

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

March 13, 2008

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:36 a.m., on Thursday, March 13, 2008, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

ROLL CALL

Present:

Bill Thomas

Tim Callahan

Jeffrey Perkins

Forrest Williams

Matt Loesch

Pete Constant

Vice-Chair, Retiree Representative

Employee Representative

Public Member

City Council Representative (exit at 9:10 am)

Employee Representative

City Council Representative

NOT PRESENT: DAVID BUSSE

CHAIR, Civil Service Representative (Excused)

ALSO PRESENT:

Russell U. Crosby -Secretary/Director

Susan Devencenzi -City Attorney

Tamasha Johnson -Staff

Rhonda Snyder -Staff

Toni Johnson - "

Roger Pickler - "

Udaya Rajbhandari -Staff

Amanda Ramos -Staff

Allen DeMers -HR

Bob Leininger -SJREA

Jeanne Groen -HR

Corina Fernandez -Staff

Maria Loera -Staff

Leslie Thompson -GRS

Tom Webster -Staff

Russ Richeda -Outside Attorney

Van Mai -ITD

Sherri Millick -ITD

Victoria Baxter -ITD

Linda Dittes -AFSCME

Steve Hendrickson -Auditor's Office

Matt Loesch -

Jorge Oseguera -Auditor's Office

Sharon Russell -SJFD

Michael Houston -Auditor's Office

Veronica Niebla -Staff

Bill Pope -OE3

Carol Bermillo -Staff

REGULAR SESSION

The Vice-Chair called the meeting to order at 8:36 a.m. He stated Item 12 will be heard first and Item 1 would be heard at the end of the meeting. Item 3 will be pulled off the consent calendar for discussion. And the Board's actuary, GRS, would provide a presentation under the Solutions to Retiree Healthcare Committee item.

(Out of Order)

OLD BUSINESS

12. Further discussion and action on City Auditor's notification of intent to initiate audit of Retirement Services Travel Expenses.

Mr. Hendrickson reported that they discussed within the City Auditor's Office adding the travel expenses by the Boards to the work plan in September; however it took them a few months to assign staff to the project. In mid-January the auditor's office sent a letter to the Secretary to initiate the audit; following that several exchanges of correspondence occurred regarding the proposed audit, and now they are before the Board to discuss the details and scope of the audit.

Member Callahan expressed his concern with the press and ensuring that the auditor's are very clear about the results.

Mr. Hendrickson stated that he has had experience in dealing with the press and any comments expressed about the audit directly reflect what is in the report after the audit becomes public.

Member Loesch asked how they would determine whether travel was prudent or not, and how they plan to look at other agencies.

Mr. Hendrickson responded they will look at the mission of the Boards, conversations between staff about the intent of the travel, whether it was discussed publicly and the purpose for the travel. In looking at other agencies they will compare mostly the western states and use comparisons. They utilize various media to compare data through surveys, visits, and other means.

Member Callahan stated education is an important aspect of the Board's duties, and he feels the Auditor's Office should not dictate or limit the ability to travel and attend pertinent conferences. Since the Board is an independent body and plans to remain as such, they will continue to travel as they see fit.

Mr. Hendrickson stated they will make recommendations based on the findings or best practices, however his office has no enforcing authority. He explained they will start the audit by looking at the various travel policies – Board policy and City policy; then they will look at the controls for the policies. If they find holes, they would recommend fixes; but the Board makes the final decision on implementing any recommendations.

Member Perkins stated that Macias & Gini already performed an audit on travel, so how much of that will the City Auditor use?

Mr. Hendrickson stated there will be some overlap in the areas they look at, but Macias & Gini mostly reviewed the paper trail, looking at the forms filed before travel and the forms submitted after travel to reconcile the paperwork. They also looked to see if the policy was followed and if management reviewed documentation. That will be a good starting point for the City Auditor's audit and they plan to do some preliminary work to gain better understanding and they will obtain copies of the Macias audits.

Member Constant asked whether Council members who are on the Board should follow the Board travel policy or the Council travel policy.

Ms. Devencenzi stated that when the Board adopted its travel policy the intent was to cover staff and Board travel, so there would be consistency. Council members have to make a determination for themselves as to which policy they will adhere to. She stated she can refer this to City Attorney Doyle for further clarification.

Mr. Richeda mentioned that in financial audits they usually have a materiality level and things below that level are ignored, so he asked if there would be a notion of materiality that applies to this audit.

Mr. Hendrickson explained that financial audits usually have calculations on which to base a materiality level but in this type of there is more judgment involved with a human error rate factored in of 5%, and anything over that rate may be considered problematic.

Vice-Chair Thomas asked what the timeframe for completion of the audit will be.

Mr. Oseguera stated depending on the flow of information provided and the people involved the timeframe can vary, however they will keep the Board informed about the status.

Member Loesch asked what the typical timeframe is for completing an audit. He asked about the staff expertise in providing data.

Mr. Hendrickson stated that a typical audit of this size would probably conclude in less than six months time.

The Secretary took this opportunity to introduce the newest member of staff, Veronica Niebla, Senior Accountant. He stated she will be coordinating staff efforts for the travel audit and assist in information gathering.

(M.S.C. Constant/Loesch) to accept and comply with the travel audit. Motion carried 6-0-1. (Absent: Busse)

(Back on Agenda)

2. Disability retirements for hearing

Wayne A. Bellina, Gardener, Parks, Recreation and Neighborhood Services Department. Request for Service-Connected Disability Retirement effective February 22, 2007, 25.86 years of service.

For the record, the following medical reports have been received:

<u>Doctor's Name</u>	<u>Report Date</u>
CITY OF SAN JOSE EMPLOYEE HLTH SVS	02/01/2008
RENEE D. OWNBEY, D.C.	09/10/2007; 06/27/2007 (2 RPTS); 12/28/2004; 07/22/2003
EDWARD DAMORE, M.D.	07/17/2007; 06/27/2007
C. BERNADETTE MAHONEY, FNP	02/13/2007; 12/06/2006
ROBERT L. WEINMANN, M.D.	12/01/2006
JINT W. HSIEH, M.D.	10/24/2006
WILLIAM TROLAN, M.D.	10/16/2006
W. STROUD CONNOR, M.D.	07/07/2006
RACHEL FEINBERG, DPT	02/08/2005
JOHN E. MASSEY, M.D.	10/18/2004
SCOTT REGIER, D.C.	09/09/2002
JULIA LEWIS, D.C.	08/29/1995
PHILLIP MAC, M.D.	05/13/1994

Board's Medical Director
 RAJIV DAS, M.D.

Report Date
 02/04/2008; 11/08/2007

Member Callahan stated it appears the problem with this application is that he is not yet of retirement age and he does not have 30 years. He asked if Mr. Bellina could continue to work with the restrictions in place. And he recommended that this request be deferred until he is advised.

Mr. Bellina stated that he is pursuing a disability claim as a formality. He was advised already. He stated there were no accommodations in place when he left City service.

Dr. Das stated Mr. Bellina's restrictions are prophylactic, meaning he should avoid a certain task(s) so which not to aggravate or reinjure an existing injury. The other type of restriction means that person cannot do an activity because they are not capable of the movement or motion. So, in this case it is a tolerance for pain.

Mr. Demers stated that City rules make him ineligible for alternate work or to be placed in a position with restrictions because he has already separated from City service.

(M.S.C. Constant/Perkins) to deny application. Motion carried 6-0-1.

3. Recommendations for approval of NonService-Connected Disability Retirements

Tuongvan Mai, Senior Office Specialist, Information Technology Department. Request for a Service-Connected Disability Retirement effective March 13, 2008, 6.93 years of service.

For the record, the following medical reports have been received:

<u>Doctor's Name</u>	<u>Report Date</u>
1. Diagnostic Testing : Titmus Test	8/23/07
2. Sterling Haidt, M.D.	9/20/07
3. Kris Karlen, M.D.	4/23/07, 4/9/07
4. Gary Solomon, M.D.	2/2/07
5. John Lewis, M.D.	12/15/06, 11/10/06
6. Paul Anders, M.D.	8/23/06
7. Rubin Kim, M.D.	5/19/06

Board's Medical Director
Dr. Rajiv Das

Report Date
10/16/07, EMAIL RESPONSE DATED 1/28/08

Mr. Webster stated that Mrs. Mai is currently working full duty with accommodations and the Department has indicated that they can continue to accommodate Mrs. Mai. She has a request in for a Service-Connected Disability; however the Committee recommends the Service-Connected Disability application be denied and a Nonservice-Connected Disability retirement be granted.

Mrs. Mai thanked the Board for their time and recited the Municipal Code section pertaining to the Board's authority to grant benefits, and requested that they grant her the service-connected benefit.

Member Callahan stated that it is not the Board's business to give medical coverage, but he thought workers compensation usual takes care of that under their settlement.

Mr. Webster stated the workers compensation claim she has is for her hands and not the eyes because the doctor stated the eye condition was not work related but more of a genetic condition.

Dr. Das explained that Mrs. Mai's eye is abnormally shaped, so that puts additional pressure on it causing damage and vision problems. The condition is irreversible and there is nothing they can do for it, so sight loss will occur over time. He did additional research and sent Mrs. Mai to a specialist and could not find the relation of the eye condition to work.

(M.S.C. Constant/Loesch) to approve granting a NonService-Connected Disability Retirement. Motion carried 6-0-1.

RETIREMENTS

CONSENT CALENDAR (Items 4 thru 10)

Vice-Chair Thomas pulled Item 4i, and Items 4f, 4y, 4dd and 9d at the requests of Member Loesch and Member Perkins.

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

Service retirements approved:

Margo Alverado, March 31, 2008
Bruce Biordi, March 22, 2008
Jean Carrion, March 22, 2008
Betty Jo Carroll, March 22, 2008
Jan Chacon, March 22, 2008
Robert Coffield, March 22, 2008
Esther Collins, March 8, 2008
Richard Cunningham, March 8, 2008
Susan Devencenzi, March 29, 2008
Judith Flanery, March 22, 2008
Mignon Gibson, March 22, 2008
Telesford Hadre, March 22, 2008
Ramona Hodge, March 22, 2008
Robert Hodges, March 22, 2008
Ofelia Hsieh, March 22, 2008
William Hughes, march 22, 2008
Karen Johnson, March 22, 2008
Gary Jones, March 22, 2008
Robyn Joseph, March 22, 2008
Stanley Ketchum, March 22, 2008
Kenneth Korpi, March 22, 2008
Sharon LeBaudour, March 22, 2008
John Martin, March 22, 2008
Victoria Mata, March 22, 2008
Richard McIntosh, March 8, 2008
Thomas Mounts, March 22, 2008
Alan Mula, March 31, 2008
Arthur Padilla, March 22, 2008
Wayne Paigly, March 8, 2008
Peter Patron, March 22, 2008
Gerardo Rios, March 22, 2008
James Rodolfa, February 4, 2008
Sharon Russell, March 31, 2008
Aurelia Sanchez, March 22, 2008
Charles Sheldon, March 22, 2008
Manuel Sifuentes, March 22, 2008
Metha Sizemore, March 22, 2008
Linda Smith, March 22, 2008
Michael Sullivan, March 22, 2008
Alan Supan, March 29, 2008
Jane Swift, March 22, 2008

Karol Sytwu, March 22, 2008
Martha Trejo, March 22, 2008
Nora Viglione, March 8, 2008
J. Lindsey Wolf, March 22, 2008
Bob Yamamoto, March 22, 2008

4f. **Robert N. Coffield, Information Systems Analyst, Information Technology Department; effective March 22, 2008; 31.47 years of service.**

Member Loesch stated that Mr. Coffield was extremely influential in Public Works and will be missed.

(M.S.C. Perkins/Loesch) to approve Mr. Coffield's retirement. Motion carried 6-0-1.

4y. **Richard S. McIntosh, Principal Engineering Technician, Public Works Department; effective March 8, 2008, 26.32 years of service.**

Member Loesch stated Mr. McIntosh is an expert in airport resources and wished him well in retirement.

(M.S.C. Perkins/Loesch) to approve Mr. McIntosh's retirement. Motion carried 6-0-1.

4dd. **Peter F. Patron, Real Property Agent II, Public Works Department; effective March 22, 2008, 21.73 years of service.**

Member Loesch recognized Mr. Patron and his knowledge of property information.

(M.S.C. Perkins/Loesch) to approve Mr. Patron's retirement. Motion carried 6-0-1.

4i. **Stanley Ketchum, Principal Planner, Planning, Building and Code Enforcement Department; effective March 22, 2008, 31.21 years of service.**

Vice-Chair Thomas commented at the time of his retirement Mr. Ketchum replaced him, and is now retiring.

(M.S.C. Perkins/Loesch) to approve Mr. Ketchum's retirement. Motion carried 6-0-1.

9d. **Russ Richeda's legal opinion entitled "Authority of the City Auditor with Respect to the Board of Administration or Retirement Staff." For information only.**

Member Perkins requested Mr. Richeda to inform them of key issues that apply to the Board.

Mr. Richeda stated there was a difference of opinion on this matter between his office and the City Attorney's Office. There is not a breach of fiduciary duties if the Board chooses to cooperate with the City Auditor, as they are doing. He mentioned he was creating a PowerPoint for the Police & Fire Board to examine the *Westly* case in greater detail.

Member Perkins stated a PowerPoint may be useful to this Board to help understand too.

Member Loesch noted that there was a section of the Charter which did include State law and may distinguish *Westly*.

Ms. Devencenzi stated that Charter Section 200 does not incorporate outside law into the Charter. The City has authority to act as provided in Section 200.

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

DEATH NOTIFICATIONS (Item 11 - Moment of Silence)

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

NEW BUSINESS (Items 13 – 18.)

13. Notification of the upcoming retirement of Susan Devencenzi and request for Board direction on determination of her replacement from the City Attorney's Office.
14. Adoption of Resolution No. 6134 declaring excess earnings as of 30 June 2007 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

Member Williams asked if the interest is credited on the Supplemental Retiree Benefit Reserve fund or if the reserve earnings total is applied to the SRBR.

Mrs. Busse stated there is interest credit applied to the full amount of the reserve funds and then the 10% is transferred.

(M.S.C. Perkins/Constant) to adopt Resolution No. 6134. Motion carried 6-0-1.

15. Approval of Department of Retirement Service's Budget Proposal for the Fiscal Year 2008-2009.

Mr. Webster stated in previous years a separate presentation on the budget was done for the Boards, but now staff is presenting the budget in the regular meeting. The budget is the same budget as last year with increased cost of living expenses and recommendations for a few additions.

The Secretary stated an additional staff member will be added and the budget includes salary expenses for the Deputy Director position. Also, there will be additional money set aside for a health improvement program that includes retirees in conjunction with Human Resources.

Member Perkins noted a 19% increase in expenses and further noted that the increase is due to the adding of an additional staff person, the recruitment of a Deputy Director, and a wellness program. He is very supportive of the budget and the numbers behind it.

Mrs. Busse explained the proposed 2008-09 budget varies 9% from last year's 2007-08 adopted budget.

The Secretary described the wellness program as a lead into medical informatics that will be available to all participants. This will help to manage cost of healthcare. Also, the file server room is sprinklered, so we need to reconfigure the fire system in that space, in addition our phone systems are over 15 years old, and the City has transitioned to VOIP, so we want to integrate with that same technology to deliver better customer service.

Member Callahan asked if the Board travel was within the budget for last year.

Mrs. Busse responded the Board adopted a large budget for 2007 of \$85 thousand, and perhaps \$33 thousand of that was used.

Member Perkins requested staff provide the difference between the reserves and the proposed budget line item.

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

16. Approval of the request from Juan Villarreal to authorize termination of retirement benefits and reinstatement into Plan effective March 22, 2008. (Service Retirement approved at the March 8, 2007 meeting.)

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

17. Request for change of retirement effective date of John Leone, Retired Senior Maintenance Worker, from January 23, 2008 to February 23, 2008. (Approved at 1/10/08 meeting).

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

18. Request for change of retirement effective date of Javier A. Perez, Retired Analyst II, from March 8, 2008 to March 22, 2008. (Approved at 2/14/08 meeting).

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

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 19 - 21)

Investment (Committee of the Whole) – Next meeting 22 May 2008

Committee for Investments (Perkins/Loesch/Busse – alternate/Williams) - Next meeting 24 March 2008

Real Estate Committee (Williams/Callahan/Thomas– alternate/Busse) - Next meeting 2 June 2008

22. Solutions to Retiree Health Care Security Committee (Constant/Callahan/Thomas)

a. Synopsis of meeting held 20 and 22 February 2008

Future meeting dates: 3/19/08 at 9 am; 4/2/08 at 8:30 am; 4/16/08 at 9 am; 4/30/08 at 2 pm

Mr. Webster stated GRS reported out to the Solutions to Retiree Healthcare Committee information related to GASB and funded, which Ms. Thompson will present to the Board.

Presentation by Leslie Thompson –GRS

Ms. Thompson reported her analysis of the current contribution rates, which are the GASB 43 and 45 contribution rates (also referred to as the annual required contribution (ARC). The rate represents the employer contribution only and the employee contributions have been subtracted from the total. The funding for contribution rates are a 15-year projected premium under the Federated Policy, with the employer cost being 5.25% and the employee cost being 4.65%. Those rates are developed in the annual actuarial valuation. For the GASB rates, the full funded rate is 9.40%, which is net of the employee contributions. The phase in amount required to fund to the GASB full funding rate is the difference between the current employer rate and the annual required employer contribution rate. GASB only requires accounting for the employer obligation. She discussed the way GASB applies to the Plan, and projected that for the Plan to be fully funded the City would contribute 9.40%, and the member would contribute 3.02%.

This item is note and file.

(Out of Order)

Presentation of commendation to Susan Devencenzi.

Vice-Chair Thomas presented a commendation to Ms. Devencenzi and read the recitals.

Policy Committee (Busse/Perkins/Callahan) – ad hoc

EDUCATION AND TRAINING - None

PUBLIC/RETIREE COMMENTS

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 11:23 a.m., **Chair Busse** adjourned the meeting.

BILL THOMAS, VICE-CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION