

RETIREE SUPPORT GROUP OF CONTRA COSTA COUNTY
GENERAL MEMBERSHIP MEETING
AUGUST 1, 2019

Opening - The meeting was called to order at 10:05 a.m. by Chairman Pat Patterson.

Pledge of Allegiance – Pat led us in reciting the Pledge of Allegiance.

Welcome New Members – Two new members were in attendance today, both from the Courts Department.

Determine Quorum – We had a quorum with 62 in attendance.

Review of June 6, 2019 Minutes of Meeting – No errors or omissions were found in the minutes as submitted by Linda Wallgren.

Treasurer’s Report – Terry Mann – The balances in both accounts were reported. All bills have been paid.

Status Reports – Louie Kroll, Steven Ojena, Jack Funk - Louie Kroll was absent. Steve Ojena was also absent, but a comment was made that our website (www.rsgofccc.com) is up and running. Jack Funk had no comments.

Report on CalPers Long-Term Health Care Litigation – Mike Sloan

The trial judge separated the suit into three distinct phases: 1) Legal issues regarding contractual interpretation. The judge found that while CalPers had a general right to increase premiums, it was prohibited, contractually, from doing so “as a result” of the inflation protection benefit. 2) Issues regarding the statute of limitations. The judge found that since the lawsuit was brought based solely on the 85% premium increase, as a matter of law the case could not have been filed years earlier based on previous premium increases. 3) Jury trial regarding breach of contract. This phase has yet to begin.

The presiding judge, according to legal experts who have been following the case, has advised CalPers that they were on pretty shaky ground and could lose the suit. Thus, CalPers has agreed to mediation on September 4 and October 7, 2019. If mediation does not bring any resolution to the case, jury trial is scheduled to begin on October 30, 2019. A settlement could cost CalPers \$1 billion.

So overall, the news is pretty good. However, one newspaper article has been printed in the last two weeks regarding the disaster that would be caused by CalPers losing this suit. The article stated that they researched the issue and they state that CalPers would file for bankruptcy as their only recourse. If that were to occur and the bankruptcy were granted,

the entire insurance program would collapse and the policy holders might receive pennies on their investment, if anything at all. Anyone interested in these articles can see Mike Sloan. The news article can be found at the following link:

<https://www.nakedcapitalism.com/2019/07/calpers-long-term-care-policy-train-wreck-is-bankruptcy-the-end-game.html>

CalPers is talking about sending out a survey to everyone in the Class regarding what they think is a reasonable settlement. We are hoping that those who dropped out and are not in the Class can be reinstated.

Guest Speakers from Contra Costa County Human Resources and Empower Retirement with a Presentation on the Deferred Compensation Plan Changes

Ann Elliott from Contra Costa County Human Resources, with the assistance of Craig Taylor, spoke about the deferred compensation plan changes. Ann explained that Empower Retirement is basically a recordkeeper of our retirement funds, that generates records and reports to keep things moving along. The County selects its deferred compensation plan company every five years.

Empower Retirement has a fiduciary responsibility to its clients; in this case, retirees through the County. Contra Costa County has a committee that monitors fund activity and makes recommendations on any changes to be made for its clients. Their objective is to keep investments in balance (risk versus returns).

Edward (Ed) Lopez from Empower Retirement joined the presentation for a question-and-answer session. He explained that Empower is the largest public sector retirement company in the United States.

Question - The General Fund has been underperforming. We are looking for a safe place to store our money if the market goes down or crashes. What is the stated minimum return? **Answer** – The change to Empower is a good move for the County. Empower Retirement will issue statements to track the General Fund performance. Rates have been declining. The Empower rate is now at 2% and is backed by the U.S. Government.

Question – How long will it take to complete the transition to Empower? **Answer** – The transition will be done by August 29, 2019.

Question – With each transition to a new deferred compensation plan company, the Required Minimum Distribution (RMD) requirements seem to change, with different dates, etc. **Answer** – Empower will handle it for consistency and a smooth transition. Empower will notify you yearly about your RMD and will calculate the amount. If there is an error, Empower will pay any resulting taxes due. **Please note:** Retirees who have other investments outside of Empower are still required to withdraw the yearly RMD. If

you have more than one account, you can take the total RMD from one account if you wish.

Question – What happens if a retiree dies? **Answer** – If the spouse is the primary beneficiary, the spouse will receive the funds and there is no time limitation. If a non-spouse is beneficiary, there will be a five-year limit to spend down the account. This is called an Inherited IRA, sometimes called a “Stretch” IRA.

Question – Is the account beneficiary noted on the quarterly statements? **Answer** – Yes.

Ann Elliott from Human Resources asked all attendees to hold onto the information packet that was mailed to them. It contains valuable information about these issues.

Question – How are administrative fees calculated and charged? **Answer** – A fee of \$34 per year is shown on statements. This fee is the same for everyone. Mass Mutual’s fees were not transparent.

Self-directed accounts will pay \$50 for the 457 Plan, plus \$34 a year Empower fee. If self-directed on your own, you still have to go through Charles Schwab (through Empower Retirement). Other options include leaving funds with Contra Costa County, rolling over funds to an IRA, or moving to other investments. Rollovers can be automatically done for a smooth transition.

Question – Are taxes withheld from account withdrawals? **Answer** – Yes, 20% Federal tax and 2% State tax.

Question – To shift part of a deferred compensation account to a Roth IRA, why is there withholding? **Answer** – It is required because funds withdrawn from a deferred compensation account are pre-tax.

Question – What about the Vanguard Group? **Answer** – It has low cost and is a very diversified fund. It’s a good place to be.

Question – How can Empower be contacted? **Answer** – Contra Costa County retirees can contact Empower by phone at 833-457-COCO (2626), or by visiting their website at www.contracosta457.com

Question – Someone saw complaints about Empower mailing password replacements by mail (too slow) instead of online. **Answer** – If anyone does not like Empower they can move their money elsewhere. But first call Empower to discuss the issue before moving money away. Keep in mind that Empower Retirement cannot be responsible for account performance if the investment market changes.

Comment by Ann Elliott – There are no retirees on the County committee that selects a deferred compensation company, which currently includes the Auditor Controller, Tax

Collector, Teamster representative, AFSCME 2700 representative, Local 21 representative, Public Defender union representative, plus two other members. A meeting attendee stated that we do want to have a retiree member to represent the interests of our group. Ann stated that she would bring this up with the committee.

Comments – There was some discussion about large-, mid-, and small-cap stocks. If a retiree wishes to change an investment, go online or call the Empower Services Center. You can also call if you want to receive a paper copy of your quarterly statements.

Question – We have all heard about large companies being hacked. What kind of security does Empower Retirement have? **Answer** – A former Pentagon employee runs Empower security, which is top-notch. If there is any loss it will be made good by Empower.

Group Information Sharing

Pat Patterson - There is a three-minute limit per person for group sharing, which we will be holding to in the future. We will not pursue CPR training at a membership meeting because this training requires the use of practice dummies, not just a group demonstration.

Jack Funk - For anyone who was a mentor or mentee in EHSD (Employment Human Services Division), there will be a reunion of the EHSD mentoring group. If you are interested you may contact Iliana Choate at 925-608-4590 or 925-494-4286 or you can email her at ichoate@ehsd.cccounty.us

The Cancer Support Community in Walnut Creek offers information about yoga, diets, and nutrition and is highly recommended. They are located at 3276 McNutt Ave, Walnut Creek, CA. Their phone number is (925) 933-0107. There is a website at <https://cancersupport.net/>

The meeting adjourned at 11:52 a.m.

Respectfully submitted,

Linda Wallgren, Assistant Secretary