



STANISLAUS COUNTY  
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## PLEASE POST FOR EMPLOYEE VIEWING

**Different Time & Location**  
**July 8, 2009**

### BOARD OF RETIREMENT MINUTES

**Members Present:** Maria De Anda, Jim De Martini, Mike Fisher, Gordon Ford, Darin Gharat, Wes Hall, Mike Lynch, Ron Martin and Clarence Willmon

**Alternate Member Present:** Linda Stotts-Burnett (Alternate Retiree Representative)

**Staff Present:** Tom Watson, Retirement Administrator  
Kelly Cerny, Executive Secretary  
Hank Skau, Operations Manager  
Luiana Irizarry, Administrative Assistant

**Others Present:** Deirdre McGrath, Deputy County Counsel

1. Meeting called to order at 1:03 p.m. in the Board of Supervisors Chambers, Tenth Street Place, by Gordon Ford, Chair.
2. **Roll Call**
3. **Announcements**

Mr. Watson announced the purpose of today's meeting is for the Board to make a policy decision regarding the Revocable Health Benefits Subsidy. Retirees would be given at least 90 days notice of any potential changes to the subsidy. He reviewed the Public Comment format. Mr. Watson announced today's meeting is live on the public access channel, live-streamed via the Internet, and is also being audio and video recorded and will be accessible at the website [www.stancera.org](http://www.stancera.org).

Mr. Watson announced that Ms. Shawn Terris, the immediate past president of the State Association of County Retirement Systems (SACRS), relayed information that on July 3, 2009, the Secretary of State declared that the "Renegotiation of Public Employee Pension Contracts" initiative failed to qualify to get on the ballot. The proponent of this initiative was Mr. Paul McCauley.

Mr. Ford elaborated that this failed initiative was for a constitutional amendment to eliminate certain state and constitutional restrictions on renegotiating public employee pension contracts. This would allow vested pension benefits to be reduced for existing and prospective public sector retirees.

Mr. Ford announced Item #8 is deferred to a future meeting.

4. **Public Comment**

Lyn Bettencourt, Retiree, expressed his concerns with the system's financial issues. In particular, the system's current 8.16% actuarial assumption rate. He urged the Board to place this issue on a Board agenda for action to lower the rate as soon as possible.

Gary Kailes, Retiree, addressed the Board with his thoughts regarding the importance of government pensions. He shared that the Board's number one responsibility is to the retirement system and the retirees, and not to support the County with the system's funds.

Tom Broderick, Retiree, requested the Board carefully consider the upcoming policy decision on the health subsidy.

5. **Consent Items**

Mr. Ford requested Item #5b. be removed from the Consent Calendar.

Motion was made by Maria De Anda and seconded by Wes Hall to approve the following items listed with the removal of Item #5b.

Motion carried.

- a. Approval of the June 23, 2009, Investment Meeting Minutes
- c. Approval of the Fiscal Year 2009-2010 Administrative Budget
- d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
  1. Linda Courtney, HSA, Effective 07-01-09
  2. Ronald Grider, Environmental Resources, Effective 07-08-09
  3. Gerry Kilgore, BHRS, Effective 07-01-09
  4. Barbara Linthicum, Auditor-Controller, Effective 07-02-09
  5. Catherine Luce, Stanislaus Regional 911, Effective 07-04-09
  6. Robert Meleg, Public Works, Effective 07-21-09
  7. Mary Elaine Todd, CSA, Effective 07-09-09
  8. Michael Wilkinson, Fire Warden, Effective 07-01-09
- e. Approval of Deferred Retirement(s) – **Section 31700**
  1. Kathryn Holloway, City of Ceres, Effective 06-19-09
  2. Deborah Johnson, Library, Effective 12-09-06
  3. Barry Myers, Sheriff, Effective 05-05-09
  4. Barbara Von Dohlen, Co-op Extension, Effective 06-19-09
  5. Miranda Winters, Clerk-Recorder, Effective 04-10-09

**Removed from Consent Items**

5b. Report on Retirement Administrator's 2009 Goals as of June 30, 2009

Mr. Ford asked for clarification on Item #1 of the Retirement Administrator's 2009 Goals. The item reflects the various presentations given to employer and employee representatives this year on the actuarial assumption changes and investment losses as they affect employer contribution rates. He inquired if there was more than one informal meeting with the County budget staff other than the February 27, 2009, meeting, other than the formal Board of Retirement meetings.

Mr. Watson responded that StanCERA administration relayed information either through emails, telephone calls, or presentations, to those who requested information. Information presented was solely specific to the materials of the actuarial impact of the actuarial audit. He noted the March 10, 2009, presentation to the Board of Supervisors contained this same information as requested.

Motion was made by Wes Hall and seconded by Maria De Anda to accept the Report on the Retirement Administrator's Goals for 2009 as of June 30, 2009.

Motion carried.

6. **The Retiree Revocable Health Benefits Subsidy**

a. Retired Employees of Stanislaus County's (RESCO) Letter Dated June 24, 2009 – Response to Review of Proposed Changes to the Revocable Health Benefits Subsidy Payments

Mr. Watson informed Board members they had received a letter of response from RESCO. Mr. Watson noted that as required by law, RESCO was notified of any potential changes prior to a final decision by the Board of Retirement. RESCO was notified in April to respond by June 30, 2009 with their input regarding the subsidy potentially going to zero in the year 2010.

**Public Comment on #6a.**

David Geer, Retiree of the University System of Livermore, said he commiserates with the Board of Retirement on what decisions it will need to make to mitigate losses to the elderly retirees.

Rhonda Biesemeier, Retiree and Vice President of RESCO, read the June 24, 2009, letter of response from Mr. Michael O'Neal, President, RESCO.

Richard Lang, Retiree, informed the Board of a retiree who is over 100 years old that relies on the subsidy. He hopes the Board will consider not taking the subsidy away from the retirees.

Mr. Kailes expressed his agreement with the RESCO letter.

**Public Comment on #6a. (Cont.)**

Mr. Bettencourt expressed his concern with RESCO's Board's lack of assertiveness in its letter of response. He asked the Board of Retirement to be kind, and consider a bridge, perhaps reducing benefits gradually or, for a period of time until a new health plan for the country is established.

**6. The Retiree Revocable Health Benefits Subsidy (Cont.)**

- b. Discussion and Action on the Memorandum Dated July 1, 2009, Alternatives and Recommendation for the Retiree Revocable Health Benefits Subsidy Payments for Calendar Year 2010
  - i. Projected Costs of Alternative Dollar Amounts for Calendar Year 2010
  - ii. Draft Revocable Health Benefits Subsidy Policy – Example Option A Maximum \$180
  - iii. Draft Revocable Health Benefits Subsidy Policy – No Payments 2010

Mr. Watson reported that at the Board's April 28, 2009, meeting it directed staff and counsel to look at alternatives for the current maximum \$370 per month payment of the revocable health benefit subsidy for eligible StanCERA retired members. This was requested in lieu of going immediately to a zero subsidy amount. Board members had received and reviewed the written information on alternatives.

Mr. Watson noted that there is a policy currently in place for the \$370 maximum amount for those with 30 years or more of service with StanCERA. The policy took time to draft and has been in place for three years. The policy has worked well legally and administratively. Mr. Watson said the alternatives presented here are just changes in the dollar value of the subsidy and would allow the subsidy policy to remain in place, with only changes to the dollar value. The policy would be reviewed annually.

Mr. Watson noted that a Board member requested information this morning on an additional alternative regarding an income level basis for the subsidy. Mr. Watson informed Board members that staff assembled information and it was distributed to Board members at the beginning of this meeting, and copies were also distributed to the members of the public in attendance. Mr. Watson gave a brief summary of this new alternative based on receiving the health subsidy at various percentages in relation to a retiree's annual income.

Mr. Watson made a recommendation that due to the dramatic financial losses StanCERA has experienced, no revocable health benefits subsidy payments should be made in the calendar year 2010. The subsidy policy would remain in place for an annual review of this ad hoc benefit.

**Public Comment on #6b.**

Mr. Bettencourt agreed with the Retirement Administrator that the policy should remain in place, but not begin with a zero amount. He asked the Board to consider the other alternatives presented.

Al Walsh, noted he is not a retiree but a husband of a retiree. He recommended making changes in the future as the current economy is suffering. Any changes will affect those on fixed incomes.

Mr. Lang said if he will lose this subsidy then he will not be able to pay his other bills.

Rex Kline, Retiree, asked the Board to consider how this will affect the more elderly retirees who utilize the subsidy for medical benefits. He mentioned he would gladly give up his subsidy to help those older retirees who use it for medical needs.

**6. The Retiree Revocable Health Benefits Subsidy (Cont.)**

- b. Discussion and Action on the Memorandum Dated July 1, 2009, Alternatives and Recommendation for the Retiree Revocable Health Benefits Subsidy Payments for Calendar Year 2010 (Cont.)

Board members reviewed and discussed the alternatives presented. Mr. Watson answered the Board members' multitude of questions.

Motion was made by Wes Hall and seconded by Maria De Anda to establish another alternative option to study and bring back to the Board.

Board members reviewed and discussed the motion. Mr. Watson informed the Board that an additional alternative would require another review by RESCO, requiring approximately 60 days for review. By law, once the Board makes a decision, retirees must have notice 90 days prior to the implementation of the change. To make a change by January 2, 2010, the retirees would have to be notified no later than September 2009.

Roll Call Yes: M. De Anda, M. Fisher, W. Hall, and C. Willmon.

Roll Call No: J. DeMartini, G. Ford, D. Gharat, M. Lynch and Ron Martin.

Motion defeated by a 5-4 vote.

Motion was made by Mike Lynch and seconded by Jim DeMartini to adopt the Retirement Administrator's Recommendation Option C - Provide no revocable health benefits subsidy payments in the calendar year 2010. The policy will remain in place for annual review of this ad hoc benefit.

6. **The Retiree Revocable Health Benefits Subsidy (Cont.)**

- b. Discussion and Action on the Memorandum Dated July 1, 2009, Alternatives and Recommendation for the Retiree Revocable Health Benefits Subsidy Payments for Calendar Year 2010 (Cont.)

Board members held further discussion. Mr. Gharat reminded Board members this ad hoc benefit is intended to offset spiraling health costs. However, this is not how it is solely used. It was noted the ad hoc benefit has been reviewed and studied over several years, and the prior Boards should be commended for the work done on the current subsidy policy. StanCERA is currently facing in excess of a -\$500 million loss, and fiduciary counsel advised the Board at previous meetings that the Board's fiduciary duty is to the vested benefits.

Roll Call Vote Yes: M. De Anda, J. De Martini, M. Fisher, G. Ford, D. Gharat, M. Fisher, R. Martin, and C. Willmon.

Roll Call Vote No: W. Hall.

Motion carried by an 8-1 vote.

7. **Members' Forum (Information and Future Agenda Requests Only)**

Mr. Lynch announced there will be a Strategic Planning Objectives Committee meeting on Wednesday, August 12, 2009, at 10:00 a.m. at StanCERA. The Committee will review the actuarial assumed rate of return (AAROR).

8. **Closed Session – Held at 832 12<sup>th</sup> Street, Wesley W. Hall Board Room**

- a. Public Employee Performance Evaluation - Title: Retirement Administrator Pursuant to Government Code Section 54957(b)(1)

Deferred to a future meeting.

9. **Adjournment**

Meeting adjourned at 2:14 p.m.

Respectfully submitted,

  
Tom Watson, Retirement Administrator

APPROVED AS TO FORM:  
JOHN P. DOERING, COUNTY COUNSEL

  
Deirdre McGrath, Deputy County Counsel