

BOARD OF RETIREMENT SPECIAL MEETING AND AGENDA 5-6-10

LACERA

300 N. Lake Ave., Suite 810
Pasadena, CA 91101

9:00 AM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 15, 2010

IV. OTHER COMMUNICATIONS

- A. For Information
 - 1. April 2010 All Stars
 - 2. Chief Executive Officer's Report (Memo dated April 29, 2010)

V. NON-CONSENT AGENDA

- A. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on AB 1667 relating to reduced safety retirement benefits for Alameda County. (Memo dated April 26, 2010.)
- B. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on AB 2149 which replaces term "firemen" with "firefighters". (Memo dated April 26, 2010.)
- C. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on AB 1987 which would address pension "spiking" and "double dipping". (Memo dated April 26, 2010.)
- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on SB 1425 which would address pension "spiking" and "double dipping". (Memo dated April 26, 2010.)
- E. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on SB 1479 which addresses the issue of overlapping service and provides other technical clean-up language to CERL. (Memo dated April 26, 2010.)
- F. Information only as submitted by Cynthia Lau, Legislative Affairs Officer, regarding SB 919 — Pension Reform for State Employees. (Memo dated April 28, 2010.)

VI. PUBLIC COMMENT

VII. GOOD OF THE ORDER

(For discussion purposes only.)

VIII. ADJOURNMENT

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Retirement Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

*Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling **Cynthia Guider** at (626)-564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.*

MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

9:00 A.M., MAY 6, 2010

PRESENT: Les Robbins, Chair
Simon S. Russin, Vice Chair
Yves Chery, Secretary
Edward L. Blecksmith
William de la Garza
Ed C. Morris (Alternate Retired)
William R. Pryor
Mark J. Saladino

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
Janice Golden, Assistant Executive Officer
Robb Van Der Volgen, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS

Fern M. Billingsy, Senior Staff Counsel

Cynthia Lau, Legislative Affairs Officer

Mark Klein, SEIU 721

I. CALL TO ORDER

The meeting was called to order by Chair Robbins at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Chair Robbins led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF APRIL 15, 2010

A motion was made by Mr. Morris, seconded by Mr. Chery, to approve the minutes of the regular meeting of April 15, 2010. The motion passed unanimously.

IV. OTHER COMMUNICATIONS

A. For Information

1. April 2010 All Stars

Mr. Hill announced the eight winners for the month of April, (Glen Musson, Tina Davila, Jeff Menell, Katy Tieu, Mary Arenas, Jennifer Maxwell, Gary Smith, and Ted Granger) of the Employee Recognition Program. John Popowich was the winner of LACERA's Web Watcher Award. Angela Ward, Justin Lewis, Dana Jones, and John Slattery were the winners of LACERA's RideShare Program.

Mr. Rademacher presented a 35 year service award to Rosalind White.

2. Chief Executive Officer's Report
(Memo dated April 29, 2010)

Mr. Rademacher provided a brief overview of his Chief Executive

IV. OTHER COMMUNICATIONS (Continued)

Officer's Report with emphasis on Department of Human Resources' new payroll system. Under the new payroll system, employees are paid on a semi-monthly basis on the 15th and 30th of each month.

Mr. Rademacher briefly reported on his trip to Sacramento where he testified on AB 1902, a LACERA sponsored bill that would add and amend various provisions of the County Employees Retirement Law regarding noncontributory Plan E. The bill passed out of committee on a 6 to 0 vote.

Mr. Rademacher reported on his presentation, "Are Defined Benefit Pension Plans Sustainable" to the California Retired County Employees Associations' Spring Conference in Santa Barbara.

The Board was reminded of its next budget hearing scheduled for Wednesday, May 19, 2010. For those Board Members who cannot make the hearing date staff would be available for a one-on-one review of the budget with individual members.

V. NON-CONSENT AGENDA

- A. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a "watch" position on AB 1667 relating to reduced safety retirement benefits for Alameda County.
(Memo dated April 26, 2010.)

V. NON-CONSENT AGENDA (Continued)

AB 1667

Alameda County and its Deputy Sheriff's Association (DSA) reached an agreement on a new six-year labor contract. The contract included concessions relating to wages, medical and pension benefits. It provided for no salary increases over the first three years, and then set forth terms for salary increases for the remainder of the agreement.

Among other benefit reductions, the current "3% at 50" retirement formula was eliminated for new deputies hired after April 17, 2010. Members may elect in writing either a "3% at 55" or "2% at 50" benefit formula. Members who opt for the higher "3% at 55" benefit will need to pay an additional 5% above their normal contribution for the first five years of employment, or until fully vested. Once vested, the 5% will be reduced to 3% above their normal contribution until they retire or are terminated. (Currently, deputies pay up to 15% of salary towards their pensions.)

Assembly Bill 1667 is sponsored by Alameda County and adds new Government Code Section 31485.16 to authorize the Board of Supervisors of

V. NON-CONSENT AGENDA (Continued)

Alameda County to adopt a resolution to require a safety employee hired after approval of the resolution to elect between the two benefit formulas described above within 45 days of employment. It also provides that once an election is made, it may not be changed by the employee.

The bill also reaffirms Alameda County's ability to provide a different formula or calculation of safety retirement benefits for new safety members in one bargaining unit than that which is provided for new safety members in different bargaining units or new unrepresented safety members. According to the Fact Sheet, an example may be that the DSA may have a different formula than those employees represented by their Probation Peace Officers Association or Teamsters Local 856, who represent their Probation Officers.

In summary, there appears to be an incorrect code reference in the bill. The SACRS lobbyist will be confirming this with Alameda County and an amendment to the bill is anticipated to correct the reference if necessary. As this bill applies to Alameda County only, a "Watch" position is recommended.

V. NON-CONSENT AGENDA (Continued)

A motion was made by Mr. Pryor, seconded by Mr. Morris, to take a “watch” position on AB 1667. The motion passed unanimously.

- B. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a “watch” position on AB 2149 which replaces the term “firemen” with “firefighters”. (Memo dated April 26, 2010.)

AB 2149

The bill is sponsored by the California Professional Firefighters and replaces the term “firemen” with “firefighters” and makes other related technical changes to CERL and other sections of law related to firefighters. This may be a spot bill.

A motion was made by Mr. Pryor, seconded by Mr. Chery, to take a “watch” position on AB 2149. The motion passed unanimously.

- C. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a “watch” position on AB 1987 which would address pension “spiking” and “double dipping”. (Memo dated April 26, 2010.)

V. NON-CONSENT AGENDA (Continued)

AB 1987

The bill authored by Assembly Member Ma and sponsored by the California State Controller, John Chiang, is intended to address negative media reports of six-figure pensions for public workers and a few individuals who have intentionally manipulated their final compensation for the purpose of gaining a larger pension benefit.

This bill would place restrictions and responsibilities on all public retirement systems in California. The bill would provide, effective July 1, 2011, that any change in salary, compensation or remuneration for the principal purpose of enhancing a member's benefits would not be included in the calculation of a member's final compensation.

Ms. Lau reminded the Board that a supplemental memo, dated May 5, 2010 was emailed to each Member of the Board. A copy of that memo was also placed in each Member's Green Folder. Ms. Lau stated that the bill was subsequently substantially amended. The following highlights a number of the bill's changes, including changes to provisions of the County Employee's Retirement Law (CERL):

V. NON-CONSENT AGENDA (Continued)

1. Deletes the current definition of “compensation” and “compensation earnable” and substitutes very specific provisions. It also defines “pay rate” and specifies what may and may not be included as “special compensation”.
2. Requires retirement boards to promulgate regulations to more specifically delineate what is excluded from “special compensation” and specifically require items of remuneration identified by the board and consistent with agreements reached in specific court cases (including Ventura) to be included as special compensation.
3. Limits the compensation used in retirement calculations for members who are not in a group or class to the average increase in compensation received during the final compensation period and the preceding two years by employees in the same or related group as the member.
4. Current Government Code Section 31539 provides for the “correction of errors”. This amendment would delete those provisions and replace

V. NON-CONSENT AGENDA (Continued)

it with new provisions allowing retirement boards to correct errors and omissions and establishes periods of limitations under which specific actions must be initiated.

5. Requires the employer to report to retirement system within 30 days upon creation of a new pay item, a change in an existing pay item, change in status of any member (resulting with transfer, promotion, leave of absence, resignation, reinstatement or death), or any change which may impact the pay rate or special compensation for any member resulting from a memorandum of understanding or a resolution applicable to non-represented employees. The retirement board would be required to determine within 90 days whether the pay items are pensionable.
6. Grants retirement boards certain rights and powers to facilitate an audit of employer records and would require that information obtained be treated as confidential.

V. NON-CONSENT AGENDA (Continued)

7. Requires employers who fail to enroll eligible employees in the retirement system to pay all costs for member contributions and \$500 per member to cover administrative costs to the retirement system.

8. Prohibits a retiree from returning to work as a retired annuitant or contract employee for period of 180 days after retirement.

As this bill may be further amended, staff recommends a “Watch” position.

Mr. Klein, SEIU 721, spoke in support of AB 1987 and SB 1425.

Mr. Saladino asked staff to get clarification on the intent of the phrase “participation in a flexible benefits program” as it relates to the pensionability of contributions and report back with guidance as to what the effectiveness would be.

A motion was made by Mr. Chery, seconded by Mr. Saladino, to take a “support” position on AB 1987. The motion passed unanimously.

- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a “watch” position on SB 1425 which would address pension “spiking” and “double dipping”.
(Memo dated April 26, 2010.)

V. NON-CONSENT AGENDA (Continued)

SB 1425

The bill is the Senate's version of Assembly Bill 1987. It was introduced by Senator Joe Simitian and also intends to curb pension "spiking" and "double dipping" which were highlighted recently by negative media reports.

A number of groups have registered their support or opposition to this bill.

The California State Association of Counties (CSAC) has adopted an "Oppose Unless Amended" position on SB 1425. While they support the efforts to curb abuses, they are asking to remove or amend the section of the bill relating to retirees' ability to return to public employment only after a 6 month separation. They believe that requiring a 6 month wait would limit flexibility for counties to choose the best candidate for a job and to efficiently and effectively manage resources.

Both SB 1425 and AB 1987 may be amended. SB 1425 may apply to PERS and STRS only, while AB 1987 may focus on 1937 Act systems.

V. NON-CONSENT AGENDA (Continued)

A motion was made by Mr. Russin, seconded by Mr. Chery, to take a “support” position on SB 1425. The motion passed unanimously.

- E. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt a “watch” position on SB 1479 which addresses the issue of overlapping service and provides other technical clean-up language to CERL. (Memo dated April 26, 2010.)

SB 1479

This addresses three areas of CERL. Specifically, it would:

1. Amend Government Code Section 31527(h) to address the issue of overlapping service and resulting denial of reciprocity. It would allow boards of '37 Act systems to determine: 1. Date of membership, provided it is no later than 12 weeks after entrance into service, or 2. Date upon which a member terminates service credited by the association, provided that the day shall be no earlier than 12 weeks prior to the member's termination from employment. It would not change LACERA operations without an amendment to its Bylaws.
2. Amend Government Code Section 31582 and would apply to San Bernardino CERA only. It clarifies that participating local agencies in

V. NON-CONSENT AGENDA (Continued)

SBCERA may prepay employer contributions to the retirement fund.

Current law allows the county to do this, but it is not specific to participating local agencies.

3. Add Government Code Section 31618.5 to Article 5.5 of CERL and would not apply to LACERA. This is a technical correction to ensure that Alameda CERA (which operates under this Article) complies with Federal tax law that prohibits the use of retirement funds to cover administrative costs associated with retiree health care and supplemental benefits.

The SACRS Legislative Committee plans to offer minor clarifying amendments to Section 1 of the bill addressing overlapping service. The amendments will not impact the intent of the bill.

A motion was made by Mr. Russin, seconded by Mr. Saladino, to take a “watch” position on SB 1479. The motion passed unanimously.

- F. Information only as submitted by Cynthia Lau, Legislative Affairs Officer, regarding SB 919 – Pension Reform for State Employees. (Memo dated April 28, 2010.)

V. NON-CONSENT AGENDA (Continued)

Senator Hollingsworth (R-Murrieta) has introduced urgency legislation to reform the State's public employee pension system. The package would apply to new employees hired following enactment of this bill and is estimated, by Senator Hollingsworth, to save \$110 billion in reduced pension payouts over 30 years

The following summary of the major reforms has been provided by the Senator's office:

- Reduces the retirement formula for non-public safety employees by requiring them to work 10 years longer before being eligible for full retirement benefits at age 65.
- Requires public safety employees, including CHP, firefighters, correctional officers, and other peace officers to work 7 years longer in order to qualify for full retirement benefits at age 57.
- Changes the final compensation calculation to take into account the highest 3 years of wages instead of the highest 1 year.

V. NON-CONSENT AGENDA (Continued)

- Ends state safety retirement benefits for milk inspectors, pest control specialists, etc. and returns them to Pre-SB 183 Miscellaneous/Industrial classification.
- Increases the amounts that employees must contribute toward their retirement by eliminating the exemption threshold. Currently, the first \$200 to \$800 of an employee's wages is exempted from the employee's calculation for retirement contribution. This bill eliminates that exemption amount increasing contributions to CalPERS, resulting in an estimated \$2 billion in cost savings through 2040.

Below is a chart that shows the current and proposed formulas for various retirement categories.

V. NON-CONSENT AGENDA (Continued)

Retirement Category	Current Retirement Formulas	Proposed Retirement Formulas
Miscellaneous - First Tier	2% at Age 55	2% at Age 65
Miscellaneous - Second Tier	1.25% at Age 65	.5% at Age 65
Industrial	2% at Age 55	2% at Age 65
State Safety (Pre-SB183)	2.5% at age 55	2% at Age 62
Peace Officer	3% at Age 50	2.7% at Age 57
Firefighter	3% at Age 50	2.7% at Age 57
Highway Patrol	3% at Age 50	2.7% at Age 57
Peace Officer/Firefighter Legislature, Judicial	3% at Age 55	2.5% at Age 57
CSU Police	3% at Age 50	2.5% at Age 57

SB 919 also proposes to make the following changes to the state's health benefit program:

- Provides the state with the authority to purchase health care from a provider other than CalPERS, thereby allowing the state the flexibility to determine health plans and premium levels that are more cost effective. This would save approximately \$300 million annually with a growth rate of three percent.
- Requires state employees to work for 25 years (5 years longer than current law) in order to be fully vested for retirement health care

V. NON-CONSENT AGENDA (Continued)

benefits. This would result in an estimated \$49 billion reduction to the state's accrued actuarial liability through 2040.

- Reduces the state's contribution toward a retiree's health care costs from 100 percent of the average HMO cost, to about 85 percent to match contributions made for currently active employees. This would result in an estimated \$19 billion reduction to the state's accrued actuarial liability through 2040.
- Allows governmental agencies that contract with CalPERS for health benefits to negotiate a lower level of employer health care contribution for new hires.

It was reported that Governor Arnold Schwarzenegger is in support of the reform, but has not commented on the bill's specifics.

This bill is an urgency statute requiring a two-thirds vote for approval, and takes effect immediately upon signing.

As the current version of the bill is 51 pages long, copies are available upon your request.

V. NON-CONSENT AGENDA (Continued)

No action was taken .

VI. PUBLIC COMMENT

VII. GOOD OF THE ORDER

(For discussion purposes only.)

VIII. EXECUTIVE SESSION (Continued)

- A. Pursuant to Government Code Section 54957
Public Employee Performance Evaluation
Title: Chief Executive Officer

The Board met in Executive Session pursuant to Government Code Section 54957 to consider the performance evaluation of the Chief Executive Officer. No reportable action was taken.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting.)

1. LACERA Legislative Report –Bills Amending CERL.
(Dated May 5, 2010)
2. LACERA Legislative Report – Other. (Dated May 5, 2010)
3. LACERA Legislative Report – PERS/STRS Bills.
(Dated May 5, 2010)
4. Memo from Cynthia Lau, Legislative Affairs Officer, regarding:
Amended Assembly Bill 1987 – Pension “Spiking” and “Double
Dipping”. (Memo dated May 5, 2010.)

May 6, 2010

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IX. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 10:35 a.m.

YVES CHERY, SECRETARY

LES ROBBINS, CHAIR