

PRO Board Meeting, July 6, 2005  
PFT Conference Room

**Present:** Officers: Jerry Herman, President, Bruce Jacobs, Vice-President, Juanita Peterson, Secretary, Shirley Timm, Treasurer  
Board: Remo Arancio, Shirley Nedham, Sondra Neiman, Alex Pappas  
Absent: Pat England, George Herring, Phyllis Jones  
Guests: Tom Smith, PCCD CFO, Michael Mills, PFT President

**President's Report:** President Jerry Herman called the meeting to order at 12:40 pm, and introduced Tom Smith, PCCD CFO, to provide information on cost of healthcare benefits. Bruce, Alex, and Jerry asked Tom Smith to address two concerns heard at a recent PCCD Board meeting: 1) that currently 45% of the PCCD health care budget is spent on health care for retirees, and 2) that the PCCD Board is considering issuing a bond to pay for unfunded retirees' medical insurance liability.

Mr. Smith said that his number-one priority is to arrange funding for the unfunded liability that results from the District's commitment to retirees and current employees (hired before July 1, 2004) for life-time medical benefits. The life-time healthcare benefits program was eliminated for employees hired after July 1, 2004. In 1999, the cost to the District for healthcare insurance was \$5.8 million; in 2004-2005 the figure was \$13.5million. Peralta District healthcare benefit program has been and is a pay-as-you-go system. Money has not been set aside to honor the promise of healthcare after retirement.

Using actuarial tables, Mr. Smith estimates that there is a cash flow problem of around 400 million dollars to the year 2050 to meet the needs of the District's commitment to current and future retirees. The PCCD Board is considering obtaining a bond to meet these obligations. The bonded indebtedness would be on the District and not on the general taxpayer. The bond does not have to go to the voters because the District assets are the collateral. The bond request must go to the court, however, and any objections must be answered. Mr. Smith has worked on this for about 3.5 years. He must explain all aspects of the bond to the PCCD Board and other PCCD constituents.

No community college has tried floating a bond for this purpose. There are few banks (Goldman Sachs, Bear Stearn) large enough to fund such a big bond. The need is to find what the actual liability is, then determine the size of the bond. Different models are being considered. A model must yield interest, along with FTEF growth funds, to pay on the bond, pay on insurance, and flatten the payments enough to refinance in about 12 years.

During discussion, these are some of the comments made by PRO Board members and Mr. Smith: It is critical to earn more on the investment of bond money than what must be paid out. The worst outcome would be to have to liquidate assets. Medical cost may increase over the current 7%. The bond will not free up any District dollars; the bond is exclusively for health benefits.

The Board members joined President Herman in thanking Mr. Smith for his presentation and for answering the many questions. Mr. Smith left the meeting at 1:30 pm.

**Treasurer's Report:** PRO has 288 paid members. Current balance: \$3,843.04.

Expenses for the 1<sup>st</sup> Anniversary Picnic: \$338.99

Jerry reported that he overspent the \$150 petty cash allotment by \$30.

**MSU(Alex, Remo) to approve the overexpenditure.**

**Secretary's Report:** Shirley Nedham gave a correction to the May 4, 2005 Board Minutes: She was listed as present, but indeed was absent. The correction will be made.

**MSU(Remo, Alex)** to approve the Treasurer's report and the Secretary's report.

**Newsletter Report:** Bruce said he has little content for the next Newsletter. Jerry will report on the 1<sup>st</sup> Anniversary Picnic. He will also have something for the President's Column and results of the Survey. There is the November election that could be reported on, and Shirley Nedham suggested that a note about the PCCD Board meeting be included.

**Bruce needs everything camera ready by July 15, 2005.**

**President's Report (cont'd):** Alex, Bruce, and Jerry will meet with Bob Bezemek on July 14. The theme will be: How secure are retiree health benefits? Have there been challenges to other districts? Those having other questions for Mr. Bezemek should email them to Jerry.

Jerry reported that about 60 retirees had come to the picnic and that the picnic was a great success.. Redwood Regional Park Hucklelberry area was a great place for having the picnic; the weather was beautiful. PRO provided supplies for grilling food. There was lots of talking and eating.

**The Board was unanimous in its agreement that the Social Committee (Ralph Marinaro, Chair) deserve praise and thanks for their planning and carry-through efforts for the picnic. President Herman will convey this sentiment to the Social Committee.**

**Survey Up-date:** Juanita reported that the preferences on the front and back pages of the Survey have been tallied. These responses give the Board some idea of the committees and activities of most interest to those who responded to the Survey. All comments and suggestions the retirees made on the Survey have been itemized and given to President Herman. Among the suggestions were topics for speakers to address PRO retirees at future meetings, and some of the activities (e.g., places to visit and things to do) that the PRO Board might arrange for the membership.

**Non-Profit Status:** Shirley Timm has prepared the cover letter for the Article of Incorporation for the State. Each member of the Board signed the Articles of Incorporation. The cost of incorporation is \$30.

**Benefits Committee Report:** Alex Pappas reminded the Board that he will be in Turkey from August of this year to January, 2006 and will not be able to attend Committee or Board meetings. Jerry Herman, as President, will ask Ned Pearlstein to chair the Benefits Committee in Alex's absence, and to attend Board meetings. Alex will participate through emails.

Alex wrote an article on Medicare A and B reimbursement that appears in the April-June issue of The Newsletter. He strongly recommends that retirees use STRS (automatic deduction) and Social Security deductions, both of which require verification only once each year. Requesting reimbursement using personal checks or credit cards has led to problems of late or lost reimbursement checks. Remo Arancio is composing an article with advice about reimbursement of lost checks.

**Service Committee Report:** Sondra Neiman reported that the Committee is working on recruiting retiree tutors for the PCCD colleges and urging retirees to donate books to the colleges. The Committee is also working with PFT and SEIU on retirees serving on tenure review committees. There has been no objection by the PFT and SEIU on the use of retirees as tutors.

**Discussion Items:** It has been suggested the PRO join California Alliance for Retired Americans (CARA). Shirley Nedham recalled her discussion with the San Francisco Retirees Group that membership is expensive and advised PRO to affiliate, but not join.

**Bruce will find out the cost of an organization membership.**

The CFT has asked for names and addresses in our database to use for the November election. After some discussion it was the consensus of the Board not to give the database information and to have a formal general policy.

**MSU( Bruce, Remo) A policy of the PRO Board is not to provide information from the PRO database to other organizations.**

The meeting adjourned at 2:40 pm.

Respectfully submitted,  
Juanita Peterson, Secretary