



# The Peralta Retiree

April — June 2009

Vol. 5 No. 3

<http://www.peraltaretirees.org>

## From the President...

by Jerry Herman, PRO President

### Yoshi's Loud And Clear

Close to fifty PRO members and guests attended the Valentine's evening performance of Pete Escovedo and Family at Oakland's Yoshi's (see pictures on page 7). Percussionists Pete, his daughter Sheila E, and two sons, Juan and Peter Michael, slapped and beat an impressive array of drums for a loud (earplugs were available), dynamic, exciting evening that the audience won't soon forget.

Pete's family members weren't only performing. Sitting with the PRO contingent in the audience was PRO's own Jay Quesada, our Social Committee co-chair, and Pete's sister. She was duly recognized from the stage by her brother. Pete is 73 and his incredible energy never flagged for the entire performance, but when he gave a shout out to the PRO party, he quipped that as we are a retirees' group, an ambulance would be standing by at the door. He didn't need one and neither did we.

### Everything's Beautiful At The Ballet

For our next event PRO will practice cultural diversity, shifting gears from high energy jazz percussion to high energy dance. On May 22 we'll gather at the Leshner Center in Walnut Creek for an evening of dance by the Smuin Ballet Company described by *Dance Magazine* as "one of this country's most entertaining, original ballet troupes." The group's focus is modern dance

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## PRO Night at the Ballet



**Friday • May 22**

**\$41**

**(\$16 off box office price)**

**Leshner Center for the Arts  
Walnut Creek**



**Details on Page 3**

**Ticket Order Form on Page 8**

## PCCD Pays Retiree Small Claims Court Claim

Peralta retiree and PRO member Renata Polt Schmitt had to go to Small Claims Court to force the District to implement the terms of the contract that was in force at the time of her retirement. Renata, who is a member of Kaiser, signed up for Medicare but not for Senior Advantage.

The District insisted that it would reimburse her for her Medicare B expenses only if she joined Senior Advantage. Renata argued that she was under no obligation to do so to be eligible for reimbursement since Senior Advantage did not even exist at the time of her retirement. When the District denied her claim for reimbursement she took the issue to Small Claims Court where she won. The District did not appeal the Court decision within the allowed time frame and then asked for an extension in order to appeal. The Court turned down the extension and Renata has finally received a check from the District for over \$1700 to reimburse her for her Medicare B expenses.

### Peralta Retirees Organization

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(**President's Message** Continued from page 1)

rather than classical ballet. One of the ballets for the program is "St. Louis Woman: A Blues Ballet," which has been called a mixing of ballet with period social dances. Sounds like a great event. Join us. Fill out the form on page 8 and send it along with your check.

#### **AIG Anxiety**

I've received several anxious inquiries from PRO members who have retirement funds in AIG affiliated companies - like Valic - wondering if their accounts are in danger of being wiped out because of the collapse of AIG. I've checked with several sources, including the AIG representative at the Peralta Retirees' Fair, and all agree that the accounts are untouchable relative to the plight of AIG. The companies - like Valic - are basically independent subsidiaries whose funds are insured. So those of you holding accounts with AIG affiliated companies can rest easily. Of course, if the funds are invested in equities, they are subject to the ups and downs of the markets. For more information about the economic crisis and its effect on retirees see the articles on pages 4 and 5.

### PRO Committee Needs Members

**The PRO Membership Committee chair Odell Johnson needs a few people willing to work on expanding PRO membership. If you are interested, please contact Odell at: [odelljohn@comcast.net](mailto:odelljohn@comcast.net)**

### Save The Date...

**PRO Night at Woodminster**

# *Brigadoon*

**Friday ♦ September 11**

**Details will be in the July issue of  
*The Peralta Retiree***

# Join Us for PRO's Night at the Smuin Ballet

**PRO has a limited number of discounted 'elite' tickets for the opening night of the Smuin Ballet's Spring Season at the Leshner Center for the Arts in Walnut Creek. Ticket price includes a post-performance wine and dessert reception with the artists.**

**To avoid disappointment, please order as soon as possible as we have only a limited number of tickets!**

**Friday May 22 at 8 PM**

**\$41**

**(a \$16 discount off box office prices)**

**To learn more about the Smuin Ballet, check out their web site at: <http://www.smuinballet.org/go/default/>**



## Program

### Love Is In The Air This Spring

- **St. Louis Woman:** Smuin Ballet Premiere, Michael Smuin, choreographer
- **The Naughty Boy!:** West Coast Premiere, Trey McIntyre, guest choreographer
- **Bouquet:** Michael Smuin, choreographer

*St. Louis Woman: A Blues Ballet* - premiered at Lincoln Center in 2003 by Dance Theatre of Harlem, who commissioned the work. Hailed by the New York Times as "gorgeous entertainment," *St. Louis Woman* is a work that exemplifies Michael Smuin's genius at "mixing ballet's classical idiom with period social dances" (New York Times).

*The Naughty Boy!* - Trey McIntyre, renowned choreographer and founder of his own company, Trey McIntyre Project, set this ballet to Mozart's "Violin Concerto in G Major." The ballet is a neo-classical, loose narrative about Cupid's effects on four couples.

*Bouquet* - Michael Smuin created this ballet to the music of Shostakovich. A set of two pieces: the *Pas de Deux* is a sensual expression of love, and the romantic *Pas de Quatre* which depicts a woman and her three adoring suitors.

**Leshner Center For The Arts  
1601 Civic Drive  
Walnut Creek**

**PRO will help to organize car pools for those who want to share driving/parking.**

**The Leshner Center for the Arts is an easy two-block walk from the Walnut Creek BART Station.**

**Use the form on page 8 to order your tickets**

The deadline for receipt of ticket orders is Monday, April 20. We cannot guarantee tickets after that date.

# Retirees and the Financial Crisis

## PERALTA STRATEGY FOR FUNDING RETIREE HEALTH BENEFITS WORKING

In December 2005, the PCCD issued \$153 million in bonds as part of a strategy for financing its unfunded liability for retiree health benefit costs, i.e., in order to pay for the projected growth in costs for providing health care benefits to retired employees. The strategy also involved investing the proceeds of the bond sale in such a way as to create an investment portfolio which would generate more income than the District would be paying in interest on the bonds. The difference between the income from the portfolio and the interest paid to the bondholders was to supply a revenue stream which would cover the increased costs of retiree health insurance.

### How has the strategy worked so far?

For the last 30 months the strategy has been a success. Since the bonds were issued Peralta has been reimbursed \$12 million for retiree health benefits. These funds have subsidized the cost of retiree health benefits thus substantially reducing the amount of general funds required for that purpose.

### How has the current international economic crisis affected the strategy?

The bonds that Peralta issued were divided into groups (called *tranches*) with a variety of maturity dates, the longest of which was 40 years. The first of these groups matured toward the end of 2008. Despite the state of the credit markets, Peralta was able to pay off the bonds in this first tranche and then reissue and successfully sell the bonds at a favorable rate.

Last summer, VC for Finance Tom Smith and the Peralta bond advisory committee determined that the investment portfolio (the funds that resulted from the bond sale) which was modeled on the PERS portfolio should have a somewhat more conservative distribution of assets. Accordingly shifts in the asset allocation were made. As a result, despite the drop of almost 40% in the equities markets in the last six months, the Peralta portfolio loss

is only about 18%. This is, of course, not insignificant. However, the District has a long-term perspective (40 years) and expects that as the markets recover in the next few years the losses will be regained.

### What's the bottom line?

The District's strategy to fund the increased cost of retiree health benefits continues to provide a revenue stream to the District. Over the long term the invested funds should continue to supply sufficient revenue so that increased benefit costs have a minimal effect on the District's general fund.

*By Bruce Jacobs with help from VC for Finance Tom Smith*

## CALSTRS BENEFITS SECURE DESPITE AILING ECONOMY

CalSTRS benefits are secure, despite the ongoing historic changes to the world's financial markets. The CalSTRS retirement, survivor and disability benefits will not change with the downturn in the economy.

**CalSTRS benefits are not dependent on the funds in the CalSTRS investment portfolio. CalSTRS benefits are a constitutional right protected not only by the California Constitution but also by the U.S. Constitution.**

### CalSTRS Investment Strengths

The CalSTRS investment portfolio is strong and built to withstand any fluctuations in the financial markets.

- Diversified assets: U.S. stocks, international stocks, bonds and other fixed income securities, real estate and private equity invested throughout the globe
- Patient, long-term investor who invests based on the long view
- A professional investment staff who use some of the best money managers in the world

*(Continued on page 5)*

# Rules Change For Mandatory Retirement Distributions

By Bruce Jacobs

In December of last year the “Worker, Retiree, and Employer Recovery Act of 2008” became law waiving the requirement for taxpayers age 70 and a half and older to take a required minimum distribution in 2009.

403(b)'s, IRA's and other pension plans permit a taxpayer to defer tax on contributed amounts and account earnings until the time of distribution. But, the deferral timeframe ends when the required minimum distribution (RMD) rules take effect. Under those rules, a taxpayer must take certain minimum distributions each year after reaching age 70 and a half or face a 50 percent excise tax on the amount that should have been distributed under the RMD rules. The amount that must be distributed is determined by multiplying a required distribution table percentage against the value of the account at the end of the preceding year.

**If you would normally be required to take a required minimum distribution (RMD) from your**

**IRA for the 2009 tax year, you are now not required to do so.** However, if you are counting on your RMD for your ongoing expenses or an annual bill you must pay, then you may still take your RMD if you wish (or even a lesser amount, if that's all you need).

What is vital to know is that it appears many mutual fund companies and brokers are still planning to send out these distributions (which are taxable!) to their customers who have previously put standing instructions on file with them. So for example, if you have the mutual fund company automatically compute your RMD for you each year and mail you a check on the date(s) of your choice, then it is likely they will do that this year also regardless of the law change. If, however, you prefer to not receive that taxable distribution, then you need to contact your mutual fund company or your broker and tell them NOT to send you your RMD this year. Otherwise you may have a taxable distribution surprise you in your mailbox in 2009.

*(Financial Crisis Continued from page 4)*

## CalSTRS A Well Funded Pension Plan

At 88 percent, CalSTRS' long-term funding status puts it among the soundest pension funds in the nation. A 2007 Pew Charitable Trusts report calls 80 percent 'healthy.'

*(The above information about CalSTRS is adapted from the Cal STRS website.)*

## CalPERS Managing Through Economic Downturn

CalPERS is continuing to issue benefit checks of \$10 billion dollars a year to over 400,000 retirees without interruption. CalPERS has never missed a benefit payment, and recently received the highest rating by Standard & Poor's for its ability to meet its obligations. It is important to remember that retirement benefits are protected by law.

## The impact to CalPERS has been largely a fluctuation of market value of assets.

The impact of the markets on CalPERS has in large part been a fluctuation of the market value of its assets. This is expected to continue until the private sector credit markets become unfrozen. Meanwhile, they are staying on course with short-term tactics and long-term strategies. In real estate, CalPERS began taking actions in 2007 to calculate realistic value, analyze the capital structure, restructure debt, and reduce leverage. In private equity, they sold off a portfolio of funds at the peak of the market. They are seeking good buying opportunities for when the time is right. And their new asset inflation-linked asset class (commodities, infrastructure, forestland, inflation-linked bonds) further diversifies the portfolio. The market value of the investment portfolio has varied, but CalPERS is a buy-and-hold, long-term investor.

*(The above information about CalPERS is adapted from the CalPERS website.)*



# Contribute To The Pro Scholarship Fund By Honoring Or Memorializing A Friend Or Loved One

✂

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Yes, I want to support the PRO Scholarship Fund with a contribution.  
 (Please print)

In honor of:     On the occasion of:     In memory of:

\_\_\_\_\_

Please send acknowledgement card to:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Contributor's Name: \_\_\_\_\_

Contributor's Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Make check payable to: **The Peralta Foundation—PRO**  
 Send to: PRO, PO Box 1951, El Cerrito, CA 94530  
 Contributions are tax deductible to the extent allowed by federal and state law.

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## Contributions Received for the PRO Scholarship Fund

| In Memory of     | Contributor     |
|------------------|-----------------|
| Ralph F. Kearney | Mary A. Kearney |

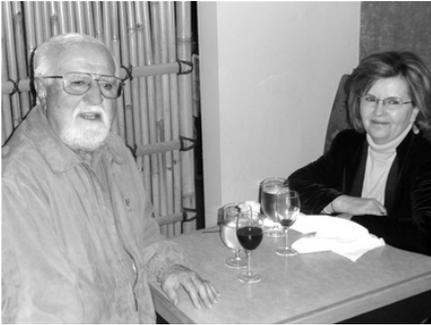
***IN MEMORIAM***

*The following Peralta retirees have passed away during the last months. PRO extends our deepest condolences to their families and loved ones.*

**Richard Aoki**  
**Robert Brown**  
**Don Dennison**  
**Edna "Pete" Froelich**  
**Luther Harris Sr.**  
**Richard Vietti**

*If you have any information about the passing or the serious illness of a Peralta retiree, please contact Bruce Jacobs at: [webmaster@peraltaretirees.org](mailto:webmaster@peraltaretirees.org)*

## PRO Goes To Yoshi's



John Lodato and Anna Pavelka -Lodato



Ida Pound, Pat England and Virginia Johnson (wife of Odell Johnson)



**Ticket Order For Smuin Ballet at Lesher Center for the Arts**

**To order tickets: clip the form below and mail it with a check made out to 'PRO' to:**

**PRO**

**PO Box 1951**

**El Cerrito CA 94530**

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone \_\_\_\_\_ Email \_\_\_\_\_

No. of Tickets \_\_\_\_\_ X \$41 = \_\_\_\_\_

I am interested in carpooling:  Yes  No

If Yes:  I can drive  I prefer to get a ride  I need to get a ride

Orders must be received by Monday, April 20. Detailed info about directions and parking will be mailed with the tickets.

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**Peralta Retirees Organization**  
**P. O. Box 1951**  
**El Cerrito CA 94530**