

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

January 17, 2013

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, January 17, 2013 at 8:30 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 -Present
Stuart Odell -Present
Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Present

ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse -Present

COUNSEL

Harvey Leiderman -Present

RETIREMENT SERVICES STAFF PRESENT: Veronica Niebla, Sonia Morales, Tram Doan, Ron Kumar, Daryn Miller, Heidi Poon, Leslie Lamb, Michelle San Miguel.

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Brad Regier, Meketa Investment Group; Bill Hallmark, Gene Kalwarski, Cheiron; Alex Gurza, Deputy City Manager; Gerry Chappais, AFSCME-MEF; Bill Pope, OE3; Susan Devencenzi, Retiree.

Board entered into Closed Session at 8:32 a.m. and reconvened at 10:05 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

1.1 Investments

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

There was no reportable action out of Closed Session.

CALL TO ORDER: 10:15 a.m.

Chair Loesch called to order the Federated City Employees' Retirement System meeting for Open Session at 10:15 a.m.

• **ORDERS OF THE DAY**

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

Item 1.1b- Change effective date to 2/2/13

Item 4.1b- Flash Report- Item received late

A motion was made to approve the Orders of the Day.

Approved. (M.S.C. – Andrews/Druyan, 7-0-0)

1. CONSENT CALENDAR (Items 1.1 through 1.9)

A motion was made to approve Consent Calendar Items. 1.1 through 1.9.

Approved. (M.S.C. – Overton/Dirks, 7-0-0)

1.1 Approval of Service Retirements

- a. **Reynaldo M. Daquina**, Facility Attendant, Public Works Department, effective February 16, 2013; 23.18* years of service.
- b. **Barbara Goldstein**, Section Manager, Office of Economic Development, effective January 19, 2013; 8.30* years of service.

1.2 Approval of Deferred Vested

- a. **Raymond Hashimoto**, Senior Planner, Planning, Building & Code Enforcement Department, effective January 15, 2013; 9.77* years of service.
- b. **Gloria Meeks**, Senior Office Specialist, Public Works Department, effective February 5, 2013; 6.64* years of service.
- c. **Donna L. Yamamura**, Real Property Agent II, Public Works Department, effective December 29, 2012; 3.03* years of service. (*With reciprocity*)

1.3 Approval of Change of Retirement Date

- a. Approval of change of retirement date of David Smith; from December 22, 2012 to February 16, 2013, approved at the December 20, 2012 Board meeting.

1.4 Approval of Board Minutes

- a. Approval of Board Minutes of December 20, 2012.

1.5 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.6 Acceptance of Communication/Information Reports

- a. News from Cheiron: Cheiron, EFI Actuaries combine to form larger innovative consulting firm.
- b. Staff report on Supplemental Retiree Benefit Reserve (SRBR) Accounting.
- c. **Educational Travel Reports:**
Meketa & IFEBP Investment Conferences/TMP Summit, San Diego, CA – November 10-14, 2012 – by Council Member Pete Constant.

1.7 Approval of Travel / Conference Attendance

- a. Matt Loesch
 - CalAPRS, Trustees Roundtable, Doubletree Hotel, 2050 Gateway Place, San Jose, CA – February 8, 2013.
 - i. The Pension Bridge Annual, The Four Seasons Hotel, San Francisco, CA – April 16-17, 2013.

- b. Marty Dirks - CalAPRS, Trustees Roundtable, Doubletree Hotel, 2050 Gateway Place, San Jose, CA – February 8, 2013.
- c. Michael Armstrong-CalAPRS, Trustees Roundtable, Doubletree Hotel, 2050 Gateway Place, San Jose, CA – February 8, 2013.

- 1.8 Report out of Closed Session regarding investment approved at the October 18, 2012 Board meeting.
- 1.9 Approval of Lifetime Retirement Monthly Payment Option to be paid to Estelle Guizar, ex-spouse of Plant Operator, Armando Guizar, to be effective January 11, 2013 under Part 23, Section 28.2700 of the San Jose Municipal Code.

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

- 2.1 **Steven M. Bilycia**, Communications Installer, active employee, died 11-11-12. Survivorship benefits to Josephine Bilycia, spouse.
- 2.2 **Robert J. Bolender**, Plant Supervisor, retired 09-01-02, died 11-01-12. Survivorship benefits to Elaine Bolender, spouse.
- 2.3 **Elizabeth Brown**, Secretary, retired 04-27-02, died 11-27-12. Survivorship benefits to William A. Brown, spouse.
- 2.4 **Asuncion M. Garcia**, Staff Technician, active employee, died 11-23-12. Survivorship benefits to Anthony Garcia, spouse.
- 2.5 **Ruth Grayson**, Secretary, retired 10-29-89, died 11-21-12. No survivorship benefits.
- 2.6 **Joe S. Lara**, Maintenance Worker I, retired 09-14-77, died 11-16-12. No survivorship benefits.
- 2.7 **Arline M. McGreen**, Legal Secretary II, retired 12-01-83, died 11-21-12. No survivorship benefits.

Ms. Busse spoke on the recent passing of an active employee, Asuncion Garcia. Ms. Busse noted that Mrs. Garcia worked in Retirement Services for several years before leaving due to 'bumping', and was a valued member of the staff.

3. **OLD BUSINESS-DEFERRED/CONTINUED ITEMS**

3.1 **Update on Retirement Services organization and staffing.**

Ms. Busse reported that incoming Director of Retirement Services, Mr. Pena, has a start date of February 11, 2013.

Note and File.

3.2 **Update on the Pension Administration System.**

Ms. Busse reported that Best and Final offers have been received. Retirement Services IT Staff are reviewing all information and will provide a recommendation to the Board in February.

3.3 Update on the Electronic Board Packets.

Ms. Busse reported that the contract with Granicus was received and is currently being reviewed before passing it along to Reed Smith for a more extensive review. **Note and File.**

4. NEW BUSINESS

4.1 Investments

- a. **Discussion and approval regarding Meketa and Staff recommendation on Transaction Cost Analysis vendors and authorization for the Secretary to negotiate and execute agreements with Elkins McSherry and Klarity FX.**

Brad Regier from Meketa Investment Group led the discussion regarding Transaction Cost Analysis vendors and responded to questions from the Board.

A motion was made to approve a trial run of the vendors.

Approved. (M.S.C. – Dirks/Andrews, 7-0-0)

- b. **Presentation of the Pension Trust Flash Performance Report as of December 2012.**

Brad Regier from Meketa Investment Group led the discussion regarding the Pension Trust Flash Report.

- c. **Discussion and approval for the Secretary to negotiate and execute the first amendment with Artisan Partners to reflect negotiated fees.**

Daryn Miller led the discussion and responded to questions from the Board.

A motion was made to approve the execution of the first amendment with Artisan Partners to reflect negotiated fees.

Approved. (M.S.C. – Overton/Druyan, 7-0-0)

4.2 Discussion and action on Cheiron's final OPEB Valuation.

Item 4.2(a&b) were heard concurrently.

Bill Hallmark and Gene Kalwarski from Cheiron led the discussion regarding Cheiron's final OPEB Valuation and responded to questions from the Board

- a. **Cheiron's OPEB Valuation Presentation.**
b. **Cheiron's Final OPEB Valuation Report.**

Chair Kaldor asked Cheiron to prepare a memorandum recommending how the Board should deal with the implicit subsidy created by pooling retired members with active members.

A motion was made to accept Cheiron's Final OPEB Valuation Report as of June 30, 2012, for post-employment Health Care. The Chair noted that this report was being delivered early and that the Board was not being asked to approve the contribution rates at this meeting and directed Staff to return to the Board with a timeline for approval of rates.

Approved. (M.S.C. – Andrews/Dirks, 7-0-0)

4.3 Discussion and Action on Cheiron's Pension and OPEB 5-year Projections.

Note and File.

4.4 Discussion and action on System Expenses for November 2012.

A motion was made to approve the System Expense for November 2012.

Approved. (M.S.C.- Overton/Druyan, 7-0-0)

4.5 Discussion and action regarding request from the City Manager's Office to allow their actuary to speak with the Board's actuary regarding the Voluntary Election Plan.

Alex Gurza, Deputy City Manager, addressed the Board.

A motion was made to authorize Cheiron to interact with the City's actuary regarding the Voluntary Election Plan with a budget of \$10,000 and to report back to the Board with regular updates.

Approved. (M.S.C. – Loesch/Dirks, 7-0-0)

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1. Investment Committee (Druyan/Odell/Andrews)

Last Meeting: January 16, 2013 - Next Meeting: February 13, 2013

a. Update from Chair of the Investment Committee.

Chair of the Investment Committee, Trustee Druyan, updated the Board on the investment activities. Staff and Trustees continue to evaluate hedge funds for hiring.

5.2. Audit Committee (Armstrong/Andrews/Overton)

Last Meeting: November 26, 2012 - Next Meeting: TBD

a. Update from Chair of Audit Committee.

Chair of the Audit Committee, Trustee Armstrong reported that they plan to schedule a joint meeting with the Police and Fire Audit Committee.

5.3. Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: December 21, 2012 - Next Meeting: TBD

a. Update from Chair of Governance Committee.

Chair Loesch reported that Cortex requested to bring their full report to the Board in February for their review and recommendation.

5.4. Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)**a. Update from Chair of Ad Hoc Personnel Committee.**

Chair Loesch reported that the CEO search has been completed and the Committee will wait for the new Director, Mr. Pena, to help with the selection of the CIO.

6. EDUCATION & TRAINING – **Note and File.****6.1 Educational Programs and Courses**

- a. CalAPRS – Trustees Round Table, Doubletree Hotel, San Jose, CA – February 8, 2013.
- b. CalAPRS 2013 General Assembly, InterContinental San Francisco, San Francisco, CA – March 2-5, 2013.
- c. CalAPRS – Principles of Pension Management for Trustees, Stanford University Law School, Sheraton Palo Alto, Palo Alto, CA – March 26-29, 2013. (2 Trustee attendance limit per CalAPRS)

6.2 Conferences and Seminars**6.3 Research Papers and Articles**

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

Meeting was adjourned at 11:37 a.m.



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

ATTEST:



**DONNA BUSSE
ACTING DIRECTOR, RETIREMENT SERVICES**