

BOARD OF RETIREMENT MINUTES 9-9-10

PRESENT

- Les Robbins, Chair
- Simon S. Russin, Vice Chair
- Yves Chery, Secretary
- Marvin Adams
- William de la Garza
- Ed C. Morris (Alternate Retired)
- William R. Pryor
- Mark J. Saladino

ABSENT

- Edward L. Blecksmith

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
- Cynthia Lau, Legislative Affairs Officer

1. CALL TO ORDER

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

2. PLEDGE OF ALLEGIANCE

Mr. de la Garza led the Board Members and staff in reciting the Pledge of Allegiance.

3. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF AUGUST 12, 2010

A motion was made by Mr. Chery, seconded by Mr. Pryor, to approve the minutes of the regular meeting of August 12, 2010. The motion passed unanimously.

4. OTHER COMMUNICATIONS

1. For Information

1. August 2010 All Stars

Mr. Hill announced the eight winners for the month of August, (Brenda Grundy, Kathy Webb, Debbie Goldasich, Jay Fullwood, Justin Stewart, Debra Rendon, Terri Moore, and Tessie Gonzales) for the Employee Recognition Program. Michael Romero was the winner of LACERA's Web Watcher Award. Norma Minjarez, Liz Gonzalez, Ramon Reyes, and Frances McCash were the winners of LACERA's RideShare Program.

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

Mr. Rademacher presented to Beulah Auten and Jeannine Smart the Government Finance Officers Association (GFOA) awards for excellence in outstanding achievement in popular

annual financial reporting and comprehensive annual financial report. Mr. Rademacher thanked Accounting and Communications Division staff for their contribution in creating this award winning report.

Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report with emphasis on the Los Angeles County's implementation of a replacement benefit plan designed to help members comply with the internal revenue guidelines. This plan does not change benefit levels. Its purpose is to comply with the tax law. LACERA has communication pieces ready to be sent out to its members once we have received the County's approval.

In answer to Mr. Chery's question, Mr. Rademacher said that AB1902 will take effect January 1, 2011. LACERA has already taken steps necessary to ensure that LACERA staff, County Long Term Disability and Human Resources Departments are briefed on upcoming changes to the law to ensure a smooth transition prior to AB 1902 becoming law.

Staff will provide current figures on the actual number of active members that participate in each of LACERA's Benefit Plans in the October, 2010, CEO Report.

5. NON-CONSENT AGENDA

1. Recommendation as submitted by Robb Van Der Volgen, Chief Counsel: That the Board authorize the Legal Office to file an amicus curiae brief on behalf of LACERA in Sacramento County Employees Retirement System v. Superior Court, (Memo dated September 2, 2010.)

Mr. Van Der Volgen addressed the Board regarding his request to file an amicus curiae brief on behalf of LACERA in order to help ensure the privacy of LACERA's members and beneficiaries.

After a brief discussion among the Board and staff the following motion was made.

A motion was made by Mr. Morris, seconded by Mr. Pryor to authorize the Legal Office to file an amicus curiae brief on behalf of LACERA in the case of Sacramento County Employees Retirement System v. Superior Court. The motion passed unanimously.

2. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt a "watch" position on AB 194 which limits the maximum salary or pay rate that can be used for determining retirement benefits. (Memo dated August 31, 2010.)

AB 194

This bill is urgency legislation which places a cap on a salary or payrate upon which a retirement benefit may be based for an individual who first becomes a member of a public retirement system on or after January 1, 2011.

This maximum salary or payrate upon which the benefit shall be based shall not exceed 125 percent of the salary recommended by the California Citizens Compensation Commission to be paid to the Governor of the State of California effective December 7, 2009. This amount shall be adjusted annually based on changes in the All Urban California Consumer Price Index. The current gubernatorial pay, \$173,987, places the cap at approximately \$218,000 per year (125% X \$173,987).

This bill was part of a package of legislation introduced recently in response to public anger over the massive salaries of key officials in the City of Bell.

A motion was made by Mr. Chery, seconded by Mr. Morris, to take a "watch" position on AB 194.

The motion passed unanimously.

3. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt a “watch” position on AB 226 relating to urgency legislation resulting from negotiated labor agreements with Sacramento County. (Memo dated August 31, 2010.)

AB 226

This bill, previously relating to the California Coastal Act of 1976, was recently amended and is now urgency legislation sponsored by the Board of Supervisors of Sacramento County to assist in implementing provisions contained in recently negotiated labor agreements.

The bill enables Sacramento County to establish a new lower retirement tier for some of their new county law enforcement employees of 3% at age 55 with a 3-year highest compensation average, and retiree COLA not to exceed 2% annually. It applies to bargaining units represented by the Sacramento County Deputy Sheriffs’ Association (SCDSA) and the Law Enforcement Management Association (LEMA).

It also clarifies that the delay of implementation of a Cost of Living Adjustment (COLA) and an equity salary increase, which was agreed to between Sacramento County and SCDSA, LEMA and AFSCME-Health Services Unit 008, shall be considered compensation earnable and will not be considered to have been paid for the purpose of enhancing a member’s retirement benefit. This language is intended to clarify that this scenario does not fall under pending AB 1987, the “pension spiking” bill.

The bill has passed the Senate and is pending concurrence in the Assembly. If this occurs, the bill will move to the Governor’s desk.

A motion was made by Mr. Morris, seconded by Mr. Pryor, to take a “watch” position on AB 226.

The motion passed unanimously.

4. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board continue its “support” position on AB 609 which provides budgetary relief and stability by basing the amount that can be spent on administrative expenses as a percentage of system liabilities. (Memo dated August 31, 2010.)

AB 609

Your Board adopted a continued “Support” position on July 15, 2010 on AB 609, a two-year bill sponsored by SACRS. The purpose of this bill is to provide administrative budget limitation relief to ‘37 Act systems by shifting from an asset-based cap to a more stable liability-based cap.

The bill has been subsequently amended on August 19, 2010 to provide the following:

1. The annual budget for administrative expenses of a ‘37 Act retirement system may not exceed the greater of either twenty-one hundredths of 1% (0.21%) of the accrued actuarial liability of the retirement system, or two million dollars to be adjusted annually as specified.

The earlier version of the bill provided for a cap of twenty-five hundredths of 1% (0.25%) of the accrued actuarial liability of the retirement system and no floor amount. The floor of two million dollars was amended into the bill to address the needs of smaller systems.

2. In addition, expenditures for computer software, computer hardware, and computer technology consulting services, as specified, would be excluded from the administrative budget cap.
3. Repeals Government Code Section 31580.3 which allowed ‘37 Act counties to increase the administrative budget in years when they incur expenses for software, hardware, and

computer technology consulting services, as specified. This section had a sunset date of January 1, 2013.

The bill is on the Governor's desk. He has until September 30, 2010 to take action on the bill.

A motion was made by Mr. Saladino, seconded by Mr. Morris, to continue its "support" position on AB 609. The motion passed unanimously.

5. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt a "watch" position on AB 827 which would prohibit automatic renewal provisions in the contract of an excluded employee. (Memo dated September 1, 2010.)

AB 827

Assembly Bill 827 is urgency legislation in response to public anger when a Los Angeles Times article reported massive salaries of key officials in the City of Bell.

If enacted, it prohibits automatic renewal in the contract of an excluded employee, prohibits automatic salary increases in these contracts, unless it is a cost-of-living adjustment, without the vote of a legislative body, and requires a performance review to occur prior to increasing the salary of an excluded employee. It applies to contracts executed or renewed on or after January 1, 2011.

The bill has passed both houses of the Legislature and is on the Governor's desk.

A motion was made by Mr. de la Garza, seconded by Mr. Adams, to take a "watch" position on AB 827.

The motion passed unanimously.

In answer to Mr. Saladino's question on who this bill would impact, Ms. Lau said that one of the Los Angeles County Legislative advocates informed her that the author of the bill would be preparing a letter, which would be going into the file, indicating who this bill would impact. Ms. Lau said she would inform Mr. Saladino upon receiving that information.

6. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board continue its "support" position on AB 1987 which would address pension "spiking" and "double dipping". (Memo dated September 1, 2010.)

AB 1987

The bill was subsequently amended on August 17, August 23, and on August 27, 2010 and has passed both houses of the Legislature. It is currently on the Governor's desk pending action.

The recent amendments made technical changes, as well as provided for the following:

1. It deleted the addition of a new Government code Section 31522.8 which would have allowed '37 Act retirement systems to move to special district status upon adoption of a resolution approved in a memorandum of understanding executed by the Board of Supervisors and representatives of the majority of represented general employees of the retirement system.
2. Applies the 180-day (six month) bona fide separation requirement for members who retire for service on or after January 1, 2012. (The earlier version applied to members who retired on or after January 1, 2011.)

Additionally, Ms. Lau noted that AB 1987 would also require enactment of SB 1425 before it could become law. Therefore, the Governor must sign both bills.

A motion was made by Mr. Chery, seconded by Mr. Morris, to continue its “support” position on AB 1987. The motion passed unanimously.

6. PUBLIC COMMENT

None

7. GOOD OF THE ORDER

(For discussion purposes only.)

Board Members and staff congratulated Mr. Pryor on his re-election to the Board of Retirement ending December 31, 2013.

Green Folder Information

(Information distributed in each Board Member’s Green Folder at the beginning of the meeting.)

1. LACERA Legislative Report – Bills Amending CERL. (Dated September 7, 2010.)
2. LACERA Legislative Report – Other.(Dated September 7, 2010.)
3. LACERA Legislative Report – PERS/STRS Bills.(Dated September 7, 2010.)

8. ADJOURNMENT

 PROVIDE | Our services begin the moment a new hire becomes a LACERA member and continue throughout the member’s career to retirement... and beyond.

10/18/10