

ERFA POSTSCRIPTS

News of the CSU East Bay Hayward Emeritus and Retired Faculty Association October 2016

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President's Message:

Well, another year and another missed donut day beginning the school year. And we shall also have missed either the “doom and gloom” or “everything is beautiful” speech.

Our speaker for the luncheon is Professor David Baggins who will talk about the dreaded upcoming election. David, who is now FERPing, was our guest four years ago and he is provocative, knowledgeable, and perceptive.

We now give \$100 in the speaker's name and \$100 in the awardee's name to Renaissance Scholars. This is a program for former foster kids pursuing a degree at CSUEB. John Giles and I attended a luncheon in May honoring graduates and recognizing scholarship recipients. Twelve \$1,000 scholarships were given to 12 students. Their stories show courage, motivation, and fortitude.

At the Spring luncheon Charlie Harper was honored for all his hard work and leadership. It was a well-deserved recognition.

You might like to know about the other ERFA groups in Northern California. Membership ranges from 40 at Humboldt to 320 at San Francisco State. Eligibility runs from all retired faculty to all PERS members to all retired faculty and upper administration. Almost all campuses have dues from \$4 at Sonoma State to \$30 at Sacramento State and San Francisco State. Major events include holiday parties, spring dinners, interest groups, and brown bag lunches. Only our group (thank you Sherman), Fresno and San Jose have newsletters.

Most campuses give office space, assistance with mailings, and secretarial help. Scholarships and grants are given to junior faculty at Humboldt, children of staff and faculty at Sacramento, grants to probationary faculty at San Francisco, two \$2500 to incoming freshmen at San Luis Obispo, and \$1500 to graduate students at Stanislaus. About half of the campuses have emeritus faculty on the Academic Senate but few of them have a vote.

Now you know all or more than you wanted to know. On to the election...

Bea Pressley, President

Fall Luncheon, Tuesday, October 25, 2016

Guest Speaker: Professor David Baggins on The Election

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

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 25. Please make reservations by Friday, October 21, with

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



Academic Emeritus Senator's Report

Convocation address, CSUEB President Leroy Morishita, Sept. 19, 2016

[a mix of edits, quotation, and précis by your editor.]

Members of Cabinet. The people the President works with most closely.

Dr. Edward Inch, Provost and Vice President for Academic Affairs;

Ms. Debbie Chaw, Vice President for Administration & Finance/CFO;

Dr. Julie Wong, Vice President for Student Affairs;

Ms. Tanya Hauck, Vice President for University Advancement;

Dr. Dianne Rush Woods, University Diversity Officer; and

Mr. Derek Aitken, Chief of Staff

Student learning and success.

Our graduation rates were unacceptably low. The six year graduation rate for the Fall 2008 **FTF cohort** was **8%**. The same rate for Fall 2010 is **47%**.

The three year graduation rate for the Fall 2011 **Transfers cohort** was **1.4%**. The same rate for Fall 2013 entering Transfers is **62.8%**.

The goal is 60% for FTF and 70% for transfers.

Graduation rates for underrepresented minority students are still unacceptably low. We will use predictive analytics, updated advising software, and program mapping and tracking. We will shift from cohort based approaches to individual student interventions that predict and prevent certain student failures. We also seek a shortened time to degree and a decrease in excess student credits.

Semester Conversion

Kudos to Eileen Barrett, Jason Singley, Michael Hedrick, Lindsay McCrea. We are revising the curriculum and reviewing all academic degree programs and courses, to be completed in 2017.

“Make Every Class Count” will improve academic advising systems. Please reach out to students who look a little lost, particularly juniors and seniors. Resources: Bay Advisor, the advising platform under development in MyCSUEB, with reports that track progress towards a degree, plus semester conversion guides, workshops and other training.

Faculty Excellence and Density

The number of tenured/tenure track faculty increased from **290** in fall 2011 to **330** in fall 2016, improving the ratio to lecturers. We hired 30 new faculty members this year. New tenure track hires are 57% female (53% of whom are minority) and 43% males (54% of whom are minority). This year we will do 30 additional tenure track searches to reach a goal of **350** by 2018.

The Chronicle of Higher Education ranked CSUEB as the most diverse public university in the continental United States three years in a row. CSUEB has been awarded a Higher Education Excellence in Diversity (HEED) award from “INSIGHT Into Diversity” magazine, also three years in a row.

CSUEB for most recent academic year had the highest enrollment in its history — 15,528 students, despite reducing the application window time and prioritizing admittance of fully academically qualified students.

Strategic Enrollment Management

Strategic Enrollment Management Committee plans recruitment and admission of students to

- increase diversity of resident and international applicants,
- continue HSI (Hispanic-serving institution) and AANAPISI (Asian American Native American Pacific Islander Serving Institutions) designated status,
- balance the mix of undergraduate, graduate, first time freshman/transfer, and online student populations,
- increase scholarship fund raising, and
- work with K-12 school districts, community colleges.

Fiscal Planning

The CSU system will receive an increase of \$154 million, all earmarked for compensation increases, enrollment growth, mandatory cost increases, and timely degree completion, with no discretionary funds available. The budget falls \$87 million short of the \$241 million requested by the Board of Trustees.

The CSU Board of Trustees budget for the 2017/18 fiscal year will cover all bargained compensation agreements, increases in enrollment, provide for mandatory cost increases and support student success—significantly exceeding what the Governor wants. Join me in going to Sacramento next spring to get more state support. Enrollment growth is our primary funding mechanism.

We have already raised more than \$34 million working behind the scenes with donors and alumni. In 2015-16 we raised \$4,427,311 — 98.4% of our goal. This fall, we launch our first major campaign in our 60 year history, to raise \$60 million by the end of June 2019.

This Saturday, September 24, we host a Campaign kick-off event underwritten by generous donors: corporate partners, the alumni association, campus vendors, the University Foundation, and numerous individuals. Some proceeds from ticket sales will go to fund 60 scholarships of \$1,000 each — another way to celebrate our 60th anniversary. The program focuses on success stories of our students and graduates. That evening, two of the largest digital billboards in the Bay Area will light up on the Bay Bridge featuring our Rising in the East campaign theme and highlighting our students. The campaign will be on buses, in BART stations, in newspapers, on-line, a new University website, and campaign banners across campus and murals.

We will fund endowed professorships, a new Professors of Distinguished Practice initiative, and Project HOPE (Helping our Pioneers Excel) program for students who are homeless, food insecure, or financially unstable. Some funds will upgrade campus facilities and create experiential, collaborative learning spaces.

Sherman Lewis, Academic Senator for Emeriti

CalPERS Earned Only 0.6% on Invested Assets in FY 2016.



By John Kilgour.

On July 18, 2016, CalPERS announced that it had earned only 0.61% on its \$297 billion in assets in FY 2016 (ending June 30, 2016). Since then, asset values have increased to \$301 billion, about where they were a year earlier. Ted Eliopoulos, Chief Investment Officer, explained that it was a rough year and assured the readers that CalPERS had plenty of money to meet its benefit obligations. Actually, no major public pension plan reported a “return on investment” (ROI) of more than 1.5% in FY 2016. Private sector plans had similar results. However, for CalPERS, this was the second bad year in a row. In FY 2015, it earned only 2.4%.

One reason for the meager returns was the bad economic news coming out of China. Another was UK’s vote to leave the EU. Both cast a pall of uncertainty over world financial markets. The FY 2015 and 2016 dismal earnings wiped out the double-digit earnings of the two previous years. Meanwhile, pension expenses have risen due to increased earnings resulting in larger pension benefits, more stringent funding reporting and accounting requirements adopted by the Governmental Accounting Standards Board (GASB), and increased longevity of retirees and their surviving spouses. (We are living too long!)

In the case of California, the problem was made worse by a combination of other things. One was the “California Rule.” Due to a number of California judicial decisions culminating in 1955 (Allen v. City of Long Beach), once a pension improvement has been granted to public employees, it may not be rescinded or reduced unless replaced by a benefit of equal value.

Second, in 1999, at CalPERS urging, the state legislature passed SB 400 that significantly improved pension benefits *retroactively*. It was assumed that the impressive ROIs and growing asset values of the late 1990s would continue and would pay for the enhancements. Then came the recession of 2001. By 2007, asset values had recovered and CalPERS was fully funded. Then the Great Recession of 2008 hit.

While many of us have benefited from SB 400, it was a fiscal mistake. Because of the California Rule, the generous benefits it afforded cannot be withdrawn for existing public employees. The Public Employee’s Pension Reform Act of 2012 (PEPRA) made numerous changes in CalPERS, CalSTRS and the 20 county plans covered by the “1937 Act.” However, they only apply to employees hired after January 1, 2013. It will take years, if not decades, before they are in full effect.

Third, against this backdrop, CalPERS continues to assume that its ROI will be 7.5%. (Not to be confused with the GASB accounting and reporting blended-rate requirement). The 7.5% rate is used as the discount rate to convert projected benefit obligations (liabilities) to present value (sometimes called “current liabilities”). This present value is used to calculate the “funded ratio” (assets ÷ liabilities) which drives the employer’s “Annual Required Contribution” (ARC), recently renamed the “Actuarially Determined Contribution” (ADC) since, in most public-pensions, it is not really “required.”

The discount rate is important. The higher the discount rate, the lower the “unfunded actuarial accrued liability” (UAAL) and hence the lower the employer’s ARC/ADC and vice versa. An investment consulting firm, Wilshire Associates, estimates that the system’s ROI over the next 10 years

will average 6.4%. If CalPERS keeps assuming a 7.5% rate and the real rate is 6.4%, there would be about \$50 billion less in earnings than expected over the decade. However, if CalPERS were to reduce its assumed rate of return to 6.4% that would greatly increase the obligations required by the UAAL and the ARC/ADC of the State and over 3,000 contracting local governments and school districts (nonteaching employees). These governments and school boards have many competing funding demands that would be hurt by increasing pension contributions even further.

It could be worse. A number of financial economists believe that, since the pension benefits are 100% guaranteed, they should be backed by “riskless investments” such as 30-year Treasury bonds (now yielding about 2.5%). They base their reasoning on the misapplication (in my opinion) of a 1957 article by Modigliani and Miller. Fortunately, the GASB rejected their advice in crafting GASB regulation numbers 67 and 68.

The media pundits, including Daniel Borenstein of the East Bay Times (July 17 and August 2, 2016) have been quick to point out that, in addition to the poor investment performance, CalPERS had a funded ratio of 68% and a deficit of \$ 139 billion that will have to be paid by our children and grandchildren. That’s debatable. Our generation inherited a pile of public pension debt from our predecessors. The concept of fully funding future benefit obligations originated in the Employee Retirement Income Security Act of 1974 (ERISA). Full funding is necessary in the private sector because the Pension Benefit Guaranty Corporation (PBGC) insures the vested pension benefits of defined benefit plans. When a private-sector employer fails with underfunded pension liabilities, the PBGC “trustees” the plan and acquires its benefit obligations.

Governments, unlike the private sector, don’t go out of business and therefore don’t have or need pension benefit insurance. They are not covered by ERISA and the PBGC. However, the full-funding concept migrated from the private to the public sector where it has taken root. It is now fully accepted by everyone (except me).

In conclusion, the disappointing returns on invested assets in the last two years are a cause for concern. They are far below the 7.5% that CalPERS uses as its expected ROI and discount rate. If this continues, annual UAALs and will increase, funded ratios will fall and employer (and possibly employee) contribution rates will increase. This assumes that the rules of the game, including the California Rule, remain unchanged. It also assumes that CalPERS earnings on invested assets do not improve significantly, as they have in the past. There is a good chance that they will. Although interest rates remain at historic lows, the equity markets have improved markedly since June 30, 2016.



Obituaries

Ruthy Stephan maintains <http://www20.csueastbay.edu/oa/memorial/index.html> honoring deceased tenured and tenure-track faculty. It has links to more details.

Walter K. Schoenholz, Professor Emeritus of the Department of Biological Sciences, deceased March 18, 2016

Dr. Lyle Edmison, Professor Emeritus of Psychology and former Vice President of Student Services, deceased May 4, 2016

C. Allen Gove, Professor Emeritus of the Department of Music, deceased June 23, 2016

Robert "Bob" W. Blackburn, Professor Emeritus of the Department of Educational Leadership, deceased September 10, 2016

Dr. Edward E. Genser, Professor Emeritus of Chemistry and Biochemistry, deceased June 23, 2015



Treasurer's Report

Starting Balance, 1/14/2016.....\$2,909.71

Income

CSU ERFA, Q4 2015.....\$328.50

CSU ERFA, Q1 2016.....\$383.83

Lunch profit.....\$310.00

Total.....\$1,022.33

Expense

Postscripts printing and mailing \$263.85

Renaissance Scholars.....\$200.00

Gift Certificate for Speaker.....\$35.00

Total.....\$498.85

Ending Balance, 9/13/2016.....\$3,433.19

129 members

Helen Sowers, Treasurer

ERFA Postscripts editor Sherman Lewis
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