

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

January 10, 2008

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:42 a.m., on Thursday, January 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

Tim Callahan

Jeffrey Perkins

Forrest Williams

Matt Loesch

Pete Constant

CHAIR, Civil Service Representative

Vice Chair, Retiree Representative

Employee Representative

Public Member

City Council Representative

Employee Representative

City Council Representative

ALSO PRESENT:

Russell U. Crosby

-Secretary/Director

Susan Devencenzi

-City Attorney

Tamasha Johnson

-Staff

Debbi Warkentin

-Staff

Toni Johnson

- "

Roger Pickler

- "

Trish Glassey

-CEO

Udaya Rajbhandari

-Staff

Judy Powell

-Staff

David Rodriguez

-PW

Bob Leininger

-SJREA

Anne Ortiz

-CMO

Doug Riccobono

-ABMEI

Tom Webster

-Staff

Russ Richeda

-Outside Attorney

Carol Bermillo

-Staff

Rhonda Snyder

-Staff

Tom Reilly

-OE3

Bill Pope

-OE3

Karin Carmichael

-Staff

Ron Kumar

-Staff

Amanda Ramos

-Staff

Allen DeMers

-HR

Aracely Rodriguez

-OER

Maria Loera

-Staff

REGULAR SESSION

The Chair called the meeting to order at 8:42 a.m.

RETIREMENTS

CONSENT CALENDAR (Items 1 thru 7)

Chair Busse pulled Item 1g, 1n, and 1o at the request of Members Williams, Callahan, and Loesch.

(M.S.C. Thomas/Constant) to approve Consent Calendar. Motion carried 7-0-0.

Service retirements approved:

Joseph Duarte, January 12, 2008

Joe Espinoza, January 26, 2008

Richard Flemate, February 9, 2008

Gloria Gill, January 26, 2008

Thomas M. Hogan, January 26, 2008

Michael L. Horning, January 5, 2008

Aletha Johnson, January 12, 2008

Robert LaMantia, January 26, 2008
John J. Leone, January 23, 2008
Teresa H. Li, January 12, 2008
Sharon M. Miceli, January 12, 2008
Stephen Peralta, January 12, 2008
Javier A. Perez, February 23, 2008 (w/Reciprocity)
David Rodriguez, January 12, 2008
Adam Stempel, January 12, 2008
Reynaldo Tolentino, February 9, 2008
Maninder S. Trewn, January 26, 2008
Deborah A. Westwater, January 2, 2008

Aletha L. Johnson, Police Data Specialist II, Police Department; effective January 12, 2008; 17.34 years of service.

Member Williams spoke to her career and wished her well in retirement.

(M.S.C. Thomas/Constant) to approve Consent Calendar. Motion carried 7-0-0.

Adam Stempel, Senior Engineer, Public Works Department; effective January 12, 2008, 25.22 years of service.

Member Loesch wished him well in retirement.

(M.S.C. Thomas/Constant) to approve Consent Calendar. Motion carried 7-0-0.

David Rodriguez, Real Property Agent II, Public Works Department; effective January 12, 2008, 21.18 years of service.

Member Callahan wished him well in retirement.

(M.S.C. Thomas/Constant) to approve Consent Calendar. Motion carried 7-0-0.

DEATH NOTIFICATIONS (Item 8 - Moment of Silence)

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

OLD BUSINESS (Items 9 - 11.)

Discussion and possible Board action on the allocation of costs of providing medical insurance coverage for calendar year 2008.

Ms. Devencenzi reported that the ordinance for this item was discussed on Tuesday by the City Council and the Council directed that the City Attorney's Office draft an ordinance to establish the Kaiser Plan without co-pays as the lowest cost medical plan for calendar year 2008. She explained each section: section one is for Federated, section two is for Police and Fire, section three makes it retro-active to January 1, 2008, section four addresses Federated's ability to provide reimbursements for overpayments of premiums and co-pays, and section five addresses reimbursements from the Police and Fire Plan. This ordinance gives retirees the same plan structure for Kaiser used in 2007, but with the 2008 premiums.

Mr. Richeda informed the Board that the Police & Fire Board has directed him to address Council regarding two comments in the ordinance. The first comments refer to the implementation of the structure, saying "In order that" is too firm and he feels the Council should maintain flexibility. The second item "Notwithstanding" suggests that it presupposes an interpretation of the language in the code.

Ms. Devencenzi explained that the language was inserted as a result of the recommendation made by the City Manager's Office and the discussion at the City Council. The phrasing "Notwithstanding" is included because the Kaiser plan is not mentioned in the Municipal Code, which is the basis of the provision for medical insurance coverage.

Mr. Richeda suggested that perhaps the use of some other language in place of "Notwithstanding". The key is to address the issue, so it is not overlooked.

Chair Busse stated that the comments that Mr. Richeda will be sending forward on behalf of the Police & Fire Board, should also be done for Federated. He agrees that the language needs to be written without ambiguous terms, and he hopes that all parties will participate in discussions to come up with a strategy to avoid recurrences of this situation.

Mr. Danaj spoke to a question posed by Member Williams concerning follow up on the issue and direction given by City Council. He stated that the City Manager's office is engaging in discussions with stakeholders and there will be a report produced from that. They are also setting up a website just for the healthcare issue and will provide all the documents pertinent to the issue for review.

Member Callahan mentioned that the Governor's office issued OPEB recommendations/findings concerning Board member obligations. He suggested that the document should be analyzed, as it may lend some direction to us.

Chair Busse suggested the analysis of the OPEB Report be an agenda item for the Trustees' retreat.

Member Loesch commented the plan was 100% funded, and then GASB changed that outlook and has created reactions. There is a clear distinction of the degree of funded according to GASB.

Member Callahan expressed concern due to prior discussions about diminishing benefits, and the upcoming meeting of bargaining parties in March to review healthcare.

Mr. Richeda suggested the Board keep this as an on-going Board item and request updates from the City Manager's office.

(M.S.C. Thomas/Perkins) to accept Mr. Richeda's comments and for him to send a memorandum to City Council, and for staff to continue monitoring the item. Motion carried 7-0-0.

Discussion and direction regarding administrative steps to implement the Board's action under Item 9.

(M.S.C. Perkins/Williams) to approve. Motion carried 7-0-0.

Approval of draft ordinance providing for an alternate allocation of costs of providing medical insurance coverage for Calendar Year 2008.

(M.S.C. Thomas/Williams) to recommend the Council approve the ordinance. Motion carried 7-0-0.

Approval of GRS' Actuarial Study for two year period ended June 30, 2007 and establishing rates of contribution effective July 1, 2008.

Ms. Thompson reported the Plan is getting stronger and noted the following changes:

1. The contribution rate for the system increased from 29.56% to 32.49%;
2. The retirement benefit funded ratio increased from 80.9% to 82.8%;

3. The health benefit funded ratio decreased from 24.6% to 21.1%;
4. The overall funded ratio dropped from 72.2% to 71.9%.

Ms. Thompson explained the reasons for the changes in contribution rates were because of medical premium increases and more retirees receiving medical benefits than expected, which also affected the net increase in the contribution rate by 2.93%. 2.76% of that increase is due to two explicit factors in the health subsidy plan – the premium increases and then all other factors and assumptions that lead to an increase in the accrued liability. There was also a slight salary and mortality loss. (Salary increases slightly more than expected, and there were slightly few deaths than expected). GRS recommended no change to the actuarial assumptions for the retirement portion of the valuation.

Member Callahan stated that in a report he reviewed it looked that if GASB costs were paid in July there would be savings.

Ms. Thompson responded that if a payment was made in July the savings would be the 8.25% interest for the year. However the real issues for many Plans are the costs of medical care and globalization.

Mr. Webster stated that since 1993 the Plan assumed medical cost inflation around 11-12% then it went down to 4%, and now averages around 7.5%. Why do we now see a jump, instead of incremental increases over the entire time?

Mr. Denaj replied the premium rate increase was 19% in 2006, then in 2007 it went down to 6.34% because it was the first time in a decade that RFP's for all of the City's insurance carriers were done. And presently for 2008 it is at 8.18%.

(M.S.C. Callahan/Perkins) to accept GRS' report and set contribution rates for 2008. Motion carried 7-0-0.

NEW BUSINESS (Items 12 – 14.)

Approval of establishment of pre-retirement of domestic partnership status for James P. Holmes, retiree.

(M.S.C. Callahan/Loesch) to approve. Motion carried 7-0-0.

Approval of establishment of pre-retirement of domestic partnership status for David Armstrong, retiree.

(M.S.C. Callahan/Loesch) to approve. Motion carried 7-0-0.

Approval of establishment of pre-retirement of domestic partnership status for Carlotta Redmond, retiree.

(M.S.C. Callahan/Loesch) to approve. Motion carried 7-0-0.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS (Items 15 - 19.)

Investment (Committee of the Whole)

- a. Summary of meeting held 29 November 2007

Committee for Investments

- a. Summary of meeting held 29 November 2007
 1. Approval of allocation target mix – Asset Liability Modeling (“ALM”) – analysis by SIS. (Presented at 10/19/07 Retreat).

(M.S.C. Constant/Thomas) to approve. Motion carried 7-0-0.

Real Estate Committee (Williams/Callahan – alt/Busse)

- a. Summary of meeting held 10 December 2007
 1. Approval of MIG Realty Advisors, Inc's 2008 Business Plan and Budget for the Milpitas Warehouse

This item was deferred to the next meeting.

2. **CLOSED SESSION – To be heard at the end of the meeting
CONFERENCE WITH REAL PROPERTY NEGOTIATORS
pursuant to Government Code Section 54956.8**

Property: Milpitas Warehouse 746-876 South Milpitas Boulevard
Negotiator: Leslie Horenburger, MIG Realty Advisors, Inc. (via telephone)

Under negotiation: Price and terms of payment

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

- a. Synopsis of meeting held 17 December 2007

(M.S.C. Thomas/Perkins) to approve the synopsis and summary. Motion carried 7-0-0.

Policy Committee (Busse/Perkins/Callahan) – next meeting TBA

EDUCATION AND TRAINING - None

CALAPRS Trustees Roundtable occurring Friday, February 1, 2008, in San Diego.
CALAPRS Principles of Pension Management for Trustees occurring March 25-28, 2008, at Stanford University.

PUBLIC/RETIREE COMMENTS

Mr. Rodriguez commended the Board on their effort to resolve complex issues.

FUTURE AGENDA ITEMS

ADJOURNMENT

There being no further business, at 11:03 a.m., **Chair Busse** adjourned the meeting into closed session.

**DAVID BUSSE, CHAIRPERSON
BOARD OF ADMINISTRATION**

ATTEST:

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