



# BOARD BRIEFING REPORT

---

**DATE:** October 23, 2014

**TO:** Board of Trustees

**FROM:** Becky Van Wyk *Becky Van Wyk*  
Interim Retirement Administrator

**SUBJECT:** Non-Vested Health Benefit Reserve

## EXECUTIVE SUMMARY

A recently discovered accounting error has found that Fresno County Employees' Retirement Association (FCERA) recorded a portion of the proceeds of the 2004 Pension Obligation Bonds (POB) to the Health Benefit Reserve. The accounting error resulted in non-vested benefits being paid to retirees for a period of approximately six months without appropriate funding being available. This Board Briefing Report will describe the error and actions the FCERA Board of Retirement will consider for correcting this error.

## HISTORY/STATUS

### **Non-Vested Health Benefit Reserve**

Prior to May 31, 1987, the FCERA Board of Retirement used a portion of undistributed earnings (recognized earnings in excess of the assumed rate of return) to pay a portion of the health insurance premium for retirees enrolled in the County's health insurance program, as authorized by Government Code section 31691.1. Effective June 1, 1987, the FCERA Board of Retirement changed the health insurance premium to a stipend paid to all retirees and their beneficiaries, not just those enrolled in the County's health insurance program. The Health Benefit Reserve was established to account for the transactions and was funded periodically by undistributed earnings and interest. The Health Benefit (currently called Health Benefit 2) is based on full years of credited service. The maximum benefit payable is \$150 per month.

After 1987, the FCERA Board of Retirement annually adopted a resolution extending the benefit payment for another year, until 2006. On June 21, 2006, after several public meetings on the topic of the non-vested health benefit, the FCERA Board of Retirement adopted a resolution providing payment of the benefit at the then current level until all then-existing funds in the Health Benefit Reserve were distributed. Thereafter, no additional funds would go into the discretionary Health Benefit Reserve.

## **Board Briefing Report**

Page 2

Each year, FCERA's outside actuary determines an estimate of the expected future liability of the reserve, and the expected date the Health Benefit 2 is projected to end. Members are regularly provided with an estimated end date of the benefit via the FCERA newsletters, Active and Retired Member Handbooks, retirement seminars and workshops, counseling sessions, Board of Retirement meetings, and most recently a letter to all retirees stating an expected end date of the first quarter of the 2016 fiscal year. This projection was calculated prior to the identification of the FCERA accounting error using 2004 POB proceeds for this benefit.

### **Vested Health Benefit**

Unlike the non-vested benefit described above, FCERA also administers a vested health benefit. The Vested Health Benefit (also known as "Health Benefit VS," for the "*Ventura Settlement*") is the result of the 2000 post- Ventura litigation Settlement Agreement and provides a monthly benefit equal to \$3 per full year of credited service. So, for example, if a retiree has 30 years of credited service, their monthly Vested Health Benefit would be \$90. The benefit does not have a maximum number of years of service attributable to it, but does have a maximum benefit level equal to the insurance premium for a single retiree under age 65 enrolled in the lowest cost plan offered by the County.

Prior to 2003, the contributions and expenditures for both the Non-Vested Health Benefit 2 and the Vested Health Benefit were accounted for in one reserve account on the books of FCERA. In 2003, the single reserve was divided into two reserves with approximately 1/3 of the balance being transferred to the new Vested Health Benefit (Health Benefit VS) Reserve.

### **Pension Obligation Bonds**

The County of Fresno issued Pension Obligation Bonds (POB) in 2004 that provided FCERA \$398,140,728 million in contributions to fund the unfunded actuarial accrued liability (UAAL) associated with vested benefits, as of June 30, 2003. In an email dated August 9, 2004, FCERA's actuary recommended the funds be allocated to the various reserves based on the proportion of the reserve balance to the UAAL at June 30, 2003. The email directed that \$13,024,663.28 be recorded to the Retiree Health Insurance Reserve. However, instead of posting the \$13 Million to the Vested Health Benefit reserve only, FCERA staff applied the ratio previously used to split the single reserve to the \$13 Million POB funding resulting in \$8,682,240.54 being posted to the non-vested health benefit reserve (Health Benefit 2).

### **Consequence of the Error**

Since 2004, the non-vested Health Benefit Reserve has held \$8,682,240.54 more than it should have held, and some discretionary Non-Vested Health Benefits have been paid out of those funds. As of October 31, 2014, the balance in the reserve is \$7,865,944.20, including interest posted to the account through June 30, 2008 (unaudited). Accordingly, if the error were to be reversed immediately, the account would be in deficit and no further disbursements could be made to retirees.

## **Board Briefing Report**

Page 3

Since 2004, FCERA has earned an average of 8.0% per annum (net of fees) on its assets (at market value.) No interest has been credited to the non-vested Health Benefit Reserve account since 2008; all of the interest earned on the assets of that account has been credited to the County Advance Reserve used to pay vested benefits. Accordingly, County contributions since 2004 have not been adversely affected by the error, although the UAAL attributed to the vested benefits has been overstated by \$8,682,240.54.

### **FOCUS OF FCERA RETIREMENT BOARD AND STAFF**

The FCERA Board of Retirement will be discussing this issue on November 5<sup>th</sup> in public session at its regular Board meeting. Letters have been mailed to all recipients alerting them to the error and the meeting. The FCERA Board will consider the following items at the meeting:

1. Cease paying the Health Benefit 2 as soon as possible
2. Cease adding additional participants
3. Whether recipients of overpayments will be required to repay some or all of those amounts.
4. Interest Earnings
5. Options for repaying the Vested Health Benefit Reserve

### **CONCLUSION**

The intent of this BBR is to provide background and relevant information on an issue before the FCERA Board of Retirement that impacts the plan sponsors and plan members.

### **CONTACT PERSON**

Contact Becky Van Wyk, Interim Retirement Administrator, Fresno County Employees' Retirement Association, at 559.457.0681 for further information.





Becky Van Wyk  
Interim Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
Dr. Rod Coburn, III, Chair  
Marion Austin  
Laura P. Basua  
Judith Case McNairy  
Vicki Crow  
Robert Dowell  
Eulalio Gomez  
Steven J. Jolly

October 23, 2014

Dear Retired FCERA Member,

I must inform you of an important change in your non-vested health benefit allowance ("Health2" on your check advice) that will be occurring shortly. FCERA staff has recently discovered that funds previously earmarked for payment of the vested retiree health benefit were incorrectly credited to the non-vested health benefit account many years ago. Had they been properly credited at the time, the funds remaining in the non-vested account would now be fully depleted.

Although we recently notified you that the non-vested benefit would be available until July – September next year, we now know that there are no more funds left in that account and the funding of this non-vested benefit must end as soon as possible.

Your FCERA Retirement Board is keenly aware that many of our retirees have come to depend on receiving these discretionary benefits to help manage their personal budgets, and did not expect that these funds would run out before next year. However, we cannot continue to pay this non-vested benefit out of money that was designated to pay for your promised benefits. California law and the Internal Revenue Service require us to adjust our books accordingly.

The Retirement Board is just now learning about this matter and intends to address it and discuss all available options during its next regularly scheduled public meeting on November 5<sup>th</sup>. We invite all members to attend and provide your comments at that time. If you are unable to attend but wish the Board to consider your views, please submit them in writing to the Board no later than 5:00 p.m. PST on October 30<sup>th</sup> so we may include them in the material provided to the Board in their meeting packet. Written comments may be emailed to [FCERAWebmail@co.fresno.ca.us](mailto:FCERAWebmail@co.fresno.ca.us), or sent by U.S. Mail to the attention of Elizabeth Avalos, Board Secretary, FCERA, 1111 H Street, Fresno, CA 93721.

On behalf of the Board and all of us at FCERA, thank you for your patience as we work through this unexpected change in our ability to continue to pay these non-vested benefits. We pledge to seek the very best options legally available for lessening the impact on your personal budgets.

Sincerely,

Becky Van Wyk  
Interim Retirement Administrator

RECEIVED

OCT 26 2014 <sup>ms</sup>

Fresno County Employees  
Retirement Association

Oct 27 2014

Dear Elizabeth  
I received your letter of bad news the  
24<sup>th</sup> of this month after reading it I  
knew that I'd lost a benefit. On June  
of this year I was diagnosed with  
Cancer in my right lung and I'm going  
through Chemotherapy. I don't know  
how losing this benefit is going to  
affect me and my treatments. I can only  
hope for the best. I'm hoping the board  
will come up with a solution around  
this problem. Losing health benefit 2  
is going to play havoc with my  
budget. But if worse comes to worse  
I'll take the bitter with the sweet.

Sincerely





RECEIVED  
OCT 27 2014 MS  
Fresno County Employees'  
Retirement Association

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
Dr. Rod Coburn, III, Chair  
Marion Austin  
Laura P. Basua  
Judith Case McNairy  
Vicki Crow  
Robert Dowell  
Eulalio Gomez  
Steven J. Jolly

Becky Van Wyk  
Interim Retirement Administrator

October 23, 2014

Dear Retired FCERA Member,

I must inform you of an important change in your non-vested health benefit allowance ("Health2" on your check advice) that will be occurring shortly. FCERA staff has recently discovered that funds previously earmarked for payment of the vested retiree health benefit were incorrectly credited to the non-vested health benefit account many years ago. Had they been properly credited at the time, the funds remaining in the non-vested account would now be fully depleted.

Although we recently notified you that the non-vested benefit would be available until July – September next year, we now know that there are no more funds left in that account and the funding of this non-vested benefit must end as soon as possible.

Your FCERA Retirement Board is keenly aware that many of our retirees have come to depend on receiving these discretionary benefits to help manage their personal budgets, and did not expect that these funds would run out before next year. However, we cannot continue to pay this non-vested benefit out of money that was designated to pay for your promised benefits. California law and the Internal Revenue Service require us to adjust our books accordingly.

The Retirement Board is just now learning about this matter and intends to address it and discuss all available options during its next regularly scheduled public meeting on November 5<sup>th</sup>. We invite all members to attend and provide your comments at that time. If you are unable to attend but wish the Board to consider your views, please submit them in writing to the Board no later than 5:00 p.m. PST on October 30<sup>th</sup> so we may include them in the material provided to the Board in their meeting packet. Written comments may be emailed to [FCERAWebmail@co.fresno.ca.us](mailto:FCERAWebmail@co.fresno.ca.us), or sent by U.S. Mail to the attention of Elizabeth Avalos, Board Secretary, FCERA, 1111 H Street, Fresno, CA 93721.

On behalf of the Board and all of us at FCERA, thank you for your patience as we work through this unexpected change in our ability to continue to pay these non-vested benefits. We pledge to seek the very best options legally available for lessening the impact on your personal budgets.

Sincerely,

*Becky Van Wyk*

Becky Van Wyk  
Interim Retirement Administrator



*We've relied on these  
benefit especially now we  
are on fixed income being  
retired.*

*Sincerely,  
Natividad  
Mercado  
C. Mercado*

1111 H Street, Fresno, CA 93721, Tel 559.457.0681 Fax 559.457.0318

*From: Natividad L. Mercado*

**Van Wyk, Becky**

---

**From:** joy [REDACTED]  
**Sent:** Tuesday, October 28, 2014 5:26 PM  
**To:** FCERAwebmail  
**Subject:** health benefit

Retirement Administrator:

In the future if you send me an important life-changing letter, I want it sent registered mail to me personally. My name or current resident is not acceptable.

I am very upset at the casual manner this life altering problem is being handled. Why is it the retirees problem to take care of the your unbelievable mistake?

I can't believe this has been happening for "many years" with no oversight from the board which also includes a County Supervisor.

Your explanation of the situation is very vague and makes me wonder what other incompetence will impact our current and future pension. I t is now impossible to see any future planning, since this depletion impacts my total income.

Joy Boyce



**Van Wyk, Becky**

---

**From:** joy [REDACTED]  
**Sent:** Wednesday, October 29, 2014 10:00 PM  
**To:** FCERAwebmail  
**Subject:** benefit

To Retirement administrator:

If you are going to send me another life-altering letter; it needs to be more personal than "or current resident". What are you thinking? I will expect any further notice that affects my personal finances to be sent by registered mail only.  
Is the October check going to be short? Shouldn't there be a little more notice? Is this legal? How many other "mistakes" have been made in our pension fund? It is difficult to believe the Board was not aware when a County Supervisor has her name listed on the Board. I am a little confused about how the money was distributed between the two health benefits. Will the health fixed health benefit be raised again (\$96 currently for me. It would be beneficial to have a raise to compensate for the larger loss.) It is disturbing to realize how quickly a situation can change and so little notice or explanation. What other pension surprises await all of us. The County has lost a lot of credibility with pension recipients.

Joy Boyce

**Van Wyk, Becky**

---

**From:** Linda Hutcheson [REDACTED]  
**Sent:** Wednesday, October 29, 2014 7:26 PM  
**To:** FCERAwebmail  
**Subject:** Health Benefit 2

I am writing to express my concern regarding the discontinuance of these funds. I understand the health benefit allowance is a non-vested allowance, however, many of our retirees will suffer significantly due to this loss. Most retirees are senior citizens that are unable to go back to work to make additional income to replace this loss. Not only is the benefit going away much sooner than we were told, but we understand there is even some discussion regarding pay back by the retirees for some of the health benefits already received.

Regardless of who made the accounting error (incorrectly credited) referenced in Ms Van Wyk's letter dated October 23, retirees on fixed incomes should not be penalized by requiring any pay back.

Please take my concerns and those of my fellow retirees in consideration at the upcoming FCERA Board meeting on November 5.

Sincerely,

Linda Hutcheson  
REFCO Vice-President

10/30/2014

-----Original Message-----

From: Isabel Good [REDACTED]  
Sent: Thursday, October 30, 2014 7:16 PM  
To: ECERAwebmail  
Cc: [REDACTED]  
Subject: Health Benefit-2

October 30, 2014

To whom it may concern:

I have received two letters regarding this benefit. The first one a few months ago stated that the fund would run out in June of 2015, so I knew my check would be decreased next year and I could make adjustments. Now the most recent letter arrives that is confusing. The auditors that you supposedly have had checking and auditing your accounts yearly say the fund is in arrears and now you want your mistake repaid by the retiree who certainly was not at fault nor was there any attempt to defraud the county by a retiree!

While I personally, might be able to afford an unplanned decrease in my retirement, many retirees can not. I would expect the trustees to afford the retirees the same consideration and courtesy that is afforded a cash aid recipient; adequate and very clear notification. Since this was your mistake ( and who really knows here since either the first CPA auditors were incompetent or the current assessment is incorrect ); no retiree should be expected to repay any supposed overages. It is enough that we are having to endure the decrease earlier than originally notified.

And unfortunately, I cannot attend the next Board meeting as I am working a part-time job but I strongly object to how this supposed over payment issue is being handled.

Isabel Good  
[REDACTED]

**From:** [REDACTED]  
**Sent:** Thursday, October 30, 2014 9:26 PM  
**To:** FCERAwebmail  
**Subject:** Health 2 Issue

This is in response to the letter dated October 23rd and the REBCO Luncheon on October 23rd. I have to share my dismay at hearing about this issue at the luncheon like it was nothing. I have always been aware that these dollars were time limited but I take issue with being told that they will likely be abruptly stopped and that we may be asked to pay back funds already issued. \$150 is not insignificant to me. I worked for the County long enough to know that this is someone's very critical error and probably occurred without proper oversight. I am very opposed to paying any money back due to someone's carelessness and I also take issue with such short notice for the discontinuance of this benefit. I spend an incredible amount for health coverage and this is a significant loss.  
Sincerely, Marlene Pascua

RECEIVED

OCT 29 2014 <sup>mg</sup>

Fresno County Employees'  
Retirement Association

October 26, 2014

Fresno County Employees' Retirement Association, Board of  
Becky Van Wyk Retirement  
Interim Retirement Administrator

This letter is in response to your letter dated  
October 23, 2014 of the change in my non-vested  
health benefit allowance (Health 2).

I depend on these benefits received to help  
manage my personal budget. If you take it  
away it is going to hurt me very much.

My deceased husband (James Mercado) gave you  
Fresno County many years of good service and  
wanted to make sure that we, his family would  
be able to go on without him and now you want  
to take this Benefit away from me.

I am now a single parent with my son and my  
granddaughter which I love both very much and  
continue to miss my husband very much still.

I ask that please do not take this Benefit away.

I'm sure there must be some source to continue  
paying this non-vested Benefit designated to pay our  
promised Benefits.

If this was an error made by FCERA staff, why  
should we pay for their mistakes.

Again, I ask please do not take this Health 2 away.

Sincerely,

Rain V. Mercado

Date: October 30, 2014

To: Trustees of the Retirement Board

From: Julie Hornback, President of REFCO

Subject: Health 2 Benefit Issues

The focus of this letter is on the issue of potential overpayments of Health2 benefits that is identified on your November 5, 2014 agenda as consideration of the repayment of the Non-Vested Health Benefit 'overpayments'.

This reported overpayment should not be repaid by retirees because:

1. It was out of the control of retirees to prevent
2. At the time of the May 7, 2014 letter we were advised the fund would allow for payments until the first quarter of 2015-2016 so there is no question the funds were received in **good faith** by retirees.
3. There was no attempt to defraud the fund by retirees
4. The retirement board has the discretion on whether to pursue repayments of overpayments. We request that the retirement board determine that since the error was the result of an administrative error that originally occurred years ago and apparently continued undiscovered despite annual reviews and audits since the original error, it should not be the responsibility of retirees to correct the error.
5. Repayment of the overpayment will cause harm and will a hardship to retirees. The unexpected loss of the health2 benefits immediately, to prevent additional overpayments, is an impact to the retirees in and by itself.
6. **If** any repayment is pursued, then the actuarial and accountants who provided financial oversight should be held responsible.

7. If your board determines the funds need to be replenished there is insufficient information provided at this time to make any additional suggestions or recommendations. Therefore, adequate time should be allowed to pursue options and not rush a decision. This should also allow retirees and active employees to have input on options/ solutions.

Retirees are incredulous, angry, confused, and worried.

Feedback from retirees, that I have received, is that they do not want to cause additional potential overpayments by delaying action on the termination of health2 benefits. Please note that this position is based on limited input due to time constraints.

Many retirees are physically unable or have responsibilities that prevent them from attending a board meeting in person but they are paying attention to your actions and trust that you will do the right thing for retiree and not make them pay for mistakes that were completely out of their control.

**Van Wyk, Becky**

---

**From:** JOY CLARK [REDACTED]  
**Sent:** Wednesday, October 29, 2014 12:46 PM  
**To:** FCERAwebmail

**Subject:** NON-VESTED HEALTH BENEFIT AKA HEALTH BENEFIT 2

Thanks to a Fresno County Retiree, the problem was brought to the Retirement Board's attention. Although we probably wish it had not been found, I am sure it was the right thing to do. I encourage the Board to keep that in mind when deciding what to do about the error.

All retirees should be able to rely on the Retirement Board to keep the books in order and not allow these kind of mistakes to happen, regardless of who made the initial mistake. I urge you to not fix the mistake on the backs of the retirees. We all have more or less fixed incomes (except for the annual COLA).

I urge the Board to find a solution that will not place a double financial burden on the retirees - the monthly loss of the benefit and the added loss of repaying the overpayments.

JOY CLARK  
[REDACTED]

10/29/2014



**Avalos, Elizabeth**

---

**From:** Van Wyk, Becky on behalf of FCERAwebmail  
**Sent:** Friday, October 24, 2014 8:26 AM  
**To:** 'Linda Martin'; Avalos, Elizabeth  
**Subject:** RE: Health 2 funds ATTN: Elizabeth Avalos

Thank you for the email. I will include it with the Board Agenda packet for the November 5th meeting.

Please call (559.457.0681) or email me if you have further questions.

Sincerely,

Becky Van Wyk, CPA  
Interim Retirement Administrator  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721

-----Original Message-----

From: Linda Martin [REDACTED]  
Sent: Thursday, October 23, 2014 4:24 PM  
To: FCERAwebmail  
Subject: Health 2 funds ATTN: Elizabeth Avalos

This is in response to your letter dtd October 23 concerning the depletion of health 2 funds. I am dismayed at the apparent lack of competence fcera staff has admitted to in this letter. What else is lurking out there waiting to be discovered? Gary Martin

Sent from my iPad

October 27, 2014

To: FCERA Board of Retirement Trustees:

## **Re Non-Vested Health Benefit Account Potential Overpayment Repayments**

Dear Trustees;

I am writing this in response to the specific 11/05/14 Agenda Items dealing with your consideration of the repayment of the Non-Vested Health Benefit 'overpayments'. I would prefer to address this issue with you, in person. However, I am unable to do so because of a recent accident and some attendant medical complications that temporarily limits my mobility.

Implicit in the compact involving consideration of any issue that may result in harm to others, is the necessity to set biases aside and thoughtfully study the totality (history, background and potential harm) of the issue at hand in order to arrive at a just course of action.

In this case, there are two critical issues that demand answers; who are the culpable parties and what remedy will be imposed on them?

- ✓ First, I believe that neither the person who deposited the money in the wrong account nor the Board of Trustees (BOR) should be blamed in this matter, their fiduciary duties notwithstanding. "To err is human..."
- ✓ Auditors Professional auditors are paid to audit. The matter under consideration here is just the latest in a string of accounting errors in which the retirees have been made to pay the penalty for the actions of others. (Should I imprison your brother to pay for the crime committed by my brother?) I hold FCERA's auditors primarily culpable for this 'overpayment.' They should be fined for an amount at least equal to the amount of the 'overpayment'. Why are they not being held to their sworn standards/duties? Is it because they are "too big" and too lofty to be held accountable? Is the \$ amount involved 'too small' for them? Does it take an Enron-sized cataclysm for justice to be served?
- ✓ County Treasurer: By law, the County Treasurer holds a permanent Trustee seat on the BOR. to provide system oversight. Where was that oversight in this case?
- ✓ Do You Know the Retirees You Serve? In this case, "knowing" the retirees refers to knowing the pension benefit spread between \$30,000 and \$100,000 i.e., what percentage of the retirees receive gross benefits of \$30,000 or less; what percentage receive \$40,000 or less and so on, in \$10,000 increments. Knowing this, particularly as it applies to those who retired prior to 2001, is useful in considering the economic harm that may be done to the retirees who are the innocent victims of this accounting error. Because of that potential harm, a course of action that may penalize the retirees will not be tolerated.

I thank you for your consideration and want you to know that because you have the authority and discretion to do so, I trust you will carry out your obligation to manage the system for the benefit of the members and beneficiaries by pursuing a course of action that requires a remedy from the culpable parties – not the innocent victims.

Sincerely,

Regina Wheeler



RECEIVED

OCT 27 2014 *MS*

October 24, 2014

Fresno County Employees  
Retirement Association



Becky Van Wyk  
Interim Retirement Administrator  
FCERA  
1111 H Street  
Fresno, CA 93721

RE: Vested Retiree Fund

Dear Becky,

Good God Almighty! These cuts may not hurt a lot of retiree people, but I know many like me are being hurt hard with health insurance \$4,000. I need my retirement check just to try to keep my head above water. I will be 91 years old on December 1. What am I supposed to do to make up for the County retirement check I depend on? I have tried to save money, but with everything going up in price, it has sucked so much money away from my accounts.

What little look I have, top tax \$300 a year fire protection (that the State put on all of us) we do yourself by law it isn't the working. It is Government people that over spent, it is City, County, and the State that put California in a mess. Our Federal government is the same mess. Whomever was in charge of the Retiree Fund should be fired and his or her retirement dropped.

After first notice of cut, I believe Fresno County got 2% raises. All the new things Fresno County is doing – Mall downtown Fresno, the stupid high speed rail that should not be built (we can't afford it), etc., do a cut on all County and State employees. Start at the top and work to the bottom. Then State of California should do the same. Let us enjoy having less money. The rich get richer and the poor are getting poorer.

Happy days are here again.

A handwritten signature in cursive script that reads "Phyllis L. Burk".

Phyllis L. Burk

RECEIVED

OCT 29 2014 mg

Fresno County

Fresno County Employees' Retirement Association

10-26-14

Employees' Retirement Association

Ida Feuersinger

attn: Elizabeth Aralos

This letter is to inform you of my objection to delete the vested retiree health benefit on my retirement benefits.

This will create a financial hardship for me. I can barely make the cost to me for my current medical cost that I presently have. Any decrease in my benefits would create further problems financially. When I retired I had a contract with Fresno County for the retirement funds that I was entitled to. These funds should not be decreased due to the county incorrectly crediting the health benefit for me and other retirees.

Thank you for your consideration

Ida Feuersinger

**Van Wyk, Becky**

---

**From:** [REDACTED]  
**Sent:** Wednesday, October 29, 2014 4:37 PM  
**To:** FCERAwebmail  
**Subject:** Health2

I do not understand the responsibilities of auditors. They are being paid to find errors in the accounting system. How in the world did this error get past a good auditor?

This will severely impact all retirees as they are on a fixed income.

Why must retirees pay for auditors errors???????

Marianne Messina

10/29/2014

**From:** Van Wyk, Becky  
**Sent:** Friday, October 31, 2014 9:37 AM  
**To:** [REDACTED]  
**Subject:** RE: Health Benefit 2 reserve

Les,  
I listened to the recording of the discussion and reviewed the annual reports to determine the actual motion. Stephanie Savrnoch made a motion to use \$12 million to fully fund the supplemental COLA at a fixed dollar amount. John Souza clarified the motion to include use of approximately \$12 million of the \$72 million in the health fund to fully fund the supplemental COLA.

Unfortunately, the minutes (even when corrected) continued to reference the wrong source.

The recording is on a cd which you are welcome to come into the office to listen to if you wish.

Please call (559.457.0681) or email me if you have further questions.

Sincerely,

Becky Van Wyk, CPA  
Interim Retirement Administrator  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721

---

**From:** [REDACTED]  
**Sent:** Friday, October 31, 2014 1:22 AM  
**To:** Van Wyk, Becky  
**Subject:** Re: Health Benefit 2 reserve

Hello Becky

I have been unable to contact John Souza to discuss this matter.  
It appears to me that the \$12 million transfer for the TAO approved by the Board was taken from the Supp Health Reserve when it should have been taken from the Undistributed Earnings as specified in the approved motion. See October 26, 2006 Special Meeting Minutes.

The only transfers from the Supp Health that I can recall were the \$5.0 million to the Supp COLA for pre-1981 retirees and the \$3.9 million to the TAO COLA for unfunded liabilities for current retirees.

What am I missing?

Les

In a message dated 10/28/2014 9:27:13 A.M. Pacific Daylight Time, BVanWyk@co.fresno.ca.us writes:

Les,

Attached are the minutes from the 5/19/06 meeting on this topic. The motion is on page 4. Also attached is the email from Ira with the estimated amount. The actual amount available was determined when the journal entries were recorded into the accounting system.

Please call (559.457.0681) or email me if you have further questions.

Sincerely,

Becky Van Wyk, CPA  
Interim Retirement Administrator  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721

---

**From:** [REDACTED]  
**Sent:** Monday, October 27, 2014 6:17 PM  
**To:** Van Wyk, Becky  
**Subject:** Re: Health Benefit 2 reserve

Hello Becky,

Thank you for the spread sheet.

My files include the \$5.0 million transfer to the Supplemental COLA (Loss of Purchasing Power) for retirees and the \$3.956 million transfer to the Temporary Annuity Option COLA for retirees.

I do not have any info on the \$5.167 transfer. Please provide whatever info, discussion and minutes, etc., you have on this Board approval. Thanks.

Les

In a message dated 10/27/2014 4:35:41 P.M. Pacific Daylight Time, BVanWyk@co.fresno.ca.us writes:

Les,

I have attached the schedule we prepared to track the error and correction. Please note that the bracketed amounts are actually money in the fund. The second column is the original reserve balance including the \$8.6 million posted in error and the earnings on that amount. The third column is the balance after the error and interest are reversed. The Health Benefit 2 payout is about \$6.2 million per month.

Please call (559.457.0681) or email me if you have further questions.

Sincerely,

Becky Van Wyk, CPA  
Interim Retirement Administrator  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721

**Avalos, Elizabeth**

---

**From:** Consuelo Macedo [REDACTED]  
**Sent:** Friday, October 31, 2014 11:29 AM  
**To:** FCERAwebmail  
**Cc:** REFCO Media Manager  
**Subject:** proposed changes in payment stubs

I am unable to drive over to attend the meeting on the 5th to protest requiring retirees to repay funds which were erroneously issued to us. My brother is a totally disabled County retired Sheriff Correctional Officer and cannot attend either to express this opinion. I would also like to scrutinize more closely the other issues being raised, and look forward to these items being resolved in timely fashion.

Sincerely,  
Consuelo Macedo, widow of Richard J. Macedo and Trustee for Arthur P. Stewart



**Avalos, Elizabeth**

---

**From:** David DeLaurant [REDACTED]  
**Sent:** Friday, October 31, 2014 11:57 AM  
**To:** FCERAwebmail  
**Subject:** Re: Meeting November 5

I will not be able to attend the November 5 FCERA Board meeting. My input on the agenda is as follows:

1. Cease paying the Health Benefit 2 as soon as possible

Yes, obviously

2. Cease adding additional participants

Yes, also pretty obvious

3. Whether recipients of overpayments will be required to repay some or all of those amounts

Let me say first that repayments like this suck!

OK, after all other options to balance this deficit have been exhausted, then repayment via a monthly deduction from benefits at the same \$125 rate.

4. Interest Earnings

If these can be applied to offset the Health Benefit 2 deficit, then that should be the priority use.

5. Options for repaying the Vested Health Benefit Reserve

No opinion. Gather a list of options on this at the meeting and table action a future meeting when these have been presented for consideration.

- David DeLaurant

**Avalos, Elizabeth**

---

**From:** Susan Abbott [REDACTED]  
**Sent:** Friday, October 31, 2014 11:51 AM  
**To:** FCERAwebmail  
**Subject:** Nov. 5 Meeting

I am unable to attend the Nov. 5 meeting, but would like to voice my concern. I knew at some point that retirees would no longer receive the Health 2 benefit. But to receive notice now that we may have to pay reimburse the account effective April, 2014, is not agreeable. Lump-sum repayment will be difficult for me and I am sure others. If we are required to repay, this will be treated as a double payment—one as the deduction and two the repayment. IF we have to repay, then a different tact will need to be taken—possibly over a one-year period. Some of us have only County retirement (in my case, vested in Fresno Unified Retirement as well) and have yet to receive Social Security.

Each year, we find out more “abuse” of our retirement. Of course, this came out when the County had the mass exodus of those who benefited from retirement.

I am sure the retirees who attend the meeting will represent those of us who cannot well. The benefit will need to cease, but am not in favor of reimbursement for some else’s fault.

Thank you  
Susan L. Abbott

[REDACTED]  
[REDACTED]  
[REDACTED]

10/31/2014

**Avalos, Elizabeth**

---

**From:** Judi Waterman [REDACTED]  
**Sent:** Friday, October 31, 2014 11:55 AM  
**To:** FCERAwebmail  
**Subject:** Your accounting error

Since the accounting and interest errors were not the fault of the retirees, who in good faith relied upon the workings of the County and had no way to audit the system to discover the accounting errors, I suggest you discharge the debt under your Errors and Omissions Policy. If the County is self insured, then the County would still be liable under its own self insurance for errors and omissions. The County should be responsible for its own errors, including any lost interest.

For many retirees, loss of the insurance is a hardship. Having to repay any sums, compounds the hardship. Any remuneration to the County should be interest free and limited only to the April to October, 2014 period. Since the County learned of the error prior to November, 2014, that payroll amount could have been withheld so that retirees were not further damaged.

A 3% COLA would help to balance out the loss caused by the County's negligent actions.

Judi and Pat Waterman

10/31/2014