

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

March 11, 2010

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:30 a.m., on Thursday, March 11, 2010, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California 95112.

ROLL CALL

Present:

Matt Loesch

David Busse

Ed Overton

Pete Constant

Ash Kalra

Jeffrey Perkins

Arn Andrews

Chair/Trustee

Vice Chair/Trustee

Trustee

Trustee

Trustee – arrived at 8:37 A.M.

Trustee

Trustee

ALSO PRESENT:

Russell U. Crosby -Secretary/Director

Mollie Dent -City Attorney

Russell Richeda -Conflicts Counsel

Lisa VonTress -Staff

Sandra Castellano -DOT

Ali Amiry -Staff

Karin Carmichael -Staff

Gerry Chappuis -MEF

Susan Perreira -Staff

Carol Bermillo -Staff

Veronica Niebla -Staff

Rhonda Snyder -Staff

Aracely Rodriguez -OER

Bill Thomas -SJREA

Alex Gurza -OER

Dr. Rajiv Das -HR

Mike Moehle -Staff

Donna Busse -Staff

Diane Hunt -GRS

Melanie Kirmse -CEO

Ron Kumar -Staff

Ceara O'Fallon -Staff

Joe Carrillo -DOT

Maria Loera -Staff

Amanda Ramos -Staff

Jesselle Holcomb -Staff

Allen DeMers -HR

Allison Suggs -OER

Mike Underwood

Antonio Guerra -Mayor's Office

Yolanda Cruz -AFSCME/MEF

REGULAR SESSION

Chair Loesch called the meeting to order at 8:30 a.m.

ORDERS OF THE DAY

Chair Loesch made the following changes to the agenda:

Item 1a – Joseph Carrillo, change Retirement date from February 11, 2010 to January 9, 2010.

Item 2zz - Wendy Chan, change Retirement date from March 20, 2010 to March 27, 2010.

The Secretary introduced new staff member Mike Moehle. He then recognized Susan Perreira retiring this month after 26.35 years of service, and Debbi Warkentin who retired last Friday after 20.21 years of service.

RETIREMENTS –

1. Disability Retirements for Hearing

- a. **Joseph Carrillo**, Maintenance Worker II, Department of Transportation. Request for service-connected disability retirement effective January 9, 2010; 29.20 years of service.

Mr. Carrillo was present and represented himself. The following reports have been received:

MEDICAL REPORTS – DR’S NAME

DATED

1. Douglas Blatz, M.D.	10/1/09 (x2), 9/29/09 (x2), 8/4/09, 7/28/09 (x2), 6/23/09, 3/11/09, 1/15/09, 3/25/04, 7/22/03, 8/1/03
2. Stephen Genest, M.D.	9/22/09 (x2), 7/2/09 (x6), 11/18/08 (x2), 4/12/07, 8/12/04 (x2), 6/17/04, 5/27/03
3. Konrad Ng, M.D.	8/25/09, 7/14/09
4. Nicholas Abidi, M.D.	8/10/09 (x6), 11/18/08, 6/10/08, 5/27/08, 5/6/08, 11/13/07, 9/4/07, 7/17/07, 6/12/07
5. Hamid Mehdizadeh, M.D.	1/19/09, 3/11/98, 2/6/97
6. Mark Culton, M.D.	12/26/08, 11/24/08, 5/30/03, 5/14/03
7. Patrick McCreesh, M.D.	9/26/07
8. Andrew Durkin, M.D.	6/11/07
9. Edward Damore, M.D.	3/21/07
10. Peter Chiu, M.D.	3/13/07
11. Raul Vernal, M.D.	7/2/04, 3/23/04, 1/6/04, 12/2/03, 10/6/03, 7/16/03
12. Tripta Sachdev	NO DATE
13. Henry Suckle, M.D.	1/27/98, 11/11/97
14. Richard, Turner, M.D.	12/17/96
15. Calvin Gordon, M.D.	12/2/96

MEDICAL REPORT FROM BOARD’S MEDICAL DIRECTOR

DATED

Dr. Rajiv Das	1/7/2010
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Dr. Das stated that Mr. Carrillo is requesting a service connected disability retirement for his lower back as well as his foot. The back injury is an underlying congenital problem and the foot problem is due to a deformity and obesity. There are also contributing work factors including wearing heavy boots and jumping down from a truck. The Board discussed the disability with Mr. Carrillo and Dr. Das.

(M.S.C. Kalra/Overton) to approve the service-connected disability retirement. Motion carried 4-3-0.

CONSENT CALENDAR (Items 2 thru 9)

Trustee Overton asked to recognize the following people for their outstanding service to the City: Mary Ellen Dick, Lovella Grubb, Susan Perreira, George Rios and Debbi Warkentin.

(M.S.C. Busse/Constant) to approve Consent Calendar. Motion carried 7-0-0.

2. Request for approval of Service Retirements

- a. **Jose G. Anaya**, Environmental Inspector II, Environmental Services, effective March 20, 2010; 30.02 years of service.
- b. **Lillian Avila**, Police Data Specialist II, Police Department, effective March 20, 2010; 29.81 years of service

- c. **Michelle L. Battaglia**, Latent Fingerprint Examiner I, Police Department, effective March 31, 2010; 30.02 years of service.
- d. **Danita M. Bratcher**, Network Engineer, Information Technology, effective March 20, 2010; 25.79 years of service. (Reciprocity)
- e. **Lygia A. Carter**, Warehouse Worker II, Finance, effective March 20, 2010; 29.59 years of service.
- f. **Gordon T. Castro**, Senior Maintenance Worker, Parks Recreation and Neighborhood Services, effective March 20, 2010; 27.03 years of service.
- g. **Janice D. Demaree**, Senior Office Specialist, Information Technology, effective March 20, 2010; 22.70 years of service.
- h. **Mary Ellen E. Dick**, Administrative Officer, Environmental Services, effective March 30, 2010; 23.88 years of service.
- i. **Lisa B Feldburg**, Library Assistant, Library, effective March 21, 2010; 25.97 years of service.
- j. **Ronnie L. Flores**, Custodian, General Services, effective March 31, 2010; 29.84 years of service.
- k. **Milagros S. Garcia**, Senior Account Clerk, Police Department, effective March 6, 2010; 30.27 years of service.
- l. **Heidi M. Geary**, Supervising Public Safety Dispatcher, Police Department, effective March 6, 2010; 19.50 years of service.
- m. **Paula A. Gienger**, Library Assistant, Library, effective February 12, 2010; 11.15 years of service.
- n. **Lovella Grubbs**, Staff Specialist, Library, effective March 20, 2010; 27.66 years of service.
- o. **William A. Guraro**, Parks Facilities Supervisor, Parks, Recreation and Neighborhood Services, effective March 20, 2010; 30.53 years of service.
- p. **Marie D. Alberry-Hawkins**, Recreation Superintendent, Parks, Recreation and Neighborhood Services, effective March 31, 2010; 30.67 years of service.
- q. **Rosamaria Hernandez**, Community Coordinator, City Managers Office, effective March 6, 2010; 19.24 years of service.
- r. **Shirley B. Ibay**, Secretary, Airport, effective March 5, 2010; 21.45 years of service.
- s. **Gary L. Jansen**, Principal Engineering Technician, Public Works, effective March 30, 2010; 31.74 years of service.
- t. **Michelle Karen Jennings**, Recreation Supervisor, Parks Recreation and Neighborhood Services, effective March 31, 2010; 29.93 years of service.
- u. **Katherine Jensen**, Division Manager, Public Works, effective March 20, 2010; 20.25 years of service.
- v. **Frank P. Lettieri**, Building Management Administrator, Airport, effective March 20, 2010; 20.08 years of service.
- w. **Glenda Lucas**, Legal Administrative Assistant II, City Attorney's Office, effective March 6, 2010; 9.15 years of service.
- x. **Francisco B. Luna**, Senior Water System Technician, Environmental Services, effective March 20, 2010; 28.86 years of service.
- y. **Po Kui Ma**, Plant Operator, Environmental Services, effective March 7, 2010; 6.92 years of service.
- z. **Thomas R. McLaughlan**, Associate Landscape Architect, Public Works, effective March 20, 2010; 30.32 years of service.
- aa. **Fereydoun A. Moezzi**, Senior Architect, Public Works, effective March 20, 2010; 23.70 years of service.
- bb. **Joe Mosley**, Community Services Supervisor, Parks, Recreation and Neighborhood Services, effective March 20, 2010; 19.96 years of service.
- cc. **Tom Nakamoto**, Maintenance Worker I, Department of Transportation, effective March 20, 2010; 20.03 years of service.
- dd. **Patricia Norton**, Account Clerk I, Fire Prevention, effective March 20, 2010; 20.27 years of service.
- ee. **Susan A. Perreira**, Accountant II, Retirement Services, effective March 27, 2010; 26.35 years of service.

- ff. **Dennis L. Pfaff**, Facility Repair Worker, Airport, effective March 19, 2010; 28.31 years of service.
- gg. **Lily R. Ponce**, Office Specialist II, Parks, Recreation and Neighborhood Services, effective March 20, 2010; 29.66 years of service.
- hh. **Philip M. Prince**, Deputy Director, Public Works, effective March 27, 2010; 24.70 years of service.
- ii. **Anita M. Rios**, Senior Office Specialist, Housing, effective March 20, 2010; 24.69 years of service.
- jj. **George Rios**, Assistant City Attorney, City Attorney, effective March 6, 2010; 30.25 years of service.
- kk. **Lucio Romero**, HVAC Mechanic, General Services, effective March 20, 2010; 16.28 years of service.
- ll. **Bradley Rose**, Maintenance Worker I, Airport, effective March 20, 2010; 29.63 years of service.
- mm. **Joanne E. Sanfilippo**, Marketing Communications Manager, Environmental Services, effective March 20, 2010; 9.22 years of service.
- nn. **Michael D. Seabury**, Associate Construction Inspector, Public Works, effective March 6, 2010; 30.40 years of service.
- oo. **Gordon R. Searle**, Associate Engineering Technician, Environmental Services, effective March 20, 2010; 23.30 years of service.
- pp. **Lauro C. Sepulveda**, Senior Construction Inspector, Public Works, effective March 6, 2010; 30.02 years of service.
- qq. **John. Serrao**, Senior Construction Inspector, Airport, effective March 31, 2010; 29.80 years of service.
- rr. **Richard J. Stahlberger**, Senior Electrician, Department of Transportation, effective March 31, 2010; 30.02 years of service.
- ss. **James Thoman**, Equipment Mechanic Assistant, General Services, effective March 20, 2010; 20.68 years of service.
- tt. **Timothy Town**, Associate Civil Engineer, Environmental Services, effective March 20, 2010; 32.25 years of service.
- uu. **Michael J. Underwood**, Equipment Maintenance Supervisor, General Services effective February 20, 2010; 28.24 years of service.
- vv. **Juan S. Vigil**, Economic Development Officer, Redevelopment Agency, effective March 20, 2010; 7.72 years of service.
- ww. **Deborah A. Warkentin**, Administrative Assistant, Retirement Services, effective March 6, 2010; 20.21 years of service.
- xx. **Connie Wolff**, Senior Analyst, Human Resources, effective March 27, 2010; 8.15 years of service.
- yy. **Denise M. Woodard**, Senior Construction Inspector, Public Works, effective March 20, 2010; 24.55 years of service.
- zz. **Wendy Chan**, Associate Engineer, Department of Transportation, effective March 20, 2010; 24.71 years of service.

3. Deferred Vested

- a. **Paul G. Inouye**, Hazardous Materials Inspector, Fire Department, effective March 6, 2010; 7.9737 years of service.
- b. **Scott A. McMillan**, Supervising Fire Protection Engineer, Fire Department, effective March 15, 2010; 18.19 years of service.
- c. **Manuel A. Ruiz**, Gardner, Airport, effective March 1, 2010; 15.04 years of service.

4. Board Minutes

- a. Approval of Regular Meeting Minutes of February 11, 2010.
- b. Approval of Special Meeting Minutes of January 28, 2010.

5. Return of Contributions

- a. Voluntary
- b. Involuntary

6. **Investment Summary Report**
Report of Federated Investments –January 2010
7. **Approval of Monthly Expenditures**
Report of Federated Retirement Plan expenses for January, 2010
8. **Communication / Information**
 - a. Notification of Request for Proposals
 - b. Legal Updates – Lexin Case
9. **Investments**
 - a. Adoption of Resolution No. 6559 acknowledging receipt of report on investments for the period January 1 through 31, 2010.
10. **Approval of Travel Conference Attendance – None**
11. **DEATH NOTIFICATIONS (Moment of Silence)**
The Chair stated there would be a moment of silence for the death notifications

OLD BUSINESS/DEFERRED-CONTINUED ITEMS

12. **Travel Audit compliance update.** Staff and the Due Diligence Committee are working together on remaining items. Committee to review draft of Supplemental Travel Policy from staff at the next meeting.
13. **Discussion and possible action on update of selection of outside counsel for tax qualification review of the System.** *Ms. Dent* stated that the City Attorney's office is issuing a new RFP.
14. **Discussion and possible action on Board's agreement to move monthly meetings to City Hall.** **The Secretary** stated that the Communications Department was going to the Rules Committee for spending authorization and timeline – no action at this time.

(Trustee Kalra Departs)

15. **Discussion and possible approval of Health Experience Study and amortization methodology for Other Post Employment Benefits (OPEB) Valuation as of 30 June 2009. (Continued from February).**
Ms. Hunt stated that previously the member and the City contribution rates were determined based on the "policy" method. The Board has now adopted a policy that the contributions will be phased in to meet the GASB standard for prefunding retirement benefits. Based on the recent experience study, the investment return assumption for the Trust Fund has changed to 7.75% phased in over five years. The June 30, 2009 preliminary results at 7.75% show that the ultimate ARC is 15.34%. The current contribution rate is 5.70% for the City and 5.07% for the members.

(M.S.C. Loesch/Busse) Motion to approve the following rates for the Fiscal Year 2010-11: 6.41% Employer, 5.76% Employee, 12.17% Total. Motion carried 6-0-0.

16. **Approval of GRS's actuarial studies (pension for contribution setting purposes) for the two-year period ending 30 June 2009 and establishment of rates of contributions to be effective 1 July 2010.**

Pension - Ms. Hunt stated that the actuarial assumptions have been changed in accordance with the recommendations that were approved by the Trustees in the recent experience study. The mortality table changes for pre- and post-retirement members, the investment return assumption changes from 8.25% to 7.75% phased in over five years, and the salary scale and payroll assumption also changes. The unfunded actuarial accrued liability increased from \$338.10 million to \$729.60 million. The funded status decreased from 82.8% to 70.7% on AVA and from 90.0% to 54.6% on MVA. If the Board had not approved a policy to phase in the economic assumption change, the contribution requirement would have increased from 22.59% to 30.63%. With the phase in, the contribution rate increased 1.63% due to investment return losses, 1.58% due to demographic assumption changes, and 3.64% due to economic assumption changes.

Ms. Hunt stated that the rate increases due to the demographic assumptions will be incorporated immediately into the rate increase for 2011/2012. The rate increase due to the economic assumption changes will be phased in over a five year period. The Board previously adopted a policy for a five year phase in of the retiree medical plan rate increase. Originally the phase in was put into place to bring the policy contribution to the level of the GASB-compliant annual required contribution (ARC). The phase in will now also include the cost increases related to the change in assumptions.

(M.S.C. Overton/Andrews) Motion to establish the contribution rates effective July 1, 2010: 23.18% Employer, 4.54% Employee, 27.72% Total. Motion carried 6-0-0.

NEW BUSINESS

- 17. Discussion on establishment of a health/disability committee. (Deferred from February)**
Chair Loesch requested authorization to create an Ad Hoc committee to: review/improve the disability process, review health care issues, development of a healthcare trust and look at the possibility of approving disabilities through the Disability Committee. He also requested a written legal opinion on the Board's ability to delegate to a committee that function of hearing disability retirement applications.

(M.S.C. Loesch/Constant) Motion to create an ad hoc "Disability Study Process Committee" to meet April through June and then quarterly and make recommendations to the Board. Motion carried 6-0-0.

- 18. Approval of request from Josefa Vieta, ex-spouse of Elviro Cudal, active custodian, for Monthly Payment Option, effective immediately under Chapter 3.28, Part 23 of the San Jose Municipal Code.**

(M.S.C. Overton/Constant) Motion carried 6-0-0.

- 19. Discussion and approval of Department of Retirement Service's Budget Proposal for the Year 2010-2011.**

Ms. Niebla presented the 2010-2011 Annual Budget to the Board. Discussions were held around vacant positions, RFP's for external Auditor and new Pension Administration System.

(M.S.C. Perkins/Constant) Motion carried 6-0-0.

- 20. Authorization to reimburse Investment Officers candidates for travel costs, for an amount not to exceed \$600 each for a total of \$3,000. (To be split 50/50 with Police and Fire Retirement Plan).**

(M.S.C. Perkins/Constant) Motion carried 6-0-0

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

21. **Committee for Investments (Perkins/Loesch/Andrews–alternate/Busse)**
Summary of 14 December 2009 – Note and File

Committee of the Whole (Full Board) – next meeting: 27 May 2010

Policy Committee (Busse/Overton/Constant – alternate/Loesch) – next meeting: 26 March 2010

EDUCATION AND TRAINING

Notification of Wharton Investment Programs to be held in Philadelphia, May 24 through 27, 2010 and San Francisco, July 19 through 21, 2010 – **Note and File**

FUTURE AGENDA ITEMS – *Ms. Dent* advised that there are two Disability appeals are to be agendized for April for rehearing.

PUBLIC/RETIREE COMMENTS - None

ADJOURNMENT

There being no further business, **Chair Loesch** adjourned the meeting at 11:55 A.M..

**MATTHEW LOESCH, P.E., CHAIR
BOARD OF ADMINISTRATION**

ATTEST:

**RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION**