



Laguna Woods Village

Setting the Record Straight: The Employee Incentive Plan

As you have probably read in the Globe, PCM and GRF along with United and Third, have agreed to terminate the clause in the Management Agreement that provided for PCM's Savings-Based Incentive Plan in the community. However, I feel it is necessary to once again clear up any misperceptions about the incentive plan and employee support expenditures.

It was stated in a recent letter to the editor¹ that "the management fee for GRF will increase by over \$100,000 next year" because PCM has "taken the credit cards, the incentive plan and the employee expense reimbursements from one account and added them to the management fees, no questions asked by the boards".

This is an inaccurate statement. The incentive plan has been terminated and is not (nor was it ever) included in the Business Plan or the Management Fee.

Only employee support expenditures are now included in the management fee, as approved by GRF. While this change resulted in an increase in the management fee, an offsetting reduction was made in other operating expenses.

That letter also falsely stated that "Third and United face large increases probably in the 30% range." The Version Three Business plans were just approved last week for Third and United, and the estimated final budgeted increase in assessments is only about 5% for both Mutuals.

Each of these issues have been discussed and voted upon in public meetings. They have been reported to the media, posted on the Village Web site and, in most cases, televised on Channel 6. When individuals or groups spread false or misleading information, it creates confusion and misunderstanding that easily could have been avoided by checking the public record.

In addition, the letter alleges that GRF was "totally in the dark" about the incentive plan. Once again, the record will show that the plan was negotiated and recorded in the Management Agreement between each of the corporations (GRF, United and Third) and PCM. It has been reported in general to the boards and in more detail to board presidents every year since its inception. The Plan's results have also been audited each year by an independent CPA firm.

Milt Johns, General Manager

¹ Response to: "They all Want Credit", a letter to the Editor of the Globe, published 8/17/08