

POLICE AND FIRE RETIREMENT PLAN

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

August 3, 2006

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met at 8:47 a.m., on Thursday, August 3, 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

DAVID CORTESE

Fire Employee Representative

Retiree Representative

Civil Service Representative

City Administration Representative

City Council Representative

NOT PRESENT:

BRET MUNCY

CINDY CHAVEZ

Police Employee Representative

City Council Representative

ALSO PRESENT:

Edward F. Overton -SECRETARY / DIRECTOR

Susan Devencenzi -City Attorney

Roger Pickler -Staff

Tamasha Johnson -Staff

Donna Busse - "

Aleta Holcomb - "

Aracely Rodriguez -OER

Jim Spence -SJPOA

Karin Carmichael -Staff

Carol Bermillo -Staff

Toni Johnson -Staff

Tom Webster -Staff

Russ Richeda -Saltzman & Johnson

Debbi Warkentin -Staff

Udaya Rajbhandari - "

Ron Kumar - "

Greg Spence -Retiree

Mike Pribula -Staff

Kerry Burns -Fire

Amanda Ramos -Staff

Jim Jeffers -Attorney

REGULAR SESSION

ORDERS OF THE DAY

The Chair called the meeting to order at 8:47 a.m.

RETIREMENTS

Service

Armando Alvarez, Police Officer, Police Department. Request for Service Retirement effective August 12, 2006; 27.13 years of service. **(SCD Pending)**

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

Gary R. Bertelsen, Sergeant, Police Department. Request for Service Retirement effective August 12, 2006; 25.88 years of service. **(SCD Pending)**

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

Joseph M. Franco, Fire Engineer, Fire Department. Request for Service Retirement effective August 12, 2006; 30.26 years of service. **(SCD Pending)**

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

Robert K. Meheula, Jr, Police Officer, Police Department. Request for Service Retirement effective August 12, 2006; 25.53 years of service.

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

Joseph D. Roberts, Fire Captain, Fire Department. Request for Service Retirement effective July 15, 2006; 32.41 years of service. **(SCD Pending)**

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

Gregory D. Spence, Battalion Chief, Fire Department. Request for Service Retirement effective August 3, 2006; 30.24 years of service. **(SCD Pending)**

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

Walter Tibbet, Police Captain, Police Department. Request for Service Retirement effective July 4, 2006; 26.39 years of service.

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

William A. Waggoner, Police Officer, Police Department. Request for Service Retirement effective July 15, 2006; 30.60 years of service. **(SCD Pending)**

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

Disabilities - None

Change in Status - None

Deferred Vested

Ronald L. Martinelli, Former Police Officer. Request for Deferred Vested Benefits effective June 10, 2006; 15.04 years of service.

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

DEATH NOTIFICATIONS

Notification of the death of Dick Anthony, Retired Police Officer, retired 2/4/93; died 6/7/06 and survivorship benefits to Nancy Anthony, spouse.

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

Notification of the death of Arthur R. Miller, Retired Sergeant, retired 5/1/72;
died 7/8/06, and survivorship benefits to Wanda Miller, spouse

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

NEW BUSINESS

Oral update from Paul Kimura, Avery Associates, on the continuing recruitment
for Retirement Services' deputy director.

Mr. Kimura explained that this process has been going on 4 or 5 months and that the recruitment has occurred twice, as the first time was not successful. This second time we have 20-25 applications, of these there is some potential. We plan to take some time to interview the candidates. You asked that we discuss the challenges we faced with this recruitment and there are several factors. The position itself is fairly unique, and the particular areas of expertise few people have that exposure, as well as, economic factors. The talent pool is limited. The demographic range and this market's cost of living are challenging. The compensation level is a factor but the situation has several factors that play into the equation. Friday will close the search.

Member Lisenbee asked *Mr. Kimura* to describe what type of outreach they did.

Mr. Kimura stated that they talked to retiree associations, posted on several boards, and even on the private sector they spoke to high tech firms. He stated that the position is well known throughout the state and other states like Oregon and Washington. The search has been very comprehensive with a limited degree of success, so for the second recruitment we changed our emphasis slightly.

Member Heredia asked what changes were made in the position recruitment.

Mr. Kimura stated that there was a lot of emphasis placed on investment knowledge the first time around, which is such a narrow field and normally people in that field won't have much finance or accounting expertise. So, in the second recruitment we re-titled the position as CFO with the emphasis placed on the financial and accounting background with hopes of getting more candidates that have investment expertise also.

Member Heredia and the Secretary discussed the title of the position and the responsibilities assigned to that position based on data from a comps/class study done and any impact the different emphasis that may have.

Member Heredia asked if this is going to be a similar situation when they need to recruit for the Director position. He also asked if the salary range proposed for the current recruitment was adequate.

Mr. Kimura stated that it will be a similar situation because there are more retirements occurring at the executive level and the market is very competitive and very tight. He said the salary was within reason but with the nature of they type of experience and the position the salary can be a problem, however there are many factors in this valley that make it complicated.

Chair Skeen asked *Mr. Kimura* if he had any suggestions to improve the success of the recruitment.

Mr. Kimura said that he would like to interview the candidates to see where we stand and if we find we are in the same place at that time then he would make some suggestions.

Member Brill discussed with *Mr. Kimura* about the San Jose Plan popularity and that there may be negative connotations associated with our image and if that has deterred people from responding.

Mr. Kimura indicated that he has heard bits and pieces of information from the community, but it is mostly about the investment approach of the Plan, but in general the Plan's image is not an issue - most deterrence, if any, is stemmed from the San Diego situation and the publicity going on with San Jose.

Request for authorization for the Secretary to negotiate and execute an agreement with The Segal Company to provide actuarial services for the Police & Fire Retirement Plan.

The Secretary stated that there is a staff report with the details provided.

Member Heredia questioned why the actuary don't do both of the valuations at the same time for the \$20,000 proposed to certify Mercers '05 valuation when they will be doing another valuation in '07. And he also did not see the police benefit enhancement in the proposal and wanted to ensure that that is going to be included as part of the contract.

The Secretary explained that the new actuary would have to replicate Mercer's report to conclude how they got the numbers and if they can rely on those numbers provided by Mercer. The contract is for actuarial services, and it did not seem appropriate to have them do the police benefit proposal before they were signed on. Once we do the contract there will be a certain amount of dollars added into it for special projects, which will include the police benefit proposal.

Ms. Devencenzi also explained that generally we build into the contract something for special studies after they are hired.

Member Brill wanted to know how Segal's fees compared to Mercers.

The Secretary said that Segal's fee is higher than Mercers but in general across the board it is comparable to others.

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

OLD BUSINESS / CONTINUED ITEMS - None

STANDING COMMITTEE REPORTS/RECOMMENDATIONS

Investment Committee (Skeen/Heredia/Muncy)

- Summary of meeting held 17 May 2006.

- Summary of meeting held 15 June 2006.

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

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

- Summary of meeting held 15 June 2006.

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

Investment Committee of the Whole (Full Board)

- Summary of meeting held 17 May 2006.

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

APPROVAL OF MINUTES

Monthly board meeting held 1 June 2006.

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

Special board meeting held 13 July 2006.

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

PENDING ACTIONS LIST

Updated list as of 25 July 2006.

This item is note and file.

BENEFITS REVIEW

- Summary of Benefits Review Forum that was held April 2006.
- Summary of Benefits Review Forum held May 2006.
- Summary of Benefits Review Forum held June 2006.

Member Heredia wanted an update on the Health RFP status.

Mr. Pickler stated that there was an initial 6 respondents to the RFP, they interviewed 4 and now they are looking at 3 and will be meeting on Monday to narrow the list to 2 providers.

Member Heredia asked if premiums have been discussed.

Mr. Pickler said they have been and that there is about a \$50 difference between the respondents, they also have discussed the benefits offered so that they match with what is currently offered by the Plans.

Member Heredia asked if there is a potential of lowering rates at the expense of higher premiums and less services, in particular his interest is of the retirees.

Mr. Pickler stated that the co pays are the same and overall they are trying to negotiate a better package than what is currently offered.

The Secretary asked if there was any retiree input at the Healthcare RFP subcommittee meetings.

Mr. Pickler stated that there are two representatives for the retirees.

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

CONSENT CALENDAR

Chair Skeen pulled items 20e and i from the consent calendar.

(M.S.C. Heredia/Brill) to approve Consent Calendar except 20e and i. Motion carried 5-0-2.

Member Heredia thanked staff for the informational memo they provided in item 20e but stated that it did not address his question on procedure. He wanted to know what the process is if they have a situation where changes are implemented into the Plan based on changes to State/Federal Codes and they are sent to the bargaining parties; who has to agree to any negotiated benefit for it to pass and what if one party does not, then what happens. How does the process with the interested parties come forward? So, now that there has been changes made with the new Police Benefit, he wants to know who has to agree to changes and what is the process, how has the process changed?

The Secretary explained that the meet and confer is different from the retirement board procedure. When an ordinance is drafted there is a presumption on the Board's part that Labor has agreed to what is in the ordinance and the ordinance is drafted by the City Attorney's Office then sent to the Board for review and comment for 60 days on the proposed ordinance. If the Board does not comment within 60 days the City Council has the right to go forward without it and if there is no labor objection then we are out of the process.

Member Heredia said that his question is if both of the bargaining units have to agree, or just one or none. Not on negotiated benefits, but as time goes on and there are changes that need to be made to the Code because of the impact of Federal or State law what happens then, what happens if something that is not a benefit that needs to be changed in the Code but is subject to meet and confer who has to agree to that before we can implement it.

The Secretary stated that if the Police negotiate something that is for Police then the other party does not have to agree to it, nothing changed with the Firefighters. But with that last part of the question both bargaining groups need to agree.

Ms. Devencenzi said that if it is a change that affects both groups, then both groups would have to agree. They are subject to meet and confer but there are some procedures under the Meyers, Neely, and Brown Act that if you reach an impasse then there are procedures to go through, there are also procedures in the Charter, so if you have a situation under the Charter if you reach an impasse you can go to an arbitrator. Then you could have a court procedure that could follow that if the arbitrator's decision was still unsettled, which can be initiated by any party. She has not ran into any situation from any of the parties where the issue on the

qualification of the Plan and implementation of State Law where we couldn't work it out, now questions may arise where you can go one way or another and generally that will come to the Board unless it is something negotiated outside, then the Board would seek input from any one interested in the issue and make a recommendation. She stated that she would look into this concern.

Chair Skeen stated that item 20i is a discussion item, if there are items that the Board would like to place on the retreat agenda.

Mr. Webster stated that Segal, if approved, would be willing to come to the retreat to present information on actuarial topics the Board wants discussed.

PROPOSED AGENDA ITEMS

PUBLIC COMMENTS

Mr. Spence wanted to announce that the SJPOA is having an annual BBQ on August 26, 2006 from 12-2 pm and invitations should be received soon, also to formally inform us that he is now past President of the SJPOA and that the V.P. will be acting President until elections in October.

EDUCATION & TRAINING - None

ADJOURNMENT

There being no further business, at 9:34 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