

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

December 10, 2009

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:36 a.m., on Thursday, December 10, 2009, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

ROLL CALL

Present:

DAVID BUSSE

CHAIR, Trustee

Jeffrey Perkins

Trustee

Matt Loesch

Trustee

Ed Overton

Trustee

Ash Kalra

Trustee

Pete Constant

Trustee

Arn Andrews

Trustee

ALSO PRESENT:

Russell U. Crosby	-Secretary/Director	Carmen Racy-Choy	-Staff
Mollie Dent	-City Attorney	Donna Busse	-Staff
Tamasha Johnson	-Staff	Rajiv Das	-Medical Director
Debbi Warkentin	-Staff	Gay Gale	-CAMP
Ron Kumar	-Staff	Rhonda Snyder	-Staff
Veronica Niebla	-Staff	Antonio Guerra	-Mayor's Office
Doug Riccobono	-ABMEI	Allen DeMers	-HR
Jesselle Holcomb	-Staff	Ceara O'Fallon	-Staff
Linda Dittes	-AFSCME	Alex Gurza	-OER
Barbara Hayman	-Staff	Maria Loera	-Staff
Karin Carmichael	-Staff	Gerry Chappuis	-MEF
Melanie Kirmse	-CEO	Aracely Rodriguez	-OER
Yolanda Cruz	-MEF/AFSCME	Raul Guerrero	-Airport
Amanda Ramos	-Staff	Sally Griffin	-Airport
Diane Hunt	-GRS	Leslie Thompson	-GRS

REGULAR SESSION

Chair Busse called the meeting to order at 8:32 a.m.

ORDERS OF THE DAY

Chair Busse stated Item 4c has been pulled at the request of the applicant, and Items 16 and 17 will be deferred.

RETIREMENTS

1. Disability Retirements for Hearing

- a. **Raul Guerrero**, Traffic & Parking Control Officer, Airport Department.
Request for service-connected disability retirement effective March 29, 2009; 10.24 years of service.

For the record Raul Guerrero was present and represented himself. The following medical reports were received:

MEDICAL REPORTS - DR'S NAME	DATED
1. JOSE REYES, M.D.	2/27/09 (x2), 8/19/08 (x2), 8/9/07
2. ALFREDO FERNANDEZ, M.D.	1/14/09
3. WAYNE CHRONISTER, M.D.	5/6/08, 2/15/08, 11/8/07, 10/12/07

4. DONNA HICKOX, M.D.	8/16/07
5. ROGER KERR, M.D.	8/14/07
6. MICHAEL COLLINS, M.D.	7/25/07, 6/25/07
7. SUSANNA RUSSELL, MPT	7/2/07

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
DR. RAJIV DAS	10/29/09

(M.S.C. Constant/Loesch) to deny. Motion carried 7-0-0.

b. **Neil J. Walsh**, Plant Mechanic, Environmental Services Department.
 Request for a change in status from service to service-connected disability retirement effective March 21, 2009, 22.44 years of service.

For the record Neil Walsh was not present. The following medical reports were read into the record:

MEDICAL REPORTS – DR'S NAME	DATED
TED ROBINSON, M.D.	2/18/09(EIGHT REPORTS) : 2/12/09 : 11/21/08 : 10/17/08 : 10/10/08 : 5/22/08 : 5/20/08 : 4/24/08 : 4/1/08 : 10/11/07 : 9/4/07 : 3/23/07 : 8/22/06 : 2/28/06 : 9/27/05 : 12/2/2003 : 11/11/2003 : 10/13/03 : 11/7/03
RAVI PANJABI, M.D.	7/3/08
THOMAS JULA, M.D.	3/24/08
LAWRENCE CHAN, M.D.	7/13/07
EDWARD DAMORE, M.D.	3/16/07
MURRAY SOLOMON, M.D.	12/07/06 : 10/23/03
JOHN COLMAN, M.D.	8/29/06 : 4/12/06 : 1/26/06
DAVID KRAMER, M.D.	8/22/06 (TWO REPORTS)
MARK CULTON, M.D.	12/20/05 : 12/16/05
ROBERT CARSON, M.D.	2/14/05
JOAN BURG, M.D.	11/5/03
I. DIHEN, P.A.	11/6/03
DEVON HOLDER, M.D.	11/5/03
JEROME CHESTER, M.D.	8/8/03
TRAM NGUYEN, M.D.	7/18/03 : 7/10/03
DAVID HOEWISCH, D.C.	11/9/01 : 8/15/01 : 5/14/01

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	10/29/09 : 6/30/09

(M.S.C. Overton/Kalra) to deny. Motion carried 7-0-0.

CONSENT CALENDAR (Items 2 thru 9)

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

Service retirements approved:

- Nicholas E. Buchanan**, November 28, 2009 (w/Reciprocity)
- James J. Dowgialo**, November 28, 2009
- Cynthia Kunesh**, December 26, 2009
- Lai W. Lam**, December 12, 2009
- Richard A. Lucas**, November 28, 2009
- Cathy L. Miller**, December 12, 2009 (w/Reciprocity)
- Roland E. White**, November 28, 2009 (w/Reciprocity)

Deferred vested retirements approved:

- William E. Foley**, December 2, 2009 (w/Reciprocity)
- Arlene M. Gibbs**, December 2, 2009 (w/Reciprocity)

Edmund C. Mercado, December 2, 2009
 Robert P. Morris, December 19, 2009 (w/Reciprocity)

DEATH NOTIFICATIONS (Item 10 - Moment of Silence)

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

OLD BUSINESS (Item 11-14)

11. Travel Audit compliance update.

Mrs. Niebla stated there are a few remaining issues, and will be bringing a revised Travel Policy to the Committee.

12. Approval of the purchase and implementation of the Granicus solutions software at an initial cost of \$10,678.12 for the set-up and installation, and then a monthly expenditure for service of \$274.70. (Costs to be equally shared with P&F).

Member Constant stated he believes moving the meetings to City Hall would provide the most benefit to the Plan, as City Hall allows for video and/or audio production. Member Kalra concurred.

(M.S.C. Overton/Loesch) to approve purchase/implementation of Granicus, and adding item to the budget. Motion carried 6-0-1. (No: Constant)

13. Approval to add bargaining units in PensionGold at a cost not to exceed \$1,000.

(M.S.C. Constant/Loesch) to approve. Motion carried 7-0-0.

14. Discussion and action regarding GRS' assumptions for the valuation for the period ending 30 June 2009.

Ms. Thompson presented an analysis of the impact on member and employer rates for consideration when decreasing the investment return assumption from 8.25% to 7.5%. The Board requested GRS to review the baseline results at 8.25%, then results at 8.0%, 7.75%, and 7.5% assuming for this analysis that all demographic assumptions will be approved, and that the change in discount rate will impact both to the real rate of return and the inflation rate in a proportional manner.

Study Results - One year results

Budget Item	Baseline	New Baseline	8.00%	7.75%	7.50%
Employer - Retirement	18.31%	20.19%	21.80%	23.43%	25.15%
Employer - Health and Dental	5.25%	7.02%*	7.27%*	7.55%*	7.83%*
Employee - Retirement	4.28%	4.42%	4.64%	4.86%	5.10%
Employee - Health and Dental	4.65%	6.29%*	6.52%*	6.77%*	7.03%*

* Includes change from Policy Method to GASB valuation method and change to allocation of costs per Municipal Code. The previous rates are estimates based on the 2007 demographic data.

Mrs. Racy-Choy noted that all bargaining parties have negotiated a cap at 75 bps per year as the maximum that an employee's contribution rate for health and dental can increase, which is not reflected in these numbers. The cap will be applied to establish the actual employee rate once the Board makes its rate setting decisions. Ms. Racy-Choy also noted that historically the Plan's net rate of return since inception has been below 8.25%.

Mrs. Racy-Choy stated that given the existing asset allocation staff projected the Fund's ability to achieve an expected return of 7.5% to 7.75% at roughly 25% to 30% over a 30-year horizon.

Ms. Thompson stated the results presented are based on 2007 data.

Vice-Chair Loesch stated the Board has a constitutional requirement to consider the impact of the rates on the employer. The rates have to be looked at in a way that considers the City as a whole.

The Secretary stated the proposed changes are a result of reviewing the portfolio and the expected performance over the long term, and has nothing to do with the economy at this point in time.

Member Perkins requested that the contribution rates be recalculated using 2009 data.

(M.S.C. Overton/Loesch) to continue discussion to January Board meeting and direction to staff and actuary to present additional information.. Motion carried 7-0-0.

NEW BUSINESS (Items 15-12)

15. Discussion and action regarding staff's recommended change in amortization method and amortization period for the valuation for the period ending 30 June 2009.

Mr. Bennett stated staff recommendations for the amortization method and period are outlined in the memo provided. Given the current amortization method, the Plan is not paying off the interest on the unfunded actuarial liabilities resulting in an intergenerational shift in pension cost to future taxpayers and employees. The GASB 30-year rolling amortization is the most aggressive methodology allowed, however very few Plans use this approach. Staff recommends moving towards a layered approach, and to use a 15 to 20-year amortization period for gains/losses.

Member Constant stated it is important that the decision the Board makes achieves the goals of progressing towards 100% funding, and sets a target. The layered amortization method recommended by staff seems reasonable in working towards reducing the unfunded liability, since the unfunded actuarial accrued liability (UAAL) is born by the City.

Mr. Gurza stated on behalf of the City Administration it is appreciated that the Board is considering the impact on the City's budget. City Administration supports the 7.5% rate for the investment return, but would rather have the impact phased-in. He expressed concern over any intergenerational transfer of liabilities. The retiree healthcare liability caused exploration of amortization, and closed amortization was selected for the calculation of post-retirement health benefit liabilities for the reasons mentioned. He recommended closed amortization for the pension calculation as well. He would like to see the funded ratio get to 100%.

Ms. Cruz stated on behalf of AFSCME/MEF stated they are concerned given the challenges of reducing the rate down to 7.5%, as there still remains the need to keep the City viable.

(M.S.C. Constant/Perkins) to direct GRS to run the numbers at 7.5 and 7.75% with 20 year layered and 30 year closed amortizations. Additionally, approval of moving to performing valuations annually. Motion carried 5-2-0. (No-Loesch/Overton).

16. Acceptance of GRS' memo declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve and no distribution from the SRBR fund.

(M.S.C. Loesch/Overton) to approve. Motion carried 7-0-0.

17. Adoption of Resolution No. 6551 declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

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

18. Request for Board discussion and possible action to staff regarding Alex Gurza's memo dated 9/21/09 concerning actuarial valuation issues.

Item deferred

19. Board discussion and possible action on GRS' contribution and actuarial projections. **(Cont. from Sept.)**

Mrs. Racy-Choy stated these projections are outdated and will be superseded by new numbers.

Item is note and file.

20. Approval to conduct an RFP for consultant services to aid in the selection of a new pension administration system/vendor. (Costs to be shared equally with P&F).

(M.S.C. Loesch/Overton) to approve. Motion carried 7-0-0.

23. Adoption of Resolution No. 6550 adopting findings and decision denying the application of William Meyer for a service-connected disability retirement.

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

22. Adoption of Resolution No. 6554 adopting findings and decision denying the application of Rachel J. Aldana for a service-connected disability retirement.

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

23. Election of Chair/Vice Chair for 2010.

(M.S.C. Busse/Overton) to approve nomination of Member Loesch as Chair and Member Busse as Vice-Chair for the 2010 year. Motion carried 7-0-0.

24. **Approval of Travel/Conference Attendance**

Trustee _____

Conference Name/Location/Dates

Pete Constant | IIR's Public Fund Boards Forum – San Francisco; December 13 – 15, 2009

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

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

25. **Committee for Investments (Perkins/Loesch/Busse – alt/Constant)**

a. Summary of meeting held 24 September 2009

1. Approval to increase GE Asset Management's single-asset diversification limit on the Riverwood 100 property in Atlanta from 10.0% to 12.4%.

(M.S.C. Loesch/Constant) to approve. Motion carried 7-0-0.

26. **Committee of the Whole (Full Board)**

27. **Policy Committee (Busse/Overton/Constant – alt/Loesch)**

EDUCATION AND TRAINING

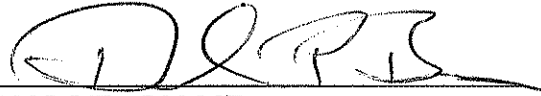
28. Notification of IIR's 18th Annual Public Fund Boards Forum to be held in San Francisco, December 12 through 18, 2009

FUTURE AGENDA ITEMS

29. **PUBLIC/RETIREE COMMENTS**

ADJOURNMENT

There being no further business, **Chair Busse** adjourned the meeting at 11:58 a.m.



DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION