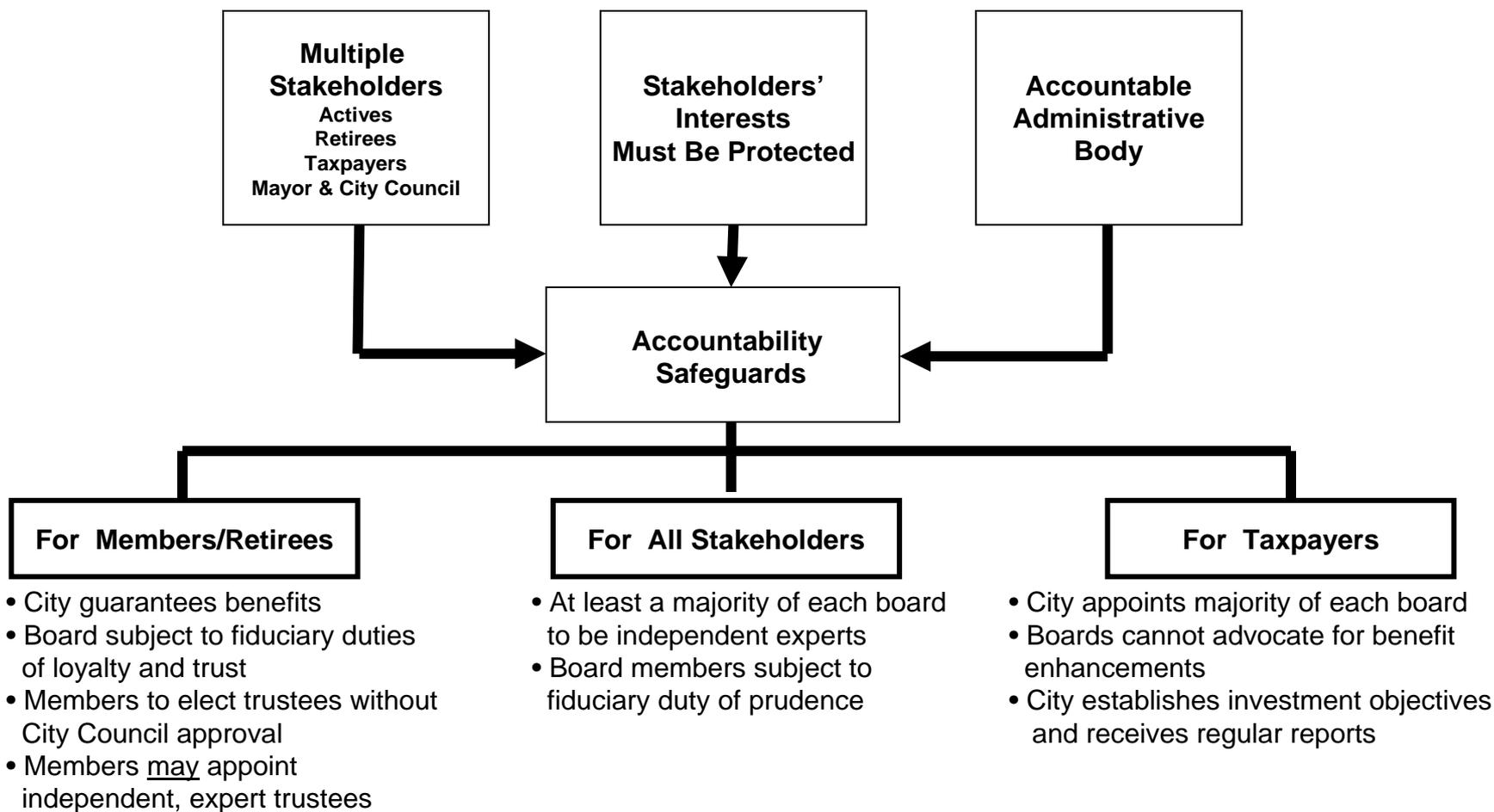


**A Review of the Governance Models of  
the Police & Fire Department Retirement Plan  
and  
the Federated City Employees' Retirement System**

Presented to the City of San José  
by  
Cortex Applied Research Inc.  
June 23, 2009

# Key Governance Principles & Safeguards for Each City Retirement System



# Cortex's Approach

Recommended governance model maintains and builds on the basic elements of the current model:

- Separate retirement boards
- Enhanced involvement by active and retired members through:
  - Ability to elect individuals to retirement boards without City Council approval
  - Ability to elect individuals who are not active or retired members
- Adds trustees who are required to have relevant expertise

## Current Board Structure All Members Appointed by City Council

2 members recommended by  
active members

1 member recommended by  
retired members

2 Council members recommended  
by the Mayor

1 Civil Service Rep. recommended by  
Civil Service Commission

~~~~~Plus~~~~~

1 Public member recommended by  
Federated Board (Federated only)  
or

1 City Administration member  
recommended by City Manager  
(P&F only)

## Recommended Structure for Each City Retirement Board

2 members selected by  
active members

1 member selected by  
retired members

4 members selected by City  
Council

# Examples of Qualified Board Members

- Senior executives of insurance or banks with asset/liability management experience.
- Senior executives or professionals with audit, accounting, legal, actuarial, investment, or risk management backgrounds.
- Academics in fields of finance, actuarial science, law, or accounting.
- Senior executives in financial services or benefit delivery organizations with technology, operational, or custody backgrounds.

# Governance Construct

## Impacts

- Investment Performance
- Benefits Delivery
- Administration

# Workplan

## Additional 90-Day Outreach

- Stakeholder outreach meetings (July/August/September)
- Stakeholder comments to be incorporated into final report and recommendations (August/September)
- City Attorney to review final report and recommendations and analyze Municipal Code changes (July/August/September)
- City Council to receive final report (October):
  - Implementation plan
  - Proposed Municipal Code changes
- Municipal Code changes to take effect (end of November)
- Recruitment of independent expert trustees (November/December/January)
- Target date for implementation of new governance model (February 1, 2010)