

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

FEBRUARY 10, 2011

### CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, February 10, 2011, in regular session at City Hall in the Wing Meeting Rooms 119-120, 200 East Santa Clara Street San José, California 95113.

### PRESENT:

#### BOARD MEMBERS

Matt Loesch, Chair, Trustee -Present  
 Ed Overton, Vice-Chair, Trustee -Present (arrived 8:49 a.m.)  
 Arn Andrews, Trustee -Present  
 Michael Armstrong, Trustee -Present  
 Lara Druyan, Trustee -Present (arrived 8:42 a.m.)  
 Stuart Odell, Trustee -Present  
 Vacant, Trustee

#### DIRECTOR RETIREMENT SERVICES BOARD SECRETARY

Russell U. Crosby -Present

### ALSO PRESENT:

Pete Constant	-Councilmember	Russ Richeda	-Conflicts Counsel
Mollie Dent	-City Attorney	Ali Amiry	-Staff
Carmen Racy-Choy	-Staff	Jesselle Holcomb	-Staff
Ron Kumar	-Staff	Charlet Allen	-AFSCME MEF/CEO
Veronica Niebla	-Staff	Allison Suggs	-OER
Donna Busse	-Staff	Carol Bermillo	-Staff
Michael Moehle	-Staff	Gerry Chappuis	-Staff
Mary Dariano	-Staff	Amanda Ramos	-Staff
Sonia Morales	-Staff	Toni Johnson	-Staff
Roger Pickler	-Staff	Scot Stillwell	-Retiree
Antonio Guerra	-Mayor's Office		

### CALL TO ORDER

8:35 a.m.

### ORDERS OF THE DAY

Defer item 16  
 Item 1 – defer until March  
 Item 3eee – correct spelling from principle to principal  
 Item 3hhh – correct spelling from Scott to Scot

#### 1. City Clerk Swearing in of Newly Appointed Trustee

Deferred to March meeting

\*Estimated

## RETIREMENTS

### CONSENT CALENDAR (Items 2 through 11)

A motion was made to approve the Consent Calendar. **Approved.** (M.S.C. Andrews/Armstrong 4-0-2, Overton and Druyan absent)

#### **2. Adoption of Resolution Denying Disability Retirement**

Adoption of Resolution 6711 denying the application of **M. Michael Pribula** for a change in status from a Service Retirement to a Non-Service-Connected Disability (NSCD) Retirement.

#### **3. Request for Approval of Service Retirements**

- a. **Jan E. Alford**, Staff Specialist, Police Department, effective March 19, 2011; 9.64\* years of service.
- b. **Philip Babakhan**, Geographic System Specialist II, Public Works Department, effective March 19, 2011; 21.17\* years of service.
- c. **Magdalena Bastida**, Senior Office Specialist, Police Department, effective March 19, 2011; 30.27\* years of service.
- d. **Ceferino B. Biton**, Senior Construction Inspector, Public Works Department, effective March 19, 2011; 22.03\* years of service.
- e. **Beatrice A. Braddock**, Senior Office Specialist, Planning, Building & Code Enforcement Department, effective March 19, 2011; 8.81\* years of service.
- f. **Nathaniel Brown**, Facility Attendant, General Service Department, effective March 19, 2011; 27.64\* years of service.
- g. **James E. Cason**, Senior Construction Inspector, Public Works Department, effective March 19, 2011; 19.66\* years of service.
- h. **Margaret Chang**, Senior Account Clerk, Environmental Services Department, effective March 19, 2011; 22.64\* years of service.
- i. **Delores Cisneros**, Staff Specialist, Housing Department, effective March 19, 2011; 28.21\* years of service.
- j. **Cameron S. Cleland**, Supervising Applications Analyst, Information Technology Department, effective March 19, 2011; 30.00\* years of service.
- k. **Darrell M. Coxson**, Maintenance Worker I, Department of Transportation, effective January 8, 2011; 13.68\* years of service.
- l. **Stephen Darby**, Senior Engineering Technician, Airport Department, effective March 5, 2011; 30.00\* years of service.
- m. **Gayle Davis**, Library Assistant, Library Department, effective March 19, 2011; 21.50\* years of service.
- n. **Judith L. DeWolf**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department, effective March 31, 2011; 24.14\* years of service.
- o. **Jonathan M. Dixon**, Environmental Laboratory Supervisor, Environmental Services Department, effective March 19, 2011; 23.96\* years of service.
- p. **Cleon J. Eccles**, Code Enforcement Inspector, Planning, Building & Code Enforcement Department, effective March 19, 2011; 26.52\* years of service. (With reciprocity)

\*Estimated

- q. **Nancy R. Edwards**, Senior Library Clerk, Library Department, effective March 19, 2011; 24.88\* years of service.
- r. **Rosemarie Espinoza**, Staff Specialist, Airport Department, effective March 19, 2011; 25.24\* years of service.
- s. **Pastor S. Esteves Jr.**, Heavy Diesel Equipment Operator Mechanic, Environmental Services Department, effective March 19, 2011; 25.92\* years of service.
- t. **Stephen R. Ferguson**, Chief Information Officer, Information Technology Department, effective March 19, 2011; 2.57\* years of service. (With reciprocity)
- u. **Richard Finger**, Building Inspector, Planning, Building & Code Enforcement Department, effective March 19, 2011; 13.90\* years of service.
- v. **Mary J. Follenweider**, Senior Architect, Public Works Department, effective March 19, 2011; 8.64\* years of service.
- w. **Vivian Frelix-Hart**, Housing Policy & Plan Administrator, Housing Department, effective March 5, 2011; 24.27\* years of service.
- x. **Susan E. Glass-Johnson**, Associate Construction Inspector, Public Works Department, effective March 31, 2011; 32.80\* years of service.
- y. **India E. Gonzalez**, Staff Technician, Planning, Building & Code Enforcement Department, effective February 19, 2011; 21.88\* years of service.
- z. **Michael R. Groves**, Lead Senior Deputy City Attorney, City Attorney's Office, effective March 19, 2011; 21.60\* years of service.
- aa. **Brian Hartsell**, Park Manager, Parks, Recreation & Neighborhood Services Department, effective March 19, 2011; 29.32\* years of service.
- bb. **Caryl Hathaway**, Office Specialist II, Police Department, effective March 24, 2011; 12.38\* years of service.
- cc. **Dale W. Ihrke**, Deputy Director, Environmental Services Department, effective March 19, 2011; 20.98\* years of service.
- dd. **Dorna M. Janoski**, Latent Print Examiner I, Police Department, effective March 19, 2011; 25.26\* years of service.
- ee. **Anne Katashima**, Administrative Assistant, Police Department, effective January 22, 2011; 29.86\* years of service.
- ff. **Albert J. Lopez**, Maintenance Worker II, Department of Transportation, effective February 5, 2011; 31.18\* years of service.
- gg. **Guadalupe Maldonado**, Office Specialist II, Parks, Recreation & Neighborhood Services Department, effective March 30, 2011; 24.41\* years of service.
- hh. **Jose L. Mancera**, Mechanic, General Services Department, effective March 31, 2011; 21.90\* years of service.
- ii. **Barbara A. Martin**, Senior Office Specialist, Fire Department, effective March 19, 2011; 26.45\* years of service.
- jj. **Marlene Martinez**, Senior Office Specialist, Police Department, effective March 19, 2011; 26.36\* years of service.
- kk. **Diana K. Miller**, Council Assistant II, Council District 9, effective January 5, 2011; 5.67\* years of service.
- ll. **Rita D. Moreno**, Office Specialist II, Airport Department, effective March 19, 2011; 29.55\* years of service.
- mm. **Zobeyda I. Moreno**, Library Clerk, Library Department, effective February 27, 2011; 19.69\* years of service.

- nn.** **Kathy S. Mulholland**, Police Data Specialist, Police Department, effective March 19, 2011; 22.27\* years of service.
- oo.** **Rodolfo G. Navarro**, Senior Analyst, Parks, Recreation & Neighborhood Services Department, effective March 19, 2011; 22.66\* years of service. (With reciprocity)
- pp.** **Jeanne M. Nix**, Librarian II, Library Department, effective March 5, 2011; 34.66\* years of service.
- qq.** **Rufino P. Ortiz Jr.**, Associate Engineer, Department of Transportation, effective March 19, 2011; 24.15\* years of service.
- rr.** **Randy A. Overton**, Airport Operations Supervisor, Airport Department, effective March 19, 2011; 28.03\* years of service.
- ss.** **Maryellen Parra**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department; effective March 31, 2011; 30.02\* years of service.
- tt.** **Mary Sue Pascoe**, Recreation Program Specialist, Parks, Recreation & Neighborhood Services Department, effective March 19, 2011; 19.30\* years of service.
- uu.** **Donella Prince**, Environmental Inspector II, Environmental Services Department, effective March 19, 2011; 19.38\* years of service.
- vv.** **Patricia Ramos-Anderson**, Community Coordinator, City Manager's Office, effective March 5, 2011; 30.03\* years of service.
- ww.** **Jorge Reyes**, Painter Supervisor, Environmental Services Department, effective March 19, 2011; 22.46\* years of service.
- xx.** **Maria C. Rodriguez**, Senior Office Specialist, Police Department, effective March 19, 2011; 24.73\* years of service.
- yy.** **Jagdish B. Rupani**, Senior Engineering Technician, Public Works Department, effective January 8, 2011; 21.91\* years of service.
- zz.** **Pierre P. Schutz**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department, effective March 31, 2011; 19.35\* years of service.
- aaa.** **Gregory J. Seaton**, Buyer II, Finance Department, effective February 19, 2011; 5.41\* years of service.
- bbb.** **Anthony J. Seebach**, Information System Analyst, Information Technology Department, effective February 5, 2011; 29.10\* years of service.
- ccc.** **Patrice A. Shaffer**, Planner II, Planning, Building & Code Enforcement Department, effective March 31, 2011; 25.35\* years of service.
- ddd.** **Marceena Short**, Senior Office Specialist, Environmental Service Department, effective March 19, 2011; 22.09\* years of service.
- eee.** **Sandra L. Sly**, Principal Account Clerk, Police Department, effective March 19, 2011; 15.55\* years of service.
- fff.** **Brian M. Smith**, Plant Operator, Environmental Services Department, effective February 6, 2011; 30.02\* years of service.
- ggg.** **Willa M. Stangel**, Administrative Assistant, Council District 8, effective March 19, 2011; 11.27\* years of service.
- hhh.** **Scot B. Stilwell**, Senior Public Safety Dispatcher, Police Department, effective March 19, 2011; 20.05\* years of service.
- iii.** **Glenda St. John**, Senior Office Specialist, Department of Transportation, effective March 19, 2011; 19.57\* years of service.
- jjj.** **Charles J. Territo**, Building Inspector/Combination Certified, Public Works Department, effective March 19, 2011; 20.76\* years of service.

\*Estimated

- kkk. Cheryl Uyehara**, Analyst II, Fire Department, effective March 19, 2011; 26.46\* years of service. (With reciprocity)
- lll. Anna M. Vanegas**, Code Enforcement Inspector, Planning, Building & Code Enforcement Department, effective February 19, 2011; 30.04\* years of service.
- mmm. Cora S. Velasco**, Recreation Superintendent, Parks, Recreation & Neighborhood Services, effective March 5, 2011; 25.27\* years of service.
- nnn. Felipe S. Vera Cruz**, Associate Civil Engineer, Planning, Building & Code Enforcement Department, effective March 19, 2011; 21.80\* years of service.
- ooo. Daniel J. Watson**, Aquatic Toxicologist, Environmental Services Department, effective March 19, 2011; 18.08\* years of service. (With reciprocity)
- ppp. Dixie L. Weatherall**, Supervising Public Safety Dispatcher, Police Department, effective February 19, 2011; 20.54\* years of service.
- qqq. Yolanda S. Wilson**, Accounting Technician, Department of Transportation, effective March 19, 2011; 25.66\* years of service.
- rrr. Diana D. Zappel**, Senior Analyst, Library Department, effective March 31, 2011; 26.18\* years of service.

**4. Deferred Vested**

- a. Cynthia J. Keehen**, Supervising Public Safety Dispatcher, Fire Department, effective February 4, 2011; 16.10\* years of service.
- b. Emma R. Kuevor**, Women's Coordinator, City Manager's Office, effective March 30, 2011; 2.00\* years of service. (With reciprocity)
- c. Jess A. Valdez**, Custodian, General Services Department, effective March 9, 2011; 20.32\* years of service.
- d. Judy H. Wehling**, Custodian, Airport Department, effective January 27, 2011; 12.5\* years of service.

**5. Board Minutes**

Approval of Board Minutes of January 13, 2011.

**6. Return of Contributions**

- a. Voluntary**
- b. Involuntary**

**7. Investment Summary Report**

- a. Report on Investments as of November 30, 2010.**
- b. Report on Investments as of December 31, 2010.**

**8. Approval of Monthly Expenditures**

Report of Federated Retirement Plan Expenses for December 2010.

9. **Investments**

- a. Adoption of Resolution No. 6709 acknowledging receipt of report on investments for the period November 1, 2010 through November 30, 2010.
- b. Adoption of Resolution No. 6712 acknowledging receipt of report on investments for the period December 1, 2010 through December 31, 2010.

10. **Communication/Information**

Benefits Review Forum Report for January 2011

11. **Approval of Travel Conference Attendance**

- a. **Stuart Odell** - CalAPRS, Principles for Trustees, Stanford Law School, Palo Alto, CA – March 22-25, 2011.
- b. **Lara Druyan** - CalAPRS, Principles for Trustees, Stanford Law School, Palo Alto, CA – March 22-25, 2011.
- c. **Matt Loesch** - Institutional Investor Global Real Assets Investment Forum, New York, NY – February 8-9, 2011. **(Cancellation)**  
- Milken Institute 2011 Global Conference, Los Angeles, CA - May 1-4, 2011.

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

- a. **Antone J. Adesso**, Retired Maintenance Worker I, retired 01/08/77, died 01/10/11. No survivorship benefits.
- b. **Valentine S. Brazelton**, Retired Senior Housing Sanitarian, retired 03/31/79, died 01/06/11. No survivorship benefits.
- c. **Francis L. Greiner**, Retired City Clerk, retired 04/19/80, died 01/14/11. No survivorship benefits.
- d. **Allodene F. McInerney**, Retired Senior Account Clerk, retired 11/17/88, died 01/04/11. Survivorship benefits to John J. McInerney, spouse.
- e. **Antonio V. Ruiz**, Retired Maintenance Worker I, retired 06/20/85, died 12/23/10. Survivorship benefits to Dominga M. Ruiz, spouse.
- f. **Verne B. Troup**, Retired Deputy Director, retired 05/15/84, died 12/17/10. Survivorship benefits to Christine Troup, spouse.

**OLD BUSINESS-DEFERRED/CONTINUED ITEMS**

13. Discussion and action regarding Cheiron's findings with respect to IRC 401(h) testing procedures.

Cheiron performed an analysis to determine if the subordination limits described in the Internal Revenue Code Section 401(h) have been satisfied historically and are likely to be satisfied in the future. The limits have been satisfied through June 30, 2010; however, Cheiron projected that the limit will be reached around June 30, 2011 at 24.9%. Consequently, they recommend that the limit be monitored closely as the fiscal year progresses. Furthermore, the planned contributions to the 401(h) account for the fiscal year ending June 30, 2012 would exceed the subordination limit at 27%.

Lara Druyan arrived at 8:42 a.m.

Senior Deputy City Attorney Mollie Dent reported that the City Attorney's office is working with the Office of Employee Relations to set up a different vehicle for contributions. A common vehicle for these contributions is a Internal Revenue Code Section 115 Trust. Ms. Dent will provide a draft amendment to the Municipal Code for the Board to review regarding establishing a new trust.

Trustees expressed concern over the short timeline to establish the new trust and requested regular updates going forward. Councilmember Constant advised that there is a special study session to prioritize ordinances and this item will be included on that agenda.

Trustee Overton arrived at 8:49 a.m.

A motion was made to request that staff officially notify the Mayor and City Council about the information from Cheiron and make this a standing item on future agendas. **Approved.** (M.S.C. Loesch/Andrews, 6-0-0)

#### NEW BUSINESS

14. Approval of change of retirement date of **Steven R. Wilson** from January 22, 2011 to January 29, 2011. **Approved.** (M.S.C. Andrews/Odell, 6-0-0)
15. Staff investment overview presentation.

A motion was made to waive the City's Sunshine requirements because the PowerPoint presentation was not available early enough to meet the posting requirement and the presentation is educational in nature. Councilmember Constant questioned whether it was necessary to waive Sunshine for presentation materials. Senior Deputy City Attorney Dent stated that she will check. **Approved.** (M.S.C. Andrews/Druyan, 6-0-0)

Deputy Director Carmen Racy-Choy presented an investment orientation for the Federated City Employees' Retirement System's Trustees. It included pension plan structure, background information, investment risk in a pension plan context, long term asset mix, conclusions, and items for future agendas.

Future agenda items include review of Equity, Fixed Income, and Real Asset investment structures, management of the short-term asset allocation, currency risk, hedging, and risk measures. Trustees will provide their preferred risk measures to staff so future reports can include those analytics. Ms. Racy-Choy stated that plan investment performance will be discussed at the next meeting.

16. Adoption of Resolution No. 6713 approving modifications to the Federated City Employees' Retirement System's Statement of Investment Policy to revise the language regarding Derivatives and to remove the responsibilities of the Investment Committee. – **Deferred.**

17. Discussion of AB1743 and action on amendment to Board's Placement Agent Policy.

A motion was made to approve the amendment to Board's Placement Agent Policy in order to be consistent with California State Code. **Approved. (M.S.C. Andrews/Overton, 6-0-0)**

18. Discussion and direction on proposed Securities and Exchange Commission (SEC) rule relating to registration of municipal investment advisors and potential impact on Board members.

A motion was made to direct the City Attorney's Office to draft two template letters: one from individual Trustees and a second from the entire Board and signed by the Chairman, expressing opposition to the recent SEC rule making that all Board members must be registered with the SEC. Mr. Constant advised that elected Congressional officials should be copied on the letters submitted to the SEC. **Approved. (M.S.C. Andrews/Druyan, 6-0-0)**

**STANDING COMMITTEES / REPORTS / RECOMMENDATIONS**

19. **Policy Committee (Overton/Armstrong/Loesch – alternate/Andrews) - None**

**EDUCATION AND TRAINING – Note and File**

20. **Notification of CalAPRS' Training**

- a. General Assembly, Monterey, CA – March 6, 2011 thru March 8, 2011.
- b. Principles for Trustees, Stanford Law School, Palo Alto, CA – March 22-25, 2011.

21. **Notification of IFEBP Training**

- a. IFEBP, Investments Institute, Las Vegas, NV – Monday, April 11, 2011 thru April 13, 2011.
- b. Portfolio Concepts and Management, Philadelphia, PA – Monday, May 23, 2011 thru Thursday, May 26, 2011.
- c. Trustees and Administrators Institutes – New Trustees, The Mirage, Las Vegas, NV – Monday, June 13, 2011 thru June 15, 2011.
- d. Certificate of Achievement in Public Plan Policy (CAPPP) – Employee Pensions – **Part I**, The University of Chicago, Gleacher Center, Chicago, IL - Tuesday, June 14-15, 2011.
- e. CAPPP – Employee Health – **Part I**, The University of Chicago, Gleacher Center, Chicago, IL – Tuesday, June 14-15, 2011.
- f. CAPPP – Employee Pensions – **Part II**, The University of Chicago, Gleacher Center, Chicago, IL – Thursday, June 16-17, 2011.
- g. CAPPP – Employee Health – **Part II**, The University of Chicago, Gleacher Center, Chicago, IL - Thursday, June 16-17, 2011.



**FUTURE AGENDA ITEMS**

1. Further review of investment portfolio
2. 401(h) limits
3. E-mail comment from retiree
4. SEC rule making

**PUBLIC/RETIREE COMMENTS**

There were no public comments. The Chair received an email comment that will be included on the next agenda

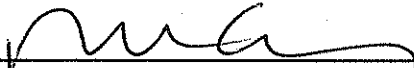
**ADJOURNMENT**

10:18 a.m.



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

**ATTEST:**



**RUSSELL U. CROSBY, DIRECTOR  
BOARD OF ADMINISTRATION**