

# AGENDA ITEM

**JULY 112**  
**Executive Staff Rules:  
Amendment Section 27  
[Retirement] and Adoption of  
Retiree Healthcare Plan  
Document**

**DATE:** July 2008

**TO:** Members, Board Operations Committee  
Members, Board of Governors

**FROM:** Robert A. Hawley, Deputy Executive Director

**SUBJECT:** Amendment Executive Staff Rules Section 27 [Retirement] and Adoption of Retiree Healthcare Plan Document

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## EXECUTIVE SUMMARY

State Bar Executive Staff are governed by Rules & Regulations Pertaining to the Employment of Executive Staff ("Rules") adopted by the Board of Governors. Executive Staff Rule Section 27 [Retirement] has provided since 1980 a retiree health benefit for eligible Executive Staff. This post-retirement employee benefit is self-funded and self-administered by the State Bar. The Board has been considering for some time the establishment of a qualified trust into which the plan assets will be placed for investment purposes. Simultaneously, the State Bar has been developing a governing plan document that will govern the administration of the benefit plan. This item asks for approval of the plan document and a corresponding amendment to Rule 27 of the Rules. The amendment to Rule 27 simply amends the rules to defer to the governing plan document with respect to eligibility, benefit terms and administration standards. Also before the Board for approval at the July 2008 meeting is a proposal to use CalPERS or another investment company to administer the trust. However, regardless of whether a trust is utilized, staff recommends that the Board adopt a plan administration document to govern the benefit plan. The proposed plan document provides greater detail on the retiree healthcare benefit, eligibility, and administration. If you have questions regarding this item, please contact Robert Hawley at [Robert.Hawley@calbar.ca.gov](mailto:Robert.Hawley@calbar.ca.gov); (415) 538-2277.

## INTRODUCTION

Since 1980, eligible Executive Staff of the State Bar of California have been provided with a retiree health benefit defined in the Rules & Regulations Pertaining to the Employment of Executive Staff adopted by the Board of Governors. The benefit is currently defined in section 27 [Retirement] of the Rules. The benefit is self-funded and self-administered by the State Bar.

For some time, the Board has been exploring the benefits of establishing a qualified trust to administer the assets of this post-retirement benefit plan. Along with the development of the plan trust, the State Bar has also been developing a governing plan administration document that defines

with more particularly than Rule 27 the governing terms of the plan, eligibility standards, and other administration standards.

Currently, the sole defining standard for the benefit has been section 27 of the Rules. This rule is becoming inadequate to address the ever increasing and evolving nature of this benefit plan as more and more executives retire and the assets of the plan grow. Before the Board at the July 2008 meeting are proposals to use CalPERS or another investment company to administer the plan trust and this item which recommends adopting a separate benefit administration document. The trust proposal is being vetted through the Investment Subcommittee and the Planning, Program Development and Budget Committee of the Board. The plan administration document has been developed by the Office of Human Resources in conjunction with the Office of General Counsel and specialized outside counsel.

Upon the adoption of the governing plan document, existing Executive Staff Rule 27 should no longer set governing standards for the plan. The Executive Staff rule should, rather, identify and defer to the plan document and the plan document should be the source of the eligibility terms, benefit terms, and governing standards for the plan.

As a result, it is recommended that section 27 [Retirement] of the Rules be amended to delete definitional terms regarding this retirement benefit and refer instead to the plan document that will be the source of these governing terms. The plan document does not change the existing eligibility standards for the benefit as reflected in Section 27. The plan document does, however, provide greater detail and specificity regarding the administration of the benefit. For instance, the plan document makes it clear that Medicare premiums are the responsibility of the retired employee, not the State Bar. It also makes clear that the benefit is for the employee, and therefore does not continue for the spouse and dependents upon death of the employee. Issues that arise that are not answered by the plan document will be determined by a committee, which under the terms of the plan will be the State Bar President, Treasurer, and Executive Director/Secretary, or their designees. Staff recommends that this more detailed plan be adopted because of the increasing number of retirees using the benefit and the need to ensure consistency and clarity in addressing the number of administrative issues that are arising.

**FISCAL AND PERSONNEL IMPACT:** No material impact

**BOARD BOOK IMPACT:** None

**RULE AMENDMENT IMPACT:** Rule 27 of the Rules & Regulations Pertaining to the Employment of Executive Staff amended as attached.

### **RECOMMENDATION AND RESOLUTION**

Assuming that the Board Operations Committee and Board of Governors agree, the following resolutions should be adopted:

Board Operations:

RESOLVED, that the Board Committee on Operations recommends that the Board of Governors amend the Rules and Regulations Pertaining the Employment of Executive Staff and adopt the State Bar Of California Post-Retirement Welfare Benefit Plan for Executive Staff Employees, as attached to this item, effective July 11, 2008.

Board of Governors:

RESOLVED, that upon the recommendation of the Board of Governors Operations Committee, the Board of Governors amends the Rules and Regulations Pertaining the Employment of Executive Staff and adopts the State Bar Of California Post-Retirement Welfare Benefit Plan for Executive Staff Employees, as attached to this item, effective July 11, 2008.

**CONCLUSION**

Assuming that the Board agrees that this amendment is appropriate and further assuming that the Board adopts the governing plan document, adoption of the above resolution is recommended.