We Are The Greatest Generation

Retired Public Employees Association of California - Chapter 25

EL DORADO PARK SENIOR CENTER
2800 Studebaker Road • Long Beach CA 90808

Chapter 25 meeting will be on Tuesday, July 30, 2019, at 10:30 a.m. at El Dorado Park Senior Center 2800 Studebaker Road, Long Beach, California.

After the meeting a lunch is provided.

GUEST SPEAKER:

Jacqueline Zaragoza

Social Security Administration

Jacqueline is the Public Affairs Specialist for the Social Security Administration (SSA) in the Sierra West Area. She began her career with the SSA in 1987 and has held numerous frontline positions, including working as a Technical Expert, Special Disability Workload Cadre member and an Operations Supervisor in the Torrance District Office. In 2009, she participated in the San Francisco Regional Leadership Development Program (LOP). While in the LOP, she served as a temporary Area Office Supervisor in the Sierra West Area Director's Office, the Administrative Lead for the Financial Management Team located in the San Francisco Regional Office, and a Management Analyst for the Office of Compassionate Allowance and Disability Outreach in the Office of Disability Programs in Central Office located in Baltimore, Maryland. Jacqueline also worked as a Temporary District Manager for the Norwalk District Office and a Group Supervisor for the Office of Hearings Operations in Long Beach, California.

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RETIRED PUBLIC EMPLOYEES ASSOCIATION

CHAPTER 25 ♦ GENERAL MEETING ♦ APRIL 30, 2019

Chapter 25 President Jim Spaulding called the meeting to order at 10:35 a.m., at the El Dorado Park Senior Center, 2800 Studebaker Road, Long Beach, California 90808.

The Pledge of Allegiance was led by Chapter President Jim Spaulding.

Guest speaker Catherine Nicklen, Community Education Coordinator, Center for Health Car Rights, presented detail information on Medicare.

Guest speaker Jonathan Obest (a Chapter 25 member) is a Financial Representative with Modern Woodman of America. He spoke in detail to the importance of keeping advanced and detailed financial planning updated.

Guest speaker J. J. Jelincic, who is running for a seat on the CalPERS Board, presented a review of his past accomplishments, as well as important and current information relating to CalPERS.

The election of Chapter officers was conducted. A new member to Chapter 25 expressed an interest in becoming President. After discussion the membership voted. All of the current officers were reelected to another two-terms. RPEA District VIII Director Kathleen Collins then administered the oath to the newly elected board. The elected officers' names and positions appear within the Chapter newsletter.

Meeting Adjourned at 12:00 noon. Members then enjoyed a free buffet lunch catered by Huff's Restaurant.

Next Meeting: Tuesday, July 30, 2019

Respectfully submitted,

Jan Christiansen

Chapter 25 Secretary

PLEASE RSVP! Remember to make and keep reservations for attending Chapter meetings. If you make a reservation to attend the Chapter meeting and find you are unable to attend, please contact Jim Spaulding at (562) 598-8405 or e-mail him at rpeachapter25@aol.com to cancel by Monday before our Tuesday meeting. The Chapter pays for all meals ordered whether it is consumed or not. The small courtesy of canceling your reservation if you are unable to attend is a major saving for the Chapter, since our only source of funding are member dues.

Please complete and mail this form to:

Jim Spaulding
8380 Blithedale Street
Long Beach, CA 90808-3301

Phone: (562) 598-8405
E-Mail: rpeachapter25@aol.com

NAME ____

ADDRESS ____

CITY/STATE/ZIP ____

PHONE ________________________

E-MAIL ________________________

Number of people that will be coming with you ______

Did Calpers Mislead Policyholders on Long-term Care Insurance? Trial Begins on a $1.2 Billion Lawsuit

By Wes Venteicher

Long-term care helps people live as independently and safely as possible when they can no longer perform everyday activities on their own.

A $1.2 billion lawsuit that could affect up to about 100,000 seniors who had CalPERS long-term care insurance plans goes to trial Monday.

The class-action lawsuit claims the California Public Employees' Retirement System violated insurance policy terms when it increased premiums by 85 percent in 2015 and 2016 after promising policyholders stability.

"These people were completely, completely misled," said Michael Bidart, an attorney representing the plaintiffs.

CalPERS contends it had the legal authority to raise the premiums.

"We raised rates to sustain the plan, and we believe they were properly increased in accordance with our contract," CalPERS General Counsel Matt Jacobs said in an email.

Seniors who paid the increase or who reduced their coverage to avoid it are members of the suit's class, excepting those who opted out. The suit is known as Elma Sanchez vs. CalPERS. Plaintiffs have estimated the damages from the increased premiums and other costs associated with the increases total about $1.2 billion, but that number is one of the issues to be addressed at trial.

The trial, taking place in Los Angeles County Superior Court, has been broken up into several parts. It could end as early as next week if a judge sides with CalPERS in an initial phase, or it could stretch out indefinitely.

Attorneys representing seniors with the plans filed the lawsuit in 2013, after CalPERS notified the seniors of the premium hikes to come, according to court documents.

CalPERS started selling the plans, which cover care in nursing homes and other settings, in 1995, according to court documents. The fund advertised them as 30 percent cheaper than similar plans and indicated they would be prudently managed, according to the complaint filed in the case.

From the start, the long term care program was "grossly underfunded" and was engaging in overly risky investment strategies that resulted in losses the fund didn't tell policyholders about, according to the complaint.

The complaint says the state advertised to employees that by enrolling, they could lock in premiums for the life of their policies.

"What happened was they over-promised and under-priced the products they were selling," said Bidart, the plaintiffs' attorney.

CalPERS' struggles with long-term care insurance aren't unique. While many insurers offered the plans in the 1990s, premium increases and insurer losses drove most out of that line of business, according to the AARP.

Judge William Highberger on Monday will address arguments over whether CalPERS had the authority under its contracts with policyholders to raise the rates, Bidart said. A ruling in favor of CalPERS in that phase could end the case.

If the suit proceeds from there, it will move on to statute of limitations issues. CalPERS argues that since it increased premiums by lesser percentages in 2003, 2007, 2010, 2011, 2012 and 2013, seniors who wanted to file a lawsuit should have done so earlier.

"Plaintiffs paid these increases for years without complaint before the initiation of this lawsuit," CalPERS attorneys argued in a court filing.

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Did Calpers Mislead Policyholders on Long-term Care Insurance? Trial Begins on a $1.2 Billion Lawsuit

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The judge could decide in favor of the plaintiffs on that issue, or he could send that piece to a jury trial, Bidart said.

If plaintiffs prevail on the contract of limitations issue, the lawsuit – absent a settlement – would proceed to a jury trial related to the potential breach of contract. Any damages would be determined in that phase.

CalPERS has said that since the long-term care insurance fund is separate from its pension fund and other programs, the only way for it to pay damages in the trial would be to raise long-term care insurance premiums.

"The long-term care fund is self-supporting," Jacobs said in an email. "Any monetary judgment seriously threatens its viability going forward."

California Governor Aims to Cut CalPERS, CalSTRS Debt

Gavin Newsom's plan for the two largest US pension plans allocates more than $7 billion to reduce their unfunded liability and help California school districts with their contributions to pension costs.

California's new governor, Gavin Newsom, proposes giving an extra $4.1 billion in his budget to reduce the almost $250 billion combined unfunded liability of the two largest US pension plans, the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS).

In addition, Newsom put in the budget that would start July 1 an additional $3 billion to school districts to reduce the money they pay to fund CalSTRS, the educators' pension system.

Newsom's first state budget gives directly to CalPERS an extra $3 billion on top of the state's $6.2 billion required contribution for the 2019 – 2020 budget year, and CalSTRS an extra $1.1 billion above the state's required $3.3 billion contribution.

"We are investing an historic amount and doing what no previous governor has done on PERS and STRS," Newsom said at a news conference on January 11.

Both officials of CalPERS and CalSTRS praised Newsom's plan, which uses part of California's more than $20 billion budget surplus to pay off the unfunded liability. In reality, however, it will only make a small dent without additional action.

A confidential CalPERS memo, obtained by CIO, shows that the pension system estimates that the additional $3 billion from the state will reduce the pension system's overall unfunded liability by 0.5% to 0.8%. CalPERS is estimated to be 71% funded. Its unfunded liabilities were calculated at $138.8 billion as of June 30, 2017.

The California state portion of that unfunded liability amounts to $58.7 billion. The confidential memo does show that the additional dollars from Newsom's budget will mean the state's portion of the unfunded liability would be reduced by a larger 1.5%.

The state's extra payment won't impact the more than $70 billion unfunded liability combined for school districts, cities, towns, counties, special districts, and other public agencies whose employees receive their pension benefits from CalPERS, the largest US pension plan.

The number of public agencies covered by CalPERS is staggering, including 451 cities and towns, 37 counties, and 1,029 special districts.

Long Beach Unified School District
Classified School Recognition Program – May 24, 2019

L to R: Gilbert Morrissey, Chapter 25 Treasurer; Al Darby, RPEA President;
and Jim Spaulding, Chapter 25 President

RPEA District VIII Director Kathleen Collins administering the oath of office to Chapter 25 newly elected officers

L to R: Jan Christiansen, Secretary; Gilbert Morrissey, Treasurer;
Viola Sellers, Vice President; and Jim Spaulding, President.

CalPERS Announces Health Care Premiums for 2020

June 18, 2019
Communications & Stakeholder Relations
Contact: Stephanie Buck, Information Officer
(916) 795-3991 - newsroom@calpers.ca.gov

SACRAMENTO, CA – The CalPERS Pension and Health Benefits Committee (PHBC) today approved the health plan rates for 2020, at an overall average premium increase of 4.65 percent. The action also included two health plan changes. The full board will vote on final approval of the rates on Wednesday.

"We negotiate aggressively because we know that many of our members must pay the entire cost of any premium increase entirely out of their own pocket," said Rob Feckner, PHBC chair. "While these rates reflect the current state of the health care market, we expect the health plans that do business with us to also take strong actions to keep costs down. We'll continue to hold them accountable and to be more transparent as we work on behalf of our 1.5 million members in our program."

Health care costs are rising due to a number of factors, including increases in hospital admissions, outpatient surgical procedures, and pharmacy costs. CalPERS uses innovation to keep costs low while upholding quality health care.

Members enrolled in CalPERS' Basic (non-Medicare) Health Maintenance Organization (HMO) health plans will see a 5.98% average premium increase. Members enrolled in Basic Preferred Provider Organization (PPO) plans will see an overall average increase of 3.28 percent. CalPERS Medicare plan enrollees will see their premiums increase by an average 1.52 percent.

In May the board voted to spend down the premium increase for the PERSCare Basic PPO plan, from a projected average increase of 23.9 percent to a final increase of 6.45 percent for 2020. The board allocated these funds using $44 million in excess reserves from the health care reserve fund. The reserve fund helps protect CalPERS and its members in years where medical and/or pharmacy claims are higher than expected among the system's self-funded PPO plans.

Besides the premiums, the board approved these health plan changes for 2020:

- Blue Shield will introduce a new, narrow-network health plan called Trio for the following six counties: El Dorado, Los Angeles, Nevada, Placer, Sacramento, and Yolo.
- Anthem will introduce a new HMO Medicare Advantage plan for combination enrollment members in Monterey County.

There are no copay, benefit, or coinsurance changes for 2020, excepting association plans which do not fall under CalPERS purview.

In 2020, a new three-region model will go into effect for public agency and school employers that contract with CalPERS for health benefits. The board approved the change in region structure in December 2018.

"Regions enable CalPERS to provide high-quality health plans to local employers with rates that are competitively priced and in alignment with the cost of care in the market," said Liana Bailey-Crimmins, CalPERS chief health director.

CalPERS will continue to develop its other successful benefits and programs that contain costs without sacrificing quality. In 2019, CalPERS introduced a value-based insurance design (PDF) to its PERS Select Basic PPO plan. PERS Select plan membership increased from 55,675 members in December 2018 to 72,351 members in January 2019. CalPERS will also continue to optimize its reference-pricing program for value-based procedures to include pharmaceuticals. Since 2011, the program has saved more than $8 million per year.

CalPERS members can change health plans during the annual Open Enrollment period, September 9 to October 4, 2019. Open Enrollment materials, information on health plan options, and custom search tools will be available through members' my|CalPERS accounts beginning August 26, 2019. Access the mobile version at mobile.my.calpers.ca.gov.

Are required IRA withdrawals minimizing your legacy?

If you have a qualified retirement account like an IRA or a 401(k) plan, you must start receiving withdrawals from these plans once you reach age 70½. These withdrawals are called required minimum distributions (RMDs).

Since you have to receive these withdrawals, why not use them to pay for the life insurance that will benefit your beneficiaries?

I can help you create a plan to provide an income tax-free inheritance for your loved ones. Call today – let's talk about your plan for life.

Qualified Retirement Savings ▶ **Required Minimum Distributions** ▶ **Life Insurance Premiums** ▶ **Income Tax-free Death benefit and Financial Legacy**

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DATED MATERIAL INSIDE

The California Rule

The California Rule is a legal precedent that says public employees are entitled to the pension benefits that were in place when they started work (called Defined Benefits). These pension benefits cannot be cut, unless they are replaced with another benefit of equal value. The California Rule got its name in part because it has not been widely adopted elsewhere. In a research paper by Amy Monahan she notes that "of the twelve states to adopt the rule, three have since modified it."

The California Rule was born in Long Beach. In 1951, the city government tried to reduce the pensions of police officers and firefighters, and the California Supreme Court blocked it, creating a new precedent. The California Rule got its name because most of America doesn't follow it. In other places, only pension benefits already earned by actual work are protected.

Currently two court cases are challenging the precedents set by the California Rule and a ruling is expected by the California Supreme Court this year.