

# POLICE AND FIRE RETIREMENT PLAN

## Minutes of the Board Meeting

**THURSDAY**

**SAN JOSÉ, CALIFORNIA**

**November 1, 2007**

### **CALL TO ORDER**

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:46 a.m., on Thursday, November 1, 2007, in regular session in the Department of Retirement Services' Conference Room, 1737 North First Street, Suite 600, San José, California.

### **ROLL CALL**

#### **Present:**

**KEN HEREDIA**

**BRET MUNCY**

**BILL BRILL**

**SCOTT JOHNSON**

#### **VICE CHAIR**

**Trustee**

**Trustee**

**Trustee**

### **NOT PRESENT:**

**MARK J. SKEEN, CHAIR**

**FORREST WILLIAMS**

**DAVE CORTESE**

**Trustee**

**Trustee**

**Trustee**

### **ALSO PRESENT:**

**Russell Crosby**

**-SECRETARY**

**Susan Devencenzi**

**-City Attorney**

**Michele Stafford**

**-Saltzman & Johnson**

**Amanda Ramos**

**-Staff**

**Judy Powell**

**-Staff**

**Ron Kumar**

**-Staff**

**Susan Perriera**

**-Staff**

**Rajiv Das**

**-Board Doctor**

**Carol Bermillo**

**-Staff**

**Udaya Rajbhandari**

**-Staff**

**Roger Pickler**

**-Staff**

**Bob Leininger**

**-SJREA**

**Anne Ortiz**

**-CMO**

**Andy Yeung**

**The Segal Company**

**Tom Webster**

**-Staff**

**Debbi Warkentin**

**-Staff**

**Tamasha Johnson**

**-Staff**

**Jim Jeffers**

**-Attorney**

**Donna Busse**

**-Staff**

**Rhonda Snyder**

**-Staff**

**Joe Giorgianni**

**-Retired SJP**

**Marty Hogan**

**-POA**

**Bruce DeMers**

**-PF Retirees**

**Maria Loera**

**-Staff**

**Mike Rosingana**

**-Retirees Assoc.**

**Randy Sekany**

**-Local 230**

**Eric Ramones**

**-SJFD**

**Paul Angelo**

**The Segal Company**

## **REGULAR SESSION**

### **ORDERS OF THE DAY**

Vice-Chair Heredia called the meeting to order at 8:37 a.m.

### **RETIREMENTS**

#### **Service**

**Richard Sanchez, Police Officer, Police Department. Request for Service Retirement effective December 1, 2007; 26.78 years of service. (SCD Pending)**

(M.S.C. Muncy/Brill) to approve application. Motion carried 4-0-3.

**Minutes of 1 November 2007**

**Victor M. Tapia, Fire Engineer, Fire Department. Request for Service Retirement effective December 1, 2007; 33.51 years of service. (SCD Pending)**

(M.S.C. Brill/Muncy) to approve application. Motion carried 4-0-3.

**Disabilities – None**

**Change in Status**

**Joseph S. Giorgianni, Retired Police Officer. Request for change in status to a Service-Connected Disability Retirement effective January 13, 2007; 30.03 years of service.**

**Retired Police Officer Giorgianni** was present and was represented by *Mr. Jeffers*.

For the record, the following medical reports have been received:

<u>Doctor's Name</u>	<u>Report Date</u>
Jeffrey Holmes	1/31/06; 12/30/03; 7/27/07 (4 Rpts.)
John Smith	12/3/03; 1/7/04; 3/19/05; 2/21/05; 3/29/05; 5/5/05; 6/8/06; 4/23/07
Nat'l Ave. Med. Assoc.	6/24/03; 12/7/05
Kim Yuen	1/28/05; 4/1/05
Jonathan Ng	12/13/02; 1/11/03
John O'Brien	10/25/02
Michael Ericksen	7/17/02
<u>Medical Director</u>	<u>Report Date</u>
Dr. Rajiv Das	10/2007

**Vice-Chair Heredia** stated that a memo from the department states that there are no modified duty positions available.

*Dr. Das* reported that the applicant suffers from significant cardiovascular disease and cannot perform work that aggravates his heart. He has also undergone total knee replacement.

*Mr. Jeffers* reviewed and summarized the applicant's career and history of injuries.

*Lt. Carr* explained the process required to become a TAC officer, and then he spoke to the character of Officer Giorgianni.

(M.S.C. Brill/Muncy) to approve application. Motion carried 4-0-3.

**Deferred Vested - None**

**DEATH NOTIFICATIONS - None**

**NEW BUSINESS**

**Approval of 2006-2007 draft of Police & Fire Retirement Plan's Comprehensive Annual Financial Report (CAFR).**

(M.S.C. Brill/Muncy) to approve draft CAFR. Motion carried 4-0-3.

**Minutes of 1 November 2007**

**Approval of results of Segal's Experience Study and Demographic assumptions for the period ending 30 June 2007. (Presented at 10/15/07 Retreat)**

*Mr. Angelo* reviewed the report, and stated Segal recommended the following:

1. For retirement rates, maintain the current assumptions.
2. To use a more up-to-date mortality table for members who retire with service, to be more consistent with the actual mortality experience.
3. No change to either the pre-retirement mortality rates or the disabled member mortality rates.
4. Modifications of the turnover assumptions to more closely reflect actual experience.
5. No change to the disability incidence rates.
6. Modification of the merit and promotion rates to reflect past experience.

**Vice-Chair Heredia** discussed the mortality tables used with Mr. Angelo and Mr. Yeung from The Segal Company.

*Mr. Yeung* stated that reciprocity was accounted for in the turnover rates assumption.

*Mr. Sekany* requested that the Board defer this item, so that Local 230's actuary can review the report.

**Vice-Chair Heredia** discussed his concerns regarding the Firefighters arbitration award and how that may affect the Plan, and what the impact of assumptions will be if these rates are adopted today.

*Mr. Angelo* explained that currently no data is available regarding the effect of the new benefit enhancements. Segal has recognized there are different benefit levels. The normal cost is split, so each liability is calculated differently for Police and for Fire, but the underlying assumptions are the same for them both. The information is pooled together because the data doesn't demand separating it.

**Member Brill** stated that the Board should defer so that Local 230 and the POA have time for their actuaries to review the report and all parties can be satisfied.

**(Out of Order)**

**Discussion regarding City Attorney's Opinion on the lowest cost insurance plan and the impact on retirees.**

*Ms. Devencenzi* stated in the recent arbitration between the Fire Fighters and the City, the arbitrator's award provides that effective January 1, 2008, the co-payments for the HMO medical plans will increase. The City and the Association of Architects and Engineers (AEA) reached the same agreement during meet and confer and the City is providing the new co-pay plans to unrepresented employees and employees in Unit 99. The negotiations between the City and the health care providers resulted in lower premiums for the health plans with the higher co-pays than for the health plans with lower co-pays. The medical plan with the lowest premium is the Kaiser Co-Pay Plan. The Police and Fire Plan provides that eligible retirees and survivors may enroll in a medical plan with which the City has contracted for medical benefits as part of the City's benefits to City employees. The Plan will pay that portion of the premium that is equivalent to the "lowest cost medical plan". The Retirement Plan defines "lowest cost medical plan" as the medical plan available to City employees which has the lowest monthly premium. Thus, effective January 1, 2008, the Kaiser Co-Pay Plan will be the "lowest cost plan" for determining the portion of the premium the Retirement Plan will pay for retirees and survivors; the retiree will pay the difference between that amount and the premium of the plan the retiree selects.

**Vice-Chair Heredia** stated that he felt the intent of the bargaining was not for this type of issue to occur, however he would like to obtain more legal advice regarding the Attorney's opinion.

*Mr. Hogan* stated that the POA would like to have the written document reviewed by their attorney. (M.S.C. Heredia/Brill) to authorize Saltzman & Johnson's office to provide an opinion on the impact of this opinion regarding the lowest cost plan and to report on who is the responsible party in determining the lowest cost plan. This item to be continued to the next meeting. Motion carried 4-0-3.

**(Back on Agenda)**

**Approval of Segal's Retiree Health Assumptions - period ending 30 June 2007.**

(M.S.C. Johnson/Brill) to approve the assumptions absent the lowest cost plan. Motion carried 4-0-3.

**Approval of items related to acquisition of Progress Point Development Project**

(M.S.C. Brill/Muncy) to approve all items (8a – d). Motion carried 4-0-3.

**OLD BUSINESS / CONTINUED ITEMS**

**Approval of draft ordinance allowing the P&F Plan to accept direct transfers from an eligible deferred compensation plan for the purpose of redeposit of employee contributions made to a former spouse.**

(M.S.C. Johnson/Muncy) to approve. Motion carried 4-0-3.

**Approval of draft ordinance amending the P&F Plan to include antiterrorism pay paid to Firefighters on or after July 1, 2006, in compensation for purposes of retirement benefits and acceptance of Segal's letter stating no need for actuarial study on added benefit.**

*Ms. Devencenzi* said that this matter results from the firefighter arbitration award for antiterrorism pay, which will be pensionable and retroactive.

(M.S.C. Brill/Muncy) to approve. Motion carried 4-0-3.

**Authorization for Secretary to issue an RFP, select vendor and negotiate & execute agreement with outside vendor, for an amount not to exceed \$90,000 (to be split 50/50 with Federated Retirement), to conduct operational & HIPAA audit of the Department of Retirement Services.**

**Vice-Chair Heredia** requested that the audit include an opinion on the relationship of the Plan with the City Finance Department on payments of invoices.

(M.S.C. Brill/Johnson) to approve. Motion carried 4-0-3.

**Oral update on the Sunshine Reform Task Force.**

*Ms. Devencenzi* said that at the 10/24/07 meeting the Task Force reviewed the recommendations relating to the City Council, and will next review the recommendations relating to Council committees, quasi-judicial boards and commissions, and then other boards and commissions in that order.

*Mr. Webster* stated this item will be on the pending actions list and that is where staff will maintain updates.

Minutes of 1 November 2007

## **STANDING COMMITTEE REPORTS/RECOMMENDATIONS**

Investment Committee (Skeen, Heredia, Muncy) – next meeting 11/27/07

Real Estate Committee (Skeen, Heredia, Muncy) – next meeting 12/12/07

Investment Committee of the Whole (Full Board) – next meeting 11/27/07

Solutions to Retiree Health Care Committee – Next meeting: 6 November 2007

## **APPROVAL OF MINUTES**

Monthly Board Meeting held 4 October 2007

(M.S.C. Brill/Muncy) to approve. Motion carried 4-0-3.

## **PENDING ACTION LIST**

Updated list as of 23 October 2007

Member Muncy requested that staff remove the §415 supplemental plan item.

(M.S.C. Brill/Muncy) to approve. Motion carried 4-0-3.

## **BENEFITS REVIEW**

Summary of meeting held September 2007

*This item is note and file.*

## **CONSENT CALENDAR**

(M.S.C. Brill/Muncy) to approve. Motion carried 4-0-3.

## **PROPOSED AGENDA ITEMS**

PUBLIC COMMENTS

EDUCATION & TRAINING

## **ADJOURNMENT**

There being no further business, the **Vice-Chair** adjourned the meeting at 11:15 am.

---

**KEN HEREDIA, VICE-CHAIR**  
**BOARD OF ADMINISTRATION**

**ATTEST:**

---

**RUSSELL U. CROSBY, SECRETARY**  
**BOARD OF ADMINISTRATION**