SECOND 2013 BOARD OF DIRECTORS MEETING

SEIU Local 1000 Headquarters Building
1808 14th Street
Sacramento, Ca 95811

October 19, 2013

TIMES CERTAIN

<u>Saturday – October 19, 2013</u>
SEIU Local 1000 Headquarters Building, 2nd Floor Conference Room
1808 14th Street, Sacramento, Ca 95811

(9 a.m. – 12 p. m.)	CSEA Board Workshop (closed)
(12:45 p.m. – 1:00 p.m.)	CSEA Board Agenda Committee (open session)
(1:00 p.m. – 4:00 p.m.)	Board of Directors Meeting (open session)

BOARD MEETING AGENDA

- Call to order on October 19, 2013, at 1:00 p.m. by President Marilyn F. Hamilton
- Roll Call – Secretary-Treasurer David Okumura
- Pledge of Allegiance – Vice President Russell Kilday-Hicks
- Communications – Secretary-Treasurer David Okumura
- Report of Executive Session – Secretary-Treasurer David Okumura
- Report of Agenda Committee – Secretary-Treasurer David Okumura
- Reading and Approval of First 2013 Board of Directors Minutes – Secretary-Treasurer David Okumura
- Report of President
- Report of Vice President
- Report of Secretary-Treasurer
- Report of General Manager
- Report of CSEA Foundation
- Affiliate Reports

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BYLAWS, POLICIES & PROCEDURES ITEMS

BENEFITS ITEMS

FISCAL ITEM

INFORMATION ITEMS

- Presentation by the Developer

NEW BUISNESS

- Discuss date for the next CSEA Board of Directors meeting

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Meeting Location: SEIU Local 1000 Headquarters Building, 2nd Floor Conference Room
1808 14th Street, Sacramento, Ca 95811

ROLL CALL
SECOND 2013 CSEA Board of Directors Meeting
OCTOBER 19, 2013 1 PM – 4 PM

TITLE:	NAME:	√
President	**Marilyn F. Hamilton** Sitting in:	
Vice President	**Russell Kilday-Hicks** Sitting in:	
Secretary-Treasurer	**David Okumura** Sitting in:	
CSUEU President	**Patrick N. Gantt** Sitting in:	
SEIU Local 1000 President	**Yvonne Walker** Sitting in:	
CSR President	**Tim Behrens** Sitting in:	
ACSS, Inc. President	**Arlene Espinoza** Sitting in:	
CSUEU VP for Finance	**Loretta Seva'aetasi** Sitting in:	
CSUEU VP for Organizing	**Michael Geck** Sitting in:	
SEIU Local 1000 VP/Secretary-Treasurer	**Cora Okumura** Sitting in:	
SEIU Local 1000 VP for Bargaining	**Margarita Maldonado** Sitting in:	
CSR Executive VP	**Fritz Walgenbach** Sitting in:	
CSR Vice President	**Gus Lease** Sitting in:	
ACSS, Inc. VP of Governmental Affairs	**Frank P. Ruffino** Sitting in:	
ACSS, Inc. Executive VP	**Elnora Hunter-Fretwell** Sitting in:	

Board Alternates:
Todd D'Braunstein – ACSS, Inc./VP of Membership Development
Harold Rose – CSR/CFO, Secretary
Tamekia Robinson – SEIU Local 1000, VP for Organizing/Representation
Alisandra Brewer – CSUEU, VP for Representation

Meeting Location: SEIU Local 1000 Headquarters Building, 2nd Floor Conference Room
1808 14th Street, Sacramento, Ca 95811

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MINUTES

FIRST 2013 CSEA BOARD OF DIRECTORS MEETING

June 14, 2013

SEIU Local 1000, Field Office
1325 S Street, Sacramento, CA 95811

The meeting was called to order at 1:00 p.m. by President Marilyn F. Hamilton.

Roll Call – Secretary-Treasurer David Okumura.

The Pledge of Allegiance was led by Secretary-Treasurer David Okumura.

Members present:

Marilyn F. Hamilton, President
David Okumura, Secretary-Treasurer
Patrick N. Gantt, CSUEU President
Tim Behrens, CSR President
Arlene Espinoza, ACSS, Inc. President
Loretta Seva'aetasi, CSUEU Vice President Finance
Michael Geck, CSUEU Vice President Organizing
Fritz Walgenbach, CSR Executive Vice President
Gus Lease, CSR Vice President
Frank P. Ruffino, ACSS, Inc. Vice President Governmental Affairs
Elnora Hunter-Fretwell, ACSS, Inc. Executive Vice President

Board Alternates present:
Alisandra Brewer, CSUEU Vice President Representation
Tamekia Robinson, SEIU Local 1000 Vice President Organizing/Representation
Todd D'Braunstein, ACSS, Inc. Vice President of Membership Development

Members Absent:
Russell Kilday-Hicks, Vice President
Yvonne Walker, SEIU Local 1000 President
Cora Okumura, SEIU Local 1000 Vice President/Secretary-Treasurer
Margarita Maldonado, SEIU Local 1000 Vice President Bargaining

Headquarters office was represented by: Lee King, Rocco Paternoster, Phil Sherwood, Mike Carr, Lisa Fong and Lao Sok

COMMUNICATIONS

Secretary-Treasurer David Okumura reported that there were no communications.

REPORT OF CLOSED SESSION

Secretary-Treasurer David Okumura reported that bargaining & legal issues were discussed.

REPORT OF AGENDA COMMITTEE

Secretary-Treasurer David Okumura reported that there were no new Agenda Items to report. The Board was in general consensus with adopting the Agenda as printed.

READING AND APPROVAL OF THE THIRD 2012 BOARD OF DIRECTORS MINUTES AUGUST 30, 2012.

BD 1/13/1 MOTION: That the Board of Directors approve the Minutes from the Third 2012 Board of Directors Meeting. Motion was adopted by general consent. CARRIED.

REPORT OF PRESIDENT

President Marilyn F. Hamilton reported that since she is not a full time president, CSEA General Manager Lee King will be reporting on what is going on in Headquarters. As chair of CSR Bylaws Governing Rules, President Marilyn has been working with CSR on their ballot measures. She has also visited some of the CSR chapters to provide support and ensure that everything goes accordingly.

REPORT OF VICE PRESIDENT

President Marilyn F. Hamilton reported that there was no report from Vice President Russell Kilday-Hicks.

REPORT OF SECRETARY-TREASURER

Secretary-Treasurer Dave Okumura reported as follows:

- We completed the CSEA audit for the year ending December 31, 2012 and had issued audit reports on April 18 (2 weeks earlier than the prior year). We received a “clean” or what is currently called an “unmodified opinion’; which is the highest level of opinion that an outside auditor can issue. Based on their audit of CSEA’s financial statements, the auditors concluded that the financial statements were fairly presented in conformity with generally accepted accounting principles. Additionally, the auditors concluded that they did not identify any deficiencies in internal controls that they considered to be a material weakness.

- The accounting department was also able to complete the year end audits for the 3 Affiliates with similar results in terms of unmodified opinions and timeliness. The Hudson report for CSUEU was also completed with plenty of time to spare in terms of meeting the required deadline.

- The financial statements for the first 4 months ending April 30, 2013 reflect no items of concern. Although projections this early in the year are more ‘art” than “science”, we are currently projecting a surplus of approximately $500,000 for 2013. The principal reasons for this projected surplus are due to increased profits from the Member Benefits Program that has resulted from a combination of increased revenues and decreased staffing costs.

- The Accounting Department is currently going thru an RFP process to replace our legacy payroll system to a version that offers more client support. The payroll system is projected to be tested and ready for use at the start of next year.

REPORT OF GENERAL MANAGER

OPERATIONAL ISSUES

- We successfully completed our audit season that involved 6 separate audit reports—all audits were completed earlier than the year before and I am happy to report that all were clean /unqualified audit reports meaning that the auditors concluded that the financial statements were fairly presented in conformity with generally accepted accounting principles. Additionally, the auditors did not identify any deficiencies in internal controls that they considered to be "material weaknesses". Kudos's to Mike Carr and his department

- Bargaining status—3 separate NLRB complaints filed by the Staff Union have been decided in CSEA's favor. A fourth one was withdrawn by the Staff Union when the NLRB let it be known that they would be deciding in the employer's favor. All of these concerned whether CSEA engaged in unfair bargaining when it imposed the "Last Best and Final Offer in September 2012. Fast forward to today—after many bargaining sessions and 2 attempts with mediation, we have a "conceptual deal". Employer will offer a pool of money based on 1.35% of salary and $500/employee per year (equivalent to approximately $70,000/year) for 3 years to offset the employee portion (20%) of medical premiums. The UAW will develop how they want that pool of money distributed per employee (for example more may be allocated to employees earning less than $60,000 versus those over. This in turns buys us a 3 year contract expiring in June 2016 and since there are no salary increases, there is no permanent increase to salaries once the contract expires. Once the details are finalized, we will need to convene a phone conference Board meeting to approve the contract. Other provisions of the LBFO remain intact with respect to limiting future retirees to what existing active employees get with respect to retiree health benefits as well as no retiree health care for employees hired after 9/1/2012.

- I have had some informal discussions with a local developer group about potential development of either or both the Headquarters building and the parking lot. They have done a site visit and have had initial conversations with some equity partners. Now that the NBA has decided on the Kings remaining in Sacramento and the development of a downtown arena, they believe a project has more financial appeal. I have shared general square footage requirements and tax parcel numbers so they can research any zoning restrictions. The next step would be to define what the Affiliates would desire in terms of space and whether they want to "cash out" or become equity partners in a project. The most likely choice for development would probably be the parking lot on Q Street.

- The finance Committee met in April and among other things discussed options to deal with any budget surpluses that might occur in Central Support and the profits generated from the Member Benefits Department. Two options surfaced:

1. Budget surpluses and Member Benefit Profits should be retained by CSEA for possible contingencies (building issues, repayment of its share of the SEBC loan in June 2017 (approximately $210,000).
2. Allow CSEA to retain these funds to offset the general costs of General Council in 2015 that were not budgeted for.

- The Woodlake Inn, for which we have contracted for the 2015 General Council, has started construction of a card room within the hotel. Under the terms of the contract, we have the ability to void the contract if we desire. It is staff's opinion, however, that despite the addition of the card room, this still remains the most convenient and cost-efficient location to house 2015 General Council. We will tour the facility, after construction is complete, to determine the impact to holding the General Council in this location.

- Each department manager is currently assessing the manpower requirements of their departments and having the staff update their desk duty descriptions in order to be able to assess the staffing requirements post 2015.

CSEA FOUNDATION REPORT

Board of Directors-Membership

- Presently, there are only 3 Board members; Jennifer O'Neal-Watts CSUEU, Patricia Neifer Local 1000 and Joan Kennedy CSUEU. Ron Ridley CSR has decided not to volunteer for another term. We have 3 vacancies. Joan Kennedy serves as President; Jennifer O'Neal-Watts serves as Treasurer/Secretary. The office of Vice-President is vacant.

Scholarship Selection Committee

- Jennifer O'Neal-Watts is serving as chair of the Foundation Scholarship Selection Committee and applications are currently being reviewed. Members of the selection committee include Patricia Neifer and Sharon Glasgow CSUEU. 58 applications were received. The committee will be selecting 5-6 recipients. Each awardee will receive $1000. Checks made out in their names will be mailed to the Financial Aid Office at the college/university of choice.

Financials

- Savings: $556.05
- Checking: $ 41,324.17

Future of the Foundation

- The Foundation is struggling from lack of support, commitment and interest from CSEA affiliates and members. All 3 board members have full time jobs and other commitments. I believe it's time for the CSEA Board to have a discussion to continue with the Foundation or vote to dissolve. It is unfortunate but a discussion that needs to take place.
  If you have any questions or would like to discuss direction, please give me a call 805 441-5568 or email me jkennedy.csueu@gmail.com.

AFFILIATES REPORTS

(ACSS, Inc.)

Mrs. Espinoza reported that ACSS has had some success with legislation of their own. ACSS has sponsored a bill which is by Jim Bell. He is a senator from Campbell, San Jose. ACSS bill number is SB216. The bill addresses the issue of compaction (the nature of state employees making more money than the supervisor). There is existing language in Cal HR manual requiring the State to maintain its recommended 10% differential between supervisors and their employees which the state doesn't comply with. ACSS is looking legislatively into making them comply or if there is no funding, then have the state produce a report to the legislature as to why they fail not to comply with the 10% differential. The SB216 bill is now in the Assembly Standing Committee. Mrs. Espinoza requested support for SB216.

(SEIU Local 1000)

Ms. Robinson reported that SEIU Local 1000 had a fantastic rally on June 5, 2013. SEIU Local 1000 got over 8000 members who signed in on June 5, 2013. SEIU Local 1000 came to a tentative agreement with the state on Tuesday, June 11, 2013. SEIU Local 1000 was able to get a 2% raise next year that is contingent on the state meeting it's constitutional requirement on prop 98. And 2.5% in 2015. If members did not get the 2% in 2014, then members will receive an across-the-board wage increase totaling 4.5% over three years. Some other highlights are seasonal clerks will receive a $.50 pay increase. Now, they will be making $9.50 instead of $9.00. SEIU Local 1000 was able to get increases in business and travel expenses, reduction in health care dependent vesting from two years to only one, workplace violence and bullying prevention, removal of the expiration date for PLP earned in 2010 and 2012, no new furlough or PLP days during the term of the contract and added a grievance procedure to the dignity clause. Overall, SEIU Local 1000 felt that it is a great deal. Ratification meeting will start next week. Ratification ballots and summaries of the tentative agreement will be mailed to all Local 1000 represented employees after being approved by the SBAC (Statewide Bargaining Advisor Counsel).

(CSR)

Mr. Behrens reported that CSR elected a new president in February 2013. CSR had a successful Lobby Day in March 2013. They had 115 members who showed up on Lobby Day. CSR has hired a lobbying firm, Blanning & Baker's Assoicates, to assist CSR with legislative and political interests. Mr. Behrens spoke of the CalPers Long-Term Care Program at the Assembly Aging Committee. CSR has implemented a new plan. They are now having their Board of Directors meeting three times a year, and they are having their committees meetings two days prior to the Board of Directors meeting.

Bobbi Estrada is the chair person for Membership Benefits Committee and is the president of chapter 23. She has been charged by CSR with a three year plan on membership and recruitment. She is currently working on rolling out an Ambassador program. She currently has six members located all through the State of California. Two located here in Sacramento, one from Chapter 2 and the other is from chapter 165. The committee's plan is to identify all state locations starting with Sacramento. The committee members will be going out delivering CSR newspapers and applications to potential members. Bobbi is requesting assistance from the affiliates in regard to assisting her committee by providing location & contact information from the affiliate's database.

Mr. Brehren reported that many of the affiliate's members that rollover to CSR end up dropping membership within six months because they don't know who CSR is. Mr. Behrens is requesting CSR to run their ads in the affiliate newspapers if space is available. This will give CSR the opportunity to advertise and to educate potential retirees members. Lastly, Mr. Behrens reported that CSR was looking at legislation in the future, to enhance the death benefit.

(CSUEU)

Mr. Gantt reported that CSUEU has been busy this year. CSUEU hopes the budget that was supposed to be signed today (June 14, 2013) will help put some money back into CSUEU so CSUEU can start seeing some positions come back. CSUEU's full contract is not expiring until next year. CSUEU is trying to develop leadership and modules for chapters to use. CSUEU continues to develop ongoing institutionalized processes of leadership development. Even though CSUEU has lost a lot of its members, CSUEU is encouraging a lot of the chapters to recruit more members. Since January of 2013, CSUEU has over 245 new membership applications. CSUEU was able to recruit 50 more applicants to join because of the CSUEU Hudson notice having membership applications attached to the notice. CSUEU had a successful Lobby Day. CSUEU had 60 members and leaders from across the State of California. During Lobby Day, CSUEU had 92 confirmed appointments with the legislature from 9 am – 3 pm. CSUEU made all of the 92 appointments. After Lobby Day, CSUEU sent out thank you cards to the legislators because CSUEU wants to establish and keep a long term relationship with the legislators.

State Senate President Pro-Tem Darrell Steinberg introduced SB 520. SB 520 is in support of online education and contracting out online education support services by going into public private partnership with organizations like the University of Phoenix and National University. The bill is now in the Assembly. CSUEU would like to get SB 520 defeated.

B&P 1/13/1 **(Hamilton) Full-Time Paid President, Officer Expenses and Automobile Allowance**
BD 2/13/1 MOTION: That the Board of Directors approves the following amendments to Policy File Sections 206.00, 1301.00, 1305.00, 1306.06, 1307.00 and 1313.00 as submitted. Motion was adopted by general consent. CARRIED.

Division 2: Association Governance

~~206.00 Full-Time Paid President~~

~~The Association shall pay a salary to a full-time president. (BD 33/91/3, BD 11/11/2, BD 24/11/2)~~

~~206.01 Duties of the President~~

~~The duties of the president shall include: (BD 34/91/3, BD 11/11/2, BD 24/11/2)~~

~~(a) Those duties prescribed in Bylaws Article IV: Governance, Section 2 (b); (BD 34/91/3, BD 59/94/2, BD 11/11/2, BD 24/11/2)~~

~~(b) Acting as chief spokesperson on all Association matters; (BD 34/91/3, BD 11/11/2, BD 24/11/2)~~

~~(c) Representing the Association at meetings and conferences within and without the State of California within budgeted funds at his/her discretion without curtailment, when in the best interest of the Association; (BD 34/91/3, BD 11/11/2, BD 24/11/2)~~

~~(d) Assigns duties to Association officers as and when necessary or appropriate; (BD 38/99/2, BD 11/11/2, BD 24/11/2)~~

~~(e) Prioritizes the duties of statewide officers in situations where duties assigned them by these Bylaws are conflicting. (BD 38/99/2, BD 11/11/2, BD 24/11/2)~~

~~206.02 Paid Leave for President~~

~~The Association shall attempt to secure paid leave from the president's state job, and may reimburse the state for the cost of leave, plus the cost of employer-provided benefits. Should paid leave not be available, the Association shall pay directly to the president the state salary the president would have drawn while on paid leave, including any scheduled state salary adjustments during the president's term of office. In addition, the Association shall pay the cost of any benefits that would have been paid by the state employer for a period of paid leave. (BD 33/91/3, BD 101/98/5, BD 34/04/2, BD 11/11/2, BD 24/11/2)~~

~~206.03 President's Compensation~~

~~(a) The salary of an employed member serving as president shall be the continuing salary the member draws from the State of California following election, plus an amount as determined in (c) below. (BD 33/91/3, BD 101/98/5, BD 34/04/2,~~
~~BD 11/11/2, BD 24/11/2)~~

~~(b) The salary of a retired member serving as president shall be equal to the current top step of the classification held at the time of retirement (or, if the classification no longer exists, an equivalent classification), less the employee's gross state retirement, plus an amount as determined in (c) below. (BD 33/91/3, BD 101/98/5, BD 34/04/2, BD 11/11/2, BD 24/11/2) (c) The president shall be paid $50,000 annual salary or the amount under (a) or (b) above, whichever is greater, plus expenses and a leased automobile. (BD 38/01/1, BD 31/02/1, BD 22/03/2, BD 34/04/2, BD 11/11/2, BD 24/11/2)~~

~~206.04 Compensation for Replacement for Full-Time Paid President~~

~~(a) Permanent Replacement~~

~~In the event of the death, resignation or removal of the president, the vice president becomes the president for the remaining portion of the term. (BD 45/92/2,~~
~~BD 101/98/5, BD 22/08/3, BD 11/11/2, BD 24/11/2)~~

~~(1) Compensation~~

~~When the vice president becomes president, his/her compensation shall be as provided in Division 2: Association Governance of the Policy File (BD 45/92/2, BD 59/94/2, BD 101/98/5, BD 22/08/3, BD 11/11/2, BD 24/11/2)~~

~~(b) Temporary Replacement~~

~~In the event the vice president becomes president on a temporary basis due to illness, injury or other similar incapacity that prevents the president from performing the duties of the office, the compensation for the vice president shall be determined as follows: (BD 45/92/2, BD 101/98/5, BD 22/08/3, BD 11/11/2, BD 24/11/2)~~

~~(1) No compensation for the first 15 days, except for related expenses incurred; (BD 45/92/2, BD 101/98/5, BD 11/11/2, BD 24/11/2)~~

~~(2) Starting with the 16th day and thereafter:~~

~~If leave of absence is taken, the prorata share of the compensation provided in Division 2: Association Governance of the Policy File.~~

~~(BD 45/92/2, BD 59/94/2, BD 101/98/5, BD 11/11/2, BD 24/11/2)~~

Division 13: Association Travel Expense

1301.00 Persons Eligible for Reimbursement

1301.01 Reimbursement on Association Business

The following persons may be reimbursed for expenses in connection with official business of the Association: (BD 17/77/1, BD 24/11/2)

(a) Delegates of General Council, when General Council is in session; (BD 17/77/1, BD 59/94/2, BD 24/11/2)

(b) <u>Association </u>Officers; (BD 17/77/1, BD 24/11/2)

(c) Affiliate/division officers including the designated alternate voting officer from each affiliate/division as defined in the Bylaws; (BD 17/77/1, BD 17/05/1, BD 19/09/1, BD 22/10/2, BD 24/11/2)

(d) Members of Association committees, councils, ad hoc committees, and advisory groups; (BD 17/77/1, BD 22/10/2, BD 24/11/2)

~~(e) Other members of the Association assigned by the president to perform duties for the Association; (BD 17/77/1, BD 24/11/2)~~

~~(f)~~ <u>(e)</u> Members of staff; and (BD 195/80/5, BD 24/11/2)

~~(g)~~ <u>(f)</u> Interpreters for the hearing impaired. (BD 75/77/3, BD 59/94/2, BD 17/05/1, BD 24/11/2)

~~(h)~~ <u>(g)</u> With prior approval of the president, any elected official of the Association including General Council delegates may be reimbursed for travel expenses incurred for personal care services when on authorized Association business. The president shall require medical verification of the need for personal care services prior to granting approval. The president shall also require, prior to granting approval, a written waiver of liability for the Association which shall be executed by both the member and the person(s) providing personal care services. (BD 49/97/3, BD 24/11/2)

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~~1305.00 Entertainment~~

~~1305.01 Members of the Board of Directors~~

~~Entertainment may be an authorized expense only for officers and when incurred in the performance of official business of the Association. The names and titles of persons for whom this type of expense is claimed, an explanation of expenses, and receipts must be included with the expense claim. (BD 16/82/1, BD 17/05/1, BD 41/06/2, BD 18/09/1, BD 24/11/2)~~

~~1305.02 Designated Management Staff~~

~~Expenses for approved legislative and administrative business activities involving entertainment of non-Association persons are authorized for headquarters management staff members whose assignments require such entertainment. The names and titles of persons for whom this type of expense is claimed, explanation of expenses, and receipts for entertainment expense, must be included with the claim. In the event it is impractical to list the names of each person in a sizeable group, the name and title of the main person in the group, the total number of persons, and the receipts will be sufficient. (BD 10/86/1, BD 24/11/2)~~

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1306.06 Extraordinary Expenses

~~(a) Officers of the Association are reimbursed for all allowable expenses incurred in the performance of official business of the Association. In addition they may claim all reasonable and necessary out-of-pocket expenses incurred in fulfilling the requirements of their office, subject to the approval of the president and secretary-treasurer. (BD 17/77/1, BD 24/11/2)~~

~~(b)~~ (a) General Council delegates (and alternate delegates as defined in Division 13: Association Travel Expense of the Policy File) are reimbursed only for actual authorized expenses necessary for attendance at General Council and related preliminary committee meetings. (BD 17/77/1, BD 59/94/2, BD 22/10/2, BD 16/11/2, BD 24/11/2)

~~(c)~~ (b) Claims for reimbursement of extraordinary expenses of members of General Council shall be submitted to the appropriate affiliate/division for approval and submission to the secretary-treasurer. Members of the Board of Directors shall submit claims directly to the secretary-treasurer for approval. (BD 17/77/1, BD 59/94/2, BD 22/10/2, BD 24/11/2)

~~(d)~~ (c) Expenses resulting from assignment of members of General Council to a hotel/motel more than one mile distance from General Council assembly location shall be approved by the appropriate affiliate/division prior to submission to the secretary-treasurer. (BD 17/77/1, BD 59/94/2, BD 22/10/2, BD 24/11/2)

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1307.00 Affiliate/Division Representatives on the Board of Directors

Affiliate/division representatives on the Board of Directors or on the Executive Committee are reimbursed from their respective affiliate budgets for all allowable expenses incurred in attending those meetings. (BD 158/80/4, BD 59/94/2, BD 55/97/3, BD 22/10/2, BD 24/11/2)

<u>1307.01 CSEA Officer Travel and Union Leave</u>

(a) <u>CSEA officers are authorized to attend all CSEA Board meetings, CSEA committee meetings and meetings for central support business operations and shall be reimbursed for all associated travel and union leave expenses. Union leave requests shall be routed to and signed by the CSEA President and the designated signatory for the affiliate in which the officer is a member. Travel expense claims are approved by the CSEA President or by the CSEA Secretary Treasurer for the President's travel.</u>

(b) <u>Reimbursement of travel expenses and union leave by CSEA officers to attend any affiliate-sponsored meeting is the responsibility of the affiliate and requires prior authorization by the affiliate president or designee. Union leave requests shall be routed to and signed by the designated signatory for the affiliate sponsoring the meeting and the designated signatory for the</u>

affiliate in which the officer is a member. Travel expense claims are approved by the designated affiliate officer.

(c) Reimbursement for travel expenses and union leave by CSEA officers to attend any other meeting or event not covered by (a) or (b) above must be authorized by Board action and is subject to all other travel and reimbursement rules in this division. Union leave requests shall be routed to and signed by the CSEA President and the designated signatory for the affiliate in which the officer is a member. Travel expense claims are approved by the designated CSEA officer as described in section (a) above.

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~~**1313.00 Automobile for the President**~~

~~The Association shall:~~

~~(a) Furnish a union-made vehicle for the president's use on Association business. The Association shall also furnish insurance on the vehicle and pay the actual cost of gasoline, oil, maintenance and repairs, or; (BD 7/91/1, BD 17/05/1, BD 22/10/2, BD 24/11/2)~~

~~(b) In lieu of using an Association-furnished vehicle, the president may receive business mileage reimbursement for use of a private vehicle in accordance with the provisions of this Division and a stipend equivalent to the cost of a leased vehicle. Should the president elect this option, the Association will not furnish insurance on the vehicle, nor will the Association pay for maintenance, repairs or the actual cost of gas and oil. (BD 7/91/1, BD 22/10/2, BD 24/11/2)~~

B&P 2/13/1 **(Hamilton) 40 Miles Limit Rule For Housing General Council Delegate**
BD 3/13/1 MOTION: That the Board of Directors adopt the following amendment to Policy File Section 1304.00 Lodging Section (b): Motion was adopted by general consent. CARRIED.

(b) Lodging ~~other than General Council lodging~~ shall not be allowed if residence is within 40 miles from the meeting location. Only actual expenses within the above limits are reimbursed and receipts are required.

~~Lodging for General Council shall be for the negotiated rate or less, based upon single occupancy by delegates. Only actual expense within the above limitations is reimbursed and receipts are required. General Council delegates opting not to take lodging may claim $25.00 a day, without receipts, to cover mileage, parking and other incidental expenses.~~

General Council Delegates not using housing may claim mileage and parking.

B&P 3/13/1 **(Hamilton) General Council Child Care 407.01**
BD 4/13/1 MOTION: That the Board of Directors delete Policy File Section 407.01 (Child Care) and that the section following be renumbered accordingly. Motion was adopted by general consent. CARRIED.

~~**407.00 Child Care**~~

~~407.01 Provision of Child Care~~

~~Every attempt will be made to provide child care to members attending General Council. When a member requests child care, an agreement will be sent to that~~

~~member specifying that the member will be responsible for any additional charges incurred if the child is not picked up within half an hour after recess/adjournment of the meeting for which child care was provided. The member must also agree to sign in/sign out, to present identification when leaving or picking up their child, to provide all meals and to be available at the meeting facility at all times while child care is provided. (BD 7/98/1, BD 64/03/2, BD 10/05/1, BD 10/11/2, BD 24/11/2)~~

~~408.00~~ 407.00 Oath of Office for Statewide Officers

I do hereby solemnly affirm that I will faithfully discharge the duties of the office to which I have been elected in accordance with the Bylaws and Policy File of the California State Employees Association to the best of my ability. I will deliver to my successor in office all books, papers and other property of this Association that may be in my possession at the close of my official term. (BD 61/90/2, BD 59/94/2, BD 64/03/2, BD 10/11/2, BD 24/11/2)

B&P 4/13/1 **(Hamilton) Committee Appointments**
BD 5/13/1 MOTION: That the Board of Directors approves the amendment to Policy File Section 605.00 as submitted. Motion was adopted by general consent. CARRIED.

Division 6: Committees

605.00 Committee Appointments

605.01 Appointments

Unless otherwise provided, the president coordinates the appointment of members nominated by their affiliates to General Council subject committees. The president may not appoint any member to a subject committee unless that member is nominated by an affiliate. The president may not veto an affiliate appointment without cause subject to review by the CSEA Board of Directors. Such subject committees shall consist of active members of the Association's affiliates; shall be appointed within 50 days of the close of General Council; and shall serve until the adjournment of the next succeeding General Council unless previously removed. (Bylaws Article X: Committees, Sections 4 and 5) (BD 195/80/5, BD 59/94/2, BD 16/05/1, BD 12/11/2, BD 24/11/2)

To ensure the greatest possible member involvement, the president should not appoint members of the Board of Directors to standing committees. (BD 43/81/3, BD 59/94/2, BD 22/08/3, BD 24/11/2)

FIS 1/13/1 **(Okumura) 2012 Audit Report**
BD 6/13/1 MOTION: That the Board of Directors adopt the 2012 Audit Report of CSEA. Motion was adopted by general consent. CARRIED.

FIS 2/13/1 **(Okumura) Budget Surplus in Central Support**
BD 7/13/1 MOTION: The Central Support surplus goes to the Building Reserve line item. This line item will be used to fund SEBC allocated cost, 2017 loan repayment and prior Board approved deferred maintenance. Motion was adopted by general consent. CARRIED.

FIS 3/13/1 **(Okumura) Member Benefits Profits**
BD 8/13/1 MOTION: To allow CSEA to retain excess reserve from Member Benefits to offset the general costs of the General Council in 2015 that were not budgeted for. Motion was adopted by general consent. CARRIED.

MEETING ADJOURNMENT

The meeting was adjourned by President Marilyn F. Hamilton at 2:55 PM.

Respectfully submitted,
Lao Sok

BOARD AGENDA ITEM	BP 5/13/2 (Hamilton)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Policy Governance
SOURCE AND/OR PROPONENT:	Marilyn F. Hamilton, President
PRESENTATION BY:	Marilyn F. Hamilton
ASSIGNED TO:	Marilyn F. Hamilton

RECOMMENDED ACTION:

That the Board of Directors approves the updated policy governance methodology for governing CSEA.

BACKGROUND:

The Board, after a series of facilitated workshops, have agreed to govern CSEA under a "Carver Style" model of governance. The purpose of this change is to reflect that CSEA has been restructured from a representative labor organization to a provider of shared administrative services and thus requires a different style of governance.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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CSEA BOARD POLICY	
Category: **Governance Process** Date of Adoption: Revision Date:	Title: **BOARD PURPOSE** Policy Number: **GP-1** Resolution No.:

The purpose of the Board is to see that CSEA (a) achieves appropriate results for its affiliates and (b) avoids unacceptable actions and situations.

1. The Board's fundamental accountability is to CSEA's affiliates. The Board is the sole body in the corporation to exercise the representative role with respect to the affiliates. This role cannot be delegated.

2. The primary test of Board performance is always to be viewed with respect to its fundamental accountability to its affiliates.

3. CSEA will act lawfully, honoring transparency and declared ethical standards.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **GOVERNING STYLE**
Date of Adoption:	Policy Number: **GP-2**
Revision Date:	Resolution No.:

The Board will govern lawfully with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) long-range leadership more than administrative detail, (d) clear distinction of Board and General Manager roles, and (e) collective rather than individual decisions.

1. The Board will cultivate a sense of group responsibility. The Board, not the management, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to management initiatives. The Board may use the expertise of individual members to enhance the ability of the Board as a body, while avoiding substituting individual judgments for the Board's values.

2. The Board will direct, control, and inspire the organization through the careful establishment of written policies. The Board's policy focus will be on the results that CSEA is to achieve for its affiliates and the limitation of risk, not on management methods used to attain those effects.

3. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policy-making principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its governance process policies at any time, it will observe them scrupulously while in force.

4. Continual Board development will include orientation of new directors in the Board's governance process and periodic Board discussion of process improvement.

5. The Board will not allow the Board president, any Board member, or any committee of the Board to hinder the fulfillment of its commitments or be an excuse for not fulfilling those commitments.

6. The Board will monitor and discuss the Board's process and performance at each meeting. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-Management Delegation categories.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **BOARD JOB DESCRIPTION**
Date of Adoption:	Policy Number: **GP-3**
Revision Date:	Resolution No.:

The Board's specific job is to ensure CSEA's performance on behalf of the affiliates.

Specifically, the Board will:

1. Assist the affiliates, if requested, in achieving their goals, while respecting the autonomy of each affiliate.

2. Establish the following types of governing policies to address CSEA's decisions and situations.

    A. *Governance Process policies:* specification of how the Board conceives, carries out and monitors, and ensures long-term competence in its own tasks.

    B. *Board-Management Delegation policies:* how power is delegated and its proper use monitored; the General Manager's role, authority, and accountability.

    C. *Management Limitations policies:* constraints on executive authority that establish the prudent and ethical boundaries within which all executive activity and decisions must take place.

    D. *Ends policies:* expected CSEA performance in terms of the results expected by affiliates. In determining Ends, the Board will give greater weight to the long-term interests of affiliates.

3. Effectively monitor CSEA's performance with regard to the expectations stated in its policies.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **BOARD-AFFILIATE LINKAGE**
Date of Adoption:	Policy Number: **GP-4**
Revision Date:	Resolution No.:

As the representative of CSEA affiliate interests, the Board and its members will ascertain whether affiliate interests are being well-served by CSEA and communicate their findings to the General Manager.

1. The Board and Board members will consult with affiliates regularly and be informed about the affiliates' levels of satisfaction with CSEA services.

2. In the event of an affiliate complaint, an affiliate will bring the complaint to the attention of the General Manager. In normal circumstances, the appropriate mechanism of communication is from the affiliate executive director to the General Manager.

3. The Board will, through its Management Limitations policies, require transparency and accuracy in management's relations with affiliates.

CSEA BOARD POLICY	
Category: **Governance Process** Date of Adoption: Revision Date:	Title: **AGENDA PLANNING** Policy Number: **GP-5** Resolution No.:

To accomplish its job with a governance style consistent with Board policies, the Board will follow an annual agenda that (a) completes a re-exploration of Ends policies, (b) reexamines Management Limitations policies, and (c) continually seeks improvement in Board performance through Board education, rich input, and deliberation.

1. The agenda cycle will start with the Board's development of its agenda for the following year. The cycle will conclude each year so that administrative planning and budgeting can be based on the Board's monitoring all of the Ends and Management Limitations policies.

2. Throughout the year, the Board will attend to consent agenda items as expeditiously as possible.

3. General Manager monitoring will be included on the agenda only when, in the opinion of a majority of directors, monitoring reports fail to demonstrate policy fulfillment.

4. Each meeting agenda will provide the flexibility to include emerging issues and the recommendation of additional items by individual Board members.

CSEA BOARD POLICY	
Category: **Governance Process** Date of Adoption: Revision Date:	Title: **BOARD PRESIDENT ROLE** Policy Number: **GP-6** Resolution No.:

The Board president ensures the integrity of the Board's processes.

1. The job of the Board president is to assure that the Board behaves consistently with its own rules and those legitimately imposed on it from outside the organization.

   A. The Board president is empowered to chair Board meetings with all the commonly accepted power of that position (for example, ruling, recognizing).

   B. Meeting discussions will be focused on those issues that, according to Board policy, clearly belong to the Board to decide, not the General Manager.

   C. Board deliberations will be fair, open, and thorough, but also timely, orderly, and kept to the point.

   D. The Board president is authorized to use any reasonable interpretation of the provisions in Governance Process and Board-Management Delegation policies.

   E. The Board president has no authority to make decisions about or within the Ends and Management Limitations policy areas.

   F. The Board president may represent the Board to outside parties in announcing Board-stated positions and in stating decisions and interpretations in the area delegated to her or him.

   G. The Board president may delegate any part of his or her authority to another Board member but remains accountable for its use.

   H. The Board President is allowed to appoint representatives, on behalf of the CSEA Board, to the State Employees Building Corporation.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **SECRETARY-TREASURER ROLE**
Date of Adoption:	Policy Number: **GP-7**
Revision Date:	Resolution No.:

The Board Secretary-Treasurer ensures the integrity of the finances and elections of CSEA.

1. The job of the Secretary-Treasurer is to:

   A. Serve as Chair of the Finance Committee;

   B. Oversee all CSEA elections;

   C. Act in the place of the president in the latter's absence or at the president's request;

   D. Perform other duties as assigned by the president.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **BOARD MEMBER CONDUCT**
Date of Adoption:	Policy Number: **GP-8**
Revision Date:	Resolution No.:

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including members' proper use of authority and appropriate decorum when acting as Board members.

1. Board members must avoid conflict of interest with respect to their fiduciary responsibility.

   A. There will be no self-dealing or business by a Board member with the organization except where approved by the Board and appropriately disclosed. When the Board is to decide on an issue about which a Board member has an unavoidable conflict of interest, that Board member shall recuse herself or himself without comment from not only the vote but also the deliberation.

2. Board members may not attempt to exercise individual authority over the organization.

   A. Board members' interactions with the General Manager or with management must recognize the lack of authority vested in individuals except when explicitly Board authorized.

   B. All official communications to the public, the press, or other entities will be through the Board president, General Manager, or their designees, and will be limited to the express stated positions of the Board and the organization.

   C. In their interactions with the public, the press, or other entities, Board members must not speak for the Board or CSEA except to express stated positions of the Board and the organization.

   D. Board members will not publicly express judgments critical of the performance of the General Manager or other CSEA employees except for Board deliberations, discussion among Board members, and confidential affiliate discussions.

3. Board members will respect the confidentiality appropriate to issues of a sensitive nature.

4. All Board members will sign an acknowledgement that they have received a copy of the Board's governance policies.

CSEA BOARD POLICY	
Category: **Governance Process** Date of Adoption: Revision Date:	Title: **COMMITTEE PRINCIPLES** Policy Number: **GP-9** Resolution No.:

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and so as never to interfere with delegation from Board to General Manager.

1. Board committees are to help the Board do its job, not to help, advise, or exercise authority over management. Committees will assist the Board ordinarily by preparing policy alternatives and implications for Board deliberation or by performing specific audit functions.

2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.

3. Expectations, composition, and authority of each committee will be carefully stated in the "Committee Structure" policy in order to establish performance time lines and the monitoring schedule of committee work, as well as to avoid conflicting with authority delegated to the General Manager.

4. Because the General Manager works for the full Board, he or she will not be required to obtain approval of a Board committee before an executive action except where such action is a Board action rather than an executive action and such Board authority has formally been given the committee and the committee has directed the General Manager to carry out said Board action.

5. Unless otherwise stated in the "Committee Structure" policy, a committee ceases to exist as soon as the Board determines its task is complete.

6. A committee is a Board committee only when its existence and charge come from the Board, whether or not Board members sit on the committee.

CSEA BOARD POLICY	
Category: **Governance Process**	Title: **COMMITTEE STRUCTURE**
Date of Adoption:	Policy Number: **GP-10**
Revision Date:	Resolution No.:

Board committees are those set forth by Board action, along with their job products, time lines, and Board-authorized use of funds and management time. Unless otherwise stated, a committee ceases to exist as soon as its task is complete.

1. Finance Committee

   A. Develop a budget and recommend it to the Board.

   B. Choose an auditor for Board consideration; specify the annual scope of audit prior to outside audit consistent with Board policy; assess auditor independence; confirm the integrity of audit product following completion of audit.

   C. Determine options for the General Manager's compensation package for Board consideration, using any reasonable interpretation of "General Manager Compensation" policy. The package is to be presented for Board consideration in such timely manner as to allow final affirmative action to be taken on the contract by both parties.

   D. *Authority:* For all activities including audit, use of funds shall be no more than allowed by the applicable Management Limitations policy.

2. Member Benefits Committee

   A. This committee will be responsible for evaluating the various offerings of the Member Benefits Department and evaluating programs and providers for ultimate Board consideration and approval.

3. The Finance and Member Benefits Committees will be filled by one representative from each Affiliate. The Board president will ask each Affiliate to appoint their own representatives for these Committees and to forward the names to the General Manager

CSEA BOARD POLICY	
Category: **Governance Process** Date of Adoption: Revision Date:	Title: **BOARD TRAINING** Policy Number: **GP-11** Resolution No.:

The Board will consciously invest in its ability to govern competently and wisely.

1. The Board's skills, methods, and supports will be sufficient to ensure governing with excellence.

    A. The Board will receive training to orient new members and to maintain and increase existing members' skill and understanding.

    B. Outside assistance will be arranged, as needed, so that the Board can monitor organizational performance. This includes, but is not limited to, the fiscal audit.

2. Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of good governance capability.

3. The Board will budget for its activities in governance training and development in CSEA's annual budget.

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CSEA BOARD POLICY	
Category: **Board Delegation Policies**	Title: **UNITY OF CONTROL**
Date of Adoption:	Policy Number: **BD-1**
Revision Date:	Resolution No.:

The Board's sole official connection to CSEA, its achievements and its conduct, will be through the General Manager.

1. Only officially passed motions of the Board bind the General Manager.

2. Neither the Board nor Board members will give instructions to persons who report directly or indirectly to the General Manager.

3. Decisions or instructions of individual Board members, officers, or committees do not bind the General Manager except in rare instances when the Board authorizes such exercise of authority.

4. Individual Board members who represent affiliate-customers of CSEA may make inquiries of management and staff and suggest ideas to management and staff, so long as the Board member informs the General Manager about his or her communication with management and staff in a timely manner.

CSEA BOARD POLICY	
Category: **Board Delegation Policies**	Title: **ACCOUNTABILITY OF THE GENERAL MANAGER**
Date of Adoption:	Policy Number: **BD-2**
Revision Date:	Resolution No.:

The General Manager is the Board's official link to operational achievement and conduct, so that all authority and accountability of management is considered by the Board to be the authority and accountability of the General Manager.

1. The only employee the Board will evaluate, either formally or informally, is the General Manager.

2. The Board will view General Manager performance as identical to total organizational performance. The organization's accomplishment of the Board's Ends policies and avoidance of the Board's Management Limitations policies will be viewed as successful General Manager performance. No performance measure established by the Board shall conflict with or modify this measure of performance.

3. All Management Limitations imposed on the General Manager apply equally to the General Manager and all personnel. The ultimate accountability resides with the General Manager.

CSEA BOARD POLICY	
Category: **Board Delegation Policies** Date of Adoption: Revision Date:	Title: **BOARD DELEGATION** Policy Number: **BD-3** Resolution No.:

The Board will instruct the General Manager through written policies that prescribe ends to be achieved and actions to be avoided, allowing the General Manager reasonable interpretation of those policies.

1. The Board will develop policies instructing that CSEA achieve certain ends. These policies will be developed systematically from the broadest, most general level to more defined levels and will be called Ends policies.

2. Management Limitations policies shall be developed to limit the General Manager's latitude in choosing the methods, practices, conduct, and other means to achieve the Ends policies. These Management Limitations policies will be developed systematically from the broadest, most general level to more defined levels.

3. As long as the General Manager complies with the Board's Ends and Management Limitations policies, the General Manager may establish further operational policies, make decisions, take actions, establish practices, and develop activities.

4. The Board may change any Ends or Management Limitations policy. By doing so, the Board changes the latitude of choice given to the General Manager as of the effective date of any policy change.

CSEA BOARD POLICY	
Category: **Board Delegation Policies** Date of Adoption: Revision Date:	Title: **MONITORING GENERAL MANAGER PERFORMANCE** Policy Number: **BD-4** Resolution No.:

The General Manager's job performance will be measured solely by the provisions of the Board's Ends and Management Limitations policies.

1. Evaluations of the General Manager's performance by the Board will normally be done annually based on the degree to which Board policies are being met, except in circumstances where the Board deems more frequent evaluations appropriate.

2. Evaluations of the General Manager shall be based both on the performance of the organization and the degree to which the General Manager's behaviors reflect those desired by the Board, including the ability to maintain effective relationships and communication with the Board, management and staff, and the ability to represent the organization in a manner that reflects high levels of professionalism.

3. The Board will acquire data to evaluate the General Manager by one or more of the following methods:

   A. By internal report, in which the General Manager provides information to the Board;

   B. By external report, in which an external, third party selected by the Board assesses compliance with Board policies; and,

   C. By direct Board inspection and observation.

4. In every case, the standard for compliance shall be a reasonable interpretation of the Board policy being monitored.

5. All policies that instruct the General Manager will be monitored at a frequency and by a method chosen by the Board as indicated in the table below:

POLICY	METHOD	FREQUENCY
Ends	Internal (General Manager)	Semiannually (January and July)
Governance Process and Board Delegation policies	Regular Board discussion	Every Board meeting

POLICY	METHOD	FREQUENCY
Management Limitations	Various (General Manager, unless indicated below)	Semiannually (January and July), unless otherwise indicated below
▪ Communication to and support of the Board (ML 2)	Internal (General Manager)	Every Board meeting
▪ Employee issues with significant economic or legal risks (ML 3)	Internal (General Manager)	Every Board meeting, as necessary
▪ Treatment of Employees (ML 4)	Internal (General Manager)	Annually
▪ Financial Planning & Budgeting (ML 5) ▪ Financial Conditions and Activities (ML 6)	Internal (General Manager)	Quarterly, following every Finance Committee meeting
▪ Emergency loss of General Manager (ML 10)	Internal (General Manager)	Annually
▪ Annual Audit (ML 6)	Internal (General Manager) External (Auditor)	Annually
▪ Communication to and support of the Board (ML 2)	Internal (General Manager)	Every Board meeting
▪ Employee issues with significant economic or legal risks (ML 3)	Internal (General Manager)	Every Board meeting, as necessary

CSEA BOARD POLICY	
Category: **Board Delegation Policies**	Title: **GENERAL MANAGER COMPENSATION**
Date of Adoption:	Policy Number: **BD-5**
Revision Date:	Resolution No.:

General Manager compensation will be evaluated annually by the Board and any changes in compensation will be based on CSEA's performance and market conditions.

1. CSEA's performance shall be evaluated by criteria directly related to Board policy.

2. Compensation will cover the entire range of salary, benefits, and any other form.

3. A committee process will be used to gather information and to provide options and their implications to the full Board for its decision.

CSEA BOARD POLICY	
Category: **Board Delegation Policies** Date of Adoption: Revision Date:	Title: **GENERAL MANAGER TERMINATION** Policy Number: **BD-6** Resolution No.:

The CSEA General Manager may only be terminated by Board action.

1. The Board may terminate the General Manager for failure in performing duties assigned. The Board shall use performance data directly related to the General Manager performance; or

2. The Board may terminate the General Manager at will.

3. In terminating the General Manager the Board must adhere to the terms of the General Manager employment contract or negotiate a settlement on any other terms agreeable to the parties involved.

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CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **BASIC MANAGEMENT CONSTRAINTS** Policy Number: **ML-1** Resolution No.:

The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of generally accepted business and professional ethics or generally accepted accounting principles.
The General Manager shall not cause or allow conditions, procedures, or decisions that are unsafe, unlawful, or unnecessarily intrusive.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Fail to provide timely and consistent delivery of services.

2. Fail to produce safe, effective, and quality services when used as intended.

3. Fail to operate and maintain facilities that are under the control of the General Manager, with reasonable and appropriate environmental and community protection.

4. Fail to comply with regulatory bodies governing the use and production of services or facility operations.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **COMMUNICATION TO AND SUPPORT OF THE BOARD** Policy Number: **ML-2** Resolution No.:

The General Manager shall not permit the Board to be uninformed or unsupported in its work.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Neglect to submit monitoring data required by the Board in a timely, accurate, and understandable manner (see the "Monitoring General Manager Performance" policy), directly addressing the provisions of the Board policies being monitored.

2. Fail to report in a timely manner actual or anticipated non-compliance with any Board policy.

3. Let the Board be unaware of relevant trends, anticipated adverse media coverage, threatened or pending lawsuits, backgrounds of all key management personnel, significant issues with major business partners and material external and internal changes, particularly changes in the assumptions on which any Board policy has previously been established.

4. Fail to advise the Board if, in the General Manager's opinion, the Board is not in compliance with the law or with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior detrimental to the relationship between the Board and the General Manager.

5. Present information in an unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.

6. Fail to provide a mechanism for Board and committee meetings; for official Board, officer, or committee communications; for maintenance of accurate Board records; and for Board disclosures required by law or deemed appropriate by the Board.

7. Fail to bring those items required by law, contract and requiring monitoring data to the Board for approval.

CSEA BOARD POLICY	
Category: **Management Limitations**	Title: **DEALINGS WITH AFFILIATES**
Date of Adoption:	Policy Number: **ML-3**
Revision Date:	Resolution No.:

The General Manager will neither impede the Board’s role as the collective representative of the affiliates nor impede the role of individual Board members in representing their respective affiliates.

1. Information to the Board or to the affiliates will never misrepresent CSEA’s operations.

2. The General Manager will take no actions and establish no relationships that interfere with the Board’s ability to provide appropriate oversight.

CSEA BOARD POLICY	
Category: **Management Limitations**	Title: **TREATMENT OF EMPLOYEES**
Date of Adoption:	Policy Number: **ML-4**
Revision Date:	Resolution No.:

With respect to the treatment of central support assigned employees, the General Manager may not cause or allow conditions that are unsafe, unfair, or unlawful.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Expose personnel to levels of occupational hazards greater than levels set by regulatory limits.

2. Operate without written personnel policies that (a) clarify rules for employees, (b) provide for effective handling of grievances and complaints, and (c) protect against wrongful or harmful conditions, such as harassment, nepotism or grossly preferential treatment for personal reasons.

3. Fail to apprise all employees of their employment rights.

4. Fail to maintain accurate and complete employee records.

5. Fail to provide adequate training for new and promoted employees.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **FINANCIAL PLANNING AND BUDGETING** Policy Number: **ML-5** Resolution No.:

Financial planning for any fiscal year or the remaining part of any fiscal year shall not risk fiscal jeopardy, fail to be derived from a multiyear plan, or fail to be consistent with CSEA performance under Ends policies and other Management Limitations policies.

Further, without limiting the scope of the foregoing by this enumeration, the General Manager shall not:

1. Fail to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

2. Plan expenditures in any fiscal year that would result in default under any of CSEA's financing agreements or cause the insolvency of CSEA.

3. Plan to provide fewer financial resources for Board activities during the year than are needed to meet the Board's training needs.

4. Fail to plan so as to safeguard the company from unacceptable financial conditions enumerated in the "Financial Conditions and Activities" policy.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **FINANCIAL CONDITIONS AND ACTIVITIES** Policy Number: **ML-6** Resolution No.:

With respect to actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy, compromised fiduciary responsibility, or material deviation from the Board's Ends policies.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Operate the company so as to cause it to be in default under any of its financial agreements.

2. Fail to follow generally accepted accounting principles in the maintenance of the financial records of CSEA.

3. Fail to perform an annual audit of CSEA's finances.

4. Fail to settle financial obligations in a timely manner.

5. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

6. Make an unbudgeted, non-maintenance single purchase or commitment greater than $50,000 with an aggregate of $ 100,000 in a fiscal year without prior Board consent. Splitting orders to avoid this limit is not acceptable.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **ASSET PROTECTION/RISK MANAGEMENT** Policy Number: **ML-7** Resolution No.:

The General Manager shall not fail to advise the Board regarding the protection and maintenance of CSEA's assets.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Fail to insure CSEA against theft and casualty losses to an appropriate level and against liability losses to Board members, employees, and the organization itself.

2. Fail to maintain adequate safeguards against any single employee having access to material amounts of funds.

3. Subject equipment to improper wear and tear or insufficient maintenance.

4. Unnecessarily expose the organization, its Board, or its employees to claims of liability.

5. Make any purchase wherein normally prudent protection has not been in place against conflict of interest.

6. Undermine, cause to lose credibility, or otherwise jeopardize the independence and transparency of any relationship the Board establishes with auditors or other entities of governance support.

   A. Purchase consulting services from either: (a) the current audit firm or (b) a previous audit firm within one year of termination of its service, without Board approval.

   B. Retain as consultant or hire as employee any management level person who has been in the employ of the current or previous audit firm within the previous one year, without Board approval.

7. Fail to maintain adequate records storage, protecting intellectual property, information, and files from loss or significant damage.

8. Receive process or disburse funds under controls that are deemed to be insufficient by the Board-appointed auditors.

9. Fail to keep all appropriate licenses current.

10. Endanger the organization's public image or credibility.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **INVESTMENTS** Policy Number: **ML-8** Resolution No.:

The General Manager shall not fail to invest corporate funds in a manner consistent with the following guidelines:

1. Preserve safety of principal;
2. Meet CSEA liquidity requirements;
3. Meet CSEA's stated investment policies;
4. Deliver optimum yields in relationship to above guidelines and market conditions;
5. Provide fiduciary control of all investments.

CSEA BOARD POLICY	
Category: **Management Limitations**	Title: **COMPENSATION AND BENEFITS**
Date of Adoption:	Policy Number: **ML-9**
Revision Date:	Resolution No.:

With respect to the employment, compensation, and benefits of CSEA managers, consultants and contract workers, the General Manager shall not cause or allow short-term or long-term jeopardy of fiscal integrity or to CSEA's image.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Change his or her own compensation and benefits.

2. Engage in false inducements or promises of employment.

3. Establish current compensation and benefits for managers that deviate materially from Board-approved compensation parameters.

4. Create obligations over a longer term than revenues can safely be projected, notwithstanding obligations created by the Board.

CSEA BOARD POLICY	
Category: **Management Limitations** Date of Adoption: Revision Date:	Title: **EMERGENCY LOSS OF GENERAL MANAGER** Policy Number: **ML-10** Resolution No.:

The General Manager shall not fail to protect CSEA from loss of its General Manager.

Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

1. Have fewer than two other managers who are familiar with the Board and General Manager issues and processes and who can provide emergency services.

2. Fail to have emergency short-term planning in place for this contingency.

CSEA BOARD POLICY	
Category: **Ends Policies** Date of Adoption: Revision Date:	Title: **MISSION** Policy Number: **E-1** Resolution No.:

With dedication, pride and commitment, CSEA will provide high quality innovative, cost-efficient, value-driven business services to our Affiliates, their members and our customers.

<table>
<tr><td colspan="2" align="center">CSEA BOARD POLICY</td></tr>
<tr><td>Category: Ends Policies

Date of Adoption:

Revision Date:</td><td>Title: VISION

Policy Number: E-2

Resolution No.:</td></tr>
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CSEA will be recognized as the “Go-To” partner for public employee organizations seeking unparalleled services for their members.

BOARD AGENDA ITEM	BEN 1/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Group 10-Year Level Term Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Discuss the possibility of setting up a retention agreement with the carrier.

BACKGROUND:

This plan, which became effective in 2011, offers term life insurance with level premiums for ten years. Coverage up to $1 million is available, or ten times salary if lower, with reduced rates for coverage of $250,000 or more. Coverage may be renewed for ten years through age 64. Rates vary with age, gender, tobacco use, and health category. Up to half of the death benefit is available to the insured in the event of diagnosis with terminal disease.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

Member, American Academy of Actuaries
Member, American Society of Pension Actuaries
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society
Fellow, Conference of Consulting Actuaries
Fellow, Society of Actuaries

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Ms. Lisa Fong, Benefits Manager
California State Employees Association
1108 O Street, Sacramento, CA 95814

August 5, 2013

10-YEAR TERM LIFE

This constitutes our annual report concerning the Group Term Plus life insurance plan underwritten by Anthem Life. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan, which became effective in 2011, offers term life insurance with level premiums for ten years. Coverage up to $1 million is available, or ten times salary if lower, with reduced rates for coverage of $250,000 or more. Coverage may be renewed for ten years through age 64. Rates vary with age, gender, tobacco use, and health category. Up to half of the death benefit is available to the insured in the event of diagnosis with a terminal disease.

Enrollment

There were 172 covered members as of May 2013.

Experience

A total of about $75,000 of premium was paid during 2012.

Expenses

Expense information is not yet available for this plan.

Contingency Reserve

There is no provision in the plan for a contingency reserve.

Recommendations

1. Conclude that there is no contingency reserve surplus.

2. Discuss the possibility of setting up a retention agreement with the carrier.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 2/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Group Term Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is substantial surplus in the contingency reserve.

2. Continue working with the carrier to increase member participation.

3. Monitor the impact of the new plan designs on the contingency reserve.

BACKGROUND:

This plan, which became effective more than seventy years ago, offers coverage under a schedule which increases with salary and decreases at ages 65 and 70. Monthly premium rates per $1,000 coverage vary from 5¢ under age 30 to $22.21 at age 95 and older. The plan provides maximum basic coverage of $100,000 for those under age 65 whose salary is at least $2,500 per month, or with completion of a Statement of Health. Additional coverage is available to bring total coverage up to as much as $300,000 for members under age 65. The additional coverage option replaces the previous Supplemental Term Plan, which has been discontinued. Accidental death and premium waiver benefits are included under the plan, and dependent life insurance coverage is also available. In July, 2002 a temporary premium rate discount of 20% was implemented to release excess margin in the contingency reserve. In December, 2005 this goal was met and premium rates were restored to the contractual levels.

During 2011 a new 10-year level term life plan was introduced, and the term life program was extended to include associate members of CSEA. Experience for those plans is maintained separately, and is not included in this review.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

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August 5, 2013

GROUP TERM LIFE

This constitutes our annual report concerning the Group Term Plus life insurance plan underwritten by Anthem Life. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan, which became effective more than seventy years ago, offers coverage under a schedule which increases with salary and decreases at ages 65 and 70. Monthly premium rates per $1,000 coverage vary from 5¢ under age 30 to $22.21 at age 95 and older. The plan provides maximum basic coverage of $100,000 for those under age 65 whose salary is at least $2,500 per month, or with completion of a Statement of Health. Additional coverage is available to bring total coverage up to as much as $300,000 for members under age 65. The additional coverage option replaces the previous Supplemental Term Plan, which has been discontinued. Accidental death and premium waiver benefits are included under the plan, and dependent life insurance coverage is also available. In July, 2002 a temporary premium rate discount of 20% was implemented to release excess margin in the contingency reserve. In December, 2005 this goal was met and premium rates were restored to the contractual levels.

During 2011 a new 10-year level term life plan was introduced, and the term life program was extended to include associate members of CSEA. Experience for those plans is maintained separately, and is not included in this review.

Enrollment

The membership count provided by Anthem for 2012 indicates a continuing decrease in enrollment. The reported numbers of covered members for the last five years were:

YEAR	ACTIVE	RETIRED	TOTAL
2008	5,403	5,010	10,413
2009	4,895	5,030	9,925
2010	4,522	4,821	9,343
2011	4,368	4,649	9,017
2012	4,369	4,305	8,674

Coverage

While overall plan participation dropped almost 4% during 2012, plan coverage increased by over 2.5% as a result of a nearly 7% increase in the average coverage amount. Aggregate amounts below are in millions of dollars, while the average amounts are in dollars:

YEAR	AGGREGATE	AVERAGE
2008	716	68,700
2009	723	72,900
2010	694	74,300
2011	689	76,400
2012	707	81,500

Experience

A history of plan loss ratios for the last five years, based on claims incurred and premiums earned, is shown below (ratios are shown as percentages):

YEAR	RATIO
2008	86
2009	83
2010	76
2011	87
2012	132

Expenses

Plan expenses include administrative service fees, state premium taxes and guaranty association assessments, and carrier retention. Carrier retention dropped to 3.15 in August, 2009. Fees as a percent of earned premium increased in 2009 due primarily to the transition of administration to AGIA. Additional expenses were incurred in 2012 relating to the start-up cost of the 10-year plan. Expense ratios for the last five years have been (as percentages of earned premium):

YEAR	FEES	TAXES	RETEN	TOTAL
2008	13.0	2.7	5.2	20.9
2009	21.5	2.4	4.3	28.2
2010	20.2	2.4	3.2	25.8
2011	23.3	2.4	3.2	28.9
2012	37.0	2.4	3.2	42.6

Interest Credits

Interest is credited on all plan reserves (extended disability, claim, statutory, and contingency) at 90% of the rate earned by the carrier during the year (%):

YEAR	RATE
2008	4.67
2009	4.68
2010	4.44
2011	3.18
2012	3.11

Contingency Reserve

The contingency reserve is the excess (from plan inception) of premiums earned and investment income over expenses paid and claims incurred, including provision, through the policy and claim reserves, for future claim payments (premiums and reserves are in dollars, ratios are in percentages):

YEAR	PREMIUM	RESERVE	RATIO
2008	4,159,294	4,782,517	115
2009	4,217,667	5,613,208	133
2010	4,173,994	6,753,235	162
2011	3,944,904	6,902,154	175
2012	3,186,705	6,171,985	194

Other Reserves

Policy (statutory) and claim (extended disability and other) reserves decreased last year:

YEAR	POLICY RESERVES	CLAIM RESERVES	COMBINED RESERVES	RATIO TO PREMIUM
2008	15,322,344	8,171,563	23,493,907	565
2009	14,640,403	7,862,341	22,502,744	534
2010	14,486,298	7,302,546	21,788,844	522
2011	14,612,386	7,134,095	21,746,481	551
2012	13,800,594	6,725,781	20,526,375	644

Recommendations

1. Conclude that there is substantial surplus in the contingency reserve.
2. Continue working with the carrier to increase member participation.
3. Monitor the impact of the new plan designs on the contingency reserve.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 3/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Group Ordinary Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is a small surplus in the contingency reserve.
2. Monitor the impact of plan restructuring on member participation.

BACKGROUND:

This plan, which became effective in 1960, provides whole life insurance with increasing cash values. Coverage varies with salary from a low of $12,000 to a maximum of $30,000 basic coverage, but up to an additional $50,000 of supplemental group ordinary life insurance may be purchased. Accidental death and premium waiver benefits are included under the plan, and dependent life coverage is also available. Separate subplans are maintained for policies issued prior to November of 1971 (old policies) and those issued subsequently (new policies). From 1984 to 2002, mortality dividends (varying from 25% to 75% on old policies) were utilized to help reduce excess margin in the plan’s contingency reserve. In addition, contract premium rates have been discounted 50% for supplemental coverage, and as much as 95% for basic coverage.

In 2011 the group ordinary plan was revised for all new enrollees. The new plan allows coverage options from $10,000 to a maximum of $100,000 for applicants under age 66. Employees aged 66 or older may apply for $2,500 of coverage. Premiums rates under the new plan have also been revised to reflect updated mortality assumptions. Experience for the new product is reflected in the reported data.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

Member, American Academy of Actuaries
Member, American Society of Pension Actuaries
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August 5, 2013

GROUP ORDINARY LIFE

This constitutes our annual report concerning the Group Ordinary life insurance plan underwritten by Anthem Life. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan, which became effective in 1960, provides whole life insurance with increasing cash values. Coverage varies with salary from a low of $12,000 to a maximum of $30,000 basic coverage, but up to an additional $50,000 of supplemental group ordinary life insurance may be purchased. Accidental death and premium waiver benefits are included under the plan, and dependent life coverage is also available. Separate subplans are maintained for policies issued prior to November of 1971 (old policies) and those issued subsequently (new policies). From 1984 to 2002, mortality dividends (varying from 25% to 75% on old policies) were utilized to help reduce excess margin in the plan's contingency reserve. In addition, contract premium rates have been discounted 50% for supplemental coverage, and as much as 95% for basic coverage.

In 2011 the group ordinary plan was revised for all new enrollees. The new plan allows coverage options from $10,000 to a maximum of $100,000 for applicants under age 66. Employees aged 66 or older may apply for $2,500 of coverage. Premium rates under the new plan have also been revised to reflect updated mortality assumptions. Experience for the new product is reflected in the reported data.

Enrollment

The group ordinary life plan enrollment has continued to decline for both active and retired members. Total enrollment decreased 18% last year:

YEAR	ACTIVE	RETIRED	TOTAL
2008	764	1,137	1,901
2009	716	1,117	1,833
2010	633	1,100	1,733
2011	582	1,083	1,665
2012	537	825	1,362

Coverage

Total coverage under the plan has declined due to the reduction in plan participation, while average coverage has increased somewhat. Aggregate coverage below is in millions of dollars, while active and retired average coverage amounts are in dollars:

YEAR	AGG COV	ACT AVG	RET AVG
2008	38	31,500	12,700
2009	37	32,200	12,700
2010	35	32,100	13,000
2011	33	32,000	13,100
2012	32	34,000	16,100

Experience

Ordinary life loss ratios are of limited significance, since much of the premium is used to develop cash values rather than for current claims. The application of various discounts to basic premium rates further complicates the development of loss ratios. Loss ratios for the past five years are shown below as percentages of discounted premiums:

YEAR	RATIO
2008	173
2009	172
2010	170
2011	151
2012	322

Expenses

Plan expenses include administrative service fees, state premium taxes and guaranty association assessments, and carrier retention. Fees increased last year, primarily due to the cost associated with implementing plan revisions. Expense ratios, based on expenses paid and contract (i.e. undiscounted) premiums earned, are shown below for the last five years (%):

YEAR	FEES	TAXES	RETEN	TOTAL
2008	10.7	1.3	5.2	17.2
2009	17.6	1.1	4.3	23.0
2010	16.8	1.0	3.2	21.0
2011	19.9	1.0	3.2	24.1
2012	24.8	1.0	3.2	29.0

Interest Credits

Interest is credited on all plan reserves (policy reserves, extended disability, claim, premium waiver, and contingency) at the same rate as that for the group term plan (%):

YEAR	RATE
2008	4.67
2009	4.68
2010	4.44
2011	3.18
2012	3.11

Contingency Reserve

The contingency reserve is the excess (from plan inception) of premiums earned and investment income over expenses paid and claims incurred, including provision, through the other reserves, for future payments. Although the plan has a shrinking and aging group of participants, experience since 2009, combined with investment income, has generated a significant increase in the contingency reserve:

YEAR	EARNED PREMIUM	CONTRACT PREMIUM	CONTINGENCY RESERVE	RESERVE RATIO (%)
2008	425,616	892,854	237,938	27
2009	424,563	910,656	282,442	31
2010	383,211	887,873	461,584	52
2011	350,718	814,075	396,403	49
2012	329,553	756,565	409,656	54

Other Reserves

Policy reserves dropped significantly last year, reflecting the drop in total enrollment. Overall, combined reserves (apart from the contingency reserve) remain very substantial, reflecting the aging of participants, and are now about sixteen times as large as annual contract premiums:

YEAR	POLICY RESERVES	CLAIM RESERVES	COMBINED RESERVES	RATIO TO PREMIUM
2008	12,821,533	976,430	13,797,963	1,545
2009	12,641,716	1,092,692	13,734,408	1,508
2010	12,333,911	959,504	13,293,415	1,497
2011	12,209,076	810,443	13,019,519	1,599
2012	11,295,668	900,423	12,196,091	1,612

Recommendations

1. Conclude that there is a small surplus in the contingency reserve.

2. Monitor the impact of plan restructuring on member participation.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 4/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is a surplus in the contingency reserve.

2. Continue the plan with New York Life at current rates.

3. Continue efforts to increase plan participation, particularly among active members.

BACKGROUND:

This New York Life plan, which replaced the Mutual of Omaha plan in 2003, provides accidental and dismemberment benefits for employed members and their dependents, with continuing coverage for retired members and their families. Coverage is in units of $50,000, with a maximum of $500,000 for active participants and $200,000 for retirees. Coverage terminates at age 80. Several supplementary benefits are provided, such as an inflation hedge and a 12-month waiver of dependent coverage premiums following the death of the insured. Dependent coverage is directly related to member coverage, being 40% for spouses (50% without children) and 10% for eligible children. In 2009 an optional rider was added to provide additional travel accident benefits up to $200,000.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

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August 5, 2013

ACCIDENTAL DEATH AND DISMEMBERMENT

This constitutes our annual report concerning the Accidental Death and Dismemberment insurance plan underwritten by New York Life. Our report includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This New York Life plan, which replaced the Mutual of Omaha plan in 2003, provides accidental death and dismemberment benefits for employed members and their dependents, with continuing coverage for retired members and their families. Coverage is in units of $50,000 with a maximum of $500,000 for active participants and $200,000 for retirees. Coverage terminates at age 80. Several supplementary benefits are provided, such as an inflation hedge and a 12-month waiver of dependent coverage premiums following the death of the insured. Dependent coverage is directly related to member coverage, being 40% for spouses (50% without children) and 10% for eligible children. In 2009 an optional rider was added to provide additional travel accident benefits up to $200,000.

Enrollment

Plan enrollment decreased about 7% last year. The numbers of total covered members at the end of each of the indicated years were:

YEAR	MEMBERS
2008	18,150
2009	15,929
2010	14,836
2011	14,149
2012	13,097

Experience

Data shown below is policy year (beginning on June 1 of the indicated year). Premiums and claims are in thousands of dollars, and loss ratios are percentages:

YEAR	EARNED PREMIUMS	INCURRED CLAIMS	LOSS RATIO
Through 2008	41,422	25,102	61
2009	2,555	1,309	51
2010	2,514	1,284	51
2011	2,499	748	30
2012	2,485	1,226	49
Totals	51,488	29,518	57

Expenses

Total estimated expenses for policy year 2012 were just over $900,000. The ratios of expenses to earned premium, for the last five years, have been as follows:

YEAR	EXPENSES	RATIO
2008	972	39
2009	1,061	42
2010	1,001	40
2011	1,070	43
2012	905	36

Interest Credits

Recent experience has maintained the positive balance in the contingency reserve. Over the past year interest was credited (at a rate of 2.4%) in the amount of $60,213.

Contingency Reserve

Based on the retention agreement with New York Life, the contingency reserve for this plan consists of a Cost Stabilization Reserve (CSR) plus amounts in excess of the required CSR goal (the greater of $400,000 or 25% of annual earned premium). 100% of the net gain for each year is credited first to the CSR with any excess to be credited to insured members. Experience over the past year (estimated) increased the total contingency reserve to $2,614,306. The CSR was $621,500 (25.0% of estimated earned premium) as of June 30, 2013.

Recommendations

1. Conclude that there is surplus in the contingency reserve.
2. Continue the plan with New York Life at current rates.
3. Continue efforts to increase plan participation, particularly among active members.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

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BOARD AGENDA ITEM	BEN 5/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Disability Income Insurance Plans (Short Term and Long Term) New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is a surplus in the contingency reserve.

2. Continue the plans with New York Life at current rates.

3. Continue to market both plans to rebuild plan membership.

BACKGROUND:

This plan has been underwritten by New York Life since May 1, 2002, and is the continuation of a plan first implemented in 1977. Coverage varies with salary, being designed to replace most of net after-tax earned income lost due to disability. The long-term version of the plan provides up to two years or five years of monthly income (based on plan selection) after a six-month elimination period (i.e., non-retroactive waiting period). The short-term version of the plan provides benefits up to six months after a one-month elimination period for sickness only (there is no elimination period for injury). Monthly premiums vary with salary and age. When New York Life took over the plan, existing rates were continued, benefit maximums were increased, and a five-year plan was added. The plan developed nearly a million-dollar deficit during the first three years of operation. After negotiations with AGIA on CSEA's behalf, New York Life agreed to continue the plan unchanged, but with a 38% rate increase effective December 1, 2005. In 2006, plan enrollment began to drop as a consequence of SEIU Local 1000 members becoming eligible for the state-sponsored SDI program. In response, New York Life developed an alternative plan for these members, which is offered at an average rate reduction of over 30% and is designed to augment SDI coverage. This plan was added in 2007.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

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Ms. Lisa Fong, Benefits Manager
California State Employees Association
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August 5, 2013

DISABILITY INCOME

This constitutes our annual report concerning the Disability Income insurance plan underwritten previously by Fortis Benefits Insurance Company, and currently by New York Life Insurance Company. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan has been underwritten by New York Life since May 1, 2002, and is the continuation of a plan first implemented in 1977. Coverage varies with salary, being designed to replace most of net after-tax earned income lost due to disability. The long-term version of the plan provides up to two years or five years of monthly income (based on plan selection) after a six-month elimination period (i.e. non-retroactive waiting period). The short-term version of the plan provides benefits up to six months after a one-month elimination period for sickness only (there is no elimination period for injury). Monthly premiums vary with salary and age. When New York Life took over the plan, existing rates were continued, benefit maximums were increased, and a five-year plan was added. The plan developed nearly a million-dollar deficit during the first three years of operation. After negotiations with AGIA on CSEA's behalf, New York Life agreed to continue the plan unchanged, but with a 38% rate increase effective December 1, 2005. In 2006 plan enrollment began to drop as a consequence of SEIU Local 1000 members becoming eligible for the state-sponsored SDI program. In response, New York Life developed an alternative plan for these members, which is offered at an average rate reduction of over 30%, and is designed to augment SDI coverage. This plan was added in 2007.

Enrollment

Plan membership continues to decline, dropping over 13% last year. Approximately 20% of the covered members select the short term plan:

YEAR	MEMBERS
2008	2,574
2009	2,345
2010	2,070
2011	1,830
2012	1,590

Experience

Data shown below is policy year (beginning on May 1 of the indicated year). Because of the switch from calendar-year to policy-year record keeping, the first four months of 2002 are not included in the totals. Premiums and claims below are in thousands of dollars, and loss ratios are percentages:

POLICY YEAR	EARNED PREMIUM	INCURRED CLAIMS	LOSS RATIO
Through 2008	26,785	14,793	55
2009	1,401	559	40
2010	1,267	592	47
2011	1,115	110	10
2012	1,056	205	19

Expenses

Expenses reported by New York Life are net of interest credits. For 2012, expenses included a contribution of 5% toward building the contingency reserve. Expenses below are in thousands of dollars, while ratios are percentages:

POLICY YEAR	EXPENSES INCURRED	EXPENSE RATIO	COMBINED RATIO
Through 2008	11,116	42	97
2009	550	39	79
2010	530	42	89
2011	454	41	51
2012	410	39	58

Interest Credits

Interest of $36,755 was credited by New York Life on the claim reserve of about $1.3 million for policy year 2012. The interest was used to offset expenses.

Contingency Reserve

Based on the retention agreement with New York Life, the contingency reserve for this plan consists of a Cost Stabilization Reserve (CSR) plus amounts in excess of the required CSR goal (100% of annualized earned premium based on year-end in force). 100% of the net gain for each year is credited first to the CSR with any excess to be credited to insured members. Experience over the past year has increased the total contingency reserve to $1,495,381. The CSR was $1,074,253 (101.8% of earned premium) as of May 1, 2013.

Recommendations

1. Conclude that there is surplus in the contingency reserve.
2. Continue the plans with New York Life at current rates.
3. Continue to market both plans to rebuild plan membership.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

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BOARD AGENDA ITEM	BEN 6/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Cancer Insurance Plans Monumental Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that the plans have generated a surplus in the contingency reserve.

2. Continue the plans with Monumental Life at current premium rates.

BACKGROUND:

The original plan became effective in 1996, replacing the Cancer and Other Specified Disease program which had previously been underwritten by National Foundation Life. The plan provides lump sum benefits payable directly to the insured member, as well as specified medical care coverage. It offers heart attack and stroke coverage as an optional benefit, in addition to the basic cancer coverage, with a maximum lifetime amount for all benefits of $250,000. Dependent coverage is also available under this plan. The plan was put out to bid in 2001, with Monumental Life retained as the carrier. During 2006 a second plan was put out to bid, and Cancer CarePlus was added (also underwritten by Monumental Life). Beginning in 2006, a retention agreement was implemented for both plans, which provides for a 50% share of plan surplus to be returned to plan participants. Experience for both plans is reflected in this report.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

FREDERICK W. KILBOURNE

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1108 O Street, Sacramento, CA 95814

August 5, 2013

CANCER INSURANCE PLANS

This constitutes our annual report concerning the Cancer insurance plans underwritten by Monumental Life Insurance Company. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

The original plan became effective in 1996, replacing the Cancer and Other Specified Disease program which had previously been underwritten by National Foundation Life. The plan provides lump sum benefits payable directly to the insured member, as well as specified medical care coverage. It offers heart attack and stroke coverage as an optional benefit, in addition to the basic cancer coverage, with a maximum lifetime amount for all benefits of $250,000. Dependent coverage is also available under this plan. The plan was put out to bid in 2001, with Monumental Life retained as the carrier. During 2006 a second plan was put out to bid, and CancerCare Plus was added (also underwritten by Monumental Life). Beginning in 2006 a retention agreement was implemented for both plans, which provides for a 50% share of plan surplus to be returned to plan participants. Experience for both plans is reflected in this report.

Enrollment

Participation in the plans decreased about 1.5% last year:

YEAR	MEMBERS
2008	4,521
2009	4,591
2010	5,075
2011	5,384
2012	5,302

Experience

Earned premium decreased by 2% last year. The incurred loss ratio remained low. Premiums and claims below are in thousands of dollars, and loss ratios are percentages:

POLICY YEAR	EARNED PREMIUM	INCURRED CLAIMS	LOSS RATIO
Through 2008	15,708	5,998	38
2009	1,619	437	27
2010	1,690	334	20
2011	1,817	414	23
2012	1,780	387	22
Totals	22,614	7,570	33

Expenses

In 2012 expenses amounted to about 60% of earned premium. Total expenses below are net of interest credited on the contingency reserve during 2012. This offset is reflected in the fees category.

YEAR	FEES	TAXES	RETEN	MKTG	TOTAL
2008	34.5	2.5	12.5	13.4	62.9
2009	34.8	2.5	12.5	13.0	62.8
2010	34.9	2.5	12.5	10.8	60.7
2011	35.0	2.5	12.5	8.9	58.9
2012	37.0	2.5	12.5	8.0	60.0

Contingency Reserve

The carrier agreed to enter into a retention agreement effective January 1, 2006, under which 50% of the excess of earned premium over claims incurred and expenses paid is credited to the participants, after any contribution that is needed to maintain the stabilization reserve at a level equal to 15% of earned premium. The credited excess for 2012 was $161,904, bringing the total in this account to $719,403. The stabilization reserve was $266,970 as of December 31, 2012.

Recommendations

1. Conclude that the plans have generated a surplus in the contingency reserve.
2. Continue the plans with Monumental Life at current premium rates.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

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BOARD AGENDA ITEM	BEN 7/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Legal/Identity Theft Plan Legal Club of America Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with Legal Club of America at current rates.

BACKGROUND:

This plan, which became effective in 2000, provides specified legal services through a network of attorneys throughout the State. Other legal services are available at a relatively low rate. The plan has been provided since inception by the same provider.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

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August 5, 2013

LEGAL PLAN

This constitutes our annual report concerning the legal service plan provided by Legal Club of America. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan, which became effective in 2000, provides specified legal services through a network of attorneys throughout the State. Other legal services are available at a relatively low rate. The plan has been provided since inception by the same provider.

Enrollment

Plan membership increased approximately 4% during the past year. There were 1,421 covered members at the end of 2012, with access to 1,408 California attorneys.

Experience

A total of about $860,000 of premium has been paid over the life of the plan, of which about $94,000 was paid in 2012. Since this is a service plan, and not insurance, the provider makes no claim payments. Approximately half of the plan participants (659 members) used plan services during 2012.

Expenses

Reimbursement of service costs totaled about $20,000 in 2012. Other program costs have not been provided.

Contingency Reserve

There is no provision in the plan for a contingency reserve.

Recommendations

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with Legal Club of America at current rates.

Kathleen Blum | Fred Kilbourne

Kathleen A Blum | Frederick W. Kilbourne

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BOARD AGENDA ITEM	BEN 8/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Auto and Homeowners Insurance Plan Kemper Select Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude there is no contingency reserve surplus

2. Continue the plan with Kemper at current rates.

3. Continue marketing to increase plan participation.

BACKGROUND:

This plan became effective in 2001. It provides auto and homeowners insurance along with umbrella liability and boat coverage. Coverage is offered on an individual, rather than a group, basis. Records of problems and complaints, maintained by the Member Benefits staff, have shown favorable results. In January of 2003 Merastar replaced Rewards Plus as plan administrator, creating a direct relationship between CSEA and the insurance company. In June 2007, Merastar was purchased by Unitrin, Inc. In June 2012, the Merastar brand was replaced by Kemper. The contract with Kemper provides for a retention bonus and profit sharing opportunities based on loss ratio and total retention.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

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August 5, 2013

AUTO AND HOMEOWNERS

This constitutes our annual report concerning the Auto and Homeowners insurance plan provided by Kemper Select. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan became effective in 2001. It provides auto and homeowners insurance along with umbrella liability and boat coverage. Coverage is offered on an individual, rather than a group, basis. Records of problems and complaints, maintained by Member Benefits staff, have shown favorable results. In January of 2003 Merastar replaced Rewards Plus as plan administrator, creating a direct relationship between CSEA and the insurance company. In June 2007, Merastar was purchased by Unitrin, Inc. In June 2012, the Merastar brand was replaced by Kemper. The plan also went out to bid in 2012 and a five-year contract was awarded to Kemper. The contract with Kemper provides for a retention bonus and profit sharing opportunities based on loss ratio and total retention.

Enrollment

Policy counts as of December 31, 2012 decreased almost 5% relative to last year. The history below shows total policy counts (auto, homeowners, boat, and umbrella) over the last five years:

YEAR	MEMBERS
2008	2,196
2009	2,166
2010	1,975
2011	1,905
2012	1,813

Experience

Insured members paid about $2.3 million in premium in 2012. Premiums and claims below are in thousands of dollars, and loss ratios are percentages of premium:

POLICY YEAR	EARNED PREMIUMS	INCURRED CLAIMS	LOSS RATIO
2008	3,433	1,927	56
2009	3,192	1,605	50
2010	2,818	1,529	54
2011	2,621	1,190	45
2012	2,349	1,454	62

Expenses

The carrier reports paid commission and marketing costs only. Those expenses are shown below in thousands of dollars, while ratios are percentages of premium:

YEAR	EXPENSES PAID	EXPENSE RATIO
2008	276	8
2009	245	9
2010	244	9
2011	269	10
2012	269	11

Contingency Reserve

The new contract with Kemper provides for profit sharing when the annual loss ratio is 55%, or better. The percentage paid to CSEA ranges from .5% to 12%, depending on the loss ratio and total member retention percent. For 2012 the loss ratio was 62% and did not result in a profit sharing distribution.

Recommendations

1. Conclude there is no contingency reserve surplus.
2. Continue the plan with Kemper at current rates.
3. Continue marketing to increase plan participation.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

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BOARD AGENDA ITEM	BEN 9/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Emergency Assistance Plan (EA+) On Call International Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with the current carrier.

BACKGROUND:

This plan, which became effective in 2004, provides medical and associated assistance in the event of sickness or injury when traveling. Coverage is available on a family or member-only basis.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

INDEPENDENT ACTUARIES

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August 5, 2013

EMERGENCY ASSISTANCE PLAN

This constitutes our annual report concerning the Emergency Assistance Plan provided by On Call International. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan, which became effective in 2004, provides medical and associated assistance in the event of sickness or injury when traveling. Coverage is available on a family or member-only basis.

Enrollment

Enrollment, which had been declining since 2008, increased slightly last year. Membership for the last five years of the program has been as follows:

YEAR	MEMBERS
2008	3,984
2009	3,759
2010	2,726
2011	2,953
2012	3,092

Experience

Paid premiums plus fees totaled about $298,000 in 2012. This is primarily a service plan, but the provider does make some direct payments to insured members under certain circumstances. Premiums for the last five years have been as follow, in thousands of dollars:

YEAR	PREMIUM
2008	334
2009	327
2010	281
2011	282
2012	298

Loss Reserves

As of May 31, 2013 there was 1 open claim, with case reserves of $13,372.

Expenses

No information about the costs of operating the plan has been provided.

Contingency Reserve

There is no provision in the plan for a contingency reserve.

Recommendations

1. Conclude that there is no contingency reserve surplus.
2. Continue the plan with the current carrier.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 10/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Pet Insurance Plan Hartville Group, Incorporated Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with the current carrier.

3. Request additional data for purposes of reviewing plan experience.

BACKGROUND:

Pet insurance became available to CSEA members in 2004 through a plan offered by PetHealth, incorporated. In March 2012, the Member Benefits Committee recommended to the CSEA Board that A&H Intermediaries (Hartville) take over the plan. Members covered under the prior plan would be able to continue their coverage under that plan, if they prefer. Enrollment in the new plan is done on-line. Rates vary based on the level of coverage selected and the age and health of the pet.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

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August 10, 2013

PET INSURANCE PLAN

This constitutes our annual report concerning the Pet Health Insurance Plan provided by Hartville Group and underwritten by United States Fire Insurance Company. It includes a brief description of the plan. Data is not available to evaluate recent experience or the condition of the plan.

Background

Pet insurance became available to CSEA members in 2004 through a plan offered by PetHealth, Incorporated. In March, 2012 the Member Benefits Committee recommended to the CSEA Board that A&H Intermediaries (Hartville) take over the plan. Members covered under the prior plan would be able to continue their coverage under that plan, if they prefer. Enrollment in the new plan is done on-line. Rates vary based on the level of coverage selected and the age and health of the pet.

Enrollment

Enrollment in the prior plan was about two dozen participants last year. Updated data is not available for that plan. The new plan had 14 active policies as of August 5, 2013.

Experience

Neither carrier has provided current premium or claim experience.

Expenses

No information about the costs of operating the plan has been provided.

Contingency Reserve

There is no provision in the plan for a contingency reserve.

Recommendations

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with the current carrier.

3. Request additional data for purposes of reviewing plan experience.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 11/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Comprehensive Accident Plan (CAP) Hartford Life and Accident Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Conclude that the plan has generated a profit.

2. Continue marketing to increase plan participation.

3. Discuss potential for a retention agreement with the carrier.

BACKGROUND:

This plan was implemented in 2007 to provide additional coverage for accident-related loss beyond that which is included in the AD&D plan underwritten by New York Life. Two levels of coverage are offered, providing benefits for death, disability and hospitalization.

Attached is the 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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THE KILBOURNE COMPANY

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August 5, 2013

COMPREHENSIVE ACCIDENT PLAN

This constitutes our annual report concerning the Comprehensive Accident insurance plan underwritten by Hartford Life and Accident Insurance Company. It includes a brief review of the actuarial condition of the plan and of recent activity, as well as our conclusions and recommendations for action this year.

Background

This plan was implemented in 2007 to provide additional coverage for accident-related loss beyond that which is included in the AD&D plan underwritten by New York Life. Two levels of coverage are offered, providing benefits for death, disability and hospitalization.

Enrollment

Membership decreased significantly (17%) during 2012:

YEAR	MEMBERS
2008	561
2009	587
2010	595
2011	571
2012	473

Experience

After five years, claim experience is now emerging. Premiums and claims below are in thousands of dollars, and loss ratios are percentages of premium:

YEAR	EARNED PREMIUMS	INCURRED CLAIMS	LOSS RATIO
Through 2008	237	52	22
2009	164	20	12
2010	194	11	6
2011	186	13	7
2012	165	6	4

Expense

Expenses remain high as a percent of premium. Expense ratios have been as follows, based on premiums earned and expenses paid:

YEAR	FEES	MKTG	RETEN	TOTAL
2008	31.5	38.3	9.6	79.3
2009	25.0	25.5	9.6	60.1
2010	25.0	17.7	9.6	52.3
2011	25.0	28.9	11.1	65.0
2012	25.0	28.9	11.1	65.0

Contingency Reserve

There is no provision for a contingency reserve with this plan. Claim experience for the first five years has been very low.

Recommendations

1. Conclude that the plan has generated a profit.
2. Continue marketing to increase plan participation.
3. Discuss potential for a retention agreement with the carrier.

Kathleen Blum

Kathleen A. Blum

Fred Kilbourne

Frederick W. Kilbourne

BOARD AGENDA ITEM	BEN 12/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Emergency Roadside Assistance Plan (ERS) Road America Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt the following recommendations:

1. Continue marketing to increase plan participation.

2. Continue the plan with the current carrier.

BACKGROUND:

The Road America Emergency Roadside Assistance Plan was launched online at the AGIA CSEA Member Benefits website in March 2013. Physical applications were created in April 2013.

Because this plan was implemented in 2013, there is no 2012 Annual Actuarial Report.

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

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BOARD AGENDA ITEM	BEN 13/13/2 (Kilday-Hicks)
ACTION ITEM	Date: 10/19/13
SUBJECT:	Hearing Aid Benefit Epic Hearing Service Plan New Benefit Endorsement
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends to the Board of Directors to endorse and offer EPIC Hearing Service Plan as a new CSEA member benefit and to take all precautions on member data protection.

BACKGROUND:

The CSEA Member Benefits Committee directed AGIA to conduct a Request for Information (RFI) and Request for Proposal (RFP) to search the marketplace for a potential hearing aid program that would coincide with health plans offered by the State and CalPERS. AGIA presented the committee with its findings at the July 7, 2012 Member Benefits Committee meeting. After discussion by the committee, the following motion was made:

MB 23/12/2 MOTION: Harder, second by O'Neil-Rosales - that the Hearing Aid Benefit item be tabled until more information can be provided with different coverage scenarios and brand restrictions. CARRIED.

Attached are the CalPERS Hearing Aid Benefit Plans (Attachment A).

At the request of the committee, AGIA has had further discussions with the Hearing Aid Request for Proposal (RFP) respondents (AXIA Strategies, Inc. and EPIC Hearing Service Plan) about their program being offered to CSEA members. The responses to the questions from the prior committee meeting are as follows:

Response from AXIA Strategies, Inc.:

1) Provide more discount information/examples, specifically device/product discounts.

   HearPO works with eight of the industry's leading hearing aid manufacturers to offer our customers access to over 1,000 state of the art products. HearPO also offer the Miracle Ear brand.

2) Describe how the Axia Plan would work in conjunction/supplement the existing CALPERS hearing coverage.

   The HearPO plan is not insurance. Simply stated, the discount plan would complement the existing CALPERS (Fully Insured) benefits very well because members have a cap on their hearing aid benefits (assuming I'm interpreting their Benefits Summary correctly) and would very quickly be paying out of pocket. Without exactly knowing what they are looking for, this is some general information but could change/vary.

   Depending on how the discount plan and funded benefit would be marketed, this would potentially need to be approved by the insurance company. I think this is the best we can answer this until we know exactly how CSEA would market the program but I will provide any more information I hear.

3) Is the Axia Plan tied to one hearing aid maker?

   Please see the two attached documents. There isn't really an MSRP in the hearing industry and prices at providers vary throughout the U.S. (their customary pricing) HearPO pricing is fixed across the U.S. I have attached a general HearPO program informational brochure explaining their Low price guarantee and additional benefits with the HearPO program.

Attached is the Axia fee schedule and brochure outlining their Plan (Attachment B).

Response from EPIC Hearing Service Plan:

1) Provide more discount information/examples, specifically device/product discounts:

   The EPIC Hearing Service Plan is the only plan to offer name brand, digital hearing aids at prices starting as low as $495, including assessment, evaluation, and fit of the product by a credentialed audiologist or ENT physician. All of EPIC's hearing aids includes a three year warranty and 1st year supply of batteries at no charge.

Manufacturer	***Product***	***Level***	***MSRP***	***EPIC's Price***	***Savings***
Siemens	*Motion 700/701 CIC*	*Premium*	*$4,299.00*	***$2,599.00***	*60%*
Sonic	*Velocity 6 (Omni) CIC*	*Advanced*	*$3,799.00*	***$1,732.00***	*46%*
Unitron	*Latitude 8 W Full Shell Dir*	*Standard*	*$2,199.00*	***$1,215.00***	*55%*
Phonak	*Milo Plus CIC*	*Basic*	*$1,399.00*	***$495.00***	*35%*

2) Describe how the EPIC plan would work in conjunction/supplement the existing CALPERS hearing coverage:

   The Hearing Service Plan is fully managed by EPIC which entails that EPIC verifies eligibility of benefits, refers members to a participating provider within our network, manages claims/payment processing, manages entire hearing care process from initial referral to finalization, and provides utilization/activity reports back to CSEA. The coordination of the allocated benefit can work one of two ways: 1) at time of payment EPIC coordinates the allocated benefit so that the benefit portion is paid directly to EPIC and the member is only responsible for any out of pocket portion if it applies (depending on the benefit, the member may not have any out-of-pocket expense) OR 2) The member pays the full amount upfront and EPIC provides him/her with a claim to submit to CALPERS for reimbursement.

3) Is the EPIC Plan tied to one hearing aid maker?

   EPIC has access to all name brand hearing aids and related technology Guaranteed lowest pricing representing savings of 30-60% off MSRP with pricing starting as low as $495 for name brand technology from all major manufacturers including Phonak, Unitron, Siemens, GN Resound, Starkey, Widex, Oticon, and Sonic Innovations to name a few (no off brand or private label products)

Attached is EPIC Hearing Services Plan's introduction for administrators and proposal (Attachment C).

ESTIMATED COST/SAVINGS: None. (Staff estimate: No cost.)

FUNDING SOURCE:

BOARD ACTION:

2013 Health Benefit Summary

Helping you make an informed choice
about your health plan

CalPERS

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Medicare HMO Plans

BENEFITS	Kaiser Permanente	Blue Shield NetValue/Access+/EPO	Blue Shield 65 Plus	CCPOA *Association Plan*
Hearing Services				
Hearing Exam	$10			No Charge
Audiological Exam	$10	No Charge		$15
Benefit Beyond Medicare	N/A			
Hearing Aids – Benefit Beyond Medicare	$1,000 max/36 months			$500 max/member
Vision Care				
Vision Exam	$10	$10 (limited to one visit/see EOC)		$10
Benefit Beyond Medicare	N/A			
Eyeglasses	No Charge following cataract surgery			
Benefit Beyond Medicare	N/A			
Contact Lenses	No Charge following cataract surgery			
Benefit Beyond Medicare	In lieu of eyeglasses: $175 allowance every 24 months	N/A		
More Benefits Beyond Medicare (Services covered beyond Medicare coverage)				
Acupuncture	$10 (when medically necessary; discounts available/see EOC)	N/A		
Chiropractic	$10 (20 visits; discounts available/see EOC) No Charge chiropractic appliances ($50 max)	$10		$15/exam (up to 20 visits) No Charge diagnostic services; chiropractic appliances ($50 max)
Smoking Cessation Program	N/A			

Medicare PPO Plans

BENEFITS	PERS Select PPO	PERS Select Non-PPO	PERS Choice PPO	PERS Choice Non-PPO	PERSCare PPO	PERSCare Non-PPO	CAHP *Association Plan*	PORAC *Association Plan*
Hearing Services								
Hearing Exam	No Charge[1]						No Charge	20%
Audiological Exam	No Charge[1]							
Benefit Beyond Medicare	20%						10% ($200 max/36 months)	20% (up to $50/exam in connection with hearing aid purchase)
Hearing Aids – Benefit Beyond Medicare	20% ($1,000 max/36 months)				20% ($2,000 max/24 months)		10% ($1,000 max/36 months)	20% ($450 max/36 months/one ear)
Vision Care								
Vision Exam	N/A							
Benefit Beyond Medicare	One exam ($35 max)						N/A	20% (limit one exam)
Eyeglasses	No Charge following cataract surgery							
Benefit Beyond Medicare	Two lenses/calendar year; one set of frames during a 24-month period See EOC for maximum allowances						N/A	20% ($40 combined max for initial frames and lenses)
Contact Lenses	No Charge following cataract surgery							
Benefit Beyond Medicare	$100 max						N/A	20% (up to $40)
More Benefits Beyond Medicare								
Acupuncture	N/A				20% (up to 20 visits)			
Chiropractic	No Charge[1]						20%	
Smoking Cessation Program	20% ($100 max)						No Charge ($100 max)	N/A

[1] If benefits are payable by Medicare and you use a provider who accepts Medicare assignment, covered services will be paid in full.

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BENEFITS	HMO Basic Plans					PPO Basic Plans									
	Kaiser Permanente	Blue Shield Access+ HMO	Blue Shield EPO	Blue Shield NetValue HMO	CCPOA *Association Plan*	PERS Select PPO	PERS Select Non-PPO	PERS Choice PPO	PERS Choice Non-PPO	PERSCare PPO	PERSCare Non-PPO	CAHP *Association Plan* PPO	CAHP *Association Plan* Non-PPO	PORAC *Association Plan* PPO	PORAC *Association Plan* Non-PPO
Hearing Aid Services															
Hearing Exam/Screening	← No Charge →					20%[1]	40%	20%[2]	40%	10%[2]	40%			20%	20%[3]
Audiological Exam	← No Charge →				$15	20%		20%		10%				20% (no deductible)	
Hearing Aids	← $1,000 max every 36 months →				$500 max/ member	20%	40%	20%	40%	10%	40%	10%	40% (one single hearing device every 36 months)	20% (no deductible; one hearing aid per ear every 36 months)	
						← (one single hearing device every 36 months) →									

[1] PERS Select utilizes the Anthem Blue Cross Select PPO Network, which is a subset of the Anthem Blue Cross Prudent Buyer PPO Network. Approximately 50 percent of the Anthem Blue Cross Prudent Buyer PPO Network of physicians participate in the Select PPO Network. By obtaining physician services through the Select PPO Network, you will receive the highest level of reimbursement. If you are a PERS Select member, you should check to see if a physician is participating in the Select PPO Network before receiving services.

[2] PERS Choice and PERSCare utilize the Anthem Blue Cross Prudent Buyer PPO Network, which is a more comprehensive network. By obtaining services through Anthem Blue Cross Prudent Buyer PPO Network, you will receive the highest level of reimbursement.

[3] Covered expense for services from non-PPO providers is based on a strictly limited schedule of allowances. As a PPO member, you must pay charges in excess of those scheduled amounts.

HearPO Diagnostic Testing and Services Fee Schedule

30% discount off HearPO designated usual & customary charges

Audiology Services	HearPO Price	CPT Code	Usual & Custmry
Screening-air only	$14	92551	$20
Pure tone threshold - air only	$21	92552	$30
Pure tone threshold -air & bone	$32	92553	$45
SRT or SDT	$14	92555	$20
SRT & Speech Discrimination	$25	92556	$35
Air, Bone, SRT & Discrim	$56	92557	$80
Audiometric testing of groups	$35	92559	$50
Loudness Balance	$18	92562	$25
Tone Decay	$18	92563	$25
Stenger - pure tone	$18	92565	$25
Tympanometry	$21	92567	$30
Acoustic reflex test	$18	92568	$25
Tympanometry & Reflex Threshold	$42	92550	$60
Acoustic Immittance Test (Tympanomtery, Reflex, Reflex Decay)	$63	92570	$90
Filtered Speech	$35	92571	$50
Staggered Spondaic Words	$35	92572	$50
Lombard test	$18	92573	$25
Sensorineural Acuity Level	$18	92575	$25
Synthetic Sentence Identificatn	$70	92576	$100
Stenger – speech	$18	92577	$25
Visual Reinforcement Audio	$56	92579	$80
Conditioning Play Audio	$32	92582	$45
Select Picture Audiometry	$25	92583	$35
ABR - threshold or complete	$245	92585	$350
OAE - limited or complete	$60	92587-88	$85
Central testing	$123	92589	$175
Basic Vestibular Evaluation	$284	92540	$405
Spontaneous nystagmus with gaze nystagmus	$44	92541	$63
Positional nystagmus (4)	$39	92542	$56
Caloric vestibular test (4)	$79	92543	$113
Optokinetic nystagmus	$30	92544	$43
Oscillating tracking	$26	92545	$37
Sinusoidal vertical rotational	N/A	92546	N/A
Use of vertical electrodes	$23	92547	$33
Posturography	$385	92548	$550
Electrocochleography	N/A	92584	N/A
Cerumen removal	$21	69210	$30
Weber test	$18	92599	$25
Tinnitus Evaluation	$70	92599	$100
Hearing Therapy	$53	92507	$75
Special Event Consultation	N/A	92599	N/C
Special Event Test	N/A	92599	N/C

Hearing Aids and Related Services	HearPO Price	CPT Code	Usual & Custmry
Hearing Aid Eval – monaural	$63	92590	$90
Hearing Aid Eval – binaural	$63	92591	$90
Hearing Aid Check – monaural	$18	92592	$25
Hearing Aid Check – binaural	$28	92593	$40
Electroacoustic Eval – monaural	$18	92594	$25
Electroacoustic Eval – binaural	$28	92595	$40
HPD Attenuation Measurement	$53	92596	$75
Earmold (each)	$53	V5264	$75
Swim mold or HPDs (each)	$42	V5299	$60
Musician Noise Plugs	N/A	V5299	
Special handling and postage	N/A	V5299	
Hearing aid repair in-house minor	$14	V5014	$20

Other Services and Products			
Unlisted service or procedure	N/A	92559	
Assistive Listening Devices	N/A	V5299	
Other products	N/A	V5299	
Medical Record copies	$18	92599	$25
Medical Report	$35	92599	$50
Home visit-new / established	N/A	99341-47	$45
Office Visit - new or established	N/C	99201-11	$30
Hearing Aid Batteries, per cell	N/A	V5086	$1.40

Speech/Language Services and Prosthetics			
Speech Evaluation	$67	92506	$95
Language Evaluation	$67	92506	$95
Speech / Language Therapy		92507	$75hr
Voice Prosthetic Evaluation		92597	

Diagnosis	Code		Code	Diagnosis	Code
Acoustic Neuroma	225.1*	Hearing Loss-Mixed	389.2*	Recruitment	388.44
Atresia	744.02	Hearing Loss-Noise	388.12	Speech – delayed	315.39
Cerumen	380.4*	Hearing Loss-SN	389.1*	Speech – disorder	784.5*
Cleft lip and palate	749.2*	Hyperacusis	388.42	TM Perforation	384.2*
Cleft palate	749*	Menieres	386*	Tinnitus	388.31
Communication Problem	388.43	Ossicular Discontinuity	385.23	TMJ dysfunction	524.6*
Eustachian Tube Dysfunction	381.81	Otalgia	388.7*	Vertigo/Dizziness	780.4*
Hearing Loss – Central	389.14	Otitis Media	381.3*	Other –must include code	
Hearing Loss – Conductive	389*	Otosclerosis	387.9*		

*Diagnosis code requires 5 digits

HPO Price = 30% discount off designated U&C.

Usual & Custmry = an average national usual & customary fee for each CPT code

N/A = discounted price not available – provider will charge their usual and customary charge for that CPT or V code

N/C = No charge to member

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When it comes to educating your clients, HearPO does it all.

Letting your clients know the benefits of HearPO and helping them take advantage of this great benefit is easy. That's because we do it for you. HearPO provides all the tools and support you need to spread the word, and can create a custom marketing program for you.

Here's what we can offer:

Educational webinars – We can implement and moderate webinars to educate your clients on hearing loss and how to treat it with the help of a professional hearing health care expert. We can also cover a range of topics including: hearing loss rehabilitation, noise vs. hearing loss, how to buy hearing aids, and more.

Newsletters – We can offer newsletters updated regularly with information about hearing care, products and services and the HearPO Program. Or we can provide content (such as articles) for your own company newsletter.

Web support – We can provide content about the program for your own website as well as provide a custom URL dedicated to explaining the partnership between your organization and HearPO.

Email blasts – We are able to create custom emails for your organization, with updates about hearing care, products and services, and the HearPO Program.

Customized offers – Based on the needs of your organization, we can offer special savings like coupons, significantly discounted mail-order batteries shipped free right to your employee's/member's home, or a friends and family program.

Simple employee enrollment instructions – We provide simple instructions so that it's easy for your clients to access the HearPO Program.

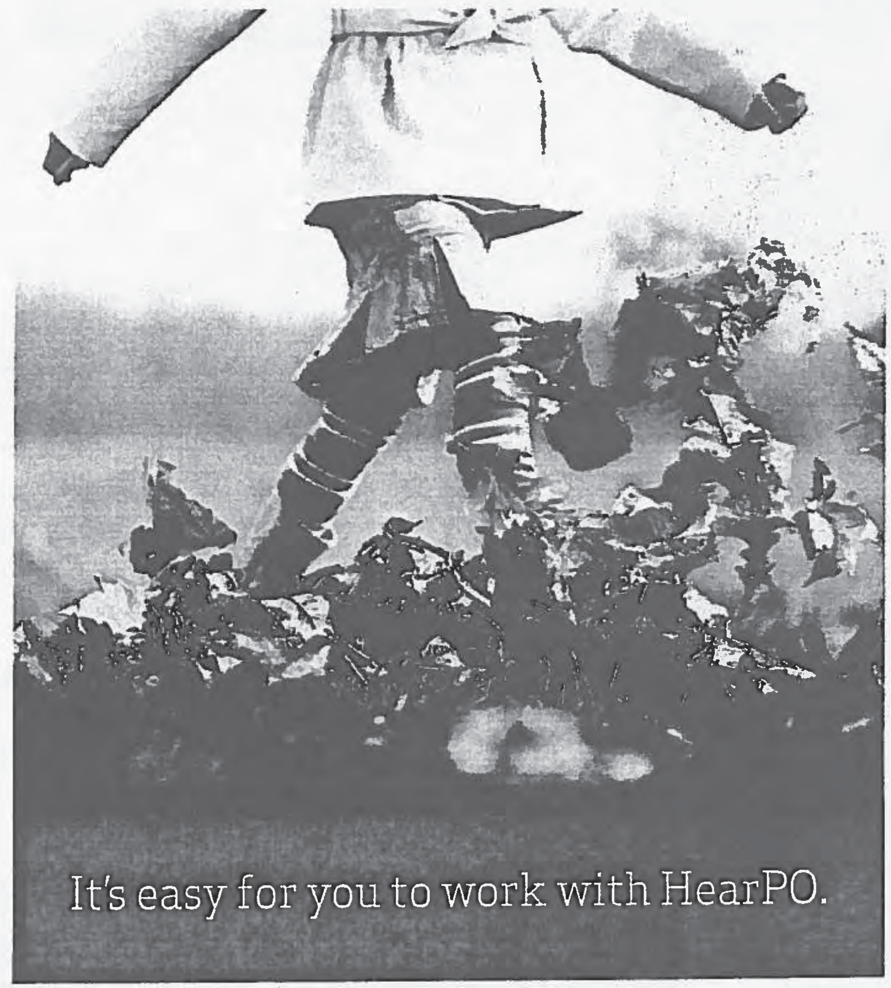
Q & A – clients often have immediate questions about HearPO and its benefits. We provide this guide to answer some of the most common questions.

Announcement flyers – We can provide coupons, program reminders and more that can be distributed through a payroll statement, Explanation of Benefits, or other means.

Call us today at 1-877-443-2776

HearPO
Hearing Benefits Made Simple™

HearPO
Hearing Benefits Made Simple™



Because we do it for you.



As a HearPO® partner, you can offer your clients quality, discounted hearing health care at no cost to your organization. You'll be making a great choice for your clients, and they're sure to appreciate HearPO's money-saving program.

In order for your clients to get the most from HearPO, they should know about what we offer and how to take advantage of their new hearing program. We can give you absolutely everything you need to educate your clients about HearPO.

Let HearPO do all the work. From creation to implementation, we provide the tools that make the HearPO program easy to use.

The best part? No cost to you or your clients.

Why HearPO is so valuable to you.

As you may know, most insurance plans do not adequately cover hearing health care. HearPO, however, provides money-saving benefits that extend to clients, friends and family. And with nearly 35 million Americans experiencing hearing loss (and only 10% wearing hearing aids), these benefits are the most important part of your free hearing health care plan.

Hearing Loss Affects Everyone

- It is the #1 birth defect in children
- 5% of children under 18 have hearing loss
- One out of six baby boomers (41-59) suffer from it
- 43% of Americans over 65 have hearing loss

Here's what you can expect from your HearPO partnership:

- Discounted hearing health care plans at no cost to your organization from one of the largest provider networks of hearing care professionals.
- Hearing health care programs with a **90% or better patient satisfaction** score for more than a decade.
- **A best price guarantee** offering the most product choices at the lowest cost, so your clients find precisely what they need at the best price.*
- **A 60-day trial period** ensures your clients are satisfied with their hearing solution.
- **Free one-year supply of batteries**, valued at approximately $75 (80 cells per hearing aid maximum).
- A state-of-the-art call center that handles enrollment and provider information quickly and easily.
- Expertise when dealing with workers' compensation claims.

*Competitor coupon required for verification of price and model. Limited to manufacturers offered through the HearPO program. Local provider quotes only will be matched

We also make it easy for clients to access the HearPO® Program.

All they have to do is follow our simple 3-step process:

1 Call HearPO to select a hearing health care professional in their area.

2 Our representative will explain the HearPO process, obtain the mailing address of your employee/member and assist them in making an appointment with the hearing health care provider.

3 HearPO will send information to your employee/member and the provider. This will ensure the HearPO Program is activated.

Take advantage of everything HearPO can do for you and your clients. Call us today at 1-877-443-2776.

HearPO does it all. Not only do we offer custom, quality, discounted hearing health care – we'll also work with you to provide the tools and support that educate your clients to make the most of it.

Call now for more information.

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3191 W. Temple Ave Suite 200
Pomona, CA 91768
Administrators Toll Free: 877-606-3742
Members Toll Free: 866-956-5400
hear@epichearing.com
www.epichearing.com

HEARING SERVICE PLAN

Benefits to Members and Family Members:

- Access to highest quality providers
- Name Brand Hearing Aids at 30-60% off retail
- Lowest pricing starting at $495
- Tests utilized to determine/substantiate treatment recommendations
- On call support for questions/issues
- Financing options available

Benefits to Plan Administrators:

- Hearing Care Plan that expands member benefits
- Managed administration and utilization
- Information support on call
- No cost to offer the plan

Cost Containment with EPIC Hearing Healthcare

The EPIC Hearing Service Plan is built on negotiated fee-for-services and wholesale priced products. The eligibility criterion is open to members and family/dependents.

Administration

The EPIC Hearing Service Plan will provide all administrative functions in regards to the following:

1. **Referral Activation**. EPIC will send a referral packet to each member outlining plan details when they call to activate their Hearing Healthcare Benefits.
2. **Member Support**. Members may call our toll free number (866-956-5400) from 6:00a.m.-6:00p.m. (PST), Monday thru Friday with questions about coverage or hearing care.
3. **Benefit Coordination**. When applicable (i.e. if any current coverage exists), EPIC integrates your member's hearing care coverage with our reduced pricing on name brand hearing aid technology and related services; maximizing value and savings.
4. **Utilization Reports**. EPIC can provide standard utilization reporting for administrative reference.

Hearing Device Cost Comparisons

The **EPIC HSP** process provides the most diagnostic information which assures the best therapy and treatment. This translates into the best prices and lowest costs. The example below illustrates the potential cost savings and price advantages of the EPIC Hearing Service Plan for hearing aids.

AVERAGE PRICE FOR TWO HEARING AIDS	TOTAL COST
Standard Retail Price for two (2) Hearing Aids	$4,000 -$7,000
Typical Discounted Price	$3,000 - $5,000
EPIC HSP Price	**$2,400 - $3,600**

How It Works for Your Members

To initiate a referral to a participating provider, members should contact EPIC Hearing Healthcare at 866-956-5400 and identify themselves as a member of your organization; the following will occur:

- **EPIC will send a referral packet including provider and plan information**
- **EPIC will notify the nearest hearing care provider**
- **Member schedules an appointment with the provider for a hearing evaluation.**
- **Following a hearing evaluation, the provider will determine your member's hearing needs.**
- **If hearing aids are indicated, the provider will assist them in choosing the most appropriate hearing system for their needs at negotiated and reduced prices.**
- **Single payment is made to EPIC/ EPIC will contact the member to discuss payment and financing options and to coordinate any benefits when applicable.**
- **Member is entitled to a 45 day trial period.**
- **At the completion of the trial period, EPIC extends the warranty on the hearing aid(s) to 3 years* and provides a 1 year supply of batteries per hearing aid, complementary.**

*Excludes Basic Level Products

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Proposal
for
CSEA 7.22.2013

Hear better, Live

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www.epichearing.com

Proposal: Hearing Healthcare

EPIC Hearing Service Plan: ASO Option

Dear Kevin,

EPIC (Ear Professionals International Corporation) appreciates the opportunity to provide a hearing plan proposal for the CSEA. In order for you to have a complete understanding of EPIC, we are providing this summary in response to your request for a proposal. The EPIC Hearing Service Plans are a turn-key approach to offering your members a standardized, comprehensive Hearing Healthcare Plan that picks up where most other medical plans leave off; for a consistent approach to hearing care throughout the country.

Our proposal includes a full plan description of the EPIC Hearing Service Plan: ASO Option, which compliments and coordinates with any existing hearing benefits. Also included in our proposal is information regarding our provider network; hearing aid technology and fixed fee schedule; administration and marketing.

EPIC Hearing Healthcare represents over 5,000 ENT physicians and audiologists nationwide-- the largest network of its kind in the nation. The EPIC Hearing Service Plans manage the process of referrals; professional services and diagnostics; access to all technology; and billing and collections. In this manner, individuals throughout the country can be assured of standardized and consistent procedures for assessment and evaluation, technology selection, programming, and outcomes measurements. And the EPIC Hearing Savings Plan pricing is consistent and standardized in all cities and states, and across all makes, models, and manufacturers.

The EPIC Hearing Service Plans (HSP) offer the greatest value in hearing aids and related services and the best quality of care. That statement is fulfilled in the following HSP plan provisions and structures. The EPIC Hearing Service Plans are unique in the specialty care marketplace as no other program or company offers this wide-ranging assurance of value and quality. The EPIC HSP addresses those concerns most often raised by people who are considering hearing aids.

- **Cost** -- EPIC controls and presets all pricing on a national basis; and because of our unique pricing strategy, EPIC presents the best price possible on all hearing aid products. This assures the greatest value and eliminates any incentives for up selling, markup pricing, and profit driven decisions.

- **Provider Identification** -- Surveys suggest that people are concerned about finding a reputable provider when considering hearing aids and the cost of hearing aids. The EPIC network of credentialed physicians and audiologists addresses this concern; and the call center is available to answer any questions a patient may have regarding a provider or provider status.

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- **Hearing Aid Efficacy and Cosmetic Issues** -- By providing access to the full range of hearing aid manufacturers, EPIC has assured availability of the best and most appropriate technology for each hearing loss, and the style or shape/model most preferred by the individual patient/member.

We believe that EPIC provides the greatest value to you and your members by not only controlling the cost, but by managing the total process of hearing care and hearing aids; and we can report that data and value on a regular basis as standard feedback.

The EPIC Hearing Service Plans provide the most complete and comprehensive program for hearing aid evaluation, assessment, and treatment; and in so doing, the EPIC Plans provide every individual member the opportunity to hear better, live fully.

Again, we appreciate the opportunity to provide this proposal; please contact me with any questions.

Sincerely,

Mike Reha
Director, Sales & Marketing
909-718-8419
mreha@epichearing.com

July 22, 2013

Provider Network and Hearing Care

The EPIC HSP provider network is the largest of its kind in the country consisting of otolaryngologists and audiologists. The EPIC Hearing Service Plans provider network assures value and quality in the following components:

- The network consists of credentialed ENT physicians and audiologists who are licensed, trained, and certified to provide all levels of hearing care and hearing aid services.
- EPIC's provider network has agreed to perform services according to a published defined clinical pathway, and maintain this as a standard of care for all members/patients.
- The EPIC HSP provider network has agreed to EPIC's pre-set, pre-negotiated professional fees to provide hearing aids and related services.

Product Pricing & Fixed Fee Schedule

EPIC is independent, which allows us to represent hearing care to the public and consumers in an unbiased fashion. EPIC offers all major brands of hearing aids and is not involved in any self-branded or off-brand products. EPIC is not a discount or retail model. The EPIC HSP model is a medical model, which separately negotiates product pricing and professional service fees, and combines them to present low prices for all hearing aid technologies. Since the professional fees have been fixed by EPIC, the choice of hearing aid technology and brand is entirely dependent upon the clinical need and not pricing/profit relationships. The service fees and fitting fees are all inclusive with the price of the hearing aid, therefore, any member seen by an EPIC provider will be fit with hearing aids based on diagnostic outcome/results and not on profit margins.

Hearing Aid Products & Technology

Employee/members will have access to all makes, models, and manufacturers of technology to ensure the most appropriate decision for each individual hearing treatment. The EPIC HSP ensures value and quality in the following manner:

- The EPIC HSP provides access to all major hearing aid manufacturers, and most second-tier manufacturers. This assures availability of a wide range of styles, products, and technology.
- EPIC provides savings of over 30-60% off manufacturers' suggested retail pricing
- EPIC extends the hearing aid manufacturers' one or two year loss and damage warranty with a three year extended warranty.
- All hearing aids come with 45 day trial period and money back guarantee.
- All purchases come with a one year supply of batteries.
- EPIC will notify our clients as to any new technology that is introduced by the manufacturers in a given year. This ensures that members are getting the newest technology at the most affordable rate.

EPIC HSP Management and Support Services for Member/Patients

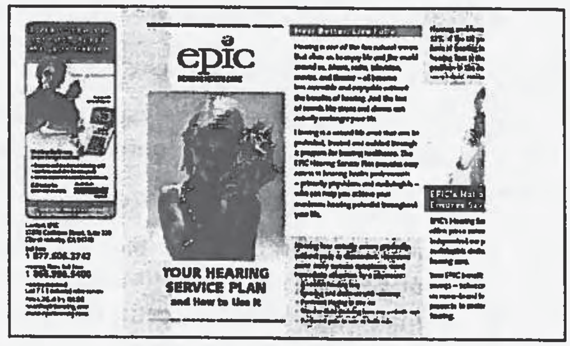
The process of hearing care and hearing aids is not well understood within the marketplace. The EPIC HSP provides members/patients with a variety of printed materials regarding hearing aids, the process of obtaining hearing aids, and how to maximize the benefit of hearing aids. EPIC further supports the HSP by providing free telephone support to any individual who may be active within the plan, or may simply have questions about hearing care and hearing aids. The EPIC HSP patient support is exemplified in the following:

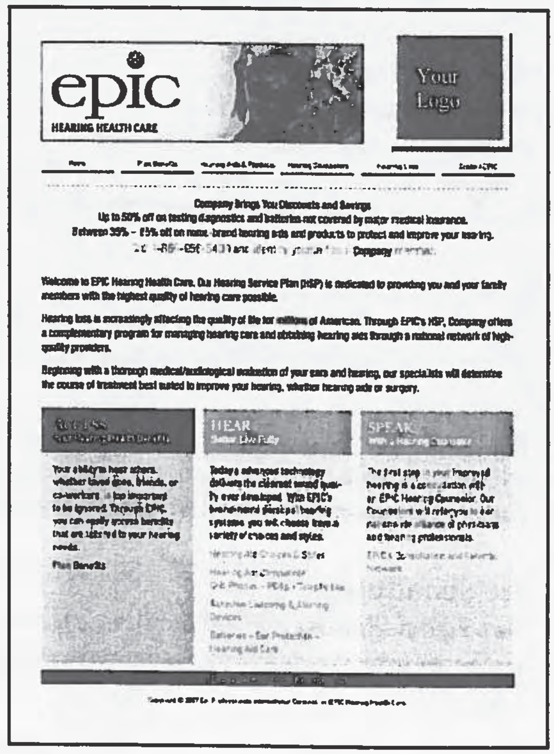
- Hearing counselors are available throughout the day (toll free) for any and all questions or concerns a member/patient may have regarding hearing care and hearing aid services. Our call center is open from 6:00 – 6:00 (PST) Monday through Friday and the service staff is bilingual.
- The EPIC HSP provides ongoing support after the hearing aid purchase with direct battery programs; notification of new ancillary support products; hearing aid and cell phone compatibility assessment and advice; and referrals to other services available on a state-by-state basis to hearing impaired individuals.
- EPIC HSP is an approved call center for a national credit service company. As such, EPIC can confirm eligibility and pre approval over the phone for a variety of credit plans to assist in the purchase of hearing aids. This credit program is not owned or a part of EPIC; they are an independent, well-known, national company.

Marketing / Promotional & Administration

EPIC can provide the following marketing communication materials:

1) Open Enrollment Brochures
2) Introductory Letter Mailing
3) Co-branded website designed and hosted by EPIC
4) Newsletter articles
5) Member support materials (mailed to member after registration)
    a. Member Booklet
    b. Referral Paperwork
6) Utilization reports (Reflection of all activity: i.e. registrants, referrals, pending authorizations, authorizations / purchases, returns for credit)





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ASO Plan Features

Administrative Services: ***EPIC will provide the following services and products***

- Qualified and credentialed preferred provider network consisting of ear physicians and audiologists
- Toll-free call center with hearing counselors for member support
- Referral coordination to closest local providers
- Claims processing for professional services and technology or devices (consolidation of in network claims when coordination of benefits is applicable)
- Fixed, preset pricing for professional services and hearing aids
- Access to all brand-name hearing aids and related technology at pre-set, pre-disclosed pricing (representing savings of 30-60% off MSRP)
- Billing and collection directly for professional services and devices (no office co-pays, up-selling, or balance billing by provider)

Hearing Devices:

All manufacturer, brand-name hearing aids will be offered through the EPIC HSP based upon agreement between the member and the provider at time of service. Price lists will be adjusted per the manufacturer schedule on October 1st annually. Device or technology lists will be amended to include new products as they are brought to market to ensure members have complete and open access.

Warranty and Service:

Hearing aids through the EPIC HSP will carry an extended three year warranty and come with the first year supply of batteries, complimentary. Basic level hearing aids carry a one year warranty.

Marketing Materials:

EPIC will provide a customized, co-branded website for member access as well as member booklets (outlining plan features and pricing) and related member referral communication materials.

Fee Schedule:

Fee schedule for hearing aid purchases through the EPIC Hearing Service Plan shall follow the below price ranges per level of technology (professional services included):

Basic Technology:	$495
Standard Technology:	$849 - $1450
Advanced Technology:	$1465 - $2100
Premium Technology:	$2100 - $2599

*Ear molds are included with Behind-the-Ear purchases

July 22, 2013

BOARD AGENDA ITEM	**FIS 4/13/2** (David Okumura)
ACTION ITEM	Date: 10/19/13
SUBJECT:	2012 401K Audit Report
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	David Okumura
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors adopt the 2012 401K Audit Report.

BACKGROUND:

The 2012 401K Audit Report has been reviewed by the Finance Committee and they have recommended adoption of the 2012 401K Audit Report and findings to the Board for adoption.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT AND SUPPLEMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

TABLE OF CONTENTS
DECEMBER 31, 2012

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.

INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator for the
California State Employees Association
401(k) Salary Investment
Retirement Savings Plan
Sacramento, California

We were engaged to audit the accompanying financial statements of the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (the Plan) which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Reliance Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2012 and 2011, and for the year ended December 31, 2012, that the information provided to the plan administrator by the trustee is complete and accurate.

To the Plan Administrator for the
California State Employees Association
401(k) Salary Investment
Retirement Savings Plan
Page two

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets held at end of year, which is the responsibility of plan management, is presented for the purpose of additional analysis and is not a required part of the financial statements but is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedule referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

September 13, 2013

CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
INVESTMENTS, AT FAIR VALUE:		
Non-interest bearing cash	$ 4,760	$ 6,305
Mutual funds	7,863,592	10,638,309
Stable value funds	2,261,808	
Common trust funds		2,081,486
Total investments	10,130,160	12,726,100
RECEIVABLES:		
Employer contributions receivable	244	164
Employee contributions receivable	1,130	35
Notes receivable from participants	105,510	343,618
Total receivables	106,884	343,817
TOTAL ASSETS	10,237,044	13,069,917
LIABILITIES:		
Payable to broker	4,760	8,065
NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE	10,232,284	13,061,852
Adjustment from fair value to contract value for fully benefit-responsive investment contract	(221,570)	
NET ASSETS AVAILABLE FOR BENEFITS	$ 10,010,714	$ 13,061,852

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2012

ADDITIONS:	
Investment income:	
Dividends on mutual funds	$ 282,615
Interest on stable value funds	21,059
Net gain on common trust funds	27,629
Net gain on mutual funds	1,054,956
Total investment income	1,386,259
Interest income on notes receivable from participants	9,292
Contributions:	
Participant deferrals	598,775
Employer contributions	190,498
Participant rollovers	45,525
Total contributions	834,798
Total additions	2,230,349
DEDUCTIONS:	
Benefits paid to participants	983,733
Deemed distributions of loans	68,423
Administrative expenses	10,905
Total deductions	1,063,061
TRANSFER OF ASSETS TO ANOTHER PLAN	4,218,426
NET DECREASE IN NET ASSETS	(3,051,138)
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	13,061,852
End of year	$ 10,010,714

The accompanying notes are an integral part of these financial statements.

1. DESCRIPTION OF THE PLAN

The following description of the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General – The Plan, as established on January 1, 1986, is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility – All employees of California State Employees Association (the Association) who have attained the age of 21 are eligible to participate in the Plan, with the exception of non-resident aliens.

Administration – The Association, as the Plan Sponsor, is the Administrator of the Plan, and as such, carries out the duties imposed under ERISA. The Association has delegated certain responsibilities for the operation and administration of the Plan. Reliance Trust Company is the appointed custodian of the Plan's assets (the Trustee). Recordkeeping and technical assistance is provided by Standard Retirement Services, a subsidiary of StanCorp Financial Group, Inc. Investments in stable value funds are held by Standard Insurance Company, which is also a subsidiary of StanCorp Financial Group, Inc.; therefore, the related transactions are party-in-interest transactions. However, such transactions are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

Contributions – Participants may contribute, by salary reduction, a portion of their annual wages before bonuses and overtime. This amount is limited by the Internal Revenue Service to a maximum dollar amount per year. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The employer's matching contribution is equal to 200% of the first 1.5% of compensation deferred each payroll period by eligible participants.

Investment options – Upon enrollment in the Plan, a participant may direct contributions in any of several investment alternatives offered through the Trustee, and can elect the amount of contributions to be placed in each investment account.

Participant accounts – Each participant's account is credited with the participant's contributions and allocation of Plan earnings. Earnings are allocated by fund based on the ratio of a participant's account invested in a particular fund to all participants' investments in that fund. The vested balance in a participant's account is the benefit to which the participant would be entitled upon termination or retirement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Money invested in the three guaranteed accounts is credited with interest based on a monthly declared interest rate, and at the end of the year on a composite interest rate. All other investments will change in value from time to time due to investment gains or losses.

Vesting – Participants are immediately vested in their salary deferral contributions plus actual earnings thereon. Participants are 100% vested in employer matching contributions after three years of service. However, participants who were employed on or before January 1, 2008, and terminated before December 31, 2010, are automatically 100% vested in the employer matching contributions.

Payment of benefits – Upon retirement, termination, disability, or death, a participant can elect to be paid in a lump-sum amount or an annuity. Lump-sum distributions can be directly rolled over into a traditional individual retirement account (IRA) or other qualified plans, or paid directly to the participant in a single lump sum.

Forfeitures – Upon termination of employment and distribution of account balances, nonvested portions of participant accounts are forfeited and used to reduce future employer contributions. The forfeiture balance was $0 and $3,536 at December 31, 2012 and 2011, respectively.

Termination of the Plan – Although it has not expressed any intent to do so, the Association has the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the full value of each participant's account shall become fully vested and non-forfeitable.

Costs of administration – The Association pays the salaries and related benefits of the Plan Administrator and the bookkeeper who maintains the Plan's records. The Association also contributes the office space where the business of the Plan is conducted and where their records are kept. Quarterly asset charges and annual administration charges are borne by the Association. During the year ending December 31, 2012, the Association paid $57,197, in such fees.

Notes receivable from participants – Upon approval from the Plan Administrator, participants may receive loans from the Plan. Loan transactions are treated as a transfer to (from) the investment fund from (to) the participant's loan fund. Loans are fully secured by the participant's account balance and bear interest at a rate commensurate with local prevailing rates, which is determined at loan origination. Generally, all loans must be repaid within five years from the date of the loan, unless proceeds are used for the acquisition of the participant's personal residence, for which the repayment period is up to fifteen years. Principal and interest is paid ratably through bi-weekly payroll deductions. A loan may become a taxable distribution if it is not paid back under the terms set forth in the loan agreement.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions from participants are recorded when withheld from the participant.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment valuation and income recognition – The Plan's investments are stated in the statement of net assets available for benefits at fair value. With the exception of the stable value funds, which were certified at contract value, the investments were presented and certified by the Trustee at fair value. Mutual funds are valued based on public prices traded in the active market. Stable value funds are valued using interest rate forecasts based on the investments underlying the contracts. The common trust funds are valued at contract value, which approximates fair value, calculated using the fair value of the underlying funds and adjusting for investment management fees and audit fees. Purchases and sales of securities are recorded on a trade-date basis. Interest income and gains are recorded on the accrual basis.

Professional standards require investment contracts held by a defined-contribution plan be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Fair value measurements – Assets and liabilities measured at fair value are recorded in accordance with professional accounting standards, which clarify that fair value is an exit price representing the amount that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Notes receivable from participants – Participant loans are valued at their unpaid principal balance plus accrued interest. Interest income is recorded on an accrual basis. No allowance for credit losses has been recorded as of December 31, 2012 and 2011. If a participant ceases to make loan repayments and the plan administrator deems the loan to be in default, the participant loan balance is reduced and a deemed distribution of the loan is recorded.

Contributions – Employee contributions are recorded in the period payroll deductions are made. Matching contributions from the Association are recorded in the period when the related employee contributions are recorded.

Payment of benefits – Benefit claims are recorded as expenses when they have been approved for payment and paid by the Plan.

Income tax status – The Plan has adopted the Standard Retirement Services, Inc. Defined Contribution Volume Submitter, which received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2008. The letter stated that the Plan is designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). Although the Plan has been amended since receiving the determination letter, the Plan's administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of the IRC.

Subsequent events have been reviewed through September 13, 2013, the date the financial statements were available to be issued.

3. INSURANCE CONTRACT

The Plan's investment in stable value funds, beginning in 2012, includes a fully benefit-responsive insurance contract with The Standard. As described in Note 2, because the stable value contract is benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the stable value contract. Contract value, as reported to the Plan by The Standard Retirement Services (Standard), represents the sum of all benefits owed to participants in that fund, and is equal to the sum of each participant's invested principal plus all accrued interest. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Although not expected, certain events may limit the ability of the Plan to transact at contract value with Standard. Such events include termination of the contract, spin-offs, divestitures, layoffs, corporate relocation, partial or total plan termination, retirement incentive programs, and the liberalization of plan withdrawal or transfer rules.

Interest information as of December 31, 2012 is as follows:

Average Yields	
Based on actual earnings	2.66%
Based on interest rate credited to participants	1.08%

4. INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

The Plan has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the following information was certified as complete and accurate by Reliance Trust Company (Trustee):

Dividends on mutual funds and interest earned on stable value funds for the year ended December 31, 2012 was $282,615 and $21,059, respectively. Net gain on common trust funds and mutual funds, as reported by the Trustee for the year ended December 31, 2012, was $27,629 and $1,054,956, respectively. The contract value of stable value funds and fair value of all other investments was $2,040,238 and $7,868,352 at December 31, 2012, respectively. The fair value of investments at December 31, 2011, was $12,726,100.

5. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual funds: Valued at the net asset value of shares held by the plan at year end, as measured by quoted market prices.

Common trust funds: Valued at contract value, which approximates fair value, based on the number of units held by the plan at year-end, calculated using the fair value of the underlying funds and adjusting for investment management fees and audit fees.

Stable value funds: As described in Notes 2 and 3, stable value funds are valued at fair value as well as an adjustment of the fully benefit-responsive insurance contracts from fair value to contract value. These investments are classified within Level 3 of the fair value hierarchy because deposits are held in the general account assets of Standard Insurance Company, which includes fixed-income securities and commercial mortgage loans. These underlying investments include significant amounts of assets that are fair valued using the trust's assumptions about factors market participants would use in pricing the investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3
Non-interest bearing cash	$ 4,760		
Mutual Fund - Equity:			
Small growth	84,219		
Energy	20,221		
Real estate	82,579		
Foreign large value	48,088		
Mid-cap growth	260,701		
Foreign large blend	421,499		
Emerging markets	141,875		
Large blend	817,131		
Moderate allocation	169,084		
Target retirement	2,004,335		
Small blend	177,817		
Mid-cap blend	1,830		
Large value	436,441		
Large growth	719,454		
Mid-cap value	106,582		
Small value	153,262		
Mutual Fund – Fixed Income:			
High yield bond	291,839		
Intermediate term bond	1,455,496		
World bond	194,161		
Retirement income	215,064		
Inflation protected bond	61,914		
Stable value fund			$ 2,261,808
Total	$ 7,868,352	$	$ 2,261,808

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3
Non-interest bearing cash	$ 6,305		
Mutual Fund - Equity:			
Small growth	63,749		
Energy	127,084		
Real estate	41,452		
Foreign large value	32,888		
Mid-cap growth	285,952		
Foreign large blend	587,385		
Emerging markets	132,194		
Large blend	1,236,029		
Moderate allocation	362,232		
Target retirement	2,371,565		
Small blend	287,010		
Mid-cap blend	2,509		
Large value	620,954		
Large growth	908,151		
Mid-cap value	148,133		
Small value	139,575		
Mutual Fund – Fixed Income:			
High yield bond	275,739		
Intermediate term bond	2,384,845		
World bond	160,370		
Retirement income	297,867		
Inflation protected bond	172,626		
Common trust funds		$ 2,081,486	
Total	$ 10,644,614	$ 2,081,486	$

Changes in the Level 3 assets for the year ending December 31, 2012 consist of the following:

	Stable value fund
Beginning balance	$ -
Purchases	2,083,562
Sales	(64,383)
Interest/dividends	21,059
Adjustment from contract value to fair value	221,570
Ending balance	$ 2,261,808

6. INVESTMENTS

The following presents investments at December 31 that represent 5% or more of the Plan's net assets available for benefits:

	2012	2011
Standard Stable Asset Fund A	$ 2,261,808	
Pimco Total Return Fund	1,455,496	$ 2,384,845
Vanguard Target Retirement 2030 Fund	954,248	1,083,013
Vanguard 500 Index Fund Signal	788,518	1,185,501
Vanguard Target Retirement 2040 Fund	542,159	707,432
Riversource Tr Coll Invt Tr Stable Cap Fund A		2,081,486

7. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

8. PLAN SPIN-OFF

On April 26, 2012, the employees that were assigned by the Association to an affiliate, the Union of California State Workers, elected to terminate their employment with the Association and accept employment with the affiliate. As a result of this change, the Plan transferred $4,218,426 of assets belonging to the transferred employees into the Union of California State Workers 401(k) Plan, the new retirement plan sponsored by the affiliate.

9. RECONCILIATION TO FORM 5500

The following is a reconciliation of the net assets available for benefits per the financial statements to the Form 5500 as of December 31:

	2012	2011
Net assets available for benefits per the financial statements	$ 10,010,714	$ 13,061,852
Less employer contributions receivable	(244)	(164)
Less employee contributions receivable	(1,130)	(35)
Net assets available for benefits per the Form 5500	$ 10,009,340	$ 13,061,653

SUPPLEMENTAL SCHEDULES

CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(K) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

EMPLOYER IDENTIFICATION NUMBER 94-0362021
PLAN NUMBER 002

FORM 5500, SCHEDULE H, PART IV, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR) DECEMBER 31, 2012

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
	Mutual Funds:			
	Aston Tamro Small Cap Fund I	4,264 Shares	**	$ 84,219
	Blackrock All-Cap Energy & Resources Portfolio - Inst	1,528 Shares	**	20,221
	Cohen & Steers Inst Realty Shares Inc	1,962 Shares	**	82,579
	Dodge & Cox International Stock Fund	1,388 Shares	**	48,088
	Goldman Sachs Growth Opportunities - Ins	10,550 Shares	**	260,701
	Harbor International Fund I	5,547 Shares	**	344,595
	JP Morgan High Yield Bond Fund - R5	35,852 Shares	**	291,839
	Oppenheimer Developing Market - Y	4,068 Shares	**	141,875
	Pimco Total Return Fund	129,492 Shares	**	1,455,496
	Templeton Global Bond Fund United States	14,511 Shares	**	194,161
	TIAA-CREF Institutional Social Choice Equity Fund - R	2,392 Shares	**	28,613
	T Rowe Price Growth Stock Fund	6,262 Shares	**	236,566
	Vanguard 500 Index Fund Signal	7,266 Shares	**	788,518
	Vanguard Balanced Index Fund Signal	7,192 Shares	**	169,084
	Vanguard Growth Index Fund	10,481 Shares	**	355,607
	Vanguard Inflation - Protected Securities Fund Investor	4,261 Shares	**	61,914
	Vanguard Mid Cap Value Index Fund	4,602 Shares	**	106,582
	Vanguard Mid-Cap Index Fund	57 Shares	**	1,830
	Vanguard Small-Cap Index Fund	5,092 Shares	**	177,817
	Vanguard Small-Cap Value Index Fund Investor	8,808 Shares	**	153,262
	Vanguard Target Retire Income	17,642 Shares	**	215,064
	Vanguard Target Retirement 2020 Fund	18,894 Shares	**	450,234
	Vanguard Target Retirement 2030 Fund	40,815 Shares	**	954,248
	Vanguard Target Retirement 2040 Fund	23,389 Shares	**	542,159
	Vanguard Target Retirement 2050 Fund	2,499 Shares	**	57,694
	Vanguard Total International Stock Index Fund	5,134 Shares	**	76,904
	Vanguard Value Index Fund	18,292 Shares	**	436,441
	Wells Fargo Growth Fd Ins	2,956 Shares	**	127,281
	Total Mutual Funds			7,863,592
	Stable Value Funds:			
*	Standard Stable Asset Fund A	78,345 Shares	**	2,261,808
	Cash:			
	Non-interest bearing cash		**	4,760
	Loans:			
*	Participant Loans	Interest rates range from 3.25% - 9.25%, Maturity dates range from May 2013 - November 2017	**	105,510
	Total Investments and Participant Loans			$ 10,235,670

Column (a) and (d):

* Denotes party-in-interest

** Cost information was omitted since transactions are participant directed under an individual account plan.

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

In accordance with professional standards, we are providing the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (Plan) Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

Area	Comments
Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are presented in compliance with the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosures under Employee Retirement Income Security Act of 1974. Our audit of the financial statements does not relieve you or management of your responsibilities.	As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion on those financial statements and the supplemental schedule taken as a whole. We did, however, audit the form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, in accordance with auditing standards generally accepted in the United States of America and found them to be presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.
Planned Scope and Timing of the Audit	We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Area	Comments
Significant Accounting Policies Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	The significant accounting policies used by the Plan are described in notes to the financial statements. Due to the restructuring of investment options, the Plan has implemented new fair value calculation methods for the final asset composition held at year end. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.	We are pleased to report that no such disagreements arose during the course of our audit.
Management Representations	We have requested certain representations from management that are included in their letter to us dated September 13, 2013.

Area	Comments
Management Consultations with Other Independent Accountants In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and cooperative.
Management Judgments and Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.	We considered the methodologies and judgments used in assessing the collectability of notes receivable from participants and fair value of investments. We found the judgments used to be appropriate.

Area	Comments
Other Audit Findings or Issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Significant Adjustments or Disclosures Not Reflected in the Financial Statements Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	No significant adjustments or omitted disclosures were identified during our audit.

BOARD AGENA ITEM: **B**

INFORMATION ITEM DATE: 10/19/13

SUBJECT: CSEA Foundation
Statement of Revenue & Expenditures

SUBMITTED BY: Joan Kennedy

ASSIGNED TO: Michael Carr

CSEA FOUNDATION

Statement of Revenue and Expenditures

	Year Ended	Year to Date
	12/31/2012	8/31/2013
Revenue:		
Donations	$ 6,892	$ 773
T-Shirt sales	2,382	-
Interest	4	2
Total Revenue	9,278	775
Expenditures:		
Scholarships	3,200	6,600
Administration	3,229	1,336
Total Expenditures	6,429	7,936
Net Surplus (Deficit)	$ 2,849	$ (7,161)
Cash Balance	$ 42,916	$ 35,755

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