FIRST 2014 CSEA BOARD OF DIRECTORS MEETING

CSEA Headquarters Building
1108 O Street, 3rd *Floor* Valley Quail Conference Room
Sacramento, Ca 95814

June 14, 2014

TIMES CERTAIN

Saturday – June 14, 2014
CSEA Headquarters Building, 3rd *Floor* Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

(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 June 14, 2014, 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 the October 19, 2013 and November 25, 2013 Board of Directors Minutes – Secretary-Treasurer David Okumura
- Report of President
- Report of Vice President
- Report of Secretary-Treasurer
- Report of General Manager
- Affiliate Reports

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Meeting Location: CSEA Headquarters Building, 3rd Floor Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

ROLL CALL
FIRST 2014 CSEA Board of Directors Meeting
June 14, 2014 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: CSEA Headquarters Building, 3rd Floor Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

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MINUTES

SECOND 2013 CSEA BOARD OF DIRECTORS MEETING

October 19, 2013

SEIU Local 1000 Headquarters Building
1808 14th 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 Vice-President Russell Kilday-Hicks.

Members present:

Marilyn F. Hamilton, President
Russell Kilday-Hicks, Vice President
David Okumura, Secretary-Treasurer
Yvonne Walker, SEIU Local 1000 President
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
Cora Okumura, SEIU Local 1000 Vice President/Secretary-Treasurer
Tamekia Robinson, SEIU Local 1000 Vice President Organizing/Representation
(Sitting in for Margarita Maldonado, SEIU Local 1000 Vice President Bargaining)
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
Todd D'Braunstein, ACSS, Inc. Vice President of Membership Development
Harold Rose, CSR/CFO, Secretary

CSEA and Affiliate Staffs Present: Lee King, Rocco Paternoster (ACSS), Phil Sherwood (CSR), Paul Harris (SEIU Local 1000), Lao Sok, Lisa Fong, Rosmaire Duffy, Joan Kennedy, Pam Robison,

Developers: David Taylor and Roger Kittredge

COMMUNICATIONS

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

REPORT OF CLOSED SESSION

Secretary-Treasurer David Okumura reported that administrative, legal and bargaining update was discussed.

REPORT OF AGENDA COMMITTEE

Secretary-Treasurer David Okumura reported that the Agenda Committee approved the following items for the Consent Calendar:

BEN 1/13/2	Group 10-Year Level Term Life Insurance Plan Anthem Life Insurance Company – Annual Review
BEN 2/13/2	Group Term Life Insurance Plan Anthem Life Insurance Company – Annual Review
BEN 3/13/2	Group Ordinary Life Insurance Plan Anthem Life Insurance Company – Annual Review
BEN 4/13/2	Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company – Annual Review
BEN 5/13/2	Disability Income Insurance Plans (Short Term and Long Term) New York Life Insurance Company – Annual Review
BEN 6/13/2	Cancer Insurance Plans Monumental Life Insurance Company – Annual Review
BEN 7/13/2	Legal/Identity Theft Plan Legal Club of America – Annual Review
BEN 8/13/2	Auto and Homeowners Insurance Plan Kemper Select – Annual Review
BEN 9/13/2	Emergency Assistance Plan (EA+) On Call International – Annual Review
BEN 10/13/2	Pet Insurance Plan Hartville Group, Incorporated – Annual Review
BEN 11/13/2	Comprehensive Accident Plan (CAP) Hartford Life and Accident Insurance Company – Annual Review
BEN 12/13/2	Emergency Roadside Assistance Plan (ERS) Road America – Annual Review
BEN 13/13/2	Hearing Aid Benefit Epic Hearing Service Plan – New Benefit Endorsement

B&P 5/13/2 Policy Governance

FIS 4/13/2 Approval of 2012 401K Audit Report

Secretary-Treasurer David Okumura reported that the Agenda Committee added one item to the agenda.

B&P 6/13/2 That the affiliates form a coalition to plan for addressing the proposed retirement initiative.

The Agenda was adopted as reported by general consent.

READING AND APPROVAL OF THE FIRST 2013 BOARD OF DIRECTORS MINUTES JUNE 14, 2013.

BD 9/13/2 MOTION: That the Board of Directors approves the Minutes from the First 2013 Board of Directors Meeting. Motion was adopted by general consent. CARRIED.

CLOSED/EXECUTIVE SESSION

Presentation by David Taylor and Roger Kittredge from David S. Taylor Interests, Inc. Potential project was discussed. Please reference the developer's package.

REPORT OF PRESIDENT

President Marilyn Hamilton stated, in the interest of time, that she had given most of her reports in the Board workshop earlier today. She did mention that she gave up her office at CSEA HQ's building in order to allow the Affiliates to accommodate their need for additional space.

REPORT OF VICE PRESIDENT

Vice President Russell Kilday-Hicks reported that he had been in the position a little over a year and enjoys his limited duties and will work to make sure he is the last VP. As the officer assigned to the Member Benefits Committee, he has attended two committee meetings. He feels that there are more potential opportunities in making even more money in the Member Benefits Department. Vice President Russell encourages and promotes Member Benefits.

Vice President Russell also participates in CSEA/UAW bargaining. He is willing to help wherever help is needed.

Vice President Russell reported that the affiliates have common interests and there is room for growth. ACSS has lots of potential in the CSU. Many of the newly retired don't understand the rollover. Vice President Russell's affiliate would like to join with Local 1000 to increase political coordination to share in the renewal of the labor movement and the continued fight for the dignity and respect for California's public service workers.

REPORT OF SECRETARY-TREASURER

The last audit for 2012 has been completed. The 401K audit has been completed and is on the agenda to be approved in this Board session. Additionally all tax filings for CSEA have been completed.

The financial statements for the 9 months ending September 30, 2013 reflect no items of concern. We are currently projecting a surplus of approximately $1,400,000 for 2013. The principal reasons for this projected surplus are due to increased profits of approximately $800,000 from the Member Benefits Program that has resulted from a combination of increased revenues and decreased staffing costs. Additionally we have achieved favorable budget variances in the area of unfilled positions and lower than expected medical premium increases.

We recently went thru an RFP process to select a new payroll provider and time and attendance software. After our search, we selected One Point, which is a vendor of Kronos (a timekeeping and payroll system that is currently providing support to more than 30 million people a day worldwide). This system not only makes the time reporting function easier for employees, it has a robust ad hoc reporting capability that will facilitate management reports, regulatory filings and HR functions. In addition, the annual cost was less than what we are paying now and was the cheapest as compared to the other 2 finalists we interviewed (ADP and Paychex)

REPORT OF GENERAL MANAGER

OPERATIONAL ISSUES

Bargaining status—we last met with the UAW in the latter part of August. This was after the UAW members rejected the Tentative Agreement that had been negotiated with their bargaining team. As you recall that tentative agreement called for a pool of money ($205,000 in total to be used over 3 years) to offset employees' share of health care premiums. In this last meeting, the UAW asked for one-year deal (with one-third of the $205,000) and also to allow for newly hired employees in CSR to be offered retiree health care. Another bargaining session is scheduled for the afternoon of October 22.

As mentioned at the last Board meeting, I have met with a local developer to discuss potential opportunities concerning the real estate held by CSEA in its partnership with the Golden 1 Credit Union. We have representatives present today that will be making a presentation. The Board will be faced with deciding, if they go forward with a project, how equity would be divided among the Affiliates. There can be a lot of interesting options among the Affiliates concerning ownership of the parking lot project and the Headquarters Building. With regards to the parking lot, SEBC has entered into a lease with Priority Parking that grants SEBC 30% of the parking revenue generated on 24 spaces. This lease is cancellable after the one year term with 60 days notice. At full occupancy, this lease will provide SEBC with approximately $2,000 of revenue per month.

Besides the new payroll system implementation you heard mentioned by our Secretary Treasurer, other significant projects in the works are:

1. Completion of desk reviews and procedure manuals for all positions in Central Support.
2. Conducting an RFP for the TPA that we utilize for Member Benefits. The TPA conducts the marketing and administration of most of our insurance plans and has been in this position since 1995. Even though we have had no service issues with our current TPA, the Member Benefit Committee decided that it was appropriate to go out to bid given the length of our current relationship. This will be a significant endeavor that could result in a change of the TPA in March 1, 2016 (end of the current contract).

We have completed significant office relocations in the Headquarters Building. ACSS is now occupying what used to be CSEA Administration, HR and Governmental Affairs. CSR has moved into ACSS' old office space and CSEA Administration and HR have moved into CSR' old office space. Additionally, CSUEU has converted the break room on the 5th floor into a conference room for themselves and as a result a new break room for the building has been created on the 3rd floor. Finally, part of the accounting department has been sectioned off and a large conference room has been created that will allow Affiliates to conduct Committee and Board meetings in that space and offset offsite charges.

Kaiser has announced the premium increases for 2014for CSEA. Northern California rates will increase 5.6% and Southern California rates will increase 11%.

On a positive note I want to update the Board on the recovery situation regarding the Gail Jones embezzlement. As you recall, Ms. Jones embezzled approximately $925,000. When I came on board, we had only recovered $100,000 from our employee dishonesty insurance policy. Since then, we have recovered another $743,000 thru a combination of the sales proceeds from her house, a suit against our former auditors and attachment of her pension check. In approximately 57 months we will have made a full recovery of the loss and will actually begin to recover in excess of the loss due to the attachment of her monthly pension check.

REPORT OF MEMBER BENEFITS

The CSEA Member Benefits Committee was charged with the task of obtaining a hearing aid program for its affiliate members. The committee directed the insurance administrator, American Group Insurance Administrator (AGIA), with sending out a Request for Information (RFI) to see which companies offered hearing aid programs that would coincide with State employee health plans. The committee then directed AGIA to send out a Request for Proposal (RFP) to the two companies that responded to the RFI (AXIA Strategies, Inc. and EPIC Hearing Service Plan). After receiving the RFP responses, the Committee did its due diligence in reviewing the responses and asking for additional information.

At its September meeting, the CSEA Member Benefits Committee made the motion to recommend to the CSEA 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. The Committee chose EPIC Hearing Service Plan because they were able to provide discount information/examples, specifically device/product discounts. They were able to describe how the EPIC plan would work in conjunction/supplement the existing CalPERS hearing coverage. All of EPIC's hearing aids include a three year warranty and 1st year supply of batteries at no charge.

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 the member with a claim to submit to CalPERS for reimbursement.

EPIC has access to name brand hearing devices such as Siemens, Sonic, Unitron and Phonak. Depending on the hearing device, there are three levels (Premium, Advanced, Standard and Basic) with savings ranging between 35% - 60% of the MSRP.

EPIC will provide all marketing materials which include flyers, brochures, e-blasts, etc. Member Benefits is a self-funding operation. Member Benefits will not be generating income on the EPIC Hearing Service Plan. There is no cost to the membership; business is based on the buying power of referrals. For any representatives, Chapter/DLC Presidents, job stewards, etc. that would like information on the EPIC Hearing Service Plan, please contact Member Benefits.

On another note, at its September Member Benefits Committee meeting, the Committee had a closed session to discuss CSEA's Third Party Insurance Administrator. CSEA has been utilizing American Group Insurance Administrators, Inc. (AGIA) since 1995. The Committee is doing its due diligence by going out to bid in the marketplace for Third Party Insurance Administrators. The Committee wants to be sure that Member Benefits is offering the best group products for its affiliate members as well as maximizing profits to assist the affiliates in offsetting general costs and unforeseen contingencies.

REPORT OF CSEA FOUNDATION

Joan Kennedy presented the CSEA Foundation's Strategic Plan to the Board of Directors including mission, values, and vision of the Foundation as well as the goals and objectives. CSEA Foundation announced that they will be amending their bylaws to address the Foundation Board structure and elections. The Foundation will continue to give updates on its goals and objectives at future CSEA Board meetings.

AFFILIATES REPORTS

There was no affiliates report.

B&P 5/13/2 **(Hamilton) Policy Governance**
BD 10/13/2 **MOTION:** That the Board of Directors approves the updated policy governance methodology for governing CSEA. 6 (yes), 3 (no), 2 (abstain). CARRIED.

BEN 1/13/2 **(Kilday-Hicks) Group 10-Year Level Term Life Insurance Plan – Anthem Life Insurance Company – Annual Review**
BD 12/13/2 **MOTION:** 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. CARRIED.

BEN 2/13/2 **(Kilday-Hicks) Group Term Life Insurance Plan – Anthem Life Insurance Company – Annual Review**
BD 13/13/2 **MOTION:** 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. CARRIED.

BEN 3/13/2 **(Kilday-Hicks) Group Ordinary Life Insurance Plan – Anthem Life Insurance Company – Annual Review**
BD 14/13/2 **MOTION**: 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. CARRIED.

BEN 4/13/2 **(Kilday-Hicks) Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company – Annual Review**
BD 15/13/2 **MOTION:** 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. CARRIED.

BEN 5/13/2 **(Kilday-Hicks) Disability Income Insurance Plans (Short Term and Long Term) New York Life Insurance Company – Annual Review**
BD 16/13/2 **MOTION:** 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. CARRIED.

BEN 6/13/2 **(Kilday-Hicks) Cancer Insurance Plans Monumental Life Insurance Company – Annual Review**

BD 17/13/2 **MOTION:** 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. CARRIED.

BEN 7/13/2 **(Kilday-Hicks) Legal/Identity Theft Plan Legal Club of America – Annual Review**

BD 18/13/2 **MOTION:** 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. CARRIED.

BEN 8/13/2 **(Kilday-Hicks) Auto and Homeowners Insurance Plan Kemper Select – Annual Review**

BD 19/13/2 **MOTION:** 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. CARRIED.

BEN 9/13/2 **(Kilday-Hicks) Emergency Assistance Plan (EA +) On Call International – Annual Review**

BD 20/13/2 **MOTION:** 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. CARRIED.

BEN 10/13/2 **(Kilday-Hicks) Pet Insurance Plan Hartville Group, Incorporated – Annual Review**

BD 21/13/2 **MOTION:** 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. CARRIED.

BEN 11/13/2 **(Kilday-Hicks) Comprehensive Accidental Plan (CAP) Hartford Life and Accidental Insurance Company – Annual Review**

BD 22/13/2 **MOTION:** 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. CARRIED.

BEN 12/13/2 **(Kilday-Hicks) Emergency Roadside Assistance Plan (ERS) Road America Annual Review**

BD 23/13/2 **MOTION:** 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.

BEN 13/13/2 **(Kilday-Hicks) Hearing Aid Benefit Epic Hearing Service Plan New Benefit Endorsement – Annual Review**

BD 24/13/2 **MOTION:** 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. CARRIED.

FIS 4/13/2 **(Okumura) Approval of 2012 401K Audit Report**

BD 25/13/2 **MOTION:** That the Board of Directors adopts the 2012 401K Audit Report. CARRIED.

MEETING ADJOURNMENT

The meeting was adjourned by President Marilyn F. Hamilton at 3:05 PM.

Respectfully submitted,
Lao Sok

MINUTES
CSEA EXECUTIVE SESSION (Closed)

Telephone Conference
Monday, November 25, 2013

Meeting convened at 12:00 pm.

CSEA Board members present:
Marilyn F. Hamilton, President
Russell Kilday-Hicks, Vice President
David Okumura, Secretary-Treasurer
Patrick N. Gantt, CSUEU President
Yvonne Walker, SEIU Local 1000 President
Tim Behrens, CSR President
Michael Geck, CSUEU Vice President Organizing
Cora Okumura, SEIU Local 1000 Vice President/Secretary-Treasurer
Margarita Maldonado, SEIU Local 1000 Vice President Bargaining
Harold Rose, CSR/CFO, Secretary sitting in for Fritz Walgenbach, CSR Executive Vice President
Gus Lease, CSR Vice President
Frank P. Ruffino, ACSS Inc. Vice President Governmental Affairs
Alisandra Brewer, CSUEU Vice President Representation

A quorum was present.

CSEA and Affiliate Staffs Present:
Lee King, CSEA General Manager
CSEA Chief Negotiator: Jason Jasmine
Michael Carr, CSEA Controller
Lao Sok, Board Secretary

The purpose of this meeting was to vote to ratify the collective bargaining contract with UAW Local 2350.

BD 26/13/ 3 MOTION: Moved by Pat Gant, second by Frank Ruffino that the CSEA Board of Directors approves the ratification of the collective bargaining contract with UAW Local 2350. See attached Summary of Tentative Agreement.
MOTION PASSED UNANIMOUSLY.

No other matters were addressed.

Memorandum

TO: CSEA Board of Directors

FROM: Jason H Jasmine

DATE: November 20, 2013

RE: **Summary of Tentative Agreement**

The summary will go through Article by Article and briefly discuss the changes, skipping language clean-up and other typographical type changes. There are a few key general points to explain first, however.

1. Most of what was tentatively agreed last week is the same as what was tentatively agreed to in July, but then rejected by the UAW membership. Again, differences between what was previously agreed to and what is now being agreed to, will be noted below.

2. Except as expressly provided below, everything that was imposed as part of last year's LBFO carries over into, and becomes part of, this three year contract. Thus, what was previously unilaterally imposed, has now been tentatively agreed to (with the modifications below). If neither the "new" tentative agreement, nor the "old" tentative agreement, nor the LBFO made any changes, then the operative effective language is the "red" contract (4/1/11-3/31/12)

3. Your Bargaining Team recommends ratification of this new tentative agreement.

Summary of the substantive portions of the Tentative Agreement

TERM: The agreement would be effective December 1, 2013 – October 31, 2016.

THROUGHOUT: Removes reference to the Print Shop and regarding Local 1000-specific issues. Also, several areas of clean-up to ensure compliance with state and/or federal law.

SPECIFIC ARTICLES:

<u>Article 1:</u> Permits CSEA to convert existing positions into supervisory or confidential positions consisting with the National Labor Relations Act upon notice to UAW and the opportunity to bargain on the impact of such conversion.

<u>Article 7:</u> Adds language that employees should immediately report any discrimination and/or harassment to their manager, HR or CSEA's General Manager and that Management will timely act upon and investigate all reports of discrimination and/or harassment.

Article 8: Clarifies that letters of instruction, verbal warnings, written warnings and letters of reprimand are NOT subject to the arbitration process, but letters of reprimand may be challenged if used to support subsequent discipline.

Article 9: Union release time for CSEA employees is limited to conferring with CSEA employees (i.e., not for use in representing/conferring with Local 1000 employees).

Article 10: Reduces the steps of the grievance procedure from four to three and clarifies the informal step – thus streamlining the process and making it more efficient.

Article 11: For arbitrations, change allows for selection of an arbitrator other than those listed.

Article 12: Leaves:

- Employees on unpaid leave do not accumulate sick leave, vacation credits or floating holiday credits until they return to work.

- Employees do not need to provide verification of absences less than 3 days (rather than 2).

- "Domestic partner" language added throughout.

- Vacation cap increased from 240 hours to 300 hours. The LBFO had imposed the vacation cap – previously none had existed. Employees stop accruing vacation leave once they hit the cap.

- The amounts and times for cashing out portions of accumulated vacation were changed to make the rules slightly more liberal for the employees.

- The LBFO had entirely eliminated the ability to donate sick leave to the UAW hardship leave account. This agreement restores the ability to donate, but caps it at a maximum of 60 hours per person, per year.

- Changed Section 5 so that if *any* holiday falls on a Saturday, employees shall be entitled to the preceding Friday as a holiday with pay. Previously, if Veterans Day fell on a Saturday, employees were entitled to the preceding Friday as a holiday with pay and all other holidays that happened to fall on a Saturday were treated as falling on a "regularly scheduled day off" thus allowing the employee to accrue up to 8 hours of holiday credit.

Article 13: No salary increases for the life of the agreement.

Article 14: This provision will be provided to the CSEA Board in its entirety. In short, however:

- It preserves the 80%/20% split that was implemented as part of the LBFO if employees elect the "Optional" plan, while still affording a 100% employer-paid "Basic" plan. However, for the term of this contract (this term expressly sunsets upon expiration of the contract), CSEA has agreed to provide an offset in a total amount of $275,000 spread relatively evenly over the three year term.

- UAW was permitted to determine how to allocate these funds and chose to allocate them entirely to offset the costs of the employee contribution to the "Optional" plan. This allocation *roughly* results in an offset of approximately 15% of the premium in year one. In other words, in the first year of the contract, the employees who select the optional plan will pay approximately 5% of the premiums. But, again, this is subject to change each year, and sunsets (reverts automatically to 80/20 split) at the end of the contract.

- Also, allows the UAW to request a meet and confer each year to discuss potential changes to health plan design.

Article 15: The LBFO had eliminated retiree health care for employees hired after 9/1/12. As part of the TA, this has now been contractually agreed to.

Sideletter: In February 2015, the parties shall reopen this agreement to discuss potential employee compensation increases.

Once again, all other changes put into place by the LBFO remain in effect and are now (assuming the Tentative Agreement is ratified by the parties) part of a binding, mutually agreed-upon, contract between the parties.

The meeting was adjourned at 12:20 pm.

Respectfully submitted by Lao Sok
CSEA Board Secretary

BOARD AGENDA ITEM BEN 1/14/1 (Kilday-Hicks)

ACTION ITEM Date: 6/14/14

SUBJECT: Discount Drug Prescription Card

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

That the Member Benefits Committee recommends that the Board of Directors adopt Paramount Rx as the CSEA Member Benefits Discount Drug Prescription Program.

BACKGROUND:

In December 2013, a MetLife representative met with CSEA staff soliciting a discount drug prescription card. The member would save, at participating pharmacies, 15% - 60% on generic drugs and an average of 15% to 25% on brand-name prescriptions. There is no cost to CSEA or the Affiliates, no limits on use and no expiration date. MetLife stated that CSEA would receive $ .25 per prescription filled using the discount drug prescription card.

In January 2014, the Member Benefits Department received communication from Integrity Rx soliciting a discount drug card platform that would assist the sponsoring entity in generating revenue.

Staff referred the MetLife and Integrity Rx communication to AGIA as AGIA has a Drug Prescription Drug Program provided through Paramount for comparison. Kevin Adamson, Vice President, Account Executive of AGIA Insurance Services presented the comparison between the three programs on a global scale. All benefit providers are the same other than the fact that MetLife and Paramount work with the larger pharmacies (e.g. CVS, Rite Aid, Walgreen's, etc.) with online locators, with online pricing. Integrity Rx is online only. The biggest difference between MetLife and Paramount would be the royalty back to CSEA. Integrity Rx did not provide any information in regards to royalty and were not competitive from pricing a perspective on any of the drugs listed in the comparison report. Each company has a formulary list and it is true that not all drugs will be discounted. MetLife and Paramount Rx will do only web marketing.

ESTMATED COST/SAVINGS: Would provide a small revenue source to our Member Benefits Program.

FUNDING SOURCE: N/A

BOARD ACTION:

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BOARD AGENDA ITEM BEN 2/14/1 (Kilday-Hicks)

ACTION ITEM Date: 6/14/14

SUBJECT: CSEA Insurance Program
Third Party Administrator
Request for Proposal (RFP)

SOURCE AND/OR PROPONENT: Member Benefits Committee

OFFICER ASSIGNED: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

That the CSEA Member Benefits Committee recommends to the CSEA Board of Directors to accept Addendum 9 to the CSEA/AGIA Administrative Service Agreement and that CSEA continues to utilize AGIA Insurance Services, Inc. as its third party administrator for the CSEA Insurance Program contingent upon AGIA providing CSEA with their business continuity plan.

BACKGROUND:

CSEA has utilized AGIA as its third party administrator since 1995.

The following motion was made at its Second 2013 CSEA Member Benefit Committee meeting:

MB 24/13/2 MOTION: Bowen, second by McGee – that the CSEA Member Benefits Committee directs CSEA staff to initiate the Third Party Administrator Request for Proposal (RFP). CARRIED.

The Third Party Administrator Request for Proposal was mailed to five (5) insurance administrators. Staff received four (4) respondents:

AON Affinity
AGIA Insurance Services
Marsh
Pearl

After review of the RFP responses, staff narrowed it down to three RFPs. Respondents were scheduled for presentations during closed session on April 5, 2014:

AON Affinity
Marsh
AGIA Insurance Services

After discussion and review by the committee, the following motion was made:

MB 3/14/1 MOTION: Harder, second by Bowen – that the CSEA Member Benefits Committee directs staff to negotiate terms and extension of the current administrative contract to meet or beat the competitors offering. The committee will hold a special meeting to discuss and review the proposed contract. CARRIED.

Negotiations between staff assigned and AGIA Insurance Services, Inc. resulted in the proposal of Addendum 9 to the current CSEA/AGIA Insurance Services, Inc. Administrative Agreement. Addendum 9 was presented along with the forecasted revenues for 2015 based on the negotiated terms. New York Life requested that if CSEA were to accept the terms offered in Addendum 9, that CSEA would not go out to bid on the New York Life products for at least the first five (5) years after the execution of Addendum 9 to the administrative agreement. After discussion by the committee, the following motion was made:

MB 4/14/2 MOTION: Harder, second by McGee – that the CSEA Member Benefits Committee recommends to the CSEA Board of Directors to accept Addendum 9 to the CSEA/AGIA Administrative Service Agreement and that CSEA continues to utilize AGIA Insurance Services, Inc. as its third party administrator for the CSEA Insurance Program contingent upon AGIA providing CSEA with their business continuity plan. CARRIED.

ESTIMATED COST/SAVINGS: The annual increase in revenues to the Member Benefits Department is estimated to be in excess of $200,000.00.

FUNDING SOURCE: N/A

BOARD ACTION:

Addendum No. 9
To
ADMINISTRATIVE SERVICE AGREEMENT
By and between
CALIFORNIA STATE EMPLOYEES ASSOCIATION
And
A.G.I.A., Inc.

Product	**Carrier/Service Provider**	**Current CSEA Compensation**	**Renewed CSEA Compensation**	**AGIA Compensation**	**Total Compensation**
Accidental Death & Dismemberment *	New York Life	10.00%	13.00%	12.00%	25.00%
Cancer Care – First Occurrence *	Transamerica/ Monumental Life	10.00%	18.00%	22.00%	40.00%
Cancer CarePLUS *	Transamerica/ Monumental Life	15.00%	18.00%	22.00%	40.00%
Comprehensive Accident *	The Hartford	10.00%	10.00%	15.00%	25.00%
Disability Insurance – Long Term *	New York Life	5.00%	15.00%	17.60%	32.60%
Disability Insurance – Short Term *	New York Life	5.00%	15.00%	17.50%	32.50%
Travel Accident *	New York Life	10.00%	10.00%	10.50%	20.50%
Emergency Assistance Plus **	Worldwide Rescue and Security	10.00%	10.00%	N/A	10.00%
Life Insurance - Group 10 Year Level Term *	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Final Expense *	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Ordinary *	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Supplemental *	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Term *	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Term Life – Paid-Up*	Anthem Life	N/A	N/A	9.00%	9.00%
Life Insurance - Group Term Life – Plus *	Anthem Life	N/A	N/A	9.00%	9.00%
Hearing Aid Assistance ***	EPIC Hearing	New Plan Launch	2.00%	0.00%	2.00%

* Percentage of collected premium – AGIA's collected fees may be higher than CSEA due to the services provided by AGIA in regards to marketing, underwriting and claims processing. CSEA's compensation from Anthem Life is paid directly by Anthem Life Insurance Company to CSEA.

** Percentage of collected fees.

*** Percentage of net claims.

**** CSEA fee is percentage of member annual cost.

Product	Carrier/Service Provider	Current CSEA Compensation	Renewed CSEA Compensation	AGIA Compensation	Total Compensation
Long Term Care Insurance – Regular *	Long Term Care Resources	2.00% 1st yr 1.00% renewal	2.00% 1st yr 1.00% renewal	8.00% 1st yr 4.00% renewal	10.00% 1st yr 5.00% renewal
Long Term Care Insurance - High Risk *	Long Term Care Resources	2.00% 1st yr 1.00% renewal	2.00% 1st yr 1.00% renewal	6.33% 1st yr 3.17% renewal	8.33% 1st yr 4.17% renewal
Long Term Care Insurance- Michigan 65+ *	Long Term Care Resources	2.00% 1st yr 1.00% renewal	2.00% 1st yr 1.00% renewal	2.00% 1st yr 1.00% renewal	4.00% 1st yr 2.00% renewal
Long Term Care Insurance- 10-Pay	Long Term Care Resources	2.00% 1st yr 1.00% renewal	2.00% 1st yr 1.00% renewal	4.00% 1st yr 2.00% renewal	6.00% 1st yr 3.00% renewal
Pet Insurance – Base *	Hartville Group, Inc.	0.00%	5.00%	10.00% 1st yr 5.00% renewal	15.00% 1st yr 10.00% renewal
Pet Insurance – Rider *	Hartville Group, Inc.	0.00%	5.00%	2.50% 1st yr 0.00% renewal	7.50% 1st yr 5.00% renewal
Roadside Assistance **	A.G.I.A., Inc.	10.00%	10.00%	N/A	10.00%

* Percentage of collected premium – AGIA's collected fees may be higher than CSEA due to the services provided by AGIA in regards to marketing, underwriting and claims processing. CSEA's compensation from Anthem Life is paid directly by Anthem Life Insurance Company to CSEA.

** Percentage of collected fees.

*** Percentage of net claims.

**** CSEA fee is percentage of member annual cost.

BOARD AGENDA ITEM	BEN 3/14/1 (Kilday-Hicks)
ACTION ITEM	Date: 6/14/14
SUBJECT:	CSEA Bylaws and Policy File Part II: Procedures Section 901.03 – Administration Section 903.07 – Actuarial Evaluation
SOURCE AND/OR PROPONENT:	Member Benefits Committee
OFFICER ASSIGNED:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

That the CSEA Member Benefits Committee recommends to the CSEA Board of Directors to accept the recommended changes to Policy File Sections 901.03 (b) and 903.07:

901.03 (b)

Audits shall be made at such intervals ~~and by such persons as the actuary and/or the appropriate committee~~ if recommended by the Member Benefits Committee or ~~affiliate(s)/division(s) recommended and~~ by action of the Board of Directors. (BD 19/11/2, BD 24/11/2)

903.07 ~~Actuarial~~ Annual Evaluation

The Association ~~consulting actuary~~ shall review all benefit plans and report on each with recommendations; these reports shall be submitted to headquarters office for review by the appropriate committee at its meeting prior to, but in sufficient time to report to, the last Board of Directors meeting each year. (BD 2/91/1, BD 24/11/2)

~~(a) Actuarial evaluations of Association sponsored life insurance plans shall be based on experience by age groups disregarding status of employment (active vs. retired). (BD 84/82/3, BD 24/11/2)~~

BACKGROUND:

The California State Employees Association has been utilizing, The Kilbourne Company, a private California actuarial consulting firm located in San Diego since 1969. An actuary is a specialist in the analysis of future costs and determining the financial stability of insurance plans. The actuary makes suggestions to the Member Benefits Committee concerning plan design, premium rates and the level of the contingency reserve.

Attachment A is the breakdown of cost that CSEA has paid to an outside actuary within the last four (4) years.

AGIA Insurance Services, Inc. is the CSEA Insurance Plan's Third Party Administrator. AGIA obtains claims experience and financial plan information from the carriers and passes the information along to the CSEA consulting actuary for annual review.

AGIA currently performs experience and financial plan reporting services for a number of its professional and fraternal associations, examples being the American Optometric Association, American Institute of Architects, NRA and Good Sam Club. The service provided our consulting actuary can be performed by our third party administrator at no additional cost to CSEA.

Typical Financial Plan reporting and reviews include:

- Confirmation/Review of Earned Premium and Claims.
- Confirmation/Review of Compensation for all parties (Carrier, CSEA and AGIA).
- Review of all other Plan Expenses and Credits (taxes, fees, earned interest, etc.).
- Confirmation of Marketing Expenses.
- Review and Analysis of Premium Stabilization Fund requirement (% of Earned Premium). Confirmation that the appropriate amount of reserve funds are retained as defined within the Agreement.
- Review and Analysis of Premium Stabilization Fund (Deficit or Surplus). Review appropriate amount of Surplus to be disbursed, if any, and amount to be retained in the Plan as outlined in the Agreement.

Policy Year end reports also typically include the history of the Plan (participation and premium), any items that materially impacted the Plan over the last Policy Year and recommendations concerning changes to the Plan design, premium rates and/or levels of contingency reserves and how contingency reserve surplus may be utilized to strengthen the insurance plan.

ESTIMATED COST/SAVINGS: Savings to the Member Benefits Department is estimated to be $30,000.00 annually.

FUNDING SOURCE: N/A

BOARD ACTION:

Attachment A

Company Name: CSEA
Report Name: AP Ledger
Created On: 5/20/2014

Vendor	Date	Document	Reference	Memo	Charges	Totals
V01186 - The Kilbourne Company	8/3/2010	SEA029	SEA029	ACTUARIAL SERVICE JAN-JUNE 2010	18,400.00	
	10/1/2010	SEA030	JULY-SEPT 2010	ACTUARIAL SVCS-JULY-SEPT 2010	24,400.00	
	1/5/2011	SEA031	4TH QTR OF 2010	ACTUARIAL SVCS-SEPT-DEC 2010	5,700.00	
				Total 2010		**48,500.00**
	4/18/2011	SEA032	2011 1ST QTR	1st QTR Actuarial Services 2011	8,100.00	
	7/26/2011	SEA033	2ND QTR 2011	ACTUARIAL SVCS-2ND QTR OF 2011	11,900.00	
	10/10/2011	SEA034	3RD QTR	ACTUARIAL SVCS-3RD QTR OF 2011	14,110.00	
				Total 2011		**34,110.00**
	7/20/2012	SEA035	Jun-12	ACTUARIAL SVCS-JUNE 2012	13,090.00	
	1/15/2013	SEA036	Jul-12	ACTUARIAL SVCS FOR MEMBER BENEFITS-JULY 2012	2,975.00	
				Total 2012		**16,065.00**
	7/11/2013	SEA037	Jul-13	RENEWAL ACTUARIAL SVCS FOR MEMBER BENEFITS-JAN-JUNE 2013	9,690.00	
	10/18/2013	SEA038	CSEA MEMBER BENEFITS	ACTUARIAL SVCS FOR MEMBER BENEFITS-JULY-AUG 2013	16,575.00	
				Total 2013		**26,265.00**
Total For The Kilbourne Company				**Totals**		**$ 124,940.00**

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BOARD AGENDA ITEM	FIS 1/14/1 (Okumura)
ACTION ITEM	Date: 6/14/2014
SUBJECT:	Approval of 2013 Audit Report
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Lee King
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors adopt the 2013 Audit Report of CSEA.

BACKGROUND:

The 2013 Audit Report of CSEA and the management letter has been reviewed by the Finance Committee and they have recommended adoption of the 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

Communications With Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

We have audited the financial statements of California State Employees Association (the Association) for the years ended December 31, 2013 and 2012. We are providing the Association's Board of Directors with information regarding the scope and results of the audit to assist in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

April 17, 2014

Gilbert Associates, Inc.
CPAs and Advisors

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RESPONSIBILITIES AND OPINIONS

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) The financial statements are the responsibility of management. As stated in our engagement letter, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of their responsibilities. As part of our audit, we considered the internal control of the Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.	We issued an unmodified opinion on the financial statements of the Association for the years ended December 31, 2013 and 2012.

INTERACTIONS WITH MANAGEMENT

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 Association'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.
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.
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 very cooperative.

Gilbert Associates, Inc.
CPAs and Advisors
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QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.	The significant accounting policies used by the Association are described in Note 1 to the financial statements. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.
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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.	We considered the methodologies and judgments used in assessing the collectability of accounts receivable, the valuation of the State Employees Building Company investment, the selection of useful lives of property and equipment, and the valuation of the post-retirement benefit liability. We found the judgments used to be appropriate.

RESULTS OF THE AUDIT

Planned Scope and Timing of the Audit	We performed the audit according to the planned scope and timing previously communicated in our engagement letter.
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 Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Corrected and Uncorrected Misstatements 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.	The Association identified two errors made in 2012 which were corrected by flowing the adjustments through the 2013 financial statements. Management brought to our attention these corrections. The adjustments to properly state the 2012 financial statements are as follows: The first was a potential adjustment to decrease 2013 affiliate cost reimbursements revenue by $187,526, beginning net assets by $38,355, and health insurance expense by $225,881 to properly record healthcare costs incurred in 2012 and related cost reimbursements from Local 1000. The Association incorrectly applied a credit received from Kaiser on the Association's books when the credit was due to an affiliate's employees. The second was a potential adjustment to increase depreciation expense and beginning net assets by $72,208 for a 2012 property and equipment disposal written off to depreciation expense rather than writing it off against the accumulated depreciation. Management, with our concurrence, has determined that the effect of correcting the 2012 errors through the 2013 financial statements is immaterial to the financial statements taken as a whole.

Gilbert Associates, Inc.
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CALIFORNIA STATE EMPLOYEES ASSOCIATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

Gilbert Associates, Inc.
CPAs and Advisors
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California State Employees Association
Sacramento, California

We have audited the accompanying financial statements of the California State Employees Association (the Association), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 17, 2014

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,110,227	$ 3,171,024
Accounts receivable, net	79,754	102,203
Due from affiliates	163,773	1,064,300
Note receivable		43,663
Ticket inventory and other assets	348,873	340,136
Current portion of deferred tax asset	403,000	132,800
Total current assets	6,105,627	4,854,126
INVESTMENT IN BUILDING CORPORATION	390,838	381,438
PROPERTY AND EQUIPMENT, Net	509,520	711,673
DEFERRED TAX ASSET, Net	9,000	593,700
TOTAL ASSETS	$ 7,014,985	$ 6,540,937
LIABILITIES AND ACCUMULATED DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 467,093	$ 608,685
Accrued payroll and benefits	207,434	288,820
Accrued vacation	150,427	160,920
Current portion of capital lease obligations	882	3,075
Current portion of notes payable	171,311	161,947
Current portion of post-retirement benefit liability	1,746,000	1,993,000
Total current liabilities	2,743,147	3,216,447
LONG-TERM LIABILITIES:		
Deposits due to affiliates	597,844	805,462
Capital lease obligations, net		882
Notes payable, net	1,170,779	1,350,187
Post-retirement benefit liability, net	35,283,000	46,194,000
Supplemental retirement plan liability	154,873	158,508
Total long-term liabilities	37,206,496	48,509,039
TOTAL LIABILITIES	39,949,643	51,725,486
ACCUMULATED DEFICIT	(32,934,658)	(45,184,549)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT	$ 7,014,985	$ 6,540,937

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES:		
Affiliate cost reimbursements	$ 5,960,264	$ 7,120,024
Insurance company reimbursements	1,520,786	1,525,487
Discount ticket sales, net of purchases	69,023	24,003
Dues and fees	12,792	51,790
Equity gain on investment in Building Corporation	9,400	14,538
Interest income	4,414	6,948
Sales and services		589
Loss on disposal of property and equipment	(62,121)	(2,405)
Miscellaneous	88,207	42,543
Total revenues	7,602,765	8,783,517
EXPENSES:		
Salaries and related expenses	4,857,746	5,693,100
Rent, office expense, general and administrative	510,270	695,638
Professional fees	391,739	594,683
Depreciation and amortization	206,668	388,661
Interest expense	100,698	89,287
Travel, meetings and conferences	49,961	149,444
Printing, postage and publications	37,165	24,019
Union leave expense (net of recoveries)	9,689	38,057
Political Action Fund expenses	5,353	149,717
Other expenses	27,085	62,178
Total expenses	6,196,374	7,884,784
OTHER INCREASES (DECREASES):		
Post-retirement changes other than net periodic benefit cost	12,948,000	5,713,000
Net post-retirement periodic benefit cost, net of contributions	(1,790,000)	(4,341,000)
Gain on transfer of notes payable to affiliates		6,408,659
Income tax benefit (expense)	(314,500)	726,500
Total other increases	10,843,500	8,507,159
DECREASE IN ACCUMULATED DEFICIT	12,249,891	9,405,892
ACCUMULATED DEFICIT, Beginning of year	(45,184,549)	(54,590,441)
ACCUMULATED DEFICIT, End of Year	$ (32,934,658)	$ (45,184,549)

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in accumulated deficit	$ 12,249,891	$ 9,405,892
Reconciliation to net cash provided (used) by operating activities:		
Depreciation and amortization	206,668	388,661
Loss on disposal of property and equipment	62,121	2,405
Gain on transfer of notes payable to affiliates		(6,408,659)
Equity gain in subsidiary	(9,400)	(14,538)
Changes in:		
Accounts receivable	22,449	6,192
Due from affiliates	900,527	502,495
Ticket inventory and other assets	(8,737)	7,307
Deferred tax asset	314,500	(726,500)
Accounts payable and accrued expenses	(233,471)	(1,983,278)
Deposits due to affiliates	(207,618)	
Pension and post-retirement benefit liabilities	(11,158,000)	(1,340,700)
Supplemental retirement plan liability	(3,635)	(3,487)
Net cash provided (used) by operating activities	2,135,295	(164,210)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal collections on note receivable	43,663	108,559
Purchases of property and equipment	(66,636)	(96,816)
Net cash provided (used) by investing activities	(22,973)	11,743
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(3,075)	(7,138)
Principal payments on notes payable	(170,044)	(137,976)
Net cash used by financing activities	(173,119)	(145,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,939,203	(297,581)
CASH AND CASH EQUIVALENTS, Beginning of year	3,171,024	3,468,605
CASH AND CASH EQUIVALENTS, End of year	$ 5,110,227	$ 3,171,024
NON-CASH FINANCING ACTIVITIES:		
Assumption of additional note payable resulting from pension plan merger	$	$ 31,300
Notes payable assumed by affiliates	$	$ 6,408,659
OTHER CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 100,698	$ 89,287

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The California State Employees Association (the Association) is a nonprofit, mutual benefit corporation, whose purpose is to provide shared administrative services to four affiliated entities: Association of California State Supervisors, Inc. (ACSS), the Union of California State Workers S.E.I.U. Local 1000 (Local 1000), the California State University Employees Union S.E.I.U. Local 2579 (CSUEU), and the CSEA Retirees, Inc. (Retirees). Local 1000 restructured its service agreement with the Association and beginning January 2013, they started performing a majority of its own administrative services.

The Association sponsors an unincorporated political action committee: the California State Employees Association Initiative Committee (PAC). The PAC was established to help elect legislators and other statewide political leaders who support state employees. The accompanying financial statements include the activities of the PAC.

The Association recognizes United Automobile, Aerospace, and Agricultural Implement Workers of America, AFL-CIO Local 2350 as the sole and exclusive bargaining agent for the non-management employees of the Association.

Basis of presentation – The Association's financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities.

Revenue recognition – The principal revenue source of the Association is cost reimbursements from affiliates for their share of allocated central support costs. Allowable reimbursable costs are governed by the services agreements with affiliates. Beginning January 1, 2013 affiliate cost reimbursements were based on a negotiated fixed fee. Affiliate cost reimbursements, insurance company reimbursements, and other income are recognized when earned.

Cash and cash equivalents – For financial statement purposes, the Association considers all investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable and due from affiliates are stated at the amount management expects to collect from outstanding balances. The Association uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific accounts. The allowance for doubtful accounts at December 31, 2013 and 2012 was $22,000.

Inventories consist primarily of amusement park tickets and are valued at cost, computed on the first-in, first-out basis.

Investment in affiliate – The Association accounts for its fifty percent interest in the State Employees Building Corporation under the equity method.

Property and equipment is stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 15 years. The Association capitalizes all expenditures for property and equipment in excess of $5,000.

Software development costs – Costs for the Association's internally developed software are accounted for in accordance with professional standards. Capitalized costs include those costs directly associated with developing the software and upgrade and enhancement costs resulting in additional functionality, following the preliminary project-planning phase up to its implementation and operational stage. Capitalized costs are amortized over the estimated useful life of the software on a straight-line basis. Amortization begins when the software is available for its intended use.

Income taxes – The Association is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code, but is subject to income taxes from activities unrelated to its tax-exempt purpose. The Association has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2009.

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

Employee union representation – The Association recognizes United Automobile, Aerospace, and Agricultural Implement Workers of America, AFL-CIO Local 2350 as the sole and exclusive bargaining agent for the non-management employees of the Association.

Accrued postretirement benefit liabilities – The Association accounts for its postretirement benefit liabilities in accordance with professional standards, which requires employers to (a) recognize the overfunded or underfunded status of a single-employer defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in unrestricted net assets in the year in which the changes occur, and (b) measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

Reclassifications – Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation.

Subsequent events have been evaluated through April 17, 2014, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2013 that require recognition or disclosure in such financial statements.

2. INVESTMENT IN STATE EMPLOYEES BUILDING CORPORATION

The Association holds a fifty percent interest in the State Employees Building Corporation (the Building Corporation). The remaining fifty percent interest is held by Golden One Credit Union (Credit Union). The Association and the Credit Union are tenants of the property owned by the Building Corporation, and each hold 4,500 shares of common stock in the Building Corporation, which represents the total shares outstanding. The Association accounts for its interest in the Building Corporation at cost plus its share of undistributed earnings or loss.

Summarized information for the Building Corporation as of December 31, 2013 and 2012 is as follows:

	2013	2012
Property, net	$ 1,300,358	$ 1,321,226
Cash	94,606	94,999
Other assets	2,343	2,269
Liabilities	(615,630)	(655,618)
Stockholders' equity	781,677	762,876
Net gain	18,800	29,076
Carrying amount of the Association's investment	390,838	381,438
Equity gain on investment	$ 9,400	$ 14,538

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2013	2012
Buildings and improvements	$ 755,693	$ 703,180
Furniture and equipment	1,642,189	2,639,584
Software	817,592	778,830
Work in progress		37,662
Total	3,215,474	4,159,256
Less accumulated depreciation and amortization	(2,705,954)	(3,447,583)
Property and equipment, net	$ 509,520	$ 711,673

Property and equipment includes equipment acquired under capital leases, with a net book value of $915 and $4,574 at December 31, 2013 and 2012, respectively.

4. NOTE RECEIVABLE

During 2011, the Association sold assets relating to the closure of its print shop operations. The transaction resulted in the Association issuing an unsecured note receivable to the purchaser in the amount of $200,000 with a stated interest rate of 6% per annum, and monthly payments of $8,864. The note matured in June 2013.

5. NOTES PAYABLE

Effective June 1, 2010, the California State Employees Association Retirement Plan (Pension Plan) was merged into the SEIU Affiliates Officers and Employees Pension Plan (SEIU Plan) (see Note 8). As consideration for accepting the net liabilities of the pension plan, the Association entered into a note payable with the SEIU Plan. The note was payable at $84,877 per month and included interest at 8% per annum.

In January 2012, the note payable was paid in full by S.E.I.U. Local 1000 (Local 1000), the Association's related affiliate (see Note 13). The Association then entered into a note payable with Local 1000 in the amount of $905,810, payable at $13,341 per month, including a stated interest rate of 6.25% per annum, and maturing January 2019.

Prior to the merger of the Pension Plan into the SEIU Plan, the Association became aware that the Pension Plan failed to provide automatic actuarial increases to participants whose benefits do not commence at or before their normal retirement date. As a result, the Pension Plan filed a Voluntary Compliance Plan (VCP) with the Internal Revenue Service (IRS) in 2010 offering to correct this plan failure for all affected participants on or after January 1, 2004. The IRS completed its review in November 2011 and accepted the proposed assessment of $713,000. The SEIU Plan agreed to finance this assessment over 10 years at a monthly payment amount of $8,885 through 2022 including interest at 8% per annum. As of December 31, 2013 and 2012, the remaining liability was $646,413 and 703,694, respectively. The Association has included this liability as part of notes payable on the statements of financial position.

Principal payments on notes payable as of December 31, 2013, are as follows:

2014	$ 171,311
2015	188,084
2016	201,309
2017	215,478
2018	230,660
Thereafter	335,248
Total	1,342,090
Less current portion	(171,311)
Long-term portion	$ 1,170,779

6. REVOLVING LOAN

On September 24, 2011, the Association entered into an agreement with Wells Fargo Bank for a $250,000 revolving loan. As of January 3, 2013, the revolving loan was increased to $300,000. Interest accrues subject to the greater of 5% or prime rate plus 1.75%. Interest is due and payable monthly and any unpaid principal shall be due and payable on January 1, 2014. The loan is collateralized by inventory and equipment of the Association. As of December 31, 2013 and 2012, there were no draws taken from this account and no outstanding balance due.

7. OPERATING LEASE AGREEMENT

The Association has an operating lease agreement for office facilities which operates on a month to month basis. Rent expense under this lease for the years ended December 31, 2013 and 2012 was $185,356 and $202,744, respectively.

8. RETIREMENT PLANS

SEIU Defined Benefit Plan

Plan name:	SEIU Affiliates Officers and Employees Pension Plan
Plan's EIN:	52-0812348
Plan number:	001
Certified zone status:	Green Zone

Qualified employees are covered under the SEIU Affiliates Officers and Employees Pension Plan (SEIU Plan). The SEIU Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The SEIU Plan is a multiple-employer plan administered by the Service Employees International Union (SEIU), which acts as a common investment and administrative agent for participating organizations. The SEIU Plan selects optional benefit provisions by contract with SEIU and adopts those benefits through Board approval. Multiple-employer plans differ from single-employer plans in that much of the fiduciary responsibilities and risks under a single-employer plan would lie with the Association. Under this multiple-employer plan, the fiduciary responsibilities and risks lie with SEIU.

The Association is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the actuarial methods and assumptions adopted by the SEIU Board of Directors. The required employer contribution rate for 2013 and 2012 was 16% and 14% of annual covered payroll, respectively. The Association's contributions to the SEIU Plan for 2013 and 2012 were $313,159 and $2,793,586, respectively, and equaled 100% of the required contributions. The contributions for 2012 represent more than 5% of the SEIU Plan's total contributions for the plan year ending December 31, 2012. Future contribution rates as a percentage of covered annual payrolls have been adopted as follows:

2014	18%
2015	20%
2016 and thereafter	21%

Retiree Health Plan

In addition to the SEIU Plan, the Association provides health, dental, and vision coverage to eligible retired participants through the California State Employees Association Retiree Health Benefit Plan (Retiree Health Plan). The participant must have at least 10 years of service; 15 years of services are required for full coverage. The Association allows the participant to choose between several health benefit plan options provided by Kaiser Permanente and Pacificare. All the plan options are HMO plans, except that transitionally, some employees were allowed to choose a PPO-type plan option. The Association pays the premiums for each retiree and the retiree's dependents according to the plan vesting schedule. In addition, for retirees covered by Medicare, the Association reimburses retirees for their Medicare premium payments.

The Association's funding policy is to make contributions on a pay-as-you-go basis. The following information has been computed by the Association's actuary (in thousands):

	2013	2012
Net post-retirement periodic benefit cost	$ 3,476	$ 5,928
Employer contributions	1,686	1,587

The following table sets forth the Retiree Health Plan's funded status at years ended December 31 (in thousands):

	2013	2012
Actuarial present value of accumulated post-retirement benefit obligation	$ (37,029)	$ (48,187)
Funded status (liability)	$ (37,029)	$ (48,187)
Current liability recorded on the statements of financial position	$ (1,746)	$ (1,993)
Noncurrent liability recorded on the statements of financial position	$ (35,283)	$ (46,194)

Net post-retirement periodic benefit cost for the years ended December 31 included the following components (in thousands):

	2013	2012
Service cost – benefits earned during the period	$ 1,106	$ 2,749
Interest cost	1,817	2,232
Amortization of loss	553	947
Net post-retirement periodic benefit cost	$ 3,476	$ 5,928

Net Retiree Health Plan changes other than net post-retirement periodic benefit cost for the years ended December 31 included the following components (in thousands):

	2013	2012
Gain during the year	$ (11,098)	$ (2,538)
Service costs during the year		(2,228)
Curtailment gain	(1,297)	
Amortization of gain	(815)	(947)
Amortization of prior service cost during the year	262	
Post-retirement changes other than net periodic benefit cost	$ (12,948)	$ (5,713)

A curtailment gain was calculated by the Association's actuary due to the elimination of all future benefits for a majority of employees (employees with less than 10 years of service who transferred to Local 1000 and employees hired after September 1, 2012). In addition, employees with 10-14 years of service had a partial elimination of benefits.

Amounts in unrestricted net assets that are expected to be recognized as components of net post-retirement periodic benefit cost for the year ending December 31, 2014, included the following components (in thousands):

Amortization of prior service cost	$ (262)

The following is a summary of the key assumptions used at December 31:

	2013	2012
Discount rate	4.75%	3.85%

Expected medical inflation trend assumptions for the Retiree Health Plan are as follows:

2014	6.7%
2015	6.4%
2016	6.1%
2017	5.8%
2018 and thereafter	5.5%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Increasing the health care cost trend rate by 1% in each future year would increase the accumulated post-retirement benefit obligation by $5,330,000 and the aggregate annual service and interest cost by $633,000.

The estimated annual benefit payments required for the Retiree Health Plan for the next ten years are as follows (in thousands):

Year ending December 31:	
2014	$ 1,746
2015	1,847
2016	1,910
2017	1,961
2018	2,016
2019-2023	10,863
Total	$ 20,343

Defined Contribution Plan

The Association sponsors a defined contribution plan under IRC Section 401(k) in which all employees 21 years of age and over are eligible to participate. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants may contribute by salary reduction of their annual wages before bonuses and overtime. This amount is limited by the IRS to a maximum dollar amount per year. Each participant's account is credited with the participant's contribution and allocation of plan earnings. The Association makes matching contributions of 200% of the first 1.50% of employee contributions to a maximum of 1.50% of gross wages. Employer contributions are not vested until the participant reaches three years of service. Plan expenses amounted to $53,139 and $16,146 for 2013 and 2012, respectively.

Supplemental Retirement Plan

In addition, the Association has a supplemental retirement plan that is an eligible deferred compensation plan as defined in Section 457(a) of the Internal Revenue Code. The plan is not intended to conform to the requirements of Internal Revenue Code Section 401. Participants are a select group of management or highly compensated employees. Currently, there is one prior employee benefitting under the plan. No other participants have been identified at December 31, 2013. Plan contributions are actuarially determined to fund current costs. This plan and the Association's liability under it will terminate upon the Association's legal dissolution, adjudication as bankrupt, or the making of a general assignment to or for the benefit of creditors. The Association's financial statements include the activity of the plan. At December 31, 2013 and 2012, assets of $7,180 and $19,343, respectively, were held for the plan and included in the Association's cash and cash equivalents. At December 31, 2013 and 2012, liabilities of $154,873 and $158,508, respectively, were held for the plan and shown as supplemental retirement plan liability on the statements of financial position.

9. FUNCTIONAL EXPENSES

The Association allocates expenditures functionally between direct expenditures on behalf of affiliates and indirect general and administrative costs. Accordingly, certain costs have been allocated based on employees' time incurred directly on behalf of affiliates and direct utilization of resources. For 2013, 78% of the Association's expenses consist of services provided on behalf of affiliates, while 22% are general and administrative costs. For 2012, services provided on behalf of affiliates were 76% of total expenses and general and administrative costs were 24%.

10. TAX STATUS

The Association is subject to Federal and State unrelated business income tax in any year they have activities that are unrelated to their exempt purpose. The Association is subject to tax on advertising revenues, discount ticket sale revenues and insurance commissions, net of any related expenses. A provision for unrelated business income taxes has been made for the years ended December 31, 2013 and 2012 to reflect changes in the deferred tax balances.

The Association has Federal and State NOLs as of December 31, 2013 in the amount of $1,032,208 and $1,051,476, respectively. The Federal NOLs expire in tax years ranging from 2025 to 2031. The State NOLs expire in tax years ranging from 2015 to 2031. These NOLs can be carried forward to offset taxable income in future years, which creates a deferred tax asset. In 2013 and 2012, a $44,500 and $832,500 decrease, respectively, in the valuation allowance was recognized due to changes in the expected realization of the NOLs.

Income taxes were comprised of the following:

	2013	2012
Federal income tax provision	$ 283,000	$ 79,000
State income tax provision	76,000	27,000
Change in deferred tax asset	(44,500)	(832,500)
Income tax (benefit) expense	$ 314,500	$ (726,500)

The Association's net deferred tax balances are as follows for the year ended December 31, 2013:

	Federal	State	Total
Deferred tax asset, current	$ 319,000	$ 84,000	$ 403,000
Deferred tax asset, non-current		9,000	9,000
Net deferred tax asset	$ 319,000	$ 93,000	$ 412,000

The Association's net deferred tax balances are as follows for the year ended December 31, 2012:

	Federal	State	Total
Deferred tax asset, current	$ 105,400	$ 71,900	$ 177,300
Less valuation allowance		(44,500)	(44,500)
Net current deferred tax asset	105,400	27,400	132,800
Deferred tax asset, non-current	496,600	97,100	593,700
Net deferred tax asset	$ 602,000	$ 124,500	$ 726,500

11. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Association to credit risk consist primarily of cash and cash equivalents and amounts due from affiliates.

The Association minimizes credit risk associated with cash and cash equivalents by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash and cash equivalents.

Amounts due from affiliates, as disclosed in Note 13, are for services provided during the year and are generally collected within three months after they are billed.

12. CONTINGENCIES

The Association and an Affiliate, Local 1000, are parties to pending claims and litigation related to operations. The Association believes that the outcomes of such matters will not have a significant effect on the financial position or results of activities of the Association.

13. AFFILIATES

The Association is affiliated with the ACSS, Local 1000, CSUEU, and Retirees. During 2012 these affiliates reimbursed the Association for their allocated share of central support costs. As of January 1, 2013 the affiliates are now charged a negotiated fixed fee for providing central support services that include accounting, information technology, human resources, and membership services.

The Association earned the following affiliate cost reimbursement revenue amounts for 2013 and 2012:

2013	ACSS	Local 1000	CSUEU	Retirees	Total
Central support	$ 539,003	$ 4,090,257	$ 923,004	$ 408,000	$ 5,960,264

2012	ACSS	Local 1000	CSUEU	Retirees	Total
Central support	$ 393,025	$ 5,911,044	$ 595,234	$ 220,721	$ 7,120,024

The Association had the following amounts receivable from (due to) the affiliates:

December 31, 2013	ACSS	Local 1000	CSUEU	Retirees	Total
Central support	$ 6,416	$ 153,417	$ 23,062	$ (19,122)	$ 163,773

December 31, 2012	ACSS	Local 1000	CSUEU	Retirees	Total
Central support	$ 148,452	$ 596,539	$ (7,311)	$ 326,620	$ 1,064,300

The Association maintains a one-month central support service reserve (as required by the service agreements) and is included in deposits due to affiliates and cash and cash equivalents on the statements of financial position as follows for the years ended:

December 31, 2013	ACSS	Local 1000	CSUEU	Retirees	Total
Central support service reserve	$ 80,000	$ 337,844	$ 140,000	$ 40,000	$ 597,844

December 31, 2012	ACSS	Local 1000	CSUEU	Retirees	Total
Central support service reserve	$ 80,000	$ 545,462	$ 140,000	$ 40,000	$ 805,462

14. CHANGE IN ACCOUNTING FOR AFFILIATE COSTS AND REIMBURSEMENTS

Historically, the Association has considered certain staff who worked on affiliate activities as employees of the Association. Accordingly, payroll expenses for these staff and the related affiliate reimbursements were included in the financial statements of the Association. The Association has reassessed the accounting for these employees and determined that prior to 2012, the service agreements between the Association and its affiliates were structured in a way that such employees were not those of the Association. Therefore, the Association has excluded these payroll expenses and reimbursements in the 2013 financial statements, as well as the 2012 financial statements which were restated to reflect the change in accounting. There was no impact on net assets at December 31, 2012 and 2011 due to this change in accounting.

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BOARD AGENDA ITEM	FIS 2/14/1 (Okumura)
ACTION ITEM	Date: 6/14/2014
SUBJECT:	Approval of CSEA renewing Line of Credit with Wells Fargo Bank in the amount of $250,000.00
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Lee King
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors approves CSEA to renew Line of Credit with Wells Fargo in the amount of $250,000.00.

BACKGROUND:

The Line of Credit Agreement provides a no cost (only cost is the interest on funds withdrawn) "rainy day fund" for CSEA to access in times of diminished cash flow-while it is not anticipated that CSEA will draw on the line of credit, it is available if needed.

ESTMATED COST/SAVINGS: CSEA would only incur a cost (i.e. interest) if funds are borrowed.

FUNDING SOURCE: N/A

BOARD ACTION:

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