

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

February 21, 2013

### CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, February 21, 2013 at 8:31 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-(*departed at 1:29pm*)-Present

#### DIRECTOR RETIREMENT SERVICES

Roberto L. Peña -Present

#### COUNSEL

Harvey Leiderman -Present  
(*departed at 1:05pm*)

**RETIREMENT SERVICES STAFF PRESENT:** Veronica Niebla, Sonia Morales, Linda Alexander, Tram Doan, Ron Kumar, Daryn Miller, Heidi Poon, Leslie Lamb, Michelle San Miguel.

**ALSO PRESENT:** Mary Cornell, AFSCME-CEO; Brad Regier, Meketa Investment Group; Bill Hallmark, Gene Kalwarski, Cheiron; Alex Gurza, Deputy City Manager; Gerry Chappais, AFSCME-MEF; Bill Pope, OE3; Susan Devencenzi, Retiree, Diane Clift, L.R. Wechsler, LLC.

**Board entered into Closed Session at 8:31 a.m. and reconvened at 9:35 a.m. into Open Session.**

### CLOSED SESSIONS

#### **Closed Session Agenda**

#### **I. OLD BUSINESS-DEFERRED/CONTINUED ITEMS**

##### **1.1 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.

##### **1.2 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.

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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 INVESTMENT (ONE INVESTMENT).

**There was no reportable action out of Closed Session.**

**CALL TO ORDER: 9:35 A.M.**

**Chair Loesch called to order both the Federated City Employees' Retirement System and the Health Care Trust meetings for Open Session at 9:35 a.m.**

**OPEN SESSION – 9:30 A.M.**

**Regular Agenda**

### **• ORDERS OF THE DAY**

**Chair Loesch made the following changes to Orders of the Day:**

- Item 1.1a Deferred
- Item 1.2a Deferred
- Item 2.2(o)Change in Retirement effective date to 2/16/13.
- Item 5.7 Deferred
- Item 1.3 and 5.1 on the Health Care Agenda- Flash report Received late.

A motion was made to approve the Orders of the Day.

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

## **1. Disability Retirements**

### **1.1 Approval of Staff Recommendation to Deny Service-Connected Disability**



- a. **Andrew Noble**, Maintenance Worker I, Department of Transportation. Request for a Service-Connected Disability Retirement effective April 26, 2010; 13.18 years of service. *(Deferred from August 2012 Board Meeting)*

**Deferred, as noted in the Orders of the Day.**

## **1.2 Approval of Staff Recommendation to Deny Non-Service-Connected Disability**

- a. **Tracy Jacobs**, Senior Office Specialist, Parks, Recreation and Neighborhood Services Department. Request for a Non-Service-Connected Disability Retirement, effective June 30, 2011; 24.60\* years of service.

**Deferred, as noted in the Orders of the Day.**

## **2. CONSENT CALENDAR (Items 2.1 through 2.8)**

A motion was made to approve Consent Calendar Items 2.1 through 2.8.

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

### **2.1 Approval of Staff Recommendation to Grant Non-Service-Connected Disability**

- a. **Wendy Teshara**, Recreation Program Specialist, Parks, Recreation and Neighborhood Services Department. Request for a Non-Service-Connected Disability Retirement, effective September 27, 2011; 15.14\* years of service.

### **2.2 Approval of Service Retirements**

- a. **Cynthia E. Anacleto**, Code Enforcement Inspector, Planning, Building and Code Enforcement, effective March 30, 2013; 15.21\* years of service.
- b. **Elena Backman**, Senior Worker's Compensation Claims Adjustor, Human Resources Department, effective February 16, 2013; 22.32\* years of service.
- c. **Michael L. Brown**, Maintenance Supervisor, Parks, Recreation and Neighborhood Services Department, effective March 30, 2013; 23.48\* years of service.
- d. **William H. Burnett**, Water Technician, Environmental Services Department, effective March 30, 2013; 11.59\* years of service.
- e. **Rocco Caposelle**, Supervisor, Public Works Department, effective March 30, 2013; 23.21\* years of service. *(With Reciprocity)*
- f. **Purinio M. Casem**, Senior Airport Operations Specialist, Airport Department, effective March 16, 2013; 10.24\* years of service.
- g. **Roberta A. Dunlap**, Supervising Environmental Services Specialist, Environmental Services Department, effective March 16, 2013; 15.23\* years of service.
- h. **Richard W. Gonzales, Jr.**, Engineering Technician II, Department of Transportation, effective March 16, 2013; 29.32\* years of service.
- i. **Jose F. Gonzalez**, Accountant II, Finance Department, effective March 30, 2013; 28.24\* years of service.
- j. **David P. Grady**, Maintenance Superintendent, Environmental Services Department, effective March 30, 2013; 30.31\* years of service.
- k. **Donna C. Grandchamp**, Public Safety Radio Dispatcher, Police Department, effective March 16, 2013; 22.75\* years of service. *(With Reciprocity)*

- l. **Sally S. Griffin**, Analyst II, Airport Department, effective March 30, 2013; 16.32\* years of service.
- m. **Shirley A. Hanson**, Staff Technician, Public Works Department, effective March 30, 2013; 16.29\* years of service.
- n. **Elenley I. Ilano**, Police Data Specialist II, Police Department, effective March 16, 2013; 21.78\* years of service.
- o. **Cleve B. Jarnagin**, Parking Compliance Officer, Department of Transportation, effective February 17, 2013; 24.82\* years of service. Change effective date to 2/16/13 as noted in Orders of the Day. **Changed effective date to 2-16-13, as noted on Orders of the Day.**
- p. **Tuan Q. Lam**, Associate Engineer, Public Works Department, effective March 30, 2013; 28.31\* years of service.
- q. **Dawn Lehman**, Senior Office Specialist, Department of Transportation, effective February 2, 2013; 5.55\* years of service.
- r. **Priscila E. Leni**, Librarian, Library Department, effective March 16, 2013; 15.08\* years of service.
- s. **German R. Leon**, Associate Engineering Technician, Department of Transportation, effective March 16, 2013; 22.33\* years of service.
- t. **Daniel F. Malabuyo**, Electrician, General Services Department, effective March 16, 2013; 5.27\* years of service.
- u. **Margaret L. Martinez**, Supervising Public Safety Dispatcher, Police Department, effective March 16, 2013; 22.55\* years of service. *(With Reciprocity)*
- v. **Paula Martinez**, Senior Supervisor, Administration, Information Technology Department, effective March 30, 2013; 22.54\* years of service.
- w. **Michael McClintock**, Parks Facility Supervisor, Parks, Recreation and Neighborhood Services Department, effective March 30, 2013; 30.03\* years of service.
- x. **Simeon A. Mercado, Jr.**, Parks Manager, Parks, Recreation and Neighborhood Services Department, effective March 30, 2013; 26.57\* years of service.
- y. **Diana Moore-Girouard**, Investigator Collector II, Finance Department, effective March 30, 2013; 23.41\* years of service.
- z. **Edward J. Nelson**, Director of Air Service Development, Airport Department, effective March 16, 2013; 6.29\* years of service.
- aa. **Darryl K. Okamoto**, Senior Facility Attendant, Public Works Department, effective March 30, 2013; 18.12\* years of service.
- bb. **Kingsley Okeke**, Microbiologist, Environmental Services Department, effective February 2, 2013; 23.13\* years of service.
- cc. **Katherine J. Pool**, Administrative Officer, Airport Department, effective March 30, 2013; 25.29\* years of service.
- dd. **Ordra M. Porche**, Accounting Technician, Finance Department, effective March 30, 2013; 34.09\* years of service.
- ee. **Henry Templeman**, Senior Latent Fingerprint Examiner, Police Department, effective March 30, 2013; 15.00\* years of service.
- ff. **Jay P. Thorstensen**, Senior Engineering Technician, Department of Transportation, effective March 30, 2013; 26.82\* years of service.
- gg. **Bernard Tong**, Associate Engineer, Public Works Department, effective March 30, 2013; 13.32\* years of service.



- hh. **Mohsen Toumi**, Senior Systems Applications Programmer, Police Department, effective March 30, 2013; 15.32\* years of service.
- ii. **Ralph Villafuerte**, Electrician, Department of Transportation, effective March 16, 2013; 24.66\* years of service.
- jj. **Margaret L. Wong**, Information Systems Analyst, Information Technology Department, effective March 30, 2013; 15.46\* years of service.

### 2.3 Approval of Deferred Vested

- a. **Ronda S. Babakhan**, Typist Clerk II, Planning, Building and Code Enforcement Department, effective February 6, 2013; 11.91\* years of service.
- b. **Kathie M. Baraona**, Process System Analyst, Environmental Services Department, effective December 29, 2012; 1.66\* years of service. *(With reciprocity)*
- c. **Sergio R. DeLeon, Sr.**, Instrument Repair Technician, Environmental Services Department, effective March 13, 2013; 21.20\* years of service.
- d. **Steven A. Emslie**, Deputy Planning Director, Planning, Building and Code Enforcement Department, effective March 1, 2013; 2.29\* years of service.
- e. **Colin C. Jung**, Planner II, Planning, Building and Code Enforcement Department, effective March 9, 2013; 7.06\* years of service. *(With reciprocity)*
- f. **Timothy A. Steele**, Manager Corp Outreach, Office of Economic Development, effective February 26, 2013; 4.20\* years of service. *(With reciprocity)*

### 2.4 Approval of Board Minutes

- a. Approval of Board Minutes of January 17, 2013.

### 2.5 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

### 2.6 Acceptance of Communication/Information Reports

- a. Fiduciary Insurance Waiver of Recourse for policy year February 2013-2014.
- b. Educational Travel Reports:
  - CALAPRS Trustee Roundtable, Burbank, CA – December 23, 2012 – by Trustee Marty Dirks.
  - IFEBP Wharton School Hedge Funds, Real Estate and other Alternative Investments, San Francisco, CA- January 25, 2013- by Trustee Arn Andrews.

### 2.7 Approval of Travel / Conference Attendance

- a. Arn Andrews - CalAPRS, Trustees Roundtable, Doubletree Hotel, San Jose, CA – June 8, 2012. **CANCELLED.**

- b. Pete Constant - CalAPRS, Board Leadership Institute: Advanced Principles in Governance, A CalAPRS Education Partnership w/ UCLA Anderson School of Management - January 29-31, 2013. **CANCELLED.**
- c. Lara Druyan - Commonfund Forum 2013, Westin Diplomat, Hollywood, FL – March 9-12, 2013.

## 2.8 Approval of Termination of Retirement Benefits

- a. Approval of request from **Michael C. D'Arcy** to terminate retirement benefits effective February 16, 2013. (Service Retirement effective September 29, 2012, approved at the September 20, 2012 Board Meeting.)

## 3 DEATH NOTIFICATIONS (Moment of Silence) Note and File.

- 3.1 **Amos F. Jones**, Equipment Mechanic, retired 02-27-82, died 01-16-13. Survivorship benefits to Ruth I. Jones, spouse
- 3.2 **Eugene A. Lawrence**, Heavy Equipment Operator, retired 08-11-94, died 12-27-12. No survivorship benefits.
- 3.3 **Dorothy Loo**, Typist Clerk II, retired 01-24-87, died 01-02-13. Survivorship benefits to Don Loo, spouse.
- 3.4 **Robert B. Martinez**, Maintenance Worker I, retired 01-01-84, died 12-24-12. No survivorship benefits.
- 3.5 **Mary Z. Nacu**, Assistant Director, retired 06-30-12, died 12-21-12. Survivorship benefits to George Nacu, spouse.
- 3.6 **Marlin W. Neufeld**, Crime Prevention Specialist, retired 07-10-98, died 12-25-12. Survivorship benefits to Marilyn Neufeld, spouse.
- 3.7 **Siegfried Pfendt**, Associate Engineer, retired 09-01-07, died 01-04-13. Survivorship benefits to Eva Pfendt, spouse.
- 3.8 **Huyen Roosenboom**, Accountant II, active employee, died 12-18-12. Survivorship benefits to Rolandus W.A. Roosenboom, spouse.
- 3.9 **James R. Sherman**, Senior Deputy City Attorney, retired 09-11-88, died 12-28-12. Survivorship benefits to Janet Sherman, spouse.
- 3.10 **Alice K. Wagner**, Secretary III, retired 02-01-75, died 12-30-12. No survivorship benefits.
- 3.11 **Donald Zapien**, Maintenance Worker II, retired 04-14-84, died 12-17-12. No survivorship benefits.

## 4 OLD BUSINESS-DEFERRED/CONTINUED ITEMS

### 4.1 Update on Retirement Services organization and staffing.

Chair Loesch welcomed the new Director Roberto Pena. Mr. Pena thanked the Board and stated that he will be working with staff on the department budget and the vacancies. Vice Chair Druyan emphasized the importance of filling the vacancies in the Investment Group. The Board thanked Ms. Busse for all of her hard work she has done as the Acting Director.



#### **4.2 Update on the Electronic Board Packets.**

Ms. Busse reported that the agreement was signed and responded to questions from the Board. Chair Loesch asked Councilmember Constant if the Councilmembers have looked at this. Councilmember Constant responded that Council have talked about it but there has been no progress yet but stated that Council will likely follow with whatever the Board has established as a good system.

#### **4.3 Discussion and action of dates from all Committees for 2013.**

Two standing Committees: 1). Investment Committee- All dates scheduled, may change in August. 2). Audit Committee meeting today, February 21, 2013 and will be a discussion topic. Chair Loesch asked for a memo with dates from both committees.

### **5 NEW BUSINESS**

#### **5.1 Investments**

##### **a. Presentation of the Pension Trust Flash Performance Report as of January 2013.**

Brad Regier from Meketa Investment Group led the discussion on Performance Flash Report and responded to questions from the Board.

##### **b. Discussion regarding Meketa's 2013 Asset Study.**

Frank Benham, (via teleconference), from Meketa's Boston office discussed the Meketa's 2013 Asset Study and responded to questions from the Board. Mr. Benham noted that Meketa's inflation assumption for the next 10 years was 2.6%, and 2.8% for the next 20 years. Trustee Odell suggested obtaining projections from sources other than consultants who report their projections to pension fund actuaries.

#### **5.2 Discussion and action on Cheiron's 401(h) test results, 5-year projections and payment of Implicit Subsidy.**

**Item 5.2 (a,b&c) were heard concurrently.**

Bill Hallmark (via telephone) from Cheiron led the discussion regarding Cheiron's 5-year Projections and payment of Implicit Subsidy and answered questions from the Board.

##### **a. Regarding 401(h) subordination limit test results.**

Trustee Andrews asked if the report shows full funding of ARC. Mr. Hallmark answered that it assumes full funding of the ARC.

##### **b. Pension 5-year Projection by Tier**

Trustee Andrews asked if this included the past report on Tier 1 reduction of payroll. Mr. Hallmark replied yes that Tier 1 reductions of and Tier 2 growth. It is last month's break-out separated by Tier.

**c. Payment of Implicit Subsidy**

Chair Loesch requested from Cheiron a break out of option 3, using actual OPEB data and more clarification regarding why the subsidy wouldn't balance out in the long run, if actives are paying the subsidy in favor of retirees, and then receiving the value of the subsidy in retirement.

**5.3 Discussion and action on System Expenses for December 2012.**

A motion was made to approve the System expenses for December 2012.

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

**Chair Loesch called for a 10 minute break at 10:58am and reconvened at 11:10am.**

**5.4 Discussion and action on Plan governance, including discussions of options for its governance, and process/roadmap for deciding and implementing changes.**

Tom Ianucci from Cortex led the discussion and answered questions from the Board.

Extensive discussion continued, including public comments.

A motion was made to refer the charter to the Governance Committee to finalize the request and present the governance report to the Board in April. The Committee consists of: Loesch as the Chair, Trustees Andrews and Odell.

**Approved. (M.S.C. Loesch/Dirk 7-0-0)**

A motion was made to establish an Ad Hoc Policies and Procedure to work with the Director and City Manager/s Office regarding hiring of the CIO and governance issues. Committee consists of Chair Loesch and Trustee Overton.

**Approved. (M.S.C. Loesch/Armstrong 7-0-0)**

**5.5 Discussion and action regarding authorizing the Secretary to negotiate and execute an agreement with Sagitec Solutions LLC for Pension Administration System Software, Services, and Hardware for an amount not to exceed \$9,000,000, including a 5-year post production support and maintenance cost. Cost split 50/50 with the Police & Fire Department Retirement Plan.**

Ms. Hayman, Retirement staff led the discussion and Diane Clift of L.R. Wechsler, LLC gave an overview of the evaluation methodology.

A motion was made to approve the Secretary to negotiate and execute agreement.

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

L.R. Wechsler, LLC to come back with some information:

a.) Why Sagitec bid 27 months when LRS bid 40 months;



- b) Information on financial strength of Sagitec;
- c) LRS maintenance and support during transition;
- d) LRWL white papers on SAS.

**5.6 Staff report and timeline for the Board adoption of contribution rates.**

Ms. Niebla reported on the timeline for the Board adoption of contribution rates and responded to questions from the Board.

A motion was made to approve the adoption of contribution rates.

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

**5.7 Discussion and action regarding the request from City Administration to allow the Board's actuary to work with the City to review bond documents as it pertains to the Retirement System, costs to be paid by the City.**

**Deferred, as noted on Orders of the Day.**

**6 COMMITTEES/REPORTS/RECOMMENDATIONS**

**6.1 Investment Committee (Druyan/Odell/Andrews)**

Last Meeting: February 13, 2013

- Next Meeting: March 13, 2013

**a. Update from Chair of the Investment Committee.**

Vice Chair Druyan provided an update on the activities of the Investment committee. She stated that they continue to evaluate absolute return managers and have met with the System's small cap managers.

**b. Minutes of February 13, 2013, Joint Federated and Police & Fire Investment Committee meeting. **Receive and file.****

**6.2 Audit Committee (Armstrong/Andrews/Overton)**

Last Meeting: November 26, 2012

- Next Meeting: February 21, 2013

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

Chair of the Audit Committee, Trustee Armstrong noted that Audit Committee meeting is scheduled after the Board meeting.

**6.3 Governance Committee (Loesch/Armstrong/Odell)**

Last Meeting: December 21, 2012

- Next Meeting: TBD

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

**6.4 Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)**

**a. Update from Chair of Ad Hoc Personnel Committee.**

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Mr. Pena updated the Board that the interviews for the six CIO candidates are scheduled for February 22, 2013.

**b. Discussion and action regarding paying travel expenses for CIO interviews.**

Mr. Pena requested approval from the Board for travel expenses incurred by the six CIO candidates for a not-to-exceed amount of \$5,000.

A motion was made to approve travel expenses for CIO interviews not to exceed \$5,000.

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

**7 EDUCATION & TRAINING**

Chair Loesch stated that staff will no longer have to print the Educational and Training paperwork for the packet, but to continue to provide a link to the website.

**7.1 Educational Programs and Courses**

- a. CalAPRS 2013 General Assembly, InterContinental San Francisco, San Francisco, CA – March 2-5, 2013.
- b. CalAPRS – Principles of Pension Management for Trustees, Stanford University Law School, Sheraton Palo Alto, Palo Alto, CA – March 26-29, 2013. (2 Trustee attendance limit per CalAPRS)

**7.2 Conferences and Seminars**

**7.3 Research Papers and Articles**

- **FUTURE AGENDA ITEMS - None**
- **PUBLIC/RETIREE COMMENTS - None**
- **ADJOURNMENT**

**Meeting was adjourned at 1:35p.m.**



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

**ATTEST:**



**ROBERTO L. PEÑA  
DIRECTOR, RETIREMENT SERVICES**

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