

## **MINUTES**

### **SECOND 2008 BOARD OF DIRECTORS MEETING**

**Holiday Inn Capitol Plaza  
Sacramento, CA  
April 12, 2008**

The meeting was called to order at 1:30 p.m. by President Dave Hart. Roll was called and a quorum determined by Secretary-Treasurer David Okumura. The pledge of allegiance was led by Vice President Donna Snodgrass.

Members present were:

Dave Hart, President, CSEA  
Donna Snodgrass, Vice President, CSEA  
David Okumura, Secretary-Treasurer, CSEA  
Patrick N. Gantt, President, CSUEU  
Jim Hard, President, SEIU Local 1000  
Roger Marxen, President, CSEA Retirees, Inc.  
Tim Behrens, President, ACSS, Inc.  
Ronnie Grant, Vice President/Organizing, CSUEU  
Dennis Dillon, Vice President/Representation, CSUEU  
(sitting for Lori P. Williams, Vice President for Finance, CSUEU)  
Cathy Hackett, Vice President and Secretary-Treasurer, SEIU Local 1000  
Yvonne Walker, Vice President for Bargaining, SEIU Local 1000  
(sitting for Marc Bautista, Vice President Organizing/Representation,  
SEIU Local 1000)  
John A. Williams, Executive Vice President, CSEA Retirees, Inc.  
Max Turchen, Vice President, CSEA Retirees, Inc.  
Frank Ruffino, Director at Large, ACSS, Inc.  
Olin King, Vice President, ACSS, Inc.

Headquarters office was represented by: Lee King, Janis Mickel Szichak, Rocco R. Paternoster, Sherrie Golden, Danny Beagle, Sally Lorber, Mary Barr, Rommel Hernandez, Dina-Marie McGowan, Carol Viegas, Mitch Semer and Paula McClarin.

### **COMMUNICATIONS**

There were no communications.

### **REPORT OF EXECUTIVE SESSION**

Secretary-Treasurer David Okumura reported there were discussions of three

reports: UAW report, legal report, security and confidentiality of records and the CSEA building.

## **READING AND APPROVAL OF FIRST 2008 BOARD OF DIRECTORS MINUTES**

BD 15/08/2 MOTION: Okumura, second by Snodgrass - that the minutes of the First 2008 Board of Directors meeting be approved as printed and distributed. CARRIED.

## **REPORT OF AGENDA COMMITTEE**

Secretary-Treasurer David Okumura reported that the Agenda Committee added the following items to the agenda:

GA 3/08/2 (Behrens) Support for Budget Coalition

GA 4/08/2 (Gantt) Endorsement of California State University Alliance

FIS 5/08/2 (Snodgrass) Budget Revision

FIS 6/08/2 (Grant) Purchase of Printing Equipment

Additional Information Item added – Report from the Regional Directors meeting, April 12, 2008.

BD 16/08/2 MOTION: Okumura, second by Ruffino – that the Board of Directors adopt the agenda as amended. CARRIED.

## **REPORT OF PRESIDENT**

President Hart discussed short-term priorities for central support programs that included: Accounting, Member Services, Benefits and Communications. He noted that we are in the process of strategic planning and developing reports backed-up by data to make improvements in central support functions. He also noted that we have made significant progress developing trust and moving forward. This has mainly been accomplished through better communication and more frequent communication.

President Hart reported since the last retreat that was held on March 1, 2008, the board agreed that working together on a series of issues was needed. The board understands that strategic planning is needed to improve CSEA's customer service, improve communications between affiliates, develop a sustainable business model with a long-term plan, undertake succession planning and find ways that CSEA can help build strength and effectiveness of each of the affiliates.

Mr. Hart noted that some improvements have already been made such as the amount of time it takes to process expense claims, on-line communications and having regular Friday staff meetings.

The Governmental Affairs and Member Benefits Committees held their first organizational meetings and have scheduled follow-up meetings. The B&P Committee is scheduled to hold its first meeting on March 18 to get organized.

President Hart wants to spend less time in the office and attend more chapter meetings. So far he has attended Retiree chapter meetings in Santa Ana (Ch. 23), Redding (Ch. 13), La Mirada (Ch. 9), Retiree, CSUEU and ACSS Board meetings. Mr. Hart also attended CSUEU and ACSS Lobby Days at the Capitol and attended the Local 1000 meeting in preparation for bargaining at 14<sup>th</sup> Street before their building disaster struck. President Hart commented that he is very proud of CSEA central support staff, the management team and CSUEU for pulling together and helping an affiliate in need. Special thanks went out to Pat Gantt and the CSUEU staff, Phil Coonley, Janis Mickel Szichak, Lee King and Mark Reyman.

## **REPORT OF VICE PRESIDENT**

Vice President Donna Snodgrass revealed that she learned something new about CSEA and its affiliates and had the opportunity to observe all the affiliate election processes. She stated that they are all different, but worked well within each affiliate structure.

She reported that CSEA Retirees, Inc. elections were held in February and Roger Marxen was elected as CSEA Retirees, Inc. President. Today is his first CSEA Board of Directors meeting as president. Also, newly elected were: John Williams, Executive Vice President, CSEA Retirees, Inc.; Max Turchin, Vice President, CSEA Retirees, Inc.; and Harold Rose, Chief Financial Officer/ Secretary-Treasurer, CSEA Retirees, Inc.

CSUEU Lobby Days were held in March and meetings were centered around the state budget and funding for the University System.

The Governmental Affairs Committee met in March and conducted a workshop for the committee members. The discussion was centered around the same issues that the CSEA Executive Board discussed on April 12 such as: What is the role of the Governmental Affairs Committee now?

The CSUEU Board of Directors meeting was held March 14 -16. Vice President Snodgrass mentioned that it was great to observe the proceedings and think of ways that CSEA can better support the affiliate.

The SCORE meeting was held on March 17 and the “Morlach” lawsuit filed by the Orco Board of Supervisors may be filing briefs asking for a change of venue. Ms. Snodgrass further stated that every organization involved in retirement systems is watching this lawsuit.

California State Teachers Retirement System (CalSTRS) is opposing AB 1967 (Torrico) as well as California School Employees Association (C Schools). The CalPERS staff is recommending an oppose position unless it’s heavily amended. AB 1997 (Hayashi) sponsored by RPEA will allow local agency retirees to purchase vision care. PERS will administer this program.

The Death Benefit Tax is being addressed by more and more organizations across the United States. It appears that we may just need to wait for a major tax bill and slip it into the language.

Vice President Snodgrass reported that on the federal level, CalPERS death benefits have been considered taxable income since the death benefit exclusion was repealed in the early 1990’s. She mentioned that CalPERS supports the exclusion of existing death benefits from taxable income. A federal lobbyist has had follow-up meetings with Congresswoman Doris Matsui and Congressman Dan Lungren’s district office staff members regarding possible next steps.

During the board elections, the board voted to revise and update the Nomination Petition for CalPERS elections. Members will only have to provide the last 4 digits of their SSN for identification on the petition. This is a change from the requirement of 6 digits. She spoke briefly on investments and how you can view the CalPERS portfolio value on-line daily. The investment fund on March 17 was reported as \$235.8 billion. There was a loss of 3.2% and the loss was offset by gains in the private equity funds.

She noted that a letter from the LAO, Elizabeth Hill, criticized CalPERS’ “inconsistency in reporting income and funding.” The letter claimed that CalPERS started reporting the funded level after the upswing in markets which allowed them to report 100% funded status. She stated that CalPERS started reporting funded levels the same time the 15-year smoothing formulas began.

In regards to health benefits, the negotiations for the 2009 rate plans are underway. Vice President Snodgrass mentioned that there was nothing reported out at the meeting.

The board is looking at several issues surrounding the premiums and penalties being paid to insurers. One issue is Medicare Parts A and B.

Vice President Snodgrass reported that when a retiree reaches Medicare age, they are automatically eligible for Part A. This enrollment is not mandatory. Part A covers some hospitalization and emergency care and the cost is \$400 per

month. The board is looking into the possibility of this being a less expensive option than regular medical coverage. If CalPERS pays for Part A for all its eligible members, this would offset the HMO/PPO premiums by at least that much.

Furthermore, the second issue is Medicare Part B and the requirement to enroll in this program at age 65. CalPERS requires all members to enroll, or risk losing all medical coverage through CalPERS.

Another concern is Kaiser charging several million dollars in penalties for members who are not eligible on their own, but because their spouse is eligible, Kaiser is levying the penalty. She noted that CalPERS is pursuing legal remedies for this.

In regards to the restructure of the internal operations, there is a consulting firm working on ETM, (Enterprise Transition Management Project). The project is supposed to restructure CalPERS internal operations. After the first report was given, it was apparent that the board had severe concerns over the way this project was being managed. The consultant claimed to have interviewed all CalPERS staff for input and it became apparent that only the first 3 levels of management had been interviewed. The consultant, along with other management staff, presented a preliminary design that mirrored a large investment firm. The design completely omitted the health/medical side of CalPERS. The board members all agreed that there would be open workshops for the remainder of this project.

Ms. Snodgrass noted there are 23 Retirement Planning Fairs scheduled for 2008, beginning in April and ending in November and that details are listed on the CalPERS website.

Donna Snodgrass, Lee King and Kay Thomas spent two days in April with AGIA, our third-party administrator for our Member Benefits. She reported that AGIA is almost finished with a project to digitize all their documents. This system allows representatives to look at any document electronically when talking to a member. She stated that they were provided with a partial list of clients served by AGIA and that they have been in business for 50 years and have not lost a single customer. They currently manage over \$300 million in programs and benefits. They will be sending us their marketing plan for 2008 very soon.

## **REPORT OF SECRETARY-TREASURER**

David Okumura gave us the highlights on both operational and financial issues.

Financial Highlights: The net central support costs to the four affiliates were \$277,148 less than budgeted for the year ending December 31, 2007. The savings was primarily related to salary savings from unfilled budgeted positions.

The two departments mandated to break even during 2007 were the printing services and the Member Benefits Departments, which he stated were both profitable for the year. The printing services had a profit of approximately \$397,326 for 2007 and the Member Benefits Department had a profit of \$35,383 for 2007.

In regards to operational issues, Mr. Okumura stated that the Accounting Department is in the process of coordinating the audits of CSEA and the four affiliates. Auditors have been in the offices since March 24 and over the course of six weeks we will have three different audit firms in our department completing their field work relating to the 2007 audits.

Mr. Okumura noted that we are undergoing a review of our IT infrastructure to determine what improvements need to be considered. Currently, there are two staff people providing services to over 250 users spread among ten geographic locations throughout the state.

The Accounting Department is now sending out e-mails to staff and members on the receipt of an expense claim and also on issuance of the related check. Logs are being maintained to track this activity and to also annotate reasons for delays being incurred.

## **REPORT OF GENERAL MANAGER & DIRECTOR OF ORGANIZATIONAL DEVELOPMENT**

General Manager Lee King reported that the status of the headquarters building is in the final stages of the mechanical system overhaul. Local 1000 have taken approximately 2,800 square feet of the 4<sup>th</sup> floor for their representation department. CSUEU will be taking possession of the 5<sup>th</sup> floor in late May and this will represent 100% occupancy of the building. In the interim, we are housing Local 1000 staff in their space due to the evacuation from their building that incurred water damage.

Mr. King mentioned that the phone system was converted on March 17 and offers supported service and enhanced capabilities.

He also stated that the software conversion for the payroll system is well underway. Once finished in late fall of this year, there will be on-line time-keeping capabilities.

A proposal was presented to the board by Mr. King for consideration to make a major capital acquisition purchase for printing services. He noted that we have embarked on a customer satisfaction process throughout central support that will entail looking at all internal processes and how CSEA provides services to our affiliates and other external customers. He stated that Janis Mickel Szichak,

Director of Organizational Development, will be leading this important initiative and will be undergoing an in-depth review of all our central support departments to determine how our customer service might be enhanced. Additionally, there will be surveys conducted to members, affiliate leadership and employees to gauge customer satisfaction and establish benchmarks.

Mr. King reported that a letter has been developed and has gone out to approximately eighteen public employee organizations soliciting their interest in collaborating on member benefits for purposes of reducing costs and providing better products. There have been two initial responses indicating interest. There will be follow-up phone calls/visits to the non respondents.

A document reduction program has been started for files stored off-site at Iron Mountain. Currently CSEA is spending \$2,300/month on storage fees. To reduce costs, we have a campaign to pull all boxes from Iron Mountain to decide whether the information is still needed or to be destroyed. CSEA Administration, Member Benefits and Governmental Affairs Divisions have taken in 254 boxes and have destroyed all but 45 boxes total. Over the next few months, Central Support will be performing this task as well.

Mr. King stated that Arch Technology, an outside consulting firm, has been retained to conduct a review of CSEA's data systems and document flow processes with the goal of providing a framework for us to consider future technology needs.

Mr. King stated with the loss of our outside salesman, we have conducted a search to replace that individual and have found a candidate with over 25-years of sales experience in the print industry and hope to have this individual on board during the last week of April.

On April 7<sup>th</sup> and 8<sup>th</sup>, Kay Thomas and Donna Snodgrass visited our third- party administrator (AGIA) to review the 2008 marketing plan for most of our insurance plans. (AGIA administers all but life, auto and legal plans). Discussion included the obstacles CSEA would face in banding other public employee organizations together for mutual benefit in member benefits. Also, they shared their experiences in their customer satisfaction and retention programs that they have implemented as well as their electronic document retention program that we are currently investigating ourselves.

## **REPORT OF AFFILIATE ADMINISTRATORS**

Mitch Semer distributed a printed report and spoke briefly on completing a successful Lobby Day with ACSS. He welcomed new hire Linda Holderness, now taking over the helm of publishing *Today's Supervisor* and other communication vehicles, replacing Carol Perri, former ACSS Editor. He also touched bases on the long-standing goal for ACSS to bring educational offerings

to its members and to have joint education classes with rank-and-file that would prepare anyone who wanted to promote with the skills necessary to pass probation and be successful in their new assignments. Mitch stated that they are working in tandem with chapter president's and ACSS staff has been assisting those chapters who have lost their officers and have stalled in their goals of increasing their chapter size and bringing their members together to deal with their issues and challenges.

Roger Marxen, CSEA Retirees, Inc. spoke briefly and a printed report was distributed. Their mission of CSEA Retirees, Inc. is to protect and improve the pension and health benefits of its members. Information containing the location of the Headquarters Office and a listing of the full-time employees on staff was provided. Changes occurred in February's election, electing Roger Marxen as President, John Williams as Executive Vice President and Max Turchen as Vice President. One of the major issues is keeping down constantly-rising health care costs. The board and staff have attended CalPERS and Legislative hearings to help ensure that retirees' voices are heard.

Jean Colyer, Regional Director XIV, reported that the regional directors have established a Caucus to discuss ways they can work as a liaison between CSEA and all the affiliates. Presentations were made by local 1000, CSUEU and ACSS with regarding budget issues. Recommended communications for the board to implement a regional director a regional communication process using a CSEA website and Jean Colyer will coordinate. Based on B&P language a committee has been formed to work in conjunction with the B&P Committee to draft resolutions regarding functions that fall in the parameter of B&P 8. The roles and responsibilities will be discussed at future meetings. She reported that a commitment with Mitch Semer, ACSS has been made to help establish a bulletin board and worksites within the regions. Regional directors hope to be able to give a report at each Board of Directors meeting.

**BD 17/08/2 MOTION: Grant, second by Behrens - that the Board of Directors combine the following agenda items be voted on in toto and without discussion by consensus:**

1. BEN 1/08/2 California School Employees Association Auto Referral Program
2. BEN 2/08/2 Wells Fargo Home Mortgage Program
3. FIS 4/08/2 CSEA Pension Plan
4. GA 2/08/2 Support Position for SB 1123 (Wiggins) and AB 1844 (Hernandez)
5. GA 3/08/2 Support Budget Coalition

6. GA 4/08/2 Endorsement of California State University Alliance

CARRIED UNANIMOUSLY.

**BEN 1/08/2 (Snodgrass) California School Employees Association Auto Referral Program**

For over 20 years, the California School Employees Association has provided this auto referral program to their members and staff. Up until 1992, this organization utilized brokers and other service agencies. CSchools has changed this to a program where their members are referred directly to an auto agency in their area.

CSchools appointed a service to set up and maintain a preferred dealer list. The New Auto Dealer List is updated monthly and is sent to members who request it. The auto dealerships on the list have referral exclusively for their specific geographical area. The advertising fee for each dealership is \$95 per month. Each participating dealership on the referral list signs the Dealer Advertising Agreement. By becoming a part of the referral program, each dealer agrees to offer fleet discount pricing on new vehicles and hassle-free service to union members.

The California Auto Referral Service then works with the preferred dealers to offer the best possible fleet purchase price. CSchools members are asked to recommend dealerships in their area they believe should be in this referral program.

Recommended Action - that the Board of Directors adopt the Member Benefits Committee recommendation to accept the California School Employees Association Auto Referral Program as a new member benefit program.

**BEN 2/08/2 (Snodgrass) Wells Fargo Home Mortgage Program**

At the March 1, 2008 Member Benefits Committee a presentation was made by Wells Fargo Home Mortgage representatives Chris Owen, branch manager; Dave Mahoney, and Jason Thomas, home mortgage consultants and CalPERS certified loan officers.

Recommended Action - that the Board of Directors adopt the Member Benefits Committee recommendation to accept the Wells Fargo Home Mortgage Program as a new member benefit program through a joint marketing agreement.

**FIS 4/08/2 (Okumura) CSEA Pension Plan**

The IRS Pension Protection Act of 2006 requires changes to our plan in the following areas:

1. Joint and 75% Survivor Annuity
2. Benefits Limits
3. Settlement Form Elections
4. Actuarial Factors
5. Vesting Protection

Recommended Action - that the Board of Directors approve the amendment to the CSEA Retirement Plan.

**GA 2/08/2 (Marxen) Support Position for SB 1123 (Wiggins) and AB 1844 (Hernandez)**

Post-employment benefits for public employees generally fall into two categories. The first is pension benefits which provide continuing income to employees after they retire. The second is broadly defined as “other post-employment benefits” or OPEB. OPEB benefits include health care as well as vision care, life insurance and dental care.

SB 1123 (Wiggins) – Improves pension and OPEB cost reporting and disclosure requirements and establishes an expert panel to study and review actuarial policies and standards.

AB 1844 (Hernandez) – Increases transparency and accountability of pension and OPEB funding and enhances CalPERS’ ability to respond to instances of disability fraud.

Recommended Action - that the CSEA Board of Directors approve a support position on SB 1123 (Wiggings) and AB 1844 (Hernandez) which are bills resulting from recommendations of the Public Employee Post-Employment Benefits Commission.

**GA 3/08/2 (Behrens) Support for Budget Coalition**

The State of California faces a projected \$16 billion budget deficit for FY 2008-09. Governor Schwarzenegger proposes to address this deficit by imposing a 10 percent across-the-board cut. The governor’s proposal would deeply undermine k-12 and higher education, health care, assistance to the disabled and senior citizens and other social services used by millions of Californians. It could also lead to large state worker and CSU layoffs.

In response, a large group of labor organizations, community-based groups and non-profits, have come together in a new coalition – together for California’s

Future – to work for a more balanced solution, including increasing revenue, imposing targeted and specific budget cuts and closing tax loopholes.

(C-MAC funding balances as of April 1, 2008: Legislative contributions (candidates) - \$352,534.36; Initiative Committee (propositions) - \$193.45.)

Recommended Action - that the Board of Directors support the Budget Coalition with a contribution of \$20,000 in printing subsidies for coalition program needs.

### **GA 4/08/2 (Gantt) Endorsement of California State University Alliance**

The Alliance for the CSU includes all those who care about the future of the state and its state university system. Students, alumni, faculty, CSU staff, administrators, parents of the CSU students, employers, church leaders, labor union members, and people who depend on and enjoy the many assets the California State University adds to our communities and cities. The CSUEU is participating in the Alliance and mobilizing the membership to advocate for solutions and to oppose the “cuts only” approach by the governor.

Recommended Action - that the Board of Directors endorse the California State University Alliance and its political position regarding the governor’s budget proposals.

### **FIS 5/08/2 (Snodgrass) Budget Revision**

General Council adopted a budget for regional directors in the amount of \$80,000 for 2008. FIS 4/08/01 at the January 26, 2008 board meeting approved a budget for the various regional directors that totaled \$49,760, thereby not encumbering the entire \$80,000 budget.

Staff estimated that there are two board meetings left during the 2008 calendar year. Approximate cost of a meeting room for each of the two remaining meeting dates would be approximately \$500-\$1,000 in total.

BD 18/08/2 MOTION: Snodgrass, second by Grant - that the Board of Directors authorize the cost of a meeting room during each scheduled CSEA board meeting from the Regional Directors budget line item that’s already there. CARRIED. (All in favor with the exception of Jim Hard voting no).

### **FIS 6/08/2 (Grant) Purchase of Printing Equipment**

General Manager Lee King and Printing Services Supervisor Rommel Hernandez, presented financial and operational data for the boards consideration. Director of Organizational Development Janis Mickel Szichak responded to board questions regarding UAW concerns.

BD 19/08/2 MOTION: Grant, second by Dillon; amended by Walker, second by Behrens - that the Board of Directors authorize the General Manager to enter into an installment purchase agreement or lease for a 40-inch printing press for a total cost not to exceed \$1,500,000. Authorization is contingent on successful resolution of soil toxicity reports with costs for remediation not to exceed \$50,000. Also, CSEA will pursue acquiring use of the Allied Printing Trades Alliance bug. CARRIED.

The meeting was adjourned at 4:20 p.m.

/pm - Board of Directors Meeting