

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

June 20, 2013

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, June 20, 2013 at 8:33 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 -Present

DIRECTOR RETIREMENT SERVICES

Roberto L. Pena -Present

COUNSEL

Harvey Leiderman, General and Fiduciary Counsel
-Present

RETIREMENT SERVICES STAFF PRESENT: Donna Busse, Sonia Morales, Linda Alexander, Tram Doan, Daryn Miller, Heidi Poon, Lesley Lamb, Barbara Hayman, Gina Billings, Ron Kumar.

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Yolanda Cruz, AFSCME-MEF, Alex Gurza, Deputy City Manager; Cheryl Parkman, OER; Brad Reiger; Meketa, Laura Wirick; Meketa, Pete Wiler; Abel Noser, Mary Davidson; Abel Noser.

Chair Loesch called to order both the Federated City Employees Retirement System and Health Care Trust meetings at 8:33 a.m.

Board entered into Closed Session at 8:34 a.m. The Board returned from Closed Session at 9:02a.m. The Board reconvened into Open Session at 9:03 a.m. and proceeded with The Orders of the Day.

CLOSED SESSIONS

Closed Session Agenda

I. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

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

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FCERS 08-15-13

Court No. 1-12-CV-219748.

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

II. NEW BUSINESS

Investments

- A. CLOSED SESSION: CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OF PARTICULAR PENSION FUND INVESTMENTS (TWO INVESTMENTS).**
- B. CLOSED SESSION: PUBLIC EMPLOYEE APPOINTMENT AND EMPLOYMENT. GOVERNMENT CODE SECTION 54957(b)(1) – POSITION: CHIEF INVESTMENT OFFICER/ASSISTANT DIRECTOR OF RETIREMENT SERVICES.**

There was no reportable action out of Closed Session.

OPEN SESSION – 9:30 A.M. time-certain or soon thereafter
Regular Agenda

• **ORDERS OF THE DAY**

Health Care Trust will be heard first, the Pension will be heard afterwards

1.5f - Waive Sunshine

3.a - Waive Sunshine, Revise Cheiron 7421 remove “tentative” ON 7TH Recital: the reference to 0.039 should read “0.39%”

3.b - Waive Sunshine, Revise Cheiron 7422 remove “tentative” on 8th and 9th Recitals and in Paragraph 1.

There was a motion to approve the Orders of the Day.

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

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Chair Loesch stated that this is the first meeting that the Board is using Electronic Board Packets and thanked Staff who put this together.

1. CONSENT CALENDAR

A motion was made to approve Consent Calendar Items 1.1a through 1.7.

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

1.1 Approval of Service Retirements

- a. **Mark S. Corniuk**, Senior HVAC Mechanic, Public Works Department, effective August 3, 2013; 27.28* years of service.
- b. **Kenneth Jones**, Groundworker, Parks, Recreation and Neighborhood Services Department, effective May 11, 2013; 24.83* years of service.
- c. **Sally H. Lane**, Public Safety Radio Dispatcher II, Fire Department, effective August 18, 2013; 22.76* years of service. (With reciprocity)
- d. **Malinda S. Lewis**, Office Specialist II, Police Department, effective August 3, 2013; 15.06* years of service.
- e. **Rebecca C. MacRae**, Senior Office Specialist, Police Department, effective August 17, 2013; 15.00* years of service. (SCD pending)
- f. **Ronald E. McLin**, Maintenance Assistant, Department of Transportation, effective May 23, 2013; 11.76* years of service.
- g. **Rosa Linda Rojas**, Senior Public Safety Dispatcher, Fire Department, effective August 17, 2013; 23.05* years of service
- h. **Cheryl Turay**, Public Safety Radio Dispatcher, Fire Department, effective August 17, 2013; 23.05* years of service. (With reciprocity)

1.2 Approval of Deferred Vested

- a. **John C. Labudde**, Senior Painter, Airport Department, effective July 2, 2013; 13.95* years of service
- b. **Jose V. Machuca**, Custodian, Airport Department, effective July 4, 2013; 9.17* years of service.
- c. **Christopher Martinelli**, Heavy Diesel Mechanic, Environmental Services Department, effective June 5, 2013; 26.33* years of service.

- d. **Sedara Olker**, Community Activity Worker, City Manager's Office, effective May 21, 2013; 12.58* years of service.
- e. **Sylvia M. Quesada**, Secretary, Public Works Department, effective August 24, 2013; 24.95* years of service.
- f. **Deborah A. Schembri**, Public Safety Dispatcher, Police Department, effective July 1, 2013; 0.44* years of service.
- g. **Diane McCroskey Smith**, Librarian II, Library Department, effective August 15, 2013; 10.68* years of service.

A motion was made to approve the Consent Calendar 1.1a-1.1h and Approval of Deferred Vested 1.2a through 1.2g

1.3 Approval of Board Minutes

- a. **Approval of Board Minutes of May 16, 2013.**

1.4 Approval of Return of Contributions

- a. **Voluntary/ Involuntary**

1.5 Acceptance of Communication/Information Reports

- a. Letter from Association of Legal Professionals (ALP), regarding response to City's letter of May 15, 2013
- b. April Performance Flash report for the Pension Trust.
- c. P & I – Article: San Jose Federated wants information on outsourced CIO services, June 12, 2013.
- d. Paying for Performance, by Pensions & Investments, published: June 10, 2013
- e. Letter from Cheiron regarding Semi-Annual Lump Sum Payment, dated May 13, 2013.
- f. Memo from FCERS & P&F Boards, regarding Fiduciary Governance Model recommendations, dated 6/13/13

1.6 Approval of Travel / Conference Attendance

- a. **Lara Druyan** - FRA The Outsourced CIO Summit Conference, The Ritz-Carlton, Miami Beach, FL – June 24-25, 2013

- b. Ron Kumar - Due Diligence: Prospective Real Estate Investment Opportunity, New York, NY – June 11, 2013

- 1.7 Approval of Lifetime Retirement Monthly Payment Option to be paid to Manuela M. Carreon, ex-spouse of Senior Construction Inspector, Adelmo A. Carreon, to be effective August 19, 2013 under Part 23, Section 28.2700 of the San Jose Municipal Code.

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

- a. **Cornelius Beggs**, Senior Civil Engineer, retired 02-04-90, died 05-04-13. Survivorship benefits to Marian Beggs, spouse.
- b. **Gil Candelaria**, Parking Manager, retired 12-01-07, died 04-25-13. Survivorship benefits to Rosie Candelaria
- c. **Joseph Cuneo**, Maintenance Worker III, retired 12-17-77, died 04-23-13. Survivorship benefits to Barbara Cuneo, spouse.
- d. **Patricia J. Funk**, Telephone Operator, retired 12-17-87, died 05-10-13. Survivorship benefits to Harold S. Funk, spouse.
- e. **Joe D. Oehlert, Director**, retired 01-15-83, died 05-05-13. Survivorship benefits to Elizabeth Oehlert, spouse.
- f. **Nell H. Petry**, Steno Clerk III, retired 07-01-74, died 04-09-13. Survivorship benefits to Harvey Petry, spouse.
- g. **Victor M. Rodriguez**, Senior Construction Inspector, retired 10-04-87, died 04-19-13. Survivorship benefits to Stella I. Rodriguez, spouse.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. **Discussion and action regarding revised Resolution 7421 setting new city and employee Pension and OPEB contribution rates and amounts for 2013-2014 for Federated members in Tier 1 to be effective June 23, 2013. (Deferred from the May 16th Board meeting)**

The discussion was led by Ms. Busse. Ms. Busse reported that this is reflective of all the bargaining units now agreeing to the cap of 0.75. The word "tentative" was removed because as of Tuesday, the Unions ratified and it was approved by the City Council. The agreements are not tentative any longer.

A motion was made to approve the revised Resolution number 7421 to adopt the Contribution Rates.

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

- b. **Discussion and action regarding revised 7422 setting new city and employee Pension and OPEB contributions rates and amounts for 2013-2014 for Federated members in Tier 2 to be effective June 23, 2013. (Continued with Items 5.4a and 5.4b from the May 16th Board meeting).**

The discussion was led by Ms. Busse. She stated that his applies to Tier 2 employees. There was an agreement as part of the settlement that new employees will not be a part of any retirement medical benefit and the city will be paying the unfunded liability that is attached to them. This is based on Tier 2 members being part of the health care fund and it will change whenever the ordinance is passed.

A motion was made to approve the revised Resolution number 7422 to set contribution rates for Tier 2.

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

4. NEW BUSINESS

4.1 Investments

- a. **Presentation of the 1st Quarter 2013 Equity Transaction Cost Analysis from Abel Noser.**

Ms. Doan introduced Pete Wiler and Mary Davidson from Abel Noser (on phone). Mr. Wiler led the discussion and answered questions from the Board.

- b. **Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Abel Noser.**

Ms. Doan led the discussion and reported that Meketa Investment Group and staff recommend we retain Abel Noser at the annual fee for one year of \$11,250 for quarterly reporting.

A motion was made to approve the contract with Abel Noser

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

- c. **Discussion and action regarding adoption of Resolution 7428, revising the Investment Policy Statement**

Ms. Doan led the discussion and answered questions from the Board.

A motion was made to approve the adoption of Resolution 7428, revising the Investment Policy Statement.

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

- d. **Presentation of the 1st Quarter 2013 Performance Report for the Pension Trust.**

Ms. Wirick and Mr. Reiger from Meketa led the discussion and answered questions from the Board. The Director noted that the report did not indicate risk-adjusted returns but would do so in the future.

e. Presentation of the 4th Quarter 2012 Private Market Report.

Ms. Wirick from Meketa led the discussion and answered questions from the Board. Chair Loesch asked for quarterly manager reports.

4.2 Discussion and action on System Expenses for April 2013.

Chair Loesch led the discussion and answered questions from the Board. He said there was a memo from staff and listing of expenses.

A motion was made to approve the System Expenses for April 2013.

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

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Druyan/Odell/Andrews)

Last Meeting: June 12, 2013

- Next Meeting: August 14, 2013

a. Update from Chair of the Investment Committee.

Ms. Druyan led the discussion. She stated that Abel Noser had already been discussed in the meeting. The Committee gave direction to Cortex who is working on the RFI process for the partial outsourced CIO inquiry project and Cortex is on track.

b. Minutes of the May 8, 2013, Joint Federated and Police & Fire Investment Committee meeting.

Receive and file.

5.2 Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: May 2, 2013

Next Meeting: TBD

a. Update from Chair of Governance Committee

Chair Loesch led the discussion. Councilmember Pete Constant was asked to review the Cortex recommendations with the City Council. Mr. Peña will reach out to the Unions and Stakeholders. Mr. Peña will make a decision on four items discussed and bring back to the August meeting.

5.3 Audit Committee (Armstrong/Andrews/Overton)

Last Meeting: May 16, 2013

- Next Meeting: August 1, 2013

a. Update from Chair of Audit Committee

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Chair Armstrong gave his report. He stated that the Audit Committee will be meeting this afternoon with the Police and Fire Audit Committee. Responses to the RFI for risk analysis are due on June 21, 2013.

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

- a. Update from Chair of Ad Hoc Personnel Committee. **Receive and File.**

5.5 Ad Hoc Policy and Procedures Committee (Overton/Loesch)

- a. Update from Chair of Ad Hoc Policy and Procedures Committee. **Receive and File.**

Mr. Overton is working on the agenda.

6 EDUCATION & TRAINING

- a. Educational Programs and Courses
b. Conferences and Seminars
c. Research Papers and Articles

• **FUTURE AGENDA ITEMS**

Mr. Peña would like to see Personnel issues and changes in Staff as a regular item for the next few months.

• **PUBLIC/RETIREE COMMENTS -NONE**

• **ADJOURNMENT**

The meeting was adjourned at 10:27a.m.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES