

**CALIFORNIA STATE RETIREES
BOARD OF DIRECTORS MEETING**

Four Points by Sheraton, Los Angeles
June 29, 2017

1. Call to order

The meeting was called to order at 9 a.m. by President Tim Behrens.

2. Salute to the Flag

The pledge of allegiance to the flag was led by Stephanie Hueg.

3. Roll Call

Members present were:

Tim Behrens, President, Chapter 35, District F
Stephanie Hueg, Executive Vice President, Chapter 23
J. W. (Jay) Jimenez, Vice President, Chapter 34
Gerald “Jerry” Fountain, Chief Financial Officer, Chapter 11
Sharon Stoltzman, District A Director, Chapter 20
Howard Wood, District B Director, Chapter 10 (excused)
Mary McDonnell, District C Director, Chapter 3
Susan Sears, District D Director, Chapter 14
Keith Umemoto, District E Director, Chapter 15
Connie Lira, District F Director, Chapter 16
Gaspar Luna Oliveira, District G Director, Chapter 17

Headquarters was represented by Rocco R. Paternoster, Dani Schenone, Jamee Villa and Renee Texeira.

4. Introductions, Agenda Changes/Corrections and Unscheduled Items

President Behrens introduced Marilyn Hamilton, CSEA Past President and Elnora Fretwell, Vice President of ACSS.

CSR 5/17/2 MOTION: Hueg, second by Luna Oliveira – that item 8A, Michael Flaherman, speaker, be added to the agenda. CARRIED.

5. February 23, 2017 Board Meeting Minutes – Printed minutes were in the agenda material.

6. Approval of February 23, 2017 Board of Directors Meeting Minutes

CSR 6/17/2 MOTION: Hueg, second by Luna Oliveira - that the CSR Board of Directors approve the minutes of the February 23, 2017 meeting as printed. CARRIED.

7. President's Report of Activities

The President's printed report was included in the agenda material. He added that he spent time visiting CSR chapters in the north, will be visiting southern chapters, and attends SCORE and CalPERS Health Benefits Committee meetings, usually held the third week of each month.

8. Board Members' Reports of Activity

Printed activity reports from all Board members were distributed with the backup material. Stephanie Hueg added that she was invited to CARA's leadership academy; CARA's convention will be in Sacramento in September. One issue we mutually support is SB 17; CARA also supports issues on the federal level, including Social Security and Medicare. In addition, she has been going to legislators' fundraisers, getting CSR's name out, and regularly attends CalPERS meetings.

Jay Jimenez added that he participated in a board conference call on June 19; he has done a lot of traveling and has more to do.

Jerry Fountain noted that his printed report was distributed along with handouts. As the new CFO, he wants to visit chapters and see what fiscal issues they have with management of chapter funds.

Sharon Stoltzman noted that since being installed at the February board meeting she has participated in four meetings as well as the board conference call and training. Lobby Day was great and she visited legislators for each of the three areas she represents. She was in Van Nuys on May 2 and a CARA statewide event in Los Angeles on May 23, as well as a health fair in Reseda.

Mary McDonnell added that she attended a fundraiser for Assemblyman Rob Bonta on June 3 with Chapter 1 members, where she met Lt. Governor Gavin Newsom.

Keith Umemoto thanked Joann Stewart for changing the week of Chapter 15 meetings so he can attend CalPERS meetings. He attended the State Democratic party convention wearing his CSR shirt, so when he sees statewide officers, they see our logo. President Behrens added that he attended the Republican Convention, so CSR has representation across both aisles -- Jim Brulte was very interesting and we do have some support.

Connie Lira added that she attended Chapter 13's meeting on June 7 and made sure to make it to Chapters 5, 11 and 16 in addition to Chapter 35, which meets every month, but on the same day as CalPERS stakeholders meetings.

Gaspar Luna Oliveira added that on his way home from the airport on February 23 he went to Assemblyman Todd Gloria's open house, where the guest speaker was Assembly Speaker Anthony Rendon. He is trying to go to all District G chapter meetings and will be at Chapter 12's meeting in July.

8A. Michael Flaherman, Candidate for CalPERS Board

Michael Flaherman noted that there are two at-large seats up for election. He is running for Seat A, currently held by J. J. Jelincic, who has endorsed him. He gave a detailed report on his background, noting that he was on the CalPERS Board from 1995 to 2003 when he worked at BART, in the public agency seat now held by Priya Mathur. One important accomplishment while he was on the board was the undoing of the hated tier two formula, and he chaired the Investment Committee for his last three years on the board. He then worked in the investment business for ten years, where much of what he did related to health care, including being on the board of a pharmacy company making medicine that saves the lives of people around the world. After that, he wanted to do something public spirited, specifically fighting corruption and fraud, where his work has had a positive impact on keeping public pension funds safe. He related his experience with the Enron collapse and seeing the CalPERS CEO go to jail for fraud. He learned a lot working in investments, health care and fighting corruption. In responding to questions, he suggested that the board has gone wrong in emphasizing collegiality over other values – board members cannot be afraid to disagree. He said he would be happy to speak at any chapter meeting, and urged people to visit his website, Flaherman.com.

9. Chief Financial Officer Report

In addition to the CFO's printed report distributed with the agenda material, the CSR budget summary was projected on the screen. Mr. Fountain noted that the numbers on the screen had been updated so may differ from the printed report. CSR is in good shape, at 43% of our budget target, with sufficient reserves to cover approximately one year of activity. There have been expenses of \$869,700 so far this year, including \$66,000 for Lobby Day which will be reimbursed by the PAC fund. With assets and cash on hand as of May 31, CSR has \$2.6 million available.

Varon Smith reported on CSR investments, noting that the Investment Committee gives advice, does not make investments, and 80% of investments are in the low risk area. Last fall, members of the Investment Committee were Harold Rose, Jim McRitchie, Jim Moranda and himself. Current committee members are Harold Rose, Essie Sukkar, Jim McRitchie and himself.

10. Legislative Report – Ted Toppin, Blanniing & Baker

Ted Toppin thanked members for the productive PAC meeting on June 29. He reported that on June 27 the governor signed the largest state budget in California history -- \$183 billion, a 3% increase over last year, including a \$10 million reserve. The governor did issue warnings – he feels recession will come again and cuts will be coming. Concerning pay-as-you-go CalPERS and state employee health care, the governor, in cooperation with PERS and the State Treasurer, made a non-required \$6 million payment to PERS, reducing the state's debt to PERS to \$5.8 billion this year. The idea is to take advantage of compounded interest, and the money will come from the Proposition 2 rainy day fund to take care of long-term liabilities. He cautioned that for the plan to work, investments must meet return marks – the state needs to invest additional resources to keep the system from losing any more of its value.

Giving an update on legislation, he reported that the drug transparency bill, SB 17 (Hernandez), passed the Assembly Health Committee with big pharma opposed. He will let members know when they need to contact legislators. AB 315 (Wood), to shine a light on pharmacy benefit managers, the least regulated part of the health care system, is also opposed by big pharma. Optum Rx is a pharmacy benefit management company, the middle man in the health care system. AB 401 (Aguiar-Curry) would require a remote dispensing pharmacy to use a telepharmacy system, where members in medically underserved areas can pick up their prescriptions and get a consultation on the phone. The legislative report is updated every two weeks on CSR's website.

CSR had a successful Lobby Day, which benefited from members' lobbying skills. Every chapter but one was represented – 93 members, meeting with 93 of the 120 legislative office, plus a number of drop bys. Twenty-eight meetings were with state senators or Assembly members. Every legislator and staff member gets a thank you note. He goes through the forms submitted by participating members, and asked members to talk to him or to Rocco if there are things about Lobby Day they would like to see done differently or improved.

There are 18 months until the next elections, when there will be a number of open statewide office seats. One race is the most important – Jerry Brown is termed out, and the governor has a great impact on what happens to us. While the governor initiated the plan to give \$6 million to bolster the retirement system, just a year ago he was pushing to lower health care costs. There are three primary Democratic candidates: Gavin Newsom, John Chiang and Antonio Villaraigosa. All have statewide voter identification and bases of support. There is not yet a high-profile candidate on the Republican side -- Kevin Falconer is the most talked about, with positive name identify in Southern California, but he is not committed to running. Ashley Swearingen, Fresno, is also not committed to running. John Cox, a businessman in San Diego, has given himself \$3 million and is seeking support. Travis Allen, Orange County Assemblyman, wants to build a campaign against the gas tax going into effect in November.

11. CalPERS – Kim Malm, Chief Operations Support Services Division and Dallas Stone, Assistant Division Chief

Kim Malm discussed the upcoming election for member-at-large seats on the CalPERS Board. The seats have four-year terms, from January 2018 to 2022. With only 6.8% voting participation last time, CalPERS has been on a journey to increase voting. Retiree groups do the most voting, and PERS is working to encourage all members to be interested in voting. A vendor hired last year designed a system to provide three ways to vote. She reviewed the three options for voting, on-line, by phone, or by paper ballot, and presented a demonstration of the on-line voting process. In addition to the demonstration, members received a handout explaining the options. Ballots will be mailed to members on September 1 and are to be sent back by October 2. Certified election results will be posted on the CalPERS website at the end of October. There will be a candidate forum in Sacramento on September 7 from 11:30 a.m. to 1:30 p.m. All candidates were invited and a mediator will ask questions. There are 1.8 million members eligible to vote, and the forum will be live-streamed on the CalPERS website and also available later.

Dallas Stone reported that his team oversees all elections. He and Kim Malm have traveled to retirement fairs, where they explain the options and ask people why they are not voting. Voting packets have been printed with a revamped look and the packet for each member has their unique identifier. Members can go to the website and log on with that number plus the last four digits of their Social Security number for on-line voting. The process was created to work on any type of electronic device, including smart phone and tablets, and the packet explains how to access on-line voting. Logging on takes members to the success page. To give members more information about candidates, they can click on “view candidate statement.” When members log on, there is a date stamp, and the system will know when they logged on and when they conveyed their vote. Once the IVS system records a member’s vote, it will not count another vote under that unique identifier -- if you vote on-line, forget and send in paper ballot, it will show that you already voted. All call center staff will be trained to provide a support system, the “everyone counts/IVS customer service line.”

In response to a question about allowing people to take their ballots to a local PERS office, Ms. Malm explained because of security issues, the system does not allow PERS staff to touch ballots. The paper ballot must go to the IVA company, which will conduct the count of all ballots, paper, on-line and phone. She noted that the demonstration was presented at the PERS Finance and Administration Committee meeting in February. Members can see the demonstration again on the CalPERS website or on You Tube.

12. Program Reports – Headquarters

The report from Headquarters included detailed presentations by Rocco Paternoster, Dani Schenone and Jamee Villa. Mr. Paternoster noted that staff had been stretched a bit thin, with Corinne Celentano on maternity leave and Trinda Lundholm recently

retired. Getting the newspaper out is being shouldered by Dani Schenone, Jamee Villa and himself, and he thanked Larry Woodson for his work in writing stories and fact checking. We are trying to turn from fact reporting to advocacy reporting. Stephanie Hueg noted that because of Trinda Lundholm's hard work, the *California State Retiree* is CSR's selling point.

CSR 7/17/2 MOTION: Jimenez, second by Fountain – that the CSR Board of Directors approve a special gift and commendation for Trinda Lundholm in appreciation for all her hard work on behalf of California State Retirees. CARRIED.

Dani Schenone and Jamee Villa gave power point presentations and provided printed material on membership, chapter concerns and solutions, social media, website analytics, advertising, the e-newsletter sent monthly to 5,000 subscribers, CalPERS benefit fairs (CBEEs) promotional items and 2017-18 goals.

Ms. Schenone reported that current membership is 36,333, with growth in 12 out of 26 chapters, a 14% increase in new members. It was noted that chapter presidents may forward membership reports they receive to other chapter officers, but only to officers. Members lost by cancellation and death average 121 a month. In response to a question on the percentage of roll-over members that cancel their membership, she will look into providing such information for the next meeting. Status updates included reports on attrition and retention, new member packets, cancellation letters and chapter speakers. Reports on external relationships included status updates on participation in CBEEs and the retired annuitant program, where lists of annuitants who want to work are sent to state agencies twice a year and we continue to post openings from CalHR. Goals for 2017-18 include continuing the CBEE program, building CSR's relationship with CalPERS.

The report on chapter concerns included invitations to chapter meetings, attendance at chapter meetings and bad data, and identified the need for uniformity for chapter meetings. Chapters can contact headquarters to have post cards sent out – they are sent third class, so require six to eight weeks advance notice. An enlarged copy of the post card prepared for a Chapter 35 meeting in Hanford showed the information that can be included; 202 postcards were sent for a cost of \$150. In response to a question whether the post card could include an ad for someone interesting in paying for the mailing, Mr. Paternoster explained the need for uniformity in the text, and postal regulations allow very little information on the back. Christie Christensen-Fountain reported that Chapter 11 sends out a half-sheet size which can contain more information than a small post card, and staff will cost it out for a uniform mailing. Chapters can also send information to headquarters for possible inclusion in the monthly e-newsletter or posting on CSR's web page.

The report on the CRM database cleanup and redevelopment included information on the Target Smart contract. Target Smart can help with the issue of bad data, contact information not being updated. Target Smart is also adding contact e-mails and cell

phones, and there will be an update for the October meeting on the newer version of the CRM.

Staff can help with getting chapter speakers and can provide information from headquarters for potential members. There are 16 correctional locations receiving copies of the *State Retiree* along with legislators.

Jamee Villa reported on communications and social media, including Linked-in, Facebook and Twitter. She is on Twitter every day and reviews all messages regarding state retirees. Facebook is similar to Twitter, and she is on the platform every day. Over a three-month average, we put 65 messages on our Facebook page. About 1,300 people look at our page on Linked-in, which is more business oriented, and we post approximately three times a week. Mr. Paternoster asked chapter presidents to let their members know about CSR's media presence, and there were suggestions for a training on how to use social media. He recommended that chapters not create their own platforms – staff can do it for them. Ms. Villa noted that links to social media are at the bottom of CSR's website. On the subject of advertising, she pointed out the Kaiser ad on the back page of the *State Retiree*. CSR is also in the "Golden Pages" which are distributed in the Sacramento area and throughout California. We are increasing our media presence.

Mr. Paternoster noted that CSR has been working to shift costs from chapters by using CSR's mailing permit for chapter communications and sending e-mails to members. Members have asked about promotional items, and staff is looking at shirts, hats and car decals. We want to get everyone involved in making a decision, finding something that all chapters can agree on and can be ordered in bulk – uniformity is important. To a question on getting the CSR logo on name tags that can be put on a member's own blue shirt, he suggested it be discussed at the next Presidents Forum.

13. CSR Committee Reports

13A. Health Benefits Committee

Elaine Edwards-Yahraus reported for Chair Larry Woodson that since February he held one conference call and two Health Benefits Committee meetings. He regularly attends CalPERS Stakeholder meetings and strategic sessions and meetings of the CalPERS Pension and Health Benefits Committees, where he testified in opposition to PERS sending on-line notices. He provided a report on the successes to Tim Behrens and Stephanie Hueg. Members made presentations on the status of two bills, SB 17 and AB 315, and discussed the proposal for a single payer plan. Updates were given on the long-term care program and the issue of cities in financial difficulties. There was a report on vision care and the importance of taking advantage of double coverage. The committee discussed the newly released premium rates for 2018 and the issue with Optum Rx. The committee agreed there is a need to improve drug benefits and will be developing strategy for making presentations to PERS on improving the formulary.

13B. Finance Committee -- The subject was covered in the CFO's report.

13C. Membership Committee

Bobbi Estrada presented her final report as Membership Chair. She noted much has been accomplished during the past five years, bringing focus to CSR and developing the Ambassador Program with President Behren's support. CSR has had over 150 Ambassadors, who distribute about 3,000 papers a month and help the chapters to gain members. When the strategic plan was developed, it was estimated we wanted to gain 300 members a year. Now membership has grown to just under 36,000. She encouraged members to embrace the new program and thanked committee members, who worked very hard. She explained that in January she was approached by an employer she worked for 26 years ago, who asked her to come back, and she will be the Senior Chair for the City of San Jose. President Behrens presented her with a gift of special CSR glasses as a token of thanks for her hard work and dedication to CSR.

13D. Political Action Committee

Dick Mesa reported that CSR received a request for endorsement from Ed Hernandez, who is running for Lt. Governor. Dr. Hernandez spoke to members at Lobby Day; he is pushing drug transparencies in the hope of arresting prices. Another Democratic candidate is Eleni Kounalakis, who may be competitive because of family connections. The Political Action Committee recommended endorsement of Dr. Hernandez because he has stood by us.

CSR 8/17/2 MOTION: Luna Oliveira, second by Sears – that CSR support Ed Hernandez for Lt. Governor. CARRIED.

13E. Bylaws and Governing Rules Committee

Skip Hulet presented the recommendations of the BGR Committee and thanked staff for their assistance at the committee's ad hoc sessions on May 8 and 9.

CSR 9/17/2 MOTION: Fountain, second by Luna Oliveira – that amendments to the Governing Rules recommended by the BGR Committee in Sections 2 through 10 and 18 be adopted in toto with the exception of items withdrawn for discussion, amendments to be effective at the conclusion of the Board meeting. CARRIED.

CSR 10/17/2 MOTION: Fountain, second by Lira – that Governing Rules Sections 3, 5 and 8 be withdrawn for discussion. CARRIED.

CSR 11/17/2 MOTION: Luna Oliveira, second by Fountain – that Governing Rule Section 3.01 Executive Director be removed in its entirety and the following subsections renumbered accordingly. CARRIED.

CSR 12/17/2 MOTION: Luna Oliveira, second by Fountain – that the CSR Board of

Directors approve the updated version of Governing Rules Sections 5.01 through 5.05. CARRIED.

CSR 13/17/2 MOTION: Fountain, second by Hueg – that Governing Rule Section 5.06 Chapter Grants be referred first to the Finance Committee, then back to the BGR Committee for final language, then back to the Board. CARRIED.

CSR 14/17/2 MOTION: Luna Oliveira, second by Fountain – that the CSR Board of Directors accept the amended language recommended by the BGR Committee in Governing Rule Section 8.00, except that Sections 8.01(i) Subchapters and 8.06(d) Treasurer be removed. CARRIED.

14. Grants Report

Stephanie Hueg reported that there had been two requests for grants. A request from Chapter 23 for a grant to attend CalPERS meetings was denied, and a request from Chapter 20 for a grant to send members to this Board meeting was approved.

15A. Presidents' Forum

Forum Chair Christy Christensen reported that the Forum had a successful meeting on June 28, reviewing topics from the Forum's February meeting and discussing problems chapters are having. Three of the district representatives had 100% participation and 18 chapters sent in written reports. One problem chapters have is people making reservations for chapter lunches, then not coming. Another concerns members attending meetings of other chapters which provide free lunches, creating added expense for that chapter – should members of other chapters pay for their lunch. Chapters are all doing it differently. Concerning guest speakers, each president was asked to give a topic that had been especially successful. She will prepare a list to send to all chapter presidents and board members who can use it to get guest speakers. It was also noted that chapters can use staff to get excellent speakers.

15B. Report on CSR Board of Directors' Closed Session

President Behrens noted that he cannot share confidential information from closed sessions, but noted there were seven new appointments to committees. When there are vacancies, he contacts district directors, who get recommendations from their chapter presidents. Members recommended for committee appointments are then reviewed through the board. He and Jerry Fountain will attend the CSEA Board of Directors meeting on July 1 and he will report out at the next CSR Board meeting.

15C. Unscheduled Items – There were no additional unscheduled items.

16. What's On Your Mind? – There were no comments.

17. Adjourn -- The meeting was adjourned at 4 p.m. in memory of Christine Thomas and Pat Askay.

Tim Behrens
President

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