



BOARD OF ADMINISTRATION

City Hall
Wing Committee Rooms
118-120
200 East Santa Clara
Street, San Jose, CA 95113

Meeting Minutes - Final

Federated City Employees' Retirement System

Thursday, October 17, 2013

8:30 AM

City Hall, Wing Rooms 118-120

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.

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, October 17, 2013 at 8:34 a.m., in regular session at City Hall in the Wing meeting Rooms 118-120, 200 East Santa Clara Street, San Jose, CA 95113.

Chair Loesch called to order both the Federated City Employees' Retirement System and the Health Care Trust meeting at 8:34 a.m.

Present: 5 - Matt Loesch, Lara Druyan, Arn Andrews, Michael Armstrong and Ed Overton

Absent: 2 - Martin Dirks and Stuart Odell

Retirement Staff Present: Roberto L. Pena, Donna Busse, Lesley Lamb, Linda Alexander, Sonia Morales, Daryn Miller, and Tram Doan.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Alex Gurza, Deputy City Manager; Cheryl Parkman, Office of Employee Relations, Laura Wirick; Brad Rieger, Larry Wit and Nick Erickson of Meketa, via teleconference.

OPEN SESSION - 8:30 A.M. - time certain or soon thereafter

• ORDERS OF THE DAY

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

- Item 3(a) - New item added and received late
- Item 4.1(a) - 1 sheet addendum added and received late

A motion was made to approve the Orders of the Day and Waive Sunshine on items 3(a) and 4.1(a).

Approved. (M.S.C. - Andrews/Armstrong, 5-0-0).

1. CONSENT CALENDAR

A motion was made to approve Consent Calendar Items 1.1 through 1.7.
Approved. (M.S.C. - Andrews/Druyan, 5-0-0)

1.1 Approval of Service Retirements

- a. Susan C. Blair, Public Safety Radio Dispatcher, Police Department, effective September 28, 2013; 23.01* years of service. (*With reciprocity*)
- b. Richard S. Bryson, Hazardous Material Inspector II, Fire Department, effective October 31, 2013; 15.00* years of service.
- c. Tony M. Costa, Electrician, Department of Transportation, effective November 9, 2013; 16.23* years of service.
- d. James Law, Building Inspector, Planning, Building and Code Enforcement Department, effective October 26, 2013; 15.73* years of service.
- e. Tuong T. Le, Building Inspector, Planning, Building and Code Enforcement Department, effective October 12, 2013; 15.06* years of service.
- f. David M. Wong, Division Manager, Human Resources Department, effective October 05, 2013; 22.53* years of service.

1.2 Approval of Deferred Vested

- a. Ruth A. Pedroza-Moore, Senior Engineering Technician, Public Works Department, effective November 23, 2013; 21.05* years of service.
- b. Terri L. Rock, Dispatcher, Police Department, effective November 22, 2013; 15.01* years of service.

1.3 Approval of Board Minutes

- a. Approval of Board Minutes from September 19, 2013.

1.4 Approval of Return of Contributions

- a. Voluntary/Involuntary

1.5 Acceptance of Communication/Information Reports

- a. Fourth Quarter 2012 and First Quarter 2013 FX Transaction Cost Analysis Report.
- b. First Half 2013 Equity Transaction Cost Analysis Report.

- c. August 2013 Performance Flash Report for the Pension Trust.
- d. Rolling Stone Article: 'Looting the Pension Funds', dated September 26, 2013.

1.6 Approval of Travel / Conference Attendance

- a. Pete Constant
 - IFEBP, 59th Annual Employee Benefits Conference, Las Vegas, NV - October 20-23, 2013. **CANCELLED.**
- b. Roberto Peña, Director
 - SACRS Fall Conference, Renaissance Esmeraldo Resort & Spa, Indian Wells, CA - November 12-14, 2013.

1.7 Approval of Change in Retirement Date

- a. Approval of change in retirement date for **Monlita Gregorio**; from October 12, 2013 to January 18, 2014.

2. DEATH NOTIFICATIONS (Moment of Silence)

- a. Notification of the death of **Gerald Aldrich**, Building Construction Inspector, retired January 22, 1989 died August 15, 2013. No survivorship benefits.
- b. Notification of the death of **Betty Hazel**, Supervising Librarian, retired June 27, 1987, died July 12, 2013. Survivorship benefits to Patrick Hazel, spouse.
- c. Notification of the death of **Dorothy P. Murphy**, Staff Analyst II, retired September 22, 1984, died August 11, 2013. No Survivorship benefits.
- d. Notification of the death of **Edwin W. Weise**, Plant Operator, retired August 27, 2005, died August 18, 2013. No Survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action on authorizing the Secretary to negotiate and execute the Third Amendment to the agreement with Cheiron, Inc., for actuarial services, extending the term to August 31, 2015, amending the hourly rate schedule, and adding fixed rate services for 2014-2015.

The discussion was led by Chair Loesch to authorize the Secretary to negotiate and execute the Third Amendment to the agreement with Cheiron, Inc., for actuarial services, extending the term to August 31, 2015, amending the hourly

rate schedule, and adding fixed rate services for 2014-2015.

A motion was made to approve the rates.

Approved. (M.S.C. - Overton/Andrews, 5-0-0).

- b. Oral update on Military Leave Ordinance Memo.

Chair Loesch led the discussion and Mr. Leiderman and Ms. Lamb spoke to the questions regarding the Military Leave Ordinance Memo.

A motion was made to direct Staff to prepare proposed regulations to carry out the provisions of the new ordinance for consideration by the Board in November.

Approved. (M.S.C. - Loesch/Andrews 5-0-0).

4. NEW BUSINESS

- a. Discussion and action on the report of the Plan Expenses for July 2013 and revised June 2013.

Chair Loesch led the discussion and answered questions from the Board.

A motion was made to approve the report of Plan Expenses for July 2013 and revised June 2013.

Approved. (M.S.C. Overton/Armstrong - 5-0-0).

- b. Oral update from the Director of Retirement Services, Roberto L. Peña.

Mr. Peña thanked the City Council for approving the Salary range increase and new duties for the CIO position. He discussed the status of the search process for the new CIO and gave an update of the recent activities of the Retirement Services Department. Mr. Peña noted that MGO has completed its field work for the annual audit. He also discussed the availability of email addresses for Board members on the City server and cautioned that use of such email would be subject to City usage rules and there would be no expectation of privacy.

- c. Discussion and action regarding adoption of Resolution 7583 for the Federated Tier 2B Contribution Rates.

A motion was made to approve the adoption of Resolution 7583 for the Federated Tier 2B Contribution Rates.

Approved. (M.S.C. - Overton/Druyan 5-0-0).

4.1 Investments

- a. Discussion and action on Staff's recommended long-term Capital Market Assumptions.

Daryn Miller of Retirement Services led the discussion and answered questions from the Board.

After a lengthy discussion, a motion was made to approve Staff

recommendation on long-term Capital Market Assumptions.
Approved. (M.S.C. - Andrews/Druyan 5-0-0).

- b. Discussion and action regarding soft dollar policy and findings of Third Quarter 2012 FX transaction cost analysis and First Quarter 2013 equity transaction cost analysis.

Tram Doan of Retirement Services and Laura Wirick of Meketa led the discussion via teleconference with Ms. Wirick's colleagues Brad Reiger, Larry Wit, and Nick Erickson. The Meketa team answered questions from the Board regarding the soft dollar policy and findings of Third Quarter 2012 FX transaction cost analysis and First Quarter 2013 equity transaction cost analysis.

A motion was made to accept the report and add the soft dollar reporting to the Quarterly reports.
Approved. (M.S.C. Loesch/Druyan, 5-0-0).

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Druyan, Odell, Andrews)

Last Meeting: October 9, 2013-CANCELLED
2013

Next Meeting: November 13,

- a. Update from the Chair of the Investment Committee. Receive and file.

Chair of the Investment Committee, Trustee Druyan made a report that the October meeting was cancelled and the next meeting will be held in November.

5.2 Governance Committee (Loesch, Armstrong, Overton)

Last Meeting: September 19, 2013

Next Meeting: TBD

- a. Update from the Chair of the Governance Committee. Receive and file.

Chair Loesch reported that the Governance Committee met in September and discussed the Cortex recommendations that the Board could put in place without legislation or action of the City Council or Bargaining units. They asked staff to look into those issues and come back with a recommendation. The Committee is trying to meet quarterly and the next meeting is tentatively set in December.

5.3 Audit Committee (Armstrong, Andrews, Overton)

Last Meeting: August 1, 2013
2013

Next Meeting: November 21,

- a. Update from the Chair of the Audit Committee. Receive and file.

Chair of the Audit Committee, Trustee Armstrong reported that the last meeting was in November and asked Trustee Andrews when his last day will be. Trustee Andrews announced that November will be his last meeting on the Committee and the Board.

5.4 Ad-Hoc Personnel Committee (Loesch, Druyan, Dirks)

- a. Update from the Chair of the Ad Hoc Personnel Committee. Receive and file.

There was nothing to report on this item.

5.5 Ad-Hoc Policy and Procedures (Overton, Loesch)

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

Chair Loesch reported that the Committee will review the overall policies and need for Ad Hoc Committees. If they are still needed, the Committee will recommend a timeframe for them to accomplish their responsibilities.

5.6 Ad Hoc Cortex Response Committee (Loesch, Overton, Dirks)

- a. Update from the Chair of the Ad Hoc Cortex Response Committee. Receive and file.

Chair Loesch reported that there will probably be a joint meeting in the beginning of November to discuss the Cortex "autonomy" recommendation. The Committee has been reaching out to constituent groups, bargaining units, and Councilmembers to continue and move forward. Cortex will present their report to the City Council on November 19th.

6. EDUCATION & TRAINING

- a. Educational Programs and Courses

This Education & Training was noted and filed

- b. Conferences and Seminars

This Education & Training was noted and filed

- c. Research Papers and Articles

This Education & Training was noted and filed

CLOSED SESSION

I. **CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a) (4
CASES) (MEASURE B LITIGATION)**

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

Mr. Leiderman reported that Closed Session was not needed. He also reported that on October 10th, he attended a full day of hearings regarding Measure B. Judge Lucas will give a decision on the ruling of measure B probably after the holidays.

• **FUTURE AGENDA ITEMS**

NONE

• **PUBLIC/RETIREE COMMENTS**

NONE

• **ADJOURNMENT**

The meeting adjourned for the pension agenda at 10:26 a.m. and moved to the Health Care Trust Agenda.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES