ERFA POSTSCRIPTS

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

October 2016

Board of Directors

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

Faculty Excellence and Density

The number of tenured/tenure track faculty increased from

CalPERS Earned Only 0.6% on Invested Assets in FY 2016. What,  Me Worry?

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 obliga- [illegible] 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 [illegible] 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 by withdrawn for existing public employees. The [illegible] ees 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 [illegible] will average 6.4%. If CalPERS keeps assuming a 7.5% rate and the real rate is 6.4%, there would be

C. Allen Gove, Professor Emeritus of the Department of Music,