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CalPERS committee votes to hike rates for long-term care insurance

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A CalPERS committee today approved an 85 percent rate hike for the organization's troubled long-term care insurance program, despite protests from retirees.

The increase, assuming it's approved by the full CalPERS governing board, would affect some 112,000 public employees and retirees who have bought the coverage, or about three quarters of all the policyholders. It would be phased in over two years starting in 2015. Policyholders would have the option of getting a 79 percent increase - if they agree to absorb it in one year.

Kathy Donneson, CalPERS' chief of health plan administration, called the increase "the best course of action to create stability in the fund."

The CalPERS pension and health benefits committee voted 9-0 to approve the increase. The proposal goes to the the full CalPERS board Wednesday.

The rate hike would cost policyholders hundreds or thousands of dollars a year in additional premiums, depending on their age. The program, which pays for stays in nursing and convalescent homes, is suffering financially from lower-than-expected investment gains and higher-than-expected claims.

Unlike its pension plans, CalPERS' long term care program doesn't get taxpayer support. CalPERS officials say the plan is solvent for now but faces significant shortfalls in years to come if rates don't rise.







"Not doing this will cause the plan to fail," said committee member Tricia Wynne, representing State Treasurer Bill Lockyer.

Retirees said the higher rates would create an enormous hardship. "It represents a threat to the retirement security of many of the retirees," said Phil Sherwood, executive director of California State Retirees.

The CalPERS committee also voted to create a less comprehensive benefit package that's designed to spare policyholders the big increase. Instead of lifetime benefits, the plan would cover 10 years. CalPERS officials said only 1 percent of policyholders need more than 10 years worth of benefits.

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