

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

December 20, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, December 20, 2012 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 (departed @ 12:25 p.m.)
 Arn Andrews -Present
 Michael Armstrong -Present
 Martin Dirks -Present
 Stuart Odell -Absent
 Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Present

ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse -Present

COUNSEL

Jeffrey Rieger -Present

RETIREMENT SERVICES STAFF PRESENT: Veronica, Niebla, Sonia Morales, Tram Doan, Ron Kumar, Heidi Poon, Leslie Lamb, Christina Lynne, Toni Johnson

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Brad Regier, Meketa Investment Group; Laura Wirich, Meketa Investment Group; Ann Harper, Cheiron; Mike Schionning, Cheiron; Bill Hallmark, Cheiron; Annie Louie, Macias Gini & O'Connell; Alex Gurza, Deputy City Manager; Gerry Chappais, AFSCME-MEF; Steve Cauble, Travis Bagley, and Chris Pierce, Russell Investments Group.

Board entered into Closed Session at 8:33 a.m. and reconvened at 10:02 a.m. into Open Session.

CALL TO ORDER: 10:02 a.m.

• ORDERS OF THE DAY

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

Item 1.4 - received late

Item 4.1(f) – received late

Item 4.2(a,b,c) – received late

Item 4.1(d) – received late

Items 1.1 and 1.2 on the Health Care Agenda – Items received late

A motion was made to accept the changes to the order of the Agenda and to Waive Sunshine on Items 4.1(d)(f), Item 4.2(a,b,c).

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

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/Andrews, 6-0-0, with one absent-Odell)

1.1 Adoption of Resolution Denying the Application of a Service-Connected Disability

Adoption of Resolution 6790 denying the application of **Matthew A. Chasuk** for a Service-Connected Disability.

1.2 Approval of Service Retirements

- a. **Michelle Hao-Nhu Do**, Analyst, Fire Department, effective December 1, 2012; 22.44* years of service.
- b. **Dennis D. Hawkins**, City Clerk, City Clerk's Office, effective December 15, 2012; 18.80* years of service.
- c. **Jennifer G. Metzger-Schulz**, Recreation Program Specialist, Parks, Recreation & Neighborhood Services, effective January 19, 2013; 27.20* years of service.
- d. **Paula E. Scholpp**, Senior Crime & Intelligence Analyst, Police Department, effective January 19, 2013; 30.08* years of service.
- e. **Steven D. Shideler**, Public Safety Radio Dispatcher, Fire Department, effective November 8, 2012; 21.67* years of service.
- f. **Kathleen Sutherland**, Chief of Staff, City Council – District 10, effective January 1, 2013; 6.02* years of service.
- g. **Jerry R. Svindal**, Building Inspector, Planning, Building & Code Enforcement Department, effective January 19, 2013; 15.00* years of service.
- h. **Michael D. Witkovski**, Associate Civil Engineer, Department of Transportation, effective January 5, 2013; 23.78* years of service.

1.3 Approval of Deferred Vested

- a. **Yvonne M. Aboujudom**, Parking Officer, Department of Transportation, effective November 13, 2012; 9.49* years of service.
- b. **Mark E.D. Johnson**, Senior Custodian, Airport Department, effective January 21, 2013; 10.44* years of service.
- c. **David P. Kravitz**, Librarian II, Library Department, effective January 31, 2013; 14.92* years of service.
- d. **Jeronimo Longoria**, Groundswoker, Parks, Recreation & Neighborhood Services, effective January 2, 2013; 16.14* years of service.
- e. **Lizanin Rodriguez**, Office Specialist II, Airport Department, effective January 7, 2013; 13.62* years of service.

1.4 Approval of Board Minutes

- a. Approval of Board Minutes of November 15, 2012.

1.5 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.6 Acceptance of Communication/Information Reports

- a. 2013 Schedule of Meetings.

1.7 Approval of Travel / Conference Attendance

- a. Arn Andrews - CalAPRS, Board Leadership Institute: Advanced Principles in Governance, A CalAPRS Education Partnership w/ UCLA Anderson School of Management - January 29-31, 2013.
- b. Matt Loesch - Charter Financial Analyst Program, Kaplan Schweser Workshops, Publications & Exam

- 1.8** Approval of Lifetime Retirement Monthly Payment Option to be paid to **Ann Pereira**, ex-spouse of Plant Operator, Raymond Pereira, to be effective January 11, 2013 under Part 23, Section 3.28.2700 of the San Jose Municipal Code.

- 1.9** Report out of Closed Session regarding investments approved at the August 16, and September 20, 2012 Board meetings.

2. DEATH NOTIFICATIONS (Moment of Silence)

- 2.1** **Carroll L. Ginne**, Senior Analyst, retired 04-11-02, died 10-19-12. No survivorship benefits.
- 2.2** **Shirley A. Thissen**, Office Specialist II, retired 07-01-03, died 11-03-12. No survivorship benefits.
- 2.3** **Kathleen "Christie" Vogel**, Senior Librarian, retired 07-06-91, died 10-21-12. No survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

Entered into Closed Session at 8:33 a.m. for Items 3.1, 3.2, 4.1(a) and 4.9.

- 3.1 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.

- 3.2 CLOSED SESSION:** 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

Board reconvened from Closed Session at 10:02 a.m.

Chair Loesch reported out from Closed Session in regards to new Item 3.2-AFSCME v. City of San Jose, et al, Case No. 1-12-CV-227864 and directed Counsel Reed Smith to respond.

OPEN SESSION

3.3 Update on Pension Administration System RFP.

Ms. Busse reported that staff has completed on-site visits and will bring recommendation to the Board in February.

3.4 Update on Retirement Services organization and staffing.

Ms. Busse reported that Retirement Services hired one temporary staff member for the Investment Group since last month.

4. NEW BUSINESS

Closed Session Item 4.1 was heard at 8:33 a.m.

4.1. Investments

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

There was no reportable action out of Closed Session for Item 4.1a.

OPEN SESSION

- b. Discussion and approval of modifications to the Federated City Employees' Retirement System's Investment Policy Statement.**

Laura Wirick from Meketa Investment group and Tram Doan led the discussion regarding the Federated City Employee's Retirement System's Investment Policy Statement and responded to questions from the Board.

A motion was made to approve the Investment Policy Statement.

Approved. (M.S.C. – Druyan/Armstrong, 6-0-0, with one absent-Odell)

- c. **Authorization for the Secretary and the City Attorney to negotiate and execute the Second Amendment to the agreement with Hanson Bridgett LLP to increase the compensation for the remaining term of the agreement to end June 30, 2014 by \$250,000, for a total contract amount not to exceed \$500,000.**

Mr. Kumar led the discussion and responded to questions from the Board.

A motion was made to approve to the contract amount not to exceed \$500,000.

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

Items 4.1(d,e,f) were heard together. Laura Wirick and Brad Regier from Meketa Investment Group led the discussions for Items 4.1(d,e,f) and responded to questions from the Board.

- d. **Presentation of the Pension Trust Flash Performance Report as of November 2012.**
- e. **Presentation of the Pension Trust Private Markets Report as of June 2012.**
- f. **Presentation of the Pension Third Quarter Performance Report as of September 2012.**

Chair Loesch opened the Federated Health Care Trust Agenda to discuss Item 1.2 Presentation of the Health Care Trust Flash Performance Report.

- g. **Oral update on the portfolio transition.**

Steve Cauble, Travis Bagley, and Chris Pierce from Russell Investment Group led the discussion on the portfolio transition and responded to questions from the Board.

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

Item 4.2(a&b) were heard concurrently.

- a. **Cheiron's Pension Valuation Presentation.**

Bill Hallmark from Cheiron led the discussion and responded to questions from the Board.

- b. **Cheiron's Pension Valuation as of June 30, 2012.**

Mr. Gurza, Deputy City Attorney addressed the Board.

Extensive discussion continued.

A motion was made to accept Cheiron's Pension Valuation contribution rates without SRBR.

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

c. Discussion and action on Ordinance 29174 regarding Supplemental Retiree Benefit Reserve (SRBR):

i. Letter from Michael R. Seville, IFPTE Local 21 Acting Senior Representative, regarding SRBR, dated December 7, 2012.

ii. Ordinance 29174.

Note and file.

4.3. Discussion and action on Cheiron's preliminary OPEB Valuation.

Bill Hallmark from Cheiron led the discussion on the preliminary OPEB Valuation.

A motion was made to approve current methodology on Page 6 of Cheiron's report to eliminate 1 year lag.

Approve. (M.S.C. – Andrews/Druyan, 6-0-0, with one absent-Odell)

A motion was made to accept current assumption rates.

Approve. (M.S.C. – Loesch/Andrews, 6-0-0, with one absent-Odell)

Trustee Druyan departed at 12:25 p.m.

4.4. Discussion and action on System Expenses for October 2012.

A motion as made to approve the System Expenses for October 2012.

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

Items 4.5 and 4.6 were heard concurrently.

4.5. Approval of the City of San Jose Federated City Employees' Retirement System's 2012 Comprehensive Annual Financial Report (CAFR) and acceptance of the audited financial statements for fiscal years ended June 30, 2012 and 2011.

Ms. Niebla led the discussion regarding the CAFR and introduced Annie Louie, Manager, which presented communications from Macias Gini and O'Connell.

A motion was made to approve the CAFR.

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

4.6. Communication to the Board of Administration of the City of San Jose Federated City Employees' Retirement System from Macias Gini and O'Connell (MGO), the Plans external auditor:

- a. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- b. Required Communications.
- c. Management Comments and Recommendations.

Note and file

4.7. Election of Chair.

A motion was made to re-elect Chair Loesch as Chair.

Approve. (M.S.C. – Andrews/Dirks, 4-0-1, Abstain-Loesch, with two absent-Odell and Druyan)

4.8. Election of Vice Chair.

A motion as made to re-elect Trustee Druyan as Vice-Chair.

Approve. (M.S.C. – Andrews/Armstrong, 5-0-0, with two absent-Odell and Druyan)

Item 4.9 was heard at 8:33 a.m.

- 4.9. CLOSED SESSION: PUBLIC EMPLOYEE APPOINTMENT AND EMPLOYMENT. GOVERNMENT CODE 54957(b). POSITION: DIRECTOR OF RETIREMENT SERVICES.**

Chair Loesch reported out that Roberto Pena was appointed, with the Board's advice and consent, at the City Council meeting on Tuesday, December 18th as the new Director for the Department of Retirement Services and will assume position in February 2013, exact date to be determined.

OPEN SESSION

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1. Investment Committee (Druyan/Odell/Andrews)

Last Meeting: December 12, 2012

- Next Meeting: January 16, 2012

- a. Minutes of October 10, 2012 meeting, Joint Federated and Police & Fire Investment Committee.
- b. Update from Chair of the Investment Committee.
- c. Report on discount rate.

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 the Committee met with the Internal Auditor, MGO, and discussed the annual financial audit and reviewed the CAFR. They have directed staff to schedule another Audit Committee meeting.

5.3. Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: August 31, 2012

- Next Meeting: December 21, 2012

a. Update from Chair of Governance Committee.

Chair Loesch reported that the next meeting is scheduled for December 21, 2012.

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

Last Meeting: August 15, 2012

- Next Meeting: TBD

a. Update from Chair of Ad Hoc Personnel Committee.

Chair Loesch reported that some work has been done on the CIO search and the Committee continues to engage with the Consultant. He added that the new Director Roberto Pena will help review the CIO resumes in February.

6. EDUCATION & TRAINING

6.1 Educational Programs and Courses

- a. Board Leadership Institute, Advanced Principles in Governance, A CalAPRS Education Partnership with UCLA Anderson School of Management, Los Angeles, CA
– January 29-31, 2012.
- b. CalAPRS – Trustees Round Table, Doubletree Hotel, San Jose, CA – February 8, 2013.
- c. CalAPRS 2013 General Assembly, InterContinental San Francisco, San Francisco, CA – March 2-5, 2013.

6.2 Conferences and Seminars

6.3 Research Papers and Articles

• **FUTURE AGENDA ITEMS**

Keep the same Committee Structures for 2013
Submit 2013 calendar meeting dates.

• **PUBLIC/RETIREE COMMENTS - None**

- **ADJOURNMENT**

Meeting was adjourned at 12:55 p.m.



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

ATTEST:



**DONNA BUSSE
ACTING DIRECTOR, RETIREMENT SERVICES**