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QUARTERLY NEWSLETTER
of the
RETIRED PEACE OFFICERS
ASSOCIATION of CALIFORNIA

RPOAC



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SCAN ME

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Can Protest Groups Abolish Police Unions? by Alex Bernard

Protest groups are now trying to abolish police unions. This is even beyond defunding the police. Black Lives Matter – Los Angeles has announced that they want to decertify and dissolve the Los Angeles Police Protective League and the Association of Los Angeles County Deputy Sheriffs. And after that, all police unions. Is this reality or wishful thinking? In my opinion it is wishful thinking. Collective bargaining laws are strong in California and trying to dissolve police unions would affect all public employee unions in California. Retirees should be concerned about what happens to our unions because it could affect us.

Police unions have a right to collective bargaining as do all local public employees under the Meyers-Milias-Brown Act (MMBA), Section 3500 of the Government Code. This code been in effect since the 1970's. There are three other public employee collective bargaining acts affecting state employees, school employees and higher education employees. All of these acts have sections granting their respective police officers to the right of collective bargaining. It is obvious that there is strong support for public employee unions. I believe it would be nearly impossible for these protest groups to decertify and dissolve police unions given the law and

support public employee unions have. They would have to change all of the collective bargaining laws to make it happen, and I don't think the politicians would go down that road. They count on public employee unions for support to win their elections.

Why as retirees should we be concerned about these efforts to abolish police unions? Because it would have an adverse effect on our active brothers and sisters and law enforcement in general. And, it could have an effect on our benefits as retirees. The state, counties and cities have overspent on COVID-19 related issues. They are looking for a way to balance their budgets. As usual, they will try to balance their budget on the backs of their employees. For example, the City of Los Angeles has negotiated with most of the unions that they forego any salary increases until 2023 to prevent layoffs. This move didn't save enough money to balance the budget, so they are now exploring raising the cost of healthcare for active and retired employees. As far as retired employees go, it is a complicated issue. City employees for many years have paid 4% of salary to fund retiree healthcare. They were promised lifetime healthcare for doing this. I am not sure if they can legally raise the cost of

(Continued on Pg 4)

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GameStop, Reddit, and Market Mania: What You Need to Know

By Shane Cobb



Over the course of 11 trading days from January 13 to January 28, 2021, the stock of GameStop, a struggling brick-and-mortar video game retailer, skyrocketed by more than 2,200% — creating a mix of excitement and concern throughout the financial world, as well as among many people who pay little attention to the stock market. Other stocks of small, struggling companies made similar though less dramatic moves.

At the heart of this story are two very different sets of investors: (1) professional managers of multibillion-dollar hedge funds, who took large, risky positions betting that GameStop stock would drop in price; and (2) a small army of individual investors, connected through social news aggregator Reddit and other social media sites, who worked together to buy large numbers of shares in order to drive the stock price up.

As the stock price rose, fund managers were forced to buy more and more shares at ever-increasing prices to "cover their bets," while individual investors continued to buy shares in hopes of continuing the momentum.

The opposing forces created a feeding frenzy that sent the stock to dizzying heights far beyond the fundamental

value of the company. The stock price peaked on January 28 and lost almost 90% of its peak value over the next five trading days.

If you are confused, concerned, intrigued — or a combination of all three — here are answers to some questions you may have about the recent market volatility triggered by "meme" stocks, an Internet term for stocks heavily promoted through social media.

What is a hedge fund, and what were the hedge funds doing?

A hedge fund is an investment company that uses pooled funds to take an aggressive approach in an effort to outperform the market. These funds are typically open to a limited number of accredited investors and may require a high minimum investment. Hedge funds use various high-risk strategies, including buying stock with borrowed money or borrowing stock to sell, called buying or borrowing on margin. This enables the fund to increase potential profits but also increases potential losses. (Individual investors can use these high-risk techniques, but the investor must meet certain financial requirements in order to establish a margin

account and accept the increased risk.)

In this case, certain hedge funds borrowed shares of GameStop and other struggling companies on margin from a brokerage firm and sold the shares at the market price, with the expectation that the share prices would drop significantly by the time they had to return the shares to the lender.

The funds could then buy shares at the lower price, return the shares, and pocket the difference, minus fees and interest. When GameStop share prices began to rise quickly against expectations, the "short sellers" began to buy shares at market prices in order to protect against future losses. These purchases helped drive share prices even higher — supply and demand — which led to more purchases and even higher prices. This created a situation known as a short squeeze.

To understand the level of risk faced by the short sellers, consider this: An investor who actually owns shares of a company can lose no more than 100% of the investment, but there is essentially no limit to the potential losses for a short seller, because there is no limit to how high a stock price might go. This is why short sellers were willing to buy at ever-increasing prices,

GameStop (Continued)

accepting large losses rather than risking even larger losses. In addition, they were forced to add additional funds and/or other securities to their accounts to meet margin requirements; investors must keep a certain percentage of the borrowed funds as collateral, and the higher the stock prices went, the more collateral was required in the margin accounts.

What is Reddit, and what were the Reddit investors doing?

Reddit is an online community with more than a million forums called subreddits in which members share information on a particular topic. Members of a subreddit dedicated to investing united around a strategy to buy GameStop stock in order to push the price up and squeeze the hedge funds. The potential for this strategy was first suggested on the forum in April 2020, but it exploded on Reddit and other social media sites in January 2021, after a change in the GameStop board of directors that encouraged bullish investors coupled with an announcement from a well-known short seller predicting that the stock price would quickly drop.

While some investors genuinely believed that GameStop was undervalued, the movement developed into a crusade to beat the hedge funds in what amateur investors perceived to be a "game" of manipulating stock values, as well as a more pragmatic belief that there was money to be made by buying GameStop low and

selling high. The fact that many young investors were gamers who felt an affinity for GameStop added to the sense of purpose.

The strategy worked more powerfully than the amateur investors expected, and some who bought the stock in the early stages of the rally and sold when it was flying high earned large profits. However, those who joined the excitement later faced large losses as the stock plummeted. Once some hedge funds had accepted losses and begun to close their short positions, there was no longer demand for shares at inflated prices.

Why did brokerage firms limit trading activity for certain stocks?

At various points during the peak trading activity, some brokerage firms stopped the trading of GameStop and other heavily shorted and heavily traded stocks. They also placed restrictions on certain stocks, limiting trading to very small lots and/or raising margin requirements. In a typical situation, an investor must maintain a 50% margin, meaning the investor can borrow shares or funds equal to the shares or funds in his or her account. Restrictions varied in response to the recent trading, but at least one brokerage firm raised margin requirements on certain stocks to 100% for long positions (purchasing stocks to hold) and 300% for short positions.

The stoppages and restrictions elicited accusations of unfairness from investors and some members of Congress, who believed the brokerage

firms were protecting the hedge funds. In fact, the moves were dictated in large part by clearinghouses that process trades from the brokers. These clearinghouses require that brokers keep a certain level of funding (collateral) on deposit in order to cover both sides of any given trade. As trading and values increased, clearinghouses asked for larger deposits. By halting and/or restricting trading of highly volatile stocks, brokers were able to reduce the required collateral, which enabled them to meet the new deposit requirements in a timely manner.

The restrictions also helped protect investors from being overextended and suffering outsized losses amid extreme volatility. And to an extent, they protected the broader stock market. The New York Stock Exchange (NYSE) regularly suspends trading of individual stocks when price swings exceed certain limits. On February 2, when the price of GameStop was plunging, the NYSE suspended trading five times throughout the day, with each suspension lasting less than 12 minutes. Although GameStop remained in the spotlight, more than 20 other stocks also had trading suspended throughout that day.

What happens next?

It may take months or years before the full effects of the recent activity play out in the financial markets, but one clear takeaway is that social media, combined with accessible low-cost trading platforms, allows like-minded

groups of retail investors to exert power that matches large-scale institutional investors. More than 10 million new brokerage accounts were opened in 2020, and many new investors are trading securities online and through smartphone apps.

Some hedge fund managers have already stated that they will rethink their focus on short selling. And new services aimed at providing tools for professional investors to track investing discussions on social media platforms have quickly risen and may become a staple of investment research.

Although the larger stock market remained resilient throughout the episode, extreme volatility is always a concern, and the Securities and Exchange Commission issued a statement saying, "The Commission is closely monitoring and evaluating the extreme price volatility ... [which] has the potential to expose investors to rapid and severe losses and undermine market confidence. As always, the Commission will work to protect investors, to maintain fair, orderly, and efficient markets, and to facilitate capital formation."

What about GameStop and other companies involved in the volatility? The huge price swings had little or nothing to do with the actual value of the companies, and they will need to make fundamental business changes to address the underlying weakness that caused them to be targeted for short sales in the first place. The changes on the GameStop board that helped spark the rally, adding leaders

GameStop (Continued)

with online expertise, may help the company compete in the marketplace, but that remains to be seen.

As an investor, the lesson for you might be to tune out market mania over "hot stocks," especially when there is little to back up the sudden interest other than speculation. The wisest course is often to build a portfolio that is appropriate for your risk tolerance, time frame, and personal situation and let your portfolio pursue growth over the long term. This strategy may not be as exciting as the wild ups and downs of stocks in the spotlight, but it's more likely to help you reach your long-term goals.



Tips to Avoid Loneliness in Retirement

So you're retired...now what? From a large amount of free time to the sudden decrease of social outlets it's easy to feel lonely and isolated in retirement. Here are some tips on what to do in retirement to make these years the best of your life!

- **Volunteer**

Is there a charitable cause you deeply believe in? Chances are there's a nonprofit in your area with a mission that can instantly connect you with others. There's no better thing to do in retirement than volunteering to make a difference with people who are equally as passionate about helping others.

- **Enroll in a Class**

It's never too late to educate yourself about something new. Taking a class at your local Community college will keep your mind occupied and introduce you to new ways of thinking about the world.

- **Join a Club**

Making new friends in retirement can feel like a challenge, but it is very doable if you're looking in the right places! The secret is to let your passions lead the way, and the right people will follow. Banish

boredom and stay engaged with others by joining a club that suits your interests. From book clubs to hiking groups, getting involved with a club is a great way to stay socially active.

- **Try a New Hobby**

Retirement is a chance to reinvent yourself and try new hobbies you might not have considered before. Now that you have more free time, it's time to listen to that inner voice that says, "What if?" Have you always wanted to sing ... outside of the shower? Take a choir class! Want to learn how to snap that perfect shot of your grandkids? Join a photography group. From pottery making to watercolor painting, there are always things to do in retirement – whatever your interests may be.

- **Get Active**

Not only is exercise extremely beneficial to the body, it's also important for the mind and soul. An active lifestyle can decrease feelings of loneliness and depression and help to manage stress and anxiety. Exploring the outdoors is a great way to exercise. You can take part in a wide variety of activities that never get boring.

MEETINGS

RPOAC

The continuing COVID restrictions are affecting our ability to meet in person for our Bi-Annual Board meeting. We are hopeful that conditions will improve enough so we can make the arrangements necessary to meet in Reno in May.



WEBSITE

Updates

Direct link buttons to our social media sites on Facebook and LinkedIn have been added to the Home page of the RPOAC website.

Short promotional videos explaining various aspects of RPOAC will be periodically placed on the website and on our social media pages.

Visit RPOAC.ORG



Protest Groups (cont. from pg 1)

healthcare to fix their budget. But I am sure the city will negotiate with the unions to raise the retirees' cost if it is legal. This would be an example of a union affecting the benefits of retirees.

As I always say, it's good to be retired. However, we need to support law enforcement and our active brothers and sisters. They are under extreme pressure doing their jobs. They face challenges that we never thought of in our careers. We should do whatever we can do to support them. Even if it as simple as thanking them for their service. They depend on our support and we depend on them.

Back the Blue!



Briefing Board

Legislative actions and articles of interest for RPOAC members.

Just because you're retired doesn't mean you shouldn't know about what's going on at the federal, state and local levels of government that could affect your pension or retirement benefits.

As part of our commitment to you, our members, we provide these links to keep you aware of the ever-changing political and legislative activities.



Click on the links!

THE BRIEFING BOARD

- [Social Security rule cuts benefits for government workers with second jobs - 2/15/21](#)
- [LA police union agrees to delay raises, to head off proposed layoff of 355 officers - 2/3/21](#)
- [CA Lawmakers Will Decide Whether Candidates For Sheriff Need Law Enforcement Background - 1/30/21](#)
- [CalPERS COLA - 1/28/21](#)
- [CalPERS records 12.4% return in 2020 - 1/28/21](#)
- [H.R.127 - Firearm licensing, ammunition possession, registration of firearms, prohibit certain ammunition - 1/12/21](#)
- [New Judge rules Prop. B illegal in lawsuit seeking to invalidate 2012 pension-cut measure - 1/6/21](#)
- [Police groups back requiring college classes for recruits 11/20/20](#)
- [CalPERS approves price hikes of up to 51% for health plans favored by young, healthy workers 11/19/20](#)
- [Three CalPERS health plans are in a 'death spiral.' Saving them could involve price hikes 10/27/20](#)
- [State Supreme Court passes on Marin pension case 9/28/20](#)
- [Politicizing CalPERS, CalSTRS puts pensions at risk 9/16/20](#)
- [In defense of police unions, which, after all, have a job to do 9/13/20](#)
- [CalPERS Retirees Call for Board President to Resign 9/3/20](#)
- [City workers face possible pay cuts, furloughs as L.A. considers declaring fiscal emergency 9/2/20](#)
- [Hallmark police reform bill faces tough road in California 8/27/20](#)
- [LAAPOA Calls for Independent Investigation Into Allegations Against Maggard 8/19/20](#)
- [LAX police union calls for civil rights probe into department's deputy director 8/18/20](#)
- [Local governments can crack down on pension spiking, California Supreme Court rules - 7/30/20](#)
- [CalPERS Reports Preliminary 4.7% Investment Return for Fiscal Year 2019-20 - 7/16/20](#)
- [NAPO has endorsed President Trump in his reelection campaign 7/15/20](#)
- [CalPERS Announces Health Plan Premiums for 2021 - 7/14/20](#)
- [Berkeley to consider removing police from traffic stops - 7/14/20](#)
- [Riskier bet: Why CalPERS, the country's largest pension fund, is getting into banking - 7/10/20](#)
- [New York Bill Requiring Officers to Have Liability Insurance Under Consideration - 7/8/20](#)
- [Court rules for retirees in pension dispute with Providence - 7/3/20](#)
- [Police unions have helped shield officers from accountability. Now they're facing unprecedented backlash - 7/3/20](#)
- [Democrats' support for police union bill undermines their commitment to reform - 6/22/20](#)
- [Seattle Protesters' Call to Scrap Police Pensions Can't Be Met by City - 6/19/20](#)
- [Oregon Supreme Court Considers Whether To Allow PERS Pension Cuts - 6/19/20](#)
- [CalPERS long term care insurance to see 'significant premium increases,' officials say - 6/19/20](#)
- [California police chiefs call for weeding out bad officers - 6/19/20](#)
- [Abolish the police? It's a real thing. Even cops say they've taken on too much - 6/7/20](#)
- [California progressive politicians turning away campaign cash from cops - 6/7/20](#)
- [Newsom seeks statewide reform of police use of force - 6/6/20](#)
- [Garcetti, LA city leaders call for cutting police funding amid protests against police brutality - 6/5/20](#)
- [Underfunded pensions make GOP leaders reluctant to send federal aid to states like California - 5/18/20](#)
- [Local Governments Looking for Revenue are Watching the CA Supreme Court - 5/15/20](#)
- [Takeaways From Today's Oral Argument in Alameda Pension Case - 5/7/20](#)
- [Round 2 of pension reform kicks off before California Supreme Court - 5/6/20](#)

