

Minutes of the Board Meeting**THURSDAY****SAN JOSÉ, CALIFORNIA****May 14, 2009****CALL TO ORDER**

The Board of Administration of the Federated City Employees' Retirement System met at 8:31 a.m., on Thursday, May 14, 2009, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

ROLL CALL**Present:****DAVID BUSSE**

Jeffrey Perkins

Patrick Skillsky

Pete Constant

Ed Overton

Matt Loesch

CHAIR, Trustee

Trustee

Trustee

Trustee

Trustee

Trustee

NOT PRESENT:

Ash Kalra

Trustee (Excused)

ALSO PRESENT:

Russell U. Crosby	-Secretary/Director	Donna Busse	-Staff
Russ Richeda	-Attorney	Mollie Dent	-City Attorney
Tamasha Johnson	-Staff	Carmen Racy-Choy	-Staff
Debbi Warkentin	-Staff	Allison Suggs	-OER
Bill Thomas	-Retiree	Tom Reilly	-OE3
Ron Kumar	-Staff	Amanda Ramos	-Staff
Rhonda Snyder	-Staff	Alex Gurza	-OER
Veronica Niebla	-Staff	Ali Amiry	-Staff
Carol Bermillo	-Staff	Trish Glassey	-CEO
Jesselle Holcomb	-Staff	Ceara O'Fallon	-Staff
Bill Pope	-OE3	Maria Loera	-Staff
Jennifer Schembri	-OER	Yolanda Cruz	-MEF
Antonio Guerra	-Mayor's Office		

REGULAR SESSION

Chair Busse called the meeting to order at 8:31 a.m.

ORDERS OF THE DAY

Chair Busse stated Item 11 would be heard first on the agenda.

(Out of Order)**OLD BUSINESS**

11. Request for action on City Manager's memo requesting Plan's actuary calculate a discounted contribution amount for the City's lump sum contributions for Fiscal Year 2009-2010.

Mr. Johnson stated this is the request for the current fiscal year, with the intent to make the lump sum payment on or before July 27, 2009, pending the calculation from the Board's actuary. The estimated savings is about \$2.4 million. The process of reconciliation is done each pay period and, at the end of each fiscal year, a report can come to the Board. The Ordinance is written such that if there is an overpayment the credit applies against the next payment.

(M.S.C. Loesch/Constant) to approve, and a report to be provided upon completion. Motion carried 6-0-1.

(Absent: Kalra)

(Back on Agenda)
RETIREMENTS

1. Disability Retirements for Hearing

Marley S. Delgado, Code Enforcement Inspector II, Planning, Building and Code Enforcement Department. Request for a change in status from service to a service-connected disability retirement effective October 27, 2008; 17.03 years of service.

For the record Marley Delgado was present and was self-represented. The following medical reports were read into the record:

MEDICAL REPORTS - DR' S NAME	DATED
1. (FROM DR. DAS) ADULT HEALTH ADVISOR ARTICLE ON "MULTIPLE MYELOMA"	REVISED 01/11/2008
2. ROBERT FEINER, M.D.	01/22/09 (2 REPORTS), 02/25/08 (2 REPORTS), 08/13/07, 07/26/07
3. HESSAM NORALAH, M.D.	01/14/09 (2 REPORTS), 08/13/08, 08/12/08 (2 REPORTS), 03/26/07, 09/14/05
4. MANNIE JOEL, M.D.	04/28/08
5. THOMAS, LOREY, M.D.	09/24/07, 08/26/07
6. LABORATORY RESULTS	09/24/07 (PAGE 46, ITEM #12 ON DR. DAS REPORT)
7. GEORGE YANG, M.D.	08/07/07
8. SUNHEE LEE, M.D.	06/13/07, 09/22/05
9. RIVES CHALMERS, M.D.	02/12/07
10. BRIAN BAKER, M.D.	10/30/06
11. MARSHALL E. YACOE, M.D.	06/07/06, 05/18/06, 11/25/03
12. NITIN ATHAVALE, M.D.	06/01/06
13. SHARON M. STEIN, M.D.	02/21/06
14. MILUSE VITKOVA, M.D.	10/06/04
15. MINH LE, M.D.	09/10/04
16. RAYMOND HUNG, M.D.	11/11/03
17. PETER NGUYEN, M.D.	08/21/03
18. RAVINDER BAINS, M.D.	06/25/03
19. ROBERT MILLARD, M.D.	03/28/03, 01/08/03, 12/17/02
20. MARK CULTON, M.D.	03/08/03
21. MARY WANG, M.D.	11/13/02
22. CHARLENE SUNG, M.D.	11/12/02
23. TOBIAS BARKER	11/01/02

MEDICAL REPORT FROM BOARD' S DIRECTOR	DATED
RAJIV DAS, M.D.	03/24/09

Dr. Das stated the applicant suffers from multiple myeloma which is a bone marrow cancer, and she sustained a low back injury. The restrictions are primarily based on the multiple myeloma, but on the perspective of the total person. The applicant's symptoms are consistent with the myeloma.

Mrs. Delgado stated her back injury occurred a year before she was diagnosed with the myeloma. She described her duties and the working environment, which she feels injured her back and led to her inability to work.

(M.S.C. Overton/Perkins) to deny a service-connected disability. Motion carried 6-0-1.

Mrs. Delgado requested the Board's consideration and approval of a nonservice-connected disability.

(M.S.C. Constant/Loesch) to approve a nonservice-connected disability. Motion carried 6-0-1.

CONSENT CALENDAR (Items 2 thru 8)

(M.S.C. Loesch/Perkins) to approve Consent Calendar. Motion carried 6-0-1.

Service retirements approved:

Gilbert L. Dovalina, May 30, 2009
Sandra E. Hill, May 16, 2009
Elizabeth S. Isa, May 30, 2009
Mansour Malek, April 25, 2009
Joe H. Martinez, May 30, 2009
Judith D. Mitchem, May 30, 2009
Lyle M. Pardun, May 3, 2009
Timothy M. Wright, May 2, 2009

Deferred vested retirements approved:

Sandra J. Fox, May 25, 2009
Linda F. Papenfuhs, May 26, 2009

DEATH NOTIFICATIONS (Item 9 - Moment of Silence)

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

OLD BUSINESS (Item 10-13)

10. Travel Audit compliance update.

Mrs. Niebla stated the Policy Committee met and has recommended the Board adopt the new City Travel Policy, which became effective March 16, 2009. That item will be heard later in the agenda.

12. Further discussion and approval of GRS' five year closed amortization phase-in numbers for pre-funding retiree healthcare and establishment of rates of retiree healthcare contributions to be effective June 28, 2009, and authorization to forward to City Administration for implementation.

Mrs. Racy-Choy stated for Fiscal Year 2009-10 the rates for employees would be 5.11%, and the City's rate would be 5.74%. Those rate calculations are based on the policy method, and reflect all but one union's agreement to the cost sharing. Ultimately, the rate needs to be based on the GASB 43/45 method, and the cost basis is the same as the valuation. The difference is the interest rate of 8.25% used before, and the new interest rate of 7.5%, which is the rate the actuary felt comfortable with providing.

Vice-Chair Loesch stated this is the first time the 7.5% interest rate has been presented to the Board for use. There should have been a discussion. He asked how this rate was determined.

Mrs. Racy-Choy stated the rate was based on capital market assumptions already presented to the Investment Committee. She stated staff can bring back the market rate assumptions to show how the rate was determined.

Mr. Gurza urged the Board not to defer implementation, and if they needed time to discuss the change in interest rates, he would request that the Board approve the contribution rates, which are based on the 2006 actuarial valuation and the 8.25% interest rate.

The Secretary stated the Board can go forward with the interest rate of 8.25% this year for timely implementation, and going forward there needs to be discussion regarding earnings assumptions for future years.

Ms. Dent stated the Board has two choices, they can approve the new rates presented today, or the Board can approve the rates that were calculated based on the Board approved interest rate of 8.25%, and the 2006

valuation membership data.

(M.S.C. Overton/Perkins) to approve the 2009/10 rates based on an interest rate of 8.25%, for an employee rate of 5.07%; and a City rate of 5.70%, and only the cash portion of the implicit subsidy is being prefunded. Motion carried 6-0-1.

NEW BUSINESS (Items 13-17)

13. Discussion and action on request by the Office of Employee Relations regarding the impact of unpaid time off on the Federated Retirement System.

Mr. Gurza stated this is not a new idea for employees to have time off without pay, as the City has programs such as holiday furlough, reduced workweek, and voluntary 40 hour furlough each year. The fiscal situation is worsening and it is a good time to assess the impact of having furloughs. There are two issues presented in the memo: 1. after an employee reaches 1739 pensionable hours of work they are credited with one year of service credit; 2. additionally, if an employee works 2080 pensionable hours the City and the employee both make contributions to the retirement plan; however the issue is when an employee takes unpaid time off during a year, and the liability remains unchanged, that there are no additional costs for either the City or the participant and, benefits are not reduced.

Mrs. Racy-Choy stated the benefits are based on the earnable compensation, so the Board can instruct the actuary on the amount of payroll to collect using the lower amount for the basis of setting contribution rates and everyone share in the cost, and continue to collect based on earnable compensation. The actuary can estimate the dollar amount and divide it by the real payroll number for only pensionable amounts.

Ms. Dent stated there are legal issues if there any changes with benefits. Various options need to be reviewed.

Mr. Gurza stated there needs to be definitive answers, if a method is impossible then that needs to be known, and the possible solutions need to come forward with any potential impacts addressed.

(M.S.C. Overton/Perkins) to authorize staff and legal counsel to work with the actuary to provide an option analysis, and provide a report to the Board. Motion carried 6-0-1.

14. Approval for the Secretary to extend the agreement with Gabriel, Roeder, Smith & Co. ("GRS"), Board's actuary, to a month-to-month basis, and authorization to increase compensation by \$77,000.00 for a total not to exceed amount of \$227,000.00.

Mrs. Racy-Choy stated this item requests additional funding, and changes the agreement to a month-to-month basis while responses to the RFP are gathered. The GRS contract expires on 6/30/09, and staff anticipates having a new actuary within three months, so this portion will cover items that come up.

Chair Loesch stated he would like to see the cost separated out for each valuation.

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

15. Approval of "Monthly Payment Option" to be paid to Irma Dominguez, ex-spouse of Louis Dominguez, Engineering Technician; effective May 1, 2009.

(M.S.C. Constant/Skillsky) to approve. Motion carried 6-0-1.

16. Approval of request from Irene Machado to rescind previously approved service retirement which was to be effective April 22, 2009. (Approved at April 9, 2009

Board meeting).

(M.S.C. Constant/Perkins) to approve. Motion carried 6-0-1.

17. Report on cash flow and liquidity analysis (Deferred to August)

18. Request for Board approval of the following trustees'/staff attendance at the educational conferences listed:

<u>Trustee/Staff</u>	<u>Conference Name/Location/Dates</u>
Mollie Dent	CalAPRS Roundtable – Ontario, CA, 6/5/2009
Donna Busse	CalAPRS Roundtable – Ontario, CA, 6/12/2009
Dave Busse	IFEBP's Refresher Workshop & Advanced Investments Management (Wharton), 9/19 thru 9/24/09, Philadelphia PA

(M.S.C. Constant/Loesch) to approve. Motion carried 6-0-1.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

19. Committee for Investments (Perkins/Loesch/Busse – alternate/Constant)

I. Summary of meeting held 23 April 2009

- 1. Approval for staff to initiate a search for an International Equity manager.**

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

- 2. Approval of the modifications to the Federated City Employees' Retirement System's Statement of Investment Policy to revise the language regarding the rebalancing of asset allocation and manager cash holdings.**

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

- 3. Approval for the Secretary to negotiate and execute agreements with Bloomberg, eVestment, and Mercer's GIMD for investment databases.**

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

4. Summary of meeting held 26 March 2009

- 1. Approval to conduct a search for a small cap manager.**

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

5. Summary of meeting held 12 March 2009

- 1. Approval for staff to initiate a Request for Proposals for an investment consultant.**

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

II. Board Adoption of Resolution No. 6430 Modifying the Statement of Investment Policy

(M.S.C. Loesch/Constant) to approve. Motion carried 6-0-1.

20. Committee of the Whole (Full Board) – Next meeting 6/25/09

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

- a. Summary of meeting held 20 April 2009
 1. Board adoption of City Travel Policy with recommended Addendum

Ms. Dent stated the travel policy can be adopted and a resolution will be drafted with the additional recommendation pertaining to the director's authority.

(M.S.C. Overton/Constant) to approve. Motion carried 6-0-1.

EDUCATION AND TRAINING

Notification of the Investment Courses at the Wharton School, University of Pennsylvania:

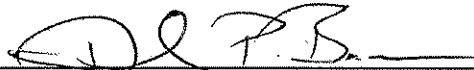
- a. Portfolio Concepts & Management – June 1 through 4, 2009
- b. Refresher Workshop in Core Investment Concepts – 20 September 2009
- c. Advanced Investment Management – September 21 through 24, 2009

PUBLIC/RETIREE COMMENTS

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 10:30 a.m., **Chair Busse** adjourned the meeting.



DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION