

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

March 21, 2013

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, March 21, 2013 at 8:35 a.m., in regular session at City Hall in the Wing Meeting Rooms 118-120, 200 East Santa Clara Street, San José, California 95113.

PRESENT:

BOARD MEMBERS

Matt Loesch, Chair -Present
Lara Druyan, Vice-Chair -Present
Arn Andrews -Present
Michael Armstrong -Present
Martin Dirks -Absent
Stuart Odell -Present(*departed at 1:32*)
Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Absent

DIRECTOR RETIREMENT SERVICES

Roberto L. Pena -Present

COUNSEL

Harvey Leiderman -Present

RETIREMENT SERVICES STAFF PRESENT: Donna Busse, Veronica Niebla, Sonia Morales, Linda Alexander, Tram Doan, Ron Kumar, Daryn Miller, Heidi Poon, Leslie Lamb.

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Brad Regier, Meketa Investment Group; Bill Hallmark, Micheal Schionning, Cheiron; Mary Beth Braitman, Ice Miller; Alex Gurza, Deputy City Manager; Gerry Chappais, AFSCME-MEF; Bill Pope, OE3; Susan Devencenzi, Retiree, Diane Clift, L.R. Wechsler, LLC (via telephone).

Board entered into Closed Session at 8:35 a.m. and reconvened at 9:35 a.m. into Open Session.

CLOSED SESSIONS

Closed Session Agenda

1. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

1.1 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a),

Mulholand, et al v. City of San Jose, et al, Santa Clara County Superior Court No. 1-12-CV-219748.

1.2 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a) (4 CASES) (MEASURE B LITIGATION)

Access the video or audio, the agenda and related reports for this meeting by visiting the Retirement Services website at <http://sjretirement.com/> or http://sanjose.granicus.com/ViewPublisher.php?view_id=44. If you have any questions, please contact the Retirement Services Department at (408) 794-1000.

Mukhar, et al v. City of San Jose, et al.
Santa Clara County Superior Court Case No. 1-12-CV-226574

Harris, et al v. City of San Jose, et al.
Santa Clara County Superior Court Case No. 1-12-CV-226570

AFSCME v. City of San Jose, et al.
Santa Clara County Superior Court Case No. 1-12-CV-227864

San Jose Retired Employees Association v. City of San Jose.
Santa Clara County Superior Court Case No. 1-12-CV-233660

2. NEW BUSINESS

Investments

a. CLOSED SESSION: CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OF PARTICULAR PENSION FUND INVESTMENTS (THREE INVESTMENTS).

There was no reportable action out of Closed Session.

CALL TO ORDER: 9:35 A.M.

Chair Loesch called to order both the Federated City Employees' Retirement System and the Health Care Trust meetings for Open Session at 9:35 a.m.

OPEN SESSION- 9:30 A.M.

Regular Agenda

• ORDERS OF THE DAY

Chair Loesch made the following changes to Orders of the Day:

- Item 1.1m - Withdrew application
- Item 1.3a - Waive Sunshine and Board minutes and report received late
- Item 4.1c - Received late, flash report
- Item 4.1e - Waive Sunshine, minor change on Resolution 6792 on signature line, added initial "L"
- Item 4.2b - Waive Sunshine, letter received late
- Item 4.3 - Waive Sunshine, expenses received late
- Item 4.4 - Waive Sunshine, received late
- Item 5.2c - Waive Sunshine, received late
- Item A1 and A2 of the Health Care Agenda- Waive Sunshine on Item A1. A2-Flash report received late.

A motion was made to approve as amended the Orders of the Day and Waived Sunshine on Items 1.3a, 4.1e, 4.2b, 4.3, 4.4 and 5.2c.

Approved. (M.S.C - Andrews/Druyan, 6-0-0, with one absent, Dirks)

1.1 CONSENT CALENDAR (Items 1.1 through 1.8)

A motion was made to approve the Consent Calendar Items 1.1 through 1.8.

Approved. (M.S.C.- Overton/Andrews, 6-0-0, with one absent, Dirks).

1.1 Approval of Service Retirements

- a. **James Briscoe**, Recreation Leader, Parks, Recreation and Neighborhood Services Department, effective March 15, 2013; 08.50* years of service.
- b. **Joe Y. Cheng**, Supervising Application Analyst, Planning, Building and Code Enforcement Department, effective April 27, 2013; 15.08* years of service.
- c. **Michael C. Enderby**, Senior Planner, Planning, Building and Code Enforcement Department, effective April 27, 2013; 28.57* years of service.
- d. **Rodney Fong**, Permit Specialist, Planning, Building and Code Enforcement Department, effective March 30, 2013; 20.69* years of service.
- e. **Jody M. Grizzle**, Dispatcher, Department of Transportation, effective April 13, 2013; 19.69* years of service.
- f. **Andrew Kim**, Police Data Specialist II, Police Department, effective April 24, 2013; 27.81* years of service.
- g. **Hubert Lee Lykins**, Groundswoker, Parks, Recreation and Neighborhood Services Department, effective March 30, 2013; 15.32* years of service.
- h. **Judith A. Power**, Legal Analyst II, City Attorney's Office, effective March 16, 2013; 15.24* years of service.
- i. **Nancy (Rother) Schuster**, Senior Account Clerk, Airport Department, effective March 30, 2013; 13.38* years of service.
- j. **Eileen J. Soto**, Administrative Assistant, City Manager's Office, effective April 27, 2013; 36.00* years of service.
- k. **Jennifer Joy Standing-Elk**, Office Specialist II, Department of Transportation, effective March 16, 2013; 22.01* years of service.
- l. **Frances Evelyn Velez-Rosario**, Parks Manager, Parks, Recreation and Neighborhood Services Department, effective March 30, 2013; 21.51* years of service.
- m. **Juan Jose Villarreal**, Electrician, Department of Transportation, effective March 30, 2013; 26.72* years of service. **Withdrew application, as noted on Orders of the Day.**

1.2 Approval of Deferred Vested

- a. **Cheryl Lyn Hahs**, Library Assistant, Library Department, effective April 29, 2013; 27.31* years of service.
- b. **Jaime B. Salandanan**, Supervising Application Analyst, Police Department, effective April 11, 2013; 21.42* years of service.

1.3 Approval of Board Minutes

- a. Approval of Board Minutes of February 21, 2013.

1.4 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.5 Acceptance of Communication/Information Reports

- a. Benefits Review Forum Report, February 2013.
- b. 2013 Schedule Meetings - Revised
- c. Pension and Investments Alternatives Digest Article: Duetsche Bank: Two-thirds of pension funds increasing hedge fund allocations, Issue date: February 26, 2013.
- d. Pension and Investments Article: New headache looms for private equity, hedge fund firms, Published March 4, 2013.
- e. Pension and Investments Article: Credit Suisse survey: Investor hedge fund interest to grow in 2013, Published March 7, 2013
- f. Educational Travel Reports:
 - CALAPRS Trustee Roundtable, San Jose, CA – February 8, 2013 – by Trustee Michael Armstrong.

1.6 Approval of Travel / Conference Attendance

- a. Staff
 - 1. Director, Roberto Peña - SACRS Spring Conference 2013, Napa Valley Marriott Hotel - May 14-17, 2013.

1.7 Approval of Change In Retirement Date

- a. Approval of change in retirement date for **Ralph Villafuerte**; from March 16, 2013 to April 27, 2013.
- b. Approval of change in retirement date for **German R. Leon**; from March 16, 2013 to March 30, 2013.

1.8 Report out of Closed Session regarding investments approved at the October 18, 2012 and December 20, 2012 Board meeting.

2 DEATH NOTIFICATIONS (Moment of Silence) Note and File.

- 2.1 Margaret P. Auld**, Secretary, retired 01-26-85, died 01-16-13. No Survivorship Benefits.
- 2.2 Howard E. Fleming**, Electrical Maintenance Superintendent, retired 03-29-80, died 02-02-13. Survivorship benefits to Dorothy Fleming, spouse.

- 2.3 **Ellen C. Hudson**, Community Services Operator, retired 08-29-92, died 02-07-13. No Survivorship benefits.
- 2.4 **Ray Navarrete**, Maintenance Worker I, retired 12-31-03, died 01-17-13. Survivorship benefits to Yolanda Navarrete, spouse.

3 OLD BUSINESS-DEFERRED/CONTINUED ITEMS

3.1 Discussion on the L.R. Weschsler response to follow-up questions regarding the new Pension Administration System.

Ms. Hayman led the discussion on the L.R. Wechsler response to the follow-up questions regarding the new Pension Administration System. Ms. Clift joined via teleconference. Board discussed about competitive alternatives in the marketplace. More information is needed from Staff regarding costs.

3.2 Discussion and action on Cheiron's implicit subsidy for medical premiums study.

Mr. Hallmark and Mr. Schionning from Cheiron led the discussion and presentation on Cheiron's calculations for the implicit subsidy for medical premiums. The Secretary is to send a letter to City Administration to work with bargaining parties to consider the impact of the implicit subsidy on member and City contributions for fiscal year 2013-2014.

3.3 Educational Presentation by Reed Smith: Discussion on fiduciary liability insurance.

Mr. Leiderman led the discussion and answered questions on fiduciary liability and insurance. Staff is to ask the City Attorney's Office if the Board and/or staff are covered by the City. Staff to forward Harvey's questions to the insurance provider and to procure policy to ensure no lapse in coverage then report to the Board. Discussion about the effectiveness of the waiver of recourse for Board members who cease their Board service after the policy period.

A motion was made to direct staff to procure fiduciary insurance and to assure there is no lapse in fiduciary insurance coverage.

Approved. (M.S.C. - Andrews/Armstrong 6-0-0, with one absent, Dirks).

Chair Loesch called for a 10 minute break at 12:04 and reconvened at 12:15.

4 NEW BUSINESS

4.1 Investments

- a. **Presentation of the Pension Trust Quarterly Performance Report as of December 2012.**

Brad Regier from Meketa presented the Pension Trust Quarterly Performance Report as of December 2012. **Note and File.**

b. Presentation of the Private Market Report as of September 30, 2012.

Laura Wirick from Meketa presented the Private Market Report as of September 30, 2012.
Note and File.

c. Presentation of the Pension Trust Flash Performance Report as of February 2013.

Brad Regier from Meketa presented the Pension Trust Flash Performance Report as of February 2013.
Note and File.

d. Discussion on the Annual Investment Manager Fee review for the Pension Trust.

Mr. Regier led the discussion and responded to questions from the Board on the Annual Investment Manager Fee review for the Pension Trust.
Note and File.

e. Discussion and action regarding adoption of Resolution 6792 revising the Investment Policy Statement.

Brad Reiger from Meketa Investment Group led the discussion regarding the adoption of Resolution 6792. Adopted and posted on line by Investments.

A motion was made to have Staff take the adoption of Resolution 6792 revising the Investment Policy Statement back to the Board.

Approved. (M.S.C. – Overton/Andrews, 6-0-0, with one absent, Dirks).

f. Approval for the Secretary to negotiate and execute the Second Amendment to the agreement with Russell Investments to extend the term of the agreement to June 30, 2016, no changes to compensation.

A motion was made for approval for the Secretary to negotiate and execute the Second Amendment to the agreement with Russell Investments to extend the term of the agreement to June 30, 2016, no changes to compensation.

Approved. (M.S.C. – Overton/Andrews, 6-0-0, with one absent, Dirks).

Chair Loesch referred to the Federated City Employees Health Trust Agenda items at 1:40 p.m. and reconvened to the regular board meeting at 1:45 p.m.

4.2 Update from Ice Miller on IRS Work for the Federated City Employee's Retirement System Board.

a. Timeline for Federal Law Compliance - Note and File.

Access the video or audio, the agenda and related reports for this meeting by visiting the Retirement Services website at <http://sjretirement.com/> or http://sanjose.granicus.com/ViewPublisher.php?view_id=44. If you have any questions, please contact the Retirement Services Department at (408) 794-1000.

Mary Beth Braitman from Ice Miller discussed the timeline for Federal Law Compliance and responded to questions from the Board.

A motion was made to direct Ice Miller to make a filing for the plan in the Cycle "C" filing period.

Approved. (M.S.C. - Andrews/Armstrong, 6-0-0, with one absent, Dirks).

b. Discussion and action regarding second submission to the IRS for a determination letter and compliance statement for an amount not to exceed \$15,000.

Ms. Braitman from Ice Miller led the discussion regarding second submission to the IRS for a determination letter and compliance statement for an amount not to exceed \$15,000.

A motion was made to direct Ice Miller to make a filing for us in the cycle "C" filing period.

Approved. (M.S.C. - Andrews/Armstrong, 5-0-0, with two absent, Dirks, Odell).

There was more discussion and a question of what the \$15,000 is for. Ms. Neibla stated that the \$15,000 is the filing plan for 401h & 115, the City is moving forward.

There was a substitute motion to direct Ice Miller to move forward with the update filing during Cycle "C" and to approve budget and an amount not to exceed \$15,000.

Approved. (M.S.C. - Andrews/Armstrong, 5-0-0, with two absent, Dirks, Odell).

4.3 Discussion and action on System Expenses for January 2013.

A motion was made to approve System Expenses for January 2013.

Approved. (M.S.C. - Overton/Druyan, 5-0-0, with two absent, Dirks, Odell).

Item 4.4 discussion and action on the budget proposal was heard after Item 5.3a.

4.4 Discussion and Action on the Federated City Employees' Retirement System Administrative Budget Proposal for Fiscal Year 2013-2014.

Director Pena and Ms. Niebla led the discussion. Approved with Director's ability to further modify staffing changes.

A motion was made to approve the Federated City Employee's Retirement System Administrative Budget Proposal for Fiscal Year 2013-2014 as presented, with flexibility for the Director on staffing.

Approved. (M.S.C. Andrews/Druyan, 5-0-0, with two absent, Dirks, Odell).

4.5 Discussion and action regarding the request from City Administration to allow the Board's actuary to work with the City to review bond documents as it pertains to the Retirement System, costs to be paid by the City. (Deferred from February 2013 Board meeting.)

Mr. Andrews recused himself and led the discussion. He reported that the proposal is that the City will contract with Cheiron separately to advise on the accuracy of the Plan information excerpted in the bond documents. Mr. Leiderman suggested additional conditions for approval by the Board.

A motion was made to approve allowing the City to contract with Cheiron independently to advise on the accuracy of the Plan information excerpted in the City's bond document, with all costs to be paid by the City and there being no representation or implication that the bond document was approved or endorsed by the Plan or Board.

Approved. (M.S.C. Loesch/Overton, 4-0-1, with two absent, Dirks, Odell and one recusal, Andrews).

5 COMMITTEES/REPORTS/RECOMMENDATIONS

5.1, 5.2, and 5.3 we presented after 4.3 simultaneously.

5.1 Investment Committee (Druyan/Odell/Andrews)

Last Meeting: March 13, 2013

- Next Meeting: April 10, 2013

- a. Update from Chair of the Investment Committee.- **Note and File.**
- b. Minutes of February 13, 2013, Joint Federated and Police & Fire Investment Committee meeting. **Note and File.**

5.2 Audit Committee (Armstrong/Andrews/Overton)

Last Meeting: February 21, 2013

- Next Meeting: March 21, 2013

- a. Update from Chair of Audit Committee- **Note and File.**
- b. Minutes of the November 26, 2012 Federated Audit Committee. **Note and File.**
- c. Discussion and action regarding the recommendation to exercise the one year contract extension for Macias, Gini, and O'Connell, external Auditors.

A motion was made to approve the recommendation to exercise the one year contract extension for Macias, Gini, and O'Connell, external Auditors.

Approved. (M.S.C. - Overton/Druyan 5-0-0, with two absent, Dirks, Odell).

5.3 Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: December 21, 2012

- Next Meeting: April 4, 2013

- a. Update from Chair of Governance Committee. **Note and File.**
Item 4.4 discussion and action on the budget proposal was heard after Item 5.3a.
Item 5.4 Ad Hoc Personnel Committee was heard after Item 4.5 discussion.

5.4 Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)

- a. Update from Chair of Ad Hoc Personnel Committee. **Note and File.**

5.5 Ad Hoc Policy and Procedures Committee (Loesch/Overton)

- a. Update from Chair of Ad Hoc Policy and Procedures Committee.

Committee to work on Budget format policy; need to schedule meeting.

6 EDUCATION & TRAINING – **Note and file**

6.1 Educational Programs and Courses

6.2 Conferences and Seminars

6.3 Research Papers and Articles

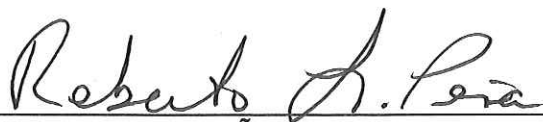
- **FUTURE AGENDA ITEMS - **None****
- **PUBLIC/RETIREE COMMENTS - **None****
- **ADJOURNMENT**

The meeting was adjourned at 1:53p.m.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES