

POLICE AND FIRE RETIREMENT PLAN

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

May 4, 2006

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:45 a.m., on Thursday, May 4, 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

KENNETH HEREDIA, VICE CHAIR

BILL BRILL

LARRY LISENBEE

BRET MUNCY

DAVID CORTESE

Fire Employee Representative

Retiree Representative

Civil Service Representative

City Administration Representative

Police Employee Representative

City Council Representative

NOT PRESENT:

CINDY CHAVEZ

City Council Representative

ALSO PRESENT:

Edward F. Overton -SECRETARY / DIRECTOR

Susan Devencenzi -City Attorney

Russ Richeda -Saltzman & Johnson

Tamasha Johnson -Staff

Judy Powell - "

Donna Busse - "

Maria Loera -Staff

Debbi Warkentin -Staff

Susan Perreira - "

Jim Spence -SJPOA

Tom Webster -Staff

Carol Bermillo - "

Roger Pickler -Staff

Toni Johnson - "

Udaya Rajbhandari - "

Colleen Hy -Staff

Aleta Holcomb - "

Ron Kumar - "

Aracely Rodriguez -OER

Jim Jeffers -Attorney

REGULAR SESSION

ORDERS OF THE DAY

The Chair called the meeting to order at 8:45 a.m.

RETIREMENTS

Service - None

Disabilities - None

Change in Status

Dick E. Modlin, Retired Police Officer. Request for change in status to Service-Connected Disability Retirement effective September 2, 2004; 28.56 years of service.

The Chair stated that this item has been deferred.

Deferred Vested - None

DEATH NOTIFICATIONS

Notification of the death of Duane R. Braun, Retired Fire Captain; retired 7/792; died 4/14/06, and survivorship benefits to Betty Jane Braun, spouse.

(M.S.C. Heredia/Brill) to approve benefits. Motion carried 5-0-2 (Absent - Chavez/Cortese-late).

Notification of the death of Thomas C. Hamilton, Retired Fire Captain; retired 1/13/97; died 3/29/06, and survivorship benefits to Judy Hamilton, spouse.

(M.S.C. Heredia/Brill) to approve benefits. Motion carried 5-0-2

Notification of the death of Victor Kosik, Retired Police Officer; retired 1/3/76; died 4/3/06, and survivorship benefits to Evelyn Kosik, spouse.

(M.S.C. Heredia/Brill) to approve benefits. Motion carried 5-0-2

NEW BUSINESS

Adoption of Resolution No. 3177 adopting and fixing rates of contribution for the Police and Fire Plan effective July 2, 2006 and July 1, 2007.

The Secretary stated that the Board has been provided a corrected copy.

The Chair said that the final figures look correct and confirmed that this was taken from the minutes.

Member Heredia just wanted to clarify that the total rate for the City is 25.22%.

(M.S.C. Heredia/Lisenbee) to approve item. Motion carried 6-0-1 (Absent- Chavez).

Request for Board to proceed with immediate service level review of Plan actuary, Mercer Human Resources Consulting.

The Secretary stated that there was a problem with the calculation of rates for the new benefits for Police. The Chair has provided a memo for this item to review.

The Chair explained that he has summed up the issues that have led up to this.

Member Heredia stated that Mercer has been an issue to him since a couple of years ago and everyone knows the struggles that we have been going through. There was also the Managing Director who resigned at the same time as the previous consultant. The Board was not notified of it. He has been unhappy since then and wants to leave them as he has no confidence in them.

Member Brill said the Board has been disappointed and there are some credibility issues with Mercer. He asked Mrs. Devencenzi if they should have been able to see all three reports to compare them and if based on the agenda wording what action they can take today, as they are ready to terminate them now.

Mrs. Devencenzi stated that there are other things that Mercer is working on, so will need to put the termination on the agenda for the next meeting, however the Board can give direction to staff to begin the process for RFP's/RFI's for a new actuary.

Member Lisenbee inquired as to the process for a new actuary and how long it will take.

The Secretary stated that it would be a minimum of four months. We would need to send an RFP out, give the market time to respond, pick a few and visit them, then select one and work out contract terms, so probably the soonest would be December.

Member Lisenbee then asked if there are any major items happening right now or anything that can wait until a new actuary is on board.

The Secretary said that there is GASB 25, 43 and 45, and then the major concern is the Police enhancement.

Member Heredia asked who the actuary for the Federated Plan is and if they could step in to provide any necessary services.

The Secretary said that the Federated Plan uses GRS and they as them if they could do the GASB work but he wouldn't use them to provide for the police benefit structure.

Chair Skeen and Member Brill discussed with the attorneys the direction and ability to make some kind of decision today.

Member Heredia said he didn't know how we can accept rates from a firm that we have no confidence in.

Member Brill stated that they would like to terminate Mercer officially next month and wanted to know if there is anything that can prevent that.

The Secretary explained that the GASB 43/45 requirement will be reported next year. The Police benefit is the big thing. The City plans to go forward with it, so you would be paying benefits for money you're not collecting.

Member Brill stated that we should use Mercer for now and to begin a search for a new actuary and obtain as much information as we can to provide the Board next month.

Mrs. Devencenzi stated that with respect to contribution rates, if we delay implementing them there would be an unfunded liability that would accrue.

Member Heredia said that in 1988 arbitrators award, part of it was retro-active, so it had to be split between the employees and the City's so there is president on how we go backwards in the handling of the unfunded liability.

Mrs. Devencenzi said that it can be paid by the Plan with delayed contribution rate so long as the Plan is amended.

The Secretary stated that you can't give benefits without them being paid for; however the City has budgeted for this enhancement. He then clarified the motion by Member Brill and directed staff that Mercer is to be notified to cease work on any projects, to begin the RFI process and to put Mercer's termination on next months agenda.

(M.S.C. Brill/Heredia) to cease services by Mercer and begin RFI for new actuary and move forward with termination notice. Motion carried 5-1-1 (No – Muncy).

Discussion of Retirement Board's policy on communication with Plan's actuary.

The Secretary stated that the practice has been that communication with the actuary is to go through Retirement staff.

Member Heredia said he thought there was a policy already. He also thought that if someone wanted to speak to the actuary it would go through Retirement staff and if cleared a discussion would happen in a public meeting.

(M.S.C. Heredia/Brill) for Retirement staff to incorporate a formal policy for the Board to adopt. Motion carried 6-0-1.

OLD BUSINESS / CONTINUED ITEMS - None

STANDING COMMITTEE REPORTS/RECOMMENDATIONS

Investment Committee (Skeen/Heredia/Muncy)

- Summary of meeting held 20 April 2006.
 - a. Approval to include "mini-tender" policy language in the Plan's Investment Policy Statement.

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

Real Estate Committee (Skeen/Heredia/Muncy – Alt: Vacant)

- Summary of special meeting held 20 April 2006.

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

Investment Committee of the Whole (Full Board) – next meeting 17 May 2006.

APPROVAL OF MINUTES

Monthly board meeting held 6 April 2006.

The Chair noted for the record that the recording equipment had a problem, so there was not an audio record of the April meeting and the minutes were composed from several attendees' notes.

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

PENDING ACTIONS LIST

Updated list as of 25 April 2006.

The Secretary stated there were some updates and that they would be presented next month. He did give a brief update on the Deputy Director search, stating that there were six that applied and only 2 of them were qualified, so the deadline was extended to seek more candidate and we did get a few more, so there are now four being investigated and a formal update will be provided at next months meeting as well.

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

BENEFITS REVIEW

- Summary of meeting held 29 March 2006.

CONSENT CALENDAR

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

PROPOSED AGENDA ITEMS

Member Heredia requested that an update on the deputy recruitment be on the June agenda.

PUBLIC COMMENTS **EDUCATION & TRAINING**

ADJOURNMENT

There being no further business, at 9:37 a.m., **The Chair** stated the meeting would be adjourned.

MARK J. SKEEN, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

EDWARD F. OVERTON, SECRETARY
BOARD OF ADMINISTRATION