

**AUDIT COMMITTEE MEETING OF THE BOARD OF ADMINISTRATION
RETIREMENT BOARD
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

MINUTES – April 30, 2008

Present:

Eugene K. Canzano	Chairperson
Mike Moore	Audit Committee Member
Ron Vazquez	Audit Committee Member

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Mary Higgins	Assistant Retirement Plan Manager
Julie Escudero	Recording Secretary
Michael Wilkinson	City Attorney

The meeting was called to order at 9:35 a.m.

Chairperson Canzano noted there were no public comments.

1. Discussion of Action Plan in Connection with the Annual Actuarial Valuation of the Retirement, Death and Disability Funds for Fiscal Year ending June 30, 2008 and Possible Action

Ms. Bhatia notified the Committee that the retirement staff had concerns regarding the technical expertise of Buck Consultants (Buck) with respect to the recent actuarial valuation for fiscal year ending June 30, 2007. She explained there was repeated back-and-forth communication with Buck and Staff spent considerable time reviewing the actuary's work to prepare the report for its final presentation to the Board. She noted the actuaries were not very familiar with certain concepts and did not familiarize themselves with Plan provisions. Ms. Bhatia reported that more recently, Staff once again spent considerable time reviewing the actuary's work on the actuarial valuation to determine the cost in connection with the post-retirement ad hoc COLA. She noted the report included in the Board package was incorrect and this was not the first report Staff had received. In subsequent conversations with the actuary, it was determined that there was not much quality control check with the firm. She stated that Staff believed it would be a risk to retain this actuary firm.

Ms. Higgins brought to the Committee's attention that the valuation was basically a copy of the one that was done by The Segal Company (Segal). She added that the actuaries never gave Staff the impression that they had a full understanding.

Ms. Higgins also indicated there were challenges in getting the concept across to the actuaries in connection with the study on the post-retirement COLA. She expressed Staff was unable to recommend that this firm perform the demographic study scheduled in 2009 because there is no comfort level that the data from the actuary can be trusted.

Chairperson Canzano stated that at the time the Plan went out for the RFP, the Board was mindful of the spirit of Sarbanes Oxley and the idea that changing the auditor and actuary on a regular basis served as a check and balance. He added that Segal and Buck were both highly rated and both capable of doing the job. He further stated that there was concern regarding the timelines and accuracy of the reports since the selection of Buck. Chairperson Canzano indicated that one of the possible actions is to terminate the contract with Buck Consultants for not delivering to the standards the Plan is accustomed to and move forward with a possible three-year contract with the other finalist, Segal. He added the new contract would also have the same provisions that if Segal were not performing, they could be terminated and at that point, there would be a need to go out to a full RFP.

Mr. Moore agreed with Chairperson Canzano's suggestion, since staff did not need the extra effort of going through another RFP at this time. Mr. Moore also stated Segal was a very competent firm. He further added that there was just the issue of the potential conflict of interest that caused the Board to make the change, but it was also assumed that the new firm was one of equal competence.

Mr. Vazquez stated that one of the concerns at the time of the selection of Buck, was that Segal was the actuary of the Department as well as the Retirement Plan. Mr. Vazquez questioned as to why Buck, a nationally-recognized actuary who does work for a lot of people, was not able to perform to the Plan's requirements. Ms. Higgins responded that she does not know but that there may be a team in Buck which can do the work but that this team was not able to. She also added Buck had indicated that they did not have time to do quality assurance with the most recent actuarial study they performed and she felt that this was not acceptable.

Mr. Vazquez stated that he concurs with Chairman Canzano's recommendation. Chairman Canzano noted the Board was fortunate that the item on the post-retirement COLA was rescheduled for another meeting. He stated that he thought the data was better but still seemed lacking and pointed out that the Board, with its fiduciary responsibilities, needs a vendor who can protect their interests. Chairperson Canzano further noted that if the Board relied on the first set of data provided by the actuary, the results could have been detrimental to the Plan.

Mr. Moore motioned that Buck be terminated and Segal be retained for a three-year contract for actuary services. The motion was seconded by Mr. Vazquez and unanimously carried after the following vote:

Ayes – Canzano, Moore and Vazquez

Nays – None

The Audit Committee meeting adjourned at 9:45 a.m.


EUGENE CANZANO
Chairperson


SANGEETA BHATIA
Retirement Plan Manager


JULIE ESCUDERO
Recording Secretary