

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

**THURSDAY**

**SAN JOSÉ, CALIFORNIA**

**November 12, 2009**

### CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met at 8:36 a.m., on Thursday, November 12u, 2009, in regular session at the Department of Retirement Services, 1737 N. First St., Suite 600 - San José, California.

### ROLL CALL

#### Present:

**DAVID BUSSE**

**CHAIR, Trustee**

**Jeffrey Perkins**

**Trustee**

**Matt Loesch**

**Trustee**

**Ed Overton**

**Trustee**

**Ash Kalra**

**Trustee (Arrived 8:46 a.m.)**

### NOT PRESENT:

**Pete Constant**

**Trustee**

### ALSO PRESENT:

**Russell U. Crosby** -Secretary/Director

**Toni Johnson** -Staff

**Russ Richeda** -Attorney

**Mollie Dent** -City Attorney

**Tamasha Johnson** -Staff

**Carmen Racy-Choy** -Staff

**Debbi Warkentin** -Staff

**Rajiv Das** -Medical Director

**Ron Kumar** -Staff

**Rhonda Snyder** -Staff

**Veronica Niebla** -Staff

**Antonio Guerra** -Mayor's Office

**Carol Bermillo** -Staff

**Allen DeMers** -HR

**Jesselle Holcomb** -Staff

**Ceara O'Fallon** -Staff

**Linda Dittes** -AFSCME

**Alex Gurza** -OER

**Barbara Hayman** -Staff

**Nathan Lee** -

**Toni Johnson** -Staff

**Gerry Chappuis** -MEF

**Rachel Aldana** -Library

**Aracely Rodriguez** -OER

**Allison Suggs** -OER

**Shirly Ramos** -

**Amanda Ramos** -Staff

**Chuck Griffen** -Library

**Santos & Isabel Mejia** -DOT

**Diane Hunt** -GRS

**Leslie Thompson** -GRS

## REGULAR SESSION

**Chair Busse** called the meeting to order at 8:32 a.m.

### ORDERS OF THE DAY

**Chair Busse** stated Item 4c has been pulled at the request of the applicant, and Items 16 and 17 will be deferred.

### RETIREMENTS

#### Disability Retirements for Hearing

**Rachel J. Aldana**, Library Clerk PT, Library Department. Request for service-connected disability retirement effective July 31, 2007; 1.08 years of service.

For the record Rachel Aldana was present and represented herself. The following medical reports were read into the record:

#### MEDICAL REPORTS - DR'S NAME

#### DATED

1. DALJEET RAI, M.D.	03/16/09 (SIX REPORTS), 09/17/07
2. FELICIA RADU, M.D.	02/09/09 (4 REPORTS), 07/02/08
3. MICHAEL MCQUILLEN, M.D.	11/18/08
4. SARAH GASKINS, M.D.	03/04/08

5. JEFFREY ANDERSON, M.D.	02/05/08
6. EDWARD DAMORE, M.D.	04/20/07 (TWO REPORTS), 01/23/07, 07/06/06, 05/30/06, 02/18/05
7. TRIPTA SACHDEV, M.D.	03/14/05, 11/18/04, 11/06/02, 07/18/02, 06/07/02, 04/25/02 (TWO REPORTS)
8. KEITH WILEY, M.D.	09/06/02, 12/05/01

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	10/05/09

*Dr. Das* stated there are two issues: 1. Carpel tunnel; 2. Vertigo. The applicant's vertigo condition can be debilitating but it is not work related. Carpel exposure may have some work consideration, but with part-time employment it is difficult to relate the condition to her work day. The restrictions provided were based on her treating physicians and are primarily prophylactic to reduce symptoms.

*Ms. Aldana* stated her work duties and her employment schedule.

*Mrs. Busse* stated the rules for determining disability retirements as per the San Jose Municipal Code. Additionally, the applicant became a member of the Plan on 9/25/2005, which means the Board has to consider the injuries at the time she was a member of the Plan.

(M.S.C. Overton/Loesch) to deny. Motion carried 5-0-1. (Absent: Constant)

## (Out of Order) NEW BUSINESS

### 18. Discussion and action regarding GRS' assumptions for the valuation for the period ending 30 June 2009.

*Ms. Thompson* presented GRS' report on the results of the 2009 Experience Study for the San Jose Federated City Employees' Retirement System. GRS has recommended the following changes in actuarial assumptions:

- Inflation Rate – from 4.00% to 3.50%
- Investment Rate – from 8.25% to 7.50%
- Salary Increase Rate – from 4.25% to 4.00%
- Payroll Growth – from 4.00% to 3.75%
- Active Mortality – use the same table as is used for post-retirement mortality
- Post-retirement Mortality – add a three year setback for males and a one year setback for females to the current tables

### Member Perkins exited 9:24 a.m.

*Mrs. Racy-Choy* stated the highlights of the staff memo relating to GRS' recommendations. The actuarial rate of return assumption should be directly linked to the potential return of the asset allocation adopted by the Board. Setting the investment return assumption above the median return level would in fact be shifting cost from the current generation of Plan members to the next one; which is not sound financial practice. Staff would recommend that the investment return assumption for the Plan be set no greater than the median net rate of return. Staff recommends that the Board reduces the investment return assumption from 8.25% to 7.5% over two valuations; and consider how to eliminate any remaining gap between the current rate of return assumption of 8.25% and the portfolios' median net rate of return.

*Ms. Dent* announced that with Member Perkins exit there was no longer a quorum, so only discussion could occur the remainder of the meeting.

**The Board** had further discussion of the various assumptions. They also discussed Plan structure changes that

could phase in the rate changes over time delaying the impacts.

**Member Perkins returned 9:50 a.m.**

(M.S.C. Perkins/Loesch) to request GRS bring back the assumption for the investment return rate showing levels at 7.5%, 7.75%, and 8.0%. Motion carried 5-0-1.

19. Discussion and action regarding staff's suggested change in amortization method and amortization period for the valuation for the period ending 30 June 2009.

(M.S.C. Perkins/Loesch) to request this item be deferred to December with further analysis. Motion carried 5-0-1.

24. Approval of 2008-09 draft of Federated Retirement System's Comprehensive Annual Financial Report (CAFR).

(M.S.C. Loesch/Perkins) to approve. Motion carried 5-0-1.

**CONSENT CALENDAR (Items 2 thru 10)**

(M.S.C. Loesch/Perkins) to approve Consent Calendar with exception of Items 5a, 9h, 4b, 5b, and 7. Motion carried 5-0-1.

Service-Connected Disability retirements approved:

**Santos R. Mejia**, December 19, 2007

**Shirley Ramos**, March 7, 2009

Nonservice-Connected Disability Retirements approved:

**John R. Siudzinski** July 25, 1998

Service retirements approved:

**Diann M. Bell**, November 12, 2009

**OLD BUSINESS**

15. Discussion and action relating to Northern Trust's securities lending and custodial services.

*Mr. Festino* stated the Federated System entered into Northern Trust's securities lending program in 2005. In 2008, Northern Trust froze its collateral pool due to deficiencies suffered by the bankruptcy of Lehman Brothers; at which time the Retirement Board chose to do a staged withdrawal from the program. Northern Trust recently requested their clients to either fully engage, withdraw completely, or partially re-engage in the securities lending program. Meketa has provided details about how securities lending works, exploration of the three options provided, and the fees the Plan would incur.

**Member Perkins** stated this is a tough decision. If the Board exits the program now then there will be a loss to pay and the custodial fees will increase; but there are risks going forward. If the Board remains they will still pay for some of the losses but the impact will be less.

*Ms. Dent* stated the custodial banking agreement expires in June.

*Mr. Smith* stated the securities lending agreement allows either party to terminate anytime. The staged withdrawal option is not part of the agreement but has been offered.

(M.S.C. Perkins/Kalra) to approve to fully reengage in the securities lending program. Motion carried 5-0-1.

- 4b. **Linda K. Cheung**, Senior Account Clerk, Planning, Building and Code Enforcement Department; effective November 4, 2009, 18.66 years of service.

**Member Overton** acknowledged Ms. Cheung for her service and thanked her.

(M.S.C. Overton/Loesch) to approve. Motion carried 5-0-1.

### **Board Minutes**

- 5b. Approval of Minutes of October 8, 2009

(M.S.C. Overton/Loesch) to approve with amendment reflecting Member Overton acknowledging Item 1k. Motion carried 5-0-1.

- 5a. Approval of Minutes of September 10, 2009

(M.S.C. Busse/Perkins) to approve with amendment showing Member Loesch away during the vote for Item 15. Motion carried 5-0-1.

**Member Perkins exited 10:22 a.m.**

7. **Investment Summary Report**  
Report of Federated Investments – August 2009

**Member Overton** asked about the delay with these reports.

*Mr. Kumar* stated there is normally a month delay due to the timing of the statements and September and October are coming forward for the next meeting.

### **Communication / Information**

- 9h. Legal Updates re: Municipal Bankruptcy & AB 1584 (Regulation of Placement Agents)

**Vice-Chair Loesch** stated this memo was very informative. He directed the memo to be sent to the Policy Committee for review and preparation by the May 2010 deadline.

*This item is note and file.*

### **DEATH NOTIFICATIONS** (Item 11 - Moment of Silence)

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

### **OLD BUSINESS (Item 12-15)**

12. **Travel Audit compliance update.**

*Item deferred*

13. Approval of the purchase and implementation of the Granicus solutions software at an initial cost of \$10,678.12 for the set-up and installation, and then a monthly expenditure for service of \$274.70. (Costs to be equally shared with P&F).

*Item deferred*

14. Approval to add bargaining units in PensionGold at a cost not to exceed \$1,000.

*Item deferred*

## NEW BUSINESS (Items 11-12)

16. Acceptance of GRS' memo declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve and no distribution from the SRBR fund.

*Item deferred*

17. Adoption of Resolution No. 6551 declaring no excess earnings as of 30 June 2009 for the purpose of transfer to Supplemental Retiree Benefit Reserve.

*Item deferred*

20. Request for Board discussion and possible action to staff regarding Alex Gurza's memo dated 9/21/09 concerning actuarial valuation issues.

*Item deferred*

21. Board discussion and possible action on GRS' contribution and actuarial projections. **(Cont. from Sept.)**

*Item deferred*

22. Approval to conduct an RFP for consultant services to aid in the selection of a new pension administration system/vendor. (Costs to be shared equally with P&F).

*Item deferred*

23. Adoption of Resolution No. 6550 adopting findings and decision denying the application of William Meyer for a service-connected disability retirement.

*Item deferred*

## 25. Approval of Travel/Conference Attendance

Trustee

Conference Name/Location/Dates

Pete Constant | IIR's Public Fund Boards Forum – San Francisco; December 13 – 15, 2009

*Item deferred*

## STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

26. **Committee for Investments (Perkins/Loesch/Busse – alt/Constant)**
- a. Summary of meeting held 24 September 2009
1. Approval to increase GE Asset Management's single-asset diversification limit on the Riverwood 100 property in Atlanta from 10.0% to 12.4%.

*Item deferred*

27. **Committee of the Whole (Full Board)**
28. **Policy Committee (Busse/Overton/Constant – alt/Loesch)**

## EDUCATION AND TRAINING

29. Notification of IIR's 18<sup>th</sup> Annual Public Fund Boards Forum to be held in San

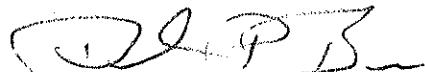
Francisco, December 12 through 18, 2009

## FUTURE AGENDA ITEMS

### 30. PUBLIC/RETIREE COMMENTS

## ADJOURNMENT

There being no further business, **Chair Busse** adjourned the meeting at 9:29 a.m.



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**DAVE BUSSE, CHAIR**  
**BOARD OF ADMINISTRATION**

**ATTEST:**



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