

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

April 18, 2013

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, April 18, 2013 at 8:32 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 -Absent

Arn Andrews -Present

Michael Armstrong -Present(*Departed at 10:02*)

Martin Dirks -Present

Stuart Odell -Present

Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Present

DIRECTOR RETIREMENT SERVICES

Roberto L. Pena -Present

COUNSEL

Jeffrey Rieger, General and Fiduciary Counsel
-Present

RETIREMENT SERVICES STAFF PRESENT: Donna Busse, Veronica Niebla, Sonia Morales, Linda Alexander, Tram Doan, Ron Kumar, Daryn Miller, Heidi Poon, Lesley Lamb.

ALSO PRESENT: Mary Cornell, AFSCME-CEO; Brad Regier, Meketa Investment Group; Bill Hallmark, Micheal Schionning, Cheiron; Mary Beth Braitman, Ice Miller; Alex Gurza, Deputy City Manager; Gerry Chappais, AFSCME-MEF; Bill Pope, OE3; Susan Devencenzi, Retiree, Diane Clift, L.R. Wechsler, LLC (via telephone).

Board entered into Closed Session at 8:33 a.m. and reconvened at 10:01 a.m. into Open Session.

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 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)

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.

(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.

Board returned from Closed Session at 9:48 a.m., then break and reconvened into Open Session at 10:01 a.m.

There was no reportable action out of Closed Session. Trustee Armstrong departed at 10:01 a.m.

OPEN SESSION – 9:30 A.M.

Regular Agenda

• **ORDERS OF THE DAY**

- Item 1.6a – Has been cancelled.
- Item 4.1b & 4.1c – Waive Sunshine, received late.

A motion was made to approve the Orders of the Day and Waive Sunshine on Items 4.1b and 4.1c.
Approved. (M.S.C. Andrews/Dirks, 5-0-0, 2- absent Armstrong/ Druyan).

1. CONSENT CALENDAR (Items 1.1 through 1.7)

Item 1.7a - pulled

A motion was made to approve the balance of the Consent Calendar with exception of Item 1.7a.
Approved. (M.S.C. Andrews/Dirks, 5-0-02-absent Armstrong/Druyan).

1.1 Approval of Service Retirements

- a. **Jimmy P. Cotillon**, Parks Maintenance Repair Worker II, Parks, Recreation and Neighborhood Services Department, effective June 22, 2013; 24.64* years of service.
- b. **Albert I. Nissan**, Associate Engineer, Planning, Building and Code Enforcement Department, effective March 30, 2013; 23.32* years of service.
- c. **Richard Peak**, Animal Services Officer, Animal Services Department, effective May 30, 2013; 11.5* years of service.
- d. **Paul R. Soltero**, Senior Construction Inspector, Public Works Department, effective April 13, 2013; 23.00* years of service.
- e. **Agustin Vargas, Jr.**, Public Safety Radio Dispatcher, Fire Department, effective May 5, 2013; 22.71* years of service.

1.2 Approval of Deferred Vested

- a. **Greg Wojcik**, Custodian, General Services Department, effective May 20, 2013; 29.21* years of service.

1.3 Approval of Board Minutes

- a. Approval of Board Minutes of March 21, 2013.

1.4 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.5 Acceptance of Communication/Information Reports

- a. Staff report regarding fiduciary insurance coverage.
- b. Contra Costa Times Article: Judge orders San Jose to disclose officials' messages on private devices, Article date: March 20, 2013.
- c. Implicit Subsidy Communication to City administration and bargaining groups.
- d. **Educational Travel Reports:**
 - CALAPRS Advanced Principles In Governance, Los Angeles, CA – January 29-31, 2013 – by Trustee Arn Andrews.

1.6 Approval of Travel / Conference Attendance

a. Trustees:

- 1. Marty Dirks - SACRS Spring Conference 2013, Napa Valley Marriott Hotel - May 14-17, 2013.

Cancelled as noted on the Orders of the Day.

b. Staff:

1. Roberto L. Peña, Director - SACRS Spring Conference 2013, Napa Valley Marriott Hotel - May 14-17, 2013.

1.7 Approval of Termination of Retirement Benefits

- a. Approval of request from Jose B. Uribe to terminate retirement benefits effective April 13, 2013. (Service Retirement effective February 18, 2012, approved at the March 15, 2012 Board Meeting.)- **Pulled.**

Yolanda Cruz, President of AFSME addressed the Board.

A motion was made to approve Item 1.7a.

Approved. (M.S.C. – Overton/Dirks, 5-0-0, with two absent – Armstrong and Druyan

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

- 2.1 **Salvador L. Beserra**, Maintenance Worker I, retired 02-14-04, died 02-13-13. No Survivorship benefits.
- 2.2 **Carl J. Dempsey**, Painter, retired 05-12-88, died 03-06-13. No Survivorship benefits.
- 2.3 **Emma L. Griebshammer**, Supervising Librarian, retired 06-06-81, died 02-17-13. No Survivorship benefits.
- 2.4 **James W. Lockett**, Electrician, active employee, died 01-30-13. Survivorship benefits to Vickilyn Lockett, spouse.
- 2.5 **Robert W. Marotz**, Airport Police Officer, retired 08-29-92, died 03-11-13. No Survivorship benefits.
- 2.6 **Scott M. Ruzyllo**, Security Guard, retired 08-13-07, died 01-17-13. No Survivorship benefits.
- 2.7 **Shirley G. Taylor**, Police Data Specialist II, retired 07-07-01, died 02-10-13. No Survivorship benefits.

3 OLD BUSINESS-DEFERRED/CONTINUED ITEMS

3.1 Update on Electronic Board Packets.

Ms. Busse gave an update on Electronic Board Packets. The plan is to have Board Packets electronically for the June Board meeting.

4 NEW BUSINESS

4.1 Investments

- a. **Discussion and action on presentation of the Third Quarter 2012 FX transaction cost analysis from Klarity FX.**

Ms. Doan introduced Mr. Amo Sahota from Klarity FX. Mr. Sahota led the discussion and answered questions from the Board.

The report was accepted by the Board.

b. Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Klarity FX.

Laura Wirick from Meketa led the discussion and answered questions from the Board.

A motion was made to authorize the Secretary to negotiate and execute an agreement with Klarity FX.

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

A substitute motion was made to approve a one year agreement to one year option.

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

c. Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Abel Noser at no cost.

Ms. Wirick from Meketa led the discussion and answered questions from the Board.

A motion was made to recommend free trial with Abel Noser at no cost trial for equity transaction analysis.

Approved. (M.S.C. Andrews/Dirk, 5-0-0, 2-absent Armstrong/Druyan)).

d. Discussion regarding emerging market tax advisory firms and approval to delegate the selection of an emerging market tax advisory firms to Staff and for the Secretary to negotiate and execute an agreement with the selected firm as appropriate.

Ms. Wirick from Meketa led the discussion and answered questions from the Board. There are four big accounting firms. Ms. Wirick recommends hiring one of the Accounting systems as advisors for tax issues and delegate the authority for Meketa to drive.

A motion was made to delegate the selection of an emerging market tax advisory firms to Staff and for the Secretary to negotiate and execute an agreement with the selected firm as appropriate.

Approved. (M.S.C. Overton/Dirks, 5-0-0, 2-absent Armstrong/Druyan)).

e. Discussion and action regarding a proposed second amendment to the agreement with Albourne America LLC regarding Board access to proprietary information.

Trustee Andrews led the discussion and stated that this has been discussed in the Investment Committee meeting and he is comfortable with the change.

A motion was made to approve the proposed second amendment to the agreement with Albroune America LLC regarding Board access to proprietary information.

Approved. (M.S.C. Overton/Andrews, 5-0-0, 2-absent Armstrong/Druyan)).

4.2 Discussion and action on System Expenses for February 2013.

Chair Loesch led the discussion and responded to questions from the Board regarding the System Expenses for February 2013.

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

Approved. (M.S.C. Andrews/Dirk 5-0-0, 2-absent Armstrong/Druyan).

4.3 Discussion and action regarding Lump Sum Payment of Employer Retirement Contributions and establishment of the prepayment amount for Fiscal Year 2013-2014.

Yolanda Cruz, President of MEF union addressed this item as a public comment and asked questions of the Board.

A motion was made to approve the Lump Sum Payment of Employer Retirement Contributions and establishment of the prepayment amount for Fiscal Year 2013-2014.

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

4.4 Discussion and Action on authorizing the Secretary to negotiate and execute the Second Amendment to the agreement with Cheiron, Inc., for actuarial services, extending the term to August 31, 2015 and increasing the total compensation for an amount not-to-exceed \$1,200,000.

Ms. Busse led the discussion. She stated that the Cheiron agreement expires in August. Will make it a five year agreement. Ms. Cruz, President of MEF was not opposed but said in January there was discussion for Mr. Gurza to meet with Cheiron. She wanted to know what areas were discussed. Ms. Busse stated that Cheiron does not have an update and the documentation will be sent to the Bargaining Units.

A motion was made to approve the action on authorizing the Secretary to negotiate and execute the Second Amendment to the agreement with Cheiron, Inc., for actuarial services, extending the term to August 31, 2015 and increasing the total compensation for an amount not-to-exceed \$1,200,000.

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

5 COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Druyan/Odell/Andrews)

Last Meeting: April 10, 2013

- Next Meeting: May 8, 2013

a. Update from Chair of the Investment Committee.

Trustee Andrews gave an update to the Board Members.

- b. **Minutes of March 13, 2013, Joint Federated and Police & Fire Investment Committee meeting.**

Receive and file.

5.2 Audit Committee (Armstrong/Andrews/Overton)

Last Meeting: March 21, 2013

- Next Meeting: May 16, 2013

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

Chair of the Audit Committee, Trustee Andrews, gave an update of the Audit Committee to the Board members.

- b. **Minutes of the February 21, 2013 Federated Audit Committee.**

Receive and File.

5.3 Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: December 21, 2012

- Next Meeting: May 2, 2013 – Joint meeting

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

Chair Loesch gave an update of the Governance Committee to the Board members.

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.**

Chair Loesch noted that Mr. Overton is the Chair.

6 EDUCATION & TRAINING – Note and file

Chair Loesch noted that Education & Training materials are on the website.

6.1 Educational Programs and Courses

6.2 Conferences and Seminars

6.3 Research Papers and Articles

A motion was made to approve Education and Training Items 6.1, 6.2 and 6.3.

- FUTURE AGENDA ITEMS - None
- PUBLIC/RETIREE COMMENTS - None
- ADJOURNMENT
The meeting was adjourned at 11:10 a.m.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES