Our report includes follow-up on our earlier recommendations, new topics, and observations relevant to retirees.

Beneficiary Designation: Our last report observed limitations by Fidelity's options and records, and the importance of accurate/proper beneficiary designations in our retirement accounts.

Tax-Deferred accounts are continuing to grow as a means of providing retirement income and in many cases, as Defined Benefit Plans are replaced by Defined Contribution Plans, becoming the main source of retirement funding. Given the increasingly important role of tax-deferred plans as a major source of family wealth and well being, the importance of being able to *correctly* designate primary, secondary, and tertiary beneficiaries becomes even more important.

Federal retirement and tax laws regarding designation of beneficiaries require explicit designation of beneficiaries. Since these retirement savings accounts are tax-deferred, explicit instructions by the account holder are required to retain the tax-deferred status. If these tax-deferred accounts are not transferred to real people as beneficiaries, the funds could become immediately taxable – thereby reducing by as much as 35% the amount realized by the ultimate heirs. Special care and estate-planning legal advice is typically helpful in managing these assets.

Given the special nature of Beneficiary Designation, we have requested that Fidelity be asked to improve their processes and asked UC to include information about Beneficiary Designation in their notifications, publications, and tutorials. UC has included information in *New Dimensions* and some of the materials for preparation of retirement. Fidelity has enhanced its web site to make beneficiary designation more obvious – but they provide none of the admonitions that might lead a person to designate a beneficiary for which such funds would result in an immediate taxable event, nor have they enhanced their web site to allow the selection of beneficiaries beyond the "primary" and "contingent" levels. For example they provide four choices 1) A Person 2) An Organization 3) An Estate, and 4) A Trust. The last two of which could result in immediately taxable events and the loss of the tax-deferred status of the funds.

(We observe that the new 2016 UC Defined Contribution Plan is likely to need special attention about beneficiary designation.)

Anthem Data Breach: Participants whose records may have been breached received notice from Anthem of the event and received information on free monitoring support. We had asked that UC set up a reporting mechanism to help assess the extent to which UC participants are being affected and helping to determine how it might be affecting them.

Since that request, UCLA Medical Center records were reported to have been breached affecting, at least, some of our members who have expressed concern that no specific guidance has been provided for 1) dealing with breaches or 2) reporting of problems from any breaches.

Our recommendation continues: that UC establish a protocol for reporting and monitoring data breaches in order to maximize lessons learned and to minimize further damage. Our recommendation last April was:

"Because the letter from Anthem is complex and somewhat unclear or confusing, and further because we have received comments and questions from several confused individuals, we suggest that OP or General Counsel be asked to prepare a detailed document which complements the Anthem document, spelling out all of the possible actions that individuals can take, and explaining fully the potential positive and negative elements of taking each action."

New Items that have occurred since our Spring meetings in San Diego:

VSP Consultation: UC officials queried CUCEA and CUCRA representatives about possible changes in coverage and cost of the Vision Service Plan for 2016. The ultimate conclusion of both groups was to recommend retaining the current plan with no increase in cost – a recommendation which UC and VSP retained.

Medical Plan Satisfaction Survey: In 2014 UC did a survey the results of which were shared with CUCEA and CUCRA – generally expressing satisfaction with current coverage and programs. CUCEA's Chair requested that Medicare covered and out-of-state annuitants also be surveyed in the next such survey.

Newer Topics:

Changes & Full Information: Several of our Associations have expressed concerns that local medical coverage may be lost in response to a larger role for UC Care. The recent problems with Sutter Health providers may have made that more problematic in Northern California. Given the rapidly changing health care environment, we recommend UC do all it can to minimize speculation and to enhance information availability.

***Drug Costs*:** Costs of prescription drugs and the limitations of the formulary are always concerns, but recent dramatic increases in drug costs create alarm in the health care community and have become a political problem.

Is it possible for UC to make a statement to our government(s) about the adverse effect of how this affects health care programs and impedes our efforts to obtain access to good health coverage?

***Additional Topic for CUCEA/CUCRA*:** The University is promoting wage increases intended to provide a minimum level of $15/hour. President Napolitano announced: "This is the right thing to do - for our workers and their families, for our mission and values and to enhance UC's leadership role by becoming the first public university in the United States to voluntarily establish a minimum wage of $15."

We observe that many long-term annuitants and/or their spouses who had careers at UC earned their retirement benefits based on pay-rates far below current equivalent pay levels for the time. Their retirement benefits now – even adjusted for inflation – bear little similarity to the emerging minimum standard. We recommend a letter/meeting with the President to bring this matter to her attention and for her action to do "the right thing" for low-compensation annuitants or their spouses.