

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

December 14, 2006

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:34 a.m., on Thursday, December 14, 2006, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

ROLL CALL

Present:

DAVID BUSSE
Bill Thomas
Tim Callahan
Mike Yoshimoto
Jeffrey Perkins
Forrest Williams

CHAIR, Civil Service Representative
Vice Chair, Retiree Representative
Employee Representative
Employee Representative
Public Member
City Council Representative

NOT PRESENT:

David Cortese

City Council Representative (Excused)

ALSO PRESENT:

Edward F. Overton -Secretary / Director
Susan Devencenzi -City Attorney
Tamasha Johnson -Staff
Debbi Warkentin -Staff
Aleta Holcomb -Staff
Arlene Gibbs -HR
Donna Busse -Staff
Judy Powell - "
Udaya Rajbhandari - "
Ron Kumar - "
Mike Pribula -Staff
Tom Reilly -ESD

Tom Webster -Staff
Russ Richeda -Outside Attorney
Karin Carmichael -Staff
Charles Gebhardt -IBEW
Susan Perreira -Staff
Doug Riccobond -ABMEI
Roger Pickler - "
Amanda Ramos - "
Joe Charfauros -PRNS
Bill Avery -Avery Associates
David Rodriguez -PW
Carol Bermillo -Staff

REGULAR SESSION

The Chair called the meeting to order at 8:34 a.m.

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 7)

Chair Busse requested that Items 4 be pulled from the consent calendar for discussion.

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

Investment Summary Report

Member Perkins wanted to know why this information was behind several months.

Mrs. Busse explained that with the conversion from the Bank of New York to Northern Trust it has taken some time to match up the formatting to automate the system of reconciliation. Now the formatting is all worked out and we are going through all the data to produce the reports.

This item is note and file.

DEATH NOTIFICATIONS (Moment of Silence)

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

This item is note and file.

NEW BUSINESS

Approval of budget increase for 2006-2007 to add a provisional analyst to perform review and recalculation of employees who have taken military leave of absences. (Split 50/50 with P&F)

The Secretary said that a report was provided in the Board's packet outlining the details of this request. We need someone to catch us up on the earnings records and the service credit records for those plan members that left on military leave and now returned. It has been a difficult process because the calculations have to be input manually and someone is going pay period by pay period to do it. We are around three to four months behind and City Council stated they want this done right away, so that people that are eligible to retire and want to can do that. We estimate that it could be completed within four months. This approval would expire on June 30, 2007. The Police and Fire Board has voted to approve their half of this request, and the Finance Department has also approved a position in their department to do the same type of work on their end because we have to wait for them to get their data to us before we can do our work. We are in the process of trying to get Pension Gold modified, installed, and tested so that it will be an automated process in the future. Someone has to manually put it in now because the way the current system works is that we get data feeds from machine to machine for pay and service credit with the City. On the military leave we do not, it is manual, so what we want to do and we are working with the City to try to automate the People soft payroll system to send that data to us and the two machines continue to talk to each other, so that in the long run this reconciliation process will not be necessary.

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

Approval of request form Human Resources to review the proposed City Council Statement of Policy for Retirement Services, proposed Council questions for final feedback to staff and Avery Associates related to recruitment of Director of Retirement Services.

Mrs. Gibbs stated that this item is because of the upcoming retirement of the Retirement Services Director. It is her understanding that the Chairs from both Boards have met with the City Manager and there is another meeting scheduled for next week to discuss the recruitment further. Today they are asking for feedback before taking this to the City Council. The City Council does have a process that it goes through when hiring a department head and prior to starting the recruitment questions are provided and the department's mission statement to the City Council. So we want to ask if the Board has anything to add to the department's mission statement or questions that will be in the hiring process or any feedback you may have to help move this process forward.

Member Callahan said that he thinks this is the Board's decision and that any questions that come up should be presented to the Board for approval before interviews.

Chair Busse stated that he would like the final questions to come back to the Board, also that the Board reviews the candidate profile before it is sent to publishing. He feels that the board's intent would be to have a few people involved in the entire process.

Member Perkins asked Mrs. Gibbs to walk through the timeline of the hiring process, from where we are currently in that process to the time of the expected hiring of a Director.

Mrs. Gibbs stated that right now the hiring process is at the very beginning and the only thing they have done was selected a recruitment firm. She believes it will take about one month to gather the necessary feedback from all parties involved to generate the profile and to publish the flyer to advertise the position and outreach to the public.

Mr. Avery stated that within four months he expects to have someone hired. Interview process will take 2-3 weeks and then recommendations to the Board with selections, and then the Board's will decide on the final candidates to interview. He will go to the candidates, wherever they are located in the country and then if they are invited to interview with the Board's then they will come to us at our location.

Mrs. Gibbs stated that she anticipates having this item put on the City Council agenda by the end of January 2007. What is real key to them are the hiring questions because the City Manager selects the candidate and then the candidate must answer those questions that the Board adopts in writing. Then the final candidate goes into closed session with the City Council and answers those questions and confirms the candidate. These questions are standard are standard for all department heads but many departments add to them, especially when there are specialized skills.

Chair Busse stated that as board members they should come up with unique questions pertaining to the Retirement Director to be included.

Mrs. Gibbs said that this is not the only opportunity the Board will have to ask questions. Mr. Avery will ask questions in his interviews. We typically have a very large panel process and at a director level we will probably have two to three panels, which will consist of six to eight people and will be conducted at Hayes Mansion. Each of those panels has different questions, so you could include questions at that time. At the end of the day all of those panels debrief with the City Manager.

Member Perkins asked about the closed session part of the Council process if it is possible to have a representative from the Boards present because it sounds to him like that is where the hiring process really gets nailed down.

Mrs. Devencenzi said that someone outside of City Council in closed session because once you do that then you really have to open up the session. She can raise it with the City attorney but she highly doubts it.

Member Callahan asked if it is possible to obtain the notes from the City Council's closed session.

Member Thomas requested that Avery Associates provide the Board with the feedback and challenges in the recruitment process.

The Secretary said that following the failed attempt to secure a deputy through the last round of interviews he indicated to the panels and to the City Manager's Office that he should look at reorganization so that the department is looking at some different sets of skills. Also, we should wait for the new director to be hired, so that that person has some say so in the hiring of the Deputy Director.

Mr. Avery stated that they could run a parallel search for the two recruitments and then just make sure that the Deputy Director recruitment follows after the Director.

This item is note and file.

Acceptance of GRS' special study report on Medicare Part B Reimbursement and authorization to forward to San Jose Retiree Association and to City Administration.

(M.S.C. Thomas/Yoshimoto) to approve. Motion carried 6-0-1.

Approval of staff recommendation on Board Conflicts-of-Interest Training.

The Secretary stated that the board has a memo outlining the details of the conflicts-of-interest training.

Chair Busse stated that legal counsel will provide a memo every month.

Member Callahan suggested that it would be good to have some real world topics represented.

Mr. Richeda suggested that he will provide memo's monthly so that it keeps it easy and if it is an item that the Board wants to discuss then they can just request it at that time.

(M.S.C. Yoshimoto/Thomas) to approve. Motion carried 6-0-1.

OLD BUSINESS - None

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

Investment Committee of the Whole

Summary of meeting held 30 November 2006.

This item is note and file.

Real Estate Committee

Summary of meeting held 6 December 2006.

- Approval of the 2007 Business Plan and Budget – Milpitas Warehouse.

(M.S.C. Callahan/Thomas) to approve. Motion carried 6-0-1.

Committee for Investments

Summary of meeting held 30 November 2006.

- Approval of the revised Federated City Employees' Retirement System's ("the Plan's") Investment Policy Statement ("IPS") modifying section entitled "Control Procedures."

(M.S.C. Thomas/Yoshimoto) to approve. Motion carried 6-0-1.

Benefits Review Forum (BRF) oral update. (Thomas)

Member Thomas said that the last meeting was on 12/6/06; the open enrollment has ended and it went well. The next meeting will be on 1/31/07 in room W-262 and will be discussing what is needed in 2007.

Member Callahan wanted to mention that on 12/6/06 in San Diego the County Supervisors voted to end the medical plans for retiree's and active members, the only exceptions were those that retired prior to 2002 because the benefit was enhanced after that. They say the benefits will still be available as a group plan but you will pay 100% of the premium. He just wants the BRF to follow this so it does not occur here.

Mr. Webster clarified that the County Supervisors Board that voted on that and the Retirement Board has not accepted that and they are the ones that have to approve that before any changes can be made.

EDUCATION AND TRAINING

PUBLIC/RETIREE COMMENTS

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 9:27 a.m., **Chair Busse** adjourned the meeting.

DAVID BUSSE, CHAIRPERSON
BOARD OF ADMINISTRATION

ATTEST:

EDWARD F. OVERTON, DIRECTOR
BOARD OF ADMINISTRATION