2015 CSEA BOARD OF DIRECTORS MEETING

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

October 9, 2015

TIMES CERTAIN

Saturday – October 9, 2015
CSEA Headquarters Building, *3rd Floor* Valley Quail Conference Room
1108 O Street, Sacramento, Ca 95814

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

BOARD MEETING AGENDA

- Call to order on October 9, 2015, at 1:00 p.m. by President Marilyn F. Hamilton
- Roll Call – Secretary-Treasurer David Okumura
- Pledge of Allegiance – Vice President Russell Kilday-Hicks
- Communications – Secretary-Treasurer David Okumura
- Report of Executive Session – Secretary-Treasurer David Okumura
- Report of Agenda Committee – Secretary-Treasurer David Okumura
- Reading and Approval of the July 10, 2015 and August 27, 2015 Board of Directors Minutes – Secretary-Treasurer David Okumura
- Report of President
- Report of Vice President
- Report of Secretary-Treasurer
- Report of General Manager
- Affiliate Reports

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APPROVAL OF CONSENT AGENDA:

<u>BENEFITS ITEMS</u>

FISCAL ITEMS

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

ROLL CALL
CSEA Board of Directors Meeting
October 9, 2015 1pm

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

Board Alternates:
Arlene Espinoza – ACSS, Inc./VP of Membership Development
Harold Rose – CSR/CFO, Secretary
Tamekia Robinson – SEIU Local 1000, VP for Organizing/Representation
Susan Smith – CSUEU, VP for Representation

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

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MINUTES
CSEA BOARD OF DIRECTORS MEETING

Telephone Conference
Friday, July 10, 2015 12 p.m.

Meeting convened at 12:05 pm.

CSEA Board members Called-in:
Marilyn F. Hamilton, CSEA President
David Okumura, CSEA Secretary-Treasurer
Arlene Espinoza, ACSS Inc. President
Frank P. Ruffino, ACSS Inc. Vice President of Governmental Affairs
Tim Behrens, CSR President
Fritz Walgenbach, CSR Executive Vice President
Gus Lease, CSR Vice President
Yvonne Walker, SEIU Local 1000 President
Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer

Harold Rose, CSR CFO, Secretary
Todd D' Braunstein, ACSS Inc. Vice President of Membership Development

CSEA Board members physically present:
Elnora Hunter-Fretwell, ACSS Inc. Executive Vice President
Patrick N. Gantt, CSUEU President
Loretta Seva'aetasi, CSUEU Vice President for Finance
Susan Smith, CSUEU Vice President Representation
(Sitting in for Michael Geck, CSUEU Vice President for Organizing)

A quorum was present.

CSEA and Affiliate Staff Present:
Lee King, CSEA General Manager
Rocco Paternoster, ACSS Executive Director
Bob Hendricks, CSR Executive Director
Brian Lee, CSUEU Executive Director
Michael Carr, CSEA Controller
Lao Sok, Board Assistant
Pam Robison, ACSS Treasurer
Christopher F. Anderson, Attorney Salem & Green

Two items tabled from the June 13, 2015 CSEA Board of Directors meeting were presented:

1. Approval of the contract memorializing the current Central Support Funding Agreement
2. Approval of the 2016-2018 Central Support Budget

FIS 6/15/2: Approval of the Central Support Funding Agreement
Based on the input and concerns from the affiliates the Funding Agreement Between CSEA and Its Affiliates; Section III CSEA Corporate Maintenance Funding had been edited as reflected below:

III. CSEA Corporate Maintenance Funding
The parties, and each of them, agree that the annual costs of maintaining CSEA as a corporation will be funded equally by the four Affiliates. For the first two years of this agreement, January 1, 2017 through December 31, 2018 the annual funding amount for each Affiliate shall be $151,200 for each of those two years. By December 31, 2018 the Parties shall meet to determine the amount of funding for subsequent years. By December 1 of each year following 2017, CSEA shall submit to the Affiliates the annual costs of maintaining CSEA as a corporation for the subsequent year.

BD 7/15/2 MOTION: Moved by Okumura, second by Lease that the Board of Directors approve the Central Support Funding Agreement (FIS 6/15/2).

The Board of Directors discussed the approval of the Central Support Funding Agreement and decided to postpone it to a later date pending the affiliates input on the changes.

BD 8/15/2 MOTION for FIS 6/15/2 withdrawn by Okumura.

FIS 7/15/2: Approval of the 2016-2018 Central Support Budget
From the June 13, 2015 CSEA Board of Directors meeting, CSUEU presented to the Board of Directors a Contingency Budget to be attached to the 2016 – 2018 Central Support Budget. The contingency budget's purpose is to reflect that if CSUEU loses Fair Share Fees at any time during the 2016-2018, the fees paid to CSEA by CSUEU for direct business services to be reduce by 32% (a percentage equal to their anticipated approximate loss of revenue).

Rocco Paternoster was charged to research if it is possible to submit to the General Council Delegates the 2016 – 2018 CSEA Budget and to insert "contingency language" to the budget that said (In case of an emergency such as the loss of Fair Share Fees by the union the General Council Delegates give the authority to the CSEA Board of Directors to adjust the budget at the time to deal with the loss of revenue).

Report from Christopher F. Anderson: The current CSEA Bylaws do not allow for a contingency budget. The Board of Directors authority is limited up to 5% to make changes to expenditures from one line item to another. Chris Anderson suggested to the Board of Directors to make changes to the Bylaws to give the ability for the Board of Directors to adjust the budget.

The Board of Directors discussed the 2016-2018 Central Support Budget and the concerns of CSUEU.

BD 9/15/2 MOTION: Moved by Lease, second by Gantt to refer the 2016-2018 Central Support Budget back to staff & legal for more information. (Note – the Board did not vote on this motion. Rocco said – there is nothing that staff or legal can do. Staff needs direction from the Board on what proposed Bylaws changes would be).

BD 10/15/2 MOTION: Moved by Espinoza, second by Behrens to submit to the General Council Delegates the 2016-2018 Central Support Budget as is (FIS 7/15/2) and modification can be made at the Fiscal Committee meeting before General Council. (The Board further discussed the budget. Loretta Seva'aetasi disagrees with the motion because Loretta indicated that the Fiscal Committee did not give her the opportunity to speak or vote on the budget).

BD 11/15/2 MOTION for FIS 7/15/2 withdrawn by Espinoza.

BD 12/15/2 MOTION: Moved by Walker, second by Gantt that the Board of Director approve keeping the first year budget and ask Lee King to go back to work with CSUEU (Pat Gantt) to reduce the 2nd and 3rd year amount. Deadline for Lee King and CSUEU to have a modified 2017 and 2018 budgets by July 15, 2015. (Note-Board did not vote on this motion).

BD 13/15/2 MOTION: Moved by Walgenbach, second by Lease to substitute Walker's motion to submit to the General Council Delegates the 2016 – 2018 Central Support Budget (FIS 7/15/2) as is. Roll call vote. 8 yes; 5 No. Motion CARRIED.

Meeting adjourned at 1:35 pm.

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BOARD AGENDA ITEM	**FIS 6/15/2 (David Okumura)**
ACTION ITEM	Date: 7/10/15
SUBJECT:	Central Support Funding Agreement
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Lee King
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors approve the Central Support Funding Agreement.

BACKGROUND:

Under the amended Service Agreement with SEIU Local 1000, there is no mention of Central Support funding after 2016. The 4 Affiliates met previously and reviewed the basic costs of maintaining CSEA as a corporate entity (absent any costs required to provide services to any Affiliate). The 4 Affiliates came to an agreement to split those basic costs equally (i.e. one fourth each). The purpose of this Action Item is to memorialize in writing the aforementioned oral agreement.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: Each of the 4 Affiliates commit to fund one-fourth each of the basic costs of maintaining CSEA as a corporate entity.

BOARD ACTION:

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BOARD AGENDA ITEM	**FIS 7/15/2 (David Okumura)**
ACTION ITEM	Date: 7/10/15
SUBJECT:	CSEA Budget for 2016 - 2018
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Michael Carr
ASSIGNED TO:	Michael Carr

RECOMMENDED ACTION:

The Board of Directors approve the attached CSEA budget for the 3 years ending December 31, 2018.

BACKGROUND:

In accordance with the policy file, the Finance Committee has reviewed the attached budget and is submitting it to the Board for approval. After the Board has approved this budget, it will be mailed to the General Council Delegates not later than 60 days prior to the convening of General Council (October 10, 2015).

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: The funding by each Affiliate is reflected in the attached budget.

BOARD ACTION:

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MINUTES
CSEA BOARD OF DIRECTORS MEETING

Telephone Conference
Thursday, August 27, 2015 6 pm

Meeting convened at 6:02 pm.

CSEA Board members Called-in:
Marilyn F. Hamilton, CSEA President
David Okumura, CSEA Secretary-Treasurer
Patrick N. Gantt, CSUEU President
Yvonne Walker, SEIU Local 1000 President
Tim Behrens, CSR President
Frank P. Ruffino, ACSS Inc. President
Loretta Seva'aetasi, CSUEU Vice President for Finance
Susan Smith, CSUEU Vice President Representation
(Sitting in for Michael Geck, CSUEU Vice President for Organizing)
Theresa Taylor, SEIU Local 1000 VP/Secretary-Treasurer
Margarita Maldonado, SEIU Local 1000 VP for Bargaining
Fritz Walgenbach, CSR Executive Vice President
Gus Lease, CSR Vice President
Pam Robison, ACSS Secretary/Treasurer
(Sitting in for Todd D' Braunstein, ACSS Inc. Vice President of Membership Development)
Elnora Hunter-Fretwell, ACSS Inc. Executive Vice President
Arlene Espinoza, ACSS Inc. VP of Membership Development

CSEA Board members physically present:
Harold Rose, CSR CFO, Secretary

A quorum was present.

CSEA and Affiliate Staff Present:
Lee King, CSEA General Manager
Rocco Paternoster, ACSS Executive Director
Bob Hendricks, CSR Executive Director
Michael Carr, CSEA Controller
Lao Sok, Board Assistant

The purpose of this meeting was to discuss/act upon the attached Agenda Items:
B&P 2/15/3 Rescind Proposed B&P 1/14/4
B&P 3/15/3 Submitting B&P 1, 2 & 3/15 to 2015 GC Delegates

BD 14/15/3 MOTION: Moved by Ruffino, second by Walker that the existing proposed amendment to the CSEA Bylaws, B&P 1/14/4, be rescinded from submission to the Delegates of the 2015 General Council. Motion was adopted by general consent. CARRIED.

BD 15/15/3 MOTION: Moved by Ruffino, second by Walker that the attached amendments to the Bylaws (B&P 1/15, 2/15 and 3/15) be submitted to the 2015 General Council delegates. Motion was adopted by general consent. CARRIED.

No other matters were addressed.

Meeting adjourned at 6:10 pm.

BOARD AGENDA ITEM	B&P 2/15/3
ACTION ITEM	Date: August 27, 2015
SUBJECT:	Rescind Proposed B&P 1/14/4
SOURCE AND/OR PROPONENT:	Board of Directors
PRESENTATION BY:	Marilyn F. Hamilton
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the existing proposed amendment to the CSEA Bylaws, B&P 1/14/4, be rescinded from submission to the Delegates of the 2015 General Council.

BACKGROUND:

B&P 1/14/4 was originally adopted by the Board on November 17, 2014 to be submitted to the Delegates of the 2015 General Council.

Reference: B&P 1/14/4; Board Motion (BD 31/14/4)

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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BOARD AGENDA ITEM	**B&P 1/14/4** (Hamilton)
ACTION ITEM	DATE: 11/17/14
SUBJECT:	CSEA Bylaws Revision – New Governance Structure
SOURCE AND/OR PROPONENT:	Board of Directors
PRESENTATION BY:	Marilyn F. Hamilton
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the attached amendment to the Bylaws, in the form of a new article, XIX New Governance Structure for the Association, be submitted to the Board of Directors for adoption and submitted to the Delegates of the 2015 General Council.

BACKGROUND:

See whereas clauses as part of proposed Bylaw revision.

ESTIMATED COST/SAVINGS: No additional costs associated with this bylaw change. Significant savings to Affiliates due to reduced governance costs associated with General Council. Also, there would be reduced meeting and expense costs due to small Board size.

FUNDING SOURCE: N/A

BOARD ACTION:

Attachment, B&P
1/15

B&P 1/15

SUBJECT:	CSEA Bylaws Revision – New Governance Structure
SUBMITTED BY:	Board of Directors
REFERENCE:	CSEA Bylaws Revision

WHEREAS, (1) all four affiliates of the California State Employees Association recognize their common history in the creation of the California Public Employees Retirement System and share a common goal of preserving, protecting and strengthening the long term viability of defined benefit retirement programs; and,

WHEREAS, (2) all four affiliates of the California State Employees Association recognize their common history in moving legislation on every aspect of state employment, notably the merit system, health care benefits and countless parts of the Government Code that benefit the public as well as public employees; and,

WHEREAS, (3) all four affiliates of the California State Employees Association share a common interest in preserving, protecting and insuring the viability of health care benefits for their members both while actively employed and in retirement; and,

WHEREAS, (4) all four affiliates of the California State Employees Association recognize their common history of accomplishment for state employees and the public and desire to preserve the opportunity to enjoy a close working relationship through the Association by creating a more adaptable, affordable and responsive business services provider for the ever-changing needs of all four affiliates; and,

WHEREAS, (5) the General Council delegates previously changed the Bylaws of the California State Employees Association to transfer responsibility for direct representation of individual members to the incorporated Affiliates of the Association; and, simultaneously narrowed the primary mission of the Association to be a cost efficient provider of shared administrative services; and,

WHEREAS, (6) the California State Employees Association Bylaws have not kept pace with this shift in mission purpose and results in abnormally high governance costs in relation to the narrow scope of central support services that are required by the Affiliates; and,

WHEREAS, (7) all four affiliates of the California State Employees Association have assumed full control and responsibility for selecting and supervising their own staff employees and are directly responsible for bargaining, member representation and political affairs; and,

WHEREAS, (8) the officers and Boards of Directors of all four affiliates of the California State Employees Association have a fiduciary responsibility to be accountable to their members and exercise full and exclusive control over the use of their members' dues; and,

WHEREAS, (9) the California State Employees Association continues to incur time and expenses in electing statewide officers, approving a central support budget and approving bylaw changes at an annual cost to Affiliate members of approximately $1,000,000; and,

WHEREAS, (10) the California State Employees Association's central support management team needs to be more nimble in its decision-making ability to cost effectively meet the business needs of the Affiliates and is hampered from doing so by a three-year budget cycle; and,

WHEREAS, (11) the officers and Boards of Directors of all four affiliates of the California State Employees Association expect central support services of the Association to operate as an asset by creating net value for the Affiliates; and now therefore be it

RESOLVED: (a) that pursuant to Article XVII, Section 1 of the Bylaws and applicable law, the delegates to the 67th General Council do hereby adopt an amendment to the 2012-2015 Bylaws (the "Current Bylaws") of the California State Employees Association, a California nonprofit mutual benefit corporation (the "Association") that was submitted by the Board of Directors in compliance with Article IX, Section 11(a)(4), by making the changes to the Current Bylaws set forth below these recitals;

RESOLVED: (b) that effective immediately, the Active Members of the Association no longer elect the Officers of the Association, no Officers of the Association shall be elected at this 67th General Council and shall be instead elected as set forth in the Current Bylaws as so amended; and

RESOLVED: (c) that the Current Bylaws shall be amended to include a new Article XIX to read in its entirety as follows:

<u>Article XIX: New Governance Structure for the Association</u>

<u>Section 1. Creation of a New Class of Membership</u>

<u>The Association shall have a new class of membership called Affiliate Entity Members. The Affiliate Entity Members shall consist of four (4) members: SEIU Local 1000; California State Retirees; CSU Employees Union; and the Association of California State Supervisors.</u>

Section 2. Change in Voting Rights of Active Members; General Council Meetings

The Active members shall have no voting rights as to the Association, except the right to vote on the ratio of General Council chapter delegates to members and the dissolution of the Association after each of the Affiliate Entity Members has approved the dissolution of the Association. The General Council shall only meet when a special session of the General Council has been called by the Board of Directors.

Section 3. Voting Rights of Affiliate Entity Members

The Affiliate Entity Members shall have the right to designate the Directors of the Association as set forth in Section 4 below. The Affiliate Entity Members shall have the right to vote as members on all matters which cannot be exclusively exercised by the Board of Directors under the California Nonprofit Mutual Benefit Corporation Law and each Affiliate Entity Member shall have the right to approve the dissolution of the Association before it is submitted to a vote of the Active members as set forth in Section 2 above.

Section 4. Number of Directors and Election of Directors

The Association shall have eight (8) Directors. Each Affiliate Entity Member shall designate two (2) Directors. Each Affiliate Entity Member shall be entitled to remove either or both of its Directors with or without cause and to fill any vacancy(ies) for its Director(s). Each Affiliate Entity Member shall determine its own internal procedures for designating two (2) Directors.

Section 5. Election of Officers; General Manager

The Association shall initially only have the following officers: Chair and Secretary/Treasurer. The Board may create additional officers. The Board of Directors shall elect the Chair of the Board and all other officers of the Association, who shall all serve at the pleasure of the Board of Directors. The Chair and Secretary/Treasurer may not be associated with the same Affiliate Entity Member. The Board of Directors shall engage the General Manager of the Association, who shall serve at the pleasure of the Board of Directors, subject to the terms of any written agreement. The General Manager shall be the chief executive officer of the Association if designated by the Board of Directors; and, in the absence of such designation, the Chair shall be the interim chief executive officer. The General Manager shall not be a Director.

Section 6. Powers of the Board of Directors

(a) To the maximum extent permitted by law, the Board of Directors shall have the right to vote on all matters except for the right to vote on matters as mentioned in Sections 2 and 3 above. The Board of Directors shall have the right and power to conduct the activities and affairs of the Association and to exercise all corporate powers of the Association, including but not limited to the right to amend the Bylaws.

(b) The approval by at least five of the Directors present and voting at a meeting at which a quorum is present shall constitute approval of the Board, provided that at least one of the Directors designated by each Affiliate Entity Member shall have approved the action at the same meeting.

Section 7. Repeal of Current Board Composition; Removal of all Current Directors

Article IV, Section 1 is repealed. The Active members and the affiliates/divisions remove all of the current Directors of the Association upon the earliest of (a) 20 calendar days after General Council or (b) the date an Affiliate Entity Member designates such Director's replacement; provided that no Director's term may be extended beyond the term for which they were elected. However, if an Affiliate Entity Member designates the same person as a current Director, the person would continue to serve as a Director.

(a) This Amendment shall take priority over the Current Bylaws. Any conflict between the Current Bylaws and this Amendment shall be resolved in favor of this Amendment. In order to give full effect to this Amendment, any conflicting provision of the Current Bylaws shall be deemed amended or repealed to the extent necessary, and the Bylaws as so amended herein are hereby ratified.

(b) This Amendment shall be effective upon the adjournment of the 67th General Council in accordance with Article XVII, Section 3 of the Current Bylaws.

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BOARD AGENDA ITEM	B&P 3/15/3
ACTION ITEM	Date: August 27, 2015
SUBJECT:	Proposed GC Resolutions – CSEA Bylaws Revisions
SOURCE AND/OR PROPONENT:	Board of Directors
PRESENTATION BY:	Marilyn F. Hamilton
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the attached amendments to the Bylaws (B&P 1/15; 2/15; 3/15) be submitted to the Board of Directors for adoption and submitted to the Delegates of the 2015 General Council:

B&P 1/15; New Governance Structure
B&P 2/15; Budget Governance
B&P 3/15; GC Quorum Requirements

BACKGROUND:

See whereas clauses as part of the proposed Bylaw revisions.

ESTMATED COST/SAVINGS: No additional costs associated with these bylaw changes. Significant savings to Affiliates and CSEA due to reduced governance costs associated with General Council. Costs necessary to conduct mail ballots would be reduced. Costs necessary to support three statewide officers would be eliminated as well as reducing costs as a result of a smaller Board of Directors.

FUNDING SOURCE: N/A

BOARD ACTION:

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B&P 1/15

SUBJECT:	CSEA Bylaws Revision – New Governance Structure with Delegates Retained Authority to Approve Bylaw Amendments and Board Dispute Resolution Process Added
SUBMITTED BY:	Board of Directors
REFERENCE:	CSEA Bylaws Revision

WHEREAS, the General Council delegates previously changed the Bylaws of the California State Employees Association ("CSEA") to transfer responsibility for direct representation of individual members to the incorporated affiliates of CSEA; and, simultaneously narrowed the primary mission of CSEA to be a cost efficient provider of shared administrative services; and,

WHEREAS, the CSEA Bylaws have not kept pace with this shift in mission purpose and results in abnormally high governance costs in relation to the narrow scope of central support services that are required by the affiliates; and,

WHEREAS, at the 2012 General Council, B&P 1/12 was proposed but was not passed by the delegates; and,

WHEREAS, this resolution is substantially the same as B&P 1/12, except that (1) the delegates retain the right to vote on any amendments to CSEA's Bylaws and (2) a dispute resolution process was added to address if the Board deadlocks because of the action of one affiliate or its board members; and now therefore be it

RESOLVED: (a) that pursuant to Article XVII, Section 1 of the Bylaws and applicable law, the delegates to the 67th General Council do hereby adopt an amendment to CSEA's September 2012 Bylaws (the "Current Bylaws") that was submitted by the Board of Directors in compliance with Article IX, Section 11(a)(4), by making the changes to the Current Bylaws set forth below these recitals;

RESOLVED: (b) that since after giving effect to this amendment to the Current Bylaws, the Active Members of CSEA no longer elect the officers of the Association, no officers of CSEA shall be elected at this 67th General Council and shall be instead elected as set forth in the Current Bylaws as so amended; and

RESOLVED: (c) that the Current Bylaws shall be amended to include a new Article XIX and **Exhibit A** to read in their entirety as follows:

Note: New B&P 1

Article XIX: New Governance Structure for the Association

Section 1. Creation of a New Class of Membership

CSEA (also referred to as the "Association") shall have a new class of membership called Affiliate Entity Members. The Affiliate Entity Members shall consist of four (4) members: SEIU Local 1000; California State Retirees; CSU Employees Union; and the Association of California State Supervisors.

Section 2. Change in Voting Rights of Active Members; General Council Meetings

The Active members shall have the following voting rights, through the vote of their delegates, as a separate single class:

(a) to approve any amendments to the Bylaws; and

(b) the right to vote on the dissolution of the Association.

Other than the above two rights, the Active members shall have no other voting rights.

The General Council shall only meet when a special session of the General Council has been called by the Board of Directors.

Section 3. Voting Rights of Affiliate Entity Members

The Affiliate Entity Members shall have the right to designate the Directors of the Association as set forth in Section 4 below. The Affiliate Entity Members shall not have the right to vote on the matters in the above Section 2 or any other matters, except that the Affiliated Entity Members, voting together as a separate class, shall have the right to vote on all other matters which cannot be exclusively exercised by the Board of Directors under the California Nonprofit Mutual Benefit Corporation Law or these Bylaws.

Section 4. Number of Directors and Election of Directors

The Association shall have eight (8) Directors. Each Affiliate Entity Member shall designate two (2) Directors. Each Affiliate Entity Member shall be entitled to remove either or both of its Directors with or without cause and to fill any vacancy(ies) for its Director(s). Each Affiliate Entity Member shall determine its own internal procedures for designating two (2) Directors.

Section 5. Election of Officers; General Manager

The Association shall initially only have the following officers: Chair and Secretary/Treasurer. The Board may create additional officers. The Board of Directors shall elect the Chair of the Board and all other officers of the Association, who shall all serve at the pleasure of the Board of Directors. The Chair and Secretary/Treasurer may not be associated with the same Affiliate Entity Member. The Board of Directors shall engage the General

Note: New B&P 1

Manager of the Association, who shall serve at the pleasure of the Board of Directors, subject to the terms of any written agreement. The General Manager shall be the chief executive officer of the Association if designated by the Board of Directors; and, in the absence of such designation, the Chair shall be the interim chief executive officer. The General Manager shall not be a Director.

Section 6. Powers of the Board of Directors

(a) To the maximum extent permitted by law, the Board of Directors shall have the right to vote on all matters except for the right to vote on matters as stated in Sections 2 and 3 above. The Board of Directors shall have the right and power to conduct the activities and affairs of the Association and to exercise all corporate powers of the Association.

(b) Except as set forth in Section 6(c) below, the approval by at least five of the Directors present and voting at a meeting at which a quorum is present shall constitute approval of the Board, provided that at least one of the Directors designated by each Affiliate Entity Member shall have approved the action at the same meeting.

(c) If a matter was approved by at least five Directors in Section 6(b) but did not pass due solely to the no votes or failure to vote of the Director(s) designated by a single Affiliate Entity Member ("Blocking Director(s)") ("Failed Matter"), the Directors voting for the Failed Matter (the "Majority Directors") may invoke the Board Dispute Resolution Process by sending a written notice signed by all of the Majority Directors to the Blocking Director(s) with copies to the Association's General Manager and the Affiliate Entity Member who appointed the Blocking Director(s). To be timely, the written notice must be delivered to the applicable parties within 30 days of the vote on the Failed Matter ("Board Dispute Resolution Notice"). The Board Resolution Process shall be as set forth in **Exhibit A**.

(d) If, as a result of the process described in Section 6(c), there has been a Pro Majority Arbitration Finding, then the approval by five of the Directors present and voting at a meeting at which a quorum is present shall constitute approval of the Board as to such matter.

Section 7. Repeal of Current Board Composition; Removal of all Current Directors

Article IV, Section 1 is repealed. The Active members and the affiliates/divisions shall remove all of the current Directors of the Association upon the earliest of (a) 20 calendar days after General Council or (b) the date an Affiliate Entity Member designates such Director's replacement; provided that no Director's term may be extended beyond the term for which they were elected. However, if an Affiliate Entity Member designates the same person as a current Director, the person would continue to serve as a Director.

* * * * * * * * * *

Note: New B&P 1

This Amendment shall take priority over the Current Bylaws. Any conflict between the Current Bylaws and this Amendment shall be resolved in favor of this Amendment. In order to give full effect to this Amendment, any conflicting provision of the Current Bylaws shall be deemed amended or repealed to the extent necessary, and the Bylaws as so amended herein are hereby ratified.

This Amendment shall be effective upon the adjournment of the 67th General Council in accordance with Article XVII, Section 3 of the Current Bylaws.

RECOMMENDED ACTION: The CSEA Board recommends adoption.

ESTIMATED CSEA COST: Costs necessary to support three statewide officers would be eliminated as well as reducing costs as a result of a smaller Board of Directors.

ACTION: To Board….Adopt….Reject….Amend….Affiliate(s)

Note: New B&P 1

EXHIBIT A

BOARD RESOLUTION PROCESS

The Board Resolution Process referred to in Article XIX, Section 6(d) of the Bylaws consists of the following:

1. <u>Facilitation Process</u>

1.1 Facilitation Meeting. Within 60 days of the Board Dispute Resolution Notice, at least one Director appointed by each Affiliate Entity Member and any Blocking Director(s) shall meet with a mutually agreeable Facilitator or, if the Directors cannot agree, with a Facilitator selected by the Board to see if the Directors can reach a mutually acceptable resolution of the Failed Matter. The [applicable] Directors shall meet with the Facilitator as follows ("Required Facilitation Time"):

1.1.1 Until there has been a mutually agreeable resolution; or

1.1.2 For as long as the Directors present mutually agree.

.**1.2 Facilitation Rules.** The following rules shall apply to the facilitation process:

1.2.1 The Facilitator shall be a person experienced in facilitations that has been professionally compensated for his or her facilitations' services and shall be independent of the Association, the Directors, the General Manager and the Affiliate Entity Members.

1.2.2 The Association shall pay all of the costs of the facilitation process.

1.2.3 If the Required Facilitation Time lapses without a solution acceptable to all of the Directors, the Majority Directors (by the written request of each Director making up the Majority Directors) or any Blocking Director may either

(a) Request Mediation under the Mediation Process in Section 2 below; or

(b) Proceed to Arbitration under Section 3 below.

1.2.4 If the Blocking Director(s) fail to participate in the facilitation, the Majority Directors (by the written request of each Director making up the Majority Directors) may either

(a) Request Mediation under the Mediation Process in Section 2 below; or

(b) Proceed to Arbitration under Section 3 below.

2. <u>Mediation Process</u>

2.1 Mediation under AAA Commercial Mediation Procedures. If the Directors are not able to reach a mutually acceptable resolution of the Failed Matter and Sections 1.2.3 or 1.2.4 above apply, the Majority Directors on the one hand and a Blocking Director or Blocking

Directors on the other hand agree to try in good faith to resolve the Failed Matter by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures. The Majority Directors or the Blocking Director(s) may terminate the mediation at any time by notice to the Majority Directors or Blocking Directors as applicable.

2.2 Costs of Mediation. The Association shall pay the costs of the Mediation.

2.3 Request for Arbitration. If the Mediation is terminated without a satisfactory resolution, then either the Majority Directors (by the written request of each Director making up the Majority Directors) or any Blocking Director may request Arbitration of the Failed Matter under Section 3.

3. <u>Arbitration Process</u>

3.1 Matter to be Arbitrated. The sole matter to be arbitrated shall be the following issue, which shall be decided by the Arbitrator as either "yes" or "no"[1]:

> Did the Blocking Director(s) in voting on the Failed Matter or in failing to vote act in accordance with the standards in Sections 7231 and 7231.5 of the California Corporations Code for the taking of actions by a director of a California Nonprofit Mutual Corporation ("Director Standards"), which in short provide for:
>
> - Performing his or her duties as a director in good faith;
> - Performing his or her duties in a manner the director believes to be in the best interest of the Association; and
> - Performing his or her duties with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances?

3.2 Best Interest of the Association. For avoidance of doubt, the Arbitrator shall interpret the best interest of the Association to mean the Association as an entity without regard to the separate interests of the Affiliate Entity Members or any division of the Association.

3.3 Consent to Arbitration. Each Director by virtue of being a Director and each Affiliate Entity Member by virtue of being an Affiliate Entity Member agrees to the Arbitration Process in this Exhibit A, Section 3 when appropriately requested and shall sign any additional documents reasonably requested by the Board to further document this consent. The arbitration under this Exhibit A, Section 3 shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

3.4 Remedies. The Arbitrator may only enter a finding of whether the Blocking Director(s) did or did not meet the Director Standards and shall have no authority to enter other remedies, including damages or equitable relief (other than for the costs of the arbitration

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1 A "no" finding shall be treated as a Pro Majority Arbitration Finding under Article XIX, Section 6(c) of the Bylaws of the Association.

as set forth in Section 3.5 below).

3.5 Costs of Arbitration. Neither the Association nor any individual Director shall be required to pay any of the costs of the Arbitration or be subject to any damages. If the Arbitrator finds that the Blocking Director(s) met the Director Standards, the Affiliate Entity Member who appointed the Blocking Directors shall be treated as the prevailing party. If the Arbitrator finds that the Blocking Director(s) did not meet the Director Standards, the Affiliate Entity Members who appointed the Majority Directors shall be treated collectively as the prevailing party. The Arbitrator shall award to the prevailing party all of its costs and fees. As used herein, "Costs and fees" mean all reasonable pre-award expenses of the arbitration, including the arbitrators' fees, administrative fees, travel expenses, out-of-pocket expenses such as copying and telephone, court costs, witness fees and attorneys' fees. If the Affiliate Entity Members who appointed the Majority Directors are found to be the prevailing party, their reasonable fees shall only include the attorneys' fees of one set of attorneys acting on behalf of the Majority Directors as a group.

3.6 Qualifications of Arbitrator. The Arbitrator shall be a retired judge of any of the state courts of California.

3.7 Location of Arbitration. The Arbitration shall be held in Sacramento, California.

3.8 Governing Law. The Arbitrator shall apply California law and with respect to Section 3.1 above, California's Nonprofit Mutual Benefit Corporation Law.

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B&P 2/15

SUBJECT: CSEA Bylaws Revision – Budget Governance

SUBMITTED BY: Board of Directors

REFERENCE: CSEA Bylaws Revision

WHEREAS, all four affiliates of the California State Employees Association ("CSEA") are corporations that control their own finances and fund their own programs that relate to their members' respective interest; and

WHEREAS, CSEA's central support management team needs to be more nimble in its decision-making ability to cost effectively meet the business needs of the affiliates and is hampered from doing so by a three-year budget cycle; and now therefore be it

RESOLVED, (a) that pursuant to Article XVII, Section 1 of the Bylaws and applicable law, the delegates to the 67th General Council do hereby adopt an amendment to CSEA's September 2012 Bylaws (the "Current Bylaws") that was submitted by the Board of Directors in compliance with Article IX, Section 11(a)(4), by making the changes to the Current Bylaws set forth below these recitals;

RESOLVED, (b) that Article XIII of the Current Bylaws shall be replaced in its entirety as follows:

ARTICLE XIII: Financial Operations of the Association

Section 1. Budget

The Board of Directors of the Association shall have the sole authority to adopt and amend the budget of the Association. This budget shall include the appropriate authorizations and funding for all services. The Association shall not make any commitments or expend any of the funds or other assets of the Association except in accordance with the Association's budget (including any amendments). No amendment to the budget may reduce the level of services to any affiliate or division without the consent of the Board of Directors of the affiliate or the division council, as applicable. A copy of the budget and any amendments shall be promptly provided to:

(a) Each of the affiliates and divisions; and

(b) Any Active member upon the written request of that Active member to the General Manager of the Association.

Section 2. Reserves

There is established an emergency reserve for use by the Board of Directors to meet the cost of unforeseen emergencies or extraordinary programs. The reserves shall be funded by cash, and the Board of Directors shall include in each budget the amount to be transferred to the reserve. Withdrawals from the emergency fund may be made by a two-thirds vote of the Board of Directors.

Section 3. Investment of Reserve Funds

The Board may:

(a) deposit reserve funds in institutions whose deposits are insured, up to the limit of insurance;

(b) invest such funds in United States government securities;

(c) invest such funds in major California banks' certificates of deposit; or

(d) authorize investment in a manner other than described above, if it is to the benefit of the Association and consistent with sound business practice by two-thirds vote.

Section 4. Fiscal Year

The "fiscal year" of the Association is from January 1 to December 31, inclusive.

RECOMMENDED ACTION: The Association's Board of Directors recommends adoption.

ESTIMATED ASSOCIATED COST: No anticipated costs.

ACTION: To Board….Adopt….Reject….Amend….Affiliate(s)

B&P 3/15

SUBJECT:	CSEA Bylaws Revision – General Council Quorum Requirements
SUBMITTED BY:	Board of Directors
REFERENCE:	CSEA Bylaws Revision

WHEREAS, California State Employees' Association ("CSEA") September 2012 Bylaws ("Current Bylaws") require that two-thirds of all mail ballots be returned to constitute a quorum for purposes of voting on a matter; and

WHEREAS, CSEA has found that historically it has not been able to use the mail ballot process, because less than two-thirds of the delegates return their ballots; and,

WHEREAS, to make the mail ballot process easier to use, CSEA's Board of Directors desires to reduce the requirement to return mail ballots from two-thirds to one-third of all mail ballots; and,

WHEREAS, in order to reduce the mail ballot quorum, the California Corporations Code requires that CSEA also reduce the quorum at General Council to one-third of the delegates;[1] and now therefore be it

RESOLVED, (a) that pursuant to Article XVII, Section 1 of the Bylaws and applicable law, the delegates to the 67th General Council do hereby adopt an amendment to the Current Bylaws that was submitted by the Board of Directors in compliance with Article IX, Section 11(a)(4), by making the changes to the Current Bylaws set forth below these recitals;

RESOLVED, (b) that Section 4(c) to Article XVI of the Current Bylaws is amended by revising this first sentence to read in its entirety as follows:

> <u>A quorum at the General Council is present if one-third of the delegates are present.</u>

RESOLVED, (d) that Section 2(b) to Article XVII of the Current Bylaws is amended by revising the first sentence to read in its entirety as follows:

> <u>The amendments contained in the resolution of the Board of Directors is/are affirmed and adopted if two-thirds of those ballots returned are in the affirmative,</u>

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1 Note, if the quorum in Art. XVI, Sec. 4(c) is greater than the quorum in Art. XVII, Section 2(b), the higher quorum requirement will apply to both provisions. See California Corporations Code Section 7513(b).

provided one-third of the ballots mailed must be returned to constitute a quorum for the vote.

RECOMMENDED ACTION: The Association's Board of Directors recommends adoption.

ESTIMATED ASSOCIATED COST: Costs necessary to conduct mail ballots would be reduced.

ACTION: To Board….Adopt….Reject….Amend….Affiliate(s)

BOARD AGENDA ITEM	BEN 4/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	E-Retailer via Payroll Deduction Purchasing Power, LLC Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. 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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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CSEA Business Review

CSEA Information

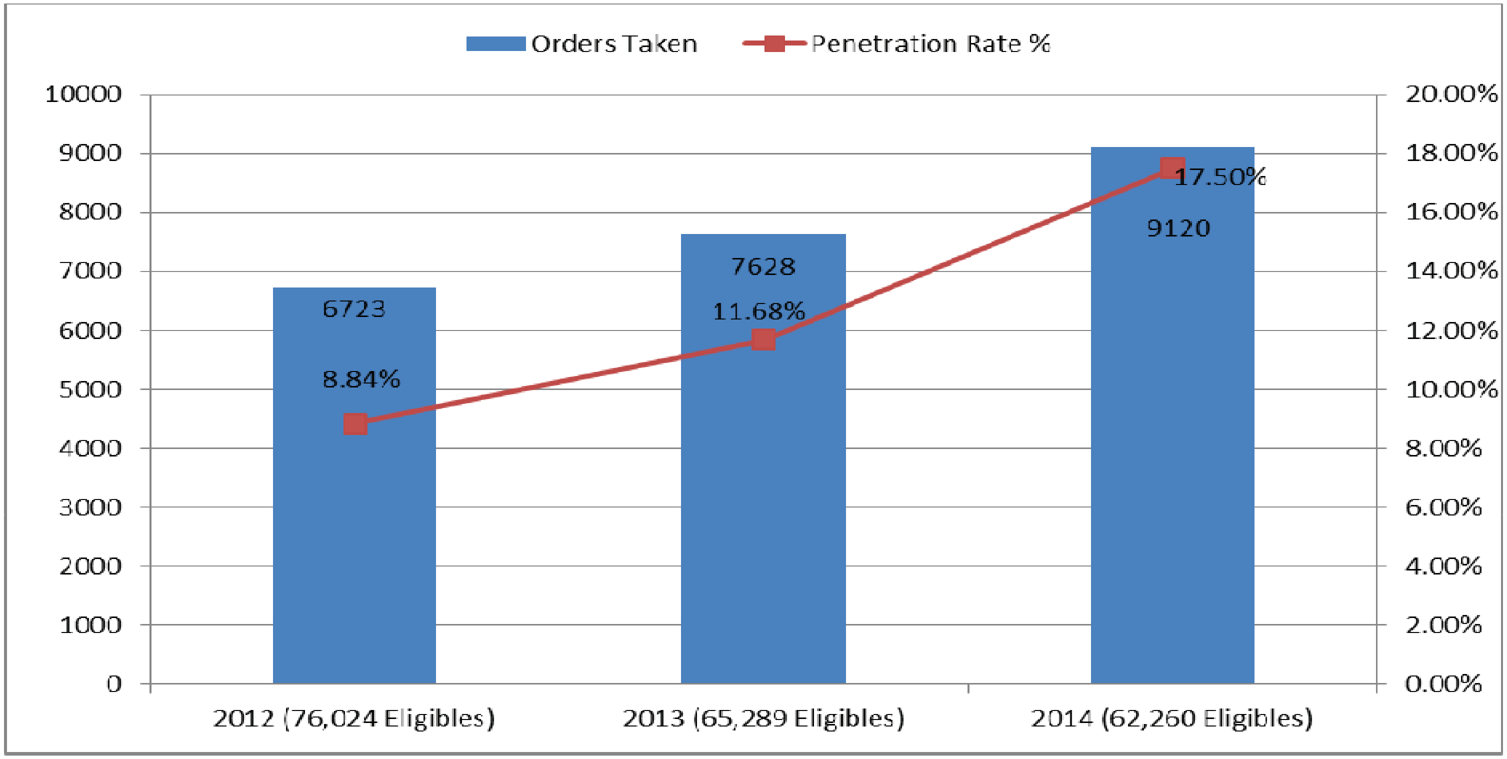
Background

- Launched – November 2007
- Enrollment Type – All Year
- Product Offering – Full Catalog (minus learning solutions)
- Eligible Associates – 52,197
- Payment Term – 18 Months

Program Eligibility

- You must be at least 18 years of age
- You must be a permanent full-time employee of the State of California for at least 6 months and be an active member of one of CSEA's Affiliates
- **OR** You must be a retiree from the State of California
- You must earn at least $16,000 a year

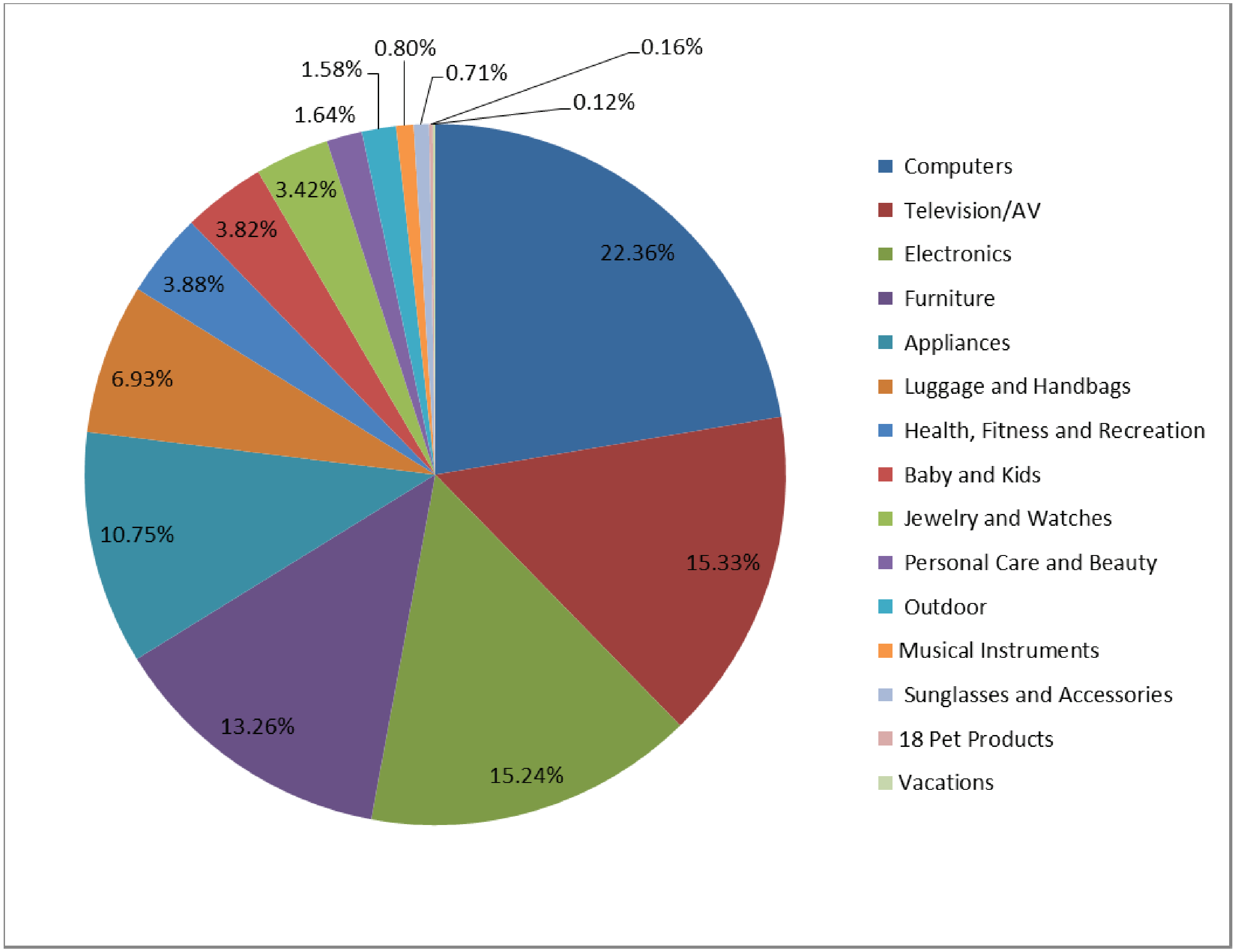
Utilization



**Penetration is total orders divided by total eligible*

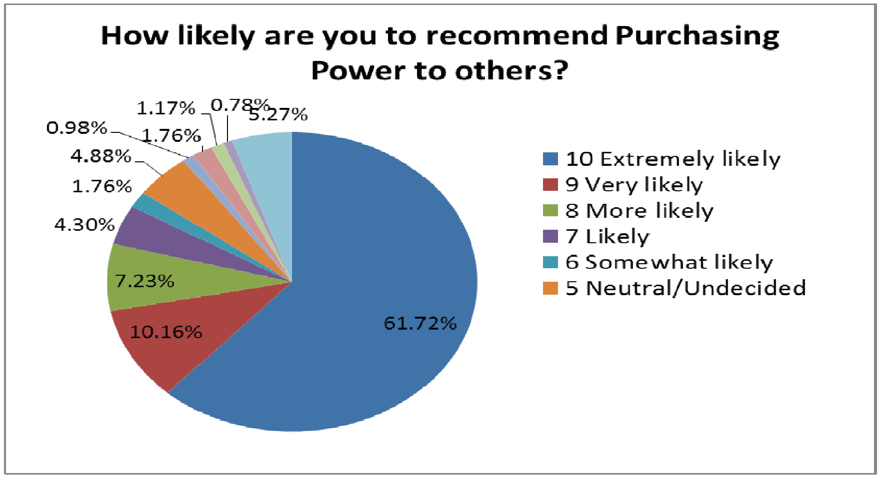
- 2014 penetration increased by 5.8% over 2013
- Orders increased by 7.76% over 2013
- Total users in 2014- 3,549
- Repeat users in 2014- 41%
- **YTD orders (June 28th 2015): 3,477**
- **YOY order variance: 1.50% (over 2014)**

Purchases by Product Category

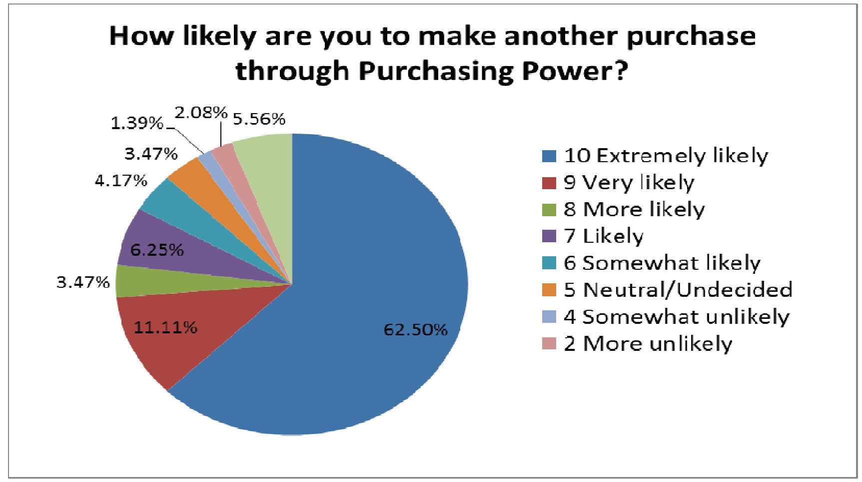


Satisfaction Survey

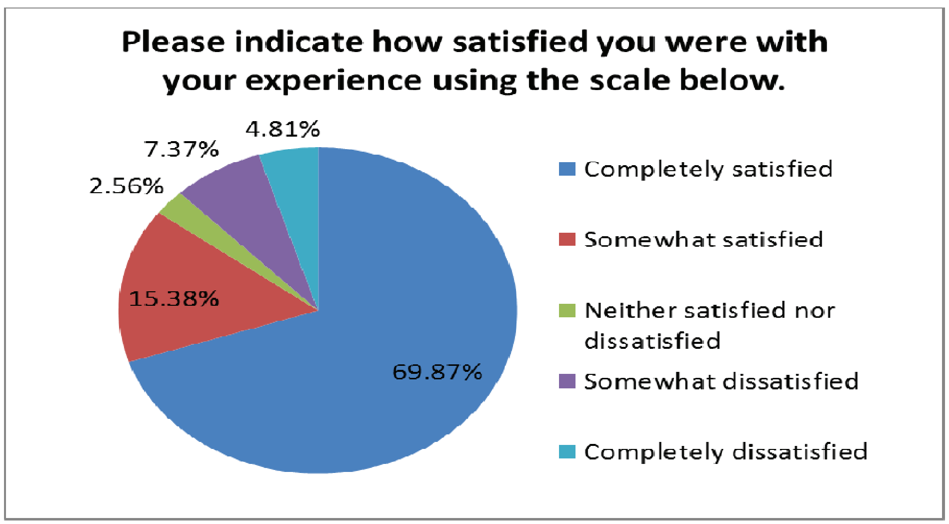
83% say they are Likely to recommend



87% say they Likely to reorder



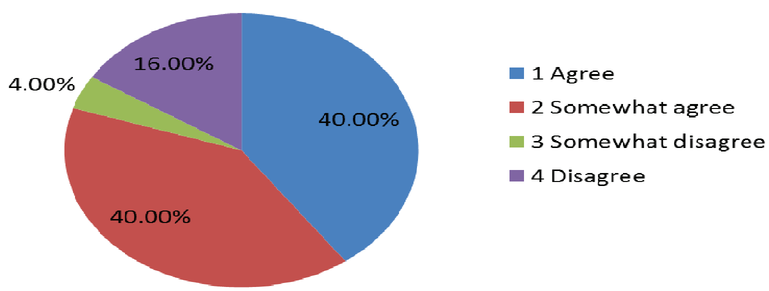
85% Overall Satisfaction



Engagement Survey

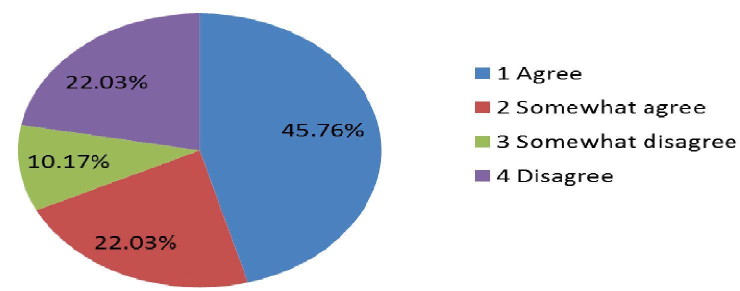
80% say they are more engaged at work

Access to Purchasing Power makes me more engaged at work



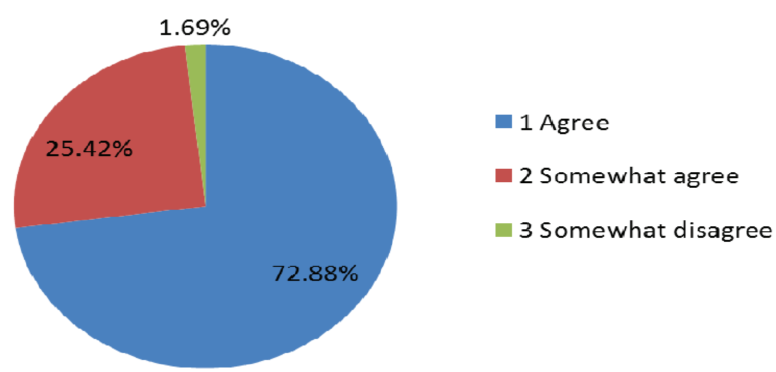
68% say they are loyal to their employer

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



98% say they are less financially stressed

Access to Purchasing Power helps reduce my financial pressure/stress



Major Accomplishments/Wins

- Program launch among the CSEA Retiree Population
- Removal of the Payroll Deduction Authorization form requiring a wet signature and replacing it with an e-signature process
- Meeting with the State Controller’s Office to improve the reporting & reconciliation process for CSEA customer accounts

Thank you for your time!

Please let us know if you have any questions!

BOARD AGENDA ITEM	BEN 5/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Legal & Identity Theft Plan Legal Club of America Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Conclude that there is no contingency reserve surplus.

2. Continue the plan with the Legal Club of America 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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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California State Employees Association	
Usage Report (01/01/2014 - 12/31/2014)	
Company Effective Date: 04/01/2002	
Total Members Since Inception	4,060
Active Members (12/31/2014)	1,510
Total Members Enrolled (01/01/2014 - 12/31/2014)	101
Total Usage (01/01/2014 - 12/31/2014)	613
Average Group Usage (Annualized)	**40.60%**
*(Total Usage/Active Members) * (12 months/Reporting Period)*	
Examples of Usage ***- Attorney assignment*** ***- General benefit question***	

- Number of Covered Members (12/31/2014): 1510
- Number of Plan Attorneys in California (12/31/2014): 1418
- Number of Members Using Plan Services (1/1/2014 – 12/31/2014): 613
- Total Premium (1/1/2014 – 12/31/2014): $93,039.55
- Reimbursement of Service Cost (1/1/2014 – 12/31/2014): $20,072.46

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BOARD AGENDA ITEM	BEN 6/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Auto and Homeowners Insurance Plan Kemper Select Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Conclude there is no contingency reserve surplus.

2. Continue the plan with the Kemper Select at current rates.

3. Continue marketing to increase plan participation.

BACKGROUND:

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

Attached is the 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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KEMPER

KEMPER SELECT

March 10, 2015

Ms. Lisa Fong
Director, Member Benefits
California State Employees Association
1108 O Street, Suite 303
Sacramento, CA 95814

Dear Lisa:

Per your request, I have outlined the Kemper Select automobile and homeowner insurance program as of 12/31/14 for the Benefit Committee's annual review.

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: $25,000 in December 2012 and $20,000 paid December 2013
    - 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.

Administrative Fee: The following administrative fee will be paid by Merastar (Kemper) to CSEA annually, on the annual anniversary of the Effective Date the contract Addendum (December).

2012	2013	2014	2015	2016
$25,000	$20,000	$15,000	$10,000	$10,000

Profit Sharing Schedule: Merastar (Kemper) will pay CSEA an annual profit sharing percentage based on CSEA's Earned Premium and policy retention percentage multiplied by the Bonus Percentage as outlined in the schedule below.

Loss Ratio	Retention		
	75% - 89%	90% - 95%	96% +
56% +	0%	0%	0%
55%	0.5%	1.0%	1.5%
54%	1.0%	2.0%	2.5%
53%	1.5%	2.5%	3.0%
52%	2.0%	2.5%	3.0%
51%	2.5%	3.0%	3.5%
50%	3.0%	3.5%	4.0%
49%	3.5%	4.0%	4.5%
48%	4.0%	4.5%	5.0%
47%	4.5%	5.0%	5.5%
46%	5.0%	5.5%	6.0%
45%	5.5%	6.0%	6.5%
44%	7.0%	8.0%	9.0%
43%	8.0%	9.0%	10.0%
42%	9.0%	10.0%	11.0%
41% or less	10.0%	11.0%	12.0%

Policies In Force:

Policies In Force	TOTAL	Auto	Home	Boat	Umbrella
2014	1757	1326	429	0	2
2013	1836	1414	415	0	2
2012	1813	1495	315	0	3

Compensation Paid to CSEA:

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

Earned Premium and Loss Summary:

Year	Earned Premium	Losses	Loss Ratio
2014	$2,446,205.00	$1,791,387.00	73.23%
2013	$2,481,504.00	$1,614,086.00	65.00%
2012	$2,348,740.00	$1,454,310.00	61.90%
TOTAL	$7,276,449.00	$4,859,783.00	66.78%

3-year loss average: 66.8%

Claims Detail:

2014	# Claims	Total Paid
Auto	414	$1,769,521.00
Home	13	$21,866.00
Total	427	$1,791,387.00

Additional Information:

- 99.7% of those who inquired received a completed quoted
- 282 new policies were sold
- 4 complaints received and satisfactorily resolved in 2014

Expense Summary:

Total marketing expenses for the year were $65,964.35. This included expenses for the following:

- Two (2) home mailings
- Customized Brochures for the EBRs
- Gold-level Sponsorship for Member Benefits Day
- New web banner for CSEA website

Future Marketing Plans:

2 mailings planned for 2015:

- April - May
- August – September
- Possible 4th quarter Newsletter insert

Please let me know if you have any questions or need any additional information.

Sincerely,

Dan Markey

Dan Markey
Operations Analyst/Account Executive

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BOARD AGENDA ITEM	BEN 7/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Group Term Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Earned Premium has not exceeded Plan Benefits and Expenses for 2013 and 2014 causing a Plan Loss and a reduction in the Claim Reserve.

2. The Claim Reserve is fully funded.

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

4. Continue Plans with Anthem Life Insurance Company.

BACKGROUND:

The original Group Term Life plan, which became effective more than seventy years ago, offers coverage under a schedule which increases with salary and decreases at age 50 thru 70. The current Group Term LifePLUS plan decreases at ages 65 and 70. Monthly premium rates per $1,000 coverage vary from .05¢ under age 25 to $1.90 at age 70 and older. The plan provides maximum basic coverage of $100,000 for those under age 65 whose salary is at least $2,500 per month. Supplemental coverage was offered to increase coverage. Accidental death and premium waiver benefits are included under the plan, and dependent life insurance coverage is also available. In July, 2002 a temporary premium rate discount of 20 percent was implemented to release excess margin in the contingency reserve. In December, 2005 this goal was met and premium rates were restored to the contractual levels.

In 2011, the premium rates were reduced an average of 30%+ with the goal of bringing in more new plan participants and premium to the Plans. A new 10-year level term life plan was introduced, and the term life program was extended to include associate members of CSEA. There is not yet enough data to review for either of these CSEA plans.

Attached is the 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Group Term and TermPLUS Life Insurance Plans

Plan Design:

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

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

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

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

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

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

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

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

Participation and Premium:

Participation and Premium in the Term LifePLUS Plan as of 12/31/13 and 12/31/14 are as follows:

Term and Term LifePlus	Insureds	Total Annual Premium
12/31/2013	9,018	$3,159,634
12/31/2014	8,923	$3,159,538

Participation has declined by 95 participants or 1% for the Term Life Plans while the average premium per policy increased slightly from $350 to $354 due to age increases.

Financial Experience:

Earned Premium was level for 2014 versus 2013 while expenses increased by $73,431 due to increased marketing costs. Incurred claims declined significantly by $998,906. Claim experience is very cyclical. The Plan suffered losses (Claims and Expenses exceeded Premium) in both 2013 and 2014 but results did improve in 2014 due to the reduction in incurred claims. The Claim Reserve while still well-funded (almost 2x the Earned Premium) decreased by $231,211.

	Earned Premium	Incurred Claims	Expenses	Profit/Loss for the Policy Year	Claim Reserve
2013	$3,159,634	$3,619,036	$1,176,847	($1,615,334)	$6,217,385
2014	$3,159,538	$2,620,130	$1,250,278	($710,870)	$5,986,174

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.
- Marketing efforts each year are undertaken to offset aging members leaving the program with the goal to attract younger participants.
- Incurred Claims have declined ($998,906) from 2013 to 2014. We continue to monitor the Claim activity closely.
- Expenses for the Plans are determined by contract and increased in 2014 due to additional 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 8/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Group Ordinary Life Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Earned Premium has not exceeded Plan Benefits and Expenses for 2013 and 2014 causing a Plan Loss and reduction in the Claim Reserve..
2. Claim Reserve is fully funded.
3. Continue to market Group Ordinary Life Plan to increase participants and premium.
4. Continue Plan with Anthem Insurance Company.

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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Group Ordinary Life Insurance Plan

Plan Design:

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

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

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

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

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

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

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

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

Participation and Premium:

Participation and Premium in the Group Ordinary Life Insurance Plan as of 12/31/13 and 12/31/14 are as follows:

Group Ordinary	Insureds	Total Annual Premium
12/31/2013	1,374	$324,965
12/31/2014	1,337	$313,911

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 $11,054 and expenses increased by $14,965. Incurred Claims declined by $58,427. The Plan suffered losses (Claims and Expenses exceeded Premium) in both 2013 and 2014. The Claim Reserve while still well-funded decreased by $66,862.

	Earned Premium	Incurred Claims	Expenses	Profit/Loss for the Policy Year	Claim Reserve
2013	$324,965	$520,599	$183,427	($379,061)	$860,323
2014	$313,911	$462,172	$198,392	($346,653)	$793,461

Findings:

- The Earned Premium for the past two years has not exceeded Plan Benefits plus Expenses (Claims, Taxes, Royalty, etc.) causing a Plan Loss and a reduction in the Claim Reserve.
- 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 increased a small amount in 2014.
- Need to add more insureds and premium to this Plan to increase participation and premium in the Plan. Marketing and promoting the Group Ordinary Life Plan is a goal in 2015 and 2016.

BOARD AGENDA ITEM	BEN 9/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Final Expense Insurance Plan Anthem Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

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

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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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 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.

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 not seen any demand for this product since introduction. We have sold one policy since inception for a premium of $287.
- There should be no direct mail marketing campaigns for this Plan.
- Continue to have the Plan available to CSEA members and keep Anthem Life Insurance Company as the Plan underwriter.

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BOARD AGENDA ITEM	BEN 10/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Accidental Death and Dismemberment Insurance Plan New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Premium rates are adequate to support current Plan expenses as long as the Premium Surplus Reserve maintains its current level.

2. The Premium Surplus Reserve is fully funded.

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

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

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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Accidental Death and Dismemberment Plan

Plan Design:

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

Actively Working - Benefit up to $500,000.

Retired - Benefit up to $200,000.

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

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

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

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

Participation and Premium:

Participation and Premium in the ADD Plan as of 12/31/13 and 12/31/14 are as follows:

ADD	Insureds	Total Annual Premium
12/31/2013	13,004	$2,408,723
12/31/2014	12,643	$2,372,814

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

Financial Experience:

Earned Premium decreased slightly (-$35,909) while expenses increased slightly ($17,352) from 2013 to 2014 while the amount of Incurred Claims decreased significantly (-$1,963,379)) and Marketing costs also decreased (-$66,640). 2013 had a number of large claims which contributed to the negative results. AD&D is very volatile and 2014 did not significant claims therefore positive results were achieved. The Premium Surplus Reserve is fully funded.

	Earned Premium	Incurred Claims	Expenses	Marketing	Profit/Loss for the Policy Year	Premium Surplus and Dividend on Deposit
2013	$2,408,723	$2,375,814	$824,648	$215,705	($1,007,276)	$1,294,661
2014	$2,372,814	$412,435	$842,000	$149,065	$969,315	$2,301,861

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 a very positive year in 2014 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 6.9% 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 decreased in 2014 due to less marketing costs.

- 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.

- Need to add more insureds (preferably younger) and premium (upgrades, cross-sells, no-cost coverage) to this Plan to smooth out the volatility as much as possible. A no-cost program will be launched this fall to attempt to grow the program.

BOARD AGENDA ITEM BEN 11/15/4 (Kilday-Hicks)

ACTION ITEM Date: 10/9/15

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

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

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

2. The Premium Surplus Reserve is fully funded.

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 2014 Annual Report.

ESTMATED 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 12/31/13 and 12/31/14 are as follows:

Long Term	Insureds	Total Annual Premium
12/31/2013	1,262	$762,995
12/31/2014	1,182	$746,308

Short Term	Insureds	Total Annual Premium
12/31/2013	304	$253,485
12/31/2014	274	$229,596

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

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

Financial Experience:

Earned Premium declined slightly (-$40,575) and Expenses increased slightly (+$13,740) from 2013 to 2014. The amount of Incurred Claims increased ($579,632) as there were significant reserve takedowns in 2013. Marketing costs increased (+$7,376) from the previous year. Both 2013 and 2014 were profitable (Premium collected exceeded Claims and Expenses paid) for the Plans resulting in Surpluses for both Policy Years. The Premium Surplus Reserve is fully funded.

	Earned Premium	Incurred Claims	Expenses	Marketing	Profit/Loss for the Policy Year	Premium Surplus
2013	$1,016,480	($246,953)	$403,166	$40,878	$819,390	$1,078,458
2014	$975,905	$332,679	$416,906	$48,254	$178,067	$1,015,896

Findings:

- Plan participation generally follows the economic cycle of the State of California.
- Premium rates are more than adequate to support the current Plan Expenses (Claims, Taxes, Royalty, etc.) and fund the Premium Surplus Reserve.
- Expenses of 9.0% for the Insurance Carrier are in line with similar accounts.
- The 2.7% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract.
- 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.

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BOARD AGENDA ITEM BEN 12/15/4 (Kilday-Hicks)

ACTION ITEM Date: 10/9/15

SUBJECT: Cancer Insurance Plans
Monumental Life Insurance Company
Annual Review

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

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

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

3. If the 2015 Policy Year ends with positive Premium Surplus Reserve, consider increasing lump sum benefits or a low percentage premium credit to existing insureds.

4. Continue the Plans with TransAmerica Premier as the underwriter.

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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Cancer Care and Cancer CarePLUS Insurance Plans

Plan Design:

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

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

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

Participation and Premium:

Participation and Premium in the Cancer Care and Cancer CarePLUS Plans as of 12/31/13 and 12/31/14 are as follows:

Cancer Care	Insureds	Total Annual Premium
12/31/2013	3,464	$1,543,960
12/31/2014	3,503	$1,592,665

Cancer Care Plus	Insureds	Total Annual Premium
12/31/2013	1,893	$282,694
12/31/2014	2,458	$368,125

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

Participation and Total Annual Premium in the Cancer Care PLUS Plan grew by about 25% over the past two years, predominantly due to cross-sell and upgrade activities.

Financial Experience:

Earned Premium and Expenses marginally increased from 2013 to 2014 while the amount of Incurred Claims also increased ($37,569) while marketing costs decreased ($23,511). Both 2013 and 2014 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.

	Earned Premium	Incurred Claims	Expenses	Marketing	Profit/Loss for the Policy Year	Premium Surplus
2013	$1,779,799	$234,829	$925,496	$163,403	$458,875	$229,438
2014	$1,861,649	$272,398	$977,326	$139,892	$428,309	$208,016

Findings:

- Premium rates are more than adequate to support the current Plans' Expenses (Claims, Taxes, etc.) and the Premium Surplus Reserve.
- Expenses of 12.5% for the Insurance Carrier are in line with similar accounts.
- The 2.5% premium taxes are regulated and determined by the Department of Insurance.
- Expenses for the Plans are determined by contract and they remained constant in 2014
- Premium Surplus Reserve funding requirement of 15% is a bit lower than we usually see (20% more typical) and this results in more Premium Surplus being generated.
- Disbursement of Premium Surplus still allows for a fully funded Premium Surplus Reserve going forward.
- If 2015 Policy Year ends with positive Premium Surplus Reserve, consider higher lump sum benefit or a low percentage premium credit.

BOARD AGENDA ITEM	BEN 13/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Comprehensive Accident Plan (CAP) Hartford Life and Accident Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

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

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

4. Continue the Plans with Hartford Life and Accident Insurance Company as the underwriter.

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 2014 Annual Report.

ESTMATED 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 12/31/13 and 12/31/14 are as follows:

Comprehensive Accident Plan	Insureds	Total Annual Premium
12/31/2013	460	$151,684
12/31/2014	422	$138,301

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

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

Financial Experience:

Earned Premium declined slightly (-$13,986) from 2013 to 2014 while the amount of Expenses declined (-$9,091) and the Expense Ratio remained at the permissible level of 65%.

	Earned Premium	Incurred Claims	Expenses	Expense Ratio
2013	$152,287	$7,067	$98,987	65%
2014	$138,301	$0	$89,896	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.
- We currently have a marketing campaign ongoing in 2015 to increase participation.

BOARD AGENDA ITEM	BEN 14/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Travel Accident Insurance Plan New York Life Insurance Company Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Premium rates are 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 2014 Annual Report.

ESTMATED 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 12/31/13 and 12/31/14 are as follows:

Group Travel Accident	Insureds	Total Annual Premium
12/31/2013	2,312	$218,720
12/31/2014	2,631	$247,683

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 2014.
- ADD Premium Surplus Reserve is fully funded and adequate to pay anticipated claims.
- No changes recommended to the Plan at this time.

BOARD AGENDA ITEM	BEN 15/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Emergency Assistance Plus Plan (EA+) Worldwide Rescue and Security Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Continue 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.

ESTMATED 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).
- Vehicles 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 12/31/13 and 12/31/14 are as follows:

Emergency Assistance Plus (EA+)	Participants	Service Fees
12/31/2013	3,158	$303,246
12/31/2014	3,033	$286,646

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.

- For members that have the EA+ Program billed annually, 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 will be added in the upcoming year.

- No changes recommended to the Program at this time.

BOARD AGENDA ITEM BEN 16/15/4 (Kilday-Hicks)

ACTION ITEM Date: 10/9/15

SUBJECT: Emergency Roadside Assistance Program
Road America Motor Club
Annual Review

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

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

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

BACKGROUND:

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

Attached is the 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

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Emergency Roadside Service

Plan Design:

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

The Emergency Roadside Service Plan provides the following services:

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

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

Participation and Service Fees:

Participation and Service Fees for the Emergency Roadside Service as of 12/31/13 and 12/31/14 are as follows:

Emergency Roadside Service	Participants	Service Fees
12/31/2013	6	$594
12/31/2014	17	$1,683

Participation and Service Fees in the Emergency Roadside Service Plan has grown over the past year as the Plan is promoted via the CSEA web site and e-Newsletter communications.

Financial Experience:

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

Findings:

- Too early to tell how this Program will be accepted by the (CSEA membership and to project Participation going forward as the plan is only 2 years old.
- We have not received any negative comments regarding the Program.
- No changes recommended to the Program at this time.

BOARD AGENDA ITEM	BEN 17/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Long Term Care Insurance Program Long Term Care Resources Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

2. Continue with one direct mail campaign per year.

3. Continue the Program with Long Term Care Resources.

BACKGROUND:

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

Attached is the 2014 Annual Report.

ESTMATED 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 12/31/13 and 12/31/14 are as follows:

Long Term Care	Insureds	Total Annual Premium
12/31/2013	105	$212,686
12/31/2014	118	$244,832

Participation and Total Annual Premium in the Long Term Care Plan increased during 2014 with 13 policies added comprising $32,146 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 in discussions with Long Term Care Resources to make sure the most recent and cutting edge product designs and marketing offers are being tested and offered to CSEA members
- The Long Term Care Program should continue on an "as is" basis and remain available to the aging CSEA membership.

BOARD AGENDA ITEM	BEN 18/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Pet Insurance Program Petsmarketing Insurance.com Agency Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

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

2. Continue the program with 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 2014 Annual Report.

ESTMATED 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 12/31/13 and 12/31/14 are as follows:

Pet Insurance	Insureds	Total Annual Premium
12/31/2013	28	$7,214
12/31/2014	51	$11,636

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 2014 as members becomes more familiar with the program.

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 19/15/4 (Kilday-Hicks)

ACTION ITEM Date: 10//9/15

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

SOURCE AND/OR PROPONENT: Member Benefits Committee

PRESENTATION BY: Russell Kilday-Hicks, Vice President

ASSIGNED TO: Lisa Fong

RECOMMENDED ACTION:

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

1. Continue marketing to increase plan participation.

2. Continue the Plan with EPIC Hearing Service Plan.

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 2014 Annual Report.

ESTMATED 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 2014 until June 0f 2015. A total of 149 members have registered for this program.

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 (2014CSEA) 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 20/15/4 (Kilday-Hicks)
ACTION ITEM	Date: 10/9/15
SUBJECT:	Discount Drug Prescription Program Paramount RX Annual Review
SOURCE AND/OR PROPONENT:	Member Benefits Committee
PRESENTATION BY:	Russell Kilday-Hicks, Vice President
ASSIGNED TO:	Lisa Fong

RECOMMENDED ACTION:

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

1. Review meaningful 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 2014 Annual Report.

ESTMATED COST/SAVINGS:

FUNDING SOURCE:

BOARD ACTION:

Discount Drug Prescription Plan

Plan Design:

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

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

The discount prescription program is accepted at all major pharmacies (CVS, Walgreens, Wal-Mart, RiteAid, ect.). 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 79 claims since the program was launched with a royalty of $79.50 being paid to CSEA

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.

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BOARD AGENDA ITEM	**FIS 8/15/4 (David Okumura)**
ACTION ITEM	Date: 10/9/15
SUBJECT:	Appoint Mike Carr as an Administrator for - 401K Investment Plan - Retiree Health Care Plan - CSEA's SERP (Supplemental Employee Retirement Plan)
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Lee King
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors appoint Mike Carr as the Administrator for the following plans:

- 401K Investment Plan.
- Retiree Health Care Plan.
- CSEA's SERP (Supplemental Employee Retirement Plan).

BACKGROUND:

Lee King is the current Administrator for the plans listed above. Due to Mr. King's retirement a new Administrator needs to be appointed. Historically the CSEA General Manager acts as the Administrator for the plans.

ESTMATED COST/SAVINGS: N/A

FUNDING SOURCE: N/A

BOARD ACTION:

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BOARD AGENDA ITEM	**FIS 9/15/4 (David Okumura)**
ACTION ITEM	Date: 10/9/15
SUBJECT:	Approval of the CSEA 2014 401K Audit Report & Required Communications
SOURCE AND/OR PROPONENT:	David Okumura
PRESENTATION BY:	Lee King
ASSIGNED TO:	Lee King

RECOMMENDED ACTION:

That the Board of Directors adopt the acceptance of the 2014 401K Plan audit report.

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, 2014

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

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DECEMBER 31, 2014

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, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014, 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, 2014 and 2013, and for the year ended December 31, 2014, that the information provided to the plan administrator by the trustee is complete and accurate.

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PHONE:916.646.6464 • FAX:916.929.6836 • GilbertCPA.com

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, 2014, 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 17, 2015

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

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
INVESTMENTS, AT FAIR VALUE:		
Non-interest bearing cash	$ 2,740	$ 1,756
Mutual funds	7,708,728	7,444,863
Stable value funds	1,419,593	1,524,541
Total investments	9,131,061	8,971,160
RECEIVABLES:		
Employer contributions receivable	3,841	
Employee contributions receivable	10,812	
Notes receivable from participants	57,317	101,021
Total receivables	71,970	101,021
TOTAL ASSETS	9,203,031	9,072,181
LIABILITIES:		
Payable to broker	2,740	1,756
NET ASSETS AVAILABLE FOR BENEFITS	$ 9,200,291	$ 9,070,425

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, 2014

ADDITIONS:	
Investment income:	
Dividends on mutual funds	$ 256,565
Interest on stable value funds	34,953
Net gain on mutual funds	316,356
Total investment income	607,874
Interest income on notes receivable from participants	3,824
Contributions:	
Participant deferrals	351,443
Employer contributions	112,018
Participant rollovers	54,620
Total contributions	518,081
Total additions	1,129,779
DEDUCTIONS:	
Benefits paid to participants	949,949
Deemed distributions of loans	44,454
Administrative expenses	5,510
Total deductions	999,913
NET INCREASE IN NET ASSETS	129,866
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	9,070,425
End of year	$ 9,200,291

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

1. DESCRIPTION OF THE PLAN

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

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

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

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

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

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

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

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, 2014 and 2013.

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, 2014, the Association paid $37,801 in such fees.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Investment valuation and income recognition – The Plan's investments are stated in the statement of net assets available for benefits at fair value. Stable value funds are certified by the Trustee at contract value. Stable value funds are valued based on contributions made, less withdrawals and administrative expenses, plus credited interest. As of December 31, 2014, the Trustee has stated that the certified contract value of the stable value funds approximates fair value. Mutual funds were presented and certified by the Trustee at fair value. Mutual funds are valued based on public prices traded in the active market.

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

Professional standards require that investment contracts held by a defined-contribution plan be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. For the years ended December 31, 2014 and 2013, the Trustee has stated that the contract value of the stable value funds approximates fair value; therefore, no adjustment from fair value to contract value is recorded in the statements of net assets available for benefits as of December 31, 2014 and 2013.

Notes receivable from participants – Participant loans are valued at their unpaid principal balance plus accrued interest. Interest income is recorded on an accrual basis. No allowance for credit losses has been recorded as of December 31, 2014 and 2013. If a participant ceases to make loan repayments and the plan administrator deems the loan to be in default, the participant loan balance is reduced and a deemed distribution of the loan is recorded.

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

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

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

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 2010.

Subsequent events have been evaluated for recognition and disclosure through July 17, 2015, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2014, that require recognition or disclosure in such financial statements.

3. INSURANCE CONTRACT

The Plan's investment in stable value funds includes a fully benefit-responsive insurance contract with the Standard Insurance Company. As described in Note 2, because the stable value contract is benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the stable value contract. Contract value, as reported to the Plan by The Standard Retirement Services (Standard), represents contributions made, less withdrawals and administrative expenses, plus credited interest. Each quarter, the Standard Insurance Company declares a crediting rate for all assets in the stable value funds for the coming quarter, taking into account yield forecasts from their asset advisory group and the margins required for their business. Past crediting rates are not indicative of future rates, and declared crediting rates will never be below 1%.

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

Interest information as of December 31 is as follows:

Average Yields	2014	2013
Based on actual earnings	2.35%	2.53%
Based on interest rate credited to participants	2.35%	2.53%

4. INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

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

Dividends on mutual funds and interest earned on stable value funds for the year ended December 31, 2014 were $256,565 and $34,953, respectively. Net gain on mutual funds, as reported by the Trustee for the year ended December 31, 2014, was $316,356. The contract value of stable value funds and fair value of all other investments were $1,419,593 and $7,711,468 at December 31, 2014, respectively. The contract value of stable value funds and fair value of all other investments were $1,524,541 and $7,446,619 at December 31, 2013, respectively.

5. FAIR VALUE MEASUREMENTS

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

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

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

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

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

	Level 1	Level 2	Level 3
Non-interest bearing cash	$ 2,740		
Mutual Funds – Equity:			
Small growth	5,907		
Real estate	74,079		
Foreign large value	59,580		
Mid-cap growth	320,287		
Foreign large blend	352,280		
Emerging markets	86,658		
Large blend	928,156		
Moderate allocation	25,437		
Target retirement	2,517,045		
Small blend	230,962		
Mid-cap blend	107,215		
Large value	448,188		
Large growth	755,432		
Mid-cap value	213,080		
Small value	186,229		
Mutual Funds – Fixed Income:			
High yield bond	39,808		
Intermediate term bond	1,200,940		
World bond	24,548		
Retirement income	132,081		
Inflation protected bond	816		
Stable value funds			$ 1,419,593
Total	$ 7,711,468		$ 1,419,593

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3
Non-interest bearing cash	$ 1,756		
Mutual Funds – Equity:			
Small growth	18,924		
Real estate	56,880		
Foreign large value	77,690		
Mid-cap growth	282,067		
Foreign large blend	361,872		
Emerging markets	88,894		
Large blend	941,182		
Moderate allocation	23,025		
Target retirement	2,334,732		
Small blend	190,362		
Mid-cap blend	35,629		
Large value	462,592		
Large growth	777,987		
Mid-cap value	121,717		
Small value	159,646		
Mutual Funds – Fixed Income:			
High yield bond	54,333		
Intermediate term bond	1,270,759		
World bond	37,455		
Retirement income	126,099		
Inflation protected bond	23,018		
Stable value funds			$ 1,524,541
Total	$ 7,446,619		$ 1,524,541

Changes in the Level 3 assets for the year ending December 31, 2014 consist of the following:

	Stable value fund
Beginning balance	$ 1,524,541
Purchases	37,917
Sales	(177,818)
Interest/dividends	34,953
Ending balance	$ 1,419,593

6. INVESTMENTS

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

	2014	2013
Standard Stable Asset Fund A	$ 1,419,593	$ 1,524,541
Vanguard Target Retirement 2030 Fund	1,215,481	1,130,305
Pimco Total Return Fund	1,200,940	1,270,759
Vanguard 500 Index Fund Admiral	877,307	
Vanguard Target Retirement 2040 Fund	666,785	620,520
Vanguard Target Retirement 2020 Fund	585,143	538,120
Vanguard Value Index Fund		462,592
Vanguard 500 Index Fund Signal		892,195

7. RISKS AND UNCERTAINTIES

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

8. 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:

	2014	2013
Net assets available for benefits per the financial statements	$ 9,200,291	$ 9,070,425
Less employer contributions receivable	(3,841)	
Less employee contributions receivable	(10,812)	
Net assets available for benefits per the Form 5500	$ 9,185,638	$ 9,070,425

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, 2014

(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 Inst Realty Shares Inc	1,480 Shares	**	$ 74,079
	Dodge & Cox International Stock Fund	1,415 Shares	**	59,580
	Goldman Sachs Growth Opportunities - Ins	10,735 Shares	**	297,907
	Harbor International Fund I	4,326 Shares	**	280,251
	JP Morgan High Yield Bond Fund - R5	5,238 Shares	**	39,808
	Oppenheimer Developing Market - Y	2,472 Shares	**	86,658
	Pimco Total Return Fund	112,658 Shares	**	1,200,940
	T Rowe Price Growth Stock Fund	5,393 Shares	**	280,161
	Templeton Global Bond Fund United States	1,970 Shares	**	24,548
	TIAA-CREF Social Choice Equity Fund - Institutional	3,030 Shares	**	50,849
	Vanguard 500 Index Fund Admiral	4,620 Shares	**	877,307
	Vanguard Balanced Index Fund Signal	857 Shares	**	25,437
	Vanguard Growth Index Fund	8,043 Shares	**	431,933
	Vanguard Inflation - Protected Securities Fund Investor	62 Shares	**	816
	Vanguard Mid-Cap Growth Index Fund	560 Shares	**	22,380
	Vanguard Mid-Cap Value Index Fund	6,055 Shares	**	213,080
	Vanguard Mid-Cap Index Fund Admiral	701 Shares	**	107,215
	Vanguard Small-Cap Growth Index Admiral	133 Shares	**	5,907
	Vanguard Small-Cap Index Fund	4,134 Shares	**	230,962
	Vanguard Small-Cap Value Index Fund Investor	7,349 Shares	**	186,229
	Vanguard Target Retire Income	10,231 Shares	**	132,081
	Vanguard Target Retirement 2020 Fund	20,560 Shares	**	585,143
	Vanguard Target Retirement 2030 Fund	41,855 Shares	**	1,215,481
	Vanguard Target Retirement 2040 Fund	22,405 Shares	**	666,785
	Vanguard Target Retirement 2050 Fund	1,676 Shares	**	49,636
	Vanguard Total International Stock Index Fund	4,632 Shares	**	72,029
	Vanguard Value Index Fund	13,606 Shares	**	448,188
	Wells Fargo Advantage Growth	855 Shares	**	43,338
	Total Mutual Funds			7,708,728
	Stable Value Funds:			
*	Standard Stable Asset Fund A	51,942 Shares	**	1,419,593
	Cash:			
	Non-interest bearing cash		**	2,740
	Loans:			
*	Participant Loans	Interest rates range from 3.25% - 9.25%, Maturity dates range from November 2015 - January 2018	**	57,317
	Total Investments and Participant Loans			$ 9,188,378

Column (a) and (d):

* Denotes party-in-interest

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

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

Communications With Those Charged With Governance

Submitted by

Gilbert Associates, Inc.

In accordance with professional standards, we are providing the California State Employees Association 401(k) Salary Investment Retirement Savings Plan (the Plan) Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. 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 17, 2015

Gilbert Associates, Inc.
CPAs and Advisors
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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, 2014. 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.
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.

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 dated July 17, 2015.
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. No new accounting policies were adopted and the application of existing policies was not changed during 2014. 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

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.

Gilbert Associates, Inc.
CPAs and Advisors
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