

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

November 13, 2008

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:37 a.m., on Thursday, November 13, 2008, 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

Patrick Skillsky

Pete Constant

Forrest Williams

CHAIR, Civil Service Representative

Public Member

Employee Representative

Employee Representative

City Council Representative

City Council Representative

NOT PRESENT:

Bill Thomas

Vice-Chair, Retiree Representative

ALSO PRESENT:

Russell U. Crosby

-Secretary/Director

Donna Busse

-Staff

Mollie Dent

-City Attorney

Russ Richeda

-Outside Attorney

Tamasha Johnson

-Staff

Magdalena Barron

-Staff

Karin Carmichael

-Staff

Abel Pasillas

-PRNS

Amanda Ramos

-Staff

Allen DeMers

-HR

Ron Kumar

-Staff

Susan Wahl Dolezal

-SJPD

David DeLong

-PRNS

Rhonda Snyder

-Staff

Udaya Rajbhandari

-Staff

Veronica Niebla

-Staff

REGULAR SESSION

Chair Busse called the meeting to order at 8:37 a.m. He stated Item 1 would be deferred at the applicant's request.

ORDERS OF THE DAY

Ceremonial Item: Presentation of commendation to Bill Thomas for his service to the FCERS Retirement System

Chair Busse read the recitals into the record. He thanked Mr. Thomas for his service on the Board.

RETIREMENTS

CONSENT CALENDAR (Items 2 thru 8)

(M.S.C. Williams/Loesch) to approve Consent Calendar. Motion carried 6-0-1. (Thomas)

Service retirements approved:

Paul R. Cahill, October 30, 2008

George M. Crespan, November 29, 2008

Russell L. Farrell, October 27, 2008

Tamara B. Gilbert, November 1, 2008

Deferred Vested retirements approved:

Dean B. Dalton, October 28, 2008

Daniel R. Firth, October 18, 2008 **(w/Reciprocity)**

Martha Mazza, November 25, 2008

DEATH NOTIFICATIONS (Item 9 - Moment of Silence)

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

OLD BUSINESS (Item 10 - 12)

10. Travel Audit compliance update.

The Secretary stated a report has been provided; the priority one items have been completed; the Board is currently waiting to receive the City's Revised Travel Policy for Board consideration. Also, a Policy Committee meeting will be scheduled.

11. Authorization for Secretary to negotiate and execute amendment to the agreement with Avery & Associates, executive recruitment firm, to increase the amount by \$7,000 to a total not-to-exceed amount of \$31,400. (To be shared with P&F Plan 50/50).

(M.S.C. Constant/Loesch) to approve. Motion carried 6-0-1.

12. Update on the lump sum payment of City-required retirement contributions to the Federated Retirement System.

The Secretary stated on 8/1/2008 the Plan received the scheduled amount of funds from the City and the money was immediately invested. The Plan will be focusing more on alternative investments going forward.

Member Perkins stated he believed the reasoning for the lump payment contributions was to save money for the City; however with the current market conditions how does this effect the Plan?

The Secretary stated the Plan's performance this year has not been good, but generally pre-payment is good for the Plan, He noted a "true up" is done against the payroll at the end of the year, and every two years the actuary performs a study and any changes will be accounted for, which is a slower cycle.

NEW BUSINESS (Items 13 - 20)

13. Approval of 2007-08 draft of the Federated City Employees' Retirement System's Comprehensive Annual Financial Report (CAFR).

(M.S.C. Perkins/Loesch) to approve. Motion carried 6-0-1.

14. Update on the soundness of the Federated Retirement's investment portfolio.

Mr. Thomas, Strategic Investment Solutions, reported on the value of the Plan's portfolio as of October 31, 2008. The Plan had an unaudited balance of \$1.4 billion, which is a decline of 17.8% since 6/30/2008. The portfolio declined 22.6% for the year to October 31, 2008.

The Secretary stated the Plan is still slightly above median compared to other public systems.

15. Adoption of a Resolution No. 6361 adopting findings and decision denying the application of Abel Pasillas for a service-connected disability retirement.

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

16. Adoption of a Resolution No. 6362 adopting findings and decision denying the application of Kim Young for a service-connected disability retirement.

(M.S.C. Constant/Loesch) to approve. Motion carried 6-0-1.

17. Adoption of a Resolution No. 6363 adopting findings and decision denying the application of Ronald Garner for a service-connected disability retirement.

(M.S.C. Constant/Loesch) to approve. Motion carried 6-0-1.

18. Adoption of Resolution No. 6364 revising excess earnings as of 30 June 2007 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

This item was deferred to the December meeting.

19. Adoption of Resolution No. 6357 declaring excess earnings as of 30 June 2008 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

This item was deferred to the December meeting.

20. Approval of the Supplemental Retiree Benefit Reserve (SRBR) distribution for the Federated City Employees' Retirement System.

Ms. Dent stated she would recommend deferral of this item. An interest crediting correction has been made for 6/30/2007, but additional interest may need to be credited. No one has gone back to see if the applicable account balances have been overstated in previous years, preferably going back to at least 2005/2006. She suggested staff review this issue further.

Mr. Richeda stated he agreed that the methodology may need revising and this is a very important matter.

Members Perkins and Williams posed questions pertaining to the time needed to resolve this matter and take action on it, and how the overstatement was determined.

The Secretary stated because the proposed SRBR distribution was a large amount based on earnings from the prior year, he requested that staff review the Municipal Code with counsel and audit in detail the SRBR calculation. Also, staff will be reviewing the Medical Benefits Account. Auditors and legal counsel will be involved as staff reviews the accounts.

This item was deferred to the December meeting.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 21-23)

Committee for Investments (Perkins/Loesch/Busse – alternate/Williams)

Summary of meeting held 23 October 2008:

1. Approval of Investment Committee Minutes:
 - a) August 28, 2008
 - 1) Approval of updated Private Equity Investment Plan by SIS.
 - b) September 25, 2008.

(M.S.C. Loesch/Williams) to approve. Motion carried 6-0-1.

2. Approval of Committee of the Whole Minutes:
 - a) August 28, 2008.

(M.S.C. Williams/Loesch) to approve. Motion carried 6-0-1.

3. Approval to conduct a Custodian Bank Request for Information.

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

4. Approval to assign the agreement between the Federated City Employees' Retirement System and McKinley Capital Management, Inc. to McKinley Capital Management, LLC.

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

5. Approval to invest up to \$5 million in the Great Hill Equity Partners IV, L.P. and for the Secretary to negotiate and execute the agreement.

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

Real Estate Committee (Williams/Skillsky/Thomas– alternate/Busse) - Next meeting 10 December 2008

Policy Committee (Busse/Perkins/Constant) – TBD

EDUCATION AND TRAINING

PUBLIC/RETIREE COMMENTS

Mr. Callahan stated he has taken notice, as many have, that the financial markets are crumbling, so the last thing he wants to see is an article in the newspaper about this Board. The Mayor and a Board member provided commentary in the article. He thought the Board Chair was the official spokesperson for the Board and if an individual member was going to provide comments that they would at least notify the Chair. He found the comments provided alarming, and if there is a conflict with a member serving on the Board and on the City Council, then perhaps that person should resign from one of those seats. He trusts that in the future any comments will be directed from the Chair and not any individuals.

Member Constant stated he appreciated Mr. Callahan's comments. He acknowledged that he provided commentary to the newspaper as a Council Member, and that as such he has a responsibility to respond to press inquiries.

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 9:02 a.m., **Chair Busse** adjourned the meeting.

DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION