

POLICE AND FIRE RETIREMENT PLAN

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

November 5, 2009

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:32 a.m., on Thursday, November 5, 2009, in regular session at Department of Retirement Services, 1737 N. First St, Suite 600 - San Jose, CA.

ROLL CALL

Present:

DAVID BACIGALUPI
CONRAD TAYLOR
BILL BRILL
KEITH KEESLING
ROSE HERRERA
SAM LICCARDO
Scott Johnson

CHAIR (VIA TELEPHONE)
VICE CHAIR
Trustee
Trustee
Trustee
Trustee (Arrived 8:45 a.m.)
Trustee

ALSO PRESENT:

Russell Crosby	-SECRETARY	Donna Busse	-Staff
Carmen Racy-Choy	-Staff	Mollie Dent	-City Attorney Office
Russell Richeda	-Saltzman & Johnson	Jay Wendling	-SJPOA
Debbi Warkentin	-Staff	Thomas J. Boyle	-Attorney
Tamasha Johnson	-Staff	Jessica & May Mullen	-SJPD
Jesselle Holcomb	-Staff	TD Kimbrel	-SJPD
Ceara O'Fallon	-Staff	Maria Loera	-Staff
Jeff Ricketts	-POA	V. Simpson	-SJPD
Sandra Hollaway	-SJPD	Carol Bermillo	-Staff
Jim Jeffers	-Attorney	Bruce DeMers	-P&F Retiree
Veronica Niebla	-Staff	Aracely Rodriguez	-OER
Ira Summer	-Public Pension Pros	Jim Upland	-SJPOA
Lt. Mark Bustillos	-SJPD	Bobby Lopez	-SJPOA
Amanda Ramos	-Staff	Steve & Bev Gracie	-SJPD
Kirk & Linda Lovely	-SJPD	Andy Yeung	-Segal
Paul Angelo	-Segal	Gene Kischmischian	-Retiree
Ron Kumar	-Staff	Franco Vado	-POA
George Beattie	-POA	John Tennant	-POA Attorney
Randy Sekany	-L230	Barbara Hayman	-Staff
Antonia Guerra	-Mayor's Office		

REGULAR SESSION

ORDERS OF THE DAY

Chair Bacigalupi called the meeting to order at 8:36 a.m. Items 2d, 3a, and 3b will be deferred. He noted Item 12a was added as an amendment to the Agenda.

The Secretary introduced the newest member of staff – Stuart Bennett. Stuart has experience with the Pers system and has an actuarial background.

RETIREMENTS

1. **Service**

- a. **David A. Cox**, Fire Engineer, Fire Department. Request for Service Retirement effective November 28, 2009; 28.29 years of service.

(M.S.C. Brill/Herrera) to approve. Motion carried 6-0-1. (Absent: Liccardo).

2. **Disabilities**

- a. **Steven Gracie**, Sergeant, Police Department. Request for Service-Connected Disability Retirement effective November 5, 2009; 21.13 years of service.

For the record **Sergeant Gracie** was present and was represented by *Mr. Jeffers*. The following reports have been received:

MEDICAL REPORTS - DR'S NAME	DATED
ALLEN KAISLER-MEZA, M.D.	6/1/09 (TWO REPORTS), 2/6/09
GARY ZOELLNER, M.D.	3/31/04, 6/24/03, 6/5/02, 5/23/01, 2/13/01, 6/20/00, 7/12/01
MARTIN TRIEB, M.D.	3/1/04, 6/23/03
KOK CHONG, M.D.	6/24/03
KENNETH ONG, M.D.	3/27/03
KEITH FORD, M.D.	3/22/02
MARGARET LEE, M.D.	9/27/01
ANNA CHAN, M.D.	4/25/01
SUMIT MAJUMDER, M.D.	6/15/00, 5/12/00
ELAINE NELSON, M.D.	4/13/00

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	8/7/09

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

- b. **Kirk J. Lovely**, Police Officer, Police Department. Request for Service-Connected Disability Retirement effective November 5, 2009; 16.21 years of service.

For the record **Police Officer Lovely** was present and was represented by *Mr. Boyle*. The following reports have been received:

MEDICAL REPORTS - DR'S NAME	DATED
ELAINE DATE, M.D.	7/15/09, 7/13/09, 6/25/09, 5/28/09, 2/19/09, 2/5/09, 1/7/09, 12/14/08, 12/5/08, 2/13/08
MARK SHELUB, M.D.	2/22/09, 1/8/09, 11/19/07 (2)
YURI FALKINSTEIN, M.D.	7/7/08,
MURRAY SOLOMON, M.D.	2/21/08
ARTHUR TING, M.D.	6/14/07, 4/25/07, 3/27/07 (2)
DIANA SCOTT, M.D.	6/11/007
MARK SONTAG, M.D.	5/9/07
JAY KAISER, M.D.	3/30/07

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	10/15/09

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

- c. **Jessica Mullen**, Police Officer, Police Department. Request for Service-Connected Disability Retirement effective September 30, 2009; 7.98 years of service.

For the record **Police Officer Mullen** was present and was represented by *Mr. Boyle*. The following reports have been received:

MEDICAL REPORTS - DR'S NAME	DATED
1. HAMID MEHDIZADEH, M.D.	10/19/09 (X2), 7/15/09, 6/3/09, 3/2/09, 1/28/09, 9/17/08, 8/20/08, 5/6/08, 4/23/08, 4/2/08, 3/13/08
2. EDWARD LIU, M.D.	2/25/09
3. DAVID FELDMAN, M.D.	2/25/09
4. KEITH FORD, M.D.	1/10/09
5. THOMAS FOWLER, M.D.	1/30/09
6. JULIE SHULESHKO, M.D.	11/30/08,
7. ROBERT FILPI, M.D.	8/28/08
8. ALI SOOZANI, M.D.	4/21/08.
9. ANDREW DURKIN, M.D.	4/1/08
10. GRADY JETER, M.D.	12/17/07, 9/10/07
11. MARIA MATSUMOTO, M.D.	11/8/07
12. MARK CULTON, M.D.	10/30/07
13. WILLIAM HOFFMAN, D.C.	7/14/07, 6/1/07
14. NORMAN CHOW, M.D.	5/31/07

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	10/15/09

Member Liccardo arrived

(M.S.C. Taylor/Brill) to approve. Motion carried 7-0-0.

3. **Change in Status – Items deferred by applicants**
4. **Deferred Vested - None**

DEATH NOTIFICATIONS

5. Notification of the death of Donald Davis, Retired Police Officer; retired 11/7/90; died 8/18/09. Survivorship benefits to John and Bobbi Davis, son and daughter respectively.

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

6. Notification of the death of Edward D. McKay, Retired Police Deputy Chief; retired 3/17/79; died 9/19/09. No survivorship benefits.

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

NEW BUSINESS

7. Discussion and action regarding Segal's economic assumptions for the valuation for the period ending 30 June 2009.

Mr. Angelo stated actuaries use models to attempt an analytical approach to provide a comfortable range for setting assumptions. Each year the actual experience is compared to the assumed. The economic assumptions are financially related. The following are recommendations from the Segal Company:

- Investment Return – Maintain the rate at 8.00% per annum and revisit the return assumption in 2010, (1) to reflect the new asset allocation adopted in September 2009 and (2) to reflect more stable market conditions, less influenced by the recent market volatility.
- Inflation – Maintain the current 3.50% per year inflation assumption.
- Individual Salary Increases – Maintain the current inflationary salary increase assumption of 3.50% per year but increase the real “across the board” salary increase assumption from 0.50% per year to 0.75% per year. The combined inflationary and real “across the board” salary increases will increase from 4.00% per year to 4.25% per year. The recommended promotional and merit increase assumptions are provided in the June 30, 2009 Segal biennial experience study report.

Mrs. Racy-Choy stated the probability of achieving an annual net rate or return of 8% or greater over a 30-year holding period is 17%. In other words in more than four out of five future possible economic scenarios the Plan would fail to meet its investment return assumption. The end result of this would be actuarial losses, which amortized over time would consistently increase the City's contribution rate and lower the plan's funded ratio. Consequently, staff recommends that the Board reduces the investment return assumption from 8.0% by 0.25% this valuation and the next, bringing the assumption to 7.5% over two valuations.

Mr. Sekany stated that Local 230 has been in arbitration regarding assumption rate setting. Local 230 would request the Board's consideration in holding off setting rates until this matter is addressed.

Ms. Dent stated the litigation referred to does not involve the Board, and they have not received any report. She will find out if there is additional information available to the public regarding the Local 230 litigation; however, this Board needs to proceed.

Mr. Ricketts stated the POA believes this is an important issue, and this is not the time to change assumptions as a degree of caution should be utilized.

(M.S.C. Taylor/Brill) to accept Segal' recommendations for the Inflation and Salary Increase assumptions. Motion carried 6-1-0. (No: Liccardo)

(M.S.C. Brill/Taylor) to accept Segal' recommendations for the Investment return assumption to remain at 8.00% and revisit in 2010. Motion carried 4-3-0. (No: Herrera, Johnson, Liccardo)

8. Discussion and action regarding Segal's non-economic assumptions for the valuation for the period ending 30 June 2009.

Item deferred to next month for further discussion.

9. Discussion and action regarding Market Value of Assets Corridor.

Item deferred to next month for further discussion.

10. Request for Board discussion and direction to staff concerning Alex Gurza's memo dated 9/21/09 concerning actuarial valuation issues and Segal's response dated 10/29/09.

Item deferred to next month for further discussion.

11. Approval of Segal recommended assumptions for the 6/30/09 Retiree Health Actuarial Study.

Item deferred to next month for further discussion.

12. Adoption of Resolution No. 3625 declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

(M.S.C. Taylor/Herrera) to approve. Motion carried 7-0-0.

- 10a. Discussion and action concerning a potential need to change the date/time of the Board's December meeting.

The Secretary stated City Council has a confirmation hearing scheduled at the same time as the regularly scheduled Police & Fire Board meeting the morning of December 3rd. He recommended the Board move its meeting to the afternoon beginning at 1:00 p.m.

(M.S.C. Taylor/Brill) to approve changing the December 3, 2009 meeting to start at 1:00 p.m. Motion carried 7-0-0.

13. Request to change the effective date of service retirement of Manuel Martinez, Jr. from October 17, 2009 to new effective date of October 31, 2009.

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

14. Approval of Lump Sum Distribution to Kerry Knight, ex-spouse of Kelli Knight, Police Officer, effective immediately, under Part 17, Section 3.36.3600, SJ Municipal Code.

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

15. Approval to conduct an RFP for consultant services to aid in the selection of a new pension administration system/vendor.

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

16. Approval of 2008-09 draft of Police & Fire Retirement Plan's Comprehensive Annual Financial Report (CAFR).

(M.S.C. Brill/Herrera) to approve. Motion carried 7-0-0.

OLD BUSINESS/CONTINUED-DEFERRED ITEMS

17. Oral update on Travel Audit compliance.

Item deferred

18. Oral update on the FLSA/Payroll issue.

Item deferred

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

Investments Committee (Johnson, Bacigalupi, Keesling – Alternate: Liccardo)

Real Estate Committee (Bacigalupi, Keesling, Taylor – Alternate: Herrera)
Audit Committee (Taylor, Brill, Johnson – Alternate: Bacigalupi) - TBD

CONSENT CALENDAR (Items 19-26)

(M.S.C. Herrera/Johnson) to approve Consent Calendar. Motion carried 7-0-0.

**PUBLIC COMMENTS
PROPOSED AGENDA ITEMS**

EDUCATION AND TRAINING

27. Notification of IIR's 18th Annual Public Fund Boards Forum to be held in San Francisco, December 12 through 18, 2009

Item Deferred

CLOSED SESSION

28. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 subsection (a):**

Case Name: State of California ex rel Associates against FX Insider Trading v. State Street Corporation et al

Name(s) of Parties (s) Involved: State Street Corporation, State Street California, Inc., State Street Bank and Trust, State Street Global Markets People of the State of California ex rel Edmund G. Brown, Jr. Associates against FX Inside Trading ex rel City of San Jose and 12 other public entities

Court: Superior Court of California, County of Sacramento

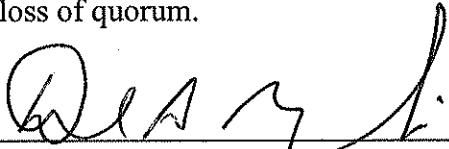
Case No.: 34-2008-00008457-CU-MC-GDS

Amount of Money Or other Relief Sought: Damages according to proof

Item deferred

ADJOURNMENT

Chair Bacigalupi adjourned the meeting at 12:45 p.m. due to loss of quorum.



DAVID BACIGALUPI, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION