

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Special Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

July 26, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, July 26, 2012 at 8:35 a.m., in a Special Meeting at Department of Retirement Services Office, Suite 600, 1737 North First Street, San Jose, California 95112. Chair Loesch called the meeting to order at 8:35 a.m.

PRESENT:

BOARD MEMBERS

Matt Loesch, Chair -Present
Lara Druyan, Vice-Chair -Present
Arn Andrews -Present
Michael Armstrong -Absent
Martin Dirks -Present
Stuart Odell -Present
Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Absent
Patrick Connoll (Alternate) -Present

DIRECTOR RETIREMENT SERVICES

Russell U. Crosby -Absent
Donna Busse (Alternate) -Present

COUNSEL

Harvey Leiderman -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
Toni Johnson
Sonia Morales
Christina Lynne

ALSO PRESENT:

Allison Suggs, Office of Employee Relations
Steve McCourt, Meketa Investment Group

CALL TO ORDER: 8:35 a.m.

Chair Loesch read Closed Session items into record and without delay entered into Closed Session at 8:35 a.m.

• ORDERS OF THE DAY

1. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

1.1 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a),

Paul Mulholand, James Unland and Mary Follenweider, Plaintiffs v. Russell Crosby, Mike Moehe, City of San Jose and Does 1 through 10 Defendants; the Board of Directors of the San Jose Police and Fire Retirement Board and the Board of Directors of the City of San Jose

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.

Federated City Employees Retirement System, Necessary Parties in Interest, Santa Clara County Superior Court No. 1-12-CV-219748.

1.2 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a),

City of San Jose, Plaintiff v. San Jose Police Officers' Association, et al.; Defendants, United States District Court, Northern District of California (San Jose Division), No. C12-02904 LHK-PSG

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

Chair Loesch reconvened from Closed Session at 9:35 a.m.

There was no report out on Closed Session Items 1.1 and 1.2.

OPEN SESSION

Chair Loesch called meeting to order at 9:35 a.m.

A motion was made to Waive Sunshine for Item 2.1.

Approved. (M.S.C. Overton/Druyan, 6-0-1, Absent-Armstrong)

2. NEW BUSINESS (Time Certain, not before 9:30 a.m.)

2.1 Discussion and action regarding recruitment of Director and Chief Investment Officer positions:

Chair Loesch led the discussion regarding the recruitment of Director and Chief Investment Officer.

a. Approval of the job descriptions

A motion was made to approve the job descriptions of the CEO, CIO and the posting of publication of the CIO.

Approved. (M.S.C. – Andrews/Dirks, 6-0-1, Absent-Armstrong)

b. Delegation to the Ad Hoc Personnel Committee for selection of search firm(s) and the budget expenditure for the searches.

Chair Loesch led the discussion regarding the delegation to the Ad Hoc Personnel Committee in the selection of search firm(s) and to approve the necessary budget expenditure for the searches. He stated that if Board does not delegate, then delegation may not happen until the August Board meeting.

The Board continued discussion.

A motion was made to delegate authority to the Ad Hoc Personnel Committee for the selection of the search firm(s) and to approve the necessary budget expenditure for the search fees.

Approved. (M.S.C. – Andrews/Dirks, 6-0-1, Absent-Armstrong)

2.2 Discussion and action regarding the status of investment manager research to fulfill the Board approved asset allocation.

Chair Loesch led the discussion regarding the status of investment manager research and added that Investment staff and consultants from Meketa and Albourne are present to update the Board on the status of investment research and asset allocation. Stephen McCourt present and Laura Wirick (via teleconference) from Meketa Investment Group and John Claisse from Albourne updated the Board and responded to questions from the Board. Investment Staff, Heidi Poon and Daryn Miller updated the Board on the private equity, hedge funds, due diligence and responded to questions and concerns from the Board. Ron Kumar (via teleconference) updated the Board on investment contracts and city policies and responded to any questions from the Board.

2.3 Discussion and action regarding the review and recommendation to the City Manager to place interim executives in the Chief Investment Officer and Director positions.

Chair Loesch led the discussion regarding the review and recommendation to place interim executives in the Chief Investment Officer (CIO) and Director (CEO) positions. He noted the resignation of the CIO on July 31st and the Director last day is the end of August 2012.

Extensive discussion continued.

A motion was made to delegate to the Ad Hoc Personnel Committee to work with City Manager's Office on the selection and process of selection of an interim CIO and CEO.

Approved. (M.S.C. – Andrews/Dirks, 6-0-1, Absent-Armstrong)

An amended motion was made delegate the Federated Ad Hoc Personnel Committee to work with the Police & Fire Ad Hoc Personnel Committee to work along with City Manager's Office on the selection of an interim CIO and CEO.

Approved. (M.S.C. – Andrews/Dirks, 6-0-1, Absent-Armstrong)

2.4 Discussion and action regarding the City's request for recommendations on Tier 2 draft implementing ordinances.

Chair Loesch led the discussion regarding the City's request for recommendations on Tier 2 draft implementing ordinances and solicited to the Trustees any comments or questions. Jennifer Schembri from the City Manager's Office updated the Board on the timeline of Tier 2 draft Ordinance and responded to questions from the Board.

A motion was made to have staff send questions from Legal Counsel, staff and Cheiron to City Administration in a formal letter and request that they respond at the August 16th Board meeting.

Approved. (M.S.C. – Andrews/Druyan, 6-0-1, Absent-Armstrong)

2.5 Discussion and action on First Amendment to Legal Services Contract – Reed Smith LLP.

Ms. Busse led the discussion regarding the First Amendment to Legal Services Contract – Reed Smith LLP and responded to questions from the Board.

A motion was made to approve the First Amendment to Legal Services Contract – Reed Smith LLP.

Approved. (M.S.C. – Overton/Druyan, 6-0-1, Absent-Armstrong)

3. COMMITTEES/REPORTS/RECOMMENDATIONS

3.1 Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)

Last Meeting: July 19, 2012 - Next Meeting: TBD

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

Chair Loesch updated the Board status of the Ad Hoc Personnel Committee and noted that the Committee will be meeting in the afternoon to discuss interviewing search firms, interim staffing, roles with the City, the resignation of the CIO effective July 31st and timelines for hiring.

• **FUTURE AGENDA ITEMS**

Discussion on State Auditor's Office Report, due August 21st.

• **PUBLIC/RETIREE COMMENTS **None****

- **ADJOURNMENT**

Meeting adjourned at 11:45 a.m.



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

ATTEST:



**RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES**