



BOARD OF ADMINISTRATION

City Hall
Wing Committee Rooms
118-120
200 East Santa Clara
Street, San Jose, CA 95113

Meeting Minutes - Final Federated City Employees' Retirement System and Federated City Employees' Health Care Trust

Thursday, December 19, 2013

8:30 AM

City Hall, Wing Rooms 118-120

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.

CALL TO ORDER

The Board of Administration of the Federated City Employees Retirement System and the Federated City Employees Retirement Health Care Trust, met on Thursday, December 19, 2013 in regular session at City Hall Wing Rooms 118/120, 200 East Santa Clara Street, San Jose, California 95113. Chair Matt Loesch called both meetings to order at 8:34 a.m.

Present: 7 - Matt Loesch, Lara Druyan, Michael Armstrong, Martin Dirks, Stuart Odell, Ed Overton and Lisa Taitano

Retirement Staff Present: Roberto L. Pena; Donna Busse; Lesley Lamb; Linda Alexander; Sonia Morales; Ron Kumar; and Tram Doan.

Also Present: Pete Constant, Non Voting Member (arrived at 9:35 a.m.); Harvey Leiderman, General and Fiduciary Counsel.

CLOSED SESSION

CLOSED SESSION AGENDA ITEMS WILL BE HEARD AT 8:30 A.M.

The Board entered into Closed Session at 8:35 a.m.

I. CLOSED SESSION INVESTMENTS

- a. CLOSED SESSION: CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OF PARTICULAR PENSION FUND**

INVESTMENTS (ONE INVESTMENT).

II. CLOSED SESSION NEW BUSINESS-DEFERRED/CONTINUED ITEMS

- a. **CLOSED SESSION:** PUBLIC EMPLOYEE APPOINTMENT AND EMPLOYMENT. GOVERNMENT CODE SECTION 54957(b)(1) - POSITION: CHIEF INVESTMENT OFFICER/ASSISTANT DIRECTOR OF RETIREMENT SERVICES.

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

The Board came out of Closed Session at 9:24 a.m. and reconvened into Open Session at 9:32 a.m. There was no reportable action out of Closed Session.

• **ORDERS OF THE DAY**

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

- Item 3.c - Cheiron's final Pension Valuation Report- Waive Sunshine, item was received Late
- Item 1.5a - Approval of Minutes from November 21, 2013 - Deferred and not available to the public.

A motion was made to approve the Orders of the Day and Waive Sunshine on Item 3.c and to defer Item 1.5a.

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

1 CONSENT CALENDAR Items 1.1 through 1.8

Trustee Taitano recused herself from item 1.1b

A motion was made to approve the balance of the Consent Calendar Items 1.1 through 1.8 with Trustee Taitano recusing herself from item 1.1b.

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

1.1 Application for a Non-Service Connected Disability

- a. **Dennis D. Ngo**, Associate Engineer, Public Works Department. Request for a Non-Service-Connected Disability Retirement, effective November 16, 2013; 11.93* years of service. (Recommended approval)

This Non-Service Connected Disability was approved

- b. **Linabella Umali**, Senior Account Clerk, Finance Department. Request for a Non-Service-Connected Disability Retirement, effective June 7, 2010; 6.48*

years of service. (Recommended approval)

This Non-Service Connected Disability was approved

1.2 Approval of Service Retirements

- a. **Teresa Alderete**, Groundswoker, Parks, Recreation and Neighborhood Services Department, effective January 18, 2014; 8.09* years of service.
- b. **Patrick Brooks**, Air Conditioning Supervisor, Public Works Department, effective December 21, 2013; 24.00* years of service.
- c. **Debra J. Figone**, City Manager, City Manager's Office, effective December 21, 2013; 28.16* years of service. (*With Reciprocity*)
- d. **Stephen P. Finley**, Maintenance Worker II, Department of Transportation, effective January 18, 2014; 28.18* years of service.
- e. **Kenneth Gong**, Associate Engineer, Public Works Department, effective December 21, 2013; 30.09* years of service.
- f. **Roland Gong**, Geographic Systems Specialist, Public Works Department, effective January 18, 2014; 28.14* years of service.
- g. **Brenda Harrington**, Workers Compensation Adjustor II, Human Resources Department, effective November 23, 2013; 6.82* years of service. (*With Reciprocity*)
- h. **Ramon Martinez**, Maintenance Supervisor, Department of Transportation, effective January 4, 2014; 28.23* years of service.
- i. **Pamela E. Pusateri**, Accounting Technician, Department of Transportation, effective January 18, 2014; 15.58* years of service.
- j. **John J. Roche**, Planner II, Planning, Building and Code Enforcement Department, effective December 21, 2013; 30.04* years of service.
- k. **Ralph Rodriguez**, Environmental Inspector II, Environmental Services Department, effective January 18, 2014; 30.00* years of service.
- l. **Samuel Rodriguez**, Animal Service Officer, Public Works Department, effective December 3, 2013; 12.50* years of service.
- m. **Jesse B. Salas Jr.**, Maintenance Worker II, Department of Transportation, effective January 18, 2014; 17.87* years of service. (*With Reciprocity*)

1.3 Approval of Deferred Vested

- a. **Deborah Von Grey**, Maintenance Assistant, Parks, Recreation and Neighborhood Services Department, effective November 13, 2013; 10.50* years of service.

1.4 Rescission Of Retirement Application

- a. Approval to rescind the application of **Steven Waters**; approved at the November 21, 2013 meeting for the effective date of December 21, 2013.

1.5 Approval of Board Minutes

- a. Approval of Board Minutes from November 21, 2013.
Item 1.5a has been deferred as noted in the Orders of the Day.

1.6 Approval of Return of Contributions

- a. Voluntary/Involuntary

1.7 Acceptance of Communication/Information Reports

- a. Measure B delay in implementation.
- b. Update on Mulholland v. City of San Jose case.
- c. Clark, Sarah. "6 Keys to choosing the right outsourcer", Insight Online, Fall 2013.
- d. Jarvis, Bill and Tom Hyatt. "Get Governance Right, follow this checklist and you'll be on your way." Insight Online. Fall 2013.
- e. McGuinness, Kevin. "Understanding Discount Rates for Pension Obligations." NewsDash -PLANSponsor.COM. November 25, 2013.
- f. October 2013 Performance Flash Report for the Pension Trust.
- g. Memo from Alex Gurza, Deputy City Manager, re: Retirement Board Governance Recommendations, dated December 9, 2013.

- h. Global Equity Rebalancing Report by Meketa, dated 12-11-13.

1.8 Approval of Travel / Conference Attendance

Ron Kumar, Staff

- Due Diligence: Private Equity Manager, San Francisco, CA - November 19, 2013.

2. DEATH NOTIFICATIONS (Moment of Silence)

Receive and File

- a. Notification of the death of **Debra J. Bagne**, Custodian, retired October 3, 2005, died October 28, 2013. No survivorship benefits.
- b. Notification of the death of **Lee W. Horning**, Staff Analyst II, retired October 4, 1987, died November 23, 2013. Survivorship benefits to Opal Horning, Spouse.
- c. Notification of the death of **Denise Mosley**, Senior Construction Inspector, retired March 20, 2010, died September 19, 2013. Survivorship benefits to Joe Mosley, Spouse.
- d. Notification of the death of **Philip J. Ringenberg**, Senior Events Coordinator, active employee, died September 18, 2013. No survivorship benefits.

3. NEW BUSINESS

- a. Discussion and action on the report of the Plan Expenses for October 2013.

Chair Loesch led the discussion and answered questions from the Board.

A motion was made to approve the report of the Plan Expenses for October 2013.

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

- b. Oral update from the Director of Retirement Services, Roberto L. Peña.

Mr. Pena gave an update regarding Staff, administration and vacancies. Mr. Peña reported that Maggie Barron left and went to another department, Michelle San Miguel was hired on permanently as a Staff Technician, the 115 Trust letters went out before the closure and the CAFR audit was finished. Mr. Peña also reported that the open vacancies are the search for the CIO, 2-3 Investment Officers and he would like the new CIO involved in the hiring of the Investment Officers. Mr. Peña stated that he should have a new CIO in the

First Quarter 2014.

- c. Discussion and action on Cheiron's final Pension Valuation Report.

Item 3.c was received late as noted in the Orders of the Day.

Bill Hallmark and Gene Kalwarski led the discussion regarding Cheiron's final Pension Valuation Report and answered questions from the Board. After a very lengthy discussion, Cheiron was asked to come back with alternatives for Tier 2 factors in order to soften the the volatility.

A motion was made to accept Cheiron's final Pension Valuation Report. Approved. (M.S.C. Dirks/Druyan 7-0-0).

- d. Nominations and elections of Board Chair and Vice Chair.

Chair Loesch opened the discussion of the Nominations and elections of Board Chair and Vice Chair. Trustee Overton nominated the current Chair Matt Loesch as Chair and the current Vice Chair Lara Druyan as Vice Chair. Chair Loesch accepted the nomination for Chair and Vice Chair Druyan accepted the nomination for Vice Chair.

A motion was made to elect Trustee Loesch as the Chair of the Federated City Employees' Retirement Plan and Health Care Trust System. Approved. (M.S.C. 6-0-1, Loesch abstain)

A motion was made to elect Trustee Druyan as the Vice Chair of the Federated City Employees' Retirement Plan and Health Care Trust System. Approved. (M.S.C. 6-0-1, Druyan abstain).

- e. Discussion and action regarding approval of the First Amendment to the Legal Services Agreement with Saltzman & Johnson Law Corporation, to increase maximum compensation paid under the agreement from \$50,000 to \$125,000.

Chair Loesch led the discussion regarding approval of the First Amendment to the Legal Services Agreement with Saltzman & Johnson Law Corporation, to increase maximum compensation paid under the agreement from \$50,000 to \$125,000 and answered questions from the Board.

A motion was made to approve the Legal Services agreement with Saltzman & Johnson Law Corporation to increase maximum compensation paid under the agreement from \$50,000 to \$125,000. Approved. (M.S.C. Overton/Armstrong 7-0-0).

- f. Approval of the City of San Jose Employees' Retirement System 2013 Comprehensive Annual Financial Report (CAFR) and acceptance of the audited financial statements for fiscal years ended June 30, 2013 and 2012.
- Ms. Busse led the discussion of the City of San Jose Employees' Retirement System 2013 Comprehensive Annual Financial Report (CAFR) and acceptance of the audited financial statements for fiscal years ended June 30, 2013 and

2012. Ms. Doan and Mr. Kumar were available for questions.

A motion was made to approve the City of San Jose Employees' Retirement System 2013 Comprehensive Annual Financial Report (CAFR) and acceptance of the audited financial statements for fiscal years ended June 30, 2013 and 2012.

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

Chair Loesch, Mr. Peña and Ms. Busse all made remarks that they appreciate staff and their hard work on the CAFR report.

3.1 Investments

- a. Presentation of the Third Quarter 2013 Performance Report for the Pension Trust.

Brad Reiger of Meketa led the discussion regarding the Third Quarter 2013 Performance Report for the Pension Trust.

- b. Presentation of the Second Quarter 2013 Private Market Report.

Brad Reiger of Meketa led the discussion regarding the Second Quarter 2013 Private Market Report.

4. COMMITTEES/REPORTS/RECOMMENDATIONS

4.1 Investment Committee (Druyan, Odell, Armstrong)

Last Meeting: December 11, 2013

Next Meeting: January 28, 2014

- a. Update from the Chair of the Investment Committee. Receive and file.

Chair Druyan updated the Board that the Investment Committee interviewed (3) CIO candidates and will bring (1) back for a second interview. She stated that the pool of candidates was better mainly due to the salary increase for the position.

- b. Minutes of the November 13, 2013 Joint Federated and Police & Fire Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

4.2 Governance Committee (Loesch, Armstrong, Overton)

Last Meeting: September 19, 2013

Next Meeting: December 19, 2013

- a. Update from the Chair of the Governance Committee. Receive and file.

Chair Loesch led the discussion and updated the Board on the Governance Committee. He stated that the next meeting is on Dec. 19th and the following will be discussed:

- Former Trustee Andrews requested that the Committee talk about the future treatment of Tier 1 and Tier 2 Assets and Liabilities of how to process them and reach out to the Audit Committee and Investment Committee.

-Ask the Investment Committee and the Audit Committee to take a look at them and bring them to the Full Board.

-Take the items from the Cortex report that were not able to be implemented by the Board and talk about scheduling other items that are not on the Governance Committee's work plan.

4.3 Audit Committee (Armstrong, Overton, Vacant)

Last Meeting: November 21, 2013

Next Meeting: February 20, 2014

- a. Update from the Chair of the Audit Committee. Receive and file.

Chair Armstrong led the discussion and updated the Board. He reported that there is a vacancy on the Committee. He made a recommendation that LIsa Taitano come on board as Trustee to take Trustee Andrew's place.

4.4 Ad-Hoc Personnel Committee (Loesch, Druyan, Dirks)

- a. Update from the Chair of the Ad Hoc Personnel Committee. Receive and file.

Chair Loesch stated that there was nothing to report. This item will stay open until a new CIO is appointed.

4.5 Ad Hoc Cortex Response Committee (Loesch, Overton, Dirks)

- a. Update from the Chair of the Ad Hoc Cortex Response Committee. Receive and file.

Items 4.5a and 4.5b were heard together.

Chair Loesch updated the Board regarding the Ad Hoc Cortex Response Committee and answered questions from the Board.

After a lengthy discussion, a motion was made to refer item 4.5a and 4.5b to the Ad Hoc Cortex Response Committee to review the request and come back with a response for a Board review at the January meeting.

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

- b. Discussion and action on further proceeding regarding Cortex recommendations.
- This item was heard together with item 4.5a.

5. EDUCATION & TRAINING

Note and File

- a. CalAPRS, Advance Principles of Pension Management for Trustees, UCLA Anderson School of Business, Los Angeles, CA - January 22-24, 2014.
- b. Educational Programs and Courses
- c. Conferences and Seminars
- d. Research Papers and Articles

• FUTURE AGENDA ITEMS

Chair Loesch indicated that he would like the commission of the Board to work with the Chair of the Police and Fire Board to come up with a common agenda format to put the Health Care Trust Agenda in line with the Pension Trust Agenda so that there is not two agendas and to create a format that is similar between the two Boards.

• PUBLIC/RETIREE COMMENTS

None.

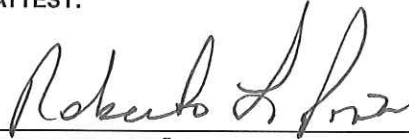
• ADJOURNMENT

The meeting was adjourned at 12:18 p.m.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES