

Retirement Board Governance Frequently Asked Questions

1. What is retirement board "governance"?

The Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan are defined benefit retirement plans serving the employees and retirees of the City of San Jose. The governance of the retirement boards includes the composition and required competencies, the number of board members, and board authority.

Each Plan is managed and administered by a Board of Administration consisting of seven members. Operating under the San Jose Municipal Code, the Boards' specific duties include: consideration of requests for retirement, administration and investment of the retirement funds, determining eligibility for membership in the pension plans, and determining employees' eligibility for retirement benefits.

2. What do the retirement boards do?

The retirement boards have exclusive control over how the retirement funds are invested and administered. The Boards' specific duties include: consideration of requests for retirement, administration and investment of the retirement funds, determining eligibility for membership in the pension plans, and determining employees' eligibility for retirement benefits.

3. What prompted the City to review retirement board governance?

On September 30, 2008, the City Council accepted an audit report of retirement travel expenditures completed by the City Auditor's Office. In addition to accepting the report, the City Council directed the City Manager to incorporate into the boards and commissions analysis, recommendations on restructuring the Federated City Employees' Retirement System and the Police and Fire Department Retirement Board to add independent Board Members with financial and investment expertise. The process was to include outreach to affected stakeholders. A consultant, Cortex Applied Research, was hired, and they issued a report with recommendations on changing the composition of the retirement boards. These included adding independent Board Members with financial and investment expertise.

4. How was the consultant selected?

The City issued a Request for Qualifications in January 2009, and Cortex Applied Research was ultimately selected to complete an analysis and review of the structure and governance of the retirement boards. Cortex Applied Research was selected based on depth of experience in public pension plan governance consulting projects, references from public plans that have used Cortex, and price.

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5. Is the consultant recommending removing retirees and employees from the retirement boards?

No. The recommendations include maintaining the current number of retirees and employees on the boards. There is one retiree and two employees on each board.

6. What are the consultant's recommended changes in the composition of the City's retirement boards?

Current Board Structure	Recommended Board Structure
<ul style="list-style-type: none"> • 2 members recommended by active members • 1 member recommended by retired members • 2 City Council members recommended by the Mayor • 1 Civil Service Commission representative recommended by the Civil Service Commission <p style="text-align: center;">~~~~~PLUS~~~~~</p> <ul style="list-style-type: none"> • 1 public member recommended by Federated Board (Federated only) • 1 City Administration member recommended by City Manager (P&F only) 	<ul style="list-style-type: none"> • 2 members selected by active members • 1 member selected by retired members • 4 members selected by City Council. (These members would be independent of the City and would have strong knowledge, expertise, and experience relevant to the administration of public retirement plans.)

Note: In the current structure, all members of the retirement boards are appointed by the City Council.

7. Is changing who is on the retirement boards a way for the City to change retirement benefits?

No. The Retirement Boards administer retirement benefits, but they do not have the authority to create or change the benefits, either under the current structure or under a revised structure.

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8. Does changing the Board composition give the City the power to take control of the retirement funds?

No. The retirement boards have the exclusive control of the administration and investment of the retirement funds. That would not change under a revised retirement board composition.

9. Do the consultant's recommendations give the City more power to appoint the members of the retirement boards?

No. The City Charter currently provides that the City Council, or the Mayor if authorized by the Council, shall appoint all members to each retirement board.

10. Are the current compositions of City of San Jose retirement boards the same as other California city/county retirement plans?

No. The City Administration completed a survey of retirement board structures for CalPERS, counties under the County Employees Retirement Law of 1937, and the largest ten cities in California. Of the largest ten cities in California, only the City of San Jose, City and County of San Francisco, City of Los Angeles, City of Fresno, and City of San Diego have active independent retirement plans. The other agencies are under the CalPERS retirement system. To compare the differences between the composition of San Jose's retirement boards and the others surveyed, please go to: <http://www.sanjoseca.gov/pdf/Attachment%202.pdf>

In reviewing the structure of these other retirement boards, it is common for governing bodies to appoint trustees that are independent individuals who are not employees, retirees, or members of a City Council or Board of Supervisors.

11. Have any other California agencies made recent changes in the composition of their retirement boards?

Yes. The City of San Diego made changes to their retirement board in April 2005. The City of San Diego City Council established a Pension Reform Committee that recommended that the composition of the retirement board be changed. Previously the thirteen member board consisted of 6 members elected by actives and retirees, 4 members appointed by the City Council and 3 members appointed by the City Manager.

The City of San Diego's retirement board was changed to 5 members elected by actives and retirees, 7 appointed members by the City Council and 1 appointed member by the City Manager. The 7 citizen members appointed by the City Council are required to be independent of the City and must meet qualifications including a college degree and a minimum of fifteen years of relevant experience.

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12. Where can I get a copy of the consultant's report?

A copy of the revised Cortex Report can be located at:
<http://www.sanjoseca.gov/pdf/Attachment%203.pdf>

13. Where can I get more information or provide feedback?

For further information on the Retirement Board Governance Structure and Stakeholder Outreach, please visit: <http://www.sanjoseca.gov/RetirementBoardGovernance.asp>

An Information Memo, dated October 6, 2009, was issued to the City Council to provide the Council with an update on this project. The memo and the attachments can be found on this website.

If you are interested in providing comments on this issue, please send an email to:
retirementoutreach@sanjoseca.gov