

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

401 B STREET, SUITE 400, SAN DIEGO, CA 92101
(DISABILITY ACCESSIBLE)

BOARD OF ADMINISTRATION AGENDA SCHEDULED FOR FRIDAY, JANUARY 19, 2007 – 8:30 AM

SDCERS TRUSTEES

Peter Prevolos, President; Steve Meyer, Vice-President; Peter Davis, Joe Flynn, Thomas Hebrank, Wayne Kennedy, Richard Kipperman, Franklin Lamberth, George Murray, Jo Anne Sawyerknoll, William Sheffler, Mark Sullivan and John Thomson.

CALIFORNIA GOVERNMENT CODE SECTION 1090: INTEREST DISCLOSURE

Pursuant to California Government Code Section 1091.5(a)(9), a city officer or employee does not have a financial interest in a city contract if these conditions are satisfied: (i) his or her interest is that of a person receiving a salary, per diem or reimbursement for expenses from a government entity; (ii) the contract does not directly involve the department of the government entity that employs him or her; and (iii) the interest is disclosed to his or her body or board at the time the contract is considered and is noted in its official record. In accordance with this statute, the individual Board members identified below request that the Board note in its official records that they receive a salary, per diem or reimbursement for expenses from the City of San Diego: Franklin Lamberth, Steve Meyer, John Thomson, Jo Anne SawyerKnoll and Mark Sullivan. John Thomson is also a Board member of San Diego Fire Fighters Local 145 and a DROP participant. Joe Flynn notes he is a retired City employee and receives a retirement allowance from SDCERS. Mark Sullivan is also a Board member of the Police Officers Association.

I. NON-AGENDA PUBLIC COMMENT

This portion of the agenda is for members of the public to address the Retirement Board on any subject within the Board's jurisdiction that is not on today's agenda. To address the Board during Non-Agenda Public Comment, you must complete a Request to Speak form and submit it to the Board Secretary before the meeting begins. To address the Board on a subject that is on today's agenda, you must submit a Request to Speak form before the item is called. These forms are located in the back of the Board Room. The chairperson will call your name to address the Board during Non-Agenda Public Comment or when your item is to be heard. Non-agenda Public Comment is limited to 3 minutes per speaker and 15 minutes per topic. Public testimony on an item on the agenda is limited to 3 minutes per speaker and 15 minutes per side.

II. APPROVAL OF CONSENT AGENDA ITEMS A-F

Retirement benefits paid by SDCERS must comply with the Plan and the limits set forth in Internal Revenue Code Section 415(b). Under the Plan, any benefits that exceed these limits must be paid from the Preservation of Benefit Plan (POB), which is designed to be a Qualified Excess Benefit Arrangement. Excess benefits cannot be paid from the SDCERS trust fund. SDCERS has submitted a Voluntary Correction Program (VCP) filing addressing past excess benefits paid and committing to implement ongoing testing procedures beginning in January 2007. SDCERS is also filing a private letter ruling request with the IRS to approve a new POB structure. These procedures and the new structure provide that excess benefits are paid from the POB. Accordingly, the Board's approval of the retirement benefits on this agenda will not result in the violation of Code Section 415(b).

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A. SERVICE RETIREMENTS

CITY OF SAN DIEGO

1. Jacqueline E. Atkinson, Water Department. Word Processing Operator. 36.53 years of creditable service. Effective date 01/04/07.
2. Kathleen A. Baker, Library Department. Librarian III. 20.01 years of creditable service. Effective date 01/07/07.
3. Jeanne Culkin, Office of the CIO. Supervising Management Analyst. 29.45 years of creditable service. Effective date 01/03/07.
4. Frank Hafner, Neighborhood Code Compliance. Deputy Director. 32.05 years of creditable service. Effective date 01/20/07.
5. Patricia L. Lunsford, Engineering Department. Payroll Specialist II. Supervisor. 25.34 years of creditable service. Effective date 11/29/07.
6. Carol L. Matlock, Treasurer Department. Collection Investigator I. 11.92 years of creditable service. Effective date 01/03/07.
7. Dianne Parham, Library Department. Senior Management Analyst. 20.07 years of creditable service. Effective date 01/27/07.
8. Rafael L. Sanchez, Office of the CIO. Communication Tech. Supervisor. 20.00 years of creditable service. Effective date 01/07/07.
9. Trudy Sopp, The Center for Organizational Effectiveness. Co-Executive Director. 32.38 years of creditable service. Effective date 01/27/07.

UNIFIED PORT DISTRICT

10. Gary D. Jopling, Treasurer. Parking Meter Repair & Collector. 20.40 years of creditable service. Effective date 01/02/07.
11. Elaine G. Ruff, Unified Port District. Secretary. 3.10 years of creditable service. Effective date 12/30/06.

B. DEFERRED RETIREMENT OPTION

CITY OF SAN DIEGO

1. Thomas P. Abbe, Metro Waste Water Department. Painter. 20.15 years of creditable service. Effective date 01/13/07.

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2. Rosanna Caldwell, Park and Recreation Department. Recreation Specialist. 33.00 years of creditable service. Effective date 01/03/07.
3. Jose J. Castaneda, Police Department. Body and Fender Mechanic. 23.49 years creditable service. Effective date 01/27/07.
4. Robert D. Connaughy, Police Department. Detective. 27.09 years creditable service. Effective date 01/25/07.
5. David Cookson, Police Department. Police Officer II. 29.10 years creditable service. Effective date 01/25/07.
6. Peter L. Dargusch, Park and Recreation Department. Grounds Maintenance Worker II. 21.59 years creditable service. Effective date 12/30/06.
7. Linda Edwards, Auditor and Comptrollers Department. Account Audit Clerk. 20.03 years creditable service. Effective date 01/13/07.
8. Tony Gangitano, Developmental Services Department. Senior Planner. 17.25 years creditable service. Effective date 01/2707.
9. David G. Gastelum, Park & Recreation Services Department. Grounds Maintenance. 23.63 years of creditable service. Effective date 12/16/06.
10. James P. Gavin, Police Department. Sergeant. 30.00 years creditable service. Effective date 01/27/07.
11. Carolyn L. Grant, Environmental Services Department. Disposal Site Representative. 23.57 years creditable service. Effective date 12/30/06.
12. Janis D. Griffin, Environmental Services Department. Disposal Site Representative. 31.96 years creditable service. Effective date 12/30/06.
13. Claude E. Janowicz, Metropolitan Waste Water Department. Waste Water Operations Supervisor. 29.42 years creditable service. Effective date 01/08/07.
14. Charles D. Lyall, Police Department. Police Officer II. 25.00 years of creditable service. Effective date 12/12/06.
15. Joseph McDowell, Police Department. Parking Enforcement Officer. 20.04 years creditable service. Effective date 01/03/07.

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16. Larry L. Polsley, General Services Department. Plant Process Control Technician. 20.18 years creditable service. Effective date 01/03/07.
17. Elvin E. Pouncey, General Services Department. Parking Enforcement Officer. 25.49 years of creditable service. Effective date 01/06/07.
18. Joseph Smith, Police Department. Police Officer II. 25.36 years creditable service. Effective date 12/31/06.
19. Mary S. Steel, Auditor and Comptrollers Department. Payroll Audit Spec. II. 20.50 years creditable service. Effective date 12/30/06.
20. Willie E. Van, Water Department. Water Systems Technician. 20.13 years of creditable service. Effective date 12/30/06.
21. Victor M. Velazquez, General Services Department. Equipment Repair Service Writer. 23.38 years creditable service. Effective date 01/27/07.
22. Ramon E. Villarreal, Community Services Department. Community Service Center Specialist. 20.02 years creditable service. Effective date 12/30/06.
23. Marshal B. Wilkinson, Engineering and Capital Projects Department. Associate Land Surveyor. 20.02 years creditable service. Effective date 01/13/07.
24. Michael V. Yaptangco, Police Department. Sergeant. 26.06 years creditable service. Effective date 01/27/07.

S. D. COUNTY REGIONAL AIRPORT AUTHORITY

25. Saturnino F. Lorenzo, Facilities Maintenance. Maintenance Worker I. 8.70 years creditable service. Effective date 12/29/06.

C. STATEMENTS OF MEMBERSHIP THROUGH DECEMBER 31, 2006

Retired (including DROP's)	1981 Pension Plan	Continuance	DRO's	Active	Retired Deaths	Active Member Deaths (paid)	Enrolled	Deferred / Inactive
5,589	2	944	137	9,815	12	0	40	2,546

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D. ACTIVE DROP TO RETIRED DROP

Teresita Del Rosario	Senior Account Clerk	1/1/2007
Sally A. Dixon	Senior Account Clerk	12/16/2006
Michael Eacobellis	Equipment Trainer	1/27/2007
Irving A. Escobedo	Detective	1/27/2007
Helen Ferrell	Center Director III	12/2/2006
Martin T. Fogata	Sr. Electrical Engineer	1/15/2007
Gregg W. Forsberg	Detective	12/26/2006
Mike A. Feuersinger	Senior Civil Engineer	1/26/2007
Morris E. Hahn	Detective	1/13/2007
Charlotte A. King	Claims Aide	12/15/2006
Clifton A. Kingston	Utility Worker I	12/16/2006
Jean A. Little	Deputy Personnel Director	1/31/2007
Sally L. Pearson	Executive Secretary	1/10/2007
Patricia A. Reed	Customer Service Supervisor	1/6/2007
Jerrilyn D. Sober	Detective	1/28/2007
Louis A. Tamagni	Detective	1/13/2007
Carol L. Tucker	Chemist	1/16/2007
Virgilio A. Valero	Water Service Tech IV	1/3/2007
Donald E. Watkins	Detective	1/27/2007
Kim When	Firefighter	12/11/2006

E. DROP ACTIVITY THROUGH DECEMBER 31, 2006

TOTAL ACCOUNTS: DROP ACTIVE AND RETIRED, FUNDS LEFT ON ACCOUNT.....1,472					
TOTAL DEPOSITS: DROP ACTIVE AND RETIRED, FUNDS LEFT ON ACCOUNT...\$245,253,456.18					
DROP ACTIVE MEMBERS			DROP RETIRED MEMBERS, FUNDS LEFT ON ACCOUNT		
PLAN	COUNT	BALANCE	PLAN	COUNT	BALANCE
LEGISLATURE	0	0	LEGISLATURE	1	\$44,066.42
GENERAL	531	\$55,268,763.47	GENERAL	255	\$33,129,123.91
SAFETY LIFEGUARD	5	\$840,751.47	SAFETY LIFEGUARD	2	\$367,786.78
SAFETY POLICE	219	\$37,468,213.71	SAFETY POLICE	121	\$36,446,515.41
SAFETY FIRE	178	\$38,393,895.73	SAFETY FIRE	121	\$40,069,944.78
UPD SAFETY	5	\$359,720.34	UPD SAFETY	2	\$399,166.30
UPD GENERAL	25	\$1,865,093.31	UPD GENERAL	4	\$290,069.95
APA GENERAL	2	\$153,264.04	APA GENERAL	1	\$157,080.56
TOTAL DROP ACTIVE	965	\$134,349,702.07	TOTAL DROP RETIRED	507	\$110,903,754.11

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F. TERMINATIONS/WITHDRAWALS OF CONTRIBUTIONS FOR THE MONTH OF DECEMBER 2006

NAME	MEMBERSHIP
DIGGS, TRACY R.	GENERAL
WILSON, DAN M.	SAFETY POLICE
CONNOR, MATTHEW O.	APA GENERAL
SMITH, MELVYN D.	GENERAL
DE LA BASTIDA, ZORAYA	GENERAL
TORRES, CARLOS M.	GENERAL
VOGT, ERIC J.	GENERAL
BURNS, BRANDON L.	GENERAL
FARRIS, DIANNE M.	APA GENERAL
HELLENBRAND, GREGORY T.	GENERAL
NIVON, ARTURO A.	SAFETY FIRE
RICE, THERESA A.	GENERAL
RIEGO, JOEL D.	GENERAL
SARRGE, WAYNE L.	GENERAL
TOTAL WITHDRAWAL OF CONTRIBUTIONS: \$153,978.95	

III. CONSIDERATION AND ACTION OF ITEMS PULLED FROM CONSENT AGENDA

IV. BUSINESS OPERATIONS

A. NEW BUSINESS

NO ACTION REQUESTED

1. Presentation and discussion of the June 30, 2006 Actuarial Valuation Report for the City of San Diego. **Gene Kalwarski, Cheiron**
2. Presentation and discussion of the June 30, 2006 Actuarial Valuation Report for the San Diego Unified Port District. **Gene Kalwarski, Cheiron**
3. Presentation and discussion of the June 30, 2006 Actuarial Valuation Report for the San Diego Regional Airport Authority. **Gene Kalwarski, Cheiron**

ACTION REQUESTED

4. [Staff Recommendation to waive Board Rules](#) providing for election and to certify candidates for the Police Safety and Retired Member Representatives to Board Seats Commencing April 1, 2007. **Chris Waddell (TAB 1)**

V. TRAINING

A. NEW BUSINESS

NO ACTION REQUESTED

1. [Semi-Annual board and staff training report](#). *Chris Waddell (TAB 2)*

ACTION REQUESTED

2. CALAPRS Principles of Pension Management, Stanford University Law School, San Francisco, CA, March 27-30, 2007. **(TAB 3)**

VI. DISABILITY COMMITTEE – WILLIAM SHEFFLER, CHAIR (TAB 4)

A. STATUS REPORTS

B. APPROVAL OF DISABILITY CONSENT AGENDA ITEMS 1-2

ACTION REQUESTED

1. Stephen Margetts, Police Department. Police Sergeant. 31.31 years creditable service. Effective date 06/21/04. Staff's recommendation to deny the industrial disability retirement application. **(TAB 5)**
2. Joseph Wood, Police Department. Detective Sergeant. 26.10 years creditable service. Effective date 01/20/07. Staff's recommendation to deny the industrial disability retirement application. **(TAB 6)**

C. CONSIDERATION AND ACTION OF ITEMS PULLED FROM DISABILITY CONSENT AGENDA

D. OLD BUSINESS

ACTION REQUESTED

1. Jeffrey Napier, Police Department. Police Sergeant. 20.53 years of creditable service. Effective date 11/18/2006. Staff's recommendation to refer to hearing before an adjudicator the industrial disability retirement application. **(TAB 7)**

2. Kenneth G. Moore, Marine Operations Department Unified Port District. Marine Terminal Supervisor. 15.87 years of creditable service. Effective date 01/20/2007. Staff's recommendation to approve the non-industrial disability retirement application. **(TAB 8)**

E. AFFIDAVIT AND RE-EXAMINATION PROJECT

NO ACTION REQUESTED

1. [Affidavit and Re-Examination Project Chart](#). **(TAB 9)**
2. Update on proposed changes to Board Rules 15, 17 and 19.

VII. <u>BUSINESS & GOVERNANCE COMMITTEE</u> – MARK SULLIVAN, CHAIR (TAB 10)

A. STATUS REPORTS

NO ACTION REQUESTED

1. Staff Reports by Division:
 - Benefits Administration. **(TAB 11)**
 - Compliance. **(TAB 12)**
 - Finance and Administration. **(TAB 13)**
 - Information Systems. **(TAB 14)**
 - Legal Services. **(TAB 15)**
 - Member Services. **(TAB 16)**
2. November 2006 Financial Statements. **(TAB 17)**
3. Milestone Report. **(TAB 18)**

VIII. <u>AUDIT COMMITTEE</u> – ARMON KAMESAR, CHAIR (TAB 19)
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A. STATUS REPORTS

NO ACTION REQUESTED

1. Status of Fiscal Year 2004 Comprehensive Annual Financial Report.
2. Status of Fiscal Year 2005 Comprehensive Annual Financial Report.

3. November 2006 Financial Statements. **(TAB 17)**

B. COMMITTEE EDUCATION

NO ACTION REQUESTED

1. Overview of Actuarial Valuation Reporting process.

IX. INVESTMENT COMMITTEE – THOMAS HEBRANK, CHAIR (TAB 20)

A. INVESTMENT MANAGER SELECTION

ACTION REQUESTED

1. Approve the selection of an International Equity Large Cap Growth Manager from the candidate pool of: **(TAB 21)**
 - Baillie Gifford International LLC
 - Julius Baer Investment Management
 - McKinley Capital Management, Inc.
2. Authorize termination of the Investment Management Agreement between Putman Investments and SDCERS' for the management of SDCERS' international equity large cap growth portfolio.

B. STATUS REPORTS

NO ACTION REQUESTED

1. Real Estate Performance Report for the quarter ended 9/30/2006. **(TAB 22)**
2. Staff Reports – Executive Summary. **(TAB 23)**
 - Investment Division Status Report and Proxy Voting Activity through December 2006.
 - Year-To-Date Realized Gains Chart through November 30, 2006.
 - SDCERS' Asset Allocation Status.
 - Managers Watch List.
 - Update on Consultant RFP Process.

X. QUESTIONS AND COMMENTS FROM PRESIDENT, TRUSTEES AND STAFF

XI. OFFICE SPACE

A. NEW BUSINESS

NO ACTION REQUESTED

1. Open session disclosure regarding office space lease negotiations to be acted upon in Closed Session.

XII. CLOSED SESSION

**A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(SUBDIVISION (a) OF SECTION 54956.9, CALIFORNIA GOVERNMENT CODE)**

1. Michael Abramsky, et al., v. Alstom Sa, et al., 03-CV-6595(VM) United States District Court, Southern District Of New York.
2. San Diego Police Officers' Association v. Michael Aguirre, et al., United States District Court Case No. 05CV1581.
3. SDCERS v. City of San Diego & City Attorney Michael Aguirre, San Diego Superior Court No. GIC 841845.
4. San Diego City Employees' Retirement System v. City of San Diego, San Diego Superior Court Case No. GIC 851286.
5. Erica Aaron et al. v. Mike Aguirre, City of San Diego, San Diego City Employees' Retirement System, et al. (aka POA Class Action); Case No. 06CV1451.

B. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

1. SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO SUBDIVISION (b) OF SECTION 54956.9: ONE CASE

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**C. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (SECTION 54956.8,
CALIFORNIA GOVERNMENT CODE)**

PROPERTIES (LEASE)

BROADWAY 655
655 West Broadway
San Diego, CA 92101

WELLS FARGO PLAZA
401 B Street
San Diego, CA 92101

Irvine Company Office Properties Broadway Tower 665, LLC

NEGOTIATING PARTY for SDCERS: Craig Irving, Irving Hughes

UNDER NEGOTIATION: Price and Terms of Payment

XIII. NON-DOCKETED ITEMS

XIV. NEXT MEETING

**Friday, February 16, 2007 - 8:30 AM
401 B Street, Suite 400
San Diego, CA 92101**

XV. ADJOURNMENT