The City of Phoenix Employees' Retirement Board met at 17 S. 2nd Avenue, 2nd Floor Subcommittee Room, Phoenix, Arizona on February 25, 2009 at 9:30 a.m., to conduct regular business.

1. **Call to Order**

   Chairperson Bissa called the meeting to order at 9:32 a.m.

2. **Approval of Retirement Board Meeting Minutes of January 28, 2009**

   Mr. Naimark moved approval of the January 28, 2009 minutes. Mr. Wingenroth seconded the motion. The motion carried unanimously.

   Mr. Kerry Wangberg entered the room.

3. **Investment Committee Report**

   The Investment Committee met on February 25, 2009.

   **Approval of Investment Committee Minutes of January 28, 2009**

   Ms. Reidenbach stated the minutes had been approved.
Consideration of and Appropriate Action Regarding Organizational Changes: Grantham, Mayo, Van Otterloo & Co.

Ms. Reidenbach stated R.V. Kuhns and Associates (Kuhns) did not have any concerns with the organizational changes at GMO.

Consideration of Correspondence from Western Asset Management Regarding Downgrade of RBSSGC

Ms. Reidenbach stated Western Asset Management had notified staff of a downgrade. She stated historically the Board has allowed the investment manager to use their discretion to hold and/or sell the bond when appropriate.

Proxy Vote Summary Report

Ms. Reidenbach stated this item was informational.

Ms. Reidenbach moved approval of the Investment Committee report including the approval of the minutes. Ms. Lang seconded the motion. The motion carried unanimously.

4. Consideration of Pension Equalization Program – 2009 Adjustment Rate

Ms. Buelow stated each February the Board considers preliminary approval of the Pension Equalization Program (PEP) payment for eligible retirees. She stated eligible retirees are those who have been retired for at least three years as of January 1, 2009.

Ms. Buelow stated the process for determining the PEP takes into account three different items. She stated the first item was the prior year's Consumer Price Index (CPI) calculated by the Federal Government based on the Phoenix/Mesa local area. She stated the second item was the five-year average earnings, calculated by the Board's investment consultant. She stated the third item was the amount available in the PEP reserve from periods when the five-year earnings average exceeded 8%.

Ms. Buelow stated information from Kuhns, the plan's actuary and the Bureau of Labor Statistics website was distributed to the Board. She stated the CPI being reported on the website for the local economy for last year was 3.5% compared to the national statistic of 0.09%. She stated the second component of this calculation was the five-year average earnings which was an arithmetic average as opposed to a time weighted average. She stated the report from Kuhns indicated the average return over the last five years was 2.25%. She stated because the five-year average earnings were less than 8% no additional funds will be placed in the reserve account. She stated the PEP reserve balance was approximately $15.3 million.

Ms. Buelow stated the next step in the process was to review the CPI versus the percentage increase supported by the reserve balance. She stated the actuary estimated the reserve could support a PEP increase of 1.7%.
Ms. Buelow stated staff was recommending preliminary approval of a 1.7% permanent increase payable to all eligible retirees with the April 1, 2009 pension retroactive to January 2009. She stated if there was a correction or revision to the CPI statistic it may be necessary for the Board to convene a special meeting. She stated the recommendation would also be referred to the City Auditor and the plan’s actuary for certification.

Ms. Gleason asked if the Charter states the Consumer Price Index for all Urban Consumers (CPI-U) must be used in the PEP calculation. Ms. Buelow stated the Charter references the Phoenix area CPI. She stated Board policy directed the use of the CPI-U for the Phoenix-Mesa area.

Ms. Buelow stated staff had requested a certified report from the Bureau of Labor Statistics.

Ms. Buelow stated payment of the 2009 PEP would eliminate the balance in the reserve account. She stated at the end of the fiscal year the actuary reviews the actual payment of the PEP increase and makes any necessary adjustments to her earlier estimate. She stated after the 1.7% PEP increase the balance in the reserve would be approximately $900,000, which would accommodate a possible adjustment after the close of the fiscal year.

Ms. Reidenbach asked if the Board was able to consider paying 1% instead of 1.7%. Atty. Chang stated the Charter was specific on how the PEP was calculated.

Ms. Gleason moved preliminary approval of the 2009 PEP adjustment rate. Mr. Wingenroth seconded the motion. The motion carried unanimously.

5. Monthly Review from City Auditor Regarding Ennis Knupp “Review of COPERS”

Mr. Spenla approached the table.

Ms. Buelow stated included an update from Ennis Knupp was included in the materials.

Mr. Spenla stated Ennis Knupp would be providing a draft report covering the first two areas in the near future. He stated staff will check the accuracy of the draft report before it is presented to the Board. He stated depending on what was contained in the report a representative from Ennis Knupp could attend the March 2009 Board meeting to answer questions.

Mr. Spenla stated the Board could review the report as Ennis Knupp completed sections of the report or the Board could wait and review the report when all sections had been drafted. It was the consensus of the Board to review the draft of the report in sections as completed by Ennis Knupp.

Mr. Spenla left the room.

6. Announcement of Committee Assignments for 2009

Chairperson Bissa stated this item was informational.
7. **Consideration of Requests for Transfer of Member Credited Service From COPERS to Arizona State Retirement System (ASRS)**

Ms. Gleason moved approval of the transfer requests. Mr. Naimark seconded the motion. The motion carried unanimously.

a) Adam Carra $3,671.77  
b) Grazyna Frackiewicz $94,622.67  
c) Pattie Fransen $302,380.41  
d) Tristin Litherland $5,508.15  
e) Richard Morquecho $109,129.70  
f) Lindsey Murk $5,849.30  
g) Michelle Pohlo $22,322.57

8. **Consideration of Request for Service Credit (Buyback) Forfeited Due to Refund of Member Contributions**

Ms. Smith moved approval of the buyback request. Mr. Wingenroth seconded the motion. The motion carried unanimously.

a) Flora Freney

9. **Consideration of Request for Intervening Military Service Credit**

Ms. Gleason moved approval of the intervening military service credit requests. Ms. Reidenbach seconded the motion. The motion carried unanimously.

a) Richard Hinds  
b) George Wade

10. **Consideration of Requests for Purchase of Service Credits Pursuant to Board Policy 180**

Mr. Naimark moved approval of the service purchase requests. Mr. Wingenroth seconded the motion. The motion carried unanimously.

a) In-State/Out-of-State/Military

1) Mary Chang (2 requests)  
2) Spencer Cochran  
3) Philip McNeely  
4) Carol Montes  
5) Audrey Ross  
6) Patricia Solo  
7) William Stern  
8) Joseph White

b) City of Phoenix Full-time Temporary

1) Theresa Castellano  
2) Yolanda Cordova  
3) Janie Gonzales  
4) Pamela Hibbs  
5) Donald Klomp  
6) Mark Mazon  
7) Susan Robustelli
c) City of Phoenix Job-Share

1) Virginia Gonzales

11. **Bills to be Paid**

Mr. Hensley stated he would excuse himself from voting on the bills due to a potential conflict on item g because it affects him personally.

Mr. Wingenroth moved approval of payment of the bills. Ms. Smith seconded the motion. The motion carried with Mr. Hensley not voting.

Mr. Wangberg asked staff to provide a report on legal expenses paid by the Board over the past three years.

**Plan Expenses**

<table>
<thead>
<tr>
<th>Plan Expenses</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>a) AXA Rosenberg 4th Quarter 2008 Fees</td>
<td>$81,229.47</td>
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<tr>
<td>b) Cadence Capital Management 4th Quarter 2008 Fees</td>
<td>$117,251.00</td>
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<tr>
<td>c) Dimensional Fund Advisors 4th Quarter 2008 Fees</td>
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<tr>
<td>d) Eagle Asset Management 4th Quarter 2008 Fees</td>
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<tr>
<td>e) Levi, Ray &amp; Shoup, Inc. Pension Gold Upgrade</td>
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<td>f) Research Affiliates 4th Quarter 2008 Fees</td>
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<td>g) Rodwan Consulting Company Fee for Domestic Relations Orders Study</td>
<td>$1,100.00</td>
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<td>h) State Street Corporation July 2008 Fees</td>
<td>$9,347.85</td>
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<td></td>
<td>December 2008 Fees</td>
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<tr>
<td>i) The Boston Company 4th Quarter 2008 Fees</td>
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<td>j) Wells Capital Management 4th Quarter 2008 Fees</td>
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<td>k) Western Asset Management 4th Quarter 2008 Fees</td>
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</tr>
</tbody>
</table>
I) Kutak Rock LLP
   Professional Services $ 1,530.00
   Professional Services $ 13,419.10
   Professional Services $ 10,040.60

12. **Refunds (through January 31, 2009)**
    Chairperson Bissa stated this item was informational.

13. **Pension Payroll – February 1, 2009**
    Chairperson Bissa stated this item was informational.

14. **Treasurer’s Report as of January 31, 2009**
    Chairperson Bissa stated this item was informational.

15. **Pending Legal Opinions**
    Chairperson Bissa stated this item was informational.

16. **Administrator’s Report**
    Performance Management Reports
    Ms. Buelow stated the reports were informational.
    
    **Update on Presentation at City of Phoenix Retirees Association (COPRA) March 2009 Meeting**
    Ms. Buelow stated the COPRA meeting will be March 26, 2009 at 1:30 p.m. She stated all Board members were welcome to attend the meeting.
    
    **Update on Retirement Voluntary Separation Incentive Packages for Employees Involved in Reduction in Force**
    Ms. Buelow stated there will likely be an impact on the actuarial valuation results due to the increased number of retirees and the incremental increase of the benefits paid.
    
    Ms. Buelow stated the report was informational.
    
    **Quarterly Budget Report**
    Ms. Buelow stated staff has revised the report to present both plan expenses and administrative budget items.
Member Statements Update

Ms. Buelow stated member statements were being distributed this week. She stated the information sheet included with the statements points out the three new Board policy decisions regarding service purchases and buybacks.

17. Discussion with Attorney to Consider Position and Instruct Attorney Regarding Lawsuit CV2002-020383 Regarding Former and Current Head Start Workers

No action was taken.

18. Discussion with Attorney Regarding COPERS v. Carroll/Stephens, Maricopa Superior Court Case CV2006-011541

No action was taken.

19. Future Agenda Items

No future agenda items were brought forward.

20. Call to the Public

There was no response to the call.

21. Next Board Meeting: Wednesday, March 25, 2009

Chairperson Bissa stated this item was informational.

22. Close Session

The meeting adjourned at 10:01 a.m.

Donna M. Buelow
Retirement Program Administrator

Paula Whisel
Recording Secretary

APPROVED:

Ms. Elizabeth Bissa, Chairperson
COPERS Retirement Board