

POLICE AND FIRE RETIREMENT PLAN

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

October 4, 2007

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:46 a.m., on Thursday, October 4, 2007, 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

Trustee

BRET MUNCY

Trustee

BILL BRILL

Trustee

DAVE CORTESE

Trustee (arrived 8:47 am)

SCOTT JOHNSON

Trustee

NOT PRESENT:

KEN HEREDIA

VICE CHAIR

FORREST WILLIAMS

Trustee

ALSO PRESENT:

Russell Crosby

-SECRETARY

Susan Devencenzi

-City Attorney

Tom Webster

-Staff

Russ Richeda

-Saltzman & Johnson

Debbi Warkentin

-Staff

Amanda Ramos

-Staff

Tamasha Johnson

-Staff

Judy Powell

-Staff

Donna Busse

-Staff

Ron Kumar

-Staff

Rhonda Snyder

-Staff

Susan Perriera

-Staff

David Bacigalupi

-SJPD

Linda Charfauros

-SJFD

Kirk Seal

-SJFD

Colleen Hy

-Staff

Toni Johnson

-Staff

Rajiv Das

-Board Doctor

Carol Bermillo

-Staff

Marty Hogan

-POA

Thomas J. Boyle

-Attorney

Matt Stanek

-Attorney

Bruce DeMers

-PF Retirees

Maria Loera

-Staff

Udaya Rajbhandari

-Staff

Mike Rosingana

-Retirees Assoc.

William Clark

-CAO

Aracely Rodriguez

-OER

Roger Pickler

-Staff

Paul Angelo

-The Segal Company

Andy Yeung

-The Segal Company

REGULAR SESSION

ORDERS OF THE DAY

Chair Skeen called the meeting to order at 8:46 a.m.

RETIREMENTS

Service

David M. Gutierrez, Fire Captain, Fire Department. Request for Service Retirement effective October 20, 2007; 26.14 years of service. (SCD Pending)

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

Ruben Guizar, Deputy Chief, Police Department. Request for Service Retirement effective August 25, 2007; 29.46 years of service.

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

Disabilities

Kirk A. Seal, Firefighter, Fire Department. Request for Service-Connected Disability Retirement effective July 15, 2006; 11.89 years of service.

Firefighter Seal was present and was represented by *Mr. Stanek*.

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

<u>Doctor's Name</u>	<u>Report Date</u>
Stephen Conrad, M.D.	5/7/07; 1/9/07
M. Norsell, PH.D.	4/18/07; 2/16/07
Jeffrey Reinking, M.D.	2/26/07; 1/3/07
Karanjit Basrai, M.D.	10/25/06
Lee Snook, Jr., M.D.	9/2/06; 8/4/06
Ken Hsu, M.D.	5/1/06; 3/24/04; 7/22/02; 3/1/02; 2/26/02
Douglas Bourgon, M.D.	5/1/06 (Two Reports)
Calvin Wang, M.D.	3/3/05; 3/3/05
Ronald Embry, M.D.	12/20/04
Robert Millard, M.D.	7/25/03; 2/18/02; 2/12/02; 1/4/02; 11/27/01
Daniel Lentz, M.D.	7/22/02
Joseph Dixon, M.D.	6/19/02
Robert Hart, M.D.	6/3/02
Murray Solomon, M.D.	1/4/02
<u>Medical Director</u>	<u>Report Date</u>
Dr. Rajiv Das	8/8/07

The Secretary stated that the medical records remained the same; there was only one addition to the file which is a letter from the department regarding their inability to accommodate the applicant in a modified duty position.

Dr. Das stated that the applicant has significant symptoms in the low back and has undergone surgery. He continues with residual treatment symptoms. His restrictions are based on the treating physicians' recommendations.

Mr. Stanek stated that Vice-Chair Heredia requested additional documentation at the previous meeting. The department has provided an updated memo dated 9/21/07, stating that no permanent positions are available and they cannot accommodate the work restrictions.

Chair Skeen stated that a light duty position was offered, however he saw a letter from the department stating that Seal was not in a light duty position since 2004, and requested clarification.

Firefighter Seal stated that he followed the recommendation of Mrs. Burns – the prior Deputy Director - who informed him that his restrictions could not be accommodated, so he should use all his sick and personal time, until he could qualify for his disability retirement. He then discussed the outcome and intention of the use of the pain center, which improved his ability to function dramatically.

(M.S.C. Cortese/Johnson) to approve service-connected disability retirement. Motion carried 4-1-2. (Brill-no)

(Out of Order)
NEW BUSINESS

Acceptance of results of Segal's economic experience study and approval of economic assumptions for the period ending 30 June 2007. (Time Certain – 9:00 a.m.)

Mr. Angelo reported that The Segal Company has reviewed and recommends changes in the economic assumptions currently used by the Board for the June 30, 2007 Actuarial Valuation. The Segal Company recommends the following:

1. Investment Return, which is the estimated average future net rate of return on current and future assets of the Plan as of the valuation date. This rate is used to discount liabilities. Segal recommends maintaining the rate at 8.00% per annum.
2. Inflation, which is future increases in the cost-of-living index which drives investment returns and active member salary increases. Segal recommends increasing the current 3.00% inflation assumption to 3.50% per annum.
3. Individual Salary Increases, which are increases in the salary of a member between the date of the valuation to the date of separation from active service. This assumption has three components:
 - Inflationary salary increases.
 - Real “across the board” salary increases.
 - Promotional and merit increases.

Segal recommends increasing the current inflationary salary increase assumption from 3.00% to 3.50% per annum and decrease the current real “across the board” salary increase assumption from 1.00% to 0.50%. This means that the combined inflationary and real “across the board” salary increases will remain unchanged at 4.00% per year.

Mr. Angelo reviewed the detailed calculations behind each of the economic assumptions.

Member Johnson, *Ms. Devencenzi*, and *Mr. Angelo* discussed the Unfunded Actuarial Accrued Liability, the amortization period, and the smoothing periods.

Chair Skeen asked if the salary assumption was exclusively looking at the police and fire wages.

Mr. Angelo stated that the salary increase assumption recommendation is 3.5%, but it does not include the third component, which is in a separate report based on the plan's individual member data.

Mr. Yeung stated that the figure for the average annual salary is a preliminary amount because the firefighters have just finished the bargaining process, so some of their increases are retroactive to 2005 and 2006. Those have not been blended into the current numbers, and not including those increases will have the effect of deflating the average number shown for 2007.

Chair Skeen stated that the report was very well done and laid out well. He appreciated their work.

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

Approval of closed 30-year amortization period for Other Post Retirement Benefits (OPEB)

Mr. Yeung reported that in Segal's June 30, 2006 actuarial valuation report for the medical and dental insurance benefits, the expense for the retiree health benefits were calculated using full accrual accounting required by GASB Statements No. 43 and No. 45. The unfunded actuarial accrued liability (UAAL) calculated in that valuation was amortized over the maximum amortization period of 30 years allowed by GASB.

Mr. Angelo stated that the Plan is required to disclose whether the 30-year amortization period is closed or open and recommended that the Trustees adopt the 30-year closed amortization method in determining the accrued expense for GASB 43/45.

Member Johnson requested an explanation on the difference between a 30-year amortization open period and a closed period. He noted that the actuary for the FCERS recommended an open amortization period.

Chair Skeen asked what other plans are doing right now.

Mr. Angelo stated that most of the other systems have not yet made a decision, as this is their first year, but most are leaning toward the closed or fixed method. He also observed that this is a soft recommendation. Segal has complete comfort with the Board using the open or closed method as this is strictly a policy issue.

(M.S.C. Johnson/Brill) to approve an open 30-year amortization period. Motion carried 4-0-3.

Adoption of Resolution No. 3325 declaring excess earnings as of 30 June 2007 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

Mr. Yeung stated that each year the actuaries calculate a smoothed return. This year that smoothed return is about 12%, which means that the SRBR gain sharing program with retirees will be able to pay out \$2.3 million dollars to retirees in November. Last year the figure was about \$1.5 million. After the distribution, the SRBR account will still have over \$27 million as of July 2007.

The Secretary asked if the process Segal used was verified, as there were some problems last year.

Mr. Yeung stated that the process has been improved and the results were reviewed several times.

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

(Back on Agenda)
Change in Status - None

Deferred Vested - None

DEATH NOTIFICATIONS

Notification of the death of Robert A. Caltabiano, Retired Fire Engineer; retired 6/6/82, died 7/23/07. No survivorship benefits to be paid.

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

NEW BUSINESS

Approval of Full Payment Option to be paid to Karen McGehee (Peters), ex-spouse of Battalion Chief Stewart McGehee, effective November 30, 2007 under Part 17, Section 3.36.3600, San José Municipal Code.

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

Approval of establishment of pre-retirement of domestic partnership status for Mercedes Philips, Retired Police Officer.

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

Approval of request to determine the death of David M. Sandoval, Retired Police Officer, a Service-Connected Death; retired 6/23/07, died 6/26/07, 25.04 years of service.

Chair Skeen stated that Sergeant Bacigalupi was present earlier, but this item came to the Board two months ago.

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

OLD BUSINESS / CONTINUED ITEMS

Re-election of Mark Skeen and Ken Heredia and election of the Board Secretary as Directors of 300 New Sanford Road Corporation.

Mrs. Busse said this action is needed because the building was sold and the members have to be reelected so they can dissolve the corporation.

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

Approval to excuse the absence of Vice Chair Ken Heredia from the Board's May and June Board meetings and approval of Board policy on excusing absences.

Ms. Devencenzi explained that the Board has authority to determine if an excuse for absence is acceptable. Also, the policy should reflect broader terms, to include City business outside of City Council or employment.

Chair Skeen stated for the record that Vice-Chair Heredia sent an email, Member Cortese had to exit early due to other City business, and Member Williams was on other City business.

(M.S.C. Brill/Muncy) to approve Board Policy on Absences, with an amendment to strike out the word council member or employee, and insert City business. Motion carried 4-0-3.

Approval of Sunshine Review Task Force Ancillary Body Feedback Form.

Mr. Richeda said the Board has reviewed another feedback form before, and this one is a follow-up for commentary with respect to committees. The form has similar comments that were provided with the prior form.

Ms. Devencenzi informed the Board that the Sunshine recommendations continue to be discussed at the Rules Committee through October, and no ordinance has been drafted yet to implement.

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

Oral update on the Solutions to Retiree Health Care Security Committee.

Chair Skeen stated that there is a document outlining some thoughts on the issues for healthcare. There will be several meetings set up from October through the end of January, and parties will be notified. The Police and Fire board representatives will be Vice-Chair Heredia, Member Muncy, Chair Skeen, and the alternate will be Member Brill.

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

STANDING COMMITTEE REPORTS/RECOMMENDATIONS

Investment Committee (Skeen, Heredia, Muncy)

Summary of meeting held 16 August 2007

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

Real Estate Committee (Skeen, Heredia, Muncy)

Investment Committee of the Whole (Full Board)

Summary of meeting held 16 August 2007

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

APPROVAL OF MINUTES

Monthly Board Meeting held 2 August 2007

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

Monthly Board Meeting held 6 September 2007

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

PENDING ACTION LIST

Updated list as of 25 September 2007

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

BENEFITS REVIEW

Summary of meeting held August 2007

Chair Skeen asked Mr. Pickler about EAP issue with the firefighter that has tried to obtain services.

Mr. Pickler stated that the discussion did not come up and it is also separate from this committee.

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

CONSENT CALENDAR

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

PROPOSED AGENDA ITEMS

PUBLIC COMMENTS

EDUCATION & TRAINING

ADJOURNMENT

There being no further business, the **Chair** adjourned the meeting at 11:20 am.

MARK SKEEN, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION