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>> Matt Loesch: I'd like to call to order please the board of administration for the federal city retirement system for February 16, 2012. Orders of the day, 1.4CC Robin Ofine new effective daylight February 15th, 2012. I'd like to have a sunshine waiver for items 3.1 was received late, items 4.1 A through D were received late and on item 3.1 we're going to do a tentative time-certain for 10:00. As time-certain as it can be for item 3.1. Any other -- oh, item 5.2.B, it probably won't happen today but at least the listing on the agenda is wrong. It says update from the vice chair of the investment committee. It's actually update of the chair of the committee who happens to be vice chair of the board, that's probably the confusion. Since it won't happen today, she's not here, today, present. Other than that, any other things we need to do under orders of the day? Okay, can I have a motion on the orders, please?

>> Arn Andrews: Motion to approve the orders of the day with the waiver of sunshine for items 3.1, and 4.5 A A through D.

>> Matt Loesch: And the change of effective date for 1.4DD.

>> Arn Andrews: Change of effective date.

>> Matt Loesch: All those in favor, opposed, none. Under the consent calendar, do we have any things we need to pull?

>> Russell Crosby: Yes, item 1.4D.

>> Matt Loesch: 1.4D and the comment from Mr. Andrews we would like to pull 1.1C. Anything else from the consent calendar that need to get pulled, otherwise I'll entertain a motion on the balance.

>> Arn Andrews: Motion to approve.

>> Second.

>> Matt Loesch: Comments or questions. All those in favor? Opposed, none. Thank you. Item 1.4D.

>> Russell Crosby: I'd just like to recognize Karen Carmichael as retiring from the retirement services department. She has been a real main stain in the department for a very long time. She does a lot of the counseling sessions, the group counseling sessions and training sessions in the evenings and brown bags and her contribution have been tremendous to the department. And this is a real loss for us. Of course she's looking forward to it and very happy.

>> Edward Overton: I'd like to second Russell's comments on Karen. I worked with her while I was in the department. She is very dedicated, very caring, very focused and a kind person, as well and does a great job. So good luck to Karen.

>> Donna Busse: I'm e-i'd like to add, as deputy director, she is in charge of all of our educational programs, like Russell sed, all of our preretirement courses, lunch brown bag courses. Postretirement she's during her career done everything, desk counseling as well as regular counseling so we will really miss her.

>> Matt Loesch: Well wish her well, I'm sure she's going to enjoy it. Entertain a motion on that 1.4D.

>> So moved.

>> Second.

>> Matt Loesch: All those in favor, opposed. Item 1.1C, approval of travel for Mr. Andrews. The two items there are listed in error. Neither of those is he requesting to attend. What he's requesting to attend is the second one that Ms. Druyan is going to attend. That is the IFEBP Wharton school hedge funds, real estate and other alternative investments, San Francisco, California, July 16th-18th, 2012. So that's just a change of -- they were listed in error so that's what he's requesting to attend. Okay.

>> Edward Overton:   I'm a little confused. Are you saying, 1.11 A and B are listed in error?

>> Matt Loesch:   No, A and B are listed correctly. Just the travel for Mr. Andrews are listed incorrectly. What he's wanting to attend is the Wharton hedge funds. I'll entertain a motion on item 1.11C.

>> Edward Overton: Move approval.

>> Second.

>> Mayor Reed:   All those in favor? Opposed. Item 2.1 through 2.11, death notifications, I'd like to request a moment of silence for those who served the city and have now passed. [ Moment of silence ] thank you. Holding and passing on item 3.1, which is the time-certain for around 10, 3.2, update on meeting with the City Manager regarding staff salaries. Yesterday was, yesterday afternoon was the first meeting of the -- Ms. Druyan and I and two members of the Police and Fire board sat down with a representative of the City Manager's office to start our initial discussions on staff salary and/or long term staffing issues. I would describe it as kind of an introductory session, kind of a status update. They have moved forward with the change or the new classification for the retirement, investment officer and I believe that's going to go to council end of February is when that should be going through. At least going to council. And other than that it was more kind of a status update of what was being recommended in that letter. Subsequent meetings will happen. Unfortunately I had to leave last few minutes of the meeting to run up to another meeting so I don't know when that's going to be set. I'm presuming within a month or so. But I'll get clarification on that. And then, one other concern was, we talked about one of the things that was recommended from the City Manager was the possible creation of an assistant director position. And that's still been kind of in the works and is being talked about as to how to structure that, what that would look like, what the roles would be. One concern was really about succession planning for the director's position. So how that would work out. And so introductory discussions were had around that. And finally the other topic was, we had asked that recruitment firms be used to try to help facilitate getting a pool for the investment officers in our discussion with the City Manager's relative here, Mr. CBOs recommended some other firms he thought would be

more appropriate to do those particular types of searches. Presently HR is getting communication with them, fees and rates, see if they could get together, facilitate those searches. Sounds like end of the month those positions are created and then can go forward with posting and searching through potentially a different firm or existing firms. That was a quick snapshot of what was discussed yesterday, briefly.

>> Arn Andrews: Quick comment. I believe it was last week when we were at the Cal APRS round table, and I think it was the gentleman from L.A. said that they recently did a posting for similar investment officer-type positions, and I believe he said the salary range was in the 125 to 140 range. They got about 65 responses, very robust response in that salary range. They ended up taking a candidate that I believe was an MBAgrad from Stanford. I wanted to share that with the group. It seems if we look on a way to calibrate our salary we might get a slightly more robust response. And the other item I was thinking about. If they are looking at reclassifying the investment officer position have we given any thought to maybe going back and reevaluating our minimum Quals? I believe we currently have a stipulation of certifications on every one of them. I guess my question is: Is it necessary to have a CFA certification for every bucket, you know, are our minimum quals slightly too stringent which might be curtailing the candidate pool, so I just was wondering if any thought was given since we're reevaluating the whole investment officer position, if we are reevaluating the Quals, would we be a little bit too --

>> Matt Loesch: That's a good comment. Making sure the qualifications are appropriate, not to do something or not do something. Recruiting firms if they come back with initial screens, we've got two candidates, or if you change your qualifications that are similar, you might get a greater pool. That was the nature of the discussion yesterday kind of, not to change it to something particular but work with the recruiting firm whoever you are to see -- so you can gain the greatest appropriate pool. That was the nature of the discussion yesterday.

>> Arn Andrews: Good, thank you.

>> Carmen Racy-Choy: I'll just add a quick comment with respect to the classifications and changing the qualifications. The reason there's a minimum qualification which I believe is the CFA exams or similar certification is because there is an MLS retirement analyst position and that is meant to capture somebody who is really good

but potentially not having completed the full CFA. So somebody who has two exams but plans over the coming year or so to complete the examination could fit into that category. And so the retirement officer was the -- somebody with a reasonable amount of experience. By all means, this can be reexamined. But the two -- the analyst position kind of fits in with the way the investment officer was set up.

>> Matt Loesch: Thanks. That's my update. I'll let you know what goes on with further discussions and we'll have updates when positions are created, so forth. Item 3.3. Discussion and action on proposed date on study session and request for proposed topic. We last time discussed that we are not going to have a retreat, per se. We're going to just have maybe a study session after one of our board meetings. Essentially, it's a glorified education session, really and chance for us to talk about specific topics, what a study session is. We had looked at having -- so March is our next meeting and then April. March might be a little quick if we wanted to bring someone in, let's say we wanted to bring someone in on a particular topic and have them talk on it or prepare a topic, might be a little bit quick, thinking about April possibly. Mr. Crosby noted that he is at a conference that he is speaking on the particular day. How quick would you like to have it? Do you think -- would you like to have a special meeting? Would you like to push for March? Would you like to -- what's your desire as far as scheduling it?

>> Edward Overton: I received an e-mail with a number of dates in it. Are we outside of that time frame now? Or have we zeroed in with a date that most of the board members can make it, so update on that.

>> Matt Loesch: That's putting her on the spot. I'm not sure she can answer it oh I think there was some confusion because Police and Fire board is doing a retreat. And they were trying to -- I think initially we were included in that batch of when you're available so I think the e-mail --

>> Edward Overton: I probably got that e-mail.

>> Matt Loesch: I think that e-mail was in error. I think there were -- too big of a net was thrown out to try to get dates and that was not intended for us.

>> Martin Dirks: Would this be something like two hours after this meeting ends?

>> Matt Loesch: That's kind of the target of what I was thinking, two to three hours, tops, and try to get some -- have a chance for -- we're talking about hiring different attorneys at this meeting. It might be a chance for them to make some presentations on particularly topics that would be of interest. Focus on a couple of things to develop that relationship with them more so maybe there's a couple of topics there. Maybe there's some things that Cheiron would want to come in and want to have conversations with, conversations about. So I was thinking about two to three hours. And either the April or the March meeting generally aren't too bad my memory as far as loaded up with heavy normal topics. What are your thoughts about?

>> Stuart Odell: I just think the March meeting if we're going to ask someone to prepare something in advance we're not going to get much out of that.

>> Russell Crosby: Except the Police and Fire is going to have theirs on March the 7th. Except it would be a lot of the same people talking the same topics.

>> Matt Loesch: Maybe it would be duplicate presentations to us, in that sense it might be sort of short-cutted.

>> Stuart Odell: That's fine with me. I have no idea what the Police and Fire plan to talk about.

>> Matt Loesch: Planned to talk about in their retreat.

>> Stuart Odell: We can look at their agenda.

>> Matt Loesch: As far as March, April or May is really what I'm thinking. And is there a --

>> All the dates are fine with me. It's just a matter of who do we want to -- who are we going to come and talk, what will the topics be, who will the speakers be? If it's something, you know, having someone come say from a

different plan to talk about what they're doing, they're going to need advance notice. You're not going to be able to turn around that quickly, if it's --

>> Matt Loesch: My personal interest was for April. Because that gives us about two months to plan for it and get things ready. It just depends how urgently you want Mr. Crosby in attendance. He's not going to be here.

>> Arn Andrews: I think March or April are find. I think the round table a few of us attended, they had a legal bucket where they discussed pertinent legal aspects of being a trustee. They had a actuarial bucket where they discussed some recent pertinent aspects of the actuarial sciences and then they had some investment folks. I think we can probably follow a fairly similar format, you know, have somebody talk for a while on legal aspects, actuarial aspects. My guess after today we'll have the people to do that. Since they're the presenters we saw two weeks ago, both presenters from Cheiron and from Reed. So I think we'll have the personnel on board to have the types of topics discussed we want discussed.

>> Pete Constant: The other option is, you could move your April meeting by one week either direction. You could do that too, that would accommodate, make sure the director's here. Something to think about.

>> Matt Loesch: What are the trustees schedules in April, the second or fourth week as opposed to the third week?

>> Earlier date is good. Later date is not.

>> Matt Loesch: Okay. Mr. Odell.

>> Stuart Odell: Neither the 12th or the 26th will work for me.

>> Matt Loesch: Okay. Why don't we tentatively put it on for our existing meeting in April. And see if we come up with a better plan. And we still have two months to wiggle it around a little bit. Plus within a couple of weeks we

can post it and move it around here and there. And then we'll work on a rough outline for topics, similar to what Mr. Andrews said about buckets of legal actuarial buckets and so forth and get folks in from potential new attorney, or -- and/or Cheiron, a general topic tied in to how it fits into San José and we could get Meketa up, into an investment topic and how it works into San José. Something like that. How does that sound? We can kind of hone in on the topics of those particular areas over the next month or so, so we can have a rough agenda in in front of you for next month. How does that sound?

>> Stuart Odell: Sound fine.

>> Matt Loesch: Ms. Dent do we needs a motion on that?

>> Mollie Dent: No, you don't need a motion on that. Parallel okay, thank you. Item 4.1. Discussion and action regarding the allocation methodology for valuation of administrative expenses.

>> Russell Crosby: You want to --

>> Mollie Dent: I guess I'll take it up, although it came up with staff after the last Police and Fire board meeting. Your valuation was finished and approved, has been approved. But when administrative expenses were discussed in the Police and Fire valuation, an issue came up as to how those expenses should be allocated between the employees and the employer. Now that the administrative expenses are nominally being treated as normal cost, they would usually be split between the employer and the employee. But because the past practice had not been to split them that way, in the Police and Fire plan, the Police and Fire board decided, for this next valuation, to follow the past practice in terms of how those expenses had been split. It wound up roughly being -- I guess about two-thirds going to the employer and a third going to the employee or something like that. We don't -- we have not looked at -- Cheiron did not look at past practice for this board. So it's not clear whether you have an issue or not with whether you're allocating the expenses the way you have, as normal cost, as consistent with the paste practice or not. The question is whether you want to have your actuary look at that and see whether or not

you've made a change in past practice in terms of that allocation. It's I think a relative small amount. I don't think we're talking about big dollars. But ...

>> Matt Loesch: So could we get a clarification from Cheiron next month specifying what past practice are, so we can make a decision and put it in record? Do I need to have that as a motion Ms. Dent do you think?

>> Mollie Dent: I think a motion to request that from.

>> Matt Loesch: A motion would be to ask Cheiron to come back with past practice and the splits based on that next month.

>> Arn Andrews: Motion to have Cheiron come back with past --

>> Matt Loesch: I just need a second.

>> Arn Andrews: Oh, second.

>> Matt Loesch: All those in favor? Opposed, okay. Item 4.2. Report on the implementation of the new long term asset mix as approved by the board on December 15th.

>> Carmen Racy-Choy: Thank you. Before I start discussing the memo that's in your packet I just wanted to convey that obviously the board has adopted a new asset allocation in the December meeting. The implementation through the policy overlay is really an approximate implementation. Staff and Russell investments tried to bring the risk of the plan to the level specified by the new asset allocation. A more longer-term implementation will have to follow, meaning the investment committee will be looking at adopting a new structure, and once the structure is adopted, a more longer term implementation including managers will be adopted. So with that, I will just cover some of the key of the implementations of the new long-term asset mix, included a significant allocation absolute to return strategies. And as per a prior board meeting decision, that allocation was

split pro rata among fixed income, equity and real assets. What was actually implemented included adjusted long term targets to reflect the existing underallocation to absolute return strategies. Clearly, the investment committee is working with Alborne currently to implement the absolute return allocation. But until this is done, the adjusted targets would be used. I just want to bring to your attention that the adjusted target resulted in a approximate allocation of 60% to equity, public and private equity. This includes Real Estate, an approximate allocation to 13% to fixed income including private debt, and an approximate allocation of 27% to real assets. More specifics on the implementation, I think the significant component of the implementation is the fact that the real asset exposure was increased by approximately 15%. This was done through two swaps. One, an additional swap on the global infrastructure, a total return index, approximately 2%. And the rest was implemented through a swap on the Dow Jones UBS commodity index. Any questions?

>> When was that completed?

>> Carmen Racy-Choy: That was completed before the end of December. Typically, the policy overlay, the goal, is to implement any change in policy or any new policy within five to ten business days.

>> Matt Loesch: There seem to be a decent amount of trepidation from our asset allocation by the folks on at least the P and F investment committee because at least a similar allocation was presented to them in their asset mechanism and there seemed to be a decent trepidation about it, concern about the implications of the large real asset allocation. What are your thoughts?

>> Carmen Racy-Choy: Sure, let me explain why we have such a large real asset allocation. And what their concern is. The large real asset allocation is meant to maintain the funding ratio of the plan in a situation, in a bad -- in a high inflationary scenario. In a high inflationary scenario, the liabilities of the plan would grow exponentially. In a typical asset allocation where there is very little allocation to real assets, the actual value of the assets would decline. What that would cause is a significant deficit within two and as you know this would then have to be paid by the city through the unfunded liability process. So the increase in the real asset allocation is in fact trying to hedge sort of seek the liability increase in a high inflationary scenario. The concern that the Police

and Fire expressed is fundamentally due to the fact that a typical commodity index would actually fall by probably a larger amount than an equity index in a stressed environment. For example, in 2008, commodities, the Goldman Sachs index specifically fell by a specific amount in excess of equities. So their concern is, are we making a 2008-type scenario even worse? And the answer to that is no, not given the way we've structured the existing mandates. The current commodity managers are using a risk parity approach, which is significantly reducing the volatility of the mandates, comparatively to the Goldman Sachs index, for example. What this will do, is it will result in significantly lower losses in a 2008 environment, comparatively to equities. And so the concern isn't valid from a perspective, it is a valid concern to be raised but it doesn't necessarily justify really shying away from increasing the allocation. So the Police and Fire committee has not seen the results of the stress testing that is currently being done. This is coming back to them at this meeting.

>> Matt Loesch: Right, and that was kind of -- there was a decent amount of trepidation about this allocation. I know a lot of focus is done. We don't want to repeat 2008. No one wants to repeat 2008. But that was -- it's a pretty good outlier as far as most market down turns. How about your more typical downturn, it's going to swing back up, it's going to swing back down. What would be the reaction in this current portfolio, this current allocation?

>> Carmen Racy-Choy: That's a good question. But even in a 2008 scenario the numbers show that you would not have as poor of a performance as in 2008. So even in that kind of a scenario, it was having an increase in the real asset allocation, again, given the way we've structured the commodity mandates so far, and we've made the assumption that we would be adding infrastructure and illiquid natural gas and oil-type investments which have a little bit of a smoothing effect in that type of scenario. So even in a very significant environment you would not expect as bad of a return. Fundamentally, the main reason we're adding ream assets in a significant way is diversification. If we didn't think in a bad scenario they would add some element of diversification, they wouldn't be there. Now I'm not going to sit and tell that you in every scenario they're always going to help us improve the situation. I think the key is to understand that there's a key driver and there's a fundamental reason why a pension plan must have a significant real asset allocation, and that's the driving force behind that.

>> Matt Loesch: And to reassure, this was the recommended allocation from staff that we accepted. And it was -- it was accepted here by the board and we're pretty content with it. That was my concern when I heard that they were kind of kicking us around. And enunciating dissatisfaction with it, well, this is the recommended allocation from staff and even our investment folks ton board were content with it. Kind of reassuring this is the way we should be going.

>> Carmen Racy-Choy: Absolutely, absolutely. If you were to decrease the allocation, we did a fair bit of analysis on the Federated plan. It basically showed that if you have an allocation to real assets of approximately 18%, you're more or less hedging your funding ratio which is typically what you're trying to do in that type of scenario. And so this is really the main reason behind the 20%.

>> Matt Loesch: Okay. That was the question.

>> Edward Overton: Where would you go with those assets if the allocation to real assets were to be reduced in Police and Fire?

>> Carmen Racy-Choy: If the allocation to real assets, for example, were to be 15%, we would probably add a TIFs component that would add a linkage as well. So really there are many ways to get to the goal. So if the increase was more significant then it would be problematic and it would leave the plan exposed to an inflationary environment.

>> Edward Overton: Okay.

>> Arn Andrews: Just two questions. If I remember back to our implementation of commodities we were making sure that if we were utilizing an index we were going to mitigate, you know, see if it was top heavy on energy components as to something else. I think you already spoke to that, that even if we are currently in the indices we're trying to parse out the over-weightings to make sure we're not exposed to a certain sector like oil or anything. Because some of these indices are highly --

>> Carmen Racy-Choy: Yes. The way we've implemented -- I just want to clarify. The way our two managers Credit Suisse and first quadrant have allocated, with their help we've created a customized benchmark. And the idea from the benchmark is very simply to have a more or less equal contradiction risk from the various commodities. And they really try to go at it from a sector perspective as well as from a commodity perspective. Credit Suisse and first quadrant have implemented that high-level kind of overriding principles slightly differently. But they have both shown, when in the recent down turns, the risk parity benchmark outperformed the Dow Jones index I believe by 6 to 7%. And they -- I think at least one of the two managers has been able to add alpha on top of that. So definitely, the way we've constructed those specific mandates was very much to minimize the volatility. Clearly, when you reduce volatility, you -- over long periods of time, you also reduce return. And this actually leads into our commodity assumption is actually lower than other plans. Partially because of the risk parity approach. We made the assumption that since we're assuming less risk we're going to earn slightly less return over long periods of time. However, I just want to convey that through the policy overlay, the money was not given to the managers. Since this is a temporary implementation, the additional money was really implemented through swaps. The main rationale is, the money will be going to specific illiquid investments in some situations. On -- in natural gas and other areas such as timber, and so we basically -- it didn't make a lot of sense to give it to the managers and take it away a couple of months later.

>> Arn Andrews: Okay. And that leads into my second question. So similar to the last time we changed our asset allocation mix, this is kind of an interim solution until we can actually move into absolute return. Do we have a sense of time frame of how long that will take? I mean I know we do have staffing constraints but I'm just wondering if you can give me a ballpark figure of how you see this rolling out.

>> Carmen Racy-Choy: I just want to you convey that when you're implementing an absolute return strategy, the information that we've received from Alborne is that given we have access to their database and given they're providing additional resources, typically the constraint is how quickly can your legal counsel go through and execute the agreements with the managers. The program will at the start have approximately 15 managers. And in certain situations the legal counsel of some plans can only execute one a month. Which would put us on a very

slow pace. In other situations, where legal counsel has the resources to execute two or three per month, you could hope to accomplish it in six months. The actual investment component can be done relative quickly, because the hedge funds are heavily concentrated in New York and London. So if you basically plan those two trips, you could potentially perform due diligence on a very significant portion of the managers which are going to be in your program. So on this issue, I guess, once we have a legal counsel -- once a legal counsel has been chosen, through the RFP, we will have greater discussions with them to understand their resourcing and then we will get back to you with a more definitely answer.

>> Matt Loesch:   One thing I'm going to ask for is you know, presumably we're going to have I believe counsel hired today or at least approved, come back with a schedule next month, hopefully next month with a rough, this will be done in April, May, June so fort, how the projected thing would look, it is a target, a goal as to how this is going to roll out for the next few months. That way we can see how these buckets can get filled up. It will be scheduled, flexible, I'm requesting a projected schedule of implementation to come out.

>> Carmen Racy-Choy:   Sure. I think Alborne is presenting the investment committee with a presentation and the presentation will come to if approved to the board. It includes a sketch of an asset implementation plan. I think they show the implementation over nine months just as a rough estimate just because it's somewhere between six and 12.

>> Matt Loesch:   Sure. And you've done it before, where you've had the buckets whether filled or not, active or passive, and now you're working with the investment committee of how to align the buckets and in the silos, is that right? Once that gets clarified this communication is going to continue to come through. We want to make sure we know how these are rolled out and investment pieces are filled out. Especially those of us who don't serve on the investment committee. A schedule wok good. Mr. Armstrong.

>> Michael Armstrong:   How do we see if the overlay is working?

>> Carmen Racy-Choy: Good question. The overlay is designed to reduce the risk in the plan in the idea it brings you in line with your overall asset mix within business days after the decision is made. In certain situations it's going to produce a profit and in certain situations it's going to produce a loss. In combination with the actual return of the plan, it basically should bring you very close to your policy benchmark. So if you're coming close to your policy benchmark, that's one way to judge whether the overlay is working. Because that's the goal of the overlay is to bring you in line with your targets.

>> Stuart Odell: I think on the overlay I'd like a separate education session specifically on how that's implemented, understand the costs of that at some point.

>> Carmen Racy-Choy: Sure.

>> Stuart Odell: Since it seems to be an area you're using quite frequently to get your exposures. And we haven't had a detailed reviewing of those. So I don't understand exactly what you're paying Russell for it, what the swaps are costing and thin how closely you're tracking your objectives on those swaps, are you getting what you are wanting. I'm not trying to create a lot of work here, but maybe a half hour, one hour session where you can kind of walk us through that. You could envision, here's the base portfolio, here's what it looks like, here's where it's returned, here is everything we're overlaying on it, how it's constructed, what it costs and then putting the two together, what was the outcome of the two portfolios put together. The base portfolio and then the overlay that goes on top of it.

>> Carmen Racy-Choy: Sure.

>> Stuart Odell: I did have one other question around, you said that, so we put these swaps on now, under the anticipation that we'll do some private partnerships, primarily in the oil and gas space, over time. And those will take, I think, a fair amount of time unless you're just going to do one or two and drop a lot of money into them. But to build a private program over time will be a multiyear effort. And I guess you've hired first quadrant and Credit

Suisse to beat these benchmarks presumably, is that their objective or to just give you the return of the same of these indices or these custom indices that you've created?

>> Carmen Racy-Choy: First quadrant and Credit Suisse have what we have called a risk parity index. So it's basically take the Dow Jones but constructed in a way where the contribution to risk from every sector in the Dow Jones is equal. So basically what you're doing is you're radioing oil --

>> Stuart Odell: Sorry, I'm familiar, I thought these swaps were also risk parity swaps.

>> Carmen Racy-Choy: No.

>> Stuart Odell: So we are taking an overweight to or presumably we're taking a big energy bet on swaps that are being added on, on here.

>> Carmen Racy-Choy: That's correct.

>> Stuart Odell: So I guess my question would be, maybe you do want to head towards your target managers sooner, because it may take longer for you to get your exposures that you want in the oil and gas space over time. I mean, do you have the liquidity with Credit Suisse and first quadrant to be able to invest directly into those?

>> Carmen Racy-Choy: Yes. I mine, within reasonable I believe either they're both monthly or they're very close to it.

>> Stuart Odell: Right. So it's just my thought is how long will these swaps be hanging out there? And you're taking you know a lot more risk on them than you are with your risk parity managers.

>> Carmen Racy-Choy: The intent was, once the --

>> Stuart Odell: Absolute return?

>> Carmen Racy-Choy: Well, once -- not even that. Once a new structure is adopted, at that point in time we would potentially adopt one or more investments and that component would then be brought in from the swaps. Whatever else remains could then be moved to Credit Suisse and first quadrant, if that's deemed to be the better option. So this was men to be a quick way to implement, and really, it was in a way forced just because we were implementing around Christmastime. And the city was really closed. So this was a quick way to do it. We would have had to delay implementation to January, at the very least, in order to implement through first quadrant.

>> Stuart Odell: That's fine. Maybe what you want to do is think about, well, there's a portion of this swap that actually is going to be a little more permanent to Credit Suisse and first quadrant because it's going to take us some time to get the private partnership piece of this. So let's take X percent and get that in with those guys. And then the percentage that's really the absolute return piece that you're going to take down as you fund Alborne out, I think you could leave in the more liquid swap and do it that way. It would just seem to me to be a more consistent with the implementation of your asset allocation policy from a risk perspective, anyway.

>> Arn Andrews: I would just echo that comment. I was trying to remember back to the conversation when we first did commodities, that's why my question was along that line, I remember a pretty extensive conversation why the risk parity was the better approach because of the high concentration of the energy sector in the energy index. I'm glad that Stuart followed up because to the extent we won't need to have that exposure, based on our original intent a year ago, we should mitigate that exposure and have it in the risk parity platform we originally conceptualized as a board.

>> Carmen Racy-Choy: We'll get back to you with more information on that. But I think a very significant portion of the swap is very much going to be used to fund the absolute return component. I will actually provide you with the exact figures next time.

>> Stuart Odell: And maybe I'm wrong but I thought there were swaps on risk-weighted indices out there, a lot of that kinds of -- I mean there's a bunch of product out there where they'll run swaps against kind of more custom type stuff for you.

>> Carmen Racy-Choy: There is -- the issue is they are higher cost and they are less liquid. So when you -- I think the key behind this was, we needed the liquidity because we thought we were going to move out of and implement the absolute return strategy, potentially, over a six-month period, and that this would be one area where we would be pulling money out. It would be more costly to enter those swaps and significantly more costly to exit the swaps.

>> Stuart Odell: Okay. I think as part of your analysis when you're putting that swap on, that's really the due diligence that you want to be doing is that trade-off between the different swap products, what's the liquidity. Because what you're giving up in exchange for that liquidity is, you're adding -- adding risk. Because you're taking a -- essentially an energy-weighted index as opposed to an equal-weighted ritual e-risk index.

>> Carmen Racy-Choy: Okay.

>> Stuart Odell: So I think that's the right analysis in terms of tradeoff of cost and liquidity. What are you giving up in terms of increased risk to the portfolio.

>> Matt Loesch: So when you come back to the proposed schedule we're leaving this as it is because we think it will be complemented and so forth and athis that risk of cost analysis as well. (inaudible).

>> Matt Loesch: Item 4.3, approval for the secretary to negotiate and execute an agreement with ORG portfolio management to act as the system's independent real estate fiduciary for transferring the Milpitas warehouse to American realty's core real estate commingled fund.

>> (inaudible) recommendations from the American realty to transfer the assets for the units to the commingled fund (inaudible) 10.3 million, staff Meketa investment and investment committee are suggest or recommending to hire ORG to be active fiduciary to determine the cost of the plod and the cost of the commingled fund in order to transfer the assets over to the commingled fund. They are going to be acting as a fiduciary for the plan and we have done something similar on the Police and Fire side which was last September. Where we transferred three properties into the commingled fund and ORG was the company that conducted the fiduciary analysis for us.

>> Matt Loesch: Are there any questions from folks what's going on, presented because this Milpitas thing has been going on for quite a while. Since I've been on the board we've been trying to get rid of this thing, trying to sell it many times, trying to load it up with tenants and so forth so we can sell it. So now it is the opportunity to remove the burden. If there are comments questions or history we want to get on the record for clarification sake.

>> Edward Overton: I'd just like to ask where the value-added is with ORG, why can't this be a straight transaction between the fund and American?

>> Currently American realty is the corporate manager and they are also the asset manager for the Milpitas warehouse. And it -- hiring ORG would give us an arm's length transaction where --

>> Russell Crosby: If it's not a conflict it certainly has the appearance of a conflict. That's why we would want to have a fiduciary in the middle in the mix to make sure that the plan, because you've got one manager managing the property and he's also the commingled fund. How are we assured that the price of the commingled fund he's going to give us is good without someone else to come in and look at that, to say, yes, trust fund, that is a reasonable price and go ahead with this transaction.

>> Edward Overton: Okay.

>> Do we have any other property like this that we're trying to --

>> Russell Crosby: This is the last the Federated has and it's been hanging around since I got here and certainly --

>> Arn Andrews: Diversifying out of the badminton club business.

>> Matt Loesch: We welcome them to enjoy their badminton but not on our tutelage.

>> We do have --

>> Matt Loesch: That's great.

>> Stuart Odell: That's where the board outing ought to be.

>> Matt Loesch: They're a great tenant.

>> Russell Crosby: ORG came to us through an RFP process. They weren't a sole source identification my any means.

>> Arn Andrews: Diversifying out of the badminton tenant base, I'll make aa motion to approve the agreement with ORG.

>> I'll second that.

>> Matt Loesch: Comments or questions? All those in favor, opposed. Item 4.4, discussion and action regarding retirement board of administration's fiduciary insurance coverage terms and conditions.

>> Russell Crosby: This was put on the agenda as an opportunity for trustees to ask questions of counsel and then I think counsel to go back and look at the policies.

>> Mollie Dent: So I would suggest that maybe you, if the board is interested in having information ton fiduciary spots that you go ahead and defer this item until after we've selected legal counsel, and whoever you've selected legal counsel can look at your policy with Chubb and give you information about the coverage that you current have. I will say that for the record we had recently an opportunity to make a tender to Chubb and they did accept. That doesn't necessarily mean they always would. But I think once you have your legal counsel on board, they're -- they can go influence your policy very efficiently.

>> Matt Loesch: Okay, questions or comments for the board?

>> Arn Andrews: Other than I think when we talk about having our retreat or whatever we're calling it, this topic did come up at our round table, and I think it's a if area that I think a lot of us would like to explore more. So I would, pending the outcome of today's other discussions, possibly have this as one of the talking points during that discussion.

>> Matt Loesch: Okay. So we'll hold it until -- table the discussion until another day. Item 4.5. Discussion and action on the accusations made by retirement staff, San José city officials and our consultant's actions around pension plan projections and recent media investigation report. We have items A, B, C and D under there. That have been attached and we did the -- so I was the one who requested the agenda item as listed. I'm actually going to move that it be a note and file. If I can get a second I can further my explanation.

>> Arn Andrews: Second.

>> Matt Loesch: Okay. There's a lot going on here. And there's a lot of things coming in and foyer items added on here. I had to Hayesily put it on here. Further thought, I would have put this as a communication piece as to what's going on. I don't really understand or know what the realm is of what's going on there. We are now going to talk about hiring some new legal counsel shortly and I think until that time is there, I'd like to myself just note and file items 4.5 A through D for further discussion some other day.

>> Edward Overton: Second.

>> Matt Loesch: It's been seconded. There's probably some folks from the audience who would like to speak on it. They are probably comfortable seated. We'll let them talk and then we'll vote.

>> Good morning Mr. Chair and members. My name is Brian Doyle, I've been a plan memberring would being in the city attorney's office for the past 21 years. Very first time I've actually attended a board meeting, having seen what you folks do I'm very appreciative how attentive you are of your fiduciary obligations to the plan members. I thank you for that. I'm not here to talk about what the elections commission may or may not do, or what the city council may or may not do. I'm here simply to discuss one of the attachments or two of the attachments to the accusation. The first one being the e-mail dated June 15th, 2011. In which Mr. Crosby is speaking to Mr. Moehle. And he says, it seems an offhand comment to Scott's people, I'm assuming that is the director of finance, regarding no backup for the $650 million has caused them to challenge even the $400 million figure. These are not good players. You have to assume everything said, I'm assuming to finance, will be twisted into something else. It's hard for me to contain my emotion by communicating to you how angry I am that this state of affairs should be occurring in our retirement department. I simply do not understand why the director would view anybody as a player, what game he might be playing, what games might be being played between the retirement department and the finance department. I would think that in a properly functioning city, the retirement department and the finance department would be working hand in glove. Apparently, that was not the case in June of last year. I'll leave it to you to explore what you might want to do about that. I trust that Mr. Crosby is a smart enough man to quit playing whatever games he may have been playing at that time. The next topic I would like to discuss is the procurement of the Cheiron letter. Apparently, Cheiron was contacted to, we are now told, verify some figures that Mr. Moehle had come up with in terms of generating a $400 million figure that was presented to the City and County in February of last year. I don't understand what budgetary purpose that request is being made for in July. It seems purely to have been made to strengthen the politicians and their political gambit in terms of collective bargaining and for no true, normal budgetary purpose. About that letter, I simply would ask the board to know, was the board involved in the procurement of that letter? Did the board authorize the procurement of that

letter? And who paid for that letter? I really don't think that Cheiron's response was properly qualified, knowing what had transpired twin the original calculation by Mr. Moehle in February and then the new concessions made by the unions in June and July. And therefore, I think to the extent that Cheiron thought it was qualifying its opinion in the letter that was produced, I don't think they did a good-enough job, despite their letter that came forward recently. And just to emphasize that point, I would just like to read a statement read by Alex Gurza to the city council as recently as last Monday. He was quoting the Segal company a former actuary in which he stated it is desirable to estimate as closely as possible what the actual costs will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future and to maintain equity among generations of participants, being me. And taxpayers, being the people who will hear the arguments. I don't think that the letter produced by Cheiron is in any way a close estimate of what the actual cost would be. And I think that has become apparent. Finally, I would like the board to consider for its study session the following idea: I believe that it is very aberrant for the director of retirement services to be reporting directly to the City's chief negotiator. I don't understand why that should be. I don't understand why -- I don't understand what other boards in this country would have such a situation exist. I also don't think it's very desirable for City's chief negotiator to sit -- to serve at the pleasure of the City Manager. I believe a better possible governance structure of this board, as well as its staff, would be for the boards themselves to choose the retirement director. Possibly with the consent of the city council. And that the board should consider a recommendation to make a charter change. I think this would be a rational charter change. Just to have true independence, and true accurate information, reliable information coming from the board and its staff, such that the director is clearly independent of any possible temporary political currents. I'm here if you have any questions. If not, that's the conclusion of my remarks.

>> Matt Loesch: Thank you, Mr. Doyle. Any other further comments or questions from the audience?

>> Good morning, chair and board members. By name is Vera Todorov, I'm a nine year city employee in the city attorney's office. I echo what Mr. Doyle said and I just wanted to emphasize that you all have a trust relationship to the plan beneficiaries that is an interest that is completely differently than the interests of the City Manager's office, in attempting to control or in some way manage this plan. The City Manager's office answers to 11 politicians. You do not. You answer to the retirees and current employees who are the plan beneficiaries. And I

completely agree with the approach, that the duty should be spelled out further in the charter as well as your ethical responsibilities and the responsibilities by which this plan will be run. That there should be a charter amendment that recognizes that separation, of duties, and that recognizes that everything that you do is to enhance the plan for its beneficiaries. Thank you.

>> Matt Loesch: Thank you. Any further comments? Okay. On the motion? All those in favor? Aye. Opposed, okay. 9:35. 5.1 there's nothing. Under 5.2, we have on the investment committee we have minutes from November 30, 2011 to approve. I'll entertain a motion.

>> Motion to approve the minutes of the November 30th meeting.

>> Matt Loesch: Second?

>> Arn Andrews: Second.

>> Matt Loesch: All those in favor, opposed. Item B will be tabled till next time unless there's an update that anybody else on the investment committee would like to add in.

>> No.

>> Matt Loesch: Okay. 5.3, the ad hoc governance committee there's a meeting on January 5th and then we have one after this at 11:00 which we're going to be going through. I think it's probably our final dash through the base policies so my guess is maybe the March meeting we'll have a slot of what the new recommended policies will be to the board. So hopefully we'll get through all of those today and we'll have a new policy, so the governance committee will have completed their work.

>> Edward Overton: Mr. Chair, I took a quick glance through policy committee's agenda and some of the backup items.

>> Matt Loesch: Yes.

>> Edward Overton: And there are some things on there like a personnel committee.

>> Matt Loesch: Yes.

>> Edward Overton: Where is that, where did it come from? Have we adopted, did I miss a meeting someplace?

>> Matt Loesch: No, nothing has been adopted. These are the recommendations by Cheiron as best practices. They also followed up as saying that because of the current structure in San José, there really is no place right now for that but we have kind of a template of what that process would look like, if the situation in San José changed, that we were then reviewing personnel.

>> Edward Overton: Was this productive use of the committee's time to come up with something like that?

>> Matt Loesch: We didn't come up with that. I think my guess is they came up with something they provided to other plans or they see as best practices and once the city attorney's office and the attorneys that looked at it as currently treasured this policy is inappropriate and we did not include it. And it's been kind of a legacy thing just kind of going through that this is kind of a template you might want to start with where the situation changes. Nothing has changed as far as new policies or new committees until they come to the board next month and then you'll have a chance to say I like this, I don't like this. You'll get a recommendation from the committee, adopt these, or what do you think and even then we'll get modifications at that time. You'll have a recommendation, these are 15 policies, what do you think, and then we'll enact them one at a time, is that fair?

>> Edward Overton: Okay.

>> Matt Loesch: Education and training, 6.1 through 6.4, I'll note and file those. Future agenda items. Seeing none, public and retiree comments. Seeing none. What I'll do is I'll move adjournment until -- I'm sorry, please, I'm sorry. Thank you. Either stand or sit. Whatever is more comfortable. You'll have to pull that mic up so you can actually use it.

>> Good morning. I'm Sean Hegemeyer I worked at the (inaudible) retired two years ago. Like everybody, who is retired I should have an interest in what's going on. And what I've done in the last month I have found out that it's difficult to understand how the retirement plan, not even state it is. And I have found one thing that seems to be key. And that is, is that the system or the plan reports its condition according to standards that are laid out by GASB. And as long as you report it according to the standards laid out by GASB, it is considered to be an adequate if not a fundamentally good report. And what I have found is that if a plan waits until GASB writes new regulations, and if GASB writes new regulations because they find a problem with how governments report their finances, is that, and then they spend a couple years figuring out what those new regulations might be, and then the -- and then they implement the new regulations, and then the cities have to take a few years to implement those regulations, you'll have a period of two to eight years before people see a problem before people implement a change. In those two to eight years, the problem can get so much worse, build so much that it becomes much more difficult to correct the problems that GASB exposes. So it seems like what would be what systems need to do is to be proactive, and to implement changes for problems that they see before before they are required to by an outside agency. An example here in the City of San José was in 1986, because of GASB 5, is when they calculated their liability, is they had to use future wage increases which they had not done for the previous eight or ten years. And in that one year, the liability increased by 66%. Just because of the new way of calculating the liability was imposed upon you. Well, the liability was already there. It just didn't show up of the new, until they were required to, by new way of calculation. And it seems like, I believe that you people understand what the liabilities were. That you knew that the liability was higher than what it had been calculated as. And if you would assume that that liability is there, even though you don't have to report it in that way, you would have a much more time to respond to the changes that you need to make. And you would resolve the problem a lot easier, you know, for everybody. That's it.

>> Matt Loesch: Thank you.

>> Mollie Dent: In terms of the agenda, if you want, I did want to remind you, that if you want to take a break on the Federated agenda until 10:00, we do have the Federated retiree health care trust.

>> Matt Loesch: Reading my mind, Ms. Dent. Reading my mind.

>> Mollie Dent: Call to order that meeting.

>> Matt Loesch: Okay, so I'm going to put a hold on the -- call into recess the pension plan and I'm going to call to order the Federated Retiree Health Care Trust Fund Board of Adminstration for February 16th, 2012. Under orders of the day, not to offend Mr. Overton, at all but the board members are listed incorrectly as vice chair and so forth, other than that, any other orders of the day? Okay. I -- [ No audio] [ recess ]

>> Matt Loesch: Call back to order retirement board for item 3.1. This is discussion and action on the selection of legal counsel and authorization for the City Attorney and board secretary to negotiate and execute contracts for terms of three years with the following firms. Reed Smith LLP for general counsel and investment services in the amountto not to exceed $500,000. Ice Miller for tax services in an amount not to exceed $75,000. Saltzman and Johnson, Law Corporation for domestics relations order services in an amount not to exceed $50,000. Ms. Dent.

>> Mollie Dent: Thank you, Board members. I'm pleased to be able to bring this matter forward to you. And I want to start by expressing my appreciation for the two board members who sat through the review and interview process with us and looked at resumes from law firms and asked lots of good questions, and also the director of retirement services. The background on this I think as you all recall is simply as a result of budget cutbacks in our office, the inability of our office to continue to be able to staff the City's two retirement boards. And so, in September of last year, the board reviewed and looked at our proposal to conduct an RFP to select outside counsel for the board and we then moved forward with the RFP process in the fall, following the framework that we'd outlined for the board. We received very robust responses to the RFP. We were pleased with the quality of

the responses. I think especially notable were the number of responses we received in the investment category. We really had to hone those down, because we received a lot of good, quality responses in the investment space. So I think that the recommendation that we are making will help the plan move forward with the new investment strategies that the board has adopted. We conducted an initial pass-fail assessment to ensure that everybody met minimum qualifications. And then we went through evaluation criteria, each individual member of the panel ranking the firms, and then the rankings of the individual panel members were averaged, and the firms were -- based on those written proposal rankings the firms were selected for interview. Because we obviously couldn't interview all the firms no matter how high-quality the proposals were. We chose four firms to interview for general counsel services. Three firms for investment counsel. Three firms for tax counsel. And three firms for domestic relations order counsel. As memo indicates that Reed Smith LLP was the highest rank firm for general counsel based on their written proposal and they presented a very thorough understanding of the system's needs and their interviews, you know, very good understanding of issues that have been before the board recently very currently and issues that we think will come up for the board in the near future. With respect to investments the panel's consensus was that all firms interviewed had good background and experience for the systems investment needs. Reed Smith's rankings on investment was thought to be very good. They recently handled a very large asset reallocation for the South Carolina system, I think the director could speak to that probably better than I can. And they had their -- their firm was a little bit unique, in also having in-house experience in fund creation, as well as in investment, which can be an asset, as long as there's not a conflict. The understanding of how those funds are created can be an asset when you are also representing the investor. I do want to note, though, that we are not recommending that the system terminate the contract that we currently have with Hansen Bridgett for investment services. They were ranked very highly by the panel for investment services and we are recommending that they be continued on, in order to complete work they have in progress, provide counsel, if issues arise on transactions completed to date, perform service on future matters in the event that Reed Smith has a conflict of interest or staff feels that it would be in the system's interest to use Hansen Bridgett. So on a case-by-case basis, and especially given what you all perceive as your need for some really heavy duty need for investments, we are not recommending they are terminated but we will be recommending that the new work be primarily assigned to your new investment counsel. The idea is to try consolidate as much as possible with the new firm because we think we will get some economies out of that. I will say that the same recommendation is going to go forward to the Police and Fire board. We conducted joint interviews with a panel for that board. The boards do not have to accept the -- the boards do not have to appoint the same counsel. But this is going to be a consensus recommendation for the same panel of attorneys for that board, as well. The -- on tax counsel, the recommendation is basically to continue with your current tax counsel, to go ahead and use them for your as-needed tax services. Ice Miller would be representing, continue to represent the plan on the two matters they have pending with the IRS anyway, but this would mean that Ice Miller would also be representing you on a go-forward basis, an advisory basis. The recommendation to select Saltzman and Johnson for domestic relations order review, flows in part from the Reed Smith recommendation for general counsel, because Reed Smith did not propose to provide domestic relations order services. Saltzman and Johnson's fee for those services was very reasonable and we think they will be very able to handle the domestic relations order review. It is a necessary part of the work and it needs to be done. So that's the conclusion of our presentation. We have Jeff Reger here from the Reed Smith firm. I know many of you have seen or heard Harvey leaderman, the lead attorney who was on our proposal. The firm will be having Mr. Leaderman, would be having Mr. Leaderman primarily attend the board meetings, although it will be up to the board as you work through things to decide whether or not you might want a member of the investment staff or Mr. Reger here. Mr. Reger would be the person primarily interacting with staff on the advisory matters and we do anticipate that there will be you know a transition from the city attorney's office and it may take a little while for everything to be transitioned over. But the firm also has a very strong litigation team. We do have some litigation that may eventually need to be transitioned and you may have litigation in the future. So we were pleased with the quality of the responses. We were really happy to have the help of the panel. And would ask that you accept our recommendation.

>> Matt Loesch: Okay. Board?

>> Arn Andrews: Just one point of clarification. The discussion in the memo about Hansen Bridgett on the retirement services is more maintaining them in the capacity so that you have an orderly rolloff of functions but we are still engaging -- being asked to engage Reed Smith for investment counsel so we'll have two for a while as things roll off?

>> Mollie Dent: Correct. You may have two indefinitely. Because many plans do have a backup investment counsel in the event of conflicts.

>> Arn Andrews: And the current Hansen Bridgett contract is through when?

>> Mollie Dent: I think it's through 2014. We just extended it, I believe. There's still -- there's no need to add any money to it. I do want to point out that the recommendation, the amounts here, it's very difficult to size these contracts. We do have -- we did have -- we do have a not to exceed amount proposal on a monthly basis for Reed Smith. For attending -- because of the way we structured our RFP, for attending one board meeting a month and providing ten hours of services. But you can't really estimate what the cost is going to be, when you get into litigation services. This was -- hopefully this is the amount that would serve you for three years. But there's just no way to know that.

>> Matt Loesch: Any other comments or questions?

>> Stuart Odell: So on the investment services piece, did you explore a flat-fee structure for that side of it, with any of the outside counsels?

>> Mollie Dent: Some of the participants said they would be open to a flat-fee structure. We -- I can't recall if Reed Smith said they would be open to it. But I'm certainly open to discussing a flat-fee structure with the firm. It -- so I think, again, it -- I might have to have a little bit for information from staff about exactly the kind of contracts that they're looking at. I can look back at what the fees have run with Hansen Bridgett. I just don't know if that's similar to what we're going to be doing in the future.

>> Stuart Odell: The fees are going to be a lot higher going forward. And it may be the first year you don't do a flat fee to get a is bay line of where things are coming out. But we found in my work, working with outside counsel, that you you can negotiate flat fee structures for a certain number of transactions or a certain level of due diligence that they will do on the investments. And it can have a significant reduction in your overall cost. My

second question, is just around the general discounts to their stated fees. I know that I assume that these law firms came in and gave you quoted discounts off their fee structures. And I'm just generally, where were those numbers?

>> Mollie Dent: Let me find the --

>> Stuart Odell: Not --

>> Mollie Dent: The numbers ranged. Reed Smith is not the least expensive firm. Their numbers as I indicated in my memo were higher than some of the others. They ranged a lot. We had one firm that proposed very high, that didn't really have public plan practice. So I -- and we had another firm that proposed very -- very competitively that didn't have a very big public plan practice. So I would say for the firms that had a big public plan practice, the partner -- the highest partner fees were in the 500-plus range and the associate fees are down around 4.

>> Stuart Odell: I guess my question is a little more specific. These firms all have their standard billing rates, right, for partners, associates, et cetera. They also negotiate discounts.

>> Mollie Dent: Right.

>> Stuart Odell: With good clients.

>> Mollie Dent: Right.

>> Stuart Odell: And there are industry averages for these that we know about. And my question is, whether Reed Smith specifically came in with a proposal and said, here are our standard partner rates, associate rates, et cetera. We're giving you guys you know, 10% off the top on any work you do.

>> Mollie Dent: No, I don't think they did that. But because they do a lot of public plan work we generally will ask that our fees be the same as they're billing other public plans for similar work. So we will -- if they didn't quote us that, we will find that out in the negotiation process. That's kind of the due diligence -- with this particular firm and this particular type of work, that's what we would expect is to be treated similar to their other public plan clients. Now, on the investment work, we could probably go a little further afield in terms of what that they may do outside the public plan space and ask for sort of most favored nation status with other plans of similar size. So that would be part of the negotiation process.

>> Stuart Odell: Okay.

>> Matt Loesch: Any other questions or comments? I'll entertain a motion, if Mr. Reger would have something he would like to state or not?

>> Thank you for the recommendation for the full board. I really came to answer questions if there were any. So I'll answer any questions you might have.

>> Matt Loesch: Okay. I'll entertain a motion.

>> Arn Andrews: Motion to accept the recommendation to have Reed Smith for general counsel investment services, have Ice Miller for tax services and Saltzman and Johnson for domestic relations and other services.

>> Second.

>> Matt Loesch: Any other comments or questions? I have a couple comments afterwards, question actually just about implementation but all those in favor? Opposed? None. Thank you. Thanks Mollie. I appreciate all the work this was.

>> Mollie Dent: I'll be glad to come back with details about the contract, once we've had the discussions. I'm --

>> Stuart Odell: But your negotiating leverage just declined a lot.

>> Mollie Dent: Well, not really. Because the Police and Fire board hasn't acted yet.

>> Stuart Odell: Okay, then go squeeze them, Police and Fire.

>> Matt Loesch: As far as implementation, what type -- what should we expect as far as them being sitting in those seats and so forth and when would we expect the contract to be done? What should we expect?

>> Mollie Dent: I would like to have the contract completed after the Police and Fire board acts, before your next meeting. So that's my goal. Mr. Mayor okay. Other than that, we're adjourned. [ Adjournment ]