2016 CSEA BOARD OF DIRECTORS MEETING

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

October 15, 2016

TIMES CERTAIN

Saturday – October 15, 2016
CSEA Headquarters Building, 3rd *Floor* Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

(10:00 a.m. – 12:00 p. m.) CSEA Board of Directors Meeting

BOARD MEETING AGENDA

- Call to order on October 15, 2016, at 10:00 a.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
- Reading and Approval of the August 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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APPROVAL OF CONSENT AGENDA:

BENEFITS ITEMS

FISCAL ITEMS

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

ROLL CALL
CSEA Board of Directors Meeting
October 15, 2016 10 am

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
CSEA BOARD OF DIRECTORS MEETING

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

Meeting convened at 12:00 pm.

Members Present:
Arlene Espinoza, Chair of the Board, ACSS, Inc. (Called-In)
Frank Ruffino, ACSS, Inc. President (Physically Present)
Pat Gantt, CSUEU President (Physically Present)
Tim Behrens, CSR President (Physically Present)
Loretta Seva'aetasi, CSUEU VP for Finance (Called-In)
Yvonne Walker, SEIU Local 1000 President (Called-In)
Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer (Called-In)

A quorum was present.

CSEA Staff Physically Present:
Michael Carr, CSEA General Manager/CEO
Rocco Paternoster, CSEA Chief Counsel
Lisa Fong, Director of Member Benefits
Lao Sok, Board Assistant

The purpose of this meeting was to discuss/approve the following agenda items:

1. Board minutes from 10/9/15, 10/19/16 & 2/26/16
2. BP 1/16/2: Adoption of the updated CSEA Policy File
3. BEN 1/16/2: CSEA Life Program Request for Proposal (RFP)
4. BEN 2/16/2: RFP for the CSEA Auto & Homeowner Insurance Plan; Liberty Mutual
5. FIS 1/16/2: Approval of the 2015 CSEA Audit Report
6. FIS 2/16/2: Approval of refunding the Affiliates Central Support service reserve (ACSS; $80,000, Local 1000; $337,844, CSUEU; $140,000 and CSR; $40,000)

BD 1/16/2 **CSEA BOD Minutes (10/9/15, 10/19/15 and 2/26/16)**
MOTION: Moved by Frank Ruffino, second by Pat Gantt that the Board of Directors approve the Minutes from the October 9, 2015, October 19, 2015 and February 26, 2016 Board of Directors meeting. **Motion was adopted by general consent. CARRIED.**

BD 2/16/2 **B&P 1/16/2 Adoption of updated CSEA Policy File**
MOTION: Moved by Frank Ruffino, second by Pat Gantt that the Board of Directors approve the updated CSEA Policy File as submitted. **Motion was adopted by general consent. CARRIED.**

BD 3/16/2 **BEN 1/16/2 CSEA Life Program Request for Proposal (RFP)**
MOTION: Moved by Frank Ruffino, second by Tim Behrens that the Board of Directors adopt to replace Anthem Blue Cross with New York Life Insurance Company as the carrier of the CSEA Life Program. **Motion was adopted by general consent. CARRIED.**

BD 4/16/2 **BEN 2/16/2 CSEA Auto and Homeowners Insurance Program (RFP)**
MOTION: Moved by Pat Gantt, second by Frank Ruffino that the Board of Directors accept Liberty Mutual as the carrier for the CSEA Auto and Homeowners Insurance Plan on contingency that insurance deductions are taken via payroll deduction through the CA State Controller's Office and CalPERS. **Motion was adopted by general consent. CARRIED.**

BD 5/16/2 **FIS 1/16/2 Approval of the 2015 CSEA Audit Report**
MOTION: Moved by Tim Behrens, second by Frank Ruffino that the Board of Directors adopt the 2015 Audit Report of CSEA. **Motion was adopted by general consent. CARRIED.**

BD 6/16/2 **FIS 2/16/2 Approval of refunding the Affiliates Central Support service reserve**
MOTION: Moved by Frank Ruffino, second by Tim Behrens 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 September 30, 2016. **Motion was adopted by general consent. CARRIED.**

No other matters were addressed.

The meeting was adjourned at 12:15 pm in memory of Barbara La Plante.

BOARD AGENDA ITEM	BEN 3/16/3 (Arlene Espinoza)
ACTION ITEM	Date: 10/15/16
SUBJECT:	E-Retailer via Payroll Deduction Purchasing Power, LLC Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Conclude that there is no contingency reserve surplus.
2. Continue the program with Purchasing Power, LLC.

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Arlene Espinoza
Chair of the Board, CSEA

PURCHASING POWER

CSEA Business Review

Agenda

1. Interaction & Reporting

2. Order Summary

3. Customer Feedback

4. What's New At Purchasing Power

Account Mgt. – Client Services Strategy

Julian Walcott
Account Executive

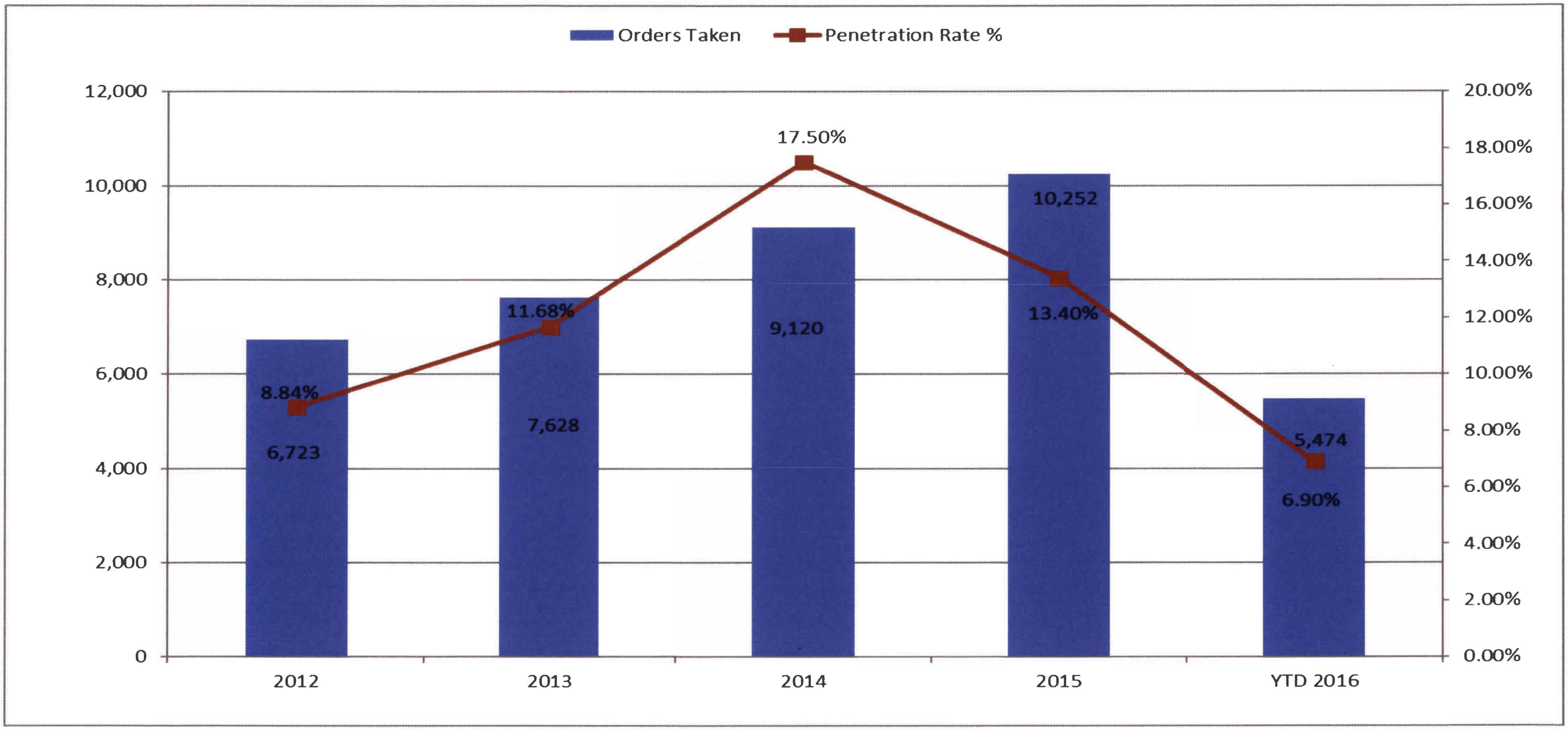
Arlene Espinoza
Chair of the Board, CSEA

Shermekka Taylor
Client Services Manager

Responsible for:
- Relationship Development
- Penetration & Growth
- Program Marketing
- New Product Rollout
- Catalog Expansion
- Reporting of performance
- Account Reviews
- Onsite meeting/visits

Responsible for:
- Handling daily customer escalations
- Payroll deduction questions
- File transfers
- Pay frequency changes
- Eligibility concerns
- Service Delivery
- Workflow & Process Improvements
- Root Cause Analysis and Potential Solutions

Program Utilization

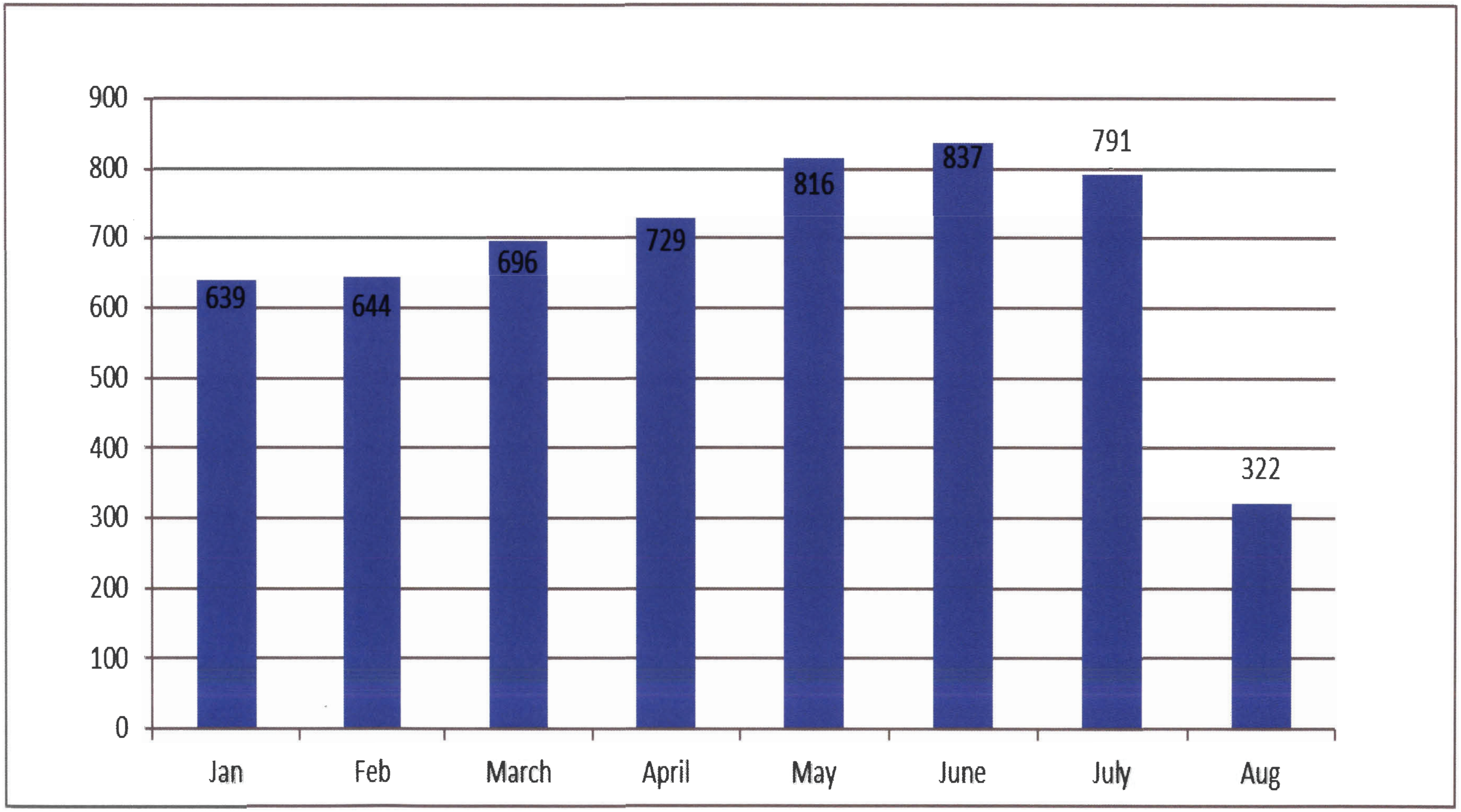


**Penetration is total orders divided by total eligible*

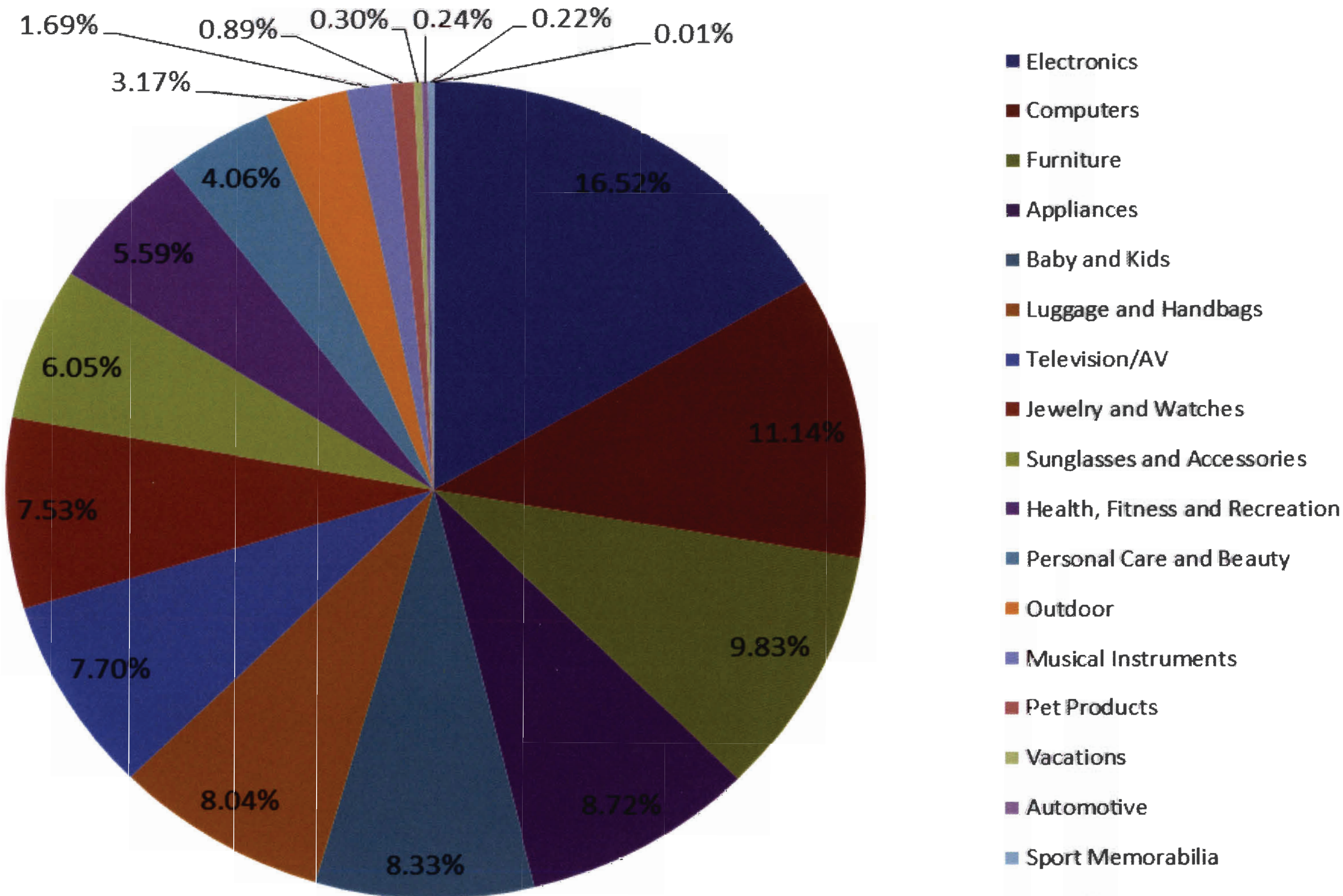
- **2015 Total orders received: 10,252**
- **2015 Penetration: 13.4%** **(there was an increase in the eligible population when compared to 2014)**
- **YTD Orders (thru 8/10): 5474**
- **YOY Order variance: 20.7% (over 2015)**

Program Utilization

YTD 2016 Monthly distribution of Orders Taken (thru August 10th, 2016)
Total Order = 5,474



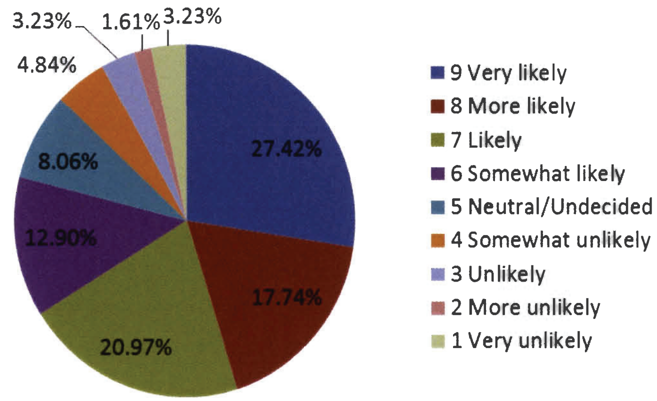
Purchases by Product Category



Member Satisfaction Survey

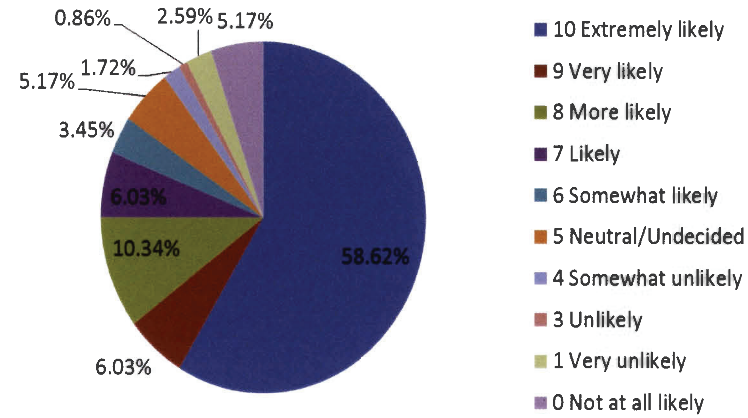
79% say there are likely to recommend

How likely are you to recommend Purchasing Power to others?



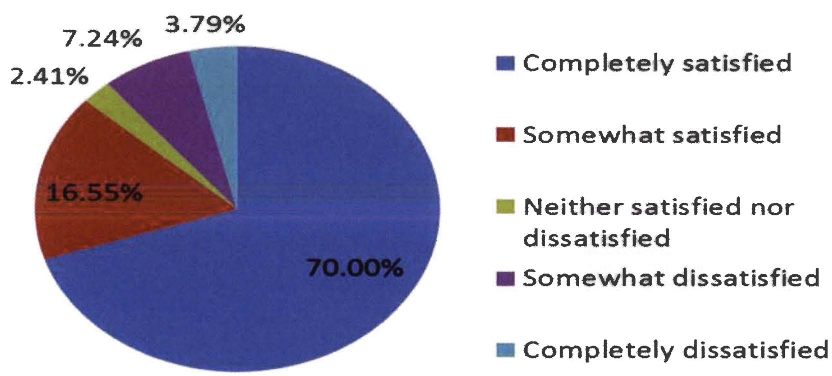
81% say they are likely to reorder

How likely are you to make another purchase through Purchasing Power?



87% say they were Satisfied

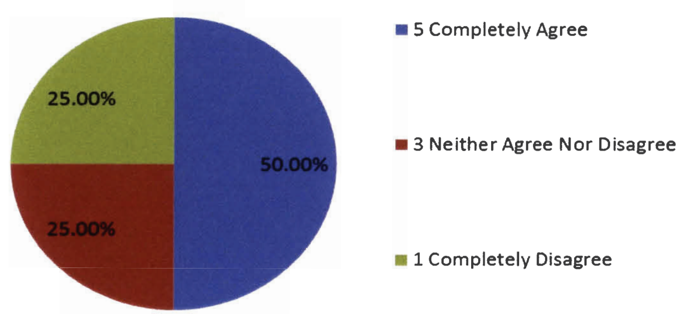
Please indicate how satisfied you were with your experience using the scale below.



Engagement Survey

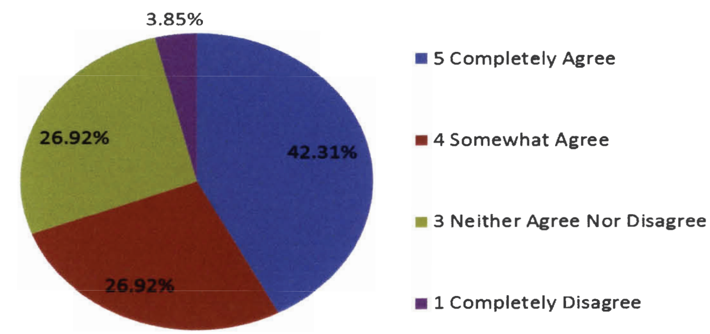
50 % say they are more engaged

Access to Purchasing Power makes me more engaged at work



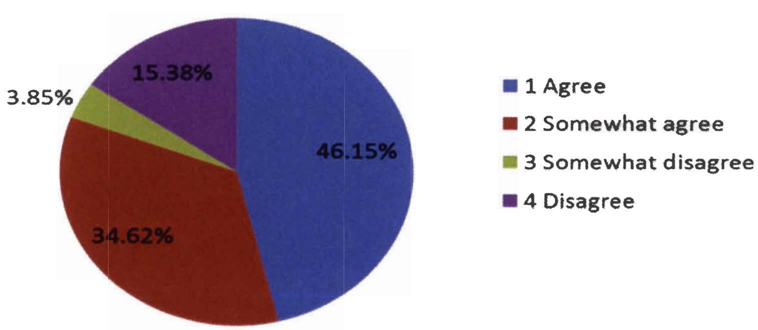
69% say they are loyal to their association

Access to Purchasing Power makes me more likely to stay with my association



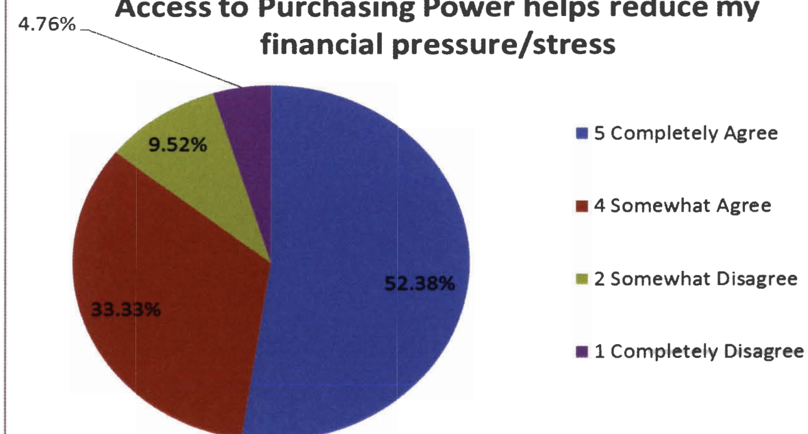
81% say they are more productive at work

Access to Purchasing Power makes me a more productive employee



86% say they are less financially stressed

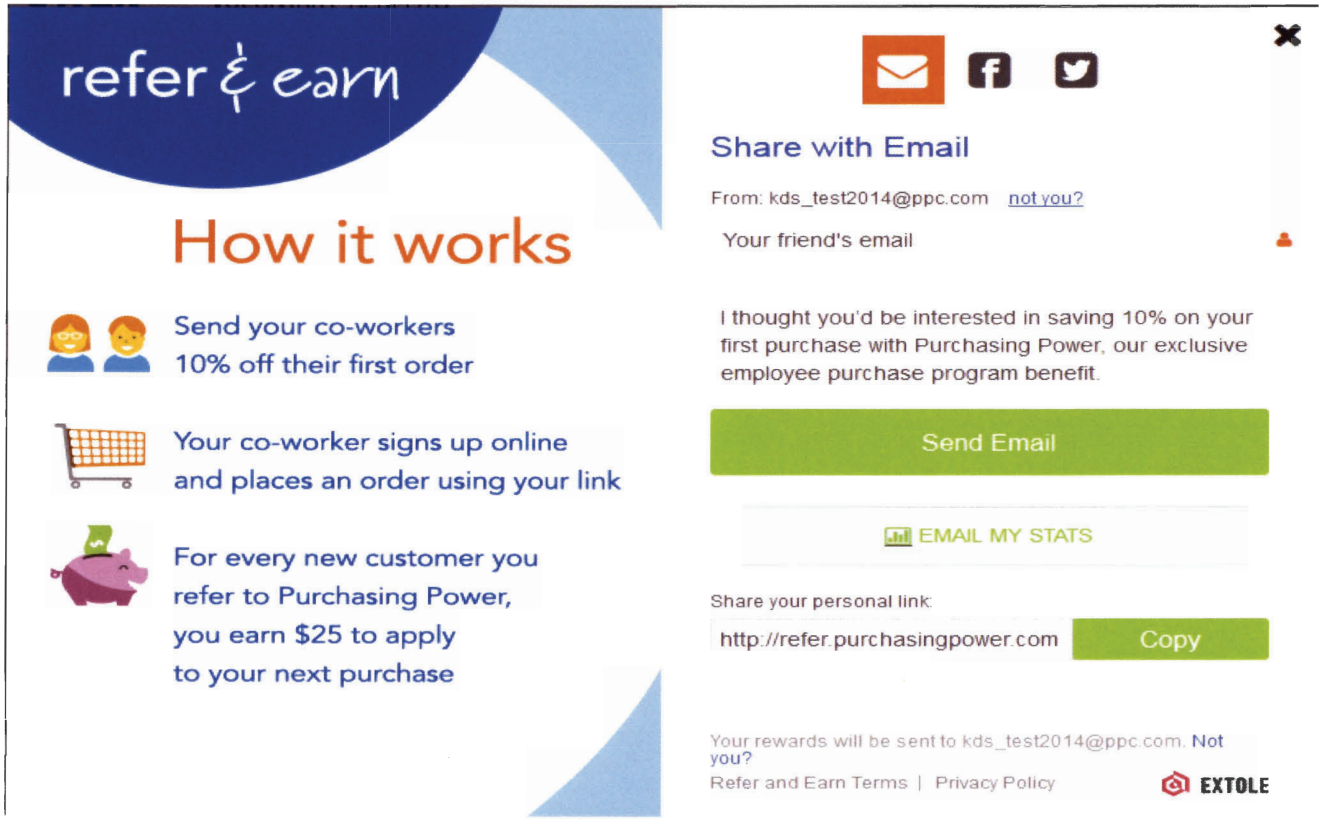
Access to Purchasing Power helps reduce my financial pressure/stress



Survey Feedback & Comments (verbatim)

- Excellent service for credit challenged state employees.
- It is truly a helpful program since I can't put money into an item when I first see it or it's on sale. I especially like that there's no interest amounts and all payments are completed in 18 months.
- I really love this program. You know what you're going to pay, for how long, and the products are in excellent condition. This takes the headache away from shopping in the stores especially during the holidays and if I order in time I get my items in time.
- I was very disappointed with my recent order that I placed December 18 as of today I have not received my order when I spoke with a representative they stated it was delayed because of the Christmas holiday season. Well the whole point of ordering is to order for the Christmas holiday season I have never had this problem with your organization.
- Happy with the program. Can buy things that I wouldn't be able to otherwise due to credit, but prices are higher than in stores. Don't like that expensive items are left at doorsteps without requiring a signature. Don't like that larger items are identifiable due to no wrapping paper or packaging.

Refer & Earn Program



The Refer & Earn program simply rewards our customers who have referred a fellow CSEA member to Purchasing Power. The newly referred member will get a 10% discount when they place their first order, and our existing customer will earn a $25 reward to apply to a future purchase at Purchasing Power.

Reverse Logistics

- A new self-service process that allows customers to return products back to Purchasing Power
- Our customers can go into their account section of their online profile, select an item to return and receive a pre-paid, UPS label to return the unwanted item to our Centralized Return Center in Hebron, KY.
- Customers can also choose a replacement item which will ship as soon as we get tracking on the return label.
- Once the package is dropped off at any UPS Store, Drop Box, Authorized Shipping Outlet or Access Point, the customer can expect to see a credit on their account statement within 8 business days

Automotive

Did You Know? According to AAA's annual *Your Driving Costs* study, the average annual cost to own and operate a vehicle in the US is $8,698. Tires and maintenance account for 10.5% of that figure.[1]

Some tire sellers and mechanics offer financing, but consumers without prime credit may incur high interest rates, fees and other hidden costs buried in the fine print – or they may not qualify for financing at all.

An Alternative from Purchasing Power

Purchasing Power has expanded its Auto and Home category to include tire purchases and installation from TireBuyer and automotive service contracts from Atlas Auto Protection.

How it Works

We have integrated TireBuyer's technology with our website to make it easy to find the right tires for any vehicle. TireBuyer has a network of nearly 3,000 installers that the tires are then sent to. The employee/member will be sent a gift card to cover the cost of the installation. The entire process will typically take no more than 7 business days.

tirebuyer.com

Buy smart. Drive safe.

ATLAS AUTO PROTECTION

We have also partnered with Atlas Auto Protection to offer automotive service contracts to cover the cost of many repairs. Customers can choose from platinum, gold and silver coverage, based on their needs and the condition of their vehicle.

A Model You Can Trust

TireBuyer and Atlas Auto Protection are established businesses with A+ and A ratings from the BBB, respectively. Integrating their technology with our website allows your employees/members to easily find the tires or service contract that is best for them and make manageable payments without the risks of traditional credit – an offer that no other employee purchase program can make.

Enhanced Financial Wellness Offering

PURCHASING POWER

Three pillars of financial wellness:

Learn

- Personalized assessment
- Best-in-class resources

Access

Purchase program
- Free traditional credit reports
- Alternative credit reports to get approved for financial products

Build

- Free one-on-one coaching
- Incentives for engagement
- Rewards for savings and paying down debt

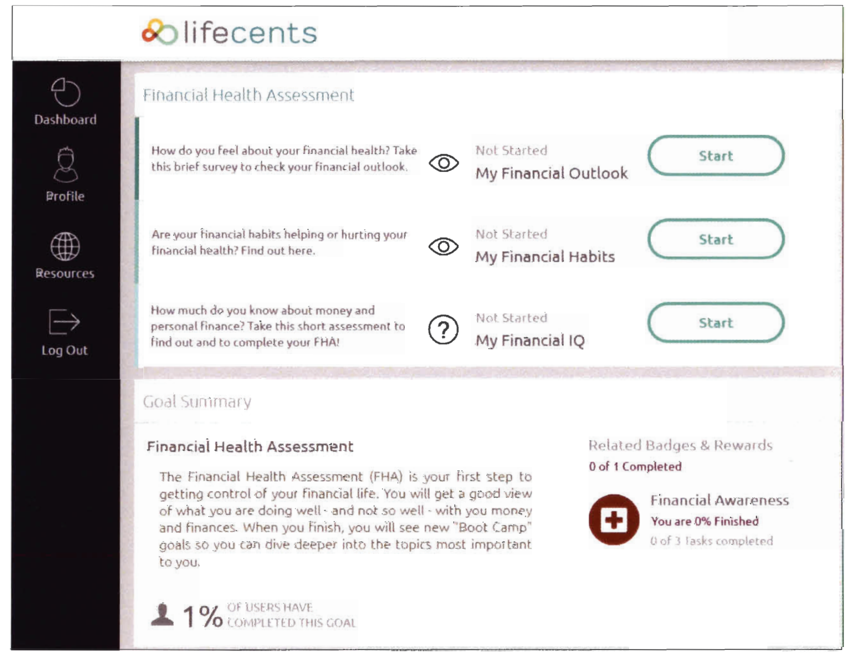
Our Financial Wellness Resources

Core financial education program	Alternative credit reporting	Free credit reports
lifecents	ecredable Make Every Payment Count	Quizzle

Financial Goal-Setting and Education

PURCHASING POWER

- Financial assessments and goal-setting
- Personalized, unbiased coaching
- Ongoing measurement of participation and progress
- Badges for goal and task completion
- Custom dashboard for reporting of key engagement metrics for your members
- Created by Financial Education & Literacy Advisers (FELA)



Alternative Credit Reporting

- Payment reporting builds credit
- Alternative credit report built on on-time bill payments
- Access to marketplace of creditors that accept this credit score
- Adheres to Fair Credit Reporting Act (FCRA)

Credit Reporting and Monitoring

- Free Equifax® credit report
- Report provides details on each account for ease of understanding
- Free VantageScore® credit score
- Credit education resources
- Trusted by over 2 million consumers

As Seen In

CNN, USA TODAY, TODAY, lifehacker, THE WALL STREET JOURNAL

Arlene S. Espinoza
Arlene Espinoza
Chair of the Board, CSEA

Thank you for your time!
Please let me know
if you have any questions

BOARD AGENDA ITEM	BEN 4/16/3 (Arlene Espinoza)
ACTION ITEM	Date: 10/15/16
SUBJECT:	Legal & Identity Theft Plan Legal Club of America Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Conclude that there is no contingency reserve surplus.

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

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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California State Employees Association
Legal Club of America

Usage Report (01/01/2015 - 12/31/2015)

Company Effective Date: 04/01/2002

Total Members Since Inception	4,213
Active Members (12/31/2015)	1,578
Total Members Enrolled (01/01/2015 - 12/31/2015)	122
Total Usage (01/01/2015 - 12/31/2015)	512
Average Group Usage (Annualized)	**32.45%**

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

Examples of Usage

- Attorney assignment

- General benefit question

BOARD AGENDA ITEM BEN 5/16/3 (Arlene Espinoza)

ACTION ITEM: Date: 10/15/16

SUBJECT: Auto and Homeowners Insurance Plan
Kemper Select
Annual Review

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Arlene Espinoza, Chair of the Board

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

1. Conclude there is no contingency reserve surplus.

2. Continue the plan with the current carrier at current rates until a new carrier is obtained.

3. Cease marketing with the current carrier.

BACKGROUND:

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

Lisa Fong, Director of Member Benefits, received a courtesy call from Dan Markey, Operations Analyst/Account Executive of Kemper Select, stating that Kemper Select has merged with Kemper Personal and Commercial Lines (KPCL). Kemper Executives have decided not to pursue renewal of Kemper Direct/Kemper Select strategic agreement with CSEA. Due to the California Supergroup Laws, Kemper Direct must combine existing polices with KPCL's. This will be completed on the KPCL policy writing platform. Therefore, payroll deduction will no longer be available.

Kemper is bound by law to continue to provide auto insurance to current policyholders. However, they will be without payroll deduction beginning January 1, 2017. When renewing to the KPCL platform, they will be charged using the rating of KPCL's underwriting company Kemper Independence Insurance Company (KIIC). Customers can choose to accept the renewal, or they can choose to find insurance elsewhere, but unless the policyholder cancels their policy before renewal generation, KPCL must offer a renewal by law.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

KEMPER

KEMPER SELECT

RELATIONSHIP OVERVIEW

- Partnership began in 1999 as the carrier offered through RewardsPlus
- Direct partnership established in 2003
- RFP for auto and home insurance program issued in Summer 2010
- Kemper awarded 5-yr. exclusive contract in Fall 2012
- Addendum to contract, includes retention bonus and profit sharing opportunities, signed Dec. 2012 – see schedule below
    - Retention Bonus payments to date:
        - $25K - December 2012
        - $20K - December 2013
        - $15K - December, 2014
        - $10K – December, 2015
        - $10K – to be paid December, 2016
    - No profit sharing payments to date due to annual loss ratios above 56%
- Contracts updated in 2014 to comply with CSEA's requirements from IRS.

PARTICIPATION SUMMARY

Policies In Force:

Year	TOTAL	Auto	Home	Boat	Umbrella
2015	1623	1205	416	0	2
2014	1757	1326	429	0	2
2013	1836	1414	415	0	2
2012	1813	1495	315	0	3

Inquiries:

	Inquiries	Quotes
2013	2207	2193
2014	1338	1334
2015	1276	1275

Compensation Paid to CSEA:

Description	Royalty Schedule	2015	2014	2013	2012
Administration Royalty	$6250/Month	$75,000	$75,000	$75,000	$75,000
Inquiry Royalty	$14/Inquiry	$17,864	$18,732	$30,898	$29,764
Retention Bonus	Varies by year	$10,000	$15,000	$20,000	$25,000
Grand Total		**$102,864**	**$108,732**	**$125,898**	**$129,764**

Claims Detail:

2015	# Claims	Total Paid
Auto	399	$1,557,216
Home	14	$49,284
Total	413	$1,606,500

Earned Premium and Loss Summary:

Year	Earned Premium	Losses	Loss Ratio
2015	$2,719,015.00	$1,606,500.00	59.10%
2014	$2,446,205.00	$1,791,387.00	73.23%
2013	$2,481,504.00	$1,614,086.00	65.00%
TOTAL	$7,646,724.00	$5,011,973.00	65.54%

3-year loss average: 65.5%

Additional Information:

- 99.9% of those who inquired received a completed quoted
- 256 new policies were sold
- 1 DOI complaint received and satisfactorily resolved in 2015

Expense Summary:

Total marketing expenses for the year were $67,531.18. This included expenses for the following:

- Two (2) home mailings

Future Marketing Plans:

- At this time, Kemper has decided not to pursue renewal of our contract with CSEA.

BOARD AGENDA ITEM	BEN 6/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Group Term Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Earned Premium has not exceeded Plan Benefits and Expenses for 2014 and 2015 causing a Plan Loss and 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 during the assumption reinsurance transition to New York Life Insurance Company.

BACKGROUND:

The original Group Term Life plan, which became effective more than seventy years ago, offers coverage under a schedule which increases with salary and decreases at age 65 thru 70. Monthly premium rates per $1,000 coverage vary from .05¢ under age 25 to $1.90 at age 70 and older. The plan provides maximum basic coverage of $100,000 for those under age 65 whose salary is at least $2,500 per month. Supplemental coverage was offered to increase coverage. Accidental death coverage, premium waiver benefits and spouse coverage are available under the plan. In July, 2002 a temporary premium rate discount of 20 percent was implemented to release excess margin in the contingency reserve. In December, 2005 this goal was met and premium rates were restored to the contractual levels.

In 2011, the premium rates were reduced an average of 30%+ with the goal of bringing in more new plan participants and premium to the Plans. A new 10-year level term life plan was introduced, and the term life program was extended to include associate members of CSEA.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Group Term and TermPLUS Life Insurance Plans

Plan Design:

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

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

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

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

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

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

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

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

Participation and Premium:

Participation and Premium in the Term LifePLUS Plan as of 12/31/14 and 12/31/15 are as follows:

Term and Term LifePlus	Insureds	Total Annual Premium
12/31/2014	8,923	$3,159,538
12/31/2015	8,421	$3,124,001

Participation has declined by 498 participants or 5% for the Term Life Plans while the average premium per policy increased slightly from $354 to $370 due to age increases.

Financial Experience:

Earned Premium was level for 2015 versus 2014 while expenses decreased by $121,401 due to decreased marketing costs of approximately $80,000. Incurred claims increased significantly by $2,937,468. While claim experience is very cyclical, the plan suffered significant losses due to a claims scrub that was conducted in 2015 that increased incurred claims in excess of $2,000,000. Contingency Reserves while still well-funded (over 1 times the Earned Premium) decreased by $1,956,122.

	Earned Premium	Incurred Claims	Expenses	Profit/Loss for the Policy Year	Cont. Reserve
2014	$3,159,538	$2,620,130	$1,250,278	($710,870)	$5,707,898
2015	$3,124,001	$5,643,462	$1,128,877	($3,648,338)	$3,751,776

Findings:

- The Earned Premium for the past two years has been below Plan Benefits plus Expenses (Claims, Taxes, Royalty, etc.) causing a Plan Loss and a reduction in the Claim Reserve. This was compounded by the claims scrub conducted in 2015 which added $2,000,000 to the plan losses.
- Marketing efforts each year are undertaken to offset aging members leaving the program with the goal to attract younger participants.
- Incurred Claims have increased by approximately $3,000,000 from 2014 to 2015. We will continue to monitor the Claim activity closely in 2015 but we expect claims to be reduced in 2016 since the claim scrub has now been completed.
- Expenses for the Plans are in large part determined by contract but decreased in 2015 due to reduced marketing.
- We continue to review underwriting guidelines with the goal of accepting as many applications as possible within the appropriate risk guidelines.
- We always need to add more insureds (preferably younger) and premium (upgrades, cross-sells, no-cost coverage) to this Plan to increase participation and premium in the Plans.

BOARD AGENDA ITEM	BEN 7/16/3 (Arlene Espinoza)
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Group Ordinary Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Earned Premium has not exceeded Plan Benefits and Expenses for 2014 and 2015 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 Plans with Anthem Life Insurance Company during the assumption reinsurance transition to New York Life Insurance Company.

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Group Ordinary Life Insurance Plan

Plan Design:

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

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

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

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

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

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

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

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

Participation and Premium:

Participation and Premium in the Group Ordinary Life Insurance Plan as of 12/31/14 and 12/31/15 are as follows:

Group Ordinary	Insureds	Total Annual Premium
12/31/2014	1,229	$313,911
12/31/2015	1,117	$311,058

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

Financial Experience:

Earned Premium declined by $2,853 and expenses also decreased by $22,651. Incurred Claims increased by $246,872. The Plan suffered losses (Claims and Expenses exceeded Premium) in both 2014 and 2015. The Claim Reserve increased by $156,154.

	Earned Premium	Incurred Claims	Expenses	Profit/Loss for the Policy Year	Claim Reserve
2014	$313,911	$462,172	$198,392	($346,653)	$793,461
2015	$311,058	$709,044	$175,741	($573,727)	$949,615

Findings:

- The Earned Premium for the past two years has not exceeded Plan Benefits plus Expenses (Claims, Taxes, Royalty, etc.) causing a Plan Loss.
- The Plan participants are aging and while life insurance claims are cyclical with age comes increased propensity for higher claims
- Expenses for the Plans are determined by contract and they decreased a small amount in 2015 due to less marketing.
- Additional insureds are needed to this Plan to increase participation and premium in the Plan. Marketing and promoting the Group Ordinary Life Plan is a goal in 2016 and 2017.

BOARD AGENDA ITEM	BEN 8/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Group Final Expense Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

3. Continue Plans with Anthem Life Insurance Company during the assumption reinsurance transition to New York Life Insurance Company.

BACKGROUND:

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

The Final Expense Insurance Plan was launched in January 2014. The Plan is combined with the Group Ordinary Life Insurance Plan for financial experience. Separate Premium, Claim and Expense line items will not be available.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Final Expense Life Insurance Plan

Plan Design:

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

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

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

Participation and Premium:

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

Financial Experience:

The Final Expense Plan is combined with the Group Ordinary Life Insurance Plan for financial experience. Therefore, separate premium, claim and expense line items are not available.

Findings:

- We have seen minimal demand for this product since introduction. We have sold five policies since inception with an associated premium of $1,777.
- There should be no direct mail marketing campaigns for this Plan.
- Continue to have the Plan available to CSEA members.

BOARD AGENDA ITEM	BEN 9/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Premium rates are adequate to support current Plan expenses 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 to generate new insureds and premium.

4. Continue the Plan with New York Life Insurance Company at current premium rates and benefits.

BACKGROUND:

This New York Life plan, which replaced the Mutual of Omaha plan in 2003, provides accidental and dismemberment benefits for employed members and their dependents, with continuing coverage for retired members and their families. Coverage is in units of $50,000, with a maximum of $500,000 for active participants and $200,000 for retirees. Coverage terminates at age 80. Several supplementary benefits are provided, such as an inflation hedge and a 12-month waiver of dependent coverage premiums following the death of the insured. Dependent coverage is directly related to member coverage, being 40 percent for spouses (50 percent without children) and 10 percent for each child. The monthly premium is $2.50 per unit plus $1.00 per unit for dependents.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Accidental Death and Dismemberment Plan

Plan Design:

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

Actively Working - Benefit up to $500,000.

Retired - Benefit up to $200,000.

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

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

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

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

Participation and Premium:

Participation and Premium in the ADD Plan as of 12/31/14 and 12/31/15 are as follows:

ADD	Insureds	Total Annual Premium
12/31/2014	12,643	$2,372,814
12/31/2015	11,679	$2,063,783

Participation and Total Annual Premium in the ADD Plan declined during the past two years. We marketed a 6 month no cost offer ($40,000 of coverage active members and $5,000 to retiree members excluding those age 79 and older) for this product in 2015 with a follow up to purchase the coverage in the spring of 2016. The offer went out to 76,859 association members.

Financial Experience:

Earned Premium had a very large increase ($464,156) due to premium related to the no cost offer while expenses increased ($221,685) due to the additional expenses related to execution of the no cost offer while the amount of Incurred Claims decreased significantly ($89,894) and Marketing costs increased ($17,163). 2013 had a number of large claims which contributed to the negative results two years ago. AD&D is very volatile and 2014 and 2015 did not have significant claims therefore positive results were achieved. The Premium Surplus Reserve is fully funded.

	Earned Premium	Incurred Claims	Expenses	Mktg	Profit/Loss for the Policy Year	Premium Surplus and Dividend on Deposit
2014	$2,042,212	$238,927	$832,648	$95,404	$970,637	$2,274,014
2015	$2,506,368	$149,033	$1,054,333	$112,567	$1,303,022	$3,374,689

Findings:

- ADD coverage is very volatile from year to year. Several large claims can have a large impact on the profitability of the Plan in a given Policy Year. We saw this in the 2013 Policy Year in a negative way and then had very positive years in 2014 and 2015 with fewer claims.
- Premium rates are adequate to support the current Plans' Expenses (Claims, Taxes, Royalty, etc.) as long as the Premium Surplus Reserve maintains its current level.
- Expenses of 7.1% for the Insurance Carrier are in line with similar accounts.
- The 1.5% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract and they increased in 2015 due expenses related to the no cost offer.
- Premium Surplus Reserve funding requirement of 25% is on par with what we typically would see for an ADD Plan.
- Premium Surplus Reserve is fully funded.
- As of 7/15/16, we have 1,455 applications paid with 975 applications pending payment which puts us at a current total of 2,430 new AD&D certificate holders out of the 76,859 that were mailed. Our Total Annual Premium of the paid applications totals $93,599.00. Based on these numbers, the no cost AD&D offer can be considered a success as we expect close to a 3% success rate when the pending applications are processed.

BOARD AGENDA ITEM BEN 10/16/3

ACTION ITEM: Date: 10/15/16

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

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Arlene Espinoza, Chair of the Board

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

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

2. The Premium Surplus Reserve is fully funded.

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.

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Disability Income Insurance Plans

Long Term and Short Term

Plan Design:

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

- **Long Term Disability Income Plan**

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

Members are eligible if they are under age 70 and work at least 20 hours per week. The Plan pays benefits equal to 66% of the basic monthly earnings and coordinates with the California State Disability Insurance (501) Plan. If the SDI benefit is cancelled for whatever reason the CSEA coverage will continue.

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

- **Short Term Disability Income Plan**

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

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

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

Participation and Premium:

Participation and Premium in the Long Term and Short Term Disability Income Plans as of 12/31/14 and 12/31/15 are as follows:

Long Term	Insureds	Total Annual Premium
12/31/2014	1,182	$746,308
12/31/2015	1,000	$743,278

Short Term	Insureds	Total Annual Premium
12/31/2014	274	$229,596
12/31/2015	256	$217,917

Participation in the Long Term Disability Income Plan declined with the Premium also decreasing slightly.

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

Financial Experience:

Earned Premium declined slightly (-$68,090) and Expenses also decreased (-$46,649) from 2014 to 2015. The amount of Incurred Claims decreased ($198,521) as there were less claim activity in 2015. Marketing costs decreased significantly ($44,843). When combining the results for 2014 and 2015, the results show a modest profit for the two years. The Premium Surplus Reserve is fully funded.

	Earned Premium	Incurred Claims	Expenses	Marketing	Profit/Loss for the Policy Year	DOD & CSR
2014	$975,905	$582,679	$464,828	$47,904	($71,602)	$2,358,282
2015	$907,815	$384,158	$418,169	$3,061	$105,489	$2,010,586

Findings:

- Plan participation generally follows the economic cycle of the State of California.
- Premium rates are more than adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.) and fund the Premium Surplus Reserve.
- Expenses of 9.2% for the Insurance Carrier are in line with similar accounts.
- The 2.7% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract.
- Premium Surplus Reserve funding requirement of 25% is normal for these types of Plans and the Premium Surplus Reserve is fully funded.
- The Plans are in a position to be improved (additional benefits) for current and new participants. A reduction in premium rates, a premium credit or a benefit bonus program can now be considered.

BOARD AGENDA ITEM	BEN 11/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Cancer Insurance Plans Monumental Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

3. If 2016 Policy Year ends with positive Premium Surplus Reserve, consider higher lump sum benefit or a low percentage premium credit.

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

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Cancer Care and Cancer CarePLUS Insurance Plans

Plan Design:

There are two Group Cancer Expense plans available to CSEA members – Cancer Care and Cancer CarePLUS.

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

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

Participation and Premium:

Participation and Premium in the Cancer Care and Cancer CarePLUS Plans as of 12/31/14 and 12/31/15 are as follows:

Cancer Care	Insureds	Total Annual Premium
12/31/2014	3,503	$1,592,655
12/31/2015	3,309	$1,535,582

Cancer Care Plus	Insureds	Total Annual Premium
12/31/2014	2,458	$368,125
12/31/2015	2,407	$364,422

Participation and Total Annual Premium in the Cancer Care Plan slightly decreased over the past year.

In 2014, participation and total annual premium in the Cancer Care PLUS Plan grew by about 25%, predominantly due to cross-sell and upgrade activities.

Financial Experience:

Earned Premium and Expenses marginally increased from 2014 to 2015 while the amount of Incurred Claims also increased ($149,171) while marketing costs decreased ($28,839). Both 2014 and 2015 were profitable (Premium collected exceeded Claims and Expenses paid) for the Cancer Care Plans resulting in premium surplus for both Policy Years. The Premium Surplus Reserve is fully funded at 15% of Earned Premium and Surplus *above* that may be disbursed. A contractual amendment effective 1/1/15 increased CSEA's share of the premium surplus from 50% to 75% which is why CSEA's share of the premium surplus increased while the results were slightly poorer in 2015.

	Earned Premium	Incurred Claims	Expenses	Mkgt	Profit/Loss for the Policy Year	Premium Surplus
2014	$1,861,649	$272,398	$977,326	$139,892	$428,309	$208,016
2015	$1,884,374	$421,569	$989,296	$111,053	$318,250	$236,131

Findings:

5. Premium rates are more than adequate to support the current Plans' Expenses (Claims, Taxes, etc.) and the Premium Surplus Reserve.

6. Expenses of 12.5% for the Insurance Carrier are in line with similar accounts.

7. The 2.5% premium taxes are regulated and determined by the Department of Insurance.

8. Expenses for the Plans are determined by contract and they remained constant in 2015.

9. Premium Surplus Reserve funding requirement of 15% is a bit lower than we usually see (20% more typical) and this results in more Premium Surplus being generated.

10. Disbursement of Premium Surplus still allows for a fully funded Premium Surplus Reserve going forward.

11. If 2016 Policy Year ends with positive Premium Surplus Reserve, consider higher lump sum benefit or a low percentage premium credit.

BOARD AGENDA ITEM	BEN 12/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Comprehensive Accident Plan (CAP) Hartford Life and Accident Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

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

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Comprehensive Accident Insurance Plan

Plan Design:

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

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

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

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

Participation and Premium:

Participation and Premium in the Comprehensive Accident Insurance Plan as of 12/31/14 and 12/31/15 are as follows:

Comprehensive Accident Plan	Insureds	Total Annual Premium
12/31/2014	422	$138,301
12/31/2015	423	$133,525

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

These plans are now highly regulated due to Department of Insurance and insurance carrier concerns and the introduction of the Affordable Care Act.

Financial Experience:

Earned Premium declined slightly (-$13,575) from 2014 to 2015 while the amount of Expenses declined (-$8,824) and the Expense Ratio remained at the permissible level of 65%.

Year	Earned Premium	Incurred Claims	Expenses	Expense Ratio
2014	$138,301	$0	$89,896	65%
2015	$124,726	$18,133	$81,072	65%

Findings:

- Permissible Plan Expense Ratio is 65% so premium rates are adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.).
- Plan is not eligible to be placed on retention as Premium is below $1,000,000 level.
- No changes recommended to the Plan at this time.
- A marketing campaign in 2015 kept participation constant.

BOARD AGENDA ITEM	BEN 13/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Travel Accident Insurance Plan New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Premium rates are adequate to support current Plan Expenses and 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 benefit levels.

BACKGROUND:

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

This plan is combined with the Accidental Death and Dismemberment Plan for financial and retention purposes.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Group Travel Accident Plan

Plan Design:

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

Plan benefits include:

- $200,000 if insured dies while a fare paying passenger on public transportation (common carrier including airplane, taxi, subway, bus or cruise ship).
- Up to $100,000 if insured dies in a private automobile accident as either the driver or passenger. Includes cars, RV's, pick-ups and trucks.
- Up to $200 per day for every day the insured is treated as an inpatient in a hospital due to a covered common carrier accident or $100 per day for private automobile accident. Benefits are payable for a maximum of two years.

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

Participation and Premium:

Participation and Premium in the Group Travel Accident Plan as of 12/31/14 and 12/31/15 are as follows:

Group Travel Accident	Insureds	Total Annual Premium
12/31/2014	2,631	$247,683
12/31/2015	2,958	$277,455

Participation and Total Annual Premium in the Group Travel Accident Plan has increased over the past two years due to successful marketing efforts.

Financial Experience:

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

Findings:

- We have not seen volatile Claim swings from year to year for the Plan and being combined with the larger ADD plan insulates the Plan from one or two large (shock) claims if they should occur. If not combined with the ADD Plan, a rise in premium rates or benefit reductions would be required if one or two $200,000 claims occurred in a Policy Year.
- In conjunction with the ADD Plan, the premium rates are adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.) and the combined Premium Surplus Reserve.
- Expenses for the Plans are determined by contract and they did not increase in 2015.
- ADD Premium Surplus Reserve is fully funded and adequate to pay anticipated claims.
- No changes recommended to the Plan at this time.

BOARD AGENDA ITEM	BEN 14/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Emergency Assistance Plan (EA+) Worldwide Rescue and Security Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

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

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Emergency Assistance Plus Plan (EA+)

Plan Design:

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

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

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

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

Participation and Service Fees:

Participation and Service Fees in the Emergency Assistance Plus Plan as of 12/31/14 and 12/31/15 are as follows:

Emergency Assistance Plus (EA+)	Participants	Service Fees
12/31/2014	2,984	$522,689
12/31/2015	2,933	$494,292

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

Financial Experience:

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

Findings:

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

- AGIA is constantly testing new product designs, benefits and marketing materials and the positive member experiences will be shared with CSEA to be considered for the EA+ Program going forward.

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

- A nurse assistance travel benefit has been added in 2016.

- No changes recommended to the Program at this time.

BOARD AGENDA ITEM	BEN 15/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Emergency Roadside Service Program Road America Motor Club Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Look to incorporate the availability of these benefits into the new auto program.

BACKGROUND:

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

In spring of 2016, CSEA Member Benefits was notified that Road America Motor Club would end its partnership with CSEA due to low enrollment.

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Emergency Roadside Service

Plan Design:

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

The Emergency Roadside Service Plan provides the following services:

- 24/7 comprehensive roadside assistance protection includes:
    - Towing
    - Collision Assistance
    - Winching
    - Battery Service
    - Flat tire changing
    - Lock-out services
    - Fluid replacement assistance (fuel, oil, fluid & water delivery service)
    - Driver's Valet
- Up to 100 free towing miles.
- Coverage for all vehicles leased or owned (cars, vans, pick-ups, SUV's, motorcycles and trailers).

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

This program has been cancelled by the vendor in June 2016.

Participation and Service Fees:

Participation and Service Fees for the Emergency Roadside Service as of 12/31/14 and 12/31/15 are as follows:

Emergency Roadside Service	Participants	Service Fees
12/31/2014	17	$1,683
12/31/2015	16	$1,584

Participation and Service Fees in the Emergency Roadside Service Plan declined slightly over the past year but the participation did not meet the expectations of the vendor.

Financial Experience:

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

Findings:

- Look to incorporate the availability of these benefits into the new auto program.

BOARD AGENDA ITEM	BEN 16/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Long Term Care Program Long Term Care Resources Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

2. Continue with one direct mail campaign per year.

3. Continue the Program with Long Term Care Resources.

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Long Term Care Program

Plan Design:

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

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

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

- Special Discounts not available to the general public (multiple insureds on one policy, nonsmoking, age, benefit amounts, premium amounts, etc.).

- Multiple Carrier Platform (more insurance carrier choice, not locked into one insurance carrier, benefit configuration or pricing model).

- Multiple Products (Plan variations, daily, monthly, maximum benefit amounts and additional Riders allow the design of plans to fit different needs and budgets.

- Service for Life. Insurance Agents come and go, having an organization that supports the CSEA Plan and its members for an extended period of time are key in maintaining the trust and security of Long Term Care Insurance.

Participation and Premium:

Participation and Premium in the Long Term Care Plan as of 12/31/14 and 12/31/15 are as follows:

Long Term Care	Insureds	Total Annual Premium
12/31/2014	118	$244,832
12/31/2015	125	$261,307

Participation and Total Annual Premium in the Long Term Care Plan increased during 2015 with 8 additional policies added comprising $16,475 of additional premium.

Financial Experience:

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

Findings:

- The Long Term Care Plan provides meaningful benefits to the CSEA membership.
- AGIA is constantly in discussions with Long Term Care Resources to make sure the most recent and cutting edge product designs and marketing offers are being tested and offered to CSEA members.
- The Long Term Care Program should continue on an "as is" basis and remain available to the aging CSEA membership.

BOARD AGENDA ITEM	BEN 17/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Pet Insurance Program United Fire Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

2. Continue the program with United Fire Insurance Company, administered by Petsmarketing Insurance.com Agency.

BACKGROUND:

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Pet Insurance

Plan Design:

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

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

The Pet Insurance Plan offers 4 levels of coverage:

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

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

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

Participation and Premium:

Participation and Premium in the Pet Insurance Program as of 12/31/14 and 12/31/15 are as follows:

Pet Insurance	Insureds	Total Annual Premium
12/31/2014	26	$14,700
12/31/2015	44	$22,164

A new Pet Insurance provider was chosen in 2013. Initial marketing of the Plan has been through organic traffic to the CSEA Member Benefits web site and inclusion in e-newsletters. Initial growth in the Pet Insurance Program was lower than projected but we saw a significant increase in premium in 2015.

Financial Experience:

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

Findings:

- Additional Plan benefits/Riders are under discussion (Coverage for Dental Diseases, Enhanced Wellness Options, and fewer Pre-Existing Conditions) with the Plan provider.
- To increase awareness and Plan participation we need to look at non-traditional ways to promote the Plan (flyers, meetings, word of mouth, etc.).

BOARD AGENDA ITEM	BEN 18/16/3
ACTION ITEM:	Date: 10/15/16
SUBJECT:	Hearing Aid Benefit Program EPIC Hearing Service Plan Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Arlene Espinoza, Chair of the Board
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Continue marketing to increase plan participation.

2. Continue the plan with the current carrier.

BACKGROUND:

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

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

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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EPIC Hearing Discount Plan

Plan Design:

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

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

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

The EPIC Hearing Plan features:

- **Network.** The largest national network of audiologists and ENT physicians in the country with over 5,000 participating providers.
- **Customer Service.** Toll-free Call Center with hearing counselors onsite for member support from 6:00 am to 6:00 pm PST (M-F).
- **Products and Pricing.** Members have access to brand-name hearing aids and related technology at published fixed fee pricing (savings of 30-60% of MSRP).
- **Payments and Financing.** Professional services and devices are billed through EPIC (no office co-pays, up selling). Financing options are available.
- **Warranty and Service.** Hearing aids carry an extended three year warranty.
- **Money Back Guarantee.**

Levels of Coverage:

HSP TECHNOLOGY LEVELS	DEGREE OF HEARING LOSS	MSRP Per Ear (Typical)	EPIC Pricing Per Ear
BASIC	Mild to Moderate	$1,400 - $1,600	$495
STANDARD	Moderate:	$1,601 - $2,300	$849 - $1,499
ADVANCED	Moderate to Severe:	$2,301 - $3,000	$1,500 - $2,099
PREMIUM	Moderate to Severe:	$3,001 - $4,000	$2,100 - $2,599

Participation and Premium:

We have received information on member encounters from in inception in 2015. A total of 34 members have registered for this program and 18 use the services of EPIC. According to statistics received from EPIC, the retail value of the services and equipment utilized by CSEA members was $54,168 but the member paid $18,672 resulting in a savings of $35,496.

Financial Experience:

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

Findings:

- Initially launched on CSEA Member Benefit web site and product flyer created for Retiree and other meetings.
- Separate CSEA code created for tracking and discounts.
- Look for additional ways to promote this member benefit.
- No changes recommended to the Program at this time.

BOARD AGENDA ITEM BEN 19/16/3

ACTION ITEM: Date: 10/15/16

SUBJECT: Discount Drug Prescription Program
Paramount Rx
Annual Review

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Arlene Espinoza, Chair of the Board

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

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

2. Continue the program with Paramount Rx.

BACKGROUND:

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

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

Attached is the 2015 Annual Report.

ESTIMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Discount Drug Prescription Plan

Plan Design:

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

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

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

Discounts are also available on Pet Prescriptions.

Participation and Premium:

This program just in its infancy and there are no premium figures as this is a no-cost program. We have seen an uptick in utilization as a result of an e-blast.

Financial Experience:

CSEA is paid a royalty of $0.50 per filled script through this program. There were 34 claims within the past 12 months.

Findings:

- Program is too new to see any trends or utilization information at this time.

- Review meaningful ways to drive traffic to CSEA Member Benefits Web site for printing of Discount Card. Create flyers for at events/meetings, include in e-blasts and e-newsletters and promote via word of mouth. Due to the high cost of mailings and low royalties associated with this program, direct mail is not a viable option.

- No changes recommended to the Program at this time.

BOARD AGENDA ITEM	**FIS 3/16/3 (Harold Rose)**
ACTION ITEM	Date: 10/15/16
SUBJECT:	Approval of the CSEA 2015 401K Audit Report & Required Communications
SOURCE AND/OR PROPONENT:	Harold Rose
PRESENTATION BY:	Mike Carr
ASSIGNED TO:	Mike Carr

RECOMMENDED ACTION:

That the Board of Directors adopt the acceptance of the 2015 401K Plan audit report and required communications.

BACKGROUND:

The annual 401K Plan audit report has been received and reviewed by the Finance Committee and they recommend adoption of said report.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT AND SUPPLEMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2015

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

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DECEMBER 31, 2015

Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.

INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit the accompanying financial statements of the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Reliance Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2015 and 2014, and for the year ended December 31, 2015, that the information provided to the plan administrator by the trustee is complete and accurate.

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

Disclaimer of Opinion

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

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2015 is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on this supplemental schedule.

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

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

July 26, 2016

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

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Investments at fair value	$ 6,341,608	$ 7,711,468
Investments at contract value	1,189,002	1,419,593
Total investments	7,530,610	9,131,061
RECEIVABLES:		
Employer contributions receivable	3,788	3,841
Employee contributions receivable	10,118	10,812
Notes receivable from participants	43,549	57,317
Total receivables	57,455	71,970
TOTAL ASSETS	7,588,065	9,203,031
LIABILITIES:		
Payable to broker	3,319	2,740
NET ASSETS AVAILABLE FOR BENEFITS	$ 7,584,746	$ 9,200,291

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

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2015

ADDITIONS:	
Investment income:	
Interest and dividends	$ 298,931
Net depreciation in fair value of investments	(285,157)
Total investment income	13,774
Interest income on notes receivable from participants	1,606
Contributions:	
Participant deferrals	341,294
Employer contributions	97,014
Participant rollovers	46,086
Total contributions	484,394
Total additions	499,774
DEDUCTIONS:	
Benefits paid to participants	2,109,136
Administrative expenses	6,183
Total deductions	2,115,319
NET DECREASE IN NET ASSETS	(1,615,545)
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	9,200,291
End of year	$ 7,584,746

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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1. DESCRIPTION OF THE PLAN

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

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

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

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

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

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

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

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

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

Forfeitures – Upon termination of employment and distribution of account balances, nonvested portions of participant accounts are forfeited and used to reduce future employer contributions. The forfeiture balance was $0 at December 31, 2015 and 2014.

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

Costs of administration – The Association pays the salaries and related benefits of the Plan Administrator and the bookkeeper who maintains the Plan's records. The Association also contributes the office space where the business of the Plan is conducted and where their records are kept. Quarterly asset charges and annual administration charges are borne by the Association. During the year ending December 31, 2015, the Association paid $44,329 in such fees.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Investment valuation and income recognition – Investments held by a defined contribution plan are required to be reported at fair value, except for fully benefit-responsive investment contracts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

The Plan's investments are reported at fair value, except for the fully benefit-responsive investment contract, which is reported at contract value. Purchases and sales of securities are recorded on a trade-date basis. Interest income and gains (losses) are recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in the fair value of investments includes the Plan's gains and losses on investments purchased and sold as well as held during the year.

Notes receivable from participants – Participant loans are valued at their unpaid principal balance plus accrued interest. Interest income is recorded on an accrual basis. No allowance for credit losses has been recorded as of December 31, 2015 and 2014. If a participant ceases to make loan repayments and the plan administrator deems the loan to be in default, the participant loan balance is reduced and a deemed distribution of the loan is recorded.

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

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

Income tax status – The Plan has adopted the Standard Retirement Services, Inc. Defined Contribution Volume Submitter Plan, which received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2014. The letter stated that the Plan is designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). Although the Plan has been amended since receiving the determination letter, the Plan's administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administration believes the Plan is no longer subject to income tax examinations for the years prior to 2011.

Subsequent events have been evaluated for recognition and disclosure through July 26, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2015 that require recognition or disclosure in such financial statements.

Recent accounting pronouncements – In July 2015, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) to reduce complexity in employee benefit plan accounting. The ASU is divided into three parts: Parts I and II amend previously-issued guidance on fully benefit-responsive investment contracts and plan investment disclosures, respectively, and should be applied retrospectively for all periods presented. Part III provides guidance on the measurement of investments for plans with fiscal year-ends that do not coincide with a month-end, and should be applied prospectively. The ASU is effective for fiscal years beginning after December 15, 2015, but earlier application is permitted. Plan management has elected to implement the ASU in 2015, resulting in changes to certain 2014 investment note disclosures to be consistent with the 2015 disclosures. Part III of the ASU was not applicable to the Plan. Implementation of the ASU did not have an impact on the Plan's net assets available for benefits.

3. FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACT

The Plan's investments in the Standard Stable Asset Fund A are offered through a group annuity contract. The contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. The following represents the Plan's investment in the fully benefit-responsive investment contract at December 31:

	2015	2014
Traditional investment contract	$ 1,189,002	$ 1,419,593

As a traditional investment contract, the contract issuer, Standard Insurance Company, owns the underlying assets, and the Plan owns the contract itself. Participant principal and interest are fully guaranteed by the general account assets of Standard Insurance Company. Each quarter, Standard Insurance Company declares a crediting rate for all assets in the stable value funds for the coming quarter, taking into account yield forecasts from their asset advisory group and the margins required for their business. Past crediting rates are not indicative of future rates, and declared crediting rates will never be below 1% annually.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Although not expected, certain events may limit the ability of the Plan to transact at contract value with the Standard Insurance Company. Such events include termination of the contract, spin-offs, divestitures, layoffs, corporate relocation, partial or total plan termination, retirement incentive programs, and the liberalization of plan withdrawal or transfer rules.

Interest information as of December 31 is as follows:

Average Yields	2015	2014
Based on actual earnings	2.19%	2.35%
Based on interest rate credited to participants	2.19%	2.35%

4. INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

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

Interest and dividends on investments for the year ended December 31, 2015 was $298,931. Net unrealized and realized depreciation on investments for the year ended December 31, 2015 was $285,157. Investments at fair value and contract value were $6,341,608 and $1,189,002 at December 31, 2015, respectively. Investments at fair value and contract value were $7,711,468 and $1,419,593 at December 31, 2014, respectively.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 — Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Mutual funds: Valued at the closing price reported on the active market on which the individual funds are traded.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2015 and 2014:

	Assets at Fair Value as of December 31, 2015		
Investment type	**Level 1**	**Level 2**	**Level 3**
Cash	$ 3,319		
Mutual Funds	6,338,289		
Total	$ 6,341,608	$	$

	Assets at Fair Value as of December 31, 2014		
Investment type	**Level 1**	**Level 2**	**Level 3**
Cash	$ 2,740		
Mutual Funds	7,708,728		
Total	$ 7,711,468	$	$

6. RISKS AND UNCERTAINTIES

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

7. RECONCILIATION TO FORM 5500

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

	2015	2014
Net assets available for benefits per the financial statements	$ 7,584,746	$ 9,200,291
Less employer contributions receivable	(3,788)	(3,841)
Less employee contributions receivable	(10,118)	(10,812)
Net assets available for benefits per the Form 5500	$ 7,570,840	$ 9,185,638

SUPPLEMENTAL SCHEDULE

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

EMPLOYER IDENTIFICATION NUMBER 94-0362021
PLAN NUMBER 002

FORM 5500, SCHEDULE H, PART IV, LINE 4i –
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2015

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
	Mutual Funds:			
	Cohen & Steers Instl Realty Shares	2,064 Shares	**	$ 94,794
	Dodge & Cox International Stock	1,351 Shares	**	49,273
	Goldman Sachs Growth Opportunities Instl	12,454 Shares	**	292,553
	Harbor International Institutional	4,471 Shares	**	265,706
	JP Morgan High Yield R5	5,645 Shares	**	38,611
	Oppenheimer Developing Market Y	106 Shares	**	3,171
	Pimco Total Return Admin	114,109 Shares	**	1,149,081
	T. Rowe Price Growth Stock	5,471 Shares	**	293,599
	Templeton Global Bond A	4 Shares	**	47
	TIAA-CREF Social Choice Equity Fund - Institutional	2,640 Shares	**	40,966
	Vanguard 500 Index Admiral	4,452 Shares	**	839,091
	Vanguard Balanced Index Adm	274 Shares	**	8,013
	Vanguard Growth Index Adm	6,841 Shares	**	374,679
	Vanguard Inflation-Protected Secs Adm	32 Shares	**	801
	Vanguard Mid Cap Growth Index Admiral	634 Shares	**	27,238
	Vanguard Mid Cap Value Index Admiral	4,616 Shares	**	205,583
	Vanguard Mid Cap Index Adm	646 Shares	**	96,007
	Vanguard Small Cap Growth Index Admiral	130 Shares	**	5,562
	Vanguard Small Cap Index Adm	3,555 Shares	**	188,574
	Vanguard Small Cap Value Index Admiral	4,663 Shares	**	198,009
	Vanguard Target Retirement Income Inv	4,926 Shares	**	61,329
	Vanguard Target Retirement 2020 Inv	17,816 Shares	**	483,698
	Vanguard Target Retirement 2030 Inv	24,807 Shares	**	687,642
	Vanguard Target Retirement 2040 Inv	15,495 Shares	**	440,835
	Vanguard Target Retirement 2050 Inv	216 Shares	**	6,153
	Vanguard Total Intl Stock Index Admiral	798 Shares	**	19,342
	Vanguard Value Index Adm	13,399 Shares	**	426,344
	Wells Fargo Advantage Growth I	904 Shares	**	41,588
	Total Mutual Funds			6,338,289
	Stable Value Funds:			
*	Standard Stable Asset Fund A	42,571 Shares	**	1,189,002
	Cash:			
	Non-interest bearing cash		**	3,319
	Loans:			
*	Participant Loans	Interest rates range from 3.25% - 4.25%, Maturity dates range from May 2016 - December 2019.	**	43,549
	Total Investments and Participant Loans			$ 7,574,159

Column (a) and (d):

* Denotes party-in-interest

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

Relax

We got this.℠

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

Communications With Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

We have performed a limited-scope audit over the financial statements of the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (the Plan) for the year ended December 31, 2015. We are providing the Plan's Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board of and management of the Plan 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.

July 26, 2016

Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.℠

RESPONSIBILITIES AND OPINIONS

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are presented in compliance with the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosures under Employee Retirement Income Security Act of 1974. Our audit of the financial statements does not relieve you or management of your responsibilities.	As permitted by DOL regulations and as requested by the Plan administrator, we did not perform auditing procedures with respect to investment balances and transactions certified to by the Plan's investment Trustee. Accordingly, we disclaimed an opinion on the financial statements of the Plan as of and for the year ended December 31, 2015. Other than the investment information that was certified by the Trustee, the form and content of the information included in the financial statements and supplemental schedule was presented in compliance with DOL regulations.

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 Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
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 cooperative.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	The significant accounting policies used by the Plan are described in notes to the financial statements. As described in Note 2, the Plan changed its presentation of investments and related disclosures by adopting ASU 2015-12 in 2015, and the change has been retrospectively applied to prior periods presented as if the policy had always been used. No other new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Management Judgments and Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.	Management's estimate of the fair value of investments is based on values certified by the Trustee. The financial statements reflect these estimated fair values. As requested by management, our audit procedures did not include verification of the certified investment fair values. Management's estimate of the notes receivable from participants is based on unpaid principal balances plus accrued interest, and expected collectability based on experience with and knowledge of the employment status of each of the respective participants. We evaluated the key factors and assumptions used to develop the estimate of the notes receivable from participants in determining that it is reasonable in relation to the financial statements taken as a whole.

RESULTS OF THE AUDIT

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