

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

June 16, 2011

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, June 16, 2011 at 8:35 a.m., in regular session at City Hall in the Wing Meeting Rooms 119-120, 200 East Santa Clara Street San José, California 95113.

PRESENT:

BOARD MEMBERS

Matt Loesch, Chair	-Present
Ed Overton, Vice-Chair	-Not Present
Arn Andrews	-Present
Michael Armstrong	-Not Present
Lara Druyan	-Present
Stuart Odell	-Present
Martin Dirks	-Present

BOARD MEDICAL DIRECTOR

Rajiv Das, M.D.

DIRECTOR RETIREMENT SERVICE

BOARD SECRETARY

Russell U. Crosby - Present

COUNCIL LIAISON

Pete Constant -Not Present

COUNSEL

Mollie Dent, Senior Deputy City Attorney -Present
Russ Richeda -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
Carmen Racy-Choy, Deputy Director, CIO
Veronica Niebla
Ron Kumar
Toni Johnson
Mike Moehle
Heidi Poon
Maria Loera
Tram Doan
Mary Dariano
Sonia Morales

ALSO PRESENT:

Allison Suggs -Office of Employee Relations
Gerry Chappuis – MEF/PW
Richard Deeter – Northern Trust Company
Steve Luckenbach – Environmental Services
Bill Pope – Operating Engineers, Local 3
Tom Reilly - Operating Engineers, Local 3
Mary Cornwell – AFSCME/CEO/Finance
Shane Patrick Connolly – Council Dist. #1

CALL TO ORDER:

ORDERS OF THE DAY

Item 2.4a was cancelled.

1. DISABILITY RETIREMENTS

1.1 Approval of Staff Recommendation to Deny Change of Status to Service-Connected Disability

- a. **Margaret Licon**, Maintenance Worker II, Parks, Recreation & Neighborhood Services Department. Request for a Change of Status from a Service Retirement to Service-Connected Disability Retirement, effective February 2, 2008; 23.47* years of service. Motion to approve denial of Service Connected Disability.

Approved staff recommendation to deny change in status. (M.S.C. – Andrews/Odell, 5-0-2, Overton/Armstrong absent)

2. CONSENT CALENDAR (Items 2.1 through 2.10)

Item 2.1 was pulled from the Consent Calendar

A motion was made to approve the balance of the Consent Calendar.

Approved. (M.S.C. – Andrews/Druyan, 5-0-2, Overton/Armstrong absent)

2.1 Approval of Staff Recommendation for Non-Service-Connected Disability Retirement

Cynthia Kuo, Analyst II, Environmental Services Department. Request for a Non-Service-Connected Disability Retirement, effective April 13, 2011; 21.03 years of service.

A motion was made to approve staff recommendation for Non-Service Connected Disability Retirement.

Approved. (M.S.C. – Andrews/Druyan, 5-0-2, Overton/Armstrong absent)

2.2 Approval of Service Retirements

- a. **Susan R. Annino**, Office Specialist II, Police Department, effective July 23, 2011; 30.01* years of service.
- b. **Kai-Kei Au**, Lab Technician, Environmental Services Department; effective June 25, 2011; 15.15* years of service.
- c. **Veronica J. Bailey**, Senior Office Specialist, Library Department, effective June 25, 2011; 19.69* years of service.
- d. **John A. Barros**, Mechanic, Public Works Department, effective June 25, 2011; 24.66* years of service.
- e. **Benjamin Belfrey**, Custodial Supervisor, Public Works Department, effective June 25, 2011; 13.32* years of service.
- f. **Steven A. Blake**, Principle Construction Inspector, Public Works Department, effective June 18, 2011; 30.02* years of service.
- g. **Geraldine K. Brighter**, Senior Office Specialist, Police Department, effective June 25, 2011; 26.33* years of service.
- h. **Sean T. Bui**, Electrician, Airport Department, effective May 31, 2011; 19.96* years of service.
- i. **Sheila J. Cavallaro**, Supervising Police Data Specialist, Police Department, effective June 25, 2011; 30.00* years of service.

- j. **Peter Chen**, Technician II, Environmental Services Department, effective June 25, 2011; 15.15* years of service.
- k. **Douglas G. Colbeck**, Park Ranger, Parks, Recreation & Neighborhood Services Department, effective June 25, 2011; 17.17* years of service.
- l. **Allan Collett**, Police Property Specialist II, Police Department, effective June 25, 2011; 25.70* years of service.
- m. **Rosalyn C. Coronado**, Analyst II, Department of Transportation, effective August 20, 2011; 22.78* years of service.
- n. **Rita A. Cotillon**, Library Clerk, Library Department, effective June 25, 2011; 9.69* years of service. *(COS to SCD-pending)*
- o. **Mary Danziger**, Code Enforcement Inspector, Planning, Building & Code Enforcement Department, effective June 24, 2011; 16.82* years of service.
- p. **Paula Dardis**, Senior Office Specialist, Fire Department, effective June 25, 2011; 11.86* years of service.
- q. **Gilberto DeLaCruz**, Air Equipment Mechanic, Airport Department, effective June 12, 2011; 9.87* years of service.
- r. **Cecilia S. Delgado**, Staff Technician, City Clerk Department, effective June 25, 2011; 17.00* years of service.
- s. **Ron G. Eddow**, Senior Development Officer, Housing Department, effective June 25, 2011; 22.84* years of service. *(With reciprocity)*
- t. **Patricia A. Emami**, Analyst II, Environmental Services Department, effective August 6, 2011; 30.00* years of service.
- u. **Bruce R. Frisbey**, Supervising Environmental Services Specialist, Environmental Services Department, effective June 25, 2011; 23.05* years of service.
- v. **Laura J. Haynes**, Supervising Public Safety Dispatcher, Police Department, effective August 20, 2011; 21.34* years of service.
- w. **Patricia F. Houston**, Analyst II, Environmental Services Department, effective August 6, 2011; 23.15* years of service
- x. **Diane M. Idemoto**, Network Engineer, Information Technology Department, effective October 1, 2011; 30.00* years of service. *(With reciprocity)*
- y. **Ron M. Jacobsen**, Chemist, Environmental Services Department, effective June 25, 2011; 41.73* years of service.
- z. **Douglas Johnston**, Senior Mechanical Parts Worker, Public Works Department, effective June 25, 2011; 24.00* years of service.
- aa. **Sy Jordan**, Custodial Supervisor, Airport Department, effective June 25, 2011; 14.05* years of service. *(With reciprocity)*
- bb. **Robert Leong**, Library Clerk, Library Department, effective June 25, 2011; 25.00* years of service.
- cc. **Joseph C. Loguidice**, Administrative Officer, Fire Department, effective June 25, 2011; 26.38* years of service. *(With reciprocity)*
- dd. **Rosella Lopes**, Secretary, Police Department, effective June 3, 2011; 15.86* years of service. *(SCD-pending)*
- ee. **Steven G. Luckenbach**, Marketing & Public Outreach Manager, Environmental Services Department, effective June 25, 2011; 12.00* years of service.
- ff. **Hormoz Maiel**, Senior Engineer, Planning, Building & Code Enforcement Department, effective May 14, 2011; 25.24* years of service.

- gg. Teresa A. Marlowe**, Latent Fingerprint Examiner, Police Department, effective June 25, 2011; 30.01* years of service.
- hh. Harry S. Mavrogenes**, Redevelopment Manager, Redevelopment Agency, effective June 25, 2011; 25.96* years of service.
- ii. Phillip D. McGinnis**, Environmental Inspector, Environmental Services Department, effective June 25, 2011; 25.42* years of service.
- jj. Bonnie S. Merriott**, Senior Office Specialist, Information Technology Department, effective August 31, 2011; 15.09* years of service.
- kk. Christopher P. Monahan**, Workers Compensation Adjuster II, Human Resources Department, effective June 25, 2011; 21.80* years of service.
- ll. Silvia E. Montoya**, Community Coordinator, Office of Economic Development, effective June 25, 2011; 9.80* years of service.
- mm. Ronna C. Nemer**, Librarian II, Library Department, effective June 11, 2011; 24.75* years of service.
- nn. Albert I. Nissan**, Associate Engineer, Planning, Building & Code Enforcement Department, effective June 25, 2011; 21.59* years of service.
- oo. Sylvia J. Olmos**, Community Activity Worker, Parks, Recreation & Neighborhood Services Department, effective June 25, 2011; 10.59* years of service.
- pp. Mercedes E. Pena**, Development Officer, Housing Department, effective May 28, 2011; 11.01* years of service.
- qq. Hai N. Pham**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department, effective June 25, 2011; 24.99* years of service.
- rr. Roger Pickler**, Administrative Officer, Retirement Services Department, effective May 17, 2011; 19.62* years of service. (*SCD-pending*)
- ss. Ygnacio Roa**, Groundswoker, Parks, Recreation & Neighborhood Services Department, effective June 25, 2011; 15.05* years of service.
- tt. Patrick M. Rose**, Senior Construction Inspector, Public Works Department, effective June 25, 2011; 22.17* years of service.
- uu. Deborah K. Sherrell**, Community Coordinator, City Manager's Office, effective June 25, 2011; 7.24* years of service.
- vv. Roland H. Sun**, Associate Engineer, Environmental Services Department, effective June 11, 2011; 19.96* years of service.
- ww. Janet Torres**, Staff Specialist, Parks, Recreation & Neighborhood Services Department, effective July 23, 2011; 30.03* years of service.
- xx. Gloria R. Urban**, Office Specialist II, Housing Department, effective June 25, 2011; 20.05* years of service.
- yy. Raja R. Vaddiparty**, Office Specialist II, Parks, Recreation & Neighborhood Services Department, effective June 25, 2011; 26.18* years of service.
- zz. Janin R. Valles**, Library Clerk, Library Department, effective June 26, 2011; 10.23* years of service. (*With reciprocity*)
- aaa. Steven J. Waters**, Associate Construction Inspector, Department of Transportation, effective June 25, 2011; 20.94* years of service.
- bbb. Glenn M. Watson**, Senior Operations Specialist, Airport Department, effective June 25, 2011; 21.21* years of service.
- ccc. Warren D. Winkler**, Geologist System Specialist, Planning, Building & Code Enforcement Department, effective June 11, 2011; 19.05* years of service.

- ddd. **John R. Wolfram**, Senior Engineer, Planning, Building & Code Enforcement Department, effective June 25, 2011; 21.07* years of service.
- eee. **Margaret K. Hung**, Chemist, Environmental Services Department, effective June 25, 2011; 16.37* years of service.
- fff. **Janet C. Kern**, Deputy Executive Director, Redevelopment Agency, effective June 25, 2011; 11.27* years of service.
- ggg. **James Howard Reed Jr.**, Senior Maintenance Worker, Department of Transportation, effective June 11, 2011; 20.87* years of service.
- hhh. **Benilda Santos**, Engineer II, Public Works Department, effective June 25, 2011; 21.85* years of service.

2.3 Approval of Deferred Vested Retirements

- a. **Alma Carrillo**, Senior Office Specialist, Planning, Building & Code Enforcement Department, effective August 24, 2011; 19.65* years of service.
- b. **Brian T. Chan**, Associate Civil Engineer, Public Works Department, effective July 18, 2011; 8.69* years of service.
- c. **Douglas G. Coffman**, Office Specialist II, City Manager's Office, effective July 1, 2011; 5.80* years of service. *(With reciprocity)*
- d. **Kevin T. Kretchmer**, Combination Building Inspector, Planning Building & Code Enforcement Department, effective May 25, 2011; 5.57* years of service.

2.4 Approval to Rescind Retirement Applications

- a. Approval to rescind retirement application of **Jim Burnett**, approved at the May 19, 2011 meeting. **Cancelled.**
- b. Approval to rescind retirement application of **Michael E. Johnson**, approved at the May 19, 2011 meeting.
- c. Approval to rescind retirement application of **Larry L. Rogers**, approved at the May 19, 2011 meeting.

2.5 Approval of Change of Retirement Date

- a. Approval of change of retirement date of Deriek Clemmons; from June 25, 2011 to July 23, 2011.
- b. Approval of change of retirement date of Albert C. Muccia; from June 30, 2011 to June 25, 2011.
- c. Approval of change of retirement date of Lori E. Vadnais; from May 28, 2011 to June 1, 2011.

2.6 Approval of Board Minutes

Approval of Board Minutes of May 19, 2011.

2.7 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

2.8 Approval of Monthly Expenditures

Report of Federated Retirement Plan Expenses for April 30, 2011.

2.9 Acceptance of Communication/Information Reports

- a. Benefits Review Forum Report – May 2011, dated May 19, 2011.
- b. Institutional Investor “Avoiding Losses is One of the Keys to Managing Money”, dated May 27, 2011.
- c. Pension & Investments “CIOs leaving not-for-profit pension plans”, dated June 7, 2011.

2.10 Approval of Travel Conference Attendance - None**3. DEATH NOTIFICATIONS (Moment of Silence)**

- 3.1 **Edgardo I. Carranza**, Gerontology Supervisor, retired 11/07/92, died 05/09/11. Survivorship benefits to Nancy Carranza, spouse.
- 3.2 **Gordon T. Castro**, Senior Maintenance Worker, retired 03/20/10, died 05/13/11. Survivorship benefits to Cynthia Castro, spouse.
- 3.3 **Steven Hartman**, Electrical Inspector, retired 07/15/01, died 04/29/11. Survivorship benefits to Edith M. Hartman, spouse.
- 3.4 **Aurora Kammerer**, City Council Secretary, retired 9/25/83, died 05/01/11. No survivorship benefits.
- 3.5 **Gerrit Niver**, Plant Equipment Mechanic, retired 03/22/82 died 05/06/11. No survivorship benefits.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- 4.1 Discussion and action concerning Analysis Government Code Section 7513.95 by Russ Richeda on current Board members.
A motion was made to seek an opinion from the California Attorney General on this matter.
Approved. (M.S.C. – Druyan/Dirk, 5-0-2, Overton/Armstrong absent).
- 4.2 Discussion and action regarding Board Retreat.
The Board decided to schedule a Retreat in September to discuss staffing and other topics identified at the August Board meeting.

5. NEW BUSINESS

- 5.1 Staff presentation of the quarterly performance report as of March 31, 2011.

Chief Investment Officer Carmen Racy-Choy presented the report.

5.2 CIO Update on Investment Portfolio.

Chief Investment Officer Carmen Racy-Choy presented the report.

5.3 Approval to hire State Street as the System's custodian and for the Secretary to negotiate and execute an agreement with State Street for a term of three years for a not-to-exceed amount of \$800,000.

A motion was made to hire State Street as the System's custodian.

Approved. (M.S.C. – Andrews/Druyan, 5-0-2, Overton/Armstrong absent)

5.4 Discussion and action concerning legal analysis of the Public Records Act, Ralph M. Brown Act and private equity and private real estate contracts concerning the disclosure and discussion of information pertaining to private equity and private real estate investments.

Mollie Dent, Senior Deputy City Attorney, provided the Board with options regarding discussing private equity data without violating the Brown Act.

A motion was made to form an Ad Hoc Committee consisting of Lara Druyan, Stuart Odell, and Marty Dirks with Michael Armstrong as an alternate.

Approved. (M.S.C. – Andrews/Dirks, 5-0-2, Overton/Armstrong absent)

5.5 Contribution Rates and Amounts for 2011-12

- a.** Adoption of Resolution 6734 setting new city and employee contribution rates and amounts for Federated members to be effective June 26, 2011.
The tables below were included in the resolution.

MEMBER	2011-2012 Dollars	2011-2012 Rate
Basic Normal Cost	N/A	3.56%
Basic UAAL	N/A	0.00%
Medical Normal Cost	N/A	2.42%
Medical UAAL	N/A	6.11%
Dental Normal Cost	N/A	0.16%
Dental UAAL	N/A	0.35%
Adjustment for phase-in	N/A	-2.52%
Total	N/A	10.08%
CITY		
Basic Normal Cost	\$30,916,000	9.71%*
Basic UAAL	41,139,000	12.91%*
Medical Normal Cost	7,538,000	2.42%*
Medical UAAL	19,030,000	6.11%*
Dental Normal Cost	1,364,000	0.44%*
Dental UAAL	2,892,000	0.92%*
Adjustment for phase-in	-8,516,000	-2.73%*
Total	\$94,363,000	29.78%*

*Estimated

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*Based on actuarial assumed payroll of \$318,544,392. Rates to be adjusted by the City's Budget Office to reflect the City's actual payroll and to meet the required dollar amount.

MEMBER	2011-2012 Dollars	2011-2012 Rate
Normal Current Service	N/A	1.12%
Prior Service	N/A	0.00%
Total	N/A	1.12%
CITY		
Normal Current Service	\$9,723,000	3.05%*
Prior Service	8,497,000	2.67%*
Total	\$18,220,000	5.72%*

*Based on actuarial assumed payroll of \$318,544,392. Rates to be adjusted by the City's Budget Office to reflect the City's actual payroll and to meet the required dollar amount.

City prefunding dollar amounts assuming payment on July1, 2011.

CITY	2011-2012 Dollars
Basic Normal Cost	\$29,756,000
Basic UAAL	39,596,000
Medical Normal Cost	7,255,000
Medical UAAL	18,316,000
Dental Normal Cost	1,313,000
Dental UAAL	2,783,000
Adjustment for phase-in	-8,196,000
COLA Normal Current Service	9,358,000
COLA Prior Service	8,178,000
Total	\$108,359,000

- b. Memo from Michael Moehle regarding Fiscal Year 2011-12 Contributions, dated June 7, 2011.
- c. Memo from Mollie Dent, Senior Deputy Attorney regarding Setting Contribution Rates, dated June 8, 2011.
- d. Letter from Cheiron regarding Contribution Dollars and Rates, dated June 7, 2011.

The table below was included in the letter.

2011-12 Contribution Rates and Amounts				
Pension	City %	City (\$M) July 1, 2011	City (\$M) January 2012	Employee %
Basic Normal Cost	9.71%	\$29,756	\$30,916	3.56%
Basic UAL	12.91%	39,596	41,139	0.00%
COLA Normal Cost	3.05%	9,358	9,723	1.12%
COLA UAL	2.67%	8,178	8,497	0.00%
Total	28.34%	\$86,888	\$90,275	4.68%
Medical Normal Cost	2.42%	\$7,255	\$7,538	2.42%
Medical UAL	6.11%	18,316	19,030	6.11%
Dental Normal Cost	0.44%	1,313	1,364	0.16%
Dental UAL	0.92%	2,783	2,892	0.35%
Adjustment for phase-in	-2.73%	-8,196	-8,516	-2.52%
Total	7.16%	\$21,471	\$22,308	6.51%

A motion was made to adopt the resolution as written.

Approved. (M.S.C. – Loesch/Odell, 5-0-2, Overton/Armstrong absent)

- 5.6** Request to San Jose City Council to initiate amendment Ordinance to amend Section 3.28.1030 of San Jose Municipal Code regarding Non-Assignment for purposes of Retiree Association Dues.

A motion was made to approve the request to the City Council to amend Section 3.28.1030 of San Jose Municipal Code.

Approved. (M.S.C. – Andrews/Odell, 5-0-2, Overton/Armstrong absent)

- 5.7** Discussion and action regarding the City's Revolving Door Ordinance (SJMC Chapter 12.10 and Council Policy 0-15).

Note in File.

- 5.8** Consideration of a resolution referred by the City Council of the City of San Jose to the Board on May 17, 2011, to amend and restate Resolution No. 75635 regarding the Supplemental Retiree Benefit Reserve of the Federated City Employees Retirement Fund, to suspend the distribution of funds from the reserve during fiscal years 2011-2012.

Investments Analyst Mike Moehle noted that the City Council is suspending the distribution of the SRBR funds but not the transfer of funds into the SRBR account.

Note in File.

- 5.9** Discussion and action regarding Cortex Report.

A motion was made to direct staff to create a summation of the governance model recommended items, indicate the items that have been accomplished and those that haven't, and for the Board to evaluate the staff report and prioritize the items to present to Council at a later date, and to review at the next Board meeting.

Approved. (M.S.C. – Andrews/Dirks, 5-0-2, Overton/Armstrong absent)

5.10 Discussion and action on staffing and compensation issues.

Discussion was held on staffing and compensation issues and continued on item 4.2.

5.11 Update on status of Retiree Health Care Trust.

Carmen Racy-Choy, Veronica Niebla, and Ron Kumar provided the status update to the Board.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Policy Committee (Overton/Armstrong/Loesch – alternate/Andrews) – None

6.2 Ad Hoc Disability Determination Process Committee Meeting (Loesch, Overton, Andrews, Alternate – Armstrong) – No further meetings scheduled.

a. Discussion and action regarding recommendation from Ad Hoc Disability Determination Process Sub-Committee.

The following Disability Process improvements were presented to the Board.

- i. Quarterly Board Disability Hearings
- ii. Formalize the disability hearings before the Board.
- iii. Improve communication regarding the disability process for the applicant.
- iv. Increase training regarding the disability process for the Board members.
- v. Reformat the disability case packet and provide additional information to facilitate Board member review.
- vi. Require applicants to proceed with Subcommittee Hearing within six months from when Medical Director's Report states that the applicant has achieved Maximum Medical Improvement
- vii. Recommend to the City Manager the following:
 - Earlier medical intervention by Employee Health Services in Worker's Comp Process
 - Work with the CAO on securing legal representation for the City in reviewing and, as appropriate, in opposing disability retirement applications. City Manager's Office consider asking the City Attorney's Office to provide legal representation for the City administration in opposing disability retirement applications.
- viii. Request an opinion from legal counsel on whether and how the Plan itself can secure legal counsel to oppose disability retirement applications, should the City elect not to provide legal counsel to the City administration in opposing applicants.

Trustees approved a motion to accept the recommendation of the Committee, to request that the City Administration forward the recommended changes to the City's bargaining groups, and request that the Plan's counsel provide an opinion on how the Plan itself can secure legal counsel to represent the System while handling disability retirement applications.

(M.S.C. – Andrews/Druyan, 5-0-2, Overton/Armstrong absent)

- b. Minutes from Ad Hoc Disability Determination Process Sub Committee Meeting of April 28, 2011.

Approved. (M.S.C. – Andrews/Dirks, 5-0-2, Overton/Armstrong absent)

- c. Minutes from Ad Hoc Disability Determination Process Sub Committee Meeting of May 26, 2011.

Approved. (M.S.C. – Andrews/Dirks, 5-0-2, Overton/Armstrong absent)

7. EDUCATION AND TRAINING

Note in File

7.2 Notification of CalAPRS' Training

Trustees' Roundtable, Double Tree Hotel, San Jose, CA – October 14, 2011.

7.3 Notification of IFEBP Training

- a. International Investing and Emerging Markets, Wharton West, San Francisco, CA, Monday, July 25, 2011 through Wednesday, July 27, 2011.
- b. CAPPP – Employee Pensions – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.
- c. CAPPP – Employee Health – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.
- d. CAPPP – Employee Pensions – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.
- e. CAPPP – Employee Health – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.

7.4 Notification of SACRS Training

Public Pension Investment Management Program - State Association of County Retirement System (SACRS), UC Berkeley, Monday, July 11-13, 2011.

- FUTURE AGENDA ITEMS

None

- PUBLIC/RETIREE COMMENTS

None

- ADJOURNMENT

The meeting was adjourned at 1:00 p.m.



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

*Estimated

ATTEST:



RUSSELL U. CROSBY
SECRETARY, BOARD OF ADMINISTRATION
DIRECTOR, RETIREMENT SERVICES