

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Special Committee for Investments Summary

THURSDAY

SAN JOSÉ, CALIFORNIA

AUGUST 13, 2009

Present:

Jeff Perkins

Matt Loesch

David Busse

ALSO PRESENT:

Russell Crosby -Secretary/Director

Carmen Racy-Choy -Staff

Ali Amiry -Staff

Ron Kumar -Staff

Ceara O'Fallon -Staff

RECOMMENDATIONS

- 1. Approval for the Secretary to negotiate and execute an agreement with The Meketa Investment Group for a three year term and not to exceed annual amount of \$400,000 and to provide notice of termination of the agreement with Strategic Investment Solutions, Inc.**

MEETING SUMMARY

1. Discussion and action regarding the Investment Consultant RFP.

Ms. Racy-Choy explained that it was important to discuss references from clients who were with NEPC, LLC ("NEPC") and switched to The Meketa Investment Group ("Meketa") and vice versa to better understand the strengths and weaknesses of each firm. The first reference had Meketa as their investment consultant and recently switched to NEPC. They thought Meketa was good, but found that alternative investment searches took a long time. When comparing the references' performance to another trust fund with NEPC as their investment consultant, they found that the other trust fund had significantly higher performance, which was the compelling reason for the switch. In contrast, Meketa's reference switched three years ago from NEPC to Meketa. They switched due to the deteriorating level of responsiveness from NEPC over the time NEPC was their investment consultant and the lack of pro-activeness on NEPC's part.

Chair Perkins stated that both NEPC and Meketa will provide a higher level of investment consulting than the committee has received from their current investment consultant, Strategic Investment Solutions, as they offer a more comprehensive approach.

Ms. Racy-Choy explained that during the due diligence Meketa provided a comprehensive analysis that showed how they would diversify the portfolio and structure.

The Secretary noted that Jim Meketa, the founder/owner of Meketa, offered to attend at least four committee meetings a year.

Member Busse asked how having a robust staff and the investment databases affect what is expected from the investment consultant.

The Secretary stated that having a robust staff drives the Plan to an investment consultant who is more flexible. Ultimately, either NEPC or Meketa is a good choice. The determinant is which firm the committee feels they want to work over the coming years.

Member Loesch stated that he felt more connected to the NEPC team during the due diligence trip. Meketa really focused on Jim Meketa and there is a risk in relying so heavily on one person.

The Secretary stated that the key risk with Meketa is that it is a very founder/owner-centric firm, which raises the concern of what happens to the portfolio if something happens to that person. In contrast, NEPC is farther along in the process of disengaging the founders/owners from the day-to-day work.

Chair Perkins noted that Meketa was impressive in proactively reviewing and analyzing the portfolio and their strengths are in investments that Plan does not have. There is some concern that NEPC might get frustrated with trustee training and education compared to Meketa being very willing to work with the Board and staff. The Secretary responded that NEPC is quite good in the area of trustee training and education as Allan Martin, who would be the lead member of the team, is a top-notch teacher.

The Secretary went on to say that, from a City of San Jose perspective, there is an advantage in having two different consultants on the Police & Fire and Federated Plans in combination with a robust staff. There is value in having multiple resources and being able to take the best from each consultant.

The committee approved the Secretary to negotiate and execute an agreement with The Meketa Investment Group for a three year term and not to exceed annual amount of \$400,000 and to provide notice of termination of the agreement with Strategic Investment Solutions, Inc.

(M.S.C.) Motion carried 3-0

Approved:



RUSSELL U. CROSBY, RETIREMENT DIRECTOR
BOARD OF ADMINISTRATION