

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

AUGUST 12, 2010

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, August 12, 2010, in regular session at City Hall in the Council Chambers, 200 East Santa Clara Street San José, California 95113.

ROLL CALL

PRESENT:

Matt Loesch	Chair/Trustee
David Busse	Vice Chair/Trustee
Ed Overton	Trustee
Pete Constant	Trustee
Ash Kalra	Trustee – Departed at 11:26 A.M.
Arn Andrews	Trustee
Jeffrey Perkins	Trustee

ALSO PRESENT:

Russell U. Crosby	-Secretary/Director	Roger Pickler	-Staff
Mollie Dent	-City Attorney	Allen Demers	-Human Resources
Russell Richeda	-Conflicts Counsel	Karen Carmichael	-Staff
Amanda Ramos	-Staff	Michael Moehle	-Staff
Jeffrey Janoff	-Attorney	Ron Kumar	-Staff
Rajiv Das	-Medical Director	Donna Busse	-Staff
Jesselle Holcomb	-Staff	Sally Griffin	-Airport
Alison Suggs	-OER	Sandra Castellano	-DOT
Toni Johnson	-Staff	Sharon Estes	-CAO
Melanie Kirmse	-CEO	Jennifer Holmboe	-Staff
Gerry Chappuis	-MEF	Patrick Forbes	-Airport
Pamela Swikart	-Staff	Sonia Morales	-Staff
Ceara O'Fallon	-Staff	Ali Amiry	-Staff
Heidi Poon	-Staff	Charnel Benner	-Staff

REGULAR SESSION

Chair Loesch called the meeting to order at 8:33 a.m.

ORDERS OF THE DAY

Chair Loesch made the following changes to the agenda:

Item 18 to be heard first.

Item 20 to be heard second.

18. Receipt of notice of resignation of Trustee Busse effective September 1, 2010 and adoption of Resolution of Commendation.

Chair Loesch presented Trustee Busse the commendation for his seven plus years of service to the Board, five of those years as Chairman. *Chair Loesch* and other trustees recognized and thanked Trustee Busse for his assistance, guidance, wisdom, and the experience he shared with the Board.

Secretary Crosby, on behalf of the Retirement Services Department, recognized and thanked Trustee Busse for his stability, professionalism, and joy for life while serving on the Board.

20. Selection and approval for the Secretary to negotiate and execute an agreement with the selected actuarial firm based on the RFP conducted by staff for a not to exceed contract amount of \$400,000.

Mr. Moehle stated that staff received five responses to the Actuarial RFP that was issued on May 21 and due on June 30. Staff reviewed the advantages and disadvantages of each firm and selected two firms that offered the highest quality service as finalists.

The representatives from Milliman and Cheiron provided an overview of their firm, their staff, number of clients per consultant, as well as the services they offer. The representatives discussed their valuation techniques and peer review procedures. Both firms stated that it would be wise to reduce the System's actuarial assumed rate to 7.75%.

(M.S.C. Kalra/Andrews) Motion to hire Cheiron as the System's actuary. 7-0-0

RETIREMENTS

1. Disability Retirements

- a. **Andrew Noble**, Maintenance Worker I, Department of Transportation. Request for Service-Connected Disability, effective April 26, 2010; 13.18 years of service. *(Continued from June)*

Mr. Noble was present and represented by Attorney Jeffrey Janoff. The following medical reports were presented to the Board:

MEDICAL REPORTS – DR'S NAME	DATED
DONALD PANG, M.D.	04/06/2010 (2 RPTS); 03/09/2010; 02/23/2010; 02/02/2010; 01/05/2010; 12/08/2009; 11/18/2009; 09/24/2009; 09/01/2009 (3 RPTS); 08/04/2009; 07/27/2009; 07/07/2009; 05/12/2009; 04/22/2009; 04/07/2009; 04/01/2009; 01/21/2009; 01/14/2009; 12/11/2008; 10/09/2008; 05/29/2008; 03/11/2008; 01/10/2008
WORK CAPACITY EVALUATION	01/27/2010
MICHAEL NEWMAN, D.C.	11/09/2009; 10/02/2009; 06/08/2009; 12/17/2008
PHYSICAL THERAPY REPORT	08/25/2009
DREW SULLIVAN, M.D.	01/05/2009; 02/25/2008 (2 RPTS)
ARVIND JAINI, M.D.	12/03/2007; 11/15/2007; 11/08/2007; 11/06/2007; 11/01/2007

MEDICAL REPORT FROM BOARD'S DIRECTOR	DATED
RAJIV DAS, M.D.	06/17/10 AND 6/16/2010

Ms. Busse reviewed Mr. Noble's history and restrictions. She noted that, at the Disability Committee meeting, the Committee requested an additional medical report to be provided to Dr. Das from Dr. Comstock; however, the medical report has not been provided as of this date.

(M.S.C. Constant/Andrews) Motion to request the missing medical report and continue this item to the September Board meeting. 7-0-0

- b. **John K. Serrao**, Senior Construction Inspector, Airport. Request for Service-Connected Disability, effective March 31, 2010; 29.79 years of service. Mr. Serrao was not present at the Board meeting. The following medical reports were presented to the Board:

MEDICAL REPORTS – DR'S NAME	DATED
LAWRENCE QUAN, M.D.	4/1/10 (4), 2/11/10, 12/18/09, 11/9/09, 11/4/09, 10/7/09, 5/18/09, 4/3/09, 2/12/09, 1/16/09
MIKIO TANAKA, P.T.	8/5/09
ERIC CAIN, M.D.	7/10/09, 6/29/09
GEOFFREY RILEY, M.D.	3/25/09

Ms. Dent stated that, if Mr. Serrao was properly notified of the meeting, the Board may proceed with discussions or continue the item to next month's meeting.

The Board questioned staff regarding the notification given to Mr. Serrao.

Trustee Constant stated that he was in favor of the Board proceeding with the item as Mr. Serrao had been properly notified.

(M.S.C. Andrews/Busse) Motion to deny the Service Connected Disability application since his work restrictions could have been accommodated by his department. 7-0-0

CONSENT CALENDAR (Items 2 through 12)

(M.S.C. Constant/Andrews) Motion to approve the Consent Calendar with the deferral of Item 3k. 7-0-0

2. Request for approval of NonService-Connected Disability Retirements

- a. **Patrick Forbes**, Senior Warehouse Worker, Airport. Request for NonService-Connected Disability, effective May 17, 2010; 21.29 years of service.

3. Request for approval of Service Retirements

- a. **Donald W. Beams**, Division Manager, General Services Department, effective July 24, 2010; 27.5 years of service.
- b. **Celia Bojorquez**, Custodian, General Services Department, effective July 31, 2010; 11.52 years of service.
- c. **Benjamin Canales**, Airport Operations Supervisor, Airport, effective July 10, 2010; 9.15 years of service.
- d. **Donna M. Carneghi**, Secretary, Public Works Department, effective July 31, 2010; 25.39 years of service.
- e. **Jose A. Castro**, Custodian, Airport, effective July 31, 2010; 11.64 years of service.

- f. **John L. Clara**, Custodian, General Services Department, effective July 31, 2010; 14.89 years of service.
- g. **Mahendra B. Deo**, Heavy Diesel Equipment Operator/Mechanic, Environmental Services Department, effective June 26, 2010; 16.48 years of service.
- h. **Roman Dizon**, Animal Services Officer, General Services Department, effective June 3, 2010; 8.84 years of service. (Non-Service Connected Disability Pending)
- i. **James J. Dowgialo**, Building Inspector Combo, Planning, Building and Code Enforcement, effective June 26, 2010; 10.08 years of service.
- j. **Marta Duarte**, Senior Office Specialist, General Services Department, effective June 26, 2010; 20.47 years of service.
- k. **Sharon Estes**, Legal Administrative Assistant, City Attorney's Office, effective May 19, 2010; 8.79 years of service. - **Deferred**
- l. **Thomas L. Ferguson**, Maintenance Manager, Department of Transportation, effective September 11, 2010; 30.00 years of service.
- m. **Gary D. Garcia, Sr.**, Custodian, Airport, effective July 30, 2010; 10.20 years of service.
- n. **Pedro E. Gomez**, Custodian, Airport, effective July 31, 2010; 7.70 years of service.
- o. **Richard Gonzales**, Senior Facility Attendant, General Services Department, effective July 31, 2010; 20.08 years of service.
- p. **Leo E. Guerrero**, Maintenance Worker II, Department of Transportation, effective August 21, 2010; 30.06 years of service.
- q. **Daniel L. Haynes**, Supervisor Public Safety Dispatcher, Police Department, effective August 21, 2010; 20.25 years of service.
- r. **Arnulfo S. Hernandez**, Facility Attendant, Convention, Arts and Entertainment, effective July 30, 2010; 12.62 years of service.
- s. **Louis J. Johnson**, Code Enforcement Inspector II, Planning, Building and Code Enforcement, effective October 2, 2010; 21.12 years of service.
- t. **Astrid M. Kozlowski**, Secretary, Police Department, effective August 21, 2010; 30.04 years of service.
- u. **David C. Lajon**, Gardener, Parks, Recreation and Neighborhood Services, effective August 7, 2010; 18.96 years of service.
- v. **Francisco Lopez**, Facility Attendant, Convention, Arts and Entertainment, effective July 31, 2010; 10.64 years of service.
- w. **Dolores Lott**, Communication Technician, Information Technology Department, effective July 31, 2010; 9.52 years of service.
- x. **Alvaro S. Madero**, Maintenance Worker II, Department of Transportation, effective August 21, 2010; 30.09 years of service.
- y. **Ofelia N. Martinez**, Custodian, Airport, effective July 17, 2010; 20.51 years of service.
- z. **Ty Mayfield**, Senior Analyst, Fire Department, effective June 28, 2010; 4.64 years of service. (With reciprocity)
- aa. **Hector A. Moreno**, Custodian, General Services Department, effective October 16, 2010; 29.36 years of service.
- bb. **Randy A. Newhouse**, Plant Operator, Environmental Services Department, effective June 26, 2010; 10.59 years of service.
- cc. **Russell Northup**, Building Management Administrator, Airport, effective August 21, 2010; 27.09 years of service.
- dd. **Gil D. Ong**, Senior Accountant, Airport, effective June 26, 2010; 22.82 year of service.
- ee. **Rudy M. Perales**, Custodian, General Services Department, effective July 31, 2010; 13.51 years of service. (With Reciprocity)

- ff. **Kenneth D. Rock**, Operations Manager, Environmental Services Department, effective July 10, 2010; 6.15 year of service. (With reciprocity)
- gg. **David J. Rodriguez, Sr.**, Heavy Equipment Operator, Department of Transportation, effective August 7, 2010; 30.04 years of service.
- hh. **Michael D. Ryder**, Division Manager, Finance Department, effective August 21, 2010; 15.03 years of service.
- ii. **Luis Saiz**, Repair Worker II, Parks, Recreation and Neighborhood Services, effective August 21, 2010; 26.67 year of service.
- jj. **Don W. Schwarzenbach**, Library Clerk, Library, effective July 24, 2010; 22.17 years of service.
- kk. **Rhonda D. Snyder**, Analyst, Retirement Services Department, effective July 24, 2010; 22.69 years of service.
- ll. **Edna William – Swilley**, School Safety Supervisor, Police Department, effective June 25, 2010; 9.59 years of service.
- mm. **Steven G. Turner**, Deputy Director, Information Technology Department, effective August 21, 2010; 30.00 years of service.
- nn. **Hossein Vafa**, Senior Engineer, Department of Transportation, effective July 24, 2010; 24.72 years of service.
- oo. **Jimmy R. Valerio**, Facility Attendant, Convention, Arts and Entertainment, effective July 30, 2010; 15.64 years of service.
- pp. **James E. Watts**, Senior Custodian, Airport, effective July 31, 2010; 12.47 years of service.
- qq. **Verna J. Weaver**, Traffic Checker II, Department of Transportation, effective July 10, 2010; 18.50 years of service.
- rr. **Virginia B. Zabala**, Custodian, Airport, effective July 31, 2010; 11.54 years of service. (Service-Connected Disability pending)
- ss. **Teresa A. Zagalo**, Senior Public Safety Dispatcher, Fire Department, effective August 7, 2010; 20.31 years of service.

4. **Deferred Vested**

- a. **Steven J. Alexander**, Information Systems Analyst, Information Technology Department, effective August 10, 2010; 7.87 years of service.
- b. **Louis L. Campos**, Custodian, Airport, effective July 21, 2010; 20.61 years of service
- c. **Betty D. Keith**, Superintendent, Parks, Recreation and Neighborhood Services, effective October 12, 2010; 13.49 years of service.
- d. **J. Elias L. Mendoza**, Analyst II, Human Resources Department, effective August 10, 2010; 15.13 years of service. (With reciprocity)
- e. **Debbie J. Pinkerton**, Secretary, Airport, effective July 19, 2010; 5.92 years of service.

5. **Board Minutes**

Approval of Minutes of June 10, 2010

6. **Return of Contributions**

- a. Voluntary
- b. Involuntary

7. **Investment Summary Report**

Report of Federated Investment – May 31, 2010

8. Approval of Monthly Expenditures

Report of Federated Retirement Plan expenses for June 2010.

9. Investments

Adoption of Resolution Number 6689 acknowledging receipt of report on investments for the period May 1 through May 31, 2010.

10. Communication/Information

- a. Benefits Review Forum Report for June 2010
- b. Legislative and Legal Updates, dated July 15, 2010
- c. Legal Update, dated June 2, 2010

11. Approval of Travel Conference Attendance

Matt Loesch – Alternative Investment Summit, San Diego, CA, September 22, 2010

12. DEATH NOTIFICATIONS (Moment of Silence) – Note & File

- a. **Doris Ainley**, Retired Librarian II, retired 10/4/80, died 6/20/10. No survivorship benefits.
- b. **Robert D. Baker**, Retired Senior Maintenance Worker, retired 11/7/92, died 7/6/10. Survivorship benefits to Elva Baker, spouse.
- c. **Wanda J. Daniel**, Active Recreation Program Specialist, died 4/2/10. No survivorship benefits.
- d. **Harry G. Dolan**, Retired Plumbing Inspector, retired 1/2/79, died 6/6/10. Survivorship benefits to Beatrice G. Dolan, spouse.
- e. **Hannah M. L'Heureux**, Retired Account Clerk II, retired 3/7/98, died 5/22/10. No survivorship benefits.
- f. **Norman A. Mac Taggart**, Retired Senior Aircraft Refueler, retired 8/6/88, died 6/11/10. No survivorship benefits.
- g. **Richard A. Messina**, Retired Parks Maintenance Repair Worker, retired 1/5/80, died 6/29/10. No survivorship benefits.
- h. **Manuel Ochoa**, Active Custodian, died 5/16/10. Survivorship benefits to Graciela Zamora, spouse.
- i. **Russell L. Sprague**, Retired Custodian Supervisor, retired 5/30/81, died 6/20/10. No survivorship benefits.
- j. **Lillian H. Stevens**, Retired City Nurse, retired 7/22/74, died 7/1/10. No survivorship benefits.
- k. **Walter Van Westenberg**, Retired Senior Painter, retired 1/10/87, died 6/8/10. Survivorship benefits to Tommie Van Westenberg, spouse.
- l. **Richard W. Whaley**, Retired Senior Construction Inspector, retired 8/24/85, died 6/29/10. No survivorship benefits.

OLD BUSINESS/DEFERRED-CONTINUED ITEMS

13. Discussion and possible action on Macias Gini & O'Connell's Draft Payroll Agreed-Upon Procedures.

Linda Hurley and Annie Louie of Macias Gini & O'Connell provided an update of the project. They are in the process of reviewing eight different procedures. Ms. Hurley stated that there is no estimated timeline at this point, as there are still open questions with the Finance Department.

- Note & File

14. Review and provide staff direction regarding draft agenda for Disability Retirement Study Session.

Ms. Busse stated that she is trying to schedule a date for the study session. *Trustee Overton* suggested that one of the agenda items be a discussion of streamlining the data/reports provided to the Board. – **Note & File**

15. Oral update on status of Plan tax qualification review.

Ms. Dent stated that she anticipates scheduling a joint presentation with the Federated and Police & Fire Boards on October 20. The presentation has approximately 80% in common with Police & Fire. Ms. Dent stated that she would try to schedule a joint meeting if possible. – **Note & File**

NEW BUSINESS

16. Discussion regarding Lowest Cost Medical Plan memo from Alex Gurza, Director of Employee Relations.

Ms. Busse explained that there will be a different lowest cost medical plan for retirees starting in January 2011, which will be the \$25 co-payment plan instead of the \$10 co-payment plan. The higher co-payment will reduce the City's subsidy for the lowest cost medical plan. – **Note & File**

17. Approval to excuse the absences of Jeff Perkins from the May 13, 2010 and June 10, 2010 Board Meetings.

(M.S.C. Busse/Andrews) Motion to approve. 7-0-0

18. Receipt of notice of resignation of Trustee Busse effective September 1, 2010 and adoption of Resolution of Commendation. - Item discussed out of order.

19. Approval of Macias Gini O'Connell's 2010 Audit Service Plan.

(M.S.C. Andrews/Kalra) Motion to approve. 7-0-0

20. Selection and approval for the Secretary to negotiate and execute an agreement with the selected actuarial firm based on the RFP conducted by staff for a not to exceed contract amount of \$400,000. - Item discussed out of order.

Items 21 through 27 were approved in one motion.

21. Approval to rescind retirement application of Antonio G. Perez; approved June 10, 2010.

22. Approval to rescind retirement application of Alexander Guiang, approved June 10, 2010.

23. Approval to rescind retirement application of Pastor Esteves, Jr., approved June 10, 2010.

24. Approval to rescind retirement application of Anne Ortiz, approved June 10, 2010.

25. Approval to rescind retirement application of Greg Schultz, approved June 10, 2010.

26. Approval to rescind retirement application of Anne Katashima, approved June 10, 2010.

27. **Approval to rescind retirement application of Felipe Vera Cruz, approved June 10, 2010. (M.S.C. Kalra/Busse) Motion to approve items 21 through 27. 7-0-0**
28. **Adoption of Resolution No. 6687 denying the Service-Connected Disability Retirement application of Judith Harsany. (M.S.C. Overton/Andrews) Motion to adopt. 7-0-0**
29. **Adoption of Resolution No. 6688 denying the Service-Connected Disability Retirement application of Shirleen Lilly. (M.S.C. Constant/Busse) Motion to adopt. 7-0-0**
30. **Review and provide recommendation on the City Council on the following ordinances:**
 - a. **Amending Section 2.08.130 of Part 1 of Chapter 2.08 of Title 2 of the San José Municipal Code to revise provisions for removal of Retirement Board members.**
 - b. **Amending Part 10 of Chapter 2.08 of Title 2 to revise the Structure of the Board of Administration for the Federated City Employees Retirement System and, adopt minimum qualification criteria for public members of said Board and revise provisions for Compensation of Board members.**

Ms. Dent stated that the City Council passed the Ordinances for publication of title on Tuesday, August 10, 2010. The Council passed the change in residency or place of employment requirement to within 50 mile radius of City Hall.

Trustee Overton stated that the stipend of \$150 might make it harder to attract qualified candidates. It would be helpful for the Board to have the ability to determine the amount of the stipend and change the amount with a resolution instead of specifying the \$150 in the Ordinances.

Ms. Dent explained that the Board could make a recommendation to City Council regarding the \$150 stipend.

Chair Loesch stated that the conflict of interest requirements for the new Board members as stated in the Ordinances seem more stringent than the requirements for existing Board members.

Ms. Dent stated that the Ordinances suggest that a conflict of interest disclosure form be developed, but allows for changes to be made.

The Board directed Ms. Dent to report to the City Council the Board's concern with the \$150 stipend. – **Note & File**

Trustee Kalra departed at 11:26 A.M.

31. **Review and action on Ordinance No. 28753 amending SJMC to implement revisions in employee and employer contributions.**

Ms. Dent stated that the Ordinance was adopted in June by the City Council and is before the Board for review and comment. The Board may make a recommendation or take no action.
– **Note & File**

32. **Report on city's prefunding of required contributions for Fiscal Year 2010-11 and reconciliation for Fiscal Year 2009-2010. – Note & File**
33. **GASB proposed changes to pension and financial reporting for employers.**

Mr. Moehle discussed the proposed changes to GASB Statement 27, which discusses how the City accounts for the pension benefits on its financial statements. Currently, GASB has only issued a preliminary statement in June and is accepting comments from the public and interested parties regarding the proposed changes. The process of developing a new statement could take two to three years. The impact of the proposed changes are accounting standards that will affect the City and how it records pension liability and annual expense. Currently, the City shows no net liability on their financial statements as the City continually pays the annual required contribution (ARC). Under the proposed changes, the City will be required to book a liability that it currently does not, which is the difference between the actuarial liability and the market value of assets. This could create large variations on the City's financial statements as the expense reported would be based on market value without any smoothing.

Mr. Moehle discussed a second change that would result from the proposed changes. There would be a different cost calculation of the City's annual expense. Currently, the City records an expense that is identical to what the Board sets as the ARC. Once the proposed changes were implemented, the City's standards of cost will change. There is currently no requirement in the proposed changes that would change the cash contribution, but what the City records on its financial statements as expense will most certainly change and become more volatile.

To date, GASB has not proposed an effective date nor stated if there will be any transition rules from GASB Statement 27 to the new statements. – **Note & File**

34. **Acceptance of memo received from GRS regarding the updated projections of the IRC 401(h) 25% subordination test.**

Mr. Moehle stated that the memo from GRS explains that the normal cost contributions for OPEB benefits cannot exceed 25% of all normal cost contributions on a cumulative basis. GRS revised their earlier projections and now projects that by 2013 contributions will exceed the 25% limit.

Ms. Dent stated that this issue will be discussed during the outside tax counsel presentation as the outside tax counsel is reviewing whether or not the cumulative test can be done further back than 2006. – **Note & File**

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

35. **Committee for investments (Perkins/Loesch/Andrews-alternate/Busse)**

- a. Approval for GE Asset Management to increase the single asset diversification limit of Wheaton Center investment from 10.00% to 10.92%.

(M.S.C. Overton/Busse) Motion to approve. 6-0-1 (Kalra: absent)

- b. Authorization for the Secretary to negotiate and execute the extension of the Northern Trust Investments agreement for investment management services and the Northern Trust Bank of California agreement for custodial services.

(M.S.C. Overton/Busse) Motion to approve. 6-0-1 (Kalra: absent)

Committee of the Whole (Full Board) – Next meeting August 26, 2010.

Mr. Kumar stated that the Federated Board has assigned the duties of the Committee of the Whole to the Investment Committee and that Committee of the Whole items will be discussed at the Investment Committee meeting on August 26, 2010.

Policy Committee (Busse/Overton/Constant – alternate/Loesch)

EDUCATION AND TRAINING

36. Notification of CalAPRS' Trustees' Roundtable to be held in San Diego, CA, October 15, 2010.
– Note & File

FUTURE AGENDA ITEMS - NONE

PUBLIC/RETIREE COMMENTS – NONE

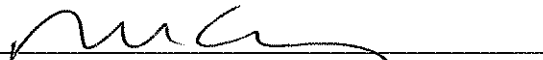
ADJOURNMENT

There being no further business, *Chair Loesch* adjourned the meeting at 11:53 a.m.



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

ATTEST:



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