

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

August 9, 2007

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:37 a.m., on Thursday, August 9, 2007, 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
Tim Callahan
Pete Constant
Jeffrey Perkins
Forrest Williams

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

NOT PRESENT:

Mike Yoshimoto

Employee Representative

ALSO PRESENT:

Edward F. Overton -Secretary/Director
Susan Devencenzi -City Attorney
Tamasha Johnson -Staff
Debbi Warkentin -Staff
Susan Perreira -Staff
David Rodriguez -PWRE
Roger Pickler - "
Amanda Ramos - "
Udaya Rajbhandari - "
William Bailey -PBCE
Larry Bohannan -Planning
David Wong -HR
Trish Glassey -CEO

Tom Webster -Staff
Russ Richeda -Outside Attorney
Karin Carmichael -Staff
Carol Bermillo - "
Toni Johnson - "
Tom Reily -ESD/OE3
Bill Pope -OE3
Scott Johnson -Finance
Ron Kumar - "
Robin Jacque - "
Allen DeMers -HR
Mike Pribula -Staff

REGULAR SESSION

The Chair called the meeting to order at 8:37 a.m.

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 8)

Items 2b, and 7b were pulled for discussion.

(M.S.C. Perkins/Thomas) to approve Consent Calendar. Motion carried 5-0-2. (Yoshimoto absent, Williams arrived at 8:40 am)

Larry G. Bohannan, Planner II, Planning, Building and Code Enforcement
Department; effective August 11, 2007, 37.82 years of service.

Members Callahan and **Thomas** acknowledged and wished Mr. Bohannan well.

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

Russ Richeda's memo on New Richman Proposal

Mr. Richeda stated that this pertains to the former Congressman - Keith Richman - who was trying to terminate all public pension plans. He has now filed a new petition to rewrite the terms of benefit plans, thus making much less desirable. The foundation is currently collecting signatures, and if they get enough they can place this item on the ballot for the upcoming elections. This change will only apply to new hires if enacted. There is a very powerful constituency that strongly wants to cut back benefits for public employees.

Mr. Webster said that this initiative is not just California based, but if they can turn it over in California then the rest of the country will follow suite. The funding that is coming to the Foundation could be coming from a national level to push this.

Mr. Richeda said that they have met the requirement, but there has not been any actuarially significant studies to evaluate the impact this proposal could have.

DEATH NOTIFICATIONS (Moment of Silence)

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

OLD BUSINESS

Request for Board direction to staff on City's Sunshine Reform Task Force's Provisions and Recommendations and discussion on Russ Richeda's memo on "Experience of Other Retirement Boards under Sunshine Ordinances."

The Secretary stated that the draft of the final response due date is 8/17/07, so it will not be possible to come back to the Board for approval, but we are requesting that the Board direct staff and legal counsel to submit correspondence.

Member Callahan asked what requirements in the Sunshine Ordinances would prevent us from performing our current operations for monthly meetings happening already?

Mrs. Devencenzi stated that some of the changes are requiring earlier posting to 10 days, so information would need to be supplied sooner. Also, some of the recommendations the Board has seen before, but we would like to cover the bases.

The Secretary added that the Sunshine Ordinances plan to put in exceptions for last minute additions requiring action.

Member Williams requested that once the matrix has been completed, that staff forward to the Board a very clear and concise copy for review and comment.

Update on the Director of Retirement Service search.

The Secretary announced that after more than 33 years, this will be his last meeting as Director. Council confirmed Russell Crosby as the new Director, and his first day will be August 20, 2007. He thanked the Board and staff.

The Board thanked Mr. Overton for his years of dedicated service and great Plan performance.

Action on meeting location for the monthly Board meetings.

The Secretary stated that there was a report in their packet, and there was no difference in attendance between the locations. A huge number of attendees are Retirement staff, it takes time to go to City Hall, it is

costly; and it doesn't add any value to change locations to City Hall. The Board has been getting new equipment for this room, and it is the recommendation to remain holding monthly meetings at this location.

Member Callahan suggested that with some of the major upcoming issues transpiring, we may want to consider holding pertinent meetings at City Hall for the sake of the stakeholders and attendance, and would like that option left open.

The Secretary stated that holding a meeting at City Hall is still open, if necessary.

NEW BUSINESS

Approval of discontinuing the publication and maintenance of the Retiree Name List effective for the fiscal year ending June 30, 2007.

The Secretary stated that this list was approved a long time ago, and it has been published yearly with each member's pension amount. This used to be published in the annual CAFR, then the Board approved removing it from the CAFR but keeping it on file, however we now recommend not publishing and maintaining the list any longer, as it is time-consuming for staff and unnecessary.

Member Thomas stated that the retirees use that list a lot and requested if he could still be provided a list with names and number of years of service, without the pension data.

Member Williams suggested that matters of privacy should be classified as confidential.

Mrs. Devencenzi stated that once a document has been published or given to anyone, then that document must be provided to any person that requests it. There are still pending cases in court about the release of salary, as a privacy issue, however the outcome is yet to be determined.

(M.S.C. Perkins/Thomas) to approve discontinuation of the Retiree Name List as it is, but will provide a list of names with the years of service. Motion carried 5-0-1-1. (Yoshimoto absent, Callahan abstained).

Approval of a recommendation to the City Council to amend Section 19 of Ordinance No. 27521 to add domestic partners under certain circumstances to the Federated City Employees' Retirement System.

The Secretary stated that this is making an amendment for people to qualify and that the date will be 12/31/07. This has already been calculated out by the actuary and been considered in the assumptions.

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

Approval of recognizing \$621,650,665 as the Unfunded Actuarial Accrued Liability of post-employment health (GASB 43) as of June 30, 2006 in the 2007 Comprehensive Annual Financial Report.

The Secretary stated that a report has been provided in the packet. GRS - the Board's actuary - did a study on the GASB 43 liability, and the Board adopted the report. The report gave several choices for the discount rate and the cost method, so this number comes from the selected method, which is based on the same method currently being used by the Plan for regular pension benefits. There are two things at this point that can be done, one is to use what our actuary supplied or to review Bartell's report - the City's actuary - and change assumptions.

Mr. Johnson stated that the Board was sent an executive summary, they did take other considerations and Bartell also used updated information. He would suggest that the Board defer this item to allow time for the City's actuary, retirement staff, and GRS to work together to determine which numbers to use in reporting.

There are concerns in the different assumptions used, and he had hoped for more consistency. He would like to see them work out the differences.

Mrs. Devencenzi stated she is unsure of the data that Bartell used. In the report that went before Council, it used 8.25% for PF full pre-funding, but for Federated they used 7 ¾, but the Federated return assumption is actually 8 ¾, so why are they being treated differently?

Mr. Johnson said that it is due to cost escalation differences and the general COLA increases. He would like for the auditors to feel comfortable with the numbers used.

The Secretary stated that GRS is the Board's actuary under contract, and the City's actuary says different, and the assumptions were to be forwarded to GRS for them to discuss and arrive at a solution, but that doesn't seem to be the case. He recommends that the Board authorize staff to discuss with GRS and Bartell to produce a report for the Board's review as soon as possible.

Member Callahan requested that staff provide a list of the number of employees currently eligible to retire now with 55/5 or 30 and those that are eligible to defer vested.

(M.S.C. Callahan/Thomas) to continue item. Motion carried 6-0-1.

Approval to authorize our actuary (GRS) to review the Net Pension Obligation (NPO) as part of our fiscal year 2006-2007 valuation for an estimated cost not to exceed \$7,000.

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

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

Investment (Committee of the Whole) – next meeting 8/23/07

Real Estate Committee – next meeting 12/12/07

Summary of meeting held 13 June 2007.

1. Approval to invest \$15 million in the DRA Growth and Income Fund VI, L.L.C., and to authorize the Secretary to negotiate and execute the agreement with DRA Advisors.

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

Committee for Investments – next meeting 8/23/07

Policy Committee – next meeting 8/15/07 at 2 pm

1. Approval of revised Travel and Gifts Policy.

Mr. Webster stated that this is the rough draft with the changes highlighted, upon approval today, and then those changed would be finalized.

Member Constant stated that the value of gifts received should be more specific, however it would help to note that the City's gift policy is more explicit and supersedes that of the Boards. He would like it to read that gift value not to exceed, whatever the City's limit is.

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

2. Approval of Public Records Policy.

Mr. Webster said that since this is a new policy, we are waiting on some data from other Plans surveyed, and once we receive that information we will provide a fee schedule for requests made, bring it back to the Board for approval and attach it to the policy.

Member Constant asked how this policy will align with the recommendations that are still to come from the Sunshine Task Force, primarily with issues as to where records are maintained. He also suggests that for PDF documents that digital signatures be used, so that they cannot be altered.

Mrs. Devencenzi stated that this policy can be adopted and then amended for compliance with the Sunshine recommendations, once they come forward. She stated they would remove the verbage indicating the file had to be PDF and just state that it must be in a format that cannot be altered.

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

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

a. Benefits Review Forum Report – June 2007

Member Thomas said that the meeting was good and that staff's report is good.

This item is note and file.

The Board requested moving this item to the Consent Calendar.

Director's oral update on Plan.

The Secretary stated that the Plan looks positive, and is in solid financial shape. The markets are experiencing a lot of volatility, and the Plan has experienced some decline of about a 1.5% loss from the end of July, which is normal. The Plan has a solid asset allocation and we do a rebalance review every few weeks.

EDUCATION AND TRAINING

PUBLIC/RETIREE COMMENTS

Mr. Riley stated that on behalf of the OE3 and the Labor Alliance Unions, he would request that the Board look into medical trusts similar to CalPers.

Mr. Imamura wanted to mention that there was not much notice regarding the memo that went to Council yesterday concerning health benefits. He was thankful for all the commentary made by Members Williams, and Constant. He stated that he thought there may be some conflicts due to legal council on the Board being paid a City employee. He supports Member Callahan's suggestion about keeping all Plan members and bargaining units involved, which is why he would like to see the meeting moved back to City Hall.

Mr. Bailey representing the Inspection Union stated that he would like to add their request for looking into medical trusts funds; he thinks that may be a good option. He thinks that looking at what other systems are doing and listening to our actuary is a move to finding out more about our reality.

Mr. Rodriguez stated that he too agrees that the Board should look into trusts. He thanked the Board for the work they have done, as he feels comfortable with it. He would like to advocate that the Board attempt to reconcile the differences in the numbers, also to investigate the impact of the numbers, and to find out why the City wants to use theirs versus ours. We pay our group to provide us with numbers, and we should use what we are comfortable with.

Mrs. Glassey spoke on behalf of the CEO union, and stated that they are concerned too, and would like to add their support and interest in learning more about the medical trusts option for the members. She stated that she appreciated the due diligence being done by the Board.

Mrs. Devencenzi stated for the record in response to the comment made by Mr. Imamura, there is no conflict of interest by her sitting on the Board and being a City employee because all the members of her office are members of the Plan too, and concerning this matter they intend to use outside legal council, so there will be no bias whatsoever.

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 10:09 a.m., **Chair Busse** adjourned the meeting.

DAVID BUSSE, CHAIRPERSON
BOARD OF ADMINISTRATION

ATTEST:

EDWARD F. OVERTON, DIRECTOR
BOARD OF ADMINISTRATION