THIRD 2014 CSEA BOARD OF DIRECTORS MEETING

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

October 25, 2014

TIMES CERTAIN

Saturday – October 25, 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 October 25, 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 June 14, 2014 and August 13, 2014 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
## APPROVAL OF CONSENT AGENDA:

### BENEFITS ITEMS

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BEN 19/14/3 (Russell Kilday-Hicks)  Hearing Aid Benefit Program  EPIC Hearing Service Plan  Annual Review ........................................ 79

BEN 20/14/3 (Russell Kilday-Hicks)  Discount Drug Prescription Program  Paramount RX  Annual Review ........................................ 83

FISCAL ITEMS

FIS 4/14/3 (David Okumura)  Approval of 2013 401K Plan Audit Report …… 87
Meeting Location: CSEA Headquarters Building, 3rd Floor Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

ROLL CALL
THIRD 2014 CSEA Board of Directors Meeting
October 25, 2014  1 PM – 4 PM

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

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
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
Patrick N. Gantt, CSUEU President
Yvonne Walker, SEIU Local 1000 President
Tim Behrens, CSR President
Arlene Espinoza, ACSS, Inc. President
Loretta Seva’aetasi, CSUEU Vice President Finance
Alisandra Brewer, CSUEU Vice President Representation (Sitting in for Michael Geck, CSUEU Vice President Organizing)
Cora Okumura, SEIU Local 1000 VP/Secretary-Treasurer
Tamekia Robinson, SEIU Local 1000 Vice President Organizing/Representation (Sitting in for Margarita Maldonado, SEIU Local 1000 VP for Bargaining)
Fritz Walgenbach, CSR Executive Vice President
Gus Lease, CSR Vice President
Frank P. Ruffino, ACSS, Inc. Vice President of Governmental Affairs
Todd D’Braunstein, ACSS, Inc. Vice President of Membership Development (Sitting in for Elnora Hunter-Fretwell, ACSS, Inc. Executive Vice President)

Board Alternates present:
Harold Rose, CSR/CFO, Secretary

CSEA and Affiliate Staff Present: Lee King, Lisa Fong and Lao Sok
Rocco Paternoster (ACSS), Phil Sherwood (CSR), Brian Lee (CSUEU), Felix De La Torre (SEIU Local 1000 Chief Counsel), Pam Robison (ACSS), Caryl Cole (CSR)

COMMUNICATIONS

Secretary-Treasurer David Okumura reported that there were no communications.
REPORT OF CLOSED SESSION

Secretary-Treasurer David Okumura reported that legal, management and staff issues were reviewed and discussed.

REPORT OF AGENDA COMMITTEE

Secretary-Treasurer David Okumura deferred the report of the Agenda Committee to Pat Gantt. Pat Gantt reported that there were no new Agenda Items to report.

The Board approved to have the following Member Benefits and Fiscal Items on the consent agenda

BEN 1/14/1 (Russell Kilday-Hicks) Discount Drug Prescription Card

BEN 2/14/1 (Russell Kilday-Hicks) CSEA Insurance Program Third Party Administrator Request for Proposal (RFP)

BEN 3/14/1 (Russell Kilday-Hicks) CSEA Bylaws and Policy File
Part II: Procedures
Section 901.03 – Administration
Section 903.07 – Actuarial Evaluation

FIS 1/14/1 (David Okumura) Approval of 2013 Audit Report

FIS 2/14/1 (David Okumura) Approval of renewing Line of Credit with Wells Fargo

READING AND APPROVAL OF THE OCTOBER 19, 2013 BOARD OF DIRECTORS MINUTES

BD 1/14/1 MOTION: That the Board of Directors approve the Minutes from the October 19, 2013 and November 25, 2013 Board of Directors Meetings. Motion was adopted by general consent. CARRIED.

READING AND APPROVAL OF THE NOVEMBER 25, 2013 BOARD OF DIRECTORS MINUTES

BD 2/14/1 MOTION: That the Board of Directors approve the Minutes from the November 25, 2013 Board of Directors Meetings. Motion was adopted by general consent. CARRIED.

REPORT OF PRESIDENT

President Marilyn F. Hamilton reported that for the 2015 General Council Jerry Fountain has been assigned as Chairperson for Sergeant-at-Arms. Jenny Hayden (CSR, Chapter 34 President) will be in charge of having the Color Guard for the opening session of 2015 General Council.
REPORT OF VICE PRESIDENT

Vice-President Russell Kilday-Hicks reported that the projected income from Member Benefits was looking very good for the next fiscal year and wanted to make sure credit was given to CSEA Member Benefits Manager Lisa Fong, under the direction of General Manager Lee King. Russell is also working on extracurricular activity outside his board duties, helping the Divest California group, associated with 350.org, on convincing CalPERS to stop investing in fossil fuels. He said that this divestment movement was comparable to the effort to disinvest in apartheid and tobacco and was important to building a response to the challenge of global climate change. Communications on this issue will be going out to CalPERS members and he would like each affiliate board to consider resolutions of support in the future.

REPORT OF SECRETARY-TREASURER

Secretary-Treasurer Dave Okumura reported as follows:

- CSEA’s audit for 2013 has been completed. A clean (unmodified) opinion was issued which is the highest level of opinion that an outside auditor can render. In addition, there was no management letter issued by the auditors or any findings reported that suggested internal control weaknesses or significant deficiencies. The audit report was issued on April 17, 2014 which is an extremely quick turnaround time for a calendar year end. Additionally, ACSS, CSR and CSUEU’s audits were completed with clean opinions and issued on April 2, 2014. Kudos to our controller, Mike Carr, and his team.

- The financial statements for the 4 months ending April 30, 2014 reflect no items of concern. We are currently projecting a surplus of approximately $1,400,000 for 2014. The principal reasons for this projected surplus are due to increased profits of approximately $900,000 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, travel and insurance costs.

- The payroll implementation project was successfully implemented effective January 1, 2014. CSEA is able to process payroll without a dedicated payroll person due to the efficiencies of the new system. Additionally, the month cost of the payroll service is less than what we paid the previous provider.

- The CSEA PAC has been closed down with the small balance of remaining funds being distributed to the 4 Affiliate PACs.

REPORT OF GENERAL MANAGER

OPERATIONAL ISSUES

- New payroll system went effective January 1, 2014. It is not only cheaper than our previous payroll provider, but also is more user friendly. Some of the features it has are as follows:
  o For example, vacation requests pre-populate the appropriate time sheet, holidays are preformatted also. For the Affiliates ACSS and CSR (that are not subject to Hudson reporting) their activity codes are prepopulated and literally all they have to do is enter hours for the day with no other selections necessary.
  o Employees can get all their leave history, pay statements and W-2’s on line.
  o Payroll is literally done by one of our existing accountants and it takes them less than 8 hours each week. We have thus eliminated the need for a dedicated payroll person.
We set a deadline for timecard completion—if not completed by that time automatic emails go out to offenders.

Vacation requests are submitted on line—the approver can view the employees leave balance and also see who is also scheduled to be out during that same time frame.

Employees see a pie chart that shows all element of compensation (i.e. their salary and cost of each one of the benefits they get).

- All staff have prepared detailed desk procedures manuals that outline their duties and are illustrated with applicable screen shots.

- All rank and file staff have received annual evaluations with specific goals to achieve in the upcoming year.

- CRM is now live for all 3 Affiliates—enhancements are being made and “bad data” is being methodically purged.

- As a result of the RFP for the Third party Administrator for our Member Benefits Program and negotiation with other vendors, we estimate that annual profits will increase by approximately $400,000 next year. We were also able to negotiate with an insurance carrier to increase the profit participation for the reserves held on behalf of our policyholders to the tune of over $200,000 annually.

- Annual audits for CSEA, CSR, ACSS and CSUEU were completed in record time with “clean” opinions. These reports were received on April 2 for CSR, CSUEU and ACSS. CSEA received its signed audit report on April 17.

- A third floor conference room was created out of excess space in the Accounting Department. This should allow CSEA and Affiliates to make use of this space and decrease their dependency on outside locations.

- We have hired a new HR person (Laura Sandbank) to replace Vicki Cichocki (who left June 2).

- The CSEA PAC has been closed and all remaining funds have been distributed to the 4 Affiliate PACs.

- All remaining History Project files have been picked up by State Archives.

- The SEBC Board approved having an engineer retained to determine how best to deal with the continuing problems we are experiencing with the HVAC system.

- I am currently involved in restructuring the contracts our Member Benefits Department has with our insurance carriers and our Third party Administrator in order to address a future tax issue. Our Net Operating Loss Carry forwards will, at the current rate, be exhausted by the end of this year. What this means is that approximately 40 cents of every dollar will be lost to income taxes unless we can demonstrate that the revenue we receive from our insurance programs qualifies as
royalties and thus exempt from taxes. Besides revamping contract language to represent what CSEA versus our Third party Administrator actually do in connection with generating revenue, it may also cause some personnel issues that we must address.

AFFILIATES REPORTS

(CSUEU)

Mr. Gantt reported that CSUEU was working on improvement in the contract at the bargaining table and that CSUEU is continuing to gain membership as CSUEU is bargaining. CSUEU is putting a lot of time and energy in support of the budget and hoping that Governor Brown does not change the funding that was originally proposed last January. CSUEU is continuing to work with the Board of Directors on strategic planning and leadership development. Brian Lee, the new CSUEU Executive Director, is overseeing the chapter assessment program.

(SEIU Local 1000)

Ms. Walker reported that SEIU Local 1000 members would see the first general salary increase on July 1, 2014. The last salary increase for SEIU Local 1000 members was back in July 1, 2006. SEIU Local 1000 is currently participating in recruiting membership by conducting COPE Drives. SEIU Local 1000’s goal is to gain more membership in defense of the potential outcome of the Harris vs Quinn case. SEIU Local 1000 is shooting for 95% rate in membership.

SEIU Local 1000 is continuing the work on income inequality. SEIU Local 1000 Board voted unanimously to support the low-wage workers campaign-Fight for 15, currently on going. Ms. Walker highlighted the city of Seattle as a great example in this movement. Other cities partaking in the Fight for 15 include: San Francisco, San Diego, Oakland, Berkeley and Davis. McDonald’s restaurant had a worldwide strike last month in efforts to bring awareness to the no protection on the job issue.

SEIU Local 1000 is supporting the early-childhood education program known as Organizing Childcare Worker. SEIU Local 1000 is participating in a campaign to organize an adjunct professor program which is turning out to be very successful primarily here in California. SEIU Local 1000 is also involved in getting the first member of the Hmong community to be elected to the Board of Supervisor in Fresno, California.

Ms. Walker encourages the affiliate to participate in the Fight for 15 as it has a great impact on California workers and our economy as well.

(ACSS, Inc.)

Mrs. Espinoza reported this was a successful political year for ACSS. ACSS wants to thank our Vice-President of Governmental Affairs, Frank Ruffino and ACSS legislative advocate Ted Toppin of Blanning and Baker for steering ACSS through this process. ACSS has had great success with meeting and interviewing candidates. ACSS’ current primary election success rate is at 97% and possibly going to 99%. This is important to ACSS because ACSS doesn’t have collective bargaining or bargaining rights. The Benefits received by Excluded Employees are through the Administration or Legislation.

ACSS is working on SB216 – Compaction. ACSS met with the Administration on June 5, 2014 to pursue having the bill removed from the suspense file to the floor for a vote. ACSS is determined to find a solution to pay compaction experienced by our members.
ACSS has hired a new organizer, Charlotte Hoar. She will focus on member outreach. ACSS has lost our communication specialist, Kevin Glidden. He has moved to Guatemala to work for a non-profit organization. He did a great job for ACSS and we wish him continued success. Amy Jaramillo from CSEA IT department shadowed Kevin Glidden for two weeks so that she can help fill this important roll.

ACSS goal is to continue to increase membership and get BP1 passed at General Council.

(CSR)

Mr. Behrens reported that California State Retiree is in the process of finding a replacement for Dr. Phil Sherwood, who is retiring on August 20, 2014. California State Retiree did well in terms of political action. California State Retiree had one loss out of all the candidates that California State Retiree endorsed. Mr. Behrens attended the first Republican Convention along with ACSS representative and had his picture taken with Connelly Rice.

California State Retiree is working on increasing their membership. California State Retiree wants to thank Yvonne Walker for allowing California State Retiree communication staff to meet with SEIU Local 1000 communication staff to establish a link on the SEIU Local 1000 webpage to the CSR website. This will allow access to Local 1000 members on retirement issues. California State Retiree is hoping that ACSS, and CSUEU would consider the same; having a link to California State Retiree from their own website.

California State Retiree launched the Ambassador Program. To help increase membership, California State Retiree is delivering its newspaper to state agencies. California State Retiree is also attending CSUEU, SEIU Local 1000 and other state employee’s events to promote membership with California State Retiree.

California State Retiree Board of Directors voted to give Senior California Legislator $15,000.00. California State Retiree is encouraging the affiliates to participate.

BEN 1/14/1 (Russell Kilday-Hicks) Discount Drug Prescription Card

BD 3/14/1 MOTION: That the Board of Directors adopt the Paramount Rx as the CSEA Member Benefits Discount Drug Prescription Program. Motion was adopted by general consent. CARRIED.

BEN 2/14/1 (Russell Kilday-Hicks) CSEA Insurance Program Third Party Administrator Request for Proposal (RFP)

BD 4/14/1 MOTION: That the Board of Directors adopt the 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. Motion was adopted by general consent. CARRIED.

BEN 3/14/1 (Russell Kilday-Hicks) CSEA Bylaws and Policy File Part II: Procedures Section 901.03 – Administration Section 903.07 – Actuarial Evaluation
MOTION: That the Board of Directors accept the recommended changes to Policy File Sections 901.03 (b) and 903.07: Motion was adopted by general consent. CARRIED.

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)

FIS 1/14/1 (David Okumura) Approval of 2013 Audit Report

MOTION: That the Board of Directors adopt the 2013 Audit Report of CSEA. Motion was adopted by general consent. CARRIED.

FIS 2/14/1 (David Okumura) Approval of renewing Line of Credit with Wells Fargo

MOTION: That the Board of Directors approves CSEA to renew Line of Credit with Wells Fargo in the amount of $250,000.00. Motion was adopted by general consent. CARRIED.

MEETING ADJOURNMENT

The meeting was adjourned by President Marilyn F. Hamilton in the memory of John Williams at 1:40 PM.

Respectfully submitted,
Lao Sok
Meeting convened at 12:15 pm.

CSEA Board members present:
Marilyn F. Hamilton, CSEA President
David Okumura, CSEA Secretary-Treasurer
Patrick N. Gantt, CSUEU President
Tim Behrens, CSR President
Arlene Espinoza, ACSS Inc. President
Margarita Maldonado, SEIU Local 1000 Vice President
Tamekia Robinson, SEIU Local 1000 Vice President for Organizing/Representation
Loretta Seva’etasi, CSUEU Vice President for Finance
Michael Geck, CSUEU Vice President for Organizing
Gus Lease, CSR Vice President
Frank P. Ruffino, ACSS Inc. Vice President of Governmental Affairs
Elnora Hunter-Fretwell, ACSS Inc. Executive Vice President
Todd D’ Braunstein, ACSS Inc. Vice President of Membership Development
Alisandra Brewer, CSUEU Vice President of Representation

A quorum was present.

CSEA and Affiliate Staff Present:
Lee King, CSEA General Manager
Bob Hendricks, CSR Executive Director
Rocco Paternoster, CSEA General Counsel
Felix De La Torre, SEIU Local 1000 Chief Counsel
Michael Carr, CSEA Controller
Lisa Fong, Member Benefits Manager
Lao Sok, Board Secretary

The purpose of this meeting was to discuss/act upon the attached Agenda Item (FIS 3/14/2):

**BD 8/14/2 MOTION**: Moved by Pat Gantt, second by Gus Lease that the CSEA Board of Directors approve CSEA retaining Downey Brand LLP to pursue litigation regarding royalties paid by Purchasing Power to Dick Bogart that should have gone to CSEA. MOTION PASSED UNANIMOUSLY.

No other matters were addressed.

Meeting adjourned at 12:45 pm.
RECOMMENDED ACTION:

That the Board of Directors approve CSEA retaining Downey Brand LLP to pursue litigation regarding royalties paid by Purchasing Power to Dick Bogart that should have gone to CSEA.

BACKGROUND:

Dick Bogart, a paid representative of Anthem Insurance, represented to Purchasing Power that he was a broker for CSEA and as a result directed Purchasing Power to pay him 4% of net sale proceeds and to remit 2% of net sale proceeds to CSEA. This agreement was not disclosed by Mr. Bogart to CSEA and at no time did CSEA agree to compensate Mr. Bogart for introducing Purchasing Power to CSEA. This has resulted in over $900,000.00 of royalties being paid to Mr. Bogart that should have been paid to CSEA. At the Board’s direction Lee King and Rocco Paternoster consulted with an outside litigation firm, Downey Brand LLP, on this matter, including a full review of all relevant documents. Counsel agrees that CSEA has several viable legal claims against Bogart and that CSEA has a strong case to pursue in seeking relief against him.

ESTIMATED COST/SAVINGS: $75,000.00 - $100,000.00 for initial research, drafting and filing of a complaint, depositions and written discovery. In the unlikely case that we would have to go to trial, it is estimated that another $250,000.00 would be incurred.

FUNDING SOURCE: Salary compensation savings

BOARD ACTION:
BOARD AGENDA ITEM  
BEN 4/14/3 (Kilday-Hicks)

ACTION ITEM  
Date: 10/25/14

SUBJECT:  
E-Retailer via Payroll Deduction
Purchasing Power, LLC
Annual Review

SOURCE AND/OR PROONENT:  
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 the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Continue the program with the current carrier.

BACKGROUND:

The Purchasing Power program was launched in 2007 allowing affiliate members to buy new computer bundles via payroll deduction. Since then, additional products such as home electrics, appliances, furniture, vacation packages and jewelry have been added to the program. The Purchasing Power program is a non-cash/credit buying program.

Attached is the Purchasing Power 2013 report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
### CALIFORNIA STATE EMPLOYEES ASSOCIATION
### ANNUAL ORDER REPORTING

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<th>Year</th>
<th>Orders Taken</th>
<th>Orders Shipped</th>
<th>Order Conversion %</th>
<th>Participation Rate %</th>
<th>Year over Year Growth</th>
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<td>4669</td>
<td>74.30%</td>
<td>8.54%</td>
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<td>2012</td>
<td>6582</td>
<td>4997</td>
<td>76.72%</td>
<td>8.66%</td>
<td>4.7%</td>
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<tr>
<td>2013</td>
<td>7626</td>
<td>5862</td>
<td>78.20%</td>
<td>11.68%</td>
<td>16%</td>
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<tr>
<td>2014 YTD</td>
<td>3090</td>
<td>2333</td>
<td>75.63%</td>
<td>4.73%</td>
<td>2014 YTD Growth – 34% (2302 YTD June 2013)</td>
</tr>
</tbody>
</table>
2013 CUSTOMER SATISFACTION
CALIFORNIA STATE EMPLOYEES ASSOCIATION

89% Satisfaction

Overall Satisfaction

84% Likely to Recommend

Likelihood of Recommending PPC

0 Not at all likely
1
2
3
4
5
6
7
8
9
10 Extremely likely
86% Likely to Repeat Purchase

Likelihood of Another Purchase

- 61% Certain to repeat
- 3% Extremely likely
- 5% Likely to repeat
- 7% Very likely to repeat
- 9% Somewhat likely to repeat
- 10% Somewhat unlikely to repeat
- 1% Very unlikely to repeat
- 2% Extremely unlikely to repeat
- 0% Not at all likely to repeat
2013 ORDERS BY CATEGORY

CALIFORNIA STATE EMPLOYEES ASSOCIATION
BOARD AGENDA ITEM

ACTION ITEM

SUBJECT: Legal & Identity Theft Plan
           Legal Club of America
           Annual Review

SOURCE AND/OR PROPOSENT: 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 the following recommendations:

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with the current carrier at current rates.

BACKGROUND:

The plan, which became effective in 2000, provides Free and Discounted Legal Care, ID Theft and other services to CSEA members and their families. Legal Club has been the provider of this plan since its inception.

Attached is the 2013 Annual Actuarial Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
California State Employees Association

Usage Report (01/01/2013 - 12/31/2013)

Company Effective Date: 04/01/2002

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Members Since Inception</td>
<td>4,001</td>
</tr>
<tr>
<td>Active Members (12/31/2013)</td>
<td>1,467</td>
</tr>
<tr>
<td>Total Members Enrolled (01/01/2013 - 12/31/2013)</td>
<td>126</td>
</tr>
<tr>
<td>Total Usage (01/01/2013 - 12/31/2013)</td>
<td>706</td>
</tr>
<tr>
<td>Average Group Usage (Annualized)</td>
<td>48.13%</td>
</tr>
</tbody>
</table>

(Total Usage/Active Members) * (12 months/Reporting Period)

Examples of Usage:
- Attorney assignment
- General benefit question

- Number of Covered Members (12/31/2013): 1467
- Number of Plan Attorneys in California (12/31/2013): 1522
- Number of Members Using Plan Services (1/1/2013 - 12/31/2013): 706
- Total Premium (1/1/2013 - 12/31/2013): $97,845.19
- Reimbursement of Service Cost (1/1/2013 - 12/31/2013): $21,740.76
BOARD AGENDA ITEM

ACTION ITEM

SUBJECT: Auto and Homeowners Insurance Plan
        Kemper Select
        Annual Review

SOURCE AND/OR PROONENT: 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 the following recommendations:

1. Conclude there is no contingency reserve surplus.

2. Continue the plan with the current carrier 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 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 carrier. In June 2007 Merastar was purchased by Unitrin, Inc. In June 2012, the Unitrin, Inc. brand was replaced by Kemper Select. The contract with Kemper provides for a retention bonus and profit sharing opportunities based on loss ratio and total retention.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
KEMPER SELECT

RELATIONSHIP OVERVIEW

- Partnership began in 1999 as the carrier offered through RewardsPlus
- Direct partnership established in 2003
- RFP for auto and home insurance program issued in Summer 2010
- Kemper awarded 5-yr. exclusive contract in Fall 2012

PARTICIPATION SUMMARY

<table>
<thead>
<tr>
<th>Policies In Force</th>
<th>TOTAL</th>
<th>Auto</th>
<th>Home</th>
<th>Boat</th>
<th>Umbrella</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1836</td>
<td>1414</td>
<td>415</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2012</td>
<td>1813</td>
<td>1495</td>
<td>315</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Inquiries:

<table>
<thead>
<tr>
<th>Policies In Force</th>
<th>Inquiries</th>
<th>Quotes</th>
<th>Policies Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2207</td>
<td>2193</td>
<td>380</td>
</tr>
<tr>
<td>2012</td>
<td>2149</td>
<td>2126</td>
<td>403</td>
</tr>
</tbody>
</table>

Compensation Paid to CSEA:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee Schedule</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Fee</td>
<td>$6250/Month</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Inquiry Fee</td>
<td>$14/Inquiry</td>
<td>$30,898</td>
<td>$29,764</td>
</tr>
<tr>
<td>Retention Bonus</td>
<td>Varies by year</td>
<td>$20,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>$125,898</td>
<td>$129,764</td>
</tr>
</tbody>
</table>

Claims Detail:

<table>
<thead>
<tr>
<th></th>
<th># Claims</th>
<th>Total Paid</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>451</td>
<td>$1,619,785.00</td>
<td>70.8%</td>
</tr>
<tr>
<td>Home</td>
<td>10</td>
<td>($5,699.00)</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>461</td>
<td>$1,614,086.00</td>
<td>65.0%</td>
</tr>
</tbody>
</table>
Earned Premium and Loss Summary:

<table>
<thead>
<tr>
<th>Year</th>
<th>Earned Premium</th>
<th>Losses</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,245,014.08</td>
<td>$1,220,113.80</td>
<td>98.00%</td>
</tr>
<tr>
<td>2002</td>
<td>$2,665,688.53</td>
<td>$2,105,893.94</td>
<td>79.00%</td>
</tr>
<tr>
<td>2003</td>
<td>$3,176,040.17</td>
<td>$2,540,832.14</td>
<td>80.00%</td>
</tr>
<tr>
<td>2004</td>
<td>$3,371,845.22</td>
<td>$1,953,078.27</td>
<td>57.00%</td>
</tr>
<tr>
<td>2005</td>
<td>$3,462,382.16</td>
<td>$2,559,158.44</td>
<td>73.00%</td>
</tr>
<tr>
<td>2006</td>
<td>$3,526,066.86</td>
<td>$2,531,242.74</td>
<td>71.00%</td>
</tr>
<tr>
<td>2007</td>
<td>$3,509,360.09</td>
<td>$1,570,868.29</td>
<td>44.00%</td>
</tr>
<tr>
<td>2008</td>
<td>$3,433,486.66</td>
<td>$1,927,005.03</td>
<td>56.00%</td>
</tr>
<tr>
<td>2009</td>
<td>$3,191,839.88</td>
<td>$1,605,467.65</td>
<td>50.00%</td>
</tr>
<tr>
<td>2010</td>
<td>$2,818,454.84</td>
<td>$1,528,866.00</td>
<td>54.00%</td>
</tr>
<tr>
<td>2011</td>
<td>$2,621,453.00</td>
<td>$1,189,545.00</td>
<td>45.37%</td>
</tr>
<tr>
<td>2012</td>
<td>$2,348,740.00</td>
<td>$1,454,310.00</td>
<td>61.90%</td>
</tr>
<tr>
<td>2013</td>
<td>$2,481,504.00</td>
<td>$1,614,086.00</td>
<td>65.00%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$37,851,875.49</td>
<td>$23,800,467.30</td>
<td>62.88%</td>
</tr>
</tbody>
</table>

3-year loss average: 57.1%

Additional Information:
- 99.3% of those who inquired received a completed quoted
- 380 new policies were sold
- 3 complaints received and satisfactorily resolved during the year
- Number of eligible members for marketing declined 12.3% from end of 2012 to end of 2013

Expense Summary:
Total marketing expenses for the year were $133,653. This included expenses for the following:
- Three (3) home mailings
- Customized Brochures for the EBRs
- Platinum-level Sponsorship for Member Benefits Day
- Travel expenses related to participating in Member Benefits Day
- Travel expenses related to attending each Member Benefits committee meeting

Future Marketing Plans:
- Minimum of 2 home mailings, featuring customized materials for each affiliate
- Customized brochures for mailings and distribution by CSEA staff
- Participation and sponsorship in Member Benefits Day
- Explore electronic communication opportunities
BOARD AGENDA ITEM  
BEN 7/14/3 (Kilday-Hicks)

ACTION ITEM  
Date: 10/25/14

SUBJECT:  
Group Term Life Insurance Plan  
Anthem Life Insurance Company  
Annual Review

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 the following recommendations:


2. The Claim Reserve is fully funded.

3. Continue to market/promote the Group Term LifePLUS and 10 Year Level Term Life Insurance Plans to bring in new Plan participants and premium.


BACKGROUND:

The original Group Term Life plan, which became effective more than seventy years ago, offers coverage under a schedule which increases with salary and decreases at age 50 thru 70. The current Group Term LifePLUS plan decreases at ages 65 and 70. Monthly premium rates per $1,000 coverage vary from .05¢ under age 25 to $1.90 at age 70 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. Supplemental coverage was offered to increase coverage. 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 percent 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.
In 2011, the premium rates were reduced an average of 30%+ with the goal of bringing in more new plan participants and premium to the Plans. A new 10-year level term life plan was introduced, and the term life program was extended to include associate members of CSEA. There is not yet enough data to review for either of these CSEA plans.

Attached is the 2013 Annual Report.

**ESTIMATED COST/SAVINGS:**

**FUNDING SOURCE:**

**BOARD ACTION:**
Group Term and TermPLUS Life Insurance Plans

Plan Design:

The Group TermPLUS Life Insurance Plan provides up to $300,000 of coverage (up to $600,000 for accidents). Coverage is Guarantee Issue (for minimum benefit amount based upon salary) if Members apply within the first 7 months of employment. If enrolling after 7 months of employment or enrolling for coverage in excess of pre-approved amounts evidence of insurability is required.

Retired CSEA Members are eligible for coverage provided they are under age 65, working at least 20 hours per week and remain a Retired CSEA Member (evidence of insurability is required).

Protection is also available for Spouse and Children. Spouse may enroll for up to 50% of the Member Benefit and children up to age 26 can be covered for $10,000.

The TermPLUS Life Plan features an Accelerated Death Benefit which allows for the collection of 50% of the Plan benefit or up to $75,000, if diagnosed with a terminal illness and given a life expectancy of 12 months or less.

Premiums for the TermPLUS Plan are waived if an insured becomes totally disabled prior to age 60 and remain disabled for four consecutive months.

At age 65, the benefit amount reduces by 50%. At age 70, the benefit amount reduces to $15,000. Spouse and Children coverage reduces to $5,000 at age 65.

When the Member retires they may continue the TermPLUS coverage provided they have been insured for two years, receive CalPERS benefits, continue CSEA membership and send in an application requesting continued benefits into retirement.

The Term LifePLUS Plan is underwritten by Anthem Life Insurance Company and is on retention.

Participation and Premium:

Participation and Premium in the Term LifePLUS Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Term and Term LifePLUS</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>9,757</td>
<td>$3,186,705</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>9,457</td>
<td>$3,598,121</td>
</tr>
</tbody>
</table>
Participation declined for the Term Life Plans while Total Annual Premium increased over the past two years.

We attribute the increase in Total Annual Premium to the aging of the insured population (as one gets older, their premium rate rises) as well as the introduction of the new 10 Year Level Term Life Insurance Plan with higher premium rates than the Group TermPLUS Plan in general.

Financial Experience:

Earned Premium remained consistent and Expenses declined by $168,728. Incurred claims declined by $607,535. The Plan suffered losses (Claims and Expenses exceeded Premium) in both 2012 and 2013. The Claim Reserve while still well-funded (almost 2x the Earned Premium) decreased by $508,394.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Profit/Loss for the Policy Year</th>
<th>Claim Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$3,186,705</td>
<td>$4,205,656</td>
<td>$1,387,298</td>
<td>($2,389,431)</td>
<td>$6,725,781</td>
</tr>
<tr>
<td>2013</td>
<td>$3,159,634</td>
<td>$3,598,121</td>
<td>$1,218,570</td>
<td>($1,615,334)</td>
<td>$6,217,387</td>
</tr>
</tbody>
</table>

Findings:

- The Earned Premium for the past two years has not exceeded Plan Benefits and Expenses (Claims, Taxes, Royalty, etc.) causing a Plan Loss and a reduction in the Claim Reserve.

- Successful marketing efforts in 2012 and 2013 have offset 2011 premium rate reduction.

- Incurred Claims have declined ($607,535) from 2012 to 2013. The Plan Insureds are aging and with age come increased claim activity. Need to monitor the Claim activity closely.

- Expenses for the Plans are determined by contract and they did not increase in 2013.

- Review underwriting guidelines with the goal of accepting as many applications as possible within the appropriate risk guidelines.

- Need to add more Insureds (preferably younger) and premium (upgrades, cross-sells, no-cost coverage) to this Plan to increase participation and premium in the Plans. Market/promote Group Term and 10 Year Level Term Life Plan in 2015.
BOARD AGENDA ITEM: BEN 8/14/3 (Kilday-Hicks)

ACTION ITEM

Date: 10/25/14

SUBJECT:
Group Ordinary Life Insurance Plan
Anthem Life Insurance Company
Annual Review

SOURCE AND/OR PROONENT:
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 the following recommendations:


2. Claim Reserve is fully funded.

3. Continue to market Group Ordinary Life Plan to increase participants and premium.


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 sub-plans 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 percent to 75 percent on old policies) were utilized to help reduce excess margin in the plan’s contingency reserve. In addition, premium rates have been discounted 50 percent for supplemental coverage.

Attached is the 2013 Annual Report.
ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Group Ordinary Life Insurance Plan

Plan Design:

CSEA members are eligible for coverage in the Group Ordinary Life insurance Plan if they are actively employed and working at least 20 hours per week. If they apply for coverage during the first seven months of employment, coverage is guaranteed. After 7 months, an application and statement of health is required. Benefits up to $100,000 are available.

Retired CSEA members are eligible for coverage provided they are under age 65, working at least 20 hours or more per week and maintain their Retired CSEA membership. Evidence of Insurability is required. Members age 66 and over may apply for $2,500 of insurance.

$5,000 of coverage is available for Spouse and Children.

The Group Ordinary Life Insurance Plan provides a cash value component as well as the Life Insurance benefit. Cash value grows with each year of coverage, starting in year 4.

If coverage is terminated before filing a claim, a cash value benefit may be earned.

Premiums for the group Ordinary Life Plan are waived if an Insured becomes totally disabled prior to age 60 and remain disabled for four consecutive months.

Coverage may be converted, without evidence of Insurability, to an Individual policy if the Insured terminates employment, CSEA membership, or is no longer eligible for retirement benefits.

The Group Ordinary Life Insurance Plan is underwritten by Anthem Life Insurance Company and is on retention.

Participation and Premiums:

Participation and Premium in the Group Ordinary Life Insurance Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Group Ordinary</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>1,324</td>
<td>$329,553</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>1,255</td>
<td>$324,965</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the Group Ordinary Life Insurance Plan has declined over the past two years.
Financial Experience:

Earned Premium remained consistent and Expenses declined by $35,983. Incurred Claims declined by $504,240. The Plan suffered losses (Claims and Expenses exceeded Premium) in both 2012 and 2013. The Claim Reserve while still well-funded decreased by $164,885.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Profit/Loss for the Policy Year</th>
<th>Claim Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$329,553</td>
<td>$1,060,839</td>
<td>$219,410</td>
<td>$(950,696)</td>
<td>$1,310,079</td>
</tr>
<tr>
<td>2013</td>
<td>$324,965</td>
<td>$520,599</td>
<td>$183,427</td>
<td>$(379,061)</td>
<td>$1,145,194</td>
</tr>
</tbody>
</table>

Findings:

- The Earned Premium for the past two years has not exceeded Plan Benefits and Expenses (Claims, Taxes, Royalty, etc.) causing a Plan Loss and a reduction in the Claim Reserve.

- The Plan Insureds are aging and with age come increased propensity for a Life Insurance claims.

- Expenses for the Plans are determined by contract and they did not increase in 2013.

- Need to add more Insureds and premium to this Plan to increase participation and premium in the Plan. Market/promote the Group Ordinary Life Plan in 2015.
BOARD AGENDA ITEM

ACTION ITEM

SUBJECT:

SOURCE AND/OR PROponent:

PRESENTATION BY:

ASSIGNED TO:

RECOMMENDED ACTION:

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

1. There has been no demand for this type of insurance plan from the CSEA membership to date.

2. The Plan may continue to have a presence on the CSEA Group Insurance Plan web site but there should be no direct mail marketing campaigns planned for this line of insurance.

3. Continue the Plan with Anthem Life Insurance Company as the underwriter.

BACKGROUND:

The Anthem Life Final Expense plan is whole life coverage, with level premiums and guaranteed cash value. The initial coverage amount and any subsequent increase are elected. Each coverage amount carries its own premium and associated cash value (based on the attained age of the insured utilizing the 2001 mortality table). Individuals enrolling in this coverage are also eligible for dependent spouse life coverage.

Coverage amounts are available at $10,000.00 and $20,000.00 to all CSEA members working 20 hours or more per week and to retired members who do not have prior life insurance coverage through CSEA. While CSEA members working 20 hours or more per week can apply for the final expense policy, this product may not be the best deal for the member under age 66. These members should be advised to review their options under the current group ordinary policy. Members age 66 and over can obtain more coverage under the Final Expense group ordinary policy.

Rates reflect a 25% discount off of the contract premium rates. All ages are calculated based on the age of Insured on his birthday nearest the group anniversary date of November 1st.
The Final Expense Insurance Plan was launched in January 2014. The Plan is combined with the Group Ordinary Life Insurance Plan for financial experience. Separate Premium, Claim and Expense line items will not be available.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Final Expense Life Insurance Plan

Plan Design:

The Final Expense Life Insurance Plan is designed to provide peace of mind with a low Life Insurance benefit of $10,000 or $20,000. CSEA members age 80 and under, employed less than 7 months and continuously working 20 hours per week (excluding retired employees) qualify for a guaranteed minimum benefit amount of $20,000. A Statement of Health is required if enrolling after 7 months of employment, increasing coverage after initial enrollment or retired. CSEA membership is required to maintain coverage.

Coverage is available to Active and Retired CSEA Members. The benefit amount will not reduce due to age.

The Plan is underwritten by Anthem Life Insurance Company and is combined with the Group Ordinary Life Insurance Plan financial and retention purposes.

Participation and Premium:

This is a new CSEA Life Insurance Plan (2013) and one that is not marketed via direct mail. The Plan has a presence on the CSEA Group Insurance website and a dynamic PDF application is available for submission.

Financial Experience:

The Final Expense Plan is combined with the Group Ordinary Life Insurance Plan for financial experience. Separate Premium, Claim and Expense line items are not available.

Findings:

- We have not seen any demand for this product since introduction.

- There should be no direct mail marketing campaigns for this Plan.

- Continue to have the Plan available to CSEA members and keep Anthem Life Insurance Company as the Plan underwriter.
BOARD AGENDA ITEM
BEN 10/14/3 (Kilday-Hicks)

ACTION ITEM
Date: 10/25/14

SUBJECT:
Accidental Death and Dismemberment Insurance Plan
New York Life Insurance Company Annual Review

SOURCE AND/OR PROONENT:
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 the following recommendations:

1. Premium rates are adequate to support current Plan expenses and fund the Premium Surplus Reserve.

2. The Premium Surplus Reserve is fully funded.

3. Continue plan upgrade and cross-sell strategies as well as introduce a no-cost coverage to generate new insured and premium.


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 percent for spouses (50 percent without children) and 10 percent for each child. The monthly premium is $2.50 per unit plus $1.00 per unit for dependents.

Attached is the 2013 Annual Report.
ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Accidental Death and Dismemberment Plan

Plan Design:

The ADD Plan is Guarantee Issue for both Actively Working and Retired CSEA members.

Actively Working – Benefit up to $500,000.

Retired – Benefit up to $200,000.

Life or Dismemberment benefits are paid in addition to any other insurance. Coverage is provided 24/7 anywhere, anytime for covered accidents.

Additional Plan benefits include; $10,000.00 if member or covered family member dies in fatal auto accident while wearing a seat belt; up to $3,000.00 education benefits for covered spouse to advance his/her education if member dies; up to $2,500.00 each year for members eligible children to attend college if member dies.

The Plan pays benefits for covered accidents such as car accidents, work and home accidents, drowning, falls, electrical accidents, boating mishaps as well as a passenger on a commercial airplane, train or bus.

The ADD Plan is underwritten by New York Life Insurance Company and is on retention.

Participation and Premium:

Participation and Premium in the ADD Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2012</td>
<td>13,634</td>
<td>$2,296,661</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>13,004</td>
<td>$2,239,493</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the ADD Plan declined slightly over the past two years.
Financial Experience:

Earned Premium and Expenses remained mostly unchanged from 2012 to 2013 while the amount of Incurred Claims increased (+$722,477) and Marketing costs decreased (-$110,044). 2012 was a profitable year (Premium exceeded Claims and Expenses) while 2013 had a small loss for the year. Premium Surpluses were payable for both Policy Years. The Premium Surplus Reserve is fully funded at 25% of Earned Premium ($611,089) and surplus above that may be disbursed.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Marketing</th>
<th>Profit/Loss for the Policy Year</th>
<th>Premium Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$2,498,597</td>
<td>$748,070</td>
<td>$732,574</td>
<td>$274,723</td>
<td>$680,765</td>
<td>$754,424</td>
</tr>
<tr>
<td>2013</td>
<td>$2,463,035</td>
<td>$1,470,547</td>
<td>$771,982</td>
<td>$164,679</td>
<td>($5,747)</td>
<td>$75,721</td>
</tr>
</tbody>
</table>

Findings:

- ADD coverage is very volatile from year to year. Several large claims of $500,000 can have a large impact on the profitability of the Plan in a given Policy Year. We saw this in the 2013 Policy Year.

- Premium rates are adequate to support the current Plans’ Expenses (Claims, Taxes, Royalty, etc.) and the Premium Surplus Reserve.

- Expenses of 6.7% for the Insurance Carrier are in line with similar accounts.

- The 1.5% premium taxes are regulated and determined by the Department of Insurance.

- Expenses for the Plans are determined by contract and they did not increase in 2013.

- Premium Surplus Reserve funding requirement of 25% is on par with what we typically would see for an ACD Plan.

- Premium Surplus Reserve is fully funded.

- Need to add more Insureds (preferably younger) and premium (upgrades, cross-sells, no-cost coverage) to this Plan to smooth out the volatility as much as possible.
BOARD AGENDA ITEM  

BEN 11/14/3 (Kilday-Hicks)  

ACTION ITEM  

Date: 10/25/14  

SUBJECT:  

Disability Income Insurance Plans  
(Short Term and Long Term)  
New York Life Insurance Company  
Annual Review  

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 the following recommendations:  

1. Premium rates are more than adequate to support Plan expenses and fund the Premium Surplus Reserve.  

2. The Premium Surplus Reserve is fully funded and a Surplus is available.  

3. Consider improving Plan (additional benefits) or providing premium reduction, credit or check payment to existing insured.  

4. Keep Plan with New York Life insurance Company as the underwriter.  

BACKGROUND:  

This plan has been underwritten by New York Life Insurance Company 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 Insurance Company 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 percent 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 deduction of over 30% and is designed to augment SDI coverage. This plan was added in 2007.

Attached is the 2013 Annual Report.

**ESTIMATED COST/SAVINGS:**

**FUNDING SOURCE:**

**BOARD ACTION:**
Disability Income Insurance Plans
Long Term and Short Term

Plan Design:

There are two Disability Income Plans available to CSEA members — Long Term and Short Term.

- Long Term Disability Income Plan

The Long Term Disability Income Plan provides for disabilities including injury, illness and pregnancy while at work, home or travelling. 2 year and 5 year benefit periods are available and benefits, payable directly to the insured, begin after six months or when the insureds' sick leave ends, whichever is later.

Members are eligible if they are under age 70 and work at least 20 hours per week. The Plan pays benefits equal to 66% of the basic monthly earnings and coordinates with the California State Disability Insurance (SDI) Plan. If the SDI benefit is cancelled for whatever reason the CSEA coverage will continue.

Additionally the Plan will waive all premiums while the insured is disabled and collecting benefits. The Plan will also pay up to $5,000 in addition to other disability benefits for certain physical injuries caused by a covered accident and 2 extra monthly payments will be paid to the insureds family if the insured dies while receiving benefits for a covered disability that lasted 30 days or longer.

- Short Term Disability Income Plan

The Short Term Disability Income Plan pays benefits directly to the insured for up to 6 months as a result of a covered accidental injury, sickness or pregnancy. The Plan covers up to 75% of the basic monthly pay.

Benefits are payable on the 1st day for a covered accident, 31st day for a covered sickness or pregnancy or at the end of their sick leave, whichever is later.

Both Plans are underwritten by New York Life Insurance and are combined for financial experience.
Participation and Premium:

Participation and Premium in the Long Term and Short Term Disability Income Plans as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Long Term</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>1,337</td>
<td>$839,556</td>
<td></td>
</tr>
<tr>
<td>12/31/2013</td>
<td>1,262</td>
<td>$847,703</td>
<td></td>
</tr>
<tr>
<td>Short Term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2012</td>
<td>327</td>
<td>$273,702</td>
<td></td>
</tr>
<tr>
<td>12/31/2013</td>
<td>304</td>
<td>$268,568</td>
<td></td>
</tr>
</tbody>
</table>

Participation in the Long Term Disability Income Plan declined marginally while the Premium increased slightly.

Both Participation and Premium declined in the Short Term Disability Income Plan over the past Policy Year.

Participation in these Plans generally follows the economic environment of the State of California.

Financial Experience:

Earned Premium and Expenses remained mostly unchanged from 2012 to 2013 while the amount of Incurred Claims declined (-$152,213) and Marketing costs increased (+$21,411). Both 2012 and 2013 were profitable (Premium collected exceeded Claims and Expenses paid) for the Plans resulting in Surpluses for both Policy Years. The Premium Surplus Reserve is fully funded at 15% of Earned Premium ($266,970) and Surplus above that may be disbursed.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Marketing</th>
<th>Profit/Loss for the Policy Year</th>
<th>Premium Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,050,131</td>
<td>$431,896</td>
<td>$404,619</td>
<td>$0</td>
<td>$440,624</td>
<td>$440,619</td>
</tr>
<tr>
<td>2013</td>
<td>$1,016,480</td>
<td>$222,573</td>
<td>$444,044</td>
<td>$40,878</td>
<td>$819,300</td>
<td>$873,087</td>
</tr>
</tbody>
</table>
Findings:

- Plan participation generally follows the economic cycle of the State of California.
- Premium rates are more than adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.) and fund the Premium Surplus Reserve.
- Expenses of 9.0% for the Insurance Carrier are in line with similar accounts.
- The 2.7% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract and they did not increase in 2013.
- Premium Surplus Reserve funding requirement of 25% is normal for these types of Plans and the Premium Surplus Reserve is fully funded.
- The Plans are in a position to be improved (additional benefits) for current and new Insureds, a reduction in premium rates or a premium credit (check payment to the Insureds) are things for consideration.
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BOARD AGENDA ITEM: BEN 12/14/3 (Kilday-Hicks)

ACTION ITEM: Date: 10/25/14

SUBJECT: Cancer Insurance Plans
Monumental Life Insurance Company
Annual Review

SOURCE AND/OR PROONENT: 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 the following recommendations:

1. Premium rates are more than adequate to support Plan expenses and fund the Premium Surplus Reserve.

2. The Premium Surplus Reserve is fully funded and a Surplus is available.

3. If the 2014 Policy Year generates a Surplus, consider increasing the Plan benefits or offering a low percentage premium credit or no-cost benefit to existing insured.

4. Continue the Plans with Monumental Life Insurance Company as the underwriter.

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. The maximum lifetime amount for all benefits is $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 the Cancer CarePlus Plan was added. Beginning in 2006 a retention agreement was implemented for both plans, which provides for a 50 percent share of Premium Surplus to be disbursed. Financial experience for the two Plans is combined in this report.

Attached is the 2013 Annual Report.
ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Cancer Care and Cancer CarePLUS Insurance Plans

Plan Design:

There are two Group Cancer Expense Plans available to CSEA members — Cancer Care and Cancer CarePLUS.

Both Plans provide a lump sum benefit as well as specified medical coverages (Hospital Confinement, Private Duty Nurse, Surgery, etc.) that are payable directly to the insured. The Cancer CarePLUS Plan provides higher benefit amounts. Dependent coverage is available. Each Plan has a $250,000 maximum lifetime benefit.

Both Plans are underwritten by Monumental Life Insurance Company and are combined on a retention basis. 50% of the Premium Surplus Reserve, if any, is retained by CSEA and 50% is retained by Monumental Life Insurance Company.

Participation and Premium:

Participation and Premium in the Cancer Care and Cancer CarePLUS Plans as of 12/31/13 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cancer Care</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2012</td>
<td>3,596</td>
<td>$1,573,864</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>3,464</td>
<td>$1,543,960</td>
</tr>
<tr>
<td><strong>Cancer Care PLUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2012</td>
<td>1,802</td>
<td>$264,647</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>1,893</td>
<td>$282,694</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the Cancer Care Plan remained flat over the past two years.

Participation and Total Annual Premium in the Cancer CarePLUS Plan grew by about 5% over the past two years, predominantly due to cross-sell and upgrade activities.
Financial Experience:

Earned Premium and Expenses remained unchanged from 2012 to 2013 while the amount of Incurred Claims declined (-$152,213) and Marketing costs increased (+$21,411). Both 2012 and 2013 were profitable (Premium collected exceeded Claims and Expenses paid) for the Cancer Care Plans resulting in premium surpluses for both Policy Years. The Premium Surplus Reserve is fully funded at 15% of Earned Premium ($266,970) and Surplus above that may be disbursed.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Marketing</th>
<th>Profit/Loss for the Policy Year</th>
<th>Premium Surplus (50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,779,802</td>
<td>$387,042</td>
<td>$925,497</td>
<td>$141,992</td>
<td>$327,965</td>
<td>$161,904</td>
</tr>
<tr>
<td>2013</td>
<td>$1,779,799</td>
<td>$234,829</td>
<td>$925,496</td>
<td>$163,403</td>
<td>$458,875</td>
<td>$229,438</td>
</tr>
</tbody>
</table>

Findings:

- Premium rates are more than adequate to support the current Plans' Expenses (Claims, Taxes, etc.) and the Premium Surplus Reserve.
- Expenses of 12.5% for the Insurance Carrier are in line with similar accounts.
- The 2.5% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract and they did not increase in 2013.
- Premium Surplus Reserve funding requirement of 15% is a bit lower than we usually see (20% more typical) and this results in more Premium Surplus being generated.
- Disbursement of Premium Surplus still allows for a fully funded Premium Surplus Reserve going forward.
- If 2014 Policy Year ends with positive Premium Surplus Reserve, consider higher lump sum benefit or a low percentage premium credit.
BOARD AGENDA ITEM  
BEN 13/14/3 (Kilday-Hicks)

ACTION ITEM  
Date: 10/25/14

SUBJECT:  
Comprehensive Accident Plan (CAP)
Hartford Life and Accident Insurance Company
Annual Review

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 the following recommendations:

1. Premium rates are adequate to support the current Plan benefits and expenses.

2. Consider placing the Plan on a retention basis when Total Annual Premium approaches $1 million.

3. No benefit or premium changes recommended at this time.

BACKGROUND:

This plan was implemented in 2007 to provide additional coverage for accident-related loss not included in the AD&D plan underwritten by New York Life Insurance Company. Two levels of coverage (Base and High Option) are offered, providing benefits for death, disability and hospitalization.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Comprehensive Accident Insurance Plan

Plan Design:

The Comprehensive Accident Insurance Plan offers a Base and a High Option Plan for Accidental Death, Accident Disability and Hospital Accident coverage. The Base Plan provides $50,000 ADD, $500/mos. Disability and $50/day Hospital Income. The High Option Plan doubles these benefits.

Coverage is Guarantee Issue for CSEA members under age 60, actively at work (at least 20 hours per week) and living in the United States.

The Accident Disability Plan has a 60 Day Waiting Period before benefits begin and a 12 month maximum payment period. The Hospital Accident Plan has a 500 Day maximum benefit period.

The Plan is underwritten by Hartford Life and Accident Insurance Company and is not on retention.

Participation and Premium:

Participation and Premium in the Comprehensive Accident Insurance Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Comprehensive Accident Plan</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>492</td>
<td>$164,618</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>460</td>
<td>$151,684</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the Comprehensive Accident Plan have trended downward over the past two years.

The main reason for the decline is a lack of marketing activity due to Department of Insurance and Insurance carrier concerns and the introduction of the Affordable Care Act.

Financial Experience:

Earned Premium declined slightly (-$12,934) from 2012 to 2013 while the amount of Expenses declined (-$8,406) and the Expense Ratio remained at the permissible level of 65%.

<table>
<thead>
<tr>
<th></th>
<th>Earned Premium</th>
<th>Incurred Claims</th>
<th>Expenses</th>
<th>Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$164,618</td>
<td>$250</td>
<td>$107,000</td>
<td>65%</td>
</tr>
<tr>
<td>2013</td>
<td>$151,684</td>
<td>$3,400</td>
<td>$98,594</td>
<td>65%</td>
</tr>
</tbody>
</table>
Findings:

- Permissible Plan Expense Ratio is 65% so premium rates are adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.).
- Plan is not eligible to be placed on retention as Premium is below $1,000,000 level.
- No changes recommended to the Plan at this time.
BOARD AGENDA ITEM: BEN 14/14/3 (Kilday-Hicks)

ACTION ITEM: Date: 10/25/14

SUBJECT: Travel Accident Insurance Plan
         New York Life Insurance Company
         Annual Review

SOURCE AND/OR PROPOSENENT: 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 the following recommendations:

1. Premium rates are adequate to support current Plan expenses.

2. Continue to combine the Travel Accident Plan with the ADD Plan for retention purposes.

3. Continue the Plan with New York Life Insurance Company at the current premium rates and benefit levels.

BACKGROUND:

This plan was implemented in 2010 to provide specified benefits for travel-related loss. Benefits are paid in addition to all other insurance, and include life insurance up to $200,000 and cash benefits up to $200/day ($146,000 maximum) during hospitalization.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Group Travel Accident Plan

Plan Design:

The Group Travel Accident Plan is a guaranteed issue (no matter health, occupation, past driving record or number of miles travelled annually) for both Active and Retired CSEA members and provides coverage almost everywhere in the world and as soon as they leave their home. Benefits are paid in addition to any other insurance in place.

Plan benefits include:

- $200,000 if insured dies while a fare paying passenger on public transportation (common carrier including airplane, taxi, subway, bus or cruise ship).

- Up to $100,000 if insured dies in a private automobile accident as either the driver or passenger. Includes cars, RV’s, pick-ups and trucks.

- Up to $200 per day for every day the insured is treated as an Inpatient in a hospital due to a covered common carrier accident or $100 per day for private automobile accident. Benefits are payable for a maximum of two years.

The Group Travel Accident Plan is underwritten by New York Life Insurance Company and is combined with the Accidental Death and Dismemberment Plan (ADD) for financial/retention purposes.

Participation and Premium:

Participation and Premium in the Group Travel Accident Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Group Travel Accident</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>2,336</td>
<td>$221,615</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>2,312</td>
<td>$218,720</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the Group Travel Accident Plan has been very consistent over the past two years.
Financial Experience:

The Group Travel Accident Plan is combined with the Accidental Death and Dismemberment Plan for financial and retention purposes. The Group Travel Accident Plan is too small (less than $1.0 million in premium) to be placed on retention as a stand-alone Plan.

Findings:

- We have not seen volatile Claim swings from year to year for the Plan and being combined with the larger ADD plan insulates the Plan from one or two large (shock) claims if they should occur. If not combined with the ADD Plan, a rise in premium rates or benefit reductions would be required if one or two $200,000 claims occurred in a Policy Year.

- In conjunction with the ADD Plan, the premium rates are adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.) and the combined Premium Surplus Reserve.

- Expenses for the Plans are determined by contract and they did not increase in 2013.

- ADD Premium Surplus Reserve is fully funded and adequate to pay anticipated claims.

- No changes recommended to the Plan at this time.
BOARD AGENDA ITEM  
BEN 15/14/3 (Kilday-Hicks)

ACTION ITEM  
Date: 10/25/14

SUBJECT:  
Emergency Assistance Plan (EA+).  
Worldwide Rescue and Security  
Annual Review

SOURCE AND/OR PROONENT:  
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 the following recommendations:

1. Continue testing marketing offers and billing notices to add new participants and increase retention of current program participants.

2. This is a Service Program, not an insurance plan, and is not available for retention/profit sharing.

3. Continue the program with Worldwide Rescue and Security at the current benefit and fee levels.

BACKGROUND:

This plan, which became effective in 2004, provides travel, medical and associated assistance in the event of sickness or injury when traveling 24 hours a day/7 days a week. Coverage is available on a family or member-only basis.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Emergency Assistance Plus Plan (EA+)

Plan Design:

The Emergency Assistance Plus (EA+) Plan protects the CSEA Member and their family 24 hours a day 7 days a week with travel, medical and transportation emergency assistance services. 24-hour emergency assistance is available whether you are travelling across the state, country or the world. Participation is guarantee issue (no matter health, occupation, past driving record or number of miles travelled annually) for both actively working and retired CSEA members and provides coverage almost everywhere in the world and as soon as you leave your home. Benefits are paid in addition to any insurance in place.

The CSEA endorsed EA+ Plan offers over 20 travel benefits including:

- Emergency medical transportation (air or ground) to get the Plan Participant(s) to a facility that will provide adequate care.
- Ongoing emergency medical assistance and medical monitoring.
- 24-hour emergency locator service (doctors, dentists and attorneys).
- Vehicle return if the Plan Participant is incapacitated and cannot drive after they have been medically evacuated.
- If travelling alone and hospitalized for more than 7 days, transportation for a loved one to come to the Plan Participant’s hospital/bedside.
- Covers return home expenses for unattended dependent children or grandchildren.
- No-limit emergency cash transfers for unexpected medical bills, against a valid credit card.
- Telephone assistance for lost or stolen travel documents.
- Personal security services providing real-time intelligence for weather, health, political or social unrest and environmental hazards.

The EA+ coverage is provided by Worldwide Rescue and Security and is not an insurance product.
Participation and Service Fees:

Participation and Service Fees in the Emergency Assistance Plus Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Participants</th>
<th>Service Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance Plus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(EA+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/31/2012</td>
<td>3,101</td>
<td>$300,108</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>3,158</td>
<td>$303,246</td>
</tr>
</tbody>
</table>

Participation and Service Fees in the Emergency Assistance Plus Plan have been consistent over the past two years.

Financial Experience:

The Emergency Assistance Plus Plan is not an insurance plan but rather a service program and as such is not able to be placed on retention or profit sharing. All Service Fees and costs are pooled together at the provider level and not at the Individual association level.

Findings:

- The Emergency Assistance Plus Plan is typically purchased before a major trip domestically or internationally. A better job of promoting the coverage as being useful for shorter trips should be made.

- AGiA is constantly testing new product designs, benefits and marketing materials and the proven “winners” will be shared with CSEA to be considered for the EA+ Program going forward.

- The EA+ Program is billed annually and AGiA is looking at ways to keep the plan more “front of mind” to participants with e-mail newsletters and other items than increase paid retention rates.

- No changes recommended to the Program at this time.
BOARD AGENDA ITEM        BEN 16/14/3 (Kilday-Hicks)
ACTION ITEM
Date: 10/25/14
SUBJECT:
Emergency Roadside Service Program
Road America Motor Club
Annual Review
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 the
following recommendations:

1. Continue using e-newsletters and e-blasts to promote the Program and drive on-line
   enrollment to increase Program participation.

2. Continue the program with Road America Motor Club at the current benefit and fee
   levels.

BACKGROUND:
The Emergency Roadside Service Program provides 24 hour toll-free Emergency Roadside
Assistance throughout the United States, Canada and Mexico. Various services are available
including towing, collision assistance, battery service and flat tire changing. The Program
was launched online on the CSEA Member Benefits website in March 2013 and physical
applications were created in April 2013.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
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Emergency Roadside Service

Plan Design:

The Emergency Roadside Service Plan was introduced in 2013. The Plan is available to all CSEA members (Active and Retired) and all drivers in the household at one Member rate. 24-hour toll-free Emergency Roadside Assistance is available throughout the United States, Mexico and Canada.

The Emergency Roadside Service Plan provides the following services:

- 24/7 comprehensive roadside assistance protection includes:
  - Towing
  - Collision Assistance
  - Winching
  - Battery Service
  - Flat tire changing
  - Lock-out services
  - Fluid replacement assistance (fuel, oil, fluid & water delivery service)
  - Driver's Valet

- Up to 100 free towing miles.

- Coverage for all vehicles leased or owned (cars, vans, pick-ups, SUV's, motorcycles and trailers).

The Emergency Roadside Service Program is provided by Road America Motor Club.

Participation and Service Fees:

Participation and Service Fees for the Emergency Roadside Service as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Emergency Roadside Service</th>
<th>Participants</th>
<th>Service Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>N/A</td>
<td>$0</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>6</td>
<td>$594</td>
</tr>
</tbody>
</table>

Participation and Service Fees in the Emergency Roadside Service Plan should grow, albeit slowly, as the Plan is promoted via the CSEA website and e-Newsletter communications.
Financial Experience:

The Emergency Roadside Service Plan is not an insurance plan but rather a service program. As such, the plan is not eligible to be placed on retention or offer profit sharing.

Findings:

- Too early to tell how this Program will be accepted by the CSEA membership and to project Participation going forward.
- To date there has been minimal participation and utilization of the Program. We have not received any negative comments regarding the Program.
- No changes recommended to the Program at this time.
BOARD AGENDA ITEM    BEN 17/14/3 (Kilday-Hicks)

ACTION ITEM    Date: 10/25/14

SUBJECT:    Long Term Care Program
            Long Term Care Resources
            Annual Review

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 the following recommendations:

1. Review marketing trends and Plan/Benefit designs to stay current and offer the most up to date Long Term Care coverages available.

2. Continue with one direct mail campaign per year.

3. Continue the Program with Long Term Care Resources.

BACKGROUND:

The Long Term Care Program was launched in 2011 and is made up of multiple Insurance Carriers (Genworth, John Hancock, Mutual of Omaha and Transamerica) to offer a national network of enrollment specialists who are dedicated to Long Term Care Insurance. The program provides enrollment specialists that can answer questions about long term care insurance, help design a plan that’s right for the member, and assist with the enrollment process. Long Term Care Resources (LTCR) works with all four insurance carriers to customize Plans that meet the specific needs of CSEA’s members and their families.

Attached is the 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Long Term Care Program

Plan Design:

The Long Term Care Program is made up of several highly rated Long Term Care Insurance Companies (Genworth, John Hancock, Mutual of Omaha and Transamerica) that offer Individual Long Term Care Plan solutions for CSEA members and their spouses. Each Long Term Care Plan is an Individual policy that the Insured can continue whether working or not. Typical benefits included are Home Health Care, Adult Day Care and Care in a Facility (Assisted Living or Nursing Home).

Coverage is available for members and their dependents under the age of 80 and who are not currently in a care facility or receiving home health care.

Utilizing Long Term Care Resources as a Long Term Care aggregator provides several advantages for CSEA members including:

- Special Discounts not available to the general public (multiple insureds on one policy, non-smoking, age, benefit amounts, premium amounts, etc.).
- Multiple Carrier Platform (more insurance carrier choice, not locked into one insurance carrier, benefit configuration or pricing model).
- Multiple Products (Plan variations, daily, monthly, maximum benefit amounts and additional Riders allow the design of Plans to fit different needs and budgets).
- Service for Life. Insurance Agents come and go, having an organization that supports the CSEA Plan and its members for an extended period of time are key in maintaining the trust and security of Long Term Care Insurance.

Participation and Premium:

Participation and Premium in the Long Term Care Plan as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Long Term Care</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>106</td>
<td>$210,477</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>105</td>
<td>$212,686</td>
</tr>
</tbody>
</table>

Participation and Total Annual Premium in the Long Term Care Plan have been consistent over the past two years.
Financial Experience:

The Long Term Care Plan provides individual insurance contracts and as such is not able to be placed on retention or profit sharing.

Findings:

- The Long Term Care Plan provides meaningful benefits to the CSEA membership.
- AGIA is in discussions with Long Term Care Resources to make sure the most recent and cutting edge product designs and marketing offers are being tested and offered to CSEA members.
- The Long Term Care Program should continue on an “as is” basis and remain available to the aging CSEA membership.
BOARD AGENDA ITEM: BEN 18/14/3 (Kilday-Hicks)

ACTION ITEM: Date: 10/25/14

SUBJECT: Pet Insurance Program
Petsmarketing Insurance.com Agency
Annual Review

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 the following recommendations:

1. Review meaningful and cost efficient ways to promote the Plan. Use e-newsletters, e-blasts and word of mouth.

2. Continue the program with Petsmarketing Insurance.com Agency.

BACKGROUND:

This Program provides medical and wellness coverage for all types of pets, primarily cats and dogs. The Plan allows for visits to any licensed veterinarian in the United States or Canada. Incident levels range from $2,500 to $7,000, deductibles from $100 to $500 ad injuries, accidents and chronic conditions are covered. 10% discounts for multiple pets are available. The monthly premium varies from $9.95 to $26.95 for cats and from $10.95 to $46.95 for dogs.

Attached is the 2013 Annual Actuarial Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
PAGE INTENTIONALLY LEFT BLANK
Pet Insurance

Plan Design:

The Pet Insurance Program provides an affordable way to protect your pet’s health. Plans can start for as little as $1 per day, you can visit any licensed vet (including emergency clinics and specialists) and reimbursement is up to 90% of covered costs.

The Plan allows you to visit any licensed veterinarian in the US or Canada. You pay for services as usual, and then submit a simple claim form with receipts. Claims are able to be tracked online. There are no limits to the number of claims that may be filed.

The Pet Insurance Plan offers 4 levels of coverage:

- Incident Levels from $2,500 to $7,000.
- Deductibles from $100 - $500.
- Reimbursement from 70%--90%.
- Injuries, Accidents and Chronic Conditions are covered.
- Routine and Advanced Wellness benefits are available.
- 10% multiple pet discounts is available.

The Pet Insurance Program is provided by the United Fire Insurance Company and administered by Petsmarketing Insurance.com Agency.

Coverage is available for all CSEA members (Active and Retired).

Participation and Premium:

Participation and Premium in the Pet Insurance Program as of 12/31/12 and 12/31/13 are as follows:

<table>
<thead>
<tr>
<th>Pet Insurance</th>
<th>Insureds</th>
<th>Total Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2012</td>
<td>26</td>
<td>$7,031</td>
</tr>
<tr>
<td>12/31/2013</td>
<td>28</td>
<td>$7,214</td>
</tr>
</tbody>
</table>

A new Pet Insurance provider was chosen in 2013. Initial marketing of the Plan has been through organic traffic to the CSEA Member Benefits web site and inclusion in e-newsletters. Initial growth in the Pet Insurance Program has been lower than projected.
Financial Experience:

The Pet Insurance Plan is not a Group Insurance Program, but rather individual policies, and as such is not eligible to be placed on retention or profit sharing.

Findings:

- A premium discount, of an additional 5-10%, is under discussion with the Plan provider.
- Additional Plan benefits/Riders are under discussion (Coverage for Dental Diseases, Enhanced Wellness Options, and fewer Pre-Existing Conditions) with the Plan provider.
- To increase awareness and Plan participation we need to look at non-traditional ways to promote the Plan (flyers, meetings, word of mouth, etc.).
BOARD AGENDA ITEM: BEN 19/14/3 (Kilday-Hicks)

ACTION ITEM: Date: 10/25/14

SUBJECT: Hearing Aid Benefit Program
         EPIC Hearing Service Plan
         Annual Review

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 the following recommendations:

1. Continue marketing to increase plan participation.

2. Continue the plan with the current carrier.

BACKGROUND:

EPIC Hearing Service Plan is the nation’s first specialty care plan devoted to the vital sense of hearing. The program is dedicated to delivering the highest quality of care at the best value to its clients.

EPIC’s network is comprised of Audiologists and ENT physicians and is the largest network of its kind with over 5,000 provider locations in all 50 states.

Members realize savings of between 30 – 60% off MSRP and have access to all name brand hearing aid technology by top tier hearing aid manufacturers. Hearing aids start as low as $495 from an EPIC network provider.

Because the EPIC Hearing Service Plan program was launched in early 2014, there is no 2013 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
EPIC Hearing Discount Plan

Plan Design:

The EPIC Hearing Discount Plan allows CSEA members and their families access to brand-name hearing aids and related technology at discounted rates with payment and financing available. Members will work with a local participating provider to discuss recommendations, insurance coverage and any applicable out of pocket expenses.

EPIC Hearing has the largest network of audiologists and ENT physicians in the country (5,000+ provider locations nationwide) and distribution relationships with all major manufacturers.

Once contacted by a CSEA member, EPIC Hearing issues a referral to a local participating provider. After the patient is seen, the provider sends a recommendation with the exam results to EPIC. EPIC then discusses recommendations, insurance options, out of pocket expenses and payment/finance options. The hearing aids are ordered by the provider, the patient is fit with the aids, and the 45 day trial period begins. At the completion of the 45 day trial period, both patient and provider approve and the patient is mailed a complimentary one year supply of batteries and their repair warranty is extended for three (3) years.

The EPIC Hearing Plan features:

- **Network.** The largest national network of audiologists and ENT physicians in the country with over 5,000 participating providers.

- **Customer Service.** Toll-free Call Center with hearing counselors onsite for member support from 6:00 am to 6:00 pm PST (M-F).

- **Products and Pricing.** Members have access to brand-name hearing aids and related technology at published fixed fee pricing (savings of 30-60% of MSRP).

- **Payments and Financing.** Professional services and devices are billed through EPIC (no office co-pays, up selling). Financing options are available.

- **Warranty and Service.** Hearing aids carry an extended three year warranty.

- **Money Back Guarantee.**
Levels of Coverage:

<table>
<thead>
<tr>
<th>HSP TECHNOLOGY LEVELS</th>
<th>DEGREE OF HEARING LOSS</th>
<th>MSRP Per Ear (Typical)</th>
<th>EPIC Pricing Per Ear</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASIC</td>
<td>Mild To Moderate</td>
<td>$1400-$1800</td>
<td>$496</td>
</tr>
<tr>
<td>STANDARD</td>
<td>Moderate:</td>
<td>$1801-$2300</td>
<td>$849-$1499</td>
</tr>
<tr>
<td>ADVANCED</td>
<td>Moderate to Severe:</td>
<td>$2301-$3000</td>
<td>$1300-$2099</td>
</tr>
<tr>
<td>PREMIUM</td>
<td>Moderate to Severe:</td>
<td>$3001-$4000</td>
<td>$2100-$2599</td>
</tr>
</tbody>
</table>

Participation and Premium:

Participation for 2013 is not available as this is a recently introduced CSEA member benefit. Utilization and discount information will be available in future reports.

Financial Experience:

The EPIC Hearing Discount Plan provides individual discounts and is not an insurance plan. As such, there is no financial experience information to report nor ability for profit sharing.

Findings:

- Initially launched on CSEA Member Benefit website and product flyer created for Retiree and other meetings.
- Separate CSEA code (2014CSEA) created for tracking and discounts.
- Look for additional ways to promote this member benefit for 2014/2015.
- No changes recommended to the Program at this time.
BOARD AGENDA ITEM: BEN 20/14/3 (Kilday-Hicks)

ACTION ITEM
Date: 10/25/14

SUBJECT: Discount Drug Prescription Program
Paramount RX
Annual Review

SOURCE AND/OR PROPOINENT: 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 the following recommendations:

1. Review meaningful ways to for members to obtain discount prescription card including e-newsletters, e-blasts and distributing printed flyers at meetings and events.

2. Continue the program with Paramount Rx.

BACKGROUND:

The CSEA Member Benefits Committee directed AGIA, to conduct a comparison of the solicitations brought to CSEA staff in regards to discount drug prescription programs. After discussion and review by the Committee, a recommendation was made to the CSEA Board of Directors to adopt Paramount Rx as the CSEA Member Benefits Discount Drug Prescription Program. The recommendation was adopted by the Board. This new program would provide a revenue source to the Member Benefits Department of $0.50 per compensable script filled.

This is a no-cost Program that provides a discount of approximately 44% off retail prices at pharmacies all across the United States (54,000 locations). Once the discount card is presented at the pharmacy any discounts are applied automatically.

Because the Paramount Rx Discount Drug Prescription Program was launched mid 2014, there is no 2013 Annual Report.
ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:
Discount Drug Prescription Plan

Plan Design:

The Paramount Rx Discount Drug Prescription Plan was introduced as a new CSEA member Benefit in late 2013. This is a no-cost program that provides a discount of approximately 44% off retail prices on prescription drugs throughout pharmacies all across the United States (54,000 locations).

CSEA members and their families may print their discount prescription card from the CSEA Member Benefits web site. Discounts are available to all CSEA members (Active and Retired) and their families.

The discount prescription program is accepted at all major pharmacies (CVS, Walgreens, Wal-Mart, Rite Aid, etc.). All the CSEA member needs to do is present their discount card and any discounts are applied automatically.

Discounts are also available on Pet Prescriptions.

Participation and Premium:

Participation information for 2013 is not available as this is a recently adopted new CSEA Member Benefit. Utilization Information will be available in future reports.

Financial Experience:

CSEA is paid a royalty of $0.50 per filled script through this program. We will report on the utilization and royalty payment in future reports.

Findings:

- Program is too new to see any trends or utilization information at this time.
- Review meaningful ways to drive traffic to CSEA Member Benefits Web site for printing of Discount Card. Create flyers for at events/meetings, include in e-blasts and e-newsletters and promote via word of mouth.
- No changes recommended to the Program at this time.
BOARD AGENDA ITEM  
FIS 4/14/3 (David Okumura)

ACTION ITEM  
Date: 10/25/14

SUBJECT:  
Approval of 2013 401K Plan Audit Report

SOURCE AND/OR PROPOONENT:  
David Okumura

PRESENTATION BY:  
David Okumura

ASSIGNED TO:  
Lee King

RECOMMENDED ACTION:

That the Board of Directors adopt the 2013 401K Plan Audit Report of CSEA.

BACKGROUND:

The 2013 401K Plan Audit Report of CSEA and the statement of Communications has been reviewed by the Finance Committee and they have recommended adoption of the Audit Report.

ESTIMATED COST/SAVINGS:  N/A

FUNDING SOURCE:  N/A

BOARD ACTION:

N/A
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, 2013
# TABLE OF CONTENTS

## DECEMBER 31, 2013

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<tr>
<th>SECTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report</td>
<td>1</td>
</tr>
<tr>
<td>Statements of Net Assets Available for Benefits</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Changes in Net Assets Available for Benefits</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>5</td>
</tr>
</tbody>
</table>

| **SUPPLEMENTAL SCHEDULE**        |      |
| Schedule of Assets (Held at End of Year) | 14   |
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, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013, 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 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 such information with the related information included in the financial statements. 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, 2013 and 2012, and for the year ended December 31, 2013, 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

The supplemental schedule of assets (held at end of year) as of December 31, 2013, is required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

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.
Sacramento, California

July 30, 2014
CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2013 AND 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENTS, AT FAIR VALUE:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest bearing cash</td>
<td>$1,756</td>
<td>$4,760</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>7,444,863</td>
<td>7,863,592</td>
</tr>
<tr>
<td>Stable value funds</td>
<td>1,524,541</td>
<td>2,261,808</td>
</tr>
<tr>
<td>Total investments</td>
<td>8,971,160</td>
<td>10,130,160</td>
</tr>
<tr>
<td>RECEIVABLES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions receivable</td>
<td></td>
<td>244</td>
</tr>
<tr>
<td>Employee contributions receivable</td>
<td></td>
<td>1,130</td>
</tr>
<tr>
<td>Notes receivable from participants</td>
<td>101,021</td>
<td>105,510</td>
</tr>
<tr>
<td>Total receivables</td>
<td>101,021</td>
<td>106,884</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>9,072,181</td>
<td>10,237,044</td>
</tr>
<tr>
<td>LIABILITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to broker</td>
<td>1,756</td>
<td>4,760</td>
</tr>
<tr>
<td>NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE</td>
<td>9,070,425</td>
<td>10,232,284</td>
</tr>
<tr>
<td>Adjustment from fair value to contract value for fully benefit-responsive investment contract</td>
<td></td>
<td>(221,570)</td>
</tr>
<tr>
<td>NET ASSETS AVAILABLE FOR BENEFITS</td>
<td>$9,070,425</td>
<td>$10,010,714</td>
</tr>
</tbody>
</table>

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, 2013

<table>
<thead>
<tr>
<th>ADDITIONS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income:</td>
<td></td>
</tr>
<tr>
<td>Dividends on mutual funds</td>
<td>$168,505</td>
</tr>
<tr>
<td>Interest on stable value funds</td>
<td>41,943</td>
</tr>
<tr>
<td>Net gain on mutual funds</td>
<td>1,115,338</td>
</tr>
<tr>
<td>Total investment income</td>
<td>1,325,786</td>
</tr>
<tr>
<td>Interest income on notes receivable from participants</td>
<td>4,139</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contributions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant deferrals</td>
<td>325,601</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>110,458</td>
</tr>
<tr>
<td>Total contributions</td>
<td>436,059</td>
</tr>
<tr>
<td>Total additions</td>
<td>1,765,984</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEDUCTIONS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits paid to participants</td>
<td>2,530,131</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>6,375</td>
</tr>
<tr>
<td>Total deductions</td>
<td>2,536,506</td>
</tr>
</tbody>
</table>

| TRANSFER OF ASSETS TO ANOTHER PLAN | 169,767 |

| NET DECREASE IN NET ASSETS | (940,289) |

<table>
<thead>
<tr>
<th>NET ASSETS AVAILABLE FOR BENEFITS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>10,010,714</td>
</tr>
<tr>
<td>End of year</td>
<td>$9,070,425</td>
</tr>
</tbody>
</table>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 at December 31, 2013 and 2012.

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-forfeitible.

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, 2013, the Association paid $39,935, 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. Stable value funds are certified by the Trustee at contract value. Stable value funds are valued based on contributions made, less withdrawals and administrative expenses, plus credited interest. As of December 31, 2013, the Trustee has stated that the certified contract value of the stable value funds approximates fair value. Mutual funds were presented and certified by the Trustee at fair value. Mutual funds are valued based on public prices traded in the active market.

Interest income and gains are recorded on the accrual basis. Purchases and sales of securities are recorded on a trade-date basis. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments, is shown in the statement of changes in net assets available for benefits.

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 as of December 31, 2012, presents the fair value of the stable value funds as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. For the year ended December 31, 2013, the Trustee has stated that the contract value of the stable value funds approximates fair value; therefore, no adjustment from fair value to contract value is recorded in the statement of net assets available for benefits as of December 31, 2013.

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, 2013 and 2012. 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 Plan, 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.
CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administration believes the Plan is no longer subject to income tax examinations for the years prior to 2009.

Subsequent events have been evaluated for recognition and disclosure through July 30, 2014, the date which these 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.

3. INSURANCE CONTRACT

The Plan’s investment in stable value funds, beginning in 2012, includes a fully benefit-responsive insurance contract with the Standard Insurance Company. 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 contributions made, less withdrawals and administrative expenses, plus credited interest. Each quarter, the Standard Insurance Company declares a crediting rate for all assets in the stable value funds for the coming quarter, taking into account yield forecasts from their asset advisory group and the margins required for their business. Past crediting rates are not indicative of future rates, and declared crediting rates will never be below 1%.

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 is as follows:

<table>
<thead>
<tr>
<th>Average Yields</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on actual earnings</td>
<td>2.53%</td>
<td>2.66%</td>
</tr>
<tr>
<td>Based on interest rate credited to participants</td>
<td>2.53%</td>
<td>1.08%</td>
</tr>
</tbody>
</table>

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, 2013 was $168,505 and $41,943, respectively. Net gain on mutual funds, as reported by the Trustee for the year ended December 31, 2013, was $1,115,338. The contract value of stable value funds and fair value of all other investments was $1,524,541 and $7,446,619 at December 31, 2013, 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.

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, 2013 and 2012.

Mutual funds: Valued at the net asset value of shares held by the plan at year end, as measured by quoted market prices.
Stable value funds: As described in Notes 2 and 3, stable value funds are valued at contract value and fair value. For the 2012 plan year, stable value funds are presented at fair value, as well as an adjustment of the fully benefit-responsive insurance contracts from fair value to contract value. For the 2013 plan year, contract value is deemed to approximate fair value. Stable value funds 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 Standard'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, 2013:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-interest bearing cash</td>
<td>$1,756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds - Equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small growth</td>
<td>18,924</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>56,880</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign large value</td>
<td>77,690</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-cap growth</td>
<td>282,067</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign large blend</td>
<td>361,872</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging markets</td>
<td>88,894</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large blend</td>
<td>941,182</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate allocation</td>
<td>23,025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target retirement</td>
<td>2,334,732</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small blend</td>
<td>190,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-cap blend</td>
<td>35,629</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large value</td>
<td>462,592</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large growth</td>
<td>777,987</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-cap value</td>
<td>121,717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small value</td>
<td>159,646</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds – Fixed Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High yield bond</td>
<td>54,333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate term bond</td>
<td>1,270,759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World bond</td>
<td>37,455</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement income</td>
<td>126,099</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation protected bond</td>
<td>23,018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable value funds</td>
<td></td>
<td></td>
<td>$1,524,541</td>
</tr>
<tr>
<td>Total</td>
<td>$7,446,619</td>
<td>$</td>
<td>$1,524,541</td>
</tr>
</tbody>
</table>
The following table sets forth by level, within the fair value hierarchy, the Plan’s investments at fair value as of December 31, 2012:

<table>
<thead>
<tr>
<th>Level</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-interest bearing cash</td>
<td>$4,760</td>
<td></td>
</tr>
<tr>
<td>Mutual Funds - Equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small growth</td>
<td>$84,219</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>$20,221</td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>$82,579</td>
<td></td>
</tr>
<tr>
<td>Foreign large value</td>
<td>$48,088</td>
<td></td>
</tr>
<tr>
<td>Mid-cap growth</td>
<td>$260,701</td>
<td></td>
</tr>
<tr>
<td>Foreign large blend</td>
<td>$421,499</td>
<td></td>
</tr>
<tr>
<td>Emerging markets</td>
<td>$141,875</td>
<td></td>
</tr>
<tr>
<td>Large blend</td>
<td>$817,131</td>
<td></td>
</tr>
<tr>
<td>Moderate allocation</td>
<td>$169,084</td>
<td></td>
</tr>
<tr>
<td>Target retirement</td>
<td>$2,004,335</td>
<td></td>
</tr>
<tr>
<td>Small blend</td>
<td>$177,817</td>
<td></td>
</tr>
<tr>
<td>Mid-cap blend</td>
<td>$1,830</td>
<td></td>
</tr>
<tr>
<td>Large value</td>
<td>$436,441</td>
<td></td>
</tr>
<tr>
<td>Large growth</td>
<td>$719,454</td>
<td></td>
</tr>
<tr>
<td>Mid-cap value</td>
<td>$106,582</td>
<td></td>
</tr>
<tr>
<td>Small value</td>
<td>$153,262</td>
<td></td>
</tr>
<tr>
<td>Mutual Funds – Fixed Income:</td>
<td></td>
<td>$2,261,808</td>
</tr>
<tr>
<td>High yield bond</td>
<td>$291,839</td>
<td></td>
</tr>
<tr>
<td>Intermediate term bond</td>
<td>$1,455,496</td>
<td></td>
</tr>
<tr>
<td>World bond</td>
<td>$194,161</td>
<td></td>
</tr>
<tr>
<td>Retirement income</td>
<td>$215,064</td>
<td></td>
</tr>
<tr>
<td>Inflation protected bond</td>
<td>$61,914</td>
<td></td>
</tr>
<tr>
<td>Stable value funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$7,868,352</td>
<td>$2,261,808</td>
</tr>
</tbody>
</table>
CALIFORNIA STATE EMPLOYEES ASSOCIATION 401(k) SALARY INVESTMENT RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Changes in the Level 3 assets for the year ending December 31, 2013 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Stable value fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 2,261,808</td>
</tr>
<tr>
<td>Purchases</td>
<td>111,978</td>
</tr>
<tr>
<td>Sales</td>
<td>(669,618)</td>
</tr>
<tr>
<td>Interest/dividends</td>
<td>41,943</td>
</tr>
<tr>
<td>Adjustment from contract value to fair value</td>
<td>(221,570)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$ 1,524,541</td>
</tr>
</tbody>
</table>

6. INVESTMENTS

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

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Stable Asset Fund A</td>
<td>$1,524,541</td>
<td>$2,261,808</td>
</tr>
<tr>
<td>Pimco Total Return Fund</td>
<td>1,270,759</td>
<td>1,455,496</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2030 Fund</td>
<td>1,130,305</td>
<td>954,248</td>
</tr>
<tr>
<td>Vanguard 500 Index Fund Signal</td>
<td>892,195</td>
<td>788,518</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2040 Fund</td>
<td>620,520</td>
<td>542,159</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2020 Fund</td>
<td>538,120</td>
<td></td>
</tr>
<tr>
<td>Vanguard Value Index Fund</td>
<td>462,592</td>
<td></td>
</tr>
</tbody>
</table>

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 the 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, during the year ended December 31, 2012, 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. During the year ended December 31, 2013, an additional $169,767 was transferred to the Union of California State Workers 401(k) Plan for additional employees who accepted employment with 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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets available for benefits per the financial statements</td>
<td>$9,070,425</td>
<td>$10,010,714</td>
</tr>
<tr>
<td>Less employer contributions receivable</td>
<td></td>
<td>(244)</td>
</tr>
<tr>
<td>Less employee contributions receivable</td>
<td></td>
<td>(1,130)</td>
</tr>
<tr>
<td>Net assets available for benefits per the Form 5500</td>
<td>$9,070,425</td>
<td>$10,009,340</td>
</tr>
</tbody>
</table>
SUPPLEMENTAL SCHEDULE
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, 2013

<table>
<thead>
<tr>
<th>(a) Identity of Issue, Borrower, Lessor or Similar Party</th>
<th>(b) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value</th>
<th>(d) Cost</th>
<th>(e) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mutual Funds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aston Tamro Small Cap Fund I</td>
<td>819 Shares</td>
<td></td>
<td>18,924</td>
</tr>
<tr>
<td>Cohen &amp; Steers Inst Realty Shares Inc</td>
<td>1,395 Shares</td>
<td></td>
<td>56,880</td>
</tr>
<tr>
<td>Dodge &amp; Cox International Stock Fund</td>
<td>1,805 Shares</td>
<td></td>
<td>77,690</td>
</tr>
<tr>
<td>Goldman Sachs Growth Opportunities - Ins</td>
<td>9,238 Shares</td>
<td></td>
<td>281,297</td>
</tr>
<tr>
<td>Harbor International Fund I</td>
<td>4,276 Shares</td>
<td></td>
<td>303,665</td>
</tr>
<tr>
<td>JP Morgan High Yield Bond Fund - R5</td>
<td>6,800 Shares</td>
<td></td>
<td>54,333</td>
</tr>
<tr>
<td>Oppenheimer Developing Market - Y</td>
<td>2,367 Shares</td>
<td></td>
<td>88,894</td>
</tr>
<tr>
<td>Pimco Total Return Fund</td>
<td>118,874 Shares</td>
<td></td>
<td>1,270,759</td>
</tr>
<tr>
<td>T Rowe Price Growth Stock Fund</td>
<td>5,064 Shares</td>
<td></td>
<td>266,211</td>
</tr>
<tr>
<td>Templeton Global Bond Fund United States</td>
<td>2,850 Shares</td>
<td></td>
<td>37,455</td>
</tr>
<tr>
<td>TIAA-CREF Social Choice Equity Fund - Institutional</td>
<td>3,165 Shares</td>
<td></td>
<td>48,987</td>
</tr>
<tr>
<td>Vanguard 500 Index Fund Signal</td>
<td>6,340 Shares</td>
<td></td>
<td>892,195</td>
</tr>
<tr>
<td>Vanguard Balanced Index Fund Signal</td>
<td>846 Shares</td>
<td></td>
<td>23,025</td>
</tr>
<tr>
<td>Vanguard Growth Index Fund</td>
<td>8,538 Shares</td>
<td></td>
<td>378,391</td>
</tr>
<tr>
<td>Vanguard Inflation - Protected Securities Fund Investor</td>
<td>1,773 Shares</td>
<td></td>
<td>23,018</td>
</tr>
<tr>
<td>Vanguard Mid Cap Growth Index Fund</td>
<td>22 Shares</td>
<td></td>
<td>770</td>
</tr>
<tr>
<td>Vanguard Mid Cap Value Index Fund</td>
<td>3,879 Shares</td>
<td></td>
<td>121,717</td>
</tr>
<tr>
<td>Vanguard Mid-Cap Index Fund</td>
<td>829 Shares</td>
<td></td>
<td>35,629</td>
</tr>
<tr>
<td>Vanguard Small-Cap Index Fund</td>
<td>4,008 Shares</td>
<td></td>
<td>190,362</td>
</tr>
<tr>
<td>Vanguard Small-Cap Value Index Fund Investor</td>
<td>6,843 Shares</td>
<td></td>
<td>159,646</td>
</tr>
<tr>
<td>Vanguard Target Retire Income</td>
<td>10,088 Shares</td>
<td></td>
<td>126,099</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2020 Fund</td>
<td>19,850 Shares</td>
<td></td>
<td>538,120</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2030 Fund</td>
<td>40,894 Shares</td>
<td></td>
<td>1,130,305</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2040 Fund</td>
<td>21,911 Shares</td>
<td></td>
<td>620,520</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2050 Fund</td>
<td>1,624 Shares</td>
<td></td>
<td>45,787</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index Fund</td>
<td>3,475 Shares</td>
<td></td>
<td>58,207</td>
</tr>
<tr>
<td>Vanguard Value Index Fund</td>
<td>14,927 Shares</td>
<td></td>
<td>462,592</td>
</tr>
<tr>
<td>Wells Fargo Growth Fd Ins</td>
<td>2,393 Shares</td>
<td></td>
<td>133,385</td>
</tr>
<tr>
<td><strong>Total Mutual Funds</strong></td>
<td></td>
<td></td>
<td><strong>7,444,863</strong></td>
</tr>
</tbody>
</table>

**Stable Value Funds:**
- Standard Stable Asset Fund A                          | 57,095 Shares                                                                                   | **1,524,541** |

**Cash:**
- Non-interest bearing cash                             | **1,756**                                      |

**Loans:**
- Participant Loans                                      | Interest rates range from 3.25% - 9.25%, Maturity dates range from February 2014 - July 2019 | **101,021**  |

**Total Investments and Participant Loans**             | **$ 9,072,181**                                 |

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 Chaired With Governance

Salary Investment Retirement Savings Plan
California State Employees Association 401(k)
THE AUDIT

RESULTS OF

ACCOUNTING PRACTICES

QUALITATIVE ASPECTS OF
## Interactions with Management

<table>
<thead>
<tr>
<th>Issue</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and staff were well prepared</td>
<td>Performing and communicating effectively with management in healthcare is an integral part of our service.</td>
</tr>
<tr>
<td>We encountered no significant difficulties</td>
<td>The audit was completed to your satisfaction.</td>
</tr>
</tbody>
</table>

### Management Representations

We have requested certain representations from management that are included in our audit.

### Disagreements with Management

We are pleased to report that no such disagreements arose during the course of our audit.

### Independent Accountants

To our knowledge, there were no such disagreements with other accountants.

### Responsibilities and Opinions

Management of your responsibilities, with DOL Regulations.

Employee Assistance Income Security Act of 1974. Our audit of the financial statements of the Pensions Investment Trust, as of December 31, 2013, includes an opinion on the financial statements of the Plan 80 of the Pensions Investment Trust. Accordingly, the independent accountants, in their report dated December 31, 2013, expressed an unqualified opinion on the financial statements of the Plan 80 of the Pensions Investment Trust. Their report is a report of an audit performed in accordance with the standards of the American Institute of Certified Public Accountants, expressed as an opinion on the financial statements of the Plan 80 of the Pensions Investment Trust. Their report is a report of an audit performed in accordance with the standards of the American Institute of Certified Public Accountants, expressed as an opinion on the financial statements of the Plan 80 of the Pensions Investment Trust.

Our audit was performed in accordance with the standards of the American Institute of Certified Public Accountants, expressed as an opinion on the financial statements of the Plan 80 of the Pensions Investment Trust.

As permitted by DOL Regulations and as promulgated by the Plan, the auditors' responsibilities under the Audit Act of 1955 (GAAS)

Generally Accepted Auditing Principles (GAAP)