

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

September 13, 2007

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:35 a.m., on Thursday, September 13, 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

Forrest Williams

Mike Yoshimoto

CHAIR, Civil Service Representative

Vice Chair, Retiree Representative

Employee Representative (arrived 8:45 am)

City Council Representative

City Council Representative

Employee Representative

NOT PRESENT:

Jeffrey Perkins

Public Member

ALSO PRESENT:

Russell U. Crosby -Secretary/Director

Susan Devencenzi -City Attorney

Tamasha Johnson -Staff

Debbi Warkentin -Staff

Susan Perreira -Staff

David Rodriguez -PWRE

Roger Pickler - “

Colleen Hy -Staff

Udaya Rajbhandari - “

William Bailey -PBCE

Ed Evans -NW Financial Group

David Wong -HR

Leslie Thompson -GRS

Tom Webster -Staff

Russ Richeda -Outside Attorney

Maria Loera -Staff

Rhonda Snyder -Staff

Toni Johnson - “

Tom Reily -ESD/OE3

Bill Pope -OE3

Scott Johnson -Finance

Ron Kumar - “

Annie Louie -MGO

Bob Leininger -SJREA

John Woolfolk -SJ Mercury News

Clarence Shuh -SJREA

REGULAR SESSION

The Chair called the meeting to order at 8:35 a.m.

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 7)

At the request of Member Williams, Item 1 (ff) was held for discussion. Also, for the record Item 1 (g) – Mr. Wadsworth – requested his retirement effective date is changed from September 22, 2007 to October 6, 2007.

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

Gerald A. Silva, Auditor, City Auditor's Office; effective August 29, 2007, 22.64 years of service.

Member Williams acknowledged Mr. Silva for his many years of service and wished him well in retirement.

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

DEATH NOTIFICATIONS (Moment of Silence)

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

OLD BUSINESS

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 and discussion on GRS' response.

Ms. Thompson stated that GRS issued a letter dated August 20, 2007, validating calculations used in the June 30, 2006 report. GRS reviewed the valuation and compared it to the 2007 calculation prepared by John Bartel to confirm the methods used and the results. Most of the differences appeared to result from using 2006 as a base year for GRS and 2007 for Bartel. *Ms. Thompson* reported that the valuation results are fair and reasonable.

Mr. Leininger stated that he appreciates the GRS analysis. He said that he feels strongly that if the Board believes the results prepared by GRS to be solid, then the Board should communicate that to its members.

Ms. Thompson stated that she compared the assumptions and methodology, neither of them are right or wrong, but the Bartel numbers are more conservative – assuming, for example, 100% enrollment, whereas GRS assumed that 85%, which more closely matches actual experience.

Mr. Webster stated that in the CAFR for year ended 6/30/06, there was 74% participation in benefits, so GRS' assumption of 85% is very conservative.

Chair Busse stated that the Board will report the results developed by the Board's actuary, since the firms collaborated on the assumptions.

Member Callahan noted the California State Constitution Article 16, Public Finance Section 17, Sub-section E regarding the plenary nature of the Board's authority. He stated that the numbers produced by GRS are valid, and all parties need to work together to mitigate the impact of retiree healthcare issues.

The Secretary said that actuarial valuations prepared by different firms will have different results, and the numbers will change every year with a new valuation. It is a snapshot in time and the Board should feel comfortable with the actuary's recommendation.

(M.S.C. Callahan/Thomas) to accept GRS' report and recognize \$621,650,665 as the Unfunded Actuarial Accrued Liability for GASB. Motion carried 6-0-1. (Perkins absent).

Rescind prior action taken at Board's August meeting, discontinuing publication of Retiree Name List and request approval to continue publication of list in accordance with last week's California State Supreme Court Decision that city employee' salaries are public information.

Member Constant noted that the Board took up this matter just prior to a California Supreme Court opinion on the subject. He stated the Board should review both the direct words and the spirit of the decision. Since the Federated Employees Retirement System is a public agency there should be transparency to those who provide funding.

Member Callahan expressed his concern about pension amounts being published. He asked if the Attorney General has interpreted information release requirements as they pertain to retirement boards.

Ms. Devencenzi said that there are already attorney general opinions published that are specific to retirement boards, so this ruling does not make an exception for reporting. Pension amounts are a matter of public record including those of state and local government agencies.

Member Williams asked if the name list is something to be routinely maintained or if it will only be provided on request.

Mr. Webster replied the name list will be maintained and distributed upon request.

(M.S.C. Constant/Thomas) to approve. Motion carried 5-0-1-1. (Callahan abstained).

NEW BUSINESS

Approval of draft agenda for the Board's October 19, 2007 retreat.

Ms. Devencenzi informed the Board that she will be unable to attend.

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

Authorization to reimburse the City for relocation expenses incurred by Russell U. Crosby, Director – Retirement Services, cost not to exceed \$20,000 (50/50 split w/P&F Plan).

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

Approval of Sunshine Reform Task Force (SRTF) Policy Body Feedback Form and direction to staff to complete the Ancillary Body Feedback Form.

Mr. Webster said that in addition to the Policy Body Feedback form, the Ancillary Body Feedback Form must be submitted as well, and requested Board approval to complete. He stated that since the form is due on 9/14/07, the form was sent but he will follow-up with a letter with today's approval from the Board.

(M.S.C. Thomas/Callahan) to approve form and recommend staff work with legal counsel in completing the Ancillary form. Motion carried 6-0-1.

Request for action on Chair's establishment of a committee named Solutions to Retiree Health Care Security Committee.

Member Callahan stated that employee and retiree representatives should be involved on the committee, and that he would be interested in being on the committee.

Member Constant said the committee should consist of members with different perspectives; and, as a Council member and retiree he should serve on the committee.

Chair Busse stated that the committee will consist of three members from each board.

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

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

Investment (Committee of the Whole)

Summary of meeting held 23 August 2007

Real Estate Committee – next meeting 12/12/07

Committee for Investments

Summary of meeting held 23 August 2007.

- 1. Approval to modify the Federated City Employees' Retirement System's ("the Plan's") Investment Policy Statement's ("IPS") Short Term Cash Management for the securities lending cash collateral under the section entitled "Control Procedures."**

Mrs. Busse reported this change in policy results from a change in the investment criteria for Northern

Trust's Core USA Securities Lending cash collateral pool, where the restriction on maturities over 3-years was raised from 5% to 15% to increase diversification and earnings.

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

Policy Committee – next meeting 9/26/07 at 2 pm

Director's oral update on Plan.

The Secretary said the CAFR is in production. The Asset Liability Model will be reviewed at the retreat. Overall, the Plan is in good condition.

EDUCATION AND TRAINING

Notification of the CALAPRS Trustees' Roundtable on Friday, October 12, 2007, in San Jose.

Member Callahan stated that he would be hosting this roundtable, and that one of the topics on the agenda will be Sunshine Ordinances.

PUBLIC/RETIREE COMMENTS

Mr. Imamura thanked Member Constant for bringing the pension list back. He requested that the Board allow public comment while voting on agenda matters. He requested that future meetings be held at City Hall.

The Chair observed that this suggestion had been discussed by the Board at a prior meeting and the Board had decided not to change the time or location of meetings. Also, it is current practice that members of the public may address the Board during the discussion regarding a specific agenda matter.

Mr. Rodriguez thanked the Board for approving the study by GRS. He expressed his concern regarding the dissemination of participant related information, and the potential for use of that information by unscrupulous organizations.

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:

RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION