

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



BOARD MEMBERS

DAVID ALVAREZ
LAURIE BERMAN*
C. APRIL BOLING
GREG COX
JIM DESMOND
COL. JOHN FARNAM*
ROBERT H. GLEASON
LLOYD B. HUBBS
JIM JANNEY
ERAINA ORTEGA*
PAUL ROBINSON
MARY SESSOM

* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO
THELLA F. BOWENS

SPECIAL EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE MEETING and SPECIAL BOARD MEETING *

AGENDA

Thursday, August 20, 2015
9:00 A.M.

San Diego International Airport
Commuter Terminal -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. If comments are made to the Committee without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law. ***Please note that agenda items may be taken out of order.***

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & Information Governance and are available for public inspection.

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board to (1) foster communication among Board members in compliance with the Brown Act; and (2) preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

Committee Members: Cox, Desmond (Chair), Hubbs, Janney, Sessom

NON-AGENDA PUBLIC COMMENT

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the June 17, 2015 special meeting.

2. PROPOSED AMENDMENT TO CORRECT THE DEFINITION OF BASE PAY USED FOR CALCULATION OF RETIREMENT BENEFIT IN THE AMENDED AND RESTATED SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY RETIREMENT PLAN AND TRUST OF 2013:

RECOMMENDATION: Staff recommends that the Executive Personnel and Compensation Committee forward this item to the Board for approval.

Presented by: Kurt Gering, Director, Talent, Culture & Capability.

CLOSED SESSION

REPORT ON CLOSED SESSION

COMMITTEE MEMBER COMMENTS

ADJOURNMENT

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall **complete a "Request to Speak" form prior to the announcement of that portion of the agenda containing the item to be addressed** (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment period at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, or Committee on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who were not heard during the first Public Comment period.
- 3) Persons wishing to speak on a specific item listed on the agenda will be afforded an opportunity to speak during the presentation of that individual item. Persons wishing to speak on a specific item should reserve their comments until the item is taken up by the Board, ALUC or Committee. Public comment on a specific item is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC or Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the Public Comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Commuter Terminal. Bring your ticket to the third floor receptionist for validation.

You may also reach the Commuter Terminal by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Commuter Terminal. ADA paratransit operations will continue to serve the Commuter Terminal as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL EXECUTIVE PERSONNEL AND
COMPENSATION COMMITTEE MEETING
MINUTES
WEDNESDAY, JUNE 17, 2015
BOARD ROOM

CALL TO ORDER:

Chair Desmond called the special meeting of the Executive Personnel and Compensation Committee and special meeting of the Board to order at 9:02 a.m. on Wednesday, June 17, 2015, in the Board Room at the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE:

ROLL CALL:

PRESENT: Committee Members: Cox, Desmond, Hubbs, Janney

 Board Members: Alvarez, Gleason

ABSENT: Committee Members: Sessom

ALSO PRESENT: Thella F. Bowens, President/CEO; Breton Lobner, General Counsel;
 Lorraine Bennett, Assistant Authority Clerk II; Linda Gehlken,
 Assistant Authority Clerk I

Board Members Cox and Alvarez arrived during the course of the meeting.

NON-AGENDA PUBLIC COMMENT

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the January 21, 2015 regular meeting.

ACTION: Moved by Board Member Hubbs and seconded by Board Member Janney to approve staff's recommendation. Motion carried unanimously, noting Board Members Cox and Sessom as ABSENT.

Board Member Cox arrived at 9:07 a.m.

Board Member Alvarez arrived at 9:08 a.m.

2. RENEWAL OF EMPLOYEE BENEFITS PROGRAM FOR 2016:

Kurt Gering, Director, Talent, Culture & Capability and Christie Barr, Senior Vice President, Willis Insurance Services, San Diego, provided a presentation on the Renewal of Employee Benefits Program for 2016 which included an overview of Projected Authority Plan Costs, Employee Benefits Task Force Discussion Topics, Renewal Detail Summary, 5 Year Review of Percent Health Benefit Renewal Increase, Medical Marketing, Average HMO Employee Contributions, Average PPO Employee Contributions, Average HDHP/HSA Employee Contributions, Benchmarking (2014): Total Cost Share Analysis, Employee Wellness, Employee Cost-Share, Anthem Mandatory Plan Changes, Anthem Plan Alternatives, HMO Plan Alternative, PPO Plan Alternative, Cadillac Tax (Health Care Reform), Cadillac Tax Estimate – Narrow Network HMO, Cadillac Tax Estimate – Full Network HMO, Cadillac Estimate – PPO Plan, PPO Tier – Distribution Discussion: Adjust in 1 Year/Adjust Over 2 Years, Impact of PPO Tiering on Employee Cost-Share – Adjust in 1 Year/Adjust Over 2 Years, Cadillac Tax Estimate – PPO Plan, Delta Dental Renewal, Dental Employee Cost-Share, Summary, Medical Plan Enrollments, Retiree Enrollments, United Healthcare Quote, Anthem Medical Renewal Components, Benchmarking (2014) - Total Cost Share Analysis, Anthem Medical Rates, and Anthem Plan Alternatives.

In response to Board Member Gleason regarding whether family wellness participation has been implemented, Kurt Gering, Director, Talent, Culture & Capability, stated that this component was implemented last year for employees and spouses, and employees and domestic partners.

In response to Board Member Hubbs regarding why the Anthem Plan Alternative allowing the greatest savings amount for the Authority was not selected, Mr. Gering stated that since there will be an increase for employees with the additional five percent cost-share portion and additional co-pays, there was concern that those using the plan would be most impacted, especially those needing chronic care, or those managing significant health concerns.

In response to Board Member Gleason regarding why there is not a fourth tier being offered in the plan alternatives, Christie Barr, Senior Vice President, Willis Insurance Services, San Diego, stated that the premiums would be the same as a third tier, and going to a fourth tier would not make sense, because there were not a lot of people covering a spouse or domestic partner.

Chair Desmond stated that he could support the plan tier changes so that the Cadillac Tax can be extended out, although this will need to be approached in the future.

Mr. Gering stated that employee contract negotiations will be opened again in 2017.

Thella F. Bowens, President/CEO, stated that the health care task group has been looking at how to best prepare for future increased health care costs, and prior requests by the Board to look at “cafeteria” plan options. She stated that as staff becomes experienced with the new health care exchanges, the Authority will explore ways to migrate its plan to more personal ownership and sustainability for the Authority.

RECOMMENDATION: Staff recommends that the Executive Personnel and Compensation Committee forward this item to the Board for approval.

ACTION: Moved by Board Member Janney and seconded by Board Member Hubbs to approve staff’s recommendation. Motion carried unanimously noting Board Member Sessom as ABSENT.

CLOSED SESSION: – The Committee recessed into Closed Session at 9:48 a.m. to discuss Items 3, 4 and 5.

3. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: President/Chief Executive Officer

4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: General Counsel

5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: Chief Auditor

REPORT ON CLOSED SESSION – The Committee reconvened at 12:17 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS - None

ADJOURNMENT: The meeting was adjourned at 12:18 p.m.

APPROVED BY A MOTION OF THE EXECUTIVE PERSONNEL AND
COMPENSATION COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY THIS 20th DAY OF AUGUST, 2015.

JEFF LINDEMAN
SENIOR DIRECTOR,
TALENT & ENGAGEMENT

APPROVED AS TO FORM:

LORRAINE BENNETT,
ASSISTANT AUTHORITY CLERK II



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
**EXECUTIVE PERSONNEL AND
COMPENSATION COMMITTEE**

**Item No.
2**

Meeting Date: **AUGUST 20, 2015**

Subject:

Proposed Amendment to Correct the Definition of Base Pay Used for Calculation of Retirement Benefit in the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013

Recommendation:

Staff recommends that the Executive Personnel and Compensation Committee forward this item to the Board for approval.

Background/Justification:

For the benefit of the employees of the Authority and their beneficiaries, on January 1, 2003, the Board of the San Diego County Regional Airport Authority ("Authority") adopted the San Diego City Employees' Retirement System Retirement Plan for Airport Authority Employees (hereinafter the "Plan"). San Diego City Employees' Retirement System ("SDCERS") administers the Plan under a group trust. In 2004, the Board approved a First Amendment to the Plan in which, the definition of Final Compensation of one year of service was inadvertently re-defined by adding as a descriptor to the definition the term "26 consecutive payroll periods". These added words were inconsistent with the definition used by both the San Diego Unified Port District ("Port") and the City of San Diego in their plans and is and was contrary to the formula used by SDCERS to calculate one year of service. In approving the First Amendment, there was never any intention to change the definition of one year of service under the Plan. In practice, SDCERS calculates using 26.1 consecutive pay periods. In the original plan, as well as all subsequent amendments, it was never management's intention to change the plan. The SDCERS Benefits Administration team has continued each year to use 26.1 pay periods for calculation of benefits under the Authority's Plan. Additionally, when determining the Authorities liabilities under its plan, the SDCERS actuary assumes that benefits will be calculated using 26.1 pay periods.

Details. On May 3, 2004, the Board amended the Plan adopted on January 1, 2003 and approved the San Diego City Employees' Retirement System First Amended Retirement Plan for Airport Authority Employees, effective April 1, 2004 [Resolution 2004-0039]. On July 5, 2007, effective July 1, 2007, the Board approved an amended and restated Plan [Resolution 2007-0082]. Subsequently, on June 5, 2008, the Board again amended the Plan and approved the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2008 (the "2008 Plan") [Resolution 2008-0078]. The 2008 Plan was amended by Amendment No.1 by Board action on June 7, 2012,

upon the advice of SDCERS' outside legal counsel, to comply with the Worker, Retiree and Employee Recovery Act of 2008, the Uniformed Services Employment and Reemployment Rights Act of 1994, and the Economic Growth and Tax Relief Reconciliation Act of 2001 [Resolution 2012-0069]. On July 11, 2013, the Board again amended and approved the Amended and Restated San Diego County Regional Airport Authority Retirement Plan & Trust of 2013 to bring it into compliance with the provisions of the California Public Employees' Pension Reform Act of 2013 ("PEPRA") [Resolution 2013-0072R]. The 2013 Plan was amended by Amendment No.1 by Board action on September 4, 2014 upon the advice of SDCERS and outside legal counsel to strengthen controls over census data, reporting and plan administration [Resolution 2014-0095].

The Plan is a qualified governmental pension plan under § 401(a) and § 414(d) of the Internal Revenue Code of 1986, as amended. The Plan is administered by SDCERS pursuant to the terms of the San Diego City Employees' Retirement System Participation and Administration Agreement ("P & A Agreement") approved by the Board in 2007 [Resolution 2007-0054]. SDCERS administers the Plan under a group trust (as set forth in the Declaration of Trust approved by the Board May 3, 2007 [Resolution 2007-0054] and made effective July 1, 2007) pursuant to IRS Code § 401(a)(24) and in accordance with IRS Revenue Ruling 81-100, as revised by Revenue Ruling 2004-67. Pursuant to the P & A Agreement, San Diego Municipal Code §24.1806 and the provisions of the Group Trust, the Plan is treated as a separate retirement plan with a separate trust, separate from the plans of the City of San Diego and the San Diego Unified Port District. However, the assets of the three plans are pooled for investment purposes only.

In Fiscal Year 2014, SDCERS implemented an Integrated Retirement Information System ("IRIS") to bring SDCERS' systems current with the latest technology to track, record and process employee contributions and retiree payments. Subsequently, a SDCERS' audit of the Authority's retiree benefit calculation revealed a discrepancy between how the benefit was calculated prior to implementation of IRIS and the way the new system was programmed. To reconcile the discrepancy, Authority staff, in consultation with SDCERS and outside legal counsel, is presenting for consideration amendments to the Plan to provide SDCERS's proposed clarification regarding plan administration and treatment of benefits.

At issue is whether SDCERS uses 26 or 26.1 as a factor to calculate retiree benefit payments. The 2013 Plan defines Final Compensation as **"the Member's** highest one-year period Base Compensation for any contiguous 26 bi-weekly pay periods while the **Member was contributing to this plan. . . ."** [Section 0102]. The original Plan drafted in 2003 defined Final Compensation as a **"Member's Base Compensation for his or her highest one-year period while contributing to the Retirement System."** Since Plan inception, SDCERS has been calculating Final Compensation based on the original definition which was consistent with how the Port Authority and City retirement plans have always been calculated. When IRIS was implemented, it was programmed for 26 weeks not 26.1 as had been the practice.

The difference between 26.1 and 26 bi-weekly pay periods results from the fact that there are 365 days in a year. Each pay period is 14 days or two weeks. When 365 days are divided by the 14 days in a week, the accurate result is 26.1. In **the Authority's** current payroll system, a multiplication factor is used to determine a biweekly salary by dividing the number of days in a pay period by the number of days in the year ($14/365 = .038356$). Whenever there is a leap year, this factor changes to accommodate the extra day ($14/366 = .038251$).

After reviewing the existing records regarding the change in definition, there is no evidence that it was ever the intent of the Authority Board to change this factor. In fact, a change would have been incongruent with the **Authority's enabling legislation** which provided for no loss in benefit for those who transferred to the Authority from the Port. It would appear the change occurred to align the language to be consistent with **the Authority's** existing payroll practices. However, the unintended consequence of this change results in an overpayment of benefits to retired members under a plain meaning **reading of the Airport's Plan** that Final Compensation is limited to 26 pay periods.

However, if the Plan is amended to correct the definition to be consistent with the original intent and to ensure the benefit is calculated as envisioned at Plan inception, it would eliminate the issue of overpayments. If the plan is not amended, there are 54 members, either retired or in the Deferred Retirement Option Program ("DROP"), who have been receiving excess benefit payments and would need to repay the overpayments. The total amount of overpayment for all 54 members is \$65,045. In addition, there are 38 members who, prior to January 1, 2013, exercised their option for purchase of service credits who would have overpaid contributions related to those purchases and would be entitled to a refund. The total amount due to members in refunds would be \$17,016. If the plan is amended to conform to original intent, no overpayments would be due from members who have retired or entered DROP and no refunds would be due to members who purchased service.

Staff is recommending forwarding the proposed Resolution to the full Board for approval to correct the error and resolve the existing benefits calculation inconsistency.

Fiscal Impact:

There is no fiscal impact with regard to the proposed Resolution.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- | | | | | |
|---|--|---|---|--|
| <input type="checkbox"/> Community Strategy | <input type="checkbox"/> Customer Strategy | <input checked="" type="checkbox"/> Employee Strategy | <input type="checkbox"/> Financial Strategy | <input type="checkbox"/> Operations Strategy |
|---|--|---|---|--|

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. § 15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code § 21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code § 30106.

Application of Inclusionary Policies:

Not applicable.

Prepared by:

KURT GERING
DIRECTOR, TALENT, CULTURE & CAPABILITY