

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

June 8, 2006

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:40 a.m., on Thursday, June 8, 2006, in regular session at the San Jose City Hall Council Chambers, 200 E. Santa Clara St. - San José, California.

ROLL CALL

Present:

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

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

ALSO PRESENT:

Edward F. Overton -Secretary / Director
Susan Devencenzi -City Attorney
Dr. Das -Medical Staff
Ron Kumar -Staff
Udaya Rajbhandari -Staff
Karen Wing -Housing
Doug Riccobond -ABMEI
Donna Busse -Staff
Sarah Nunes -ES
Judy Powell - "
Cathy Poletti -Retiree
Daisy Florendo -Housing
Kimberlie Reckas -SJPD
Tom Butts -Attorney

Tom Webster -Staff
Russ Richeda -Outside Attorney
Debbi Warkentin -Staff
Tamasha Johnson -Staff
Toni Johnson - "
Mike Pribula -Staff
Amanda Ramos -Staff
Linda Dittes -AFSCME
David Rodriguez -PW
Marty Jo Luis -SJPD
Jeff Park -Attorney
Terri Williams -SJPD

REGULAR SESSION

The Chair called the meeting to order at 8:40 a.m.

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 9)

The Chair pulled items 2a and 8a from the Consent Calendar.

(M.S.C. Perkins/Thomas) to approve Consent Calendar. Motion carried 6-0-1 (Cortese arrived 8:50am).

DEATH NOTIFICATIONS (Moment of Silence)

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

NEW BUSINESS

Approval of Tim Callahan's request to attend the following educational Conferences: 1. IFEBP's Advanced Investments Management Course at Wharton, 2. BLB&G iiForum in New York City, 3. 52nd Annual Employee Benefits Conference in Las Vegas.

Member Perkins asked if the Board's Policy on travel, which is that a member needs approval after two trips in one year, is based on a fiscal year or a calendar year.

The Secretary stated that it is based on a calendar year.

Member Callahan expressed that he is mostly interested in attending the course at Wharton; however the other two conferences seem to be very informational.

(M.S.C. Thomas/Perkins) to approve item. Motion carried 6-0-0 (1 member chose to exclude their vote).

Adoption of Resolution No. 5810 to implement Board-approved changes to the Federated City Employees' Retirement System's Investment Policy Statement.

The Secretary explained that this is memorializing actions that the Board already approved. The change in policy allows us to go into Northern Trust's commingled fund. Last year the Board granted an exception policy.

Member Williams asked if since this has been being exercised by staff, has its use been consistent and has it been going good.

The Secretary stated that yes, it has, and that all resolutions had already taken place.

(M.S.C. Perkins/Callahan) to approve item. Motion carried 7-0-0.

OLD BUSINESS

Approval of Resolution No. 5817 denying a Service-Connected Disability to Yolande Vazquez. (Item did not pass at May meeting).

The Secretary stated that is memorializing the actions the Board has already taken. It is beneficial that the Board adopt this today so that Ms. Vazquez can pursue further action if she chooses to do so.

(M.S.C. Perkins/Thomas) to approve item. Motion carried 7-0-0.

Approval to delegate authority to the Federated Investment Committee to approve special projects with Strategic Investment Solutions, Inc. (SIS) within their existing contract.

The Secretary said that he inadvertantly stated that this was approved by the Board, but really it was approved by the committee, so this is formalizing his mistake of words.

Member Yoshimoto asked what special projects are currently underway.

The Secretary explained that the Investment Committee asked SIS to come up with some possible solutions to get more money invested in the private equity markets. Last time the Committee requested Board approval for \$100,000 for special projects.

Member Perkins said that this is capped, so it can't go over the amount approved.

Chair Busse stated that this is a matter of timeliness, so if a special project comes up there is money allocated for it and the Committee can move forward without having to draw it out several months for approval from the Board.

Member Thomas stated that Mr. Leinenger could not make this meeting but passed a message along concerning this item that there is great concern over these types of investments. Also, the timeline and conditions as he and other retiree's see it. And requested a meeting with staff to discuss the retiree's concerns.

(M.S.C. Williams/Thomas) to approve item. Motion carried 7-0-0.

STANDING COMMITTEE / REPORTS / RECOMMENDATIONS

Investment Committee of the Whole

Summary of meeting held 25 May 2006.

Real Estate Committee – next meeting 6/14/2006.

Committee for Investments

Summary of meeting held 30 May 2006.

- Approval to continue using the “Without Private Markets” asset allocation approach and move to using the “With Private Markets” asset allocation once it is funded to approximately 50% of its target allocation or 1.5% of the Plan's total assets.

The Secretary explained that this is based on comments made by outside auditors because there is so little contributions (less than .5%) invested in private equity, we should continue as if we have nothing invested. This is taking formal action.

(M.S.C. Thomas/Perkins) to approve item. Motion carried 7-0-0.

- Approval of Glass Lewis as proxy voting agent and authorize the Secretary to negotiate and execute an agreement.

The Secretary said this was also presented to the Investment Committee. ISS had acquired the IRC Group and they have not been performing satisfactorily and they have been causing staff problems. So, staff looked around and Glass Lewis is a little more expensive but they provide far better quality.

Member Callahan asked if the Board visits them to understand the company's process.

The Secretary explained that there is a policy in place that they follow in doing their proxy voting and they give us quarterly reports.

(M.S.C. Perkins/Thomas) to approve item. Motion carried 7-0-0.

- Approval of the 2006-07 Committee for Investments Work plan.

The Secretary said that there is a staff report that has been provided and this is something that is done every year and the Committee supplied their input.

(M.S.C. Perkins/Thomas) to approve item. Motion carried 7-0-0.

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

Member Thomas said this meeting they had some interesting discussions between the employees and the retirees regarding the RFP's for the medical plan. He should know the recommended medical respondents for the next Board meeting to share. The next meeting will be on June 28, 2006 at 9 am in the City Hall Wing room 262.

EDUCATION AND TRAINING
PUBLIC/RETIREE COMMENTS
FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 9:06 a.m., **Chair Busse** adjourned the meeting.

DAVID BUSSE, CHAIRPERSON
BOARD OF ADMINISTRATION

ATTEST:

EDWARD F. OVERTON, DIRECTOR
BOARD OF ADMINISTRATION