

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

November 12, 2009

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:36 a.m., on Thursday, November 12, 2009, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

ROLL CALL

Present:

DAVID BUSSE

Jeffrey Perkins

Matt Loesch

Ed Overton

Ash Kalra

CHAIR, Trustee

Trustee

Trustee

Trustee

Trustee (Arrived 8:46 a.m.)

NOT PRESENT:

Pete Constant

Trustee

ALSO PRESENT:

Russell U. Crosby -Secretary/Director

Russ Richeda -Attorney

Tamasha Johnson -Staff

Debbi Warkentin -Staff

Ron Kumar -Staff

Veronica Niebla -Staff

Carol Bermillo -Staff

Jesselle Holcomb -Staff

Linda Dittes -AFSCME

Barbara Hayman -Staff

Toni Johnson -Staff

Rachel Aldana -Library

Allison Suggs -OER

Amanda Ramos -Staff

Santos & Isabel Mejia -DOT

Leslie Thompson -GRS

Toni Johnson -Staff

Mollie Dent -City Attorney

Carmen Racy-Choy -Staff

Rajiv Das -Medical Director

Rhonda Snyder -Staff

Antonio Guerra -Mayor's Office

Allen DeMers -HR

Ceara O'Fallon -Staff

Alex Gurza -OER

Nathan Lee -

Gerry Chappuis -MEF

Aracely Rodriguez -OER

Shirly Ramos -

Chuck Griffen -Library

Diane Hunt -GRS

REGULAR SESSION

Chair Busse called the meeting to order at 8:32 a.m.

ORDERS OF THE DAY

Chair Busse stated Item 4c has been pulled at the request of the applicant, and Items 16 and 17 will be deferred.

RETIREMENTS

Disability Retirements for Hearing

Rachel J. Aldana, Library Clerk PT, Library Department. Request for service-connected disability retirement effective July 31, 2007; 1.08 years of service.

For the record Rachel Aldana was present and represented herself. The following medical reports were read into the record:

MEDICAL REPORTS - DR'S NAME

DATED

MEDICAL REPORTS - DR'S NAME	DATED
1. DALJEET RAI, M.D.	03/16/09 (SIX REPORTS), 09/17/07
2. FELICIA RADU, M.D.	02/09/09 (4 REPORTS), 07/02/08
3. MICHAEL MCQUILLEN, M.D.	11/18/08
4. SARAH GASKINS, M.D.	03/04/08

5. JEFFREY ANDERSON, M.D.	02/05/08
6. EDWARD DAMORE, M.D.	04/20/07 (TWO REPORTS), 01/23/07, 07/06/06, 05/30/06, 02/18/05
7. TRIPTA SACHDEV, M.D.	03/14/05, 11/18/04, 11/06/02, 07/18/02, 06/07/02, 04/25/02 (TWO REPORTS)
8. KEITH WILEY, M.D.	09/06/02, 12/05/01

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	10/05/09

Dr. Das stated there are two issues: 1. Carpel tunnel; 2. Vertigo. The applicant's vertigo condition can be debilitating but it is not work related. Carpel exposure may have some work consideration, but with part-time employment it is difficult to relate the condition to her work day. The restrictions provided were based on her treating physicians and are primarily prophylactic to reduce symptoms.

Ms. Aldana stated her work duties and her employment schedule.

Mrs. Busse stated the rules for determining disability retirements as per the San Jose Municipal Code. Additionally, the applicant became a member of the Plan on 9/25/2005, which means the Board has to consider the injuries at the time she was a member of the Plan.

(M.S.C. Overton/Loesch) to deny. Motion carried 5-0-1. (Absent: Constant)

(Out of Order)
NEW BUSINESS

18. Discussion and action regarding GRS' assumptions for the valuation for the period ending 30 June 2009.

Ms. Thompson presented GRS' report on the results of the 2009 Experience Study for the San Jose Federated City Employees' Retirement System. GRS has recommended the following changes in actuarial assumptions:

- Inflation Rate – from 4.00% to 3.50%
- Investment Rate – from 8.25% to 7.50%
- Salary Increase Rate – from 4.25% to 4.00%
- Payroll Growth – from 4.00% to 3.75%
- Active Mortality – use the same table as is used for post-retirement mortality
- Post-retirement Mortality – add a three year setback for males and a one year setback for females to the current tables

Member Perkins exited 9:24 a.m.

Mrs. Racy-Choy stated the highlights of the staff memo relating to GRS' recommendations. The actuarial rate of return assumption should be directly linked to the potential return of the asset allocation adopted by the Board. Setting the investment return assumption above the median return level would in fact be shifting cost from the current generation of Plan members to the next one; which is not sound financial practice. Staff would recommend that the investment return assumption for the Plan be set no greater than the median net rate of return. Staff recommends that the Board reduces the investment return assumption from 8.25% to 7.5% over two valuations; and consider how to eliminate any remaining gap between the current rate of return assumption of 8.25% and the portfolios' median net rate of return.

Ms. Dent announced that with Member Perkins exit there was no longer a quorum, so only discussion could occur the remainder of the meeting.

The Board had further discussion of the various assumptions. They also discussed Plan structure changes that

could phase in the rate changes over time delaying the impacts.

Member Perkins returned 9:50 a.m.

(M.S.C. Perkins/Loesch) to request GRS bring back the assumption for the investment return rate showing levels at 7.5%, 7.75%, and 8.0%. Motion carried 5-0-1.

19. Discussion and action regarding staff's suggested change in amortization method and amortization period for the valuation for the period ending 30 June 2009.

(M.S.C. Perkins/Loesch) to request this item be deferred to December with further analysis. Motion carried 5-0-1.

24. Approval of 2008-09 draft of Federated Retirement System's Comprehensive Annual Financial Report (CAFR).

(M.S.C. Loesch/Perkins) to approve. Motion carried 5-0-1.

CONSENT CALENDAR (Items 2 thru 10)

(M.S.C. Loesch/Perkins) to approve Consent Calendar with exception of Items 5a, 9h, 4b, 5b, and 7. Motion carried 5-0-1.

Service-Connected Disability retirements approved:

Santos R. Mejia, December 19, 2007

Shirley Ramos, March 7, 2009

Nonservice-Connected Disability Retirements approved:

John R. Siudzinski July 25, 1998

Service retirements approved:

Diann M. Bell, November 12, 2009

OLD BUSINESS

15. Discussion and action relating to Northern Trust's securities lending and custodial services.

Mr. Festino stated the Federated System entered into Northern Trust's securities lending program in 2005. In 2008, Northern Trust froze its collateral pool due to deficiencies suffered by the bankruptcy of Lehman Brothers; at which time the Retirement Board chose to do a staged withdrawal from the program. Northern Trust recently requested their clients to either fully engage, withdraw completely, or partially re-engage in the securities lending program. Meketa has provided details about how securities lending works, exploration of the three options provided, and the fees the Plan would incur.

Member Perkins stated this is a tough decision. If the Board exits the program now then there will be a loss to pay and the custodial fees will increase; but there are risks going forward. If the Board remains they will still pay for some of the losses but the impact will be less.

Ms. Dent stated the custodial banking agreement expires in June.

Mr. Smith stated the securities lending agreement allows either party to terminate anytime. The staged withdrawal option is not part of the agreement but has been offered.

(M.S.C. Perkins/Kalra) to approve to fully reengage in the securities lending program. Motion carried 5-0-1.

- 4b. **Linda K. Cheung**, Senior Account Clerk, Planning, Building and Code Enforcement Department; effective November 4, 2009, 18.66 years of service.

Member Overton acknowledged Ms. Cheung for her service and thanked her.

(M.S.C. Overton/Loesch) to approve. Motion carried 5-0-1.

Board Minutes

- 5b. Approval of Minutes of October 8, 2009

(M.S.C. Overton/Loesch) to approve with amendment reflecting Member Overton acknowledging Item 1k. Motion carried 5-0-1.

- 5a. Approval of Minutes of September 10, 2009

(M.S.C. Busse/Perkins) to approve with amendment showing Member Loesch away during the vote for Item 15. Motion carried 5-0-1.

Member Perkins exited 10:22 a.m.

7. Investment Summary Report Report of Federated Investments – August 2009

Member Overton asked about the delay with these reports.

Mr. Kumar stated there is normally a month delay due to the timing of the statements and September and October are coming forward for the next meeting.

Communication / Information

- 9h. Legal Updates re: Municipal Bankruptcy & AB 1584 (Regulation of Placement Agents)

Vice-Chair Loesch stated this memo was very informative. He directed the memo to be sent to the Policy Committee for review and preparation by the May 2010 deadline.

This item is note and file.

DEATH NOTIFICATIONS (Item 11 - Moment of Silence)

The Chair stated there would be a moment of silence for the death notifications.

OLD BUSINESS (Item 12-15)

12. **Travel Audit compliance update.**

Item deferred

13. Approval of the purchase and implementation of the Granicus solutions software at an initial cost of \$10,678.12 for the set-up and installation, and then a monthly expenditure for service of \$274.70. (Costs to be equally shared with P&F).

Item deferred

14. Approval to add bargaining units in PensionGold at a cost not to exceed \$1,000.

Item deferred

NEW BUSINESS (Items 11-12)

16. Acceptance of GRS' memo declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve and no distribution from the SRBR fund.

Item deferred

17. Adoption of Resolution No. 6551 declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

Item deferred

20. Request for Board discussion and possible action to staff regarding Alex Gurza's memo dated 9/21/09 concerning actuarial valuation issues.

Item deferred

21. Board discussion and possible action on GRS' contribution and actuarial projections. **(Cont. from Sept.)**

Item deferred

22. Approval to conduct an RFP for consultant services to aid in the selection of a new pension administration system/vendor. (Costs to be shared equally with P&F).

Item deferred

23. Adoption of Resolution No. 6550 adopting findings and decision denying the application of William Meyer for a service-connected disability retirement.

Item deferred

25. Approval of Travel/Conference Attendance

Trustee

Conference Name/Location/Dates

Pete Constant

IIR's Public Fund Boards Forum – San Francisco; December 13 – 15, 2009

Item deferred

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

26. **Committee for Investments (Perkins/Loesch/Busse – alt/Constant)**
- a. Summary of meeting held 24 September 2009
1. Approval to increase GE Asset Management's single-asset diversification limit on the Riverwood 100 property in Atlanta from 10.0% to 12.4%.

Item deferred

27. **Committee of the Whole (Full Board)**
28. **Policy Committee (Busse/Overton/Constant – alt/Loesch)**

EDUCATION AND TRAINING

29. Notification of IIR's 18th Annual Public Fund Boards Forum to be held in San

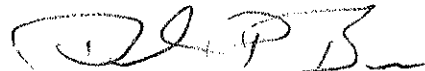
Francisco, December 12 through 18, 2009

FUTURE AGENDA ITEMS

30. **PUBLIC/RETIREE COMMENTS**

ADJOURNMENT

There being no further business, **Chair Busse** adjourned the meeting at 9:29 a.m.



DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION