

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

January 12, 2006

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:30 a.m., on Thursday, January 12, 2006, in regular session at City of San Jose's Retirement Services, 1737 North First St., San José, California.

ROLL CALL

Present:

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

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

Absent:

David Cortese

City Council Representative

ALSO PRESENT:

Edward F. Overton	-Secretary / Director	
Susan Devencenzi	-City Attorney	Russ Richeda
Dr. Das	-Medical Staff	Pascal Roubineau
Dave Rodriguez	-PWRE	Ron Kumar
Bob Leininger	-SJREA	Linda Dittes
Wayne G. Paigly	- ESD/WPCP for IBEW	Tamasha Johnson
Udaya Rajbhandari	-Staff	Mario Olivera
Karin Carmichael	- "	Judy Powell
Colleen Hy	- "	Roger Pickler
Aleta Holcomb	- "	Ron Bratcher
David Rodriguez	-PW RE	Frank Chavez
Clara F. Garcia	-CAE	Lisa Chavez
C. Gebhardt	-IBEW	Joe Charfauros
Doug Riccobond	-ABMEI	Matt Davis
Carol Bermillo	-Staff	Michael Howard
Sarah Nunes	-ES	Anne Ortiz
Rhonda Snyder	-Staff	Doug Baker
Allison Suggs	-OER	Mike Pribula
Carolyn Lando	-GS	
		-Outside Attorney
		-OE3 Steward
		-Staff
		-AFSCME
		-Staff
		-Budget
		- "
		- "
		-Code Enforcement
		-Retiree
		-Retiree's Daughter
		-PRNS
		-Attorney
		-PBCE
		-Budget
		-OER
		-Staff

REGULAR SESSION

The Chair called the meeting to order at 8:33 a.m.

CEREMONIAL PRESENTATION

Presentation of commendation to Bradley Imamura. (Item was deferred to February)

RETIREMENTS

Disability Retirement for Hearing Retirements per SJMC Section 3.28.1290

Ronald Bratcher, Code Enforcement Inspector II, Planning, Building and Code Enforcement, effective June 10, 2004; 8.97 years of service.

Mr. Bratcher was present and was represented by *Mr. Matthews*.

The Secretary read the list of doctor reports submitted to his file for review and stated that at the time of Mr. Bratcher's application he was on modified duty and the department can continue to provide work that meet's Mr. Bratcher's medical restrictions.

Mr. Matthews stated that Dr. Das' medical restrictions include that Mr. Bratcher have no more than six customer contacts per hour and do not mention anything about keyboarding. In that department they tend to have 15 or more customers in any hour and the treating doctor's recommendation should be given more weight.

Member Callahan asked if there were any other accommodations made so that Mr. Bratcher could do his work without keyboarding.

Mr. Hannan, Deputy Director for Code Enforcement, stated that the Department has held steadfast that they can accommodate the restrictions recommended by Dr. Das; that Mr. Bratcher should not exceed 10 minutes of fine hand manipulation without a 5 minute break. The department has support staff to provide keyboarding; however the department cannot accommodate customer contacts to only 6 per hour.

Dr. Das stated that there is degeneration, whether the cause is from work is not clear, but that is the underlying assumption but it is not documented. The issue of a medical impairment as it relates to physical finding(s) to be a disability arising and how it affects someone form doing certain things. A mild nerve root pinch is documented as you have it or you don't, not a slight pinch, its not possible. He is unsure how the client's symptoms got from arthritis in his neck and possible nerve root irritation to him not being able to use his arm. Dr. Das explained that this is a subjective issue of one's pain threshold and that many people in his experience with similar symptoms are able to do more than what is in Mr. Bratcher's job description.

Member Perkins asked Dr. Das how he determined that six contacts was the limit Mr. Bratcher should handle per hour.

Dr. Das stated that in his attempt to limit the issues described by Mr. Bratcher and based on numerous discussions with the patient, in terms of work volume, that seemed to be the average amount of customer contact.

Member Thomas stated that he believes Mr. Bratcher has a disability but that it is not service-connected and the department is willing to accommodate his work restrictions.

(M.S.C. Callahan/Yoshimoto) to approve a service-connected disability. Motion denied 2-3-2. (NO – Busse, Perkins, Thomas) (Absent – Cortese, Williams).

Richard A. Lant, Electrician, Airport Department, effective July 16, 2005; 20.65 years of service.

Mr. Lant was not present.

The Board discussed the medical reports and restrictions on the applicant. The medical restrictions can be accommodated by the Department and he could do his regular work. Mr. Lant is currently on a service retirement, he retired in 2005, and this is a change in status to a disability leave.

(M.S.C. Thomas/Perkins) to deny request for a service-connected disability. Motion carried 5-0-2.

CONSENT CALENDAR (Items 3 thru 10)

(M.S.C. Thomas/Perkins) to approve Consent Calendar. Motion carried 5-0-2.

DEATH NOTIFICATIONS (Moment of Silence)

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

(M.S.C. Perkins/Thomas) to approve payment of death benefits.

NEW BUSINESS

Approval of Secretary to negotiate and execute a management search agreement with Avery Associates for recruitment of a deputy director for Retirement Services at a cost not to exceed \$26,000 (to be split 50/50 with PF).

The Secretary stated that two years ago a consultant firm was hired and they could not find a qualified candidate, however while the department thought the firm was actively looking the firm had went out of business. So we sent out another RFP and got back two very qualified firms, we hope to get back some candidates within the next 15 weeks.

Member Perkins stated that he would like the Board to be very involved and asked about the job description and if both Board agree on the job description.

The Secretary said that going forward; the description would be that of a Chief Fiscal Officer, as had been discussed in prior discussions.

The Board discussed the compensation, current staff structure, the need to fill position, and ways to establish incentive to get a qualified candidate in the position.

(M.S.C. Callahan/Yoshimoto) motion to approve. Motion carried 5-0-2.

Approval of budget increase to cover expansion of office space for additional 2,160 square feet on the 6th floor of 1737 N. First Street, for a cost not to exceed \$150,000 for construction costs **or** \$6,550 rent increase for the fiscal year ending 30

June 2006 (to be split 50/50 with PF).

The Secretary said that the current room is undersized. The room is used for training, meetings, and classes, which as a long term plan the Department would like to turn the current space into staff cubicles and create a new conference room on the 6th floor. Staff recommends raising the rent which will be at market.

(M.S.C. Yoshimoto/Callahan) motion to approve. Motion carried 5-0-2.

OLD BUSINESS

Review of alternative plan scenarios and itemized detail of assumption rates to be provided by Norm Losk – GRS.

Mr. Roeder explained that there were 10 entities selected in California for comparison of rates and he doesn't believe that the rates they are recommending are out of the norm. The different plans are not apples to apples; a big difference is if plans have pension obligation bonds issued, and the policy/statute of amortization period. Only the employer contribution rates looked at.

The Chair asked if the new accounting rules for the medical will influence any of the recommended numbers.

Member Callahan asked if there are any standard set for the level of funding of a plan.

Mr. Roeder stated that there are no influence on the rates when medical accounting method changes. He stated that Government plans are exempted from standards but the median funded ratio is about 85 %. Our plan is a bit more than 85 % funded.

Member Callahan asked why pension bonds are issued.

Mr. Roeder said that plans issue pension bonds for a combination of them being severely under funded and sometimes to lower contribution rates, which are hardly ever pushed by Retirement Boards.

The Board and *Mr. Roeder* had further discussion on the issuing of pension bonds, scenarios to do it, the affects they have, how they are issued and who actually issues them.

Mr. Losk discussed the contribution rate and the analysis for the pension and medical plan to look at how they got from 23.18% to 29.56% rate we will look at a few things. He stated that both structures contribute about 3.2% each. The healthcare calculations are based on amortization of what they expect healthcare premiums to be over the next 15 years, so they make an assumption on healthcare cost and the number of retirees. The size of our plans covered group went down by a few hundred and the pay went up some thousands but even with payroll increases, with fewer people on payroll it was \$30 million less than expected. The experience was different than assumed, so the recommended set of assumptions doesn't contribute to increase.

Mr. Roeder explained that for our actuarial value of assets and our benchmark set at 8.25 %, and we only get 6 % of an asset gain then the actuarial loss is 1.77 % return even though it was positive, it was less than the actuarial threshold.

Mr. Losk said that there were some big loss items, one was the large excess of actual over the expected retirements and about 2/3 of those happened before the age of 60, so it was double than assumed. The other was salary gains; there was less pay increase than expected over the last two years. The net basis assumptions changes reduced the contribution rate, and the inflation assumption on pay increase assumptions was too high, so both of these elements need to be reduced. GRS is not recommending a change in total rate of return of 8.25 % but have changed components making up the rate. The inflation rate of 4 % gets closer to median and the investment return rate of 4.25 % get slightly over the median. He then mentioned that at the last meeting the Board accepted the report but not the assumptions.

(M.S.C. Yoshimoto/Callahan) to accept assumptions. Motion carried 5-0-2.

Presentation on Business Continuance Plan ‘Platinum’ offering by LRS.

Mr. Catalinger gave some background on how Pension Gold started, how it evolved, and now they are able to offer this product. He then stated that they become the back up and would have access to Pension Gold to assist our clients, and they would do check disbursements should our servers go down due to events beyond our control.

The Chair asked how they are able to get files to the Banks for ACH's generated by Pension Gold, which are shipped out to a Clearinghouse.

Member Perkins said that the Clearinghouses are Federal and the Bank industries have their own off-site back-up.

Member Callahan asked that with the different Pension Gold locations, is our data spread all over.

Mr. Caltaling stated they have 8 buildings in the Connecticut location. That facility has HVAC, the highest level of CPU security, and data back-up occurring every evening. He said the two most common problems that would affect their facility would be a storm disruption of power, or an equipment problem causing a disruption. They have several back-up generators and they have had several power outages/disruptions but nothing has shut-down. They are currently working on the LRS plan for the future. The main exposure they have is that nothing is a documented plan of action in case of serious disruption.

The Secretary asked if the system has been through a stress test, and if they plan to do a simulated disaster with all possible scenarios looked at.

Mr. Caltaling said they have not done that but will be doing similar tests run on our plan including actually processing the payroll. He mentioned that this is not disaster recovery but business continuance.

The Chair asked if the system here went down and no one could communicate to them that something has happened then what initiates then to do the processing on their end.

Ms. Uhrowczik said that they were working on the different what-ifs and then they will run the test in a structured detailed way.

Member Perkins stated that he felt that our plan was in some ways developing a reliance or dependence on the LRS Company.

Mr. Calstileg responded that over the years as they offered new products to better serve their clients, we could have researched the market and went elsewhere but due to the type of client relationship they have the clients in some respect is dependant on for these services since they are already familiar with the information.

STANDING COMMITTEE / REPORTS / RECOMMENDATIONS

Investment Committee of the Whole

The Board received the summary of the meeting held on 30 November 2005.

Real Estate Committee

The Board received the summary of the meeting held on 14 December 2005.

The Secretary recommended approval of the 2006 Business Plan and Budget for the Milpitas Warehouse.

(M.S.C. Perkins/Thomas) to approve. Motion carried 5-0-2.

Committee for Investments

The Board received the summary of the meeting held on 30 November 2005.

The Secretary recommended authorization of Atlanta Capital Management, Brandywine Asset Management and Eagle Asset Management to conduct transactions pursuant to soft dollar arrangements with third party brokers.

(M.S.C. Callahan/Thomas) to approve. Motion carried 5-0-2.

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

Member Thomas stated the next meeting would be held at 9am on January 25, 2006 at City Hall, Room W262. At the last meeting, they discussed the results of the open enrollment, disability and other employee leave regulations, and new legislation introduced and approved.

EDUCATION AND TRAINING

PUBLIC/RETIREE COMMENTS

Mr. Paigly a Union Representative mentioned his desire to make a complaint of dissatisfaction, as he did not receive notification of the meeting via U.S. Postal Service which he has for many years and when he phoned the Retirement Services main number the lady that answered acted unknowledgeable.

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 11:26 a.m., **Chair Busse** adjourned the meeting.

**DAVID BUSSE, CHAIRPERSON
BOARD OF ADMINISTRATION**

ATTEST:

**EDWARD F. OVERTON, DIRECTOR
BOARD OF ADMINISTRATION**