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[roll call]

>> ...And we still have one trustee vacant spot. Excuse me. Okay, orders of the day. We've got a few changes here. First of all, we need to waive sunshine on the following items. The hard copies were not available at the time of posting. So there's a requirement to waive the sunshine rules on item 1.2, item 1.3, maybe item 2.6. Got some verbal on here, 7.4 A and 7.4 B and item 3.3. Do I have a motion to waive sunshine?

>> Richard Santos: So moved.

>> Second.

>> David Bacigalupi: Motion carries. Items on the agenda are time certain. 3.2 time certain at 8:30, starting that one off immediately. We have the City Manager here so we want to get that taken care of. And then immediately after, we'll go into closed session on item 1.1 and I'll detail that out, when we get to that. Item 1.1 we'll be going into closed session going into a different room. And then we're going to move item 1.3 and 3.3 are kind of the same issue. So we'll put those two together. And we may find some other ones but that one I just know off the top of my head. And then when we get to item 4, we're going to, which is also time-search at 10:30, we will be taking item 4.3A, the nonservice connected disability first. And then the last order of the day that I have, is we have item number 2.1, and that discussion, because of a telephone conference, will be time-certain at 12:00. Okay? Anything else orders of the day from the rest of the board?

>> I think that's enough.

>> David Bacigalupi: Okay. Let's start off with, item 3.2, and that is discussion regarding retirement service department staffing. This has been continued from July 11th, 2011, special meeting. And there's a memo in your package. As well as the presence of Deb Figone and Alex Gurza. Welcome, thank you. And who's going to start this off?

>> I think Deb starts off.

>> David Bacigalupi: Okay.

>> City Manager Figone: Thank you, Mr. Chair. Can you all hear me? Board, it's really my pleasure to be before you today. And what I'd like to do is certainly be responsive to what it is you want to know. In fact I really welcome the opportunity to be here because I think the topic that you've been discussing or whether formally or informally is certainly an important one and I think it's important that you not be kept guessing or have filters around what I might be saying or thinking about the issue. But just to make sure we're all talking about the same thing I have not seen a staff report so illegal let me tell you what I know you want to hear from me and I can certainly begin talking about the issues or we can do Q&A. Can I begin that way chair?

>> David Bacigalupi: Please.

>> City Manager Figone: What I was told through e-mail what you're interested in knowing is basically my perspective on compensation parameters and whether or not there are ceilings or any parameters in place around issues like investment officers or even directors, general thinking on retirement staffing and compensation, and an update on organizational changes approved by the board. So that's kind of a hodgepodge of what I understand you wanted to know about. I don't know that I'll necessarily address them in a very structured way, in that order, but would you like me to begin maybe giving you some context or would you prefer to do Q&A?

>> David Bacigalupi: What's the pleasure of the board as far as I'm concerned --

>> Context --

>> A little bit of both.

>> City Manager Figone: Stop me if you need to. Let me tell you how pleased I am with the tremendous success I think to date this board has achieved as well as the staff in really grappling with some very, very difficult issues. There's no question in my mind that since Russell came on board, in fact he began just about a month after I started as City Manager, in 2007. There's no question in my mind, he's instrumental in bringing the changes to this retirement system as well as hired very, very talented staff. In the same vein what I'd like to say is thank you to the board members. We have a long history of having dedicated employees on our board, certainly, councilmembers and although that's evolved, our council interest in the issues of this board as represented in liaison and Councilmember Constant and the courage that the council has had to take on issues that have been -- Russell has brought to the forefront that really need to be addressed to ensure that our very important plans are on solid ground and has taken on courage and the cooperation of many. So I would really also like to begin by acknowledging our private board members as well as our public board members and thank you for your service during this really critical time. And in full disclosure, let me just say that I am a 42-year public servant. 32 plus with the City of San José. And so what happens with these plans is of interest not only to me personally, I know it is of great interest to our employees, and our retirees. And that in great measure is what, among many, many things including my job as City Manager makes my being here a very welcomed opportunity, so you can hear from me directly. And at the same time I think what you also need to hear today, even maybe though you didn't ask the question, is the perspective that I feel that, through my role as City Manager and serving the mayor and council, I need to bring to the issues that are embedded in these questions. So if you bear with me, just a little bit, the first thing, particular for the private board members, I think it's really important to be understanding the context in which we are all serving. Because you bring a private sector perspective which is really great for us but you're operating in a public sector environment and these plans, as you know, are funded both by the public, the majority by the public as well as through employee contributions. And so when we talk about things like compensation, and some of the issues that even around independence, I think it's important to understand that public context that we're operating in. We are working through the worst fiscal crisis this city has ever known. We have just concluded a budget whereby, in total, over the last ten years, the majority over the last two years, we have lost about 2,000 employees from our workforce. And yet we are serving a public that has grown over that period of time. So we have gone from 7400 employees to about 5400 employees. And so when we talk about things like pay and market, we could really enter into that conversation for any of our employees. You know, beginning with

upper level management all the way through our police officers and our firefighters. And so that needs to be in background, as we discuss this issue of compensation, for the highly skilled employees that we need to find and retain to serve our retirement system. But you just need to know, I am grappling with this issue citywide. Also, when you look at market and think of you know where we stand in the market, of course we're going to be behind. And if we were behind to begin with we're even further behind now. Because we've all taken a 10% pay cut. So it stands to reason that we're going to be behind. And how we rectify this issue, for retirement and not rectify it for people that we're losing out of the water pollution control plant or wherever we may be is going to cause us to have to establish some values and do some picking and choosing. And perhaps, from a public policy perspective that should happen. Ultimately, that will be a decision of the council, whenever I bring those issues forward, but it is in the background as we talk about this important issue. And I do think we need to acknowledge, even though it is not popular, maybe might work against us, many of us could say that if we were out in the private sector, we would be paid a lot more money than we're paid in the public sector. We know that when we're here to serve, certainly pay is important, and it becomes -- can become a huge dissatisfier if it falls behind. And people feel quite frankly unappreciated or abused because of their pay status. But at the same time, especially for those of us who have been around a long time, we know that it's not just about the money. It's about service to the community. And so where that value fits, as we work together through this particular issue, as we're working through many, many changes I think is an important consideration. It may not be the only consideration. As we look at all the tradeoffs, associated with talent, versus service. But right now, it's in the background and I think you need to be aware of that. Moving on, I would say that we've made tremendous progress, again through Russell's leadership, through the courage of the council, and of the board, to work through many, many changes, and have made great strides on the Cortex report. And that's been our blueprint. And as we've worked through those issues, you all know, it certainly hasn't been easy and we're down to a few very, very vital ones that remain. So as we move forward and think about, you know, pay and compensation, we can certainly assess the market. I'm sure that we would find that the other retirement plans pay more. There will be a public policy decision about whether or not that should happen here. I heard that there was a claim that there's this hard cap on salaries, because of the money I make. That is not necessarily true. I would say, though, it's in any organization, think about your own companies. Speak about retirement. There are a hierarchical relationship. Now whether or not that should apply in retirement is a public policy question. I'm thinking about this more from the standpoint of the institution, not

about me personally or Russell or anybody sitting in the room today. I'm thinking about this from a governance perspective as we move forward in the future and how do we set up the best systems and structures that serve us well, regardless of who's sitting in these seats. But I do think you have to think about whether -- just take me, and the broader city system out of the picture. Even in this own structure, would you disregard the hierarchical relationship between investment officers and the director? Or would you believe there would be a hierarchical relationship between the director, the assistant director and investment officers would have to have an appropriate Pecking order, I believe you would. Clearly there's not a hard cap where the City Manager drives all. That has been a practice. It is not a hard policy. But I would say it is probably a common practice in institutions, to have a hierarchical relationship. Again whether that has to come into play as we're working through this issue, you know I'm not saying it has to. So the -- let me get to -- so that I guess would be my perspective on compensation. Typically, in our system and we are in a civil service system, and Alex I've invited him to junk in and correct me if I'm wrong. Although I've been around a long time I don't remember all the rules. Pay studies are done, eventually a recommendation is made at least for the classified service to the civil service commission. Ultimately pay recommendations then go to the council with adoption of a pay plan. And so that is the system. As long as we're still operating within the city context within the city charter whereby the director reports to the City Manager under charter section 411 of the city charter and I don't know, Alex if that's pretty accurate. Kind of a thumbnail sketch of how that would happen.

>> Alex Gurza: Yes, that's correct.

>> City Manager Figone: And I would assume if you would want to pursue this, the board would do its own surveyless. The council would typically look to me to validate those. Based on market, I'm not sure there are that many plans in California with that -- or that many cities with their own plans so I'm sure we would be comparing as much as possible to other public sector plans to have that data considered. So that's I guess the comments for now on compensation. General thinking on retirement staffing. You know, I think this is an area where I would like to suggest that we -- our budget director is on vacation. That we come back to this topic when I can get the staff to recap for me and for you what you made need to know and with better answers than I can provide you today. I did talk to one of the Budget Analysts last night, and also took a look at some of the budget information. And just

very, very quickly, maybe not addressing your question directly, it seems to me that since fiscal year 2009-10, 10-11 and 11-12 there's been steady progress made in trying to accommodate the request of the firearm -- excuse me, the retirement department for changes in position in order to shore up the organization in a way that Russell has felt would be important to ensure that the quality exists that has a retirement expertise and it's not just accountants or staff who are perhaps very, very qualified to be in finance or the budget office but maybe don't have the skill set that is needed to manage the retirement affairs. That said, because the department is part of the city structure, I do rely on our budget director as gate keeper for all departments to really query the departments. I mean if we approved everything carte blanche that came through the door, we would not be able to live within our means. And so that gate keeping function has been very, very important as part of the total budget process. I do know that the budget director this year has tried to work with Russell to accommodate requests. We call them add-deletes. You know you delete one class, you add another one. Trying to do that in the context of the pay and class system that we have. Where new classifications need to be developed, you know, job descriptions would have to be developed. Those again would go through the process that I described for setting pay. Let me tell you, though, that because of the cuts that I mentioned earlier, and I think Russell is aware of this, in some cases, you may not want to fill a position. Because according to the rules you would have to first place somebody from a list that has been bumped through the process. And that may undermine the goal that you are trying to achieve in placing people in the positions in retirement that have expertise in retirement. So there are some considerations, as you go about even bringing on new positions. Because there is often a question, could somebody on a reinstatement list fill that slot? And so that those decisions have to be made in the context of the environment that we operate in, as well as the time that we're serving in. So what I would suggest, unless there are some specific questions that maybe Alex can answer better than I, that you may want to resubmit the staffing request that you brought through the budget process that were denied, and perhaps receive a clearer explanation of what the considerations are in getting those approved. I guess last but maybe not least, would be my perspective on where we're at with Cortex. And one of the last few items in the blueprint, which is the issue of independence. And that is, should the boards be completely independent, responsible for the director and the staff, make those decisions whether they be hiring, termination, compensation, and clearly, that is an option. The issue of independence, Russell will know and Dave and Dick, the issue of independence is not a new one. With prop 62 many years ago when I was an assistant City Manager I was before this board many times, a different board. We wrestled through

some of the issues around the director. And I thought a lot about the issue of independence. And as we continue to make such tremendous progress on shoring up the system and confronting the very, very difficult issues that are really now driving our fiscal crisis, I thought a lot about it and asked myself, knowing that this question is out there, how would I think about it, and what would be my recommendations to the city council. In a nutshell the way I look at this is, independence could work very well for the city. I do not know as much about retirement and retirement law and actuarial practices as many of you do. But the question I would have for myself, and what I would pursue in make a recommendation to the council, is where are the protections for the plan sponsor? So again, let's take all of us out of the equation. I would think that private plans maybe because of the evolutions they've been through over time, have safeguards in the law for the plan sponsors. That's just a guess of mine. I don't know that those safeguards are in place for public plans. And so, as the plan sponsor, regardless of who's sitting in my seat or yours, with -- in the context of a -- the public that we serve, and who is funding the plans, and in the context of term limits, in the context of turnover of staff, who is going to think about the plan sponsor? So using my terminology, what I would recommend before we agreed to go to the ballot and change the charter, and really have the boards and the plan be totally independent, is that we think of what the City's fiduciary expectations as the plan sponsor. As far as I know, other than words in the Muni code, like shall be actuarially sound or other than what the mayor did in his March Budget Message, to really set parameters about not kicking the can down the road, not playing games with intergenerational transfer, not playing games with smoothing periods, or you know any of the other things that are going on out there, the things that you are working hard to avoid and this council is trying to hold the line on, where are those things stated? So there might be a better term for it but I really want you to know that before I could recommend independence or a weigh in on the conversation in any meaningful way, I would want to know where are the protections for the plan sponsor? What are the parameters that the plan would operate within, that would be in the best interests of the city, so then as fiduciaries you and the next board could go about doing your jobs without the interference of the city. So those would be my thoughts on independence and it's probably a great time to consider those kinds of ideas and protections. I would assume the council would want the perspective of the board on these items, certainly they're going to hear my perspective and what I would want you to know, in closing, is that any time you want to know what I'm thinking about an issue, I am happy to appear before this board. There is nothing for me to be shy about. As I said, in the

personal interest side of this, I care greatly about the solvency of the city as well as the solvency of the plan. And so with that I will close and be happy to answer any questions you have.

>> David Bacigalupi: Thank you very much, Debra. Okay, Damon then Drew.

>> Thanks a lot for that. I definitely appreciate your perspective. You are right it is -- this is a conversation about context. Since we're not making any decisions I just have some comments open some of the things you said. First, the city appointed five of us so I completely agree that maybe some protections aren't distinctly spelled out. But at the same time, you know, some of us, we're not taxpayers. We're completely independent. We were appointed by the city to be the fiduciary as well. Right? We're not held to a different standard from a fiduciary responsibility because we're operating within a public plan, either. So when we look at these compensation issues, you know we have the benefit of I haven't been in government for 20 years, right? So the competition to me is in other public plans. I think all the public plans have the same issues. The competition is, you know, what other alternatives does the talent have, or what other alternatives do we have in potentially outsourcing or doing something a bit different with a pool of resources that we have to manage this plan. I think, from a Pecking order standpoint as well I have a comment. I do agree outside the context of government and in the context of financial services quite often though Pecking order isn't established by compensation. There's a different impact that this plan has than a lot of other you know quite important and quite valid services as well. And we've established and one of the things that we're putting, you know, we're putting a little bit more research into is, you know, what is the difference between an average plan and a top tier plan and what does it take to get there? And you know often the differences, you know, as it was put before its schools and its firemen, you know, does the city contribute 60% or a more -- or a more reasonable number because of performance as well? So there's a lot of things that we're considering outside of the context of looking at this as some kind of a you know government operation. That where my context is coming from. So you know hopefully --

>> City Manager Figone: Yeah, I think that's quite understandable. One thing I didn't say and again just to put it in the mix is as you consider and as the council were to entertain increases in salaries, and really trying to peg the market is the administrative cost of the plan. Those have come under question and are recent audit by the City

Auditor, our employees are asking us to research, why doesn't the city just go to PERS. So you know, I think you do have to be mindful of the administrative costs of the plan. And as you consider, are there any boundaries in that regard, again, not only for the competitiveness issue, perhaps, about the operation and managing costs, but again, from a public perception perspective, I think it would be important. Not saying what's right or wrong in terms of the answer but again, in terms of that context.

>> Damon Krytzer: And let me make just one last comment on that. It seems to me that there is more room for efficiency and it seems also that it's easier in some cases for us to just pay more money for external, as opposed to competitive money for internal. So in the overall context of plan expenses totally agreed. But I don't feel right now like they're necessarily looked at as one big pool of resources, right. We have this big discussion about internal versus external and you know we could probably hire an above market consultant right now and not face the same issue as trying to market comp, our internal staff. Maybe some of that also there's some kind of incentive piece or maybe more finance appropriate answer to this. But I mean that's just my perspective when I sit here and I look and I'm saying okay, look at this list of who we're paying it's all external and how much overlap is this? Where we could do so much more of that I think internally with a more appropriate comp structure.

>> City Manager Figone: You know you're absolutely right on, we are grappling with that throughout the organization. One other thought I would leave you with is the question of total comp, and total compensation, what is that total compensation pie for the employees of the department? A lot of that in our world, City's world success eaten up by the cost of retirement. So I would leave you with a couple thoughts: Is there a restructuring of that total compensation pie before you add to it, and really, should those employees be part of the plan? I think that's a very important question for you to also consider. Should they really be part of the system, is there any -- either inherent conflict or from a cost perspective, a better reordering and restructuring of the total compensation piece to better maybe get you closer to the market and maybe more aligned with the world that you're trying to compare to.

>> Damon Krytzer: Thank you.

>> David Bacigalupi: Drew, then Vince.

>> Thank you for coming this morning. I think you've done a good job framing the debate. I think at 100,000 feet, we see it the same way you do. We have these sets of decisions we all need to make as a community, do we turn this over to PERS, do we outsource the management of this do we continue to build an excellent internal function? We come to the core dilemma that you're discussing, if we incrementally spend another \$100,000 on our staff does it gain \$5 million in gains? From the city perspective taxpayer perspective and everything be a win? I would do as you did in the middle of this and turn to some extent to the private sector. I've sat on the boards of over 3 dozen private companies. I'll tell you if you go to any bar in the Silicon Valley and talk to CEOs, the highest paid employee in the company is not the CEO, it's the top salesman. The VP of sales. The people in the points of maximum leverage. Those people are in high demand as Damon alluded to and they tend to get paid more. The CEO is the third or fourth highest paid person. You're absolutely correct, there tends to need to be a line manager. Who doesn't make as much as the VP of engineering. But at any point there are people at the point of maximum leverage. I recognize that in a public environment it may be politically very difficult to identify those people who are at the point of maximum leverage and to compensate them. On the private side, we've seen universities where people running their endowments have generated enormous gains, and has led to enormous political unrest, even in a private university such as Harvard, where there was a case 20 years ago. So I guess I would ask you, does a public system have any mechanism to recognize people at the point of maximum leverage and benefit and deal with that? Could we actually pay somebody here three times as much as you make if in fact they were saving the city 20 times more than they were getting paid? Does the political will exist to do that, can that question really even be asked of a political system here? I mine that no disrespect, it's an honest question.

>> City Manager Figone: I think it's a great question. I don't know what the answer would be. I think this is a difficult question to be raising that. I think if we were in good times when people were feeling good about their pay and good about their employer, you could have a rational discussion. That is not to say we shouldn't have it. We are plowing new ground in many, many regards. And I tell you, the compensation issue is going to be at the forefront, you know, we're not going to solve it overnight. I think you raise a fair question. I think that though the reality is we are a heavily unionized environment, this is a civil service environment where people are used to

having pay increases through step systems, and you know there's some performance element but a lot of it is just time and grade. So, you know, we would be -- we would be breaking some new ground. But that doesn't mean we shouldn't try to do it.

>> And let me make clear. We don't know the answer to the question ourselves, internally if we paid somebody three times as much would they save us ten times as much? The answer may be Knopf no. If we discovered the answer through homework that would bring up a difficult political dilemma.

>> City Manager Figone: We are in Silicon Valley and I think if you have thinking that mirrors how your constituency thinks, they're demanding creativity of the city. They expect us to consider things like contracting-out. This city has made great strides, if you want to consider them strides, in delivering services in different ways. And believe me there's been the political will to do it. It hasn't been easy. And so I think we have some -- every time we make one of those moves, I say the we, the royal we, the council, the administration, we get a little bit more courageous in bringing forward the next one. And so I think you're going to see a greater demand for that kind of thinking. But it's also still a very values laden system. And so it won't be just our employees looking at those decisions. It will be the people who are still living below the poverty line in this community. So, you know, that will also be part of what has to be considered.

>> David Bacigalupi: Vince.

>> Vincent Sunzeri: I appreciate you coming today and spending time with us. It means a lot especially given the time that we're investing in trying to move this in the right direction. And I really appreciate the challenges that you are faced with as the City Manager. I want to share some thoughts and observations. I think it's fairly clear we understand what the challenges are, in terms of how we got here. We have a recession, we have an onerous benefits obligation that is growing and creating a bigger hole that we are trying to dig ourselves out of and we have a market in 2008 that was very painful, in the impact to the plan, in increasing the underfunding. And I would say that that's one of the larger components that we're trying to deal with. And the way I look at this is that the city has made the decision that they're going to self-manage the plan. At this point there's been no decision to move it

towards PERS. So that's the most critical component is, are we doing the best job managing that? And if we look at what happened to this plan in 2008, and we look at our experience so far as fiduciaries on this board, I'm extremely concerned. This is now my eighth meeting and at this point in time, we haven't made I don't think a single change to the structure of the plan. We're going to talk today about equity structure. But that's a long time to go without properly making changes and managing the plan. And a large part of that is that we are too lean on staff because we are unable to retain some of the staff members that we have. And in addition to that we are at risk of losing some critical officers. I look at the assets that we're managing both Police and Fire and Federated as -- it's over \$5 billion. And to Drew's point of looking at the cost versus the benefit, I think if we have the proper staffing, the benefit can be significant. The performance of this plan, in the last year, and I'm not sure, three years, has moved to a mid tier performance compared to other public plans. And we're having discussions about make changes to the plan, but we can't move according to Mayor Reed's tag, moving at the speed of business because we don't have the resources to move at the speed of business. And I feel like it's a canoe we're trying to move forward and we are keeping taking bodies out of the canoe and we are keeping moving further behind. It's a concern of me as a fiduciary. The conversation that Drew talked about, about compensation, I think we have to say is this current philosophy working for us? And I would argue that it's not. The Cortex report had made two recommendations specifically, one was to create independence of the board and that's been accomplished. And in conjunction with that it was to move towards a single administrative body. I think that is one of the challenges we have in trying to move forward and make progress is there's a lot of individuals that the staff is responding to. Is it the city council? Is it the City Manager? Is it the retirement board? There isn't always a clear direct line of authority. From the perspective of what we've accomplished, we haven't reviewed the investment policy statement. We haven't had the opportunity to complete the asset liability study. We haven't changed the investments of the portfolio. And yet, we still have over \$5 billion that we're managing. And I think that this needs to become a critical priority that we have the staffing, and we're compensating them at the appropriate level to retain them. I understand looking at the public sector versus the private sector, some of the compensation ranges that we have seen for other counties, L.A. county, San Francisco county, San Bernardino county, the chief investment officer range is from 228,000 to 294,000, actually as high as \$386,000 and the City of San José, our range is currently \$97,000 to \$152,000. We are not even in the ballpark of some of these public plans, we're not even talking about the private sector. So what concerns me is we aren't moving fast enough, we lose the staff we

have and now my liability as a fiduciary increased even further and the city is in a situation where the performance continues to suffer and the underfunding liability continues to grow. This is a direct impact to the city. If we increase the returns, we reduce the City's potential underfunding liability. And so the delta, the incremental value-added by having the proper staff can be significant to the plan and benefit the city. And I do live in the City of San José. And so I care very greatly about that. I've lived in San José all my life. And I believe that if we had made the decision to continue managing this plan, we have to do it in the proper fashion. And I don't believe we're doing that right now.

>> City Manager Figone: So let me say that I will not be a barrier to the council hearing the concerns of this board and having the interests of the board and ultimately a recommendation go before the council. What I would encourage you to do is to let the system work. Russell reports to me. So I am hearing your concerns. Advance them from this board to him to me. We will work with you to bring the concerns to the council. What I would ask you to think about is, is it really all about the money and is that what's going to make the difference? If it is then we probably need to focus on that. And factor in your recruitment time line, how you're going to bring people on board, whether or not we have to modify the system, you know, this is the sense of urgency, then we need to confront it. And you should be prepared, though, that it will have to go through the normal channels of the structure that we have. And that's, you know, just the reality, and we will do what we can to make sure that the council has the public policy issues in front of them. But what I would say is, you don't have to assume that lines are blurred and you know, everything's in disarray because the staff doesn't know who they report to. They report to the City Manager. That doesn't mean there has to be a lack of clarity or a competition that will cause this plan to not be successful. So let's just get rid of that concern, if it's present for whatever reason. And you know if this again is critical, in the total scheme of what you described and I completely hear your sincerity, and the concern that you express, then we should confront it and deal with it.

>> Vincent Sunzeri: Thank you.

>> David Bacigalupi: Sean.

>> So again I echo my peers' comments. Thanks for coming here, really getting it straight. And hearing directly is very helpful to work through the communication challenge. I just have a few comments and it's almost the direction of staff but to understand where we're coming from you made the comments about 2008 and I completely appreciate that. What we're seeing is, that's driving decisions in the city in terms of paying and filling positions it's creating a operational crisis within our retirement services organization. And unlike some other departments an operational crisis within retirement services means we're not going to meet the fiscal numbers which turns into a fiscal crisis and it becomes a full circle. With that not just the pay issue but the positions, the city recently negotiated with the Police and Fire with a new funding to create another trust, which requires more work for our staff to manage that money, we're increasing the funding of that plan but there's a serious workload that goes on behind that so staff identified additional positions that were needed to accomplish that. We approved the budget. Federated approved the budget. The budget went forward and those positions weren't approved. So you'd asked for us to come back with more details on the financial side. The compensation for people. I'm asking staff to also include the information about the positions that haven't been filled, because the positions weren't approved. And I ask you to please be receptive of the fiscal impact of not filling those positions. There's an amplifier, significant amplifier, that a single percent underperformance in a plan, on a \$5 billion plan is a lot of money and we need to perform because we're concerned about our own liability as fiduciaries of the plan.

>> City Manager Figone: Understood and again, certainly, I do need to have the budget staff get me up to speed. It's my understanding that there are no positions on hold under the freeze currently. Now, whether or not the department has chosen to move forward with some filling of vacancies because of this pay issue and being concerned that they won't find anybody, that might be another issue. But I could be wrong and certainly, you know, we will get the answers that are necessary.

>> We owe it to you to go through and explain it and communication.

>> City Manager Figone: And I'm sure it wouldn't take much.

>> Thank you.

>> Richard Santos: Can you hear me okay? Debra thank you for coming out to the national night out, in the Alviso community. I appreciate that. When I was here years ago, as Dave alluded to, when I came back I was surprised to see this what I call, going backwards in terms of independence, and self sufficiency. Cortex, what you see as a blueprint, I see the reluctance of the city to accept what they wanted, this report. And so I met with many of the folks here we had a retreat and I was glad to hear from all of them, how much they care about the plan. And to stay away from the politics and the politrix, and they care about the independency, being responsible and accountable, those are great words and they want to exercise that. What I see here is there should be some change. And this board is new and we work well together. But we need the freedom to operate. And so that's where I see the reluctance. If we are going to give the opportunity to exercise our fiduciary responsibility let's make sure we can do it together. I have no problem working together. Because when I was sworn in that's what I said and I truly believe that. I'm a retiree but my ah allegiance is to this plan. I want it to be successful, financially accountable and I want to make sure people get the money they earned. At the same time I want to see the City's contribution go down but I don't want to see these medicals for the retirees are skyrocketing. You have a huge problem of workers compensation. Today alone we have all kinds of people retiring, some probably way too early but there's a big huge problem. But we need the freedom to operate and to be fiduciaries and hope we can do it together. Going to court and fighting is not what we're going to be successful. I want to work with you, the staff and this board, but first of all, they need the freedom to operate. Because when I met these new five personnel they brought a lot to the table that we didn't have in '95. I see a lot of efficiency. I see these guys really want to chip in and do something about the financial world. And I've learned a lot so far. But they're also, they're not police and firefighters but together we're going to do a great job. We need your help. Again the report is there. I really believe it is the best interests of all of us to be a certain amount of independence and go from there. So thank you again for coming.

>> City Manager Figone: Thank you Dick.

>> David Bacigalupi: Any other questions by the board?

>> Nice to meet you. Sorry for being late, guys, I had to drop the kids off at preschool. One thing that we've seen that some of the endowments are doing, obviously this is a different field than governments, I don't know if this would be approachable or not, be curious for your take on it, salary structures and bonus structure implemented where the bonus would be dependent upon the returns exceeding whatever the benchmark average you're trying to beat. You could do it over a three or five year period and that way the City's interest in the employees that are managing the funds, would all be lined up with the potential to earn some merit pay, throughout performance of the index. But if they didn't outperform, then they are just collecting their salary, which would presumably be a little bit lower salary than would otherwise be in the private sector because they have that bonus upside. Is there any thoughts on that in terms of is that something we could look at or that -- is there a government code that would prohibit something like that?

>> City Manager Figone: You know that's a great question. I don't really know. Let me give you my kind of City Manager reaction. I think you'd want to think about appropriate behavior of staff, and how they would go about applying an investment policy and taking those level of risks, and whether or not they should again be part of the plan. So I don't know. I'm sure there are many, many structures out there that could be looked at. May be appropriate to emulate in the public sector, I don't really know. But certainly I think all ideas should be considered as we move forward.

>> David Bacigalupi: Okay. Any other questions? Comments?

>> City Manager Figone: Maybe just Dave in one other closing did you have any questions of me? I'm sorry --

>> David Bacigalupi: No, I was just -- I'd love to hear your closing.

>> City Manager Figone: One other context I would leave you with, I'm sure we are pursuing very significant fiscal reforms. Including retirement reform. And so again, as we contemplate these questions and these issues, that's another very significant thing going on in background that will certainly, no other forum in the political forum have some bearing at least in the public discourse. But I do appreciate the concern that has been expressed, as I

said. I don't think we need to muddy the waters with who reports to whom. And as I said, I will not be a barrier to ensuring that the council has the best information that they need to make public policy decisions and I'm sure Councilmember Constant as the liaison will be an active voice in whatever he thinks the council should know about the issues that you're wrestling with on our behalf. So thank you and again I really do appreciate your service to the community. Thank you.

>> David Bacigalupi: Debra just want to say thank you for taking time out of your busy schedule. For new board members that don't know, you've always made yourself very available to employees, employee groups and organizations and stuff and coming here today and answering some of these questions, and letting all the board know your philosophy and your position on things really helps. Later on in the agenda we're going to create an ad hoc committee on board structure. And would I just ask that you keep that door open so that they may contact you or your staff, and, you know, fill in questions, give bounce thoughts off of you or whatever. Bus just continue this open communication and I appreciate your time coming here.

>> City Manager Figone: Thank you, thank you Dave, yes it's important. I'll be leap to be as accessible as necessary.

>> David Bacigalupi: Thank you. Okay, next item on the agenda is under 1.1, it's the approval of the transfer of Citibank office plaza crescent 7 and Deerwood Apartments to American realty commingled real estate fund and for the secretary to negotiate and execute an agreement, with American realty advisors, for an estimate interest valued at \$54 million in American realty's core commingled real estate funds. And Mollie, do you need that read into the record the first page under closed session?

>> Mollie Dent: The closed session (inaudible) so the closed session is limited to the discussion of the terms and conditions for the valuation of the properties and the amount the properties are sold for --

>> Richard Santos: Can you bend that?

>> Mollie Dent: All right, I've been told not to do that. The purpose of the closed session is to have a conference with your real property negotiator Ed Swartz to discuss the terms and conditions, primarily the price for the sale of city office plaza crescent seven and deer wood plaza. And you'll come back into open session to discuss the transfer of the property.

>> David Bacigalupi: Is it sufficient to have this listed on the agenda?

>> Mollie Dent: Yes, that's sufficient.

>> David Bacigalupi: We'll move this meeting into closed session. The board will be stepping out into another room and I would expect it to take ten to 15 minutes, if that's not the kiss of death whenever you say something like that and then we'll reconvene this meeting. Thank you. [Closed session]

>> David Bacigalupi: There will be no report out of closed session until the completion of the transaction. As a result of closed session we're on item 1.1, the approval he -- Mollie just correct me. We need to do another motion in open session?

>> Mollie Dent: Yes for the approval of transfer of all three assets to the American realty advisors for an interest valued at, I think it's approximately \$54 million.

>> David Bacigalupi: Valued at approximately \$54 million to their American real estate corp mingled real estate fund. I'll entertain a motion. I have a motion and second. Would you like to give us a little presentation?

>> Yes, thank you so much for having me here today. I just wanted to briefly talk a little bit about our role in this process. Ed Swartz from org plan management. We were engaged to negotiate the value of three plans, in oak brook Illinois, Houston Texas and green ridge Colorado, respectively. As part of our process We commissioned new third party appraisals. We visited each property. We toured not only the subject properties but all the competitive properties in the market. We interviewed property managers, competitors, other asset managers. And

then we also reviewed -- we looked at this really as a sale and then a punch of the ARA fund, the American realty advisors, open end commingled fund. As a result of this analysis and our negotiations, we are recommending that the plan contribute these three funds for a value of approximately \$54 million, and exchange them for shares in the American realty advisors open-end core commingled fund. And we think that the prices negotiated are very reasonable, and it reduces the risk of the plan and we recommend that the potential transaction be completed.

>> David Bacigalupi: Great, thank you Ed. Any questions of Ed? We have a motion and second on the floor. Any further discussion on the motion? Hearing no further discussion all in favor? All opposed the motion carries. Thank you very much.

>> Thank you very much. It really was a pleasure. Okay, we got 12 minutes.

>> Let's do Russell.

>> David Bacigalupi: Okay, item 1.2, discussion and direction regarding implementation of portfolio overlay services provided by Russell implementation services for a cost between \$150,000 and \$350,000. Gentlemen.

>> Different Russell. I wish I had a slide for them.

>> David Bacigalupi: And this is Stephen Tom, I assume?

>> Thanks for having us (inaudible).

>> Russell Crosby: Go ahead and start.

>> David Bacigalupi: Please go ahead and start. And try and -- you might have to turn them on the they're not turned on.

>> By way of introduction -- I'll try to make this quite quick. My name is Steve Tom and I'm responsible for the relationship (inaudible) on West Coast, (inaudible) little bit of context why we're here and hopefully what we're talking about today in 1980 Russell leveraged its expanded research capability and put together multiasset class multistrategy multimanager fund for (inaudible) and in the 30 years of working with those fund complexes it kind of looked like you, is that we looked like a safe plan sponsor now (inaudible) with about (inaudible) challenges that you do in hiring and firing managers, including (inaudible) place learned a lot in the last 30 years about how to best manage that and (inaudible) can have a great manager lineup or a great strategy but if you haven't implemented them effectively, and reduce trading cost you're going to have a enormous amount of slippage in overall performance of the plan. So fast-forward to where we are today. You folks -- Russell put together an investment staff and Carmen and her staff (inaudible) and you improved a new investment guideline and asset allocations and diversified the plan. We've worked with you on kind of an ad hoc basis to fund up new managers, to plug gaps in the portfolio, to provide intermanagement while you went through manager searches. What we're here to talk to you today is something a little more formal what we call policy implementation. Look through to the plan and put all the plan cash to work and do it in a smart way which slowly moves you closer to your plan guidelines. The two benefits to that, one is it removes much of the risk of asset allocation drift as markets move you away from your plan guidelines. And hopefully having to go back to your managers and trade physical securities. The last thing we think it will help you do is Carmen and Ron help them out in liquidity management, managing all the cash needs of the plan. So monthly benefit payments, cash contributions, in your private equity portfolios the capital calls and the distributions that come back -- are we not able to hear? Sorry about that. Better? Help them in liquidity management as we go forward. So with that let me introduce Tom Fletcher. Tom is the managing director of our overlay services group. We've got about four slides, I believe they are in your packet to take you through the nuts and bolts of how the program works.

>> David Bacigalupi: Okay.

>> Thanks again for having us here. Looking forward to the chance to expand the working relationship that we have with the plan. Ron. What I've got here is, this is a depiction of the kind of structural cash exposures within the pension plan. Cash exists in the pension plan for several reasons. About a half percent of that cash comes

from the plan level cash account which allows the pension staff to make payments and kind of operate the plan on an ongoing basis. And then another portion of the cash is embedded within equity manager accounts which also have to kind of maintain some operational wiggle room as they manage equity accounts. So all told there's about 1.5, 1.6% cash exposure in a plan that's physical cash that exists within the accounts that if not addressed, doesn't capture the market risk premium. It just has what we call cash drag. So this graph right here is showing year-over-year with this amount of structural cash in the pension plan the amount of slippage or cash drag per annum that you would see going back with the market returns and your specific policy. So the red bars here depict years where cash drag would have hurt you which is most of the years and then the blue bars above the line depict where not capturing that risk premium would have benefited you due to a downward market. So all told, with your specifics and the details of your plan, eliminating this cash drag is about ten basis points per year of performance improvement at the plan level. Which equates to about \$2.7 million picked up. So into what we do and how we do it. Steve mentioned that there's kind of two tenets to it. It's not just removing cash exposure. But it's looking at how much cash is there, and the asset allocation of the assets that you have and trading that cash, removing that cash exposure smartly by capturing the underweight asset class. So when you overlay that cash with the underweight asset class, you are not only capturing a risk premium, you're also eliminating some of the unintended drift away from your targeted policy asset allocation. So if you look down to the graphic employee, this cash trade zone is where your plan, with an ongoing overlay program would live most of the time. So as cash goes up or down due to transactions, you know retirement contributions, benefit payments, private equity real estate fundings, all those things are coordinated and that cash can be overlaid, and with a decrease in cash you have to sell something, because you have less cash so you would sell the overweight asset class. With an increase in cash to the contrary you would buy something and buy the underweight asset class. So the average trading that occurs, when you put your overlay together and you kind of smartly use cash equitization, in rebalancing characteristics together in the same overlay program, is that you're basically getting a lot of rebalancing power, and risk reduction for virtually free in the process of capturing the risk premium on that cash. If, perchance, you go outside of the stated boundaries of away you're trying to maintain with this overlay program, to use for example if you had a 5% bound and you drifted that far to a large market move or a large outflow or funding, then you also have the ability with this platform to do a long-short trade to take your exposures back to that threshold or back to policy depending on what you choose to do. So that -- that is not very frequent

and because you're using these changes in cash to trade you in the right direction for asset allocation, the number of dedicated trades that you have to actually rebalance with or pull yourself back to target is reduced significantly, which also reduces the cost. And then the last tenet here is that this platform allows you to raise cash opportunistically. So selling, coordinating with managers to have them sell assets, it's cumbersome. There can be periods where you know, the exposure isn't where it should be, because it's hard to coordinate, and also, it's more transaction costs in trading physical securities via if managers rather than doing it via derivatives and keeping your asset allocation on target. So to depict kind of the current state, what would be this black line here, currently the guidelines have rebalancing ranges set at 10%. So the depiction here is the rebalancing cost or the transaction cost necessary to keep you within those ranges over time are modeled out at a little under one basis point at the plan level. That's because with those wide ranges you don't trade very often to hold your asset allocation to policy. The problem with having such a wide band around your target asset allocation is, you have a large amount of risk in relation to what your intended policy is. So looking at this diamond here at 10% band, there's only one basis point in trading cost but there's close to 75 basis points of tracking error or risk to the policy. So what that translates to is, that 75 basis points means that with a one standard deviation event, you could lose 75 basis points of performance at the plan level due to that tracking error. So it doesn't take a real extreme outcome for you to suddenly, via asset allocation drift, lose a material portion of what your risk budget is at the plan level. You know in a good year having an excess return over your policy of 100 basis points would be a good year. If asset allocation drift wiped out 75 basis points of that, that could make a good year into a bad year. So this program seeks to without increasing the cost tighten up the risk control in relation to your policy. So as we move to the left here, this blue circle is a depiction of what would happen if you looked at futures rebalancing at the 5% band in isolation, right, without taking consideration of the amount of benefit you get from the rebalancing power of these day-to-day cash flows that we monitor in the course of equitization. And then finally, this orange triangle here is a depiction of what our program delivers which is tighter control. If you set the futures bands at 5%, the day-to-day cash changes would also keep your actual allocation much tighter than that five per, further reducing risk and reducing cost of maintaining your asset allocation. So the next slide gets into just a summary again. I know Steve hit on these points but I wanted to hit them again. First and foremost, there's low hanging fruit in capturing ten basis points of your policy return pattern. The intended risk that you vote on as the core of the governance of the fund. That's ten basis points or \$2.7 million. So what does the policy

implementation program cost? We do this for about 80 clients worldwide. And the structure that we have involves a base fee because in the process of running this program, we need to download custody yam data so we can keep an idea on how much cash and where your asset allocation is and then validate and monitor that data. So that base B component helps us to cover the fixed cost of the allocation of resources to maintain and monitor your program. And then also we have a variable fee component that's based on the size of the positions. And the variable fee component would be estimated to start off somewhere 50 to 100,000, and we've put here 350,000 as kind of a maximum estimate in the event there were large structural changes, a tactical change that you may want to make or some structural changes that were coordinated with the overlay that would result in larger overlay positions, sizes. Besides, you know, another benefit is kind of, in doing the rebalancing this way, you're allowing yourself to do it a couple basis points cheaper at the plan level than you could do it physically. You know, that may not be a fair way to look at it. The -- what you're really doing is, you're not -- at no incremental cost, you're controlling risk much better and in the process you're capturing this ten basis points on cash equitization. Net net, our clients have seen a tracking error to policy reduction from running these programs of 60 to 75% on average. So this is a material risk reduction here. And by putting this program in place, and us tying into your daily operational flows, it allows staff to focus on bigger issues of manager selection, strategy, and then coordination of cash changes, we handle and offload that via our interaction with your daily processes. So it tends to be a real benefit to those plans and those staffs in place to have this tool there to control your exposures.

>> David Bacigalupi: Okay, Tom, thank you. Carmen did you have something to add?

>> Carmen Racy-Choy: Obviously this would be a huge benefit to the plan. Not only would we be capturing -- in an average year we would be capturing an additional \$2.7 million and potential investment income, the cost of us capturing that additional premium is roughly \$350,000 per year. So we think it's -- there's definitely a business case to be made there. It also allows for reduced staff involvement in day-to-day cash operations which free up staff time to look at other things such as investing in the alternatives programs and so forth. While doing all of that it also accomplishes the goal of reducing the tracking error, versus the asset allocation. So you're getting additional investment income, you're reducing your risk, and you're basically allowing staff to move and get more involved in other projects. So it's a win-win situation. The disadvantage is in a year like 2008, having cash was

actually beneficial to you. Because what you're actually doing is investing the cash at the manager level and at the fund level through Sintactics in your asset allocation. So when your asset allocation earns minus 30%, clearly cash is going to earn that component too. So it's not going to help new every single year. But if you believe in your asset allocation and if you believe that over the long term your asset allocation should earn 8%, then this will help the plan over the long term. And it's going to be definitely something that's going to provide additional fund. But in any specific year it may actually be a deterrent detractor.

>> David Bacigalupi: Thank you Carmen. Any questions of the board? Sean?

>> Thank you, Carmen. Particularly with our light staff right now you're basically getting, if we were to hire somebody to actually do this you would be paying somewhere in that range anyways and you may not have that expertise and these guys are doing it anyway.

>> Russell Crosby: And you wouldn't are --

>> Software and all the things, so I think it's a no brainer.

>> Here's what the program accomplished versus where you would have been just so we make sure we are constantly monitoring the improved performance against the cost of the plan?

>> Absolutely. So the interesting thing about this plan is it's complementing the returns that's going on elsewhere. Our reporting can consist of two aspects, one is kind of the absolute gains and losses from the overlay position which is reducing risk as they're designed to do. As Carmen said there are periods where that will result in a loss. It doesn't always result in gains in the short term but it always results in risk reduction. So we also try to recover an aspect in our reporting that looks at not just the overlay positions, gains and losses in isolation, but what you're correcting for. So we show that you were overweight in equity and this position reduced your equity exposure so it shows what you made up from being yore weight on the physical manager exposures and the offset there. This helps you keep the focus that this thing over time will succeed and add value so you don't focus

in on a period where in the short run that risk reduction might have had a loss. But we report monthly and in a greater extent quarterly.

>> Thank you.

>> The other thing we do particularly we'll come in once a year to look at the previous year and go through you know from a management perspective what the performance was and what it provided for you.

>> Thank you.

>> David Bacigalupi: Damon.

>> Damon Krytzer: I have zero problem with Russell at all, either Russell. But I'm just curious, there's as much art as science to this but it's not a big alpha creator. Is there -- I don't know anything about the fees. Why are they the guys here?

>> Carmen Racy-Choy: Russell is fundamentally our transition managers for both plans at this stage. We did RFPs and Russell, in the past two is transitions for both Federated and Police and Fire, were provided very competitive bids. Whenever you are doing transitions, the implicit costs which are not never shown to the board are typically what you need to manage, because they are the majority of the risk. We have been very impressed with Russell's capabilities in managing those risks and ultimately since the plan pays for the total cost not just the explicit cost, we basically have developed a relationship with them. Russell also currently helped us implement the asset allocation. Fundamentally, the way we -- they've helped us implement it is whenever active mandates were needed, rather than wait six months or a year to find an active manager to start the mandate, we would typically ask Russell to step in and to basically provide an indexed replication of that mandate. So Russell is quite active with staff in basically helping us transitioning money whenever needed as well as implementing new asset allocations. And this is basically right up their alley. This is kind of something that they do for a lot of plans as well.

>> So then we set this up as a band around our bands, right? I mean we're not just talking -- these numbers were based off of our tactical allocation, we operate in bands around our tactical or our target.

>> Carmen Racy-Choy: Sorry what's the question?

>> If we have a range 25 to 40% large cap for instance, operationally, how is this set up? Like when do they -- it's automatic that you guys would trade if we fall outside of whatever, you know, a range. What's the range based on?

>> Carmen Racy-Choy: I think Russell's recommendation and please feel free to correct me. Would you like to handle the question?

>> Sure I'll jump in. We are going to be at times overweight or underweight our target but within acceptable range.

>> Absolutely. I would say this is customizable in how we put it into our systems. Various plans and various government structures like to have control of the rebalancing decision in varying degrees. In some cases we will have a 1 to 2% band around this futures, so that the futures activity will suggest a futures rebalancing trade, if you exceed that. In the case of the discussions I've had with Carmen, the intent was to start with a looser bands, say 5% futures range, use this cash activity that's happening on a day-to-day basis to help keep you know if you set a 5% band for these dedicated rebalancing trades with futures you're rarely going to exceed to get out to 5% so it's this cash activity that will help nudge you closer. So the thought here is that we start looser at 5%, we reevaluate, potentially tighten that at some point and if the governance structure requires it we can also, upon triggering that range, we can suggest a trade and get approval if we want to build the guidelines that way, rather than a standing order to automatically trade it.

>> Okay.

>> David Bacigalupi: Okay Vince.

>> Vincent Sunzeri: Is there a time where, in the futures market we are not seeing efficiencies that are taking place and pricing's getting out of whack, the premiums are getting too high and it's not effective to use the futures markets?

>> There are times when there can be structural what we call tracking errors to futures. By and large most of those differences are temporary in nature. So the biggest source of tracking error with futures is that the futures market closes 15 minutes later than the physical markets in most cases. And because of that you can have the futures close a little bit out of whack with the physical. But then, the next day, it's basically a temporary noise scenario. Now, when we trade futures for different asset classes, we build baskets of futures contracts to do this. So it's not that you can just go buy an international equity futures contract to this extent. And we manage that process, monitor the tracking error, the noise and that's part of our reporting package is how well these baskets are tracking in the futures market.

>> David Bacigalupi: Okay, if there's no future discussion I'll entertain a motion.

>> So move, staff recommendation.

>> David Bacigalupi: Okay. Second?

>> Second.

>> David Bacigalupi: Okay I have a motion and second to accept staff's recommendation to hire Russell implementation services for portfolio overlay services at a cost between \$150,000 and \$350,000. Is there any discussion on that motion? Hearing no further discussion, all in favor, all opposed, motion carries thank you gentlemen.

>> Thank you very much.

>> David Bacigalupi: Thanks Carmen. Okay we have time certain item number 4 retirements. And we're going to go into that. We're going to start off with 4.1, I'm going to read all of the service retirements requested for today and I'll entertain one motion to grant those retirements. The first one is 4.1 F A, Douglas R. Boales, police officer, police department, effective June 25, 2011, 21.82 years of service. 4.1 B, Mario Hernandez, police officer, police department, effective June 6th, 2011. 25 years of service. 4.1 C, Relles R. Lopez, police officer, police department, effective June 25, 2011, with 21.13 years of service. 4.1 D, Manny Ramirez, police sergeant, police department, effective September 3, 2011, 27.13 years of service. 4.1 E, José A. Rodriguez, police officer, police department, effective September 3, 2011, 28.53 years of service. and 4.1 F, Dennis G. Serles, police officer, police department, effective September 17, 2011, 25 years of service. and for the record, are any of these police officers present? Doesn't --

>> I am.

>> David Bacigalupi: How are you?

>> Good.

>> David Bacigalupi: Okay aisle entertain a motion.

>> Motion for approval.

>> David Bacigalupi: I have second? Santos. I have a motion and second. Any further discussion on the motion? Hearing no further discussion, all in favor, all opposed, motion carries.

>> Richard Santos: Chair, I would like to say something.

>> David Bacigalupi: Mario, you and I worked together off and on over many years of service. Have fun in retirement. If you don't get involved in boards and stuff it's a great thing.

>> Richard Santos: Sure like to second that. Many, many years of service to the community putting your life on the line we sure appreciate it very much. Thank you.

>> David Bacigalupi: Okay, next item on the agenda, orders of the day we went to item number 4.3A. Nonservice connected disability for fire captain Daniel de Long, effective June 25th, 2011 with 10.05 years of service and for the record, fire captain de Long is present. And is represented by Mr. Swift. Okay, Donna.

>> Donna Busse: Fire Captain Daniel De Long is requesting a nonservice connected disability due to issues with his multiple sclerosis including physical weakness, balance, instability issues, coordination problems, memory problems, trouble concentrating, intermittent pain, numbness in virtually all body parts, occasional complete failure of left leg under conditions of heat. He's 45 years of age with 10.05 years of service. Medical reports are listed in your packet. His work restriction is that he is unable to participate in any safety-sensitive activities. At the time of application he was on full duty. There's no permanent modified duty available.

>> David Bacigalupi: Thank you, Donna. Dr. Das, anything further?

>> Dr. Das: No.

>> David Bacigalupi: I'll entertain a motion. Hearing no further discussion all in favor? All opposed the motion carries.

>> Richard Santos: Mr. Chair, captain de Long the best to you and your family, appreciate your service.

>> Thank you sir.

>> David Bacigalupi: Everybody on both services both Police and Fire wish you the best. Item 4.2, service connected disability on the agenda. 4.2 A, David Dudolski, police officer, police department. Request for a service connected disability retirement effective August 4, 2011, 15.57 years of service. And for the record, David is present in the audience and is represented by Mr. Boyle. Donna.

>> Donna Busse: Police officer David Dudolski is requesting a service-connected disability based on his left ankle. 45 years old with 15.57 years of service. Medical reports are listed in your packet. His work restriction is that he cannot pursue or apprehend criminals. He is currently on temporary modified duty. There is no permanent modified duty available.

>> David Bacigalupi: Thank you, Donna. Dr. Das, do you have anything to add to your reports?

>> Dr. Das: No, I don't.

>> David Bacigalupi: Entertain a motion.

>> Motion for approval.

>> Second.

>> David Bacigalupi: Any discussion on the motion? Hearing no further discussion, all in favor, all opposed, motion carries. Dave, I never did make the motorcycle assignment with you, but we had some good years together at the arena. I wish you the best you and your family and stay in touch.

>> Thank you.

>> David Bacigalupi: Item number 4 much 2 B, Stephen E. Greenlee, police officer, police department. Request for a service connected disability retirement effective August 4, 2011, 16.79 years of service. and for the record, Steve Greenlee is here. Do you have representation?

>> I do not sir.

>> David Bacigalupi: Okay, thank you. Donna.

>> Donna Busse: Police officer Steven Greenlee is requesting a service connected disability based on his back, 63 years old with 16.79 years of service, medical reports are listed in your packet. His work restrictions are that he should not drive a city vehicle, he should not carry a firearm, he should avoid heavy lifting, he should avoid repeated bending. At the time of application he was on the exempt officers' bureau of investigation. There is no permanent modified duty available.

>> David Bacigalupi: Thank you Donna. Dr. Das anything to add to the package?

>> Dr. Das: No, I don't.

>> David Bacigalupi: Thank you. Ong. Questions I'll entertain a motion.

>> I'll make a motion for approval.

>> Richard Santos: Second.

>> David Bacigalupi: We have a motion and second. Any further discussion on the motion? Yeah I'm trying to right now.

>> Sorry.

>> David Bacigalupi: Okay, any discussion on the motion? Hearing no further discussion on the motion, all in favor, all opposed, motion carries.

>> Steve, good luck. I was there that night as you were stuck under that car. To note, he was stuck underneath the car where officers had to pick up the car and remove him from the car. So he was stuck there for a while so Steve good luck.

>> Thank you, members of the board for your consideration.

>> David Bacigalupi: Good luck in retirement. Item number 4.2 C. application from police officer Steve rivera for a service connected disability retirement, effective August 4, 2011, 16.43 years of service. and for the record officer rivera is in the audience and is represented by Mr. Boyle. Donna.

>> Donna Busse: Police officer Steven Rivera is requesting a service connected disability retirement based on his lower back and neck medical reports are listed in your packet. Work restrictions are he should not maintain a firearm while on his current analgesic regimen he should not drive a city vehicle while on his current analgesic regimen he should avoid heavy lifting bending or stooping at the time of application he was on disability leave currently in exempt officers program but there's no permanent modified duty available.

>> David Bacigalupi: Thank you Donna. Dr. Das do you have anything to add to your package?

>> Dr. Das: No I don't.

>> David Bacigalupi: Questions or I'll entertain a motion.

>> I have one question. I noticed here that it looks like in 2006, an application was submitted for service connected disability. I don't know if this was during your term on the board and why it wasn't granted at that point in time.

>> David Bacigalupi: Wasn't on mine, Steve.

>> I needed to have neck surgery, I needed to complete neck surgery so they made me wait.

>> Richard Santos: Can we crank up the microphone?

>> Can you hear me now?

>> Richard Santos: That's not what I'm after. I want to make sure a guy can hear. Can we crank pickup sound? I've asked it about three times.

>> David Bacigalupi: Go ahead Steve.

>> I didn't have my neck surgery done at the time, I wasn't permanent and station stationary. After my neck surgery I reapplied.

>> David Bacigalupi: Damon.

>> Damon Krytzer: I'm a little confused, I'm curious if the application for disability is because of the injury or because of the drug restrictions that prevent you from you know driving.

>> It's both.

>> There isn't any difference. The drug restrictions are necessary because of the injury. The drugs are necessary because of the injury. And so the restrictions are necessary because of the injury.

>> Damon Krytzer: Well that's not necessarily clear to me when the medical the record most recent says that he indicates these are provided to prevent you are further progression of the medical condition. So is the medical condition itself the cause for the disability or is it -- is it because of the drug restriction that's preventing him from being able to drive a city vehicle, for instance?

>> Or carry a gun.

>> Damon Krytzer: Pardon me?

>> Or carry a gun.

>> Damon Krytzer: You're not getting what I'm asking. I'm curious if -- the drugs are pain medication, correct?

>> Perhaps that's a question to be addressed to Dr. Das since he's the medical expert.

>> Damon Krytzer: Dr. Das.

>> Dr. Das: Yes the prescriptions I provided are based on the medical restrictions with regard to the we don't know whether these can be safely done while taking the medications. As far as the physical restrictions in terms of the bending and stooping, the physician's assistant and Dr. Coe provided them and they basically said they were to prevent further damage or progression of the medical restriction. The restrictions I provided as far as driving a vehicle are based on the medications and the physical restrictions I provided are based on what his treating physicians or his doctors had provided in the work restriction form.

>> Damon Krytzer: So based on your understanding, does twisting bending stooping, will that cause additional injury or what's your take on this?

>> Dr. Das: You know I mean to me it will definitely cause pain and I'm not sure in terms of whether there's additional injury or not when you have a fusion theoretically it's stable. And so the argument is that if you bend or stoop you'll have increased problems at different levels. So if you fuse like two levels the level above and below, if there's any movement at those you'll have increased load on those and that's part of the restrictions for a fusion for neck and lower back fusion, that there is -- the theory is not in theory but in practice it seems to be there is more instability of the other segments that are not fused. Bernanke okay, if there's no further questions I'll entertain a motion. Further discussion on the motion? Hearing no further discussion all in favor, all opposed, motion carries.

>> Thank you sir.

>> Take care of yourself.

>> David Bacigalupi: Did luck in retirement, Steve. Okay back on schedule item number 4.4 change in status, 4.4A. Change in status a request for change in status from service retirement to service connected disability retirement from fire engineer John Hodges. retirement effective January 24, 2009, 27.75 years of service. And for the record fire engineer Hodges is present and is represented by Sam swift. Donna.

>> Donna Busse: Fire engineer John Hodges is requesting a change in status to a service connected disability based on orthopedic injury sustained to his lower back right and left knees and right and left elbows, 57 years old with 27.75 years of service, his restrictions is he should not use a city vehicle with his analgesic regimen 1-24-09 at the time of separation, at the time of application he was no permanent restricted duty available.

>> David Bacigalupi: Dr. Das, do you have anything to add?

>> Dr. Das: No I don't.

>> David Bacigalupi: Is there discussion or a motion?

>> Richard Santos: Malaysia I'm e-i'll make a motion to change of status from retired to service connected retirement.

>> I have a question. Regarding postop physical therapy, your lower back injury occurred a while back. What the physical therapy has been since then or --

>> Well, I mean we can answer that but maybe a prelude to that. Subsequent to various surgical consultations, where they were considering a lumbar fusion, he declined, went to a different specialist at Stanford, who said there are too many different parts of your back to do a four level fusion, that would be very drastic. So we're going to place a spinal cord stimulator in your back. He has embedded in his back a spinal cord stimulator which he operates, he doesn't have the controller with him, but it's like a cell phone that blocks the nerve impulses to try to control the pain in his back. Dr. Das could probably explain it better than I could. Dr. Das could you explain a little bit better what the spinal cord stimulator is?

>> Dr. Das: Basically what you're trying to do is fool the brain. The sensation that goes to the brain is the electrical impulses and you don't experience the pain. The idea is that the fibers that are fast, that are -- that sends the signal to the brain faster, are stimulated and the slow fibers that send the pain to the brain get masked. Unfortunately what happens is the brain sometimes accommodates white noise. It's an attempt to have the brain cells experience a different kind of sensation rather than pain. The analogy is when you cut yourself you rub the skin around it. The idea is you feel the sensation of rubbing not the cut. It's called the gate theory of pain.

>> It's strictly for pain or is there stability --

>> Dr. Das: No, the spinal cord stimulator is an alternate analgesic. The idea is that you can reduce the amount of medications you take and if you are not experiencing pain you can be more functional. That's the goal of the spinal cord stimulator.

>> Unfortunately, while it did allow him to reduce his drug intake he, in order to contain that pain, does take some series of medications some of which are opiate. And that's what leads to Dr. Das's restriction. The opiates he's on would not allow him to do that. I should also note that in addition to the back issue he has issues with regard to both knees and Dr. Das has given him restrictions from walking on uneven surfaces or crawling with regard to his knees. And he did have surgery on his right knee, in 2009, and he had surgery on his left knee in 2002, with an incomplete recovery. And the treating physicians have given him restrictions on the knees as has Dr. Das. So we have restrictions on the low back, and both knees.

>> So besides the spinal cord stimulator, what kind of physical therapy has been undertaken because of the back?

>> If you include in that general term physical therapy, he has had a series of epidural injections in his back. He's had a facet, at least one fasted block and then I presume numerous manual physical therapy.

>> Yes as much that was allotted.

>> I mean you have to remember that under workers comp there is a limit of 24 physical therapy visits for the lifetime of any one claim.

>> Right but there's -- you know a gym and exercise. I'm just curious if --

>> Was it helpful the physical therapy?

>> I know that you know when I injured my knee if I don't keep my, you know, my knee strong, my quads and my hamstrings I can't walk on even surfaces either but I was able to you know --

>> It's more once you go through your allotted physical therapy, the idea is they teach you how to do it on your own.

>> Do you do that?

>> Oh, definitely you have to do the quad stretches and the hamstring stretches.

>> What does incomplete recovery mean from a knee standpoint? Like what does that mean, incomplete recovery?

>> It didn't restore the full capacity to do all the activities that your knee requires you to do as a firefighter. I would -- sometimes surgeries don't completely resolve the problem and you still have residual symptoms and functional limitations.

>> David Bacigalupi: Any other questions? We have a motion and second. Any further discussion on the motion? Hearing no further discussion, all in favor, all opposed, motion carries.

>> Richard Santos: Thank you Mr. Chair. Fire engineer John Hodges I see you caught up with us the rest of us here the same color of mine. But I remember as a firefighter I remember you, very aggressive, I can understand some of these injuries here. As an engineer you are an excellent engineer. Best to your family.

>> Thank you Dick.

>> David Bacigalupi: Item 4.4 B. Firefight captain Ron Pomerantz, Request for a change in status from a service retirement to a service connected disability retirement effective June 27, 2009, 29.26 years of service. in the audience and represented Sam Swift. Donna.

>> Donna Busse: Fire captain Ronald Pomerantz. 59 years old with 29.26 years of service, medical reports are listed in your packet. Sustained walk under uneven surfaces, should avoid crouching kneeling or crawling. Service retired effective 6-27-09. Tption, at the time of application he was on modified duty. No permanent modified duty available.

>> David Bacigalupi: Thank you Donna, Dr. Das, do you have anything to add?

>> Dr. Das: No I don't.

>> Richard Santos: I'll make a motion on the medical etched submitted by Dr. Das.

>> David Bacigalupi: Second?

>> Second.

>> David Bacigalupi: Further comments?

>> Observations, I see there was a stair, an incident where you were injured lifting a Hearst, and while you were lifting weights with a curl bar so I'm trying to determine the type of injuries we're talking about here. What specific incidents had the greatest impact on your disability?

>> Well, it should be noted that although I think the fire department has discontinued this policy but early on, playing sports at the firehouse was encouraged as a fitness routine. So basketball was common at the

firehouse. And I can't remember what the other one that you mentioned was. But these were work related injuries. As strange as that may seem, maybe Sean Kaldor can --

>> Wellness and physical fitness, if you're -- that's the policy of I'll extrapolate and say generally if you are hurt while doing that on duty it is an on duty injury. I don't know if he was hurt while doing that on duty or --

>> Working out on a gym offsite when you are not on duty and you have that injury whether it's playing basketball or in the gym that's not service related service connected.

>> Sean Kaldor: That's how I would relate.

>> Mollie?

>> Mollie Dent: If it's part of their.

>> It's like cooking if you cut a finger off --

>> Mollie Dent: I think he said the injuries occurred while he was on duty but I think he's nodding his head.

>> That's correct. That's correct.

>> And another element of that is whether the city accepted workers compensation claims if the firefighter was hurt.

>> That's correct.

>> Dr. Das: There's a different standard for workers compensation relatedness, in California there is a 1%, since workers compensation accepted the injury, that's service related, that is not necessarily the case. The issue is you

have to look at it separately and just as an education standpoint when you look at these from a work related standpoint the standard is what we call arising out of employment or in the course of employment and the way I was taught is the course of employment is essentially the physical activities that we're talking about. Like, you know, if you were slipping while carrying a gurney or something like that. Arising out of employment is a legal issue that the attorneys describe in terms of whether you were working at the time technically so. If you're exercising in order to perform -- in order to maintain yourself for your job which is physically demanding that's a legal argument as to whether it's work related or not. It's not a medical argument. If that's helpful.

>> Sean Kaldor: The trick is we're required to do it. If you don't do it you'll be reprimanded for it. I've got to do the workout. While mandated to do that, if I trip on the treadmill and break my nose am I going to pay for those or would the city be responsible for doing that? That's the situation.

>> Well, if I could also point out, there are documented industrial injuries that don't have to do with recreation in your packet. On page 116, there's an injury, on 4/26/90 where he slipped on antifreeze at a fire scene. And in January of 1990, he slipped on grass at a fire scene. And then the final injury was on April 21st, 2009, when he was advancing a hose line and fell.

>> So that -- I guess my next question would be then when you retired in June of 2009 why did you not request a service connected disability at that time?

>> He did. He did.

>> Mollie Dent: He did.

>> It's taken this long then?

>> Yes.

>> David Bacigalupi: Still go through the work comp process of becoming permanent and stationary. And it takes a while.

>> Richard Santos: Mr. Chair, I think that's why we have our committee on work comp. I hope these minor injuries in terms of sports overshadow the seriousness of the job. I think your questions were good questions and I think it's good for representation to take a look at these things, we have a seriousness of the major injury, captain Pomerantz, he has to take men and women in the building with him. If he can't crawl, he can't do a job for anybody. That means more people can get hurt. We need to explore that with our committee I'm glad our committee is together because as we told the City Manager today there are some major major problems now with workers comp. I talked with our councilperson Mr. Pete Constant, talking with Conrad and many, many people who live with this. It's going to cause us more money being spent fighting than we can get what I talked to Drew a while back as far as getting health benefits and workout under supervision. So with that my motion is already there so I'm hopeful --

>> David Bacigalupi: Thank you Dick. The only thing with the rest of the board members, we get the end result but we don't have any control over work comp. Work comp system can delay things, deny things, what would seem like routine therapy for a torn shoulder muscle, will be denied. And you're basically with no recourse.

>> Well, no, that's not entirely true. The problem is the delay. If it's denied and you object timely then you have to go to a QME from the state. But that process usually takes four to five months if you had you know six physical therapy and the doctor recommended six more and the Mitchell corporation which is the vendor for City of San José says no, based on a doctor in Arkansas who is not licensed in California who looks at the treatment guidelines and says no then you have to go through the QME process and that's what takes four or five months just to get the next six therapy then if they deny the MRI it's another four or five months of delay. That's what kind of strings things out while people are waiting to get before you.

>> David Bacigalupi: And I can just verify what Mr. Swift is saying. I'm in the process of that myself. It's denial, appeal, denial and then you have to go to the state level to get things approved.

>> While not immaterial, and obviously this is just moving forward, too, that message I mean that's something we're learning, that message gets lost when we start talking about an injury from 1990 where somebody worked for another you know 15 years. And when there's a medical report that have goes 40 instances that go back over 15 different body parts over the course of, I don't mean just this case specifically and the person continued to work, for another 15 or 20 years, that's hard to get that out of a report like this.

>> It is. And the thing that's hard to convey from the standpoint of the injured firefighters, is that do you learn to work with pain over time. And the injuries kind of build up over time. And then eventually, an injury occurs, like in this one, 4-21-09, when there's a weakened knee and then the final stray breaks the camel's back and then you can't do it anymore. And that's kinds of the typical scenario.

>> Richard Santos: Just in addition. Hope our committee gets together and brings in with Dr. Das, have a chance to sit down with him and hear what he has to say about how we can improve some of our physical conditioning and so on and I think this retirement board needs to get together, put a program or rex a program of some type that can help stop all this I just call necessary spending. And delays that are causing more injuries in the long run. I just got through going through this myself as a retiree. When you are a retiree you think you want to have a medical problem, do you think you want to spend time in a hospital? And yet we can't get the support from the workers comp and all of a sudden they say today well it's farmed out. I say what do you folks do? Well we do other things. This has been a adversarial issue today, instead of getting our he young people back and healthy. I'm looking forward for our committee to do some great work in this area along with Dr. Das.

>> David Bacigalupi: Okay any other questions on the motion on the floor?

>> I have one more question. What is Skolaxin?

>> Dr. Das: Skolaxin is a muscle relaxant. The muscle relaxants are not truly are relaxants, they are more sedatives.

>> David Bacigalupi: Hearing no further discussion all in favor? All opposed? We have three nays. We have 4 to 3. We need 5.

>> Mollie Dent: That was 4 approval, 4 to 3?

>> There's eight people here.

>> Richard Santos: There's eight of us here. I made the motion so obviously I'm in.

>> David Bacigalupi: Okay, let's do it again. I missed it because we don't have the lights and the system here to do. All in favor, raise your hands, please. Okay. Aye, okay. So we have five, the motion passes. I apologize.

>> Richard Santos: Thank you, Mr. Chair, captain Pomerantz, best to you and your family for all the years you spent saving lives. Appreciate it.

>> David Bacigalupi: Okay, item 4.4 C, Lawrence J. Silva, fire captain, fire department. Request for a change of status from a service retirement to a service connected disability retirement effective January 14, 2006, 33.07 years of service. and for the record, fire captain Silva is present and is represented by Sam Swift. Mollie. Excuse me Donna.

>> Donna Busse: Fire captain Lawrence Silva is requesting a right wrist right knee and both shoulders. He was 60 years old when he service retired now 66 with 33.07 years of service. Medical reports are listed in your packet. Work restrictions are that he should avoid sustained repetitive crawling, he should avoid sustained repetitive crouching, he should avoid sustained repetitive at the time of separation at the time of application he was on modified leave and there's no permanent modified duty available.

>> David Bacigalupi: Dr. Das do you have anything to add?

>> Dr. Das: No I don't.

>> Richard Santos: Mr. Chair, I'm make the motion, what Donna just got through reading, handful of injuries on the job and Dr. Das's same thing, he couldn't supervisor or crawl or what have you as a fire captain or as a firefighter, for that matter. That's my motion.

>> David Bacigalupi: Do I have a second?

>> Second.

>> David Bacigalupi: Further discussion on the motion? Hearing no further discussion, all in favor? Opposed?

>> Nay.

>> I'd like the opportunity to say something too.

>> I have some questions. Can you just elaborate more on the shoulder? Looks like it happened 20 years ago that would be the first one and then it looks like we're looking at the back, I have a note here for the back it was nonindustrial for the injury for the back, it says nonindustrial. So I'm looking at the shoulder for one, two is on the back, looks like the injury was nonindustrial for these notes here.

>> And we can ignore both of those body parts. The only body parts that Dr. Das provided restrictions for are the right knee and the left elbow slash left thumb. It doesn't say that specifically on this report but I believe Dr. Das will confirm that, correct?

>> Dr. Das: That is correct.

>> Okay. So those are the -- those are the issues. So as to the right knee, there were three injuries to the right knee which are found on pages 91, 94 and 97 of your packet. The -- one of them was in 2001. The next one was in 2003 when he was lifting a patient from a wheelchair to a gurney and the next one was in April of 2005 when he fell at the scene of a motor vehicle accident. So there's clearly three work related injuries to his right knee and Dr. Das has precluded him from sustained or repetitive crawling or crouching with regard to the right knee. With regard to the left thumb and the left elbow, on page 93, is the August '02 injury to the left thumb and there was also an injury to the left elbow on 10-25-05. Again lifting a gurney. So all three of those body parts have documented industrial injuries. The treating doctors have all provided work restrictions for each of those body parts and Dr. Das has agreed, he says there's no sustained or repetitive crawling or crouching. That's with regard to the right knee and there's no sustained or repetitive forceful gripping with the left hand which is due to the left elbow and left thumb, okay, not the elbow the thumb. So there is no -- there's no evidence that he does not have work restrictions. The city doctor -- or not the city doctor but the doctor for your own medical director has provided work restrictions for him and the department has no modified duty for him for those -- because of those body parts so all the other ones can be ignored at this point because Dr. Das didn't find any permanent restrictions with regard to those.

>> David Bacigalupi: Okay? Any other questions?

>> Thank you.

>> David Bacigalupi: Other questions? I didn't -- Sean go ahead.

>> Sean Bill: Could you walk through the -- we went through body parts, identified some in good detail. You said the back had no restriction?

>> It was provided with restriction by the treater but Dr. Das did not endorse that, I'm letting that go for the moment.

>> Sean Bill: So Dr. Das's restrictions focused on -- here we go crawling is a knee issue, crouching knee issue, and forceful grinning with his left hand --

>> Left thumb.

>> Sean Bill: Let's take the left thumb. The injury on that was when?

>> 8-8-02. Pulling hose up hose tower.

>> Sean Bill: That's the injury started the tingle, noticed it later in the day and from the then when did you retire,.

>> January 2006.

>> Sean Bill: Did it worsen over those four years?

>> Yes.

>> Sean Bill: Okay. Was there surgery on the thumb or --

>> No.

>> Sean Bill: And it was diagnosed as what, a nerve --

>> Yeah, I believe it was like nerves? I don't remember exactly.

>> Sean Bill: Dr. Das can you help?

>> Dr. Das: He's got bad thumb arthritis on the left side.

>> Sean Bill: Okay and then the -- tharnd would have started with the hose tower incident so some injury to the thumb then resulted in bone ossification or arthritis or is that --

>> Dr. Das: You know I would just -- it's a fairly superficial joint, fairly common but subject to trauma. So I don't know if it's ice laided that one specific incident but --

>> Sean Bill: For arthritis would you get it in one thumb or would it be more systemic?

>> Dr. Das: It would be in the thumb you were using the most, the dominant. I didn't get into the particulars. It's definitely plausible that if you are using your thumb, the guys that are carpet installers there's issues associated with that so definitely with trauma it's reasonable to have thumb arthritis.

>> Sean Bill: And that resulted in the restriction?

>> Dr. Das: I'm basing that on the X ray with had significant degenerative arthritis in the thumb.

>> Sean Bill: Can we do the same thing for crawling, the knees, so the knee injury was --

>> Well, the knee injuries were in 2001, 2003 and April of 2005.

>> Sean Bill: Okay.

>> There was an incomplete recovery from that so that he had lost the ability for kneeling, squatting, crawling, ladders, uneven ground, according to his treating physician, Dr. Fugimoto, Dr. Das did not endorse every one of those but did indicate that he would be unable on had lost the capacity to do the sustained or repetitive crawling or crouching which obviously if you are at a fire scene and the ceiling comes down and the only way out is to

crawl out and you can't crawl then you're going to die. I mean it's not -- it's not an insignificant manner to be unable to crawl.

>> Sean Bill: And so from the last injury to the knee in 05 until retirement was there disability in there or --

>> Yes, he went off on disability, I think I can tell you the date --

>> Sean Bill: Okay and then the last thing is the crouching?

>> Yes.

>> Sean Bill: And the crouching --

>> Dr. Das, how do you distinguish between crouching and crawling?

>> Dr. Das: Crouching is kind of like squatting.

>> Sean Bill: That's a knee thing?

>> Dr. Das: If you have got patellar issues. It can be painful.

>> Sean Bill: The cumulative injuries, last one in 05, disability, retired. Those are all my questions thank you.

>> When I look in January of 06 it says it was no medial meniscal tear or lateral meniscal tear. What was the injury?

>> Page 91.

>> Twisted his right knee. Page 91.

>> Employee was walking around vehicles with debris when he slipped on water/antifreeze spill and twisted right knee. That's page 91.

>> What does twisted mean I guess is what I'm asking. What was the diagnosis at the time?

>> Well, the knee, that foot slipped and the knee kind of went out from under me and twisted in a right direction. And I fell down after that, I went down.

>> Is it page 64 that has that diagnosis, am I looking at the right --

>> Richard Santos: Mr. Chair --

>> Correct, that's the MRI that was done after that incident.

>> Okay.

>> David Bacigalupi: Okay, Dick.

>> Richard Santos: Just a comment. I know it's difficult for some of the civilians to understand the firefighter police officers the ways they perform their duties. Mr. Silva as you can see has 33 years and is my age. We both come from that area where you didn't complain. We have the same safety standards we have today, dirt time. Mr. Silva is the kind of person very aggressive firefighter, later went through the ranks and made captain. But earlier years, when he had injuries he didn't turn those in. That's what I know. That's the way it was in the old days you didn't say a darn word. Then when workers comp changed from the state to the city, the problems we got now. Then again when you get a certain age and all these things come back, can't go back into the job, he didn't

get better, he got worse. That's the thing. He wants to retire and can't enjoy, has to hobble around That's the information I share with you.

>> David Bacigalupi: Thanks Dick any other questions? Call for the equipment. I'm going to ask for everyone to raise their hands, calling on disabilities to record the votes. All those in favor for the application to change from a service retirement to a service connected disability retirement, six, all opposed 2. The motion passes.

>> Richard Santos: Thank you board members, Larry, we worked for years together, I know you're going through tough times but the best to you.

>> Thank you. Thank you board.

>> David Bacigalupi: Okay, item number 4.4D is an application for fire engineer Cruz Tapia, request for change of status from service retirement to service connected disability retirement effective January 10, 2009, 41.85 years of service. for the record, fire engineer Tapia is present and is represented by Sam swift. Donna.

>> Donna Busse: Cruz Tapia junior fire engineer is requesting a change in status based on orthopedic injuries to his neck back and left knee and left ankle. Medical reports are listed in your packet. His work restrictions are that he should avoid heavy lifting, he should avoid squatting he should avoid climbing. Service retired effective 1-10-09. At the time of separation at the time of application he was on total disability and no permanent restricted work is available.

>> David Bacigalupi: Dr. Das do you have anything to add?

>> Dr. Das: No I don't.

>> David Bacigalupi: Motion?

>> Richard Santos: Motion to change the status from service retirement to service connected disability.

>> David Bacigalupi: Do we have a second?

>> Second.

>> David Bacigalupi: I have a second. Discussion?

>> I'd like to make a few comments, yes. The restrictions provided by Dr. Das are for the left knee only. Is that correct Dr. Das?

>> Dr. Das: Yes.

>> Okay so that's all we need to be concerned with, is the left knee. Based on injuries in '87 and '88 which are on pages 99 and 100 of your packet he had two clear work related injuries and he had three surgeries on his knee between 1988 and 1992. He then carried on as best he could, with his knee, and then, on August 23rd of '06, he injured his left knee again. That's page 90. And then on 7-27-08, injured his left knee when he fell through a grate at a fire. That was pretty much the straw that broke the camel's back because he was taken off of active duty on 12-23, 08 some months later, and he applied for his disability and service retirement at the same time and we've been waiting for the process to play itself out in the meantime. And the treating doctor and Dr. Das both agree that he has permanent work restrictions regard to that knee that are significant and the department has no permanent modified duty for a person with those restrictions.

>> David Bacigalupi: Thank you.

>> And he's had a total knee replacement?

>> Yes, sir.

>> And under all conditions with total knee replacement you cannot put weight on the knee, right? Crawl with a total knees replacement?

>> Dr. Das: It would pop out. Definitely in a safety situation I would feel very comfortable saying you can't do anything. Unfortunately if you are coming to me as a new hire and had a total knee replacement it would not necessarily be an easy decision.

>> Got it.

>> David Bacigalupi: Go ahead Vince.

>> Vincent Sunzeri: I notice here on page 9 item 13 Dr. Das you make reference to the fact that there was degenerative disease. I'm wondering, is that -- is there a preexisting condition that may have been existing that only exacerbated these challenges that he experienced open the job?

>> Dr. Das: I don't have prior medical records to '88 so I can't really comment. It definitely was there, there were definitely degenerative changes to arthritis in '88 but prior to that I don't know.

>> But wouldn't it be true Dr. Das that once you've had those three industrially related surgeries in '88, 89 that that is going to accelerate the arthritic process?

>> Dr. Das: That's correct. Think all cause additional further damage to the knee.

>> So my point is it starts off with three clearly related industrial injuries, which three clearly related industrial surgeries which then over time plays out as it degenerates and then there are two more recent injuries to the knee, ultimately leading to the replacement of the knee.

>> Russell Richeda: Just on that point, I think Mollie would agree the concept of aggravation has to be applied. Even though we don't have a case in point on this system there are many cases inial gust systems that when you come in with something, not minorly injured but significantly injured on the job that satisfies the service connected requirement. It's up to you to determine the weight of the evidence but Mr. Swift has described it to you.

>> David Bacigalupi: Any other questions? I'm going to ask you to raise your hand again. All in favor of the motion? Signify by raising your hands. The motion passes.

>> Richard Santos: Cruz Tapia, his brother was here about a month ago when the house exploded, you all gave him a disability. You he had 30 something years. Cruz had 40 plus years. He has a daughter and son working in the fire department today. He was always a very aggressive firefighter as well as an engineer who was -- worked in the hit unit, lot of chemicals can I go on and on but the guy just did the job. Cruz, best to you and your family.

>> David Bacigalupi: Thank you. I'm going to -- we got one more service connected disability change of status and then we'll take a tbraik after that.

>> Richard Santos: Thank you Dave.

>> David Bacigalupi: Item 4.4 E, Thomas M. Westrup, fire captain, fire department, request for a change in status from a service retirement to a service connected disability retirement effective January 24, 2009, 29.5 years of service. for the record fire captain Westrup is present and is represented by Sam Swift. Mollie or excuse me Donna.

>> Mollie Dent: Poor Donna.

>> Donna Busse: Fire captain Thomas Westrup is requesting a change in status to a service connected disability based on right elbow left knee 60 years old with 29.54 years of service. Medical reports are listed in your

packet his work restrictions are that he cannot perform activities that require full extension of his right elbow. He should avoid repetitive kneeling squatting and crouching. He's currently service retired effective 1-24-09. At the time of separation at the time of application he was on disability. No permanent modified duty available.

>> David Bacigalupi: Thank you, DNA. Dr. Das do you have anything to add to your reports?

>> Dr. Das: No I don't.

>> Richard Santos: Mr. Chair, I'm going to make a motion based open the medical evidence. I have known captain Westrup for years. I can go on and on. Tom is also the kind of person that has never complained. He was always an aggressive fighterrers. Known him for many, many,.years, honorable man, gave every inch that he could give. Motion is that we change the service to service connected disability.

>> I would ask that you limit your finding to right knee and right elbow, correct Dr. Das?

>> Dr. Das: Yes.

>> As to the right knee the injury on page 68 was on June 2nd of 2003. And then on February 2nd, 2007, page 61, he slipped and fell, and shortly after that, in September of 07, he had surgery on the right knee. That surgery was not as successful as he had hoped it would be. And Dr. Das has precluded him from kneeling, squatting and crouching with regard to the right knee. With regard to the right elbow, I was injured in '02, hoisting a hose line around then the last incident was April 11th of '06 when he was are removing a car door which I am sure you can imagine are pretty heavy. That's on page 62. Within a year of that he had surgery on his right elbow by Dr. Della Maggiore in 2007. The surgeon concluded that he lost the capacity for lifting pulling grasping with his right arm. Full extension of the right elbow which of course a multitude of which are involved in the fire service. Based on those two body parts and the restrictions provided by Dr. Das, I would ask the application be granted.

>> David Bacigalupi: Thank you, Sam. Damon.

>> Damon Krytzer: When did you go on disability?

>> He was taken off the line on December 1st, 2008. Service retired in January 24th, 2009. Applied for both service and disability at the same time.

>> Damon Krytzer: Thank you.

>> David Bacigalupi: Any other questions?

>> I have one. Tom if the department had modified duty available for you which could be worked around your physical restrictions would you still want to retire or would you want to keep working?

>> I love my job, love going to work every day. It was just a pleasure. I was trained -- I was -- actually I was in the fire service 37 years, I had six years or seven years previous experience prior to the time I came to San José. It was great guys we worked with. I can't do it. I enjoyed firehouse routine. I gave the department, I had some expertise along the way that the department needed. I went downtown. I think it was for two years stint, another four years stint. I enjoyed the firehouse. That's where I wanted to be. If I can't be in the firehouse I don't want to be downtown.

>> So can I ask you a tough political question, because you retired already anyway. So should the fire department find some way to deal with this? Because it seems to me it's kind of inevitable. Anybody who's 60 years old at a scene of a big fire is probably not capable of really doing the job. Certainly, I believe half, I'm 56, I couldn't do it, I got a bad back, bum knee. Should the fire department find some way to still use your eagerness and your expertise or is it impossible to work out?

>> I think there's options but I think it definitely would take on more training. If you are going to put them in another aspect of fire service.

>> Okay, I think as we keep talking about this again and again it seems to me there's a core issue with to have a great eager guy like you with tons of experience that we don't want to lose and we seem doomed and destined to lose this, and it drives me nuts. It seems like you we keep losing you guys because at a certain age yeah you got a bad back you got a bad knee and does that mean you can't be a firefighter at all? That just drives me crazy.

>> David Bacigalupi: Drew, I'll give you a little bit of history. I won't veer off this motion too well. The but modified duty positions finding work for guys that were injured and could no longer function on the line. With layoffs and everything else, and you know that number had evolved to a hard number of 30. That has been cut in the last contract to ten. So there are a lot of guys that are -- you know they are running complaints over to the D.A.'s office they're doing photography and fingerprinting and things that work within their restrictions. The fire department is doing a great job of working within restrictions but they need full duty people. They cut down to ten. We are going to see a few more.

>> Speed loop where people go out on disability ahead of retirement. Where we have fewer guys because they can't don't have enough tax dollars because tax dollars are going to support guys going out early and somehow that loop's got to get cut. I recognize once a guy's retired disability doesn't really impact the taxpayer but the guys that go out on disability before retirement does impact the taxpayer.

>> Mr. Chair --

>> David Bacigalupi: Good question.

>> Mollie Dent: We need to come back to the item.

>> Richard Santos: Want to make sure you know Drew, we did have modified duty when I was in the fire service. Mike Tom O&M I'm talking about when those positions were open when you got somebody that's 60 something years old we got the 30 years. When you have these young people who have the ten or 15 years who

want to stay and the jobs are not open anymore. Tom was a mechanic, went down to training did all kinds of things during his career but there are a lot of young people, that is why there of our disability committee has to come up with good recommendations working with Dr. Das. Those are people that can stay. There are no more jobs and there are people who want to work fire inspectors, do many more issues, they want to stay, they're 50 years old and they can't.

>> David Bacigalupi: Back on the motion, is there any further discussion on the motion? I'm going to ask for a raise of hands again. All in favor, the motion passes unanimously.

>> Thank you, Mr. Chair.

>> Richard Santos: Great, I miss the times we had together, great firefighter, engineer. Best to you.

>> David Bacigalupi: I'm going to call a rest until five minutes to 12:00, we have a phone call coming in. [Recess]

>> David Bacigalupi: Call the meeting back to order. Next item on the agenda is time certain under new business discussion and possible action regarding board governance, consulting project with Cortex applied research and this may also be related to item 3.4 so you might want to pull the items out of your packet on that. Because it's all somewhat related here. And also on 2.1, there was a handout of the slides that you see above you. So you don't have to strain your member looking at the slides. Okay. Who's going to start off, Carmen?

>> Russell Crosby: No, we have on the line with us Tom, I'm not sure what tom's title is COO or president of Cortex applied research. Unfortunately, he is somewhere on the East Coast on a vacation with his family. I think he's on a land line to get back to us. Because the board is about a month ahead of time because of your special meeting in July you got ahead of the Federated board. Tom is here to step you through what he envisions is an

outline of the project and some deliverables and a time line for us. Given that Tom Ianucci will be on the telephone and Ron will be turning the pages for you and let's go forward, Tom.

>> Thank you, Russell. Good afternoon, everybody. Mr. Chair, members of the board and staff members of the public my name is Tom Ianucci, I'm the president of Cortex applied research. First off I'd like to thank the board for selecting Cortex to help with its board governance policy project. I'm sure you have a heavy agenda so I'll try to be as efficient as I can. The purpose of this call is really to serve as an introduction and to kick off the governance policy project and just make sure we're all on the same page as to the scope of the project. I apologize I couldn't be there in person but I really do appreciate your allowing me to participate by telephone. I've met some of you but I'm looking forward to meeting all of you again season, in person. Just very short agenda. Looking at slide 2 I thought I'd begin by giving you a little bit of background. I know you've read the proposal which had a lot of information about it but I thought I'd just recap who we are. And some of the things we believe a bit of our philosophy around governance and organizational effectiveness. And although the project, the scope of the project is primarily focused on governance policy work I thought I would talk briefly about strategy because I think there's a lot of interest in that judging from the tapes I listened to recently of your July retreat. And then I thought I'd turn to the proposed governance project and just quickly reiterate the scope and the parameters, the deliverables, how we would approach it, and the general timing and if there are any questions at all please don't hesitate to ask and I'm happy to answer your questions. Moving on to slide 4 about Cortex. Cortex is quite a unique firm I believe in this industry. We're not a law firm or investing consultant firm, certainly not an investment consulting firm. We're really an investment 15 or 16 years have operated in a very small niche and that niche is working with pension plans public and private, one topic board governance and with that it includes strategic planning, board effectiveness decision making and policy work as well as organizational structures and related issues. So it's a range of projects but all under the umbrella of board governance. We've been in business for 20 years and as I said we've worked with I'd say at least 150 different types of pension organizations across North America ranging in size from perhaps the largest being I'm guessing California state teachers to small corporate plans of two or \$300 million. We found wherever we go whrs the governance and themes are often very similar. Our staff we're generalists but we've got backgrounds in law business engineering. We think that's all very helpful. And it all leeps under there area again of board governance and decision making. Turning to slide five just

want to give you a little bit of background on begin our philosophy and our views about governance. And I've put up a quote here, because I think it's very consistent with our thinking about board governance. And it's a quote by a gentleman by the name of Clo Lamaru, and he was the CEO of the Ontario teachers pension plan an organization we worked with a number of years ago. And he headed up the organizations from inception until he retired just a few years ago. And that board's view and we share it is that governance is not really an end in itself. Governance is a means to an end. And the goal and the real reason why we focus on governance is really performance. And I thought I heard on the tapes of your July retreat, I think you all share that view. You all seem to be very focused on performance. So I'm going to talk a little bit more about that. Slide 6, are things that we've identified over the years as really being critical to a successful pension organization. There are a number of them. But first and foremost you have to have a clear mandate hopefully in the legislation but if not then the board has to step in and try to create within its own parameters within its ability what is the mandate, what are we trying to achieve. Ideally we think the mandate ought to focus for retirement board on the fiduciary administration of the system and leave the settlor functions or the sponsor function to the stakeholders and the settlors. Those functions being creating the plan creating the benefits changing the benefits. we believe those are best left to the sponsors or the settlors. Leaving the administrator board or the retirement board to focus on the administration of those promises that have been issued. Then extremely I have important something that Ontario teachers were very focused on at the outset was build the best board they could, a strong board, and by that we mean not just with the strong training and backgrounds but principled and having the integrity to run this type of-o but equally important an effective board, stakeholders are going to hold the board accountable for performance then we believe that board has have certain types of authority. At a minimum the ability to hire staff set the compensation, establish their own budgets, hire the advisors they need, to effectively run the organization, and have full discretion on investing the castes of the system. So those are some of the authorities that a board needs, in order for stakeholders to legitimately hold the board accountable. that wouldn't be legitimate in our view. Then moving on you really need effective board governance practices. That is really the focus of that project. And lastly we think if you need a strong board you also need a strong staff. You need to find the best possible staff you can. Kipe those staffs and sound and reasonable compensation and incentive system. Something I know you discussed at the July retreat. I think philosophically, we are in tune with what we heard you board members talking about at your retreat. Slide 7 I could put forward an oral presentation about the benefits the real value by

gorchlz in this context what I mean is your internal board governance, documenting roles and responsibilities, thinking through how we're going to operate, how we're going to function. Why ask that so important? The underlying reason why a board wants to think through and document its board governance practices is a it can free up time to spend to devote to higher value added activities and those higher value added activities being strategy policy asset allocation for instance performance and risk management. So if putting a lot of effort into your internal board governance practices doesn't free you up and allow you to spend more time on policy and strategy and risk management then I know you aren't getting the full value of that investment and the effort involved. So I think that's why you need to focus on your internal board governance framework. I did have the -- appreciate you allowing me to lin or suggesting that I listen to your tames for July retreat. It was fascinating. You covered another lot of ground. A lot of critical issues were discussed, I thought and just to summarize, it seems to me that you all recognized, you've got a challenge you're trying to build a new organization in a sense, a new vision and a new culture. However you're not in a startup mode. You are really running a very mature business that's been around for a number of years and you've got considerable assets under management. At the same time, you all recognize you face some pretty significant organizational and governance constraints. You've got some very near term critical operational issues. You mentioned you have got eight vacancies at the present time in such a small organization, that is very disconcerting I'm sure and of course like every other retirement system in the country you're facing a very volatile and quickly changing market environment. Also, turning to page -- so slide 9, I want to commend you. I thought the discussions were at a very high level, a very appropriate level for a board retreat, very strategic in nature. Just some of the issues I heard you all talking about, autonomy, the autonomy of the board, staff retention issues and challenges, compensation, resources specifically in the context of I believe you had quite a bit of discussion. You had quite a bit of discussion around legal services, asset allocation came up. And you all identified various roadblocks or impediments to executing on some of the decisions or directions you've discussed in the past. I noticed that with the exception of committee structure, you didn't discuss any internal board governance matters, and that's understandable, given the nature of the retreat and the strategic nature of the discussions and we're going to talk about that in more detail soon. What came through loud and clear of course was that this board seems to me you all really want to move forward and start making some very concrete progress, even though you've really been in operation for a relatively short time but I understood that. You also understand what you're facing. Looking at Slide 10 it was clear that and it came through in the

various presences and discussions, there was clearly a desire for greater autonomy but that's not really within your hands. That's going to require some significant changes to the laws that govern your plan. I think you all recognize it's not going to be an overnight process, to move in the direction you've identified. As the city really ultimately controls the level of authority and discretion that this board is going to have. On a more positive note, however, there are precedents out there, of retirement systems, or pension plans, that do have some of the authority that you're seeking that you identified. And the Taft Hartley market in the U.S. has considerable more authority. A number of U.S. plans, public plans have some of the authorities that you've identified or much of the authorities that you've identified. Not all of course but some of them. It's very unusual in our experience that a retirement system wouldn't be able to hire its own staff, have that authority. Most of your peers do have that authority. If you cross the border up here in Canada you'll find a number of plans that really have significant authority and have worked through some of these issues in terms of autonomy for their retirement board. So it was actually in discussion, I just wanted to feedback some of the issues I've heard, I thought it was a very worthwhile retreat I'm sure you did too. I wanted to spend a couple of minutes board governance, all spend a lot of time talking about it. What I heard in the discussions bubbling up I think is a very sound strategy. I just wanted to feed it back or restate it in my own words. I tried to boil it down or distill it to a three point strategy. What I'm referring from this project, from the discussions I heard, and with staff, it's really three points. One is, and I'll talk about each one in a little more detail. One is what I call set the bar. Then take the lead in creating the vision, and all the supporting details that go along with it. And third, then begin to promote that vision, among the state holders. Now what do I mean by set the bar, that's slide 13. I think it's really important and this is going to come up in the governance policy project or the essence of the governance policy project I think the board needs to really set an example to the outside world to the stakeholders and I think you're already well on your way to do that that you're going to be holding yourself Illinois up to a very high ipse standard to committing to what I heard playing a fiduciary role to the very highest possible fiduciary standards and this project is you'll with developing a board governance framework that will meet all the highest current standards of ethics and professionalism. And I think that's critical too that your stakeholders know that you're going to be doing that. That you are going to be thinking through your roles and responsibilities and documenting them, thinking through ethics standards which are a very hot issue recently more so than usual. Developing a cowl culture of strong ethics. Egg troing board and training program that you all have the knowledge and the training to carry out

these responsibilities. That you're committed to performance and evaluating performance along best standards and that ush going to be trch which is also another big issue that's bip, hot button issue that's been going around the country recently, you're committed to transparency and disclosure and stakeholders are going to -- this won't be a black box. They'll know how you are overseeing the system so I think once you've set that bar of course you've got to maintain it. But at the same time I think in order to dreys some of the issues you raised in the retreat think you've got to begin simultaneously creating some details around the vision that you -- what I heard you all articulating, back in July, because I think a lot of your stakeholders this is all going to be new to them. They may have heard some of them, but exactly had a they mean, what how does that translate into practice so I think the quicker this board and this staff can start ironing out the details of what that means, how do you envision this organization looking, from an organizational point of view, from a staff compensation what exactly would that structure look like, what would the incentive look like, what are best practices and what would you hope to implement in San José? Your approaches to performance and risk management, very important, your stakeholder granted more authority how are you going to inform or keep the stakeholders aware of what you're doing and how you're using that authority. How you intend to keep the staff accountable, keep yourselves as a board accountable and how will stakeholders be able to keep you accountable? And what are some of the legal changes? So I think the more detailed that the board and the staff and I know you raise some of these issues at the retreat. I think you started identifying some specific actions and I think you're exactly on the right track as to ironing out these things. But once you've got that detailed vision then I think you're in a strong position to start promoting it to the stakeholders. I'm afraid if you start promoting or seeking autonomy from the stakeholders without having all the details worked out stakeholders are going to probably send you back and start asking for more details anyway. So I think the quicker you've got the details in hand I think you'll probably be more effective when you get to the promotion stage. But then you've got to communicate your vision to the stakeholders. I know you spent some time talking about this. Why does it make sense for everybody involved that this board operate professional board would have and you debated some approaches which made a lot of sense. We've got to spell out what makes, what's in it for them. Why we understand that this board has fiduciary liability, and it makes sense for this board to have more autonomy but why does it make more sense for the city and the stakeholders for this board to have autonomy? What are some of the financial benefits that would accrue to everybody involved and I know you identified that. What are some of the risk management benefits the reputational benefits. I think some of the

stakeholders on the city bare some fiduciary responsibility as well as you're currently structured they bear some risks and I think a more professional structure, a clearer structure, would benefit them as well from a risk management point of view from a fiduciary liability point of view. Then of course the costs and the opportunity costs of not doing. So this is a large fund, the investment management business is a highly levered business so even small improvements you pointed this out during the discussions, even small enhancements in return can have a big impact in absolute terms, absolute dollar terms to the city and to the members et cetera. So with that as background again just restating what I think I heard you all stating, perhaps using somewhat different words, I think that's a very reasonable strategy that you seem to be imparking on. In terms of next steps what I would suggest, and you've already scoped it out in the RFQ that you issued, is to do two things simultaneously. One is to really start setting the bar as I mentioned a few slides back and develop that internal board governance policy framework. If we could do that as quickly and as painlessly as possible and that's why we're here to help with you that. Lay out and document just how professional and the high standards this board is going to strive for from a governance and fiduciary standpoint. And simultaneously work out some of the staff structure and financial program that's part of ironing out the details of the vision that you have for this organization. So I thought those were two reasonable first steps to begin with and they fall within the scope of the RFQ. Now, looking at slide 17, I think this is a reasonable approach. Some of you I gathered from listening to the tapes, you're very anxious to really start making some concrete improvements and some people feel that governance is sort of a bureaucratic process and doesn't necessarily add to the bottom line quickly enough to justify the effort. But we disagree and again back to that quote. By Klo Lambru we think it's governance program in place I think you're starting at a disadvantage. You're going to have to lay that groundwork at some point so I think the sooner the better and if you can do it up front I think you'll reap the benefits of a strong governance program, internal governance program as soon as possible. Many boards will great for a decade or modify before they thought, maybe we should think through how we're going to function as a board and they lost the benefits of that program for the first ten or even 20 years of their existence. And I don't think it's has to be a very time consuming process. In the first few slides it can be done relative quickly and efficiently. We've done this type of work dozens of times if not 30 or 40 times I suspect with public funds around the continent so I think it can be done fairly quickly. But it's important that you all be involved and have input because every governance framework needs to be somewhat unique and reflect the unique needs the culture and the desires of the client in question. So I hope you all and I know you all will make

the effort to get involved in this process. Just to quickly recap exactly what's going to come out of this project as we set out in our proposal and this is subject to discussion and change. But this is sort of where we're at at this point in time. By way of deliverables, there are really five deliverables. One we're going to recommend a committee structure to you, I think that's important. We can't develop obviously the roles of the committees unless we agree on what the committee structure will be. There are so many committee structures out there, that's one issue where we're really going to need some input. And thoughts from the board members to figure out what makes sense given your culture, begin what you want to achieve, given how much discretion or authority you're all prepared to give to a committee. That will influence what kind of structure might make sense to you. Then we will deliver again with all your input what we call a board governance manual that will consist of two parts. One would be roles and responsibility documents. Clearly setting out the internal role of the board, the board officers, each of the board committees. And the director and the CIO which are the closest thing you have today to your own staff. It's important you all agree and that the staff understand what you all think their role is, that should be documented. Second part of that board governance manual would be activity of a number of what we call board governance operational type policies. The board operations policies is sort of your rules of conduct, how you run your meetings, how you structure your committees getting agendas out sort of nuts and bolts of how a board operates. An ethics or a code of conduct is absolutely critical, again, given some of the fiduciary lapses that have been going on around the country in recent years. I think your stakeholders are going to expect and deserve to see the best possible ethics policy in place. For your board. A communications policy, what we mean by that is a policy that sets out how this board agrees to communicate amongst themselves, communicate with staff, communicate with your service and advisors, communicate with media and other stakeholders group, this can be a cause of concern for boards that haven't thought through and grapple with how they're going to communicate with the outside world and the internal world. A board education policy, self explanatory. A reporting and monitoring policy receive and why and who's going to prepare them what's the purpose of these reports and really inventory all the ongoing reports very valuable for existing board members, industrial helpful to new board members who will join in the future. And then two performance evaluation policies, tobacco that issue of accountability. I think it's become best practices in the corporate governance world that board knees to a critical role of the board is to evaluate your senior executives Senior executive officers so there will be two spots, we're proposing we develop two policies to lay that process out. The fourth deliverable would be looking at slide 21, an

education plan for the board, working out just how the board's going to get educated. It would dovetail with your board education policy, a bit of a education plan really. And fifth we're going to conduct a compensation review and staff structure review and get back to you with some market data, and some suggestions on a best practice structure based on what your peers are doing. The literature. And figure out just where your current compensation practices fit within the current market. I think you've all got some sense of that judging from the discussions. And back in July. Slide 22, just very quickly our general, fortunately, not going to go step by step as to how we're going to carry out this project. We have don't some work with your city in regards to governance in the past. We're familiar with much of the approach. We've got some of the documentation already. It's very important that we get input from all of you. This can be done by telephone or in person, there are a lot of you but we will try to accommodate you all the best way we can and we will send out interview guides or anything we can to make it as easy for you as possible. Those discussions, we'll spend as much time as each of you wish but they typically run about an hour. Some board members will want to talk for two hours, some board members for half an hour, I don't know. Whatever it takes we're prepared to listen. We'll administer a short survey. You've all got different commitments and you're all prepared to invest different amounts of time and energy and we'll figure that out throw a survey and then follow up with the interviews. We've gathered a lot of data from your peers, we do that regular benchmarking on this industry on governance practices and then we'll begin developing all of the deliverables more or less concurrently. Particularly the compensation study will be done at the same time we're suggesting we operate through a committee, a board committee so the draft deliverables would go to the committee first to act as a bit of a sounding board to give us input and direction. Ultimately however we believe all of the deliverables need to go to the full board for full discussion and ultimately approval. That is the basic approach. The time line looking at slide 24 we'd like to get this all done for you begin as soon as possible, begin this month have it all done and finalized by the end of the year and we think that's very doable. Depends somewhat on people's availability for interviews but we don't see a problem having it done by the end of the year and that would be having all the deliverables done by the end of December. So I won't break out too much detail there. But that's a very quickly I just wanted to review the scope, give you a bit of background about us, and our philosophy, we sometimes run day-long sessions on this sort of thing and I've tried to distill it down to about 30 minutes but I'm happy to take any questions from the board at this point. And I'd just like to close by saying that we're really happy

to be working with you and we look forward very much to this project we think it's very important and we're excited to be working with San José again. Thanks very much. Any questions at all?

>> David Bacigalupi: Sean Cal dured.

>> Sean Kaldor: Police and Fire and Federated.

>> Yes.

>> Sean Kaldor: Are you guys also going to be working with Federated or are those two separate projects and how would you reconcile their recommendations if they are separate projects?

>> Russell Crosby: Let me start by addressing, you're a month out ahead of Fred because you had a special meeting in July. The 18th is the next Federated meeting. We'll present the same decision documents you got and request authorization to move forward with them and we would want to put both boards on a parallel track to the extent you could. Because as you remember there's some cost efficiencies by having both boards and keeping them in parallel.

>> Sean Kaldor: So the exact construction of the boards could be a little unique because of their needs but all the representations related to retirement services and compensation and organization there would be consistent would be a joint recommendation to the city or request to the city to do something?

>> Russell Crosby: I would hope Tom.

>> I think from an intellectual point of view, structurally, your policy manuals hopefully will look a little different to reflect the needs and preferences of the different boards. I think again philosophically, I've laid out our views. What we'll recommend to the boards philosophically would be similar. Each board might go a somewhat different way but the data will be the same in terms of peer practices, compensation data, et cetera. That's where

the efficiencies arise. But we think that these are two separate boards, two separate clients in a sense. And we will give which -- the boards whatever -- we'll tailor our analysis and recommendations to the needs of each board. FTC.

>> David Bacigalupi: Vince.

>> Vincent Sunzeri: Question I have is that given the same chief investment officer/director for both boards, do you envision and this may be too early of a question for you to answer, but do you envision some form of joint committee between Federated and Police and Fire, to be able to do -- interact, do evaluations of that personnel, set compensation levels and so forth?

>> That's an interesting question and we'd have to -- and this is a very -- again you've got a very unique setup and structure. I think we've got to be, you know, careful of any possible conflict that could arise. And ultimately, the -- technically the director and CIO are in a sense service providers to each board. So I mean we could envision two completely separate systems, that they make sense for a bit of coordination to occur, we'd certainly take that into account and recommend that if we thought that it made a lot of sense but we vice president really thought that through just yet.

>> Vincent Sunzeri: Does it impact your thinking given that we had the same plan sponsor, the City of San José?

>> In terms of how we would coordinate the two boards' efforts vis-a-vis the staff?

>> Vincent Sunzeri: Uh-huh.

>> No, again, I don't believe so. I think these are two -- two separate boards with two separate -- their own fiduciary responsibilities to their members. I think no, we would see the plan sponsor as really not being a factor in thinking that through. Again we have not thought it through at this point.

>> Vincent Sunzeri: Sure, okay.

>> David Bacigalupi: Other questions from the board? Okay.

>> Richard Santos: Comment. I wish the City Manager was here to hear the same thing, earlier would be nice. We've got Councilmember Constant to take this information back but the report is coming, is that the way I understand it, going to put this together? I think what Drew said sometime ago in our retreat, let's accomplish what we can accomplish first, get our priorities, let's accomplish things. If we're going to fight about things let's put that off. The way I understand what's our priorities, sound like it's the financial issue. Get the staff hired, get the money coming in, accountable. I assume we'll all agree on those things then let's accomplish what we can step by step without a fight, get that done implemented and then go on to whatever else we think is important. So I think this is a great presentation. It says what we all know in the first place.

>> David Bacigalupi: Thank you dick. Any other board members? Okay Russell, anything you want to add? You've got possible action. I don't know what possible action are you looking for at this point?

>> Russell Crosby: No no no, there's no action sought today and we on agendas will keep that open in case somebody has a thought that they want to make a motion. But I think it's just to start the process and the next contact you're going to get is directly from Tom and start his interviews with individual trustees.

>> David Bacigalupi: We need to engage now --

>> Russell Crosby: They're working.

>> Internal structure powtering this coming up at a later point in the agendas.

>> David Bacigalupi: I'll address that flex if that helps.

>> We need a door to set up that subcommittee.

>> David Bacigalupi: Okay, so -- nothing else? Okay Tom thank you very much. Taking away --

>> Thank you very much. Nice speaking to all of you. Thank you very much. Have a good day, bye-bye.

>> David Bacigalupi: Okay, 2.1 and 3.4. Let's jump because this has come up. At our retreat item 6.2, see how it's structured here, update on other ad hoc committees. There was a discussion by this board to have an equity committee, a fixed income committee, an alternative committee and a department structure committee. And I asked everybody to contact staff, if they were interested in serving on the committees. There was I think a miscommunication somewhere, where there was some thought that we needed five members of the board to serve on those committees and I think I related to somebody that it is actual just the opposite. This board is allowed to have a subcommittee of four members and without, you know, being a majority vote of the board.

>> I think it wasn't that, we need four members on the subcommittee, and I sent back saying two would be fine on some of the subcommittees. Doesn't have to be four.

>> David Bacigalupi: We had a couple of volunteers for a couple of the committees. I'll tell you and this is up to the board but as chair, we've got a lot of talent on this board. The city did a major selection process to bring in talent that wasn't already here. And I personally, and I think this board would agree, it would be best to utilize all the talent, and I mean we have people that are maybe more knowledgeable in equities than they are in fixed income. But all of you come with great credentials, so when I looked at the three different committees this is my recommendation to the board. And because there's interrelationship, the amount of talent that's available and also the efficiency of getting the committees going because it's one of the things that would like to do is get everything going. I'm going to steal Vince's comment again, you know months have gone by and nothing's changed. Through a committee structure we have an asset allocation item on the agenda that previously that would have been handled by an investment committee all the little details worked out of it and then brought back not board with

final approval with any questions resolved at that time. So this is my suggestion, you know obviously it's a board statistician. But I'd like to create one committee for investments. Have equities, fixed income and alternatives all together. And that way we have got some bouncing of ideas and talent. And I would ask Vincent Sunzeri to chair that committee, with Sean Kaldor being an alternate just so you know we can have an alternate if one of the committee members can't make a meeting, the alternate just keeps up. If you can't attend you kind of partnerships.

>> Mollie Dent: It sons to me it's going to be Brown Acted if it's a standing committee which is fine.

>> David Bacigalupi: I think it should be.

>> Mollie Dent: Okay.

>> David Bacigalupi: I think this is something that is not going to be rolled up in a month.

>> If we do that we should keep the ad hoc alternatives committee. You don't think so just as an ad hoc or do you want to Brown Act everything we talked about in alternatives?

>> David Bacigalupi: We can try this and we can always change this.

>> What does that mean with discussions with the Federated board then on some of those things? I mean I'm all for doing it all in one but does that work?

>> David Bacigalupi: Our committee, if our committee is, you know, the proper treasure it can meet with the Federated board of the same type. That was spoke of in the staff structure. That could still be an ad hoc committee that meets with them without violating the majority rule.

>> Richard Santos: Mr. Chair, I totally agree with you. All the committees I've been in capacities have always been three-member committees and it's good to have an alternate who can actually go to the meeting and sit in the audience and get educated without reading the minutes and so on. We got to get things going.

>> David Bacigalupi: Can I read, if you agree that we have an investment committee with the people I named --

>> Just real quick on the point of four with an alternate does that mean we have a fifth person and we have five people meeting and it's really a quorum or --

>> David Bacigalupi: The alternate in the past and Mollie correct me if I'm wrong hasn't been able to participate in the meeting. If I'm an alternate on a committee I can appear, if Damon can't make it that day but if Damon can't make it or the full committee is there even if I sit -- any board member can sit in, you just can't participate.

>> I understand you.

>> Mollie Dent: You are correct. If it is a standing Brown Acted committee, any committee member can sit in the autopsies. Any could participate as an alternate if the regular did not show up.

>> David Bacigalupi: Okay and the second committee would be an ad hoc department structure board governance. This may not be a real short term ad hoc because of all the things we've been discussing today. But that would be the committee of Sean Kaldor is chair, Sean Bill, Drew Lanza, with Vince being an alternate to that committee. And the last one which is the disability which is already there and that consists of Conrad, Dick Santos as an alternate to that he volunteered to be an alternate in case one of you can't make it. If one or some of the committees need to be split off into more specific areas of investments or something let the committee woman back to the board. This is more efficient, it gets the calendars done Eder and the meetings can get started and we can start to move forward.

>> Dave who do you want to chair that third ad hoc committee?

>> David Bacigalupi: Conrad Taylor.

>> Got it.

>> Something -- do you have --

>> Carmen Racy-Choy: I think we can continue. When the alternative committee, basically we've had discussions about how we get it off the ground and on an informal basis certain members of the Federated alternative committee have agreed to join in the meeting. I think that can be continued but with the investment committee as it currently is, and again, I think the more people contribute to decision making the better the decision making is. Clearly, each board can make their own separate decision ultimately and go in the specific direction. I think it's still nice having that alternate direction. Clearly Mr. sunzeri is the chair of the alternatives committee. whether to extend an invitation to the Federated members as observers and contributors for discussion purposes --

>> David Bacigalupi: One other thing. As chair he can delegate to one or two of the committee members, to go into a specific area or to meet with the other board.

>> Russell Crosby: Also Federated has a slightly different skill set among their members so it would be complementary to have Police and Fire and Federated looking at things at the same time. Because a couple of their members will look at things differently than a lot of you people do and they'll ask different kinds of questions that I think are very valuable.

>> Mollie Dent: So it depends on whether or not you're really wanting to have a joint meeting with the Federated board but since your comates again will be a Brown Acted committee, of public meeting, you're going to be required to take I public comments. And the Federated members as to their committee they can come to the

extent that they want to and you can invite them and there's no -- they'll have full ability to come and -- they won't participate in the board discussion but they'll have ability to participate in the meeting.

>> Russell Crosby: In the committee discussions, yes.

>> Mollie Dent: And if you want to have a joint comates meeting, if you get to the point where you want to have some sort of joint committee meetings, you dot have to do it that way.

>> David Bacigalupi: BP and a final thing would be a report back each month it would be up to the committee chairs to make it as detailed or as brief as they think the board needs. So that's my suggestion. If the board is agreeable to that, then we'll try that. And then we can come back and change things if it doesn't work out. Sean.

>> Sean Kaldor: I support the idea. On the investment side I saw us having self leverage across them and the chance to all bounce ideas, I understand investments to some degree but put me into as much of a small hole and I can only be of limited assistance on a committee like that. Having all the investment experts really involved in that I think that's the way to get through this and then making all these I guess the disability is still in ad hoc but the other are formal institutionalized department structures was going to be an ad hoc or that is going to be a an ad hoc --

>> Mollie Dent: I think you can make it an ad hoc committee for now. Number one there was a pretty short term on some of these deliverables for the governance so far. So I think a lot of the decision on the governance, too, is going to depend on what the Federated board does. And that --

>> Okay, so the governance one may be an ad hoc one that goes through the December deliverable and there might be an implementation process that moit start and we'll figure out how that goes. But the investment committee definitely we're going to have this each month, ton of issues, it means a ton of time. We're not getting to it often the agenda so I support it.

>> David Bacigalupi: Any other comments or questions?

>> What were the names on the operating one, just so I can write it down?

>> David Bacigalupi: Department structure, and I apologize, since I've been out for a couple of days I wanted this formalized and written down. .

>> Russell Crosby: And Kaldor as chair.

>> David Bacigalupi: I'll make that into a motion.

>> Russell Crosby: You made the motion?

>> David Bacigalupi: Yes, I'll do it.

>> Russell Crosby: Okay.

>> I'll move what he said.

>> David Bacigalupi: Motion and second and further discussion? Thank you and I hope this works for us and gets us moving and --

>> We can always change if it doesn't.

>> David Bacigalupi: All in favor, say aye, all opposed, thank you. Back onto the agenda. 1.3 do we need action on that today or is that something we should refer to the investment committee?

>> Russell Crosby: It started with you vines. So it would seem to be that and 3.3 would both be I would think first agenda items for the investment committee.

>> Richard Santos: By forming the committee.

>> Russell Crosby: This is the equity allocation.

>> David Bacigalupi: 3.3 is I think a bigger picture of the overall. Unless something needs to be done in your shop right now it would be my suggestion that we take 1.3 and 3.3 and refer them to the investment subcommittee.

>> My only concern is we have the layout already. I think we'll get a lot accomplished through this new structure. I had an hour and a half discussion yesterday on the equity structure and I'm comfortable with the thought process. I think it's valuable that they present it so that we can look at moving forward.

>> David Bacigalupi: Okay is that in agreement with everybody? Okay let's do that. We'll go to item 1.3 and we'll pull in -- no, 3.3 we'll refer to the investment committee.

>> Uh-huh.

>> David Bacigalupi: And then we'll start off right now with 1.3.

>> Carmen Racy-Choy: Excellent. Thank you. I'll try and make it short. Please stop me at any point in time if something is not clear if there are questions.

>> David Bacigalupi: You have a soft voice so please try and speak up.

>> Carmen Racy-Choy: I'll try and get closer to the mic. Fundamentally what the goal of the structure is to introduce global mandates. This is the direction that most pension plans have already taken, so we're a little bit behind the eight ball. However, the main reason for moving towards global mandates is, recently there's significant evidence that managers can add significant more value when you remove their restrictions on their ability to pick stocks within a specific geography. So specifically giving them the mandate and the capacity to pick stocks across geographic lines and giving them the capacity to overweigh or underweigh specific regions can allow them to add significant value. This is the rationale towards the move of the significantly higher use of global mandates mandates. This is the first major change in the equity allocation structure. The second I would say change in the structure is the significant increase in allocation to emerging markets. Currently, the allocation to emerging markets in our structure is in line with that of the index. Which is approximately 13%. That's quite low, given the fact that emerging markets, as a percentage of global GDP account for 35% of the global GDP. And given that emerging markets are growing at a significantly faster pace than the developed countries, in five years emerging markets are projected to have 41% of the global GDP. So if you have such a big portion of your investment opportunity set, allocating only 13% to this big pool of investment opportunities doesn't make sense. So what we're trying to do currently is increase the emerging market allocation to 22%. This gets us a little bit closer to where we need to be.

>> Carmen are we talking about using different pools or is there a way to make that a little bit more fluid than siloed within international? Because it's so heavy commodity focused, for instance, a lot of those countries and a lot of them that we're talking about now like India and China and Asia, they're pretty globalized too so is there a functional way for us to wrap that into the overall international allocation instead of siloing it out and say, we have to stay 22% --

>> Carmen Racy-Choy: Yes, the 22% is actually an approximate figure and it includes the global mandates which includes the 27% of the 40% equity allocation . There is a significant allocation within that component to emerging markets. And the managers that we're going to hire are going to have the capacity to overweigh, underweigh. Given the -- so definitely there's tremendous flexibility there. But the thought was, we needed an

additional dedicated mandate, because the allocation within the global mandates alone to emerging was simply not sufficient.

>> Got it.

>> Carmen Racy-Choy: So we've got, we definitely have I think a lot of fluidity in that -- on that front.

>> So they could pick Germany or China?

>> Carmen Racy-Choy: Absolutely, absolutely. The key thing, the key recommendation in how we go about increasing our allocation, clearly on emerging markets staff deeply believes that active management should be used. The reason we say that is, not necessarily because of the potential for added value but the positions for risk mitigation. Emerging markets can have significant basically bubbles. There's significantly volatility. There's potential liquidity issues, potential defaults. So having an active manager to navigate through all of the issues is very important. Since part of staff's recommendation is to immediately implement through a passive mandate and clearly, when we find the appropriate managers, we'll come back with a recommendation to the board to hire these managers, we feel that in the time period where we have the passive mandates, we're not going to have the protection of an active manager. And so we are recommending that the board allow staff to consider putting protection in place. I can discuss this issue in greater detail, but our thought is that active management costs about 100 basis points annually in emerging markets and we would fundamentally pay approximately the same cost for protection. So fundamentally, you'd end up at the end of the year having paid the same amount for protection as if you had an active manager protecting you. The second I guess the third change, sorry, that I would like to mention is the fact that staff is recommending a tilt of the portfolio from core characteristics towards value characteristics. The main reason for doing so is fundamentally, value mandates have been able to provide significant volatility reduction in bad economic periods. In addition, good, active managers have been able to even add more value on top of that. So in bad periods, value mandates tend to provide a volatility cushioning which is very important from the point of view of the portfolio structure. The disadvantage obviously is when the market is doing really, really well, value mandates tend to lag the market. So you give up a little bit on the upside but you're

getting significant cushioning on the down side. The last point that I'd like to bring to your attention is the fact that we -- staff is recommending really considering absolute return strategies on an opportunistic basis. The idea is to release the long only constraint and potentially if we find really good managers in a specific, whether it be emerging markets or general U.S. large cap equities where we feel introducing an absolute return strategy makes sense, would like to be able to come to the committees and to the boards and bring that forward.

>> In the equity pool, not the alternatives pool?

>> Carmen Racy-Choy: In the equity pool.

>> And we count the long bias or the long exposure as our asset allocation?

>> Carmen Racy-Choy: If it is a long short it does make sense that we do that if it is a market neutral I think it should be still in the equity bucket but potentially it could be in overallocation, as opposed to a part of the 40% allocation.

>> At the expense of alternatives or whatever?

>> Carmen Racy-Choy: Yes.

>> Index?

>> Yes.

>> Carmen what kind of size were you think in terms of the alternatives, the 40% in terms of bucketing into the equity, like another five or --

>> Carmen Racy-Choy: To be perfectly honest it depends on the quality of the managers that we see. I mean if we see a lot of really compelling managers then we might get to five. If we don't see necessarily a lot of compelling managers that do fit into the portfolio then we don't have to go that high. That's kind of the advantage of saying we're going to do it on an opportunistic basis is because staff will need to make the case to the board that this is a good decision. And there's no restrictions on how much.

>> So then what would happen is, if you found a long short manager that you like you would bring in and say we want to swap out somebody or whatever or use cash or whatever and put it like we don't have to have a set guideline ahead of time?

>> Carmen Racy-Choy: Exactly. But I can't imagine that -- I mean in the immediate I think one manager is not going to exceed more than 1% and it will take a while before we build up if we do to 5%.

>> Just some days whether the Dow is down 500 points it seems like it would be nice to have some of these guys in.

>> You think?

>> David Bacigalupi: Vince.

>> Vincent Sunzeri: I'll comment with Carmen is done. If you have more --

>> Carmen Racy-Choy: The active versus the passive, I'm not going to go in great deal. We made a presentation I believe back in May where we discussed our philosophy behind the active versus passive decisions. We fundamentally used the same criteria and we've updated our analysis. So with that said, I will basically leave room for questions.

>> David Bacigalupi: Okay, Vince.

>> Vincent Sunzeri: So we had a pretty lengthy discussion yesterday, it was over an hour and a half, and I'll summarize it in five minutes, I don't want to take the whole meeting. I think it's important to understand some of the things that are taking place with this change. Primarily, what Carmen's doing is using a new index which I think you understand. And it's important to understand that there can be some flaws with using certain independent seeings and trying to mirror those independence sees. A lot of what we're talking about is the strategic allocation of how we want to place money within the equity space. But there can be some problems with that. If you look at 1990, and you looked at the international index, Japan was 40% of the index, and had a 40% weight in Japan it hurt you. If you loot look at 2000, 30% the S&P 500 and if you had 30% in the technology it could really hurt you. It's important that we don't blindly follow this, tilts in in one tilt being the value tilt away from growth. I'm comfortable with that on a global basis. Domestically, I think there should be some discussions that take place whether we should look at growth on a domestic basis. With respect to the emerging markets, it is a tactical decision at this point based upon their recommendation, having a 22% allocation when the index is only 13. That's not a 10% of overweigh, that's 150% of the index. That's a pretty significant move and that's where our discussion came on, I think we need to provide some level of protection because it's important to understand that's probably the most volatile asset class that we're going to be in and it can quickly evaporate. In 1996, the emerging market was 8% of the index and within a year it was 4%. That's painful. So I like the structure that they're using. I'm thrilled that we're finally moving in this direction. More specifically, for our responsibility as fiduciaries, the fact that moving in this direction is going to cause us to move passive initially and we're going to have to terminate some of these active managers that are underperforming and cause us to be out of violation ever our investment policy statement is moving us quickly in the right direction. How we start to think about things from a tactical standpoint so we don't get caught up in having too much in Japan at the wrong time or large cap stocks at the wrong time will be a really important discussion I think at the investment committee level. So I'm thoroughly impressed with the direction we're going with Carmen and I think we're moving in the right direction.

>> David Bacigalupi: Okay.

>> We're also talking about giving discretion, I mean the indices are you know backward looking. And we can't be, right? We're talking about giving discretion as to whether to enter into Japan or Indonesia or Australia, right?

>> Carmen Racy-Choy: Absolutely. this is only the case if the active managers that we select end up allocating the same allocation to emerging markets as the index. In reality, their allocation will probably vary. They will probably underallocate to emerging if they feel this is not the right time. And they will overallocate if they feel that there's still good times coming. So dent, that's built into the structure. The numbers were meant to be for illustration purposes, assuming a passive mandate. And the idea was just to convey where we stand if, without the active manager really making his expense.

>> David Bacigalupi: Mollie, did you have something?

>> Mollie Dent: At the risk of jumping in hereby, there is an implementation section of the memo. This has not been agendized for those implementation sections to appear. Those were items that would actually need to appear on the agenda. Because what's on the agenda is the equity allocation and revision of the policy. So I -- I just do need to point that out. This would not meet the Brown Act in terms of those specific implementation actions, I don't know if that was something staff intended to bring back or what the thought was. But those are the kind of very specific actions that need to be agendized.

>> Carmen Racy-Choy: Doesn't the fact that we have discussion and action regarding the --

>> Russell Crosby: Restructure.

>> Mollie Dent: It has to be enough on the action to notify the Patrick about what you're going to talk about. The only action you've mentioned here is revision of the statement of investment policy.

>> Isn't 1.3 --

>> Mollie Dent: And restructuring the allocation. In other words if you want to enter into contracts you have to identify who you want to enter into the contract with, what you're going to pay them. You've got a lot of very specific things here that would need to be spelled out on the agenda. I mean you don't -- in other words if you want to enter into a new investment manager agreement you spell that out on the agenda. That you want to --

>> Russell Crosby: You can achieve that using Russell's transition --

>> Carmen Racy-Choy: There are no new to be achieved. Russell investment is currently under contract.

>> Mollie Dent: I understand that. That's why I said I don't know what you mean by to hire. I don't -- the language you've used is a little difficult for me to interpret because you have a current manager. You have a current transition manager and you have your current bank. They may already have this within their contracts now, I don't know. But the way this is worded, it sounds like the board is taking some action on these item and those actions are not on the agenda.

>> For item 1.3.

>> Isn't it item 1.3 Mollie --

>> Mollie Dent: They're not again the item has to have enough detail in it for a member of the public to know that you're going to talk about what runline is going to do what state street is going to do.

>> Russell Crosby: It has never been that way, Mollie, in the four years I've been here there's never been an agenda item that, you're in error. You are in error. So either the past was done wrong, consistently wrong or we're off on a tube here today.

>> Mollie Dent: I'm asking what -- I'm raising the issue about what "to hire" means. If it's a current manager you're not hiring them. Maybe the language in here is not reading correctly. If you're talking about using your current managers to manage to the new allocation, yes. You can do that.

>> Carmen Racy-Choy: Exactly. We are asking the board's permission to use --

>> David Bacigalupi: If we use change the word hire to utilize? I'm trying to make sure we comply. If we change the word hire to utilize, if the recommendation was utilize rather than hire?

>> Mollie Dent: Clearly that's in the context of what's on the agenda. Staff understands they have to come back with new managers, the third part of the implementation to instruct Russell investments to put in -- I don't know what that means.

>> We hired them earlier today, that's done.

>> Mollie Dent: Actually, no, you hired them earlier than today, you hired them way back. I don't know if part of the -- if this is within the scope of what you hired them for previously or not. I didn't --

>> Carmen Racy-Choy: It is, it is, to so no additional contracts are to be done.

>> Russell Crosby: What does protection mean then? To get to Russ's point?

>> Carmen Racy-Choy: Fundamentally considering buying a put at a specific strike price. So that if the emerging markets tank we have a certain level of protection. For example if we buy a put at a specific index level, say, the current level, if emerging markets following that, the index decreases by 10%, we're going to receive a payment for the loss that we would --

>> Mollie Dent: That was within 1.2.

>> Russell Crosby: But let me -- was that a technique that was used by them in their services as transition manager?

>> Carmen Racy-Choy: Absolutely.

>> Russell Crosby: Okay.

>> Carmen Racy-Choy: So they do that typically if you're transitioning and you have sold for example if one manager sells and you're out of the market they will typically make sure that you're protected --

>> Russell Crosby: That you remain exposed.

>> Carmen Racy-Choy: That you remain exposed. Similar to what they do within a transition management process.

>> Mollie Dent: And I think that was what was contemplated under one.2.

>> I'd move to adopt the staff's representation regarding 1.3.

>> Second.

>> David Bacigalupi: I have a motion and second. Is there further discussion?

>> Russell Crosby: Except I think we need to change the one word hire to use.

>> David Bacigalupi: Motion in with the change.

>> Mollie Dent: It's to implement the allocation with our existing managers and I'm sorry, about bringing it up but --

>> Hire current manager, undermanager --

>> The only other question I have is, do we need to, in conjunction with this update the investment policy statement to reflect it?

>> Carmen Racy-Choy: Absolutely. And I would like to wait for your comments on the investment policy and then make all the changes simultaneously. But if we don't discuss the changes today or soon, in the investment committee then wrote can make the changes immediately to the set and bring it forward to the next investment committee I suppose and then to the board.

>> David Bacigalupi: Okay.

>> How often is the investment policy, I was pulling it out and reading it this morning, how often is that --

>> Carmen Racy-Choy: Updated?

>> Yes.

>> Carmen Racy-Choy: Whenever there is a change in asset allocation or investment structure or if we go into April asset class that's new for example investing in absolute return strategies then we make sure that the possible investments that are allowed are defined and the parameters around which basically allow us to function in that asset class exist. And that things are spelled out on the asset allocation and investment structure for that asset class.

>> Okay good because I have, if we're talking about relaxing restrictions for long short for instance, right now we have that completely classified as alternatives which you know, all along I've said isn't really the case in my opinion either. I mean is this something that the investment policy or the investment committee is going to go over? What do we do with this?

>> Carmen Racy-Choy: Well staff now that you've approved the structure staff is actually going to make the appropriate modifications to the statement of investment policy and bring that forward to the next investment committee meeting. So you will have the opportunity to review it there and kind of say yes we agree or maybe further changes need to be made. And whenever you're happy with the statement of investment policy, we can then bring it to the attention of the board.

>> Are we currently in compliance with our statement of investment policy?

>> Carmen Racy-Choy: I believe so.

>> Kind of a big question. [Laughter]

>> Russell Crosby: And kind of a vague answer.

>> Russell Richeda: I think your solution to that? But the solution to that is you're directing staff to make the appropriate changes to make this piece of paper comport with the decisions you've made. Don't want to leave a situation where you're thinking you're in violation of it. You're contemplating changes in it in the sense it's in suspension at least on the points that are going to have to be modified.

>> Russell Crosby: I think his point is our policy calls for asset classes that we don't have installed yet and I think really that's what the real issue is.

>> I'd like to mention that was very elegant.

>> Carmen Racy-Choy: So we currently have all the asset classes we want in the SIP what we don't have is the new structure. Now that it's been approved we're going to make the proper changes to the SIP, with respect to the absolute return strategies we're not putting in place any such manager within the next three months. That's probably a safe bet. And so by the time we get around to it we will have the appropriate change in the SIP hopefully done and approved by the board.

>> When you make that change now based on our action today you're going to reduce the restrictions against long short within equity?

>> Carmen Racy-Choy: Yes.

>> Putting my fiduciary hat square on when will we have an investment policy that's been updated and 100% next month ?

>> Carmen Racy-Choy: You currently do and when the next investment committee meeting is scheduled hopefully late in August we will have a new policy that reflects the decisions you've made today.

>> But we are completely in compliance with the one we have now?

>> Carmen Racy-Choy: Yes.

>> Mollie Dent: Your action today assuming you approve it is really making the change. It is the piece of paper that needs to come back.

>> I'm good with all that. Trying to establish a baseline. Are we following all the rules we're telling everyone we're following? That's an implementation thing, that's our goal.

>> Carmen Racy-Choy: I believe trustee Sunzeri stated , SIP states that you need to keep them under observation and the board needs to keep them under action. There is no policy.

>> Imply we should be doing as a result of that. Okay, just to --

>> Carmen Racy-Choy: The policy doesn't say you miss fire them after a specific point in time or that you must retain them. Clearly there is just insinuation that they need to be kept on there for certain periods of time and then consideration needs to be given. Remember that it is the consultant's job to bring to your attention at a certain point in time when they feel you should take an action to terminate an manager. NEPC mass been coming on a quarterly basis with their performance report and saying the managers need to be retained. Which fundamentally means on a quarterly basis you're making that assessment is. So definitely in my opinion, and I'm not a lawyer we are meeting the criteria.

>> Thank you.

>> David Bacigalupi: Okay any other questions on the motion on the floor? Hearing no further questions discussion, all in favor, all opposed, the motion carries. Okay under new business item 2.2, update on legal services requests for proposals. I think that's you Mollie.

>> Mollie Dent: Yes, it will be going to the Federated board the third week in August to see if they want to join in the RFP and I want to be able to have a complete packet for you. There's no sense putting it out, you indicated you wanted to look at the packet so it will come to you in September.

>> David Bacigalupi: All right any questions on that?

>> Can I ask one?

>> David Bacigalupi: Yes.

>> So in the policy statement also it has a target allocation with no minimum to TIFs, are we changing that too?

>> Carmen Racy-Choy: Sorry on which page?

>> I was looking at the old investment policy.

>> David Bacigalupi: Are you back on the other item?

>> I was on regular allocation, whether or not we are compliant.

>> Mollie Dent: Why don't we do 3.3 and look at it.

>> David Bacigalupi: We already deferred that to the investment committee. Maybe you can answer the question.

>> Carmen Racy-Choy: Can I answer if question?

>> David Bacigalupi: Yes please.

>> Carmen Racy-Choy: The minimums and maximums apply to fixed income as a whole. That's where the minimums and maximums apply. There are no specific minimums and maximums to a specific subasset class such as TIFs.

>> Don't worry about the target and the fact that the MIN-s and maximums cover all of fixed income? Good.

>> David Bacigalupi: Quickly answered. Item 2.3, update on electronic board packets. This is the whatever you call it --

>> Donna Busse: Right so our I.T. manager wrote where she is on this project. I think she's looked at many, many viable, I don't know what you -- applications to use and I think the next step is going to be to develop an RFI and then get a -- you know to just make apples to apples comparisons with what they have, what they can offer a cost, then she wants to secondarily, with some of the applications we can't get to everything we want as far as confidentiality and retention so some it might have to get done through an I.T. policy with the board.

>> Donna do we have a time frame?

>> Donna Busse: No. We'll try to get there --

>> Because you've been working on this for a bit.

>> Donna Busse: I don't know that you know we also have the pension administration consultant in right now to work on the RFP for the pension administration. I know -- we'll fast track it because this is of interest to the board. She's visited almost all the software people we have here, I think she has only one more to see and then we'll do an RFI. We don't imagine it is going to be a real detailed RFP. Ppg if the board wants to file a disability claim with these 30-pound packets --

>> Just one question for Barbara when you talk to her so at Stanford they do distribute everything via the iPad now, no paper in this program. And what they used was a program called drop box. So you put it in your drop box which I'm not really sure you need to hire an outside person, maybe we do -- it's really not that complicated. Just put it in drop box and then there's a program on the iPad called good reader and the good reader will take everything out of that drop box file that says pension agenda or whatever, and it will Singh it into this good read product. A spectacular.

>> Russell Crosby: How do you pull your disability program out of there and destroy it?

>> Maybe I.T. can --

>> It will be deleted out of every place it was placed.

>> Donna Busse: That's why I mean, some of it has to be done through an I.T. policy. If you download it onto something else we can't do it.

>> I could keep a hard copy and run home with it and there's no way it is assured of being destroyed.

>> Donna Busse: When it's in electronic version almost all of the systems have some sort of a cloud or -- cloud server or something where we can access it. Who retains it, who maintains it, those kinds of issues.

>> David Bacigalupi: Okay, any more questions?

>> I'll be happy to bring my iPad over and show her and she can take a look at that do.

>> I actually look forward to that packet on my doorstep of like 2,000 pages before a board meeting.

>> I if can hopefully throw one thing in, some people already have computers and iPads, now we've got to carry this iPad to other things, that would be less optimal --

>> Donna Busse: That's why the I.T. policy would take that into consideration. That could be one question, the feedback that you would want iPad, some of these technologies would not work on an iPad? Is that preferred or we'll recommend what's best?

>> Recommendation.

>> Didn't we have that issue before, using one device, in the city downloads something on that device the city could have access to that device.

>> David Bacigalupi: Smart phone and text messages.

>> Given by the city that way you would have the city's business coming onto that rather than having your own.

>> The cloud solution would be my preference as opposed to its own device. Right now we get stuff and I can do whatever I want with this stuff. I would think there's a cloud solution still that's operable on multiple devices, is optimal.

>> And a password log in.

>> David Bacigalupi: Safeguard in that when we discussed this about phones and have it you know there's a policy where you can be reimbursed for your phone. And for board business. Well, that was the concern is if I get reimbursed for it does that also open it up for somebody else reviewing it, make that a milk record? So the option is, you don't get reimbursed so you don't have that or if you don't have a problem with it, you get a separate device and that's always open.

>> We pay for the service and it's just hemmed on the cloud something like that is what you're thinking or not --

>> David Bacigalupi: Well that's what they're looking at different options.

>> Donna Busse: (inaudible).

>> Russell Crosby: And actually we're not alone. A lot of other public plans in the state are looking at exactly the same question.

>> Palo Alto Palo Alto just went to this, Cupertino, whatever policies they developed around that might be models to look at.

>> David Bacigalupi: Okay, cloud, drop boxes. Item number 2.4. Discussion and possible action regarding board member compensation. And you have an item in your packet here, and I know Donna's done some work on in. Dick brought this forward. And Mollie has some opinions on this.

>> Russell Richeda: I've got two sentences too.

>> David Bacigalupi: And Russ. Donna you want to go ahead.

>> Donna Busse: Basically we just presented the facts of the situation and it sounds like it was initially a drafting error. When originally when the trust retiree came on board I think back in 2000 they were not entitled to the stipend. When if board was expanded again in 2010, the language that Mollie need to model was not updated to the fact that the civil service employee was getting the stipend. So she covered another language, it was a drafting error, I be publication error of the old code. She has commented that if the code is in error we don't have to abide by it. It's up to to you. Right now the retiree members are entitled to a stipend. However, it was noted that they wouldn't get a sty bend so we leave it to you to decide.

>> Mollie Dent: As the person who made the drafting error I'll confess to it. Or at least it's fairly clear to me it was a drafted error on my part because I was looking at a printed version of the code and also online version of the code that had not been updated by the publisher. When the retiree Merry Christmas were added to the plan there was an ordinance done to make it clear that the retiree board members would not get the stipend and that ordinance never made it into the code, the printed version of the code. So anyway it's fairly clear to me it was an error. I've drafted an ordinance to correct the error to put it back to the way that it was supposed to be and that ordinance will go to council, you know, as soon as I can get it on their agenda.

>> Russell Richeda: And my two cents are boy mistakes are so easy in this area, and boy I have made my share of them. The law is in effect and it seems reasonable to me that those board members that are subject that get the benefit of this current wording of the municipal code, if they choose to do so, should receive it. Until such time as the code's modified to updated to apparently reflect the council's intent.

>> David Bacigalupi: I got a question and Pete I don't know if you were involved in the discussions but maybe you can answer this. You've served on the board. But I mean why are we segregating any elements of this board when everybody has to travel, everybody has the phone calls, everybody has, you know, the faxes and things. Why are we segregating any members? You know I mean we've created -- in this small regard two separate classes. It just seems unusual.

>> I'm sorry, go ahead.

>> David Bacigalupi: Beats that in both chairs.

>> It predecades the policy, I think the intent was for the council and the employees were doing that during the work. And so why be like an employee like Conrad, release time to be here, if he's during his work time, obviously I'm doing it during my work time. I think that's why those classifications were not expeped.we've not discussed the retirees so I don't know.

>> David Bacigalupi: I understand that and I think you can understand this as well. Dick and I sat on this board, when there was just active and councilmembers and one civil service rep and you know it was, the idea was hey let's take care of this outsider who is not on release time and you know create a stipend and I was part of the board that created that stipend in the first place and it was like Pete said, I was on active duty sometimes I was working nights so wasn't really on active duty. But now if you take a look at and I'm not going to look at mine again because I've got it mostly on the floor. If you take a look at Vince's packet, they're using the weekend, they're using their own time to read these packages and stuff and I'm just wondering if the overall policy needs to be looked at or maybe referred, maybe this board requests the council to change the ordinance. And I mean we're

not talking about a lot of money here but you're talking your phone calls and mileage or back and forth to meetings and stuff, maybe this board would be interested in changing it for everybody not just the retirees.

>> If you're going to talk about board compensation we should readjust the Cortex recommendation, the board takes a lot of time and they're suggesting our time is worth two to \$4,000 a meeting. That's what Cortex said. That's the cost for it's -- it's funny but that's the cost for a board. I mean look I'm not a taxpayer. I don't receive a penny from this pension. I'm here because I want to be here. I do -- I take this very seriously but I mean the reality is that's what board members get paid. And that was a recommendation of Cortex. And if we're not going to address it, we're talking about compensation. Let's not talk about stipends.

>> David Bacigalupi: Okay, dick.

>> Richard Santos: Like Mollie said, people makes makes. First of all, the insurance issue. I was never informed, I try to carry out the letter of the law, I take it seriously. I take a tremendous amount of time to be here not just family community and my other job and I want to be here. So when I signed up, can't be two errors here in the row here. I go sign up and fill it out and I say by the way, there's compensation there. Dynellist Hawkins, city clerk, says yeah, you get \$one 50. Until I get here all of a sudden it comes up mysteriously. I don't understand these kind of mistakes. An item with the chair, why are we going to be different? I don't treat you different and I wouldn't want to be for all this thing. I wonder, when I was working here, being on the retirement board 98% of all my time on the retirement board was my time. And the manager was Les White who came up to me, you know you're very commendable. We look at the statistics and others didn't do it this way but you have. 11 years later I read the rules I follow them you get here and all of a sudden we made a mistake here. There's some inefficiencies, it needs to stop. It's not about the compensation. If I'm going to be gone, I want that retiree who takes my place to know what's expected and follows the rules. For you and everyone else. When I'm paying insurance out of my pocket, I already spoke on that issue, it disturbs me. I don't care what you think, that's wrong, it comes out of the fund. Or wherever. Other people are treated differently, I didn't come here to give money away, I came here to save money for the retirement system. You shouldn't make me violate something because I'm what a retiree? I was a former employee. I paid those dues and I loved it I'm back here and I love what I'm doing

now. That \$150 is the case, takes care of minimum expenses, minimum. I know you fellows are here because a lot of you are not retired, guys are working you're losing probably a day's wages to be here, that's serious stuff.

>> David Bacigalupi: Thank you dick, Sean and Vince.

>> I'm not advocating for one way or the other but just the comment, my day off right now, the day yesterday going through this whole packet, my day off, committee meetings, my day off. Maybe 10 or 20% of the time it happens to fall on a workday. I believe in the plan I believe in the city I believe in the fire department and I know volunteer commit is required to get it done so I'm willing to do all that but it is a lot of time we are putting in. I support the comment that came up over here that maybe this is something that should be evaluated as part of the Cortex process, what's standard process, what is the right way of doing it, how is everyone else doing it and maybe that is something that can be considered in the overall analysis they're doing.

>> I like the approach. I think that really all the board members should be treated equal, on the stipend portion of things right now. I think the big battle we're trying to fight right now really is staff compensation so I want to be careful of not getting caught up in look at the Cortex report too significantly right now and addressing our compensation when we have to deal with that matter first.

>> I didn't bring it up but these aren't mutually exclusive issues.

>> Not at all, I agree with that comment. But I guess I would take minor steps and the minor step would be let's see if we can move that needle a little bit and get the stipend equal for all board members and then we can address the bigger issue through that Cortex process as trustee Kaldor's suggested.

>> Mollie Dent: So in terms of the current -- so the way the code currently reads, the retiree board members and the public members would get the \$150 a month stipend. So if you want to recommend to the council that all of the board members get the \$one 50 a month stipend, that would be actually a recommendation to the council to change the code. In and of itself which you can do, you can make that recommendation.

>> David Bacigalupi: To recommend that all board members including --

>> Richard Santos: But the way I understand it, the coyed does say that.

>> Mollie Dent: No the code excludes the active employees currently the way it reads. And so you can make the recommendation, if you want, and I when I take the -- we're going to take you -- our office will take the ordinance forward to do what we think is a correction of our clerical error. Council may or may not do it. When we take the ordinance forward we will tell them what your recommendation is. If you've made that motion.

>> David Bacigalupi: Conrad.

>> I do get release time when I do come here but however it is I mean so --

>> Mollie Dent: That's something that would have to be addressed for imloas employee members.

>> That's something --

>> 150 a meeting or \$150 a month if you attend?

>> Mollie Dent: 150 a month.

>> Richard Santos: When you're on duty you don't that's pretty simple.

>> Russell Richeda: That's all I'll say.

>> It may end up to be a net loser for you guys on duty.

>> Richard Santos: Then going to the other stuff if we have to readjust for Cortex, that's another day but let's get this resolved.

>> David Bacigalupi: All right we've discussed it. Is there a motion?

>> Richard Santos: Yes, motion to incorporate that into a motion in terms of that it goes to the city council and say if there was an error or what have you or change the language to say that all board members are treated the same at a minimum of \$150 a month.

>> David Bacigalupi: So the motion is to request the council change the ordinance that all conserving board members receive the \$150 a month sty pend.

>> Richard Santos: Or the stipend should be for everybody. Not put a monetary figure to it.

>> David Bacigalupi: That's a good point.

>> Would you leave it open, leave the code the way it is now, and come up with recommendations from Cortex that would cover -- rtsd doesn't matter to me, I've been working for free anyway.

>> That way if they loof of leave it the way it is, it will cover the two retired members who are covering their time, the few months it takes them to sort it out.

>> David Bacigalupi: You accept the amendment to the motion?

>> Do you want to withdraw that motion and I'll make it instead, since you're about to pay yourself money? That's never a good idea. I'll make a motion --

>> Mollie Dent: Just so you know we've looked at the conflict of interest issuing, since it is a stipend --

>> I move that we provide the stipend to all members of the board.

>> Second.

>> I was just saying that to leave the code as it is right now without any change until we can have Cortex give a recommendation.

>> Mollie Dent: Just so we're clear if the council leaves the code the way it is right now the employee board members will not get the stipend and that's the motion.

>> As amended.

>> Mollie Dent: When we take the ordinance forward we will let the council know that you want it left the way it is now so the stipend can be paid to the retiree members.

>> Can we have some discussion around this because my only concern is if we don't correct the minor flaw now and then we address the Cortex later on is it a bigger challenge to get everything corrected? If we correct this now and the Cortex report comes back and says it should be a bigger number it will include everybody then, because it is corrected now. It would state all board members.

>> Mollie Dent: Well the council could decide at that point that it wants different stipends I suppose for the different positions. Because yes the \$one 50 is in the code.

>> I think also the chair -- Pete Constant can obviously help with this in temps phs explaining it.

>> Mollie Dent: I think the board needs to decide whether or not they have-the board needs to decide whether you want to follow the code as it's currently written, wait and see what the council wanted --

>> It's sort of separate.

>> Mollie Dent: You can direct staff to go ahead and follow the code as it's currently written and to pay the stipend to the retiree members, you could direct staff to hold off until council has addressed what they want to do and whether or not this is what they really intended to --

>> Russell Richeda: This is separate from that motion.

>> Mollie Dent: Your motion now is you want the council to leave the item the way it is.

>> Long term recommendation which we continue know-d.

>> Russell Richeda: It's been addressed with the question Mollie just raised.

>> Mollie Dent: No.

>> Russell Richeda: It could be.

>> Richard Santos: I agree Mr. Chair, we should take the issue on now because the small things need to be done.

>> David Bacigalupi: Well Drew let me ask you, your motion is to follow the current code?

>> Sure.

>> Russell Crosby: Leave code as-is.

>> Until we can come up with a recommendation. I don't want to recommend that we should -- my thinking that we shouldn't recommend doing that until someone does some analysis, yeah this is what you want to recommend that would be the fair logical and consistent way of doing it.

>> David Bacigalupi: So follow the current code and then refer the entire board receiving a stipend to the committee? That's what you said.

>> Russell Crosby: Can we have one of you second?

>> I'll second.

>> David Bacigalupi: Is that okay?

>> Mollie Dent: And did you also want to include in that the recommendation to the council that it leave the code as it is for right now? Until --

>> Russell Crosby: First part is leave the code as is and the second, refer the compensation for all trustees to the governance committee.

>> David Bacigalupi: Friendly amendment to that motion was stipend to all the impose or all the board members. We weren't talking compensation were we? I thought we were woig that.

>> What about the Cortex?

>> That will come up --

>> Russell Crosby: Question aside for all the -- to governance committee. (inaudible) (inaudible) (inaudible).

>> Cortex made the comment -- no when they implemented it they said just given the financial situation of the city, tracks with other boards the 150 for public members, that was in their big detailed recommendation.

>> David Bacigalupi: Okay so I have a motion and second. Question Molly, you said that right now, under this motion, Dick and I are impacted. Are we allowed to vote?

>> Mollie Dent: Yes, you can vote. You could also recuse yourself for appearance of conflict if you want to I mean that would be fine.

>> David Bacigalupi: So we can abstain.

>> You don't have to. It would be a voluntary action.

>> Mollie Dent: Right, two part motion, follow the code as currently written as to the retiree members. You want the code to the left alone and then overall with the issue of stipends to your counties.

>> David Bacigalupi: If there are no further comments, I'll call for the question. All in favor, all those opposed, all those abstain? I abstain.

>> Richard Santos: I'm going forward.

>> David Bacigalupi: On.

>> Russell Richeda: If I understand that last motion then that authorizes staff to pay any retiree member who wants it, a stipend, since the date in 2010 when the code was modified, the language that's in there now? Is that everybody's understanding?

>> Yes.

>> David Bacigalupi: All right item 2.5, approval of Macias, Gini & O'Connell, 2011 audit service plan. There's a copy here and Veronica is ready to address us.

>> Time line that we've already coordinated with the city on.

>> Motion to approve.

>> David Bacigalupi: I have a motion?

>> Second.

>> David Bacigalupi: I have a motion and Conrad's second. Any further discussion on the motion?

>> I do have a question. Investment staff are you going to have any problems meeting the time lines that are in here?

>> There's a lot of difficulty meeting any time line. Right now, what I have is a temporary staff person that's in to help me finish up the year end financial statements. With GASB 53 last year that took a lot of time. So the goal is to meet this time line. But realistically, short of me kind of working around the clock which is what I did last year, you know there may be pieces on this that I won't be able to meet. I'll keep the board updated as I kind of work through each of the pieces but the goal right now is to try and find some sort of efficiencies and get through this year's audit.

>> Thank you.

>> David Bacigalupi: Thanks, Veronica. Any further questions? Hearing no further questions, all in favor? All opposed, motion carries. Item 2.6, report on City's prefunding of required contributions for fiscal year 2011-2012 and reconciliation for fiscal year 2010-2011. And I know we weren't sure if we were going to be able to --

>> I don't have an official memo that I usually have every year. Again this kind of goes back to the resources and trying to get all the information that I need reconciled and done. It has been reconciled, they'll have a forel memo on the next board agenda but we did receive the prefund it was in the amount of \$137 million. We did do a true up adjustment. There's still a small portion that we're working through with the city it's a minimal amount it's not a material amount but it will be kind of cleared up in the next memo that I bring forward next month.

>> David Bacigalupi: Great thank you Veronica. Go ahead.

>> Did that amount reflect the reduction of the staff or was it a fixed percentage? Remember we were adopting that the city will always make an annual required contribution based on the floor.

>> Yes, it was based on the dollar amount that was contained in the evaluations prepared by Segal.

>> Thank you.

>> David Bacigalupi: Okay. Item 3.3 was referred to the new investment committee.

>> Russell Crosby: 3.1 you need to --

>> David Bacigalupi: I'm trying. Is dinner on the way? Okay, 3.1, under old business deferred items, update on status of trustee replacement. Who's got that for us? Pete.

>> Pete Constant: Probably me. I haven't been at work pretty much since the last meeting so I'm not sure but I have a meeting on Monday with the clerk, and the mayor to discuss it. So I can let you know shortly.

>> David Bacigalupi: Okay thank you Pete. Okay. Now, down to 3-- we already took care of 3.4. 3.5 discussion of quorum rules and this was continued and I asked Mollie to just give us the code section because this keeps coming up what's a quorum and what's a majority vote required to pass. And so Mollie has brought it out of the Muni code and put it in the e-mail form here and is there any questions on that? My understanding is, a quorum is five out of the nine positions. Whether they're filled or not. And to take action, is five out of the nine positions.

>> Mollie Dent: That's correct.

>> David Bacigalupi: Russell you agree?

>> Russell Richeda: Yes.

>> Richard Santos: Lard for me to understand. Because again if four people showed up why wouldn't you not do business? I just don't understand, it would be the majority of the four people that showed up or the five people that showed up. I never did understand because you have nine that has to be a quorum of nine even if the seats are vacant. I just don't understand it. Business continues.

>> David Bacigalupi: Well I personally am somewhat confused because you know we were short a board position for so many years that how can you count that as a position. But I understand the quorum requirement, that's standard through all boards and policies.

>> It says for a quorum in order to take action, that doesn't say you need -- says you need a majority of the people here to have a quorum. The quorum says what you need to conduct business.

>> Mollie Dent: That's why you say, to take action. You have to have a quorum to take action. So in other words you have to have five people to actually move the item through. A lesser number which would 19 four, the only action they can take is to adjourn.

>> So it says syllable necessary to constitute a quorum for them to take action.

>> Mollie Dent: Right so there's no action if less than five of you vote for it. The action has not been taken is less than five of you vote for it.

>> It doesn't constitute a quorum.

>> Mollie Dent: It doesn't constitute an action.

>> It doesn't say shall be necessary to constitute a quorum, shall be necessary to take a quorum in order to take action.

>> Mollie Dent: Yes but it says to take action.

>> I understand it's been followed that way nothing is going to change here it's not how I read it no matter how many times I read it. I accept it, I'm not fighting it.

>> Mollie Dent: It's the same rule that all boards and commissions follow. Same rule that city council --

>> I got it. Helpful in yuct of that knowledge.

>> Richard Santos: So if the city council has six people show up, if they need six to pass it, it wouldn't be an action if they didn't have six?

>> Mollie Dent: Correct.

>> David Bacigalupi: Any other discussion on that? Okay.

>> Did we cover 3.2?

>> David Bacigalupi: Yes with Debra this morning.

>> 3.2 was use of CIO in the box. Using consultants.

>> David Bacigalupi: Well, it was discussion regarding retirement services staffing. And that's what she was here to discuss. And then we created the board structure committee.

>> Okay so there's a handout that was about using the CIO in a box or professional staff and all those types of things, I just wanted to clarify, that's going to be in the overall organizational issue not the investment issue even though they are completely related. Perfect, thank you.

>> David Bacigalupi: Sorry for the lack of clarification there. Okay. Item 3.6, update on payroll audit, FLSA and overtime payment issues.

>> So at the direction of the board I had gone back to finance to find out where they were on the FLSA correction portion. It was identified by Macias, Gini & O'Connell that there were some items in the FLSA calculation that created variances, I just received the report back from finance yesterday, so unfortunately I wasn't able to at any type of recommendation and pates through to the board so I'm planning on reviewing that piece and then coming back to the board with an update as far as what finance can do and then what the next steps are for the board and the correction for the FLSA overpayment issue.

>> David Bacigalupi: Okay. Sean.

>> This is something I'm always near and dear to just because we are members being at the point of being ready to sue, and as a board we're paying retirees to some degree more than we should because we give them credit

for more than we should have, less on other things bough they didn't get credit for away they should have and all that needs to be sorted out. At what point would you recommend we have enough good information to take action or how long is this going to go? Six months or a year out and we are going to owe people more and more money and the statute of limitations is going to pass.

>> Sure I understand. My recommendation was to at least go back to finance and find out what more can you give us? Given the exceptions that Macias has given, we are not the source of the data in retirement services. So we have to rely on the plan's sponsor to tell us this is the best answer we have and once we have that information I'd recommend that staff go through and evaluate it and see the materiality of how off the information is going to be and then come back to the board to say here's our recommendation, this is the best that we're going to have and again keep in mind that retirement services staff we don't house the information. We ultimately receive it and input it into our system but we are at the mercy of the plan sponsor to give us that information. So really, I think this is one of the final steps to find out from finance what can you do and then if there is a creative time line okay once that comes back in here are some of the next steps. Work with legal to figure out what can we do what can't we do, and as you mentioned there are pieces in FLSA that go in one direction and other directions, it is also going to be at what point do we do it staff wise it would be most advantageous to do both at one time. But if we don't have all the information at what point are we going to separate the two and sort of kind of go forward.

>> I twoobt point out work at retirees are saying, check's being increased by this amount even if it's \$100 I get all that. Southbound Sean it's a very -- once the corrections come in for both pieces of it it is manual person by person recalculating individually and to have to do that twice. That's why we want to do the two pieces together. We get calls a lot if personnel and we try to splaint as best we can.

>> There is a statute of limitations isn't it six months and if we can't do it --

>> Mollie Dent: That's sort of a -- I would say we would look at that. I haven't reached a conclusion on that but we would look at it. When people are still in pay status, there are provisions for making adjustments. I think it would have to be looked at. Really pretty much on a case-by-case basis.

>> Do you think by September could you give us what we know quantification of what we don't know and a recommendation for going forward?

>> That's intent. But the information that I received from the city is clear and I can clearly make some sort of assumptions as far as how close we're going to get to a true number. And can reasonably recommend to the board okay let's take this information and go forward with it.

>> Okay, thank you.

>> David Bacigalupi: Thanks Sean. Any other questions? Thank you Veronica.

>> The only piece I would add, I will need additional staff to go in and do this manual process because we have you know so many few hundred that are there, yeah. Thank you.

>> David Bacigalupi: That is a big big task. Okay, next item, 4.5. Approval to rescind retirement applications, 4.5 A, approval to rescind retirement application of David Cavallaro, deputy chief police department approved at the June and I'll take it as one motion. B, approval to rescind retirement application of Glenn E. Harper, police lieutenant, police department, approved at the June 2, 2011 meeting. I'll take a motion. Do I have a second?

>> That's because they want to rescind?

>> The day you retire --

>> I'll second that.

>> David Bacigalupi: Okay I've got a second that's basically what it is Damon. Especially the higher ranks, somebody I need you to stay on for another six months and finish this project or something that's the kind of individuals that work there, they'll do it. Okay motion and second, further discussion?

>> Richard Santos: Further discussion, obviously most likely because of the vacancies that things are going on these gentlemen here are dedicated to helping the police department, I had a chance to meet with the deputy chief of the night on the community function and they're just dedicated, not about dollars and cents they want to stay in and help, we sure appreciate that.

>> David Bacigalupi: Thanks Dick. Hearing no further discussion, all in favor, all opposed the motion carries. Okay. And now we have approval of retirement dates. And I'll read them and we'll do it all in one motion. Just so you know this is because the I believe these are caused by the contract implementation changes in sick leave payoff to a lesser amount if you don't go out by a certain date. So. A. Approval of change of retirement date of Robert E. Sepulveda. From June 30th, 2011 to June 25, 2011. B, approval of change of retirement date of Michael A. Pomeroy, police sergeant, police department, from June 30, 2011 to June 25, 2011. C, approval of change of retirement date of Jean-Pierre Santos, fire captain, fire department, from June 25, 2011 to June 26, 2011. D, approval of correction of retirement date of Raymond shields, police sergeant, police department, from June 25, 2011 to June 25, 2011. Okay. Unless there is any questions I'll entertain a motion.

>> So moved.

>> Second.

>> David Bacigalupi: Motion and second. Hearing no discussion, all in favor, all opposed the motion carries. Okay not my favorite part of the agenda. Death notifications. 5.1, notification of the death of Bruce de Mers, fire engineer, retired 8/3/95, died 5/20/11, survivorship benefits to Louella A. demers, spouse. And you poo we can't correct it open the record it says he retired on 8-3 of 95. He never retired. He worked right up to the last day.

>> Richard Santos: He was here at a meeting. You're correct.

>> David Bacigalupi: Very big man. Big loss. 5.2, notification of the death. of John A. Diquisto, fire captain, retired 10/29/88, died 6/27/11. Survivorship benefits to Shirley A. Diquisto, spouse. And Dick's worked with him and I've worked with him, we've all you know, member of the council.

>> Richard Santos: And he was on this retirement board. I was the guy who took his spot.

>> David Bacigalupi: Great guy, great guy. And no less important, 5.3, notification of the death of Robert A. Robertson, firefighter, retired 6/13/78, died 5/13/11, no survivorship benefits. 5.4, notification of the death of Ronald T. Williams, police sergeant, retired 11/14/78, died 5/3/11, no survivorship benefits. Both two long time retirees. And I just asked the board for a moment of silence for these four very dedicated individuals. [Moment of silence.] Thank you. Okay. Item 6, ad hoc committee reports, recommendations, we've already taken care of 6.2 but 6.1, the update open the ad hoc committee for disability determination process. I think that's going to be verbal.

>> We're, I guess Conrad's the new chair.

>> Currently ongoing, thank you.

>> We're meeting immediately after this.

>> Meeting immediately after this, requesting certain documents, the whole goal is streamlining the process, working on that process right now.

>> David Bacigalupi: Okay, one of the suggestions I'd like to throw at the committee whether it being electronically, that might be better but definitely with the paper packets that we get, Dick had suggested that the

actually work injury reports, may not be necessary. They might be. I'm not sure. Just ask you guys to take a look at that. Electronically at least we could read them. Half the time on the paper ones, you know as a supervisor you scratch them out in chicken scratch and makes it pretty hard for the board to utilize that.

>> Richard Santos: There's a lot of duplications. We're all trying to streamline, that's one small way of trying to get down to the media, at the same time to be able to represent that person. Thank you.

>> Mollie Dent: It may be a matter of needing to preserve the record, the applicants may need those documents in there because that helps establish the service connected nature of the injury. I mean the doctor's testimony is --

>> David Bacigalupi: Good point.

>> I personally was reviewing them as well.

>> Russell Richeda: So many of them directed you precisely to the page where there was a contemporaneous notification by the applicant of the injuries, helped support the service connected disability. In the absence of that you wouldn't have anything except vague descriptions and Dr. Das's evaluation.

>> Mollie Dent: I'm all for reducing the paper too anyway --

>> David Bacigalupi: Asking for the committee to review it. But they're hearing good arguments so --

>> We are looking at it at a bigger level, in terms of the overall process. Even today realizing there was kind of a cover sheet from themselves or their attorney that said body part X, here is the injuries, here is the doctor's report, here is the surgery what it contributed the limitations. Right now we are piecing that together for you nine different body parts. He said don't worry about that one. I had to read through for that one so anyway.

>> David Bacigalupi: I brought this up before seven or eight months ago, when we got new board members open and there was a question why are these things listed? The torches are going to tell you you don't know what the board is going to approve so the attorney that's doing their job for their client are going to list everything that the board could consider. And that's why sometimes you can eliminate some of them because whatever happens down at the end of the line but you're getting all those reports and stuff in. In the meantime it creates a big packet.

>> I realized speaking about Sam today, who Dr. Das gives limitations for and focus on those but he doesn't see that until a week before, so he's saying so you can start to see places in the process where time lines are set a little different information could be simplified for everybody.

>> David Bacigalupi: Got your work cut out for you. Okay, we're now at the consent calendar, unless any item needs upon pulled we'll usually take those in one motion. The chair would like to pull item 7.2A. Anybody else like an item pulled from the consent calendar? If not I'll entertain a motion.

>> So modified.

>> When you say pull?

>> David Bacigalupi: Pull for further discussion. Because the consent calendar gets voted through.

>> I assume if I'm absent I'm not voting for --

>> Can you pull those minutes.

>> If I'm absent I'm absent, right?

>> Mollie Dent: You should pull the minutes and then let the rest of the board vote on the minutes.

>> I was absent for June, the -- which minutes are these? The June minutes for the regular meeting.

>> Russell Crosby: 7.1A we'll pull for Damon. Okay. Anybody else like anything else pulled from the consent calendar? I'll entertain a motion to approve the consent calendar? Hearing no further discussion all in favor, all opposed the motion carries. Okay, I'll -- I asked for 7.2A to be pulled. I talked about, talked with Pete about this this morning. When I saw this on the calendar, and I wanted it clear to Pete that this was nothing personal against the individual. But I personally have a problem with the council appointing a liaison to this board, appointing somebody to be on this board, whatever that works out to be. And us paying for his training. It seems to me that the city council has a budget that the city council should be paying for that training. We pay for our trustees, our fiduciaries, we pay for our staff to perform their job. But I feel that as an appointment from the council, to liaison with this board, who we've talked to and utilized today every meeting since he's been here, no matter who's in that position I don't think we should be paying for training conferences for the city council appointee. And I told Pete about it this morning, that I was going to pull it for this reason and for that reason I can't support that. Dick.

>> Richard Santos: First of all, Pete if you support the stipend, I'm all for it. [Laughter]

>> Russell Richeda: Let the minutes not reflect that last comment.

>> Richard Santos: But what I do want to say, it's not in opposition or anything personal, it's, to me, no matter who the councilperson is, when they receive training from our retirement system, it only benefits us. And that's why I'm for it. I don't care whether it be Mayor Reed or someone else. If they're in that position and they're going in our behalf to learn something to take that to the council to represent us, I hope we're doing it the right way I think it's beneficial.

>> David Bacigalupi: Thank you, Dick. Go ahead Vince.

>> Vincent Sunzeri: The whole discussion of having council nonvoting board member versus a liaison it was a pretty contentious discussion and I think this approach might antagonize that situation, which at this point seems to be working fairly well. And so my sense is that I would support any liaison getting continued training.

>> David Bacigalupi: Okay, thank you.

>> I sort of agree with dick, listening to the City Manager they view what we do as a cost center which any intelligent person knows is insane. Anything we do to educate people that work for the city or that are on the council to what we do is a prudent use of our money and I think it's a relatively small amount of money. I second what you're saying Dick I think that's fine.

>> David Bacigalupi: Sean.

>> The role of the liaison being an intermediary, doesn't need a lot of training but it can't hurt and the better informed they are and the more information they can give us would be helpful. I assume this wouldn't be just born by Police and Fire but Federated would be paying for this as well?

>> Russell Crosby: As you see it as an approval item they would see it as an approval item too.

>> And the cost would be split?

>> Russell Crosby: The cost would be split.

>> If they don't approve it we would be paying for it?

>> Russell Crosby: You would be holding the bag.

>> We would get the benefit of the training?

>> Russell Crosby: I'll make sure they get that point.

>> My support would be contingent upon their also approving it.

>> I'm putting my accounting hat on now. What's the total cost? Do we have a cost?

>> Russell Crosby: Small in the scheme of how much money you've got under management it's irrelevant. Is probably two, three thousand plus travel maybe \$4,000 all total.

>> David Bacigalupi: Okay, any other discussion? I'll entertain a motion.

>> Russell Richeda: Just a comment, remember the code has been amended to make the council what used to be a liaison position into a nonvoting board position. So this individual is a member of the board even though this individual has less full scope of full board member as the rest of you and I think that's a further indication why it would be consistent with the use of trust assets, to allow that board member to obtain training. David, you have a question, did I miss state something?

>> David Bacigalupi: Did I miss something? Did the code get changes regarding -- I know there was discussion to change the code.

>> Mollie Dent: It hasn't been done but it's supposed to come back to council.

>> Russell Richeda: It's a pending ordinance, I apologize.

>> Mollie Dent: The ordinance is pending, yes.

>> David Bacigalupi: Lawyers are often very strictly on their verbiage.

>> Russell Richeda: Sorry I missed it.

>> Did you make a motion?

>> Contingent on approval by Federated.

>> David Bacigalupi: Did you make a motion? There is no motion.

>> My support would be contingent on that if someone wants to make a motion.

>> I'll make a motion that we will approve it. Contingent upon the Federated board supporting it as well.

>> Richard Santos: How about a friendly amend. Irregardless whether Federated approves it or not. I hope they do because it's a shared partnership but if they don't let's just you know move on.

>> David Bacigalupi: There's a friendly amendment to the motion. Would you accept that or no?

>> I would make that motion, if Federated chooses not to support it we would encourage them.

>> David Bacigalupi: We have a friendly amendment to the motion, do you second the friendly amendment? Okay, any further discussion on the motion? Hearing no further discussion all in favor? All opposed, the chair. The motion passes. Okay item 7.one, 7.1A, this is the approval of the minutes.

>> Motion to approve.

>> David Bacigalupi: Okay do we have a second? Motion and second. All those in favor? All those opposed, all those abstain, Damon. Okay. Now to what's next, item number 8 education and training notification of Cal APRS

trustees round table, A, the round table at the double tree, 2050 gait Way place, October 14, 2011. I'm not going to read the next four but there's a noisk notification of IFEGP training, part one and part two, two different places and two different times, any board member interested in attending the training contact the staff. Russell's office will get you set up. Okay, next point on the agenda, proposed agenda items, do any board members have any proposal?

>> Richard Santos: Mr. Chair, said about us moving back to the retirement headquarters. And that was on here before. I don't know how it got overlooked. We've been tremendously busy. Let's put that on for discussion. I've also said in the past and I hope we take the action, the title of Russell Crosby should be changed, director, I say CEO. We ought to hear what Russell would like to be done let's put it on there and let's do something. We got to take if we're going to be independent and also have partnerships and try to improve this and it seems like we are, we've really come a long way and I just want to today before we end to all my fellow board members I've just watched the irregardless of the actions that we've taken I've watched the change and I really commend everybody for being supportive of each other no matter what our feelings are and I've seen a real positive change coming on. I don't think that's going to come as quickly as we like including me, but real seriously, independence, different way of doing it but I appreciate it.

>> David Bacigalupi: Thank you Dick.

>> If I could make a quick comment if we are going to discuss locations I think you should have either Russell or Mollie check. I believe the city has a policy about all board and commission meetings. So it probably would be helpful to have that document.

>> Mollie Dent: When they agendize it we'll let them know what the existing rules are.

>> David Bacigalupi: Thanks Pete. Okay. Mollie you'll provide that?

>> Mollie Dent: I'll look and see what there is.

>> Richard Santos: Get us better chairs.

>> David Bacigalupi: Better chairs better microphones so we can hear things.

>> Was that all board and committee meetings?

>> Mollie Dent: We need to check.

>> Russell Crosby: Commissions, committees could still meet.

>> David Bacigalupi: When they came down with this directive they promised us that we wouldn't get cheated out of the council chambers like we did at the old City Hall. I think we met there three months and now back in the little room again.

>> Richard Santos: Talk about back injuries, come on, let's go.

>> Russell Crosby: You're in the small meeting room for me. That's a bad meeting room. The requirement Pete's correct there is a city policy that all boards and commissions meet in City Hall. But beyond that, you know just you're on premise and on the property. So don't complain that you're not in that room because that's even worse than this one.

>> David Bacigalupi: I didn't realize that we were responsible for doing that.

>> Russell Crosby: For getting us out of that room over here.

>> David Bacigalupi: I remember times trying to schedule the meeting where we got bumped out of there.

>> Russell Crosby: What's happened is particularly for Federated, Pete has had a meeting that he has bumped so that Federated can meet in that space and not keep flopping back and forth.

>> Pete Constant: We have moved committee meetings to accommodate.

>> David Bacigalupi: That's appreciated but even more appreciated if we could go gabbing to our own offices.

>> Richard Santos: I agree.

>> David Bacigalupi: Vince.

>> Vincent Sunzeri: We've created these committees, I assume we will have reports at each meeting.

>> Russell Crosby: Standing.

>> Vincent Sunzeri: But do we feel like that is going to cover all the things that we addressed at the board retreat including the Cortex report that's going to be taking place for the analysis or do we need to come back and revisit what we discuss at the retreat just to make sure we're moving forward and there's no gaps? This is kind of a discussion of do we need to have that --

>> David Bacigalupi: Is that part of the board structure though? That's what I was thinking the board structure --

>> Vincent Sunzeri: That may be covered under the construction of the committees.

>> There is two pieces of that, board governance, crisis, not having staffing and can't get the work done and the other is kind of the bigger project, another one is getting cor Texas the report, seems the cries stuff would be what do we do now and getting the feedback that the City Manager asked for today, you know a summary of where

things stand and what we haven't been allowed to do and we authorized and having that discussion. I think that would be within that scope and that needs to happen --

>> David Bacigalupi: I think it as being intertwined. Because of the things we heard today .

>> I feel like (inaudible) going to guide that, may have pretty good outline.

>> David Bacigalupi: What I think the committee is going to have to do is balance out the municipal code structure of this plan versus what Cortex recommends. To better the plan.

>> So that will result in recommendation and working with council with Councilmember Constant, to still get an understanding of how these boards can be managed, and in terms of the committees we can just do to but the urgency merit, working with staff to produce the documentation away we need and how we need to solve this problem in the short term.

>> Russell Crosby: But I would see that as your department structure governance/department structure committee having initial authority over all of that stuff to bring it to the board.

>> So it's all in there and we're going to have to meet and figure out how we're going to tackle this. I would throw in that bucket.

>> Russell Crosby: That committee is all about the internal operation of the trust fund. Committee number 1 investments, what do I do with the money and where does it go and No. 2, what about disabilities? Your two investment lines disabilities and investments are in those committees and all of the rest of that organizational stuff is on committee number 2?

>> And the operational committee deals with where's there this where's that and what could be more efficient?

>> Russell Crosby: 80, eventually you may use that committee as your reviewing entity or dealing with her performance review my performance review things like that.

>> David Bacigalupi: That's 80 kept asking Mollie have an ad hoc committee but it 98 turn into a standing committee.

>> Russell Crosby: Keep it ad hoc now but Cortex --

>> Up to December delivery of the Cortex recommendations and then we might have another ad hoc to implement or just turns into another type of committee at that point.

>> Russell Crosby: Correct.

>> David Bacigalupi: Sean you had one thing.

>> One ins how all the ins and outs work? That hasn't been there for a number of months, is there something in the handbook?

>> Donna Busse: The member handbook? (inaudible).

>> Is anyone updating it?

>> Donna Busse: People were complaining it was old, then we took it down. In my opinion the old one was better than nothing but --

>> Mollie Dent: In it's inaccurate it shouldn't be up there.

>> Donna Busse: Maybe we can compromise Mollie and just update pages.

>> People are complaining, they are using it, it is a source of information for them. Even I use it to figure out how all these things work. You have something there.

>> Donna Busse: We do have the benefit fact sheets.

>> It doesn't say your reciprocity is up to September 30th, 2004, counts for this doesn't count for nap.

>> Donna Busse: We haven't finished the reciprocity thing. We can talk.

>> I have the information sheet on reciprocity. That example of mine.

>> Look thing at the IP structure of the hand bill? We can't outsource these things, we have to do them all --

>> Russell Crosby: Outsource how, in the City's --

>> Control legal assistance or claiming --

>> Mollie Dent: You do have an I.T. consultant for your pension management.

>> Russell Crosby: That's a whole different game and they are not in this business by any means.

>> Mollie Dent: Bringing somebody up to speed on the plan is going to be --

>> Spending six months and not having it up -- I'm just curious, asking the question, I don't know the answer.

>> I'm open to any solution.

>> If you keep adding to your list and it's all stuff that should be important, you're going like oh, we kind of can't do it. Ing.

>> David Bacigalupi: Donna can you come back to us next month?

>> I'm not blaming you at all.

>> You can tell me, we can't get to it for six months. I would understand that answer.

>> Donna Busse: We are retiring people at a rate that will boggle your mind and we barely keep up with that. Increasing people we have to process with no increase in staff.

>> List of things that are not getting done.

>> We'd fill in here are things it's a good documentation of things we can't get to. No handbook for numbers.

>> Donna Busse: Maybe we can get a temporary staff person in. We'll work on something.

>> Maybe a benefits analysts, red line what's wrong, post what's right and not what's wrong?

>> Donna Busse: We'll work on it.

>> David Bacigalupi: Did you want to make that an agenda item?

>> If you could come back to us next month with a plan or a thought? If it's documentation we can't get to it, I understand, but a list things that are not getting done.

>> David Bacigalupi: Okay any other proposed agenda items from the board? Not hearing any. Public comment? All right this meeting's adjourned. Thank you.