



STANISLAUS COUNTY  
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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

September 13, 2006

**Members Present:** Maria DeAnda, Jim DeMartini, Mike Fisher, Gordon Ford, Wes Hall, Mike Lynch, Ron Martin, and Steve Yauch

**Alternate Members Absent:** Linda Stotts-Burnett (Alternate Retiree Representative)

**Members Absent:** Darin Gharat

**Others Present:** Kelly Cerny, Deirdre McGrath, Patrick McTighe-BMTI Services, Michele Silva, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Vice-Chair Wes Hall

2. **Announcements**

Tom Watson, Administrator, announced the Board Room had gained a new wall calendar, as requested at the August 22, 2006 Board of Retirement meeting.

Steve Yauch, Trustee and Chair of the Strategic Plan – Defined Benefit Plans and Alternatives Committee, announced the committee meeting scheduled for September 18, 2006 is postponed until further notice. The meeting had not been publicly noticed in the required 72-hours.

3. **Public Comment**

Lyn Bettencourt, Retiree, expressed concern that the Board would not have a quorum if the active and retiree representatives/trustees who he thought might recuse themselves because of a conflict of interest did recuse themselves. He requested a copy of the Deputy County Counsel's opinion regarding this conflict of interest issue.

4. **Consent Items**

Motion was made by Maria DeAnda and seconded by Steve Yauch to approve the following items as listed.

Motion carried.

Approval of the August 22, 2006 Meeting Minutes

4. **Consent Items (cont.)**

a. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Judy Baldwin, Treasurer-Tax Collector, Effective 09-28-06
2. Stephen Benstead, Public Works, Effective 08-27-06
3. Francisca Bosquez, CSA, Effective 09-16-06
4. Arlene Ferris, CSA, Effective 08-31-06
5. Leonard Heisel, GSA, Effective 09-06-06
6. Carolyn Hill, Keyes Community Services, Effective 09-01-06
7. Michael O'Grady, Sheriff, Effective 09-12-06
8. Sandra Popkes, Library, Effective 09-30-06
9. Marilyn Robinson, Library, Effective 09-16-06
10. Steve Rothweiler, GSA, Effective 09-06-06
11. Charlotte Senior, HSA, Effective 09-09-06
12. Jeannette Smith, Probation, Effective 09-19-06

b. Approval of Deferred Retirement(s) – **Section 31700**

1. Joshua Batteate, Sheriff, Effective 08-01-06
2. Dan Cox, HSA, Effective 03-25-06
3. Jena Dotson, HSA, Effective 05-03-06
4. Marilyn Eppler-Noble, BHRS, Effective 08-16-06
5. Lori Eszlinger, Superior Court, Effective 08-19-06
6. Trevin Freitas, Sheriff, Effective 07-15-06
7. Lisa Gasper, DET, Effective 07-21-06
8. Constance Gustafson, BHRS, Effective 07-29-06
9. Robert Panos, DCSS, Effective 08-18-06
10. Jayson Partridge, CSA, Effective 08-05-06
11. Vickie Pease, Public Works, Effective 06-24-06
12. Joan Peixotto, CSA, Effective 08-19-06
13. William Spletstoesser, Probation, Effective 05-24-06
14. Dana Throckmorton, Probation, Effective 07-22-06
15. Debra Whitmore, Planning, Effective 07-15-06

c. Approval of Deferred Retirement Refund(s) **Section 31701**

1. Amy Jo Trevino
2. Danny Bayne

5. **Presentation by Patrick McTighe of Benefit Management Technology Inc. (BMTI) on the 2007 Retiree Health Insurance Plans and Rates**

Patrick McTighe, StanCERA's medical insurance consultant, gave a PowerPoint presentation on the retiree health insurance plans and rates for 2007. Medical insurance rates for 2007 show an increase in the co-payment to \$20 for all plans. The dental plan has no changes for 2007. Patrick mentioned he met with members of the Retired Employees of Stanislaus County (RESKO) prior to presenting the information to the Board of Retirement. Patrick apologized for distributing the information so close to StanCERA's open enrollment, however he did not receive all the information until

5. **Presentation by Patrick McTighe of Benefit Management Technology Inc. (BMTI) on the 2007 Retiree Health Insurance Plans and Rates (cont.)**

just before the Board meeting. He asked Board members if in the future they would prefer receiving information a month earlier, although it may be incomplete. Board members responded they would like to have the information as soon as it is available, realizing that some information may come later.

Patrick also distributed written material regarding the impact of administrative fees, calculated as an additional amount to the premiums from Pacific Business Group Health (PBGH). Totaling these amounts results in an approximate \$113,000 annual administrative fee. Using the current contract formula results in an approximately \$127,000 annual fee. To help the Board of Retirement be able to make a decision to add the administrative fee to the retirees' premiums paid or pay in January in accordance with the current contract, Patrick stated he would charge the same either way. He offered to discount the annual fee by 11% to approximately \$113,000 if he could be assured of payment for services through December 2007.

6. **Administrator**

a. Discussion and Action on 2007 Retiree Health Insurance Plans and Rates

Patrick asked the Board if it would prefer to delay decisions about the insurance plans, rates, and changing BMTI's current contract terms, until which time the Board could review them more in-depth. Patrick noted that delaying the approval of the insurance plans and rates would affect the printing of materials and the open enrollment schedule for retirees. Board members considered the requests. The Board determined BMTI's contract should remain as it is currently with the 11% fee reduction for 2007.

Lyn Bettencourt, retiree, said an informal poll was taken by RESCO and they were not in favor of delaying the acceptance of the insurance plans and rates which would delay the printing of materials and distribution to retirees.

Motion was made by Steve Yauch and seconded by Maria DeAnda to accept as presented the 2007 retiree health insurance plans and rates with no additional administrative fee.

Motion carried.

b. Discussion and Action on Retiree Health Insurance Guidelines

Tom Watson addressed Board members regarding the Interim Retiree Health Insurance Guidelines Policy, formerly part of StanCERA's By-laws, Article XIII. These guidelines would be in effect from September 1, 2006, and until a contract with a health insurance consultant commenced.

Motion was made by Maria DeAnda and seconded by Mike Fisher to approve the Interim Retiree Health Insurance Guidelines Policy.

Motion carried.

6. **Administrator (cont.)**

**Items 7a., and 8a.i. Heard Out of Order**

c. Discussion and Action on Retiree Health Allowance Policy

Tom Watson said in addition to discussion of **Item 6c., Items 7a. (RESCO's Written Response), and 8a.i. (Retiree Benefits Committee Recommendations)** would also be included here during discussion and action.

Deirdre McGrath, Deputy County Counsel, recommended bifurcating Section 2 of the policy for discussion and action apart from the future years' proposed changes in the policy. Section 2 provides for no change or status quo for the 2007 retiree health allowance. Board members with potential conflicts of interest on Sections 3 through 11 could recuse themselves, and these sections would be heard by board members without potential conflicts of interest.

Board members discussed retaining the amount and eligibility requirements of the retiree health allowance through calendar year 2007, which is Section 2 of the policy.

Lyn Bettencourt, retiree, expressed to the Board members his disagreement with Deputy County Counsel's position on voting and that the recusal of the members was in error. He asked that the Deputy County Counsel's opinion be read into the record.

Motion was made by Maria DeAnda and seconded by Mike Lynch to adopt Section 2 of the Retiree Health Allowance Policy - Eligibility and Amount of Retiree Health Allowance effective September 1, 2006 through December 31, 2007.

Motion carried.

Wes Hall recused himself from discussing and voting on the remainder of the policy because he said he thinks he has a potential conflict of interest. He is a retired 30-year employee whose retiree health allowance would not be subject to a reduction under the proposed changes.

Steve Yauch recused himself from discussing and voting on the remainder of the policy as a cautionary measure because he plans to retire during a year in which the proposed changes to the retiree health policy will be implemented.

Wes Hall left the room at 2:55 p.m.

Steve Yauch left the room at 2:55 p.m.

In the absence of Darin Gharat, Chair, and Wes Hall, Vice-Chair, Mike Fisher acted as Chair. Lyn Bettencourt asked the Board to consider the three-year period of time to phase in the changes per RESCO's written proposal.

6. **Administrator (cont.)**

c. Discussion and Action on Retiree Health Allowance Policy (cont.)

Mike Lynch extended an apology to the Board and RESCO for his request to have the prior Retiree Benefits Committee meeting at 7:00 a.m. Deirdre McGrath mentioned the meeting was publicly posted.

Mike Lynch mentioned he thought the draft policy was a better approach and said RESCO's letter was thoughtful however, the draft policy will allow direction for the future.

Maria DeAnda, Trustee, stated the Retiree Benefits Committee took into consideration RESCO's letter dated July 12, 2006. The committee decided that much study had been done and that reducing the retiree health allowance sooner was a more prudent approach than RESCO's recommendations. Mike Lynch echoed Maria's sentiments and reminded everyone that retirees and the Board of Retirement have all had much input into this process and many ideas have been considered.

Gordon Ford asked that the Minutes reflect the Retiree Benefits Committee and Board of Retirement considered RESCO's letter.

Motion was made by Ron Martin and seconded by Mike Lynch to adopt Sections 3 through 11 of the Retiree Health Allowance Policy as written, dated August 29, 2006.

Motion carried.

Steve Yauch returned at 3:23 p.m.

Wes Hall returned at 3:23 p.m.

d. Discussion and Action on Response to The Modesto Bee articles dated September 4, 2006, and September 6, 2006.

Tom Watson noted that Board members received copies of two recent The Modesto Bee articles entitled, "*County health benefit in trouble,*" and *Counties' pension reforms are minor but a good start.*" Wally Morrow, retiree asked to address the Board. Wally was disappointed with the first article and wanted to share his displeasure that The Bee would publish information coming from an unqualified retiree over a non-vested benefit. Lyn Bettencourt, retiree, also added that a letter of support for the Board of Retirement should be done.

The Board discussed whether to respond to the inaccuracies in the the articles. It was determined the articles appeared misleading in some respects. The Board discussed sending an educational article instead of a direct response.

**6. Administrator (cont.)**

- d. Discussion and Action on Response to The Modesto Bee articles dated September 4, 2006, and September 6, 2006 (cont.)

Motion was made by Maria DeAnda and seconded by Jim DeMartini to direct the Retirement Administrator to bring back to the Board of Retirement a draft of an open editorial letter to The Modesto Bee, regarding the retiree health benefit.

Motion carried.

Mike Fisher Opposed.

Gordon Ford Opposed.

**7. Correspondence**

- a. Written Response from the Retired Employees of Stanislaus County (RESCO) regarding the Recommendations for Proposed Changes to the Retiree Health Allowance and Retiree Health Insurance

**Heard with Item 6c.**

- b. Discussion & Action on the State Association of County Retirement Systems (SACRS) 2006 Fall Conference Voting Proxy Form

Motion was made by Mike Fisher and seconded by Maria DeAnda to authorize Darin Gharat, Chair, as the Voting Delegate, and Wes Hall, Vice-Chair, as the Alternate Voting Delegate to vote on behalf of StanCERA at the SACRS 2006 Fall Conference.

Motion carried.

- c. Dodge & Cox Letter Dated August 29, 2006 – Response to Personal Political Contribution

Tom Watson referred to the letter from Dodge & Cox dated August 29, 2006 that Board members received. The letter was in response to questions raised by the Board of Retirement at the August 22, 2006 Board of Retirement meeting. The letter addressed Dodge & Cox's policy regarding personal political contributions, in particular, the March 2005 personal political contribution made to "Citizens to Save California," by John Gunn, Chief Executive Officer, Dodge & Cox.

7. **Correspondence (cont.)**

- c. Dodge & Cox Letter Dated August 29, 2006 – Response to Personal Political Contribution (cont.)

The letter states as a matter of policy, Dodge & Cox does not make political contributions, nor does it belong to or contribute to political action committees. Dodge & Cox did not endorse, either directly or indirectly the work of "Citizens to Save California." Dodge & Cox adopted a policy wherein the firm or its employees are prohibited from giving political contributions for the purpose of obtaining the award or retention of investment advisory contracts by government entities. It does allow employees the right to engage in personal political activities as governed by the California Labor Code.

8. **Committee Reports and Recommendations for Action**

**STANDING COMMITTEES**

- a. Retiree Benefits Committee – Wes Hall, Chair  
i. Report on Recommendations for the Retiree Health Allowance Policy

**Heard with Item 6c.**

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

Gordon Ford distributed his Memorandum and attachments entitled, "*Special Situations Fund.*"

Maria DeAnda announced she would not be at the September 26, 2006 Board of Retirement meeting.

Ron Martin said the High Performance Real Estate Investments Summit he attended September 11-12, 2006, was enlightening. With the information provided at the Summit, and his experience in the banking industry, he thinks real estate is an attractive and appropriate way for StanCERA to diversify.

Mike Lynch said a Special Situations Fund needs to have consideration. He was glad to receive Gordon Ford's Memorandum for review.

10. **Adjournment**

Meeting adjourned at 3:53 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL

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Deirdre McGrath, Deputy County Counsel