

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

Revised

THURSDAY

SAN JOSÉ, CALIFORNIA

November 15, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, November 15, 2012 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 -Present
Stuart Odell -Present
Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant (arrived at 8:45 a.m.)-Present

ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse -Present

COUNSEL

Harvey Leiderman -Present

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

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Yolanda Cruz, AFSCME-MEF; Brad Regier, Meketa Investment Group; Ann Harper, Cheiron; Mike Schionning, Cheiron; Bil Hallmark, Cheiron; Alex Gurza, Deputy City Manager; Lori Costanzo, Attorney; Matthew Chasuk; Elaine Chasuk; Lisa Taitano, Finance; Susan Devencenzi, Retiree; Frank Crusco, IBEW; Gerry Chappais, AFSCME-MEF; Robyn Zamora, AFSCME-MEF; Nancy Ostrowski, 17PTE L21; Vera Todorov, ALP; Bill Pope, OE3; Dianna Butcher, L21/AEA; John Mulchan, IFPTE L21/AEA; Alan Willey, CAMP/IFPTE;

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

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

Items 5.2 and 5.3 – to be heard at 8:30 a.m., time-certain.

Items 4.1, 4.2 and 4.3 – Closed Session to be heard before Item 5.6.

Item 5.7 – Canceled

Item 2.3(b) – Change effective date to 3-30-13.

Item 2.3(c) – Change effective date to 11-10-12.

Item 2.3(e) – Change effective date to 12-22-12.

Items 2.8(a), 5.1(a) of Pension and Item 1.3 of Health Care – Items received late.

A motion was made to approve the change on the Orders of the Day and change effective dates on Items 2.3(b), 2.3(c) and 2.3(e) as noted, and remove Item 5.2 and 5.3.

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

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.

FCERS 12-20-12

A motion was made to Waive Sunshine on Items 5.2, 5.3 and handout from Alex Gurza, dated 11-8-12.

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

Items 5.2 and 5.3 were heard time-certain at 8:30 a.m.

1. DISABILITY RETIREMENTS

Item 1.1 was heard at 11:33 a.m. after Item 3.

1.1 Approval of Staff Recommendation to Deny Service-Connected Disability
(Time certain 10:30 a.m.)

- a. **Matthew A. Chasuk, Security Officer, Convention, Arts & Entertainment. Request for a Service-Connected Disability Retirement, effective August 1, 2010, 12.68* years of service. (With reciprocity)**

A motion was made to approve staff's recommendation to deny the Service-Connected Disability, 1st by Trustee Overton, 2nd by Trustee Andrews.

A substitute motion was made to deny the Service-Connected Disability and approve for a Non-Service-Connected Disability.

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

2. CONSENT CALENDAR (Items 2.1 through 2.9)

A motion was made to approve Consent Calendar Items 2.1 through 2.9.

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

- 2.1 Approval of Lifetime Retirement Monthly Payment Option to be paid to Stephanie M. Walsh, ex-spouse of Plant Mechanic, **Neil Walsh**, to be effective December 5, 2012 under Part 23, Section 3.28.2700 of the San Jose Municipal Code.

2.2 Approval of Staff Recommendation to approve a Non-Service-Connected Disability

Mary Z. Nacu, Assistant Director, Library Department. Request for a Non-Service-Connected Disability Retirement, effective June 30, 2012; 10.24* years of service.

2.3 Approval of Service Retirements

- a. **Maria Aguilar**, Development Specialist, Housing Department, effective December 22, 2012; 30.13* years of service.
- b. **Qiming Huang**, Sanitary Engineer, Department of Transportation, effective December 8, 2012; 16.59* years of service.
- c. **Mike M. Imanaka**, Senior Events Coordinator, Department of Transportation, effective November 24, 2012; 12.80* years of service.

- d. **Henry Servin**, Senior Engineer, Department of Transportation, effective December 22, 2012; 14.43* years of service.
- e. **David T. Smith**, Associate Engineering Technician, Department of Transportation, effective November 24, 2012; 11.60* years of service.

2.4 Approval of Deferred Vested

- a. **Renee Lisa Combs**, Library Clerk, Library Department, effective December 24, 2012; 6.84* years of service.
- b. **Steve D. Grimley**, Groundswoker, Parks, Recreation & Neighborhood Services, effective December 26, 2012; 19.03* years of service.
- c. **Mansour M. Nasser**, Deputy Director, Environmental Services Department, effective December 8, 2012; 27.11* years of service.
- d. **Diane E. Shantz**, Senior Public Safety Dispatcher, Police Department, effective December 22, 2012; 16.12* years of service.

2.5 Rescission of Retirement Application

- a. Approval to rescind the application of **Mharr Dirige**, approved at the October 18, 2012 meeting for the effective date of September 17, 2012.

2.6 Approval of Board Minutes

- a. Approval of Board Minutes of October 18, 2012.

2.7 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

2.8 Acceptance of Communication/Information Reports

- a. Benefits Review Forum Report, October 2012.
- b. Memo from Alex Gurza, Deputy City Manager, regarding Risk and Volatility, dated November 6, 2012.
- c. Educational Travel Reports:
 - Albourne Client Conference, Chicago, IL – October 2-3, 2012 – by Marty Dirks.

2.9 Approval of Travel / Conference Attendance

- a. Pete Constant - CalAPRS, Board Leadership Institute: Advanced Principles in Governance, A CalAPRS Education Partnership w/ UCLA Anderson School of Management - January 29-31, 2013.

3. DEATH NOTIFICATIONS (Moment of Silence)

Chair Loesch acknowledged Peter Tanuska for his service to the City.

- 3.1 Florence Collins**, Senior Library Clerk, retired 01-10-87, died 10-04-12. No survivorship benefits.
- 3.2 Jeffrey E. Ford**, Recreation Program Specialist, active employee, died 09-03-12. Survivorship benefits to Melissa A. Ford, spouse.
- 3.3 Yukio Kawabata**, Gardener, retired 01-31-87, died 09-19-12. No survivorship benefits.
- 3.4 Robert E. Martin**, Senior Custodian, retired 09-03-83, died 10-14-12. No survivorship benefits.
- 3.5 Stephen R. Ottens**, Painter, retired 11-25-07, died 09-06-12. Survivorship benefits to Patricia Ottens, spouse.
- 3.6 Dorothy M. Stephan**, Senior Typist Clerk, retired 07-05-92, died 09-25-12. No survivorship benefits.
- 3.7 Roy U. Storer**, Building Inspector, retired 01-14-78, died 09-30-12. Survivorship benefits to Rita Storer, spouse.
- 3.8 Peter Tanuska**, Survey Field Supervisor, retired 03-31-11, died 09-05-12. No survivorship benefits.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

Board entered into Closed Session for Items 4.1, 4.2 and 4.3 at 1:05 p.m. Mr. Leiderman referenced an error on Item 4.2, correction was made for Code Section 54956.9(a) and noted "4 cases" instead of "3 cases."

4.1. 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.

4.2. CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 454956.9(a) (43 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

4.3. CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – PURSUANT TO GOVERNMENT CODE SECTION §54956.9(c) – Deciding whether to initiate litigation (one case).

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Board reconvened from Closed Session at 1:53 p.m. for Items 4.1, 4.2 and 4.3. There was no reportable action out of Closed Session. Item 5.6 was heard after Closed Session.

OPEN SESSION

4.4. Update on Pension Administration System RFP.

Ms. Busse reported that she expects to bring a recommendation to the Board at the January 2013 Board meeting.

4.5. Discussion and action authorizing the Secretary to negotiate and execute an agreement with Granicus for Agenda Management Software, Voting System Software, and Hosting Services; and additional budget of \$15,000 for mobile services.

Ms. Busse led the discussion and responded to questions from the Board.

A motion was made to authorize the Secretary to negotiate and execute an agreement with Granicus for Agenda Management Software, Voting System Software, and Hosting Services; and additional budget of \$15,000 for mobile services.

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

4.6. Update on Retirement Services organization and staffing.

Ms. Busse reported to the Board that Leslie Lamb the new Benefits Manager started on October 29, 2012, and the Department also filled an Analyst position.

4.7. Discussion and action on the status of the Retirees Association dues change.

Ms. Busse led the discussion regarding the Retirees Association dues changes and responded to questions from the Board.

A substitute motion was made to approve the dues change letter for Retirees' Association and authorize staff to provide the addresses on a periodic basis as updates to the Retirees' Association.

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

5. NEW BUSINESS

5.1. Investments

a. Presentation of the Pension Trust Flash Performance Report as of October 2012.

Brad Regier from Meketa Investment Group, presented the Pension Trust Flash Performance Report as of October 31, 2012, and responded to questions from the Board.

Note and file.

b. Discussion and action on approval for the Secretary to negotiate and execute a contract extension with Eagle Asset Management for a three-year term ending June 30, 2015.

A motion was made for the Secretary to negotiate and execute a contract extension with Eagle Asset Management for a three-year term ending June 30, 2015.

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

Items 5.2 was heard at 8:30 a.m., followed by Item 5.3.

**5.2. Discussion and action on Cheiron's preliminary Valuation Results.
(Time certain 8:30 a.m.)**

Bill Hallmark and Ann Harper from Cheiron presented the preliminary Valuation Results and responded to questions from the Board.

Extensive discussion continued.

Chair Loesch directed Cheiron to do the following:

- Note on document that it is not inclusive of Measure B, except for Tier 2.
- Approved continue current floor method for Tier 1; Use % of pay for Tier 2.
- Show prepayment estimate in \$\$'s separate for Tier 1 and Tier 2.
- Confirmed Tier 1 only reflects Tier 1 payroll.
- Calculate impact of SRBR.
- List from Cheiron on other Measure B items and their understanding of the impact on the valuation (update list from before)
- 5-year projection showing \$\$ difference from before.
- Hard copy of key screen shots from modeling done at the meeting.
- Final Valuation to come on the December Board meeting/Other requests to be billed as additional work.

A motion was made to continue the "greater of" formula for Tier 1 and use % of pay times actual payroll for Tier 2.

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

A motion was made to direct Cheiron to show prepayment of City contribution for Tier 1 and Tier 2 in the actuarial valuation.

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

A motion was made to direct Cheiron to calculate impact of SRBR and confirm Tier 1 to only reflect Tier 1 payroll.

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

Chair Loesch directed Cheiron to provide with a list elements that would change the calculations that would affect the valuations at the December meeting.

A motion was made for Investment Committee to review the current capital market assumptions and correlation and forward their recommendation to Cheiron.

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

5.3. Discussion and action on Cheiron's preliminary OPEB Assumptions. (*Immediately following Item 5.2, time certain 8:30 a.m.*)

Bill Hallmark and Mike Schionning of Cheiron presented the preliminary OPEB Assumptions and responded to question from the Board.

Extensive discussion continued.

A motion was made to have the Health Care trend rate to stay at 4.5%.

Approved. (M.S.C. – Andrews/Armstrong, 5-2-0, Nos-Odell and Overton)

A motion was made to use the 3.5% suggested expected real return on assets pending review by the Investment Committee.

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

A motion was made to approve the recommended blended discount rate methodology.

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

5.4. Discussion and action on System Expenses for September 2012.

A motion was made to approve the System Expenses for September 2012.

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

5.5. Discussion and action on Stakeholder's Education.

Trustee Andrews led the discussion regarding the Stakeholders' Education. Brief discussion continued. Stakeholders' Education will be re-agendized to next month to further explore creating a position, how to create other ways of communication to members and how other departments communicate with their clients.

Chair Loesch continued with the Federated City Employees' Health Care Trust Agenda.

Item 5.6 was heard after Closed Session Item 4.1, 4.2 and 4.3, as noted on Orders of the Day.

5.6. Discussion and action on a City Ordinance amending various sections of Chapter 3.28 of Title 3 of the San Jose Municipal Code to clarify the City Charter supersedes the Federated City Employees Retirement Plan in event of conflict, clarify the definition of Tier 2 member, discontinue the Supplemental Retiree Benefit Reserve, clarify actuarial soundness is determined consistent with the California Constitution, and make additional requirements for mandatory Medicare enrollment, to be effective January 1, 2013.

Chair Loesch led the discussion regarding the City Ordinance amending various sections of Chapter 3.23 of the Title 3 of the San Jose Municipal Code.

A motion was made to make the memo public and to waive confidentiality and recommend legal counsel to prepare a response letter and transmit it to the City Council.

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

Bob Leninger, President of the San Jose Retirees' Association and Susan Devencenzi, Retiree addressed the Board.

Chair Loesch directed staff to forward the Federated Board meeting transcript to Councilmember Constant and Susan Devencenzi when completed.

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

Deferred

OPEN SESSION

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 **Investment Committee (Druyan/Odell /Dirks)**

Last Meeting: October 10, 2012 - Next Meeting: December 12, 2012

No update.

6.2 **Audit Committee (Armstrong/Andrews/Overton)**

- Next Meeting: November 26, 2012

a. **Update from Chair of Audit Committee.**

Chair of the Audit Committee, Trustee Armstrong reported that the first meeting is scheduled for November 26, 2012,

6.3 **Governance Committee (Loesch/Armstrong/Odell)**

Last Meeting: August 31, 2012 - Next Meeting: TBD

a. **Update from Chair of Governance Committee.**

Chair of the Governance Committee, Chair Loesch informed the Board and Counsel to reach out to Cortex if they haven't been contacted for an interview regarding the Cortex research project.

6.4 **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 of the Ad Hoc Personnel Committee, Chair Loesch noted that they hope to schedule interviews in the near future.

b. Discussion and action on recruitment process for the Director and Chief Investment Officer.

Chair Loesch stated that the Committee hopes to schedule interviews and once background check is finalized, then the Investment Committee will review the candidates.

c. Discussion and action regarding scope, composition, and duties of the committee.

Chair Loesch led the discussion regarding scope, composition, and duties of the committee.

A motion was made to extend the term of the Ad Hoc Personnel Committee until the completion of the CIO search end of January/February.

Approved. (M.S.C. Loesch/Andrews, 7-0-1)

7. EDUCATION & TRAINING Note and file

7.1 Educational Programs and Courses

- a. CalAPRS – Advanced Course in Retirement Plan Administration, Los Angeles Marriott Burbank Airport Hotel, Burbank, CA – December 5-7, 2012.

7.2 Conferences and Seminars

7.3 Research Papers and Articles

• **FUTURE AGENDA ITEMS**

• **PUBLIC/RETIREE COMMENTS**

Bob Leninger, President of the San Jose Retirees' Association, inquired if the Board would consider the 50/50 cost share of the retiree association notices, similar to that which was approved at the Police & Fire Department Retirement Plan. Trustee Odell stated that he didn't think the Board can justify using the Plan assets for non-Plan matters.

Chair Loesch stated the Trustee Dirks has expressed that due to scheduling conflicts he cannot attend the Investment Committee meetings. Chair Loesch asked Trustee Andrews to assume the vacated position by Trustee Dirks, to be effective immediately.

- **ADJOURNMENT**

Meeting was adjourned at 2:25 p.m.



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

ATTEST:



**DONNA BUSSE
ACTING DIRECTOR, RETIREMENT SERVICES**