

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

September 11, 2008

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:28 a.m., on Thursday, September 11, 2008, 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

Jeffrey Perkins

Matt Loesch

Patrick Skillsky

Forrest Williams

Pete Constant

CHAIR, Civil Service Representative

Vice-Chair, Retiree Representative

Public Member

Employee Representative

Employee Representative

City Council Representative

City Council Representative

ALSO PRESENT:

Russell U. Crosby

-Secretary/Director

Debbi Warkentin

-Staff

Mollie Dent

-City Attorney

Russ Richeda

-Outside Attorney

Tamasha Johnson

-Staff

Bill Pope

-OE3

Karin Carmichael

-Staff

Donna Busse

-Staff

Scott Reiner

-PW

Peggy Reiner

-Wife of retiree

Amanda Ramos

-Staff

Allen DeMers

-HR

Tom Reily

-OE3

Jorge Oseguera

-City Auditor's Office

Michael Houston

-City Auditor's Office

Rhonda Snyder

-Staff

Trish Glassey

-CEO

Veronica Niebla

-Staff

Steve Hendrickson

-City Auditor's Office

Deanna Santana

-CMO

Sharon Erickson

-City Auditor's Office

REGULAR SESSION

Chair Busse called the meeting to order at 8:37 a.m. He stated that Item 1b has been deferred at the request of the applicant. Item 2k is a deferred vested retirement, and Item 11 would be heard first.

ORDERS OF THE DAY

(Out of Order)

Oral update on City Auditor's pending Travel Audit. (Item 11)

Sharon Erickson, City Auditor, stated the Audit Report found that Retirement Services staff and Board members of the Federated and Police & Fire Retirement Boards travel for the benefit of the two pension plans. She stated there are three distinct travel policies governing the travel, and three types of travel occurring, which are for due diligence, training, and retreats. She outlined that the audit objective was to evaluate the effectiveness of internal controls pertaining to Retirement Services travel. They evaluated a traveler's compliance with applicable travel policies, reasonableness of the travel expenditures, adequacy of travel policies, and the controls in place to ensure compliance with relevant laws and regulations. They reviewed the travel that occurred between July 2005 and February 2008, which totaled \$260,000 in expenditures.

Ms. Erickson reviewed the top three findings from the report. The first finding was that tighter policies could have resulted in more economical travel. They found that cheaper alternatives could have been used when making travel arrangements. She added that government entities are held to a higher standard in the use of funds since they expend the public's money. The recommendation for finding one is that the Boards adopt the City Employee Travel Policy as their own due to the strength of the controls in place. She

suggested several recommendations to the Boards, Retirement Services, and the Finance Department to encourage fiscal prudence among travelers and to reduce the likelihood of excessive travel expenses.

The second finding was that some travelers received more in travel reimbursements than they were entitled to receive, such as extended stays, personal expenses, excessive meals, expenses unsupported by receipts, and inappropriate per diems. Specifically, they found that 6 travelers cumulatively received about \$6,300 in ineligible reimbursements. All have repaid those reimbursements back to the Pension Funds. The incidents of ineligible reimbursements have been referred to the City Attorney's Office and the City Manager. She stated that it was not the City Auditor's practice to provide names within their reports; however, the City Attorney's Office determined that travel requests were public information and regrettably the names were released. The report includes several recommendations to the Boards, Retirement Services, and the Finance Department to improve their travel processing and reimbursement procedures to reduce the likelihood of travelers requesting and receiving ineligible travel reimbursements.

The third finding addressed improvements in the areas of ethics, transparency, and perceived conflicts of interest. She discussed the City's Gift Ordinance and some activities which could potentially be out of compliance. A donation was discovered that was inappropriately handled and presented a potential conflict of interest. Also, upon completion of travel, State law requires Board members to provide a written or oral report. It was found that Board members were not always providing travel reports. There may have been Brown Act violations in regards to the limits of the number of Board members who travel together. The Federated Board has such a policy in place; the Police & Fire Board does not. The report recommends establishing controls to ensure compliance with San Jose's Gift Ordinance. Board members and staff should complete and submit outstanding Form 700s and consider amending previously submitted Form 700s. The Boards should develop and enforce travel reporting guidelines, publicly post periodic travel expense summaries, and establish limits on the number of Board members traveling together per Brown Act. There were several other recommendations made to the City Clerk.

In conclusion, the Board Chairs have provided a response to the report, which included a number of recommendations that immediately addressed some key issues of the report. They have already implemented the agendaizing of travel activity and approval at public meetings. They are exercising fiscal prudence and adherence to travel policies and reconsidering due diligence travel. The audit is to remain a follow up item until all recommendations are implemented and there will be regular status reports on the progress of implementation. She stated further that they made a total of 23 recommendations, and Retirement Services, the Boards, and the City Administration have already begun improving processes, developing controls, and revising policies. On behalf of the Auditors Office she thanked everyone that was involved.

(M.S.C. Constant/Thomas) to accept the Audit Report and accept the Chairs' response. Additionally, to have the Policy Subcommittee reviews the recommendations from the Audit Report. Motion carried 7-0-0.

(Back on Agenda)

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 8)

Item 2c was pulled from the Consent Calendar at the request of Member Williams.

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

Service retirements approved:

Barron K. Anderson, September 20, 2008

Deborah A. Bettendorf, August 23, 2008

Calvin Iwanaga, September 6, 2008

Frank Kirkbride, August 9, 2008

Judith A. Lacy, September 20, 2008
Guadalupe Olivas, October 4, 2008
Linda Mendez-Ortiz, October 4, 2008
M. Michael Pribula, November 17, 2007
Maryanne Schreier, September 6, 2008

Deferred Vested retirements approved:

Therese M. Haubenstein, September 28, 2008
Margaret Mathieson, October 7, 2008
Charles A. Roberson, September 27, 2008
Richard Tetrault, September 13, 2008 (w/Reciprocity)

2c. Judy M. Fuller, Administrative Assistant, City Council Offices; effective September 20, 2008, 17.56 years of service.

Member Williams stated Mrs. Fuller had been his admin for almost 8 years. He feels that she guided his district in the right direction with great responsibility. He appreciates all the hard work she did, thanked her, and wished her well in her retirement.

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

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)

10. Oral update on the status of the Sunshine Reform Task Force.

Ms. Dent stated trainings are in process. SRTF has a target date of November to have all recommendations implemented. She would recommend dropping the item from the agenda unless new developments come about.

Chair Busse requested a final report be brought to the Board next month stating all the changes.

NEW BUSINESS (Item 12)

12. Review and staff direction for topics for the FCERS November 21, 2008 retreat.

Chair Busse stated the Board will have two new members around the time of the retreat, so it was appropriate to delay the retreat to a later date to allow the positions to be filled and the new members can attend the retreat. He directed staff to defer this item until after January.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 13-16)

Investment (Committee of the Whole) – Last meeting 28 August 2008

Committee for Investments (Perkins/Loesch/Busse – alternate/Williams) – Last meeting 28 August 2008

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

Policy Committee (Busse/Perkins/Constant) – TBD

The Chair stated the meeting will be set once the City policy changes are completed.

EDUCATION AND TRAINING

17. **Notification of CalAPRS Trustees' Roundtable to be held in Ontario, Friday, 10 October 2008.**
18. **Notification of Wellness Summit to be held at San Jose City Hall Committee Room W-120, Friday, September 12, 2008 from 9 a.m. to 3 p.m.**

PUBLIC/RETIREE COMMENTS

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 9:05 a.m., **Chair Busse** adjourned the meeting.

DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION