

**KRC Executive Committee**  
**Kern Regional Center**  
**June 5, 2014**  
**Minutes**

Present: Susan Lara, President  
Steve Essleman, Vice President (By Phone)  
Frank Meyer, Treasurer  
Staff: Duane Law, CEO

Meeting Started at 9:40am

- 1) **Pension:** The Executive Committee reviewed the "Statement of Facts" document prepared by our ERISA Attorney Jeff Chang. The document will be used to request a Private Letter Ruling from the IRS declaring KRC as an "instrumentality of the State" or governmental, for purposes of pension. The Executive committee discussed this process and the purpose. This request from the IRS could take from 3-6 months to before receiving a ruling. There are 4-5 other regional centers who have received a Private Letter Ruling, and the majority of the other regional centers have their pensions through CALPERS. This process could allow KRC to step into a plan review to begin discussion on best options. In the ERISA Plan, we have extra expenses, such as the \$100,000 a year to plan insurance (PBGC) which only protects the ones already in retirement. We also pay into the unfunded liability, in 2012 KRC paid \$700,000 for the unfunded liability, in 2013 it was \$750,000 and in 2014, KRC will need to pay into the plan \$1.4 million towards the unfunded liability. Also, through ERISA regulations, we cannot opt-out of Social Security, yet KRC has.

Motion was made by Steve Esselman to have legal counsel Jeff Chang submit "Statement of Facts" to IRS to request a Private Letter Ruling to declare KRC as an "instrumentality of the State." Steve also requested the full Board be able to review the document. Seconded by Frank Meyer. (2-0-0).

- 2) **Pension Committee:** The Executive Committee also discussed the development of a Pension Committee and the specific responsibilities of the committee in regards to the oversight of the Pension. The Pension Committee will be responsible for hiring a 3 (38) firm which mitigates some of the liability. There will be additional bond purchased for committee members. Legal Counsel Jeff Chang will be giving us more guidance on the development of this committee before implementation.
- 3) **Salary Wage Scale:** The Executive Committee was joined by Jon Gusman, CFO and Margaret Pyles, Human Resources Manager. They presented the salary wage scale or staffing classifications by departments, which had not been revised since 2007. Each staff member, as per the Collective Bargaining Agreement (Union) receives a 5% step increase for the first 8 years, step increases have gone back to merit based upon job evaluation. After the 8 step increases, a 2.5% longevity increase will happen every 3 years. The purpose of this review is to update the structure of the wage scale in alignment with current KRC operations and roles.

12:20pm Meeting Adjourned