

# ERFA POSTSCRIPTS

## News of the CSU East Bay Hayward Emeritus and Retired Faculty Association Fall 2015

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### *President's Message:*

Greetings:

Welcome to Fall when school begins and we retirees don't have to gear up for the new quarter. And since it is 108 today, who can gear up for anything other than air conditioning.

Our Senate representative is Sherman Lewis and the Honorary Degree member is John Giles. Both were elected in May after rigorous campaigns (by others who chose not to be the honorees.)

Bill Reuter was the recipient of our Leadership/Service Award.

The Board had hoped to try another restaurant since there were a few members who did not like the Asian Buffet. Our thought was to go to The Ranch. However, Jack Kilgour found there was little parking and dangerous pedestrian street-crossing. We will attempt to find a different location for the spring meeting. Please, if you have suggestions, tell Jack or one of the other Board members.

Since the ERFA Library Endowment has been established, is fully funded and there is little cooperation from the Library administration, the Board decided to contribute funds to student scholarships. After waiting for two months for an answer from University Advancement, Jodi Servatius suggested the donations go to the Renaissance Scholar program which provides money for students who were former foster care participants. This program meets the needs of this vulnerable population of young people who get no resources after turning 18. This seems to be a program which is worthy of our support.

At the State-wide meeting on October 17, there will be a discussion of changing the name of the group to Emeritus and Retired Faculty and Staff. Let me know what you think about this.

Remember olden times when University Advancement came to our meetings, was eager to get to know us and to get monies for the University. Now we cannot seem to give our money away.

Perhaps we are gone AND forgotten.

Bea Pressley, President

## *Fall Luncheon, Tuesday, October 20, 2015*

Guest Speaker: Jodi Servatius will introduce Amanda Madrid, a graduate of the Renaissance Scholar Program and nurse, who will talk about her experiences in aging out of foster care. Lael Adediji, Director of the program, will speak briefly about the services the Renaissance Scholar Program provides.

Time: Gather starting at 11:30, social hour of 45 minutes, sit down 12:15

Place: Asian Buffet, 24100 Mission Boulevard, Hayward, at Fletcher Lane.

\$20, in cash or by check, on arrival. All you can eat, a wide variety of dishes, soft and other drinks, even wine, dessert, and gratuity, buffet style. Cost includes donation to the Renaissance Scholar program and a gift certificate for the speaker to the Friends of Castro Valley Library Bookstore.

Make checks payable to Helen Sowers, our treasurer.

Reserve the date, October 20. Please make reservations by Friday, October 16, with

- Jack Kilgour, (510) 582-8760, [john.kilgour@csueastbay.edu](mailto:john.kilgour@csueastbay.edu) or
- Bea Pressley, (925) 946-9786, [beapressley@mac.com](mailto:beapressley@mac.com)



### *Academic Emeritus Senator's Report*

I yield the floor to President Morishita. Sherman Lewis, Emeritus Senator

#### **Leroy M. Morishita, A University Ready to Soar**

September 21, 2015. Excerpted from 8 pages. <http://www20.csueastbay.edu/news/2015/09/09212015.html>.

...This year marks our 58<sup>th</sup> year...we have...over 120,000 graduates...

I want to extend a special welcome to the 31 new tenure/tenure track faculty members who are joining the CSUEB family. We have now hired 100 new faculty since I became your President. ...

...the President's Cabinet:

Carolyn Nelson, Interim Provost and Vice President for Academic Affairs

Debbie Chaw, Interim Vice President for Administration & Finance/CFO

Julie Wong, Vice President for Student Affairs

Tanya Hauck, Vice President for University Advancement

Dianne Rush Woods, University Diversity Officer

Derek Aitken, Chief of Staff...

...Even though we closed admissions on November 30, we received a record number of freshman applications and this year's entering class is

our largest in history – more than 1,700. In addition, we enrolled the largest numbers of transfer students ever – more than 2,200. We are meeting our enrollment target...

The increase of \$217 million for 2015-16 – fully funding our Trustees' budget request – will enable us to serve more students without raising tuition fees – the fifth year in a row without a tuition increase. ...

In recognition of our work, the [Western Association of Schools & Colleges] Commission provided the longest reaccreditation possible – ten years – with no further action requested. As best we can tell, this is the first 10 year reaccreditation in our history. I encourage each of you to read the Visiting Team's Report and the Commission Letter, which are posted on the Accreditation webpage. Fundamentally, WASC confirms that we as an institution have the people, resources, policies and practices in place to continue to achieve our eight shared strategic commitments.

We remain committed to maintaining a community free of sexual assault and violence...We have hired a Title IX Coordinator, Ms. Terri Labeaux, and we have trained Deputy Title IX Coordinators across campus. We also entered into a MOU with Bay Area Women Against Rape (BAWAR) and have a confidential advocate to talk to and advocate for survivors, and those impacted by sexual assault. A search committee for the faculty/staff ombuds position...hopes for a filled position by winter. We have also launched a Title IX website which outlines policies, reporting procedures, resources, and training...In an effort to raise awareness and prevention, we have implemented on-line training to create and foster a working environment free from all forms of violence and harassment, offered to all faculty and staff, as well as to our student population...

[W]e have initiated a data warehouse project with the goal to make institutional data more accessible, user friendly, and with increased functionality. With broad based input we have completed admission and financial aid dashboards. These and future dashboards will allow us to obtain the information necessary for critical analyses and decisions. We will make these accountability measures more visible and useful to all of you.

Recently, we also implemented a campus based equity program designed to complement the recent general salary increases. Retroactive to July 1, 2015, the plan addresses wage issues for a number of our faculty members and some of our lowest paid staff employees. While there are insufficient resources to resolve all faculty and staff equity issues, this program addresses some of the disparities resulting from the past budget crisis.

The Chronicle of Higher Education Almanac lists Cal State East Bay as the most diverse public institution in the continental United States, only the four University of Hawaii campuses rank higher. We have achieved success in matching the ethnic composition of our region and I am proud that we are designated by the Department of Education as both a Hispanic Serving Institution and an Asian American and Native American Pacific Islander Serving Institution. Further, well over half of our students are first generation college students and a large number are first and second generation immigrants.

Our EXCEL Program, now in its 45th year, provides some of our most disadvantaged students with in-depth, long-term academic support. This year, we were awarded a \$2.3 million, five-year federal grant to continue providing existing services and infuse new student support strategies for STEM education, non-cognitive learning skills, and undergraduate research.

Last week our campus was awarded \$1.5 million grant from the Department of Education to support our AANAPISI Program, which improves and expands our capacity to serve Asian Americans and Native American Pacific Islanders and low-income individuals. We anticipate hearing positive news about our Hispanic Serving Institution grant proposal in the coming days.

Also, last week you may have read that Cal State East Bay was awarded the *INSIGHT Into Diversity* magazine's Higher Education Excellence in Diversity Award for the second year in a row! The HEED Award recognizes our outstanding efforts and success in the area of diversity and inclusion...

We launched the Pioneer Scholarships web portal, which brings all University scholarships under one umbrella with a single on-line student scholarship application. Last year we awarded over one million dollars to over seven hundred student scholarship recipients.

In a few months we will be moving into the new Student and Faculty Support building which replaces Warren Hall and will house faculty offices, the Welcome Center, the Academic Senate office, University Extension, and many high impact student support groups...

...I reaffirmed five priorities within our Shared Strategic Commitments..:

Improve student success

Continue with new faculty hires and excellence

By fall of 2018, move to the semester system

Enhance success in STEM

Increase philanthropy and fund raising

The area of greatest need for improvement continues to be student learning and success – getting more students to completion and degrees sooner. Two years ago, I stated that our retention and graduation rates were unacceptably low – a 43 percent six-year graduation rate for first-time freshmen and a 51 percent three-year graduation rate for transfers... We set a goal that by the year 2020, we would increase the

six-year graduation rate for entering freshmen to 60 percent and increase the three-year graduation rate for transfer students to 70 percent...

I have authorized Interim Provost Nelson to conduct 30 more searches this coming year...

I have charged Interim Provost Nelson to begin working with the Deans and faculty on developing a multi-year plan to continue to increase the number of tenure-track faculty to reach the goal of 350 by 2018. In addition, I have charged Vice President of Student Affairs Julie Wong to work with the Interim Provost, the Deans and their faculty to formalize a multi-year enrollment management plan with metrics that are integrated with the faculty hiring plan...

Work is progressing very well with the Semester Transformation Project. A number of structures and committees have been established, including an Office of Semester Conversion, led by Co-Directors Dr. Eileen Barrett and Dr. Jason Singley, who work closely with the Executive Sponsors – Interim Provost Carolyn Nelson, Interim Vice President for Administration & Finance/CFO Debbie Chaw and Vice President Julie Wong – overseeing the Steering Committee and five subcommittees.

Comprised of faculty, staff, students and administrators, these cross-divisional committees are focused on a successful Semester transformation in fall of 2018. I am extremely pleased that more than 80 percent of our academic programs are being

transformed. On the Academic Affairs homepage, there is a link to the Semester Conversion Project, with announcements, the project plan, and committee membership...

We will continue to make Science, Technology, Engineering and Math education a priority to meet the California workforce and economic development needs, just as we do with teachers, health care workers and many other in-demand fields...The university's Institute for STEM Education ...strives to help all students acquire the STEM knowledge required for decision making in their daily lives. We are also infusing STEM across all four colleges, as industry has expressed the need for employees to have STEM knowledge...Gateways East Bay STEM Network ... is key to ensuring that ... students of color and students from low-income families, get the support they need from preschool to a college degree...

Last year we were able to raise \$4 million dollars in private support. This year our goal is to raise more than \$4.5 million. I'm pleased to announce we are well on our way due to a very generous \$1 million gift made this month from Educational Foundation Board member and Honorary Degree recipient, Dr. Kumar Malavalli. The endowment will provide program support for early education initiatives associated with CSUEB that advance excellence in STEM disciplines...



## *THE CADILLAC TAX and CalPERS*

About five (10?) years ago, I gave a talk to ERFA/CSUEB on CalPERS funding. At the end of the talk, Al Smith asked "Should I worry about my pension?" I said no. Worry about your health benefits.

Pension benefits, once accrued and vested, are sacrosanct. In the public sector in California they are protected by the State Constitution and a mountain of case law, including the so-called "California Rule" discussed in an earlier Postscript. Employer-provided health benefits do not have the same protection.

In a proceeding under Chapter 9 of the federal bankruptcy law, the retirees of the **City** of Stockton lost their health benefits. There is currently no procedure for **states** to file for bankruptcy. However, there have been discussions in Washington to change that, mainly to help Illinois and a number of other states get out from under their crushing public retirement debt. California is not in that bad shape, yet.

In January 2015, the U.S. Supreme Court ruled that retiree health benefits are not vested (M&G Polymers). That is, they do not outlive the life of the collective bargaining agreement. It is not clear (to me) whether and how this will affect our CalPERS (legislated but union negotiated) health benefits.

The Affordable Care Act (ACA) was passed by Congress and signed law in 2010. It is a lengthy (906-page) very complex law that reinvents health care in the United States. One of its numerous provisions is an

**excise tax** on overly costly employer-sponsored health plans. The so-called “Cadillac tax” will take effect in 2018. Health plans to which the employer *and employees* contribute more than \$10,200 for an individual or \$27,500 for a family annually will be subject to a 40% excise tax on the amount over \$10,200 or \$27,500. The excise tax will be paid by the plan/employer, not the participant.

Here’s the interesting part. Before 2018, the excise tax thresholds will be adjusted by a specified formula called “CPI + 1” (Consumer Price Index-Urban + 1 percentage point). After that, they will be indexed to general price inflation (the CPI-U), not to medical cost inflation. The average increase in the CPI-U from 2001 to 2014 was 2.2%. That compares to a 3.7% rate for medical cost inflation. If healthcare inflation continues to outpace general inflation, as it almost certainly will, the Cadillac tax will apply to more and more plans.

The IRS issued Notice 2015-16 containing its thoughts on the Cadillac tax in February and invited comments by May 15, 2015. It received 245 responses. The U.S. Chamber of Commerce pointed out that instead of applying only to a small subset of very generous plans, as intended, the Cadillac tax will be much more pervasive. By 2018, it will apply to 30% of all plans and by 2022 to 60%. More recently, Towers Watson, a highly regarded benefits consulting firm, estimated that that the Cadillac tax will apply to 48% of plans by 2018 and 82% by 2023. Eventually, any plan that provides the “essential health benefits” required by the ACA will be subject to the excise tax.

One might wonder why Congress wanted to discourage generous health benefit plans. It was hoped that the Cadillac tax would help drive down health benefit spending. A second reason was money. It was estimated that the Cadillac tax would generate \$111 billion in additional federal revenue by 2022. This was important to help the ACA bill “score” well with the Congressional Budget Office. That requires that the proposal not add to the annual federal deficit over the next 10 years or add to the national debt. A bill that scores well improves its chances of gaining congressional committee approval. It now appears that the excise tax will only generate \$79 billion for the Treasury between 2018 and 2023.

In March 2015, CalPERS, the source of *our* retiree health benefits, discussed responding to the Cadillac tax by removing broad networks in areas where narrow networks are widely available. In Northern California, that means the Bay Area and the Sacramento area. Currently, both Anthem and Blue Shield of California offer both broad and narrow network HMOs. Broad networks provide more choice of primary care physicians, specialists and hospitals, and they cost more than the more restricted narrow networks. The proposal is to delete “Anthem Traditional HMO” and allow only its “Anthem Select HMO.” For Blue Shield it would mean deleting “Access +” and allowing only “Net Value.”

The savings will be impressive. In the Bay Area, Blue Shield Access + has 4,886 single-only enrollees with excess benefits of \$946. That results in an aggregate excise tax of \$4.6 million annually. There are also 3,437 family plans with an excess benefit of \$1,481 resulting in an aggregate excise tax of \$5.1 million. The total savings will be \$9.7 million. There are no similar developments in Southern California.

These measures will not solve all of the problem. CalPERS is operating in a static model. It is difficult to be sure of the likely adjustment to the Cadillac tax by 2018 and the CPI-U indexing requirement thereafter. If the excise-tax provision remains unchanged, it will apply to more and more plans. CalPERS may have to adopt more stringent measures to avoid the 40% excise tax on excessively expensive plans. That’s us! Al, maybe you should start to worry a little.

John G. Kilgour, ERFA/CSUEB

Source: Kilgour, J.G. The Affordable Care Act and the Cadillac Tax. *WorldatWork Journal*. (Forthcoming 2015, Q4)

### *Obiter dictum*

The Cadillac tax seems likely to raise some money from the most expensive plans to pay for more affordable plans like mine, Kaiser. It also provides an incentive, avoiding the tax, to make health care less expensive.

Could it also reduce the quality of care? It seems unlikely to do so, because the U.S. health care system is so inefficient. The most expensive programs have room to provide the same quality at a lower cost. Also, the amounts involved from the excise are too tiny to make much difference in the huge sums the U.S. spends on health care. The U.S. spends far more for worse care than the advanced countries. See <http://internationalcomparisons.org/> for statistics.

Is the tax fair? Hard to say. If the excise does not kick in its bit, the funds have to be found elsewhere, and it is difficult to know how this will work. The tax would be paid by plans/employers, but the beneficiaries are mostly upper income executives, but the individuals don't pay, but the Affordable Care Act has new fees and taxes whose incidence is not clear to me. Is that clear? I hope not.

Congress had to wrestle with the high cost of some plans, the need for efficiency, and finding funds, and decided the risk of less quality was low relative to the inefficiency of high cost programs and the need to finance the system.

/Sherman Lewis

## *Obituaries*

Ruthy Stephan maintains <http://www20.csueastbay.edu/oaa/memorial/index.html> honoring deceased tenured and tenure-track faculty.

Vernon Kam, Professor Emeritus of the Department of Accounting and Finance, deceased April 9, 2015. He began his career at CSU, Hayward (East Bay) in 1969 and retired in 2000.

Rudolph B. Saltzer, Professor Emeritus of the Department of Music, deceased April 13, 2015. He began his career at CSU, Hayward (East Bay) in 1965 and retired in 1979.

Peter A. Fowler, Professor Emeritus of the Department of Mathematics and Computer Science, died May 17, 2015. He began his career at CSU, Hayward (East Bay) in 1968 and retired in 1999.

Note from Emily Stoper: Shirley Hartley, Professor Emerita of Sociology, passed away on July 2, in Hawaii. She was a fine sociologist, a gifted teacher and a truly wonderful person.

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