

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

August 18, 2011

### CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, August 18, 2011 at 8:31 a.m., 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 -Present  
Ed Overton, Vice-Chair -Present  
Arn Andrews -Present  
Michael Armstrong -Present  
Lara Druyan -Absent  
Stuart Odell -Absent  
Martin Dirks -Present

#### BOARD MEDICAL DIRECTOR

Rajiv Das, M.D.

#### DIRECTOR RETIREMENT SERVICE

##### BOARD SECRETARY

Russell U. Crosby - Present

##### COUNCIL LIAISON

Pete Constant - Present

##### COUNSEL

Mollie Dent, Senior Deputy City Attorney -Present  
Russ Richeda -Present

#### RETIREMENT SERVICES STAFF

##### PRESENT

Donna Busse, Deputy Director, COO  
Carmen Racy-Choy, Deputy Director, CIO  
Veronica Niebla  
Ron Kumar  
Toni Johnson  
Heidi Poon  
Tram Doan  
Sonia Morales

#### ALSO PRESENT:

Don Ludwig, Housing Department  
Laura Wirick, Meketa Investment Group  
Kim Rose, Meketa Investment Group  
Mary Cornwell, AFSCME/CEO/Finance

### CALL TO ORDER: 8:31 a.m.

### ORDERS OF THE DAY

Chair Loesch made the following changes to the orders of the day:

- Health Care Trust Fund agenda will be heard after the Federated Board meeting;
  - Item 4.1 will be heard first;
- To be followed by the Closed Session:
- Item 4.2 is time certain at 9:00 a.m.;
  - Item 4.4 will be heard after Item 4.2;
  - Item 4.7 and Item 4.8 will be heard together;
  - Item 1.2n correction: effective date is September 17, 2011

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- Waive Sunshine requirements on Items 4.4 and 4.7.

**Approved: (M.S.C. – Andrews/Armstrong, 5-0-2, Druyan/Odell-Absent)**

Item 4.1 was heard first.

**NEW BUSINESS**

***4.1 Approval of a Second Continuation Agreement with Saltzman and Johnson for conflict counsel services to extend the term of the contract through December 31, 2011, with no increase in maximum amount payable under the contract.***

A motion was made to approve the Second Continuation Agreement with Saltzman and Johnson for conflict counsel services to extend the term of the contract through December 31, 2011, with no increase in maximum amount payable under the contract.

**Approved. (M.S.C. – Overton/Andrews, 5-0-2, Druyan/Odell-Absent)**

**Enter Closed Session at 8:34 a.m.**

**CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 Subsection (a)**

**1. Williams Meyers v Board of Administration of the Federated City Employees Retirement System**

Names of Parties Involved:

William Meyers

Board of Administration of the Federated City Employees Retirement System

Court: Superior Court of California, County of Santa Clara

Case No: 1-10-CV-177077

**2. Raul Guerrero v Board of Administration of the Federated City Employees Retirement System**

Names of Parties Involved:

Raul Guerrero

Board of Administration of the Federated City Employees Retirement System

Court:

Superior Court of California, County of Santa Clara

Case No: 1-10-CV-186278

**Returned from Closed Session at 8:50 a.m.**

There was no report from the Closed Session.

**OPEN SESSION**

**1. CONSENT CALENDAR (Items 1.1 through 1.10)**

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

**Approved. (M.S.C. Andrews/Dirks, 5-0-2, Druyan/Odell-absent)**

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### **1.1 Adoption of Resolution Denying the Application of a Service-Connected Disability Retirement**

Adoption of Resolution 6745 denying the application of **Margaret Licon** for a change in status from a Service Retirement to a Service-Connected Disability.

### **1.2 Approval of Service Retirements**

- a. **Ruben G. Canela**, Community Activity Worker, Redevelopment Agency, effective June 25, 2011; 11.15\* years of service.
- b. **Yin-Yuk L. Chan**, Staff Specialist, Planning, Building & Code Enforcement Department, effective June 25, 2011; 15.10\* years of service.
- c. **Alice Cheung**, Staff Technician, Police Department, effective September 17, 2011; 15.32\* years of service.
- d. **William J. Dardis**, Building Inspector/Combination, Housing Department, effective September 3, 2011; 20.25\* years of service.
- e. **Harparkash S. Dhillon**, Senior Construction Inspector, Public Works Department, effective June 25, 2011; 22.84\* years of service.
- f. **Irene Donovan**, Public Safety Communications Specialist, Police Department, effective July 23, 2011; 15.38\* years of service.
- g. **Mike J. Gill**, Equipment Mechanic Assistant II, Public Works Department, effective September 3, 2011; 30.02\* years of service.
- h. **Teresa Gutierrez**, Community Activity Worker, City Manager's Office, effective June 25, 2011; 11.01\* years of service.
- i. **Mered G. Hetnar**, Associate Engineering Technician, Environmental Services Department, effective August 20, 2011; 11.65\* years of service.
- j. **Maria H. Knight**, Office Specialist II, Department of Transportation, effective September 3, 2011; 30.04\* years of service.
- k. **Dwight Lawson**, Security Officer, Convention, Arts & Entertainment, effective June 26, 2011; 13.64\* years of service.
- l. **Donald S. Ludwig**, Senior Development Officer, Housing Department, effective September 3, 2011; 26.70\* years of service.
- m. **Sherri L. Millick**, Administrative Officer, Information Technology Department, effective September 3, 2011; 25.99\* years of service.
- n. **Michael J. Mojica**, Associate Engineering Technician, Department of Transportation, effective September 11, 2011; 30.09\* years of service.
- o. **Genevieve J. Ng**, Buyer II, Finance Department, effective June 25, 2011; 21.04\* years of service.
- p. **Larry L. Rogers**, Building Inspector, Planning, Building & Code Enforcement Department, effective August 6, 2011; 21.42\* years of service.
- q. **John E. Stufflebean**, Director, Environmental Services Department, effective July 23, 2011; 6.12\* years of service.

- r. **Joseph W. Theisen**, Senior Process & Systems Specialist, Environmental Services Department, effective September 18, 2011; 16.42 years of service.
- s. **Susan M. Uemura**, Legal Administrative Assistant, City Attorney's Office, effective August 13, 2011; 20.18\* years of service.
- t. **Katina Y. West**, Administrative Assistant, City Council District 6, effective September 3, 2011; 30.64\* years of service.

### 1.3 Approval of Deferred Vested Retirements

- a. **Vincent L. Fung**, Fire Protection Engineer, Fire Department, effective September 2, 2011; 7.07\* years of service.
- b. **Joe A. Martinez**, Maintenance Worker I, Department of Transportation, effective September 29, 2011; 19.76\* years of service.
- c. **Pamela Wagner-Rosales**, Gerontology Supervisor, Parks, Recreation & Neighborhood Services, effective June 23, 2011; 17.14\* years of service.

### 1.4 Approval to Rescind Retirement Applications

- a. Approval to rescind retirement application of **John A. Barros**, approved at the June 16, 2011 meeting.
- b. Approval to rescind retirement application of **Jim Burnett**, approved at the May 19, 2011 meeting.
- c. Approval to rescind retirement application of **Rita Cotillon**, approved at the June 16, 2011 meeting.
- d. Approval to rescind retirement application of **Albert I. Nissan**, approved at the June 16, 2011 meeting.
- e. Approval to rescind retirement application of **Steven J. Waters**, approved at the June 16, 2011 meeting.
- f. Approval to rescind retirement application of **John R. Wolfram**, approved at the June 16, 2011.

### 1.5 Approval of Change of Retirement Date

- a. Approval of change of retirement date of Deriek Clemmons; from July 23, 2011 to August 6, 2011.
- b. Approval of change of retirement date of Rodney C. Fong; from June 25, 2011 to December 24, 2011.

### 1.6 Approval of Board Minutes

Approval of Board Minutes of June 16, 2011.

### 1.7 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

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### **1.8 Approval of Monthly Expenditures**

Report of Federated Retirement Plan Expenses for May 30, 2011.

### **1.9 Acceptance of Communication/Information Reports**

- a. New Pension Reporting Standards from GASB.
  - 1. GASB Press Release and plain language supplement on New Pension Reporting Standards as of July 2011.
  - 2. Review of accounting update regarding GASB proposed changes to accounting rules under statement 25, 27, 43 and 45.
- b. Memo from Russ Richeda, Saltzman & Johnson regarding Legal Updates, dated August 1, 2011.
- c. Memo from Russ Richeda, Saltzman & Johnson regarding Legal Update (Kern County Employees' Retirement Association v. Wilshire Associates, Inc.), dated July 27, 2011.
- d. Benefits Review Forum held on June 2011.
- e. CalPERS – Vested Rights of CalPERS Members.

### **1.10 Approval of Travel / Conference Attendance**

- a. Pete Constant
  - IFEBP, Trustees Masters Program, New Orleans, LA – October 29-30, 2011.
  - IFEBP, 57<sup>th</sup> Annual Employee Benefits Conference, New Orleans, LA – October 30-November 2, 2011.
- b. Rajiv Das
  - Impairment Without Disability, Duluth Convention Center, Duluth, MN – October 12-14, 2011.
- c. Matt Loesch
  - Calamos Institutional Client Conference, Naperville, IL – October 11-13, 2011.

Item 4.4 was heard after Consent Calendar followed by Item 4.2.

### **NEW BUSINESS**

#### ***4.4 Discussion and action on implementation of portfolio overlay services provided by Russell Implementation Services for a cost between \$150,000 and \$350,000.***

Steve Cauble and Tom Fletcher of Russell Implementation Services presented the report.

A motion was made to approve the recommendation to hire Russell Implementation Services for portfolio overlay services for a cost not to exceed \$350,000.

**Approved. (M.S.C. – Armstrong/Overton, 5-0-2, Druyan/Odell-Absent)**

#### ***4.2 Discussion and action on options related to delivery of Legal Services to the Plan and Board. (Time certain 9:00 a.m.)***

Deputy City Attorney Mollie Dent led the discussion regarding the options related to delivery of Legal Services to the Plan and Board.

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- Due to staff cutbacks, City Attorney's Office (CAO) will not be providing services to the Federated Board.
- CAO will conduct a Request for Proposal (RFP) for Legal Services for the Plan. Retirement Services staff and Board Members will be invited to participate.
- CAO obligated to provide for legal services as stated under the City Charter.
- CAO will continue to provide legal services until outside counsel can be engaged.

Item 2 was heard out of order after break and before Item 4.5.

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

- 2.1 **Ethel M. Blake**, Engineering Technician IV, retired 12/24/77, died 05/11/11. No survivorship benefits.
- 2.2 **Ailie L. Bonior**, Secretary I, retired 06/07/80, died 07/05/11. No survivorship benefits.
- 2.3 **Nicholas W. Border**, Senior Librarian, retired 07/15/93, died 07/12/11. Survivorship benefits to Charlene Border, spouse.
- 2.4 **George A. Brodeur**, Assistant Director of Cultural Activities, retired 09/05/89, died 06/02/11. Survivorship benefits to Mae R. Brodeur, spouse.
- 2.5 **Joseph P. DiCiuccio**, Senior Deputy City Attorney, retired 06/12/10, died 06/28/11. Survivorship benefits to Debra Saso DiCiuccio, spouse.
- 2.6 **Richard F. Doonan**, Senior Investigator Collector, retired 01/07/78, died 06/29/11. No survivorship benefits.
- 2.7 **Alton E. Jensen**, Engineering Technician IV, retired 08/26/78, died 05/19/11. No survivorship benefits.
- 2.8 **Orville Jolly**, Maintenance Superintendent, retired 02/20/88, died 06/25/11. Survivorship benefits to Eleanor Jolly, spouse.
- 2.9 **Marcia A. Meier**, Library Assistant, retired 05/31/86, died 06/07/11. No survivorship benefits.
- 2.10 **David A. Meleen**, Assistant Equipment Mechanic, retired 01/04/92, died 06/11/11. No survivorship benefits.
- 2.11 **Robert L. Oliver**, Planner IV, retired 02/04/78, died 07/03/11. Survivorship benefits to Amy Oliver, spouse.
- 2.12 **Richard A. Patonai**, Communications Technician, retired 02/24/07, died 07/10/11. No survivorship benefits.
- 2.13 **Robert D. Rogers**, Associate Construction Inspector, retired 01/04/86, died 06/19/11. No survivorship benefits.
- 2.14 **Allen "Craig" Stewart**, Communications Technician, retired 05/12/94, died 05/31/11. Survivorship benefits to Rosa D. Salinas-Stewart, spouse.
- 2.15 **Barbara L. Watson**, Office Specialist II, retired 09/14/00, died 05/29/11. No survivorship benefits.
- 2.16 **Wayne R. Weinert**, Senior Plant Mechanic, retired 09/20/91, died 06/22/11. Survivorship benefits to Bonnie J. Weinert, spouse.

3. **OLD BUSINESS-DEFERRED/CONTINUED ITEMS - None**



#### 4. NEW BUSINESS

##### 4.3 CIO update on Asset Liability Modeling.

Deputy Director Carmen Racy-Choy provided an update on the status of the Asset Liability Modeling study. Ms. Racy-Choy noted the impact of the loss of staff members, especially Michael Moehle. Ms. Dent reported on the Council's process to waive the City's revolving door restrictions.

Break for recess.

Item 2 Death Notifications was heard.

##### 4.5 Approval to invest \$15,000,000 in DRA's Growth and Income Fund VII and for the Secretary to negotiate and execute the agreement.

Deputy Director Carmen Racy-Choy led the discussion and reported that Meketa Investment Group and staff agree that DRA is the best manager in the current Real Estate portfolio. Laura Wirick and Kim Rose of Meketa Investment Group discussed the DRA Growth and Income Fund VII.

A motion was made to approve the recommendation to invest \$15,000,000 in the DRA Growth and Income Fund VII and for the Secretary to negotiate and execute the agreement.

**Approved. (M.S.C. – Overton/Andrews, 5-0-2, Druyan/Odell-Absent)**

##### 4.6 Discussion and action regarding selection of a Governance Consultant based on Responses to the Request for Qualification (RFQ) for an amount not to exceed \$100,000 for the period ending June 30, 2012 and for the Secretary to negotiate and execute an agreement with the selected firm.

A motion was made to approve staff's recommendation to hire Cortex for an amount not to exceed \$100,000 for the period ending June 30, 2012 and for the Secretary to negotiate and execute an agreement.

**Approved. (M.S.C. – Andrews/Armstrong, 5-0-2, Druyan/Odell-Absent)**

Item 4.7 and Item 4.8 were heard together.

##### 4.7 Discussion and action regarding Board Governance, including teleconference with Cortex Applied Research if item 4.6 is approved.

Tom Iannucci of Cortex Applied Research presented the report via teleconference.

A motion was made to create an Ad Hoc Governance Committee to meet in mid-October. The Committee will be comprised of: Loesch, Armstrong, Odell and Dirks (Alternate). In addition, Cortex Applied Research will present deliverables in a Special Meeting of the Board in the first 2 weeks of November 2011.

**Approved. (M.S.C. – Overton/Andrews, 5-0-2, Druyan/Odell-Absent)**

**4.8 Discussion regarding remaining recommendations from the Cortex Report.**

Item 4.7 and Item 4.8 were heard together.

**4.9 Approval of Macias Gini & O'Connell's 2011 Audit Service Plan.**

A motion was made to Waive Sunshine for Item 4.9.

**Approved. (M.S.C. – Andrews/Overton, 5-0-2, Druyan/Odell-Absent).**

A motion was made to approve the Audit Service Plan as presented.

**Approved. (M.S.C. – Dirks/Andrews, 5-0-2, Druyan/Odell-Absent).**

**4.10 Report on City's prefunding of required contributions for Fiscal Year 2011-12 and reconciliation for Fiscal Year 2010-11. Note and File.**

**4.11 Discussion regarding Retirement Services Department staffing.**

Russell Crosby led the discussion regarding the Retirement Services Department staffing.

**4.12 Update on Electronic Board Packets.**

Deputy Director Donna Busse gave an update on Electronic Board Packets. Ms Busse informed the Board that IT staff has been meeting with vendors and discussed security issues. Staff is in the process of preparing a Request for Information (RFI).

**4.13 Discussion and action regarding a Trustee's role in an environment of discussions and negotiations on vested benefits.**

Chair Loesch led the discussion regarding the Trustee's role in environment of discussions and negotiations on vested benefits. Chair Loesch stated his concerns regarding discussions between the bargaining units and the negotiators and seeks to better understand the Trustee's role as a Fiduciary in this process.

A motion was made to seek opinion of the outside Counsel to be presented to the Board in October.

**Approved. (M.S.C. – Loesch/Dirks, 5-0-2, Druyan/Odell-Absent).**

**5 COMMITTEES/REPORTS/RECOMMENDATIONS Note and File**

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

**5.2 Ad Hoc Alternate Investment Committee (Odell/Druyan/Dirks – alternate/Armstrong)**

Deputy Director Carmen Racy-Choy gave an update on the Ad Hoc Alternatives Investment Committee. The next Alternatives Committee meeting is Wednesday, August 24, 2011.



**5.3 Next Board meeting for Disabilities hearings – November 17, 2011**

**6 EDUCATION AND TRAINING **Note and File****

**6.1 Notification of CalAPRS' Training**

Trustees' Roundtable, Double Tree Hotel, San Jose, CA – October 14, 2011.

**6.2 Notification of IFEBP Training**

- a. CAPPP – Employee Pensions – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.
- b. CAPPP – Employee Health – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.
- c. CAPPP – Employee Pensions – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.
- d. CAPPP – Employee Health – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.

• **FUTURE AGENDA ITEMS**

General Analysis of Pre-funding and whether it is beneficial to the Plan.

• **PUBLIC/RETIREE COMMENTS – No Public Comments**

• **ADJOURNMENT**

The meeting was adjourned at 12:12 p.m.



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

**ATTEST:**



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

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