

Good afternoon

Harvey Robinson, RPEA (Director of Health Benefits)

The following is presented in the interest of transparency and accountability.

In October 1994, I was the first person hired into the CalPERS Office of Long-Term Care. As part of my duties until I retired in September 2001 and later as a retired annuitant, I presented throughout the State over 100 CalPERS Long-Term Care Program seminars. These included the three initial seminars at the Anaheim Hyatt in 1995, each of which had over 300 attendees. Rights of discovery will show, all applicants as well those attending seminars, were provided Board approved marketing material, which said in part "...premiums are designed to remain level...". It was on basis of this material and trust in CalPERS that the vast majority of the present 165,000 members joined the program in its early years.

Premium rates have not remained level. Rates were increased in 2003 where they averaged 13% and subsequently in 2007 averaging 33%. These increases reflected primarily the unexpected increase in morbidity, more members going into benefit and staying longer in benefit.

At the program's inception, the Board approved flawed underwriting criteria provided by its agent, Towers-Perrin later known as Towers-Perrin-Tillinghast. It was these underwriting criteria, for example, that enabled some 99% of active employee applicants, one of the categories of applicants, to be approved in the Program.

While it is probable that the recent market down turn contributed for the need for the requested 15-22% premium rate increase, it is very likely that continued unexpected morbidity also played a significant roll. Unlike previous premium rate increase discussions, the Board chose not consult the CalPERS Long-Term Advisory Committee, a committee that was established at the Program's inception and whose charter reflects committee's commitment to assist the Board in such matters as rate increases. The committee, whose members included such national known experts in long-term care as Bonnie Burns and Dail Phillips, could have provided the Board additional assistance.

This proposed rate increase will hit many members very hard. To stay in the Program, they may have already accepted decreased benefits during a previous rate increase. Should they terminate coverage due to unaffordability, their age and health status may render them uninsurable.

As the conservator of a member in benefit, I am thankful for the Program. This is the first year since 1995 that the Program chose not have an application period. As a member, I am concerned regarding the Program's continued sustainability.

Thank you.