

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

October 20, 2011

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, October 20, 2011 at 8:34 a.m., in regular session at City Hall in the Wing Meeting Rooms 118-120, 200 East Santa Clara Street, San José, California 95113.

PRESENT:

BOARD MEMBERS

Matt Loesch, Chair	-Present
Ed Overton, Vice-Chair	-Present
Arn Andrews	-Present
Michael Armstrong	-Present
Lara Druyan	-Present
Stuart Odell	-Present
Martin Dirks	-Present

DIRECTOR RETIREMENT SERVICE

BOARD SECRETARY

Russell U. Crosby -Present

COUNCIL LIAISON

Pete Constant -Present

COUNSEL

Mollie Dent -Present

Russ Richeda -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
 Carmen Racy-Choy, Deputy Director, CIO
 Veronica Niebla
 Ron Kumar
 Toni Johnson
 Tram Doan
 Sonia Morales
 Troy Gavin

ALSO PRESENT:

Gerry Chappuis, MEF-Public Works
 John Bartel, Bartel Associates
 Annie Louie, Macia, Gini & O'Donnell
 Aracely Rodriguez, OER
 Tom Iannucci, Cortex Applied Research
 Nancy Ostrowski
 Alex Gurza, OER
 Sharon Erickson, City Auditor's Office

CALL TO ORDER: 8:34 a.m.

• ORDERS OF THE DAY

Chair Loesch made the following changes to the orders of the day:

- Item 4.1 and 4.2 were heard concurrently.
- Waive Sunshine Rules – Items 4.2, 4.3a and 4.3b.

The Board approved the Orders of the Day and voted to waive City of San Jose Sunshine rules on Items 4.2, 4.3a and 4.3b.

Approved. (M.S.C. – Overton/Andrews, 7-0-0)

1. CONSENT CALENDAR (Items 1.1 through 1.8)

A motion was made to approve Consent Calendar items 1.1 through 1.8.

Approved. (M.S.C. – Andrews/Druyan, 7-0-0)

1.1 Approval of Service Retirements

- a. **Greg L. Davis**, Network Technician, Information Technology Department, effective December 24, 2011; 15.84* years of service.
- b. **Mharr L. Dirige**, Environmental Inspector II, Environmental Services Department, effective September 17, 2011; 21.93* years of service.
- c. **Patricia J. Fay**, Senior Crime and Intelligent Analyst, Police Department, effective November 26, 2011; 30.18* years of service.
- d. **Antonio G. Perez**, Warehouse Worker II, Environmental Services Department, effective October 1, 2011; 20.42* years of service.

1.2 Approval of Deferred Vested Retirements

- a. **Patrick R. Carnahan**, Senior Custodian, Airport Department, effective September 26, 2011; 11.88* years of service.
- b. **Mary B. Lindemuth**, Library Assistant, Library Department, effective September 23, 2011; 7.21* years of service.
- c. **David Moreno**, Supervising Auditor, Auditor's Office, effective November 27, 2011; 9.13* years of service.
- d. **Leo B. Taa**, Custodian, Airport Department, effective September 6, 2011; 11.98* years of service.
- e. **Eric Uneberg**, Equipment Mechanic Assistant, General Services Department, effective October 19, 2011; 5.37* years of service.
- f. **Angelina J. Wendling**, Custodian, Airport Department, effective October 27, 2011; 12.21* years of service.

1.3 Approval of Change of Retirement Date

Approval of change of retirement date of **Neal K. Hinau**; from October 1, 2011 to October 2, 2011.

1.4 Approval of Board Minutes

Approval of Board Minutes of September 15, 2011.

1.5 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.6 Approval of Monthly Expenditures

Report of Federated Retirement Plan Expenses for August 31, 2011.

1.7 Acceptance of Communication/Information Reports

- a. Memo from City Attorney Richard Doyle regarding Ordinance Clarifying Role of Nonvoting Member of Retirement Boards and Correcting Provision for Stipend Payable of Police and Fire Department Retirement Board Members, dated September 14, 2011.
- b. Memo from Mayor Chuck Reed, Councilmember Constant and Councilmember Herrera regarding Retirement Board Liaison, dated September 19, 2011.
- c. Benefits Review Forum held on August, 2011.

1.8 Approval of Travel / Conference Attendance - None

Item 2 was heard after Item 3.3.

2. DEATH NOTIFICATIONS (Moment of Silence) **Note and File**

- 2.1 **Robert P. Baca**, Principal Construction Inspector, retired 10/17/87, died 09/24/11. Survivorship benefits to Annette Baca, spouse.
- 2.2 **John D. Colla**, Maintenance Worker II, retired 04/23/02, died 08/12/11. No survivorship benefits.
- 2.3 **Pedro A. Hernandez**, Maintenance Worker II, retired 05/21/1983, died 09/05/11. Survivorship benefits to Amelia Hernandez, spouse.
- 2.4 **Steven R. Herron**, Office Specialist II, retired 05/20/06, died 09/01/11. Survivorship benefits to Carlon Cagle, spouse.
- 2.5 **Rodolfo O. Zuniga**, Maintenance Worker II, retired 02/09/85, died 08/13/11. No survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

3.1 **Update of status of Board and trustee roles and responsibilities concerning proposed benefit changes, including negotiations on benefit changes for active members and retirees.**

Mr. Richeda reported to the Board that the memo is about 75% completed and will be ready for the November meeting.

3.2 **Update on legal Request for Proposal (RFP).**

Ms. Dent reported that the legal RFP has been posted and responses are due November 4th. She stated that the target date for interviews would be the week of Thanksgiving or sooner, depending on review of the written proposals.

3.3 **Discussion and action on the review of Retirement Services Department staffing.**

Access the video or audio, the agenda and related reports for this meeting by visiting the Retirement Services website at <http://sjretirement.com/> or http://sanjose.granicus.com/ViewPublisher.php?view_id=44. If you have any questions, please contact the Retirement Services Department at (408) 794-1000.

Ms. Druyan led the discussion regarding the review of Retirement Services Department staffing. The Board discussed and agreed to have a letter sent to the City Manager regarding Retirement Services staff compensation. Ms. Druyan noted she had prepared a draft.

A motion was made to authorize the Chair to send a letter on behalf of the Board to the City Manager regarding the urgency of Retirement Services compensation, and to attempt to coordinate with the Police and Fire Department Retirement Plan Board of Administration.

Approved. (M.S.C. – Armstrong/Dirks, 7-0-0)

Chair Loesch requested a moment of silence for Item 2: Death Notifications

4. NEW BUSINESS

Items 4.1 and 4.2 were heard concurrently.

4.1 Discussion and action regarding Preliminary June 30, 2011 Valuation Results and Impact of Potential Assumption Changes.

Bill Hallmark of Cheiron presented the report to the Board. The Board discussed and agreed to the following motions.

A motion was made to approve the recommended demographic assumption changes on Page 6 of the presentation also referencing Experience Study dated May 12, 2011.

Approved. (M.S.C. – Andrews/Dirks, 7-0-0)

A motion was made to adopt to lower the wage inflation assumption from the current 3.83% to 3.25% wage inflation.

Approved. (M.S.C. – Andrews/Druyan, 7-0-0)

A motion was made to set the contribution rates for the SRBR at cost of .35% of market value of assets and request Council to provide a recommendation on the cost split between employees and the City.

Approved. (M.S.C. – Loesch/Druyan, 7-0-0)

A motion was made to change the investment return assumption to 7.5% net of investment management fees and administrative expenses effective June 30, 2011.

Approved. (M.S.C. – Loesch/Druyan, 7-0-0)

4.2 Discussion on staff memo regarding the discount rate assumption.

Ms. Racy-Choy led the discussion on the staff memo regarding the discount rate assumption.

4.3 Discussion and action regarding City's request for clarification on 2010-11 Federated City contribution rate from the 2009 Valuation.

a. Memo from Alex Gurza dated October 13, 2011.

Mr. Gurza led the discussion regarding clarification on the 2010-2011 Federated Interest Earnings Assumption and Related City's Retirement Contribution Rates. He introduced John Bartell as the City's Actuarial Consultant. There was an in-depth discussion and between the Trustees, Mr. Gurza, Mr. Bartell, City Auditor Ms. Erickson, and staff regarding clarification on the 2010-11 Federated City contribution rate from the 2009 Valuation.

Mr. Gurza stated that it is the City's intention to pay the ARC and not create a Net Pension Obligation.

A motion was made requesting the City to pay the \$8 million as noted by Cheiron in their letter of October 13, 2011 to clear the matter.

Approved. (M.S.C. – Loesch/Odell, 7-0-0)

b. Calculation of Federated Net Pension Obligation and Net OPEB Obligation from Cheiron dated October 13, 2011.

Items 4.3a and 4.3b were heard concurrently.

**4.4 Impact Analysis of Prefunding the San Jose Federated Pension Plan and OPEB Plans.
Note and File**

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Policy Committee (Overton/Armstrong/Loesch – alternate/Andrews) – None

5.2 Ad Hoc Alternatives Investment Committee (Druyan/Odell /Dirks –alternate/Armstrong)

a. Minutes of August 24, 2011.

Approved. (M.S.C. - Druyan/Andrews, 7-0-0)

5.3 Ad Hoc Governance Committee (Loesch/Armstrong/Odell – Alternate/Dirks

- Next Meeting: October 20, 2011 - Note and File

5.4 Next Board meeting for Disabilities Hearings – November 17, 2011

6. EDUCATIONAL & TRAINING - Note and File

6.1 Educational Programs and Courses

6.2 Conferences and Seminars

6.3 Research Papers and Articles-

- **FUTURE AGENDA ITEMS - None**
- **PUBLIC/RETIREE COMMENTS - None**
- **ADJOURNMENT**

The meeting adjourned at 12:10 p.m.



**MATTHEW LOESCH, P.E., CHAIR
BOARD OF ADMINISTRATION**

ATTEST:



**RUSSELL U. CROSBY
SECRETARY, BOARD OF ADMINISTRATION
DIRECTOR, RETIREMENT SERVICES**