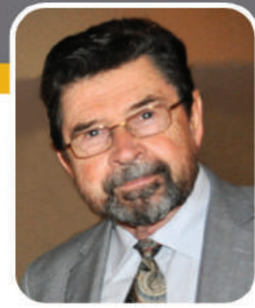
☐ Vote by calling toll-free into a secure, automatic telephone system

☐ Mail your paper ballot

The upcoming CalPERS election is important to retirees. We will be voting for two of the Board members that contribute to decisions that affect pensions and healthcare. While your RPEA Board continues to speak at CalPERS committee and Board meetings on issues that are important to retirees, we need CalPERS Board members who hear our voices and vote accordingly. Therefore, it is vital that all retirees exercise their obligation to vote for the candidates that your RPEA Board has endorsed. RPEA endorses Michael Flaherman for Seat A.

There is an issue that started with the City of Loyalton — *pension reduction* — because the employer has not paid CalPERS. Since then, two other CalPERS contracts have been cancelled resulting in pensions being reduced. RPEA has been vocal that CalPERS is not providing information to those who are impacted on a timely basis. I have spoken with CalPERS CEO, Marcie Frost, and others about this issue. RPEA has also asked that CalPERS notify us when agencies become delinquent in their pension payments to CalPERS. RPEA wants to be able to provide timely information so that those who may be impacted have time to seek solutions.

Vice President's Op/Ed



By Al Darby, Vice President

I want to start by saying that in recent months the CalPERS pension fund (PERF) is looking up in terms of return on investment (ROI). We experienced two years, back to back, with returns of under 2%, but as of March 31, 2017, the ROI in this fiscal year stands at 8%. This is a very encouraging sign that the investment team at CalPERS is adjusting the asset portfolio to align it with current investment trends. The PERF now totals $310 billion.

Over the past two and half years, the fortunes of the CalPERS PERF have been eroded by poor investment returns to the point where the "funded status" stands at 65%. A "fully funded" condition is 100% funded. It was also observed that the fund has reached a negative cash flow state. This requires assets to be sold to cover benefit payouts. Negative cash flow means that CalPERS receives monthly contributions from employers and employees that total less than monthly benefit payouts. This is due to the current ratio of active workers to retirees in the system, which is now about 1.4 actives to 1 retiree. It was 2 to 1 ten years ago. When the CalPERS Board recognized the sustained and growing shortfall in funded status and the negative cash flow, various studies were initiated by the CalPERS Investment Committee to develop a strategy to reverse this course.

"In other news from CalPERS, the election for at-large Board members is coming up in September. RPEA has endorsed Michael Flaherman to replace J. J. Jelincic, the current incumbent who is retiring."

A study by Wilshire Consultants concluded that CalPERS could expect an ROI over the next ten years that would produce less than 7% annual growth. Unfortunately, this study led CalPERS to adopt a policy of risk mitigation which leads to reduced upside potential (gains) from investments.

Due to the "maturing" of the system, i.e. the ratio of active employees to retirees in the system, it is believed that a reduced-risk portfolio is prudent and better matches the financial security needs of the fund. The CalPERS discount rate was lowered in December of 2016 to reflect the expected lower ROI of the pension fund. This creates an added financial burden for public agencies and is causing concern among employers about the negative impact to their future annual budgets.

We must hope that global financial markets thrive over the next several years in order for our pension fund to catch-up with its funded-status goal of 80% (the level considered "healthy" by most financial rating agencies for public pension funds). Astute investment innovations and cost cutting measures at CalPERS are being employed to further enhance the recovery of the PERF.

Another matter related to CalPERS is that of public agencies that terminate their affiliation with CalPERS but fail to pay their termination fee. A recent case in Southern California left 190 employees and retirees with greatly reduced pension benefits for this very reason. It was a Joint Powers Agency that four cities sponsored since the 1970's. This was a job training joint powers agency. It recently lost its contract with the federal government and ceased operation. The sponsoring cities would not assume responsibility for continuing CalPERS obligations and would not make the termination payment to keep full benefits flowing to the retirees. This results in severe cuts to retiree benefits. We have attempted to assist them, but most are not RPEA members, so our efforts are very limited.

Two other small agencies are in danger of similar fates. We will be reaching out to them to join RPEA and learn about how to lobby the agency administrators to do the right thing and preserve their pensions.

In other news from CalPERS, the election for at-large Board members is coming up in September. RPEA has endorsed Michael Flaherman to replace J. J. Jelincic, the current incumbent who is retiring. Flaherman is a former CalPERS Board member who returns with Wall Street investment experience and a great deal of preparation work. He has attended many CalPERS committee and Board meetings of late to inform himself and make public comment on many issues. Voting in this election can be done by mail, internet, or telephone. This is an attempt to improve voter participation in these elections.

RPEA Health Benefits Update

By Donna Snodgrass, Director of Health Benefits

Here is a preview of what is being proposed at CalPERS for our health benefits plans next year. This will definitely result in my first "update" during the month of June, so be sure you have signed up for these by sending your email address to: healthbenefits@rpea.com. If you don't have an e-mail address, you won't be left out. Call RPEA Headquarters in Sacramento, and ask to be added to the Health Benefits Update list. Give them your name and address. You will be sent the updates via US Postal Service. This is no problem at all; **however, you must be an RPEA member.**

The information provided below was presented to the CalPERS Pension and Health Benefits Committee on Tuesday, May 14th. This is a first reading. The final numbers will be disclosed at the June board meeting. My update will include the language of the final board action.

Note: We have a new acronym to remember: PMPM – Per Member Per Month

Potential PPO Medical Benefit Strategies for Plan Year 2018

Expand Value Based Purchasing Design (VBPD) for use of Ambulatory Surgery Centers (ASCs) Experience shows the value of promoting ASCs over outpatient hospital facilities. Therefore, we have been working with Anthem Blue Cross to evaluate opportunities to expand the VBPD to other procedures. This program is intended to encourage the use of appropriate and cost-effective care settings by members and dependents. These benefit modifications apply to self-funded Basic plans only and will be accomplished by establishing the following benefit limits for PPO plan members who receive the following services in an outpatient hospital setting instead of an ambulatory surgery center:

Upper GI Endoscopy with Biopsy
Laparoscopic Gall Bladder Removal
Upper GI Endoscopy Esophagoscopy Sigmoidoscopy
Hysteroscopy Uterine Tissue Sample (with Biopsy, with or without D&C)
Nasal/Sinus - Submucous Resection Inferior Turbinate
Tonsillectomy and/or Adenoidectomy, Under Age 12
Nasal/Sinus - Corrective Surgery - Septoplasty
Lithotripsy - Fragmenting of Kidney Stones
Hernia Inguinal Repair (Age 5+, NonLaparoscopic)
Repair of Laparoscopic Inguinal Hernia

What does this mean? Right now, if you are in a PPO basic medical plan, you probably go to an Ambulatory Surgery Center for hip and knee replacements. This practice has been so successful that CalPERS staff is suggesting to expand the list of surgeries performed in Ambulatory Surgery Centers. If implemented, this is expected to save $Millions.

SilverSneakers to be added to the PPO plans for a 3 year period with the option each year to cancel.

SilverSneakers is a community fitness program specifically designed for older adults that provides members with regular exercise (strength training, aerobics, and flexibility) and social opportunities at more than 13,000 locations nationwide. This is the same program that is provided to CalPERS UnitedHealthcare Medicare Advantage plan members. Anthem Medicare Supplement plan members would receive the following benefits without any additional fees:

• Memberships at multiple gyms • FLEX classes held at parks, community centers, and other venues for fitness workouts beyond the gym • Exclusive SilverSneakers yoga, strength training, flexibility, cardio, and movement classes

Trivity Health, the company administering the SilverSneakers program, would contract with Anthem for three years and include the ability for CalPERS to opt out once a year during open enrollment. The administrative services fee for the program is $0.80 PMPM with a program fee of $4.25 per member visit. The total administrative service and program fees are capped at $5.14 PMPM. The estimated annual base cost of the program is $1.7 million with an estimated maximum annual cost of $8 million. Anthem states that these costs could be partially offset by CalPERS members' better health and per visit cost is based on the actual number of members who have visits.

RPEA Health Benefits Update

New Premium Rates

State 2018 Preliminary Health Plan Rates
Basic Single-Party

Health Plan		2017 Final Adjusted	2018 Unadjusted	2018 Adjusted
HMO	Anthem HMO Select	$740.23	$699.88	$795.53
	Anthem HMO Traditional	$872.91	$861.40	$853.84
	Blue Shield Access+	$830.44	$865.89	$767.88
	Health Net - Salud y Mas	$475.46	$354.90	$501.67
	Health Net - SmartCare	$692.89	$792.16	$856.07
	Kaiser	$662.92	$710.06	$717.71
	Sharp	$616.49	$547.03	$624.03
	UnitedHealthcare	$686.17	$655.05	$728.02
	Western Health Advantage	NA	$707.19	$763.49
PPO	Anthem EPO Del Norte	$740.88	$730.10	$734.31
	Anthem EPO Monterey	$740.88	$730.10	$734.31
	PERS Choice	$740.88	$730.10	$734.31
	PERS Select	$673.25	$484.91	$681.06
	PERSCare	$826.37	$1,068.16	$789.16

[1]Anthem EPO plans are priced as PERS Choice

Note: Association Health Plan premiums are currently pending (i.e. CAHP, CCPOA, and PORAC)

State 2018 Preliminary Health Plan Rates
Medicare Single-Party

Health Plan		2017 Final	2018
HMO	Kaiser	$300.48	$319.33
	UnitedHealthcare	$324.21	$343.65
PPO	PERS Choice	$353.63	$346.22
	PERS Select	$353.63	$346.22
	PERSCare	$389.76	$379.15

Questions and Answers

Believe it or not, there were no questions from the last newsletter! I did however receive some input and critiques from some members. Thank you to all who sent me an email or called. I appreciate hearing from you. You are the reason RPEA exists, and I will do my best to serve you while I am in office.

I learned that if you are enrolled in the PORAC or CaHP Health Benefits Trust, even though these are administered by Anthem, you do not use OptumRx for the pharmacy benefits. PORAC and CaHP have their own plans and Pharmacy Benefits Managers.

I have also had many calls from members who retired from Santa Clara County. There were many issues to be dealt with, and CalPERS staff has been very helpful.

There were eight calls because OptumRx either denied a prescription or were charging as much as $900 for a 90 day supply of medication—refills. Again, CalPERS staff went to work for us and fixed the problems.

With that in mind I would like to take a minute to thank Carene Carolan and Kathy Donneson for all their help during the last two months.

Board of Directors

RPEA June Board of Directors Meeting

Monday, June 26, 2017 – 1:30 pm to 5:00 pm
Tuesday, June 27, 2017 – 8:00 am – CONCLUSION
Crowne Plaza Hotel, 5321 Date Ave., Sacramento, CA 95841

Legislative Update

By Aaron Read and Pat Moran of Aaron Read & Associates

MAY REVISE

On May 11th Governor Brown released the May Revision to his proposed January budget. The Revision projects $2.5 billion in additional revenues and proposes $1.5 billion in increased 2017-18 General Fund spending above the January budget proposal. While the Revision is an improvement to the January proposal, it still includes reductions to healthcare, homeless prevention programs and financial aid.

Overall, the May Revision projects $126.6 billion in revenue, $124 billion in General Fund spending and a reserve of $1.6 billion. State reserves, overall, have grown to $10.1 billion. The Rainy-Day Fund - Budget Stabilization Account - is projected to increase to $8.5 billion.

Of particular interest, the Governor proposes a one-time $6 billion payment to CalPERS in 2017-18. This action doubles the State's annual payment and will mitigate the impact of the increasing pension contributions and Board's recent action to lower its assumed investment rate from 7.5% to 7%.

The money for the supplemental payment comes from the Surplus Money Investment Fund. If all goes as planned, it is estimated to save the state $11 billion over the next two decades by more rapidly paying down the pension debt.

LEGISLATIVE UPDATE

Support

AB 275 (Wood, D-Healdsburg) – Current law imposes various notice and planning requirements upon a long-term health care facility before allowing a change in the status of the license or operation of the facility that results in the inability of the facility to care for its patients or residents, including a requirement for written notification to the affected patients or their guardians at least 30 days prior to the change. Under existing law, these requirements also include taking reasonable steps to medically, socially, and physically assess each affected patient or resident prior to a transfer due to the change, and, when 10 or more residents are likely to be transferred due to a change, the preparation and submission of a proposed relocation plan to the department for approval. This bill would expand the notice and planning requirements that a long-term health care facility provides before any change in the status of the license or in the operation of the facility that results in its inability to care for its residents. As of this writing, AB 275 is in the Senate awaiting a hearing.
RPEA is in support.

AB 315 (Wood) – This bill would require pharmacy benefit managers to be licensed by the Department of Managed Health Care. The bill would require the department to develop an application for new and renewed licenses, and would specify certain information to be provided in those applications. The bill would authorize the department to charge a license fee for a new or renewed license. As of this writing, AB 315 is awaiting a hearing in the Assembly Appropriations Committee. *RPEA is in support.*

AB 444 (Ting, D-San Francisco) –The Medical Waste Management Act generally regulates the management and disposal of medical waste. This bill would authorize the California Environmental Protection Agency to develop a statewide program for the collection, transportation, and disposal of home-generated medical waste. As of this writing, AB 444 is on the Assembly Appropriations Committee's Suspense File awaiting a hearing. *RPEA is in support.*

SB 294 (Hernandez, D-Azusa) – Current law authorizes licensed hospices to provide, in addition to hospice services authorized under the California Hospice Licensure Act of 1990, specified preliminary services, including preliminary palliative care consultations, for any person in need of those services, as determined by the physician and surgeon, if any, in charge of the care of a patient. This bill would, expand the definition of palliative care to include relief of symptoms, pain, and stress of a serious, life threatening, or advanced illness, in addition to a terminal illness, without regard to the length of the patient's remaining period of life. As of this writing, SB 294 is on the Senate Appropriations Committee's Suspense File awaiting a hearing. *RPEA is in support.*

Oppose

SB 601 (Morrell, R-Rancho Cucamonga) – This bill would require the Board of Administration of the Public Employees' Retirement System to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the Teachers' Retirement Board to provide a description of the discount rate the board uses for reporting liabilities calculations, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of

Legislative Update

liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. SB 601 failed the policy committee deadline and has been made a two-year bill. *RPEA is opposed.*

As previously reported, and worth mentioning again, the following bills were introduced by former Orange County Supervisor John Moorlach and now State Senator, a Republican from Costa Mesa, and would negatively impact retirement benefits. Moorlach not only collects more than $100,000 per year as a legislator, but also an $80,000 pension from the Orange County Board of Supervisors. He is a member of the Senate Public Employment and Retirement Committee and has opposed anything related to public employees.

SB 32 – This bill would create the Citizens' Pension Oversight Committee to serve in an advisory role to the Teachers' Retirement Board and the Board of Administration of PERS. The bill would require the committee, on or before January 1, 2019, and annually thereafter, to review the actual pension costs and obligations of PERS and STRS and report on these costs and obligations to the public. SB 32 failed the policy committee deadline and has been made a two-year bill. *RPEA is opposed.*

SB 454 – This bill would, for state employees who are first employed and become members of the retirement system on or after January 1, 2018, limit the employer contribution for annuitants to 80% of the weighted average of the health benefit plan premiums for an active employee enrolled for self alone, during the benefit year to which the formula is applied, for the four health benefit plans with the largest state civil service enrollment. SB 454 failed the policy committee deadline and has been made a two-year bill. *RPEA is opposed.*

SB 681 – This bill would require the Board of Administration of PERS to allow a contracting agency to terminate its contract with the system in a manner that does not result in excessive costs or penalties to the contracting agency, allows the contracting agency to withdraw its net assets paid into the system less payments made to its members and their beneficiaries, and ensures that the contracting agency remains responsible for its unfunded liabilities so that those liabilities are not shifted onto other PERS members or employers. SB 681 failed the policy committee deadline and has been made a two-year bill. *RPEA is opposed.*

The following three Constitutional Amendments, also authored by Senator Moorlach, are not subject to the same deadlines as regular bills; however, they require a 2/3 vote on the Floor, which is extremely unlikely in the face of our opposition.

SCA 1 – This bill would prohibit the state from incurring any liability for payment of the retirement savings benefit earned by program participants in the California Secure Choice Retirement Savings Program. The measure would also prohibit the appropriation, transfer, or encumbrance of moneys in the General Fund for the purposes of the program, including any unfunded liability that the program may incur, unless the appropriation, transfer, or encumbrance is for funding the startup and first-year administrative costs for the program. As of this writing, SCA 1 is in the Senate Public Employment and Retirement Committee awaiting a hearing. *RPEA is opposed.*

SCA 8 – This bill would permit a government employer to reduce retirement benefits that are based on work not yet performed by an employee regardless of the date that the employee was first hired, notwithstanding other provisions of the California Constitution or any other law. The measure would prohibit it from being interpreted to permit the reduction of retirement benefits that a public employee has earned based on work that has been performed, as specified. The measure would define government employer and retirement benefits for the purposes of its provisions. Essentially, this bill changes an employee's retirement mid-career. As of this writing, SCA 8 is in the Senate Public Employment and Retirement Committee awaiting a hearing.
RPEA is opposed.

SCA 10 – This bill would prohibit a government employer from providing public employees any retirement benefit increase until that increase is approved by a 2/3 vote of the electorate of the applicable jurisdiction and that vote is certified. The measure would define retirement benefit to mean any postemployment benefit and would define benefit increase as any change that increases the value of an employee's retirement benefit. The measure would define a government employer to include, among others, the state and any of its subdivisions, cities, counties, school districts, special districts, the Regents of the University of California, and the California State University. As of this writing, SCA 10 is in the Senate Public Employment and Retirement Committee awaiting a hearing. *RPEA is opposed.*

Stay tuned for more information as bills are amended and new positions are added.

RPEA Legislative Update

By Jim Anderson, Director of Legislation

The California Legislature (Senate and Assembly) has introduced 2,545 bills and 24 constitutional amendments to be considered during the two years of this legislative session. The Legislative Committee has reviewed these bills and at this time is following 54 which will have some significance to our membership. The RPEA Board of Directors has established priorities for our reviews, which generally follow the Mission Statement of RPEA. Most of the 54 bills are being followed without issuing a "position" statement. This is because many at this early stage have little significant impact on our primary purpose of ensuring that our pension and health benefits are sustainable. However, there are a few bills that might have an impact, and these are followed closely, and our "position" of SUPPORT or OPPOSE has been communicated to the author of the bills. These 11 are listed in the Tracking Chart on the next page.

Four of these bills, which specifically intend to be harmful to working and retired public employees, have failed their initial committee vote and will not move ahead. Two others we have OPPOSED are also likely not to move ahead this year. However, it is interesting to note that these six bills propose similar draconian measures that were put forward by the Reed/DeMaio initiative last year. It is assumed that the same issues will appear in the near future in the form of a ballot initiative.

> "One recent article titled *"Increasing Number of Experts Project 'Meltdown' of California Public Pension System"* attempted to show that there were widely-based experts crying alarm."

Even though these attempts to make changes in public employee earned benefits are being tried in the legislature, there have been a slew of articles in the press that raise the specter of dire consequences if benefits are not pared back. This seems to continue a "drumbeat" against public employees and will prime the pump of negative feelings toward public employees when the initiative hits the streets to get signatures for the ballot initiative. However, reading the article closely, the only named experts were the same old crew that have been harping on this issue for years without making much headway.

We can only keep watch and respond to the critics. Unfortunately, as Mark Twain said, "It is never too effective to argue with someone who buys ink by the barrel." Even if our remarks are published, they never carry the same weight as a bold headline stating that public benefits are "crowding out" more legitimate public needs. Never mind that the public needs are being managed and dealt with by public employees who should be applauded and not denigrated. People should be supportive of government workers, police, firefighters, teachers and nurses, who must do their jobs in difficult times.

The Legislative Committee has not generally followed federal legislation. However, we were given the task by the Board of Directors to try to get federal legislation to repeal those sections of the Social Security Act setting out the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). We started planning on how to move this plan following the election. Those plans anticipated that there might be a window of opportunity with a new administration. However, it appears that this administration is not supportive of public workers and is unlikely to move forward on either of these issues.

There are two bills which have been introduced this legislative session regarding a repeal of the WEP and GPO. In the Congress, HR 1205 (by Congressman Davis of Illinois) has been introduced as the "Social Security Fairness Act of 2017." He had a similar bill in the last congressional session that failed to get out of the Ways and Means Committee. In the Senate, a similar bill (S 915) has been introduced by Senator Brown of Ohio. This bill has been assigned to the Senate Finance Committee. We will advise these authors and the co-sponsors of the bills of our SUPPORT of this legislation and offer our help. With all of the flack flying around about health care legislation and tax reform, there seems to be little opportunity to impact the WEP or GPO soon. We will keep the membership advised about this issue and see if there is any possibility of movement on this legislation.

RPEA Legislative Position & Tracking Chart

RPEA LEGISLATIVE TRACKING & POSITION
State and Federal Legislation - 2017 - 2018

May 7, 2017

BILL NUMBER & AUTHOR	LEGISLATIVE INTENT	CURRENT STATUS	RPEA POSITION
AB 275 (Wood) Introduced 2-1-17 Long Term Care Notice of Lack of Care	This bill would expand the notice and planning requirements that a long-term health care facility provides before any change in the status of the license or in the operation of the facility that results in its inability to care for its patients. The bill would require a facility to provide 90 days' notice to the affected patients or their guardians and 90-day written notice to the State Long-Term Care Ombudsman. The bill would modify who may perform the required assessments of the affected residents.	Passed **Assembly** to Senate Rules Committee	S_2
AB 315 (Wood) Introduced 2-10-17 Pharmacy Benefit Management	This bill would require pharmacy benefit managers and designated pharmacy benefits manager representatives to be licensed by the California State Board of Pharmacy and would establish qualifications for the designated pharmacy benefits manager representative license	Assembly Appropriation Committee	S_3
AB 444 (Ting) Introduced 2-13-17 Medical Sharps Amended 4/18/17	This bill would require Cal/EPA to develop a statewide program, in consultation with stakeholders, for the collection, transportation, and disposal of home-generated medical waste. Requires funds in the Budget Act to allow for implementation	Assembly Appropriation Committee	S_3
AB 1310 (Allen) Introduced 2-17-17 Unfunded Liability notice	This bill would require the retirement board of a public retirement system, as defined, to disclose the unfunded liability and healthcare debt of the system on each member statement provided to members of the system.	**Failed Passage 2-year bill**	O
AB 1311 (Allen) Introduced 2-17-17 Add two members to the CalPERS Board of Directors	This bill would revise the composition of the CalPERS board by adding 2 persons, appointed at the pleasure of the Governor, who represent the public, have financial expertise, and are not interested in the system. The operation of the change contingent on **voter approval of a Constitutional Amendment at the June 5, 2018,** statewide primary election.	**Failed Passage 2-year bill**	O
SB 17 (Hernandez) Introduced 12-5-16 Drug Price Increase Notice	This bill would require public and private purchasers of health care and health care coverage be given advance notice of price increases for the costs of prescription drugs.	Senate Appropriation Comm.	S_2
SB 32 (Moorlach) Introduced 12-5-16 Changes to PEPRA	This bill would state the intent of the Legislature to enact legislation to resume the public employee pension reform begun in the California Public Employees' Pension Reform Act of 2013.	**Failed Passage 2-year bill**	O
SB 294 (Hernandez) Introduced 2-9-17 Hospice and palliative Care	This bill would additionally authorize a licensed hospice to provide palliative care services for any person in need of those services as determined by the physician and surgeon in charge of the care of a patient, and would authorize these services to be provided concurrently with curative treatment to a person who does not have a terminal prognosis or who has not elected to receive hospice services only by licensed and certified hospices.	Senate Appropriation Committee, Suspense file	S_2
SB 454 (Moorlach) Introduced 2-16-17 Changes Health Care coverage from 100/90 to 80/80 of 4 largest plans	State employees who are first employed and become members of the retirement system on or after January 1, 2018, would limit the employer contribution for annuitants to 80% of the weighted average of the health benefit plan premiums for an active employee enrolled for self-alone, during the benefit year to which the formula is applied, for the 4 health benefit plans with the largest state civil service enrollment. The bill would similarly limit the employer contribution for an enrolled family member of an annuitant to 80% of the weighted average.	**Failed Passage 2-year bill**	O
SCA 8 (Moorlach) Introduced 2-15-17 Constitutional Amendment allowing reduction in benefits for work not yet performed.	This measure would permit a government employer to reduce retirement benefits that are based on work not yet performed by an employee regardless of the date that the employee was first hired	Senate Public employment and constitutional amend	O
SCA 10 (Moorlach) Introduced 2-15-17 Constitutional Amendment to require a vote to change public employee benefits	This measure would prohibit a government employer from providing public employees any retirement benefit increase until that increase is approved by a $^{2}/_{3}$ vote of the electorate of the applicable jurisdiction and that vote is certified. would define a government employer to include, the state and any subdivisions,	Senate Public employment and constitutional amendment	O

LEGISLATIVE SUPPORT POSITIONS: The following categories are used in your legislative summary reports:

SPONSOR – Sponsored or co-sponsored bill. **SUPPORT 1 (S1)** – Highest priority support bill. **SUPPORT 2 (S2)** – Moderate support. **SUPPORT 3 (S3)** – Lowest level of support. **OPPOSE (O)** – Judged to be detrimental. **WATCH 1 (W1)** – Of more than casual interest. **WATCH 2 (W2)** – Of interest or concern. **?** – Will show up in our screening from time to time.

CalPERS Urges Investors to Vote for Climate Change Reporting at Exxon Mobil

SACRAMENTO, CA - The California Public Employees' Retirement System (CalPERS) is calling fellow share owners of Exxon Mobil, the international oil and gas company, to vote in favor of a proxy ballot resolution requiring the company to report on environmental risks and opportunities associated with climate change.

The resolution, formally titled Proposal #12, was co-filed by CalPERS and other investors, including New York State Common Retirement Fund and Church of England. The proposal will be voted on at Exxon Mobil's Annual General Meeting on Wednesday, May 31.

"Exxon is a leading voice in the business community supporting the Paris climate change goals to limit global warming to 2 degrees," said Anne Simpson, CalPERS investment director, sustainability. "We applaud their efforts and encourage Exxon directors to engage with shareowners. It's time for Exxon to provide investors with the risk reporting that backs up their welcome policy position."

The proposal to Exxon Mobil would request an assessment of the company's portfolio under the "2 Degree Scenario."

This assessment would:

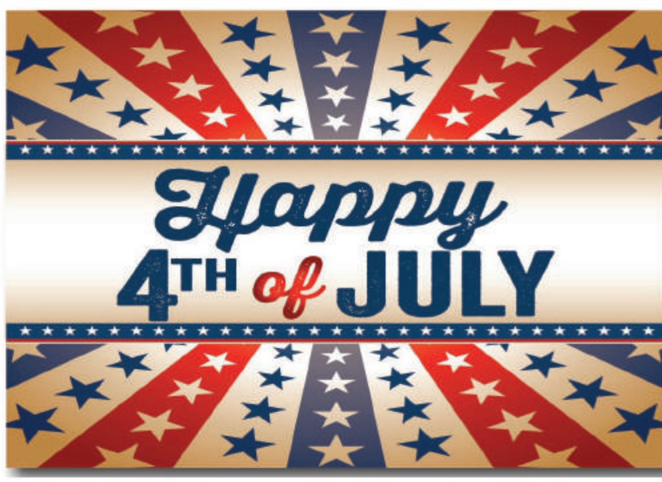
- ☐ Enhance existing reporting by analyzing impacts on oil and gas reserves under the globally agreed upon two degree target
- ☐ Look at the long-term impacts of technological advances and global climate change policies
- ☐ Examine the resiliency and financial risks of the company's portfolio through 2040 and beyond

CalPERS believes companies should provide accurate and timely disclosure of environmental risks and opportunities associated with climate change. As outlined in our Investment Beliefs (PDF), we believe effective management of environmental factors, including those related to climate change risk, increase the likelihood that companies will perform well over the long-term.

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 1.8 million members in the CalPERS retirement system and administers benefits for more than 1.4 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately $322 billion. For more information, visit www.calpers.ca.gov.

HAPPY 100TH, NEOMI!

Neomi Curry, a long-time RPEA member and current Vice President/Secretary of Chapter 047 - YUCAIPA, recently celebrated her 100th birthday with a large gathering of family and friends. Neomi retired in 1973 after working for twenty-one years with the Culver City Fire Department. She continues to be an active and valued member of RPEA. *Congratulations, Neomi!*



Message from the Editor

By C.T. Weber, Director of Public Relations

Senators Ricardo Lara and Toni Atkins introduced SB 562, the Healthy California Act, which would establish a state-based universal health care system and provide comprehensive health care coverage to every Californian. When I was growing up, someone said six words, "*find a need and fill it*," that have stuck with me. I like to think that this is part of the motivation behind SB 562. At first, many policy makers thought that the Affordable Care Act and Covered California would cover everyone. However, there are still nearly 3 million California residents—about 7½% of the total population—who are living without health insurance coverage. Of course, most of the uncovered cite costs as the main reason they do not have health insurance. But there is also a very large number of people living in California who are prevented from buying coverage because of their immigration status.In addition to the millions of uninsured residents, another need is to reduce the high cost of America's health care system. We pay nearly $10,000 per person per year, with nearly $5,000 of it coming out of the pockets of an average family for basic coverage. This is far more than any other industrialized nation pays for health care. Now, the Affordable Care Act may be repealed, and millions more may be left without coverage.

The Healthy California Act promises that: everyone living in California will be covered; you will pick your own doctor, clinic and hospital; you and your doctor will make decisions regarding your health care instead of insurance companies; health care monies will be gathered into a publicly-run fund; there will be public oversight on costs and care; prescription drug costs will be controlled; there will not be any exorbitant co-pays and deductibles; and decisions will not be made in secret by companies.

The Retired Public Employees' Association (RPEA) has not taken a position of support or opposition at this time. The Board of Directors will make that decision after study and recommendation by our Health Benefits Committee and then our Legislative Committee. A major obstacle to making a decision is that a funding mechanism has not been finalized. This is because federal monies may be restricted.The new administration in Washington, D.C. plans to cut several programs to free up money to expand the military budget. Also, there are efforts to cut off federal funds to sanctuary cities and states. There does not seem to be a definition of sanctuary city, so it is unclear whether the funds will be made available. At this time it appears that the authors will make this into a two-year bill.

CalPERS Board Adopts New Contribution Rates for State and School Employers

CalPERS Board Adopts New Contribution Rates for State and School Employers - April 20, 2017

SACRAMENTO, CA - The California Public Employees' Retirement System (CalPERS) Board of Administration approved new pension contribution rates for fiscal year (FY) 2017-18 for the State of California and school employers that are up from the prior year, but generally less than originally projected. The changes in the rates are driven primarily by the lowering of the discount rate (assumed rate of return), last fiscal year's less than expected investment return, and member salary increases.

"We continue to examine how to balance the risks to the system, while creating a positive and sustainable fund for the future," said Rob Feckner, president of the CalPERS Board of Administration. "We recognize the increases are a concern to many of our employers, but today's decision reflects the reality that we are in a low-return economic climate that is expected to continue for the next five to 10 years."

Combined, the state and school employer's pension costs for FY 2017-18 are just under $8 billion. The state's contribution towards pensions is estimated to increase by $521 million from $5.4 billion to $5.9 billion from the previous fiscal year.

This is the first of the three-year phase-in for the discount rate change for the state. State contributions are increasing due to:

- ☐ The normal progression of payments on the unfunded liability;
- ☐ The change in the discount rate from 7.50 percent to 7.375 percent;
- ☐ The less than expected investment return for FY 2015 -16;
- ☐ Payroll growth of 3.7 percent over the previous year.

The schools pool contributions are estimated to rise by $342 million from nearly $ 1.7 billion to $2 billion. The main drivers of the cost increases are:

- ☐ Payroll growth of 7.6 percent over the previous year at the cost of $76.1 million;
- ☐ The less than expected investment return for FY 2015 -16;
- ☐ The second-year phase-in of the demographic assumptions that account for members living longer;
- ☐ The normal progression of payments on the unfunded liability;

School districts will not see the impact of the discount rate change until FY 2018-19 to allow more time to prepare for the change in the contribution costs.

The CalPERS Board has taken several steps to strengthen the pension fund over the long term. In response to the low-return investing environment, the Board in December 2016 agreed to lower the discount rate, or assumed rate of return, to 7 percent from 7.5 percent over three years.

Earlier this year, the Board also began the Asset Liability Management (ALM) (PDF) review process, which takes a holistic view of assets and liabilities to help determine the future asset allocation mix of the portfolio. As part of the ALM cycle, the Board will next review the capital market and economic assumptions for the 2018-2028 period, which will also factor in wage and price inflation projections. Information can be found at
https://www.calpers.ca.gov/docs/forms-publications/asset-liability-management.pdf.

Cost savings achieved through the 2013 Public Employees' Pension Reform Act, or PEPRA, also help strengthen the fund. For FY 2017-18, nearly $67 million in savings will be realized through the reduction of required contributions as new employees who are hired on or after January 1, 2013, are placed into lower benefit levels, compared with employees hired earlier.

PEPRA also requires school members who meet the definition of "new member" to contribute more, from the current 6 percent to 6.5 percent beginning July 1, 2017. The state PEPRA member rate will remain unchanged from 6.50 percent for miscellaneous members and 11 percent for state peace officer and firefighter members for FY 2016-17.

Currently there are nearly 241,000 PEPRA members accruing lower benefits across all employers, representing almost 28 percent of the active public employee workforce.

"While we recognize that rates will rise due to the change in the discount rate, pension reform helps reduce the risk to the Fund and provides vital cost savings for our employers over the long-term," said Richard Costigan, chair of the Finance and Administration Committee. "As we continue to focus on costs and complexity, we are working closely with our employers and our members so they can fully understand the long-term cost of the benefits."

Generally, the schools pool provides retirement benefits to members working in school and community college districts and not teachers, who are covered under the California State Teachers' Retirement System.

The state pension plan is approximately 65.1 percent funded, while the schools plan stands at approximately 71.9 percent, as of June 30, 2016. The total CalPERS Fund is 69 percent funded as of June 30, 2016 and is estimated to be 65 percent funded to date.

The full 2016 state and school valuation reports will be available this summer. The valuation reports provide projected employer contribution rates for the next five fiscal years.

Read more about the State Valuation and Employer/Employee Contribution Rates (PDF) at
https://www.calpers.ca.gov/docs/board-agendas/201704/financeadmin/item-8a-00.pdf.

Read more about the Schools Valuation and Employer/Employee Contribution Rates (PDF) at
https://www.calpers.ca.gov/docs/board-agendas/201704/financeadmin/item-8b-00.pdf.

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 1.8 million members in the CalPERS retirement system and administers benefits for more than 1.4 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately $316 billion. For more information, visit www.calpers.ca.gov.

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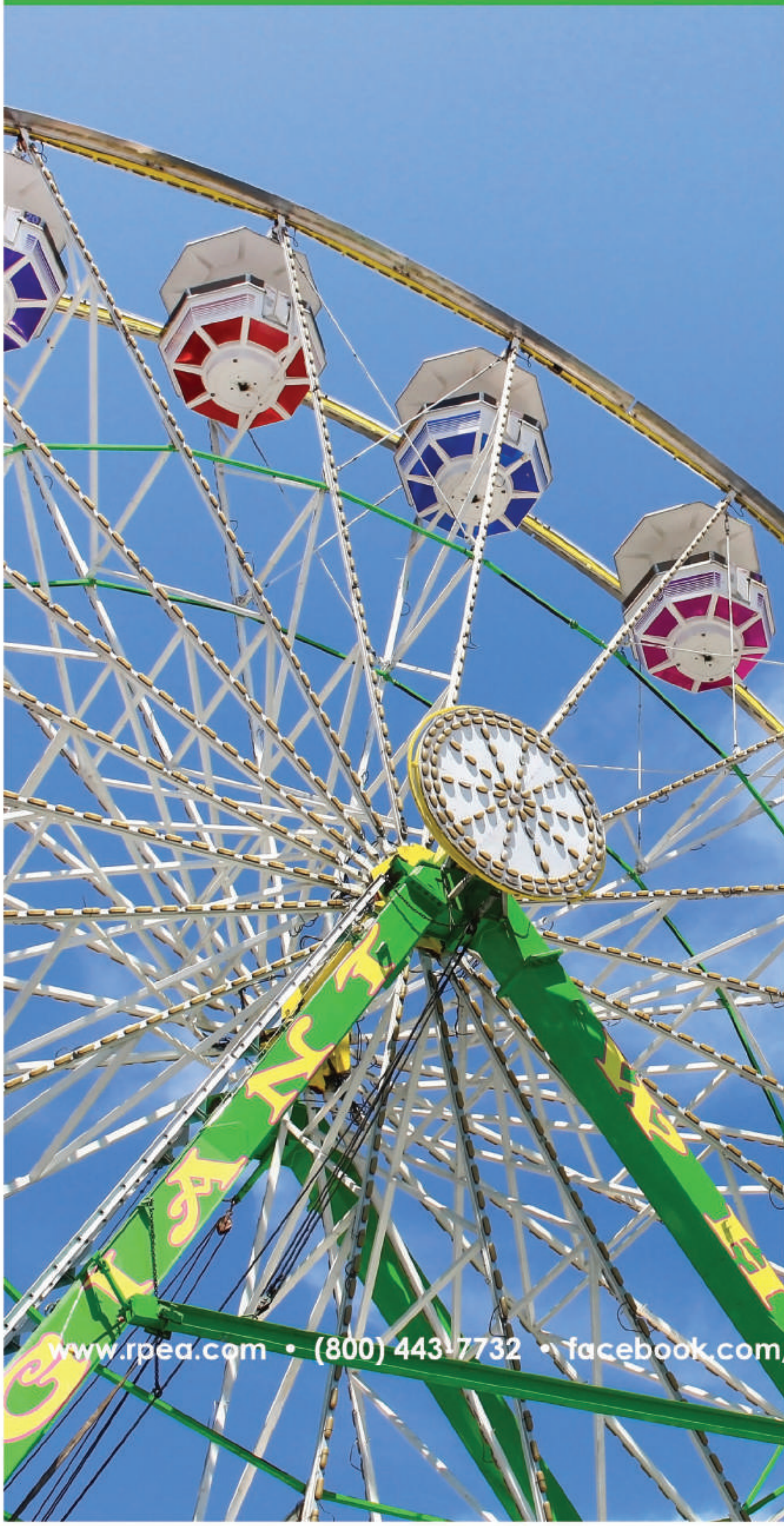
New for 2017

- Silver&Fit® Exercise and Healthy Aging Program
- Optional Dental Coverage for Public Agency Retirees

*Medicare evaluates plans based on a 5-star rating system. Star Ratings are calculated each year and may change one year to the next. Centers for Medicare & Medicaid Services Health Plan Management System, Plan Ratings 2017. Kaiser Permanente #H0524.

Benefits, premiums and/or copayments/coinsurance may change on January 1 of each year and at other times in accord with your group's contract with us. This information is not a complete description of benefits. Contact the plan for more information. Limitations, copayments, and restrictions may apply. The provider network may change at any time. You will receive notice when necessary. In California, Kaiser Permanente is an HMO plan and a Cost plan with a Medicare contract. Enrollment in Kaiser Permanente depends on contract renewal. You must reside in the Kaiser Permanente Medicare health plan service area in which you enroll.

Help RPEA Help YOU!



RPEA is the only statewide association representing all CalPERS retirees. With over 80 active chapters in California, Arizona, Nevada, New Mexico and Oregon, RPEA works to protect and enhance the retirement benefits for all public employees!

And we need your help!

If you plan on going to the California State Fair this summer, buy your tickets online at ***www.CAStateFair.org/ticket*** and use code ***RPEA2017***. For every ticket purchased, $1 will be given back to RPEA! It's that easy!

www.rpea.com • (800) 443-7732 • facebook.com/rpeacalifornia • @rpea_ca

Joining RPEA Helps Us Support YOUR Retirement Security

RETIRED PUBLIC EMPLOYEES' ASSOCIATION OF CALIFORNIA

Membership Application

ESTABLISHED 1958

Have a scanner app on your smart phone?

Visit our website: www.rpea.com

Join online!

Why Join RPEA?

RPEA protects the interests of retirees at the state level to ensure your retirement remains secure. We retain a professional lobbyist who represents our interests before the Governor, Legislators and CalPERS Board. We also have access to a federal lobbyist who keeps us informed on federal retiree issues.

RPEA continues an active and ongoing relationship with CalPERS by serving on their Advisory Committee concerning CalPERS plans and proposals. We also monitor every CalPERS committee and frequently testify at these meetings on behalf of our members.

Every RPEA member receives a bi-monthly statewide newsletter with general information as well as legislative and health care updates.

Members also gain access to numerous member-only benefits including dental and vision plans and a wide array of merchant discount programs. For only $5.00 a month you get even more back in benefit savings!

RPEA
Headquarters Office:
(800-443-7732)

Become a Member in Three Easy Steps!

STEP 1: Tell Us About Yourself

Your Name: ______________________ **Date of Birth** ___ / ___ / ______
☐M ☐F

Spouse: ______________________ **Date of Birth** ___ / ___ / ______
☐M ☐F *(Additional Applicant Name)*

Address: ______________________

City/State/Zip: ______________________

Phone: (____)_____-________ **Email:** ______________________

Retired From: ______________________ **Retirement Date:** ____________

RPEA Chapter Number or Name if Known: ______________________

Referred By: ______________________

STEP 2: Select One Membership Type

☐ Retiree (CalPERS Annuitant)

☐ Beneficiary (Beneficiary of a CalPERS retiree)

☐ Affiliate (Still working for a Public Agency)

☐ Associate Member (Supporter of RPEA's goals)

STEP 3: Select One Payment Method

☐ **Option 1: MONTHLY CALPERS DEDUCTION**: I authorize the California Public Employees Retirement System (CalPERS) to deduct for each applicant on this form $5.00 per month from my retirement allowance until revoked by me in writing. **Only available if one applicant is receiving a CalPERS retirement payment.**

Signature ______________________ Social Security Number or CalPERS ID + Last 4 of SSN ______________________

☐ **Option 2: CHECK OR MONEY ORDER:** As payment for the first year's dues, I have attached a check or money order for $60.00 ($30.00 for affiliate membership) for each applicant on this form. I will be billed annually for subsequent renewals.

☐ **Option 3: CREDIT CARD AUTHORIZATION:** As payment for the first year's dues, I authorize $60.00 for each applicant on this form ($30.00 for affiliate membership) to be charged on my credit card. I will be billed annually for subsequent renewals.

Card Number: ☐☐☐☐-☐☐☐☐-☐☐☐☐-☐☐☐☐

Expiration Date: ☐☐/☐☐ CVV/CVC: (3 Digit code on the back of card) ☐☐☐

Signature ______________________

RPEA/January/2017

THANK YOU for Joining RPEA!

Return your completed application to:
RPEA • 300 T Street • Sacramento, CA 95811-6912

Retired Public Employees' Association of California (RPEA)
300 T Street, Sacramento, CA 95811-6912
Toll Free: (800) 443-7732 **Phone:** (916) 441-7732 **Fax:** (916) 441-7413
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Wes Stonebreaker ANY TIME	Area Director VI	1060 Country Club Dr. Riverside, CA 92506	951 784 1060	951 781-3960	lindaandwes@aol.com
Dennis Cassella 8AM – 5PM	Area Director VII (Interim)	205 Cypress Hill Dr. Grass Valley, CA 95945	530 272 2130	SAME (CALL FIRST)	ncdennisc@aol.com
Kathleen Collins ANY TIME	Area Director VIII	*********	562-884-8891	NONE	kcespresso@hotmail.com
Larry Sullivan ANYTIME	Area Director IX	1602 Sunset Gardens Rd. Albuquerque, NM 87105	505 242 4981	SAME (CALL FIRST)	houseofspirit@earthlink.net

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