



2016 CSEA BOARD OF DIRECTORS MEETING

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

June 11, 2016

TIMES CERTAIN

Saturday – June 11, 2016

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

(10:30 a.m. – 12:00 p. m.) CSEA Board Workshop (closed)

(1:00 p.m. – 4:00 p.m.) Board of Directors Meeting (open session)

BOARD MEETING AGENDA

- Call to order on **June 11, 2016, at 1:00 p.m.** by Chair of the Board Arlene Espinoza
- Roll Call – Secretary – Treasurer Harold Rose
- Pledge of Allegiance – Chair of the Board Arlene Espinoza
- Communications – Secretary-Treasurer Harold Rose
- Report of Executive Session – Secretary-Treasurer Harold Rose
- Reading and Approval of **the October 9, 2015, October 19, 2015 and February 26, 2016** Board of Directors Minutes – Secretary-Treasurer Harold Rose
- Report of Chair of the Board
- Report of Secretary-Treasurer
- Report of General Manager/CEO
- Affiliate Reports

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

ROLL CALL
CSEA Board of Directors Meeting
June 11, 2016 1pm

TITLE:	NAME:	√
Chair of the Board, ACSS, Inc.	Arlene Espinoza Sitting in:	
Secretary-Treasurer, CSR	Harold Rose Sitting in:	
ACSS, Inc. President	Frank Ruffino Sitting in:	
CSR President	Tim Behrens Sitting in:	
CSUEU President	Pat Gantt Sitting in:	
SEIU Local 1000	Yvonne Walker Sitting in:	
CSUEU VP for Finance	Loretta Seva'aetasi Sitting in:	
SEIU Local 1000 VP/Secretary-Treasurer	Theresa Taylor Sitting in:	

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

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MINUTES

2015 CSEA BOARD OF DIRECTORS MEETING

October 9, 2015

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

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

Frank Ruffino, ACSS, Inc. President

Susan Smith, CSUEU VP for Representation

(Sitting in for Michael Geck, CSUEU Vice President Organizing)

Loretta Seva'aetasi, CSUEU Vice President Finance

Margarita Maldonado, SEIU Local 1000 VP for Bargaining

Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer

Fritz Walgenbach, CSR Executive Vice President

Gus Lease, CSR Vice President

Arlene Espinoza, ACSS, Inc. Vice President of Membership Development

(Sitting in for Todd D'Braunstein, ACSS, Inc. Vice President of Governmental Affairs)

Board Alternate present:

Harold Rose, CSR/CFO Secretary and Tamekia Robinson, SEIU Local 1000, VP for Organizing/Representation

CSEA and Affiliate Staff Present: Lee King, Lisa Fong, Mike Carr, and Lao Sok Rocco Paternoster (ACSS) and Pam Robison (ACSS)

COMMUNICATIONS

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

REPORT OF CLOSED SESSION

Secretary-Treasurer David Okumura reported that legal were reviewed and discussed.

REPORT OF AGENDA COMMITTEE

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

MEMBER BENEFITS ITEMS:

BEN 4/15/4 (Russell Kilday-Hicks)	E-Retailer via Payroll Deduction Purchasing Power, LLC - Annual Review
BEN 5/15/4 (Russell Kilday-Hicks)	Legal & Identity Theft Plan Legal Club of America - Annual Review
BEN 6/15/4 (Russell Kilday-Hicks)	Auto and Homeowners Insurance Plan Kemper Select - Annual Review
BEN 7/15/4 (Russell Kilday-Hicks)	Group Term Life Insurance Plan Anthem Life Insurance Company - Annual Review
BEN 8/15/4 (Russell Kilday-Hicks)	Group Ordinary Life Insurance Plan Anthem Life Insurance Company - Annual Review
BEN 9/15/4 (Russell Kilday-Hicks)	Group Final Expense Insurance Plan Anthem Life Insurance Company - Annual Review
BEN 10/15/4 (Russell Kilday-Hicks)	Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company - Annual Review
BEN 11/15/4 (Russell Kilday-Hicks)	Disability Income Insurance Plans (Short Term and Long Term) New York Life Insurance Company - Annual Review
BEN 12/15/4 (Russell Kilday-Hicks)	Cancer Insurance Plans Monumental Life Insurance Company - Annual Review
BEN 13/15/4 (Russell Kilday-Hicks)	Comprehensive Accident Plan (CAP) Hartford Life and Accident Insurance Company - Annual Review
BEN 14/15/4 (Russell Kilday-Hicks)	Travel Accident Insurance Plan New York Life Insurance Company - Annual Review
BEN 15/15/4 (Russell Kilday-Hicks)	Emergency Assistance Plan (EA+) Worldwide Rescue and Security - Annual Review
BEN 16/15/4 (Russell Kilday-Hicks)	Emergency Roadside Service Program Road America Motor Club - Annual Review
BEN 17/15/4 (Russell Kilday-Hicks)	Long Term Care Program Long Term Care Resources - Annual Review
BEN 18/15/4 (Russell Kilday-Hicks)	Pet Insurance Program Petsmarketing Insurance.com Agency - Annual Review
BEN 19/15/4 (Russell Kilday-Hicks)	Hearing Aid Benefit Program EPIC Hearing Service Plan - Annual Review
BEN 20/15/4 (Russell Kilday-Hicks)	Discount Drug Prescription Program Paramount RX - Annual Review

FISCAL ITEMS

FIS 8/15/4 (David Okumura)	Approval of Mike Carr as an Administrator for: 401K Investment Plan Retiree Health Care Plan CSEA's SERP (Supplemental Employee Retirement Plan)
FIS 9/15/4 (David Okumura)	Approval of 2014 401K Audit Report & Required Communications

The Agenda was adopted as report by general consent.

READING AND APPROVAL OF THE JULY 10, 2015 & AUGUST 27, 2015 BOARD OF DIRECTORS MEETING MINUTES

BD 16/15/4 **MOTION:** Moved by Okumura, second by Lease that the Board of Directors approve the Minutes from the July 10, 2015 and August 27, 2015 Board of Directors Meetings. Motion was adopted by general consent. **CARRIED.**

REPORT OF PRESIDENT

President Marilyn F. Hamilton reported that this might be her last meeting as President depending on B&P 1/15. It has been a pleasure for President Hamilton to serve with this board. Sometime, the board doesn't see eye to eye and sometime things aren't ideal or perfect but the board has been patient in working things out together. The board has accomplished a very good thing. The board has worked hard in coming to a point of thinking of other's feeling rather than their own. President Hamilton has a little gift for everyone. It is a thank you from CSEA for serving on this board.

REPORT OF VICE PRESIDENT

Vice President Russell Kilday-Hicks reported that he wants to echo President Hamilton's comment. It has been an honor for Vice President Kilday-Hicks to serve. Vice President Kilday-Hicks wants to stress that the board is serving the affiliates, not the members, but what will serve the affiliate's members well would be to continue moving forward with the consensus structure that the board has built. CSEA is not going away but it is going forward in a collaborative manner. Vice President Kilday-Hicks is happy with the work that the board has done.

REPORT OF SECRETARY-TREASURER

Secretary-Treasurer David Okumura thanked everyone for all the hard work that has been done. Secretary-Treasurer Okumura has served for eight years since 2007. Secretary-Treasurer Okumura told everyone that he used to be a Secretary-Treasurer of 140,000 members now he is a Secretary-Treasurer of zero members. This is because all of the affiliates have their own Secretary-Treasurer. All of the affiliates have done well together. They all are trying to buy buildings. They must have money somewhere.

Secretary-Treasurer Okumura reported that CSEA has done very well. Thanks to the guidance of Lee King and the way he brought his fiscal ideas to the affiliates which has benefited everyone.

Secretary-Treasurer Okumura reported that the state has gone through the worst depression ever. Because of the board working hard together; the state workers are fortunate to still have their jobs, benefits and retirement. The affiliates are doing their part in getting everyone active and involved. Secretary-Treasurer Okumura thanked everyone for all of their time.

- The most recent CSEA financial statements reflect no items of concern. We are currently projecting a year end surplus of over \$2,000,000 for 2015. The principal reasons for this projected surplus are due to profits of approximately \$1,500,000 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 areas of staff compensation, employee benefits and retiree health insurance expense.
- CSEA's 401K Plan Audit Report for 2014 has been completed. The Report was completed by the audit firm of Gilbert Associates, Inc. There was no management letter issued by the auditors or any findings reported that suggested internal control weaknesses or significant deficiencies. It was a "clean" audit. The audit report was issued on July 17, 2015 which is 2 weeks earlier than the prior year's report.
- The 2014 exempt organization tax returns for CSEA, CSUEU, ACSS and CSR have been completed and filed by July 2015. All tax return filings for 2014 have been completed including the Foundation, Chapters and the 401K plan Form 5500.
- CSEA received 2016 renewal rates for the Kaiser medical insurance plans. For active employees Kaiser North rates show a minor decrease and Kaiser South rates show an increase of 13% over the current year. The majority of employees are covered under the North plan. The retiree plans show a minor rate decrease for 2016.

REPORT OF GENERAL MANAGER

When I interviewed for the position of CFO in 2004, I recalled saying that I was not the person for the job if this position just required maintaining the "status quo". I said that because in my prior career as a CPA I would advise companies and people what they should do, but never experienced what it was like to effect change or transformation. Before I ended my professional career I wanted to experience that. Little did I know how much transformation was going to happen in the next 11 years?

When I first started work, I had second thoughts about what I got myself into. For example:

- The IT infrastructure consisted of being based on individual desktops—no centralized computing environment. As a result we had some users using Lotus, some Microsoft, etc. To update software versions required us to go to each person's computer to resolve.
- We had an unusually high dependence on outside service providers to run even the most basic membership reports.
- Our most critical asset, the membership data base, was being run on DOS and equipment to run this was no longer being produced. If the equipment failed, we would have to go to EBAY to find replacement equipment.
- We could not get employee dishonesty insurance due to the embezzlement that had been discovered the year before. Our worker's compensation "mod rate" was higher than any high risk contractor client that I had.
- The print shop was losing in excess of \$300,000 a year and routinely did not get out invoices until 3 months after the service was provide.
- Member Benefits Department was losing over \$100,000 a year.
- Financial statements were being prepared only approximately 6 times a year with the first one for the year not coming out until May.
- Personnel did not receive performance evaluations—in fact some had worked at CSEA for more than 20 years without receiving an evaluation.

- There were no desk manuals on procedures and thus we were reliant on institutional knowledge of individuals.
- Due to not embracing technology, we were significantly overstaffed.
- Travel expense claims took sometimes 6 weeks to process.
- We had an unmanageable Board structure and decisions were made based on political alliances versus a business decision.
- Management staff were “tied” to political leaders and thus subject to dismissal based on a change of leadership.
- We had significant retirement legacy liabilities that if left unchecked would have eventually bankrupted this organization.

As I look back now I am proud of the success that the Board and the staff were able to achieve. For example:

- We were able to go from 1 corporation to 5 separate corporations to satisfy the Affiliate’s concern for autonomy.
- We were able to transform our IT infrastructure and reduce our reliance on outside consultants.
- We made major system changes in our accounting platform, payroll and membership data bases.
- We successfully closed down our print shop and sold the underlying property (which we suspected had major environmental issues) without incurring any major liabilities.
- We transformed the business model for member benefits to where it has gone from a \$100,000 annual loss to now where it is throwing off over \$1,500,000 in annual profits.
- We took control of our retirement liabilities thru the merger of the pension plan with SEIU and changed the plan design of the retiree health care to reduce further growth in our liability. Looking ahead, however, is the potential for a 40% tax imposed on “Cadillac health care plans” in 2018.
- Our processes in accounting became more streamlined thru technology and going paperless. Financial statements are done every month within 3 weeks of the previous month end. Expense claims are routinely processed within a week. We transformed the Hudson reporting so that the Affiliates no longer leave money on the table.
- We were able to demonstrate effective internal controls and thus able to secure employee dishonesty insurance coverage.
- We were able to effect an almost 100% return of the embezzlement loss from Gail Jones when at the time it was considered a lost cause and were content with just receiving 10% of the loss from insurance coverage.
- We were able to right size our labor force due to technology gains and (borrowing a phrase from Jim Collins book “Good to Great”) letting the right people on the bus by hiring based on qualifications rather than who they knew. Staff gets evaluated annually and they have all produced comprehensive desk manuals.
- We were able to convince Golden 1 to sign off on an agreement that allowed flexibility if we ever decide to leave the existing headquarters building.
- Finally the Board was able to come together on a policy governance model and we were able to have changes of leadership that did not require a wholesale change in management staff.

Although I can leave knowing that I had some role in making CSEA a more effective and efficient business, I have to confess that there are some lingering issues that cause me some concern. The best way for me to describe my major concern is to relay an experiment that was done in my psychology class in

college. The professor, in a written exam, offered the entire class 2 options: either 2 extra credit points to everyone if at least 90% of the class selected this option or 5 extra credit points to those that only chose this option as long as no more than 10% of the class selected this option. The results of this experiment? More than 10% chose to elect the 5 point option and as a result, none of the class received the extra credit. My reason for mentioning this is that in my view this Board often comes to the table with its own secular interests in mind and as a result sub optimization occurs. Until trust is truly generated within this group, real change and progress is going to be hard to achieve. You have enough enemies and threats outside this room without dealing with them within these walls. I wish each of the organizations the best of luck in their respective futures and thank you for entrusting me as your General Manager. I have an excellent replacement following me and he has a dedicated management group to lead. I hope that you allow this team the latitude you have given me. I am confident that they will earn your trust.

AFFILIATES REPORTS

(ACSS, Inc.)

President Frank Ruffino reported that he doesn't know how the vote is going to be this weekend but Association of California State Supervisors supports the proposed changes. He is very happy today because he has seen friends and folks that he hasn't seen for years, such as Mr. Smith, who sitting in the back of the room. President Ruffino and Mr. Smith were part of the team that opened up Richard J. Donovan Correctional Facility back in 1987. President Ruffino hasn't seen Mr. Smith since.

Also we cannot thank you enough the people in this room, at this table, a dedicated team of public servants and officers of this organization. These folks volunteered and stepped up to the plate, and make a difference in taking action by serving our members and our organizations.

President Ruffino is happy to serve as President of Association of California State Supervisors. He is going to be a transitional president and his goal, simply stated is to take ACSS to the next level. AND, then, he is hoping to join the CSR affiliate.

The Association of California State Supervisors is in a good place. Membership continues to rise, ACSS has increased their political involvement and visibility through their robust PAC and legislative programs, and ACSS are financially sound. Rocco, staff and the board has done a great job. They all work well together, now it's time to bring this organization to another level and President Ruffino is hoping that he can contribute a little bit to this end.

(CSUEU)

President Pat Gantt reported that CSUEU sort of hit the ground running this fall after a series of conference calls and wrestling with some budget issues in the last quarter to find money to fund a recruitment campaign. CSUEU has adopted a membership recruitment campaign where they are going to go in depth in a series of what they call blitzes or walk-arounds on five of the urban campuses starting with Long Beach, then San Diego, San Francisco, Sacramento and San Jose. The motivation here is to basically reach out to every single fee payer on those campuses and try to recruit and convince them of the merits in joining CSUEU as a member. This is a proactive strategic move on CSUEU part to protect CSUEU from the potential loss of fair share fees next year. This effort is to reach out to over 4,000 fee payers, and CSUEU is hoping to get some conversions and CSUEU is ready to go into round two after this and go after the other fee payers across the system.

Its CSUEU's hope and goal that CSUEU recruit enough fee payers to become members and mitigate any loss of fair share fees that may occur possibly in June of next year with the Supreme Court decision. This

is CSUEU's focus. CSUEU staff are all busy working on this. The Board made the decision to do this; identify the campuses, the resources and set some goals and metrics to basically accomplish that.

(CSR)

President Tim Behrens reported that CSR is looking forward to all of the Board of Directors members retiring one day and joining the biggest organization that represents the retired state employees. President Behrens is looking forward to this weekend and hope that everyone will be moving into the 21st century. It was amusing to President Behrens this morning to hear a report that CSEA has fifteen staff left and that means that each member of the Board could adopt a staff and have a one to one with a staff person left with CSEA if B&P 1/15 does not pass.

CSR is continuing its battle with membership. President Behrens thanked CSUEU, SEIU Local 1000 and ACSS for the rollovers. CSR have increased their membership over two thousand members in all last two and a half years. President Behrens is proud of the membership committee. Bobbi Estrada has done an outstanding job as the chapter presidents. CSR are going to continue with the membership campaign in the future because CSR has lost an average of 140 to 160 members a month to death.

CSR has another outstanding member who chairs our healthcare committee, Stephanie Heuge, who is in the audience, has changed that committee; when President Behrens came to this organization they met once every three months for one hour at a Board meeting and nothing happened. No one went to PERS, nobody talked about healthcare issues for the retirees. It has gone from that to eight, to twelve, and now fifteen members. CSR Board members are coming to CalPERS and having breakfast with CalPERS Board members and staff, going to the healthcare committee meetings, going to the state coalition committees, and now actually have people that call in and listen and talk and ask relevant questions about the healthcare needs for our retirees. President Behrens is proud of what they've accomplished. CSR is much more known in CalPERS.

CSR Delegate Assembly which follows CSEA's General Council, there are resolutions being considered that will change our electorate process to eventually have our delegates in three years elect our statewide officers, and change the election process itself. There is also a resolution that would add more members to the board. There is a lot of good, healthy, moving forward stuff in our resolutions that are coming before our delegates. President Behrens looks forward to this weekend.

President Behrens reported that this is the least amount of work he had to do on a CSEA Board since he was the president of ACSS because the CSEA Board only met two times and the meetings last about an hour to an hour and a half. There is very little to debate. There isn't really a lot of hot issues unless we need money for something. The future of this organization is the four affiliates continue to work together and appreciate what the president of SEIU said about us working together and debating and not always agreeing, but eventually coming out with something that we can all live within the end.

(SEIU Local 1000)

President Yvonne Walker reported that SEIU Local 1000 is preparing to go into bargaining next year with the State of California. SEIU Local 1000 is very excited that this is the first time since 2008 that SEIU Local 1000 is not bargaining a take-away contract.

President Walker is very excited to see what happens and know that expectations are out there. SEIU Local 1000 is managing the expectation and creating an experience for their members. SEIU Local 1000 is looking forward as SEIU Local 1000 is moving forward. President Walker reported that it has been a pleasure working with all of the Board of Directors since 2008. Getting to know each other on a different

level, agreement is not necessary, but it's the respect that we all gained from each other. President Walker appreciates working with each and every Board of Directors members.

President Walker reported SEIU Local 1000 now has three buildings. SEIU Local 1000 will be moving into the new building the first quarter of 2016. SEIU Local 1000 was renting and as part of their lease, SEIU Local 1000 had the right of first refusal. It was amazing because SEIU Local 1000 was coming out of furloughs and then lost the Knox lawsuit which was one of the cases that Pat Gantt was talking about. SEIU Local 1000 had a "right of first refusal" in their building lease with the Buzz Oates Group. After an offer was made on the building from a well known developer here in Sacramento; Buzz Oates Group had to come to SEIU Local 1000 and SEIU Local 1000 had recovered sufficiently that they were able to buy the building. R Street is a booming corridor. SEIU Local 1000 is in a good spot; off of the light rail, off the freeways, easy freeway access, all the buildings going up and the arena coming in. All of our staff will be in one place. Also, SEIU Local 1000 would be able to make a little on parking, especially when there are events at the new arena or even on R Street.

**BEN 4/15/4 (Kilday-Hicks) E-Retailer via Payroll Deduction
Purchasing Power, LLC – Annual Review**

BD 17/15/4 MOTION: That the Board of Directors adopt the following recommendations:
1. Conclude that there is no contingency reserve surplus.
2. Continue the program with Purchasing Power, LLC.
Motion was adopted by general consent. **CARRIED.**

**BEN 5/15/4 (Kilday-Hicks) Legal & Identity Theft Plan
Legal Club of America – Annual Review**

BD 18/15/4 MOTION: That the Board of Directors adopt the following recommendations:
1. Conclude that there is no contingency reserve surplus.
2. Continue the plan with the Legal Club of America at current rates.
Motion was adopted by general consent. **CARRIED.**

**BEN 6/15/4 (Kilday-Hicks) Auto and Homeowners Insurance Plan
Kemper Select – Annual Review**

BD 19/15/4 MOTION: That the Board of Directors adopt the following recommendations:
1. Conclude there is no contingency reserve surplus.
2. Continue the plan with the Kemper Select at current rates.
3. Continue marketing to increase plan participation.
Motion was adopted by general consent. **CARRIED.**

**BEN 7/15/4 (Kilday-Hicks) Group Term Life Insurance Plan
Anthem Life Insurance Company – Annual Review**

BD 20/15/4 MOTION: That the Board of Directors adopt the following recommendations:
1. Earned Premium has not exceeded Plan Benefits and Expenses for 2013 and 2014 causing a Plan Loss and a reduction in the Claim Reserve.
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.
4. Continue Plans with Anthem Life Insurance Company.
Motion was adopted by general consent. **CARRIED.**

- BEN 8/15/4 (Kilday-Hicks) Group Ordinary Life Insurance Plan
Anthem Life Insurance Company – Annual Review**
- BD 21/15/4 MOTION:** That the Board of Directors adopt the following recommendations:
1. Earned Premium has not exceeded Plan Benefits and Expenses for 2013 and 2014 causing a Plan Loss and reduction in the Claim Reserve.
 2. Claim Reserve is fully funded.
 3. Continue to market Group Ordinary Life Plan to increase participants and premium.
 4. Continue Plan with Anthem Insurance Company. Motion was adopted by general consent. CARRIED.
- BEN 9/15/4 (Kilday-Hicks) Group Final Expense Insurance Plan
Anthem Life Insurance Company – Annual Review**
- BD 22/15/4 MOTION:** 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 Plan underwriter. Motion was adopted by general consent. CARRIED.
- BEN 10/15/4 (Kilday-Hicks) Accidental Death and Dismemberment Insurance Plan
New York Life Insurance Company – Annual Review**
- BD 23/15/4 MOTION:** That the Board of Directors adopt the following recommendations:
1. Premium rates are adequate to support current Plan expenses as long as the Premium Surplus Reserve maintains its current level.
 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 insureds and premium.
 4. Continue the Plan with New York Life Insurance Company at current premium rates and benefits. Motion was adopted by general consent. CARRIED.
- BEN 11/15/4 (Kilday-Hicks) Disability Income Insurance Plans (Short and Long Term)
New York Life Insurance Company – Annual Review**
- BD 24/15/4 MOTION:** 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.
 3. Consider improving Plan (additional benefits) for current and new participants. A reduction in premium rates, a premium credit or a benefit bonus program can now be considered.
 4. Continue the Plan with New York Life Insurance Company as the underwriter. Motion was adopted by general consent. CARRIED.

- BEN 12/15/4 (Kilday-Hicks) Cancer Insurance Plans
Monumental Life Insurance Company – Annual Review**
- BD 25/15/4 MOTION:** 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 Premiums Surplus Reserve is fully funded and a Surplus is available.
 3. If 2015 Policy Year ends with positive Premium Surplus Reserve, consider increasing lump sum benefits or a low percentage premium credit to existing insureds.
 4. Continue the Plans with TransAmerica Premier as the underwriter.
- Motion was adopted by general consent. **CARRIED.**
- BEN 13/15/4 (Kilday-Hicks) Comprehensive Accident Plan (CAP)
Hartford Life and Accident Insurance Company**
- BD 26/15/4 MOTION:** 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 benefits or premium changes recommended at this time.
 4. Continue the Plans with Hartford Life and Accident Insurance Company as the underwriter. Motion was adopted by general consent. **CARRIED.**
- BEN 14/15/4 (Kilday-Hicks) Travel Accident Insurance Plan
New York Life Insurance Company – Annual Review**
- BD 27/15/4 MOTION:** That the Board of Directors adopt the following recommendations:
1. Premium rates are adequate to support current Plan Expenses and the combined Premium Surplus Reserve.
 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 benefits levels. Motion was adopted by general consent. **CARRIED.**
- BEN 15/15/4 (Kilday-Hicks) Emergency Assistance Plus Plan (EA+)
Worldwide Rescue and Security – Annual Review**
- BD 28/15/4 MOTION:** 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. Motion was adopted by general consent. **CARRIED.**

- BEN 16/15/4 **(Kilday-Hicks) Emergency Roadside Assistance Program
Road America Motor Club – Annual Review**
- BD 29/15/4** **MOTION:** 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. Motion was adopted by general consent. CARRIED.
- BEN 17/15/4 **(Kilday-Hicks) Long Term Care Insurance Program
Long Term Care Resources – Annual Review**
- BD 30/15/4** **MOTION:** 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.
Motion was adopted by general consent. CARRIED.
- BEN 18/15/4 **(Kilday-Hicks) Pet Insurance Program
United Fire Insurance Company – Annual Review**
- BD 31/15/4** **MOTION:** 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 United Fire Insurance Company, administered by PetsmarketingInsurance.com Agency. Motion was adopted by general consent. CARRIED.
- BEN 19/15/4 **(Kilday-Hicks) Hearing Aid Benefit Program
EPIC Hearing Service Plan – Annual Review**
- BD 32/15/4** **MOTION:** That the Board of Directors adopt the following recommendations:
1. Continue marketing to increase plan participation.
2. Continue the Plan with EPIC Hearing Service Plan. Motion was adopted by general consent. CARRIED.
- BEN 20/15/4 **(Kilday-Hicks) Discount Drug Prescription Program
Paramount RX – Annual Review**
- BD 33/15/4** **MOTION:** That the Board of Directors adopt the following recommendations:
1. Review meaningful ways for members to obtain discount prescription card including e-newsletter, e-blasts and distributing printed flyers at meetings and events.
2. Continue the program with Paramount Rx. Motion was adopted by general consent. CARRIED.

FIS 8/15/4 **(Okumura) Appoint Mike Carr as an Administrator for**
 - 401k Investment Plan
 - Retiree Health Care Plan
 - CSEA's SERP (Supplemental Employee Retirement Plan)

BD 34/15/4 MOTION: That the Board of Directors appoint Mike Carr as the Administrator for the following plans:
 - 401k Investment Plan
 - Retiree Health Care Plan
 - CSEA's SERP (Supplemental Employee Retirement Plan)
Motion was adopted by general consent. CARRIED.

FIS 9/15/4 **(Okumura) Approval of the CSEA 2014 401K Audit Report & Required Communications**

BD 35/15/4 MOTION: That the Board of Directors adopt the acceptance of the 2014 401K Plan audit report. Motion was adopted by general consent. CARRIED.

MEETING ADJOURNMENT

The meeting was adjourned at 1:50 pm in memory of Fred Cordova.

Respectfully submitted,
Lao Sok



MINUTES

2015 CSEA BOARD OF DIRECTORS MEETING

October 19, 2015

Telephone Conference Call 9:00 a.m.
CSEA Headquarters Building
1108 O Street, 3rd Floor Valley Quail Conference Room
Sacramento, Ca 95814

Meeting convened at 9:00 a.m.

Present:

Frank Ruffino, ACSS, Inc. President – Physically Present
Arlene Espinoza, ACSS, Inc. Vice President of Membership Development – Call In
Tim Behrens, CSR President – Call In
Harold Rose, CSR/CFO Secretary – Physically Present
Patrick N. Gantt, CSUEU President – Call In
Loretta Seva'aetasi, CSUEU Vice President Finance – Call In
Yvonne Walker, SEIU Local 1000 President – Call In
Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer – Call In

CSEA and Affiliate Staff Physically Present:

Lee King, CSEA General Manager
Mike Carr, CSEA Controller
Rocco Paternoster (CSEA Chief Counsel)

The purpose of this meeting was to discuss/act on the result of 2015 GC, the appointments of directors, elect Chair of the Board & Secretary-Treasurer and to designate CSEA General Manager as the CEO of the Corporation. Upon appointment of directors all former directors are removed.

Appointments of Directors:

ACSS:

Frank Ruffino, ACSS, Inc. President
Arlene Espinoza, ACSS, Inc. Vice President of Membership Development

CSR:

Tim Behrens, CSR President
Harold Rose, CSR/CFO Secretary

CSUEU:

Patrick N. Gantt, CSUEU President
Loretta Seva'aetasi, CSUEU Vice President Finance

SEIU Local 1000:

Yvonne Walker, SEIU Local 1000 President
Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer

BD 36/15/5 MOTION: Moved by Walker, second by Espinoza that the Board of Directors approves the designation of the CSEA General Manager as the CEO of the Corporation. Motion passed UNANIMOUSLY.

Chair of the Board Nominations:

Frank Ruffino nominated Arlene Espinoza as Chair of the Board. The other three affiliates (CSR, CSUEU and SEIU Local 1000) passed on the nomination. Arlene Espinoza is Chair of the Board by Acclimation.

Secretary/Treasurer Nominations:

Tim Behrens nominated Harold Rose as Secretary/Treasurer. The other three affiliates (ACSS, CSUEU and SEIU Local 1000) passed on the nomination. Harold Rose is Secretary/Treasurer by Acclimation.

ACTION:

1. Draft a message (GC Communications) that summarizes the results of the 2015 General Council
2. Update the Bylaws according to B&P 1/15 and B&P 2/15
3. Dates for future Board of Directors meeting

No other matters were addressed.

Meeting adjourned at 9:45 am.



**MINUTES
CSEA BOARD OF DIRECTORS MEETING**

**Telephone Conference
Friday, February 26, 2016 12pm
Location: HQ, 3rd floor, Valley Quail Conference Room**

Meeting convened at 12:01 pm.

Members Present:

Arlene Espinoza, Chair of the Board, ACSS, Inc. (Call-In)
Harold Rose, Secretary-Treasurer, CSR (Call-In)
Frank Ruffino, ACSS, Inc. President (Call-In)
Pat Gantt, CSUEU President (Physically Present)
Loretta Seva'aetasi, CSUEU VP for Finance (Physically Present)
Yvonne Walker, SEIU Local 1000 President (Call-In)

A quorum was present.

CSEA Staff Physically Present:

Michael Carr, CSEA General Manager/CEO
Rocco Paternoster, CSEA Chief Counsel
Lao Sok, Board Assistant

The purpose of this meeting was to update and discuss CSEA legal litigation matters.

No formal actions were taken and no other matters discussed.

Meeting adjourned at 12:19 pm.

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BOARD AGENDA ITEM B&P 1/16/1

ACTION ITEM Date: 6/11/16

SUBJECT: Adoption of updated CSEA Policy File

SOURCE AND/OR PROPONENT: Arlene Espinoza, Chair of the Board

PRESENTATION BY: Arlene Espinoza

ASSIGNED TO: Arlene Espinoza

RECOMMENDED ACTION:

That the Board of Directors approve the amendment to the Policy File as submitted.

Amendment to the following sections: 204.02, 208.00, 401.05, 401.06c, 402.01 (Rules of General Council #9 & #16), 404.02 b2, 501.02 b, 502.02b, 503.10a, 504.00, 504.12, 505.06, 601.00, 603.00, 604.02, 605.01, 606.01, 606.01c, 1001.01b, 1204.01 and 1204.02

BACKGROUND:

On October 11, 2015, over 470 delegates adopted new governance structure for the organization at the CSEA 67th General Council. Adopted was Article XIX: New Governance Structure for the Association. CSEA Bylaws have been updated and renumbered according to the new adopted article. Article IV has been repealed. The new adopted Article XIX is now Article XVIII.

CSEA Policy File has been updated according to the new updated CSEA Bylaws.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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Division 2: Association Governance

204.02 Closed Meetings

Closed meetings of the Board of Directors shall be in compliance with the Bylaws Article ~~XVI~~ XV: Meetings, Section 9. (BD 78/95/2, BD 12/97/1, BD 67/04/3, BD 11/11/2, BD 24/11/2)

208.00 Board Member Attendance at Association Meetings

Members of the Board of Directors are authorized to attend all Association Board and committee meetings and any other meeting or event that is an element of CSEA strategic plan or otherwise specifically authorized by Board action subject to the provisions of Bylaws Article ~~XVI~~ XV: Meetings, Section 9, Attendance at Closed Meetings and subject to the provisions of Division 13: Association Travel Expense for reimbursement of time and expenses. (BD 157/00/3, BD 34/04/2, BD 22/08/3, BD 11/11/2, BD 24/11/2, BD 2/13/1)

Division 4: General Council

401.05 Personal References

The Association will not publish resolutions to be heard at General Council which name any individual person or allude to any Association member in language that will be deleterious to that person's character and reputation. (Bylaws Article ~~IX~~ VIII: General Council, Section 11(c)) (BD 50/92/2, BD 59/94/2, BD 69/04/3, BD 10/11/2, BD 24/11/2)

401.06 Conflicts Between Resolutions

(c) If the Board of Directors cannot determine the intent of General Council, it may submit conflicting resolutions to the delegates pursuant to Bylaws Article ~~IX~~ VIII: General Council, Section 15, to resolve a conflict. (BD 50/92/2, BD 59/94/2, BD 44/99/2, BD 63/03/2, BD 69/04/3, BD 10/11/2, BD 24/11/2)

402.01 Rules Adopted by General Council

RULES OF GENERAL COUNCIL

9. Elections -

B. Pursuant to Bylaws Article ~~V~~ IV: Elections and Terms of Office, Section 1(b), nominations and elections shall be conducted according to the procedures established by the Board of Directors in Policy File Sections 503.01 – 503.08.

16. The minutes of this ~~66th~~ 67th General Council will be approved by a committee appointed by the president.

404.02 Delegate Status

(b) Voting Rights at General Council

(2) Delegates from the affiliates/divisions shall have the right to attend and vote at all sessions of their affiliate/division meetings of the General Council. A delegate's status, as determined by class of membership at the time of the meeting, shall determine voting rights, provided he/she remains a delegate pursuant to Article ~~IX~~ VIII: General Council, of the Bylaws. (BD 57/93/3, BD 69/04/3, BD 10/11/2, BD 24/11/2)

Division 5: Association Elections

501.02 Election Coordination

(b) Affiliate Delegates to General Council

When the affiliate(s) do not have rules and regulations for the election and removal of General Council chapter/DLC delegates that conform to Bylaws Article ~~IX~~ VIII: General Council, Sections 4, the secretary-treasurer, unless otherwise stated in policy, is empowered to ensure compliance with election policy. In the absence of the secretary-treasurer, the president shall appoint another officer which may be himself/herself to act in place of the secretary-treasurer. (BD 25/95/2, BD 68/95/4, BD 55/97/3, BD 3/98/1, BD 66/04/3, BD 22/08/3, BD 18/11/2, BD 24/11/2)

502.00 Association Officers and General Council Delegates

502.02 Term of Office

(b) No General Council delegate shall lose his/her position by virtue of any affiliate/division or chapter/DLC realignment until his/her existing term of office expires pursuant to Bylaws Article ~~IX-VIII~~: General Council, Section 4 (b)(1). (BD 75/00/2, BD 18/11/2, BD 24/11/2)

503.10 Filling of Vacancies

(a) Association Officers

The filling of vacancies among the Association officers shall be in accordance with Bylaws Article ~~IV: Governance~~ Section 7 XVIII: New Governance Structure for the Association. (BD 138/83/3, BD 59/94/2, BD 18/11/2, BD 24/11/2)

504.00 Recall of Association Officers

Association officers may be recalled pursuant to Bylaws Article ~~V~~ IV: Elections and Terms of Officers, Section 1 (d). (BD 49/94/2, BD 18/11/2, BD 24/11/2)

504.12 Filling of Vacancy

Any vacancy created by a valid recall election shall be filled in accordance with Bylaws Article ~~IV: Governance, Section 7~~ XVIII: New Governance Structure for the Association. (BD 10/93/1, BD 59/94/2, BD 18/11/2, BD 24/11/2)

505.06 Filling of Vacancy

Any vacancy created by a valid recall election shall be filled in accordance with Bylaws Article ~~IX-VIII~~: General Council, Section 5. (BD 40/98/3, BD 18/11/2, BD 24/11/2)

Division 6: Committees

601.00

General Council subject committees are: (Bylaws Article ~~X~~ IX: Committee, Section 1)

603.00 General Council Procedures Committees

The General Council procedural committees are: (Bylaws Article ~~X~~ IX: Committees, Section 1 (b))

604.02 General Activity

Board of Directors standing committees review matters assigned by General Council or the Board of Directors. (Bylaws Article ~~X~~ IX: Committees, Section 2) (BD 10/86/1, BD 59/94/2, BD 12/11/2, BD 24/11/2)

605.00 Committee Appointments

605.01 Appointments

Unless otherwise provided, the president coordinates the appointment of members nominated by their affiliates to General Council subject committees. The president may not appoint any member to a subject committee unless that member is nominated by an affiliate. The president may not veto an affiliate appointment without cause subject to review by the CSEA Board of Directors. Such subject committees shall consist of active members of the Association's affiliates; shall be appointed within 50 days of the close of General Council; and shall serve until the adjournment of the next succeeding General Council unless previously removed. (Bylaws Article ~~X~~ IX: Committees, Sections 4 and 5) (BD 195/80/5, BD 59/94/2, BD 16/05/1, BD 12/11/2, BD 24/11/2, BD 5/13/1)

606.00 Committee Duties and Responsibilities

606.01 Interpretation of Bylaws Article ~~X~~ IX: Committees

The Association shall interpret Bylaws Article ~~X~~ IX: Committees, Section 6 in the following manner: (BD 80/78/4, BD 59/94/2, BD 12/11/2, BD 24/11/2)

- (a) The president shall assign resolutions and other matters to General Council committees when General Council is in session; (BD 31/71/1, BD 24/11/2)
- (b) When General Council is not in session, the president shall assign resolutions and other matters to an appropriate committee, council, forum, panel or such other body for deliberation and recommendation or disposition; (BD 80/78/4, BD 24/11/2)
- (c) The Board of Directors may assign resolutions or other matters to Board of Directors standing or ad hoc committees. (Bylaws Article ~~X~~ IX: Committees) (BD 80/78/4, BD 59/94/2, BD 12/11/2, BD 24/11/2)

Division 10: Headquarters

1001.00 Staff Operations

1001.01 General Manager

- (a) The general manager shall be employed under terms of a contract, which shall be negotiated by the Executive Committee subject to confirmation by a two-thirds vote of the Board of Directors. (BD 66/88/3, BD 59/94/2, BD 75/03/2, BD 24/11/2)
- (b) The ~~president~~ Chair of the Board, with the approval of the ~~officers~~ Directors, may summarily suspend the general manager, when, in the ~~president's~~ Chair of the Board's opinion, the actions of the general manager pose an immediate threat to the welfare of the Association. The action of the ~~president~~ Chair of the Board is effective immediately. Concurrence of a simple majority of the ~~officers and affirmation by the Board of~~ Directors is required. ~~Such vote to affirm shall be held within 30 days in accordance with Bylaws Article IV: Governance, Section 1 (b)~~ in accordance with Bylaws Article XVIII: New Governance Structure of the Association. (BD 48/83/1, BD 59/94/2, BD 75/03/2, BD 13/11/2, BD 24/11/2)

Division 12: Association Finances

1204.00 Investments

1204.01 Emergency Reserves

The rules governing investment of emergency reserve funds by the Board of Directors are contained in Bylaws Article ~~XIII: Financial Operations, Section 4~~ XII: Financial Operations of the Association. (BD 50/92/2, BD 17/11/2, BD 24/11/2)

1204.02 Reserve Funds Investment

The Board of Directors, by two-thirds vote, may authorize the investment of other Association reserve funds in a manner other than described in Bylaws Article ~~XIII: Financial Operations, Section 4~~ XII: Financial Operations of the Association, if it is to the benefit of the Association and consistent with sound business practice. (BD 50/92/2, BD 59/94/2, BD 17/11/2, BD 24/11/2)

BOARD AGENDA ITEM BEN 1/16/1

ACTION ITEM Date: 6/11/16

SUBJECT: CSEA Life Program Request for Proposal (RFP)

SOURCE AND/OR PROPONENT: Rosmaire Duffy, Chair

PRESENTATION BY: Rosmaire Duffy, Chair

ASSIGNED TO: Lisa Fong, Director of Member Benefits

RECOMMENDED ACTION:

The CSEA Member Benefits Committee recommends that the CSEA Board of Directors adopt to replace Anthem Blue Cross with New York Life Insurance Company as the carrier of the CSEA Life Program.

BACKGROUND:

At its First 2015 CSEA Member Benefits Committee meeting, Chair Rosmaire Duffy announced an unscheduled item which had to do with the CSEA Life Insurance Program. Reports currently show that the claim reserves are fully funded. However, they also show a reduction in claim reserves. The Committee has a policy that every 5-6 years, CSEA Insurance Programs are sent out to bid to ensure the committee's due diligence. The last time the life program went out to bid was between 2006-2007. After discussion by the Committee, the following motion was made:

MB 21/15/1 MOTION: Taylor, second by McGee – that the Member Benefits Committee directs AGIA Insurance Services to conduct the CSEA Life Program Request for Proposal (RFP). CARRIED.

The CSEA Life Program Request for Proposal (RFP) was sent to eight (8) carriers. Anthem Life and New York Life responded positively with a proposal. AIG, MetLife, Hartford, Transamerica, Voya and Prudential responded declined to bid.

During closed session of the CSEA Member Benefits Committee meeting held on April 16, 2016, Anthem Life and New York Life presented their proposals on the CSEA Life Program.

Attached are the Anthem Life and New York Life proposals for the CSEA Life Insurance Program.

ESTMATED COST/SAVINGS:

COST: A flat one-time transfer fee of \$150,000 split 75% / 25% (New York Life / Charged to the Plan). No direct expense to CSEA.

SAVINGS: CSEA will receive an annual increase of \$15,000 in royalty revenue from New York Life.

FUNDING SOURCE: Plan reserves.

BOARD ACTION:



Proposal for Blue View VisionSM Plan

Group Name: California State Employees Association

Effective Date: 11/1/2016

Number of Eligible Employees: 5,000



We have a unique perspective on vision care

As part of one of the largest health carriers in the United States, Blue View Vision will give your employees a vision plan that really does care for their health. We recognize the importance of overall health management. In fact, when our medical and vision plans are packaged together, our members' entire health care team can work together to share information, even identify gaps in care. That's a real advantage and it's something that strongly differentiates us from stand-alone vision carriers. After all we're not just a vision plan, we're Anthem.

Vision care doctors are often the first to identify chronic health conditions

During an exam, vision care doctors are able to see signs of a number of eye and other health conditions. This can lead to early detection of major health problems before they become more serious.



When your employees have our medical and vision plans...

- Network doctors can see relevant medical diagnoses, lab results and prescription drug history in a secure and HIPAA-compliant online format
- Doctors have access to patient health profiles and can view care alerts in advance of the appointment, so they're better informed
- Nearly 100% of the vision care doctors we surveyed said having this data resulted in better care

Enrollment & referrals into care management programs

Vision claims data is included in the risk categories that can trigger enrollment in disease management programs. Whether enrolled in a program or not, members can always access our nurse hotline 24/7.

What else makes us better?

Combined Administration

We can offer the power of packaging multiple product lines, such as health and vision. This allows for the convenience of one bill, one ID card, and one point of contact.

Award winning customer service

BenchmarkPortal bestows their Center of Excellence Certification, one of the most esteemed recognitions in the customer service arena, only to call centers that rank in the top 10% of those surveyed. Our members can reach the award winning customer care center - staffed by U.S. based representatives - 7 days a week.



Provider Network

Our **32,000 doctors** at more than **26,000 locations** nationwide, with independent doctors, convenient retail stores and 1-800 CONTACTS - **all in-network** - makes it easy for employees to take care of their vision needs and they can do it outside of work hours. Plus, retail or independent, **every** network provider extends valuable discounts to our members.

Monthly 3-Tier Rates

<input type="checkbox"/> Employer Paid	<input checked="" type="checkbox"/> Voluntary
Commission	0.00%
Employee	\$7.37
Employee+One	\$12.90
Employee+Family	\$20.64

3 year rate guarantee

INDEPENDENT
PROVIDERS

1-800 CONTACTS

LENSCRAFTERS

sears
optical

OPTICAL

jcp optical

Accepted on behalf of Group

--	--	--

Print Name

Signature

Date

Group Name: California State Employees Association
PROPOSED BLUE VIEW VISION PLAN DESIGN

VISION PLAN BENEFITS	IN-NETWORK	OUT-OF-NETWORK
Routine eye exam Once every 12 months	\$20 copay	\$49 Allowance
Eyeglass frames One pair every 24 months	\$130 allowance, 20% off any remaining balance	\$50 Allowance
Eyeglass lenses One pair every 24 months in standard plastic with choice of the following options:		
• Single vision lenses	\$20 copay	\$35 Allowance
• Bifocal lenses	\$20 copay	\$49 Allowance
• Trifocal lenses	\$20 copay	\$74 Allowance
Eyeglass lens enhancements When obtaining covered eyewear from a Blue View Vision provider, members may choose to add any of the following lens enhancements at no extra cost.		
• Transitions® Lenses (for a child under age 19)	\$0 copay	No allowance on lens enhancements when obtained out-of-network
• Standard Polycarbonate (for a child under age 19)	\$0 copay	
• Factory Scratch Coating	\$0 copay	
Contact lenses Once every 24 months Instead of eyeglass lenses	<ul style="list-style-type: none"> • Elective Conventional Lenses; or • Elective Disposable Lenses; or • Non-Elective Contact Lenses 	<ul style="list-style-type: none"> \$130 allowance, 15% off any remaining balance \$130 allowance (no additional discount) Covered in full
		<ul style="list-style-type: none"> \$92 Allowance \$92 Allowance \$250 Allowance

ADDITIONAL SAVINGS AVAILABLE FROM IN-NETWORK PROVIDERS		In-network Member Cost (after any applicable copay)
Retinal Imaging	• At member's option can be performed at time of eye exam	Not more than \$39
Eyeglass lens upgrades	• Transitions® lenses (Adults)	\$75
When obtaining eyewear from a Blue View Vision provider, members may choose to upgrade their new eyeglass lenses at a discounted cost. Eyeglass lens copayment applies.	• Standard Polycarbonate (Adults)	\$40
	• Tint (Solid and Gradient)	\$15
	• UV Coating	\$15
	• Progressive Lenses	
	• Standard	\$65
	• Premium Tier 1	\$85
	• Premium Tier 2	\$95
	• Premium Tier 3	\$110
	• Anti-Reflective Coating	
	• Standard	\$45
	• Premium Tier 1	\$57
	• Premium Tier 2	\$68
	• Other Add-ons and Services	20% off retail price
Additional Pairs of Eyeglasses	• Complete Pairs	40% off retail price
Anytime from any Blue View Vision network provider	• Eyeglass materials purchased separately	20% off retail price
Eyewear Accessories	• Items such as non-prescription sunglasses, lens cleaning supplies, contact lens solutions, eyeglass cases, etc.	20% off retail price
Contact lens fit and follow-up	• Standard contact lens fitting	Up to \$55
Available following a comprehensive eye exam	• Premium contact lens fitting	10% off retail price
Conventional Contact Lenses		
After covered benefits have been used	• Discount applies to materials only	15% off retail price

Other discount offers on LASIK surgery and much more available through Anthem's SpecialOffers program.

This information is intended to be a brief outline of plan benefits. The most detailed description of benefits, exclusions, and restrictions can be found in the Certificate of Coverage. Discounts are subject to change without notice. Laws in some states may prohibit network providers from discounting products and services that are not covered benefits under the plan.

Transitions and the swirl are registered trademarks of Transitions Optical, Inc.

Anthem Blue Cross is the trade name of Blue Cross of California. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company are independent licensees of the Blue Cross Association. © Anthem is a registered trademark of Anthem Insurance Companies, Inc. The Blue Cross names and symbols are registered marks of the Blue Cross Association.

California State Employees Association

Dan O'Brien, Vice President
Raghu Rangachar, Vice President



Agenda

- The New York Life Advantage
- History and Business Overview
- Product Performance
- Proposal Terms
- Initiatives and Strategies



The New York Life Advantage



Mutuality

Our company is financially strong and singularly focused.

Public company	New York Life
Accountable to shareholders	Accountable to policy owners
Dividends to shareholders	Dividends to policy owners
Focus on return on equity (ROE) may lead to: Minimum reserves Minimum capital High leverage	Focus on financial strength High reserves High capital Minimum leverage
Relies on access to capital markets in times of stress	Relies on available surplus



You can count on us in good times and bad

We're built to last, so you know we'll be here to back up our promises.

A++

Superior

A.M. Best

AAA

Exceptionally Strong

Fitch

Aaa

Exceptional

Moody's

AA+

Very Strong

Standard & Poor's



#80 on the 2015
Fortune 500 list.

Fourth overall on
Fortune Magazine's
2015 List of World's
Most Admired
Companies.

Individual independent rating agency commentary as of 8/11/15.



History and Business Overview



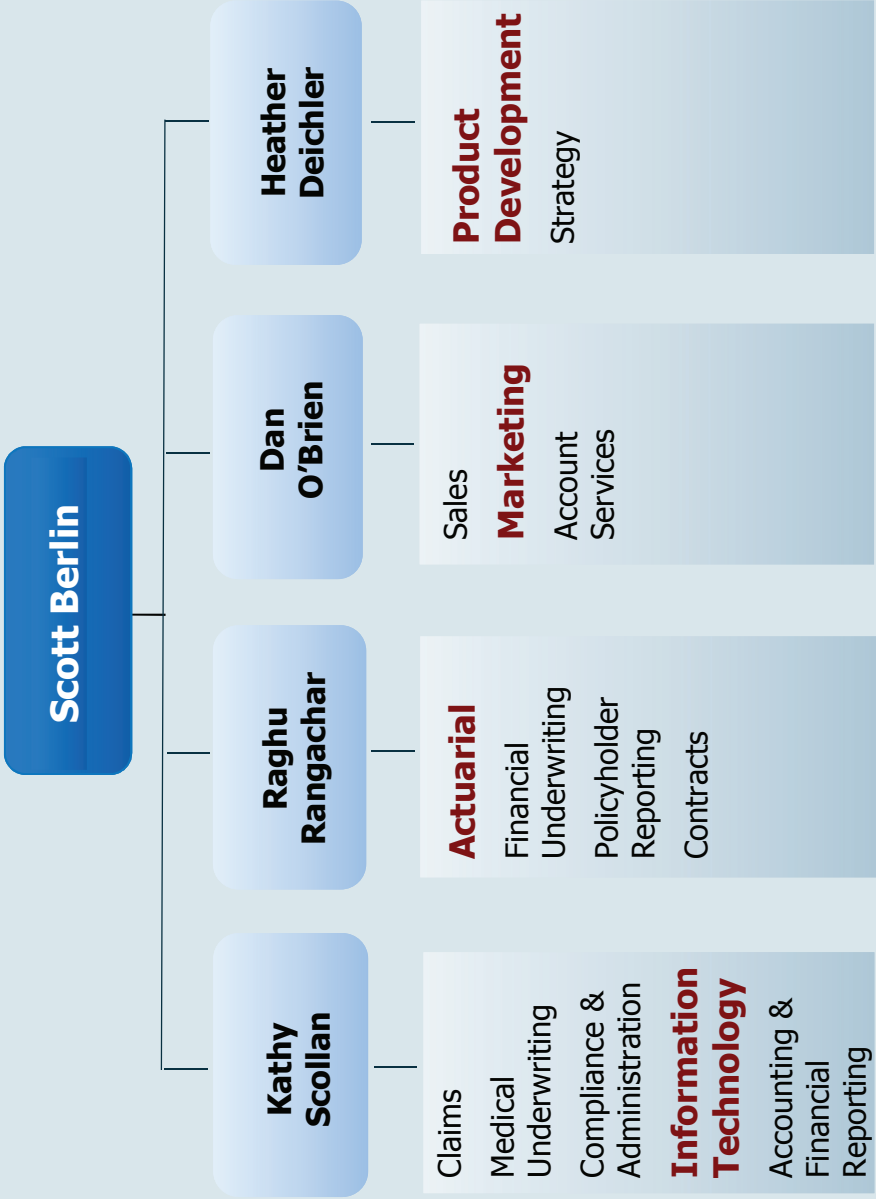
Recognized leader in the marketplace

- First association case written in 1955.
- One of the most diverse product portfolios in the industry.
- Long term commitment to Affinity/Association market.
- More than 600 Group endorsements.
- 1.7 million insured members.
- Estimated Annual Premiums is \$525 million.
- Market distribution primarily through Broker/TPA organizations.



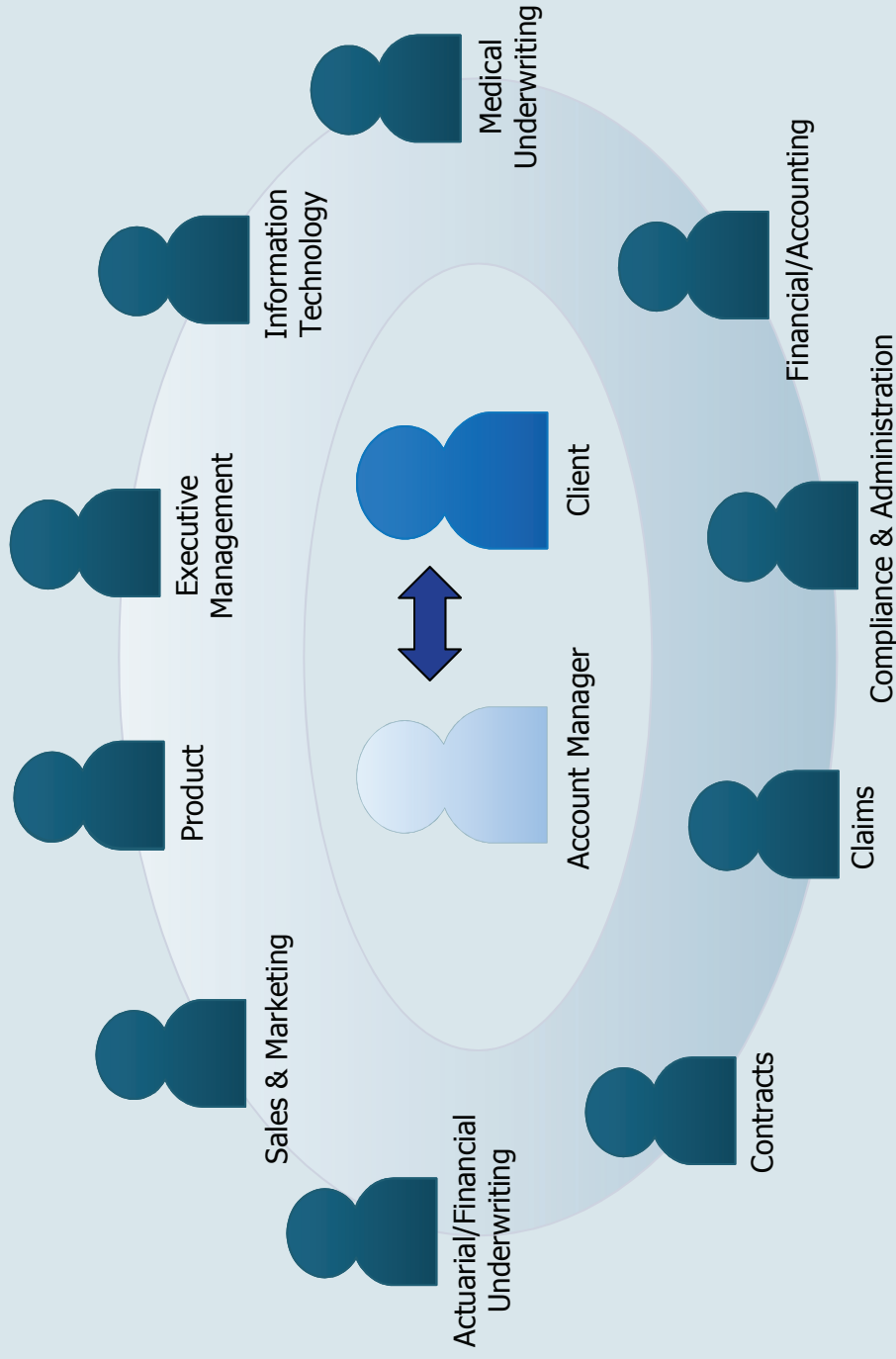
Group Membership Association Division ^(GMAD)

Other carriers may consolidate group membership within their business units but GMAD is a dedicated division that manages every aspect of affinity operations.



Our Team

When our clients have questions or concerns they know who to turn to for the information. The account manager is the first point of contact and coordinates various aspects of their business.

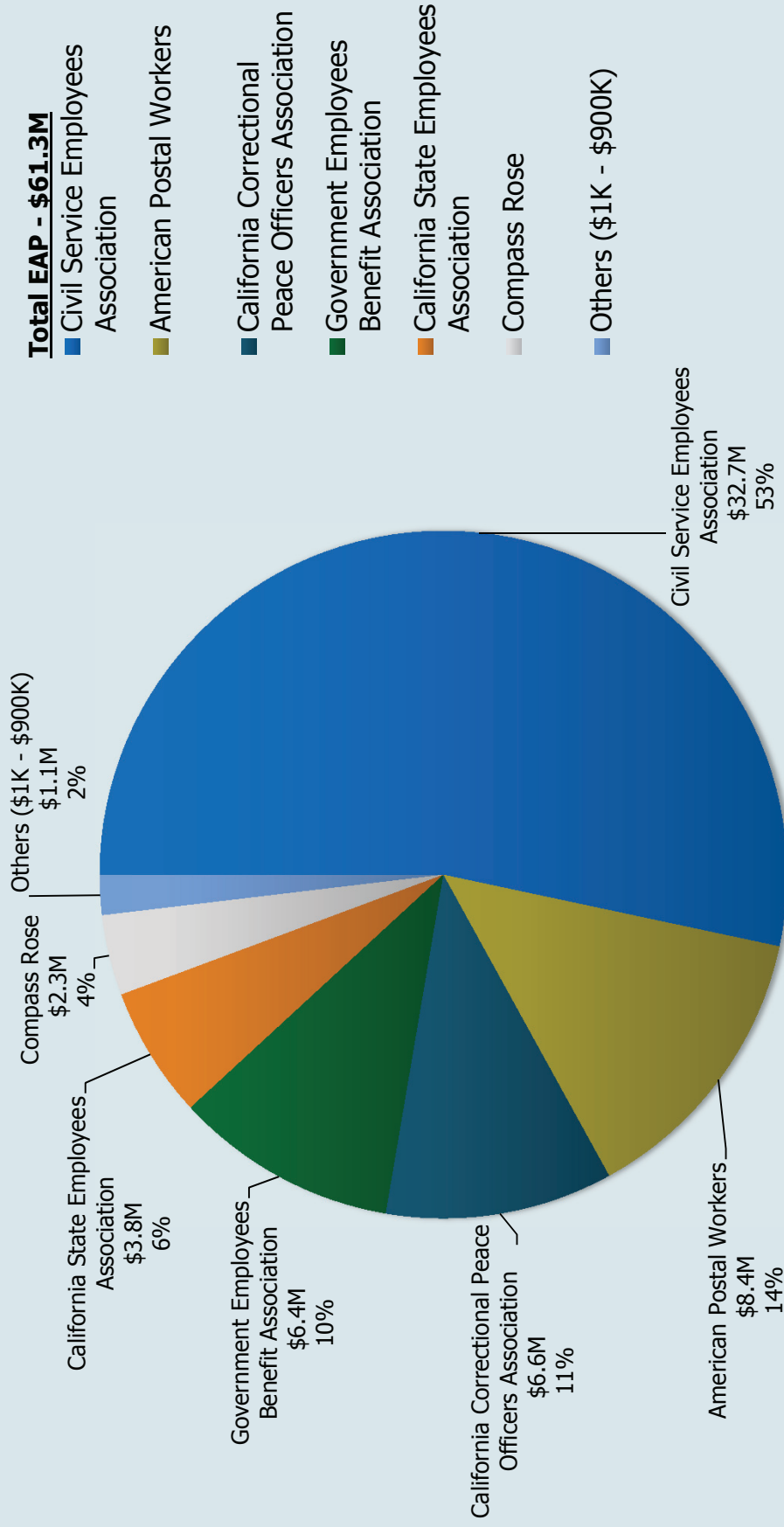


Types of groups



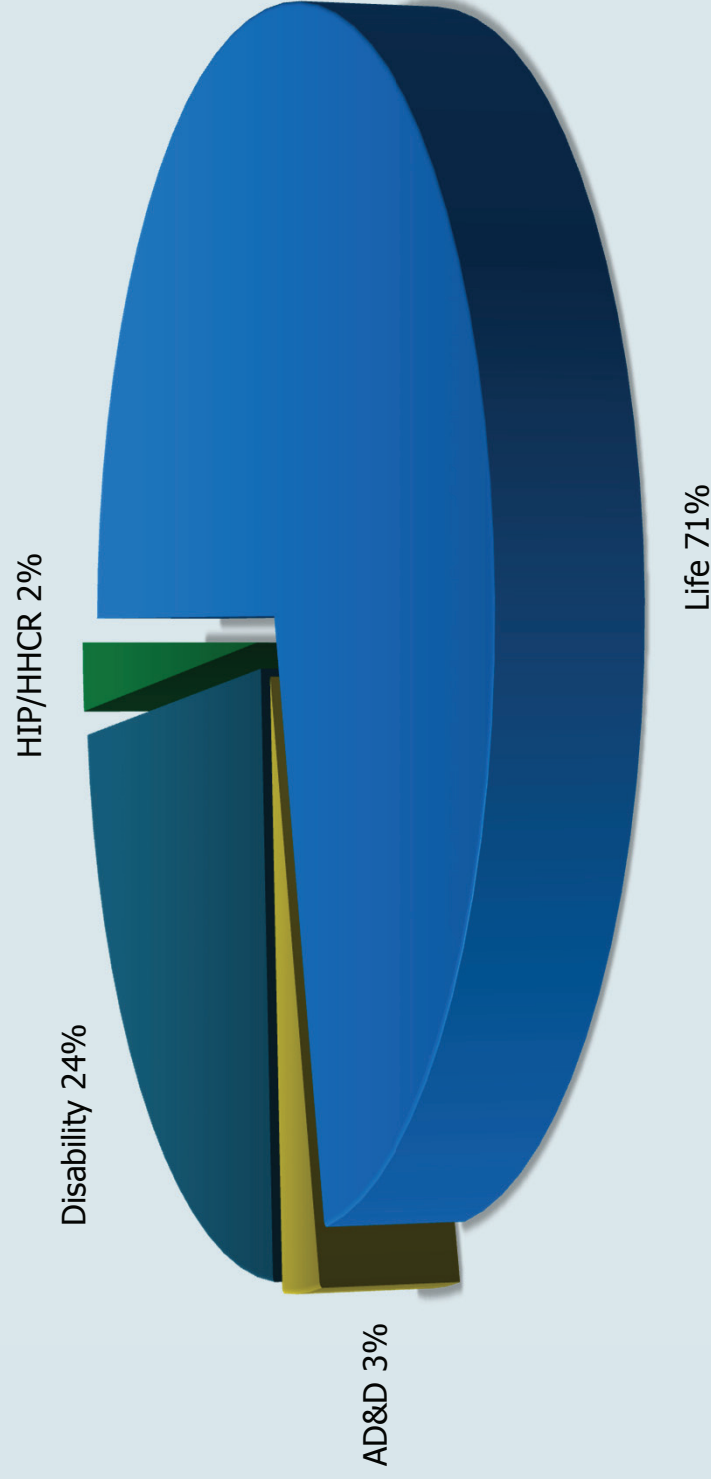
Associations - by sector, by EAP (Government)

Estimated Annualized Premium (EAP) as of 12/31/15



Distribution of inforce by coverage

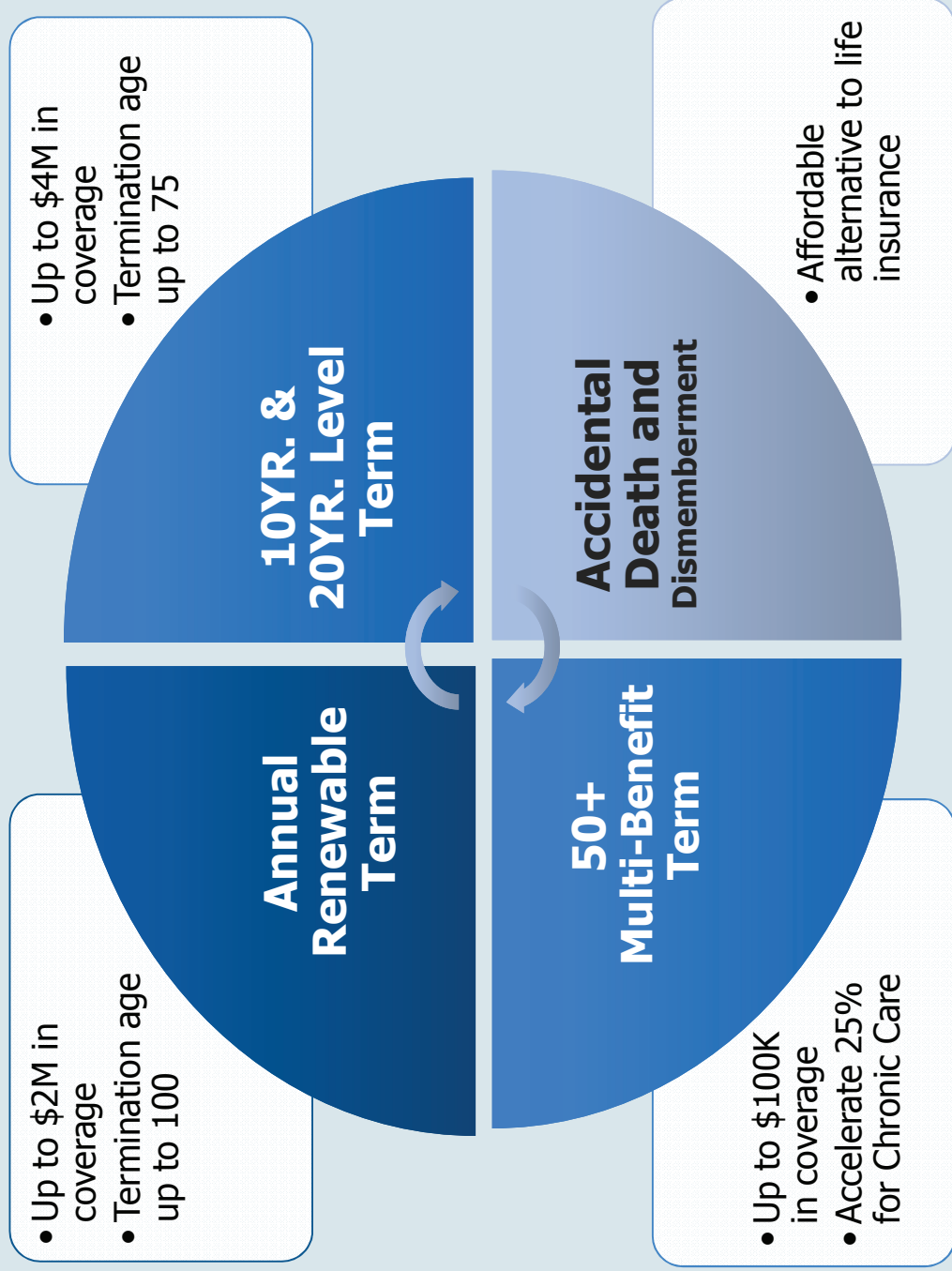
As of 12/31/2015



Product Overview



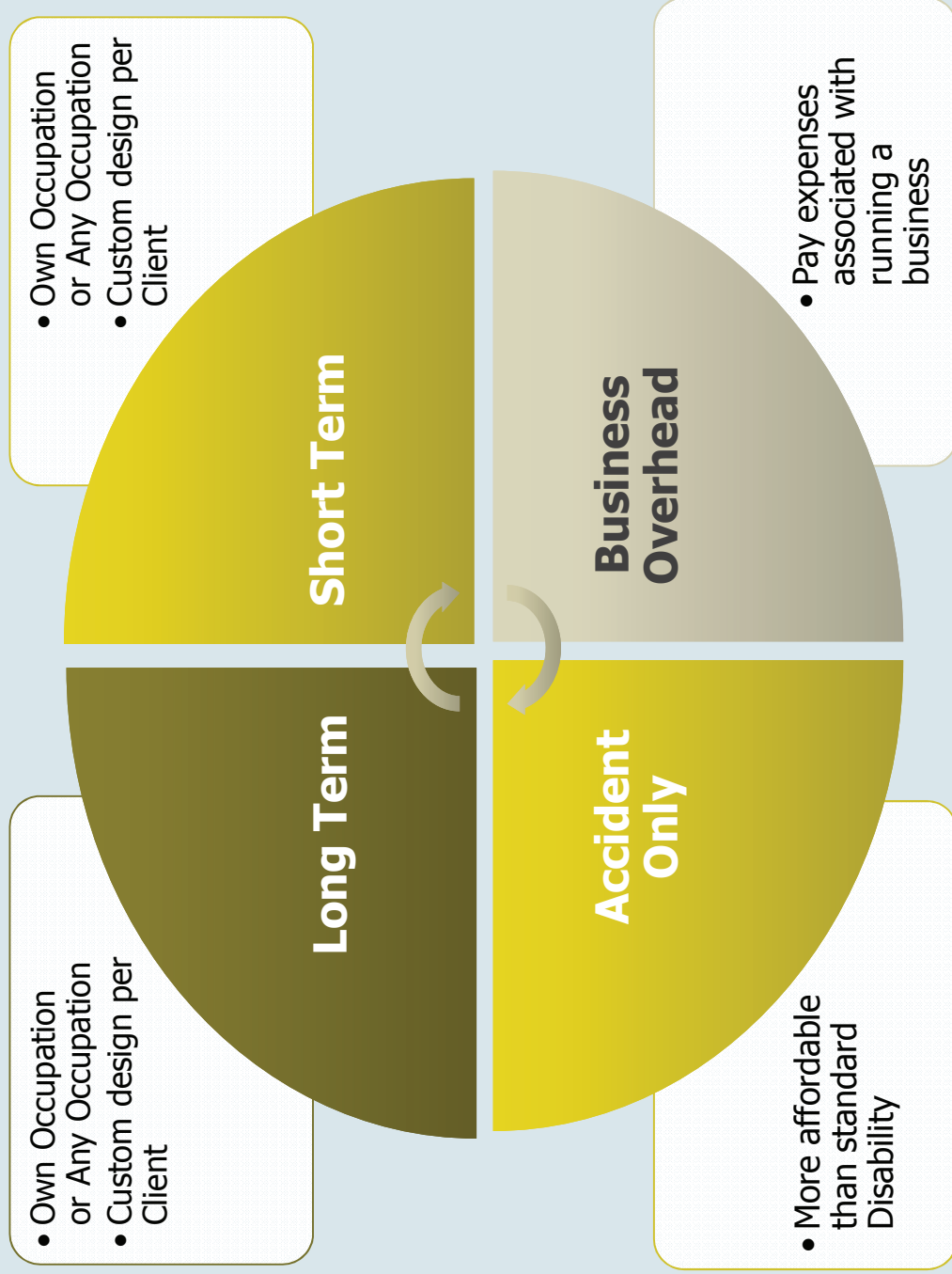
Life Product Portfolio



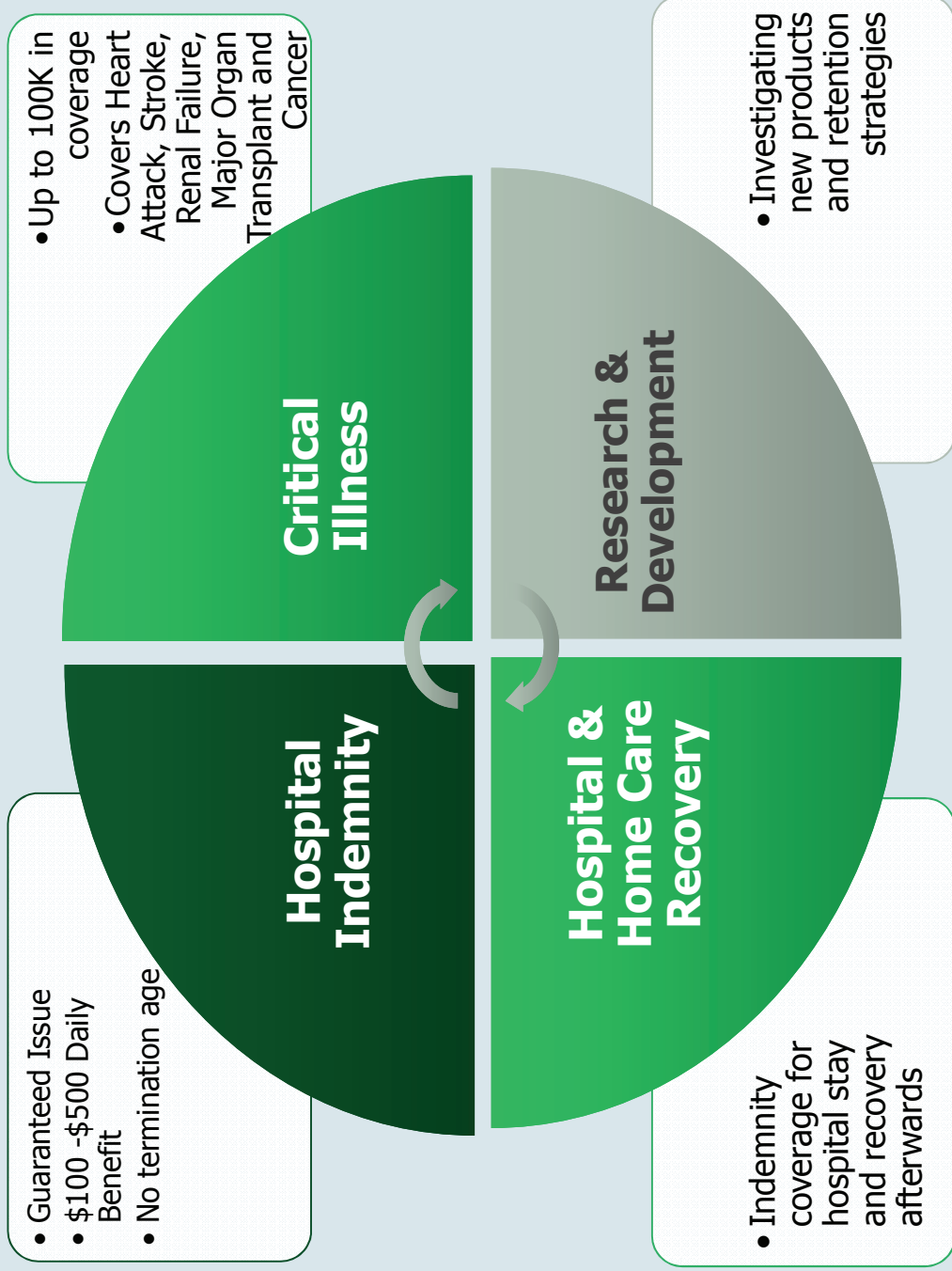
Group Membership also sells Group Whole Life and Universal Life



Disability Product Portfolio



Supplemental Health Benefits Portfolio



Product Performance

1. Whole Life Plan

The Ordinary Life plan represents very long duration obligations to the program with level premiums on a block that is aging. The current premium rate discount puts pressure on this product whose liabilities must be sustained in the current interest rate environment.

Current Annual Whole Life Experience	Amount In 000s
A. Whole Life Premium	\$720
B. Charged Premium	350
C. Claims	670
D. Expenses	216
E. Margin w/o Interest	-556
F. Interest	330
G. Margin with Interest	-226
H. Cash Value / Policy Reserve	\$10,800

On a preliminary basis, we believe the policy reserve is adequate. However, plan's performance and the accompanying reserve must be monitored carefully. We would undertake a review shortly after our takeover.



Product Performance

2. Term Life Plan

The Term Life, the large core plan, is experiencing claims levels well in excess of premiums but there appears to be a reserve (RLR) to carry the expected losses for some time.

Current Annual Core Term Life Experience	Amount In 000s
A. Term Premium	\$3,000
B. Claims	3570
C. Expenses	670
D. Margin w/o Interest	-1,240
E. Interest	-556
F. Margin with Interest	-684
G. RLR Balance	\$13,050

Both premiums and coverage is level above age 70. Premiums are adjustable but is the long-term obligation in excess of the reserve? We will provide an analysis shortly after takeover.



Product Performance

3. Overall Plan and the Cost Stabilization Reserve

The best way to manage these long-term enforce obligations is to find ways to grow the program. In addition, when combined with NYL’s current DI and AD&D plans, the expected CSR provides a strong backstop.

Overall CSR at NYL	Amount In 000s
A. Life CSR Balance	\$5,707
B. NYL CSR on DI and AD&D	\$1,418
C. Total Available CSR at NYL	\$7,125

At New York Life, we have a team of actuaries and underwriters dedicated to the association business who would provide ongoing accounting and actuarial assessments of the combined plan’s claim and reserve performance.



Product Performance

4. Carrier Retention and Interest Credits

Our proposal reduces the current carrier's expense and risk charge for an approximate savings of \$21,000.

On interest, the current carrier credits a single rate on all reserves. Our formula credits a different rate for each type of reserve, as shown on slide 23. We have enhanced our proposal terms to credit the CSR rate to the RLR and Ordinary Life Policy Reserves.

Unfortunately, in order for us to take over the reserves, the current carrier will transfer cash to us. We will have to invest this cash in new assets at current market rates. The current 10 Year Treasury yield is 1.8%. Despite this, our formula will credit \$845,440 on \$37.2M of estimated starting balances, or 2.3%, in 2016.



Proposal Terms

Transition of Business

- We will accept all currently insured individuals under the above captioned plans with the exception of those disabled and/or under an extension of benefits provision. Insureds will continue coverage at their existing benefit levels and rates on the effective date.
- All Life plans will be written on New York Life Group Policy Forms. Our contracts will mirror the existing Anthem policies in content and definition. However, New York Life approved policy language may differ to comply with State Insurance regulations in our filed forms.
- New York Life will issue all policies to the California State Employees Association.
- Anthem will transfer all applicable reserves to New York Life.



Proposal Terms

Go Forward Plans

- We agree to offer all currently marketed plans on a Go Forward Basis.
- We have provided our new pricing on the 10 Year Level Term Plan.
- 3 year rate guarantee contingent upon Life Program being combined for experience with the Disability and AD&D Programs

Filings

- New York Life has general filing approval in California. The marketing and sale of these plans can begin immediately, with the exception of the Ordinary Life (Whole Life). Any specific filings that arise would be submitted for review and approval if the case is awarded to New York Life (ex. Ordinary Life). We do not anticipate any issues with filing and the process should take no longer than 1-2 months.
- Situated in California.



Proposal Terms

Financial

- All business will be written on a retention basis.
- Current interest crediting rates for policy years ending in 2016 are:

• Cost Stabilization Reserves	2.50%
• Dividends/Premium held on deposit one year or longer	1.80%
• Dividends/Premiums held on deposit less than one year	0.25%
• Cash Flow	0.25%
• Waiver of Premium Reserves (and Waiver IBNR)	1.95%
• All Other Claim Reserves (ie. Pending Death Claims and Death Claims IBNR)	0.25%
- New York Life Interest Crediting Rates are adjusted once annually by our Board of Directors.
- Any changes to interest rates are communicated by March 31 of each year.



Proposal Terms

Retention

- New York Life will pay AGIA total compensation of 9% of premium (commission and service fees).
- CSEA will receive a royalty of 15%, currently \$600,000 annually.
- Anthem's current retention and fees (systems, accounting, auditing, underwriting, product implementation and enhancements) vary by product and year.



Proposal Terms

Retention (cont.)

- New York Life is agreeable to a total retention (excluding premium taxes and medical fees) by product as follows:

Product	Anthem (2014)	Proposed New York Life (2016)
Term Life	3.15 + 2.6 = 5.75%	5.25%
Ordinary Life (Whole Life)	3.5 + 2.6 = 6.1%	5.25%
Supplemental Life	3.15%	3.15%
Partnership Program	3.15%	3.15%

- The 10 Year Level Term Plan, Paid-Up Policy, Management Policy and Rank & File Association Employees Policy are not on retention.



Proposal Terms

Marketing

- We agree to a marketing allowance of \$200,000 in Years 1 and 2 (charged to the case). Marketing allowances for Years 3 and beyond will be based on the plan experience and subject to a proposed marketing plan and campaign results for Years 1 and 2.
- The New York Life online product application (TPA Portal) will be made available to CSEA at no cost to the Plan in 2016.

Transfer Fees

We agree to a flat transfer fee of \$150,000 split 75%/25% with the case.



Proposal Terms

Proposed Effective Date:

- 2017

Administration

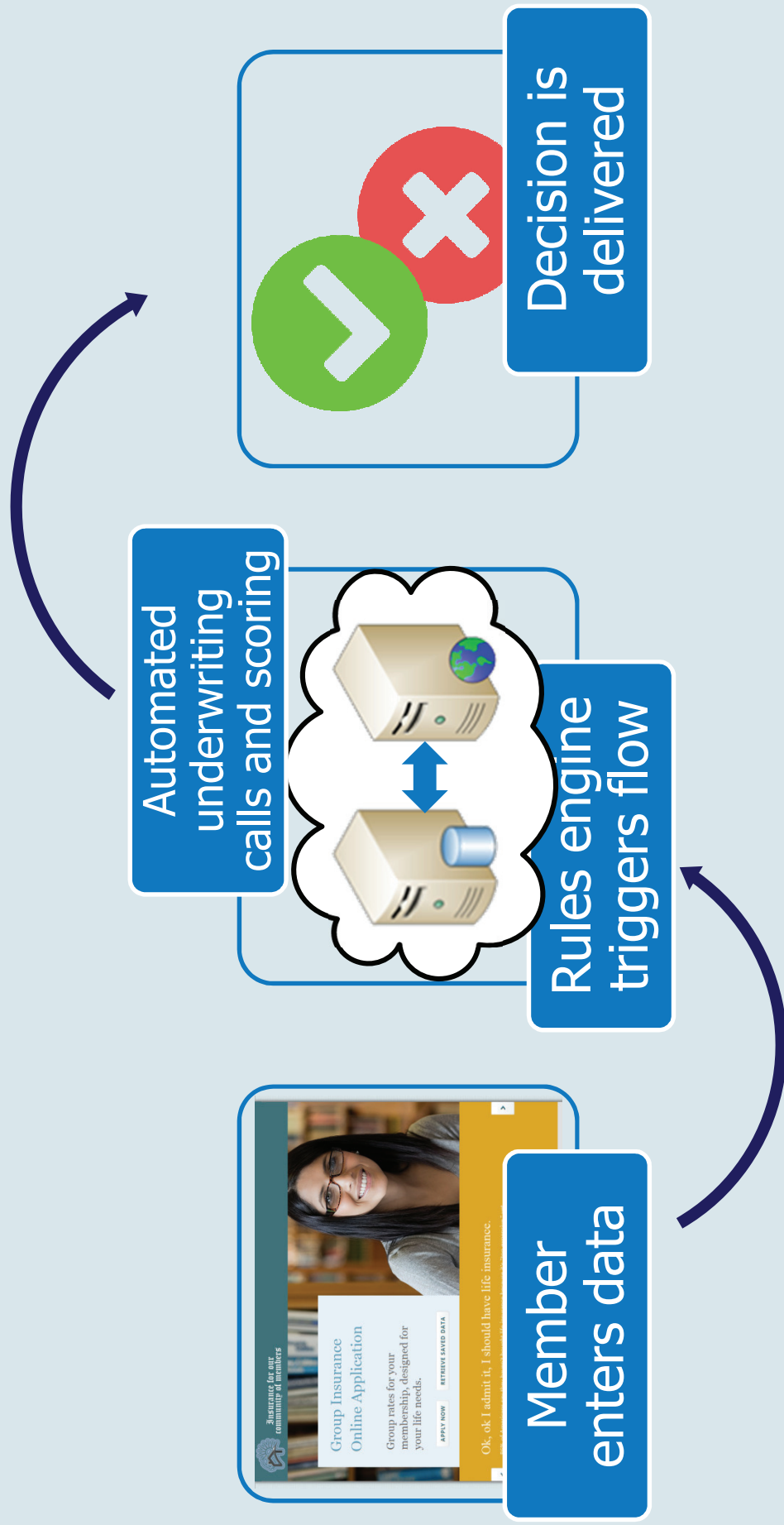
- AGIA will be responsible for all plan administration including: certificate issuance, billing, collection, claims eligibility, cash value servicing, marketing and customer service.
- New York Life will perform all medical underwriting and claims adjudication functions.



Initiatives and Strategy



Automated Underwriting – Jet Issue process



How it works: Reflexive questioning

During the last 5 years have you been medically diagnosed by a licensed member of the medical profession as having or been treated for anemia?

☒ Yes ☐ No

Has the condition been diagnosed as being due to a deficiency of iron or folic acid?

☒ Yes ☐ No

Are you currently being treated with medication and/or therapy?

☐ Yes ☒ No



Jet Issue Benefits

- Enhance Member experience with fast decision.
- Expedites processing with automated data calls.
- Increase sales with immediate completion.
- Reduces Underwriter costs and workload.
- Ensures Underwriting decisions are made consistently.
- Increases data accuracy with direct entry.



Growth on Inforce

1. Introduce new products and improve existing products

Group Membership is uniquely positioned to remain a strong partner and advocate of CSEA, helping enhance a variety of value propositions to your members.

We have an aggressive product development focus and in 2015 launched several new products and product enhancements and began the Jet Issuance Project.

- Critical Illness
- Hospital Indemnity
- 10YR Term with (2) 10YR periods



Growth on Inforce

2. Increase investment in technology and digital marketing (Client Portal)

Successfully launched a new online application portal that is a strong differentiator for NYL in the association/affinity market (Client Internet Portal).

Represents best-in-class design, functionality and scalability. Mobile enabled with improved security features and a powerful metrics engine (Site Catalyst)

Additional features include but not limited to; administrator-driven eligibility verification, A/B campaign testing, needs calculators, marketing and educational materials (collateral, videos, infographics), cross sell and up sell logic.

Growth on Inforce

3. Increase GI/SI campaign offers

We continue to broaden the appeal of our products through guaranteed and simplified issue campaigns. We collaborate with our clients on plan designs that offer the maximum benefit with exposure to both new prospects and existing customers. Also can be offered through our Client Portal.

4. Assist clients with marketing campaign execution

Our in-house marketing professionals assist clients with strategic planning and tactical execution of integrated marketing communications programs. GMAD works with NYL Corporate, NYL Agency and outside agencies to help deliver materials and guidance for effective and measurable marketing campaigns.





The Company You Keep[®]



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BOARD AGENDA ITEM

FIS 1/16/1 (Harold Rose)

ACTION ITEM

Date: 6/11/16

SUBJECT:

Approval of the 2015 CSEA Audit Report

SOURCE AND/OR PROPONENT:

Harold Rose

PRESENTATION BY:

Harold Rose

ASSIGNED TO:

Mike Carr

RECOMMENDED ACTION:

That the Board of Directors adopt the 2015 Audit Report of CSEA.

BACKGROUND:

The 2015 Audit Report of CSEA and the Required Communications with Those Charged with Governance has been reviewed by the Finance Committee and the Committee recommends adoption of the Audit Report and findings by the Board.

ESTMATED COST/SAVINGS: N/A**FUNDING SOURCE:** N/A**BOARD ACTION:**

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**CALIFORNIA STATE
EMPLOYEES ASSOCIATION**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
California State Employees Association
Sacramento, California**

We have audited the accompanying financial statements of the California State Employees Association (the Association), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 11, 2016

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,930,222	\$ 6,237,850
Accounts receivable, net	141,246	81,672
Prepaid expenses and other assets	73,737	92,529
Deferred tax asset	<u>21,000</u>	<u>48,000</u>
Total current assets	9,166,205	6,460,051
 INVESTMENT IN BUILDING CORPORATION	 435,568	 400,070
 PROPERTY AND EQUIPMENT, Net	 <u>245,367</u>	 <u>341,078</u>
 TOTAL ASSETS	 <u>\$ 9,847,140</u>	 <u>\$ 7,201,199</u>
 LIABILITIES AND ACCUMULATED DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 141,037	\$ 76,799
Due to affiliates	117,647	87,625
Accrued payroll and benefits	252,926	207,353
Accrued vacation	186,972	156,142
Current portion of notes payable	65,793	60,750
Current portion of post-retirement benefit liability	<u>1,551,000</u>	<u>1,547,000</u>
Total current liabilities	2,315,375	2,135,669
 LONG-TERM LIABILITIES:		
Deposits due to affiliates	597,844	597,844
Notes payable, net	463,727	529,520
Post-retirement benefit liability, net	33,172,000	34,025,000
Supplemental retirement plan liability	<u>147,536</u>	<u>151,084</u>
Total long-term liabilities	34,381,107	35,303,448
 TOTAL LIABILITIES	 36,696,482	 37,439,117
 ACCUMULATED DEFICIT	 <u>(26,849,342)</u>	 <u>(30,237,918)</u>
 TOTAL LIABILITIES AND ACCUMULATED DEFICIT	 <u>\$ 9,847,140</u>	 <u>\$ 7,201,199</u>

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Affiliate support	\$ 5,716,654	\$ 5,736,195
Royalty fees	1,823,354	
Insurance company reimbursements		1,579,277
Administrative service fees	153,791	
Equity gain on investment in Building Corporation	35,498	9,232
Interest income	10,154	8,898
Dues and fees	9,674	6,740
Discount ticket sales (net of purchases of \$8,460 for 2015 and \$739,730 for 2014)	1,022	37,618
Loss on disposal of property and equipment		(16,276)
Miscellaneous	21,127	36,441
Total revenues	<u>7,771,274</u>	<u>7,398,125</u>
EXPENSES:		
Salaries and related expenses	3,969,874	4,610,818
Professional fees	469,367	262,824
Rent, office expense, general and administrative	411,979	558,720
Depreciation and amortization	145,656	162,485
Travel, meetings and conferences	115,940	39,991
Interest expense	45,024	87,795
Printing, postage and publications	26,936	18,991
Other expenses	19,922	52,761
Total expenses	<u>5,204,698</u>	<u>5,794,385</u>
OTHER INCREASES (DECREASES):		
Net post-retirement periodic benefit cost, net of contributions	1,958,000	(275,000)
Post-retirement changes other than net periodic benefit cost	(1,109,000)	1,732,000
Income tax expense	(27,000)	(364,000)
Total other increases	<u>822,000</u>	<u>1,093,000</u>
DECREASE IN ACCUMULATED DEFICIT	3,388,576	2,696,740
ACCUMULATED DEFICIT, Beginning of year	<u>(30,237,918)</u>	<u>(32,934,658)</u>
ACCUMULATED DEFICIT, End of year	<u>\$ (26,849,342)</u>	<u>\$ (30,237,918)</u>

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in accumulated deficit	\$ 3,388,576	\$ 2,696,740
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	145,656	162,485
Loss on disposal of property and equipment		16,276
Equity gain in subsidiary	(35,498)	(9,232)
Changes in:		
Accounts receivable	(59,574)	(1,918)
Due from/to affiliates	30,022	251,398
Prepaid expenses and other assets	18,792	256,344
Deferred tax asset	27,000	364,000
Accounts payable and accrued expenses	140,641	(384,660)
Post-retirement benefit liability	(849,000)	(1,457,000)
Supplemental retirement plan liability	(3,548)	(3,789)
Net cash provided by operating activities	<u>2,803,067</u>	<u>1,890,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(49,945)</u>	<u>(10,319)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations		(882)
Principal payments on notes payable	<u>(60,750)</u>	<u>(751,820)</u>
Net cash used by financing activities	<u>(60,750)</u>	<u>(752,702)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,692,372	1,127,623
CASH AND CASH EQUIVALENTS, Beginning of year	<u>6,237,850</u>	<u>5,110,227</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 8,930,222</u>	<u>\$ 6,237,850</u>
OTHER CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 45,024</u>	<u>\$ 87,795</u>

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Association sponsored an unincorporated political action committee: the California State Employees Association Initiative Committee (PAC). The PAC was established to help elect legislators and other statewide political leaders who support state employees. The accompanying financial statements include the activities of the PAC through its termination date, on March 17, 2014.

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

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

Revenue recognition – The principal revenue source of the Association is support from its affiliates based on a negotiated fixed fee for central support costs. These costs are governed by the service agreements with affiliates. Affiliate support, royalty fees, administrative service fees, insurance company reimbursements, and other income are recognized when earned.

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

Accounts receivable and due from affiliates are stated at the amount management expects to collect from outstanding balances. The Association uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific accounts. The allowance for doubtful accounts at December 31, 2015 and 2014 was \$14,700 and \$126,845, respectively.

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

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

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

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Income taxes – The Association is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code, but is subject to income taxes from activities unrelated to its tax-exempt purpose. The Association has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2011.

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

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

Subsequent events have been evaluated through April 11, 2016, the date the financial statements were available to be issued.

2. INVESTMENT IN STATE EMPLOYEES BUILDING CORPORATION

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

Summarized information for the Building Corporation as of December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Property, net	\$ 1,231,881	\$ 1,248,094
Cash	159,615	119,225
Other assets	2,469	2,746
Liabilities	<u>(522,829)</u>	<u>(569,924)</u>
Stockholders' equity	871,136	800,141
Net gain	70,995	18,464
Carrying amount of the Association's investment	<u>435,568</u>	<u>400,070</u>
Equity gain on investment	<u>\$ 35,498</u>	<u>\$ 9,232</u>

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 755,693	\$ 755,693
Furniture and equipment	1,582,690	1,582,690
Software	<u>867,537</u>	<u>817,592</u>
Total	3,205,920	3,155,975
Less accumulated depreciation and amortization	<u>(2,960,553)</u>	<u>(2,814,897)</u>
Property and equipment, net	<u>\$ 245,367</u>	<u>\$ 341,078</u>

4. NOTES PAYABLE

Effective June 1, 2010, the California State Employees Association Retirement Plan (Pension Plan) was merged into the SEIU Affiliates Officers and Employees Pension Plan (SEIU Plan) (see Note 7).

Prior to the merger of the Pension Plan into the SEIU Plan, the Association became aware that the Pension Plan failed to provide automatic actuarial increases to participants whose benefits do not commence at or before their normal retirement date. As a result, the Pension Plan filed a Voluntary Compliance Plan (VCP) with the Internal Revenue Service (IRS) in 2010 offering to correct this plan failure for all affected participants on or after January 1, 2004. The IRS completed its review in November 2011 and accepted the proposed assessment of \$713,000. The SEIU Plan agreed to finance this assessment over 10 years at a monthly payment amount of \$8,885 through 2022 including interest at 8% per annum. As of December 31, 2015 and 2014, the remaining liability was \$529,520 and \$590,270, respectively. The Association has included this liability in notes payable on the statements of financial position.

Principal payments on notes payable as of December 31, 2015, are as follows:

2016	\$ 65,793
2017	71,253
2018	77,167
2019	83,572
2020	90,509
Thereafter	<u>141,226</u>
Total	529,520
Less current portion	<u>(65,793)</u>
Long-term portion	<u>\$ 463,727</u>

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

5. REVOLVING LOAN

The Association has a revolving loan with Wells Fargo Bank for \$250,000. Interest accrues subject to the greater of 5% or prime rate plus 1.75%. Interest is due and payable monthly and any unpaid principal shall be due and payable on March 1, 2017. The loan is collateralized by inventory and equipment of the Association. As of December 31, 2015 and 2014, there were no draws taken from this account and no outstanding balance due.

6. OPERATING LEASE AGREEMENT

The Association has an operating lease agreement for office facilities which operates on a month to month basis. Rent expense under this lease for the years ended December 31, 2015 and 2014 was \$156,812 and \$158,981, respectively.

7. RETIREMENT PLANS

SEIU Defined Benefit Plan

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

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

The Association is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the actuarial methods and assumptions adopted by the SEIU Board of Directors. The required employer contribution rate for 2015 and 2014 was 20% and 18% of annual covered payroll, respectively. The Association's contributions to the SEIU Plan for 2015 and 2014 were \$241,358 and \$334,349, respectively, and equaled 100% of the required contributions. Future contribution rates as a percentage of covered annual payrolls have been adopted as follows:

2016	20%
2017 and thereafter	21%

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Retiree Health Plan

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

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

	<u>2015</u>	<u>2014</u>
Net post-retirement periodic benefit cost (income)	\$ (305)	\$ 1,921
Employer contributions	1,653	1,646

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

	<u>2015</u>	<u>2014</u>
Actuarial present value of accumulated post-retirement benefit obligation	\$ (34,723)	\$ (35,572)
Funded status (liability)	\$ (34,723)	\$ (35,572)
Current liability recorded on the statements of financial position	\$ (1,551)	\$ (1,547)
Noncurrent liability recorded on the statements of financial position	\$ (33,172)	\$ (34,025)

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

	<u>2015</u>	<u>2014</u>
Service cost – benefits earned during the period	\$ 347	\$ 466
Interest cost	1,110	1,717
Amortization of gain	(1,762)	(262)
Net post-retirement periodic benefit cost (income)	\$ (305)	\$ 1,921

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

	<u>2015</u>	<u>2014</u>
Loss (gain) during the year	\$ 6,459	\$ (1,994)
Curtailment gain*	(5,188)	
Amortization of gain	(424)	
Amortization of prior service cost during the year	<u>262</u>	<u>262</u>
Post-retirement changes other than net periodic benefit cost (income)	<u>\$ 1,109</u>	<u>\$ (1,732)</u>

*In 2015 a curtailment gain was calculated by the Association's actuary due to the change from the Association paying for vested terminated employees and certain retirees to Local 1000 paying for such costs.

Amounts in unrestricted net assets that are expected to be recognized as components of net post-retirement periodic benefit cost for the year ending December 31, 2016, included the following components (in thousands):

Amortization of prior service cost	\$ (262)
------------------------------------	----------

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

	<u>2015</u>	<u>2014</u>
Discount rate	4.10%	3.75%

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

	<u>Pre 65</u>	<u>Post 65</u>
2016	8.00%	5.50%
2017	7.75%	5.25%
2018	7.50%	5.00%
2019	7.25%	5.00%
2020	7.00%	5.00%
2021	6.75%	5.00%
2022	6.50%	5.00%
2023	6.25%	5.00%
2024 and thereafter	6.00%	5.00%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Increasing the health care cost trend rate by 1% in each future year would increase the accumulated post-retirement benefit obligation by \$5,259,000 and the aggregate annual service and interest cost by \$490,000.

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

<u>Year ending December 31:</u>	
2016	\$ 1,551
2017	1,612
2018	1,666
2019	1,725
2020	1,774
2021-2025	<u>9,336</u>
Total	<u>\$ 17,664</u>

Defined Contribution Plan

The Association sponsors a defined contribution plan under IRC Section 401(k) in which all employees 21 years of age and over are eligible to participate. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants may contribute by salary reduction of their annual wages before bonuses and overtime. This amount is limited by the IRS to a maximum dollar amount per year. Each participant's account is credited with the participant's contribution and allocation of plan earnings. The Association makes matching contributions of 200% of the first 1.50% of employee contributions to a maximum of 1.50% of gross wages. Employer contributions are not vested until the participant reaches three years of service. Plan expenses amounted to \$32,334 and \$52,278 for 2015 and 2014, respectively.

Supplemental Retirement Plan

In addition, the Association has a supplemental retirement plan that is an eligible deferred compensation plan as defined in Section 457(a) of the Internal Revenue Code. The plan is not intended to conform to the requirements of Internal Revenue Code Section 401. Participants are a select group of management or highly compensated employees. Currently, there is one prior employee benefitting under the plan. No other participants have been identified at December 31, 2015. Plan contributions are actuarially determined to fund current costs. This plan and the Association's liability under it will terminate upon the Association's legal dissolution, adjudication as bankrupt, or the making of a general assignment to or for the benefit of creditors. The Association's financial statements include the activity of the plan. At December 31, 2015 and 2014, no assets were held for the plan. At December 31, 2015 and 2014, liabilities of \$147,536 and \$151,084, respectively, were held for the plan and shown as supplemental retirement plan liability on the statements of financial position.

8. FUNCTIONAL EXPENSES

The Association allocates expenditures functionally between direct expenditures on behalf of affiliates and indirect general and administrative costs. Accordingly, certain costs have been allocated based on employees' time incurred directly on behalf of affiliates and direct utilization of resources. For 2015, 74% of the Association's expenses consist of services provided on behalf of affiliates, while 26% are general and administrative costs. For 2014, services provided on behalf of affiliates were 77% of total expenses and general and administrative costs were 23%.

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

9. TAX STATUS

The Association is subject to Federal and State unrelated business income tax in any year they have activities that are unrelated to their exempt purpose. The Association is subject to tax on advertising revenues, discount ticket sale revenues and administrative service fees, net of any related expenses. A provision for unrelated business income taxes has been made for the years ended December 31, 2015 and 2014 to reflect changes in the deferred tax balances.

The Association has Federal and State NOLs as of December 31, 2015 in the amount of \$48,829 and \$70,097, respectively. The Federal and California NOLs expire in the year 2031. These NOLs can be carried forward to offset taxable income in future years, which creates a deferred tax asset. It is expected that the federal and California NOL will be utilized before they expire. Therefore, no valuation allowance is recognized in 2015 and 2014.

Income taxes were comprised of the following:

	<u>2015</u>	<u>2014</u>
Federal income tax provision	\$ 21,000	\$ 283,000
State income tax provision	<u>6,000</u>	<u>81,000</u>
Income tax expense	<u>\$ 27,000</u>	<u>\$ 364,000</u>

The Association's net deferred tax balances are as follows for the year ended December 31, 2015:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Deferred tax asset, current	\$ 15,000	\$ 6,000	\$ 21,000

The Association's net deferred tax balances are as follows for the year ended December 31, 2014:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Deferred tax asset, current	\$ 36,000	\$ 12,000	\$ 48,000

10. CONCENTRATION OF CREDIT RISK

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

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

Amounts due from affiliates, as disclosed in Note 11, are for services provided during the year and are generally collected within three months after they are billed.

CALIFORNIA STATE EMPLOYEES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

11. AFFILIATES

The Association is affiliated with the ACSS, Local 1000, CSUEU, and Retirees. The affiliates are charged a negotiated fixed fee for providing central support services that include accounting, information technology, human resources, and membership services.

The Association earned the following affiliate cost reimbursement revenue amounts for 2015 and 2014:

<u>2015</u>	<u>ACSS</u>	<u>Local 1000</u>	<u>CSUEU</u>	<u>Retirees</u>	<u>Total</u>
Central support	\$ 539,004	\$ 3,846,646	\$ 923,004	\$ 408,000	\$ 5,716,654
<u>2014</u>	<u>ACSS</u>	<u>Local 1000</u>	<u>CSUEU</u>	<u>Retirees</u>	<u>Total</u>
Central support	\$ 539,004	\$ 3,866,187	\$ 923,004	\$ 408,000	\$ 5,736,195

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

<u>December 31, 2015</u>	<u>ACSS</u>	<u>Local 1000</u>	<u>CSUEU</u>	<u>Retirees</u>	<u>Total</u>
Central support	\$ 12,341	\$ (163,491)	\$ 35,200	\$ (1,697)	\$ (117,647)
<u>December 31, 2014</u>	<u>ACSS</u>	<u>Local 1000</u>	<u>CSUEU</u>	<u>Retirees</u>	<u>Total</u>
Central support	\$ 23,876	\$ (113,635)	\$ 11,222	\$ (9,088)	\$ (87,625)

The Association maintains a one-month central support service reserve (as required by the service agreements) and is included in deposits due to affiliates and cash and cash equivalents on the statements of financial position as follows for the years ended December 31, 2015 and 2014:

	<u>ACSS</u>	<u>Local 1000</u>	<u>CSUEU</u>	<u>Retirees</u>	<u>Total</u>
Central support service reserve	\$ 80,000	\$ 337,844	\$ 140,000	\$ 40,000	\$ 597,844

12. CHANGE IN AGREEMENTS WITH MAJOR AFFINITY VENDORS

Effective January 1, 2015, the Association completed new agreements with its major Affinity vendors that bifurcates the revenue formerly classified as "Insurance company reimbursements" into two classifications: "Royalty fees" and "Administrative service fees." Royalty fees represent revenue the Association receives for the use of its membership data and other property rights per licensing agreements. Revenue received from Affinity vendors for additional services the Association provides separate from the licensing agreement is classified as "Administrative service fees."

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CALIFORNIA STATE EMPLOYEES ASSOCIATION

Communications With Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

We have audited the financial statements of California State Employees Association (the Association) for the year ended December 31, 2015. We are providing the Association's Board of Directors (Board) with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board and management of the Association and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

April 11, 2016



Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.SM

RESPONSIBILITIES AND OPINIONS

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. As stated in our engagement letter, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We issued an unmodified opinion on the financial statements of the Association for the years ended December 31, 2015 and 2014.

INTERACTIONS WITH MANAGEMENT

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

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

Management Representations

We have requested certain representations from management that are included in their letter to us.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and very cooperative.



Gilbert Associates, Inc.
CPAs and Advisors

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QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<p>Significant Accounting Policies</p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.</p>	<p>The significant accounting policies used by the Association are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015.</p> <p>We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<p>Management Judgments and Accounting Estimates</p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</p>	<p>We considered the methodologies and judgments used in assessing the collectability of accounts receivable, selection of useful lives of property and equipment, the valuation of the State Employees Building Company investments, the valuation of the post-retirement benefit liability, and the allocation of functional expenses. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent and clear.</p>

RESULTS OF THE AUDIT

<p>Planned Scope and Timing of the Audit</p>	<p>We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.</p>
<p>Other Audit Findings or Issues</p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Significant Adjustments or Disclosures Not Reflected in the Financial Statements</p> <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.</p>	<p>No significant adjustments or omitted disclosures were identified during our audit.</p>



Gilbert Associates, Inc.
CPAs and Advisors

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BOARD AGENDA ITEM

FIS 2/16/1 (Harold Rose)

ACTION ITEM

Date: 6/11/16

SUBJECT:

Approval of refunding the Affiliates Central Support service reserve

SOURCE AND/OR PROPONENT:

Harold Rose

PRESENTATION BY:

Harold Rose

ASSIGNED TO:

Mike Carr

RECOMMENDED ACTION:

That the Board of Directors approve the CSEA Fiscal Committee recommendation to refund the Affiliates "Central Support Service Reserve" balances. The total amount of the refund is \$597,844. The Affiliate's reserve balance is: ACSS \$80,000; Local 1000 \$337,844; CSUEU \$140,000 and CSR \$40,000. The refund will be completed by June 30, 2016.

BACKGROUND:

CSEA maintains a central support service reserve for each affiliate. The total reserve balance is \$597,844, which is made up of the following Affiliate balances: ACSS \$80,000; Local 1000 \$337,844; CSUEU \$140,000 and CSR \$40,000. The reserve balances were initially established for payment of the Affiliate's direct costs and their share of Central Support and indirect costs. Beginning in 2013 the Affiliates and CSEA have agreed on a negotiated cost sharing arrangement that is not based on the direct labor allocation methodology. Due to this change the Affiliate reserve balances are no longer necessary for Central Support funding.

ESTMATED COST/SAVINGS: Annual reduction to interest income of approximately \$900.

FUNDING SOURCE: CSEA cash reserves.

BOARD ACTION:

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