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RETIRED PUBLIC EMPLOYEES' ASSOCIATION OF CALIFORNIA

RPEA Testifies at February CalPERS Pension & Health Benefits Committee Meeting

President's Report

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A Message From President George Linn

Have you noticed how the print media continually bashes public employee pensions, and specifically, CalPERS? I have. Daily, I read articles from various publications that are on the warpath to leave everyone with the impression that public employee pensions are in trouble. Further, they often imply that public pensions are the reason that some local agencies are saying they are financially stressed to make the payments required by their agreement with CalPERS.

We members need to stand up to these publications by writing to their editors to set the record straight. Many important factors are always absent in articles. Examples are:

- ☐ *Public employee pensions provide over $30 billion in economic benefit on state taxes and fuel the economy by expenditures by pensioners.*
- ☐ *The average pension received by pensioners is under $36,000/year, even with those small percentages of pensions over $100,000 included in the calculation.*
- ☐ *CalPERS has a plan that will increase the funding status of the plan.*
- ☐ *61% comes from investments, 26% from employers and 12% from employees.*

These are a few of the issues that print media seems to ignore. Yes, there have been years with disappointing investment returns; but currently, the overall investment strategy is providing positive results.

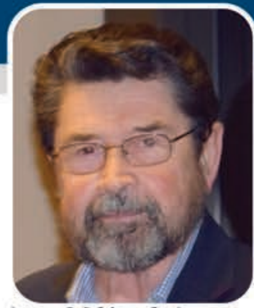
We need to be our own best advocates on this issue.

Your RPEA officers continue to attend CalPERS Board meetings. The thirteen Board members are the ones who control decisions at CalPERS. But your RPEA officers are always watching and scrutinizing the agendas when members are impacted. We speak at the meetings. About a year ago, CalPERS limited the time we are allowed to speak. I personally spoke against this new rule. This is what we do—*speak when issues demand a voice.* We have challenged their investment policies and decisions. Our focus on investments is that the return on investment should improve the Public Employees Retirement Fund (PERF). You may read where the California legislature and others want CalPERS to divest or not invest in certain investments. Similarly, there is pressure to invest in Environmental, Social and Governance (ESG) issues. *What should the focus always be?* **Return on investment!** The PERF is currently below 70% funded, and we comment at Board meetings that the return on investment needs to always drive investment decisions. Whether we are heard or not, we at RPEA feel this is a critical approach to increase the total PERF.

In the month of March, the Pension & Health Benefits Committee at CalPERS is presenting information on the cost of living index and the application to calculate the cost of living allowance (COLA). The annual rate of inflation as measured by the percentage change in the Consumer Price Index (CPI-U) used by CalPERS was 2.13 percent through the 12 months ending December 2017. The problem I have with this is that the index used by CalPERS is not reflective of the cost of living in California and the many indices in California—for example, metropolitan cities of California. To change this requires a change in the law. Another obstacle is that there is a State Senator who is attempting to defer or eliminate COLA's. But, I continue to voice my opinion at the CalPERS Board.

Your RPEA Board continues to work through the issues that impact you, our members.

Vice President's Op/Ed



By Al Darby, Vice President

In a recent Federal Appeals Court case in Rhode Island, the court ruled that: *Due to revenue shortfalls, the state could cut pensions for all participants in the system, including retirees.* If this ruling is upheld by the U.S. Supreme Court, we are in real trouble. When costs go up for businesses or government, the first remedy is usually raising prices/fees and cutting costs. In the case of government, fees charged, taxes, and other revenue sources would be raised to cover the cost of inflation, pension costs and/or other rising prices. Cutting costs would also be in the mix of actions to cover the new and/or higher costs. But, there seems to be some strange taboo on raising government revenue to cover the higher cost of pensions.

Pensions are singled-out as a cost that should be static and never go up. *Why is that?* We all know that the labor force needs periodic wage increases, and the result of that is higher pension costs down the road. Technology and other factors mitigate wage inflation, but some work will still be there (public safety for sure), so ignoring these factors in budgeting is ludicrous. The ratio of retirees to workers inevitably grows as people live longer. This raises the cost of pension systems due to the rising benefit payouts. Investment performance could solve this escalating pension cost issue, but this cannot be relied upon to always satisfy the revenue requirements of public pension systems. Higher costs to contracting agencies to provide adequate funding must be recognized as necessary from time to time. Many public agencies face constant pressure to raise taxes or fees due to inflation just as many private companies do, by raising prices, when inflation strikes them.

"There seems to be a misguided notion in the U.S. that only rich people should receive more income while the middle-class is supposed to be content with what they have and somehow be expected to give up even more of their income so the rich can gain more wealth."

There seems to be a misguided notion in the U.S. that only rich people should receive more income while the middle-class is supposed to be content with what they have and somehow be expected to give up even more of their income so the rich can gain more wealth. A 2015 Fortune magazine article explained that the U.S. ranks 55th in countries with income inequality, meaning we have a high level of inequality. The income gap between worker pay and top executives in the U.S. is 250 to 1 in favor of top executives. This was repeated once again in the recent tax cut that gave corporations and wealthy people a substantial tax reduction, while the middle-class received far less. It is estimated that 80% of the tax savings went to corporations and wealthy people; and, as of March 1, 2018, $200 billion in tax savings was used by corporations to buy back stocks or pay dividends, but only $5 billion was used by corporations to give raises or bonuses to employees.

All of the information noted above should greatly strengthen our resolve to remain resistant to any further cuts to our pensions and strongly support all efforts to oppose cuts to middle-class pay and benefits. Social Security and Medicare will very likely be the subject of cuts to middle-class benefits in the near future, because the federal deficit is now poised to substantially grow due to the recent tax cuts and a much larger defense budget. We must remain vigilant and loudly voice opposition to cuts to the Social Security and Medicare benefits that we have paid for with our tax money and are entitled to receive by virtue of our prepayments to these programs. The middle-class has contributed far more than many who are wealthy in saving the U.S. economy after the great Wall Street recession. It is time to stop this trend of starving the middle-class of income growth while providing corporations and the wealthy more financial favors.

On the subject of public agencies that complain about higher pension costs, many of them seem to find ways to fund pet projects and other non-essential activities. Cities, in particular, have high employee costs, and public safety people are their highest pension cost component. These municipalities must do what any other entity (public or private) does when inflation strikes—raise revenue, cut costs, employ technology to a greater degree, invest in more efficient equipment, consider joint powers alliances, postpone or abandon discretionary projects, etc. Pension costs alone are not the only costs that may increase. Dealing with this cost increase is just as necessary as any other vital service. San Jose proved that cutting benefits to public safety people will result in them leaving for cities/counties that still pay full benefits. Pension costs cannot be singled-out as an <u>unreasonable</u> added cost.

Health Benefits Update

By Donna Snodgrass, Director of Health Benefits

During the RPEA Board of Directors' meeting in February, your Director of Legislation, Jim Anderson, and I presented all the issues that have arisen from the poor performance of the OptumRx pharmacy manager since December, 2017. I am very proud of our Board of Directors. We unanimously agreed to issue a public vote of No Confidence to the CalPERS Board. Every one of your Statewide Officers and Area Directors were in agreement. Not one single dissenting remark was made during discussion.

The message was delivered the next week during the Pension and Health Benefits Committee meeting at CalPERS. Here is a transcript (prepared by RPEA) of that action:

ROB FECKNER, CHAIR OF CALPERS PENSION & HEALTH BENEFITS COMMITTEE: *We have two public comment requests—James Anderson and Donna Snodgrass. Please come forward and state your name for the record and your affiliation. You all have up to three minutes for your presentation.*

DONNA SNODGRASS, RPEA DIRECTOR OF HEALTH BENEFITS: *Thank you, Mr. Chair. I want to request more than three minutes, please, so that I can read excerpts from the package you have in front of you.*

CHAIR: *Well, we already have the packet in front of us, so let's not take too long. We're very late today.*

DIRECTOR SNODGRASS: *Ok, Donna Snodgrass, Director of Health Benefits for Retired Public Employees' Association.*

Because of the continuing and unresolved issues of our members' experience with OptumRX, the Board of Directors of the Retired Public Employees' Association of California unanimously supported a vote of "no confidence" in OptumRX and this PBM contract. For over a year we have had meetings discussions, promises were made for improvement, and we now have no hope that the improvements will be made. To continue to handle each situation as it arises is no longer an acceptable response. The RPEA members who have asked for assistance are not all covered by CalPERS' medical plan. This indicates that the problems are not unique to CalPERS contract agencies. OptumRX has a system-wide problem of properly servicing their clients—not just CalPERS.

RPEA is publicly requesting that CalPERS begin the steps to end the OptumRX contract and provide a PBM that has the experience and will to service the members who rely on their primary benefits.

A member from Gig Harbor, WA, writes to us and says that during the course of several phone calls to the OptumRX call center he had a conversation with a very nice representative. During the call, the rep apologized to him for inconvenience and time it had taken to resolve an issue that he had. He was told, "It's not you, it's us. Optum has taken on more than we can handle. We are spread too thin. We have taken on Kayak as a client, and personnel have been diverted to the Kayak account."

A member from Redding, CA—in December it escalated extremely. A new prescription was written for her husband who has dementia, and Optum refused to fill it because they had no record of the…this is emotional for me, sorry…no record of the durable Power of Attorney that was required for her to take care of him, and he was in a care facility. The representative from the care facility, his primary physician and herself had several conversations, to no resolve. They insisted they did not have the Power of Attorney, and that it had been sent a month and a half earlier. She says, "I find this service to be very irresponsible, inconsistent and very confusing.

Sierra Vista, AZ—A medication, diclofenac sodium—she'd been on that medication for years for rheumatoid arthritis. When she received the packet from Optum with the abridged formulary list, that medication had been moved from Tier 1 to Tier 3. With a phone call to Optum, they said, "We don't know why it was moved." A supervisor called back a couple of days later and said that because CMS was moving diclofenac sodium…excuse me…potassium—I'm getting backwards—that the sodium was just put into Tier 3 to match CMS. And I'd like to point out…and the abridge stance is in there to show you in Tier 3, *but in the other two lists for the formularies that drug is in Tier 1. They did offer to send her a partial waiver of premium which would have taken it to $70 instead of $10.*

Scotts Valley, CA—This member is still waiting for a prescription to be approved. It was actually denied because it took place over the Christmas holidays. He was on a mega antibiotic because of an infection due to a massive hematoma that occurred. The doctor could not reach Optum for the prior authorization. Long story short, they filled it at CVS for $814. On December 29 they tried again to get approval. On January 2 an Optum supervisor told them it was too late. A new year had begun. The process had to be started a new.

I'll finish with that. There are others in the packet. Please read the entire package that I supplied to you.

CHAIR: *Thank you.*

JIM ANDERSON, RPEA DIRECTOR OF LEGISLATION: *Mr. President and members of the Board, I'm James Anderson. I'm the Legislative Director of RPEA, the Retired Public Employees' Association. I've been asked to add some things that Ms. Snodgrass covered, because we have a new issue that came in by fax yesterday.*

Apparently, OptumRX has disenrolled one of our members from Medicare Part D. They sent a letter last year asking for detailed information about their address. Why a cold call, a cold letter to a member asking for an address change when the member is a member of CalPERS? They have the addresses, and things work out. I've made changes to my address. CalPERS warrant didn't come because CalPERS had made an error in the address. When the warrant doesn't show up, you get very interested. This member didn't respond to the letter because it was a potential scam. I got a cold call—a phone call—from Optum asking for detailed information…my social security. I hung up on them. I was told that Optum does not make cold calls.

Eventually this thing progressed over the last year, and in December, Optum, on their own effort, cancelled Part D. The member cannot get their prescriptions. There are penalties for not having Part D under Medicare. It seemed like if that was going to be disenrolled, it would be up to CalPERS to disenroll them, not Optum on their own initiative.

So, we haven't investigated this in detail because it just came in yesterday, but we will investigate it. We hope someone from CalPERS can assist us with this and get these people back on their proper medication.

CHAIR: *Please share that information with our staff, and we'll make sure it's taken care of.*

DIRECTOR ANDERSON: *Yes, we will.*

CHAIR: *Alright. Ms. Bailey-Crimmins, anything in response?*

LIANA BAILEY-CRIMMINS, CALPERS CHIEF HEALTH DIRECTOR: *Obviously, we would love to investigate. #1 is they shouldn't be cold-calling; and, #2, Optum does not have the authority to disenroll one of our members from Part D, so we will get to the bottom of that. And, as for Donna Snodgrass's comments, any time an escalation is sent to us, we take it with the utmost…it's the highest priority. We get right on it. We look at phone calls. We look at the data. We make sure that the member is taken care of. I don't believe I have, personally, have access to all of that information, but I think Donna has recently shared it with Dr. Sun, so I will be looking at that personally and getting to the bottom of what is going on with those specific members.*

CHAIR: *Thank you.*

During breakfast on the morning of the CalPERS meeting, I shared the information with the other retiree groups in attendance. There were five other groups represented that morning. As I began my public testimony, every single retiree from every represented organization in attendance stood—literally, stood—to show their unanimous support of RPEA.

In the weeks since that meeting we have had numerous calls from the Optum management team. Since our issues were made public, OptumRx has discovered numerous internal disconnects in communication. OptumRx is working to revise internal processes and language in form letters sent out to their patients. They are also fixing the publication of the formulary lists that get revised

Continued on page 6

2018 COLA INFORMATION

CalPERS has posted the 2018 COLA information to their website: (https://www.calpers.ca.gov/page/retirees/cost-of-living/cola). Retirees can now view the link to determine their COLA amount for 2018. As always, the COLA increase **will take effect on April 1, 2018 and will appear on the May 1 warrants**. For questions regarding your COLA amount, you are encouraged to contact CalPERS directly via your my|CalPERS account, calling us toll free at (888) 225-7377 or by visiting their closest Regional Office.

Letter to the Editor

The Truth About Your Pension

It is imperative that truth be in the forefront of public pension discussions. Public employees have allowed pensions to be defined as a benefit and as an unearned entitlement. We need to reframe the discussion to accurately reflect the facts. In truth, a pension is created by the earned income we deferred from our hourly wages when we were working. It is pay for work already performed. The income you receive from a pension is similar to the income that you receive from a personal IRA. Both are created when you set aside current income to provide money to live on when you retire. I am certain you would correct anyone that suggests you did not earn your IRA. Your pension is no different. You earned your pension each day you worked. So, enjoy it and defend it with the truth. Gently explain to anyone that raises a question. *"I earned it one hour at a time."*

Bill Wallace, President
Chapter 061 – MISSION CITY

Health Benefits Update (cont'd.)

during the year.

We also discovered another situation that we did not even know existed. There is more than one "Optum" contract. OptumRx is contracted directly with CalPERS as the Pharmacy Benefits Manager linked to Anthem Insurance plans (PERS Care, PERS Choice and PERS Select). However, United Health Care came to us "fully contained" including Optum for both the Basic and Medicare Advantage coverage. The United Health Care contract has different parameters, including a completely different formulary list for drugs. This discovery was so unexpected to me that I am still processing it all! We are working with CalPERS staff to try and get some consistency between these two benefit packages.

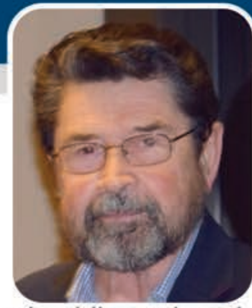
If you have the capability, log onto the CalPERS website at (https://www.youtube.com/user/CalPERSNetwork/videos) and watch the video.

CalPERS Long Term Care Program

We are also paying attention to new figures being released on the CalPERS Long Term Care program. In February, the CalPERS Board voted to approve reducing the discount rate (expected rate of return on investments). Reductions in the discount rate have historically resulted in increased premiums. When we asked about the new situation, the actuary was very vague. We are now in an underfunded situation (-1.45) The action taken by the CalPERS Board took the fund from 107% funded down to 99%. The discount rate was at 5.75%. It has been lowered to 5.25%.

As we get new information, we will be sure to pass it along.

Commentary



By Al Darby, Vice President

A recent article in the New York Times ("The Real Reason the Investor Class Hates Pensions," March 5, 2018 by David Webber) has exposed what many public pension retirees have known for a long time. Wall Street wants you to have a 401K plan for retirement only. Public pension systems are their worst enemy. These pension systems, such as CalPERS, CalSTRS and many large pension funds around the country, actually voice their questions and opinions about how their investments are being managed. When the answers are negative, pension fund managers will voice their opposition to investment or company policies that are unfavorable to investors. In other words, individual active members and retirees in public pension systems have their complaints heard in stockholders and Board meetings. Many companies and investment firms have had to change their policies to reflect the interests of their clients (us, pension system members) as a result of pension system activism around Wall Street firms and large corporations. Individual 401K members seldom complain or take action when their investment in a 401K is mismanaged or when fees are too high or when hidden fees are applied because individuals don't recognize this abuse and/or lack the expertise to combat this negative behavior.

Many industry groups and individuals such as the Koch brothers, John Arnold and the Pew organization have attempted and succeeded in converting some pension systems to 401K's. They continue to work on vulnerable states to further their ambition to kill-off defined benefit (DB) pension plans. California has succeeded in fending off most of these attempts to reduce or eliminate DB plans, but when conditions are right, they will try again.

The Times article points out that the news media has largely sided with the arguments against public pensions because of the unfunded liability issue and seemingly generous nature of a few individual pensions. They have not reported on the positive aspects of DB pensions plans—the positive economic value of pension fund investments and benefit payouts that contribute greatly to the local economy. In addition, the positive influence on corporate practices in response to pension system requirements related to adoption of more responsible corporate policy modifications. Finally, public agencies and schools owe a secure retirement to teachers, public safety people, and public workers in general, who usually work without bonuses and corporate perks, as well as for lower pay. The media doesn't report that most pensions are under $36,000 a year—a small amount in high-cost states. They don't mention that many do not get Social Security either.

Since the great recession in 2008/9, almost all states have cut pensions. The heavy media drumbeat that public pensions were too generous and a drag on the economy caused 49 states, along with California, to reduce public pension benefits. Some of the changes were justified to eliminate spiking abuses and other shortcomings in the systems. DB pensions have largely survived, but pressure is mounting around the country, and a few pension systems are vulnerable to extinction. Around the nation and in California, the current stock market upswing is helping to produce positive changes in the stability of these systems. Let's hope that enough investment gains are derived from this bull market and real estate boom to put our retirements systems on firm ground again

(L-R) Ophelia Rabanal (Chapter 038-CENTRAL COAST); Herb Bolton (President, Chapter 059-LOS PADRES) and Kay Green (Secretary & Treasurer, Chapter 059-LOS PADRES) manned the RPEA booth at the 1/26-1/27 CalPERS Educational Event in San Luis Obispo, CA, which was attended by over 500 actives and state, classified school, and public agency retirees.

Legislative Update

By Aaron Read and Pat Moran of Aaron Read & Associates

February started out with some good news from CalPERS. For the first time in a long while, CalPERS is earning more money than they are paying. Let's hope this can be sustained.

Soon, we will be fully involved in committee hearings advocating for and against bills on behalf of RPEA.

As of this writing, there have been more than 2,000 bills introduced, in addition to those amended and carried over from last year. The RPEA Legislative Committee is actively reviewing bills and will report more as positions are taken. In the meantime, below is a list of the bills we currently have a position on:

AB 315 (Wood) – This bill requires Pharmacy Benefit Managers (PBMs) to register with the Department of Managed Health Care before conducting business in California. It also requires PBMs, on a quarterly basis, to disclose, upon a purchaser's request, information with respect to prescription product benefits specific to the purchaser for all retail, mail order, specialty, and compounded prescription products, as specified. AB 315 is currently on the Inactive File on the Senator Floor; however, Assemblymember Wood still intends to move it. ***RPEA is in support.***

AB 444 (Ting, D-San Francisco) – This bill would have authorized the California Environmental Protection Agency (CalEPA) to develop a statewide program for the collection, transportation, and disposal of home-generated medical waste, including sharps waste and pharmaceutical waste. We spoke to the author's office and AB 444, as currently written, is not going to move forward. The bill is being gutted and amended. ***RPEA was in support.***

SB 1031(Moorlach, R-Costa Mesa) – This bill would prohibit a public retirement system from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2019, in which the unfunded actuarial liability of that system is greater than 20%.

The Cost-of-Living Adjustment (COLA) is a benefit to ensure your value of money at retirement keeps up with the rate of inflation. The average annual allowance of CalPERS retirees is around $34,000, which is a modest sum, especially in a high cost state like California. The COLA received by retirees is small and most of the time does not cover the rising cost for healthcare and medicine that retirees generally spend more for than active employees.

SB 1031 is punitive and effects the most vulnerable of California citizens; retirees. The bill was recently introduced and referred to the Senate Public Employees and Retirement Committee. A hearing date has not yet been set. ***RPEA is opposed.***

SB 1032 (Moorlach) – This bill would authorize a contracting agency to terminate its contract with the Board of Administration of the Public Employees' Retirement System at the agency's will and would not require the contracting agency to fully fund the Board's pension liability upon termination of the contract. The bill would authorize the Board to reduce the member's benefits in the terminated agency pool by the percentage of liability unfunded. The bill would also authorize a contracting agency that terminates its contract with the Board to transfer the assets accumulated in the system to a pension provider designated by the contracting agency. Essentially, SB 1032 lets the employer cancel their contract, not cover the cost of their obligations, reduce not only the current member's benefit but the benefit of those that retired from that employing agency, and transfer the fund's assets to whomever they please, thus threatening retirement and the promises made to ones' employees.

This bill reflects the continued onslaught of inflammatory media reports and political rhetoric that exploit public pensions as a lavish expense that taxpayers can't afford.

SB 1032 was recently introduced and referred to the Senate Public Employees and Retirement Committee. A hearing date has not yet been set.
RPEA is opposed.

SCA 8(Moorlach, R-Costa Mesa) – 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, not withstanding 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. SCA 8 was introduced last year and set for hearing in the Senate Public Employment and Retirement (PE&R) Committee; however, Senator Moorlach decided not to move forward with the bill at that time. Although by the time you read this the deadline will have passed for bills to pass out of their House of Origin – January 31 – Constitutional Amendments such as this are not subject to the same deadlines are regular bills. Therefore, Senator Moorlach is planning to move SCA 8 and is awaiting a hearing in the Senate PE&R Committee. ***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. SCA 10 was also introduced last year and is not subject to the same deadlines as regular bills. Senator Moorlach plans to have the bill heard and is awaiting a hearing in the Senate PE&R Committee. ***RPEA is opposed.***

RPEA ATTENDS CITY EMPLOYEES ASSOCIATES "KNOW YOUR RIGHTS" SEMINAR

By Kathleen Collins, RPEA Area Director VIII

City Employees Associates (CEA) provides labor relations services to public sector labor unions across California. All of CEA's clients are public employees who belong to local, independent Associations and Unions.

On March 3, I represented RPEA by participating in a panel discussion at CEA's "Know Your Rights" seminar in Long Beach, CA. Over 160 current employees were in attendance, including employees represented by CEA. The panel addressed important issues such as exclusive representation, defending individual members and their contracts, FMLA, FLSA, ADA, injuries at work, estate planning, wills and probate. I presented information on RPEA's recent activities regarding advocacy, pending legislation on death benefits and COLA's, and our pensions and retirement, including the member benefit plans and travel and entertainment discounts we offer our members.

(L-R) Nik Soukonnikov, CEA Associate; Bruce Yardwood, CEA Associate; Kathleen Collins; John Stanton, Attorney, Law Offices of John Stanton (Family Law and Trusts); Alan Kreida, Attorney, Glow & Kreida Attorneys at Law

RPEA Legislative Update

By Jim Anderson, Director of Legislation

The media pundits are out in force predicting the end of collective bargaining and lower pension benefits when the results of pending litigation before the U.S. Supreme Court become final. The case of Janus v. AFSCME is touted to be the end of public employee unions and their influence on politicians. The case was brought on the basis that Mr. Janus was denied his First Amendment Right to not associate with a union, but was still required to pay dues. His free speech was "abridged" by the government that required union bargaining for public employees, and he disagreed with the results. If he wins (with the "right to work" moneyed backers), public employee unions will have a very difficult time representing their members when "free riders" get benefits without paying their fair share.

If the Court finds that Mr. Janus is right and that he does not have to belong to a public employee union to receive benefits from the union negotiations, it will make it more difficult for unions to retain members. Fewer members will make fair and robust bargaining more difficult for all employees. Unions will need to look back in their history to find ways to overcome this difficulty. In the past, unions faced greater opposition. The rose to become the backbone workers of this country. People coming together in a joint purpose is consistent with the rise of the civil-rights movement, women's rights and the focus on financial inequality. It will be a challenge for the leaders of California's public unions to find effective ways to convince workers to band together for the betterment of all in this State. I am sure there is still "fire in the belly" to get that job done.

The issue of possibly using dues to support the election of legislators that favor the issues of public workers does not affect RPEA. Our Bylaws specifically restrict dues from being used to support political campaigns. That is why RPEA has formed two independent committees to manage funds for political purposes. The money raised for the Legislative Action Organization (LAO) and the Independent Expenditure Committee (IEC) is strictly through voluntary donations. The Trustees of the LAO and IEC appreciate your support in joining with them to donate to these organizations.

The other litigation affecting the pension benefits of public employees is now before the California Supreme Court. The major issue being litigated is whether the "California Rule" will be maintained. The "California Rule" has come down from prior Appellate Court rulings that have stated that if the Government employer takes away a benefit, they must replace it with a comparable benefit. Three cases have been argued in the Appellate Courts. Two have stated that the comparable benefit need not be offered because the retirement system was in very dire shape. The other case stated that it must be provided because the system was not shown to be failing. The result will likely turn on the financial stability of the retirement system in California in 2013 when the Public Employees Pension Reform Act (PEPRA) was adopted.

The "California Rule" has been invoked to protect public employees from having benefits taken away without collectively bargaining with the employee unions. Changes in benefits could be negotiated, but the workers should remain whole when the changes are implemented. Primarily, unless the employer can make a case that the system will fail unless the cuts are made, they must provide a comparative replacement. Should the Supreme Court revoke the "California Rule," will public employees be able to maintain adequate retirement benefits?

> "The "California Rule" has come down from prior Appellate Court rulings that have stated that if the Government employer takes away a benefit, they must replace it with a comparable benefit."

In the best case, the California Supreme Court could find that unless the government employer can show that the retirement system is about to fail, a compensating benefit must be provided. Should the Supreme Court find otherwise, it may be necessary for public employees to propose an initiative to put the "California Rule" in the Constitution. This would make a comparable benefit a requirement only when there is proof that the retirement system was failing. Otherwise, future regressive administrations could reduce retirement benefits and force public workers to be less secure in their retirement years.

In general, RPEA members have vested rights to the benefits they receive. These court cases will not cause an immediate change. However, diminishing the ability for public unions to participate in effective collective bargaining will hurt us all. RPEA will continue to join together with those presenting the true impact to the State of public workers. There are benefits to all of California for a system that provides protection to our families and retirement with dignity.

RPEA Legislative Position & Tracking Chart

2018 RPEA LEGISLATIVE TRACKING & POSITION

State and Federal Legislation - 2017 - 2018

March 4, 2018

BILL NUMBER & AUTHOR	LEGISLATIVE INTENT	CURRENT STATUS	RPEA POSITION
AB 315 (Wood) Introduced 2-10-17 Pharmacy Benefit Management Amended in Senate	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. Amendments removed monetary penalties but suspends registration if a violation of this law	Senate Appropriation Committee **INACTIVE FILE**	**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	Passed Assembly and held in Senate Envir. Quality **2-year bill**	**S_3**
AB 614 (Limon) Introduced 2-14-17 Alzheimer's and dementia specialist	Existing law requires each area agency on aging to maintain a professional staff that is supplemented by volunteers, governed by a board of directors or elected officials, and whose activities are reviewed by an advisory council consisting primarily of older individuals from the community. This bill would require each area agency on aging to maintain an Alzheimer's and dementia specialist to provide information, assistance, referrals, and options to families.	Passed Assembly Senate Appropriation Committee Inactive File **2-year bill**	**S**
SB 562 (Lara) Introduced 2-17-17 The Healthy California Act	It is the intent of the Legislature to establish a comprehensive universal single-payer health care coverage program and a health care cost control system for the benefit of all residents of the state. And, to establish the Healthy California (HC) program to provide universal health coverage for every Californian based on his or her ability to pay and funded by broad-based revenue. Further for the state to work to obtain waivers and other approvals relating to Medi-Cal, the state's Children's Health Insurance Program, Medicare, the PPACA, and any other federal programs so that any federal funds and other subsidies that would otherwise be paid to the State of California, and health care providers would be paid by the federal government to the State of California and deposited in the Healthy California Trust Fund.	Passed the Senate to Assembly. Held at Desk. **2-year bill** **Assembly study committee formed**	**W_1**
SB 1031 (Moorlach) Introduced 2/08/18 Public employees' retirement: cost-of-living adjustments: prohibitions	The bill would prohibit a public retirement system from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2019, in which the unfunded actuarial liability of that system is greater than 20%.	Senate Pending referral	**O**
SB 1032 (Moorlach) Introduced 2/08/18 California Public Employees' Retirement System: contract members: termination.	This bill would authorize a contracting agency to terminate its contract with the board at the agency's will and would not require the contracting agency to fully fund the board's pension liability upon termination of the contract. The bill would authorize the board to reduce the member's benefits in the terminated agency pool by the percentage of liability unfunded.	Senate Pending referral	**O**
SB 1149 (Glazer) **Public employees' retirement: defined contribution program.**	This bill would create a new optional defined contribution plan for new state employees who are eligible to become members of PERS and who choose not to make contributions into the defined benefit program under PERL. It would require state employees who opt to participate in this alternate system to contribute the same percent of compensation as similarly situated employees who contribute to the defined pension program, subject to federal law. After 5 years the option to have the right to continue in the program or switch to the defined benefit plan. .	Senate Pending referral	**O**

Federal Legislation

BILL NUMBER & AUTHOR	LEGISLATIVE INTENT	CURRENT STATUS	RPEA POSITION
HR 1205 (Introduced 2-21-17) Rep. Rodney Davis (R. Ill) 142 cosponsors/37 frm Calif. **Social Security Fairness Act 2017**	Congressional bill to repeal the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)	House Ways and Means Committee	S
S 915 (Introduced 4-24-17) Sen. Sherrod Brown (D.OH) 8 cosponsors **Social Security Fairness Act 2017**	Senate bill to repeal the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)	Senate Committee on Finance	S

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

SPONSOR – This is a sponsored or co-sponsored bill.

SUPPORT 1 (S1) – This is the highest priority support bill. We send a letter of support to the author, a letter of support to committee members considering the bill and undertake full lobbying to assure passage of the bill. We also closely monitor all amendments and constantly reevaluate our position.

SUPPORT 2 (S2) – This level of support is moderate. A letter is sent to the author and committee considering the bill, but there is usually less lobbying or testifying before committee. We also closely monitor all amendments and constantly reevaluate our position.

SUPPORT 3 (S3) – This is the lowest level of support. A letter of support is sent to the author. We closely monitor the bill for amendments.

OPPOSE (O) – Only those bills which are judged to be detrimental are given an oppose position. Such bills require aggressive opposition lobbying, often accompanied by efforts to gain amendments, in an effort to make the bill acceptable to RPEA, and therefore to remove our opposition.

WATCH 1 (W1) – This is a bill of more than casual interest. We actively monitor such bills and often communicate with the author, the author's staff, the legislative committee members and staff. We frequently seek clarifying amendments to bills in this category.

WATCH 2 (W2) – This is a bill of interest or concern on which we keep close tabs. It appears in the summary report.

? – This is a bill that will show up in our screening from time to time. It is important that we discuss the bill so that we are able to remove the question mark by either deleting the bill or by assigning one of the above positions.

Something Extra…

By Jim Anderson, Director of Legislation

I have just finished looking at the membership statistics for last month and realized something that I had not focused on recently. Since the start of our fiscal year, we have lost more members than we have gained. This has occurred, despite the efforts of our benefit provider, AMBIA, the RPEA officers and Area Directors. Even the yeoman work of our Director of Membership has not stemmed the loss of members for one specific reason. More of our members are dying than are being replaced by new retirees.

"In the last couple of years, several attempts have been made to raise the death benefit consistent with, at least, the cost of living. However, these attempts have failed because "they cost too much."

Not only have I seen this in the monthly statistics, but I have been aware that as I get older, more and more of my friends and acquaintances are no longer around. My mother, who lived to be just shy of 101, used to complain to me that her siblings and close friends no longer came to visit her. She became increasingly concerned, and I did not tell her directly that they had passed away. Instead, we were always planning to visit them next month, so we avoided the pain the truth would have caused.

As a practical matter, RPEA cannot do anything specifically about the death of our members. We generally recognize that this is what we all will face. A pastor at a recent memorial service said, "We will not get away from dying. So, we need to tell our family what kind of memorial service we want." He said that too many times, families disagree about the service because they were not directly informed about what exactly was or was not wanted. Also, it may be financially impossible to carry out the last wishes for a dignified farewell.

One thing RPEA can do now is start promoting a better death benefit for our members. In the last couple of years, several attempts have been made to raise the death benefit consistent with, at least, the cost of living. However, these attempts have failed because "they cost too much." The legislative committees watered down the law, and/or the Governor has vetoed it, because raising the benefit even slightly"…would cost too much." It is bad enough that final expenses are so high that families must go into debt when their loved one dies. The more serious problem is the seemingly lack of concern and will to change the situation. The people we worked for should be aware of the need. Public employees worked for all Californians. Shouldn't we provide some benefit for a final tribute and lasting dignity?

The RPEA Legislative Committee will be working in the next year to find a way to increase the death benefit for public employees. We will need to have the people we vote for know what problems have occurred and how they were handled. We need information about specific problems and what might have helped. We will use that information to get a change though the system. We will try to find some benefit that makes sense and eases the pain of losing someone we love. The people we worked for should do nothing less.

At the January 17, 2018 quarterly membership meeting of the Tucson-Southern Arizona Chapter 103, attendees were privileged to have noted Interventional Cardiologist, Dr. Hoang Thai, as our speaker. Dr. Thai informed the members and guests in attendance of the latest developments in cardiology treatment, including the placement of new heart valves without surgery and the use of dissolvable heart stents."

CalPERS Expands Fitness Programs in Medicare plans

Research has shown that it's never too late to improve your health through exercise. Studies show that greater participation in physical activity results in stronger heart and lung function, less susceptibility to diabetes, pain relief, lower risk of depression, and reduced health care costs.

CalPERS offers members in its "senior class" a couple of ways to get started on a path to better health through exercise.

It has expanded its fitness program options for Medicare plan enrollees. As of January 2018, the PERS Select, PERS Choice and PERSCare Medicare plans now include the highly popular SilverSneakers fitness program as a benefit. The UnitedHealthcare Medicare Advantage PPO plan already offers SilverSneakers, and the Kaiser Medicare Advantage plan has the Silver & Fit health and wellness program available to its CalPERS subscribers. SilverSneakers and Silver & Fit are two of three fitness programs covered by Medicare to promote improved health and wellness in people age 65 and older.

SilverSneakers is a free community fitness program designed specifically for older adults, providing unlimited access to participating gyms and fitness centers in the health plans' networks. Available in more than 14,000 locations nationwide, it offers seniors:

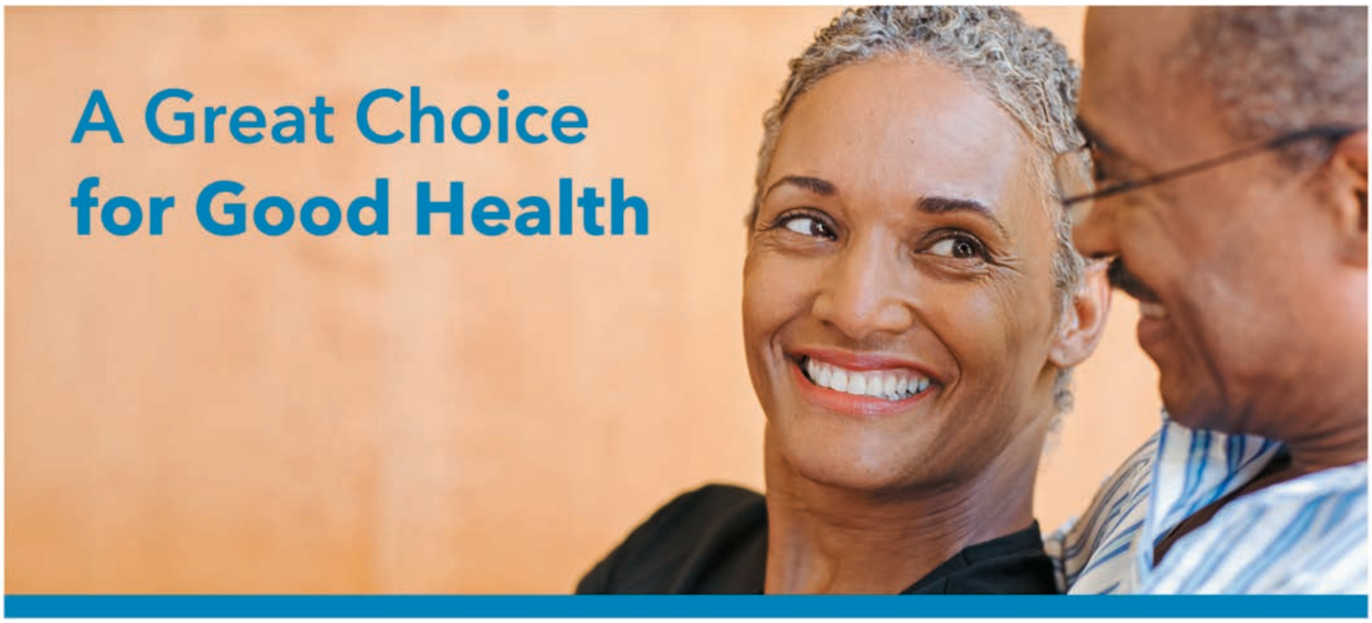
- Memberships at multiple gyms
- FLEX classes held at parks, community centers, and other venues for fitness workouts beyond the gym
- Exclusive SilverSneakers yoga, strength training, flexibility, cardio, and movement classes

With Kaiser's Silver&Fit Program, you can join a participating fitness facility, and all services and amenities are available to you as part of the basic membership, at no charge. That includes using the equipment and participating in instructor-led classes at no additional charge. Any non-standard service that requires an additional fee is not covered with the membership. You can switch from one participating Silver&Fit fitness facility to another once a month, but you may need to complete a new membership agreement at the new facility.

If you prefer to work out at home, you can sign up for the Silver&Fit Home Fitness Program and receive up to two fitness kits per calendar year for use at home at no charge.

For more details about Silver&Fit – or for access to healthy aging educational materials – visit kp.org/silverandfit, or call (877) 750-2746.

KAISER PERMANENTE® thrive



CalPERS retirees:

Consider a Kaiser Permanente Senior Advantage (HMO) Medicare health plan for:

- **Affordable, high-quality care**
- **Your choice of great Kaiser Permanente doctors** and a wide range of specialists. And all of our available doctors welcome Kaiser Permanente Medicare health plan members.
- **The only Medicare health plan in California** rated 5 out of 5 stars, 7 years in a row – 2012–2018.*

To learn more and find out how to enroll through CalPERS, call a knowledgeable sales specialist toll free:

1-877-619-7752
(TTY **711**) 7 days a week,
8 a.m. to 8 p.m.

Or go to **kp.org/calpers**

Benefit Highlights for 2018

- 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 2018. 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.

This is a paid advertisement.

Joining RPEA Helps Us Support YOUR Retirement Security

RETIRED PUBLIC EMPLOYEES' ASSOCIATION OF CALIFORNIA

Membership Application

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 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)

☐ 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: ☐☐☐☐-☐☐☐☐-☐☐☐☐-☐☐☐☐ (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!

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
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