

1 **MICHAEL A. CONGER (State Bar #147882)**
2 **LAW OFFICE OF MICHAEL A. CONGER**
3 P.O. Box 9374
4 16236 San Dieguito Road, Suite 4-14
5 Rancho Santa Fe, California 92067
6 Telephone: (858) 759-0200
7 Facsimile: (858) 759-1906

8 Attorneys for Plaintiffs MICHAEL R. O'NEAL,
9 RHONDA BIESEMEIER, and DENNIS J. NASRAWI

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **FOR THE COUNTY OF STANISLAUS**

12 MICHAEL R. O'NEAL, RHONDA BIESEMEIER,)
13 and DENNIS J. NASRAWI,)

14 Plaintiffs,)

15 v.)

16 STANISLAUS COUNTY EMPLOYEES')
17 RETIREMENT ASSOCIATION, and DOES 1-30,)

18 Defendants.)

CASE NO: 648469

DECLARATION OF WILLIAM J.
SHEFFLER IN SUPPORT OF
PLAINTIFFS' MOTION FOR
SUMMARY JUDGMENT AND/OR
SUMMARY ADJUDICATION

Date: September 22, 2014

Time: 10:00 a.m.

Dept. 2

Judge: Hon. Leslie C. Nichols

Complaint Filed: November 30, 2009

Trial Date: October 27, 2014

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20 I, William J. Sheffler, declare as follows:

21 1. I have personal knowledge of the matters stated herein and if called to do so could
22 testify competently thereto.

23 2. I obtained a Bachelor of Arts degree in 1969 from Claremont Men's College in
24 mathematics and economics. I also obtained a Master of Arts degree in mathematics in 1971
25 from the University of Arizona. I have been a professional actuary for more than 35 years.
26 Among my professional affiliations which require and examination and experience, I am an
27 enrolled actuary (# 3797), a Fellow in the Conference of Consulting Actuaries, an Associate in
28

1 the Society of Actuaries, a Member of the American Academy of Actuaries, and a Member of
2 the of American Society of Pension Professionals & Actuaries.

3 3. Since 1975 I have been providing actuarial and consulting services related to
4 public and private pension plans.

5 4. In 2003, based on my background and experience, I was appointed by the Mayor
6 of San Diego to the Pension Reform Commission. That commission was asked to examine the
7 San Diego City Employees Retirement System (“SDCERS”), a public pension plan much larger
8 than the Stanislaus County Employees Retirement Association (“StanCERA”), to explain how
9 SDCERS had become underfunded, and to make recommendations regarding improving the
10 funded status of SDCERS.

11 5. In 2005 I was appointed by the Mayor of San Diego to serve as a member of the
12 Board of Trustees of SDCERS. I served as trustee of SDCERS for four years. Among the
13 challenges which faced SDCERS during my service as a trustee were curtailing funding
14 practices, such as negative amortization, that had left SDCERS in an underfunded status.

15 6. While a trustee of SDCERS, I attended several training seminars and received
16 extensive legal presentations from experienced pension attorneys regarding the duties and
17 responsibilities of a trustee of a public pension system in California. Some of this training was
18 provided by Reed Smith, counsel for StanCERA in this case.

19 7. Among the extensive training I received was a presentation and detailed
20 discussion of the California Constitution, article XVI, section 17. Specifically, I am aware that
21 subdivision (a) provides, in relevant part: “The retirement board shall . . . administer the system
22 in a manner that will assure prompt delivery of benefits and related services to the participants
23 and their beneficiaries.” Subdivision (c) provides: “The members of the retirement board of a
24 public pension or retirement system shall discharge their duties with respect to the system with
25 the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent
26 person acting in a like capacity and familiar with these matters would use in the conduct of an
27 enterprise of a like character and with like aims.”

28 8. I have been asked to review the actuarial and funding practices of StanCERA.

1 Among the hundreds of pages of documents I have reviewed are StanCERA's actuarial
2 valuations for 2006, 2008,¹ 2009, 2010, 2011, 2012, a draft actuarial valuation for 2009, an
3 actuarial experience study for the period 2003 through 2006, various memoranda and other
4 relevant actuarial studies and reports. I have also reviewed the operative complaints in these
5 consolidated cases, and the opinion of the Court of Appeal in *O'Neal v. Stanislaus County*
6 *Employees' Retirement Association* (2012) 2012 WL 1114677.

7 9. As a result of my education, training, and experience, including service as a
8 trustee of a public pension system in California, I have reached several opinions in this matter.

9 10. StanCERA's use of \$10 million of trust fund assets to offset the County's
10 employer contribution from the County for fiscal year July 1, 2009, to June 30, 2010, was
11 imprudent, in violation of article XVI, section 17, subdivision (c), of the California Constitution.
12 This is an actuarial unsound practice that permits a pension plan to become underfunded, and is
13 very difficult to correct.

14 11. StanCERA's use of \$21.4 million of trust fund assets to offset the County's
15 employer contribution from the County for fiscal year July 1, 2010, to June 30, 2011, was
16 imprudent, in violation of article XVI, section 17, subdivision (c), of the California Constitution.
17 This is an actuarial unsound practice that permits a pension plan to become underfunded, and is
18 very difficult to correct.

19 12. StanCERA's use of \$14.3 million of trust fund assets to offset the County's
20 employer contribution from the County for fiscal year July 1, 2011, to June 30, 2012, was
21 imprudent, in violation of article XVI, section 17, subdivision (c), of the California Constitution.
22 This is an actuarial unsound practice that permits a pension plan to become underfunded, and is
23 very difficult to correct.

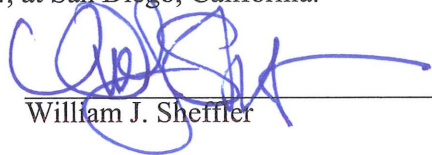
24 13. StanCERA's use of \$50 million of trust fund assets to reduce the County's
25 employer contribution from the County for fiscal year July 1, 2009, to June 30, 2010, was
26 imprudent, in violation of article XVI, section 17, subdivision (c), of the California Constitution.

27
28 ¹ I have been informed that there was no valuation for 2007.

1 14. StanCERA's adoption of a negative amortization schedule was imprudent, in
2 violation of article XVI, section 17, subdivision (c), of the California Constitution.

3 I declare under penalty of perjury under the laws of the State of California that the
4 foregoing is true and correct.

5 Executed this 2nd day of July, 2014, at San Diego, California.

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8 William J. Sheffler

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