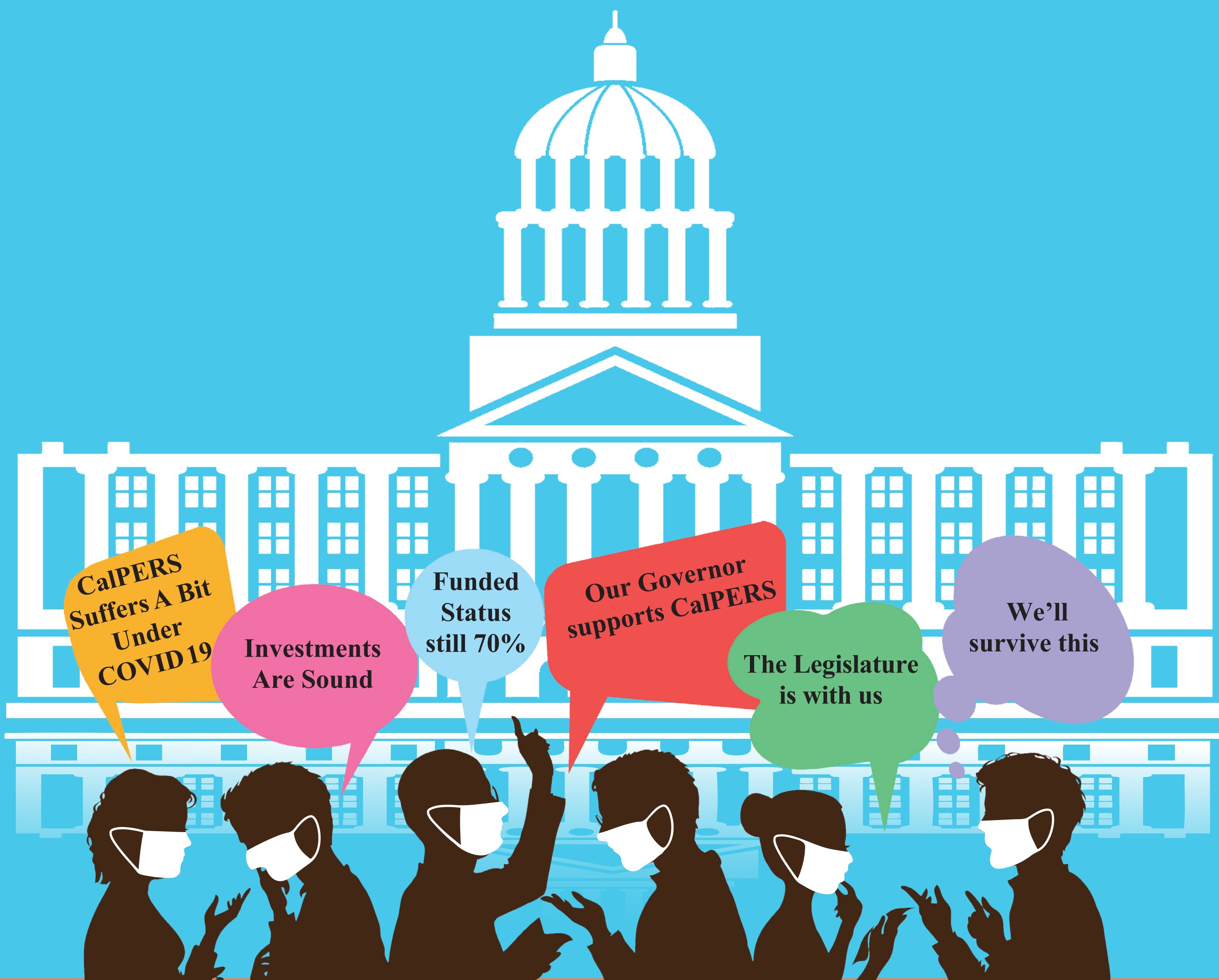
ISSUE 3
MAY/JUNE 2020

RETIRED PUBLIC EMPLOYEES' ASSOCIATION OF CALIFORNIA



COVID'S COST NOT AS SEVERE AS THOUGHT

President's Report

Al Darby

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RPEA NEWSLETTER
Published 6 times a year by the
Retired Public Employees'
Association of California
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Opinions expressed in articles are those of the writer and not necessarily those of RPEA. Send suggestions and comments to RPEA Headquarters, Attention: Lorenzo Rios, Editor.

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Published in Partnership with
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By RPEA President Al Darby

What a difference two months can make. We begin March in our normal mode and finish April in a lock down condition with only slight hope we will see normal times anytime soon. COVID 19 has taken over our lives and caused many lives to be lost due to our erroneous belief it wasn't as bad as it really is and good public health policy was not in-place. One side effect of the virus that really bothers us is the swift response of the anti-public pension forces who have seized on this deadly pandemic to blame public pensions for the government budget deficits that have developed as a result of public health costs stemming from the effort to suppress the virus.

Recognizing the need to mount a strong defense against this new wave of negative news media regarding our pensions, RPEA will muster its Public Relations arm to place articles supporting public pensions in news media outlets and social media platforms. In addition, the RPEA Board has approved a doubling of our contribution to Californians for Retirement Security (CRS) - a Public Relations entity dedicated to public pension survival. CRS has successfully fought against ballot initiatives, legislative battles, and court matters for a consortium of retiree associations for more than 15 years. Hopefully, the products of these measures will blunt the usual narrative of the anti-pension groups and send them back to their drawing boards.

The State Supreme Court heard oral arguments on May 5 regarding some anti-spiking cases brought by counties attempting to weaken the 'California Rule' and allow them to cut benefits in certain areas. We must hope that the court will stay true to its past tradition and uphold the California Rule once again. The last thing we need now is an opening for public employers to start "chipping away" our retirement security. The decision should come soon.

After a six-week period of reflection, the RPEA Board has decided to postpone the 2020 RPEA General Assembly (GA) to March 29 to April 1, 2021. Due to the uncertainty created by the potential health precautions that might be in-place, several chapters have stated that they would not attend a General Assembly in September this year. We need broad participation and support from chapters to make GA successful; the Board recognized the need to move GA to a future date.

At CalPERS, our lobbying efforts in the April Committee and Board meetings resulted in some important changes in staff plans to reduce Board oversight of its fiduciary duties. Almost all 'delegation' of Board responsibility to staff was thwarted and the plans were sent back to staff to revise or restore past language. An egregious verbal attack on Board Member Margaret Brown was perpetrated by several Board members. I objected to this in public comment along with public comment from JJ Jelincic on the delegation issue. Our lobbying activities do get positive results on many issues. JJ and I spoke on the issue of CalPERS staff spurning the Board direction to revise language in the legislative bill CalPERS has sponsored to allow complete secrecy in private loan deals.

In our ranks we have several members who are experts and qualified to analyze our issues and make professional and expert assessments of matters at CalPERS and the legislature. JJ Jelincic was an investment officer in CalPERS for 30 years and served on the CalPERS Board for eight years. Michael Flaherman is a former CalPERS Board member who later served on Wall Street as a Private Equities expert and still engages in financial oversight. David Soares retired from Santa Clara County as a prosecutor and has studied CalPERS' affairs for many years. Randy Cheek was a lobbyist and legislative staff member for many years; he has special skills related to his legislative work at RPEA. RPEA can speak with authority at CalPERS and the legislature. All are members of the RPEA ad hoc CalPERS Experts Committee.

We also learned from Pat Moran, our legislative analyst at Aaron Read and

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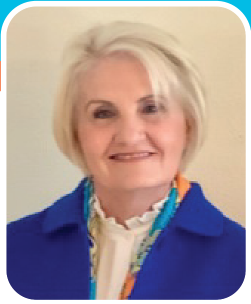
Vice President's Report



By Rosemary Knox, Vice President

To Zoom or not to Zoom!
Is this the future of meetings?

Experts are sharing their predictions about future meetings post-COVID-19, and we are all asking the same questions, what is the future of meetings? What will they look like, feel like, once we are able to meet again? Will we need to initiate precautions? With the CDC guidelines most likely in place until we meet again, will we need to seat people 6 feet apart? Will the restaurants that we meet at be able to accommodate additional meeting space?

The first time I used Zoom for a meeting was scary and challenging, and a new adventure, it wasn't the normal way of communicating for me. After participating in several Zoom meetings, it became easier. Your RPEA Board has been participating in Zoom meetings to address and resolve issues at the State level. Area Directors are hosting Zoom meetings to communicate and stay in contact with their Chapters, and some chapters are holding Zoom meetings! The value in a zoom meeting is that you don't have to leave the comfort of your home! Members who live far away from a Chapter can now participate and keep in touch with their fellow retirees.

Why would hosting an occasional virtual meeting work well? These meetings are efficient. No travel time to meetings, no scramble to find parking and no travel time after the meeting! People focus more on the agenda than when we are in the same room. People want to get on, discuss business, figure out what the next steps are and get off.

Headquarters can assist a chapter with setting up a meeting, they make it easy, no downloading software, understanding how to set it up, and complicated dial-in processes to worry about. You can use it on any device, laptop, iPad, iPhone, desktop, or Android device. That means pretty much anyone can use it anywhere!

Tips to running an effective Virtual Meeting

- Email the agenda in advance: Just like traditional meetings, virtual meetings work best when they are well organized and have a clear, logical agenda that is distributed in advance.
- Make sure that all of the participants introduce themselves, and when they want to speak.
- Start with a check in and end with a check out. Make it a point of inviting each person to participate, its harder to know whether or not when to speak. So, in the beginning, middle, and end of the meeting the host should call on everyone.
- Save the last five minutes of the meeting to create a list of next steps. After the meeting, send an email with a clear list of the action items and who is responsible, and by when they should be done.

This pandemic has given us a chance to mix it up and rethink the way we can communicate with our fellow chapter members! It is not permanent, we will all meet again, and enjoy face to face, hug to hug and toast to a new era of learning!

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Associates, that RPEA bills will probably be postponed until next year; our bill to use the California Urban CPI as the COLA determiner and our bill to increase death benefit by CPI each year. We have some other important legislation we hoped to introduce this year that will probably have to wait until next year.

Our volunteer work project has produced some very promising results judging from early returns of information from members all around the country. Our calculations tell us this small sampling of RPEA members who volunteer at many different tasks did the equivalent of $95,000 of gratis work – a very impressive showing.

Unfortunately, we have learned that CalPERS Benefit conferences (CBEE) have been canceled for 2020. This is a blow to RPEA's recruiting efforts and our prospect list expansion. Hopefully, AMBIA, with its new CA sales force, can produce enough new members to hold our overall membership at the current level.

Membership Update

By Bill Wallace, Director of Membership

There is a saying that 'The wicked never sleep'. To say it another way, there is a new effort on the horizon to deprive you of your pension. The intent is to destroy pensions for future public employees, as well as, the fund that provides your pension. The current Washington administration wants to withhold financial relief to state and municipal governments and consequently force them into bankruptcy. Once in bankruptcy they may be forced to to get rid of pension debt during the process. This assault would not only affect our retirement security, but the retirement security of all public employees in the United States.

I have memories of the super funded status we enjoyed for a period of time, until Governor Pete Wilson decided to use the extra funds to balance his budget. It was a long fight to wrestle control from the 'political element', but it was only one battle of many. We won that battle, but ultimately lost a big chunk from our future retirement security. After the CalPERS trust fund took a major hit in the 2008 economic downturn, it did not recover as well as it had in the past. The COVID-19 pandemic has damaged the entire economy and will take a tremendous effort to rebuild. The CalPERS trust fund which directly affects us, will take some time regaining its' losses.

Those opposed to pensions for working people will take advantage of any crises to turn the public against pensions, but especially public pensions. Those that would destroy our pension for their own financial gain, never sleep and are always throwing out new bait to test the waters of gullibility. It is to these recurring attacks, we must be constantly attuned.

We are the gold standard for retirement security and those opposed to a secure retirement for working people, are constantly attempting to destroy our accomplishments. As I write, they are rubbing their hands with glee at the opportunity presented to them. We must insure that financial aid is provided to state and municipal governments, because 'They are too important to fail.'
In the 2008/2009 recession, the businesses that created the financial crises got bailed out. The millions of home owners that got caught in the misdeeds of the financial institutions, lost their homes and received nothing. CalPERS did not receive financial aid in 2009 and was still in the process of recovering when this financial crises occurred. We can not allow the current administration in Washington to use the tragedy of the COVID-19 pandemic to destroy public employee pensions across the entire United States. Stay tuned to the developments and evaluate in the context of how it will affect your pension.

The assault on public employees is at a dangerous precipice. If we do nothing, pensions could be lost. Without an abundance of involvement, your pension could vanish. So I am urging you to get involved locally and at the state and federal level. It is imperative that the truth be at the forefront of discussions regarding public employee pensions. Retirement security is a human right and we have paid for it each and every hour of our working life. It will take the strength of your presence to stop this assault.

How can you help? Put in a weekly call and an E-mail to your two Senators and your member of the House of Representative. Tell them: The retirees of America are 'too important to fail'. Do not force our pension trust fund into failure. We are the KEEL that carries America through economic downturns.

PLEASE CALL:

Senator Dianne Feinstein - 202-224-3341
www.feinstein.senate.gov/public/index.cfm/e-mail-me

Senator Kamala Harris - 202 224-3553
www.harris.senate.gov/contact

You can find the phone number for your member of the House of Representatives on their website.

It is imperative that you do this and encourage others to do the same. This is how DEMOCRACY works. When things go real bad, **WE** rise up to make an attitude adjustment.

Bill Wallace, Director
Membership

Health Benefits Update

By Harvey Robinson, Director of Health Benefits

As Jesus washed the feet of his apostles, I would figurativly and literally wash the feet with gratitude of all first responders and all others, e.g meat processors, grocery clerks and bus conductors on the front line of this fight. They deserve a big thank you and retroactive hazardous duty pay. We are in the fog of war not knowing where this thing is going. The White House is focused primarily on a forthcoming election and not on the health and security of all of its people. Not only do we not have leadership that we can trust but also a slogan we can rally behind such as FDR's "We have not nothing to fear but fear itself". "We are all in this together" represents a concensus of most Americans.

As we prepare for the future, two necessary actions stand out. First, we need to develop a health care system that addresses the health care needs of all resident Americans, e.g. access to affordable quality health care for all residents. COVID 19 has demonstrated the medical needs of African Americans and Latinos have been particularly neglected. Second, we need to establish detailed standards of care of nursing home, residential care and board and care facilities.

Preliminary 2021 premium rate and plan changes will be presented at the June CalPERS Board and the final rate changes and plans will be approved at the July Board meeting. These changes and analysis will be available not only on the CalPERS health web pages but also on the RPEA website.

Open enrollment will occur between September 21 and October 16. Detailed information regarding making a plan change will be available on the CalPERS web pages. All changes will be made online.

Sanchez vs. CalPERS. This is the lawsuit against CalPERS filed by some 66,000 CalPERS long term care program members alleging that premiums are designed to remain level but have increased substantially. The trial was supposed to begin this July; however, COVID 19 may delay its start. The trial judge has tentively found that CalPERS has a liability of $1.2 billion. Prior to the COVID 19 outbreak, the Newsom administration indicated they were looking for a source for the payout other than increasing premiums or terminating the Program.

Now for a little diversion with thanks from Eric Thompson of RPEA Yolo Chapter 043.

13 Commandments for seniors

1. Talk to yourself. There are times you need expert advice.
2. "In style" are the clothes that still fit.
3. You don't need anger management, You need to have people to stop pissing you off,
4. Your people skills are just fine, it's your tolerance for idiots that needs work.
5. The biggest lie you tell yourself is, "I don't need to write this down. I'll remember it."
6. "On time" is when you get there.
7. Even duct tape can't fix stupid – but it sure does muffle the sound.
8. It would be wonderful if we could put ourselves in the dryer for ten minutes, then come out wrinkle free and three sizes smaller.
9. Lately, you've noticed people your age are so much older than you.
10. Growing old should have taken longer.
11. Aging has slowed you down, but it hasn't shut you up.
12. You still haven't learned to act your age and hope you never will.
13. "One for the road" means peeing before you leave the house.

I have indicated to the RPEA Board that I have decided not to seek reelection to the position of Director of Health Benefits. As a Vietnam era vet, where I served as an airman basic and as a Captain USAF, and as a CalPERS employee for 29 years and as a retired annuitant, as your President for two terms and as your Director of Health Benefits for two terms, it has been an honor to serve you. General MacArthur said, "old solders never die but just fade away". I do not plan to fade away but to continue being a provocateur.

Know your CalPERS Board Members

By Rosemary Knox, Vice President

In the March/April Newsletter I wrote an article titled "Know your CalPERS Board Members. "I took the opportunity to invite the CalPERS Board members to be featured in our bimonthly newsletters. The intent of this article is to have our membership get to know who is entrusted with the fiduciary responsibility of the CalPERS $400 billion-dollar trust fund.

I take this opportunity to present to you Theresa Taylor, Chair of the CalPERS Finance and the Administration Committee. Vice President of the CalPERS Board.

How did you become a CalPERS Board Member?

I became interested in becoming a CalPERS Board Member after the economic crash and my husband's 401K disappeared. I wanted to make sure that our Defined Benefit Pensions remained solvent in perpetuity. I also was well aware that our healthcare prices were eating our raises, so I wanted to be on the Board to effect some kind of change within our healthcare purchasing. I was tapped by my union and decided that protecting our pensions and ensuring quality affordable healthcare for all of our members was too important not to run for the Board. As you know, I was elected to the Board as the State Employees' Reprentative in 2014 and assumed office in January of 2015. In 2018, I had no opponenent in that election, so I assumed my second term in office in Jauary of 2019.

What makes you uniquely qualified for this position? Describe the key points of your background, experience or skillset that makes you an asset to the association?

I am uniquely qualified to be in this position as a Principle Compliance Representative at the State of California Franchise Tax Board. I have been in Finance my whole career. I served as the Vice President, Secretary Treasurer of SEIU Local 1000 for 3 years, overseeing a budget of $62 Million and I served on the Member Benefits Committee and Finance Committee overseeing the 401K for the California State Employee Association employees.

What makes CalPERS mission meaningful to you?

As I explained earlier after the 2008 recession, I felt it was very important to protect our Defined Benefit Pensions and to have quality affordable healthcare both while we are working but also in our retirement. There are always people who want to attack our pension system and healthcare and I have worked throughout my career as a union steward to protect both our pension and our healthcare. Going all the way back to proposition 32 that was tried to take away our pensions, and my efforts, working with my union to defeat this horrible proposition to protecting our healthcare at the bargaining table. These benefits are what make our jobs middle class and allow us to retire in dignity. I have seen my husband retire on just Social Security as the money we put into his 401K just disappeared in 2008, and I understand that his experience is not unique.

What are the investment strategies you are trying to implement to secure and grow the CalPERS pension fund?

As a Board Member, I understand, as we implement our investment strategies moving forward, that we are a long term investor and that we must focus on our long term strategies. This is inclusive of the risks to the fund. We have identified three main risks to the fund right now:

1. Not being able to meet our rate of return over the long term.

2. Employers not being able to make their contributions.

3. Climate Change is a fundamental, systemic risk to the fund that has never been priced into the market.

Why do you believe these strategies will meet our goals for investment returns?

The Board's strategies also include diversifying our portfolio, adding more long-term bonds and investing indexes that select stocks based on factors other than market capitalization. Finally, we also believe private equity will help us build long term value and have structured a possible private equity model that will put CalPERS at the helm and in control of the costs and value while requiring good governance. This includes not investing in firms that use our worker's money to strip other workers of their pensions.

Do you have any worries or concerns about California retirees' pensions or health are benefits?

I have no concerns with our pensions or healthcare because the Board hired an amazing CEO, Marcie Frost. She, in turn, has hired some of the best people in the market for pensions and healthcare. We now have Ben Meng as our CIO. A talented investment professional with great experience and ideas. She has hired a very talented Chief of Healthcare, Don Moulds. With these professionals, and others, on the CalPERS team and a very dynamic and talented Board, I feel we are well prepared for anything that comes our way. Not to say, that a downturn wouldn't hurt. But, we need to remember, as I stated above that we are long term investors......30, 60, 100 years in the future and that markets will go up and down in that time. But we will always work to make sure our members receive their retirement and healthcare.

Legislative Update

By Aaron Read and Pat Moran of Aaron Read & Associates

In January, Governor Newsom proposed a $222 billion overall spending plan fueled by the prospect of record state revenues. However, amid the state's first deficit in eight years, after the economy was blindsided by the coronavirus shutdown, the Governor released his May Revision that proposes a slimmer $203 billion state budget that dangles $14 billion in trigger cuts tied to federal relief.

A week before the release of the May Revision, which was released on May 14, the Department of Finance projected a $54.3 billion deficit, the state's worst budget gap since the Great Recession. The Governor's revised budget cuts $19 billion in the current budget year projecting that a structural out-year deficit will remain past 2020-21, increasing by an additional $16 billion by 2023-24.

The Governor's proposals to enact a balanced budget includes drawing down $16.2 billion in the Budget Stabilization Account (Rainy Day Fund) over 3-years and allocating the Safety Net Reserve to offset increased costs in health and human services programs over the next two years. The budget also proposes canceling $6.1 billion in program expansions and spending increases, including reducing or canceling one-time expenditures included in the 2019 Budget Act, and redirecting $2.4 billion in extraordinary payments to the California Public Employees' Retirement System (CalPERS).

Trigger cuts are not new and go back to the last time California faced a similar recessionary period. One of the Governor's trigger cuts includes a cut to state worker pay by 10 percent. Other trigger cuts the Governor is proposing include a 10 percent reduction for many programs; among those would be cuts to K-12 education, child care, universities and various safety net programs, from Medi-Cal benefits to In-Home Supportive Services. **It's important to note that state retirees receiving the 100/90 healthcare retirement formula will not see a reduction in their healthcare coverage.**

Additionally, the proposal includes tax measures intended to raise revenues including temporarily suspending net operating losses and temporarily limiting tax credits to $5 million in any given tax year. These and other revenue measures net $4.4 billion in 2020-21, $3.3 billion in 2021-22 and $1.4 billion in 2022-23. The May Revision also accounts for $8.3 billion in funding through the federal CARES Act.

There is some debate about the Governor's projected deficit. The Legislative Analyst's Office last week estimated a deficit in the range of $18 to $31 billion, a projection that took into account how the state could use reserves to avoid cuts and that assumed lawmakers would not fund the new programs proposed in January's budget.

Be that as it may, the Governor seems to have squarely laid California's recovery at the doorstep of the federal government. He appealed to President Trump and Congress to provide more economic assistance to states and said, ***"These are cuts than can be triggered and eliminated with the stroke of a pen."*** We will wait and see if and when new federal assistance is approved and if the level provided is sufficient to off-set these cuts.

Another Revise? In early April, Governor Newsom postponed the deadline to file taxes until July 15. Given this unprecedented delay, this year's May revenue estimates are largely projections to ensure the Legislature can provide a baseline, balanced budget by the Constitutional deadline on June 15. As COVID-19 continues to be an ever-evolving situation, the State Budget will follow suit. After the July 15 tax deadline, the Governor and Legislature are expected to pass additional spending bills to address budget shortfalls before the Legislature adjourns for the year on August 31.

Budget Committee Hearings - Now that the May Revise has been released, budget subcommittees in the Senate and Assembly will hold one hearing per committee next week to review the proposals. Ongoing negotiations between the Governor and Democratic leaders will rapidly proceed in an effort to resolve major differences between revenues and shortfalls until a budgetdeal is reached. The Legislature will pass the budget by June 15.

BUDGET HIGHLIGHTS

IHSS

The May Revision includes $14.7 billion ($4.3 billion General Fund) for the IHSS program in 2020-21. Average monthly caseload in this program is estimated to be 581,901 recipients in 2020-21, a 0.4-percent decrease from the Governor's Budget.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- Conform IHSS Residual Program to Timing of Medi-Cal Coverage—The May Revision assumes the IHSS Residual Program conforms to timing of Medi-Cal coverage. This proposal would result in a savings of $72.6 million General Fund in 2020-21.
- IHSS Payroll savings—The May Revision assumes the Department will enter into a contract with the state Case Management, Information, and Payroll System vendor to perform IHSS payroll functions. This proposal would result in a savings of $9.2

million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- IHSS Service Hours—The May Revision assumes a 7-percent reduction in the number of hours provided to IHSS beneficiaries, effective January 1, 2021. This proposal would result in a savings of $205 million General Fund in 2020-21.
- County and Public Authority Administration—The May Revision freezes IHSS county administration funding at the 2019-20 level. This proposal would result in a savings of $12.2 million General Fund in 2020-21.

HEALTH AND HUMAN SERVICES

Given the necessary drastic spending decreases in the May Revise compared to the Governor's proposed 2020-21 January budget, many prior increases in Health and Human Services program reimbursement rates or expansions are being eliminated or reduced. However, Medi-Cal caseload is projected to increase by 2 million to 14.5 million beneficiaries by July 2020 due to COVID-19, so Medi-Cal spending is projected to increase to $112.1 billion ($23.2 billion GF) in 2020-21.

Significant Adjustments:

- Delays implementation of the California Advancing and Innovating Medi-Cal (CalAIM) Initiative — the May Revise delays implementation of CalAIM, which is the initiative that seeks to make broad reforms to the Medi-Cal program. This delay will result in a decrease of $695 million ($347.5 million GF) in 2020- 21.
- Defers the establishment of the Office of Health Care Affordability. Defers the Mental Health Services Act reform proposal.
- Withdraws the proposal to expand full-scope Medi-Cal to undocumented older adults—this will result in savings of $112.7 million ($87 million GF), inclusive of IHSS costs.
- Withdraws expansion of Medi-Cal Aged, Blind, and Disabled Income Level — this will result in a savings of $135.5 million ($67.7 million GF).
- Withdraws implementation of 340B Supplemental Payment Pool proposal — this would have provided payments to non-hospital clinics for 340B pharmacy services. Withdrawing this proposal will result in a savings of $52.5 million ($26.3 million GF) in 2020-21, and $105 million ($52.5 million GF) in 2021-22 and thereafter.
- Withdraws implementation of Postpartum Mental Health Expansion— this will result in a savings of $34.3 million GF in 2020-21.
- Withdraws implementation of hearing aids for children in low income households without health insurance, resulting in a savings of $5 million GF.
- Eliminates Community-Based Adult Services (CBAS) and Multipurpose Senior Services Program (MSSP), effective January 1, 2021 for CBAS, resulting in a GF savings of $106.8 million in 2020-21 and $255.8 million in 2021-22 (full implementation). MSSP elimination would be no sooner than July 1, 2020.
- Eliminates Federally Qualified Health Centers (FQHC) Payment Adjustments (special carve outs), resulting in a savings of $100 million ($50 million GF).
- Eliminates supplemental payment for Martin Luther King, Jr. Hospital, resulting in $8.2 million GF savings in 2020-21 and $12.4 million ongoing.

Additional January budget proposals that have been reduced:

- Reduces adult dental benefits to the partial restoration levels of 2014. Also eliminates audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services, for total GF savings of $54.7 million
- Shifts $1.2 billion in Prop 56 (tobacco tax) funding from providing supplemental payments for physician, dental, family health services, developmental screenings, and non-emergency medical transportation, value-based payments, and loan repayments for physicians and dentists to support growth in Medi-Cal compared to 2016 Budget. Approx. $67 million in Prop 56 funding remains for rate increases for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, AIDS waiver supplemental payments, already awarded physician and dentist loan repayments, and trauma screenings.
- Reinstates the Estate Recovery policy in place before the 2016 Budget for a GF savings of $16.9 million beginning in 2020-21.

Other Significant Adjustments:

- The May Revise proposes several managed care efficiencies to change the way capitation rates are determined, including acuity, efficiency, and cost containment adjustments starting in 2021 resulting in GF savings of $91.6 million in 2020-21 and $179 million in 2021-22, growing thereafter. The May Revise also assumes a 1.5 percent rate reduction for July 1, 2019, through December 31, 2020, for GF savings of $182 million in 2020-21.
- Assumes a decrease of $5.1 billion General Fund Enhanced Federal Funding, associated with the assumed receipt of an enhanced Federal Medical Assistance Percentage (FMAP) through June 30, 2021.
- Assumes a decrease of $1.7 billion GF in 2020-21 associated with the April 2020 federal approval of a revised Managed Care Organization (MCO) Tax.
- Assumes a decrease of $181 million GF due to not restoring a drug rebate volatility reserve.
- Maintains the Skilled Nursing Facilities (SNF) reform framework proposed in the January Budget. Also includes a 10% rate increase for SNFs for four months during the COVID-19 pandemic, resulting in a GF cost of $72.4 million in 2019-20 and $41.6 million in 2020-21. Subject to CMS approval.
- Assumes a decrease of $10 million GF in 2020-21 and $33 million GF ongoing beginning in 2021-22 associated with shifting unallocated revenues from the proposed e-cigarette tax increase to support growth in Medi-Cal costs.
- Maintains eligibility for CalWORKS in order to support low-income Californians during COVID-19 and includes an increase of $82.3 million GF/TANF Block Grant for CalWORKs county administration to facilitate enrollment in the program and services to beneficiaries.
- Includes $14.7 billion ($4.3 billion GF) for the IHSS program.
- Assume the IHSS Residual Program conforms to timing of Medi-Cal coverage, resulting in a savings of $72.6 million GF in 2020-21.
- Assumes the DSS will enter into a contract with the state Case Management, Information, and Payroll System vendor to perform IHSS payroll functions, resulting in a savings of $9.2 million GF in 2020-21.
- Assumes a 7% reduction in the number of IHSS service hours effective January 1, 2021, resulting in a savings of $205 million GF in 2020-21.
- Freezes IHSS county administration funding at the 2019-20 level, resulting in a savings of $12.2 million GF in 2020-21.
- Eliminates Foster Family Agency social worker rate increases, resulting in a savings of $4.8 million GF in 2020-21.
- Maintains and increases the Department of Public Health's disease surveillance and identification workforce, including $5.9 million GF in 2020-21 and $4.8 million ongoing to support laboratory staff and testing capacity.
- Under the Department of State Hospitals, reduces the January proposal that would have increased treatment team ratios and supported implementation of trauma-informed care and the development of a comprehensive discharge planning program in 2020-21. The proposal continues to provide increased ratios for primary care physicians in the state hospitals. This results in savings of $22.6 million GF in 2020-21.
- Withdraws the January proposal that would have established a six-year pilot program in three counties to provide funding and incentives to treat and serve individuals deemed incompetent to stand trial in the community and increase local investments in strategies to reduce the rate of arrests, rearrests, and cycling in and out of institutions for this population. This results in a savings of $24.6 million GF in 2020-21. The May Revise notes that the Administration will continue to work with the Legislature on an alternative to address the backlog of IST individuals and more effectively serve this population in the community.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor's Budget:

- Foster Family Agencies—The May Revision eliminates Foster Family Agency social worker rate increases. This proposal would result in a savings of $4.8 million General Fund in 2020-21.
- Family Urgent Response System—The May Revision eliminates the Family Urgent Response System. This proposal would result in a savings of $30 million General Fund in 2020-21.
- Public Health Nurse Early Intervention Program—The May Revision eliminates the Public Health Nurse Early Intervention Program in Los Angeles County. This proposal would result in a savings of $8.3 million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to

balance the state budget. This reduction will be triggered off if the federal government provides sufficient funding to restore them:

- Continuum of Care Reform Rates—The May Revision assumes a reduction in Continuum of Care Reform short-term residential treatment program provider payment rates of 5-percent. It also assumes the suspension of additional level of care rates 2 through 4. This proposal would result in a savings of $28.8 million General Fund in 2020-21.

DEPARTMENT OF CHILD SUPPORT SERVICES

The May Revision includes $316.6 million General Fund on 2020-21 for child support programs, an increase/decrease of $47.7 million General Fund since the Governor's Budget.

The state is not in a fiscal position to increase rates or expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Child Support Disregard Pass-through—Child support disregard pass-through statutory change proposal. This results in savings of $8.4 million General Fund in 2020-21.

Absent additional federal funds, the COVID-19 Recession makes the following reductions necessary to balance the state budget. These reductions will be triggered off if the federal government provides sufficient funding to restore them:

- Local Child Support Agencies—The May Revision assumes the funding levels for local child support agencies reverts to the 2018 funding level. This proposal results in savings of $38.2 million General Fund in 2020-21.

To reduce costs, the May Revision also proposes efficiencies, as follows:

- State Operations and Contracts—The May Revision reduces the Department's state operations and contract costs. This proposal results in savings of $8.3 million General Fund in 2020-21.

HOUSING AND LOCAL GOVERNMENT

Governor Newsom continues to make housing a priority in the May Revision, noting the impact of COVID-19 has placed additional stress on renters, property owners, and the homeless population of California. Newsom has dedicated additional state funds as well as funds provided by the CARES Act to combat these problems.

Significant Adjustments:

- Expends $331 million in National Mortgage Settlement funds for housing counseling and mortgage assistance ($300 million), and renter legal aid services ($31 million to Judicial Council for these services).
- Various public housing agencies are expected to receive at least $500 million to maintain low-income housing units as well as provide rental assistance.
- Maintains $500 million in low-income housing state tax credits in the Governor's Budget.
- $532 million in funding from the CARES Act to assist in acquiring housing for people experiencing homelessness and securing housing for low- and moderate-income housing in response to COVID-19 pandemic.
- Includes $1.5 million GF and 10 permanent Homeless Coordinating and Financing Council positions to carry out statutory mandates to address homelessness.
- Allocates a portion of CARES Act funding to local governments - $450 million to cities, and $1.3 billion to counties, to be used for homelessness public health, public safety and other services to combat COVID-19.
- Given the increase in federal funds, the $115 million in other housing program funds are proposed for revision, but have not been allocated or dedicated for specific projects.
- Proposes to leverage federal funds and existing state programs to implement a strategy to increase housing supply by preserving existing subsidized affordable housing stock, seeking strategies to stabilize tenants in existing units, and streamlining, up-zoning and producing new housing units.
- Maintains the $750 million included in the January budget to establish the California Access to Housing Fund.
- No additional GF money will be used to expand Project Roomkey, the state's effort to provide isolation motel rooms for homeless individuals. Instead, the May Revision proposes $750 million in federal funding to purchase hotels and motels secured through Project Roomkey which would be owned and operated by local governments and non-profit providers.

RPEA Legislative Update

By Randall Cheek, Director of Legislation

Attacks Are Coming

The recent downturn in our economy due to the COVID 19 virus pandemic has left a lot of Californians struggling. The State of California, many counties and cities have spent billions trying to combat the virus spiraling them into budget shortfalls. CalPERS has lost nearly $25 billion in assets. The governor has postponed his budget extra payments to CalPERS which was only at 71% funded at the time. Many cities, townships and counties are not only losing needed tax dollars and at the same time may be required to increase their PERS contributions to meet their pension obligations. Some are already crying the "B" word (bankruptcy). What does this mean to us who receive a CalPERS benefit? Attacks on our benefits as an excuse to lower contribution and obligations. When Stockton City declared bankruptcy the first thing the city did was cut heath benefits and then tried to go after pensions.

We should expect some cities to try and put initiatives on the ballot similar to what San Diego and San Jose did in recent years. There may even be an effort to gather signatures for a statewide constitutional initiative which could go on the ballot in 2022.

How can we combat these attacks? First and foremost do not sign any initiative being pushed by signature gathers in front of your favorite store. Remember they are paid professionals who get paid for each signature and will tell you anything and yes even lie to you to get you to sign. Don't sign your benefits away. Second combat them with the facts.

The average CalPERS pension is not over a $100,000 a year like some will say but only around $36,000.

Taxpayers do not pay for the bulk of public employee pensions. Of every CalPERS pension dollar 61 cents is from investments, 26 cents from employers and 13 cents from employees.

CalPERS provides retirement benefits to over 450,000 retirees and invests $20.7 billion throughout the state, serving as an economic multiplier as the money ripples through the state's economy. The total economic revenue generated by CalPERS benefits was nearly $30.4 billion, or 1.6 percent of California's Gross Regional Product. In addition each dollar of benefit payments issued by CalPERS created $2.39 worth of economic activity statewide. State and local governments see a return of $10.85 worth of economic activity for each dollar they contribute to CalPERS benefit payments. CalPERS benefit recipients generate business revenue in many different industry sectors, creating over 113,000 jobs in California. Over $1 billion supported California's recovering real estate sector. Another $1.4 billion in business revenues went to health care services supporting physician, dentist and health care offices and private hospital sectors. In the past CalPERS investments in California accounted for approximately 8.9 percent, or $20.7 billion, of the total investment portfolio and supported approximately 1.5 million jobs.

Those who are anti-public pensions or those with pension envy will argue that CalPERS has an unfunded liability. While it is true that CalPERS is not at 100% now (it has been in the past) unfunded liability simply is a mismatch between a pension plan's estimated obligations and assets. CalPERS is a defined benefit plan and is pre-funded by regular contributions by employees during their working career. CalPERS pension obligations are the estimated dollar value of the benefits that have been promised. If all public employees were to retire at the same time today, PERS which is at 70% funded could only pay 70 cents on the dollar. However that is not going to happen and remember in the 1980's PERS was only 55% funded and rebounded by 2000 to be 130% funded.

Although turnarounds can happen it takes a number of years to rebound. Jerome Powell the Federal Reserve Chair believes America will get back on its feet in a few years.

RPEA is prepared to fight for our pensions and is a full member of Californians for Retirement Security which is preparing today for the future attacks. We must all be diligent in our efforts to protect public pensions.

Stay safe and happy trails till we meet again.

Crisis and the Impact on Private Non Profit Agencies

By Loran Vetter

To quote Erma Bombeck, ***"Volunteers are the only human beings on the face of the earth who reflect this nation's compassion, unselfish caring, patience, and just plain loving one another."***

It is true that we are in a time of crisis. COVID-19 has idled businesses, schools, and non-essential services. It has overtaxed our medical supplies and resources. We are living under a mandated lock down and wondering what the end result of this nightmare will be. Lately, I have been hearing and seeing articles about Private Non-Profit Agencies and the way they have been devastated by this crisis. The big question is, 'Why is this a particularly hard time for the Private Non Profits?'

The answer to that question is that volunteers are the lifeblood of a Private Non-Profit Agency. In my own personal research into the value of volunteers to these agencies, I have been told that the agencies could not function without their volunteers. In some cases, only one or two members of the staff are salaried and all of the rest of the work is done by volunteers. For example the Woodland Community and Senior Center has volunteers staffing the reception desk, setting up the schedule and driving the 'Care Car', registering people who wish to participate in one or more of the myriad activities, providing workshops, operating a thrift store, etc. Other programs depending on Volunteers include the Personal Care Pantry, The Food Bank, Meals on Wheels, and too many more to mention.

There is a common thread that runs through these programs; most of their volunteers are over the age of 55. COVID 19 is especially dangerous to vulnerable groups (seniors and health compromised individuals). This has caused a huge deficit in the number of volunteers available. Some agencies are no longer providing services. The value of volunteers has never been emphasized more clearly. Please keep this in mind, because when this crisis is over and life slowly returns to normal, the value of those volunteers will once again be looked at as insignificant in the scheme of things. Many of those volunteers are public employment retirees. They are the engine that keeps things running smoothly. Please submit the hours you contribute to Private Non-Profit and charitable institutions. The value of that time will be ever more important as certain writers, media, and politicians come up with ways to decrease the hard earned pensions and benefits of retired public employees.

Message From The Editor

By RPEA President Al Darby

With Lorenzo laid up from a recent elective surgery, I'll try my hand at filling his space in this edition. I'll start by mentioning that it is a travesty that state and local governments, everywhere in the country, have participated in massive efforts to control the COVID 19 crisis but so far have not received any reimbursement for the extra costs they have endured. This can have a deleterious effect on active public employees and retirees in that public agencies are finding it even more difficult to pay their obligations to their pension funds as well as provide the services they normally provide to their citizens. We must hope that the fourth round of federal stimulus packages that congress is considering will include this necessary aid to states and local governments that have stepped up in big way to combat this COVID scourge.

Prior stimulus packages have recognized that certain industries and services are important in our economy due to their large employee base. Boeing and United Airlines are prominently mentioned as recipients of this money which begs the question why they are special while states and local governments that have done the heavy and dangerous work of caring for COVID victims haven't received a dime. Public employers have large employment roles too and provide many of the necessary services we all depend on such as first responders. One crazy suggestion by a prominent person in congress was that states should just go bankrupt; not a practical solution and illegal for some. Some leaders in congress recognize this problem and are working to get aid to these public entities. Public pension funds deserve aid, as well, to prevent collapse of systems that are struggling - teachers and first responders (plus safety workers) do not get Social Security. Let's hope round four stimulus does this.

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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)

STEP 1: Tell Us About Yourself

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

Spouse Name: ________________ ☐M ☐F **Date of Birth** ___ / ___ / ______

Is your spouse an additional applicant? ☐Y ☐N

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)
- ☐ Affiliate (Still working for a Public Agency)
- ☐ Beneficiary (Beneficiary of a CalPERS retiree)
- ☐ 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.

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Card Number: ☐☐☐☐-☐☐☐☐-☐☐☐☐-☐☐☐☐ (MasterCard or Visa only)

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

________________ Signature

RPEA/October/2017

THANK YOU for Joining RPEA!

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