MEETING

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

FINANCE & ADMINISTRATION COMMITTEE

ROBERT F. CARLSON AUDITORIUM

LINCOLN PLAZA NORTH

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8:30 A.M.

JAMES F. PETERS, CSR
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## A P P E A R A N C E S

COMMITTEE MEMBERS:

Mr. Richard Costigan, Chairperson

Ms. Theresa Taylor, Vice Chairperson

Mr. John Chiang, represented by Mr. Steve Juarez

Mr. J.J. Jelincic

Mr. Henry Jones

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Michael Bilbrey

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. Ron Lind

Ms. Priya Mathur

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Marlene Timberlake D'Adamo, Interim Chief Financial Officer

Mr. Scott Terando, Chief Actuary

## A P P E A R A N C E S  C O N T I N U E D

STAFF:

Ms. Tanya Black, Committee Secretary

Ms. Arnita Paige, Chief, Pension Contract Management Services and Prefunding Programs

ALSO PRESENT:

Mr. Al Darby, Retired Public Employees Association

I N D E X

P R O C E E D I N G S

CHAIRPERSON COSTIGAN: Good morning. We're going to reconvene the Finance and Administration Committee meeting.

So I'm going to give a quick recap, and then, Ms. Frost, I may ask you to actually recap as weel just to get folks caught up. So we started yesterday, a power outage caused us to stop in the middle of our presentation. But where we had gotten so far was an overview, as it related to the East San Gabriel Health Services Consortium. We went through a series of actions that CalPERS had taken, including notifying the retirees local electeds, State elected officials, all four cities about the obligation which is about 406,000. They have not made a payment in the last three years.

We received, between the collection activities that we had tried, or attempted, over the last month -- and the reason that we're is the four cities have all notified us that they are not going to pay. It's not their intent to pay, and they believer they have no obligation, and that as of two weeks ago you spoke to the outside consultant who said that they were winding the organization down while it's still on the books.

The organization also has no revenue sources, because it was based upon a contractual obligation with

Los Angeles County for reimbursement of services. And that contract was ended about three years ago. And so we've seen no payments. And they've all put us on notice collection wise.

Is that a quick recap that brings us to where we are?

CHIEF EXECUTIVE OFFICER FROST: Yes, that's an excellent recap, Mr. Costigan. And so I really would not have anything to add to the summary. And I think at this point if we could turn it back over to Marlene Timberlake D'Adamo to go through presentation that's been prepared. And I think one area to really pay attention to is the timeline, which shows the extensive contact that we have made with the JPA itself, as well as the four cities.

(Thereupon an overhead presentation was presented as follows.)

CHAIRPERSON COSTIGAN: Great. And I don't think there are any other questions as of right now.

Good. Okay. Let's go continue with the presentation. Thank you.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Good morning, Mr. Chair, Ms. Vice Chair, members of the Committee and the Board. Marlene Timberlake D'Adamo, CalPERS team member.

Where we left off yesterday was on page 3. And after Mr. Costigan's recap, I will just ask if anybody has any questions about page 3, and they we can move on to page 4.

Given the nature of this item, we -- my intention is to walk through each of the slides to provide you with all the information that you may need, because of the request that we're asking you to make. So hopefully, you'll bear with me as we go through each of the slides.

CHAIRPERSON COSTIGAN: One quick question from Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Yes, just briefly. Over what time period did this activity take place, the collection efforts?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the bill -- the first -- the unpaid bill was due July 1 of 2015. And so the collection efforts began then. As I had mentioned yesterday during -- from July of '15 up until now, we have been working with the folks at East San Gabriel, and subsequently the consultant, to understand what their options were and what they were trying to do.

And perhaps I'll just skip ahead to slide 7, because this really sort of lays out the efforts and the points in time at which they occurred. And so from July of '15 until June of '16, we were attempting to collect the bill. In June of '16, we then began termination discussions with East San Gabriel. And I believe at that time, or near that time, is when we were engaging with the consultant.

In October of 2016, there was essentially a consensus that they had reached, in which they had indicated that they were not going to be able to pay the termination amount. And so in November of 2016, we then began the process of termination with a final collection letter, which is part of the agenda item.

In January of 2017, the next part of the process is the final demand letter, at which point -- at which point we notified all of the JPA members, as well as the East San Gabriel that termination was the next step. And at that point, in February of 2017 -- and I should add that the final collection letter essentially says that they have 30 days to pay. The final demand letter says that they have 30 days to pay.

In February of 2017, we sent letters to each of the JPA sponsoring agencies informing them of this action and our intention to terminate, if they didn't pay.

In February also, I want to say it was maybe the end of February, we had actually received the responses back from the JPA members saying that they had no intention of paying. And in February, if you recall, we brought this item to this Committee to talk about with an update in terms of where we were at with East San Gabriel. And then, of course, in March, where we are today is that we have presented this item for termination.

CHAIRPERSON COSTIGAN: Any other questions?

ACTING COMMITTEE MEMBER JUAREZ: Yes. The question I have I guess is around who were we conversing with during this whole period of time? And at what point -- because I want to be -- I just want to understand if we sent out a notice as recently as February to the four cities, and got the response, I guess, fairly quickly that they -- whether they were aware that we were having these ongoing negotiations with whomever at -- representing the East San Gabriel Valley JPA?

So maybe you can just enlighten me as to who were we talking with over this period of time?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So from July '15 to June of '16, I want to stay we were talking to folks that were at the JPA. Because at that point, the JPA was winding down. So the Board still meets. It met as recently as a couple of weeks ago, I believe. And the -- and the -- and so we were talking to them about that.

The management consultant, his name is Tom Mauk. And we have been speaking with him basically since 2016.

And one of the indications that he had given us is that the member agencies actually have representation on the JPA board, and that he would inform them of this item, and let them know that we were, you know, engaging in these conversations with them about this unpaid balance.

ACTING COMMITTEE MEMBER JUAREZ: So they would have known well ahead of February that we were heading down this road?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes, sir.

ACTING COMMITTEE MEMBER JUAREZ: Okay.

CHAIRPERSON COSTIGAN: Mr. Juarez, just so -- Kevin Stapleton, who is the Mayor of Covina, and also the chairman of this board is quoted in an article from March 10th stating, "It's really an unfortunate situation. If we were still alive, we would be paying, but there is no money". So the executive director of the consortium, which is L.A. Works has been aware of this, along with their staff counsel.

I also believe that, correct me if I'm wrong, Mr. -- the consultant is also the former CEO of Orange County.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: That was one of the reports that I had read was that he was.

CHAIRPERSON COSTIGAN: So someone that's actually very familiar with this process. And so anyway, Mr. Slaton.

Sorry. There you go, sir.

COMMITTEE MEMBER SLATON: Just a quick question to make sure I understand. So the time period from July 20 -- July '15 to today is approximately 21 months.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Um-hmm.

COMMITTEE MEMBER SLATON: And when was the last time that -- when were they 30 days delinquent? When did that occur? That was in 2014?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the bill was issued in July of 2015. And so the bill essentially is the balance that they have to pay.

COMMITTEE MEMBER SLATON: But I want to back up.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Okay.

COMMITTEE MEMBER SLATON: So there were supposed -- they were paying monthly based on payroll.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: No.

COMMITTEE MEMBER SLATON: Oh, they were not paying monthly.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Well, I should say that the bill was issued in

July of '15. They lost their contract in 2014.

COMMITTEE MEMBER SLATON: Right.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So in 2014, they lost their contract, and they basically -- I think it was September they started laying their folks off. The bill for '15-'16, so the bill was issued July 1 of 2015 for fiscal year '15 -- 2015-2016. The bill was issued in July of 2015. At that point, at the end of July, it would have been 30 days past due, or it was actually due I think the end of July. It would have been past due.

At that point, we would be engaging with them in conversations around what was their intention how they were going to pay.

COMMITTEE MEMBER SLATON: Let me back up. So jurisdictions pay one year in advance or do they pay monthly?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: They can do either.

COMMITTEE MEMBER SLATON: Okay. What's the history of this agency, how were they paying their bills?

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Arnita Paige, CalPERS team member. It was monthly.

COMMITTEE MEMBER SLATON: Monthly. Okay. So when did they -- so -- and once you're 30 days delinquent, you start a process, I assume, if you don't make a monthly payment, if that's what your payment schedule is?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

COMMITTEE MEMBER SLATON: So when was the last month that they paid a monthly bill?

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: The last month that they paid was in June. They made a payment for the last year, the prior payment for '14-'15 excuse me.

COMMITTEE MEMBER SLATON: Fourteen, fifteen.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Um-hmm.

COMMITTEE MEMBER SLATON: So they paid June of '15?

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: They paid -- yes.

COMMITTEE MEMBER SLATON: Okay. So June of '15, they still had money. Even though they had lost the contract in '14, they apparently still had enough money to be current as of June of '15.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: (Nods head.)

COMMITTEE MEMBER SLATON: Okay. I just wanted to make sure I understood the timeline. So we have 21 months from the period they went delinquent until we're here today.

Okay. Thank you.

CHAIRPERSON COSTIGAN: A couple more questions.

Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: Yeah. They had jumped to slide 7 in response to the question. But I think there's useful information on slides 4, 5, and 6, which I hope we would go back to --

CHAIRPERSON COSTIGAN: Yeah, we're going to go back.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We will.

COMMITTEE MEMBER JELINCIC: -- before we start bombarding them with more questions.

CHAIRPERSON COSTIGAN: We're going to go back.

Mr. Jones.

COMMITTEE MEMBER JONES: Yeah, I just wanted to indicate that Mr. Juarez's question that looking at the letters that are responding to our letters from the four cities, it's important to note that whether it was a city manager or a legal firm, that all of them CC'd the city council of those cities, and the mayor of those cities. So they were duly notified.

ACTING COMMITTEE MEMBER JUAREZ: Yeah, I --

CHAIRPERSON COSTIGAN: Push your button.

Hang on a second.

Mr. Juarez

ACTING COMMITTEE MEMBER JUAREZ: If I could, just to respond? I was more concerned about the timeline --

COMMITTEE MEMBER JONES: Oh, okay.

ACTING COMMITTEE MEMBER JUAREZ: -- not the fact that -- I know that they were notified. I know they responded. I'm just concerned that on -- you know, in a very quick turnaround type of decision, the thoughtfulness for which they may have responded isn't fully there. And so I wanted to make sure that if they at least had time to sort of consume the information, I would feel more comfortable that we've given them enough time to do so.

Generally, I think they must have known about this, and that the February letter that we sent wasn't the first time they heard that there was an obligation that their city might be responsible for it. That was my -- the point of my question.

COMMITTEE MEMBER JONES: Okay. Thanks.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Right. And as I mentioned, they have representation on the Board of the JPA, which continues to meet.

CHAIRPERSON COSTIGAN: All right. So why don't we go back to slide 4.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So really this slide is here to indicate the statutory framework underwhich we are making this request. This is as it relates to the PERL. And that the PERL gives us authority to terminate, if after no payment is received 30 days after it's due.

And then Sections 20577 of the PERL says that a reduction of benefit must occur, if there is no payment.

CHAIRPERSON COSTIGAN: And again, I just want to make sure we're back on the timeline. The last payment we received was in June of 2015.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Correct.

CHAIRPERSON COSTIGAN: Okay. So 30 days late would have been June 30th -- or excuse me, July 30th, 2015.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Correct.

CHAIRPERSON COSTIGAN: Thank you.

Do we have any question on this slide?

Mr. Slaton.

COMMITTEE MEMBER SLATON: Well, maybe it is the -- I'll wait till we get to -- are we going forward to slide 6, because that's my question.

CHAIRPERSON COSTIGAN: Yes.

COMMITTEE MEMBER SLATON: Okay. Thank you. I'll wait.

CHAIRPERSON COSTIGAN: Okay. Number 5, please.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So slide 5 really is here to show you the impact of the termination. And so what we've outlined here is that there is a total of 197 employees. They have broken down into transferred, separated, and retired. And there is a mix between the miscellaneous plan, which is 191 employees, and the PEPRA plan, which is a total of 6 employees.

The indications, of course, are that termination would result in a 63 percent reduction of benefits for the miscellaneous plan, and a 24 and a half, almost 25, percent reduction in the PEPRA plan. And the amount really is the amount that is due for a termination, the amount in red.

CHAIRPERSON COSTIGAN: And this number, who are mathematically challenged --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: I'm sorry?

CHAIRPERSON COSTIGAN: For those that are challenged -- mathematically challenged, this is just taking their current assets -- this is our Chief Actuary took their current assets, the current actuarial tables, and a return rate, and that's how we arrived at the 19 million. You want to us through that very quickly, Scott?

CHIEF ACTUARY TERANDO: Yeah. Scott Terando, Chief Actuary. So what we did to calculate these values is we take the existing members in both the miscellaneous and the PEPRA plans. We look at their -- all the demographic information and we calculate the liabilities at a, what we call, the termination rate. And then we take a look at what the existing assets are. We make adjustments for, you know, any outstanding payments and delinquencies.

So, you know, when we talked about that $400,000 they've haven't paid, we've taken that in consideration. And then we just kind of look at, you know, what are the assets, what are the liabilities, and we make sure they -- what the adjustment would be needed to bring those into -- you know, so they're fully funded going into the terminated agency pool.

CHAIRPERSON COSTIGAN: And if I understand it correctly, if the rates are -- if the retirement amount is reduce to 37 percent, just assume that, CalPERS assumes the responsibility going forward utilizing those assets to make that reduced benefit until that employee's obligation has ended -- or that retiree's obligation has ended. It's just like a normal terminated agency, we take the responsibility for that.

CHIEF ACTUARY TERANDO: Right. The responsibility goes from the employer onto the System -- the CalPERS system. It goes into the terminated agency pool. So at this point, there's no -- there is no back-up, except, you know, the assets sitting in the terminated agency pool to pay the benefits.

And then it was -- it would be that way for not only this agency, but for the 700 plus members already in the terminated agency pool.

CHAIRPERSON COSTIGAN: Got it. All right.

I have a couple questions. Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Yes. Just related to the -- I guess it's the third column, where it's plan participants. Do we know exactly the number of people who currently get a retirement check that would be affected today?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Sixty-two.

ACTING COMMITTEE MEMBER JUAREZ: So it's number where it says retired? There's nobody else that falls into other categories?

Okay. Thank you.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: There's 62 retirees, yes.

ACTING COMMITTEE MEMBER JUAREZ: And that's the number that are currently getting checks --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

ACTING COMMITTEE MEMBER JUAREZ: -- retirement checks?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes. Retirement checks.

CHAIRPERSON COSTIGAN: Mr. Slaton.

COMMITTEE MEMBER SLATON: So the reason I asked the -- I was focusing on the timeline -- a couple of questions. So I want to understand the -- under the regulations, you're delinquent in 30 days. And the statute permits us to put them into the terminated agency pool how fast?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Well, there is a period --

COMMITTEE MEMBER SLATON: In theory?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: There is a process for termination. And so upon termination, you -- they can be put into the terminated agency pool, but there is a process for the termination.

COMMITTEE MEMBER SLATON: And how long is that process. I mean, this one was 21 months. I'm talk -- I'm trying to understand what could we do? How fast could we -- in other words, they've lost their funding.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

COMMITTEE MEMBER SLATON: And we went through a 21-month process, not only after they lost their funding, but after they went delinquent --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

COMMITTEE MEMBER SLATON: -- which is -- which is later than they lost their funding. So I'm trying to understand why it took 21 months to get to where we are today. And here's the follow-on question, and this maybe goes more to an actuarial question, what would -- had we terminated them say 60 days after they're late or 90 days after they're late, as opposed to 21 months, what would the benefit cut have been?

In other words, have we created a situation where we've made the problem worse by the length of time between the time they went delinquent and the time we're now potentially taking this action?

CHIEF ACTUARY TERANDO: I wouldn't say we necessarily made it worse. It really depends honestly on the discount rate we use when we calculate the termination. You know, rates have been rising, to be honest with you. And because the rates have risen, the decrease or the cut in benefits is actually going to be smaller than if we had done it earlier.

We -- benefits are paid -- have been paid out at a higher level than they should be, which means the cuts would be correspondingly greater to make up for those -- that overpayment.

COMMITTEE MEMBER SLATON: Right, right.

CHIEF ACTUARY TERANDO: And there would be -- you know, to the extent that the people who received the full payments, have gotten the full payments for the last additional year, the people who haven't received payments would be technically getting a bigger cut in benefits. So, you know, in balancing, you have somewhat of a balancing going on between the participants in the plan, where --

COMMITTEE MEMBER SLATON: Okay. So -- so let's go to the rate for a second, because you mentioned that rates are going up. But from my memory, when we did Loyalton, it was the same calculation, the 2 percent, was it not?

CHIEF ACTUARY TERANDO: The two percent was an estimate. These are the numbers based on two percent. When we actually go and terminate, we look at the current discount rates, the 30-year -- the 10-year treasury. We look at -- we have a method where we look to the duration of the assets, the duration of the liabilities, and the current market situation.

COMMITTEE MEMBER SLATON: So this is not the actual number?

CHIEF ACTUARY TERANDO: This is not an actual number. This is an estimate based on the funded at 2 percent. I would say the -- we're around the 2 and a half to 3 percent rate now. And so the rate -- the cuts would be smaller than this, but this is a conservative estimate what the cuts will be.

COMMITTEE MEMBER SLATON: And when would that -- when would everyone know that?

CHIEF ACTUARY TERANDO: Well, it -- well, what happens is I think the process is -- once a termination, if the Board was to terminate the plan, there's 60 days where we finalize everything.

COMMITTEE MEMBER SLATON: You finalize everything.

CHIEF ACTUARY TERANDO: Right. And so what we'd do is we'd start the calculation now. For the separated members, I think they do have an option of taking their refund. It's up to them on whether they want to take a refund and forfeit their employer portion of their benefits. But they have 60 days to do that.

And so after we know where everyone elected on their options, on what they're going to take, then we'll look at the remaining assets, the liabilities, and finalize the adjustments for the benefit cuts.

COMMITTEE MEMBER SLATON: All right. So here's one other question. And this relates primarily to retirees. So we're going to discount these back at a essentially a risk free rate, based on what the -- where the market is at the time we do it, and buy those instruments. And so that's when we're allowed to do that under the statute.

Would we have the option -- I'll just -- maybe this is a crazy idea, but -- and tell me it's not possible to do. If the retirees said, you know what, we'll take the risk, so go ahead and fully fund us until such time as we go to zero. And when we go to zero, there's zero left. Is that possible or not possible?

CHIEF ACTUARY TERANDO: Well, for one, we don't have a system set up for that. And then the other thing you have to consider is you'd be paying out the retirees currently at the expense of those who haven't retired.

So, for example, you know, there's a number of -- you know, 93 separated members, and 36 transferred members. You have 120 members that you're going to be decreasing their benefits to fully pay the current people's -- the current retirees benefits.

COMMITTEE MEMBER SLATON: Well, I'm just saying you have everybody in one pool right now, with these at a cut percentage.

CHIEF ACTUARY TERANDO: Right. But again, you're still paying -- to pay out the full amount now, you're jeopardizing other participant's benefits.

COMMITTEE MEMBER SLATON: Not if they went in -- well, okay. If they took the cut -- all I'm saying is can you bifurcate?

CHIEF ACTUARY TERANDO: We don't have anything set up right now to handle that.

COMMITTEE MEMBER SLATON: Okay. Thank you.

CHAIRPERSON COSTIGAN: Okay. Ms. Taylor.

VICE CHAIRPERSON TAYLOR: Yes. Thank you, Mr. Chair.

I just want to put a period on this point. The termination UAL at the 2 percent funded rate for the 19 million and the $7,000, if the consortium decided to put that money in the terminated fund, they would be done, right, if they paid their moral obligation, decided to do that? And at that point, it's our obligation to meet the discounted rate.

CHIEF ACTUARY TERANDO: That's correct.

VICE CHAIRPERSON TAYLOR: Okay. I just wanted to put a period on that. And then --

CHAIRPERSON COSTIGAN: We would assume -- we would assume all responsibility. If they made full payment for this outstanding amount --

CHIEF ACTUARY TERANDO: Yes.

CHAIRPERSON COSTIGAN: -- we would then assume --

VICE CHAIRPERSON TAYLOR: Full responsibility.

CHAIRPERSON COSTIGAN: -- that would be a terminated agency and we would take full responsibility for the employees from here to whenever their benefit runs out?

CHIEF ACTUARY TERANDO: That's correct.

VICE CHAIRPERSON TAYLOR: And then I had one more question for the time frame. We had -- July 2015, we put the -- we did the bill, the 30-day bill. And then there's -- on your scope here, there's a gap to June of 2016. So I guess my question, and you talked about how you had been in communication with the consortium and/or the city managers, whoever they were. How was that done? Because there's nothing here -- was that letters, was that phone calls?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Primarily phone calls. And there are some call notes that indicate conversations that they were having and attempts to discuss the bill that was due.

VICE CHAIRPERSON TAYLOR: And when did they put -- so up until June of 2016, you were having conversations. Were they productive or were they putting their foot down? Was it June of 2016 that they said no, we're not going to pay this?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the conversations were ongoing. I think it's important to note that the 406,000 that we're talking about actually is a combination of the fiscal year 2015-16 and '16-'17 bills.

And so the bill that was due in July of 2015 was approximately $245,000. And so, at that point, they were continuing to have conversations about how they were going to pay. Because remember, at that point, they had been paying monthly. And so a $245,000 Bill broken out monthly would have been approximately 24 or 25 thousand dollars.

In the middle of 2016, I'm not sure if it's June or August, but somewhere around that time, they actually had entered into conversations around a bill that the consortium thought that it was going to receive -- some funds that it thought that it was going to receive.

And so we were actively communicating with them regarding the status of that payment that they were going to receive. It was a refund payment that they were expecting to get, which would, at that point, cover the Bill.

And so those conversations were ongoing as well. And then it wasn't until sometime in June of 2016, or the summer of 2016, that it was determined that they were not actually going to receive those funds, and at that point, they would be unable to pay the bills that were due. And that is why then the termination discussion began.

VICE CHAIRPERSON TAYLOR: Okay. So at some point, they were trying to work this through, so they wouldn't --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes, yes.

VICE CHAIRPERSON TAYLOR: Okay. But then thereafter, when they didn't receive those funds, and when did we start the conversation with the separate cities? What time frame was that in here?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So we notified the cities in February -- go ahead.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: We notified them in January.

VICE CHAIRPERSON TAYLOR: Okay. So we started having those conversations of January of this year, 2017?

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING

PROGRAMS CHIEF PAIGE: Correct.

VICE CHAIRPERSON TAYLOR: With the cities and asking them to make up the difference.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Correct.

VICE CHAIRPERSON TAYLOR: Okay. And then they began to say that's not their responsibility, that they didn't want to, even though it doesn't sound like it was that much money, that each of them had to pitch in to come up with this.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Correct.

VICE CHAIRPERSON TAYLOR: I just wanted to clarify, and put a point on when all of this started.

But again, it's odd to me that they would -- it's not that much money to continue the payments. And each of the cities that they had pitched in, it would have really not been that difficult, I think.

CHAIRPERSON COSTIGAN: Just -- Madam Vice Chair, it well follow up to your about timelines, if you look at one -- November 1st 2016 letter from staff, you'll see that they outlined, that there were calls made or attempted contacts on July 10th, July 29th of '15, September 24th of '15. Again, the 10th, 1st, 12th -- or sorry, July 1st, July 12th, July 15th, July 20th, 21st, 25th. And then to the management consultant for the consortium, August 1st of '16, August 3rd, August 12th, August 17th, August 19th, 20th, 26th, October 24th, October 27th, October 28th, and October 31st.

And so our staff -- and then you add this timeline and up here --

VICE CHAIRPERSON TAYLOR: Right.

CHAIRPERSON COSTIGAN: -- and you will see again that Ms. Paige and her staff have been trying since the default in 2015 to work through. And I just to want make it clear, Mr. Mauk was designated as the consultant for CalPERS to work with the consortium.

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: Correct.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

CHAIRPERSON COSTIGAN: Thank you.

We're going to -- a couple more Committee members.

Ms. Paquin.

ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr. Chair. I also have a question on the timeline. And I know that you did notify the impacted members within the past month, but, you know, if the JPA had notified them sooner than that that, these discussions were ongoing?

PENSION CONTRACT MANAGEMENT SERVICES & PREFUNDING PROGRAMS CHIEF PAIGE: I don't know if the JPA notified the members sooner.

ACTING COMMITTEE MEMBER PAQUIN: Okay.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: It is important to note that we actually were not required to do so, but we did so, regardless, because we wanted to make sure that they were aware that this was happening.

ACTING COMMITTEE MEMBER PAQUIN: I understand that. And I do think it's an act of good faith on the part of CalPERS to notify them. But as you go back and start to review the process for dealing with these type of situations, are you considering putting a step in our process that would notify the impacted members sooner?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So we can definitely look at that. I mean, there are some things to balance in terms of our collection efforts are pretty robust. And so we would -- essentially, our process right now really has us notifying the members when -- the determination really has been given to us that there is an un -- an inability or an unwillingness to pay.

And so for us, the question would be whether or not we would engage with those members, notify them prior to that determination being made. And I think that's something that we could look at.

ACTING COMMITTEE MEMBER PAQUIN: Okay. Thank you. Appreciate that.

CHAIRPERSON COSTIGAN: Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Yeah, I'm not sure if you would have covered this yesterday, but is -- if they were to come forward -- if the four cities were to come forward, and say, okay, we want to make this right, I assume they could go back on the monthly payment plan as opposed to putting up the -- obviously they're not going to terminate, so they don't have to pay the 19 million. But they could go back, pay for any existing or monies that were due from the past two years, and begin making monthly payments toward the retirement obligation?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: I think that we would look to figure out how we could help. I wouldn't say that we're going to just foreclose any opportunity to continue to help these members out, if the cities were able to pay.

CHAIRPERSON COSTIGAN: But the cities have notified us that they have no intention to pay.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: They have.

CHAIRPERSON COSTIGAN: Mr. Bilbrey.

BOARD MEMBER BILBREY: So it's along the same lines as Mr. Juarez. If we take the action, we can -- and they -- the employees are meeting with the cities, I hear. So if they're somehow remotely able to get them to give some sort of payments, can they still make payments, even if we take an action?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the action that we're requesting you to make is against -- is to terminate the contract and to declare the JPA in default.

There is a 60-day period that occurs until the termination is actually effective. And so should the cities pay within that 60 days, we would figure out a way to work with them, and the JPA -- the Board of the JPA to figure out how we could continue this. But there is a 60-day period after today -- or if you vote to terminate the contract, there's a 60-day period until the termination becomes effective.

BOARD MEMBER BILBREY: And after those 60 days, then they cannot?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: After the 60 days, the termination is effective, and it really becomes I think much more difficult to do something.

BOARD MEMBER BILBREY: Thank you.

CHAIRPERSON COSTIGAN: And I know Mr. Bilbrey again raises an excellent question. It's not -- the cuts would not go into effect till July 1st. The reduction wouldn't go into effect until July 1st.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Correct.

CHAIRPERSON COSTIGAN: But again, the record that's in front of us is all four cities, not one not, not two, not three, but all four entities inside of the consortium have said they're not going to pay, that they have no legal obligation. That's the position they've taken. So we can't speculate on whether -- what's going to occur at the meeting or not. What's before us is the fact that all four entities have said go back and look at the 1974 statute. We're not responsible. And it would be a gift of public funds is their assertion.

Mr. Slaton, can I go to someone on the other side of the Committee. We've gone back and forth.

Ms. Mathur.

BOARD MEMBER MATHUR: Thank you. So my question I guess is still a follow up just to make sure that I'm crystal clear. Clearly -- so we have 60 days to -- within the 60 days, we could walk back the termination or we -- or we could adjust the reduction in -- the benefit reduction? I guess my quest -- let me ask the question a different way. If we -- if the cities were to say, you know what, we've come up with a million dollars that we're going to contribute towards the retirements of these individuals, and they were to send us that money in 90 days, would we then adjust the reduction at that time? Would we be able to?

CHIEF EXECUTIVE OFFICER FROST: I think what we're saying is we would be as flexible as we possibly could be in order not to impact the benefits of these members. So what's before you today is the termination of the JPA itself.

BOARD MEMBER MATHUR: Right.

CHIEF EXECUTIVE OFFICER FROST: If the cities were to come forward and say we've changed our mind, we're willing to meet the obligations of the JPA, there would be some type of contract relationship with the cities and not necessarily through the JPA.

BOARD MEMBER MATHUR: Okay. So there could be a new contract potentially?

CHIEF EXECUTIVE OFFICER FROST: Right. We would have to figure that out. This would be a new process for us.

BOARD MEMBER MATHUR: Clearly, we've not -- we've not really dealt with this in quite this way before.

CHIEF EXECUTIVE OFFICER FROST: Correct.

BOARD MEMBER MATHUR: Okay. So I guess the -- I think what we're all feeling is sort of this timing pressure. And so needing -- wanting to understand whether -- whether a decision today for forecloses the opportunity for -- for negotiations -- further negotiation with the cities, but you're saying that, no, it does not.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Do you want me to take that?

CHIEF EXECUTIVE OFFICER FROST: I do not believe so. I would have Matt Jacobs perhaps comment on it, but again, the JPA has no funding.

BOARD MEMBER MATHUR: Right.

CHIEF EXECUTIVE OFFICER FROST: The JPA is basically defunct.

BOARD MEMBER MATHUR: Right.

CHIEF EXECUTIVE OFFICER FROST: So if were to enter into any kind of relationship around payment for these obligations --

BOARD MEMBER MATHUR: It would have to be --

CHIEF EXECUTIVE OFFICER FROST: -- and the cities were willing to do that, we would have to enter into some type of arrangement with those cities, and not the JPA.

CHAIRPERSON COSTIGAN: Ms. Frost --

BOARD MEMBER MATHUR: Right

CHAIRPERSON COSTIGAN: -- again, I appreciate the question. I mean, a little bit we're speculating here and I see Mr. Jacobs getting up.

CHIEF EXECUTIVE OFFICER FROST: We are.

CHAIRPERSON COSTIGAN: The matter in front of us is that a -- the JPA has not made a payment in nearly two years. The four cities that are responsible for it have notified us they have no intentions of paying. So from just a legal argument -- Mr. Jacobs good to see you at the table -- can we walk through just a legal portion of this?

And then also, the fact that we are now on notice that they have -- that they refuse to pay. The System will -- can continue to incur costs until an action is taken, is that correct?

GENERAL COUNSEL JACOBS: Yes, it is. And I think what I'd like to do here is refer -- or defer to Lisa Hammond, the Associate General Counsel, because she and a couple of others in our office have been working quite intensely with staff on these issues.

ASSOCIATE GENERAL COUNSEL HAMMOND: Lisa Hammond, CalPERS staff. We've discussed today if we make a -- if you take action to terminate, they action does terminate, and it doesn't become effective for 60 days. So if it is the direction of the Board to want to consider this payment, if we received it in full, the -- whatever the outstanding balance is, we believe it would need to be included in the motion.

So you would basically move the item to terminate. And if we receive full payment within the time frame prescribed in 20572, then the action would be rescinded.

CHAIRPERSON COSTIGAN: To clarify, is that 406,000 or is that 19 million?

ASSOCIATE GENERAL COUNSEL HAMMOND: I would -- it's the 400 amount, but I'll defer to Arnita's team. Itw wouldn't be the full termination valuation, because if they became current today, they wouldn't necessarily have to terminate. The reason we're acting -- asking you for termination is because they haven't paid us. So in the event they paid in full and became current, and that would mean they would need to keep continuing to stay current, but --

CHAIRPERSON COSTIGAN: So I understand that motion. One of the issues that Mr. Slaton raised yesterday is that the JPA has no revenue source. And one of the arguments that cities have been making is that there's no contractual obligation to make payments to the JPA. So if there's a lack of -- we'd have to execute along the lines of what Ms. Mathur was raising is new contracts with the four cities, not the JPA.

So if they bring current -- I just want to -- I want to understand, how are we protected, along the lines of what Mr. Slaton raised yesterday, that there is no revenue source. It's all based upon a contractual payment.

ASSOCIATE GENERAL COUNSEL HAMMOND: So I think we'd be protected by the process if -- we have right now. Really, we would be taking a risk. To the extent that we have a contract with the JPA that is winding down, and they become current, we would have to reconsider how we tried to get some assurances. But our real remedy is to bring this action to the Board, in the event we don't get payment, as quickly as possible. I think now we're set up and have a much more robust process to get this before you timely.

CHAIRPERSON COSTIGAN: Don't go anywhere. Mr. Jones.

COMMITTEE MEMBER JONES: Yeah, thank you, Mr. Chair. Can two of the four agree to come back in?

ASSOCIATE GENERAL COUNSEL HAMMOND: As far as the cities?

COMMITTEE MEMBER JONES: Yes. Since they're their employees.

ASSOCIATE GENERAL COUNSEL HAMMOND: They're separate -- they're separate entities, as far as CalPERS participation. I'm not sure exactly which ones are in

CalPERS currently or not. Arnita, can you speak to that, the cities?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So what's -- what's your question?

COMMITTEE MEMBER JONES: Right, there are four cities that are under the JPA. And the question is if the cities now - Azusa for example - wanted to protect their employees and they wanted to have a contract with CalPERS, can that city have a contract and continue to participate in CalPERS without the rest of them?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the --

GENERAL COUNSEL JACOBS: Let me address that from a legal perspective. The answer is no, essentially. It's not -- if they wanted to come in and pay the whole $400,000, and put the JPA back on a good standing, they could do that, but there's no way to separate it out and proceed in some kind of piecemeal fashion.

COMMITTEE MEMBER JONES: Okay. Okay.

CHAIRPERSON COSTIGAN: Ms. Taylor.

VICE CHAIRPERSON TAYLOR: Yes. Thank you. I just want to make sure that we're clear that these -- the people in the consortium, the city -- their city managers for different cities, for example, Chris Jeffers of Glendora City basically has said, "Personally, I think it's a way to deflect from their handling of pensions for the last several years". And it sounds to me like there's an agenda behind that ultimately that is not just they don't want to pay, but they don't think they should pay because they don't necessarily believe in a defined benefit pension system the way that's stated. And the same was of Mr.[sic] Coleman for the League of California Cities.

They're brining in how the funding has gone up, and that the only recourse is to cut benefits. And I really think there's an agenda behind these statements that basically make it very clear, regardless of whether our -- those employees go for redress in front of those cities, that they're not going to pay this. So I don't think we should get into any kind of negotiation here.

They have -- they have a specific political agenda behind what they're saying here, and that's not for defined benefit pension plans.

CHAIRPERSON COSTIGAN: Thank you, Ms. Taylor.

Mr. Slaton.

COMMITTEE MEMBER SLATON: Yeah, I think we need to focus just on the four corners of the documents and the legal situation we have. So if, by some chance, they become current, my question is -- and let's they're current for -- they pay the back amount and they pay one month, and then they stop paying. All right. Do we start another 21-month process, or do we start a 30-day or a 60-day process?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We start a 30-day process.

COMMITTEE MEMBER SLATON: Okay.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So in February, when we came to you, we had a timeline and a process of what we do. And at day 36 essentially they become delinquent. On day 60, they start -- they get the final collection letter.

COMMITTEE MEMBER SLATON: Okay. So you're saying -- and then the next Board meeting after that, we could -- we could terminate them?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We could that again, yes.

COMMITTEE MEMBER SLATON: Right. Okay. I just want to make sure we have a fast process, if, in fact, they were to become current. But in my view, you know, the issue -- you know, the motivation of the city managers, you know, I mean, it's nice to speculate about, but the fact is they're either going to pay or not pay, and they've said they're not going to pay.

So, in my view, we have a 60-day plan. You've already indicated that if they come forward with money, you'll figure out how to work it out to get them to start the process again.

So I think we should just move forward and take this action, and let the 60-day clock start, and see what happens. I don't think we have any choice. Is it -- would it be appropriate to make a motion?

CHAIRPERSON COSTIGAN: I will call on you for the motion. We have two more questions, if that's okay?

COMMITTEE MEMBER SLATON: Okay. Sure.

CHAIRPERSON COSTIGAN: But I will call -- when we're ready to take a motion, we'll call on Mr. Slaton.

Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: You know, I hope we get through the rest of the presentation. But as long as we're going to speculate that maybe the cities will change their mind and the world will go right, I want to speculate on Ed Mendel agreeing to step up and pay it. What happens then?

I mean, at some point, we need to get within the four corners. Saying that people who have told us they're not paying are lying to us is not productive. You know, this is not a new item. We have been drilling on this for six months. So I really would like to get back to the presentation and try and knock off some of the wild speculation.

CHAIRPERSON COSTIGAN: Thank you, Mr. Jelincic.
Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Yeah, and really just to respond to something that Mr. Jones had said. These cities have no employees. These are not their employees as far as they're concerned. They're the JPA's employees. Although, they have, again from my perspective, have a responsibility for these employees, since they were part of the creation of the JPA in the first place.

But to Mr. Jones point, Azusa couldn't come in and say I want to pay for a portion of Azusa employees, because there are no Azusa employees. They're -- they're the employees of the JPA. And so I just wanted to be clear, that that's --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: That's correct. The employees that we're talking about today were employees of the JPA.

CHAIRPERSON COSTIGAN: Okay. Anything else, Mr. Juarez?

ACTING COMMITTEE MEMBER JUAREZ: No.

CHAIRPERSON COSTIGAN: All right. I do believe we're actually at the end of the presentation. You have two more slides, just the appendix and then you've got -- you identify in Slide 9, two additional agency that we've -- we're dealing with. So maybe you want to give us an overview on that, and then we can go back and talk about the motion. So slide 8 -- because you covered 7 -- oh, you want to go back to slide 6. Okay. I'm sorry.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So Slide 6 is a detail about the benefit reduction, which I believe you all know what it is, and that -- that specifically the reductions, if approved, will occur on July 1st.

CHAIRPERSON COSTIGAN: Oh, I'm sorry. Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: Okay. So let's take the classic members who are basically taking a two-thirds cut. This -- that cut applies only to the time they had in East San Gabriel. So if an employee had 10 years with, I don't know, the State of California, and 10 years with East San Gabriel, their reduction would not be two-thirds of their total pension. It would be two-thirds of the half, so roughly a third. So the reduction is only for the service credit earned at San Gabriel.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: That is correct.

COMMITTEE MEMBER JELINCIC: Okay. Thank you.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Thank you for that clarification.

CHAIRPERSON COSTIGAN: All right. So as Mr. Jelincic -- just very likely on slide 6, just a recap of what you already talked about, 63 percent for classic, 25 for the PEPRA, and then this would take effect on July 1st.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

CHAIRPERSON COSTIGAN: Okay.

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INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Slide 7 is the timeline, which we've previously discussed. If there's no questions, I'll move to the appendix.

CHAIRPERSON COSTIGAN: No, that's fine. Probably side 9 is where we want to go.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: And then for the appendix, we really wanted to talk -- and I talked a little bit about this yesterday in terms of our ongoing efforts to mitigate risk, and the -- the process that we are currently building around putting the employers into different categories and then putting processes around them, understanding the specifics of each of the categories. Our intention is to come to you quarterly with a report on how we're doing with the different employers. And so at that point you'll start to see sort of what we've been doing in terms of our categories, and the processes that we are employing as it relates to those employer members.

CHAIRPERSON COSTIGAN: Okay.

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INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Slide 9 talks about -- and this is something that we have been bringing to you in terms of our previous update for delinquent partners, Independent Cities Association was previously on our list. They are -- we are actively in talks with them to get their bill paid. And then Niland, as we had previously indicated, they have voluntarily terminated. So we are working with them to get their termination valuation complete.

CHAIRPERSON COSTIGAN: And again, I just want to reiterate one of the points that Ms. Frost made yesterday, we have 1.8 million members, and over 3,500 organizations. And I know we've spent a lot of time. We have four that we're dealing with. So again, the bulk of our employers are doing an excellent job of making sure the payments are made to taking care of the benefits that were promised to their employees.

So I know it's been a hard hearing and discussion, but again, I don't want it lost on the fact that 99.9 percent of the employers aren't -- we're not having issues with.

Ms. Mathur.

BOARD MEMBER MATHUR: Thank you.

My question, I guess, is really about this whole question about mitigating risk. And clearly, it's not just about agencies that are currently delinquent or in financial hardship. It's also about agencies where perhaps the funding is less secure or less reliable, so -- and I know we talked about this a little bit yesterday that you're going to do a piece of work to sort of identify those buckets of employers that we might need to try to just revisit what the contract is, or what our agreement is with them.

So my question is really about the risk matrix, and coming back to the Risk Committee. This isn't one of our top 10 risks on its own. It does, I think, sort of come in under maybe stakeholder confidence or pension funding, but I'm wondering if we're going to incorporate it into our risk matrix, because it seems like it's not -- it's not a risk that was truly on our radar. We didn't expect employers to go out of business and stop making contributions, but now it's a reality that we need to grapple with.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes. So --

CHAIRPERSON COSTIGAN: Hang on second.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Am I good? Okay.

CHAIRPERSON COSTIGAN: Let me go with Ms. Hollinger.

BOARD MEMBER MATHUR: Well, I don't -- she has answered my --

CHAIRPERSON COSTIGAN: No, she's going to answer both. I'm sorry.

Is it on the same question?

BOARD MEMBER HOLLINGER: Yes. Yeah, in response, Ms. Mathur, one of the things that we're dealing with on the Risk Committee, and when we're looking at a comprehensive Enterprise Risk Management is increased insolvency risk of our stakeholders, because it jeopardizes us on several levels.

Number one, we've had two court cases where judges have said in dicta that pension rights can be impaired, but have chosen not to. So it -- and we now have the cases that have gone up to the appellate court and now the Supreme Court.

So, yes, we're -- in coming up with the discount rate contributions, it's integrated into this insolvency risk, and we're going to be bringing this to you, because we realize there is a very delicate balance that we have to play, in protecting our stakeholders and our beneficiaries to make sure that we don't impair our pensions, and that, you know, their ability to sustain them is not impaired. So, yeah, we take this risk. I would say it has, Forrest, it has definitely risen in these times, and in light of also our current return environment.

CHAIRPERSON COSTIGAN: Okay. Please add.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes. So I would say that employer health is one of the critical parts of how we do what we do. And so one of the reasons that we are really building this robust process is to make sure that we understand and that we have information available to us and to you such that we can monitor those risks. To your point, it is an ongoing risk and it's one that we are very mindful of and one that we are going to continue to monitor and manage as is our responsibility.

BOARD MEMBER MATHUR: Okay. So is it going to come before the Risk and Audit Committee as a specific item or is it going to be incorporate -- I don't -- It's just -- It's not -- as I see it now, is it incorporated into the risk matrix, is it going to be?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the report that I'm talking about is the quarterly update that we provide to the Finance and Administration Committee. What Ms. Hollinger was talking about is the enterprise risk profiles that we are currently building, one of which employer solvency is one. And so that -- I believe that the work that we're doing will be incorporated into that risk, and it will come to the Risk and Audit Committee as a whole item.

BOARD MEMBER MATHUR: Okay. Great. Thank you.

CHAIRPERSON COSTIGAN: Ms. Mathur, Hang on. Don't go. Forrest, did you want to say something? I saw you move. We're going to try and get an answer for you.

Have a seat.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Have a seat. Have a seat. Get on the record.

CHAIRPERSON COSTIGAN: We're having a good discussion. I saw you moved. You shouldn't move.

Someone please turn -- thank you, Mr. Grimes.

CHIEF RISK OFFICER GRIMES: Forrest Grimes, CalPERS team member.

This will be incorporated into the ALM cycle discussions, Ms. Mathur.

BOARD MEMBER MATHUR: Okay. But -- okay. So it will be incorporated into the ALM discussions, which is, I think, important, but in terms of the risk matrix that we look at, it's going to be incorporated in there as well as an explicit line item?

CHIEF RISK OFFICER GRIMES: Yes, it's a component of the ALM cycle.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: It's part of the enterprise risks that we're monitoring. So as you guys have done the workshops, and we've done the discussions around the 10 different profiles that you've been talking about, this work will be incorporated into those profiles.

BOARD MEMBER MATHUR: Okay. Thank you.

CHAIRPERSON COSTIGAN: Does that answer it for you?

Ms. Hollinger, very quickly.

BOARD MEMBER HOLLINGER: Oh, the other thing that Mr. Grimes and Ms. D'Adamo, that we all discussed, is that on the Risk and Audit Committee is going to have to, in the future, be working very closely with the Finance and Administration Committee.

CHAIRPERSON COSTIGAN: Okay. I think, at least for the Board -- are there any other questions? We have, I believe, one member of the public right now. Mr. Darby, if you would please come down. Anybody else that would like to speak on this item, please let our folks know. Okay. So we have one.

So we'll set it -- now, Mr. Darby, as I had said yesterday, we'll give you 5 minutes. We had expected a couple more folks, so please set it for 5 minutes.

Thank you.

MR. DARBY: Thank you. Good morning. Al Darby, vice president of RPEA. We represent 23,000 California State re -- or California State Retirees, plus all of the public agencies.

The issue that I'm concerned about in this whole matter is notice to the retirees and the employees of the agency which was sent only in January of this year. So the impairment became a problem almost 18 -- well, 20 months ago now, and the employees were not formally advised of this by CalPERS or their employ -- well, I don't know about their employers, but CalPERS didn't advise these people of this impending disaster for their pensions.

So it is our position that these folks need early notice about if the agency becomes 90 days delinquent, it would seem to us that that is the time when these people need to be informed, so that they can form a coalition of their own, as did the city employees in Stockton when they became aware of the bankruptcy issues. And those folks did form a 503(c)-- 501(3)(c)[sic] to defend themselves in bankruptcy court.

These folks potentially could lobby these agencies that are potentially going to become delinquent or default during this period, if they are aware that there's a need to join together in some sort of alliance and get before the city councils, boards of supervisors, whoever might be an agency that is in some kind of jeopardy, so that these people can lobby. And if that fails, they can get legal counsel, so that they can determine if there's any legal recourse for them in one fashion or another.

The folks in Stockton had a very difficult time getting names and addresses the city refused to give them. RPEA just recently had a law passed, AB 241, which mandates that cities that are in trouble and maybe bankruptcy alone -- but in any event, it's a step toward making it possible for the -- and more easy for the retirees and employees to get the information they need, so they can defend themselves.

So our position is that it's something that the employees need to have early on is notice of this impending problem, and give them the opportunity to defend themselves. So we urge you to adopt a policy to do just that. And hopefully, that policy would also include informing our RPEA so that we can assist those folks in whatever fashion is appropriate.

Thank you.

CHAIRPERSON COSTIGAN: Mr. Darby, your points are well taken. In fact, that is one of the things we tried to do in this case is we did notify the retirees, even though we didn't have the obligation, that's one the processes that we're going to work on. I do think, as Ms. Frost is making a point here -- or Ms. Paige.

On these organizations where we are notifying them, I do think if there's a way to put at least Mr. Darby and RPEA on as one of our stakeholders to notify early on, that seems like it would be the easier way to go, is that in addition to making sure that as these agendas come up, like the two on slide 9, that Mr. Darby's organization is at least copied on that, so they know we'll be talking about it. I know you're hear all the time, but your point is well taken.

MR. DARBY: Thank you.

CHAIRPERSON COSTIGAN: Something before I call on Mr. Bilbrey.

CHAIRPERSON COSTIGAN: Did you want to respond to Mr. Darby?

If not, that's okay.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: No.

CHAIRPERSON COSTIGAN: I'm going to call on Mr. Bilbrey.

BOARD MEMBER BILBREY: Thank you, Mr. Chair. I agree with Mr. Darby. We talk about a shared responsibility. And part of a shared responsibility is the members being able to have a part in this process. Two months notice before an action is not appropriate. I think you're absolutely correct, Mr. Darby.

And I know we've kind of discounted the idea that the members are going to be able to go, the retirees are going to be able to go and make headway with the cities. I don't think we should discount that. And I hope that the motion somehow includes what was suggested by counsel about in case they are able to be successful. There is a remote possibility, and we should always keep that in the forefront. So include that in your motion to make sure that if a payment is able to be made of some sort that we can accept that, and however that process works.

CHAIRPERSON COSTIGAN: Thank you, Mr. Bilbrey. Your point is very well taken. Again, I do want to emphasize, it was not CalPERS that did not make the payment. The JPA quit making the payment in 2015, and we've been notified by the cities of their refusal to pay. An, Mr. Darby, again your points are extremely well taken that the employee should have been notified. We tried our best in this case to make sure that the retirees, and the actives were made aware.

That's actually one of the reasons we're making sure to devote as much time to this, because this does become a process for future ones. But as slide 7 showed, this has been ongoing. And I would certainly hope the retirees and others would ask the elected members, particularly the current chair of L.A. Works, who is an elected official, what's been going on?

Because you will see from our communications standpoint, Ms. Paige and her staff have been reaching out to their designated representative Mr. Musk -- Mauk --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Mauk.

CHAIRPERSON COSTIGAN: -- to deal with this. So again, we do -- and, Mr. Darby, please constantly remind us on the notification issue and find places for us to be able to notify your members, because as Mr. Bilbrey said, it is a shared responsibility.

Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: Yeah. One of the things that we have is the attachment to 5a, which is letters from various people impacted. Have we made this part of -- have we made it available to the audience?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We have not, but my understanding is that Mr. Costigan was going to speak to that.

CHAIRPERSON COSTIGAN: I'm sorry, the Vice Chair and I were having a conversation.

What am I going to speak?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: The public comment letters.

CHAIRPERSON COSTIGAN: Oh, yes, yes, yes.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Mr. Jelincic asked if we had made them available to the public.

CHAIRPERSON COSTIGAN: My understanding is they have been made available to the public?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: They have not been made available to the public.

CHAIRPERSON COSTIGAN: They have not. Okay.

COMMITTEE MEMBER JELINCIC: Then I would like to move that we make them available.

CHAIRPERSON COSTIGAN: Okay, because I actually left mine in my car. So, Mr. Jelincic, we were given 10 letters - may I see them, please - that we will -- unless there's an objection action, we will make available to the public. Should I, Mr. Jacobs, read them into the record or the fact that we'll make them available sufficient?

GENERAL COUNSEL JACOBS: You should make them available immediately, but that would be sufficient.

CHAIRPERSON COSTIGAN: Okay. Is there any objection to making them public?

I believe we'll redact any personal information, addresses, anything of that nature.

Okay. No objections. So those will be made both public and will be submitted as part of the record.

COMMITTEE MEMBER JELINCIC: I know they've been copied, so I assume we're close to putting them on the back table so people can see them? That's --

CHAIRPERSON COSTIGAN: We'll get them out as soon as possible.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We'll look into that. We have some actions to do.

CHAIRPERSON COSTIGAN: Okay. So we are -- there's no other public comment. No other Board questions.

Mr. Slaton, we'll go back to you for a motion.

Mr. Slaton.

COMMITTEE MEMBER SLATON: So before I state the motion, I want to make sure in regard to what Mr. Darby was saying. The process we have going forward, not San Gabriel, but the process that we now have in place, calls for members and retirees to be notified when?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: The process -- too many cooks in the kitchen.

The process that we have in place calls for the members to be notified at the 60-day mark when the delinquency is 60 days.

COMMITTEE MEMBER SLATON: Okay. All right. So we're not going to have a repeat of this situation, where it happens so much later than the delinquency?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We are not.

COMMITTEE MEMBER SLATON: Okay. All right. So we fixed that.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: We are not. No, we -- the process that we have now really is very well laid out in terms of when we begin the termination process. So at day 36[sic], the bill becomes delinquent. At that point, they get a final collection letter -- or the final collection. At day 60, they get a final demand letter. And at day 60 is when we essentially will notify the members that they are in jeopardy of having the contract terminated.

The final demand letter allows for 30 days for payment to be received. If no payment is received after that 30-day period, we then will calendar or agendize the item to be brought to the Board.

COMMITTEE MEMBER SLATON: Okay. So may I make a motion?

CHAIRPERSON COSTIGAN: I would say before you make your motion --

COMMITTEE MEMBER SLATON: Okay.

CHAIRPERSON COSTIGAN: -- because then the next speaker can only speak to the motion.

Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Yes. And it is relative to the question that Mr. -- when you members, are you talking about individual retirees and other people who were employed by the JPA, as opposed to the JPA itself?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: The members and the employees past and current.

ACTING COMMITTEE MEMBER JUAREZ: Will be notified 60 days --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Correct.

ACTING COMMITTEE MEMBER JUAREZ: -- after it goes into -- so that would give -- given this process, that will give them plenty of time to do what Darby said, which is to go out and actively, you know, coalesce around a point to be made to those who haven't paid.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So it gives -- the 60-day letter essentially is the final demand, letter which in -- it says that they have 30 days to pay, at which point if they do not pay, it will be calendared for a Board determination to terminate.

ACTING COMMITTEE MEMBER JUAREZ: Yeah, but that -- again, just to confirm, that will go to employees as well?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

ACTING COMMITTEE MEMBER JUAREZ: So that they're aware of the fact that their agency has missed a payment?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

CHAIRPERSON COSTIGAN: Now, you've got Mr. Slaton. I think we still have Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: Yeah, before we get into the motion, I would encourage everyone of the JPA employees out there who's watching this to go look at your documents and see who's responsible for the bills. And if they have agreed that the supporting agencies are not, then raise hell.

I also have a few things I would like to request this Chair to direct, but I can take those up after --

CHAIRPERSON COSTIGAN: After the motion

COMMITTEE MEMBER JELINCIC: -- the motion, if that's your recommendation.

CHAIRPERSON COSTIGAN: Yes, that would be appropriate.

All right. Ms. Mathur.

BOARD MEMBER MATHUR: Thank you.

I -- this new process does tighten the timeline, which I think is important that we not let things be outstanding for such a long period of time, but it does not give the members more time than they have had under this current process to engage with their delinquent employer. It still -- they would still have 30 to 60 days to -- basically to get their delinquent employer to come current.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: That's correct.

BOARD MEMBER MATHUR: Okay. I just wanted to make sure that was clear. They're not going to have 20 months to engage with their employers to get the employers to come current. They're still going to have 60 days, because we're --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Right.

BOARD MEMBER MATHUR: -- we're just shortening the first part, which is how quickly we send the final notice of termination, final demand letter.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Right. It's important to note that under the statute, we are able to recommend termination upon 30 days delinquency. So the process that we've built actually is a deliberate process to really engage with the employer to make sure that termination really is a last report.

BOARD MEMBER MATHUR: Um-hmm. Okay. Thank you.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Sure.

CHAIRPERSON COSTIGAN: Okay. We're going to go to Mr. Juarez. We just have a couple questions. But hang on a second. Wait a second, Mr. Juarez.

Just I want to again be clear. There is a statutory process that the moment there's a default by an employee, the system begins to accrue liability until we take action.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes.

CHAIRPERSON COSTIGAN: Okay. Mr. Juarez.

ACTING COMMITTEE MEMBER JUAREZ: Let me -- I want to just be crystal clear about this, in terms of how the process works. So right now under -- I hate to use East San Gabriel as the example, but they've been delinquent for some time. So presumably, employees could have found out long ago that their payment on their behalf are not being made, right?

And so going forward, I want to understand are we going to be able to give them more than the 60 days that

Ms. Mathur is talking about? Wouldn't we be better off to make sure those employees are well aware long in advance? Because if we're going to go through that what is now -- you're telling me it's been an 18-, 20-month process, that as soon as we can notify employees that their -- payments on their behalf are not being made, the better off everyone is going to be as far as I'm concerned.

So is there a way to -- if we're not going to do that, is there a way to, without violating any legal prescriptions, that we can let the employees know as soon as possible, so that if there is a need for them to campaign to get those payments made, that they have sufficient time?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes, we can notify the employees sooner. Again, the only comment that I had is that up until the time that we notify -- up -- the process right now has us notifying employees upon determination by the employer that they either are unable or unwilling to pay.

So if we notify employees prior to that, there is, I think, a potential that we are -- we may unnecessarily -- unnecessarily alarm people, if we are able to then work something out. But that's a balance. That's an easy thing to do, I think.

CHAIRPERSON COSTIGAN: So I think we'll bring to an end at -- we probably need to put this on a future meeting to just go through the process again, and have more of a discussion with RPEA, and the California State Retirees, as Ms. Taylor pointed out, to just go through, have a better understanding of the statutory processes. So I think we're going to go back to the issue before us, which is East San Gabriel.

Mr. Slaton.

COMMITTEE MEMBER SLATON: Yeah, I would just say that this Board has the flexibility. We're creating a -- on go-forward basis a relatively tight schedule, that is responsive to the actual situation on the ground that's happening. In other words, we're going to put them into collection process. That's a pretty tight and quick process, if they're delinquent, and also notify members -- all members current and retirees soon - so early in the process - as soon as we have determined that they're not going to pay, but we still retain the flexibility.

I mean, if we see that there's organization going on, that there's some hope to arrive at something, I think under the statutes, we have some flexibility in terms of when we take our action.

But knowing early is what's important. And then we may, based on the facts on the ground, make some other determination rather than an immediate termination. Am I correct in that, that we have that flexibility?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes. Our obligation as the staff is to bring the recommendation to you --

COMMITTEE MEMBER SLATON: Exactly.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: -- and then you make the decision.

COMMITTEE MEMBER SLATON: Yeah. Okay. So the -- I move that we place East San Gabriel Valley Human Services Consortium into termination, and that we instruct the staff, given that, to continue to work with the parties to see if there's a way to mitigate this by bringing them current.

VICE CHAIRPERSON TAYLOR: Second.

CHAIRPERSON COSTIGAN: I just want to make sure. Is that -- is that an appropriate motion?

COMMITTEE MEMBER SLATON: Did I word it correctly?

What's the technical wording for putting them in termination?

CHAIRPERSON COSTIGAN: Microphone is on.

VICE CHAIRPERSON TAYLOR: You got it.

ASSOCIATE GENERAL COUNSEL HAMMOND: Is it on?

CHAIRPERSON COSTIGAN: It's on.

ASSOCIATE GENERAL COUNSEL HAMMOND: Okay. You would need to make a motion to terminate and then direct staff to continue. And if we're successful, then I believe that would just rescind your action to terminate.

COMMITTEE MEMBER SLATON: Okay. Her words is what I want the motion to say.

So we move to place them into termination. Is that --

ASSOCIATE GENERAL COUNSEL HAMMOND: You move to adopt --

COMMITTEE MEMBER SLATON: To terminate.

ASSOCIATE GENERAL COUNSEL HAMMOND: -- the resolution to terminate them.

COMMITTEE MEMBER SLATON: Okay. So the motion is to terminate East San Gabriel Valley Human Services Consortium and to instruct the staff to work at trying to bring them current, if that is at all possible within the 60-day period.

ASSOCIATE GENERAL COUNSEL HAMMOND: Yeah, to the extent they'd come, full payment of the outstanding balance to date.

COMMITTEE MEMBER SLATON: Correct, full -- Yeah.

CHAIRPERSON COSTIGAN: So I'm going to restate the motion --

ASSOCIATE GENERAL COUNSEL HAMMOND: Yes.

COMMITTEE MEMBER SLATON: Please do.

CHAIRPERSON COSTIGAN: -- is that Mr. Slaton has moved that the East San Gabriel Health and Services Consortium contract with CalPERS be terminated; that the reductions in retiree benefits be adopted as staff has recommended effective July 1st; and, that staff is instructed to engage with the four member organizations of the consortium to attempt to collect the $406,000 that is past due; and, if that were to take effect, staff would bring back to this Committee -- or back to the -- back to this Committee a payment schedule reflecting those payments. Is that a more accurate description?

ASSOCIATE GENERAL COUNSEL HAMMOND: I think that works. I mean, you're basically terminating them today. To the extent we receive full payment of the $406,000 within the 60 days, then we would bring back an item to rescind or move forward.

COMMITTEE MEMBER SLATON: Yeah. And I -- just to -- I want to thank the staff for the work on this. You know, this is not -- it's not easy for us. It's not easy for you. This is a terrible situation we all find ourselves in. But we have to protect the fund, so we have to take this action. But I want to thank you for your dedication and your work on this. Something that's not very pleasant.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

D'ADAMO: Thank you.

CHAIRPERSON COSTIGAN: It's moved by Slaton.

Seconded by?

TAYLOR: (Hand raised.)

CHAIRPERSON COSTIGAN: Taylor

Any further discussion?

Mr. Jelincic, is it on the motion?

COMMITTEE MEMBER JELINCIC: Yes.

CHAIRPERSON COSTIGAN: Okay. Hang on. Hang on. Okay, sir.

COMMITTEE MEMBER JELINCIC: And it's actually on your statement of the motion. The reduction that we have before us is an estimate.

CHAIRPERSON COSTIGAN: Correct.

COMMITTEE MEMBER JELINCIC: So -- but the motion as you restated it was to adopt it as presented. And I just want to make sure that it's not -- we hope this number is close, but the actuaries did it, so we know it's wrong.

CHAIRPERSON COSTIGAN: I believe it was stated by the state that there was an estimate and it will be incorporated in it.

COMMITTEE MEMBER JELINCIC: Okay.

CHAIRPERSON COSTIGAN: So all right, any further discussion?

All those in favor?

(Ayes.)

CHAIRPERSON COSTIGAN: Opposed?

Motion carries.

Thank you very much.

Next item which I think is just Committee Direction.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Right, the only thing --

CHAIRPERSON COSTIGAN: And then Mr. Jelincic has something. You want to do that now, Mr. Jelincic?

COMMITTEE MEMBER JELINCIC: Yeah, I'd like --

CHAIRPERSON COSTIGAN: All right. Let's have Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: I would like to ask the Chair to direct staff to bring back to this Committee a proposed regulation that would make a condition of admission by a JPA that there's a joint and several adoption of the liability.

This is currently our -- it's our new procedure to look at this, but procedures are, you know, subject to change. And I think if we put it in regulation, it provides staff a lot more muscle to say, no, you can't do it, unless you meet this condition.

So I would like --

CHAIRPERSON COSTIGAN: So, Mr. Jelincic, maybe what I could ask instead is can staff -- because what you're asking is an amendment to a contractual obligation. I believe there actually might need to be a statutory change, that we would not -- that we should offer as a suggestion, because you've jumped to a regulatory process, and we believe that the underlying statute still has some issues as it relates to JPA.

So if we could give staff direction, what I'd like to do is bring back at the April Board meeting a discussion about severability - looking at you, Mr. Jacobs - on contractual obligations on the current JPAs, and if we believe there is a statutory resolution to address what just happened yesterday and today with East San Gabriel. Does that capture what you're looking for, Mr. Jelincic.

COMMITTEE MEMBER JELINCIC: As long as they also include a discussion of the ability to do it by regulation.

CHAIRPERSON COSTIGAN: Correct, that's what -- because we also believe -- I apologize. We've had a discussion this. We believe that there may -- that there might need to be a statutory change into the JPA statute. Is that -- thank you.

GENERAL COUNSEL JACOBS: Yes, very good.

CHAIRPERSON COSTIGAN: Thank you, Mr. Jacobs.

All right. So you got the staff direction?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes. So that's that one. And then there is to come back to the Committee with the payment update, should we receive a payment.

CHAIRPERSON COSTIGAN: Correct. Correct. Anything else, Mr. Juarez?

Mr. Slaton.

COMMITTEE MEMBER SLATON: Yeah, just one last piece of business from yesterday afternoon. I want to apologize for the outage. It turned out it was an underground cable failure in the downtown area. Last customer came up one hour and four minutes after the outage, so...

CHAIRPERSON COSTIGAN: Mr. Jelincic, one last point.

COMMITTEE MEMBER JELINCIC: Yeah. I thought you had also directed that they prepare a rehash of the -- a representation of the timelines and --

CHAIRPERSON COSTIGAN: No, that's why I was looking at Mr. Juarez.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Yes, yes.

CHAIRPERSON COSTIGAN: Yes. That's why I looked at Mr. Juarez.

Anything else?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: And that will include a discussion around notification.

CHAIRPERSON COSTIGAN: Correct.

Mr. Feckner, what time would you like to convene, sir?

PRESIDENT FECKNER: First I have a question for you, Mr. Chair. On the 10 letters that we made available to the public, are you also including those in public record?

CHAIRPERSON COSTIGAN: Yes, I've instructed that they be part of that. Yes, sir.

PRESIDENT FECKNER: Just double checking, because one the members sent me an email asking whether or not it was being put in.

CHAIRPERSON COSTIGAN: Yes.

PRESIDENT FECKNER: 10:00 o'clock.

CHAIRPERSON COSTIGAN: Is that sufficient time? Yes, 10:00 o'clock. Thank you. This meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting adjourned at 9:45 a.m.)

C E R T I F I C A T E   O F   R E P O R T E R

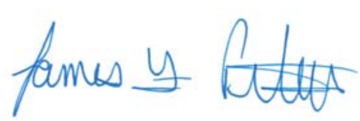
I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of March, 201



JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063

# AGENDA ITEM 5a
# Attachment

# Member Letters for Public Comment

March 9, 2017

Public Employees Retirement System
Finance and Administration Committee Members
c/o Arnita Paige, Chief
Pension Contract & Prefunding Programs
Financial Office
P.O. Box 942703
Sacramento, CA 94229-2703

Dear Honorable PERS Finance and Admin Committee Members:

The ESGVC PERS retirees, over many years, have diligently paid tens of thousands of dollars into our retirement funds, never understanding our retirement income was actually so "at risk". There was never any disclosure on the part of PERS, that our retirement income was vulnerable to cuts, let alone up to a 63% cutback. Not until this last month, (and more specifically when the Finance and Admin. Committee Agenda was posted last Tuesday) was the magnitude of this DEVASTATING news truly disclosed and understood. This is going to endanger the security and wellbeing of the ESGVC employees during their elderly years. With so much at stake, please understand that these are fragile human lives we are discussing, and loyal, contributing members of your organization. At the very least, we respectfully request the Committee allow a short postponement of this agenda item so we might address you face to face with our concerns.

Background: In the event you are unaware of some of these details, the ESGVC Joint Powers Agreement (JPA) was initiated by four founding Cities. The Cities of Azusa, Covina, Glendora, and West Covina were all entitled to federal employment and training funds. Rather than each City establishing separate City Departments to administer these funds, the Cities elected to create a Joint Powers Agreement with the JPA Board and employees administering the funds. Each City built in City governance of the JPA Agency (ESGVC) through a compensated, voting Board position, appointed by each City Council. Those ESGVC Board positions were composed of Mayors/Councilmembers appointed by each City. The Cities built the JPA, then contracted with PERS for its retirement plan. The JPA employees were never given any options. No safety net, and no options for contributions to Social Security which, in hindsight, would have at least provided some retirement income for these employees.

Over the years, the residents of these four Cities as well as 7 other local cities, benefited from tens of millions of dollars in federal employment and training funds to assist the unemployed and underemployed youth and adults of their communities. In later years, the ESGVC JPA expanded its client services to housing rehabilitation, transportation, summer youth employment, and energy conservation services, that again, greatly benefited the residents of the JPA Cities.

The loyal and hard-working employees of ESGVC never believed when they received their "Service Retirement Allowance" letters from PERS, that their contributed retirement funds were at risk. This is devastating news, especially to see in writing a potential 63% reduction, and quite frankly, it is hard to believe that we are now caught in a "passing the buck" situation. At the inception of the JPA, over 41 years ago (1976), the Cities apparently built in a technicality that is the cause for the potential loss of of a MAJOR portion of our PERS member benefits today. The JPA Board members, by the original design, are tied to the member Cities via their representation on City Councils. Yet, per the JPA member Cities, whose letters were included in the Committee agenda, two of the Cities claim that while it is regrettable, because the PERS liability is a "contract" issue, they are not responsible for the debt. However, if the PERS liability were deemed a "tort" issue, the Cities would be responsible. How incredibly sad is it that this deceptive wording at the initiation of the Consortium, is now the demise of so many PERS members retirement income.

It would seem that at the very least, the PERS attorneys could thoroughly research and pursue the Cities liability for this debt. This would set an important precedent that Cities/Counties cannot simply right-off their responsibilities to their created JPA employees, on a contract wording technicality.

If holding the Cities responsible, is not an option for the PERS Finance and Administration Committee, then at the very least, we would respectfully request our case be placed in the Terminated Agency Pool (TAP), which we understand via Section 20577.5 of state regulations, to be an option the Board can consider to assist its retirees who are now caught in the very strangling dragnet of facing 63% cuts in our retirement income.

Our understanding is that Section 20577.5 allows for "the PERS Board to merge a terminated plan, if the Board has made all reasonable efforts to collect the amount necessary to fully fund the liabilities of the plan and if the Board finds that the merger of the plan into the TAP without benefit reduction would not impact the TAP's actuarial soundness".

In the PERS Finance and Administration Committee meeting, 9/20/16, Agenda Item 8a, there is a report from your PERS Actuarial Office that states the TAP is very soundly "over-funded" at 261%, and appears to be gaining even greater "soundness" on an annual basis. It is comforting for the ESGVC PERS members to know that this Committee can protect its members through utilization of this risk pool (TAP), to assure significant cuts in our retirement income does not come to fruition.

In summary:

- *ESGVC PERS members were not notified by PERS of the potential of reduced benefits when we became members of PERS, or even during the time that ESGVC was growing delinquent in its payments*
- *Cities did not give employees an option of other retirement plans in the JPA – we were tied to PERS in the initiation of the JPA*
- *No safety net was planned for the retirees, as the JPA contract with PERS did not allow for Social Security contributions*
- *PERS is quoting a 63% reduction in retirement benefits can be expected*
- *The Cities claim no responsibility for their JPA's PERS liabilities*
- *Remedy for PERS Retirees- the shortage of retirement benefits be provided through the TAP funded pool, as it was intended*

Our only hope is that PERS will allows its ESGVC members to be considered for retirement income loss to be covered in the TAP risk-pool, if the Cities are not held "responsible" for this debt.

Thank you from the bottom of our hearts for your consideration of this devastating matter.

Sincerely,
Kathryn Ford
Richard Jewik
ESGVC Retirees

Please distribute to Committee: **Richard Costigan, Chair,** Theresa Taylor, Vice Chair, John Chiang, JJ Jelincic, Henry Jones, Bill Slaton, Betty Yee; AND **Matthew Jacobs/PERS General Counsel**; and Scott Terando/Deputy Chief Actuary.

March 2017

**SUBJ: East San Gabriel Valley Human Services Consortium (Consortium)**

Dear CalPERS Board Member,

My name is Susanne Ko. I am 59 years old, married, and the mother of two. On June 30, 2014, East San Gabriel Valley Consortium, the agency at which I had worked for over 19 years closed its doors – permanently, due to a lack of funding. I was laid off soon after. My two children were pursuing their college education. I am committed in supporting their college education, so I continued job searching and then found a similar position with City of Pasadena. I was planning to retire once reach 63 years old. However, the notice from CalPERS Administration had totally overthrown my retirement plan. I felt hopeless.

On January 10, 2017, I learned there may be a **63% reduction of my pension** should the Consortium fail to pay CalPERS the contributions necessary to fund the retirement benefits of its employees. It appeared that CalPERS administration is expecting an Agency ***that is closed and has neither money nor resources*** to make a payment of more than $400K. The implication to the Consortium' retirees is devastating. Some of our retired co-workers rely mainly on CalPERS pension to maintain their living expense. They will face the financial crisis if the reduction of pension is so deep. They may not able to pay mortgage payments, losing their homes, pay for necessary medical treatments, facing bankruptcy. As I am getting older, some medical problems have surfaced and I must tap into my saving to make up the significant shortage of CalPERS retirement pension.

**I urge you to consider this matter carefully before casting your vote**. I understand your position because you are putting us in the same position, experiencing a shortfall due to investments, except we have no choice in this matter. You can make better investments in the future; ***a vote that reduces our benefits takes away OUR future***.

Sincerely,

[redacted]

[redacted]sanne Ko

March 14, 2017

**SUBJ: East San Gabriel Valley Human Services Consortium (Consortium)**

Dear CalPERS Board Member,

My name is Sarah Watson. Until July 2014, I was employed with the East San Gabriel Valley Human Services Consortium (Consortium). I expected to retire form this job. To no fault of my own, the agency closed its doors and I was laid off. I tried to secure another position that would have a reciprocal agreement with CalPERS but was unable to. I believed that I could leave my CalPERS account in place until retirement age thinking it was secured.

Imagine my shock when receiving a letter in February concerning non-payments. This will be devastating. I am a single woman, with two adult disabled children that I care for. The future care and security of my adult children and myself is weighted heavily on the CalPERS pension. At almost 52 years old, I do not have enough time to make up the difference. Imagine if someone told you that you were losing more than 60% of you future income.

According to Calpensions.com, there is opportunity for terminated CalPERS plans to be funded. I understand "terminated CalPERS plans go into a pool that paid $4.7 million to 716 retirees and beneficiaries from 93 plans in the fiscal year ending June 30. The Terminated Agency Pool was 261.9 percent funded as of June 30, 2014." "If the Terminated Agency Pool falls short, the funds of all of the state and local government plans in CalPERS could be used to cover the shortfall."[1]

**I urge you to consider this matter carefully before casting your vote**. First, we lost our jobs, then we lost existing financial security and now if you vote against us, we lose our financial future.

Sincerely,

[redacted]

Sarah Watson

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[1] Calpensions.com

March 2017

**SUBJ: East San Gabriel Valley Human Services Consortium (Consortium)**

Dear CalPERS Board Member,

My name is JuLito Hidalgo. I am 65 years old, married, and the father of three. My wife and I are both retired. She receives Social Security. As you know SSS does not pay a lot and every penny we received is very crucial to our survival. My net retirement income from Calpers is only $1600/mo. This hardly covers our mortgage payment. My wife's social security income is only $1800/mo. This barely covers all our monthly expenses e.g. utilities, groceries, medications and personal expenses. We are fortunate that we don't have any car payments or else we would not be able to retire. We are both not in good health. We are both diabetic. We have hypertension and cholesterol issues. I have a heart condition and had 2 stents from 2 angioplastys.

On June 30, 2014 the Agency at which I worked for 15 years closed its doors – permanently, due to a lack of funding. Unfortunately, I had a hard time looking for work after at age 63. So I decided to take an early retirement from Calpers to supplement our family income. After a year, my wife was laid-off from her company after working for 30 years. Fortunately she turned 65 years old and was able to file for Social Security benefits and medicare. However, I lost my medical insurance when my wife lost her job. So I had to purchase my own medical insurance because I did not qualify at that time for medicare. That put a financial strain on us because I was paying $760/mo.

On January 10, 2017 I learned there may be a **63% reduction of my pension** should the Consortium fail to pay CalPERS the contributions necessary to fund the retirement benefits of its employees. Just to make this perfectly clear – CalPERS staff is expecting an Agency ***that is closed and has neither money nor resources*** to make a payment of more than $400K. This letter is the first I am hearing of this situation; neither the Consortium nor CalPERS ever indicated this was a possibility. This notice left me very little time to react or respond to this horrific action. The implication to the Consortium' retirees is financially catastrophic – from being unable to continue to make our mortgage payments and facing the possibility of losing our homes- to being unable to pay for necessary medical treatments, medications, utilities and more.

The Consortium was a Joint Powers Authority governed by four cities: Azusa, Covina, Glendora, and West Covina … these cities have iron-clad agreements freeing them of any liability with regards to the monies owed to CalPERS and I understand they have no intention of helping the Consortium's retirees and beneficiaries.

I feel as though promises were made by the Cities (Consortium's governing entity) **and CalPERS** which now may not be kept. **I urge you to consider this matter carefully before casting your vote**. I understand "terminated CalPERS plans go into a pool that paid $4.7 million to 716 retirees and beneficiaries from 93 plans in the fiscal year ending June 30. The Terminated Agency Pool was 261.9 percent funded as of June 30, 2014." "If the Terminated Agency Pool falls short, the funds of all of the state and local government plans in CalPERS could be used to cover the shortfall."[1] ***Please do not turn your backs on us too.***

We understand your position because you are putting us in the same position, experiencing a shortfall due to investments, except we have no choice in this matter. You can make better investments in the future; ***a vote that reduces our benefits takes away OUR future***.

Sincerely,

JuLito Hidalgo
[redacted]

[1] Calpensions.com

March 14, 2017

TO: Board of Directors
California Public Employees Retirement System

FROM: Sharon Plaster

I am a former employee of 27 years of the East San Gabriel Valley Human Services Consortium. I am writing in response to a letter I received in January 2017 from CalPERS advising me that my retirement benefits from ESGVHSC may be reduced as a result of the cancellation of the contract between the two agencies. In further communication with CalPERS I have since been advised those benefits may be reduced as much as 64%, with no method of appeal. I also learned that this situation had been under consideration for over one year and yet we were not notified until 2017.

I worked as Office Manager for ESGVHS for 27 years, retiring in 2006. During those 27 years I was offered positions with two employers located much closer to my home, but which I turned down, mainly because of the excellent retirement benefits offered me by ESGVHS through CalPERS. If I had known that years later, after retirement, those benefits would be cut by more than half, my decisions might have been different. At my age and my disabled husband's age, employment is not feasible. We have financial obligations which are based on our retirement income, which we were assured (as an employee benefit) by the 4-City Joint Powers Agency and ESGVHS with CalPERS.

Before taking final action please consider the legal, moral and ethical issue, and the effect your decision will have on the dedicated, former employees of the 4-City JPA/ESGVHS.

Sincerely, [redacted]

Sharon Plaster

March 7, 2017

SUBJECT : East San Gabriel Valley Human Services Consortium (Consortium)

Dear CalPERS Board Member,

My name is Sylvia Sosa and I am writing this letter to ask that you do not terminate our retirement plan.

The worst part of this whole matter is that although apparently letters and notices were sent to the Consortium for attempts to collect the payment of more than $400K for quite a while, the employees themselves where never notified. We were never given a chance to speak up for ourselves to the board, the cities or anyone. We could have gotten together collectively and helped raise this money by holding events, sales, donations etc. I believe in 2 ½ years times we could have raised it. We are all very talented and creative individuals and hold good standing with businesses and the community. But sadly we were notified in January 2017 and were never given a chance to fight for our livelihood.

We had always felt secure with our money in CalPERS. It's a very well-known retirement plan with an excellent reputation that has taken care of its retirees for many years. My friend retired a bit early and is collecting her monthly pension. Her husband can't work because he is currently fighting cancer and may not survive. Her CalPERS pension is what's helping them make their last few house payments. She is lucky, she was working for a school so she has her CalPers. If it weren't for her CalPERS she would have to work and would not be able to care for him in what could possibly be his last few months. This is a very small example of the many stories out there from my former friends and loyal co-workers and how this nightmare will be affecting them. What is happening is a crime and it was through no fault of the employees and yet they are the ones that might pay for it dearly. They will be affected by this decision FOR THE REST OF THEIR LIVES!! If we had known of the troubles that lay ahead, if we had been notified from CalPERS from the BEGINNING, I'm sure many of us would have planned our futures differently. The possibility of something like this even happening was something that CalPERS never warned us about. Again, we thought our money was safe.

How could CalPERS possibly expect the Consortium to make this payment when it lost its funding and does not have the money to pay it? Is there nothing under CalPERS that saves individuals, loyal employees, from situations like this at all??? And again, why were we not notified sooner???

For me personally, I spent 14 years at LA Works, 14 years that I did not pay into Social Security, so that right there reduces my future Social Security check, something I did not take into consideration because I had planned on being able to collect from CalPERS when I retired. Now my SS check will be much less.

I do not believe that The Consortium will somehow make over $400K appear to make this payment, so I am asking that CalPERS please take into consideration and take responsibility that the employees were NEVER notified in the 2 ½ years since we were laid off on June 2014 that this money was not being paid. An up to a 63% reduction of pension is incredibly significant for something that the employees were not notified of. I feel as well as so many of us feel that we are the ones that are being penalized unfairly.

In a nutshell, what this action will cause is loyal former employees to no longer be able to make their house payments, pay their insurance and medical bills, unable to make rent, have to find cheap and possibly dangerous situations to live in, unable to pay utility bills, unable to eat healthy because of not being able to buy quality groceries, losing beloved pets for not being able to afford feeding them. Yes, it comes down to comforts that all of you take for granted. Our standard of living WILL go down, not yours.

I understand that The Consortium (LA Works) was somehow governed by four cities: Azusa, Covina, Glendora, and West Covina. LA Works did amazing work for these cities for over 30 years. We did AMAZING work for these cities, for our surrounding communities and helped reduce unemployment in our communities. We helped the businesses, we helped businesses from CLOSING. Now come to find out, these very cities that we helped are the very cities that have agreements freeing them of any liability and told us that they cannot help US, the INDIVIDUALS that have helped their cities, their businesses, their residents thrive and grow. I'm not blaming them, an agreement is an agreement. But still, we as employees had no idea of this agreement nor of the future implications.

To say that we feel betrayed by everyone involved is putting it mildly. I strongly ask, and yes, beg you to please consider all this very carefully before you EACH, as individuals, cast your vote. How would you feel if this happened to you? I believe if it affected you personally, you would find a way, some means of finding a way to cover the money owed.

I truly hope and pray that CalPERS does not turn their back on us. We have no one else to go to. You are in a difficult position of deciding yay or nay on this matter. We have no decision making power and are depending on your moral decency to vote in favor of helping loyal, hard-working former employees of the Consortium (LA Works) keep our retirement pension as is so that mortgages, rents, medical bills, food and clothing are paid. Please give us the peace of mind knowing that our last years of life, our retirement years, are taken care of. Please do not take this away from us. Without money to live comfortably, our future will be stressful and bleak.

Thank you very much for taking the time to read this.

Sincerely,

[redacted]

Sylvia Sosa

March 2, 2017

Dear CalPERS Board Member:

My name is Teresa Rojo. I am a sixty-one year old single mother of four. After twenty-six years of working for East San Gabriel Valley Human Services (ESGVHS), I was laid off when our agency was no longer being funded. Shortly thereafter, I decided it was in my best interest to retire with CalPERS and seek full time employment to supplement my income. In January 2017, I learned my retirement with CalPERS is facing a 63% reduction and I was told there was nothing I could do about it. Now my future is very uncertain and this is causing me great emotional pain.

I began at ESGVHS in 1988 as a receptionist. When I entered employment with ESGVHS, my youngest child was 3 months old. I had just found the courage to leave a very abusive nine and a half year marriage. I was faced with the challenge of raising four children, ten years and younger, by myself, with no spouse, no child support, no place to live, and no steady employment. My family became homeless after the house I owned with my former husband was foreclosed on. My husband refused to pay child support and abide by the terms of our divorce. I was left to fend for myself and my children.

I moved in with my mother with my children, and I looked for work. I found ESGVHS, which became one of the largest blessings of my life. With steady employment, I was able to move out of my mother's house in Los Angeles, move into a small 2 bedroom apartment in West Covina to be closer to work, and to put my children in public schools in a safe area. I bought a small car to transport us. However life was far from easy. My ex-husband continually harassed me, stalked me, and I had to acquire restraining orders. To top it off, I still wasn't receiving child support. Coming into work was difficult on a good day, however I persisted. I worked as hard as I could at my job because it was my lifeline – for myself and my children. I filed a petition for enforcement of child support with the Los Angeles District Attorney Child Support Division. It took three years and weekly phone calls before my ex-husband was fined and his wages began being garnished. In the meantime, I struggled to pay for daily expenses such as babysitting for my toddler, car repairs, medical and dental expenses above and beyond what insurance would pay, and all the things children need as they grow. My husband refused to help a dime above what was being garnished, and this kept us living paycheck to paycheck. Saving additional money for college for my children, who all excelled in school, was a dream; saving extra money for retirement seemed like a luxury – one that I could not afford.

With my life in constant flux, the one constant was my job. I showed up to work. I did my job well. I received all positive evaluations. I moved up in the agency. It felt good that I could be so valued as an employee. The fact that I was earning a retirement with CalPERS was something I cherished and was deeply proud of. It gave me a sense of security and peace.

My hard work was paying off. My children grew up. My children went to college. My steady job allowed me to eventually buy a modest house in Rialto, California, and I happily commuted every day to Irwindale, where ESGVHS re-located its office. So many years after a horrible divorce and I was finally independent; I felt safe, somewhere my ex-husband couldn't hurt me or my family.

The recent news about my CalPERS benefits has been overwhelming to me. With the reduction that is being proposed, I will likely lose all that I have struggled for. If the CalPERS Board decides to take action and cancel its contract with ESGVHS, it will financially devastate me. More than likely, I will no longer be able to make my mortgage payment and will lose my home. Due to the recent decline in the housing market, I would walk away from my house with little to nothing in my pocket. I may also have to file bankruptcy, and face losing my independence once again. I will have to contemplate moving in with one of my children, and working for the rest of my life to sustain myself.

At sixty-one, it is almost impossible to start over again, yet I feel that is what CalPERS is expecting me to do. Retirees have made long lasting financial decisions based on what we were told by CalPERS advisors. Now we are faced with a turn-around decision, that through no fault of ours, we will be penalized for. We were never told that this could even be a possibility, for had we known, we would have surely planned our financial futures differently. If CalPERS goes forward with the decision to terminate their contract with ESGVHS, I will not be able to financially recover from the loss, and I feel as if all my years of service, while providing for my family at the time, will have been wasted in retirement.

Please re-consider your vote to cancel ESGVHS' contract. Please don't throw away our futures. We have worked hard. We showed up to work, even in the most difficult of times. We held up our end of the bargain. We, as retirees, deserve to not have what's left of our lives thrown away.

Sincerely,

[redacted]

Teresa Rojo

February 2017

SUBJ: East San Gabriel Valley Human Services (ESGVHS)

Dear CalPERS Board Members:

My name is Maureen K Lynch, a single mother of a now-grown son, and I'm writing in reference to the January 9, 2017 letter I received informing me that my CalPERS retirement may be subject to a reduction of up to 63%. The letter is the first time I've heard that such a reduction is pending and although I am trying to make sense of the information as it becomes apparent, I find it quite incomprehensible.

When I first became employed by the East San Gabriel Valley Human Services Consortium in 1997 it was as a temporary employee. I was hired as a regular member of the staff on July 1 of that year. When I was told that regular employment was an option, I took pains to determine if that would be the best option for me and for my then fifteen year old son. One of the main determining factors in that decision was the CalPERS retirement plan. All of my due diligence indicated that it was a rock solid option.

During the seventeen years that I was employed, I took advantage of the workshops that CalPERS provided in Glendale, CA in order to educate myself so that I could make the best decisions possible with regard to my future retirement. After the June decision by the Los Angeles County Board of Supervisors resulted in the agency closing its doors on June 30, 2014, representatives of CalPERS made a presentation to the employees as part of the Rapid Response.

<u>At no time</u> during my preliminary investigation of CalPERS, the workshops I attended throughout my employment, or during the Rapid Response presentations was any indication given that this plan was less than rock solid. There were no words used such as if, and, but, unless, as long as or any other conditional expression with regard to my benefit. When I did meet with an advisor to begin receiving the benefit, I was repeatedly told to make my decision carefully as the final amount would be what I would receive for the rest of my life.

Had there been *any* indication of such a possibility, I would have had the opportunity to make very different decisions beginning with whether I would stay in the public sector back in 1997 to what I would do after my separation from the agency in 2014. Now, approaching age 67, and having sold my home with the intention of eventually moving to be near my only child, the rug seems about to be pulled out from under me. To say that this possibility is catastrophic is an understatement.

I believe that CalPERS has the resources, people and procedures in place to manage finances in such a way that this reduction will not be necessary.

Sincerely,

[redacted]

Maureen K. Lynch

March 2017

SUBJ: East San Gabriel Valley Human Services (ESGVHS)

Dear CalPERS Board Members:

My name is Maureen K Lynch, a single mother of a now-grown son, and I'm writing in reference to the January 9, 2017 letter I received informing me that my CalPERS retirement may be subject to a reduction of up to 63%. The letter is the first time I've heard that such a reduction is pending and although I am trying to make sense of the information as it becomes apparent, I find it quite incomprehensible.

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I believe that CalPERS has the resources, people and procedures in place to manage finances in such a way that this reduction will not be necessary.

Sincerely, [redacted]

Maureen K. Lynch

**ALICIA GARCIA**
[redacted]

March 2, 2017

Re: CalPERS benefits from LA Works (East San Gabriel Valley Human Services Consortium)

Dear CalPERS Board,

I am writing this letter to you as I received notification regarding a possible termination or reduction in my CalPERS benefits due to LA Works not paying their payments since their closure.

I found out through an old coworker that LA Works did not voluntarily close, but was closed down by LA County. That totally surprised me as that has such a detrimental consequence to the businesses it was servicing, as well as the surrounding community it helped with training and job placement services.

In a situation where LA County was displeased with performance or administration issues, LA Works should have been placed up for bid as they did with Mid San Gabriel Valley Consortium. Goodwill Industries took that agency over and it helped get rid of current administration and offered an opportunity for employees to reapply for their positions and services to the community to continue. Why this did not happen with LA Works is beyond my comprehension, and it's now affecting all of us who gave several years to it, not to mention the jobseekers and businesses that are no longer being serviced.

I left a year before its closure as their top Job Developer/Business Services Rep. I loved helping businesses with finding the right match for their openings and that afforded me their trust, and repeat business. I helped place the hardest to serve, felons, youth and various others as we ran several programs. I left when they hired a new Supervisor that did not value hard work and performance, but was then hiring inexperienced people with higher degrees at higher pay. He then asked me to train them and hand over half my employers I had nurtured over several years to these new hires. My new supervisor would not listen to my concerns when I informed him that my employers were calling me complaining about their new Representatives.

I was offered an opportunity with AMTRAK and I took it. I had been referring job seekers for their hard to fill positions for the previous 3 ½ years. Unfortunately, my job only lasted one year as when the market crashed they lost some of their funding and there was a nationwide layoff of 300 employees. I was the newest hire at the Los Angeles Union Station branch, so I was let go.

**Bringing you now to my present,** I need for you to understand how much in dire need I am of this CalPERS income I am currently getting —let me explain why. After 20 years of marriage, my ex-husband was tired of monogamy and wanted to explore other options outside of marriage. Naturally, that forced a divorce and my moving to an investment home we had in Apple Valley up in the high desert---100 miles away from my children, grandchildren and friends. My ex-husband used his union legal representation to take away any entitlement to his pensions that I am legally entitled to after 10 years of marriage. We were married 20 years and I was in mourning having lost my mother a couple of months before and was not thinking straight. I let him get away with it. No alimony, no pensions no assistance whatsoever. I know I was stupid, manipulated, but I was in mourning and too proud to fight it, in addition to having no money due to recent funeral expenses.

**ALICIA GARCIA**

[redacted]

My ex and I had built this home I live in for investment purposes but it did not sell due to the market crash. I am grateful for this as it gave me a place to run to when we decided to divorce. As I mentioned, I am 100 miles away from my children, grandchildren and friends, in the high desert where jobs are scarce and even scarcer for someone my age and my type of occupation. I will turn 62 this July 2017 and have been alone out here going on 7 years.

I am currently unemployed and taking some HR classes to see if that will help with getting employed again. I have been lucky to get some remote recruiting positions working from home but those are far and in between and only help to play catch-up with my bills. I am going on a year of no employment and that is scary in and of itself. Losing that additional income from CalPERS is terrifying.

*I am living in fear of losing the income that is coming from CalPERS as that supplements my unemployment benefits and my credit cards that I am currently using to make ends meet. If I lose that, I will not be able to survive in my home and will end up losing it and end up on the street. Although it isn't much, $500 is a lot to lose when you are barely making it.*

I can't ask my kids for help as they have their own families and are barely making it themselves. I don't have medical insurance, as I can't afford it. I know I have a Thyroid issue that can't be taken care of at the moment, and stress only makes the symptoms worse and this has been very stressful for me.

I invested almost 6 years with LA Works, so that time frame is taken off my Social Security benefits. I was counting on the CalPERS amount to supplement what I will get from Social Security when I turn 67 which I was told would be around $1000. I would be living in poverty level conditions and taking away the $500 I receive from CalPERS leaves me even that much worse. Please help me not lose that amount.

I never thought I would find myself in this situation, having worked hard all my life since the age of 14, and trying to always do right by others and paying if forward, but life has a way of giving you the most unexpected turns. Today it's us, tomorrow it may be you. Please, I am pleading...if you can do anything to help us in this situation, it would be immensely appreciated. Your kindness I am sure will be passed down should you or your loved ones ever need it.

Thank you for reading this far as I know I am writing a bit much, but I wanted to give you an idea as to who I am by giving you some background. I hope God offers you some guidance in taking the right steps and making the right decision.

Respectfully submitted,

[redacted]

Alicia Garcia

March 14, 2017

Re: East San Gabriel Valley Human Services Consortium (ESGVHSC)

Dear CalPERS Board Member:

I am writing this letter to let you know how devastating it would be to lose a significant portion of my retirement. I was forced to take an early retirement, due to an injury I sustained while working with ESGVHSC. At this point in time I am barely getting by with what I make from my pension from CalPERS and Social Security. Any reduction in my pension would greatly harm my financial well-being. I don't feel it is fair that I should be punished because of decision that was made by ESGVHSC.

Best,

[redacted]

Anthony Rosas

[redacted]

**_URGENT – PLEASE READ_**

March 11, 2017

Public Employees Retirement System
Finance and Administration Committee Members
c/o Arnita Paige, Chief
Pension Contract & Prefunding Programs
Financial Office
P.O. Box 942703
Sacramento, CA 94229-2703

**_PLEASE DISTRIBUTE TO THE FULL COMMITTEE_**

Dear Members of the PERS Finance and Admin Committee:

Please accept my letter as part of the testimony for the East San Gabriel Valley Consortium (ESGVC) matter under consideration on 3/14/17. I was a retiree under the ESGVC. However, I needed employment income since I am the only wage earner in my family. My husband was laid off in 2011. Although he tried to find employment he was unable to do so and finally gave up. After a lot of applications and rejections I found employment and reinstated with PERS. I am 60 years old and my husband even older and at our ages it has proven very difficult to find employment. Age discrimination in the workforce definitely exists. But just because I was lucky enough to find employment (the hiring manager knew me), that in no way diminishes my deep concern about my ESGVC retirement account. I dedicated over 25 years of my life working for the ESGVC and the proposed 63% cut in my future retirement, is very upsetting, extremely depressing and will have a catastrophic effect on my financial future.

I, like the other ESGVC retirees (and future retirees), paid for many years into the PERS System, without ever having any indication or thought that our retirement accounts would be devastated. This is just an unbelievable situation and there are no words to describe how devastating this is. *I have experienced many sleepless nights worrying about the outcome and hopefully someone will listen and help us satisfactorily resolve this distressing situation.* I will have to work for many more years to come and those earnings won't even come close to what I will lose in retirement benefits due to this proposed reduction. I am just one voice of many hard working, dedicated and trusting retirees that the right solution can be found.

My understanding is that the Cities of Azusa, Covina, Glendora and West Covina who formed the Consortium in the mid 1970's have washed their hands of any liability for this destructive action. Yet, these Cities are the very entities that purposefully chose to establish ESGVC as a public agency. The Consortium Board was governed by the City Representatives a design I assume was so that control of the agency was in their hands. How can the Cities then be allowed to simply walk away from any obligation? They reaped all the benefits of the Consortium, apparently without any responsibility. How could a contract as important as the PERS retirement contract been written with no protection for the very individuals who contributed to the account for so many years? I, like the other PERS members do not understand how I/we can pay in all these years and be forced to take a 63% reduction. We were always told this was a lifetime retirement system.

If there is no relief that can be found through the Consortium member Cities, then will this Committee please, please consider some other form of relief for us? My understanding is that our situation could be remedied through this Committee's recommendation to put our PERS account in the Termination Pool (TAP) and because that fund is very solvent our small number of retirees wouldn't cause it much impact. Or, if there just has to be a cut, please consider one less shocking than 63%! There has to be a much less harmful and damaging solution then to tear apart so many people's lives.

*Thank you for your consideration of **fairly** representing your PERS members in this retirement nightmare.*

Sincerely,

Shelly Laddusaw
Past and Future ESGVC Retiree
[redacted]