

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

April 19, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, April 19, 2012 at 8:35 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 -Absent
Shane P. Connolly -Present (Alternate)

DIRECTOR RETIREMENT SERVICES

Russell U. Crosby -Absent
Donna Busse -Present (Alternate)

COUNSEL

Harvey Leiderman -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
Carmen Racy-Choy, Deputy Director, CIO
Veronica Niebla
Toni Johnson
Sonia Morales
Troy Gavin

ALSO PRESENT:

Allison Suggs, Office of Employee Relations
Bill Hallmark, Cheiron
Ann Harper, Cheiron
Laura Wirick, Meketa Investment Group
Mike Buffington, Meketa Investment Group
Gerry Chappuis, AFSME
Bill Pope, OE3
Susan Devencenzi, Retiree
Vera Tedorov, CAO
Mary Cornell, AFSME CEO

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

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

Consent Calendar
 Item 4.7
 Item 4.11
 Item 4.6
 Item 4.5

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Item 4.1 – Item 4.4

Item 5.2

Item 4.8-4.10, then remainder of Agenda

Closed Session to be heard last

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

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

1. CONSENT CALENDAR (Items 1.1 through 1.9)

Item 1.1b was pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar, excluding Item 1.1b.

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

Item 1.1b – Ms. Busse stated Ms. Dent was the Board's legal counsel for several years and acknowledged her on her retirement and work for the Board and Retirement Services. She noted Ms Dent was exceedingly helpful to the staff in Department of Retirement Services.

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

1.1 Approval of Service Retirements

- a. **Sharon J. Barbaccia**, Senior Analyst, Police Department, effective March 31, 2012; 15.60* years of service.
- b. **Mollie Dent**, Senior Deputy City Attorney, City Attorney's Office, effective March 31, 2012; 23.93* years of service. **Item was pulled from the Consent Calendar.**
- c. **Rebeca Dominguez**, Analyst II, Airport Department, effective May 12, 2012; 30.02* years of service.
- d. **Ellen J.H. Horstman**, Staff Technician, Police Department, effective March 31, 2012; 22.63* years of service.
- e. **Donna Lea-Fujimoto**, Senior Analyst, Environmental Services Department, effective March 3, 2012; 26.60* years of service.
- f. **Karen L. LeDoux**, Analyst II, Office of Economic Development, effective March 31, 2012; 10.32* years of service.
- g. **Richard A. Murray**, Program Manager I, Public Works Department, effective May 26, 2012; 29.69* years of service.
- h. **Stephanie Nimitz**, Public Safety Radio Dispatcher, Fire Department, effective May 26, 2012; 21.78* years of service.
- i. **Merlyn N. Pambid**, Accounting Technician, Housing Department, effective May 26, 2012; 22.06* years of service.
- j. **Juan Z. Rivas**, Police Property Specialist I, Police Department, effective March 31, 2012; 10.37* years of service.
- k. **Ebrahim Sohrabi**, Senior Civil Engineer, Public Works Department, effective March 31, 2012; 27.35* years of service.
- l. **R. Diane White**, Librarian II, Library Department, effective March 31, 2012; 25.93* years of service.

1.2 Approval of Deferred Vested Retirements

- a. **Cynthia L. Felker**, Gerontology Specialist, Parks, Recreation & Neighborhood Services, effective May 7, 2012; 11.59* years of service.
- b. **Pamela G. Mathus**, Analyst I, Human Resources Department, effective May 27, 2012; 12.47* years of service.
- c. **Farid Shahrivar**, Associate Engineer, Public Works Department, effective February 16, 2011; 5.7* years of service.

1.3 Approval of Change of Retirement Date

- a. Approval of change of retirement date of **Robin Opheim**; from February 18, 2012 to March 3, 2012, approved at the February 16th Board meeting.
- b. Approval of change of retirement date of **Rocco Capossele**; from March 31, 2012 to June 23, 2012, approved at the December 15th Board meeting.

1.4 Rescission of Retirement Application

- a. Approval of rescinding application of **Roxanne L. Cook**, approved at the February 16, 2012 meeting for the effective date of March 31, 2012.
- b. Approval of rescinding application of **Richard S. Bryson**, approved at the March 15, 2012 meeting for the effective date of March 31, 2012.
- c. Approval of rescinding application of **Shirley Hanson**, approved at the February 16, 2012 meeting for the effective date of March 30, 2012.
- d. Approval of rescinding application of **Jerry Lambert**, approved at the February 16, 2012 meeting for the effective date of March 31, 2012.

1.5 Approval of Board Minutes

Approval of Board Minutes of March 15, 2012.

1.6 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.7 Approval of Monthly Expenditures

Report of Federated Retirement System Plan Expenses for February 29, 2012.

1.8 Acceptance of Communication/Information Reports

- a. Pending Projects.
- b. Memo from Debra Figone, City Manager entitled Lump Sum Payment of Employer Retirement Contributions and Establishment of the Prepayment Amount for Fiscal Year 2012-13, dated March 29, 2012.

- c. Memo from Deputy City Manager, Alex Gurza, dated April 10, 2012, regarding the suspension of the Supplemental Retiree Benefit Reserve Payments for Fiscal Year 2012-2013.
- d. Pension Reform Ballot Measure
 - 1. Resolution 76158 Pension Reform Ballot Measure
 - 2. Arguments in Favor and Against Measure B
 - 3. Memo from Debra Figone, City Manager, dated May 2, 2011, regarding Fiscal Reform Plan.
 - 4. Memo from Debra Figone, City Manager, dated February 21, 2012, including revised Retirement Reform Ballot Measure
 - 5. Memo from Councilmembers Chu and Kalra, dated March 2, 2012.
 - 6. Memo from Mayor Reed, Vice Mayor Nguyen and Councilmembers Constant, Herrera and Liccardo, dated March 2, 2012.
 - 7. Memo from Councilmember Rocha, dated March 2, 2012.
 - 8. Memo from Councilmember Kalra, dated March 5, 2012. (second memo)
 - 9. Supplemental Memo from the City Attorney, dated March 5, 2012, including Meyers Nave analysis.
 - 10. Memo from Councilmember Kalra, dated March 5, 2012.
 - 11. Memo from Councilmember Liccardo, dated March 6, 2012.

1.9 Approval of Travel / Conference Attendance

- a. Stuart Odell - CalAPRS, Trustees Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012. **(Rescind approval)**
- b. Carmen Racy-Choy - Due Diligence – Hedge Fund On-Site:
 - New York - Week of April 16, 2012.
 - New York – Week of May 7, 2012.
 - London – Week of June 4, 2012.
 - Bermuda – Week of July 9, 2012.
- c. Heidi Poon - Due Diligence – Hedge Fund On-Site:
 - New York - Week of April 16, 2012.
 - Dallas, Minneapolis, Greenwich – Week of April 23, 2012.
 - London – Week of June 4, 2012.
- d. Daryn Miller - Due Diligence – Hedge Fund On-Site:
 - New York – Week of May 7, 2012.
 - Boston, Greenwich – Week of May 14, 2012.
 - Bermuda – Week of July 9, 2012.
- e. Mollie Dent - CalAPRS, Attorney's Roundtable, San Diego, CA – September 10, 2010. **(CANCEL)**

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

- 2.1 **James M. Hall**, Gardener, retired 02/23/80, died 02/16/12. No survivorship benefits.
- 2.2 **Larry S. Ihori**, Accountant I, retired 04/15/90, died 02/13/12. No survivorship benefits.

- 2.3 **Joyce M. Kennedy**, Word/Micro Processor Operator, retired 10/31/98, died 02/03/12. No survivorship benefits.
- 2.4 **Cynthia Kuo**, Analyst II, retired 04/13/11, died 02/18/12. Survivorship benefits to Sen Chen, spouse.
- 2.5 **Diana L. Overson**, Office Specialist II, retired 02/14/02, died 02/02/12. No survivorship benefits.
- 2.6 **Margaret R. Pattee**, Typist Clerk II, retired 06/10/78, died 10/17/11. No survivorship benefits.
- 2.7 **Alfonso Saucedo**, Laborer, retired 06/21/80, died 02/26/12. Survivorship benefits to Mary Esther Saucedo, spouse.
- 2.8 **Robert Sgambati**, Maintenance Superintendent, retired 05/29/10, died 02/02/12. Survivorship benefits to Raynelle Sgambati, spouse.
- 2.9 **Joel S. Takemoto**, Events Coordinator, deferred vested, died 08/17/11. Survivorship duties to Sally Takemoto, spouse.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

Item 3.1 was heard last, as noted on Orders of the Day.

3.1 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a),

Paul Mulholand, James Unland and Mary Follenweider, Plaintiffs v. Russell Crosby, Mike Moehle, City of San Jose and Does 1 through 10 Defendants; the Board of Directors of the San Jose Police and Fire Retirement Board and the Board of Directors of the City of San Jose Federated City Employees Retirement System, Necessary Parties in Interest.

Chair Loesch read Closed Session Item 3.1 into the record.

Entered into Closed Session at 1:24 p.m.

Returned from Closed Session at 2:15 p.m.

Board directed Counsel to respond to the complaint as referenced in Item 3.1 and file response with the court.

OPEN SESSION

4. NEW BUSINESS

Item 4.1 was heard out of order after Item 5.3.

4.1 **Presentation of Investment Performance (Flash Report) for period ending March 31, 2012. (Time Certain 10:00 a.m.)** Time certain was heard at 12:05 p.m.

Lara Wirick and Mika Buffington from Meketa, presented the Investment Performance (Flash Report) for period ending March 31, 2012.

Note and file.

4.2 Discussion and action regarding Meketa's recommendation to hire additional transition managers, Mellon Transition Management and J.P. Morgan Transition Management, and to delegate to the Secretary authority to negotiate and execute the agreements with approval as the form of the agreements by investment counsel.

Lara Wirick and Mika Buffington from Meketa, led the discussion regarding Meketa's recommendation to hire additional transition managers, Mellon Transition Management and J.P. Morgan Transition Management, and to delegate to the Secretary authority to negotiate and execute the agreements with approval as the form of the agreement by investment counsel.

A motion was made to approve Meketa's recommendation.

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

4.3 Discussion and action regarding Meketa's recommendation to terminate Tradewinds mandate and authorizing staff to redeem the investment as of April 30, 2012.

Lara Wirick and Mika Buffington from Meketa, led the discussion to terminate Tradewinds mandate and authorizing staff to redeem the investment as of April 30, 2012.

A motion was made to approve Meketa's recommendation to terminate Tradewinds holdings mandate and authorizing staff to redeem the investment as of April 30, 2012.

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

4.4 Discussion and action on report on implementation of the Board-approved Asset Allocation and Investment Structure.

Ms. Racy-Choy updated the Board on the Asset Liability Modeling, due diligence process, asset allocation, and an update on timeline for Manager selection. Laura Wirick and Mika Buffington from Meketa discussed the timeline for the asset allocation

A motion was made to accept report and provide direction to staff and consultants to focus on hedge fund, due diligence and allocation process. In addition, referred private equity to the Investment Committee to report back to the Board in June with recommendations.

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

4.5 Discussion and action on actuarial, administrative and legal impacts of the Ballot Measure.

Bill Hallmark and Ann Harper from Cheiron gave an overview of Cheiron's understanding of the Ballot Measure and Tier 2. The Board continued discussion regarding the Ballot Measure's impacts on Administration, Board's options and approaches to the plan, and the Tier 2 Plan.

- a. Cheiron assessment of Ballot Measure.
- b. Impacts on Administration of the Retirement System.

A motion was made to direct Cheiron to review the new language in the MOU on the best and final offers on Tier 2, and prepare a list of questions. Also, staff, Cheiron, Counsel and Meketa to provide questions regarding Ballot Measure at next Board meeting.

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

Amended motion was made to include dissemination of whatever information generated to go to all parties.

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

Amended motion was made that dissemination is to first go through staff.

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

Break after Item 4.5

Item 4.6 was heard after Item 4.11, as noted in Orders of the Day.

4.6 Contribution Rates and Amounts for 2012-2013.

- a. Discussion and action regarding Resolution 6750 setting new city and employee contribution rates and amounts for Federated members to be effective June 24, 2012.**

A motion was made to approve Resolution 6750 setting new city and employee contribution rates and amounts for Federated members to be effective June 24, 2012.

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

Item 4.7 was heard after Consent Calendar, as noted on Orders of the Day,

4.7 Discussion and action on Department of Retirement Services' Administrative Budget Proposal for Fiscal Year 2012-2013.

Ms. Niebla led the discussion on the Department of Retirement Services' Administrative Budget Proposal for Fiscal Year 2012-2013. The Board continued discussion and inquired more clarification on budgetary side and administrative expenses. The Board agreed that the appropriate benchmark for investment costs be discussed at the May Investment Committee meeting and other information will come back to the August Board meeting.

A motion was made to approve the Administrative Budget Proposal for Fiscal Year 2012-2013.

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

- 4.8 Educational Presentation by Cheiron: Discussion on actuarial options to minimize contribution volatility.**

Deferred

- 4.9 Educational Presentation by ReedSmith: Discussion of fiduciary principles and duties.**

Deferred

- 4.10 Educational Presentation by ReedSmith: Discussion regarding fiduciary liability insurance.**

Deferred

Item 4.11 was heard after Item 4.7, as noted in Orders of the Day.

4.11 Discussion and action on Cheiron's 401(h) Subordination limit test results as of June 30, 2011.

Bill Hallmark and Ann Harper from Cheiron reported the 401(h) Subordination limit test results as of June 30, 2011.

A motion was made to accept receipt of the 401(h) Subordination limit test results as of June 30, 2011.

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

5. COMMITTEES/REPORTS/RECOMMENDATIONS

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

5.2 Investment Committee (Druyan/Odell /Dirks –alternate/Armstrong)

- Next Meeting: April 25, 2012

- a. Minutes of February 29, 2012 meeting. **Note and file**
- b. Update from Chair of Investment Committee.

Item 5.3 was heard out of order after Item 4.5 and after Chair Loesch reconvened from break.

5.3 Ad Hoc Governance Committee (Loesch/Armstrong/Odell – Alternate/Dirks)

Tom Iannucci from Cortex, via teleconference, gave an overview on the governance policies to the Board.

a. Discussion and action on governance policies developed by Cortex.

1. Role of the Board of Administration

A motion was made to accept policy with noted corrections and with the following additional changes:

Item 22, add City

Item 23, typo change Police and Fire to Federated

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

2. Role of the CEO

A motion was made to accept with noted corrections:

Correct typo on Item 31, refer to Item 30

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

3. Board Communications Policy

A motion was made to approve with noted corrections:

Remove Item 5

Accept alternate language for Item 16.

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

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5.4 Ad Hoc Governance Committee on Staffing and Salaries (Loesch/Druyan/Overton – Alternate/Dirks)

6. EDUCATION & TRAINING **Note and file**

6.1 Educational Programs and Courses

6.2 Conferences and Seminars

6.3 Research Papers and Articles

6.4 CalAPRS Training

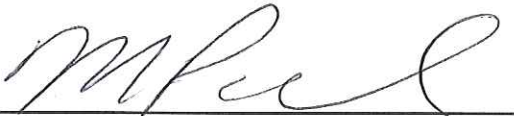
- a. Trustees' Round Table, DoubleTree Hotel, 2050 Gateway Place, San Jose – Friday, June 8, 2012.

- FUTURE AGENDA ITEMS **None**

- PUBLIC/RETIREE COMMENTS **None**

- ADJOURNMENT

Meeting was adjourned at 2:16 p.m.



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

ATTEST:



RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES