

**CALIFORNIA STATE RETIREES
BOARD OF DIRECTORS MEETING**

Hilton Arden West, Sacramento
October 27, 2016

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 Fritz Walgenbach, followed by the singing of "God Bless America" in honor of Gus Lease.

3. Roll Call

Members present were:

Tim Behrens, President, Chapter 35, District F
Fritz Walgenbach, Executive Vice President, Chapter 2, District E
Stephanie Hueg, Vice President, Chapter 23
Harold Rose, Chief Financial Officer, Chapter 21 (by speaker phone)
Cynthia Frison, District A Director, Chapter 4
Howard Wood, District B Director, Chapter 10
Mary McDonnell, District C Director, Chapter 3
Susan Sears, District D Director, Chapter 14
Keith Umemoto, District E Director, Chapter 15
Gerald "Jerry" Fountain, District F Director, Chapter 11
J. W. (Jay) Jimenez, District G Director, Chapter 34

Headquarters was represented by Rocco Paternoster, Trinda Lundholm, Corinne Wogksch, Dani Schenone, Jamee Villa, Renee Texeira and Theresa Michael.

4. Introductions, Agenda Changes/Corrections and Unscheduled Items

President Behrens introduced Marilyn Hamilton, CSEA Past President.

5. Approval of the June 30, 2016 Board of Directors' Meeting Minutes

CSR 33/16/3 MOTION: Walgenbach, second by Fountain - that the CSR Board of Directors approve the minutes of the June 30, 2016 meeting as printed.
CARRIED.

6. President's Report of Activities

The President's printed report was included in the agenda material. President Behrens administered the oath of office to Skip Charbonneau, new President of Chapter 3.

7. Board Members' Reports of Activity

Printed activity reports from all Board members were distributed with the backup material or available on the information table.

8. Chief Financial Officer Report

The Chief Financial Officer's printed report was included in the agenda material.

CSR 34/16/3 MOTION: Jimenez, second by Sears - that the CSR Board of Directors eliminate the three-year budgets for all chapters and have chapters submit one-year budgets before January 2017. CARRIED.

CSR 35/16/3 MOTION: Walgenbach, second by Sears – that beginning January 1, 2017, each chapter president or designee will be funded by the CSR Corporation to attend each CSR Board week meetings. CARRIED.

9. CalPERS – Brad Pacheco, Deputy Executive Officer, Communications and Stakeholder Relations

Brad Pacheco noted that he came to provide updates and answer questions, extending best wishes from Henry Jones, who is traveling out of the country. The seventeenth annual conference with contracting agencies ended on October 26 – over three days, 825 attendees interacted with CalPERS staff and learned how they conduct business.

CalPERS' new CEO is Marcie Frost, former executive director of the Washington state pension fund, who also served on the Washington State Investment Board. She is a welcome addition to CalPERS, who understands the issues and cares deeply about members and customer service. It is important to her that PERS is providing the services that members need. The other focus regarding personnel is replacing the chief actuary who just retired, and they hope to have a replacement in the next few months.

A critical issue is the maturing of the CalPERS system, with more people retiring and more retirees than ever before. In addition, people are living longer and CalPERS must pay benefits for a longer period of time. Several years ago there were two active employees for every retiree; today it is one and a half. With fewer active employees paying into the system, PERS is paying out more each year than it receives in contributions from active employees, the state, and contracting agencies, resulting in a negative flow – last year \$18 billion was paid out and \$14 billion taken in. Another influence concerns the financial market. Growth in the country is slowing; we are in the eighth year since the financial crisis of 2008, and at some point the financial recovery will begin to fall. In 2013, CalPERS' investment portfolio generated about 7.1%; that same portfolio today is returning about 6%, meaning that investment returns are more important now than ever. The Fund needs more from investments and also needs to be very careful what investments it makes – a downturn in the market can have a dramatic impact. This issue will be a primary focus for CalPERS over the next few months -- Investment staff is working to essentially manage reality by reducing assumptions on

investment returns from the current 7.5% to actual reality, which is at best 6.2% over the next 10 years. Active employees covered by PETRA and contracting agencies will have to pay more, and there is more pressure on local governments to pay what they owe CalPERS. CalPERS examines its assumptions every four years with a mid-year checkpoint, looking at what the markets will return over the next several years and considering the demographics of people living longer to ensure the Fund's long-term viability. CalPERS is developing a strategic plan for the next five years, beginning July 1, 2017. The plan has five main points: (1) fund sustainability; (2) health care affordability; (3) reduction in the complexity of the many retirement options and decisions employees must make when they are retiring; (4) risk management; and (5) continuity of staff, focusing on retaining and empowering employees.

Concluding his presentation, Mr. Pacheco reminded members of two things coming up in 2017 -- transition to the new pharmacy benefit manager, Optum Rx, in January; and elections for the two member-at-large seats held by Michael Bilbrey and J.J. Jelincic. CalPERS is working to make the transition to Optum Rx as smooth as possible, and hopes to increase voter turnout in the elections now that members will be able to vote on-line and by phone.

To a question whether current retirees are at risk for reduction in benefits, he noted that pension reforms have always been applied to new employees -- his team interfaces with the media on a daily basis and it is his responsibility is to ensure that the media understand the importance of defined benefit plans, working to defend employees' vested rights. For example, staff spends time every day trying to educate the *LA Times* regarding the long-term viability of the Fund. The City of Loyaltan is a small city where employees are at risk for reduced benefits. The city is structuring to pay its contributions, and PERS is working to come to a resolution, but if Loyaltan can't make the employer contributions for its four to six retirees, their benefits may have to be reduced.

To a question concerning divesting investments, such as in tobacco and coal, he reported that the board will be reviewing the tobacco issue in December, to decide whether to continue the policy of not investing in tobacco stocks or return to investing in such stocks, looking at the performance of tobacco stocks and for feedback from stakeholder groups. There is a presentation on the CalPERS website, giving all facts and asking for feedback. The board will also consider feedback from groups such as the Cancer Association. There is an important fiduciary consideration, as CalPERS would have had up to \$3 or \$4 billion in returns had it remained invested in tobacco.

President Behrens encouraged members to attend stakeholder and SCORE meetings, as it is important to see blue shirts in the audience. He noted that he had made requests to CSUEU regarding health care for CSU retirees, and CSUEU President Pat Gantt came to the meeting to explain. Benefits and health care are a little different for CSU members, who still have the 100/90 formula for health benefits. CSU administration tried to change it, but CSUEU successful in stopping that attempt. Another issue that comes up a lot is the differences in dental and vision coverage, where the Chancellor's Office is the contact. CSUEU has a continuing dialog with the Chancellor' Office, and he will set up something for any members who have issues.

CSUEU has been busy working on the “Yes on 55” campaign to continue the Proposition 30 tax increase necessary for education – there will be budget cuts if Prop 55 doesn’t pass. CSUEU’s contract is up next year and they hope to protect their benefits and get raises. They will be in a better place if Prop 55 passes, and see what the Chancellor’s Office says, and possibly the governor.

In response to a question on how CSUEU is dealing with bargaining regarding retirement benefits, Mr. Gantt explained that it is mostly a matter of law. Retirement benefits were grandfathered in, and when CSUEU tries to raise retirement issues, the administration says it is outside the scope of bargaining. CSUEU fought hard to get fees waived for employees taking classes, and is now working to get fees waived for retirees. To a question on fair share fee cases, he noted that while the Supreme Court ended up with a tie and punted on the issue, there are other cases pending across the country and appointments to the Supreme Court are still very important. There are groups that attack collective bargaining in general as well as fair share fees, and the Right to Work Foundation is relentless in filing new cases. CSUEU is continuing to recruit members, gaining 2200 new members last year. He distributed a list of CSUEU chapter presidents and said he will try to get more interaction with CSR and CSUEU chapters, as well as a dialog for people planning to retire, as we have many common interests. Bobbi Estrada explained that she is working with CalPERS on updating members’ contact information and asked that information be put in the CSUEU newspaper, asking members who are retiring to update their e-mail and phone numbers. Mr. Gantt said CSUEU is trying to get back-up e-mail addresses, and can work with CSR if they have private e-mail information. Rollo Paternoster added that he will have a meeting with CSUEU, as he did with ACSS, to develop a process.

10. Audit & Program Reports, Headquarters

Rocco Paternoster gave a power point presentation detailing the results of the audit analyzing the status of the CSR corporation, followed by discussion of current programs and staff presentations. He noted that on August 19 he became Executive Director on an interim basis and to make an audit. A brief description of the organization is that it is run by members, who are represented by delegates; the Board of Directors is elected and has a fiduciary responsibility is to the entire corporation. He works for the CSR President, and staff works for him. The objective of the audit in the short term was to look at the operational continuity – to make sure that the existing operations of the corporation continue to serve the members. The long-term objective is to create operational efficiencies and run the corporation as a business -- to look at CSR’s existing programs, improve those programs, and develop new programs.

The process of corporate examination included leadership meetings for input and approval of ideas, staff meetings to find out what issues the staff has, and outside resource meetings. He researched the history of the Presidents Forum, getting all the information he could and sending out surveys to get information on membership wants and needs -- it will be a continuing practice. The membership program was the first program meeting, followed by the political action program -- how CSR does endorsements, contributions, and how political action works. Next was advocacy program, where CSR’s priority goal is the protection of members’ benefits and health

care. The audit is now in the factual analysis phase of considering strengths and weaknesses. Organizational, economic, governance and program strengths are that CSR has an active leadership and knowledgeable membership, experience, great strength in its staff, and is financially stable. A big organizational weakness is that CSR has amazing subject matter experts, but a huge resistance to change, with fear of being taken advantage of and loss of control. Weakness in the membership program is a reliance on rollovers, when there is a current lawsuit claiming that rollovers are illegal.

After looking at strengths and weaknesses, Mr. Paternoster identified immediate needs, which were presented to the CSR Board for agreement. Members who are currently working with a specific staff person, will continue working with that staff member. For important issues or questions, members should use the main CSR e-mail and telephone number. There is no charge for members to call the CSR office, but there is a charge to call CSEA Accounting, Blanning & Baker, or other offices. The *State Retiree* will be kept exactly as it is, but we must increase organizational visibility – marketing and promotion did not suit the needs of the organization. There is a need to coordinate who does what with staff assignments and updated materials. Staff can design car magnets, hats, and shirts. On the subject of chapter finances and accounting, CSR's accountant, Kenton Jones, will come to a meeting. In summary, he looked at everything and talked to all leaders he could reach and to outside vendors. He stressed the importance that members understand what their professional staff can do for them. Trinda Lundholm is working on a templet for chapter newsletter uniformity if the board decides that chapters should continue to have newsletters.

In staff presentations, Corinne Wogksch explained her newly defined roll as lead on retirement pensions and benefits, becoming the CalPERS subject matter expert and interfacing with retiree and senior groups such as SCORE and the Congress of California Seniors (CCS). Internal job duties include the BGR Committee, Health Benefits and election coordinator. She is currently working on open enrollment.

Dani Schenone, membership coordinator, reported on the first target campaign/membership drive, with a new publication, "Welcome to Retirement – Join CSR Today," and a promotion giving those joining a chance to win a Samsung 40-inch Ultra HD Smart TV. The new publication is designed to effectively clean up CSR's message, and the PAC brochure has also been republished.

Trinda Lundholm reported that she coordinates production of the *State Retiree* and stories for the CSR website. She takes most of the photos and comes up with stories, reporting on CalPERS meetings and whatever is newsworthy. She is being helped by Dani Schenone and Jamee Villa and they are always looking for members' ideas. She received 15 responses from veterans when she asked for their stories. As third-class mail takes three weeks for some people, there is now a pdf copy of the *State Retiree* on the website the same day it is printed. John Ortiz, an editor at the *Sacramento Bee* who slandered us, is no longer there, and we don't know his replacement yet.

Jamee Villa related that she participated in the CSR audit over the past two months, working on communications and newsletters, helping Trinda Lundholm and Dani Schenone on the paper and creating a sample template for an e-newsletter. She is also

working with Corinne Wogksch and CalPERS. She noted that 56% of CSR members are under age 70 and use social media, such as Twitter, Facebook and Linked-in. She and Rocco Paternoster went over every page of the CSR website and are making sure that all information is secure. What they found is that content is not jumping out, and the board directed that chapter pages be removed. She gave a demonstration of the proposed new website based on the audit and survey results. The proposal is for a new, modern home page with no lock, a dedicated page for the Board of Directors and a full page for committees, explaining what each committee does and who is on the committee. A news page will have the latest news, with another page dedicated to legislative and political news. For help in finding a chapter meeting, there is a chapter page with a link to district representatives. The proposed website is not just for members, but also designed to appeal to potential members, and input is welcome. In light of the elimination of chapter pages, there was a suggestion that chapters create a Facebook page, and Mr. Paternoster asked that chapters get their information to Jamie Villa and she can add it the CSR Facebook page.

To a question on what chapters who used the CSR portal to update addresses should use to report bad addresses, Mr. Paternoster said he take all questions and points raised back to discuss with staff and get information out to chapter presidents. On the issue of the letter that some chapters previously sent out welcoming new members, a new letter will be developed In consideration of uniform business protocol, with the electronic signature of each chapter president.

11. Legislative Report – Ted Toppin, Blanniing & Baker

Ted Toppin reported on the recently concluded legislative session, noting that in the last two weeks of August there were 1,059 bills sent to the governor. The governor signed AB 72, concerning out-of-network coverage. It is the same as AB 533 in 2015, saying there will be no surprise medical bills for patients who go to their in-network medical providers. It was a hard fought bill which doctors and insurers didn't want. On the dark side, the governor vetoed AB 1878, which would have provided a cost-of-living adjustment for the \$2,000 death benefit for state and school employees that hasn't been raised in 20 years. The governor has been consistent for six years in vetoing any benefit, and his veto message says it is inappropriate to add to the unfunded liability.

Regarding the upcoming elections, the intensive process to determine endorsements has been concluded, and CSR has endorsed 86 candidates. CSR supports two of the 17 statewide ballot measures, which include issues on the death penalty, tobacco tax, gun control -- cultural war issues – Propositions 55 and 61. Proposition 55 is important for schools and health care and actually important to retirees -- if it doesn't pass, the governor will be looking at places to cut. Proposition 61 would mandate that the state pay no more for prescription drugs than the Veterans Administration pays. Mr. Toppin added that President Behrens did a great job at a press conference regarding Proposition 61, and he will provide a video of that press conference to CSR headquarters.

12. CSR Committee Reports – Individual committee reports were not given due to time constraints, but the following motions from committees were considered, and the printed report of the Health Benefits Committee is attached.

CSR 36/16/3 MOTION: Walgenbach, second by Sears – that the current PAC contribution of \$.75 per member per month be extended to the IPAC for November and December 2016 and that the \$1.00 per member per month be allocated to the IPAC for succeeding fiscal years until such time as the CSR Board determines the necessity to change. CARRIED.

A motion to adopt the recommended changes to Governing Rules Section 2.08 – Chapter’s Portion of Members Dues, was tabled by the President after defeat of a motion to refer to the Bylaws and Governing Rule Committee.

CSR 37/16/3 MOTION: Walgenbach, second by Fountain – that the CSR Board of Directors amend the second paragraph of Governing Rules section 11.01 to read as follows:

Excluding the PAC Committee, there shall be no fewer than 5 members and no more than 8 members on each standing committee including the chair. A concerted effort must be put forth to obtain qualified representation from all districts. A member may not serve on more than one Committee, excluding Investment Committee and ADHOC Committees. Committee members should not be District Directors. The President shall consult with the District Directors for recommendations of qualified members for appointment.

CARRIED.

CSR 38/16/3 MOTION: Walgenbach, second by Hueg – that the CSR Board of Directors amend Governing Rules section 11.02 Standing Committees to read as follows:

11.02 Standing Committees

Such Committees may include, but are not limited to:

- (a) Finance
- (b) Health Benefits
- (c) Bylaws and Governing Rules
- ~~(d) Investment~~
- (e) California State Retirees PAC
- (f) Membership

CARRIED.

It was noted that standing committees serve at the pleasure of the board, while the Investment Committee serves at the pleasure of the president.

CSR 39/16/3 MOTION: Walgenbach, second by Jimenez - that the CSR Board of Directors amend Governing Rules sections 13.02, 13.03, 13.04 and 13.05 as follows:

~~13.02 Rules of Presidents Forum~~

~~The Forum's rules are set forth as follows:~~

~~PRESIDENTS FORUM~~

Purpose

(a) Presidents' Forum is comprised of all the California State Retirees Chapter Presidents, or a chapter officer designated representative(s) from that chapter, and is intended to provide communication among Chapter Presidents. Designated representatives shall be in order of succession to the office of Chapter President.

(b) It serves as a vehicle for discussion of various problems issues and items of interest facing Chapter Presidents. Some matters may be settled at forum meetings while others may require motions requesting the Corporation B of Directors to take action.

(c) The forum provides a place for refresher presentations of roles and responsibilities of chapter officers, exchange of ideas and activities for chapter members.

13.03 Officers

The Officers of the forum are the Chair, Vice Chair and Secretary.

(a) Election of Officers

- (1) Officers shall be elected at the first meeting of the Forum following completion of chapter elections and shall be the first order of business.
- (2) The Chapter President of each chapter is eligible to run for office.
- (3) Elected officers shall assume office at the close of this meeting.

(b) Absences

(1) Chair

In the absence of the Chair at any meeting, the Vice Chair shall chair the meeting.

(2) Vice Chair

In the absence of the Vice Chair at any meeting, the Chair may appoint a chapter president to assist at the meeting.

(3) Secretary

In the absence of the Secretary at any meeting, the Chair shall select a chapter president to take the place of the absent Secretary.

(c) Vacancies

(1) Chair

In the event of a vacancy in the position of Chair, the Vice Chair shall assume the office.

(2) Vice Chair

In the event of a vacancy in the position of Vice Chair, the Chair shall appoint a chapter president to fill the vacancy, subject to confirmation by the chapter presidents.

(3) Secretary

In the event of a vacancy in the position of Secretary, the Chair shall appoint a person (member or nonmember) to fill the vacancy for the purpose of minute taking, subject to confirmation by the chapter presidents.

13.04 Meetings

Meetings will be held on the day prior to the scheduled California State Retirees Board of Directors Meeting.

(a) ~~The suggested order of business is~~ Agenda:

(1) Call to order

(2) Pledge of allegiance

(3) Roll call

(4) Remarks of chair

(5) Reading of minutes

Minutes should be in writing and submitted to the Board of Directors.

(6) Old and unfinished business

(a) The chapter presidents shall submit their reports in writing.

(b) Chapter Presidents shall submit items for discussion to the chair in advance of the meeting or when unscheduled items are requested.

(7) New business

(a) Discuss how the Board of Directors' agenda affects the chapters.

(b) Other

(8) Unscheduled Items

Items referred by the Corporate President for discussion by the Chapter Presidents.

A report shall be made of the results of the discussion by the Forum President.

(Delete subsections 13.04 (b) through (f) in their entirety.)

13.05 Reports to California State Retirees Board of Directors

The chair shall make a report of forum actions and motions to the California State Retirees Board of Directors and is responsible for the preparation of ~~agenda items~~ motions in proper form for presentation to the Board.

CARRIED.

CSR 40/16/3 MOTION: Walgenbach, second by Sears – that the CSR Board of Directors approve the amended language in Governing Rules section 14.08, Notice in Urgent Situations, to read as follows:

In urgent situations, notice shall be given to the members of the Board of Directors ~~and/or their designated alternates~~, by personal notification or by telephone any electronic means at the earliest known date.

CARRIED.

CSR 41/16/3 MOTION: Walgenbach, second by Hueg – that the CSR Board of Directors approve the added language in Governing Rules section 20.00 Definitions, to read as follows:

(g) “Stipend” means a predetermined amount of money that is periodically provided to offset expenses. Often provided to those who are ineligible to receive a regular salary in exchange for the duties they perform.

CARRIED.

14. New Business

14A. Presidents’ Forum -- Forum Chair Christy Christensen-Fountain distributed a printed report of the Forum’s October 26 meeting.

Agenda items 14B and C - Reports on CSR Board of Directors’ Meetings, were not given due to time constraints.

14D. Unscheduled Items - There were no unscheduled items.

15. CSEA Member Benefits Committee Report

The printed report of the CSEA Member Benefits Committee meeting of September 10, 2016 was included in the agenda material.

16. What’s On Your Mind? - This item was omitted due to time constraints.

17. Adjourn -- The meeting was adjourned at 4:20 p.m. in memory of Gus Lease.

Tim Behrens
President

Attachment – Report of the Health Benefits Committee

