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Department of Retirement Services

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

**Board of Administration
Federated City Employee's Retirement System/
Police and Fire Department Retirement Plan**

TAX QUALIFICATION REVIEW – JOINT SPECIAL MEETING

**Department of Retirement Services
1737 N. First Street
6th Floor Board Conference Room
San Jose, CA 95112**

WEDNESDAY

OCTOBER 20, 2010

9:00 A.M.

MINUTES

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan and Federated City Employees' Retirement System met at 9:07 a.m. on Wednesday, October 20, 2010, in special session at Department of Retirement Services, 1737 North First Street, Suite 600-San Jose CA 95112

PRESENT:

Police and Fire

David Bacigalupi Chair/Trustee
(conference call)
Conrad Taylor Vice Chair/Trustee
Rose Herrera Trustee
Sam Liccardo Trustee
(arrived 9:36 a.m.)
Scott Johnson Trustee
(arrived 9:08 a.m.)

PRESENT:

Federated

Matt Loesch Chair/Trustee
Ed Overton Vice Chair/Trustee
Pete Constant Trustee
Ash Kalra Trustee – absent
Arn Andrews Trustee
Jeffrey Perkins Trustee
Sean Kaldor Trustee - absent

PRESENT:

City of San Jose

Russell Crosby -Director
Retirement Services

ALSO PRESENT

Gerry Chappuis MEF
Mary Beth Braitman Ice Miller LLP

Molly Dent City Attorney
Bill Pope OE 3
Joe Pomeroy AMSP
Christopher Platten Counsel IAFF 230

Dan Rodriguez
Cay Denise
Mackenzie
Russ Richeda
Franco Vado
Frank Crusco
Joe Rois

IBEW
CAMP/IFPTE Local 21

Attorney
POA
I.B.E.W./G.S.
City Auditor's Office

11-10-10 Fed

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ALSO PRESENT, (cont.)

Yolanda Cruz	AFS CME-MEF	Aracely Rodriguez	Employee Relations
Alex Garza	Employee Relations	Donna Busse	Retirement Services
Roger Storz	AEA/IFPTE Local 21	Mike Moehle	Retirement Services
Ron Kumar	Retirement Services	Sonia Morales	Retirement Services
Mary Dariano	Retirement Services		

WELCOME AND INTRODUCTION

Mary Beth Braitman, Ice Miller LLP, outside tax counsel, welcomed the attendees and introduced herself. She informed the group that information and recommendations would be given about federal tax qualification process for the San Jose Police and Fire Department and the San Jose Federated Employees Retirement System.

I Top Substantive Issues for Tax Qualification of Governmental Defined Benefit Plans

Ms. Braitman stated that IRS qualification requirements are derived from the Pension Protection Act of 2006, Heroes Earnings Assistance and Relief Act of 2008, Worker, Retiree, and Employer Recovery Act of 2008, Treasury Regulations, IRS revenue rulings, other public notifications, and various federal laws regarding age and disability discrimination and reemployment rights.

II Internal Revenue Service Preferred Technical Language in Governmental Defined Benefit Pension Plans and Optional Provisions

Ms. Braitman reported that IRS compliant language recommendations have been made by Ice Miller for the following sections of each plan: Exclusive Benefit Rule, Prohibited Transactions, Vesting, Limits on Contributions, Limits on Benefits, Limits on Compensation, Required Benefits payments, Roll Overs, Group Trust, Military Service, and Qualified Domestic Relations Orders.

**III Tax Determination Letter Process and Voluntary Compliance Program including:
Pros and Cons
Next Steps**

Ms. Braitman summarized and noted that the IRS issues determination letters confirming qualified status or indicating compliance failures.

Ms. Braitman stated that the most difficult compliance issues for each Plan will be to provide rollover options for separated employees and give appropriate notices, and implement a change to the handling of service purchases. Traditionally, City of San Jose employees, who have not chosen the option to rollover their retirement funds, have received a check for the balance of their account. Both Plans will require an operational change if no rollover option is chosen by the participant: the Plan Trustees must select an IRA vehicle for the rollover.

Service contract purchases are limited to 100% of employee compensation or \$49K whichever amount is lower. Language reflecting this exists in the Police and Fire Plan and will be added to the Federated Employees Plan. Operational change for the City Plans is that participants who elect to pay for their service purchase contract through payroll deductions will not be allowed to do so on a pre-tax basis. More education will need to be provided to participants on the pros and cons of the different service purchase payment options.

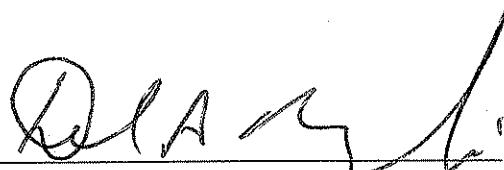
Ms. Braitman presented Ice Miller's recommendation that the Plan request a tax determination letter from the IRS and apply to the IRS Voluntary Compliance Program for correction of failures to adopt timely amendments to the Retirement Plan as required under federal tax law and to define the establishment date of the Plan's IRC 401(h) account.

IV Concluding remarks were given.

PUBLIC COMMENT: There were no public comments

ADJOURNMENT: The meeting was adjourned at 11:56 a.m.

Approval meeting summary Tax Qualification Special Meeting of 11/19/10

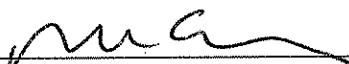


**DAVID A. BACIGALUPI, CHAIR
BOARD OF ADMINISTRATION**



**MATT LOESCH, CHAIR
BOARD OF ADMINISTRATION**

ATTESTS:



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