

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

SEPTEMBER 9, 2010

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, September 9, 2010, in regular session at City Hall in the Council Chambers, 200 East Santa Clara Street San José, California 95113.

ROLL CALL

PRESENT:

Matt Loesch	Chair/Trustee
David Busse	Vice Chair/Trustee
Ed Overton	Trustee – Arrived at 8:45 a.m.
Pete Constant	Trustee
Ash Kalra	Trustee - Absent
Arn Andrews	Trustee
Jeffrey Perkins	Trustee

ALSO PRESENT:

Russell U. Crosby	-Secretary/Director	Roger Pickler	-Staff
Mollie Dent	-City Attorney	Allen Demers	-Human Resources
Russell Richeda	-Conflicts Counsel	John McBride	-Attorney
Amanda Ramos	-Staff	Michael Moehle	-Staff
Ron Kumar	-Staff	Raul Guerrero	-DOT
Rajiv Das	-Medical Director	Donna Busse	-Staff
Jesselle Holcomb	-Staff	Sally Griffin	-Airport
Alison Suggs	-OER	Bill Pope	-OE3
Carol Bermillo	-Staff	Sharon Estes	-CAO
Gerry Chappuis	-MEF	Tom Reilly	-OE3/ESD
Sonia Morales	-Staff	Ali Amiry	-Staff

REGULAR SESSION

Chair Loesch called the meeting to order at 8:33 a.m.

ORDERS OF THE DAY

Chair Loesch made the following changes to the agenda:

Item 22 to be heard first. He noted that Consultants from Meketa were available via telephone.

22. Committee for Investments (Perkins/Loesch/Andrews-alternate/Vacant)
Next meeting September 23, 2010

- a. **Summary of the May 27, 2010 meeting.**
The above item is Note & File.
- b. **Summary of the August 12, 2010 Special Meeting.**
The above item is Note & File.
- c. **Approval to invest \$150 Million in Direct Lending vehicles and for the Secretary to negotiate and execute agreements with White Oak Global Advisors, LLC, Medley Capital LLC, and Blackstone/GSO Capital Partners LP.**

Dr. Amiry explained that the direct lending market is an attractive allocation given the current market as it provides high dividend rates with potential for additional return.

Trustee Perkins stated that these managers presented to the Investment Committee and the direct lending strategy fit nicely into the asset allocation's opportunistic allocation.

(M.S.C. Perkins/Andrews) Motion to approve. 4-0-2 (Kalra – Absent; Overton – Absent)

The Secretary noted that Meketa could not hear or be heard on the Council Chambers sound system.

- d. **Discussion and approval to reallocate \$150 million of the Plan's current real asset allocation, equally between two active commodity managers and for the Secretary to negotiate and execute agreements with First Quadrant, LP and Credit Suisse Asset Management.**

Dr. Amiry explained that the risk parity approach to commodities investing utilized by active managers offers downside protection for the portfolio. Staff and Meketa's recommendation is to gradually move assets into the commodities allocation up to the 10% limit. Currently, about 4% is allocated to passive real assets, which will be reallocated to active management. Subsequently, 2% will be reallocated every two months for the next six months until the full 10% allocation to real assets is reached.

(M.S.C. Perkins/Andrews) Motion to approve. 4-0-2 (Kalra – Absent; Overton – Absent)

- e. **Portfolio Performance Report for the Quarter ended June 30, 2010.**
The above item is Note & File.

RETIREMENTS

1. Disability Retirements

- a. **Andrew Noble**, Maintenance Worker I, Department of Transportation. Request for Service-Connected Disability, effective April 26, 2010; 13.18 years of service.
Continued from August 12, 2010.
Item Deferred.

2. Disability Retirement for Re-Hearing

- a. **Raul Guerrero**, Parking & Traffic Control Officer. Request for Service-Connected Disability re-hearing, effective March 29, 2009; 10.24 years of service.
Continued from April 8, 2010.

Mr. Guerrero was present and was represented by Attorney John McBride. The following medical reports were presented to the Board:

MEDICAL REPORTS – DR’S NAME	DATED
1. Jose Reyes, M.D.	2/27/09 (x2), 8/19/08 (x2), 8/9/07
2. Alfredo Fernandez, M.D.	1/14/09
3. Wayne Chronister, M.D.	NEW: 5/13/10, 12/3/09, 5/6/08, 2/15/08, 11/8/07, 10/12/07
4. Donna Hickox, M.D.	8/16/07
5. Roger Kerr, M.D.	8/14/07
6. Michael Collins, M.D.	7/25/07, 6/25/07
7. Susanna Russell, MPT	7/2/07

MEDICAL REPORT FROM BOARD’S DIRECTOR	DATED
RAJIV DAS, M.D.	SUPPLEMENTAL DATED 6/10/10, SUPPLEMENTAL DATED 6/26/10, ORIGINAL DATE 10/29/09

Trustee Overton arrived at 8:45 a.m.

Mr. McBride reviewed the case and asked Mr. Guerrero a series of questions, which provided additional background information to the Board. In addition, Dr. Das explained that the issue of prophylactic restrictions or preclusionary restrictions is central. Mr. Guerrero’s doctor identified that work restrictions as prophylactic and, from the Retirement System’s standpoint, prophylactic and preclusionary are different measures of disability.

Trustee Constant stated that, after rehearing the case, there does not appear to be any significant additional information to qualify for a disability retirement.

(M.S.C. Constant/Perkins) Motion to deny. 5-0-1 (Kalra – absent)

3. Change in Status

- a. **Louis L. Campos**, Custodian, Airport. Request for change in status from Deferred Vested Retirement to Service Retirement effective July 21, 2010; 20.61 years of service.

(M.S.C. Overton/Perkins) Motion to approve. 5-0-1 (Kalra – absent)

CONSENT CALENDAR (Items 4 through 13)

(M.S.C. Overton/Constant) Motion to approve. 5-0-1 (Kalra – absent)

4. Request for approval of NonService-Connected Disability Retirements - None

5. Request for approval of Service Retirements

- a. **Shahin Baghdassarian**, Assistant Environmental Inspector, Environmental Services Department, effective October 30, 2010; 5.41 years of service.

- b. **Joel T. Bautista**, Principal Engineering Technician, Public Works, effective October 2, 2010; 25.38 years of service.
- c. **Sharon Estes**, Legal Administrative Assistant, City Attorney's Office, effective May 19, 2010; 8.79 years of service. *Deferred from August 12, 2010*
- d. **Lori Gibson**, Information Systems Analyst, Information Technology, effective October 2, 2010, 30.01 years of service.
- e. **Suju Ju**, Senior Office Specialist, General Services Department, effective September 4, 2010; 21.63 years of service.
- f. **Ruth A. Lanza**, Senior Account Clerk, Department of Transportation, effective October 2, 2010; 16.79 years of service.
Trustee Overton acknowledges congratulations to Ruth for her years of service and for being a part of Retirement Services
- g. **Ruth Garcia Merino**, Senior Program Performance Auditor, City Auditor; effective October 30, 2010; 24.20 years of service.
- h. **Ngoc (Nancy) Pham**, Office Specialist II, Environmental Services Department; effective October 30, 2010; 12 years of service.
- i. **Tim Rott**, Principal Technician, Public Works Department, effective September 4, 2010; 30.06 years of service.
- j. **Carol J. Schell**, Analyst II, Housing Department, effective September 18, 2010; 17.87 years of service.
- k. **Greg D. Schultz**, Maintenance Supervisor, Department of Transportation, effective September 18, 2010; 30.04 years of service.
- l. **Agripina Villarreal**, Senior Office Specialist, Department of Transportation, effective September 4, 2010; 20.28 years of service.

6. **Deferred Vested**

- a. **Greg Carrillo**, Maintenance Worker, Department of Transportation, effective August 16, 2010; 19.96 years of service. **(SCD Pending)**
- b. **William M. Coker**, Airport Police Officer, Airport, effective November 17, 2010; 19.89 years of service. (With reciprocity)
- c. **Kimberly Guterman**, Micro Processor Operator, Police Department, effective November 22, 2010; 15.92 years of service.
- d. **Gay Lynn Lesmister**, Custodian, Airport, effective August 24, 2010; 11.69 years of service.
- e. **Adair M. White**, Account Clerk II, Finance Department, effective August 7, 2010; 5.25 years of service.

7. **Board Minutes**

Approval of Minutes of August 12, 2010

8. **Return of Contributions**

- a. Voluntary
- b. Involuntary

9. **Investment Summary Report**

Report of Federated Investment – June 30, 2010

10. **Approval of Monthly Expenditures**

Report of Federated Retirement Plan expenses for July 2010

11. Investments

Adoption of Resolution Number 6690 acknowledging receipt of report on investments for the period June 1 through June 30, 2010.

12. Communication/Information

a. **Benefits Review Forum Report for August 2010.**

13. Approval of Travel Conference Attendance - None

14. DEATH NOTIFICATIONS (Moment of Silence) – Note & File

a. **Gustavo Gerardo**, Retired Custodian, retired 2/09/06, died 7/21/10. Survivorship benefits to Myra Gerado, spouse.

b. **Thomas Griffiths**, Retired Air Conditioning Mechanic, retired 8/11/92, died 7/16/10. Survivorship benefits to Verna J. Griffiths, spouse.

c. **Sotirios Trevoledes**, Plumbing Inspector, retired 10/21/79, died 8/6/10. Survivorship benefits to Frances Trevoledes, spouse.

OLD BUSINESS/DEFERRED-CONTINUED ITEMS

15. Verbal update on Macias Gini & O'Connell's Draft Payroll Agreed-Upon Procedures.

Ms. Niebla stated that MGO has met with the City's Finance Department and Retirement Services since the last Board meeting and has cleared many of the outstanding items related to the AUP. MGO is still working on smaller items related to FLSA and has begun the annual financial audit. Staff anticipates that MGO will be prepared to report on all items regarding the AUP and FLSA by December.

This item is Note & File.

16. Verbal update on Disability Retirement Study Session.

Ms. Busse explained that the study session had been tentatively scheduled for October 4, 2010, but the Board's Conflicts Counsel is unable to attend on that date. The next available date where all presenters can attend is in December. The Board directed that the meeting remain scheduled for October 4, 2010, but that the City Attorney's and the Board's Conflicts Counsels' portion of the study session be postponed to the October Board meeting.

This item is Note & File.

17. Verbal update on status of Plan Tax Qualification review.

Ms. Dent stated that the tax study session is scheduled for October 20th as a joint session with the Police and Fire Board.

Chair Loesch requested that staff send out a meeting request for October 20th to ensure that all attendees have it on their schedule.

This item is Note & File

18. Verbal update on Plan Financial Audit.

Ms. Niebla explained that MGO has completed their fieldwork and is reviewing the financial statements. The City has proposed a target date of September 30 to provide all financial statement information and Retirement Services is working to meet that target date.

This item is Note & File.

19. Adoption of Resolution No. 6691 denying the Service-Connected Disability Retirement application of John K. Serrao.

(M.S.C. Constant/Andrews) Motion to approve. 5-0-1 (Kalra – absent)

NEW BUSINESS

20. Election of new Vice Chair for remainder of 2010.

Trustee Loesch suggested that Trustee Overton, due to his extensive knowledge and experience, be elected as Vice-Chair for the remainder of 2010.

Trustee Overton stated he was willing to be Vice-Chair for the remainder of 2010.

(M.S.C. Loesch/Andrews) Motion to approve. 5-0-1 (Kalra – absent)

21. Discussion and possible action regarding the Committee structure.

Mr. Kumar explained that the most recent revisions to the Statement of Investment Policy moved the duties of the Committee of the Whole to the Investment Committee. Staff recommends adding the review of the quarterly performance report to the Board agendas.

Chair Loesch stated that the Committee of the Whole provided a forum for education and, without the Committee of the Whole, the educational sessions need to be agendized for the Board meetings. In addition, the quarterly performance report review and any manager presentations need to take place at the Board level.

Trustee Perkins emphasized the importance of the full Board receiving updates and information on investment performance and activity.

This item is Note & File.

STANDING COMMITTEES / REPORTS / RECOMMENDATIONS

23. Committee of the Whole (Full Board)

a. Summary of the May 27, 2010 Meeting.

(M.S.C. Overton/Andrews) Motion to approve. 5-0-1 (Kalra – absent)

Policy Committee (Vacant/Overton/Constant – alternate/Loesch)

EDUCATION AND TRAINING

The following items are Note & File.

24. Notification of CalAPRS' Trustees Round Table

- a. Trustees' Round Table, San Diego, CA – October 15, 2010.
- b. Trustees' Round Table, Double Tree Hotel, 2050 Gateway Place, San Jose, CA – January 28, 2011.

Notification of IFEBP Training

- a. 56th U.S. Annual Employees Benefits Conference, Honolulu, HI – Sunday, November 14, 2010 thru Wednesday, November 17, 2010.
- b. Foundations for Trustees 1, Hilton, San Diego, CA – Saturday, November 20, 2010 thru Sunday, November 21, 2010.
- c. Foundations for Trustees 2 Pensions, Hilton, San Diego, CA – Saturday, November 20, 2010.
- d. Investments Institute, Las Vegas, NV – Monday, April 11, 2011 thru April 13, 2011.
- e. Portfolio Concepts and Management, Philadelphia, PA – Monday, May 23, 2011 thru Thursday, May 26, 2011.
- f. Trustees and Administrators Institutes – New Trustees, Hilton, San Francisco, CA – Monday, June 13, 2011 thru June 15, 2011.

FUTURE AGENDA ITEMS - NONE

PUBLIC/RETIREE COMMENTS - NONE

ADJOURNMENT

Chair Loesch adjourned the meeting at 9:26 a.m.



**MATTHEW LOESCH, P.E., CHAIR
BOARD OF ADMINISTRATION**

ATTEST:



**RUSSELL U. CROSBY, DIRECTOR
BOARD OF ADMINISTRATION**