

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

December 15, 2011

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, December 15, 2011 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
 Ed Overton, Vice-Chair -Present
 Arn Andrews -Present
 Michael Armstrong -Present
 Lara Druyan -Present
 Stuart Odell -Present
 Martin Dirks -Present

BOARD MEDICAL DIRECTOR

Rajiv Das, M.D. -N/A

COUNCIL LIAISON

Pete Constant -Present

DIRECTOR RETIREMENT SERVICE

BOARD SECRETARY

Russell U. Crosby -Present

COUNSEL

Mollie Dent -Present
 Russ Richeda -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
 Carmen Racy-Choy, Deputy Director, CIO
 Veronica Niebla
 Ron Kumar
 Heidi Poon
 Sonia Morales
 Troy Gavin

ALSO PRESENT:

Susan Devencenzi, Retiree
 David Armstrong, Retiree
 Allison Suggs, OER
 Bill Harper, Cheiron
 Anne Harper, Cheiron

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

City Clerk Swearing in of Reappointed Trustee Matt Loesch.

Dennis Hawkins, City Clerk, administered the oath of office to Matt Loesch.

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

- Item 1.1(f), Rocco Capossele, new effective date to March 31, 2012;
- Item 1.1(h), James J. Ham, application withdrawn;
- Item 1.1(x), Donald T. Zonic, new effective date to March 31, 2012;
- Item 1.1(n), Michael Hsieh, new effective date to January 7, 2012;

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.

Item 2.2, Loris A. Detmers, revised date of death to November 24, 2011.

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

Approve. (M.S.C. – Andrews/Overton, 7-0-0)

1. CONSENT CALENDAR (Items 1.1 through 1.10)

A motion was made to approve the Consent Calendar Items 1.1 through 1.10.

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

1.1 Approval of Service Retirements

- a. **John D. Adams**, Police Property Supervisor, Police Department, effective December 24, 2011; 21.34* years of service.
- b. **John A. Barros**, Mechanic, Public Works Department, effective December 24, 2011; 25.06* years of service.
- c. **Ann C. Bedard**, Senior Office Specialist, Airport Department, effective December 31, 2011; 20.11* years of service.
- d. **Manuel Bettencourt**, Airport Operations Supervisor, Airport Department, effective December 24, 2011; 15.09* years of service.
- e. **Sandy Bouja**, Code Enforcement Supervisor, Planning, Building & Code Enforcement Department, effective December 31, 2011; 14.39* years of service.
- f. **Rocco Caposelle**, Equipment Maintenance Supervisor, Public Works Department, effective December 31, 2011; 21.90* years of service.
- g. **Yolanda Diaz**, Analyst, Fire Department, effective January 21, 2012; 28.16* years of service.
- h. **Eileen F. Ewing**, Senior Analyst, Police Department, effective January 7, 2012; 14.01* years of service.
- i. **Janet L. Eychner**, Analyst, Fire Department, effective January 21, 2012; 15.05* years of service. *(With reciprocity)*
- j. **Michael R. Garcia**, Maintenance Worker I, Parks, Recreation & Neighborhood Services; effective December 31, 2011; 15.02* years of service.
- k. **James J. Ham**, Senior Accountant, Police Department, effective December 24, 2011; 24.38* years of service.
- l. **Michael K. Hannon**, Deputy Director, Planning, Building & Code Enforcement Department, effective December 30, 2011; 25.95* years of service.
- m. **Michael K. Ho**, Senior Engineer, Public Works Department, effective December 17, 2011; 24.46* years of service. *(With reciprocity)*
- n. **Michael C. Hsieh**, Supervising Inspector, Planning, Building & Code Enforcement Department, effective December 24, 2011; 23.41* years of service.
- o. **Yolanda E. Lee**, Economic Development Officer, Office of Economic Development, effective December 24, 2011; 15.00* years of service.
- p. **Gloria L. Lomibao**, Secretary, Airport Department, effective December 31, 2011; 22.18* years of service.
- q. **Thomas Manheim**, Communications Director, City Manager's Office, effective December 22, 2011; 15.25* years of service. *(With reciprocity)*

- r. **Ronald E. McLin**, Maintenance Assistant, Department of Transportation, effective January 7, 2012; 10.30* years of service.
- s. **Stephanie Menzies**, Contract Compliance Specialist, Public Works Department, effective January 21, 2012; 30.05* years of service.
- t. **Dorene J. Minks**, Workers Compensation Claims Adjuster, Human Resources Department, effective December 24, 2011; 17.04* years of service.
- u. **Sandra L. Murillo**, Housing Policy Planning Administrator, Housing Department, effective December 24, 2011; 20.07* years of service.
- v. **Mary Jo Rosales**, Office Specialist II, City Manager's Office, effective December 31, 2011; 25.52* years of service.
- w. **Steven J. Waters**, Associate Construction Inspector, Department of Transportation, effective December 24, 2011; 21.34* years of service.
- x. **Donald T. Zonic**, Maintenance Supervisor, Parks, Recreation & Neighborhood Services, effective December 24, 2011; 25.73* years of service.

1.2 Approval of Deferred Vested Retirements

- a. **Kiley J. Kinnon**, Source Control Technician, Environmental Services Department, effective January 8, 2012; 3.32* years of service. (*With reciprocity*)
- b. **Bruce D. McDonald**, Custodian, Environmental Services Department, effective January 17, 2012; 19.59* years of service.
- c. **Jacquin (Jackie) Nostaja**, Supervising Public Safety Dispatcher, Police Department, effective December 13, 2011; 8.27* years of service. (*With reciprocity*)
- d. **Scott Novak**, Senior Communications Technician, Information Technology Department, effective January 3, 2012; 7.96* years of service.
- e. **Daniel G. Quintana**, Equipment Operator, Parks, Recreation & Neighborhood Services, effective January 2, 2012; 26.62* years of service.

1.3 Approval of Change of Retirement Date

- a. Approval of change of retirement date of **Patricia J. Fay**; from December 31, 2011 to December 24, 2011.

1.4 Approval to Rescind Service/Deferred Vested Retirements

- a. Approval to rescind retirement of **Juan L. Rodriguez**, approved at the November 17, 2011 meeting.
- b. Approval to rescind deferred vested of **Todd Barreras**, approved at the September 15, 2011 meeting.

1.5 Approval of Termination of Retirement Benefits

- a. Approval of request from **Ruben Canela** to authorize termination of retirement benefits and reinstatement into Plan effective January 8, 2012. (Service Retirement effective June 25, 2011 approved at the August 18, 2011 Board meeting.)

1.6 Approval of Board Minutes

Approval of Board Minutes of November 17, 2011.

1.7 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.8 Approval of Monthly Expenditures

Report of Federated Retirement Plan Expenses for October 31, 2011.

1.9 Acceptance of Communication/Information Reports

- a. Memo from Russ Richeda, Saltzman & Johnson regarding: Legal Update (Retired Employees Association of Orange County v. County of Orange County), dated November 23, 2011.
- b. 2012 Schedule of Meetings.
- c. Pending Projects.

1.10 Approval of Travel / Conference Attendance

- a. Matt Loesch - Chartered Financial Analyst Program, Kaplan Schweser Workshops, Publications & Exam.

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

- 2.1 **Frank F. Chavez**, Groundswoker, retired 9/25/04, died 11/4/11. No survivorship benefits
- 2.2 **Loris A. Detmers**, Typist Clerk II, retired 12/01/89, died 11/23/11. No survivorship benefits.
- 2.3 **Bob M. Hirata**, Senior Custodian, retired 03/29/81, died 11/07/11. No survivorship benefits.
- 2.4 **Jeffrey A. Pettigrew**, Heavy Equipment Operator, active employee, died 09/24/11. No survivorship benefits.
- 2.5 **Natsuye J. Takata**, Typist Clerk II, retired 08/09/86, died 11/06/11. No survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

3.1 Discussion and action on Cheiron's June 30, 2011 Pension Actuarial Valuation report for the Federated City Employees' Retirement System.

Bill Hallmark and Ann Harper from Cheiron presented Cheiron's June 30, 2011 Pension Actuarial Valuation report for the Federated City Employees' Retirement System.

The Board discussed and agreed to the following revisions:

- In Section V, page 22, switch 7.5% and 7.95% so they correspond to the appropriate valuation date;

- Add footnotes to Table V-5 indicating when there were benefit or assumption changes affecting the actuarial liability;
- Fix Table A-6 in Appendix A to reflect the correct number of retirements in each year.

A motion was made to accept the Cheiron's June 30, 2011 Pension Actuarial Valuation report with revisions and to add historical data as discussed.

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

3.2 Discussion and action on counsel's memoranda concerning Trustees' role in an environment of discussion and negotiations on vested benefits. *(Deferred from November 17, 2011 meeting)*

- a. Memo from Russ Richeda, Saltzman & Johnson regarding: Responsibilities and Role of the Board of Administration With Respect to Modifications to Plan Benefit Design, dated November 28, 2011.
- b. Memo to City Attorney from Arthur A. Hartinger, Meyers Nave, Esq. regarding: Response to Richeda Opinion Regarding Retirement Board's Duties Pertaining to Benefit Modifications, dated November 10, 2011.
- c. Memo from Russ Richeda, Saltzman & Johnson regarding: Reply to Response to Meyers/Nave to This Office's Initial Memorandum on Board Roles and Responsibilities With Respect to External Plan Benefit Modifications, dated December 6, 2011.

Mr. Richeda led the discussion regarding counsels' memoranda concerning Trustees' role in an environment of discussion and negotiations on vested benefits.

A motion was made to move to Note and File. (M.S.C. – Overton/Andrews, 7-0-0)

3.3 Update on legal Request for Proposal (RFP).

Ms. Dent reported that the process is moving forward and anticipates to have a recommendation to the Board in January 2012.

3.4 Discussion and action regarding the review of Retirement Services Department staffing.

Chair Loesch stated there were no current updates but expects to receive a response from the City Manager before the January 2012 Board meeting.

3.5 Update on Electronic Board packets.

Ms. Busse reported staff received nine responses to the RFP and narrowed the field to four candidates. Demonstrations were on Monday and a recommendation will come to the Board in January 2012.

4. NEW BUSINESS

4.1 Update from the Chair of the Investment Committee.

Trustee Druyan gave a short synopsis regarding the Investment Committee meeting held on October 26, 2011.

4.2 Discussion and action on the asset liability study.

A motion was made to waive Sunshine Rules on final version of the asset liability study.

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

Ms. Racy-Choy led the discussion on the asset liability study.

A motion was made to accept the asset liability study and staff's recommendation to select Asset Mix "C".

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

Break

4.3 Presentation of the September 30, 2011 quarterly performance report.

a. October 31, 2011 flash report.

Ms. Racy-Choy presented the September 30, 2011 quarterly performance report. A request was made to have Meketa present the quarterly performance reports at the Federated City Employees' Retirement System Board meetings.

4.4 Approval for the Secretary to negotiate and execute an agreement with Albourne America LLC for hedge fund consulting for an amount not to exceed \$250,000 annually for a three year term.

Ms. Heidi Poon reported that the item was discussed and approved at the Investment Committee meeting.

A motion was made to approve staff's recommendation to approve the Secretary to negotiate and execute an agreement with Albourne America LLC for hedge fund consulting for an amount not to exceed \$250,000 annually for a three year term.

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

4.5 Approval of Third Continuation Agreement with Saltzman & Johnson Law Corporation, the Board's outside conflicts counsel, to extend the term of the Agreement through June 30, 2012.

Ms. Busse stated to the Board that an extension is needed to continue to receive outside conflicts counsel services.

A motion was made to approve the Third Continuation Agreement with Saltzman & Johnson Law Corporation, the Board's outside conflicts counsel, to extend the term of the Agreement through June 30, 2012.

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

4.6 Approval of the draft Federated City Employees' Retirement System's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011.

Ms. Niebla updated the Board on the comprehensive annual financial report and stated that the report will be finalized by the end of December 2011.

A motion was made to approve the draft Federated City Employees' Retirement System's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011.

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

4.7 Discussion and action on selection of Chair and Vice Chair for Calendar Year 2012.

A motion was made to appoint Matt Loesch as Chair and Lara Druyan as the Vice Chair for the Federated City Employees' Retirement Systems Board of Administration for Calendar Year 2012.

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

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Policy Committee (Overton/Armstrong/Loesch – alternate/Andrews) – None

5.2 Investment Committee (Druyan/Odell /Dirks –alternate/Armstrong)

- Next Meeting: January 25, 2011

a. Minutes of October 26, 2011 meeting.

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

5.3 Ad Hoc Governance Committee (Loesch/Armstrong/Odell – Alternate/Dirks)

- Next Meeting: TBD

Mr. Crosby noted that the Ad Hoc Governance Committee is now scheduled for January 5, 2012, following the Police & Fire Retirement Plan Board meeting tentatively set at 1:00 p.m.

6. EDUCATIONAL & 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 11:20 a.m.



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

ATTEST:



**RUSSELL U. CROSBY
SECRETARY, BOARD OF ADMINISTRATION
DIRECTOR, RETIREMENT SERVICES**