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>> Matt Loesch: All right, good morning, let's call the Federated board for March 10, 2011. Few items under orders of the day. I'd like to seek approval please on item 1.2 B. Is moved to under 1.1 as a service retirement. So 1.2 B is moved under the 1.1 category, after it's Q Q or whatever the order will end up being to a service retirement. 1.9C where it's noted that attractive expenses will be paid by IMN, that will be played by the plan.

>> Councilmember Pyle: Item 4.4 and 4.5, we've been noted to seek a sunshine waiver on the posting of those two items. Are there any other orders of the day that we need to address?

>> You need a motion for the waiver on 4.4 and 4.5.

>> Matt Loesch: I need a motion for the order of all those things in general. There's one more? What's that? (inaudible).

>> Matt Loesch: 1.9 A is deferred. Okay. Any other comments on that? On the orders of the day? If I can get a motion to approve the orders of the day.

>> Motion to approve orders of the day.

>> Matt Loesch: Motion and second. All in favor, aye, opposed, none, thank you. Okay. Next we have the City Clerk here to swear in our new trustee.

>> Dennis Hawkins: Thanks, Mr. Chair. Please repeat after me. I state your name.

>> I Martin Dirks.

>> Dennis Hawkins: Do solemnly swear that I which definite the constitution of the United States and the constitution of the State of California against any enemies foreign and domestic. (repeat) That I will bear true faith and allegiance. (repeat) To the constitution of the United States. (repeat) And the constitution of the State of

California. (repeat) That I take this obligation freely. (repeat) Without any mental reference. (repeat) Or purpose of evasion. (repeat) And that I will well and faithfully discharge the duties upon which I'm about to enter. (repeat) Congratulations.

>> Thank you.

>> Matt Loesch: Well, congratulations Mr. Dirks, welcome board.

>> Thank you.

>> Matt Loesch: Next item, we have three commendations for services to the board. As is typical, when folks cycle off, and their services is ended to the board, as the current construct, we have three board members that have left the service as they were and are going to be replaced or have been replaced. So I'll just read through what we have here and so I have plaques that will get submitted to them. Only one of the members is here for that. I'll read through the commendations as they're written here. A commendation for Ash Kalra. Whereas in appreciation for Ash Kalra's two years of service to the Board of Administration as City of San José's Federated City Employees Retirement System and to the system itself, and whereas, Mr. Kalra has influenced in several system improvements over the time such as broadening diversification of the trust fund investment portfolio, hiring a new investment consultant, hiring a new actuary, setting investment strategies for the future growing of the Federated System assets from 1.4 billion to 1.6 billion, whereas Mr. Kalra was instrumental in increasing awareness of the pension sustainability issues and in demonstrating stewardship in hearing and deciding retirements and acting as a fiduciary, and now therefore be it resolved by the board of administration, Federated City Employees Retirement System of the City of San José, the board of administration extends its thanks to Ash Kalra for its extended years of service as a member of the Federated City Employees Retirement System and for his adherence to high standards and quality for this board and for his performance of valued service, presented today, March 10th, 2011, by the following board members, and we have them here. So still not here. Next one is for Mr. Perkins. I apologize for all the reading but getting into the record and what's said in black here. Commendation for Jeff Perkins. Whereas in appreciation for Jeff Perkins' 14 plus years of service, three of

which as chairman to the Board of Administration of the Federated City Employee Retirement System and to the system itself and whereas Mr. Perkins has been instrumental in maintaining the fiscal soundness of the system, by monitoring the asset allocation targets, updating the investment strategy, reviewing the policy implementation to increase the fund assets and initiating the actuarial evaluation of the system's health plan benefits in compliance with GASB 43, and whereas Mr. Perkins has been influential in serving in the accumulation of several system improvements over time such as, broadening diversification of the trust fund, hiring a new investment consultant, hiring a new actuary, divesting a system of jointly-owned real estate properties, setting investment strategies for the future, serving as a member of the past chair of the committee of investments, growing the Federated system's assets from \$733 million to 1.8 billion, and whereas Mr. Perkins has offered stability and a progressive view during the period of dramatic change to the board, administrative staff and the economy, and has offered leadership during a period of great scrutiny of the Federated system, now therefore be it resolved by the board of administration, Federated City Employees Retirement System of the City of San José, that the board of administration extends its thanks to Jeff Perkins for his dedicated years of service as a member of the Federated City Employees Retirement System and for adherence to high standards of the quality for this board and for his performance of valued service, presented today, March 10, 2011, by the following board members. Commendation for Pete Constant. Whereas, in appreciation for Pete Constant's four years to the Board of Administration, City of San José Federated City Employees Retirement System to the city itself, and whereas Mr. Constant has been influential in improving the system over time, such as broadening diversification of the trust fund investment portfolio, hiring a new investment consultant, hiring a new actuary, setting investment strategies for the future, overseeing the Federated system assets during a turbulent market period, and whereas Mr. Constant was instrumental in increasing awareness of pension sustainability, retirement medical coverage and open and government issues, and in demonstrated stewardship in hearing and deciding retirements and acting as a fiduciary, and now therefore be it resolved by the board of administration of the Federated city employees retirement system of the City of San José that the Board of Administration extends its thanks to Pete Constant for his dedicated years of services as a member of the Federated City Employees Retirement System and for his adherence of the high quality standards for this board and for his performance of service presented today, March 10, 2011 by the following. And you can receive your plaque.

>> Russell Crosby: Time for a new chapter. [applause]

>> Matt Loesch: It's not often that we have all three going at the same time. A little longer than usual. Okay. On to the consent calendar. Anything need to get pulled or discussed on the consent calendar? Other wise I'll entertain a motion.

>> Move approval.

>> Matt Loesch: I have a motion. A second. Any questions or comments on? All in favor? Aye, opposed, none. Thank you. Item 2, death notifications, I'd like to request a moment of silence please for those who have passed. Thank you. Item 3, new old business. Item 4. 4.1. This is staff's presentation on the system's equity and fixed income investment structure.

>> Thank you, good morning. I believe you should have a handout that has the complete presentation. We're going to talk today predominantly about equity. Just due to time constraints.

>> Matt Loesch: Just to be clear this is the second packet that was added on to our tables this morning, in addition to the one that was sent out in the packet in the mail. It should be the larger packet, it says 4.1 at the top looking like this.

>> Perfect. So before we dive in let's talk about the investment structure of all the asset classes. Going to slide 5, this is the investment structure of the equity allocation. 3% are currently allocated to global bonds. Currently, clearly, the red boxes typically imply active management with the blue boxes implying passive management. Now, in a few of the boxes you will notice that there is Northern Trust as the manager, however it is a red box. This does not mean that we gave Northern Trust the mandate -- inactive mandate. It simply means Northern Trust is managing a passive mandate until the manager searches are completed and there are active managers in their stead. So that's the situation for emerging market equity. Where currently northern trust is managing a passive mandate, 5% of the total assets of the plan, global equity, northern trust is currently managing a passive mandate

of 16%. We also have two mandates, Benchmark versus the MSCI ACWI value mandate. Both of these are active mandates.

>> Ed Overton: Just for clarification are you saying northern and all of the red boxes that contain northern trust, an active search is going on for those?

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

>> Ed Overton: Thank you.

>> Currently or in the near future. The U.S. small cap equity mandate Northern Trust again is managing the passive mandate. It is 3% allocation. The -- one comment about currently, we're going to talk a little bit later about the style of the portfolio. So currently, what was implemented is actually indexed to the Russell 3,000 as opposed to the Russell 3,000 growth. So we will talk further about why that is. The U.S. small cap equity, two active managers RS investments and eagle with 2.5% allocation each. International equity, again, northern trust managing a passive mandates, 3%, international small cap, northern trust is currently managing an allocation of 5%. I believe manager search to fill the active mandates have been completed, and the managers are going through precontracting stage before they are brought and sent the board. Any questions before I move to fixed income? The fixed income investment structure currently, we have an allocation of 7.5% TIFs allocation. The TIFs, it is fundamentally a buy-and-hold mandate. The investments fundamentally are 35%, five year, 35%, ten year, 30%, 15 year. The mandate was built to try and maximize the response of the investments to inflation and to position the investment from a duration perspective in between that of a -- our current liabilities and the liabilities if they marked to narcotic. We'll talk a little bit later about why that is. Core government bonds, there is an allocation fundamentally to treasuries of 5% and credit opportunity total allocation of 7.5%. Currently, Sykes has a bank loan mandate of 2.5%, Makai Shields has a high yield mandate at 2.5% and currently Northern Trust has a passive mandate but the intent is to be active on that front. The alternative assets, investment structure, private equity, 6%. Real estate, 5%. We're -- we've asked the Nikita investment group to come to the April meeting and to go over the performance reporting for every specific investment in real estate and private

equity. We've also asked them to present you with a rationale for the investment structure for those two asset classes. So next meeting, there will be greater discussion of both performance reporting as well as investment structure on those two categories. Real assets. Currently, what's been implemented, as just to provide background, although the allocation to real assets is 10%, the board made the decision to implement 4% during the transition and to hold off implementation of the remaining 6%. What was implemented during the transition is a 2% fundamental replication of the Dow Jones UBS commodity index and 2% replication against a swap on the Dow Jones Brookfield global infrastructure index. So fundamentally, a 4% allocation implemented through swaps. The swap collateral was invested 50% at the time of the transition in a two-year treasury. Since we are almost a year later, this has become a one-year treasury and 50% in the custody of TIF. We are showing the board has decided to award the commodity mandates to first quadrant and Credit Suisse. Both will have basically a customized risk parity commodity benchmark. The idea is to implement the -- I believe 2% when the contract is completed, 2% thereafter every month thereafter. Ali, would you -- is that what was approved?

>> Yes, the agreement reached by -- decision by board was that not to allocate the full amount right away into the commodities and slowly ease into it. So we're allocating 2% basically breaking the swap and switching it to first quadrant and credit Suisse and then add to it over time. I actually just had a morning meeting with the credit Suisse, all the agreements are done we should be able to fund them, knock on wood, by next week.

>> Okay, hedge funds 5% not yet allocated. That allocation is current sitting in fixed income. The opportunistic debt, three managers, White Oak, Blackstone and Medley, currently, since this has a private equity type structure, they will call in capital when they have investments. So again, the allocation for opportunistic is also currently residing in fixed income. So overall, we're over-allocated to the fixed income investment structure as we saw it on the prior slide. Because as we have not invested in hedge funds, and opportunistic quite yet, or opportunistic has not called in most of their capital.

>> Carmen, you have this, this structure as of April 1, 2010.

>> Uh-huh.

>> Is it pretty much the same now, or are we looking at a target that was passed already?

>> Well, the investment structure started applying on April 1, 2010, because the transition happened I believe towards the end of March. So the first quarter from which the structure applied was April 1st. And it continues to apply, in that we are still trying to fill the active mandates, that were identified by the structure. Meaning we're still working towards this goal. This is the ultimate goal. It's not, you know, what was implemented on April 1st was passive mandates whenever possible. Where active mandates are required we are still filling those mandates. Does that answer your question?

>> Okay, okay.

>> So except in the areas of hedge funds where no allocation was made we've pretty much implemented the -- predominantly the other allocations.

>> Okay, thank you.

>> All right, so what we will discuss in this section are the following structure elements. First, why do we have global mandates? Second, we're going to compare the equity structure relative to the benchmark. Third we're going to talk about the choice between active and passive management for each of the mandates. And finally we're going to talk about the style of current managers and the equity allocation as a whole. So fundamentally the equity investment structure is making a significant use of global mandates. We have a little bit more than half fundamentally using global mandates and the question is why. Clearly, rather than have a global one manager have a global mandate, the alternative would be to have one manager have a U.S. mandate, another manager have an international mandate. So first we answer the question is it due to fees. Fundamentally what this slide shows is both structures are equally efficient from a fee perspective given the size of mandates that we would be considering. So what are the advantages of both structure? The first structure is the distinct QS international mandate and one of the advantages is the fact that there is diversification of sources of value added. It is also a

best-of-class approach. Also, there is a very significant number of managers with both U.S. and international mandates, so we can find good managers. The final advantage which is probably fairly significant is that in some sectors, globalization is slow so a separate mandate still makes sense. The advantages of the global mandate is that it allows the manager the freedom to take the best stock. So it's less limited by geographical boundaries. There is also a very significant advantage in that there's a potential for value added through asset allocation between the U.S. and international allocation, which is not available when you do a distinct mandate. It is also a less complex structure, and it implies that there's no need to keep an eye on the world capitalization switch, which has varied significantly over the years, because fundamentally the market and the manager is doing that for you. So we wanted to show here the availability of good managers. Fundamentally we looked at the number of open mandates, for, in the first column you see global mandates. Second column, distinct U.S. mandate, and in the third column, only international or ETE mandates. There is obviously a very significant number of mandates open. And at the bottom row, I'm showing the mandates with an A rating. This would be really the cream of the crop, if we were doing a search, this would be the managers that would be considered. And the bottom line is, obviously there is a very significant number of really good managers regardless whether the board chooses to go global or distinct mandate.

>> Why are you not including emerging markets in the concept of global? Directly? It's 25% of the act where --

>> Carmen Racy-Choy: It is 13%. I mean I guess I'm trying to take a bird's eye view to say fees aren't an issue. The availability of managers is very much there. We will show value-added. When we show value-added we will -- the emerging market value-added will be one of the slides considered. So ultimately when we talk about the structure we're taking emerging market in there. So what we're looking at here is the value-added for managers with global value mandates. We are fundamentally the first column shows the 2001 value-added annualized for the four years ending 2001, and as you see as you progress through the columns then it becomes the four year ending for the four year ending 2002 and so on. The final column is the ten-year annualized value-added. Typically what I tend to look at is the upper quartile value-added versus the lower quartile. And the idea there is to try and see whether in that space, really, skilled managers can add value and can distinguish themselves. And this is actually -- there's clearly, regardless whether you look at the most recent four-year period

or the ten-year period there is a fair bit of value-added. So this explains why we have a global value mandate. Just for comparison purposes I'm going to show on the next two slides the U.S. value-added and after that, we will take a look at the international value-added. The -- obviously there is still some value-added, it's a little bit tighter than the global mandate. Current international, same comments. So this is kind of what tilted the structure more towards global. Open the global growth, on the next three slides we're going to show the global growth and then domestic growth and then international growth. And there, it's kind of a more difficult call. There really isn't necessarily a tremendous amount of value added for the global mandate. However the domestic growth does show some promise. So it seems a better idea to proceed on that front, through distinct mandates. So fundamentally, this is the rationale behind why the investment structure included an 18% to total equity to a global mandate and distinct allocation to total -- of total equity of 6% of total equity to each of U.S. and international. Growth mandate. Next we're going to compare the equity structure relative to the benchmark. Traditionally the exposure to foreign equity is limited to large cap investments, using the MSCI, EC and the S&P 500 or the MSCI world as benchmark. The MSCI, EC and MSCI world cover approximately 85% of the total capitalization of the underlying country, while the S&P 500 covers approximately three quarters of the U.S. market total capitalization. So traditional pension funds are unexposed to approximately 20% of the developed market capitalization. So consequently in this presentation we will use the MSCI ACWI IMI as the benchmark, because the latter benchmark includes an allocation to small capitalization equity, and it's a broader representation, really, of the investment opportunity set. So next we will discuss the allocation between U.S. and foreign equity. As of December 31, 2010, the target allocation for U.S. equity is 40%, versus the benchmark, which is showing 43%. So the funds target allocation between the U.S. and foreign equity is comparable to that of the MSCI ACWI, IMI. However the fund's current foreign equity allocation is higher than that of the average public pension plan. The ICC investment database shows the public defined benefit plans are located approximately 70% of total equity to U.S. equity. So the foreign equity allocation would be 30%. Fundamentally, there's no theoretical evidence suggesting that one market will produce better return or even better long term diversification benefits. So an allocation between U.S. and foreign equities that is similar to the benchmark is justifiable for an equity allocation because it is representative of the investment opportunity set. Are there any questions?

>> Lara Druyan: Just one. Last time I looked at correlation coefficients among U.S. emerging and foreign it was scary, like .8. How has -- but that was in about the '07-'08 time frame. Where is it approximately today? Because I think that's what you're speaking to in this slide.

>> Carmen Racy-Choy: During the '07-'08 market downturn, correlations strengthened almost to 1 among just about most of the -- but that was a shorter term effect of --

>> Lara Druyan: But even before the crisis they were .8. At least André Parol, when I went to one of his lectures, pointed that out. I almost fell off of the chair.

>> Carmen Racy-Choy: I took a look at that almost two months ago and the correlation was below .6.

>> Lara Druyan: Wow.

>> Carmen Racy-Choy: I don't recall the exact number but there is still a fair bit of diversification benefit between these areas.

>> Lara Druyan: Clearly.

>> Carmen Racy-Choy: Clearly that's on a long term basis because the shorter term outlook is shorter. We will confirm what the numbers are, and we will bring those back to you, next meeting.

>> Lara Druyan: I think that would be useful at least for me.

>> And maybe take the currency effect out and look at how correlated the underlying and particularly developed you know, country -- developed Europe and Japan and the U.S. and the correlations there without the currency effect I think is pretty high.

>> Carmen Racy-Choy: Okay.

>> Carmen this may be a little bit off topic but how comfortable are you with some of these benchmarks, with these cap weighted benchmarks? What kind of alternatives are out there, what's been some of the research you've done on this?

>> Yeah many I think that is a very good point, we (inaudible) indices or just ease of transaction and that's become the norm for people to invest in. But if you look at them, the distribution of the capital goes very much to larger and larger corporations. I personally think that the board should seriously look into it and say that we want a benchmark that is much more reasonable in terms of the investment. I don't know if you are interested in knowing about this gentleman in Southern California, Rob Arnold, he has a very unique way of looking at it. I'm not saying he is the best but looking at the valuation as an investment type perspective rather than just capitalization, takes you off this treadmill of the more money goes into larger names and you keep following the same treadmill. So I think it's a very valid point.

>> I wonder how much exposure we have to Apple, effectively (inaudible) this is a big issue, or Intel.

>> Intel is small. It used to be a lot higher. [ Laughter ]

>> I think Exxon Mobil gets the top stars on that.

>> Carmen Racy-Choy: All right. So next we'll talk about the allocation to emerging markets. The term emerging market typically implies a stock market in transition, increasing in size, activity or level of sophistication. Typical characteristics of emerging markets is the fact that they have a relatively small investable market. This creates markets with very variable level of liquidity which causes significant volatility. What are the important considerations of emerging markets? Currently, emerging markets account for approximately 13% of the global capitalization, covered by the benchmark. And emerging markets are also very concentrated so typically only a few companies dominate every emerging country. The funds emerging equity target allocation is 13% of total

equity, this is achieved through a dedicated allocation of 10% of total equity as well as through allocations through the global core, global value and the global convertible mandate. So the funds emerging market allocation is very close to that of the benchmark. And based on again on the ICC investment database, the average allocation of public pension plans to emerging markets is 4%, which is obviously significantly lower.

>> 13% represents -- represents the actual investable area of emerging markets. Do you actually talk about market cap of emerging market equity some of it is not investable. What kind of numbers do you see at that point. As a percent of GDP emerging markets is about a third. I suspect a total market cap it is probably closer to a quarter, given the countries where you can't get you know there's not enough float or it's not investable. So I mean to actually paint the picture what is emerging markets represent it may be 13% of an index. It's not 13% of global capitalization per se. It's a much higher number.

>> Carmen Racy-Choy: Yes. So suggesting an even higher allocation could be justified.

>> Right.

>> Carmen Racy-Choy: Any questions? Next we will discuss the small mid cap equity allocation. I'll start by saying that the average public pension plan, again based on the ICC investment database, allocates 20% to small and mid cap. The reason we typically consider the two small and mid cap together is because fundamentally, there is still value-added in both, and they have, to certain extent, similar characteristic. The allocation of the benchmark to small and mid capitalization equities is approximately 28%. The funds allocation to small and mid cap equities is approximately 34%. In addition, this excludes the global convertible mandate which, you know, could be included, or some portion of it as a small cap allocation. So why is it that we seem to be overallocated relative to the benchmark? The board had decided to overweigh small cap and mid cap equities relative to the benchmark to take advantage of the fact that small cap equities typically outperform large cap equities following recessions. The small mid cap bias in the investment structure has increased the funds return over the past year as small and mid cap equity has outperformed large cap equity. However, the bias wasn't produced on an

opportunistic basis. Staff recommends that the next investment structure reduces the small mid cap allocation to the level of the benchmark.

>> And what is the timing for that next investment structure?

>> I think the plan is to discuss the structure with the board and pretty much await direction from the board on what is it that like to change in the structure, whether they would like to redo the asset liability study first, and then redo the structure, or just redo the structure, and what needs to be redone? So on that front, it's up to the board for their action.

>> Seems what it sounds like, yeah, thank you.

>> Next we'll discuss the choice between active and passive mandates. Fundamentally, if a market is efficient, the idea of efficiency is that all public information would be reflected in security prices. So it's not possible to really beat the market. Divergence is temporary and due to chance or the manager's style. Now, passive management characteristics, obviously, there's a belief that markets are efficient, and that it's impossible to outperform the market significantly over the long term. Fees are kept to a minimum. So you're almost certain to get a return after fees slightly lower than the benchmark. Active management, obviously there's a belief that markets are inefficient. The idea is to try and find a manager who maximizes added value after fee. So the two extremes are really in the first row and the last one. The first view on market efficiency is that all financial markets are efficient, and all asset classes should be passive. And at the other extreme is the view that all financial markets are inefficient and so all asset classes should be actively managed. And the reality is, somewhere in between. Staff currently uses the following criteria to recommend active management. We typically look at the gap between the top quartile and lower quartile managers value added net of fees. Ideally we would like to see it be greater than 3.5 annually. We like to see a trend towards stable or increasing value-added. And the reason I'm mentioning that is when we look at the growth mandates, you can see a trends downward that was a little bit worrisome. Typically staff recommends active management when there's credit risk in the investment or when there's significant risk of default or political or other risk such as emerging markets. So we've already -- so if slide 36 shows the distribution

of value-added for global equity mandates, currently, this mandate is a passive. And as you can see, looking at fundamentally both the ten-year and the more recent time period, four-year time period, the value-added is -- distribution is below 3.5. The idea from the 3.5, by the way, is if you look at U.S. large cap, the distribution between the top quartile and the bottom quartile net of fees, typically the range is between 2.5 and 3. So the 3.5 was really aimed to just position us in a slightly a more inefficient market. The next, are there any questions before I move on to the next slide? Next, slide 37. This is the MSCI global value mandates. This is currently an active mandate. And currently the distribution between the upper quartile and the lower quartile is fairly significant. Next is the domestic growth mandate. Currently depending on whether you look at the ten-year numbers or the four-year numbers you would reach a very different conclusion. This mandate is currently passive. However, if one of the reasons it is passive is fundamentally the fact that in you look starting from 2002, all the way to 2010, there's a very distinct trend towards decreasing value-added, both at the median and the range between the upper and the lower quartile. And when this analysis was done, the spread between the upper and lower quartile at the four-year was on a net basis less than 2.5. So this mandate is currently passive. Any questions? Small cap, U.S. small cap. This mandate is currently active. I think there are few that would argue against small cap being active. Slide 42, this is a developed growth mandate. This is fundamentally currently a passive mandate. Again, you could reach different conclusions, depending on whether you feel the ten-year numbers or the more recent four-year numbers are really to be relied upon. The -- for the same reasons as for the U.S., there is a trend, a very significant trend towards decreasing value-added. Staff elected to take a passive mandate. In that segment. Any questions before I move on? Slide 43, foreign small-cap. Again, this mandate is active finally emerging markets and global convertibles. Currently we use active management on both -- in both markets. In emerging markets, obviously, it's not only can active management add value, but also, it could mitigated a losses linked to default, political risk and other risk. And for global convertibles, the presence of credit risk really suggestions that active management is a good idea in order to mitigate potential losses. Any questions on passive versus active choices? All right, so next, discussion on the style really of the current managers, the investment style is obviously the basic philosophy of an investment manager. Value style, fundamentally managers look for undervalued companies relative to the market. Growth style, managers look for companies having superior growth prospects. And core size, typically managers avoid having any significant growth or value bias. During some short term periods, value managers will produce on average better return than growth

managers but during others, the reverse will happen. So currently, there's no economic theory that exists that can predict reliably which styles will perform in the future on a long term basis. So choosing a manager with a strong style bias could be based on the belief that this style will generate additional return over time or it could be based on a belief that a specific style bias can decrease absolute volatility of the portfolio and protect to some extent against market downturn. This is -- on this slide, Slide 49, is an example of different returns for different years for the value and growth styles as measured by the Russell 1000 for U.S. equity. I just want to point your attention the significant difference in 1999, the Russell 1,000 growth produced a return of 33.2 versus 7.4 for the Russell 1,000 value. 2,000 the Russell 1,000 growth produced negative 22.4 versus 7 for the Russell 1000 value and 2001, again, the Russell 1000 growth negative 20.4 versus negative 5.6. So historically over the last three year period ending December 31st, 2010, the Russell 1000 value index has an annualized return of 11.5 versus 9.4 for the Russell 1000 growth index. The slide on 51 is actually showing two graphs. To your left, is the return for the 5-year moving average. Of the Russell 1,000 Russell 1,000 growth and Russell 1,000 value, the Russell 1,000 value is in green the red is the Russell 1,000 growth. The idea from the graph is fundamentally to show that sometimes in down markets the value style can protect. This is not necessarily true in the most recent downturn of 2008. However, it is true if you look at prior historical periods. Typically when the market is doing really well on generally the growth style tends to outperform value. Again this is not always true however it is true most of the time. Standard deviation, risk, it should be clear from the graph that the growth style has significantly more volatility than value. However in the most recent few years the value style seems to be slightly more volatile. We are going to do the same analysis for international. Fundamentally more or less the same conclusions can be reached, though nothing new. The returns for the 30-year period ending December 31, 2010 for the MSCI E fee has an analyzed return of 11.5 versus 7.9 for the growth index. So it should be noted that the Japan experience obviously has steered the results in favor of the value index. And similar comments on the next slide, slide 53, where except for the recent history, you can see that the risk as measured by standard deviation of the growth index, is typically slightly higher, and with respect to returns, typically in a downturn, the value index seem to provide greater protection. Again, this doesn't quite hold over the recent three years. Now, the board accepted a recommendation from Mikita Investment Group. They took February 18th, 2010 to give the investment structure a small value bias. Based on the style analysis provided by Mikita in their performance report as of December 31, 2010, the current investment structure style bias is really tilted towards growth. On the next slide, slide 55,

fundamentally the style bias of the portfolio is shown, you can see it in the red circle, and you have the arrow pointing towards it. You can clearly see that the middle fundamentally of that chart is a core style, with a neutral bias, and that currently, the equity portfolio is tilted to the growth side. Discussions between -- staff and Mikita, fundamentally how confident they are of this charting. They fundamentally contract this charting's capability from fact sets, and the reason we ask them how comfortable they are with the charting is because you can clearly see in the mid cap section, our asset investment which is fundamentally a very value-style manager showing up with very growthy characteristics. So the question was, is this working properly? And if it is, why is this manager which really their return, our asset return has moved very much in tandem with the value index. Why is -- are they showing up on the growth side? Mikita has basically said they will look into it. They've asked us not to take -- they've asked staff to recommend no action at this stage with respect to transition or changing the structure to change the bias, so staff will follow up with Mikita in the next week to fundamentally get more information. And once we have that, we will come back to the board and ask for direction.

>> And do you know what factors drive the placement on the horizontal axis from value to core to growth?

>> Typically there's at least nine to 12 characteristics. Typically price ratios will be one of them. So they really need to look at how those characteristics affects small cap and mid cap managers, because it seems that the charting either isn't working very well, for small cap managers, or there's something else that explains the chart, if it is right. But at this stage, I -- we're not sure, so we await more information from Mikita.

>> Thank you.

>> So staff when it comes to style analysis relies, we don't internally have software that would allow us to do this analysis internally so we are relying on Mikita to provide us with the information. Are there any questions? So the next slide shows the growth value-added from relaxing the long-only constraints on active managers. Long short mandates offer significant down side protection in tough economic conditions. However, they will typically underperform the equity market in a really bullish environment. Again, this is the same value-added chart. But this time, it shows the return, the value-added from managers where the long-only constraint has been relaxed, and

I'd like to just point out a couple of years. If we look at the column titled 26, clearly, the median manager seems to have underperformed his benchmark which is the Russell 1000 by 1.5%, that coincides with the Russell 1000 earning 15.4%. And if one looked at recent history, so let's take 2008, the median manager added 10.1% over the Russell 1000. Clearly, that -- the return for the four year ending 2008 was negative 5.1. So there was significant protection really from having long short managers. And so this is definitely one of the new structure elements that would like the board to consider in the future.

>> Your active equity managers is it possible to provide kind of what their expected excess return and tracking error, are these guys -- I know some of them but are these really tight index huggers, I mean are you really trying to barbell the portfolio and say okay we'll do index where it's efficient where the markets are efficient but when we're getting active managers in here they really are taking outsized expected returns, relative to the index. Otherwise you're just paying active fees for, you know, 50 bips of tracking error or something like that and it hardly seems worth it.

>> We agree that the high tracking error is what generates alpha. If it's not there it's not going to produce alpha. Which specific managers --

>> Well, I mean I think you've got your RS and Eagle, Artisan, Tradewinds I guess are your four sort of big active bets, right?

>> Yeah, actually, this is a very good point, because the tracking error doesn't make much sense. If you are looking at the tracking error you're really looking at how does the manager perform relative to a benchmark. And trying to work at that as a source of risk is completely wrong. You have to look at the risk as the down side risk. So does this manager protect you in case of a bad environment? If you are going after optimizing the tracking error, you might as well be index (inaudible) so the direction we are taking all of the manager that we brought to the board, all four of them, is that the tracking error is irrelevant. Actually when you go talk to RS we don't know what trackings error is. We have a very conscious calculation of what is the down side risk in, in every stock we buy and that's the way we invest. And I think from investment point of view that's much more

reasonable, when I'm paying an active fee for a manager. How do you protect me? And is your decision adding value? The fact that you're hugging a benchmark is pointless. Fortunately we have less of an exposure in this account. In Police and Fire we have a couple of managers who are very index hugging. But here most of the managers we have are index funds and the four that we hired are traditionally have a very high tracking error.

>> Good, okay.

>> So then if that's the case then how are -- contractually how are they compensated?

>> They have a flat fee. I mean these are not hedge funds that are getting fee based on performance. They have a flat fee. But in terms of performance calculation, what is valuable for the board is that, is this adds value to my portfolio, and also, an add value two ways, not only on the top market, positive market, also negative market, does it protect me in terms of losing more than the index. Looking at just pure tracking error on a month to month on a quarterly basis you're wasting valuable assets and a valuable fee.

>> We will definitely get the tracking error for the active equity managers in our next meeting because they're not included in the Mikita performance reports so we'll supplement.

>> And we're going to talk about the global fixed income structure another time in more detail?

>> Next time, absolutely. We apologize we couldn't get around from a staffing perspective to put the information together.

>> One of my first questions on your fixed income is, why you don't have an active core manager in the mandate.

>> Carmen Racy-Choy: Indexed to the Lehman act?

>> Well, yeah. I mean, you've got a government index, and I think you've got a proposed credit index in there.

>> Uh-huh.

>> And nobody actively managing between the two. It would seem to me especially in this environment that you would want an active manager thinking about where you would want to position yourselves in treasuries versus credit and governments versus credit.

>> Sure. Fixed income is actually pretty interesting these days in terms of where you want to be, both in the government side, international side, emerging, and also on the credit side. The way we look at it is that it has a lot to do with what your expectation is on the rates. And we have been going more toward managers that have more floating rate mandates. The bank loan, all of the investment we did on the opportunistic, they're all floating rates. And I actually think it would be very valuable to get board's discussion that do I want to have fixed income, traditional fixed income in the portfolio the way of historically having Lehman act, or Barclay act in the portfolio as 30% of the portfolio. You are not getting paid for it, and you are taking a lot of risk for it.

>> Well some of it is to protect you in the event what is going up doesn't continue to go up and you need some defensive protection in the portfolio and bank loans at 99 cents going to a dollar to me isn't yes, they're floating rate but you're not going to get particularly interesting returns out of those right now. The -- just having a core manager who can at least look for relative value between governments, credits, agencies and perhaps a little bit in the extended sectors of fixed income would seem to be a highly prudent thing to be considering, in this environment. I mean, generally, we see managers positioned, you know, taking down their longer-duration government exposure, increasing their credit exposure, taking advantage of spreads, probably continuing to tighten between governments and credit. And I would think you'd want on a relative basis want to play that trade out as well as opposed to having a static we're going to always be you know three and a half year duration, intermediate government bonds and not have the ability to kind of move around that, unless staff is going to make those calls and move the portfolio.

>> No, staff is not able to make that call. But I think maybe my recommendation would be that rather than just looking at the Barclay act look at the global mandates. Find a manager that's not --

>> It doesn't have to be a U.S. ag necessarily but a manager who is more core oriented within those structures and has the ability to move between those asset classes as opposed to a static -- I mean you've got a pretty static allocation now and that's going to play itself out at some point. I mean right now, it's held up fine. But you may -- it may not, in 12 to 18 months. Or something like that.

>> Yeah I'm -- go ahead.

>> Carmen Racy-Choy: I think we didn't like the, in relation to our liabilities, the Lehman act duration was too long. So I think we didn't like that component of it. Also, the managers that we had before the transition, in fixed income, were not necessarily really good at managing the credit -- credit risk. So they might -- and I'm not sure that they even did a great job at taking the relative value trades. So we decided to do specialized credit managers, and kind of hold onto these treasuries as a way to move out necessarily out of those managers, with the idea that in time, we can then try to pick another benchmark, do something slightly different.

>> All right, and certainly Makai has very strong capabilities in core, and is a strong credit shop, so they could manage more than just a dedicated high yield for you and be a little more opportunistic in moving around more sectors than just sort of the high yield space.

>> No, I agree with you. I think the staff recommendation would be to do that but in a more co-local mandate rather than just U.S. One of the things I was going to talk about it during the performance, what we have done in the bank loan and high yield was these are the draw-down kind of accounts that we invested in 2009, with as the bond matures rather than reinvesting it we're taking the money and paying for benefit for it. So our exposure has been around 50 million when we invested and it's still 50 million. I think we draw 30, 35 million through the cash coming out of it.

>> So it's towards the end of that mandate, probably a year or two.

>> Matt Loesch: Other comments or questions? Okay. 4.2, same folks. Staff presentation on investment performance for quarter ending December 31, 2010. Just a question for staff. The Mikita report that was placed on our desk today is that different than what was in our packet.

>> This is slightly different. There were a couple of numbers that were off in the report that was sent. In the PAC.

>> Matt Loesch: So we should disregard the one we had in our packet and focus on the ones we're putting on the desk. Quick question on the front. It says draft, is there a reason it says draft?

>> I think at this stage it's definitely final.

>> Matt Loesch: Okay.

>> Carmen Racy-Choy: So I'd like to take you to page 12 of the report. Fundamentally showing the total fund return in the fourth quarter of 5.2%. Everybody there? I just want to define a couple of, I think, jargon. The policy benchmark which is shown just below the CPI, is fundamentally the return on the portfolio, had it been invested on a daily basis, the policy, the target asset allocation and had it earned the passive return of the benchmarks. The two lines below it, you'll also see the San José Federated plan, custom benchmark. What that is fundamentally is the return of the fund, given the actual target -- the actual allocation, times the passive return of the benchmark. The idea is, that the difference between the total fund return, and the custom benchmark, is the manager alpha. So if you look at the last quarter, 5.2 minus 5.3 this suggests a negative ten basis points of detracted value. Given that since April the portfolio was predominantly passive, this is to be expected. The difference between the custom benchmark and the policy benchmark, which is 5.3 minus 7 really indicates that the fund underperformed because it was not allocated as per our targets. The reason for the underperformance on that front, the 100 basis points was due to the fact that we were not fully -- we had not fully implemented the commodity allocation. Another 25 basis points was because we were not yet allocated to hedge funds and

opportunistic. And another 15 means we were slightly under-allocated to equity. This is really a high level, again, you won't necessarily see that detail over the year, just because of the transition introduced new benchmarks. The only -- at this stage what I'd like to do is maybe open it for questions and we can dive into any areas of interest that the board may have.

>> Matt Loesch: Mr. Andrews.

>> Arn Andrews: Just one. You mentioned the area where we underperformed because of what we weren't allocated to. A portion of it is also we were overallocated to fixed income correct?

>> Uh-huh.

>> Okay. Would you like me to take you through return, the performance of every asset category? And maybe some of the managers? How much detail would you like me to go through?

>> Edward Overton: Do you see any particular problems among the active managers that you need to highlight?

>> We have very few active manager in this account. I think we have four on the equity side and three on the fixed income and all of them are performing above their benchmark. So there hasn't been an issue. The RS was selected, I believe August was when they were selected, we funded them by October. Tradewinds and art sedans was just selected so they are brand-new. Eagle which was a manager for us for some time has done very well and is performing very well. In the fixed income, the performance relative to benchmark for the Makai shields and Sykes was twofold, first of all we are moving money out of the account as they mature, so they don't have the reinvestment. And also, the mandate was much more risk-controlled than the benchmark. So the performance is skewed in that remark. Calamos has done as well as benchmark, I think they did better or same as the benchmark and the rest of the assets are in the next slide which are very much the same thing.

>> Matt Loesch: I'm in particular trying to find a note, I can't remember what it is, some of the contracts getting done. I don't know if that was some of the lag for getting the money into the managers or getting it reported. Seems like some of these we did earlier in the summer or early, early fall. Are you content with the contract process? I mean are we getting -- is the pace of funding -- and this is the reason why I'm getting -- the lag of getting into their asset allocation and getting active managers their money so they could do their job, I can't find the note of where it was mentioned in here. Are you content, are there things we can do to improve that, so we don't have this lag so we're not getting any money?

>> Carmen Racy-Choy: I'll --

>> Sure.

>> Carmen Racy-Choy: Fundamentally, staff would say it's facing significant issues when the managers come and they get the mandate and they present to the board, certain managers felt that they had the upper hand on staff so when staff tried to negotiate the terms that needed to be included in the contract, staff was really just experiencing a lot of push-back. And managers saying no. Fundamentally what we've decide is that going forward, we go through a precontracting process, where we fundamentally get the manager to agree to a contract or to what's in the contract verbiage before they come and present to the board. So that when they're awarded the mandate, fundamentally the signatures and so forth are really put. But it's fundamentally a finished product. We feel that changing the order of when the contracting is done, at least negotiating up front and clearing any major hurdles, it helps staff anticipate if there is a problem really that's of significance then we can come to the board, not just present the manager but also present what the legal issues around the manager is. We think it will shave a significant amount of time on the current contracting process. Because with some managers it's really taking a very significant length of time. The other thing is, specifically with the commodity allocation, there has been a significant delay. This was due to a fact that legal -- the board's legal counsel, when the staff tried to do a separate account mandate, brought up the issue of fundamentally the fact that the managers was using futures meant that they had a lien on the assets, the entire assets of the plan. And legal counsel fundamentally suggested that that was inappropriate. So in order to get around this issue, we then had to -- with both commodity

manager, they set up a separate commingled fund specifically for this plan and the Police and Fire plan. And we then had to go through the process of designing a contract with them. So it has taken -- that allocation has taken a little bit of time but we're close to completing it.

>> Matt Loesch: So there's been -- have they I guess submitted for lack of a better word to the positions that you wanted in the contracts or are there still hangers on not agreeing to the clauses or whatever things you wanted to have in there?

>> For the commodity no. The issue has been resolved. I mean the issue is part of the problem is that the board and the staff doesn't have ability to invest in futures. And that's the obstacle that we need to overcome. And in order to get around it this complexity especially in the commodity market which is of futures you have to set up a different structure. So we actually set up what is called fund of one, in this case would be fund of two, which is separately an entity, and then we invest into that, and then the manager takes that money and invests that into the commodity.

>> Russell Crosby: Ultimately that's driven by -- I particularly was not willing to give a manager a lien against the entire portfolio. If they want a lien against that piece of the portfolio, the allocation, that's fine. But we're not going to have the entire portfolio out on the line, on one specific allocation. So it's taken a long time but there have not been legal in the sense of legal service issues or anything like that. It's been very well coordinated between the City Attorney's office your outside counsel which is Hansen Bridget, they have done back and forth on this, on some issues we sometimes have hangups between all the moving parts but that is not the part of the problem here.

>> Matt Loesch: And that's not even what I was implying. It was more of, have they been resolved? If they are not coming to agreement with us, what have we been doing about it? It sounds like they've been resolved, or they've not been resolved, I mean, you're just talking about the commodity aspect. Are there other agreements or contracts that are still out pending, that --

>> Russell Crosby: It's really around the commodities.

>> But in general, if you have an ability to enter into a future contract, it will make some of the transitions a little bit easier.

>> Russell Crosby: What are the origin of that limitation, is it the municipal code? Is it something else?

>> Carmen Racy-Choy: I think the origin is the issue of the fact that most of the brokers that do the clearing for the futures, because you typically post a small margin when you enter into futures contract as opposed to put in the full collateral. They require a lien on the assets and we've been able to resolve the issue about couple of weeks ago with Mary Lynch which is the broker for Russell investments. In order to allow them to use futures, we simply worked on limiting what is it that we have to define what is it that they can grab from the assets. And fundamentally in this way limited the potential lot to the amount invested. So to the notional. And so that's been resolved at this stage.

>> So you mention that there's a limitation on the ability to use futures, but that's not because of the lien issue. That is something in our documents that says --

>> Carmen Racy-Choy: No, it's because of the lien issue.

>> Okay.

>> Carmen Racy-Choy: Our legal -- the board's legal counsel suggested that we should not accept such a condition. And so we've been working on limiting the condition and trying to refine really the Merrill Lynch contract, the broker's contract, so that it states it very clearly what is it that they can really grab and kind of has to prove that this is equivalent to the physical investment, the futures, and the collateral, since we're not doing leverage at this stage. And once we had kind of gone through just refined really the elements of the contract, we were able to get it through.

>> Thanks.

>> Mollie Dent: So I think one of staff's earlier points in the presentation was a good one, that their efforts to develop some standard contracting language with our outside investment counsel should make the process smoothing going forward, rather than having situations where managers have been selected and all of a sudden they think they have the upper hand in the process. I think that's an important point to not only have they done a lot of work to work through the issue on the futures, I think they're working proactively so that as we select managers in the future we'll be in a better position to contract with them quickly.

>> Matt Loesch: And I guess one of the reasons, the impetus of my question, we're getting to the budget conversation, so resources, what are needed? There's things that are needed to make it facilitated, seems like it's procedural, some of it, majority of it, and you have ideas of how to fix it. And that's where I was leaning and the impetus behind that. Any other questions?

>> Arn Andrews: Kind of staying on our asset allocation theme and touching back on fixed income, you know, we talk about the fact that we've maintained this overallocation to fixed income because we're waiting you know these other allocations whether it be approving new fund managers or legal challenges whatever the issue. I guess my question is you know, if we're basically parking these funds I think when I went through this I think the average duration is 3.8 or 3.9. Do we want to make a duration statement on funds that we're technically park and if not do we have other vehicles available to us where we'll be making less of a duration statement why we hold these assets for transition?

>> That's a good point. I mean, the certificate account over the last quarter earned I think seven basis points. I mean you're right, there is a duration risk but then again the -- if you go shorter really you're foregoing a fair bit of return. So that's a valid concern.

>> Arn Andrews: And I know in the past our overweight to fixed income helped us in a quarter or two and now it's a deterrent. I guess my question is more philosophical, do we want to make a duration statement with money we're parking?

>> Carmen Racy-Choy: That's a valid question. We'll have to -- we'll get back to you on that one.

>> Russell Crosby: Stump the stars.

>> We welcome your thoughts on the matter. But that's definitely a good question.

>> Russell Crosby: And really one for the board.

>> Arn Andrews: With the composition of our new board, you know I just think it's a topic for discussion. If not at this meeting at a future meeting. It kind of touches on what you're talking about in terms of you gave it a 12 to 18 month time horizon in one of your responses. Clearly it seems there's concerns about fixed income in the not-too-distance future and here we are making a statement with money that technically we're parking.

>> I have the same concern about the equity markets at that point. Not sure where you're going to put the money.

>> I think that's a very good question, where are we going to put the money? The cash doesn't pay you, equity, who knows?

>> Arn Andrews: I wanted to be cognizant of the fact that we're making the tradeoffs, you know, we're deciding duration versus no yield in cash. And I just -- as a board I just want to make sure --

>> Matt Loesch: Looks like next month we're going to have the fixed income portion of the in-depth conversation.

>> Carmen Racy-Choy: One alternative is, obviously, since we are very much at the stage where we've concluded the contracting with the commodity manager, it's rather than enter in a phased-in approach, as the board had decided, which would take four months from contracting to really implement the remaining 6% --

>> Arn Andrews: To maybe revisit that.

>> Carmen Racy-Choy: -- to revisit that.

>> Arn Andrews: I think with the new composition of the board we should think in terms of revisiting everything that we've discussed in the past.

>> Carmen Racy-Choy: Absolutely. And that's the idea of having these discussions, is to try and solicit ideas and suggestions for change.

>> Arn Andrews: Good, thank you.

>> Russell Crosby: And these first couple of meetings were to get everybody on the same page of how did we get to this spot and where are we and then to open the conversation from that point.

>> Arn Andrews: Thank you.

>> Matt Loesch: Other comments or questions from the board? Okay.

>> I mean how can we integrate this in with the liability side of the balance sheet? I mean, that's -- I mean ultimately, we're doing this to write checks for retirees.

>> Well, we do calculate the duration of the liabilities. So really, that the starting point for what your duration needs to be is what is the duration of your liabilities. Unfortunately with public plan methodology, it's not perfect because the actuary has a say in your discount rate. And so you can look at what the maximum duration is, but it's not -- it's not very robust. So there isn't -- and we can definitely show you that information. But it isn't as robust as, say, on the corporate side where an exact duration can be calculated and then you can just say I don't want to take a bet on duration. I'm just going to structure my fixed income to be close to the duration of my liabilities. And end of story. The answer isn't as simple for public funds. However you will receive information on that.

>> Matt Loesch: I'm going to call a ten-minute recess. [ Recess ]

>> Matt Loesch: Meeting back to order, please. All righty presentation we are on 4.3B, presentation by senior deputy City Attorney.

>> Mollie Dent: .

>> Mollie Dent: Regarding Brown Act, sunshine, public records act and disability determination process. You have the floor.

>> Mollie Dent: With the board's permission I'm going to kip doing a PowerPoint presentation because I think it will go more quickly if I don't do a PowerPoint presentation. I've prepared the handouts in front of you so you would have a take-away highlighting these legal issues that the board needs to be aware of as it works through all of your agendas. The first item I'm going to talk about is the Brown Act. And the Brown Act is the sedate's open meeting law. And the intent of the law is that the actions legislative bodies like this board be open and that their deliberations be conducted in public. And so everything that you look at from a Brown Act perspective is from that standpoint. This board is a legislative body because it was created by an action of the city council. Even though most people probably wouldn't think of you, yourselves as creating legislation you are under state law defined as a legislative body. And I want to focus on slide 6, which is the definition of a meeting. A meeting is a gathering of a majority of the legislative body at the same time and place to receive information discussed take, deliberate or

take any action on an issue within the subject matter jurisdiction of the body. So you have a variety of subject matter jurisdictions, things that you determine, you determine the investments, you also look at disability retirements. You do react to council ordinances to amend the plan document so you have a variety of things that are within your jurisdiction. And your meetings have to be open to the public, so that there is not discussion among you about those kind of issues outside the public arena. You can as it indicates on slide 7 go to social or ceremonial gatherings and all of you can be there but you can't discuss business that would come before the board. If you would be so inclined to do so at a party. I do want to focus on little bit on slide 8 on what a serial meeting is. Because it isn't just meetings that -- where you formally get together to talk about something. A serial meeting means a series of communications between individual members of the board that ultimately involves the majority and it's regarding an issue that is within the jurisdiction of the body. So serial meetings can occur not only with face to face meetings but they can occur via e-mail, phone calls and via a personal intermediary. So when do you a reply to all, that is one of the most common ways a serial meeting can occur. If there's an e-mail that one board member does to another board member and it winds up being circulated to a majority of the board members all of a sudden you have a Brown Act violation. Personal intermediaries would mean use one person to go from one board member to the next to try to develop some kind of consensus among a majority of the board members. So it -- there -- that -- yes.

>> Not that someone wants to get close to the line but if -- this can all occur as long as less than majority are engaged in it. Engaged in a serial meeting.

>> Mollie Dent: Yes that's true but the problem is often advertisements, you will talk to one person and you don't know who they're going to talk to and they don't know who you've talked to and all of a sudden there was a majority. It wasn't your intention and it wasn't the other person's intention but there will all of a sudden be a majority, and that's certainly happened at the city council level. So it used to -- there used to be a little -- there used to be more flexibility in terms of the intermediaries. But the legislature closed that loop about two or three years ago as a result of a case arising out of the city of Fremont. So we really caution board members about talking about board business outside the meeting context. Now, obviously, you'll sometimes get an e-mail that asks you if you're available for a meeting to schedule something. That's not a violation of the Brown Act for all of

the board members to say I'm available for that meeting. It's -- it is when you are getting to -- when you're talking about something that may come back before the board for decision that is the issue. So the open meeting requirements are summarized on page 10. You don't need to worry so much about these, as staff. These are more the manner in which staff must notice your meeting and the time line for noticing the meetings and all of that. The only issue that I'd point out is the teleconferencing. That's not been a problem for this board, but at least you can teleconference a meeting. You can have people teleconference in. At least a quorum of the legislative body must participate from locations within the agency's jurisdiction. And if you do want to teleconference into a meeting you really do need to let staff know in advance enough so that they can make sure that the agenda is appropriately labeled and you need to be aware that the location that you're teleconferencing in from has to be posted, has to be accessible to the public and you have to have a speaker phone or something that if some member of the public did show up they could actually address the board from your location.

>> Mollie, so therefore the quorum, that is within the jurisdiction does not have to be within this room, it could be scattered from within San José for example?

>> Mollie Dent: Correct, if you are calling in from another location within San José, but it is within the agency's jurisdiction, it's when people are calling from other areas is when it gets difficult.

>> I've heard you have to put a sign on the hotel door about.

>> Mollie Dent: You have to be.

>> Russell Crosby: Or the door of your house and you have to be accessible.

>> Mollie Dent: And it has to be ADA accessible and has to have some ability for the public to actually come in and participate. So it's -- but it's allowed. And like I say because of the posting requirements, staff does need to know about it really in advance. If you think you're going to be out of town and you still want to participate in a board meeting or even just not able to come to this room and want to participate in a board meeting, it's the more

in advance they can know, the better. The closed meeting exceptions are listed on page 11, for this board it's primarily litigation, real estate and certain disability retirements where they're stigmatizing medical information to be protested, and those are obviously separately noted in a separate section of your agenda. There are criminal sanctions for violation of the Brown Act, so it's something to be aware of. There is an intent element to the criminal sanction piece and there are sometimes inadvertent violations of the Brown Act. There are the civil remedies which are on page 13, are that your action is invalid. However, you can cure it by rehearing the whole thing over again in open session. And that, again, does occur sometimes, when an inadvertent violation of the Brown Act has occurred. The whole thing has to be heard all over again in an open session.

>> And you're probably aware of the recent snafu with BART where the BART directors had a closed session and unagendized fired the general manager and then go back and undo that. Things are still perking up there, because obviously the general manager has lost a support of the majority of the board. But for reasons unknown to me they committed a Brown Act violation on something as obvious and important as that. So this does happen.

>> Mollie Dent: And from our office's standpoint, not only do you have the normal forms of relief against the board itself but you do have liability for attorney's fees and you could be hit with some big attorney's fees awards for violation of the Brown Act. So there is good reason to stay in compliance with the Brown Act. I'm going to briefly talk about, now, the City of San José's sunshine rules. These sunshine -- the City of San José's sunshine rules basically sort of move all the Brown Act deadlines back further. The Brown Act deadlines are normally 72-hour deadlines. These deadlines move things back to about seven days. So that our agendas must be posted seven days in advance of the meeting. And because of the way the Internet posting works, it backs up even further than that. Again I'm getting back to the teleconferencing issue, if there's something that needs to be agendized it is going to back up even further from the agenda date with our sunshine resumes. And the sunshine rules do require audio recording of the meetings. Of course we have other types of recording available here, but the sunshine rules don't require the televising of the meeting so if we do wind up having to do a special meeting at retirement services where they're audio-recorded that's fine under the sunshine rules. The last item I'm going to speak about in this presentation is the public records act. And the public records act is basically for openness in

government records and that access to information concerning the conduct of the public's business is a fundamental and necessary right in every person in the state. So it goes beyond just the meetings but to information that is held by the city or by retirement services department. And public records are defined as information related to the public's business, prepared, owned, used or retained by the city. And I've given, on page 20, some examples of public records. Photos, tapes, drawings, maps, film, obviously staff reports are public records, reports from the investment consultant are public records. E-mails can be public records if they're retained. There are exceptions to the public records act. Those are listed on page 21. The -- if it's not your business practice to retain something, then it may not become a public record, and preliminary drafts and notes are an example of that if you don't retain them. But if you do retain them or it's your business practice to retain them or you just forget to delete them they're liable to become a public record. Real estate appraisals have a limited exception until the property has been acquired and certain records related to alternative investments can be withheld also. And as well as attorney-client records. With the attorney-client privilege I always caution, board members, if there is an attorney-client privileged document, it's -- the attorney-client privilege has to be waived by the entire board. An individual member of the board can't say, well, I don't care. So if there is something that is -- and the attorney can't waive it either. So that's the privilege is held by the entity not by the individual member or by the attorney. There is a general public interest exception to the public records act that we mention on page 22. The cases don't turn out well in favor of public agencies anymore on this exception. But if we feel like there is a real public interest in withholding something from disclosure, and it's not covered by a specific exception, you do have the ability to make the argument. In the retirement arena I think the most recent skirmishes have been over the list of the retirees' names and pensions. So this plan treats that as a public record and that's produced at least once a year for the public, for anybody that wants it, I think it's on the Mercury News Website. There have been no appellate court cases on pensions but there have been appellate court cases on employee salaries. So it has been interpreted to that, it is probably not one that we would try to make the general public interest exception on.

>> It's in one of those California Supreme Court decisions on employees' salaries, the Supreme Court cited a 35-year-old AG opinion and a 50-year-old AG opinion that dealt with retirement issues and retirement disclosure and thus resuscitated those AG opinions which were very pro disclosure, maybe excessively pro disclosure. That's all the law we have now.

>> Mollie Dent: So we're doing the disclosure as if they were public records. So with public records there are time lines that apply. Again this is not something that the board normally needs to deal with. You -- if we were to get a public records act request and we thought that the board might have information that would be responsive to the public records act request we would let you know. In the -- the -- probably the current topic if you will in terms of the public records act that is -- might be -- is of somewhat interest to board members and legislators, is whether or not records that you hold on personal devices, like your own laptop and your cell phone, if you do text messages, would be considered a public record. There is no definitive case law on that issue right now. An issue did go up to a Court of Appeals but the court -- well, it's on procedural grounds the court didn't make the decision about whether or not the information on the personal devices was public record. I mean obviously we're not talking with your personal information on your personal devices. You're talking about information related to board business on your personal devices. So that's just a heads-up. It's out there as an issue. If you're going through the city server, if you're sending an e-mail and it's going through the city server, it will be a public record so -- and obviously if you've e-mailed staff or something like that it's going to be a record at the other end. So the -- I don't think retirement services gets a huge number of public records act requests anymore, since the salary information started being published. All right. Does anybody have any questions about that presentation on Brown Act?

>> Just supplement with two quick points. You might remember the voters have before it the proposition, proposition 59 about four, five years ago. It passed. What that did was basically constitutionalize and bring into the Cal constitution many of the elements of the Brown Act and the Public Records Act, though there were sort of privacy safeguards that muddied the whole things. But now some of these elements are in the constitution. Number 2 there's also an attorney's fees elements for this and one of my other clients, a Police Officers Association, actually that wasn't my client, but indirectly, came as an amicus in this \$100,000 case -- I'm sorry, the effort by the Oakland Tribune to obtain salary data for employees of the City of Oakland who earned over \$100,000. The city was agreeable to turning over the documents, the POA resisted that and intervened in the litigation and lost and eventually was tagged with a attorney's fees award that they had to pay of over \$100,000. So there's real bite to this kind of litigation.

>> Mollie Dent: Yes, this is enforceable in much the same way as the Brown Act. So okay. All right. The next presentation that you have is an overview of the Federated disability retirement requirements in process. First of all, this is virtually the same presentation that I gave to the Federated board back in December. And so, if you -- in October, I'm sorry. And so if you want to watch that one, you can look at the October meeting. You'll -- in October we were also talking about potential alternatives to the current process. That is not in this presence because the issue of alternatives to the current process is now being looked at by an ad hoc committee. So this is really focusing on what the current process is and what the current requirements are. So if you'll look at -- if you'll look at slide 3, it steps you through the process from the application, through the medical examination, through the disability committee, through a board hearing, through a possibility for a rehearing through a writ of mandate which is the court proceeding that would follow after a hearing or a rehearing. The application process, as summarized on page 4, it can come from other -- an application can be made by other people besides the employee who is seeking to retire. But virtually all of them are made by the employees who are seeking to retire. The medical examination by the board's medical director is mandatory, unless the board itself is initiating a disability retirement which I don't know that we've seen that here. The applicant can submit medical reports, and all medical information under the control of the city, or the member, is to be made available to the medical director and the board on their request. The -- after the medical examination by the board's doctor has been completed, in your process, the disabilities go to a disability subcommittee. Which I have been in place for a number of years. The members of the retirement services director and assistant director, they hold a hearing and they prepare a report recommending approval or denial of the application for the board. The -- at the board hearing, if the disability subcommittee has recommended approval of the application, it's treated pretty much as a consent calendared item. But if any board member wanted to pull the item and hold a full hearing you could. The board is the ultimate decision maker on disabilities regardless of the subcommittee's recommendation. So even those that are for approval can be heard in full by the board. The -- and then the board of course has to hold a full hearing on those where there's a denial, as long as that's what the applicant wants. Now, applicants don't have to come to the hearing if they don't want to. It is their burden of proof though to prove they're entitled to disability. If the applicants are here they're subject to being questioned and examined, and the board also reviews the medical evidence and questions the board's medical doctor. Applicants could bring their own doctors if they wanted to and the board could question those doctors. That doesn't happen very often but they could. The -- at the conclusion of

the board hearing, if the board denies an application, in your process, the applicant does have an opportunity to request a rehearing. If they do so within 30 days after we notice the determination. And there are narrow grounds for the application for rehearing. Most of the time the applicant is just wanting to reargue the evidence, which is one of the grounds. Once in a while, someone will have some new evidence. But again, if they want to put in new evidence they have to show it could not have been discovered or procured at the original hearing with reasonable diligence. So if they're wanting to put in a doctor's report that predates the original hearing as new evidence, it -- unless they somehow absolutely didn't know about the doctor's report that would not be new evidence. The final review is through a writ of mandate process to the superior court. And the courts look at whether or not the board proceed without or in excess of its jurisdiction, whether or not the board provided a fair hearing and whether or not the board abused its discretion. The abuse of discretion standard I've summarized that this on page 10, it's basically that the decision is not supported by the findings and the findings are not supported by the evidence. The failure to proceed in the manner prescribed by law, it could mean you didn't hold the hearing properly but again most of the disputes are over the evidence and whether or not the evidence supports the decision or does not support the decision. The courts do use an independent evidence standard to review. Which means they do look at the evidence anew. But they do also afford a strong assumption of correctness to the board's finding and again, the person challenging the decision has the burden of proof, not just a burden of producing evidence. Their burden of proof to the court is to prove that evidence does not support the decision. I've included in the next part of this presentation, from pages 11 through 13, what the system's disability benefits are. I'm not going to go over this in detail. But if you look at it, it will help explain why someone might apply for a disability retirement, even if they're eligibility to service-retire. So -- because there are some advantages to a disability retirement over a service retirement. So what I want to spend the most time on in the disability section is, what is the definition of disability for this system? And how do you apply that definition, when you see fact patterns coming before you? So page -- slide 14 is the Federated disability definition. And slide 15 is the non-service connected and service connected definition. And in the Federated code I think these are laid out very, very properly in terms of the way the board should look at disabilities. It sometimes the board tends to want to look at causation and whether the job caused the disability first. That really isn't the beginning of the analysis. The beginning of the analysis is whether or not the person is disabled. Once, because in order to have either a service connected disability or a non-service connected disability you must first be disabled. So the disability definition for

this board is, a disability of permanent or extended and uncertain duration, occurring while the employee was in the Federated service, as a result of injury or disease, which renders the member physically or mentally incapable of continuing to satisfactorily assume the responsibilities and perform the duties and functions of the position. Then held by him, and of any other position in the same classification of positions to which the city may offer to transfer him. And then it goes on to say it does not mean mere physical or mental inability to assume said responsibilities or perform said duties. So when we -- so when we -- when we look at the first part of the definition, the disability really needs to occur while the person is in our system. Not have occurred before, not have -- not occur afterward. The board does need to focus on the incapacity of the person to perform as opposed to the inability to perform. Because that is a requirement for our system. The incapacity to perform is in reference to the job that was held by them at the time they were disabled. So you need to look at whether or not they're incapacitated from performing the job they held at the time they were disabled. That's where you will frequently get a memo from their department, that they couldn't, could or could not have accommodated work restrictions that they may have. But even if their department couldn't have, you -- if they were offered another position, that was in the same class, and they could have performed that position, they're not entitled to a disability retirement. But again, the very first thing you really have to look at is, incapacity versus inability. And the -- you know the question always comes up, well, we've got all these workers comp records and all the workers comp doctors say the person is disabled so how can we say they're not disabled? And the short's to that question is that the standards for a workers comp disability are different than our standards. And even more so after 2005, when workers comp went to a medical rating system for disability. So you can -- you will frequently -- you can certainly see someone who has a permanent disability rating, for workers comp purposes, but they're not incapacitated from performing their job. They may have some limitations that go to inability, but not incapacity. So the standards for workers comp are different than your standards are. And I've set out, on page 18, just the rules of statutory construction that apply, when you are looking at what that kind of language in an ordinance means. The courts have held that pension legislation is liberally construed in favor of the applicant. But it cannot be permitted to eradicate the legislative purpose or to allow eligibility for those to whom it is not obviously intended. So you'll sometimes hear people throwing around well the benefit of the doubt goes to the applicant. To a certain extent yes but not to the extent that it would grant someone a pension where they truly are not qualified for the pension. There -- we don't have a lot of -- we don't have court decisions interpreting our code. We don't have

court decisions interpreting the Police and Fire code by and large which on this issue is identical to yours. There are lots of court decisions interpreting other retirement statutes. You have to -- you have to kind of be careful about that because they are not all the same. So I've included some language from some of the other systems to kind of illustrate that. For example, one of them in the government code is permanently -- is unable permanently to engage in any substantial gainful employment. Obviously that's not our standard. A court in looking at our statute to the extent they have construed identical language for some other system might look at prior decision. But they would also look at the actual language in our statute and every word is supposed to be given some meaning. And that's why I keep going back to the fact that you cannot ignore the fact that the disability statute says that mere physical or mental inability to assume is not a disability. You can't just pretend that's not there. It does limit the entitlement to a disability benefit.

>> Mollie, wouldn't you agree, I think -- I don't know if the board members have the same -- experience the same reactions that I did when I first read this. I find it a very, very difficult distinction to draw and not have all of the apparent, incapacity versus inability. It's kind of like the ven circles. There's obviously going to be some situations where any kind of claim meaning attached to those two terms are going to both apply at the same time to the same situations. Then there is other circumstances where they're not going to apply. I personally don't find that inability -- it is rather a rare provision in public sector disability statutes, that's the distinction. But it's here, you have to deal with it and I find it just a very difficult thing to deal with.

>> Mollie Dent: Actually, the Police and Fire board asked when I did the disability presentation for them, to get a little bit more information about the distinction between the workers compensation standard and our standard. And there actually are some cases out there that do discuss the issue of inability as distinguishing. And talking about -- and so I'll probably be doing a separate memo on that, for both boards, because it's -- there are -- there are some cases that do talk about, for example, the ability to pain-manage as not being incapacitated, as not being -- if you can manage it enough to perform, with medication, you may not be incapacitated under pension definitions. So they asked for some follow-up information on that, the difference between the workers comp standard and the disability standard. So I think it will be the same for both boards because your language is the same.

>> So on this distinction I mean could you provide some examples of situations where it's blatantly obvious and others where it was, you know, kind of a fine line?

>> Mollie Dent: Yeah, I'm just -- I've just started going through those cases. And so I'll probably do the best I can to summarize the fact patterns in those. But I've given some -- I've given some summaries of some of the cases here on pages 22 and 23 and some of the relevant information. The third bullet on page 22 is really very common language under the disability retirement cases. The disability must be of such a character that it becomes necessary for the employee to retire. That's the word the court uses. The applicant's post-injury work history is relevant but not conclusive, but you do need to look at it.

>> Not to interrupt but if someone retires, they leave the system, get the benefits and they go back to work someplace else?

>> Russell Crosby: That happens.

>> Mollie Dent: It happens and it would be relevant to get more information about that. I mean that's where the board needs to examine the applicant on whether or not the -- if they retired on a service retirement, and now they're coming back to change a service retirement to a disability retirement, and they are working in another job that looks identical, seems identical to the job that they had at the time they service-retired that would be a very relevant inquiry as to how they are incapacitated.

>> Russell Crosby: I think you're probably talking about the case though where the individual has gone all the way through the process, they've now got a retirement and then they go someplace else.

>> On page 12 notice one of the provisions in this court of appeals is that situation where there's an offset of the -  
- if you have outside earnings and you're under a certain age your disability retirement allowance is reduced by a

certain degree and thus the drafters of this contemplated that some people go out on disability retirement will obtain employment elsewhere.

>> Mollie Dent: Right, there are ways for the retirement to be modified. There are outside earnings offsets. And so that's not -- I didn't cover that in this presentation but there are ways for that to be modified. The -- I've given a couple of other examples of cases on pages 23 and 24 of the presentation, to try to get at some of the issues that come up frequently with the board in terms of disability retirements. The first one on the temporary work restrictions versus permanent work restrictions, get that the issue of there being no objective basis for a doctor's decision that an applicant is disabled. That it -- there just -- a doctor may say it, but there's just no basis for that decision and, in this case, the court upheld the board listening to the system panel doctor and not listening to the employee's doctor. And the same with the conflicting doctor's opinions in the second case on page 23, the courts will look at whether or not the board has listened to the most persuasive doctor, if you will. The -- now on the issue of -- so on the issue of causation, whether or not a disability is service-connected disability, is arising out of employment. There is some indication that the courts might look at some of the workers comp cases on that particular issue. Although they're not -- there's no estoppel of that, and so kind of bracketed a couple of cases for you here. The supreme court has rejected a contention that substantial means more than 50%, but a court has also found that a 6% disability rating, didn't preclude BART from finding that it wasn't caused by the job. So the -- in the causation area, because the language in our statute is more similar to the workers comp language in terms of arising out of and in the course and scope of employment. There may be more of an overlap with workers comp law and liability law, whereas in the language of whether or not the person is actually disabled, there's not as much overlap in the language. So that's what makes it very difficult to pick through using workers comp cases to see how a disability retirement would come out.

>> Just had a couple of comments on this causation issue. This is the causation between the job and the incapacitating condition. It's potentially pretty easy if it's an injury, I fell off the ladder, I was in a car crash. The difficulty is diseases. There are some diseases, and you probably are more familiar with more than I am, but cardiomyopathy, a heart condition, they don't know what causes it. Pulmonary, COPD, the lung restriction disease, if you smoke, yes, that's an obvious cause. But if you're in a condition, a painter and you deal with a lot

of fumes maybe that could be the cause. And then you're going to be faced with conflicting medical reports and you're going to have to read them and decide which one is most persuasive. Causation is always difficult, but it just has to be substantial, not a very helpful category. But like Mollie said, you know, it doesn't have to be super-strong, if you sort of arbitrarily convert it in the percentages which I think is really a rather arbitrary exercise. But sometimes you'll see it in the case, and we'll occasionally talk about it, as Mollie indicated, it doesn't have to be 50%, but this cause as opposed to all the other causes that might be operating on the individual that eventually resulted in the disease but that will be a difficult thing for you I think, and we've encountered some these applications.

>> Matt Loesch: Any other comments or questions from the board? Just to note, the general scope of the ad hoc committee just in case you weren't -- don't remember any discussion we had before. In December I believe we decided to put together an ad hoc committee to look at what, if anything we wanted to do about the disability process and so that -- the committees met once. We're going to meet again next week and then once again hopefully in April to come back with recommendations to the board about these are some things we think we ought to try to change, if we do. So that should be kind of -- in two months time we should see coming from that committee on these are things that we ought to work on in the disability area. Any other -- okay, great. Item 4.4, approval of the Department of Retirement services administrative budget proposal for fiscal year 2011-2012. Ms. Niebla.

>> So you have in your packet budget for fiscal year 11-12. First slide, this goes over how the budget was developed. First cover page, second page is how the budget was developed. 3 has the proposed budget and also provides the comparison of the actual for last fiscal year. The current year's adopted budget the projection or forecast for this year and then the proposed budget for next fiscal year and the last column is the change in the proposed budget to the current year budget, and then the following slides go over the reasons for the changes. The next slide is the slide number 4 --

>> Edward Overton: Could I have -- question. You have an actual, and adopted budget of 33 and a half positions and forecast of 30.

>> Yes, due to vacancies that we have.

>> Edward Overton: Where are the vacancies? Where are they?

>> They are in the investment staff area.

>> Edward Overton: So you are three people short in investments?

>> Yes.

>> Edward Overton: Thank you.

>> So continuing on to slide number 4, what this is, is a historical administrative and money manager and other investment cost comparison. What we attempted to do here is provide some sort of historical information as far as how the plan's personal service costs have developed over the years, going into the projected and the budgeted. And also try and prepare some sort of comparison to the plan's net assets. So the first table has a person services, which is all retirement services staff which is shared 50-50 with the Police and Fire plan, this only represents the Federated. And then we've got the other administrative expenses, these are all of the other administrative functions including the investment manager fees, investment manager fees are all reflected in the next table. As you can see, on the investment manager fees there's been a decline due to some of the changes that have happened in the investment group, as far as the type of investment they have moved into.

>> Russell Crosby: Yes, I would just like to point out that there were questions when we added some staff in the investment area last year. And if you look down below what you see is for very modest additions in the hundreds of thousands, we've been able to take millions out of the money managers. I would submit there's a direct correlation to having some professional staff here that can deal with these assets, and for a very modest amount, it's pretty impressive.

>> Looking forward to future years, I mean, we've obviously got some mandates that you need fill on the investment side. Some of those are not cheap like hedge funds.

>> Russell Crosby: That's been our problem. Recruiting at the city salary levels.

>> And the salaries is one area. But also when you look at your expense ratio, I would expect while you're at 18 basis points today --

>> Russell Crosby: That's going to go up.

>> -- you should be telling the board that it's going to be substantially higher than that. In fact it may go back to its -- I'm guessing but probably --

>> Russell Crosby: The bad old days.

>> Back to your 07, 08, 09 kind of numbers. I don't think it should be expected that that's a permanent decline in the investment fee.

>> Russell Crosby: That's correct.

>> Arn Andrews: Then I had one question on this slide. Historically when we talk about administrative expenses, we hear about it being 90 basis points, 60 for money managers and maybe 30 for the SRBR. These are the numbers that would be reflective of that, correct? So in 07-08 you get to something roughly around 60 basis points. Through history we've been moving down in terms of that structure and then based on the comments by Stuart it is probably anticipated that it will go back up. These are the same numbers we talk about when we talk about the 60 basis points admin fee correct?

>> Correct. I did not include any of the SRBR numbers in.

>> Arn Andrews: Thanks.

>> Stuart Odell: Do you benchmark your cost as a percent of plan assets against your peers out there, and how do we compare to what you know other plans of comparable sides are spending, less on the investment side because I think that that we can invest directly but on the personnel 11 basis points how does that compare to you know, other plans in California, for example that are similar?

>> Russell Crosby: We are at the low end, we're at the very low end. The auditor's pension sustainability report highlighted that fact, that our administrative costs are indeed significantly lower than other plans.

>> I think one -- isn't it those county systems, the 20 county systems that are subject to a particular state law, employees retirement law of 1937, they have in the statute an 18 basis point restriction for certain services. So that's in the statute, (inaudible) and obviously there's a quite a bit (inaudible) dollars.

>> Russell Crosby: Yeah, well no no no, it's in the same ballpark here. But the 18 basis points for the county system excludes some of the expenses that we -- we put everything into ours where the county's exclude a fair amount. And so yes, we are a little bit high going into the new year on that 18 basis points scale but there are things in the 18 basis points to the counties, in ours that are not in the counties.

>> Right.

>> Stuart Odell: Like consulting I would any would be one. The counties probably take it right out on the investment side and this is being included as an administrative expense?

>> Russell Crosby: Correct.

>> Stuart Odell: Which is somewhat unusual I think.

>> Matt Loesch: What are the restrictions currently in any of the contracts? Are there any restrictions in any of the agreements with the bargaining parties? I believe there are I just don't remember what the numbers are.

>> Mollie Dent: I don't know right off the top of my head what the restrictions are.

>> Matt Loesch: I thought if I remember correct, IBEW and Operating Engineers, those two contracts are the two that stick in my head that have any limitations in the agreement right now. And does it spell out in those agreements what can be included or what should be taken out?

>> Russell Crosby: No and there have been meetings between OER, office of employee relations that negotiates those agreement and there memorialized by OER that we can exceed the amount in those contracts.

>> Matt Loesch: Okay. Because I guess here's some of the thought, the concerns looking at even some of these, things grow and you know the outside folks especially the employees are going to look and say wait a minute all of us are going to be told we're going to get the hatchet, coming in July right, your retirement says you need to grow. That's where I can see some serious concerns, why is that and what are we getting for that? What is the bang for the buck of adding personnel? There's some correlation you could see here between some of these adding staff but then some of it is also now you're also going to more passive investments in some of these things so you would expect some of the costs to be less. I mean how would you address your concerns from the average employee who is going to look and see?

>> Russell Crosby: First of all the reduction in the cost really was drib by the staff and us driving both boards to a more passive allocation can, number two. You are going to have two more trust funds that are going to be created right after the first of the year, the health care trust. The same staff that does the two trust funds is now going to have four trust funds that they're going to have to produce CAFRs for financial statements, all the other activities, the workload, the accounting workload is literally doubling on June 1st. We are not looking for a doubling of the

staff. But the workload, the accounting workload is in effect going to double as a result of the creation of the two new trust funds and those have got to get off the ground right after the first of the fiscal year.

>> Matt Loesch: Has that been decided necessarily how those are going to be administrated?

>> Russell Crosby: Well, you're going to have accounting and financial statements, no matter how they're administered.

>> Matt Loesch: Right, I understand. But it hasn't been decided at all about how the OPEB trusts are going to be put together or who's administering or any accounting for that has that been discussed at all or presented anywhere? I know from the agreement my understanding is that the city is to establish these trusts, I think that essentially was the extent of what -- I think that was the extent of the agreement, to what end, you know how that gets administered or what's the thoughts behind it I don't believe I don't believe it was discussed and I don't know whether it has been.

>> This is in the Brown Act.

>> Mollie Dent: We're going to talk on item number 4.5, about the two health trusts and the process of establishing the two health trusts and where we are on that. That item does relate to it but I'll just note in terms of the budget, there -- there is money for the city attorney's office in your budget which we appreciate very much, for this board. It's -- there's also money in here for your outside legal counsel which we also appreciate very much. Our budget is still in -- as is Russ. Our budget is still in the process of basically being reviewed by the city council. So our office may have to come back to you at some point with some workload issues. I'm not anticipating -- I'm not anticipating that, I don't know. But I -- I do want to let you know that it's out there. The outside counsel money that's currently in your budget is for Mr. Richeda and for the Hanson Bridget firm, your investment counsel and there is some money for your tax counsel which will probably need to be increased a little bit to take us through finalizing the tax review. There -- I think you probably have a little bit of opinion still budgeted left to the outside real estate counsel but they're not being used very much on that. So we, as things

move forward with more and more things needing to be done legally for the plans, we may come back. On that issue.

>> Matt Loesch: In your plan expenses you're planning that retirement services as instructed --

>> Mollie Dent: No, you're not, that's what item 4.5 is about. This does not include --

>> Matt Loesch: I'm not talking about the legal part, I'm talking about administrative part. I'm talking about administration budget of --

>> Russell Crosby: I'm simply addressing within the accounting section, part of the reason why we're adding staff. I would still be in here to add staff whether or not we're adding the two trusts. I think it would be a harder argument at that point but when you understand that there are two more trust funds that are about to be created and they've got to be accounted for, I think that even what we're asking for may not be enough to do the additional workload.

>> Matt Loesch: But the assumption is that that is part of your assumption that retirement services would have to take those things, the administration of those trusts in.

>> Russell Crosby: And at a very high level what's been discussed is that this board would be Board of Trustees for the companion health care trust that would address the Federated population, and likewise, the police and Fire. But I don't know that all that has been worked out in great detail yet.

>> Matt Loesch: Right, that was kind of towards the administrative thing. Because then again, as the administrative costs bump up towards any limits that we have in agreements should those be then parsed out --

>> Russell Crosby: Of course.

>> Matt Loesch: I hope that anchors in how this is that's why I wanted to be careful if there's leeway let's try to get around it. I want staff to be as robust as they can to administer these things period. Whatever we need to do around it legal help actuarial help investment accounting the entire range we need to do whatever we can but to prove to the folks both to the city and the employees that are paying into it, bang for the buck, what are we getting for that. Because one of the things that will come into -- you haven't gotten to it yet, it's about increasing some access to facilities, whether it's databases or whatnot or what that means. You know because the average employee is going to look at it, especially I think the outboard was 400,000, what does that get? The average employee is going to look at that and say, holy cow. What does it mean? I'll let you get there. That's kind of what I wanted to get to, these are the thoughts.

>> Russell Crosby: There's two real drivers to the budget increase. One is the additional staffing in the accounting area which in my opinion, our biggest risk right now, we've got staffing capability if we could hire people at the salaries we've got we'd be able to fill those in investments. The big concern beyond investment area right now, and additional staffing there is accounting and right now, you're looking at essentially the department is sitting right there at the end of the table. And we are at extreme risk that if anything happens to her, she quits, she walks out, she gets sick, we would be very hard-pressed to produce financials for those two, the two existing ones, much less the four to come. Additional resource is needed in the accounting area, for the demands and what's going on today. When you add in two more trust funds, it becomes an impossible situation.

>> You made the point that this is half the size of a comparable plan. The accounting department even with your additions would be half the size of a comparable plan. I looked at that and said is that enough, right?

>> Russell Crosby: It is not. But as a first step we need to make the organization a little more robust, add some additional call it managerial talent in there, and then probably in future years we're going to be back to say yes, we need more accounting help.

>> Matt Loesch: It comes to the point you say you have difficulty hiring investment staff at the salaries we're able to provide what are we going to do about that? Because obviously if we have a creating budget to make this thing happen and we can't get folks to fill that we need the expertise what are we doing?

>> Russell Crosby: One I hope real benefit is having professional trustees who are from the industry, who know what salaries are from the industry is to provide some support in dealing with the city on this question. Part of what's going on in San José as you're well aware is the convoluted organizational structure that exists where the staff and I report to an entity other than the board and our salaries are controlled by an entity other than the board. As a result of that, you've got one of these problems and then we also end up with staff being bumped in from city positions other places who are more senior. We're in the same classification categories as all the other city employees. We lost, last year, a highly qualified through retirement accountant who was supporting Veronica. We got a bumped person as a replacement. The individual had no capability, no understanding no background to be in that position yet there they sit because they're in the same job classification.

>> Mollie Dent: I'm going to say we're getting outside the scope of the discussion for Brown Act purposes so we need to go back to the budget discussion.

>> Russell Crosby: I think this is part and parcel of the budget discussion.

>> Mollie Dent: I'm sorry, I don't think comments regarding individual staff members is part of the discussion.

>> Russell Crosby: It is when it affects the workload in the department and why the department needs to add additional resources.

>> Edward Overton: This is to me Mollie and I'm not an employee. This is part and parcel of a workshop atmosphere what our budget is going to be and that entails asking detailed questions.

>> But I agree with Molly Ed. Now we're talking about the sort of bumping issue that retirement staff are not a separate job class instead they're just part of a common job class throughout the city and when there's layoffs and bumping it impacts us. That's a huge discussion, but I think it's outside the scope --

>> Russell Crosby: It is part of the budget and why at this time you need to add some additional resources in accounting, because that's an underlying problem that exists for the retirement staff.

>> Mollie Dent: I didn't interrupt the discussion as you were going through the rationale for why you've built the budget why you've built it and why you think you need more resources. I interrupted the discussion at the point in time where it got to be a very specific discussion and I think that discussion is outside the scope of this presentation. So I would focus -- I would ask you to focus back on that higher level discussion about the need for additional resources, and what specific additional resources are in this budget.

>> Russell Crosby: We're talking about two additional positions in accounting and I'm explaining why one of those positions is needed.

>> I do find it a little alarming from a risk standpoint that we could be facing having someone, if you will, bumped into the retirement system who's not qualified. I mean we've got you know incredibly, you know, it's complex work, you know idiosyncratic. And we have you know minimum resources. That's a risk I'd like you know how can we --

>> Mollie Dent: I think if the board wants a presentation on that, the civil service rules if you will, it would be appropriate for a future agenda item to agendaize that for and invite the department that is involved in that to come back and talk to the board about how that process works.

>> And also related but I think very germane legal issue that I don't think has been presented to the new board yet is the California pension protection act enacted by the voters in 1992, prop 162 was the number, that is in some sense amorphous, in some sense clear, it gives you plenary authority over administration to the plan. That's an amendment to the California constitution. Yet in those cases that sort of amplify sort of restrict it, that is the

fundamental shield that you have to understand and then decide how you're going to apply it in a reasonable appropriate nuanced way to deal with some of these complex institutional issues that you're going to be part of.

>> Mollie Dent: I'll suggest it again. If the board wants to have a future agenda item that relates to difficulty in filling budgeted positions and in recruitment I think that that would be a very appropriate item to be agendized for the board's discussion.

>> I guess here's my question if we're going to go out and hire more people, do we get to go to the outside of market or are we required to have people who are bumped?

>> Russell Crosby: Even with the highly qualified investment staff we have to post internally first and with these kinds of jobs at these levels I doubt seriously that we would be able to go outside. That's a problem.

>> For investment?

>> Russell Crosby: No no, for investment we've been able to construct some job descriptions and put in requirements for the investment people that basically preclude everybody in the city from being able to get to those.

>> Matt Loesch: So again not to stifle the conversation because it is important and it is you know I agree with both of you, it is analogous to what we're discussing here and the reasons why there's issues and why there's voids and why there's increases. I understand the point where we are venturing into the specifics of how to hire, which is not necessarily what we agendized here. So I will commit, we will get an agendized item next month, at least, about how we're hiring folks and how we can do it and get specifics. I understand your point where you're talking about a particular individual and I don't think Mr. Crosby was intending about that particular individual, it was the process and how we got to someone who was not able to fill that position capably to what we needed in retirement. I think that's what he was alluding to but I understand your point Ms. Dent as well. So we will

agendize the item about hiring folks and how the current system affects the hiring ability of the retirement services to fill these voids. Does that fit your needs as well? And kind of fits the needs of everybody else.

>> Arn Andrews: I have one last question back to the presentation. The head count was established at 33 and a half and leaving vacancies out of it the proposed budget calls for a 34 and a half. So it's an increase of one FTE and yet the chart for accounting appeared to be hiring two people. So were you doing something with vacancies, I was just curious.

>> No what it is (inaudible) so the presence (inaudible) realizing the process of adding (inaudible).

>> Arn Andrews: Okay so it's still one FTE pickup and then a reclassification of an existing for two new positions in the accounting division? Okay, thank you.

>> Matt Loesch: We kicked it around enough. Let Veronica finish.

>> Justifying the accounting in no way lot less exemplary most venture funds I know where they have a few hundred million under management, have people in accounting for not administrating other kinds of funds or anything else, and they have you know infinitely smaller assets under management --

>> It is not the size of the assets.

>> No, of course, it's the complexity of reporting.

>> And we have \$10 billion and three accounting people. So I think I was asking Russell about this but I think the complexity of the types of reports that they're putting out, is different than what we've typically seen on the corporate side and what we have to produce. So often things come to us out of the custody bank in a format that is stability final and all that really requires is compiling the financial statements themselves and putting together the notes to them which is somewhat more straightforward process. My question, though, is, you've said two

FTEs. One is -- is you need regardless of whether you have the retiree medical portion is what you're saying and then essentially the second FTE is really a result of the increased workload, through adding the additional trusts for retiree medical, is that correct?

>> That's right. It's also for other items that are also developed over time the new regulation, GASB has really added a lot more requirements for disclosures, if you look at the development of the CAFR as you all (inaudible) every point in term of the pension fund.

>> Do you believe that based on what you're doing right now you are not in compliance with certain accounting standards or are there reports that you are not able to produce today, so are there any gaps as a result of the fact that you're understaffed?

>> Try not to say you're not in compliance with any accounting rules at the present time.

>> Russell Crosby: There are things that are not being done.

>> There are things that are not being -- in GASB compliance we are in compliance. Are there better or major improvements that we can put on these disclosures yes. Are there other reports that are being requested that we are unable to produce because of the (inaudible) yes.

>> Can you give me an example?

>> Russell Crosby: One example is the City Auditor wants us to produce a condensed version of the CAFR the annual report called a PAFR and at this point we're saying we can barely get the CAFRs out the door. If you want us to do two summarized versions, come on. That's one example. I'll pull our pants down here. When was the last time bank reconciliations were done prior to your last effort?

>> There -- there's some places where we could have better controls in our bank reconciliations, they're going to see a lot more comprehensive and the staff people really had value in that area.

>> Russell Crosby: And right now we don't do a transaction based reconciliation. We have no capability of independently viewing what the custodian, the manager and theoretically us should say in this account.

>> Is that staffing, you're not able to do that at all or -- okay.

>> Matt Loesch: Is that just staffing or equipment as well or access --

>> Russell Crosby: Well first that and staffing but then we also have issues. We're using the City's accounting system which doesn't allow for the upload of large transaction volumes so you really can't see the transactions. As long as we're piggybacking on the City's accounting system, that's another issue but that was for another day.

>> Okay, thank you.

>> Russell Crosby: And then the other thing software and consulting services and for those of you who have worked with hedge funds you know that the due diligence requirements and the consulting requirements are significantly higher than in the long only equity bond world that we've been operating in and as well, several of you, you have asked about risk analytic systems. Perhaps you might like to even address the need to have those and why that's a relevant expense and what we might save by having something like that in place, Mike Stuart.

>> Go ahead Mike.

>> Well I think you absolutely want to move towards a risk management system overall, and it not only benefits the staff, the plans, it will actually benefit the retirees in understanding what exposures the plan can potentially have in it, which they can't see simply by look at you invested that much in equities and this much in fixed

income. It really tells you very limb about how much ultimate risk is being taken within the plan. So it's definitely the trend towards best practices, I think, after 2008, you've seen most plan sponsors get on with this and recognize that risk is as important as everything else you do, if not more important than some of the decisions you make. So it's critical. I'm a little surprised to see the fees for that kind of buried up in the administrative costs for the plan. Generally how we will look at costs like this is, it's really, it's a byproduct of the investment in the assets in the investment so if you're deploying capital into asset classes that require specialized expertise either vis-a-vis risk management systems or outside consultants, those really should be coming out of the same assets that the investments are held in. Not sort of separately budgeted line item. Because there's a direct correlation between the two. And same thing with outside legal costs for investments. Why that would be an administrative budget item, I have no idea. You have no control over how much is spent on an investment for legal costs. You make a private equity investment you're going to spend 50 or \$60,000 in legal, I don't know how much you're spending but you're going to spend a lot. You make it an index investment you're going to spend very little. That's driven by your asset allocation your staff and that process. So it really needs to be part of that budget and not an administrative budget.

>> Russell Crosby: Unfortunately you're looking at again this is an artifact of being a part of the City's accounting systems. We're having to wedge an investment program into a standard city budget process and budget system.

>> So how do we fix it?

>> Good luck.

>> Mollie Dent: I think that there are ways to slice and dice this differently, at your level. But then it does feed into the city budget so -- and so the way that it's being done here is consistent with the city budget.

>> Russell Crosby: Until and if you have a separate budgeting system for the trust fund.

>> Mollie Dent: Yes.

>> Just to kind of add to the accounting perspective there is a completely separate budget that I have to prepare to the city separate from the one that comes to the board.

>> Russell Crosby: We go through like an iteration.

>> Matt Loesch: Sort of a cross -- analysis what you present to us and how it fits into the city system?

>> There is a different process, giving you the idea of the workload that comes into accounting.

>> Russell Crosby: We try to take the trustees through it first, so that we are comfortable and confident that you are on board with it and then go through the other step which is the city's process.

>> So we aren't actually approving your budget?

>> Mollie Dent: Yes.

>> Then the city council doesn't have any once we approve it's approved?

>> Russell Crosby: The city budget administration process has some authority over it.

>> Arn Andrews: We're approving our recommended budget.

>> Russell Crosby: Yes.

>> Arn Andrews: And I think if I understand everything correctly it is actually a single FTE increase, the majority of the costs are either driven by fringe benefit increases or procurement of equipment. One of the items of equipment we're looking at will not be item but it's a fairly substantial portion almost \$500,000, it appears we have

several board members with expertise in this area. So I'm going to go ahead and make a motion to approve the budget. What I think would I like to see is the follow-up on just the whole concept of classification and bumping. We have four outside members that don't understand the way the city functions from a standpoint of HR. And then would I also suggest possibly, to the chair, that there might be a role here in another ad hoc committee since we're looking at some significant procurement there might be a role for board members on that. And so with that said I'll make a motion to approve the item 4.4, the administrative budget proposal for fiscal year 2011-12.

>> Matt Loesch: Can I get a second on motion?

>> Second.

>> Matt Loesch: Motion and second. Further discussion? Okay. Good, all in favor? Aye, opposed? None.

>> Thank you.

>> Matt Loesch: Item 4.5, discussion and action on city's request to allow Ice Miller LLP to work for the city on establishment for an other post-employment benefit trust.

>> Mollie Dent: So the work on the trust can be done by ice Miller, it will be done for the city through our office in conjunction with the office of employee relations. and once we get the conflicts waiver then we'll start working with them on all of the issues related to the health trust. This will be paid for by the city similarly to the way in which when the city wants to use your actuary, the city can pay for your actuarial services.

>> Russell Crosby: Mollie had asked me to support this item, I do unequivocally. Ice Miller is one of the top firms in the U.S., plans all over the country use them, they are extremely well qualified, they are the class act in the business. So I think it's the right thing to do, and we can certainly share this resource with the city.

>> Matt Loesch: I had two questions, one, who was paying for it, is it the same team of folks, so they might not be as available to needs that we have I know ice Miller is large.

>> Mollie Dent: It's large. It's basically the same team. We don't anticipate hearing anything back from the IRS probably for a while on the tax compliant filings. They receive thousands of tax community filings and there aren't that many IRS folks to review them. So I don't think it will be a workload issue because what you're talking about with these health trusts is a very concentrated effort over the next couple of months to get them established. Mr. Mayor.

>> Matt Loesch: Okay any other comments or questions from the board? I'll entertain a motion.

>> Arn Andrews: Motion to approve item 4.5 the request for ice Miller to work for the city on on the establishment of other post employment benefit trust.

>> Second.

>> Matt Loesch: All in favor, opposed, passed. 4.6, approval to rescind retirement of Mary S. Pascoe, approved at the February 10, 2011 meeting.

>> Move.

>> Second.

>> Matt Loesch: All in favor, opposed, that passes. 4.7, approval of request from Michelle Rundle ex spouse of loren Rundle, active senior architect for monthly payment option effective February 1, 2011, under chapter 3.28 of the San José Municipal Code.

>> Motion to approve.

>> Second.

>> Matt Loesch: Motion and second. Any discussion or comment, question? All in favor, opposed, none. Item 4.8, discussion and action regarding setting the April board meeting as a special board meeting on April 21 and direction to staff to revise the board resolution 3116 to reflect the regular meeting date of the third Thursday of the month and other updates as may be necessary and to agendize the revised resolution for the April meeting. I'll fess up. This is my doing to possibly move the meetings from the second Thursday to the third Thursday and my impetus was two things, one, we're crunched up behind the Police and Fire meeting, not that I dislike them, as an effort to staff, they already said they couldn't get the fixed income stuff done in the time frame they have. We could have worked on two items in the same meeting, but because possibly that was one reason it gives them a little breathing room. The reason why we had the first and second is the third and fourth were reserved for investment committee meetings, for the most part, for the two boards, and now we're doing at least on the Federated side all of the investment stuff we were doing in this meeting. So it makes sense in my mind to bump that out. The other main reason was we can get our reporting done, the quarterly reports will come to us instead of this meeting they would have come to us in February. So we'll get them three weeks earlier so in case we need analysis or things are going wrong it might have been handy in 2008 when things were tumbling pretty quickly to have been on top of it a little sooner but we had to wait for that regular cycle so it was my request to move the thing to the third week mostly on facilitating in my mind better facility of plan. So that was the reason for it. I didn't understand there was a resolution setting things, and maybe if I could get the attorneys to clarify why the heck there's a resolution. I understand why we have to make it public and posted, why there is a formal resolution.

>> Mollie Dent: You have a date on a lot of things that's why we want to bring it back and update it.

>> Matt Loesch: Is there a reason why we have to have a resolution?

>> Mollie Dent: You want to have a resolution that sets out those basic things, when you're meeting, when your regular meetings are, where they're held at, that sort of thing.

>> Matt Loesch: Okay that makes sense but we could call a special meeting like in this case because we don't have time to deal with it to push it to the April meeting the third week to deal with the resolution that's why we have to call a special meeting for April.

>> Mollie Dent: Right right it would be a special at this point because your regular meetings are on the second Thursday.

>> Matt Loesch: But next month we'll see the resolution change so we can move it to the third Thursday.

>> Is that mean we have two meetings in April?

>> Matt Loesch: No, that's why we're calling it a special meeting, that our regular board meeting will not be on the second Thursday, it will be on the third Thursday.

>> Edward Overton: Can we do that without an agenda item to discuss and agree with that? Right now --

>> Mollie Dent: That's what this item is.

>> Matt Loesch: To caught a special meeting.

>> Edward Overton: Buck the second Thursday in April the resolution calls for us to meet on that day. Can we meet on that day without meeting on that day to set a special meeting?

>> Matt Loesch: No, we're not going to meet on the second Thursday. Right now we're declaring that we meet on the third Thursday.

>> Mollie Dent: It's a special board meeting on April 21st, and I think your question is whether or not the -- you have to meet somehow on the regular meeting date just because it's in the resolution. I think staff is just going to cancel that meeting, they're going to cancel that second regular meeting.

>> Matt Loesch: So just want to make it clear as to what the intent was, that there was nothing nefarious or game-playing.

>> Russell Crosby: But then the third Thursday forever.

>> Mollie Dent: If that's what you want.

>> Arn Andrews: Do we have the meeting on a Thursday?

>> Matt Loesch: We're going to keep meeting on Thursday for now.

>> Arn Andrews: And the only reason I ask is it conflicts with a regularly scheduled senior meeting on the city side. I'm not always necessarily supposed to attend those meetings but it happens frequently and so it is a regularly scheduled meeting on the city side.

>> Matt Loesch: Well this will become a regular scheduled meeting on this side then and we'll see how it works out. For right now we're moving Thursday of the third week. That's how it's proposed.

>> Arn Andrews: We vice president voted open it yet.

>> Matt Loesch: That's exactly what I said, it's proposed, unless it is proposed otherwise. But I wouldn't support moving it to any other day, personally. Mr. Constant.

>> Pete Constant: I just assume we've checked on the availability of the videotaping and the rooms and all that on a regular basis going forward, if it switches to the third Thursday? I know it doesn't help as far as conflict with the neighborhood services and education committee which is a conflict we had today in specific but I'm assuming we've just doubled checked that.

>> I have checked with them and they can provide video services to 1:00 and then switch to audio after that.

>> Pete Constant: Okay, good.

>> Matt Loesch: I mean that's the way it's proposed now, counsel. I'll entertain a motion. The motion to set a special meeting for April.

>> Edward Overton: So moved.

>> Russell Crosby: And to have the meetings on the third Thursday of the month go forward? Draft resolution.

>> Edward Overton: Well, I don't think that the board has voted on that yet. My motion is to move the meeting to the third Thursday for April only. And that at the April meeting, if there a vote, discussion and vote to go permanent to third Thursday, that's a separate situation.

>> Matt Loesch: Why can't we have that discussion now?

>> Edward Overton: Hmm?

>> Matt Loesch: Could we have --

>> Edward Overton: To Mollie says it's okay to do.

>> Mollie Dent: The item says to come back with a resolution. So you can have further discussion on this in April.

>> Russell Crosby: We need to have a decision point today that says in April bring back a resolution that will allow us to meet on the third Thursday go forward.

>> Mollie Dent: Correct, we wouldn't bother at least to redo the resolution on that count unless we felt the board was interested in it. You can have more discussion on it, you don't have to adopt it if you don't want it.

>> Matt Loesch: I'll make a April meeting be moved to the third Thursday but then subsequent to that the following months will be moved to the third Thursday as well and the resolution be drafted as such. That's my -- do you accept that?

>> Yes.

>> Matt Loesch: Okay that's the motion on the floor. Is there a second on that?

>> Second.

>> Matt Loesch: Okay, any further discussion or comment on that? All in favor? Aye, opposed, none. (inaudible) [ Laughter ]

>> Matt Loesch: I could accept not happy. Not the first time someone's not happy with me. You have four children to get behind on that list. Item 5. Two committee updates, the next meeting for the disability ad hoc committee is next Thursday. Notification -- note and file training 6,1, 6.2 note and file. 6.3 as well. Future agenda items. Anything else we need to add other than what's been discussed other than future agenda items? Okay. Public or retiree comments? Seeing none --

>> Just one thing on the notification of training is there some way we could get notified earlier about courses? So I think this takes us through June, I mean is it possible to lay out the calendar through the end of --

>> Russell Crosby: We'll do that.

>> Matt Loesch: We'll make the request that as much as you know when you know it let's put it on there, so much as what's known we can put that on there.

>> Russell Crosby: We do have a July meeting.

>> Matt Loesch: One more month. We're adjourned, thank you.