



# The Informer

RETIRED EMPLOYEES ASSOCIATION OF ORANGE COUNTY, INC.

## New Year Luncheon Set for Wednesday, January 26th

Come celebrate the New Year with friends, REAO members and guests at the January 26th luncheon at Mile Square Park Golf Course Clubhouse in Fountain Valley. A special menu is being prepared, see page 7 for details. And, as always, the tables will be decorated with beautiful center pieces that will be taken home by a lucky retiree or guest at each table.

Jacqueline Lauder, Council on Aging – Orange County, will be the featured speaker at the January luncheon and will provide information on the services they provide for senior citizens and retirees. You'll also hear the latest on Retiree Health Benefits and other pertinent Retiree information. Prizes and surprises await, including the \$100 Progressive Drawing! You could be the next winner but you must be in attendance to win. Don't miss out.

Make your reservation today by sending in the form on page 7 with your check to arrive at REAO no later than Wednesday, January 19th. Check in starts at 11:00 AM and lunch is served at noon. Please car-pool if possible.

See you on Wednesday, January 26th!

## Presidents' Message

Greetings from Doug Storm and Linda Robinson

*Happy New Year, REAO Members! The entire REAO Board of Directors wishes you a 2011 filled with perfect health, happiness and prosperity.*

It is an honor and privilege to serve as Co-Presidents of REAO and we sincerely thank you for re-electing us and all other incumbents to another term. Also, John Iagjian was elected to his first term as Director.

**Year in Review:** 2010 was a year of challenge and concern. The economy, global unrest and divisive politics seemed to draw our attention daily. Rising health care costs, deficit spending and the housing bubble generated apprehension as we each dealt with personal issues, responsibilities and change. Despite all the turmoil, promising news emerged.

The Orange County Employees Retirement System reported year-to-date earnings of 9.2% as of October 31st and a portfolio of \$8.35 Billion, an all-time high. While not guaranteed, there is reason to be cautiously optimistic that OCERS will meet or exceed the 7.75% earnings assumption for 2010.

The retiree medical lawsuit was certified to the California State Supreme Court this past summer. Opening, opposition and reply briefs

are posted on the REAO website for your review. Our attorneys requested calendar preference and we are awaiting a decision for an expedited hearing.

The following was accomplished in 2010 thanks to the year-round efforts of REAO Board members and volunteers: Board of Supervisor meetings were closely reviewed for retiree-related agenda items and appropriate action taken; REAO luncheons provided opportunities to socialize with one another and offered updates and special entertainment throughout the year; *The Informer* newsletters provided informative articles and updates on retiree issues and events; the REAO website had a major makeover; future retirees received on-going REAO membership presentations; four educational scholarships were awarded; legislation was reviewed and analyzed for action; on-going contact with other retiree associations was made through participation in conferences, meetings and networking activities; and REAO's

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# 2011 Keith Concannon Scholarships

The Retired Employees Association of Orange County (REAOC) proudly continues its scholarship program designed to recognize and support qualified students to obtain further skills and expertise at an accredited institution of higher learning. The scholarship is named in honor of the late Keith L. Concannon, REAOC's dedicated and long serving representative on the Orange County Employees Retirement System Board and former REAOC President.

Applications for the seventh annual scholarship awards will be available on January 3, 2011 by accessing the REAOC website at [www.reaoc.org](http://www.reaoc.org), by contacting the REAOC office at [reaoc@reaoc.org](mailto:reaoc@reaoc.org), or 714-840-3995, or at the REAOC luncheon on January 26, 2011. Any student who is related to a REAOC member and meets the qualifications listed below is invited to complete the application and submit it to REAOC along with official high school or college transcripts, post-marked no later than April 1, 2011. The only exception to this provision is a relative of anyone who acts in a decision making capacity cannot apply. This includes the CoPresidents of the REAOC Board of Directors and the Chair and Members of the Scholarship Committee.

**Qualifications:** Applicants must be either: (A) a high school senior with a GPA of at least 3.0 on a scale of 4.0 who has been accepted as a candidate for a degree program for the following fall semester on a full-time basis after graduation from high school, or (B) a student with a GPA of at least 3.0 who is already attend-

ing an accredited educational institution as a candidate for a degree program.

A candidate for a degree program means a student who is pursuing a degree at a college or university, or is attending an accredited educational institution that is authorized to provide full credit toward a bachelor's or higher degree, or is attending an accredited institution that is authorized to provide a training program to prepare students for gainful employment in a recognized occupation.

Applicants must be related to a REAOC member, however, Orange County residency is not required.

**Applications:** Applications must be typed. No hand-written applications will be accepted. If an applicant wishes to use a word processor or computer, responses must be placed in numerical order as they appear on the application. Responses to the essay question must be typed on a separate sheet of paper and cannot exceed 300 words. The Certification must be signed and dated and included with the application. These instructions must be carefully adhered to or the application will be rejected. Please include a photograph suitable for publication.

**Deadline:** Applicants must send completed applications and official high school or college transcripts to REAOC postmarked no later than April 1, 2011 to:

REAOC  
Attention: Scholarship Committee  
P.O. Box 11787  
Santa Ana, CA 92711-1787

Applicants are advised to order transcripts early to allow ample time to process.

## REAOC

P.O. Box 11787  
Santa Ana, CA 92711-1787  
Phone: 714-840-3995  
Website: [www.reaoc.org](http://www.reaoc.org)  
E-mail: [reaoc@reaoc.org](mailto:reaoc@reaoc.org)

### OFFICERS

Linda Robinson	Co President
Doug Storm	Co President
June Marcott	Secretary
Chuck Hulse	Treasurer
Bob Griffith	Past President

### DIRECTORS

Gaylan Harris	John Iagjian
John LaRoche	Frank Madrigal
Sara Ruckle-Harms	

### APPOINTED STAFF

Ilene Barcenas	Office Manager
John Iagjian	Membership Committee
John LaRoche	<i>The Informer</i> Editor
	Luncheon Committee
June Marcott	Board Watch & Scholarship Committees
Linda Robinson	CRCEA Delegate
Lou Scarpino	Legislation

*The Informer* is published 5 times a year. Readers are encouraged to write *The Informer* expressing their views and comments on the subjects of interest to the members. Luncheons are held at Mile Square Golf Course in Fountain Valley on the fourth Wednesday of January, March, May and September, and on the first Wednesday of December.

A local chapter of REAOC is active in Hemet. Association membership is limited to OCERS Retirees and their spouses. Membership dues are \$3.00 per month, payable through payroll deduction. The mission of REAOC is to promote and maintain the fellowship and camaraderie of OCERS Retirees and their spouses by sponsoring social and recreational activities, and by maintaining contacts via a newsletter and other means of communication. A secondary purpose of REAOC is the tracking and dissemination of information relating to pension and legislative actions, financial matters, physical and mental health care, volunteer and employment opportunities and other concerns that may be of interest to our members.

# In the News

Edited by Helen Lotos

**N**ationwide: Are state and local public employees overpaid at the expense of taxpayers? Thirty-seven states are struggling with substantial budget deficits. Several governors have identified excessive public employee compensation as a major cause of their states' fiscal duress. The remedies they propose include public employee pay freezes, benefits reductions, privatization, major revisions to the rules of collective bargaining, and constitutional amendments to limit pay increases, each as a necessary antidote to the public employee overpayment malady.

However, the Washington, D.C.-based Economic Policy Institute has issued a paper indicating that public employees in both state and local government are not overpaid. In "Debunking the Myth of the Overcompensated Public Employee" by Jeffrey H. Keefe (9-15-10), comparisons controlling for education, experience, hours of work, organizational size, gender, race, ethnicity and disability, reveal no significant overpayment but a slight under compensation of public employees when compared to private compensation costs on a per-hour basis. On average, full-time state and local employees are undercompensated by 3.7%, in comparison to otherwise similar private-sector workers.

Last month's headlines featured the news that President Obama's deficit reduction commission fell a few votes shy of the number needed to send its proposal to Capitol Hill for action, but still received enough bipartisan support to raise hopes that political leaders are girding to tackle

the nation's gargantuan debt (*Los Angeles Times* 12-4-10). Among recommendations to arrest the deficit and cut projected spending by \$2.2 trillion, the report advised gradually increasing the age for full Social Security benefits to age 69 and cutting 10% of the government workforce – 200,000 employees – by the year 2020.

**In California:** The state shed 37,300 workers in October 2010 – more jobs than were lost in the private sector – as cities and counties made their biggest payroll cutbacks since at least 1990 (*LA Times* 10-23-10). Analysts see more job cuts ahead as the state faces a budget shortfall twice as large as predicted (\$25.4 billion). In response to the City of Bell salary scandal, the state launched a website on which Californians can see how much cities and counties pay their workers. Users can search for the salary, pension benefits and other compensation for more than 594,000 city and county employees throughout the state (*LA Times* 10-26-10). State Controller John Chiang, who was reelected November 2nd, said he is requiring 828 transit, waste disposal, fire and police protection special districts to provide the same information by December 13th and that he will expand the website by June to include payroll data on the other 2,535 independent special districts.

**Orange County:** Board of Supervisors members Shawn Nelson and Bill Campbell were named to serve on an ad hoc committee with the County CEO and county's lobbyist (Platinum Advisors) to evaluate

alternatives to the current defined benefit plans for Orange County elected officials, reported Supervisor Campbell's Third District Report e-newsletter 11-12-10.

**Los Angeles:** The City Council voted to place a plan to reduce costs for pensions and retiree healthcare for newly hired police officers and fire fighters on the March ballot (*LA Times* 11-18-10). Public safety unions and Mayor Antonio Villaraigosa have signed off on the plan, which backers hail as visionary, even as critics say it does not go nearly far enough to control obligations involving public-sector employees. An editorial in the *LA Times* (11-27-10) stated "that's a start, but local officials statewide still need to address other forces that can drive individual pensions to unreasonable levels. These include contracts that offer many public employees benefits based on the compensation they collect in their final year – a calculation potentially inflated by the inclusion of longevity bonuses and unused vacation and sick pay..."

**Riverside County:** Facing continued fiscal challenges, county supervisors vowed to hold the line on spending and work to overcome a projected \$46.7million budget gap without raiding reserves (*Riverside Press-Enterprise* 11-10-10). County Executive Bill Luna said they will have to consider a decline in services in public safety.

**San Bernardino County:** Non-union employees will no longer be able to accumulate unlimited hours of vacation time under a policy

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# News from OCERS

by Bob Griffith

I want to thank all of you who voted for me to continue as the retiree representative on the OCERS Board. It is an honor that I take very seriously. It has been my responsibility for the last two years to serve as the Chair of the OCERS Board. I appreciate the trust placed in me by my colleagues on the Board. I will continue to work hard to make sure that the best interests of retirees are served. In related news, Frank Ely was re-elected by active employees to another term on the Board. That is good news for retirees. Frank is one of the most knowledgeable and diligent OCERS Board Members.

Since I last reported to you there have been several important developments at OCERS.

## Status of the Trust Fund

The fund has now reached an all time high of \$8.3 billion. We have made up for all the losses suffered when the markets crashed in 07 and 08. Because of the relatively conservative and safer investments we make on behalf of our members, OCERS lost less and had a smaller "hole" to fill than most other large institutional investors (OCERS lost 21%, most others around 35%). OCERS had good returns in 09 and 10 (as of Sept.30), earning 18% in 09 and over 9% so far in 10. These good returns came despite our safe investing style. A recent report released by the State Assoc. of County Retirement Systems, highlighted the excellent OCERS investment returns. For the last five years, OCERS has had the highest total returns of all the county

retirement systems in California. This was accomplished while also having the lowest investment risk of any system. Good low risk returns are important because they help insure that the money needed to pay our pensions will be there when we need it. Strong investment returns also help keep costs down for the County and the other employers. You will hear a lot of alarmist commentary in the news about the high cost of public pension systems. Good investment management helps reduce that cost. The bottom line good news is that OCERS is a strong system that is well managed.

## COLA for 2011

Each year our pensions are adjusted if the cost of living (as measured by the U.S. Bureau of Labor Statistics Consumer Price Index for the Southern California region) increases. You might remember that last year the index actually went down. So far (Oct. 2010) the index is up only 1%. While this probably means that any COLA will be quite small, it also means that on average for most of us our costs have increased very little this year. That is good news for retirees. Our pensions and our individual investments go further when costs stay low. Check the OCERS website in late January for an update on the COLA.

## OCERS Staffing

Those of you who attend the REAOC lunch meetings have met Steve Delaney, the CEO of OCERS. Three years ago the OCERS Board hired Steve to manage the system and the

organization. He came to us after serving several years as the deputy director for the State of Oregon public retirement system. Steve has become the strong leader that OCERS needs. He has been very good about establishing relationships with all the various stakeholders in OCERS, including retirees, employers and active employees. We are fortunate to have a person of his ability, and commitment to lead OCERS.

Steve recently hired a strong experienced investment professional to help the Board guide that complicated and important aspect of the retirement system. Jennifer Hom comes to OCERS after serving several years as the head of investing for the public pension system in Ohio. OCERS Board members look forward to working with Jennifer on our ongoing investment program.

## Conclusion

I hope that you can see that your pension system is in good hands and is being well managed. Orange County retirees are very lucky to have this system working for us.

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## In the News

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approved by the board of supervisors (*Riverside Press-Enterprise 11-17-10*). County officials say that some employees have built up hundreds of hours of unused vacation, holiday or administrative time at a cost of about \$8 million.



# The Dialogue is a Changing...

by Lou Scarpino

This Fall's California Retired County Employees Association (CRCEA) Conference marked a distinct change in the message we have been hearing. The key question – Will the developing national pension debate foster a Rise to the Top, or a Race to the Bottom?

Co-Presidents Linda Robinson (CRCEA delegate) and Doug Storm, along with Lou Scarpino (alternate delegate) attended the October 25 to 27 event hosted by the Marin County Association of Retired Employees. All came away with the distinct impression that the subject of how best to protect retiree rights is maturing in a much more workable direction. With the advent of CRCEA and various of the twenty county retiree associations having to form alliances to address the evolving issues faced by retirees, conference updates and programs have become more focused. Here are some of the conference highlights.

**The Changing Message** was most prominent in three presentations:

Harvey L. Leiderman, attorney for the firm ReedSmith, outlined court rulings on vested vs. non-vested rights, and went on to suggest areas that may prove advantageous to primarily active employees negotiating for their retirement. The California Supreme Court ruled that *... changes in a pension plan which results in disadvantage to employees should be accompanied by comparable new advantages*. Mr. Leiderman suggests that some of those new advantages could revolve around purchases that counties can provide at wholesale prices and that otherwise must be purchased by retirees

on the retail market. These include such things as medical care and prescriptions, long-term care, housing, education, public transit, recreation and taxes. While some of these are already provided to retirees at wholesale rates, this concept does provide the potential for more creativity in structuring future benefits.

Bob McCrory, actuary for the firm EFI, addressed some of the major myths surrounding defined benefit pension plans that have been most prominent in the media. He systematically disproved the assertions we commonly hear that Defined Benefit (DB) plans are expensive, inefficient, a waste of money and predicated on bad assumptions. Further, he demonstrated that this is not the case. Further, Defined Contribution (DC) plans, such as the 401(k) plans heavily touted by foes of public defined pension plans, are, in fact, more expensive – typically delivering far less pension at far higher cost. And, half the time DC plan retirees live longer than average and find themselves in financial need – that is they outlive their retirement. Also, DC plans leak – that is over two thirds of employees with such plans cash out their benefits and do not save the proceeds for retirement.

Mr. McCrory also demonstrated the continued reasonableness of the revenue assumptions in use by DB plan administrators today. In addition, he showed how women, due to their caregiver role in society, are severely disadvantaged in a DC plan and more favorably treated in a DB plan. Finally, he dispelled the common belief that actuaries can ever

know for certain the true costs of pension plans.

With respect to this last point, because both the liability and revenue side of the equations used in guiding DB plan administering boards are based on assumptions that are updated continuously, use of short term readings for drastic changes in policy is simply not realistic. The antidote for this reality is for administrators to place a premium on caution.

Likewise, plan funding percentage measures that typically drop in bad economic times but increase in good times, are inappropriately touted in the media as reasons for converting all pensions from the far superior DB plan to DC plans. This message is increasingly being shown to be more political than factual.

Richard White, Elected Safety Trustee of our own OCERS Board of Retirement, provided an update on the happenings in Orange County. The raw facts of our Orange County pensions are useful for the reader because they demonstrate that OCERS administered public pensions, like most public jurisdictions, are far from extravagant. Of the 38,970 active and retiree OCERS members, 16,337 are retirees and beneficiaries that receive an average monthly pension of \$2,508 for an average of 22.18 years of service for General Members, and \$4,926 for 26.07 average years of service for Safety Members. Only 3.15% or 515 pensioners receive a pension of \$100,000 or more. General Members retired at an average age of 60.28

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## The Dialogue

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and Safety Members at 54.19.

After next outlining some of the recent changes occurring at the bargaining table in Orange County, Mr. White provided a valuable overview and perspective on the national pension picture.

Specifically:

There is far more optimism by DB plan than DC plan members and recipients that they can live comfortably 25 years into retirement;

Our own Board of Supervisors noted that, from a practical market based point of view, the county would place itself at a severe disadvantage unless the state restricts retirement options for all new public employees to 401(k) type plans;

It should be illegal to call the 401(k) a "retirement plan" – as it was designed only to close a loophole on executive bonuses, not as a replacement for DB plans;

Only 13% of employers believe 401(k) plans would provide retirement security;

Nationally, nearly half, or 47% on the verge of retirement are predicted to run out of money... they will not be able to cover their expenses and uninsured health care costs;

Public pensions are great for state and local economies. They are engines of economic growth and keep middle-class citizens in the middle-class during retirement – the importance of which is underscored by the current push for consumer spending. Public pension funds also provide massive investments daily in stocks, bonds, real estate and other



**2011 REAOC Officers and Directors**

*From left to right: Bob Griffith, Lou Scarpino, Gaylan Harris, Frank Madrigal, Chuck Hulse, June Marcott, John Iagjian, Sara Ruckle-Harms, Linda Robinson, John LaRoche, Ilene Barcenas, Doug Storm.*

corporate assets. This, in turn produces revenue, relieving taxpayers of as much as 80% of pension costs in good economic times (not counting employee contributions to their own retirements), while providing major funding for higher levels of corporate activity. This in turn produces not just ongoing tax revenue, but ongoing profits and dividends for all stockholders and positive synergy in the overall economy.

Mr. White concludes that POLICY MAKERS need to turn their attention to the retirement issues as one of, if not the most important social crisis that remains in America right now. The question he poses is: Will it be a "Rise to the Top, or Race to the bottom?" He asks, why should public workers be the only ones to benefit from sound retirement policy? Ultimately, the public is unlikely to support retirement benefits that are available only to public employees. For this reason, policymakers should seek to expand the scope of traditional benefits rather than move toward the lowest common denominator (i.e. all DC plans or no pension).

**Proposed Resolution:** At the close of the conference at the busi-

ness meeting of delegates, building on the messages we heard, our Orange County delegation floated a draft proposal to link CRCEA more firmly with national organizations, such as the National Institute for Retirement Security (NIRS). This, and other such recently formed groups, are producing new and targeted research or otherwise pushing messages that have the potential to change the dia-

logue toward a RACE TO THE TOP in the battle to provide retirement security for both public and private sector employees. As one of the twenty member associations, we firmly believe CRCEA should be in that battle at the forefront. We will continue to work to bring this to fruition.



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## Presidents' Message

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Office Manager, Ilene Barcenas, provided skilled, professional service to our membership and Board of Directors throughout the year. These accomplishments reflect a number of ways in which REAOC acts on your behalf.

In closing we want to sincerely thank each and every one of you for your support, membership and participation in REAOC. With your continued backing we look forward to meeting the challenges we will face in 2011. Take care and be well.

–Doug Storm

–Linda Robinson



## In Memoriam

We extend our deepest sympathy to the families and loved ones of those who meant so much to so many.

### July 2010 – Oct 2010

- Allen, Isabel
- Battelle, Buryl
- Briggs, Catherine
- Carman, Evelyn
- Cravey, Robert
- Foley, Katherine
- Gould, Geraldine
- Jackson, Agnes
- Johnson, Dale
- Moser, Joanne
- Murphy, Doris
- Owens, Kathryn
- Schultz, E. Kay
- Shearing, Ralph
- Stanley, Laura
- Stewart, Betty
- Walker, Helen

### Surviving Spouse

- Newman, Ray



## AREOC Litigation Fund

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Enclosed is a check in the amount of:

\$ \_\_\_\_\_

Please make your check payable to AREOC Litigation Fund and mail the check with this form to:

AREOC, P.O. Box 11787,  
Santa Ana, CA 92711-1787

Thank you very much for your contribution to this fund!

## Hemet Chapter Luncheon

REAOC's Hemet Chapter will hold its next luncheon on Tuesday, February 8, 2011 at 11:30 a.m. at the First Presbyterian Church located at 515 E. Kimball in Hemet. The cost is \$9.50 per person. Make your reservation by calling Jeri at (951) 672-4594 or Erma Phillips at (951) 654-4312.

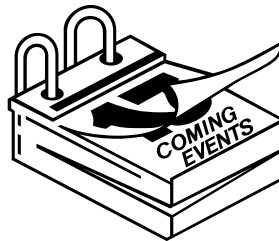
Upcoming luncheons will be held on the second Tuesday in April and June 2011.

## Progressive Drawing \$100.00

Lourdes Tolentino of Fullerton would have won \$50 at the December luncheon had she joined us. You must be present at the time of the drawing to win!

See you on Wednesday, Jan. 26 at Mile Square Park.

## On the Calendar: 2011 REAOC Luncheons



**Wednesday:**

March 23

May 25

September 28

December 7

## New Year Luncheon Menu for January 26th

*Coconut Macadamia Nut Chicken*  
*Scallion Pineapple Rice*

*Fresh Garden Vegetables*

*House Salad with Italian or Ranch Dressing*

*Fresh Baked Rolls*

*Dessert*

*Coffee and Iced Tea*



## Directions to Luncheon at Mile Square Park, Fountain Valley

Mile Square Golf Course is located in Mile Square Park, 10401 Warner Ave., Fountain Valley. From the San Diego Freeway (405), take the Warner Ave. exit and proceed East on Warner. Turn into Mile Square Park Golf Course Clubhouse entrance at Ward St. and park (parking is free). Mile Square Park is bounded north by Edinger Ave., south by Warner Ave., east by Euclid Ave. and west by Brookhurst.

## Luncheon Reservations Due Wednesday, Jan. 19, 2011

Print Name: \_\_\_\_\_

Enclosed is my check for \$ \_\_\_\_\_

for \_\_\_\_\_ lunches at \$17.00 each.

\_\_\_\_\_ Vegetarian lunch(es)

Check-in begins at 11:00 a.m. and lunch is served at noon. Please make your check payable to REAOC and mail to: REAOC, P.O. Box 11787, Santa Ana, CA 92711-1787

Also enclosed is a separate check for \$ \_\_\_\_\_ for the AREOC Litigation Fund.

PLEASE CAR-POOL!



# Welcome, New Members

**Data Systems:** Michael Harris

**District Attorney:** Ramiro Moreno

**Library:** P. Joyce Hensley

**OC Fire Authority:** Bob Mapstead

**OC Public Guardian:** Edwina L.

Donaldson

**OCPW:** June Daniel

**OCSD:** Richard Tews, James McCann,

Lydia Kavanaugh

**Probation:** David Dorn

**Public Defender:** Maria Teresa Benneian

**SSA:** Jo Ann Martinez, Nora McLellan,

Elinor Stevenson, Jim Tomasulo, Pamela

Boozan, Diane Salazar, Anh Nguyen

**Superior Court:** Brenda Roberts,

Charlotte Freeman, Richard Penilla,

Kenneth Schwartz

**Not Stated:** Jody Ingram, Van Nguyen,

Dora Stolz, Lon Dean, Bill Kaiser, Helen

Runge



# The Informer

RETIRED EMPLOYEES ASSOCIATION OF ORANGE COUNTY, INC.

P.O. Box 11787, Santa Ana, CA 92711-1787

PRESORTED  
FIRST CLASS  
U.S. POSTAGE  
**PAID**  
GARDEN GROVE, CA  
PERMIT NO. 1

## INSIDE THE INFORMER

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OCERS Update

In The News

2011 Scholarships

**Dated Material – Please Deliver Immediately**