Peralta Retirees Organization

The Peralta Retiree

October-December 2015 | Vol. 12 No. 1 | http://www.peraltaretirees.org

From the President...

by Debby Weintraub, PRO President

When our new Chancellor, Dr. Jowell Laguerre, arrived in early July, he was greeted with the news that the ACCJC was once again questioning Peralta's ability to manage their commitment to Peralta retirees hired pre July 2004. The San Francisco Chronicle featured an article on July 8, 2015, "Accrediting Commission Sanctions four East Bay Colleges" by Nanette Asimov. The four colleges were ours: with Merritt and Alameda being put on probation, and Laney and BCC on warning- the mildest of the sanctions, but still requiring effort from the colleges to correct the "deficiencies". But the most alarming aspect of the ACCJC report for retirees hired before July 2004 came in the following paragraph of Ms. Asimov's article:

> "The Peralta district itself, which serves 34,000 students, manages a $128 million budget and does long-term planning for the schools, was told by the commission to improve its financial planning, **including its ability to pay retiree pension and health care obligations, know what its facilities cost to operate and comply with audits** (my emphasis).
>
> The requirement comes as the district reports it is hiring, giving raises, and socking away money in its reserves. It also comes two years after all four district colleges had been removed from the sanctions list after fixing earlier problems."

Members of the ACCJC Review Committee should be aware that all retiree pensions at Peralta are managed by STRS or PERS and the fiscal health of retiree pensions lays with STRS and PERS, not the district. But unfortunately Barbara Beno's commission (and perhaps Ms. Asimov)

(Continued on page 2)

Upcoming PRO Events:

Reception for Chancellor Jowell Laguerre

Sunday, October 18 □ 3 - 5 PM

See page 5

Annual Membership Meeting and Luncheon

Thursday, November 12 □ 11 AM - 2 PM

See page 3

Inside This Issue . . .

(President...Continued from page 1)
seems to misunderstand how retiree pensions (separate from benefits) are funded. So it is also no surprise that they are flummoxed by how Peralta will meet its obligation to pay for pre- July 1, 2004 post-retirement benefits. But, from reports to the PRO Board from Jerry Herman, who sits on a district committee that reviews the OPEB (Other Post-Employment Benefits) Bonds, it appears the district's ability to meet their promised obligation to pay for retiree benefits is not in danger. A more detailed analysis on the health of OPEB Bonds appears in this newsletter as well (page 4).

Over the last several months, newspapers have been peppered with articles about pension obligations by employers to their employees. As employers seek to reduce costs, particularly the increasing cost of health care, they have not only tried to significantly reduce benefits to active employees, but they have sought to cut back on promises they made to retirees.

The New York Times ran an article on July 24, 2015, entitled "Tangle of Rulings for Pension Cuts" written by Mary Williams Walsh. The gist of the article was that, "As governments test the sanctity of pension guarantees, state courts are coming down on conflicting sides." While there are no clear rules, in some states there is clarity. **In California, "benefits are guaranteed."** Walsh writes, "Pensions can be cut in any number of ways and challenges are brought on a variety of legal theories…..State supreme courts in traditionally blue California, New York and Oregon, but also in red Arizona, have ruled that public works' pensions are set in stone from the first day on the job and cannot be reduced" (my emphasis and underlining). These are reassuring words for PRO folks.

Another article in the New York Times by Mary Williams Walsh covered Chicago's plan to alter pensions, which was ruled unconstitutional. These recent court decisions are important as was the decision in California several years ago when the court ruled that the Fresno Unified School District could not charge retirees for the promised free lifetime benefits. Jerry Herman wrote an extensive article on that victory for the June 2010 PRO Newsletter if you would like more details. Our benefits in Peralta are deferred compensation, and when we were hired pre July 1, 2004, we were explicitly told that we would have lifetime benefits for ourselves and our spouses as long as we were alive and the cost would remain the same as the day we retired.

The PRO Board continues to stay alert to laws, court rulings, and new attempts to limit or change promised benefits and pension obligations to public employees. As ACCJC once again questions Peralta's retiree benefits in what seems to me a bald attempt to weaken the benefits and wages unions have fought for over the years, it is our duty as retirees being directly targeted to: go to Board meetings, write letters, and in general be sure that we do not sit quietly by while others try to whittle away at what we earned and were promised.

Peralta Retirees Organization
1250-I Newell Ave., #162
Walnut Creek, CA 94596

http://www.peraltaretirees.org

President - Debby Weintraub
info@peraltaretirees.org
Vice-President - Bruce Jacobs
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Jay Quesada

The Peralta Retiree
Editor - Bruce Jacobs
brucefjacobs@gmail.com
The Peralta Retiree is published four times a year by the Peralta Retirees Organization (PRO)

Volume 12 Number 1

PRO's Annual Luncheon and Membership Meeting

Get Down With Motown

Thursday November12

Social Hour **11 AM—Noon (No Host Bar)**

Buffet Luncheon and Entertainment **NOON—1:30 PM ($20/PERSON)**

Short Business Meeting to Follow

Featuring Music by the Ben Luis Group ▫ Door prizes and surprises

Location

Wedgewood Banquet Center
Metropolitan Golf Links
10051 Doolittle Drive
Oakland, CA 94603

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Driving Directions

From Sacramento: I-80 toward SF. Take I-580 East toward Alameda/San Jose/Downtown Oakland. Merge onto I-980 West toward Downtown Oakland. Merge onto I-880 South toward San Jose. Take the Hegenberger Road exit toward the Oakland Airport. Turn right on Hegenberger Road. Turn left onto Doolittle Drive (last turn before the airport entrance). Golf course is on the right.

From San Jose: I-880 North toward Oakland. Take the Davis Street exit. Turn left onto Davis Street. Turn right onto Doolittle Drive. The golf course will be on your left.

✂

Luncheon Reservations Required by **Monday, Nov. 2**.

To reserve: Send a check made out to 'PRO' for $20 for each person in your party attending the luncheon. Mail your check to:

PRO
1250-I Newell Ave., #162
Walnut Creek, CA 94596

Please include the name(s) of all attendees that you are paying for. There is no charge to attend the business meeting, and it is not necessary to reserve if you do not plan to have lunch.

Name___________________________________

Number Attending ________

Names of additional guests attending:

____

____

Total enclosed ($20/person) $_________

Questions? Call Linda Japzon at 510-483-7183 or Jay Quesada at 510-846-0195

To pay by credit card, go to the PRO website and click on the link to the luncheon: www.peraltaretirees.org

Can You Handle The Truth About The Financial Status Of Peralta Retiree Health Benefits? You Bet You Can!

By Jerry Herman, PRO Board Member

If you've been following news about Peralta lately, as a retiree you may have become confused and alarmed about the status of our retiree health benefits. The Accrediting Commission of Community and Junior Colleges (ACCJC) accreditation teams considering the funding of our retiree lifetime health benefits cites an independent audit of the district's finances in 2014 that found "…a material weakness related to an established vehicle (irrevocable trust) from which payments can be made to offset the District's future OPEB obligations…[The auditors recommend] long term planning for the continued financial stability of the District should continue to include attention to obligations that will be due in the future, such as the OPEB and the annual line of credit payments." (OPEB is an acronym for Other Post-Employment Benefits – count on government agencies to come up with felicitous titles that roll right off the tongue. The "Other" in OPEB means other than pensions.)

Based on those audit findings, the accreditation team "recommends that the district continue to monitor its progress toward meeting the issues in the corrective action matrix. In particular, the district needs a plan to address the OPEB bond…" It all sounds rather innocuous: "continue to monitor its progress…", "a plan to address the OPEB bond." Yet this recommendation constitutes the financial factor of the warning status given to BCC and Laney, and the more serious probation status given to Merritt and College of Alameda. (The ACCJC can only evaluate and accredit individual colleges, not districts, so the OPEB issues, which have nothing to do with the individual colleges, nonetheless have to be ascribed to their financial relationship with the district.)

As a result of the accreditation reports, an editorial appeared in both the Oakland Tribune and the Contra Costa Times in mid-July lambasting Peralta for its supposed financial irresponsibility regarding our retiree health care benefits:

"The underfunding of the district's retiree health plan was the biggest financial item that drew scrutiny. The district has promised workers retiree health care…But the district failed to properly fund the program and floated bonds to try to help make up the difference.

"As a result, the district has $386 million of debt that must be addressed. The district continues to juggle the bond payments and has yet to develop a meaningful plan to address the obligation."

At best this is just sloppy, negligent journalism demonstrating a failure to delve beyond the most superficial consideration of the facts. More distressing, it may be a continuation of an ongoing campaign – dating back decades – to make Peralta a perpetual piñata for the local press to bat around for the cheap amusement of its readership. Granted, there have been enough genuinely scandalous shenanigans in Peralta's history to make any questionable behavior on the district's part suspect, but that does not give the press the privilege of assuming the worst and then vilifying Peralta based on those uninvestigated assumptions.

In this article, I'd like to present the facts that the Tribune and the Times failed to do and give you a much more complete and, thankfully, reassuring picture of Peralta's OPEB status. First, what about that $386 million debt? The editorial doesn't state where it came by that figure. An actuarial calculation of Peralta's unfunded liability (See my accompanying article on page 7 for an explanation of "unfunded liability") for debt service and the cost of retirees' health benefits might be the source of that number. That does not make Peralta unique or blameworthy because based on the standards of GASB45 virtually every government agency (national, state, and local) in the nation has equivalent debt, a fact conveniently left out of the Trib-Times editorial.

How is the figure derived? The costs of current retiree health benefits (OPEB) were projected to the

(Continued on page 6)

PRO Invites All Peralta Retirees to Meet and Greet

Chancellor Jowel C. Laguerre, PhD

Sunday, October 18 □ 3—5 PM

Dr. Laguerre will be joining us as we welcome him to the District. This is your opportunity to meet Peralta's new Chancellor in an informal setting.

We will be serving light refreshments and beverages.

The reception will be held at the home of PRO member Shirley Conner:

1624 San Jose Avenue
Alameda, CA

Please RSVP by Wednesday, October 14 by calling or emailing either:

Linda Japzon (510-483-7183—coolbigeyes41jdp@gmail.com), or

Jay Quesada (510-846-0195—jaybirduno@att.net)

Renewal Due for Retirees Whose Membership Expires at the End of 2015

Check the label on your Newsletter to determine when your membership expires. If the label says 2015 then you need to renew for 2016.

Dues are $20 for 1 year, $55 for 3 years, $80 for 5 years and $250 lifetime.

It's easier than ever to renew your membership in PRO. You can now pay your dues for 2016:

■ **securely by credit card at the PRO web site.**
Just go to: www.peraltaretirees.org/index.htm

■ **by mailing your check to PRO, 1250-I Newell Avenue, #168, Walnut Creek, CA 94596**

■ **by bringing a check to PRO's Annual Meeting on November 12 (see page 3).**

(***Retiree Health Benefits ...****Continued from page 4)*

year 2049 (34 years from now) with interest rates compounded, debt service, inflation and the rise in health care costs factored in. Actuaries, by nature a conservative lot, no doubt maximized all the figures because professionally they look a lot better if they overestimate costs rather than underestimating them.

Contrary to the editorial's claims, Peralta is actually doing well in covering the costs of our benefits from the district's general fund. This pay-as-you-go budgeting was the respectable standard before GASB45. It is still the legitimate way the large majority of government agencies pay down their OPEB. You do the same with your home mortgage. It's probably the largest debt you'll ever have, and you pay it off month-to-month from your income sources without worrying too much about not having laid away the money beforehand.

The OPEB problem that Peralta does not share with many others is the bonds that were floated in 2006 that were meant to be a method of funding the liability from a source external to Peralta's general fund. Briefly, former Peralta CFO Tom Smith came up with the idea of raising money by issuing bonds, basically getting a loan at a fixed interest rate from those who purchase the bonds. The concept was that the interest Peralta would pay to the bondholders would be less than the investment income the revenue from the bonds would generate, and the net income could pay for a substantial part of retiree health care costs. For a couple of years the plan was a success; the income from the investments was greater than the debt service on the bonds. Things looked rosy.

But the bottom fell out when the Great Recession struck. The bond investment income plummeted, but the debt service on the bonds remained fixed at a very high rate. Not only did the district have to pay for retiree health benefits from the general fund, but the debt service had to be paid from it as well. The outlook had turned bleak.

Without going into too much detail, let me say that in the next few years, with prudent financial management, stable district leadership, and a bourgeoning stock market, the OPEB bond picture brightened considerably. What the Trib-Times editorial did not mention is the segment of the accreditation report that commends Peralta for substantially restructuring how the OPEB bond obligations were handled: "As a direct result of these changes the actuarial value of the OPEB liabilities has decreased $39 million by April 2013, trust assets had increased by $50 million and related debts had been held to approximately 5% of the unrestricted general fund. The actuarial determined liability is $174,703,920 compared to trust assets of $218,549,849." (As of mid-2015 the liability is approximately $152 million with assets being $214 million.) Apparently this good news was not deemed fit to print by the Trib-Times.

A state-mandated Retirement Board, consisting of three PCCD trustees, two vice-chancellors and representatives from PRO and employee unions, oversees the management of the OPEB bonds and the investments made from its assets. I sit on that board as one of three PRO representatives, and I can attest that every member of that board is dedicated to its mission of protecting retiree benefits and insuring that its investment company, Neuberger Berman, makes sound, cautious investments. So far it's worked.

There is a long term plan in place to pay off the OPEB bond debt. Recently a segment of the OPEB bonds was sold off, reducing debt service payment by $3-4 million a year. New Peralta CFO Ron Little says that for the first time this year part of the principle on the OPEB bond obligation is being paid down, a significant step forward in eventually retiring the entire debt.

I know this explanation has been long and at times technical, but I hope you've stuck with it. The good news is that our benefits are currently secure and will be for the foreseeable future. Of course there will always be problems. Stock market volatility is an ongoing fact of life. The "material weakness" the auditors found in Peralta's OPEB is that, despite the best efforts to insure that none of income from the bond investments cannot be used for anything but to pay for retiree health benefits, there is some legal

(Continued on page 7)

What Are Unfunded Liabilities And Why Should You Want To Know?

By Jerry Herman, PRO Board Member

Unfunded liabilities – The term has both the dull thud of bureaucratese and the ominous buzz of shame and menace. Perhaps you've never heard of it. If you haven't, as a Peralta retiree you should know what it is and what it means to you because it gets hung like the sword of Damocles over our heads every time a story about Peralta's OPEB obligations is published anywhere.

About ten years ago some folks at the Governmental Accounting Standards Board (from now on simply GASB) decided that the financial reporting of government agencies failed to sufficiently account for future spending on benefits they had guaranteed their retirees. If you want to read specifics, those reports as published in Statement 45 from GASB (from now on GASB45) failed to do these things:

1.Recognize the cost of benefits in periods when the related services are received by the employer.

2. Provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded.

3. Provide information useful in assessing potential demands on the employer's future cash flows.

If you are still awake, I'll try to simplify and put it in less abstract language: If a government agency promised post-employment benefits (usually health care benefits) to its retirees, from GASB45 onward, the agency – using actuarial tables, projected inflation rates, and other prophetic voodoo - had to estimate how much it owed to each retiree for the life of those benefits. When the projected benefits to all of the retirees were added up, the result was the agency's projected liabilities. If the agency had put aside funds for these liabilities beforehand or had specified an income stream restricted to paying the liabilities, they became funded liabilities. On the other hand, if the agency simply budgeted and paid for retirees' benefits in each budget cycle from its general fund without having money stashed away, GASB45 determined that this was the dreaded unfunded liability.

How many government agencies did the new GASB45 accounting obligations include? Virtually every one you can think of from schools, to cities, to states to mosquito abatement districts. If the agency were funded by taxes and had OPEB obligations, it would be subject to the new accounting procedures.

The reconstituted reports became red meat for the media because the numbers were staggering, and the media loves big numbers because they are easy to sensationalize. The overwhelming number of government agencies were funding their OPEB obligations on a pay-as-you-go basis. It was reported that 87% of California school districts had nothing set aside for future OPEB costs. That was business as usual, but now, with the requirement to report unfunded liabilities, it appeared that nearly every government entity was going to hell in a hand basket because they were reporting debts in the hundreds of millions of dollars. What's a more provocative headline? **UC Pays This Year's OPEB Bills** or **UC In The Hole For $15 Billion**.

Consider this analogy: Imagine that a family has a 30-year mortgage on its home of $250,000 at 4% interest. How much has that family set aside in advance strictly to pay down that mortgage? The likely range is zero to not much, but the parents in the family have decent jobs and have budgeted their mortgage payments comfortably into their monthly income. The family got the loan because the bank (let's assume the bank is prudent and responsible!) judged that it will get regular payments. But wait! If that family were subject to GASB45, its reported unfunded liability would be $679,674. The neighbors might consider that scandalous if their own unfunded liabilities weren't about the same.

(Continued on page 12)

(**Retiree Health Benefits** *...Continued from page 6)*
glitch that apparently allows for other uses. The Retirement Board has an attorney working on ways to correct that. No one can predict upcoming events with certainty, but it's important for us Peralta retirees to know where we stand regarding our health care benefits, one of the most important aspects of our economic life. When irresponsible journalists sacrifice truth for sensationalism, PRO owes it to you to set the record straight.

PRO Party Time

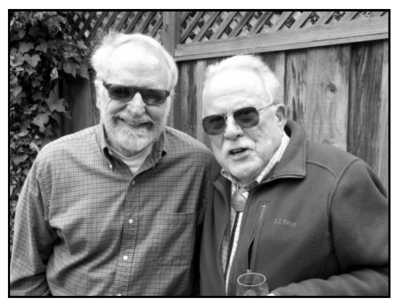
On Sunday afternoon, May 24 some 35 PRO members and guests gathered at the home of Shirley Conner in Alameda to celebrate the Bay Area's beautiful spring with a garden party. The party, which had an Asian theme, gave the revelers plenty of time to visit, snack, imbibe and enjoy David Wong's music. Of course, there were door prizes! Kudos to Jay Quesada and Linda Japzon for organizing this annual fun event.

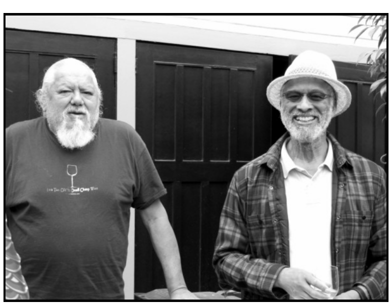
Pictures From the Garden Party


Rita Haberlin, Marge Maloney, Ralph Marinara and Linda Japzon


Amy Lee, Joyce Chu Lee, Jess McClendon, and Donna Cheng Krysiak


Andrea Logan, Diana Lara, O.J. Roundtree, and Verniece Roundtree


Tom Southworth and Tom Hughes


Bobby Quesada and Bishop Scott


Cindy Withrow, Jay Quesada and Mary Jo Hudgel

PRO Party Time

August is the time for PRO's Annual Picnic in the Redwoods. A large group of retirees gathered at the Huckleberry Picnic Area on Thursday, August 20. The day was cool and sunny, perfect picnic weather, and the setting, with redwood trees towering over the picnic tables, was beautiful. Again thanks go to those 'hostesses with the mostesses' Jay Quesada and Linda Japzon for making sure that everyone had a great time.

Pictures From the Picnic


John Lodato and Roger Ferragallo


Bill Lepowsky, Stan Peters and Jack Mooradian


Ann Whitehead, Don Hongisto and Jerry Herman


Mary D Coite, Angelita Finlayson and Judy Merrill


Mary D Coite


Ralph Marinaro and Joe Camara

All Photos courtesy of Joe Camara, Jerry Herman, Donna Cheng Krysiak and Anna Pavelka-Lodato

Nominations Open For Five PRO Board Seats

The PRO Board opened nominations for this year's Board election at the September 2 Board meeting. The following people, both of whom currently serve on the Board, were nominated for two-year terms.

- Remo Arancio
- Ann Whitehead

Three current members of the Board have indicated that they are stepping down and do not intend to run for re-election. They are

- Pat England.
- Yvonne Lewis
- Jay Quesada

Pat was one of the original members of the PRO Planning Committee and has been a member of the Board since PRO's founding in 2004. Yvonne joined the Board in April 2012 and has served since then as Chair of the PRO Scholarship Committee. Jay has been a Board member since 2009. She has served as Co-chair of PRO's Social Committee and as Chair of the Membership Committee.

Members may submit additional nominations by mailing the nominee's name to the PRO Postal Box (1250-I Newell Ave., #162 Walnut Creek, CA 94596), or by emailing the nomination to info@peraltaretirees.org. Please make the Subject of your email "Nomination for Board." The nominator must include his/her name and should have verified that the nominee is willing to serve if elected. Nominees and nominators must be current in their payment of PRO dues (through the end of 2015). Self-nominations are permitted. Nominations will close at the general business meeting on November 12 (see page 3 for information about the meeting).

If there are more than five nominees an election will be conducted by mail during December. If there are only five nominees the general membership meeting will be asked to elect the nominees by acclamation. The new Board members will start serving at the January 2016 meeting.

District Agrees to Reimburse for Retirees' Medicare D Expenses

Retirees and their eligible dependents enrolled in Kaiser who have had to pay the Income-Related Monthly Adjustment Amount (IRMAA) for Medicare Part D will finally have some relief. The District has reached an agreement with PRO to start reimbursing those expenses as of September 1, 2015 for everyone who retired prior to May 1, 2013. They had already reached an agreement with the PFT and other units to reimburse those who retired after that date retroactive to January 1, 2015.

The issue arose when the District refused to reimburse Kaiser members who had signed up for Senior Advantage and whose income was high enough to generate the IRMAA charges. (Kaiser members are enrolled in Medicare D by Kaiser when they sign up for Senior Advantage.) PRO, as well as the PFT, argued that the contractual agreements required the District to reimburse for this expense since both the language and the intent of the contracts was that Medicare should be cost-free to the retiree. The District argued that since there was no specific mention of Part D in the contracts that they did not have to reimburse.

Both PRO and the PFT have elected not to adjudicate the contractual issue at this time. Instead the District has agreed to start the reimbursements as of the dates above but will not reimburse retroactively. The payments are justified by the District since enrollment in Medicare D by Kaiser members is a cost saving measure.

In order to claim the reimbursement the retiree (or dependent) must complete and submit the Medicare Premium Claim Form no later than March 30 of the year following the calendar year in which the IRMAA fee was assessed and paid. Proof of payment must also be submitted.

It will take until the end of October for the District to fully implement the new agreements as this involves everything from Board approval to updating SPD's to modifying the information on the District web site.

(Continued on page 12)

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

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, 1250-I Newell Ave., #162, Walnut Creek, CA 94596
Contributions are tax deductible to the extent allowed by federal and state law.

Contributions Received for the PRO Scholarship Fund

In Memory of:	Contributor
David Lauer	Marge Maloney
Allen Taplin	Sondra Neiman
Martina Smokey Wilson	Carol Dalessio

Erratum: Last issue we mis-reported the names of the retirees who read scholarship applications for Berkeley City College. The actual readers were **Jerry Herman** and **Catherine Crystal**.

Welcome New Members

PRO welcomes the following retirees who have recently joined.

José Ortiz
Michael Robertson
Rochelle Rodgers
Dorothy Marie Wilson

(*Unfunded Liabilities …Continued from page 7)*

It's reported that the nation's unfunded liabilities amount to $3.4 trillion! State of California $150 billion! UC $15 billion! City of Los Angeles $2.7 billion!

Conservative anti-tax organizations go crazy over these figures declaring that government profligacy in providing health benefits to retirees will bankrupt the country and shove us into being a third world country — fourth world for some of the real extremists.

Are our Peralta health benefits in greater or less danger because of our unfunded liabilities than they would be without this accounting legerdemain of GASB45? In substance probably not, but when the media irresponsibly reports that the ACCJC accreditation team has put the Peralta colleges on warning because the district isn't tending to its $386 million debt, our constituents, who won't have the understanding you now have after reading this article, certainly won't take kindly to it.

(Medicare D …*Continued from page 10)*

The District Benefits Office will provide full information about eligibility and procedures by mid-October. Reimbursements will begin October 31 and will be retroactive to either January 1 or September 1 depending on the retiree's effective retirement date.

Note: The issue does not apply to retirees enrolled in CoreSource because they do not enroll in Medicare Part D.

Questions should be directed to the District Benefits Office: 510-466-7229 or benefits@peralta.edu.

PRO Membership Expiring at end of 2015?

Renew Now

For details about renewal see page 5

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