

BOARD OF RETIREMENT MINUTES 2-10-11

PRESENT

- Les Robbins, Chair
- Simon S. Russin, Vice Chair
- Yves Chery, Secretary
- Marvin Adams
- Sadonya Antebi
- Alan Bernstein
- William de la Garza
- Shawn R. Kehoe (Alternate Member)
- 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
- Fern Billingsy, Senior Staff Counsel
- Johanna M. Fontenot, Senior Staff Counsel
- Beulah S. Auten, Chief Financial Officer
- Cynthia Guider, Administrative Services
- Cynthia Lau, Legislative Affairs Officer
- Robert Proctor, Director, Human Resources
- Cassandra Smith, Director, Retiree Health Care

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 JANUARY 13, 2010

A motion was made by Mr. Chery, seconded by Mr. Morris, to approve the minutes of the regular meeting of January 13, 2011. The motion passed with Ms. Antebi and Mr. Bernstein abstaining.

4. OTHER COMMUNICATIONS

1. For Information

1. **January 2010 All Stars**

Mr. Hill announced the eight winners for the month of January; Raymond Boncato, Chona Labtic-Austin, Calvin Chow, Remigio Feliciano, Rey Sare, Mureen Tsang, Ramon Reyes, and David Bayha, for the Employee Recognition Program. Angela Ward was the winner of LACERA's Web Watcher Award. Virginia Carrillo, Debbie Goldasich, Edward Wong, and Theodora Byers were the winners of LACERA's RideShare Program.

Mr. Hill announced the appointment of Gregg Rademacher as President of the California Association of Public Retirement Systems (CALAPRS).

2. **Service Awards**

Mr. Rademacher presented a retirement scroll to Marianne Franco, Great West, Account Manager and thanked her for conducting in-house pre-retirement workshops alongside LACERA for the past ten years.

3. **Chief Executive Officer's Report** (Memo dated January 5, 2011)

On behalf of the Board of Retirement Ms. Golden presented a 20 year service pin to Mr. Rademacher. Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report with emphasis on LACERA having mailed an application for a tax determination letter to the IRS on January 31, 2011. Mr. Rademacher commended Mr. Muir, LACERA's former Chief Counsel, Cynthia Lau and Nicholas Dinger, for all their hard work and efforts in compiling a plan document/design showing LACERA's compliance with IRS tax code.

5. NON-CONSENT AGENDA

1. Recommendation as submitted by Beulah S. Auten, Chief Financial Officer: That the Board determine the Consumer Price Index changed by 1.3% for the year ending December 2010, and approve cost-of-living increases and respective COLA Accumulation adjustments for retired LACERA members and beneficiaries, based on retirement plan and date of retirement or death, to become effective April 1, 2011 in accordance with applicable California Government Code Sections. (Memo dated January 18, 2011.)

A motion was made by Mr. Chery, seconded by Mr. Morris, to approve the recommendation.

Mrs. Auten reminded the Board that since the COLA Accumulation accounts are below the 20% thresh hold there will be no retirees eligible for additional STAR COLA Program Benefits in 2012.

The motion passed unanimously.

2. Recommendation as submitted by Cassandra Smith, Director, Retiree Health Care: That the Board authorize the Retiree Health Care Director to discontinue the Auto-Refill Program provided by CVS-Caremark Mail Service Pharmacy. (Memo dated January 31, 2011.)

A motion was made by Mr. Saladino, seconded by Mr. Russin, to approve the recommendation.

Ms. Smith addressed the Board regarding staffs concerns on safety issues involved with the prescription auto-refill program from Caremark.

The frequency of auto-refills can result in a stock pile of medications of which cannot be returned. At present Caremark is unable to change the timing for those members enrolled in the auto-refill program without changing the refill timing for the entire group. Therefore, it is necessary to discontinue the program effective March 1, 2011.

The motion passed with Mr. Pryor abstaining.

3. Recommendation as submitted by Cassandra Smith, Director, Retiree Health Care: That the Board authorize the Retiree Health Care Director to implement the Specialty Guideline Management Program provided by CVS-Caremark Mail Service Pharmacy. (Memo dated January 31, 2011.)

A motion was made by Mr. Saladino seconded by Mr. de la Garza, to approve the recommendation.

Ms. Smith addressed the Board stating that the Specialty Guideline Management Program provided by CVS-Caremark Mail Service Pharmacy is designed to ensure that medication used by LACERA members is appropriate, safe, and effective for conditions of which they are being treated. These specialty drugs are high cost drugs used to treat chronic and rare conditions.

A lengthy discussion ensued between staff and Board Members regarding the Board's concerns that monetary savings not be at the expense of its members. Ms. Smith said that monitoring these drugs involves constant communication between doctor, pharmacy Caremark staff, and LACERA member, thus ensuring LACERA members are receiving appropriate, safe and effective medications. The motion passed with Ms. Antebi voting no and Mr. Pryor abstaining.

4. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “watch” position on SB 27, which would address pension “spiking” and “double dipping”. (Memo dated January 30, 2011.)

SB 27

Senate Bill 27 is a reintroduction of Senate Bill 1425 from the last legislative session. Both SB 1425 (geared towards CalSTRS and CalPERS) and AB 1987 (focused on 1937 Act systems) addressed the issue of pension spiking and double dipping and were vetoed by Governor Schwarzenegger.

While most sections of SB 27 apply to CalSTRS and CalPERS, Section 14 of the bill adds new Government Code Section 7500.5 and is relevant to all state and local public retirement systems.

Specifically, this section would require the following:

Auditing System

The board of each public retirement system would be required to establish accountability provisions that would include an ongoing audit process to ensure that a change in a member's salary, compensation or remuneration is not made for the principal purpose of enhancing a member's retirement benefits.

Final Compensation

It would limit a member's final compensation to the average increase of other employees in the same or related work group, not to exceed the average increase in compensation received within the final compensation period and the two preceding years.

Six-Month Bona Fide Separation

To limit “double dipping”, the board of each public retirement system would be required to establish a requirement that a retired person may not perform services for any employer covered by a state or local retirement system (as an employee, through a third party, or as an independent contractor) until that person has been separated from service for a period of at least 6 months, regardless of whether normal retirement age has been attained. This requirement applies to all persons who retire on and after January 1, 2013.

During the last legislative session, both AB 1987 and SB 1425 were amended numerous times. This bill has just been introduced, therefore, staff recommends a neutral “Watch” position at this time.

A motion was made by Mr. Morris, seconded by Mr. Chery, to take a “watch” position on SB 27. The motion passed unanimously.

5. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the 2011 meeting calendar and reschedule meeting dates as needed. (Memo dated January 31, 2011.)

After a discussion among the Board Members the following Board of Retirement dates were changed:

March, 2011

The March 2nd Board of Retirement Disability Meeting and the March 10th Board of Retirement Administrative Meeting will be combined and held on March 2nd.

May, 2011

The May 4th Board of Retirement Disability Meeting and the May 12th Board of Retirement Administrative Meeting will be combined and held on May 5th.

November, 2011

The November 2nd Board of Retirement Disability Meeting and the November 10th Board of Retirement Administrative Meeting will be combined and held on November 10th.

6. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board determine whether to ratify attendance by Board Member William de la Garza at the 21st Annual Southern California Public Retirement Seminar, held on February 9, 2011, in Lakewood, California; and approve reimbursement of all conference fees and travel costs associated with conference attendance according to LACERA's Education and Travel Policy. (Memo dated February 3, 2011.)

A motion was made by Mr. Russin, seconded by Mr. Chery, to ratify attendance by Board Member William de la Garza at the 21st Annual Southern California Public Retirement Seminar, held on February 9, 2011, in Lakewood, California; and approve reimbursement of all conference fees and travel costs associated with conference attendance according to LACERA's Education and Travel Policy. The motion passed unanimously.

6. PUBLIC COMMENT

7. GOOD OF THE ORDER

(For discussion purposes only.)

The Board welcomed and congratulated Sadonya Antebi on her reappointment to the Board of Retirement by Supervisor Gloria Molina. (Mr. Pryor left at 10:55 a.m.)

8. EXECUTIVE SESSION

1. CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION (Subdivision (a) of the Government Code Section 54956.9)

1. Isis Morcos vs. LACERA et al.
Superior Court Case No. BC453794

The Board met in Executive Session to discuss the above pending litigation with its legal counsel. The Board reconvened in open session, at which time Mr. Van Der Volgen reported that the Board met in Executive Session pursuant to Subdivision (a) of Section 54956.9 of the California Government Code to discuss the case of Isis Morcos vs. LACERA et al. The Board gave direction unanimously to legal staff with regard to retaining outside counsel in this case.

Green Folder Information

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

1. LACERA Legislative Report. (Dated February 8, 2011.)

9. ADJOURNMENT

An image of a glass partially filled with liquid. Over the image is written, "How We See It," the theme for LACERA's 2011 annual report.

