



# Peninsula Health Care District

## **BOARD OF DIRECTORS**

### **CLOSED SESSION**

**August 27, 2009**

**Millbrae City Chambers, Conference Room**

**621 Magnolia Avenue**

**Millbrae, CA 94030**

### **MEETING MINUTES**

**CALL TO ORDER:** The meeting was called to order by **Chair Ulyot** at 17:03 hours.

**ROLL CALL:** On roll call there were present: D. Ulyot, MD, Chair, R. Navarro, MD, Vice Chair, D. Newman, MD, Past Chair, Larry Cappel, PhD, and H. Galligan, RN, Secretary, via teleconference from the Sheraton Lincoln Harbor Hotel, 500 Harbor Boulevard, Weehawken, NJ, Room 901.

**Also present were** Cheryl Fama, CEO, Colin Coffey, Legal Counsel from Archer Norris, and Consultant David Dubois, Senior Pension Actuary, CalPERS.

**PUBLIC COMMENT:** No members of the public were present.

**CLOSED SESSION:** **Chair Ulyot** declared that the Board was now in Closed Session

#### **1609 Trousdale:**

**Ms. Fama** referred to the discussion at the July 23, 2009 Closed Session regarding this property. MPHS had offered to sell the land and building to PHCD. The Board authorized Ms. Fama to make an offer for the land only which was not acceptable to MPHS at this time. ***No reportable action was taken.***

#### **1825 Trousdale:**

**Ms. Fama** reported that the Burlingame School District, in its pursuit of larger space, has made a formal bid on a parcel and is waiting for the counter. The School District Superintendent has reaffirmed her Board's commitment to giving the PHCD first right of refusal to purchase its current site at 1825 Trousdale should it be on the market. ***No reportable action was taken.***

#### **CalPERS Pension Benefit:**

**Ms. Fama** introduced **David Dubois**, Senior Pension Actuary from CalPERS, who has been working on the District's application since filed more than 18 months ago and the actuarial lead on the Valuation performed and distributed to the Directors. Upon request, **Mr. Coffey** advised that it would be appropriate for Ms. Fama to remain in the meeting as this benefit is for her employees as well. She gave background information on why CalPERS, why the selection of the parameters chosen, and then asked Mr. Dubois to present. He explained that SB 1123, implemented in 2006, requires an actuary be present during a public board's deliberations whenever a financially significant employee benefit decision is under consideration. He then addressed five key questions:

1. Why is he in attendance? SB 1123 as noted above.

2. How was the District's rate developed? PHCD was treated as a new agency and all the former employees (92) in the terminated account were transferred back into the new District account, along with the related assets, ~\$3M. Given that the total number employees in the plan would still fall under 100, the rate was established by the "local miscellaneous pool", rather than a PHCD-specific pool. The total liability for the 92 former employees is ~\$37K and will be paid off over a 12-year period. The employer rate will be 15.949% of payroll; each employee will contribute an additional 7% of salary.
3. How long is this rate good for? Until June 30, 2012.
4. How and why might it change?
  - a. Directors could decide to improve the benefit. (Program selected is the basic, low end)
  - b. CalPERS's investment return could be less than the assumed 7.75%.
  - c. PHCD annual salaries could increase more than the assumed 3.25%.
  - d. Age at retirement could be different than assumed.
  - e. Actuarial methods and assumptions may be revised; a standard procedure in the industry to do periodic "course corrections".
5. How much might rates change? If interest on the CalPERS portfolio were to go down to zero, an unanticipated occurrence, the hit to the District's rate would be a half of one percent. He explained the methodology used by CalPERS to "smooth out" the normal oscillations, as well as, the past year's unprecedented impact and how the methodology applied.

**Director Navarro** asked if CalPERS had competition. **Mr. Dubois** responded that PARS was a competitor and noted that many large municipalities (E.g. LA, SF, and Alameda) have their own pension plans.

**Director Navarro** asked if there is a penalty if PHCD terminated again in the future. **Mr. Dubois** responded that there is a five-year minimum; if the decision is to terminate after that, a special termination valuation would be conducted and a 7% margin would be added on to the determined liability.

**Director Newman** stated that, if \$37K was the total liability the Board would be taking on for all of the previous District employees still receiving CalPERS pension benefits, then he supports moving ahead.

**Director Cappel** commented that he was familiar with the program, it is excellent and he supports moving ahead as well. **Directors Galligan and Navarro** also spoke in favor of moving forward.

**Chair Ulyot** acknowledged the unanimity and asked Mr. Coffey to clarify required next steps. **Mr. Coffey** responded that Mr. Dubois should present a summary of what he shared here as the public needs to hear the financial implications. Then the Board needs to take action on the Resolution of Intent. ***No reportable action was taken as this item was posted under New Business for the public, Regular Meeting of the Board immediately following this meeting. The draft Board resolution was made part of the distributed Regular Meeting Materials.***

**ADJOURNMENT:** The meeting was adjourned by Chair Ulyot at 17:45 hours.

Submitted by \_\_\_\_\_  
Cheryl A. Fama, CEO

Approved by: \_\_\_\_\_  
Helen C. Galligan, Board Secretary

Approved by: \_\_\_\_\_  
Daniel J. Ulyot, Board Chair