

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

**THURSDAY**

**SAN JOSÉ, CALIFORNIA**

**April 10, 2008**

### **CALL TO ORDER**

The Board of Administration of the Federated City Employees' Retirement System met at 8:39 a.m., on Thursday, April 10, 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**  
**Forrest Williams**  
**Matt Loesch**

**CHAIR, Civil Service Representative**  
**Vice-Chair, Retiree Representative**  
**Public Member**  
**City Council Representative (arrived 8:44 am)**  
**Employee Representative**

### **NOT PRESENT:**

**Tim Callahan**  
**Pete Constant**

**Employee Representative (Excused)**  
**City Council Representative (Excused)**

### **ALSO PRESENT:**

**Russell U. Crosby** -Secretary/Director  
**Mollie Dent** -City Attorney  
**Tamasha Johnson** -Staff  
**Rhonda Snyder** -Staff  
**Toni Johnson** - "  
**Amy Yav** -Staff  
**Udaya Rajbhandari** -Staff  
**Amanda Ramos** -Staff  
**Allen DeMers** -HR  
**Bob Leininger** -SJREA  
**Donna Busse** -Staff  
**Corina Fernandez** -Staff  
**Maria Loera** -Staff

**Tom Webster** -Staff  
**Russ Richeda** -Outside Attorney  
**Tom Reilly** -OE3  
**Karin Carmichael** -Staff  
**Cion Garcia** -Staff  
**Linda Dittes** -AFSCME  
**Doug Riccobono** -ABMEI  
**Ceara O'Fallon** -Staff  
**Ron Kumar** -Staff  
**Scott Johnson** -Finance Department  
**Trish Glassey** -CEO  
**Veronica Niebla** -Staff  
**Bill Pope** -OE3  
**Carol Bermillo** -Staff

## **REGULAR SESSION**

**Chair Busse** called the meeting to order at 8:39 a.m. He acknowledged Mrs. Dent, who will temporarily serve as the City Attorney representative.

**The Secretary** introduced Ceara O'Fallon, investment analyst.

## **RETIREMENTS**

### **CONSENT CALENDAR (Items 1 thru 10)**

(M.S.C. Loesch/Thomas) to approve Consent Calendar. Motion carried 4-0-3. (Absent: Callahan, Constant, Williams).

Service-Connected Disability retirements approved:

Lori Cino, June 20, 2006

Change in Status from Service retirement to Service-Connected Disability retirements approved:

Michael McHaffie, March 31, 2003

NonService-Connected Disability retirements approved:

Danny McNatt, March 22, 2008

Service retirements approved:

Marian Arita, March 22, 2008

James P. Brennan, March 29, 2008

Jo-Ann Collins, March 22, 2008

John R. Hutton, April 5, 2008

William Oxenrider, May 3, 2008

Deferred Vested retirements approved:

Sharon Dacanay, December 1, 2007 (W/Reciprocity)

Jane Gonzales, April 29, 2008

Igin C. His, April 7, 2008

Mamerto Torres, April 10, 2008

## **DEATH NOTIFICATIONS** (Item 11 - Moment of Silence)

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

## **OLD BUSINESS (Items 12 – 15.)**

### **12. Request for Board direction concerning upcoming retreat with City Administration.**

The Secretary stated a meeting took place between the P&F and FCERS Chairs, Vice-Chairs, City Manager, Deputy City Manager, and the City Attorney that lasted an hour and all members agreed to hold an all day retreat. Each Board will assign members to represent the Board at the retreat, which has tentatively been scheduled for May. P&F named Chair Skeen, Vice-Chair Heredia, and Member Muncy as their representatives at the retreat.

(M.S.C. Perkins/Thomas) to direct Chair Busse to appoint members of the Board as representatives at the retreat. Motion carried 4-0-3.

### **13. Action on the attorney assigned by the City Attorney's Office to replace Susan Devencenzi and request to review attorney's experience and qualifications.**

Mrs. Dent stated she has been temporarily assigned to the Board after Ms. Devencenzi's retirement, and she will keep on top of assignments and do her best.

Chair Busse stated he was aware they conducted interviews last week for filling Ms. Devencenzi's position, and asked if the recruitment specifically requested retirement/pension experience.

Mrs. Dent replied it requested financial experience to attract a larger pool of candidates. Also she was not aware of the outcome of any interviews at this time.

### **14. Oral update on City's audit of Retirement Services travel and the Public Records Act request on travel expenditures.**

The Secretary stated the requested documents have been provided and that both the City Auditor's Office and the Mercury News representative have requested to come to our office to review receipts.

Mrs. Niebla stated the receipts for this fiscal year and last fiscal year were reviewed at our office by the City Auditors.

**15. Oral update on the status of the Sunshine Reform Task Force.**

*Mr. Webster* stated the Lisa Herrick was scheduled to present on this item but unfortunately could not join us today, so he will go through the presentation she provided. Last year the Sunshine Reform Task Force passed recommendations that only applied to the City Council, now they have made recommendations that apply to other Boards and Commissions. The Rules Committee recommended that agendas be posted 7 days in advance with the ability to post an amendment in accordance with the Brown Act requirement of 72 hours. Special meeting posting requirements are to be consistent with the Brown Act. Staff reports or supplemental reports will need to be posted 7 days in advance, if available. Informational memorandums should be posted as soon as possible but that will remain at the Board's discretion. The recommendation for retaining audio recordings is to archive them for two years. Action minutes are to be posted within 10 days following a meeting.

**Member Williams** stated he is unaware of any complaints about the minutes in all the time he has served on the Board, so he sees no reason for all these recommendations when the Board has been conducting its business in an efficient manner. He would argue the point about the recommendations since there is nothing that it resolves.

*Mr. Richeda* stated many recommendations are still preliminary and the final report that pertains to the Board is not finished.

*Mrs. Dent* stated it is not efficient to have two sets of minutes; one action and one full version. Most Boards and Commissions have only one set, which are action minutes and they are the minutes since the tape is the official record.

*Mr. Webster* continued on the types of topics that may be discussed in closed session. This is an item that may be discussed at a retreat or other future time. The Retirement Board adjourns into closed session mainly for real estate transactions or litigation, so the Board would report out the conclusion or decision made. The Council agreed that if a decision is made regarding litigation then it is subject to open session approval (which is taking the vote again in the public meeting). There also needs to be some open session approval on real estate transactions. Ms. Herrick also discussed proposed rules on reports out of closed sessions regarding litigation matters. Regarding audio recording of closed sessions, there is still some discussion pending. Another proposal is to make audio recordings of closed sessions available to be reviewed for possible Brown Act violations. If disclosing of closed session matters is to occur, the City Attorney's Office recommends the use of transcripts for accuracy.

**Member Williams** stated he understands reporting out to keep the public informed, but at the same time not to limit our ability to do the best job we can do and achieve great results in negotiations and investments.

*Mr. Richeda* stated that Mrs. Busse has been proactively conducting research and obtaining feedback from professors at the Wharton School and industry professionals regarding the discussion about disclosure of real estate negotiations.

**NEW BUSINESS (Items 16 – 21.)**

**16a: Action on City's request to have the Director of Retirement Services work with the City Administration's team on a plan for potential pre-payment of the employer's annual retirement contribution to the Federated Plan and approval for Board's actuary to provide an analysis to the Board and the team of the City's contribution rate if the City pre-pays the annual retirement contribution.**

*Mr. Johnson* on behalf of the City Manager's Office requested the Secretary to be authorized to work with a multi-departmental team and consultants to proceed from the preliminary analysis and begin formulating a proposal for prepayment. There is a proportionate advantage to the City for paying the ARC in advance around July. PERS provides such a discount. To evaluate the benefit of paying the ARC it would be necessary for the Plan's actuary to do an analysis to determine the effect such a prepayment would have. The request before the Board is to accept the prepayment analysis.

**Member Loesch** asked what savings there will be to the fund and if it benefits the employees.

*Mr. Johnson* stated the Plan will get the money invested sooner to pay the benefits, so the employees are then protected since the funds are in the Plan.

**Member Perkins** asked how they will determine the amount of money needed to pay in advance and how it will balance out.

*Mr. Johnson* stated that based on the multi-departmental team and the actuarial assumptions, those studies will be used to determine how much needs to be paid, then that will be merged into the budget process to come up with the plan. Once they have a report that will be brought back to the Boards.

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

- b: Action on the City's request to have the Director of Retirement Services work with the City Administration's team on a plan for potential prepayment of a portion of the Federated Retirement Plan's Unfunded Accrued Liability and approval for the Board's actuary to provide an analysis to the team and the Board of the City's contribution rate if the City makes the prepayment through the issuance of pension obligation bonds.**

*Mr. Johnson* presented on behalf of the City Manager's Office. He stated that the idea of evaluating a strategy for annual prepayment on the Unfunded Actuarial Accrued Liability ("UAAL") and the possible issuance of pension obligation bonds surfaced out of the Mayor's Budget Task Force. He would like to request that the Board grant permission for the actuaries to work with the City and analyze the impact of payment through the issuance of pension obligation bonds.

(M.S.C. Williams/Loesch) to accept the report, allow the actuary to provide analysis, and for the Secretary to work with the City's team with a cost not to exceed the budgeted amount allocated for actuarial work. Motion carried 5-0-2.

- 17. Action on the City's request to have GRS, Board actuary, provide additional analysis of various GASB 43/45 funding phase-in periods.**

**The Secretary** stated this item correlates to the prior item 16 and came out of the Solutions to Retiree Healthcare Committee. The request is to have the actuary do further analysis with a cost not to exceed the budgeted amount allocated for actuarial work.

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

- 18. Request for Board direction regarding retaining legal counsel for investment matters.**

**The Secretary** stated staff has been looking at further diversification of the investment portfolio and to do so they need investment counsel. Staff has put together a request for qualifications. The City Attorney and

staff will then review the applicants and make a recommendation to the Board.

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

19. **Adoption of a Resolution No. 6167 adopting findings and decision denying the application of Wayne A. Bellina for a service-connected disability retirement.**

(M.S.C. Perkins/Williams) to adopt Resolution No. 6167. Motion carried 5-0-2.

20. **Approval of "Monthly Payment Option" to be paid to Susan Rose, ex-spouse of Robert Hodges, Electrician; effective March 1, 2008.**

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

21. **Adoption of Resolution No. 6166 setting new contribution rates effective June 29, 2008.**

(M.S.C. Williams/Perkins) to adopt Resolution No. 6166. Motion carried 5-0-2.

## **STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 22 - 26)**

### **Investment (Committee of the Whole)**

- a. Summary of meeting held 28 February 2008

*This item is note and file.*

### **Committee for Investments (Perkins/Loesch/Busse – alternate/Williams)**

Summary of meeting held 28 February 2008

1. Approval to authorize the Secretary to negotiate and execute the full retainer investment consulting agreement with Strategic Investment Solutions, Inc.'s (SIS) at an annual fee of \$400,000 for a term ending 6/30/11.

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

### **Real Estate Committee (Williams/Callahan/Thomas– alternate/Busse) - Next meeting 2 June 2008**

### **Solutions to Retiree Health Care Security Committee (Constant/Callahan/Thomas)**

- a. Synopsis of meeting held 5 and 19 March 2008  
Future meeting dates: 4/16/08 at 9 am; 4/30/08 at 2 pm

### **Policy Committee (Busse/Perkins/Callahan) – ad hoc**

## **EDUCATION AND TRAINING - None**

## **PUBLIC/RETIREE COMMENTS**

## **FUTURE AGENDA ITEMS**

1. **Member Loesch** requested that an update be provided on the Lexin case that is going before the California Supreme Court.

## **ADJOURNMENT**

There being no further business, at 9:42 a.m., **Chair Busse** adjourned the meeting.

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**DAVE BUSSE, CHAIR**  
**BOARD OF ADMINISTRATION**

**ATTEST:**

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**RUSSELL U. CROSBY, DIRECTOR**  
**BOARD OF ADMINISTRATION**