



**RETIRED PUBLIC EMPLOYEES ASSOCIATION
Chico Chapter 077**

NOVEMBER 2020 NEWSLETTER

Mission Statement:

We are active and retired California public employees working together to maintain and improve the quality of the lives of our members by protecting and improving our earned retirement, medical, and other benefits. RPEA represents the rank and file retired public employees.

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**JOIN YOUR CHAPTER 077 MEMBERS
FOR A ZOOM MEMBERSHIP MEETING!**



THURSDAY, NOVEMBER 5 – 11:30 A.M.

SPEAKER: Jacky Bailly



TOPIC: “Feeding Nations Through Education”

**MESSAGE FROM ROGER KLAVES
ASSISTANT AREA II DIRECTOR (Written 9-28-2020)**

Howdy displaced Paradise 074 Lunch-Bunchers!

Our Paradise chapter is still suspended. A couple of things to note: 1) The CalPERS Long-Term fiasco is still ongoing, with the next hearing calendared for March 29, 2021. However, it looks like there will be another bump in premiums or a lessening of benefits. As you know, they've done this once already. It's going to be a mess, no matter what they figure out. 2) As you may know, 20 other counties in California have their own pension systems, called 1937 systems. Some folks with those pensions will soon have cuts in their pensions due to the recent State Supreme Court ruling which was generated from the 2012 pension law and subsequent lawsuit. We've had some cuts too, but our pensions were adjusted shortly after the 2012 law was enacted. 3) CalPERS is tightening up annuitant pension “mistakes” which have occurred because some local governments have rehired retirees during this COVID-19 problem. Case in point and “paraphrasing”: An administrative law judge last year ruled that a California public employee retiree, after retiring from a \$20,000 a month job and who was rehired at the rate of \$135 an hour, and who also exceeded working limits of 960 hours per year, must repay all the improper wages paid to him. The judge also ruled the retiree should have known he was being paid too much (which was about \$66,000). This decision is being contested because some employers may have to share in the repayment responsibilities of some of these monies. Lastly, as you may know, RPEA has sent a letter to Henry Jones, President of the CalPERS Board, to inform him that RPEA is not satisfied with his performance on the Board and that RPEA strongly suggests that he retire from chair of the CalPERS Board.

How to join the virtual meeting (You can join from a computer, iPad, or Tablet!):

Option 1: Connect online – www.zoom.us
Click on “Join a Meeting” in the upper right
Enter ID: 325 908 2109

Option 2:
Phone, dial +1-669-900-6833
Enter Meeting ID: 325 908 2109
Then just wait to be connected!

Pro Tip: Being on a tablet or computer is better than a phone because you can see the presentation and people's faces.

Lance Brogden, RPEA/AMBIA Liaison, is hosting our Zoom meetings until we can safely attend in-person meetings. Hopefully, there will be lots of participants at our November 5 meeting!

CORRECTION – By Roger Klaves

I noted in my previous missive for September (October newsletter) that CalPERS CIO Ben Meng failed to note his ownership of \$100,000 in a New York stock on CalPERS documents. My statement was wrong. I am informed and corrected that he in fact did report this information on the appropriate paperwork. For this error on my part, I feel an apology is certainly warranted, and it is herein extended to Mr. Meng.

MINUTES OF MEETINGS

The Minutes of the Board and General Membership meetings are posted to the rpeachapter77.com website for you to review. They are subject to the approval by the members at the following General Membership meeting.

LEGISLATIVE REPORT – By Mary Kowta

The State Legislature will reconvene on December 7 at 12:00 noon.

CalPERS News:

According to The State Worker (*Sac Bee*) the next CIO could take home \$2.4 million if the fund beats its targets. Hopefully, that is a good incentive, and not an invitation to take crazy risks! (After all, this is already the highest paid State employee...and surely he or she will want to benefit us, not herself or himself...right?)

CalPERS has a new director for the private equity program. Yup Kim has been hired to lead the team that is involved with private equity investment. He has a Bachelor's Degree from Yale in the field of economics and has had banking positions before joining the Alaska Permanent Fund in 2016. Greg Ruiz, the Managing Director, describes Yup Kim as "a thought leader in the industry." Kim says "There are incredible, unearthed competitive advantages at CalPERS."

An item of related interest is the concern that many pension funds invest in private equity real estate which has not proven to be profitable; so the question for Yup Kim is: "Does he see real estate as one of the 'unearthed advantages', or is there some other "buried" treasure"?

Another new hire: James Sterling Gunn replaces retiring Eric Baggesen as the new Managing Director of the trust level portfolio management program. Gunn had been working for his own firm; and previously, for Singapore's \$400 billion sovereign wealth fund and the Canadian \$434 billion pension fund. It appears that he is used to working with large sums of other people's money.

Local News:

According to a letter in the *E-R* (10/11/2020), the City of Chico is struggling with its pension debt. The Finance Committee has been weighing different schemes to restructure the debt, which is now at over \$280 million, including \$140 million interest. Two options presented by the financial consultant both come with risks (i.e. the Taxpayers could end up owning both bond investors and CalPERSworst case scenario. We will undoubtedly hear more about this.

Fire News:

On October 15 the Federal Government rejected a plea from Governor Newsom, a major disaster declaration covering six wildfires in the State during September. Some say the answer was negative because the President feels he is not getting support from California, or it may be that the Governor's letter did not meet FEMA's requirements. One can only hope that the issue will be eventually resolved favorably for those suffering the effects of last month's blazes.

Hey, everyone, we miss you a lot, and it's not just the Manzanita Place lunches! Please take good care and keep your mask ready!

P.S. We discovered that COSTCO delivers. It was a good experience!

HEALTH BENEFITS REPORT – By Al Raitt

At the request of the new RPEA Statewide Health Benefits Committee chair, JJ Jelincic, I provided a Long Term Care (LTC) program update to the full Board at its October 7, 2020 meeting, and I wanted to share this information with you also. Members of the full Board are aware that changes are again being proposed for this program and that there is a looming lawsuit which could impact its very existence.

By way of history, this program was initially presented by CalPERS to its members in 1995. Assurances were provided that no premium increases were expected for the life of the program unless they would

simultaneously apply to all policyholders. The likelihood of this was deemed very remote, and this view undoubtedly influenced some of those who decided to purchase this insurance (including yours truly, to be candid!).

However, the first of what were subsequently three premium increases was approved by the full CalPERS Board in 2003, eight years after the program's inception. This increase was applied to all the various forms of the CalPERS LTC program and thereby met the requirement that it would apply to all policyholders. The choice offered by the administrators of the program was either to accept the premium increase in order to maintain the coverage then provided or to reduce coverage and keep premium costs the same.

A second premium increase was authorized by the full CalPERS Board in 2007. Choices provided at that time were to accept the premium increase to maintain the then level of coverage or to reduce coverage in various ways to maintain the cost of premiums. Coverage could be reduced for in-home services as well as assisted living and nursing home care, and the policyholder could maintain the "lifetime" benefit. Policyholders also had the option of eliminating the "lifetime" option and instead reduce the "total benefit amount" (the maximum the plan would pay) to either a "3-Year Plan" or a "6-Year Plan." Each policyholder was allowed to choose the option that they thought would be most appropriate for them.

A third premium increase was authorized by the full CalPERS Board in 2010. This would be a substantial increase in order to retain the "lifetime" and the "inflation-protection" portions of the plan. Options again were to either pay the increase to maintain the then existing levels of coverage or to reduce the reimbursement levels for home care, assisted living, and nursing home care.

A fourth premium increase is now being developed by CalPERS staff for presentation to the full CalPERS Board at their November, 2020 meeting (specific date not announced as the writing of this article, Oct. 17, 2020). I watched a September 15, 2020 video presentation made to the full CalPERS Board by Don Moulds, CalPERS Chief Health Director, during which he said that CalPERS did not at that time know the exact amount of premium increase and would not have a detailed description of the options until he presented to the CalPERS Full Board at their November meeting. However, he did indicate that they were considering options that were not amongst those offered in response to previous premium increases (i.e. decreasing the daily benefit and/or the policy duration). These included modifying the duration of the elimination period (from 90 to 180 days), instituting an annual deductible, and developing a "differential reimbursement by level of disability" program. The specific options would go into effect in July, 2021.

CalPERS previously announced that on June 17, 2020, enrollment in the LTC program was suspended. Lastly, the lawsuit filed against the LTC program based on what is alleged was a poor investment strategy that did not allow the program income to meet costs has been continued until March of 2021. Litigants are asking for a return of all premiums thus far paid. If CalPERS loses the case and return of premiums is granted, the LTC program would become insolvent and undoubtedly file for bankruptcy. Whether or not any of the premiums would be returned is unclear; however, CalPERS is not able to utilize any of the monies used for retirement payments since these funds are held "in trust" and cannot be used for such purposes, and it is likely that the LTC program would cease to exist. We'll see!

In the meantime, maybe I'll just go back to pondering the cumulative effect of: Potential Oroville Dam rupture; Oroville evacuation; fire in Paradise; summer heat wave; fire in Berry Creek and surrounding areas; hazardous air quality; the pandemic; and the current election. Maybe somebody just needs a hug!