

POLICE AND FIRE RETIREMENT PLAN

Minutes of the Special Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

December 20, 2007

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 9:14 a.m., on Thursday, December 20, 2007, in special 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

KEN HEREDIA

VICE CHAIR

BRET MUNCY

Trustee

BILL BRILL

Trustee

SCOTT JOHNSON

Trustee

DAVE CORTESE

Trustee

NOT PRESENT:

FORREST WILLIAMS

Trustee

ALSO PRESENT:

Russell Crosby

-SECRETARY

Tom Webster

-Staff

Susan Devencenzi

-City Attorney

Debbi Warkentin

-Staff

Russell Richeda

-Saltzman & Johnson

Tamasha Johnson

-Staff

Donna Busse

-Staff

Jeanne Groen

-HR

Ron Kumar

-Staff

Mike Rosingana

-PF Retirees

Bruce DeMers

-PF Retirees

Chris Platten

-L230 Attorney

Andy Yeung

The Segal Company

Paul Angelo

The Segal Company

Bill Thomas

-SJREA

SPECIAL SESSION

ORDERS OF THE DAY

Chair Skeen called the meeting to order at 9:14 a.m.

Mr. Richeda suggested that Item 2 be heard first, since it explores the analysis of Board conflicts and 1090 issues.

OLD BUSINESS / CONTINUED ITEMS

(Out of Order)

2. Discussion of Attorneys' opinions on Board's members 1090 Issues.

Mr. Richeda said the Board directed legal counsel to look at any conflicts or 1090 issues. He recommended that, in an abundance of caution Member Heredia, as a Board member and retiree of the Plan, should not participate in the Boards' discussion of lowest cost medical plan. He noted an exception to 1090 is the Rule of Necessity: if a matter needs to be taken care of that is of importance and the Board is the only entity capable of acting on the matter, then the Board should move forward in making a decision.

Ms. Devencenzi stated that since this matter does not involve the Board entering into a contract, there is no Section 1090 conflict. She agreed with Mr. Richeda that it is better for a Trustee who conceivably has an interest in the Plan, should be recused from discussions.

Chair Skeen asked if there have been any 1090 issues in the past, and would 1090 become an issue anytime they are dealing with Plan decisions.

Mr. Richeda stated that conflicts of this nature happen infrequently, but when a potential conflict arises the Board will need analysis done.

Ms. Devencenzi replied that there has not been a time that the Board entered into a contract where a member's financial interests were involved.

Vice-Chair Heredia stated that this is puzzling, since most matters dealt with on this Board have something to do with his pension, and that should have been part of past dialogue prior to placing a retiree on the Board.

(Back on Agenda)

1. Approval of results of Segal's Experience Study and Demographic assumptions for the period ending 30 June 2007.

a. Discussion and action on retiree lowest cost medical plan.

Mr. Angelo reported that the Segal Company is in a very passive position and is waiting to receive direction from the Board.

The Secretary stated that the Board can direct Segal to proceed with the study using the lowest cost plan as the Kaiser with no co-pay, since it seems likely that the memorandum from the City Manager's office will be approved by Council at its next meeting. This is an administrative approval the Board can make, and if the memorandum is not approved the item will come back to the Board.

Mr. Sekany stated that the Board agreed to the Kaiser plan without co-payments as the lowest cost plan. He stated that the lowest cost plan has to be one that is available to all employees, and Fire Fighters are not able to participate in the Kaiser plan without co-payments. This is an unintended effect of negotiations. He expressed concern over the Board decision to use the Kaiser plan without co-payments as the lowest cost plan for retirees.

Mr. Richeda stated that the important issue is the terms in the Municipal Code. The Board has to approach those ambiguous terms and decide how to interpret them.

The Secretary said that the City Manager's office reconsidered the insurance change because each Retirement Board and a number of organizations have noted the adverse impact on the retirees. The City Manager was willing to listen to those concerns and reconsidered the changes. Effort, time, and thought went into this to reposition the City by doing a stand-still of one year to work out this issue.

(M.S.C. Johnson/Muncy) to approve Kaiser Plan without Co-Payments as the lowest cost plan for 2008, effective 1/1/08, using the tables on page two of the City Manger's memo dated 12/17/07. Motion carried 5-0-1-1. (Heredia/abstain, Williams/absent).

b. Segal's response to Local 230 questions as presented at Board's December Board Meeting.

Mr. Angelo stated Segal did an analysis, and it is clearly evident that members work past the 30 years of service. He stated that a change in the methodology is not justifiable. Currently the Plan does not have credible data to support a change in assumptions or methodology, so Segal stands by their current recommendations. He indicated that he would need from the Board additional information on the nature of the request for this study, as the analysis they do is partly based on knowing how the data is being used.

Member Heredia requested that Segal determine how long it would take to calculate the percentage of firefighters eligible to retire at 30 years, provide a cost estimate for that study, and then the Board can determine if it is reasonable to spend the Plan money to study the issue further.

(M.S.C. Heredia/Brill) to approve the Segal Experience Study and Demographic Assumptions as prepared by Segal. Motion carried 6-0-1.

ADJOURNMENT

There being no further business, the **Chair** adjourned the meeting at 11:00 am.

**MARK SKEEN, CHAIR
BOARD OF ADMINISTRATION**

ATTEST:

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