POLICE AND FIRE RETIREMENT PLAN

Minutes of the Board Meeting

THURSDAY **SAN JOSÉ, CALIFORNIA** **November 2, 2006**

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:44 a.m., on Thursday, November 2, 2006, in regular session in the Department of Retirement Services' Conference Room, 1737 North First Street, Suite 600, San José, California.

ROLL CALL **Present:**

MARK J. SKEEN, CHAIR	**Fire Employee Representative**
KENNETH HEREDIA, VICE CHAIR	**Retiree Representative**
BILL BRILL	**Civil Service Representative**
LARRY LISENBEE	**City Administration Representative**
DAVID CORTESE	**City Council Representative**
BRET MUNCY	**Police Employee Representative**
CINDY CHAVEZ	**City Council Representative**

ALSO PRESENT:

Edward F. Overton	**-SECRETARY / DIRECTOR**	Tom Webster	-Staff
Russ Richeda	-Saltzman & Johnson	Susan Devencenzi	-City Attorney
Roger Pickler	-Staff	Debbi Warkentin	-Staff
Tamasha Johnson	-Staff	Udaya Rajbhandari	- "
Donna Busse	- "	Ron Kumar	- "
Karin Carmichael	-Staff	Amanda Ramos	-Staff
Carol Bermillo	-Staff	Jim Jeffers	-Attorney
Judy Powell	-Staff	Mike Pribula	-Staff
Toni Johnson	-Staff	Maria Loera	-Staff
Aracely Rodriguez	-OER	Susan Perriera	- "
Christopher Platten	-Local 230	Randy Sekany	-Local 230
Selena Ordaz	-Staff	Matt Starsk	-Attorney
Sandra Holloway	-SJPD	Lt. Dale Morgan	-SJPD
George Rios	-CAO	Alex Gurza	-OER
Paul Angelo	-Segal	Andy Yeung	-Segal

REGULAR SESSION

ORDERS OF THE DAY

The Chair called the meeting to order at 8:32 a.m, he stated that Item 1a has pulled and will be deferred until proper correspondence is received by the applicant.

Vice-Chair Heredia requested that items 11 & 19c be heard at the same time.

RETIREMENTS

Service

Frank D. Dominguez, Police Officer, Police Department. Request for Service Retirement effective November 18, 2006; 25.81 years of service.

Chair Skeen deferred Item to later in the meeting.

Joseph P. Weggeland, Battalion Chief, Fire Department. Request for service Retirement effective November 4, 2006; 25.44 years of service. **(SCD Pending)**

(M.S.C. Brill/Heredia) to approve application. Motion carried 6-0-1 (Cortese).

(Out of Order)

Service

Frank D. Dominguez, Police Officer, Police Department. Request for Service Retirement effective November 18, 2006; 25.81 years of service.

Chair Skeen stated that for the record an email has been received and this retirement has been withdrawn.

(M.S.C. Brill/Heredia) to approve. Motion carried 6-0-1

(Back on Agenda)

Disabilities

Dennis M. Brown, Police Officer, Police Department. Request for Service-Connected Disability Retirement effective November 2, 2006; 29.63 years of service.

Retired Police Officer Brown was present and was represented by *Jim Jeffers*.

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

Doctor's Name	Report Date
Anthony Alvardo	8/22/06 (3); 10/17/05; 11/29/04; 4/18/04; 8/28/97; 2/5/97; 1/9/97; 1/22/96; 1/8/96; 9/20/93
Steven Hurd	1/23/97; 1/9/97
Charles Fiske	1/10/96

Medical Director	Report Date
Dr. Rajiv Das	9/27/06; 9/28/06

Dr. Das said that most of the medical restrictions were based on Mr. Brown's treating physician's recommendations.

Mr. Jeffers discussed Mr. Brown's work and medical history.

Retired Police Officer Brown said that he was grateful for his career and described his levels of pain and difficulty with performing his duties.

(M.S.C. Muncy/Chavez) to approve application. Motion carried 6-0-1.

Change in Status

Lacy Atkinson, Former Deputy Fire Chief. Request for change to Service-Connected Disability Retirement effective October 8, 2005; 26.23 years of service.

Retired Deputy Fire Chief Atkinson was not present and was represented by *Jim Jeffers*.

Chair Skeen announced that Chief Atkinson contacted him and stated that there was a death in the family and would not be attending the meeting today, however that the Chief was confident in Mr. Jeffers representation. For the record, the following medical reports have been received:

Doctor's Name	Report Date
Patrick McCreesh	5/11/06
Kenneth Blumenfeld	8/2/05
Mark Culton	3/31/05
Jonathan Ng	12/14/04; 11/3/04; 5/28/04; 4/14/04
John O'Brien	3/10/04
Arthur Holmboe	3/8/04
Ning Fu	3/25/093

Medical Director	Report Date
Dr. Rajiv Das	9/18/06

Dr. Das stated that Chief Atkinson has significant spinal compression, is a surgical candidate, and has undergone cardiac treatment. His restrictions are primarily based on those given by Dr. McCreesh.

Mr. Jeffers said that Chief Atkinson has suffered a number of injuries over his career and has very disabling conditions rendering him unable to perform the duties of his job.

(M.S.C. Brill/Heredia) to approve application. Motion carried 7-0-0 (Cortese arrived at 8:45 am).

Deferred Vested – None

(Out of Order)
OLD BUSINESS / CONTINUED ITEMS

Segal's Reconciliation of the 6/30/05 Pension Valuation Results with Mercer's calculations.

Mr. Yeung stated in a letter to the Plan dated 10/24/06, he laid out the comparison of the data he received from the prior actuary and the results that were produced based on the data supplied by the prior actuary. He provided data from the count that was used in the prior 6/2005 study and had a match on most of the numbers except the average age provided based on the data received for salary. The salary that we received from the prior actuary is a salary that was based on salary increases applicable as of 2/24/04. They observed that the prior actuary had taken that salary and made two adjustments, basically to account for the increases those members would have to receive if everybody got the assumed rate of increase in the valuation for 2004-2005, it also projected increases from 2005-2006. We used that same methodology for projecting the salary and we came up with $210,160,000 and that was pretty close to Mercer's calculation of $210,018,000. We have also projected the salary from 2005-2006 based on an assumed increase of 4%, which is the assumed rate growth increase and that came up with $218,000, the Mercer calculation was slightly different because when they projected out the increase they also took into account not just the wage increase but the merit and longevity increase component. The results from the comparison of Mercer and Segal have been provided, the actuarial accrued liability which is basically a comparison of the liability that had been earned to date, our number again came up very close to the Mercer number they have $2,010,000,000 as the liability, we came up with $2,017,000,000 as the liability, the ratio of the Segal number to the Mercer number is well within the range of what we would expect to be an acceptable number, which is typically 5%, in this case it is within 0.3%. The assets that we have used in the calculations are the same that Mercer has used in prior valuations. The unfunded liability that we came up with, which is calculated by taking a comparison of the liability with the assets came out to be higher, we have $33 million; Mercer has $27 million and that is purely a function of our valuation program that calculates a slightly higher liability of $7 million. *Mr. Yeung* continued by saying that as a result of the $6-7 million dollar higher liability our contribution rate to the unfunded actuary accrued liability came up to be higher and is about 0.27% or almost 3% higher than what Mercer had calculated. As far as the normal cost that will be paid for by the employer for each year that the member is expected to work for the City, our normal cost rate came out to be again slightly higher than Mercer's, we have 20.46% of payroll, they have 19.81% of payroll. On a relative basis our number is about 3.3% higher than Mercers, but still within what in the actuarial profession expects to be a reasonable number in this kind of reconciliation, which is 5%. After we took into account the UAL rate, the normal cost rate, Segal's employer rate calculations came up with a total employer rate of 21.75%, the number that Mercer has calculated was 20.83%. He said that the 20.83% was actually not the number that the Board adopted that came out of the June 30, 2005 valuation, after Mercer released this report around April or so, it subsequently came back with a revision to their original set of numbers so there was a letter that was issued around June 2006 and the 20.83% was from that report. So, when we look at the 21.75% we calculate verses the rate that the Board has actually adopted from the June 30, 2005 valuation. That number was 21.42% so the match between our number 21.75% verses the rate that the Board has adopted of 31.42% was actually a very good match in our opinion. Likewise, for the total employee rate in this valuation we came up with a rate of 7.73%, in the revised Mercer evaluation they came up with 7.49%, again we want to point out that it is not the rate that the Board has adopted. The rate that the Board has adopted is 7.48%. The match between the 7.73% and the 7.48% we believe is a pretty close match. As a result of this reconciliation we are pretty confident that Mercer has done an adequate job at calculating rates as a result of the June 30, 2005 valuation.

Vice-Chair Heredia asked about Mercers change in rates from the 21.42% to 20.83%, if that was based on using actual employee pay increases versus the assumed rates. Also, would the rate be lower if actual salary increase data was used.

Mr. Yeung replied that according to their understanding they believe that Mercer did not reflect the actual salary increases that were agreed upon between the City and bargaining groups. He doesn't think that was the intent of the revision. He said that Segal has not done the actual salary data calculation because in all the work that they have done to date and based on his prior experience he believes that they have not ever taken actual negotiated salary increases into account until the point and time that they receive physical data from the Retirement system showing what those actual salaries were, only then would they pick up whatever the salary increase was agreed to.

Vice-Chair Heredia said that things have been done differently and now there are actual numbers of what one of the bargaining groups has agreed to take for a pay raise and why that number is not used as an actual number rather than an assumed number seems odd to him. It looks like we're going to collect money from the City based on the fact that one bargaining group is going to get a 4% pay raise and in reality they are going to get less than that, so we are going to collect more money than we need and then 2 years from now when we do a new valuation we are going to pay that surplus back to the City over 16 years. I think we should be looking at the actual value of the police officers contract, in this case, and put that into the system because I think that will allow us to reduce the contribution rate and the City will have to pay less money.

Mr. Angelo said that to make some distinguishes, one is of the question of taking the salaries from the last time the data was collected and moving it up to the valuation date, whether we would use the actual information and he thinks that we have used that. Your question seems more of when we project forward, there are a couple of reasons why using the assumed rate of increase for a short period is not done; one is it has less of an impact then you might imagine because the salary increase really effects mainly the long term projection and we are talking about a fairly short term. Secondly, we have recent experience with one case where they actually did that, and this is not to blanket your question, but making that adjustment it makes the cost of the plan look smaller for a temporary period but that means that when you are doing any budgeting or planning you must remind yourself that that's not really the long term cost because once you get past that period where the salaries are lower you get back to the more regular increases and costs, so there's a more technical reason why its harder to live with. The other reason bluntly put is there are always going to be assumptions that are high and low, and what this does is admitently build a little bit of a cushion, and in recent experience having a little cushion in your assumptions is not a bad thing to have. The fact that there may actually be some small gains, the projection would look better than you thought when you did your next valuation and maybe something just to hold in reserve, even though its seems that it would make sense to use all the information you have for practical reasons its generally not done. In a case there was a contract that said that they would have lower then expected increases and so the assumption was lowered from 4% to 2% and we ran the valuation for that three year period assuming pay would only go up at 2%, well now what they are looking at is over the next contracts they are going to be getting higher than normal pay increases explicitly to replace the losses, so if you really believe that over time things are going to correct it is a form of averaging. Here was a case that now when we project forward their getting 6% to 7% projected pay increases, which were not built into the assumptions, which means that all of that savings that we really thought they were going to have during those three years is all going to be given back over the next three years.

This item is note and file.

Acceptance of special studies actuarial report on the Police benefit enhancement (90%) and approval of contribution rate increase for plan members who are Police Personnel.

Mr. Yeung stated that in a letter to the Board dated 10/24/06 the have put a cost around the recent police benefit improvement. The formula that has been agreed to as they understand between the City and the bargaining group is that for members with between 20-25 years of service, currently the benefit is 3% per year of service and with this improvement that benefit would increase to 4% per year of service, so a police member would now have the ability to accrue up to 90% of his/her final average salary. We understand that for members with over 20 years of service and have retired because of service or nonservice connected disability there will also be a comparable increase in the members benefit, as a result of this improvement. Also, we understand that while the members benefit will go up to 90% of final average salary, as part of this negotiation that no increase has been agreed to for the continuance benefit paid to a spouse, so the spouse will be able to accrue one half of the members benefit the old benefit of 85% a lot sooner, the final maximum accrual is still going to be set at 42.5% of final pay, which is 50% of the original 85% of final average salary benefit. The cost of the enhancement created a change in the actuarial accrued liability because with this improvement all the members who have retired on or after July 1, 2006 gets the improvement will go back to not just future service that will be put in by the police member, but also to all the past service. For example, if I already have 30 years of service working as a police member for the City at the time of the improvement I can retire the next day and see an improvement in my final average salary from 85% to 90%, that increase in the liability will not be offset with any additional asset, so the whole increase in the liability will appear in the valuation as an increase in the unfunded liability. In order to amortize the unfunded liability as a level percent of pay that increase in cost will be 2.25% of payroll. In the past valuation, he believes there was a set target that the mortgage would be paid off in a relatively short period of time, sometime around 2018, so he thinks that the Board as a result of the new assumptions that are being recommended to you by the prior actuary, as a result of subsequent discussion that have been had with the prior actuary the Board decided to pick a 16 year amortization to amortize any new gains or losses and any changes in assumptions as a result of the June 30, 2005 valuation. In this calculation Segal has basically followed that same discussion to use again 16 years in the policy, so of course the longer you want to pay off the liability the smaller the mortgage is going to be. This also increases the employer normal costs going forward of 1.04% of pay, and the total increase in employer's rate would be 3.29%. We have an increase in the employee UAL rate that we understand as a result of this improvement all the increase in the cost to upgrade all the past service of the police members would be bought by the City. The employee share in the normal cost using the 8:3 ratio that we have in the Plan, so we have followed that policy and increased the employees' rate as a result would be 0.39%. We have assessed the employee rate and the UAL simply because we understand that as a result of the agreement between the MOA and City bargaining groups that the intent of the agreement to go back and collect the contributions effective on the day of the enhancement, which is 7/1/2006. In order for us to provide the Board with the new information that would be necessary to implement this collection of the contribution because we are already in November, we collect the contribution back from July all the way to November, whenever the Board chooses to adopt these set of rates we need to know the answers to two questions. The impact of delaying the contribution increase, every month that we delay the collection of the higher contribution rate and higher normal cost rate that we have provided for the members of 0.39% of payroll, we estimate that there will be a shortfall in the collection of contributions from the members of $47,000. If for example using a hypothetical scenario, the Board decided that this contribution needs to be collected effective 1/1/2007, then we need to take the $47,000 of under collection of contributions and multiply that by six, so at that point the Board would have to give us guidance whether or not it is the intent of the agreement to go back and collect the contribution from those members who would otherwise have to pay us those contributions from each and every pay period from July 2006 to present date or should that amount be collected from all members who are going to be working for the City from now on after 1/1/2007? So, how long do we think it will be before we get to collect the higher contribution, put the rate into effect, and who are the members that we will be collecting the contributions from under this increased contribution rate requirement? The Board may also remember back 10 years ago when the benefit was improved in the prior round of negotiations there was a similar provision to collect the contributions. Rather than to collect the contributions right away which could present a financial burden to the members that under collection of contributions was actually spread over a period of time, so its paid off like a mortgage. The question that we would like assistance from the Board are whether or not it is the intent of the latest round of negotiations that the money does not need to be collected right away in a fiscal year but maybe it should be spread over a period of time, so we don't find the answers to those questions in the MOA.

Mr. Gurza said that they contemplated this with the POA; it wasn't part of the initial agreement because we had settled in December with an effective date of July 1st, and so we anticipated that the Board would have sufficient time to adopt the contribution rate by the time that the benefit went into effect. When it became clear that it was not going to happen we entered into an agreement with the POA about how to deal with those contributions as was indicated by the actuary during that period of time from July 1st and whenever the Board adopted the rate. What we did was agreed to do it the same exact method that it was done the last time, as was referred to about 10 years or so, we can provide the specific language. It was spread out the last time. He will provide the language to Mr. Webster.

Mrs. Devencenzi stated that she believes that the amortization was the same as the regular amortization period, so if its 16 years then it will be 16.

Vice-Chair Heredia questioned if they are going to collect from people that qualified for the benefit but have already retired, for example the benefit is effective on July 1st, and the person retires today and now we increase the contribution rate in some way, are we going to collect from them.

Mr. Yeung stated that it is not clear in the copy of the MOA they received, but in theory it could be done that way but he has not seen it done in practice. He has not seen a Retirement Board going to a retiree asking for contributions from them.

Member Cortese stated that there seems to be two questions and asked if Segal has everything they need to go forward.

Mr. Yeung said that with the rates they have calculated when does the Board intend to implement them – are they going to be retroactive to the City or are they going to pick a date in the future? The second point will be addressed in the supplemental memo that will be provided by the City, not sure what the intent of the higher rate is. Is it the intent be effective on 1/1/07.

Mr. Angelo stated that the key is that once this Board determines when they are going to start collecting the new rates, we can use that to figure out at least from the members how much is missing and do the calculation. It may seem like there are two questions here but one of them is when you adopt the new rates you adopt them as of a date, which you always do, that's really the only information we need for the first item. Then that combined with the amortization period we can take that information – the rate you adopt and the effective date – and we can use that to calculate the additional cost that the bargaining parties would then be collecting from the members.

Mr. Webster made a recommendation to the Board that they adopt the rates and then chose a date to be effective that way at the next meeting the board can adopt whatever the additional rates would have to be to make up that shortfall. They don't know what the shortfall is and how much to collect, so we have to pick a date that it is going to start so that they can say up to this date this is the shortfall and then they amortize that over 16 years and then supply the additional rate. You are actually going to establish an additional rate but we are only going to hit the City once with the rate increase and the members. We are not going to start the rate until after the next meeting.

Mr. Angelo said that in effect in order to know what the catch up payment is we have to know what the rate would have been if there was no catch up payment, so if you ignore the catch up and say what the rate should be and the effective date, then we can say in theory that would have started on July 1, which it didn't we can look at what's missing and then tell you in addition to the rate you just adopted you have to add this little catch up piece, but we sort of need to know what we are catching up to before we can tell you what the catch up cost. Whether you actually adopt a rate today or you are establishing a basis for what the rate will be adopted to us it's the same thing.

Mrs. Devencenzi said that the numbers in Segal's report are the one you want them to use in the report then they can finish out and give the Board one number but they need to know that these numbers in the report are where you want them to start. Essentially, use these numbers and tell us the date and then we will bring back the final number.

Member Chavez made a motion to authorize the use of Segal's numbers and to establish an effective date for the 1st pay period of January 2007 and that when the final report comes back next month, if there is any reconsideration of the numbers it can be done at that time.

Member Cortese asked about the notification process to the members, so they are aware of changes coming.

Mr. Webster said that a memo goes to payroll to notify them that there will be a change in contributions and to the members with their paychecks for notification.

Mr. Platten said that he has a letter that raises several concerns with regards to this matter of rates and wanted a response to those questions before the Board took action on this.

Mr. Angelo said that they received Mr. Platten's letter on 10/30/06 and quickly went through it and they could answer most of them efficiently. There is nothing in their response that would change Segal's recommendations to the Board. There is one item for example, there appears to be a disconnect between the Mercer and Segal numbers and there they feel that he is misinformed so Segal would just explain that to them. As far as giving detailed answers today they are not prepared to do so, and we were going to ask direction from the Board since the letter is actually addressed to the Board.

Mrs. Devencenzi said that there are a couple of questions that can be answered today, one which is will the City's contributions for firefighters be 20.83% and the answer is no, because the rate that the Board has adopted is 21.42% and the rate for the firefighters of 7.49% no, because the rate that was adopted is 7.48%. The Board has already adopted contribution rates based on the prior valuation and those have been in place since July 1, so unless the board is actually going to make changes it's the 21.42% and the 7.48% that are in effect. The other issue the way she read the question is can we guarantee that these are going to be the rates for the next 2 years and the answer is no, unless there are additional benefits granted these rates will change.

Mr. Platten said that he has a key question of whether or not the actuaries can now inform us as to how the systems will be segregated now and in the future since there are separate benefits.

Mr. Angelo said that this is not an unusual situation, its new for this system but we have a number of systems where they are in the same retirement plan even though legally all the assets are available to pay all the benefits, that is it is a single retirement plan. From a funding standpoint it is though you have two separate plans the costs are tracked separately, there are some areas where there are some averaging or pooling of risks. When it comes to the contributions going in and the benefits coming out and the rate that benefits are earned those will be tracked separately, now internally there are a couple of ways that we can do that, the way that we have found most effective is to actually come up with an asset share –that is split the assets between the two pools of liability and this is only for pricing. What we found is that going forward it makes it much easier to track things that are different. We would track these the same way that we would track two different tiers in a county system that has multiple tiers and wants to be able to budget them completely separately. He said that it is easier than we think an that you don't have to go back and pretend that the assets have always been separate because it s really only from the day that you start making the different contributions and the day that you start paying different benefits that you really have something that has to be separated, which gets to the question of equity. Now we are not talking about separate investments results there is not going to be a separate investment policy for police and one for fire, so the investment return will be commingle and it will always be commingled, its really the contributions and the benefits that are the crucial distinction and as long as we start tracking that from the date that they are different, which is now then that is relatively straight forward. How to do that, well the simplest way to describe that is we measure the liability under the current benefit not under the new benefit, because after all the assets have been accumulated and the past contributions were all made under the current benefits, so we would split the assets in proportion to the liabilities that's the starting point snapshot and then going forward we will have reported to us the contributions for police and the ones for fire, as well as the benefits for police an the ones for fire. From that day forward they are tracked separately. The other good news is that you don't have to do anything on the day you adopt it you can set up the structure but the whole idea is that on the day you make the change things look exactly the same before as after. Then going forward you will be doing something different so you're not going to see the effect of this separate tracking until the next valuation.

Mr. Yeung said that the process is going to be very simplified at the system simply because you will see that there is liability in the Plan, which is about $2 billion dollars, we have assets in the plan which is just under $2 billion dollars, so for each dollar of liability we have about one dollar of assets to back that up. All we would need to do now is to go back the two pots of money and find out how much of that liability can be attributed to the police members of the fund and how much is attributed to the fire members of the fund, so we split it that way based on what the liability is and the assets. Based on what Mr. Angelo just said we will add contributions to it, subtract payments from the fund from now on, but we would credit both funds with the same rate of return on the actuarial value of assets, so that's how we would move this going forward. The Board already has a mechanism set up in Pension Gold, they is a line item for pension assets on the financial statement, even though they are invested in a like manner they are already set up for accounting purposes.

Mr. Platten requested that the details of this split to be placed in writing as there are critical questions, and if they may be provided a copy prior to the next meeting so that they can have it reviewed by their actuary. They need to know very clearly what the tracking of the assets are because that is how they negotiate benefits for reference to down the road.

Mrs. Devencenzi clarified the motion for this item that the actuary bring back to the next meeting the final calculation on the POA benefit using the numbers provided already as a starting point subject to changes if there are questions later, using the same amortization method as was done before with the language to be provided by the City and with a start of implementation of the first pay period for 2007, and then finally that you would ask that Segal bring back the methodology for process of this split and answers to Mr. Plattens questions.

(M.S.C. Chavez/Lisenbee) to approve that the actuary bring back to the next meeting the final calculation on the POA benefit using the numbers provided already as a starting point subject to changes if there are questions later, using the same amortization method as was done before with the language to be provided by the City and with a start of implementation of the first pay period for 2007, and then finally that you would ask that Segal bring back the methodology for process of this split and answers to Mr. Plattens questions. Motion carried 7-0-0.

Draft report on Segal's Actuarial Valuation of Retirement Health benefits of 30 June 2006.

Member Lisenbee stated that he had concerns because in his review it appears that the drafts seem radically different with regards to the discount rate. He stated that the report he looked at from GRS was okay, then he looked over Segal's report and was blown away by the numbers. He has concluded that Segal's assumptions are more accurate than GRS' and request that given the importance of this item that the actuaries for the City, and both P&F and Federated Boards, as well as, the Auditors for the Boards and the City to agree on the most accurate reflection since the factor is $100 million of liability.

Vice-Chair Heredia said that we will form a committee to sit and discuss this issue then from that committee a recommendation will come to the Board.

Mr. Webster stated that both actuaries would need to be present.

Mr. Richeda said that each actuary needs to provide a response to this request in writing, so that we don't get into a verbal actuarial debate.

Mr. Yeung said that the main difference in the reports is the discount rate and ultimately that is made by the auditors, as it is really the City auditor's call.
Vice-Chair Heredia requested staff to send a letter outlining the aforementioned request to the Federated Board and to the City asking for cooperation on resolving this.

(Back on Agenda)
DEATH NOTIFICATIONS

Notification of the death of Ralph F. Brune, Retired Sergeant; retired 6/1/77, died 9/28/06 and death benefits to Betty Y. Brune, spouse.

(M.S.C. Chavez/Muncy) to approve benefits. Motion carried 6-0-1 (Skeen exited 10:04 am).

Notification of the death of Joseph R. Escobar, Retired Sergeant; retired 10/14/78, died 10/7/06. No death benefits to be paid.

This item is note and file.

Notification of the death of Robert Perkins, Retired Firefighter; retired 8/3/88, died 9/25/06 and death benefits to Norma Perkins, spouse.

(M.S.C. Brill/Chavez) to approve benefits. Motion carried 6-0-1.

NEW BUSINESS

Re-election of directors for 501(c) (25) and 501(c) (2) Corporations.

(M.S.C. Brill/Chavez) to approve. Motion carried 6-0-1.

Adoption of Resolution No. 3228 declaring excess earnings as of 30 June 2006 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

Mr. Yeung stated that he sent a letter outlining the understanding of the Code based on system earnings of 8.46% and the SRBR is entitled to 10% of excess earnings, so we will be transferring $2.4 million. The balance after that distribution will be $18,154,785 and due to the carry over of losses from last year as a result of the 2005 valuation they will be transferring from the SRBR $849,000 to non-funds leaving a balance in the SRBR of $17.3 million.

(M.S.C. Brill/Muncy) to approve. Motion carried 6-0-1.

(Out of Order)
Approval of Segals' understanding of three benefit improvements as requested by the Association of Retired San Jose Police Officers & Firefighters and direction to staff to provide information necessary.

Member Lisenbee asked about the practice of the Board in paying for requests from retiree's for actuarial studies rather than this request going to the City.

Vice-Chair Heredia stated that the Board already has budgeted funds for these types of requests, so when they come to the Board we decide if we will approve them or not. Segal will provide the Board and the retiree's with the costs associated with the study. Segal will cost all the benefits separately and provide a cumulative difference of the costs, so that we can see how each approved benefit will affect one another.

(M.S.C. Brill/Chavez) to approve collection of data and performing the study. Motion carried 6-0-1.

(Back on Agenda)

Approval of Lifetime Payment Option "Early" to be paid to Larraine Kapwell, ex-spouse of Joseph Weggelnad, Battalion Chief, effective May 10, 2006 under Part 17, Chapter 3.36.3600 of the San Jose Municipal Code.

Vice-Chair Heredia how the payments are made retroactively.

Mrs. Ramos stated that this request is effective on the date the applicant is eligible but have to get approval.

(M.S.C. Brill/Chavez) to approve. Motion carried 6-0-1.

Approval of the Department of Retirement Services 2005-2006 Police & Fire Plan Comprehensive Annual Financial Report (CAFR).

(M.S.C. Brill/Muncy) to approve. Motion carried 6-0-1.

OLD BUSINESS / CONTINUED ITEMS

Approval to grant authority to Disability Audit Process Committee to distribute consultant's final report when accepted by Committee.

Vice-Chair Heredia stated this request is because of all the publicity, so once the report is accepted we are asking permission that it be available for distribution to the public.

(M.S.C. Brill/Muncy) to approve. Motion carried 6-0-1.

STANDING COMMITTEE REPORTS/RECOMMENDATIONS

Investment Committee (Skeen/Heredia/Muncy) – next meeting 11/15/2006
Real Estate Committee (Skeen/Heredia/Muncy – Alt: Vacant) – next meeting 12/21/2006
Investment Committee of the Whole (Full Board) – next meeting November 15, 2006.

APPROVAL OF MINUTES

Monthly board meeting held 5 October 2006.

(M.S.C. Muncy/Cortese) to approve. Motion carried 6-0-1.

PENDING ACTIONS LIST

Updated list as of 24 October 2006.

This item is note and file.

BENEFITS REVIEW

CONSENT CALENDAR

Chair Skeen pulled item 19b and c at the beginning of the meeting.

(M.S.C. Brill/Muncy) to approve. Motion carried 6-0-1.

PROPOSED AGENDA ITEMS

PUBLIC COMMENTS

Mr. Webster mentioned that for the November Open Enrollment there is a Pilot Program for the retirees age 65 and over this year to enroll online, if the program is successful then next year it will be open for all participants.

EDUCATION & TRAINING

Notification of the Public Fund Boards Forum to be held in San Francisco, December 9 through 12, 2006.

ADJOURNMENT

There being no further business, at 10:27 a.m., **The Vice-Chair** stated the meeting would be adjourned.

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MARK J. SKEEN, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

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EDWARD F. OVERTON, SECRETARY
BOARD OF ADMINISTRATION