

NOTICE OF PROPOSED CLASS ACTION SETTLEMENT

**SUPERIOR COURT OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES**

***HOLLY WEDDING, ET AL. V. CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM, ET AL., CASE NO. BC517444***

A court authorized this Notice. This is not a solicitation from a lawyer.

ATTENTION: IF YOU WERE A CALIFORNIA CITIZEN ON FEBRUARY 1, 2013, AND YOU PURCHASED A LONG-TERM CARE INSURANCE POLICY FROM CALPERS THAT INCLUDED INFLATION PROTECTION BENEFITS, AND YOU WERE SUBJECTED TO THE 85% PREMIUM INCREASE ANNOUNCED BY CALPERS IN 2013 AND IMPLEMENTED IN 2015 AND 2016, YOU ARE ENTITLED TO PARTICIPATE IN A PROPOSED CLASS ACTION SETTLEMENT.

TO UNDERSTAND YOUR RIGHTS, PLEASE READ THIS NOTICE CAREFULLY.

- A proposed class action settlement (“the Settlement”) has been reached with plaintiffs and class representatives Holly Wedding, Richard M. Lodyga and Eileen Lodyga (“Plaintiffs”), on behalf of themselves and the proposed Settlement Class, which is defined in response to Question 4 below, and Defendant California Public Employees’ Retirement System (“CalPERS”).
- The Settlement resolves a class action lawsuit for a subgroup of Class Members that included claims that CalPERS breached the insurance contract between Plaintiffs and other individuals who purchased a Long-Term Care Policy (either LTC1 or LTC2) who had automatic inflation protection benefits by raising premiums 85% for these Class Members. This increase was announced by CalPERS in 2013 and implemented in 2015 and 2016. CalPERS denies all liability to Settlement Class Members, and asserts that it did not breach the terms of the contract of insurance, and has entered into the Settlement solely for purposes of resolving this dispute.
- Please read this Notice carefully. However, if you still have questions after reading the Notice, you can call the Settlement Administrator at 1-866-217-8056 or visit the Class Website at www.CalPERSLTCClassAction.com.
- The Settlement provides different benefits to Settlement Class Members depending on whether they are current policyholders who are not on claim, current policyholders who are on claim, or prior policyholders who allowed their CalPERS Long-Term Care (“LTC”) Policies to lapse, exhausted their benefits, or passed away. The benefits provided by the Settlement for each category are outlined below and will be provided to Settlement Class Members based on their Final Settlement Category on the Final Settlement Date, which date is explained in response to Question 6 below:

FINAL SETTLEMENT CATEGORY	PAYMENTS TO PARTICIPATING SETTLEMENT CLASS MEMBERS
CATEGORY A. Participating Settlement Class Members who are Current Policyholders and who are not On Claim on the Final Settlement Date	Participating Settlement Class Members who, on the Final Settlement Date, are Current Policyholders and who are not On Claim shall receive a refund equivalent to all premiums paid to CalPERS for their CalPERS LTC Policy from the inception of the policy through the Final Settlement Date, less any benefits paid under the CalPERS LTC Policy. Each Participating Settlement Class Member in this Final Settlement Category shall receive a minimum payment of no less than \$10,000. Participating Settlement Class Members in this Final Settlement Category shall Surrender their CalPERS LTC Policy upon payment of this refund. In the alternative, Participating Settlement Class Members in this Final Settlement Category shall be entitled to apply their premium return to any available Replacement LTC Policy.
CATEGORY B. Participating Settlement Class Members who are On Claim both on the Notice Date and the Final Settlement Date and who paid the Challenged Increase	Participating Settlement Class Members who paid any part of the Challenged Increase and are On Claim both on the Notice Date and on the Final Settlement Date, shall receive a refund equivalent to all Additional Premiums paid before going On Claim. Participating Settlement Class Members in this Final Settlement Category are not required to Surrender their CalPERS LTC Policy and shall maintain all benefits and contractual rights available under their CalPERS LTC Policy, except those Released Claims expressly released under this Settlement Agreement.

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<p>CATEGORY C. Participating Settlement Class Members who are On Claim both on the Notice Date and the Final Settlement Date and who reduced benefits as a result of the Challenged Increase</p>	<p>Participating Settlement Class Members who, on both the Notice Date and the Final Settlement Date, are On Claim but reduced their benefits as a result of the Challenged Increase before going On Claim, shall receive an additional one (1) year of benefits based on their Schedule of Benefits (as defined in their CalPERS LTC Policy) as of the Final Settlement Date. In addition, Participating Settlement Class Members in this Final Settlement Category who paid any part of the Challenged Increase before reducing benefits shall also receive a refund equal to all Additional Premiums paid. Participating Settlement Class Members in this Final Settlement Category are not required to Surrender their CalPERS LTC Policy and shall maintain all benefits and contractual rights available under their CalPERS LTC Policy, except those Released Claims expressly released under this Settlement Agreement.</p>
<p>CATEGORY D. Participating Settlement Class Members who let their CalPERS LTC Policy Lapse between February 1, 2013, and December 31, 2014</p>	<p>Participating Settlement Class Members who let their CalPERS LTC Policy Lapse between February 1, 2013, and December 31, 2014, and who submit a claim form stating under penalty of perjury that they let their policy lapse as a result of the Challenged Increase shall receive a refund equivalent to one-half (½) of all premiums paid to CalPERS for their CalPERS LTC Policy from the inception of their CalPERS LTC Policy through the date their CalPERS LTC Policy Lapsed, less any amounts paid in benefits under their CalPERS LTC Policy.</p>
<p>CATEGORY E. Participating Settlement Class Members who let their CalPERS LTC Policy Lapse between January 1, 2015, and the Final Settlement Date</p>	<p>Participating Settlement Class Members who let their CalPERS LTC Policy Lapse between January 1, 2015, and the Final Settlement Date and who submit a claim form stating under penalty of perjury that they let their CalPERS LTC Policy lapse as a result of the Challenged Increase will receive all Additional Premiums paid or \$2,500, whichever is greater.</p>
<p>CATEGORY F. Participating Settlement Class Members who passed away after February 1, 2013, and before the Final Settlement Date, and who reduced benefits as a result of the Challenged Increase</p>	<p>The estates of Participating Settlement Class Members who (1) died after February 1, 2013, and before the Final Settlement Date, (2) were Current Policyholders or were On Claim at the time of their death, and (3) reduced their benefits as a result of the Challenged Increase shall receive all Additional Premiums paid or \$2,500, whichever is greater.</p>
<p>CATEGORY G. Participating Settlement Class Members who passed away after February 1, 2013, and before the Final Settlement Date, and who paid the Challenged Increase and never reduced benefits in response to the Challenged Increase</p>	<p>The estates of Participating Settlement Class Members who (1) died after February 1, 2013, and before the Final Settlement Date, (2) were Current Policyholders or were On Claim at the time of their death, (3) paid the Challenged Increase, and (4) never reduced their benefits in response to the Challenged Increase shall receive all Additional Premiums paid.</p>
<p>CATEGORY H. Participating Settlement Class Members who paid the Challenged Increase, went On Claim, and exhausted their benefits before the Final Settlement Date</p>	<p>Participating Settlement Class Members who paid the Challenged Increase, who went On Claim at any time before the Final Settlement Date, and exhausted their benefits before the Final Settlement Date, shall receive a refund of all Additional Premiums paid.</p>
<p>CATEGORY I. Participating Settlement Class Members who are Current Policyholders who were not On Claim as of the Notice Date but are On Claim as of the Final Settlement Date</p>	<p>Participating Settlement Class Members who are Current Policyholders who were not On Claim as of the Notice Date, but are on Claim as of the Final Settlement Date must submit an election pursuant to Section 5.7 stating whether the Participating Settlement Class Member chooses to (a) Surrender their CalPERS LTC Policy, or (b) keep their CalPERS LTC Policy in place. If the Participating Settlement Class Member elects to keep their CalPERS LTC Policy in place or makes no election, the Participating Settlement Class Member shall receive no relief under the Settlement and shall maintain all benefits and contractual rights available under their CalPERS LTC Policy, except those Released Claims expressly released under this Settlement Agreement. If the Participating Settlement Class Member elects to Surrender their CalPERS LTC Policy, Defendant shall pay into the Settlement Fund, and the Participating Settlement Class Member shall receive, an amount equivalent to a refund of all premiums paid (less benefits received), with a \$10,000 mandatory minimum.</p>

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The enclosed Individual Settlement Award Form identifies the Initial Settlement Category that you fell into as of March 31, 2021, and the amount of the benefits that you will be entitled to receive from the Settlement if you remain in that Settlement Category as of the Final Settlement Date.

IF YOU ARE IN “SETTLEMENT CATEGORY A,” YOU MUST CONTINUE TO MAKE YOUR PREMIUM PAYMENTS TO CALPERS UNTIL THE SETTLEMENT BECOMES EFFECTIVE IN ORDER TO OBTAIN A RETURN OF YOUR PREMIUMS OR TO OBTAIN THE NEW LTC POLICY.

OVERVIEW OF YOUR LEGAL RIGHTS AND OPTIONS UNDER THE SETTLEMENT	
IF YOU ARE IN “CATEGORY A,” RETURN THE AWARD ACKNOWLEDGMENT FORM STATING WHETHER YOU WANT A REFUND OF ALL PREMIUMS OR A POTENTIAL REPLACEMENT LTC POLICY.	<p>Subject to the Court’s final approval of the terms of the Settlement, you will be entitled to receive a refund of all premiums paid to CalPERS for your LTC Policy from its inception through the Final Settlement Date (less any benefits paid).</p> <p>In exchange for this refund, you will give up your claims in this case within the scope of the release set forth below, and you will give up your CalPERS LTC Policy. By giving up your CalPERS LTC Policy, you will not be entitled to any of the benefits of your CalPERS LTC insurance going forward.</p> <p>Alternatively, you may have an option to elect to have your premium refund issued to a private insurance carrier and obtain a replacement insurance policy. Details concerning the possibility of obtaining a replacement policy and the benefit it will likely offer can be found in response to Question 11 of this Notice. The deadline to select a replacement policy is 40 days after the mailing of this Notice.</p> <p>Importantly, to receive a return of all premiums you MUST continue to pay premiums on your CalPERS LTC Policy until the Settlement becomes final and effective. Your right to receive a full refund of premiums is dependent on the status of your LTC Policy on the Final Settlement Date, which is the date that the settlement becomes final and effective. This is described further in response to Question 6 below.</p>
IF YOU ARE IN “CATEGORY D” OR “CATEGORY E,” YOU MUST RETURN A LAPSE CLAIM FORM.	In order to receive your Settlement, you must sign and return a Lapse Claim Form by December 13, 2021 . If you do not sign and return a Lapse Claim Form, you will not receive any benefits from the Settlement.
FOR SETTLEMENT CLASS MEMBERS IN ALL CATEGORIES, YOU CAN EXCLUDE YOURSELF.	If you submit a Request for Exclusion, which must be postmarked by December 13, 2021 , you will <u>NOT</u> receive a Settlement payment and will not be releasing any claims you may have against CalPERS. If you are a current policyholder in Category A, you will also retain your CalPERS LTC Policy and the benefits to which you are entitled under that policy. However, if you elect to keep your LTC Policy you must continue paying premiums to CalPERS, including the upcoming premium increase and any other premium increases CalPERS may impose in the future.
FOR SETTLEMENT CLASS MEMBERS IN ALL CATEGORIES, YOU CAN OBJECT.	If you wish to object to the Settlement, you must submit a written objection, and supporting papers, to the Settlement Administrator that is postmarked no later than December 13, 2021 . You may not request exclusion and also object to the Settlement.

- Your rights and options as a Settlement Class Member—and how to exercise them—are explained in more detail in this Notice.
- The Court assigned to this case still has to decide whether to grant final approval of the Settlement. Settlement payments will only be issued if the Court grants final approval of the Settlement.
- **SETTLEMENT CLASS MEMBERS WHO FALL INTO “SETTLEMENT CATEGORY A” MUST CONTINUE PAYING PREMIUMS TO CALPERS FOR THEIR LTC POLICY UNTIL THE DATE ON WHICH THE SETTLEMENT IS FINAL AND EFFECTIVE.**
- Additional information regarding the Settlement is available through the Settlement Administrator or Class Counsel, whose contact information is provided in this Notice.

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DEADLINES

Settlement Class Members who are current CalPERS LTC policyholders (Category A):

Sign and return the Award Acknowledgment Form September 22, 2021, if you are interested in selecting a Replacement LTC Policy, otherwise December 13, 2021

Class Members who let their CalPERS LTC Policies lapse (Categories D and E):

Sign and return Claim Form (postmarked) December 13, 2021

All Class Members:

File an Objection to the Settlement (postmarked) December 13, 2021

Exclude yourself from the Settlement (postmarked) December 13, 2021

BASIC INFORMATION

1. Why did I get this Notice?

Defendant's records show that you were a California citizen in February 2013, and that you hold or held an LTC Policy issued by CalPERS that included inflation protection benefits that was subject to an 85% premium increase announced by CalPERS in 2013. This Notice explains the Action, the Settlement, and your legal rights.

The lawsuit is known as *Holly Wedding, et al. v. California Public Employees' Retirement System, et al.*, and is pending in the Superior Court of California for the County of Los Angeles, Case No. BC517444 (the "Action"). Holly Wedding, Richard M. Lodyga and Eileen Lodyga are the Plaintiffs and Class Representatives, and they sued CalPERS and others who are called the Defendants.

2. What is the Action about?

In 1995, CalPERS began selling LTC policies to Class Members. In February 2013, CalPERS announced it was increasing the premiums for certain policies sold between 1995 and 2004 by 85% and that these premium increases would be implemented in 2015 and 2016. The lawsuit generally alleges that it was improper for CalPERS to impose this 85% premium increase. CalPERS denies that it did anything improper and denies that anything it may have done caused injuries to the Class.

3. Why is this lawsuit a class action?

In a class action, one or more people called the "Plaintiff" sues on behalf of people who have similar alleged claims. All of these people are a "class" or "class members." The Court resolves the issues for all class members, except for those who exclude themselves from the class. On January 28, 2016, the Honorable Jane Johnson issued an order certifying a class in this case. Thereafter, on July 23, 2021, the Honorable William F. Highberger issued an Order conditionally certifying this Settlement Class for purposes of this Settlement only.

4. Who is in the Settlement Class?

"Settlement Class Members" or the "Settlement Class" means all persons who: (1) were citizens of California in February 2013; (2) purchased an LTC Policy from CalPERS during the period 1995 to 2004 that included automatic inflation protection benefits; and (3) were subjected to the 85% premium increase announced by CalPERS in 2013. Policyholders who converted their policies to LTC3 policies prior to the implementation of the Challenged Increase are not included in the Settlement Class, even if the conversion occurred after the 85% premium increase was approved by the CalPERS Board in October 2012. The Settlement Class does not include those individuals who opted out of the Class certified by the Court on January 28, 2016.

5. Why is there a Settlement?

After conducting substantial investigation and litigating this matter for nearly eight years, including a thorough review of documents related to the claims and numerous depositions of representatives of Defendants and depositions of the Plaintiffs and the parties' experts, the resolution of various issues through motions for summary judgment and a trial of the first two phases of the case, both sides agreed to the Settlement to avoid the cost and risk of further litigation. Defendant denies all of the claims asserted in the Action and denies that it is liable to the Class. Plaintiffs and their lawyers think the Settlement is in the best interests of all Settlement Class Members.

THE SETTLEMENT BENEFITS—WHAT YOU GET

6. What does the Settlement provide?

Under the terms of the Settlement, Defendant will pay into a Qualified Settlement Fund maintained by the Settlement Administrator an amount that is equal to benefits payable to all Settlement Class Members who do not request exclusion from the Settlement Class. The total amount will include all monetary benefits due in accordance with the benefits payable to Settlement Class Members based on the categories described above. If there are no requests for exclusion from the Settlement Class, the total amount to be paid into the Qualified Settlement Fund by CalPERS for payment to Settlement Class Members is estimated to be \$2.4 billion. In addition, CalPERS will pay an additional \$282.5 million into a fund for contingency costs, settlement administration expenses, attorneys' fees and expenses and service awards for the Plaintiffs (the "CAF Fund"). One of the "contingencies" the Fund can be used to cover is if a greater than expected number of Class Members exclude themselves or "opt out" of the Settlement. If this occurs, CalPERS may recover up to \$150 million from the CAF Fund in order to cover the potential actuarial costs associated with the greater than expected opt outs. Any amounts in the CAF Fund that remain at the conclusion of the Settlement administration process will be returned pro rata (based on their settlement award) to all Participating Class Members.

Enclosed with this Notice is a Form which identifies your Initial Settlement Category and the amount that you are entitled to receive under the Settlement if your Initial Settlement Category does not change prior to the Final Settlement Date. For those Settlement Class Members who are in Category A, the amount reflects all premiums you have paid for your CalPERS LTC Policy up to December 31, 2020. If you remain in Category A as of the Final Settlement Date, you will also receive all Additional Premiums paid after December 31, 2020, so the amount in your Individual Award Form will increase upon final approval of the Settlement.

Once the Settlement becomes Final as defined below, the Settlement payments to Settlement Class Members, the service award to Plaintiffs, Settlement Administration Expenses, and payment to Class Counsel for Court-awarded attorneys' fees and expenses will be made within 120 calendar days following the date that the Settlement becomes Final. "Final" will mean the latest of the following dates, as applicable: (i) expiration of all potential appeal periods without a filing of a notice of appeal of the final approval order or judgment; or (ii) final affirmance of the final approval order and judgment by an appellate court as a result of any appeal(s), or (iii) final dismissal or denial of all such appeals (including any petitions for review, rehearing, certiorari, etc.) such that the final approval order and judgment is no longer subject to further judicial review.

Following distribution of the individual Settlement payments, any uncashed checks issued to Settlement Class Members will be sent to the California State Controller's Unclaimed Money Fund and will include information required by the State Controller to identify the beneficiary of the funds. Any other funds remaining in the CAF Fund will be returned to CalPERS for deposit into the Long-Term Care Fund unless there are sufficient funds remaining in the CAP Fund to distribute proportionately to Settlement Class Members.

7. What am I giving up in exchange for the Settlement benefits?

Settlement Class Members in Category A who do not submit a valid Request for Exclusion (defined in response to Question 12 below) will be required to surrender their CalPERS LTC Policy and will not be entitled to any benefits from that policy in the future. In addition, Category A Settlement Class Members and all other Settlement Class Members will release CalPERS, and all of its respective current, former, and future parents, subsidiaries, predecessors and successors, and affiliated entities, and each of their respective officers, directors, employees, partners, shareholders, and agents, and any other successors, assigns, or legal representatives from any and all breach of contract claims, rights, demands, liabilities, and/or causes of action of every nature and description, whether known or unknown, arising from or related to the 85% premium increase announced in 2013, including, without limitation, statutory, constitutional, contractual, and/or common law claims.

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8. Is there a chance the Settlement may not go forward?

Yes. Under the terms of the Settlement, CalPERS has the option to void the Settlement Agreement if a certain number of Class Members exclude themselves from the Settlement, or if proceeding with the Settlement would cause the Long-Term Care Program to become underfunded. Also, there is a possibility that the Court may not grant Final Approval of the Settlement. If either of these events occurs, the litigation against CalPERS will continue.

Because there is the possibility that the Settlement may not go forward, it is critical that you continue paying premiums to CalPERS and make other decisions concerning your LTC Insurance as if there was no Settlement.

HOW TO GET A SETTLEMENT PAYMENT

9. How do I get a Settlement payment?

Subject to the Court's final approval of the terms of the Settlement, you will automatically be mailed any Settlement payment you are entitled to under the Settlement Agreement to the address where this Notice was mailed (unless you timely provide a forwarding address to the Settlement Administrator) in exchange for which you will give up your claims in this case. If you are entitled to receive an additional year of LTC benefits under the Settlement, you will receive a Schedule of Benefits from CalPERS outlining your increase in coverage.

10. What do I need to know about the Potential for a Replacement Insurance Policy?

Based on comments from numerous Settlement Class Members, the parties are aware that some would prefer to continue having LTC coverage rather than receive a refund of their premiums. To that end, Class Counsel has been in contact with a large insurance broker in an effort to explore the possibility of obtaining replacement long-term care insurance policies for interested Settlement Class Members that could be offered without any underwriting. The broker has approached a number of large insurers about this issue, and several carriers have expressed a strong interest in providing coverage, but cannot provide a firm guarantee until they know the level of Class Member participation.

The Award Acknowledgment Form for Settlement Class Members in Category A provides an option to apply premium refunds to the purchase of a new replacement long-term care insurance product. Once it is determined who and how many Class Members desire a replacement policy, the broker will endeavor to secure replacement policies for interested Class Members. The broker has assured us that if there is sufficient participation, any LTC product that will be offered will have the following characteristics.

- The replacement Long-Term Care insurance will be backed by a large insurance carrier that is rated "A" or higher;
- The replacement Long-Term Care insurance will be regulated by the California Department of Insurance;
- Any new replacement Long-Term Care policy will not require underwriting;
- You will not have to pay any further premiums to the new insurance carrier—instead, the policy will be funded by the transfer of your CalPERS premium refund to the new insurance carrier;
- The policies will provide coverage for three (3) years of LTC benefits;
- As for the nursing home daily benefit amounts, the broker has informed us that the final daily benefit amount you will receive will vary based on the amount of your premium refund and your age, among other potential factors. In any event, and subject to the caveat below the following table, any replacement LTC policy that is sought from insurers will have a nursing home daily benefit amount falling somewhere within the following minimum/maximum range:

Refund Amount	Minimum Nursing Home Daily Benefit	Maximum Nursing Home Daily Benefit
Under \$40,000	\$142.50	\$157.50
\$40,000 - \$60,000	\$182.25	\$204.75
\$60,000 - \$80,000	\$209.00	\$231.00
\$80,000 - \$100,000	\$232.30	\$257.70
\$100,000 - \$140,000	\$289.75	\$320.75
\$140,000 and Above	\$308.75	\$341.25

It is important to understand that the daily Nursing Home Benefit Amount noted above will be the *lesser* of the amount above corresponding to your premium refund, OR your current benefit level within the CalPERS Plan. In other words, if your daily benefit amount is currently lower than the amounts listed in the chart, that is the daily benefit amount you will receive under the new policy.

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Although the benefits offered under the replacement policies are likely less than what you have with CalPERS, the replacement policies will not require the payment of any future premiums, will not require underwriting, will be regulated by the California Department of Insurance, and will have no affiliation with CalPERS or any government entity.

However, as noted above, please understand that there is no guarantee that replacement policies can be secured. In order to find out with certainty, the broker first needs to know who would elect such an option. The broker has expressed confidence that, once insurers have a sufficiently numerous list of Class Members who are committed to this option, a replacement Long-Term Care policy with the characteristics described above will be feasible and achievable. Assuming a replacement Long-Term Care policy for interested Class Members is feasible and achievable, you will receive another letter confirming that option and disclosing the insurer, the terms of the product, and the Evidence of Coverage, if available, for any replacement Long-Term Care insurance product. Upon disclosure of those materials, and should you for some reason have a disagreement with the insurance product secured by the broker, you will have an opportunity to opt out of that product, and select either a refund of premiums or to opt out of the Settlement altogether.

If, for some reason, the broker is unable to secure a replacement Long-Term Care policy for interested Class Members (due to a lack of interest, insurer refusal, actuarial issues, or other unforeseen problems), Class Members will still have the right to either receive a full refund of their net premiums, or exclude themselves from the Settlement and stay with CalPERS. In either scenario, Class Members will have limited time to make that choice once a replacement Long-Term Care insurance product is determined.

Please note that if you elect a replacement insurance policy, and the broker is able to procure a replacement policy with the characteristics noted above, your premiums will be transferred to the new insurance carrier and you will have LTC coverage with the new insurance carrier.

Because we must immediately proceed with attempting to secure a replacement LTC Policy, time is limited. You only have until September 22, 2021 to elect the purchase of a Replacement LTC Policy. If you do not make the election by this date, you will not be offered this replacement policy.

Importantly, the replacement policy, should there be sufficient participation, will not go into effect until the Settlement actually becomes Final. Therefore, it is critical that you continue paying premiums to CalPERS until the Settlement is Final.

11. When will I get my check?

Checks will be mailed to eligible Settlement Class Members after the Court grants “final approval” of the Settlement. If the Court approves the Settlement after a hearing on June 8, 2022 (see “The Court’s Final Approval Hearing” below), there may be appeals. If there are any appeals, resolving them could take some time, so please be patient. Please also be advised that you will only have 180 days from the date that the checks are issued to cash the check. If you do not cash your check within 180 days of the date of its issuance, your individual Settlement check will be voided. You will be permitted to request the reissuance of the check from the Settlement Administrator for a period of up to 90 days thereafter.

EXCLUDING YOURSELF FROM THE SETTLEMENT

12. How do I exclude myself or “opt out” of the Settlement?

If you do not wish to participate in the Settlement (“opt out”), you must complete and send a timely Request for Exclusion form, or another writing containing all required information. A sample Request for Exclusion form is available at www.CalPERSLTCClassAction.com. A Request for Exclusion must be signed, dated, mailed by First-Class U.S. Mail, or the equivalent, and postmarked no later than **December 13, 2021**, to the following:

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c/o Epiq
P.O. Box 6790
Portland, OR 97228-6790

Settlement Class Members who fail to submit a valid and timely Request for Exclusion on or before the above-specified deadline will be bound by all terms of the Settlement and any final judgment entered in the Action if the Settlement is approved by the Court.

Also, to verify that your Request for Exclusion was received by the Administrator, you should call the Administrator to confirm it was received. The Administrator can be contacted at 1-866-217-8056.

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Additionally, the Settlement has a process allowing Class Members who do not receive this Notice due to extraordinary circumstances to submit an application requesting that they be permitted to opt out of the Settlement after the opt out deadline. However, the circumstances under which someone will qualify as a Late Opt-Out are extremely limited. Therefore, if you intend to opt out of the Settlement, it is important that you do so well in advance of the deadline.

13. If I exclude myself, can I get anything from the Settlement?

No. If you exclude yourself you will not get anything from the Settlement. If you ask to be excluded, you will not get a Settlement payment and you will not be bound by the Settlement and, if you are a current policyholder, you will retain all of the benefits of your CalPERS LTC Policy provided you continue to pay premiums to CalPERS.

14. If I don't exclude myself from the Settlement, can I sue later?

No. Unless you exclude yourself from the Settlement, you give up the right to sue the Defendant for the claims in this lawsuit. You must exclude yourself from the Settlement Class to start or continue your own lawsuit.

THE LAWYERS REPRESENTING YOU

15. Do I have a lawyer in this case?

The Court has appointed the following lawyers to serve as Class Counsel for the Settlement Class:

Michael J. Bidart
mbidart@shernoff.com
SHERNOFF BIDART ECHEVERRIA LLP
600 South Indian Hill Boulevard
Claremont, California 91711

Gretchen M. Nelson, Esq.
gnelson@nflawfirm.com
NELSON & FRAENKEL LLP
601 So. Figueroa, Suite 2050
Los Angeles, California 90017

Gregory L. Bentley
gbentley@bentleymore.com
BENTLEY & MORE, LLP
4931 Birch Street
Newport Beach, California 92660

Stuart C. Talley
stuart@kctlegal.com
KERSHAW, COOK & TALLEY PC
401 Watt Avenue
Sacramento, California 95864

16. How will the costs of the lawsuit and the Settlement be paid?

In addition to the refunds and other relief provided to Class Members, as part of the Settlement, CalPERS has also agreed to separately pay the Class Counsel's attorneys' fees and expenses. Subject to Court approval, Class Counsel will apply for an award of attorneys' fees that are no greater than 9% of the total amount paid to the Class under the Settlement and up to \$2,000,000 in unpaid litigation expenses. All attorneys' fees and expenses sought by Class Counsel must be paid entirely from the CAF Fund (described above) and under no circumstances will the amounts awarded for attorneys' fees and costs reduce any payments provided to Class Members under the Settlement Agreement.

In addition, a request will be made to the Court for approval of a total amount not to exceed \$85,000 for Service Awards to be paid from the CAF Fund to the Plaintiffs for bringing this lawsuit and for taking on the risk of litigation, and for the extensive assistance they provided throughout the course of the Action. The Court may award less than the amount requested for Service Awards.

The Settlement Administrator's costs and fees associated with administering the Settlement, as well as those of the Mediator who may be required to resolve certain disputes under the Settlement, which are in total estimated not to exceed \$5,000,000, will also be paid out of the CAF Fund.

If lesser amounts are awarded for Attorneys' Fees and Expenses, Settlement Administration Expenses or Plaintiffs' Service Awards, the remaining amount will be available for distribution to Settlement Class Members proportionately.

OBJECTING TO THE SETTLEMENT

17. How do I object to the Settlement?

Any Settlement Class Member may object to the proposed Settlement, or any portion thereof, by mailing a written objection, and supporting papers, to the Settlement Administrator at the following addresses by regular U.S. Mail postmarked no later than December 13, 2021:

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c/o Epiq
P.O. Box 6790
Portland, OR 97228-6790

A written objection must contain: (1) the case name and number for this action, (2) the full name of the objecting Settlement Class Member, (3) the Settlement Class Member's LTC Policy number, (4) the basis for the objection, (5) if the Settlement Class Member intends to appear at the Final Approval Hearing (see response to Question 19 below), and (6) the identity of the Settlement Class Member's counsel, if any. If a Settlement Class Member wishes to appear at the Court's Final Approval Hearing and orally present his or her objection to the Court, the objector's written statement should include the objector's statement of intent to appear at the Court's Final Approval Hearing. **Notwithstanding, in the discretion of the Court, any Settlement Class Member, or person purporting to object on behalf of any Settlement Class Member, may be received or considered by the Court at the Final Approval Hearing, regardless of whether a written notice of objection is filed or delivered to the parties.** Any Settlement Class Member who files an objection remains eligible to receive monetary compensation from the Settlement unless the Settlement Class Member submits a timely and valid Request for Exclusion. If the Court overrules any objections and grants final approval of the Settlement, any Settlement Class Member who submitted an objection but did not submit a timely and valid Request for Exclusion will be bound by the Release set forth in Question 7 above.

18. What's the difference between objecting and asking to be excluded?

Objecting is simply telling the Court you do not like something about the Settlement. If you object, you are still a part of the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class.

THE COURT'S FINAL APPROVAL HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak at the Final Approval Hearing, but you don't have to. **If you intend to appear at the Final Approval Hearing it is important to visit the Los Angeles County Superior Court website at www.lacourt.org to determine whether there are any social distancing or Covid-19 related guidelines for in-person court appearances.**

19. When and where will the Court decide whether to approve the Settlement?

The Court will hold a "Final Approval Hearing" on June 8, 2022 at 10:00 a.m., in **Department 10** at the Superior Court of California for the County of Los Angeles, located at **312 N. Spring St., Los Angeles, 90012**. The hearing may be moved to a different date and/or time without additional notice but any change of date or time will be posted on the Class Website at www.CalPERSLTCClassAction.com. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will also decide how much to pay Class Counsel for their fees. After the hearing, the Court will decide whether to approve the Settlement. It is unknown how long these decisions will take.

20. Do I have to come to the hearing?

No. Class Counsel will answer any questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you have mailed your written objection on time, the Court will consider it. You may also pay (at your own expense) another lawyer to attend for you, but it is not required.

21. May I speak at the hearing?

If you wish to appear at the Final Approval Hearing and orally present your objection to the Court, you should include in your written objection that you intend to appear at the Final Approval Hearing. Notwithstanding, in the discretion of the Court, any Settlement Class Member who has not requested exclusion, or person purporting to object on behalf of any Settlement Class Member, may be received or considered by the Court at the Final Approval Hearing, regardless of whether a written notice of objection is mailed to the Settlement Administrator.

NOTICE OF CLASS ACTION SETTLEMENT

IF YOU DO NOTHING

22. What happens if I do nothing at all?

If you do nothing, you will automatically receive the benefits provided for in the Settlement in accordance with the Final Settlement Category as described above and you will be bound by the release of claims, subject to the Court's final approval of the terms of the Settlement at 1-866-217-8056.

GETTING MORE INFORMATION

23. How do I get more information?

This Notice summarizes the Settlement. More details are in the Settlement Agreement and filings made before the Court. Such documents are accessible via a website at: www.CalPERSLTCClassAction.com. You may also contact Class Counsel or the Settlement Administrator for more information.

THE RECENT CALPERS PREMIUM INCREASE

24. What about the recently announced CalPERS premium increase?

As you may have heard, CalPERS recently announced that it would be increasing premiums by 52% in 2021 and up to an additional 25% in 2022. This effectively results in an up to 90% premium increase because it is compounded over the next 2 years. This is the eighth increase since the CalPERS Long-Term Care Insurance Program was implemented in 1995. CalPERS has also indicated that this may not be the last premium increase it will impose. (For more information about the premium increase, please visit www.calpers.ca.gov/page/active-members/health-benefits/long-term-care).

There is currently no lawsuit seeking to oppose the new premium increase of up to 90% and challenging the new premium increase may prove difficult. According to CalPERS, the new premium increase is not targeted toward individuals with inflation protection (instead being due to low interest rates and investment returns and negative experience factors), and so the increase could satisfy the Court's prior interpretation of the insurance contract between Class Members and CalPERS as a permissible premium increase.

We have heard from many Class Members that they would not be able to afford yet another increase, and a further substantial benefit reduction could essentially make their policy worthless. The purpose of this settlement is to provide Class Members who are current policyholders and who are not on claim an opportunity to extract themselves from the CalPERS LTC Program by receiving a complete refund of all premiums paid into the program from its inception, less any benefits paid. Alternatively, eligible Class Members can elect to transfer their premiums from CalPERS to a different, private insurer for a replacement Long-Term Care policy, if such a policy is available, as described above.

If you decide to exclude yourself from the Settlement and keep your CalPERS LTC Policy, you will have to either pay the recently announced premium increase or reduce your benefits. Should you exclude yourself from the Settlement and later decide to stop paying your LTC premiums, your policy would lapse and you would forfeit all premiums ever paid into the Program. The Settlement is the *only* way a policyholder who cancels his or her CalPERS LTC Policy can receive a refund of premiums.

CalPERS has provided or soon will be providing you with information regarding your options for reduction of benefits and also the amount you will have to pay if you choose to pay the CalPERS premium increase. The announcement of this new premium increase, the potential for future premium increases, the financial viability of the Program, and the many additional years this lawsuit could continue if not settled are some of the many reasons that Plaintiffs' Counsel and the Plaintiffs are recommending the Settlement.

Please note: It is critical that you continue paying your CalPERS LTC Policy premiums as if there was no settlement. This includes either paying the upcoming premium increase CalPERS recently announced or reducing your benefits pursuant to the process described by CalPERS in its premium increase notice. It is important you make the decisions regarding your CalPERS LTC Policy as if there was no settlement since there is no guarantee the Settlement will be approved by the Court.

Do not contact the Court, CalPERS or Long-Term Care Group regarding this Notice or the Settlement.