

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

June 12, 2008

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:28 a.m., on Thursday, June 12, 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

Matt Loesch

Tim Callahan

Forrest Williams

CHAIR, Civil Service Representative

Vice-Chair, Retiree Representative

Public Member

Employee Representative

Employee Representative

City Council Representative

NOT PRESENT:

Pete Constant

City Council Representative (Excused)

ALSO PRESENT:

Russell U. Crosby

-Secretary/Director

Mollie Dent

-City Attorney

Tamasha Johnson

-Staff

Rhonda Snyder

-Staff

Udaya Rajbhandari

-Staff

Amanda Ramos

-Staff

Ron Kumar

-Staff

Scott Johnson

-Finance Department

Donna Busse

-Staff

Veronica Niebla

-Staff

Todd Johnson

-Attorney

Bob Leininger

-SJREA

Bill Pope

-OE3

Nita Rabe-Uyeno

-CAMP

Dan Sunsui

-GS

Linda Dittes

-AFSCME

Clark Owen

-DOT

Michael Hughes

-Library

John Lang

-OED

Debbi Warkentin

-Staff

Russ Richeda

-Outside Attorney

Michael Ryder

-Finance Department

Karin Carmichael

-Staff

Doug Riccobono

-ABMEI

Ceara O'Fallon

-Staff

Lea Carey

-HR

Maria Loera

-Staff

Trish Glassey

-CEO

Valerie Osmond

-ESD

Patrick Skillsky

-PBCE

Michael Johnson

-ESD

Gay Gale

-CAMP

Allen DeMers

-HR

Don Beams

-GS

Carolyn Landon

-GS

Tom Reily

-OE3

Rajesh Adoni

-PRNS

REGULAR SESSION

Chair Busse called the meeting to order at 8:28 a.m. He stated Items 1a and 1b will be heard after Consent Calendar. And Item 8c will be pulled at the request of Member Perkins. Item 1b will be deferred to September at the request of applicant Scott's attorney.

RETIREMENTS

(Out of Order)

CONSENT CALENDAR (Items 2 thru 9)

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

Service retirements approved:

Timothy G. Callahan, June 14, 2008
Rosemary Carlyon, July 12, 2008
Stephanie Connor, July 12, 2008
Donald DeWald, July 26, 2008
Tona Duncanson, June 29, 2008
Pedro R. Franco, June 28, 2008
Anita Bachtell-Hootman, July 12, 2008 **(w/Reciprocity)**
Don A. Klein, July 26, 2008
Paula K. Korpi, July 12, 2008
Raymond L. McDonald, July 12, 2008
Nancy J. Musselman, June 28, 2008
Anita Rabe-Uyeno, July 26, 2008
Gloria J. Somontes, July 26, 2008
Norman K. Sato, June 28, 2008 **(w/Reciprocity)**
Thomas J. Webster, June 28, 2008 **(Nonservice-Connected Disability pending)**

Deferred Vested retirements approved:

Robert A. Wahler, June 22, 2008

Nonservice-Connected Disability retirements approved:

Gordon B. Hilty, June 12, 2008

Disability Retirements for hearing (Item 1a.)

Ronald Garner, Deputy Director, Environmental Services Department. Request for a change in status to a Service-Connected Disability Retirement effective July 29, 2006, 18.60 years of service.

Mr. Garner was present and was represented by his attorney **Todd Johnson**.

Dr. Das stated that Mr. Garner suffered injuries after a fall and continues to have symptoms. He has undergone surgery and the restrictions provided are based on his disability. The issue is determining causation.

Mr. Johnson questioned Mr. Garner about his history of injuries and the surgeries.

Member Callahan stated it is clear that the employee is disabled; however it is not evident that it is work related.

Member Loesch stated the department stated that they could accommodate Mr. Garner's restrictions.

Ms. Osmond stated that she authored the Department memo indicating they could accommodate the restrictions of Mr. Garner. They stated they have other managers available to step in to perform functions, so that Mr. Garner could rest, and they would provide a place for him to lay and stretch his back.

(M.S.C. Perkins/Williams) to deny the application for a service-connected disability retirement. Motion carried 4-2-1. (Absent: Constant, No: Callahan, Loesch).

(Back on Agenda)

DEATH NOTIFICATIONS (Item 10 - Moment of Silence)

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

OLD BUSINESS (Items 11-13)

(Out of Order)

13. a. Approval of draft ordinance providing City option for lump sum payment of employer-requirement contributions based on the new actuarial determination.
- b. Approval of GRS Report on recalculation of the amount for the lump sum payment in August

Mr. Johnson stated there are two recommendations pertaining to the lump sum prepayment. The Board would need to approve the draft Ordinance, which provides flexibility for the City to make periodic payments. GRS has provided an amended report for the prepayment. Also, a supplemental memo was provided showing the changes in calculations and impact to the City. There will be total savings of \$2.4 million less the forgone interest of \$1 million, so the net savings will be \$1.4 million.

Member Loesch asked if there was an overpayment would that be a credit on the next payment cycle or could it be applied to the next valuation. He also inquired about the differences in making the prepayment quarterly versus annually, and how the City plans to communicate with the Board.

Mr. Johnson stated a credit would be considered in the valuation process against the unfunded actuarial liability. Prepayment would be discussed through the City Manager's Office and a request would come to the Board prior to the end of the fiscal year. Also, at that time they would determine the frequency of the payments, and if no selection was determined by 4/30, then it is assumed that the current existing method would be used.

Member Loesch asked if it would be an option to extend a prepayment to the employees so that some savings can be reaped by employees.

Mr. Johnson stated they will be surveying other plans for a model and it will be a consideration depending on cash flow, but that option would be subject to meet and confer by the bargaining parties.

(M.S.C. Loesch/Callahan) to recommend this item go forward to City Council and to allow the payment as a lump sum. Motion carried 6-0-1. (Absent: Constant).

(Back on Agenda)

11. Update on the status of the Sunshine Reform Task Force.

Ms. Dent stated that, with respect to the issue of taping closed session meetings, the Council decided that they would tape their closed sessions pertaining to real estate transactions but would not require other bodies to do so. She has provided the memos that related to Council hearings, and the resolution amending the Council rules of conduct. Once the recommendations are implemented, training will be conducted for staff members.

12. Oral update on Retreat with City Administration.

Chair Busse stated that at the retreat roles and responsibilities were discussed, and how to blend roles for a smooth relationship between the parties. The concept of the lowest cost plan was discussed and further analysis of the issue was delegated to the City Attorney and Mr. Richeda. The parties intend to meet again in the near future to discuss the Secretary's role and who he reports to, and to discuss the composition of the Board.

NEW BUSINESS (Items 14 – 15.)

14. Action on Federated Retirement Board member nomination petitions.

Chair Busse stated that there will be an opening on the Board with Member Callahan's retirement. The Clerk received seven (7) employee petitions. He stated that if the candidates are present they may speak for 2 minutes to provide additional information or emphasize what they provided in their written statement. Then the Board will vote on the candidates using ballots until a majority is reached for one and that one will be recommended to City Council.

Mr. Owen stated that he learned a lot watching the meeting today and looks forward to the opportunity to serve.

Mr. Michael Johnson stated serving on the Board would be a great job and responsibility. He stated he serves on other Boards and has applied for the seat in the past.

Mr. Skillsky reiterated his written statement that he has no formal experience, but he is a leader in his own work group and is fiscally conservative.

Mr. Lang stated he appreciated the opportunity to speak. He stated he has applied for a seat on the board in the past. He stated this is an interesting time in the city's history with budget issues, and he recognizes the roles the Board plays. He has education in economics and finance, and is a great communicator.

Mr. Andrews was unable to attend due to unforeseen medical reasons; however Mr. Scott Johnson spoke on his behalf. Mr. Johnson stated Mr. Andrews has a 15 year career background as an equity options trader, stock broker, and is an even keeled professional. He would encourage the Board's support.

Mr. Adoni thanked the Board for the opportunity to speak. He stated he has a background in engineering, and he is currently enrolled in his MBA in finance. He provides investment consulting to companies locally. He likes the Board's proactive approach in decision making.

Mr. Hughes stated he was encouraged by co-workers to run for the seat on the Board. He has a certificate in personal finance from the UCSC extension. He advises others in financial matters and has thoroughly studied the City plans.

Ms. Gail spoke on behalf of the CLA to thank Member Callahan for all his contributions and stated that eight (8) unions are in support of Mr. Skillsky.

Ms. Dittes spoke on behalf of MEF union and thanked member Callahan, as he always worked with employees and groups to serve and keep members informed. MEF is also in support of Mr. Skillsky.

Ms. Glassey spoke on behalf of CEO stating they endorse Mr. Skillsky. She thanked member Callahan.

Ms. Rabe-Uyeno spoke on behalf of CAMP stating they endorse Mr. Skillsky and said he was the only candidate to come to the CLA for support.

Member Callahan stated that whoever serves he recommends they obtain the necessary education to do the best job they can with the knowledge necessary, and that they not be intimidated by costs, or news articles.

The 1st round of voting for the seven (7) candidates resulted in the following:

Skillsky received 3 votes	-	cast by members Loesch, Williams, Callahan
Lang received 2 votes	-	cast by members Thomas, Busse
Andrews received 1 vote	-	cast by member Perkins

The 2nd round of voting took place between nominees Skillsky and Lang, and resulted in the following:

Skillsky received 5 votes	-	cast by members Busse, Loesch, Williams, Callahan, Perkins
Lang received 1 vote	-	cast by member Thomas

(M.S.C. Callahan/Thomas) to recommend Patrick Skillsky to City Council for appointment to serve on the Federated Board. Motion carried 6-0-1. (Absent: Constant).

15. Approval of the request from Janet C. Kern to authorize termination of retirement benefits effective June 28, 2008 and reinstatement into Plan effective June 29, 2008, (Deferred Vested Retirement effective 8/1/06) due to her impending return to employment with the City.

(M.S.C. Williams/Callahan) to approve. Motion carried 6-0-1.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 16-19)

Investment (Committee of the Whole) – next meeting 28 August 2008

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

a. Summary of meeting held 24 April 2008

1. Approval to continue using the “Without Private Markets” asset allocation approach for purposes of rebalancing the portfolio as per the policy until the completion of the current strategic planning cycle.

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

2. Approval of US Equity Structure

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

b. Summary of special meeting held 8 May 2008

c. Summary of meeting held 22 May 2008

1. Approval of the 2008-09 Work Plan

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

2. Approval of the Private Equity Secondaries Fund and investment of up to \$20 million with Partners Group in their Partner’s Group Secondary 2008 Fund.

Member Thomas stated that the Retiree Association had some apprehension with this item.

Mr. Thomas from SIS stated this item is time sensitive and needs to move forward.

Member Thomas asked if this increases the allocation to more than 5%.

Mr. Thomas stated due to the lag in the process of committing money in an investment, this is part of the plan and would stay within the allocation of 5%.

Member Perkins stated an important part of implementing this asset allocation is that this is one of a series of steps of private equity investing. It takes a lot of time, so investors have to over commit. Any questions or concerns are welcome and the Committee meetings are public too and would welcome the attendance.

The **Secretary** suggested that SIS, staff, and the Retiree Association set up a meeting to address their concerns, and provide education. Also, the most important message is to reduce the overall risk of the total portfolio, although the individual pieces may have higher risk, the entire portfolio is safeguarded by stabilizing during down periods.

Mr. Lieninger spoke on behalf of the Retiree's Association and stated that the Association would appreciate further education on alternative assets.

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

Real Estate Committee (Williams/Callahan/Thomas– alternate/Busse) - Next meeting 12 June 2008

Chair Busse stated the Real Estate Committee meets immediately following this Board meeting.

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

EDUCATION AND TRAINING - None

PUBLIC/RETIREE COMMENTS

FUTURE AGENDA ITEMS

CEREMONIAL PRESENTATION

21. Presentation of commendation to Tim Callahan.

Chair Busse read the recitals into the record.

The Board expressed their appreciation and thanks to Member Callahan.

Member Callahan thanked the Board and stated he was honored.

ADJOURNMENT

There being no further business, at 10:29 a.m., **Chair Busse** adjourned the meeting.

DAVE BUSSE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION