

Notice to Class Members of Proposed Partial Settlement of Class Action and Hearing on Final Approval

THIS NOTICE MAY AFFECT YOUR RIGHTS. PLEASE READ IT CAREFULLY.

To: All California citizens who purchased LTC1 and LTC2 long term care policies from CalPERS from 1995 to 2004 who were subjected to the 2015 rate increase adopted by CalPERS in October 2012 (the “Class” or “Class Members”).

This Notice is to inform you of a proposed partial settlement of this matter with respect to the claims asserted against Defendants Towers Watson Co., Towers Perrin and Tillinghast-Towers Perrin (collectively “Towers” or “Towers Defendants”) only. Importantly, this proposed partial settlement in no way impacts any claims asserted against CalPERS, the remaining defendant in this class action case. Plaintiffs will continue to vigorously pursue the Class claims against CalPERS. This Notice is to inform you of the proposed partial settlement with Towers including: the nature of the claims at issue and the effect of exercising your various options. You are not being sued.

YOUR LEGAL RIGHTS AND OPTIONS	
DO NOTHING	By doing nothing, you will automatically participate in the partial settlement and will be bound by the terms of the Settlement Agreement and Release (<i>see</i> paragraphs 13 and 17 below).
OBJECT	You may object to the Settlement according to the instructions contained in this Notice if you are not satisfied with the partial settlement, (<i>see</i> paragraph 15 below).
GO TO A HEARING	If you object, you may also speak in Court about the fairness of the Settlement according to the instructions contained in this Notice (<i>see</i> paragraphs 15 and 17 below).

Your legal rights and options—and the deadlines to exercise them—are explained in this Notice. Your legal rights may be affected whether you act or do not act. Please read this Notice carefully.

1. Why did I receive this Notice?

You were previously notified in the summer of 2016 that the matter of *Sanchez, et al. v. California Public Employees’ Retirement System, et al.*, Case No. BC517444, had been certified as a class action (“the Action”), and that you are a member of the certified Class. In this case, the Class is asserting claims against defendants CalPERS and Towers arising from CalPERS’ sale of Long Term Care (“LTC”) insurance to the Class. The

parties have now reached a partial settlement of the case with Towers. **This partial settlement only impacts the claims asserted against Towers and there is currently no settlement with CalPERS. The partial settlement with Towers will in no way impact the claims asserted against CalPERS and Plaintiffs will continue to vigorously pursue their claims against CalPERS.** The agreement to partially settle the litigation, if approved, will affect your legal rights, and the Court directed that Notice be sent to all members of the Class.

2. What is the purpose of this Notice?

This Notice is intended to: (a) inform you that a proposed partial settlement has been reached in the Action and has been preliminarily approved by the Court; (b) explain your legal rights under the partial Settlement Agreement and Release (“Settlement” or “Settlement Agreement”) and (c) provide information relating to the Court’s consideration of final approval of the proposed partial settlement.

3. What is this case about?

In 1995, CalPERS began selling LTC policies to Class Members. Prior to implementing its LTC program, CalPERS retained Towers to provide certain actuarial services needed to help CalPERS establish the premiums for the LTC policies. In February 2013, CalPERS announced it was increasing the premiums for certain policies sold between 1995 and 2004 by 85% and that these rate increases would be implemented in 2015 and 2016. The lawsuit generally alleges that it was improper for CalPERS to impose this 85% rate increase. The lawsuit also alleges that the Towers Defendants negligently performed actuarial services for CalPERS relating to rate-setting at the inception of the program in 1995 and that this contributed to the 85% premium increase implemented by CalPERS 20 years later. Both CalPERS and Towers deny that they have done anything improper and deny that anything they may have done caused the injuries claimed by the Class.

4. How do I know if I am part of the Partial Settlement?

You are a Class Member if (1) you are a California citizen, (2) you purchased a long-term care policy from CalPERS between 1995 and 2004, (3) you were subjected to the 85% premium increase announced to policyholders in or around February 2013, and implemented beginning in 2015, (4) you were sent a Class notice in 2016 notifying you that you were a member of the certified Class in this Action, **and** (5) you did not validly and timely exclude yourself from the Action after you received the 2016 Class notice.

5. What are the reasons for the Partial Settlement?

Throughout this litigation, Towers has asserted that it was not responsible and did nothing that contributed to the need for the 85% rate increase that was implemented in 2015. On or about November 15, 2016, Towers filed a Motion for Summary Judgment (“Motion”) seeking the dismissal of all claims asserted against it in this action. The Motion made two primary arguments as to why the case should be dismissed. First, Towers argued that the 2-year statute of limitations for the claims asserted against it had expired since the negligent conduct alleged by Plaintiffs occurred prior to 1995 and Towers had not had been involved in the LTC program since 2004. Second, Towers argued that it owed no legal duty to the Class since it was hired by CalPERS, not Class Members, to provide the actuarial services that were at issue in the case. If either of these arguments were to be accepted by the Court, all of the claims asserted against Towers would be dismissed.

Before the Court ruled on Towers' Motion, Plaintiffs and Towers agreed to engage in settlement negotiations before an experienced mediator. At the conclusion of the mediation, the parties agreed to the Settlement that they believe constitutes a fair, reasonable, and an adequate compromise of the claims asserted against Towers.

In reaching this partial settlement, Class Counsel have considered the benefits of the partial settlement and balanced these benefits against the risk that the claims against Towers would be dismissed by the Court. Plaintiffs also took into consideration the value that a partial settlement would bring to the overall litigation and, specifically, the claims Plaintiffs will continue to assert against CalPERS.

6. What does the Partial Settlement provide?

If the proposed partial settlement receives final court approval, Towers will pay \$9,750,000 (the "Settlement Fund") into an interest-bearing account to settle all the claims asserted against Towers. If approved by the Court, the Settlement will bar every Class Member from asserting any of the Released Claims against Towers, as set forth more fully in the Settlement Agreement and Release. Importantly, **the Settlement does not release any claims against CalPERS and Plaintiffs will continue to vigorously pursue the Class claims against CalPERS.**

Under the terms of the Settlement, Class Counsel shall be permitted to seek reimbursement from the Settlement Fund for litigation expenses incurred by them to date in pursuing this case against CalPERS and Towers. Those expenses currently total approximately \$600,000.00. Additionally, \$1 million will be set aside in an interest-bearing qualified settlement fund for payment of future litigation expenses incurred by Class Counsel who shall be permitted to apply to the Court for reimbursement of additional reasonable expenses incurred as they continue to pursue the Class claims against CalPERS (the "Future Cost Fund"). "Expenses" incurred in prosecuting this case do not include "attorney's fees." Rather "expenses" include out-of-pocket expenditures such as expert witness fees, filing fees, court reporter fees, deposition expenses, postage, trial expenses and travel expenses. All requests for reimbursement of expenses must be approved by the Court and Class Counsel must demonstrate that such expenses are reasonable and necessary with respect to the prosecution of this lawsuit. The Settlement Fund will also be used to pay the costs of notice and administration costs with respect to this Settlement which are estimated to be approximately \$200,000. Class Counsel will not seek an award of attorneys' fees from this Settlement but will defer any claim for attorneys' fees until after the resolution of the case against CalPERS.

The balance of the Settlement Fund including any interest, after deduction for litigation expenses incurred to date, notice and administration costs and the \$1 million for the Future Cost Fund, shall be distributed pro rata to Class members. The Settlement Administrator will divide the total amount available for distribution by the total number of Class Members to determine the amount that each Class Member will receive. It is estimated that the amount available for distribution to the Class will be approximately \$8 million. There are approximately 122,800 Class members and thus each Class Member will receive approximately \$65.00. You will not need to file a claim to receive the distribution. Rather, the Settlement Administrator will mail your check to you.

At the conclusion of the case, any amounts remaining in the Future Cost Fund (after expenses have been paid) will be added to any amounts recovered from CalPERS for distribution to the Class in accordance with a Court Order. Plaintiffs will be entitled to seek reimbursement from the Court for (1) any non-reimbursed expenses, (2) attorney's fees, (3) administration costs; and (4) any incentive award for the Class Representatives. The plan

for apportioning any funds obtained in the future either through a judgment or settlement against CalPERS must be approved by the Court after notice to the Class and the opportunity to object to the plan of apportionment. If no further amount is recovered from CalPERS and the net amount available at the conclusion of the litigation for distribution to the Class will result in a distribution of \$5.00 or more to each Class Member (after administration costs), then the funds will be distributed pro-rata to the Class Members. Otherwise if the amount is less than \$5.00 per Class Member, the funds shall be distributed pursuant to a Court order in accordance with California Code of Civil Procedure Section 384, which provides that 25% shall be paid to the State Treasury for deposit in the Trial Court Improvement and Modernization Fund; 25% to the State Treasury for deposit into the Equal Access Fund of the Judicial Branch; and 50% to a non-profit organization to support projects that will benefit the Class or similarly situated persons.

7. What does the Settlement release provide as to the Towers Defendants?

The Settlement provides that if the Court grants final approval to the Settlement, every Class Member, will fully release and discharge Towers, together with its affiliates, and each of their past or present officers, directors, members, shareholders, employees, agents, principals, heirs, representatives, accountants, auditors, consultants, insurers and reinsurers, and its and their respective successors and predecessors in interest, subsidiaries, affiliates, joint ventures, parents and attorneys and each of their respective company-sponsored employee benefit plans and all of their respective officers, directors, employees, administrators, fiduciaries, trustees and agents (the “Released Parties”), from any and all actual or potential claims, counterclaims, actions, causes of action, costs, fees, attorneys’ fees, or penalties of any kind alleged in the Action or that reasonably arise out of the facts alleged in Plaintiffs’ Second Amended Complaint, whether known or unknown, suspected or unsuspected, discovered or undiscovered, and which arise in whole or in part from services Towers provided at any time relating to CalPERS’ LTC Program (the “Released Claims”).

The Settlement will not affect the rights, remedies, or claims asserted by Plaintiffs and the Class against CalPERS, any CalPERS Board Members, the State of California, or any of the remaining non-settling defendants and the Released Parties does not include CalPERS, any CalPERS Board Members, the State of California or any non-settling defendant.

8. Does the Partial Settlement impact any claims asserted against CalPERS?

No. The partial settlement only resolves the claims asserted against Towers. Plaintiffs will continue to litigate this case against CalPERS and will continue the case against CalPERS through a trial and appeal, if necessary.

9. Does the Partial Settlement impact the coverage I have under my LTC Policy?

No. The partial settlement in no way impacts the terms of your LTC insurance policy or the coverage provided under that policy.

10. When can I expect to receive any payment from the Settlement?

Settlement funds as described in paragraph 6 above, will be distributed to the Class upon final approval of the Settlement. It is estimated that payment will occur within 6 months of an order granting Final Approval of the Settlement.

11. Do I have a lawyer in the case?

Yes. The Court has appointed the following as Class Counsel:

Michael J. Bidart

Shernoff Bidart Echeverria, 600 S. Indian Hill Blvd., Claremont, California 91711

Stuart C. Talley

Kershaw, Cook & Talley, PC, 401 Watt Avenue, Sacramento, California 95864

Gretchen M. Nelson

Nelson & Fraenkel LLP, 707 Wilshire Blvd., Suite 3600, Los Angeles, California 90017

Gregory Bentley

Bentley More LLP, 4 Park Plaza, Suite 500, Irvine, California 92614

12. Are Class Counsel and the Class Representatives being paid from the Settlement?

From the Settlement Fund, Class Counsel will receive reimbursement for all approved reasonable out-of-pocket expenses incurred for the benefit of the Class. To date, Class Counsel have advanced approximately \$600,000 for litigation expenses. These expenses include items such as expert witness fees, the cost of sending notice to the Class regarding the certification of the Class, filing fees, court reporter fees, deposition expenses, postage, and traveling expenses. From the Future Cost Fund, described in paragraph 6 above, Class Counsel shall be entitled to seek reimbursement for future expenses incurred in the continued prosecution of the case against CalPERS. All requests for reimbursement of expenses must be approved by the Court.

Class Counsel is not seeking any reimbursement from this Settlement for attorney's fees or compensation for the class representatives. Rather, any request for reasonable attorney's fees and any incentive award for the class representatives shall be made at the conclusion of the litigation against CalPERS.

13. What happens if I do nothing after receiving this Notice?

If you do nothing and the Court approves the partial settlement, you will be bound by the terms of the Settlement and will be unable to individually pursue claims against Towers arising from the services it provided to CalPERS relating to the LTC Program as alleged in this case. You will also be able to share in the Settlement proceeds as described herein.

14. What if I do not like the proposed Settlement?

If you do not like the terms of the Partial Settlement you may object to the Settlement (*see* paragraph 15 below) according to the instructions contained in this Notice.

15. How do I object to the Settlement?

If you are a Class Member, you can object to the Settlement. To object, you must mail an objection to the Settlement Administrator that: (a) sets forth your full name, current address and telephone number; (b) states that you are member of the Class; (c) sets forth a complete statement of all legal and factual reasons for any objection that you wish to assert; (d) provide copies of any documents that you wish to use before the Court; (e) provide a list of any other objections submitted by you or your separate counsel, to any class action settlements submitted in any court in the United States, whether state or federal, in the previous five years. If you or your separate counsel have not objected to any other class action settlement in any court in the United States in the previous five years, you shall affirmatively so state in your written objection. In addition, you must indicate whether or not you intend to appear at the Final Approval Hearing, either with or without separate counsel.

If you intend to object, you must send your objection postmarked on or before **January 3, 2018** to the Settlement Administrator at the following address:

Sanchez v. CalPERS Class Action Proposed Partial Settlement
PO Box 58460
Philadelphia, PA 19102-8460

16. When and where will the Court determine whether to approve the proposed Settlement?

The Court has scheduled a Final Approval Hearing at **11:00 a.m.** on **January 26, 2018**, in Department 308 of the Los Angeles Superior Court, located at 600 So. Commonwealth Avenue, Los Angeles, California 90005. This hearing may be continued or rescheduled by the Court without further notice. At this hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate and will consider Class Counsel's request for reimbursement of out-of-pocket expenses as well as the creation of the Future Cost Fund and approval of the expenses of the Settlement Administrator. The Court will also consider objections and may grant permission for any objectors to speak. The Court may decide these issues at the Final Approval Hearing or take them under consideration. We do not know how long these decisions will take.

17. Do I have to come to the Final Approval hearing?

No. You are not required to come to the hearing, but you are welcome to come at your own expense if you so desire.

Class Members who object to the proposed partial settlement do not need to attend the Final Approval Hearing for their objections to be considered. If you wish to appear either personally or through your own attorney, you

must timely send your objection (which also informs the Court whether you intend to appear at the hearing) to Heffler Claims Group which is the Settlement Administrator appointed by the Court, at the address set forth in Section 15 above no later than **January 3, 2018**.

Your notice of intention to appear at the Final Approval Hearing must include copies of any papers, exhibits, or other evidence that you or your counsel will present at the hearing.

18. What if the proposed partial Settlement is not approved?

If the proposed partial settlement is not granted Final Approval, the Action will proceed against Towers in the trial court without further notice, and none of the agreements set forth in this Notice will be valid or enforceable.

19. How do I get more information about the proposed partial Settlement?

This Notice only summarizes the proposed partial settlement. The official terms of the proposed Settlement are available by visiting the website www.calpersltcclassaction.com, visiting the public files for the Los Angeles County Superior Court or by sending a self-addressed, stamped envelope to Heffler Claims Group at the following address:

Sanchez v. CalPERS Class Action Proposed Partial Settlement
c/o Heffler Claims Group
PO Box 58460
Philadelphia, PA 19102-8460

If you have any questions, please write to the Settlement Administrator, Heffler Claims Group at Sanchez v. CalPERS Class Action Proposed Partial Settlement, c/o Heffler Claims Group PO Box 58460 Philadelphia, PA 19102-8460. You can also call the Settlement Administrator at 1-844-528-0188. Do not contact the Court regarding this Settlement.

Dated: _____

ANN I. JONES
JUDGE OF THE SUPERIOR COURT