



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

BOARD MEMBERS

Matt Loesch, Chair
Lara Druyan, Vice-Chair
Michael Armstrong, Trustee
Martin Dirks, Trustee
Stuart Odell, Trustee
Ed Overton, Trustee
Arn Andrews, Trustee

NON-VOTING BOARD MEMBER

Pete Constant

COUNSEL

Harney Leiderman, General and Fiduciary Counsel

DIRECTOR RETIREMENT SERVICES

Roberto L. Peña

Thursday, November 21, 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 met on Thursday, November 21, 2013 in regular session at City Hall Wing Rooms 118/120, 200 East Santa Clara Street, San Jose, California 95113. Chair Matt Loesch called the meeting to order at 8:33 a.m. The Board went directly into Closed Session.

Present: 6 - Matt Loesch, Lara Druyan, Arn Andrews, Michael Armstrong, Martin Dirks and Stuart Odell

Absent: 1 - Ed Overton

Retirement Staff Present: Donna Busse; Lesley Lamb; Linda Alexander; Sonia Morales; Ron Kumar, Tram Doan.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Pete Constant, Non-Voting Board Member.

CLOSED SESSION

The Board entered into Closed Session at 8:33 a.m.

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

OPEN SESSION - 9:00 A.M. - time certain or soon thereafter

The Board reconvened out of Closed Session at 9:10 a.m and entered in to
Open Session. There was nothing to report out of Closed Session.
Pete Constant arrived at 9:13 a.m.

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City-sponsored meetings, events or printed materials, please call Sonia Morales (408) 794-1004
as soon as possible, but at least three business days before the meeting.

Commendation of Trustee Arn Andrews

This item was heard after the Orders of the Day at 9:12 a.m.
Chair Loesch commended Trustee Arn Andrews for his service on the
Federated City Employees' Retirement Systems Board of Administration. Mr.
Peña and Trustee Armstrong also spoke to the commendation of Trustee
Andrews complimenting his skills and knowledge.

• ORDERS OF THE DAY

The Orders of the Day were heard after Closed Session at 9:10 a.m.

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

Request to Waive Sunshine on the following item(s):

- Item 4a Attachment received Late
- Item 4c Attachment received Late

A motion was made to approve the Orders of the Day and Waive Sunshine on
Item 4.a and 4.c.

Approved. (M.S.C. Andrews/Dirks, 6-0-0)

1. CONSENT CALENDAR

The Consent Calendar was heard after the Commendation for Trustee

Andrews.

A motion was made to approve the Consent Calendar Items 1.1 through Items 2k.

Approved. (M.S.C. Andrews/Druyan, 6-0-0).

1.1 Approval of Service Retirements

- a. Micah Bailey, Supervising Application Analyst, Information Technology Department, effective October 11, 2013; 6.29* years of service.
- b. Gregory A. Brougham, Building Inspector, Planning, Building & Code Enforcement, effective November 23, 2013; 16.66* years of service.
- c. Carmen Q. Burciaga, Part-time Clerk, Library Clerk, effective November 23, 2013; 15.11* years of service.
- d. Mark J. Guillory, Building Rehabilitation Inspector, Housing Department, effective December 21, 2013; 13.22* years of service. *(With reciprocity)*
- e. Steven Waters, Associate Construction Inspector, Department of Transportation, effective December 21, 2013; 23.34* years of service.
- f. Ralph P. Welsh, Parking Traffic Control Officer, Department of Transportation, effective December 21, 2013; 13.05* years of service.

1.2 Approval of Deferred Vested

- a. Christopher Boza, Assistant Arborist, Parks, Recreation & Neighborhood Services, effective December 31, 2013; 5.04* years of service. *(With reciprocity)*
- b. Jose R. Estrada, Facility Attendant, Convention, Arts & Entertainment, effective December 7, 2013; 10.67* years of service.
- c. William T. Nevarez, Gerontology Specialist, Parks, Recreation & Neighborhood Services, effective December 13, 2013; 16.02* years of service.
- d. Ronald L. Northouse, Senior Engineer, Department of Transportation, effective December 19, 2013; 23.57* years of service.
- e. William E. Simmons, Deputy City Attorney, City Attorney's Office, effective November 16, 2013; 2.96* years of service. *(With reciprocity)*

1.3 Approval of Board Minutes

- a. Approval of Board Minutes from October 17, 2013.

1.4 Approval of Return of Contributions

- a. Voluntary/Involuntary

1.5 Acceptance of Communication/Information Reports

- a. Education Travel Reports:
 - Retirement Research Consortium Annual Meeting, Washington, DC - August 1-2, 2013 - by Pete Constant.
- b. 2014 Schedule of Meetings.
- c. September 2013 Performance Flash Report for the Pension Trust.
- d. Rule 105 Reg M issue in regards to the System's investments in D. E. Shaw and Hudson Bay.

1.6 Approval of Termination of Retirement Benefits

- a. Approval to rescind the application of **James Law**; approved at the October 17, 2013 meeting for the effective date of October 26, 2013.

1.7 Approval of Change in Retirement Date

- a. Approval of change in retirement date for **Thomas D. Norris**; from November 9, 2013 to December 7, 2013.
- b. Approval of change in retirement date for **Richard S. Bryson**; from October 31, 2013 to November 1, 2013.
- c. Approval of change in retirement date for **Tony M. Costa**; from November 9, 2013 to January 4, 2014.

2. DEATH NOTIFICATIONS (Moment of Silence)

- a. Notification of the death of **Herbert N. Altneu**, Sr. Civil Engineer, retired October 21, 1978, died September 13, 2013. No survivorship benefits.
- b. Notification of the death of **Dale F. Bettinger**, Party Chief, retired December 12, 1981, died September 25, 2013. No survivorship benefits.

- c. Notification of the death of **Robert Bryer**, Principal Civil Engineer, retired May 1, 1992, died August 14, 2013. Survivorship benefits to Karen Bryer, Spouse.
- d. Notification of the death of **Eleazar Cuenca**, Airport Maintenance Worker, retired September 14, 1989, died August 7, 2013. Survivorship benefits to Maria Cuenca, Spouse.
- e. Notification of the death of **Richard J. Desmond**, Deputy Director, retired June 10, 2013, died August 23, 2013. No survivorship benefits.
- f. Notification of the death of **Joseph W. Henderson**, Principal Engineering Technician, retired November 7, 1992, died June 30, 2013. No survivorship benefits.
- g. Notification of the death of **Marvene H. Jones**, Code Enforcement Supervisor, retired August 29, 1992, died October 13, 2013. No survivorship benefits.
- h. Notification of the death of **Michael Medlin**, Parking Control Officer, deferred vested, died July 19, 2013. Survivorship benefits to Tracey Medlin, Spouse.
- i. Notification of the death of **William Shortt**, Plant Mechanic, retired July 5, 1992, died August 17, 2013. Survivorship benefits to Maria Shortt, Spouse.
- j. Notification of the death of **Don B. Wadsworth**, Building Inspector Supervisor, Planning, Building & Code Enforcement Department, retired October 6, 2007, died November 4, 2013. Survivorship benefits to Diane Wadsworth, Spouse.
- k. Notification of the death of **George Yasukawa**, Equipment Mechanic, retired April 18, 1987, died October 14, 2013. Survivorship benefits to Chiyomi Yasukawa, Spouse.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Oral update on Military Leave Ordinance Memo.

Ms. Busse gave an update on the process of implementing the Military Leave Ordinance and answered questions from the Board.

4. NEW BUSINESS

- a. Discussion and action on plan actuary, Cheiron's presentation of preliminary 2013 Pension Valuation results.

Item 4a & 4b were heard together.

Bill Hallmark, Gene Kalwaski and Bethany Axtman presented Cheiron's preliminary 2013 pension valuation results and answered questions from the Board.

There was a lengthy discussion in which the Board discussed Tier 1 and Tier 2 distinctions, the appropriate return assumptions and discount rate, and anticipated wage and price inflation, a motion was made to accept the actuary's Option One recommendation regarding rehiring of retirees. Approved. (M.S.C. Andrews/Druyan 6-0-0).

A motion was made to accept the actuary's recommendations with the following change: to move the assumed rate of return and discount rates to 7.25% from 7.50%

Approved. (M.S.C. Andrews/Dirks). The motion became moot following adoption of a substitute motion.

A substitute motion was made to accept the actuary's recommendation with the following changes: to move the assumed rate of return and discount rate from 7.50% to 7.25%, and to move the wage inflation assumption to 2% for the next five years, and 2.85% thereafter up to 30 years.

Approved. (M. S.C. Odell/Dirks 6-0-0)

A representative of AFSCME addressed the Board in connection with the substitute motion.

- b. Discussion and action to review and adopt changes in economic assumptions including discount rate, wage and price inflation and methodology to be used by the Actuary for the valuation of former Tier 1 members who have been rehired into Tier 2.

Item 4b was heard with Item 4a.

- c. Discussion and action to finalize Other Post Employee Benefits (OPEB), including claims, health trend and participation assumptions and the expected return on City Assets.

Bill Hallmark of Cheiron led the discussion on the Federated City Employees' Retirement Services Other Post Employee Benefits (OPEB) and answered questions from the Board. The Board asked for clarification of various points during Cheiron's presentation. Cheiron recommended lowering the trend rates by 25 basis points for 2014.

After a lengthy discussion, a motion was made to accept the proposed recommendations from Cheiron for the June 30th, 2013 OPEB actuarial valuation.

(M.S.C. Andrews/Druyan).

After the discussion of the motion, a substitute motion was made to adopt a level dollar amortization, adopt Cheiron's actuarial assumption recommendations with the exception of the current assumption for employer assets instead of 3.3, recommended 2.5%.

Approved. (M.S.C. Andrews/Odell 6-0-0)

- d. Discussion and action on the report of the Plan Expenses for August 2013 and September 2013.

A motion was made to approve the report of the Plan Expenses for August 2013 and September 2013.

Approved. (M.S.C. Odell/Andrews 6-0-0).

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

Mr. Peña gave an update regarding Staff. He welcomed Ms. Yenay and Ms. Foy-Chua to staff and stated that Ms. Barron has taken a position in another department. He also gave an update on MGO's "clean" audit, finalizaion of the CAFR, ERRP refunds and status of the CIO search. Ms. Busse gave an update on the status of the Private Letter Ruling request for the Health Care Trust.

- f. Discussion and action on Legal Counsel and Staff recommendation that the Benefits Consultant fees allocated to the Federated Plan be paid in full by the Plan as a reasonable healthcare trust administrative expense in the amount of \$18,880 annually starting January 1, 2014.

Ms. Busse led the discussion and explained that the consultant fees used to be a part of the premium structure; however, the City has changed consultants and proposed to put new payment structures in place, including charging all members a portion of the consultants' fees.

A motion was made to approve the Legal Counsel fees.

Approved. (M.S.C. Odell/Andrews 6-0-0).

4.1 Investments

- a. Presentation by Albourne of the Third Quarter 2013 Hedge Fund program update with supplemental memo provided by staff.

Item 4.1a was heard after item 6a-c.

Lisa Neele from Albourne appeared by telephone and presented the Third Quarter 2013 Hedge Fund program update.

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Druyan, Odell, Andrews)

Last Meeting: November 13, 2013

Next Meeting: December 11, 2013

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

Chair Druyan updated the Board on the Investment Committee's plan and actions, including the RFP for an external CIO.

- b. Approval of the Minutes of the September 11, 2013 Joint Federated and Police & Fire Investment Committee meeting. Receive and file.
- A motion was made to approve the minutes of the September 11, 2013 Joint Federated and Police and Fire Investment Committee and recommended that Trustee Armstrong fill the vacancy on the Committee caused by Trustee Andrews' departure.
- Approved. (M.S.C. Loesch/Dirks 6-0-0).

5.2 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 updated the Board on The Governance Committee.

5.3 Audit Committee (Armstrong, Andrews, Overton)

Last Meeting: August 1, 2013

Next Meeting: November 21, 2013

- a. Update from the Chair of the Audit Committee. Receive and file.
- There was nothing to report out of the Audit Committee.

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

- a. Update from the Chair of the Ad Hoc Personnel Committee. Receive and file.
- Chair Loesch updated the Board on the Ad Hoc Personnel Committee. He recommended that the Committee continue in existence as needed in connection with the search for the CIO.

5.5 Ad-Hoc Policy and Procedures (Overton, Loesch)

- a. Update from the Chair of the Ad Hoc Policy and Procedures Committee. Receive and file.
- Chair Loesch updated the Board on the Ad Hoc Policy and Procedures Committee.
- b. Discussion and action regarding dissolving the Ad Hoc Policy and Procedures Committee.
- There was a motion to dissolve the Ad Hoc Policy and Procedures Committee. Approved. (M.S.C. Loesch/Druyan 6-0-0).

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

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

Pete Constant, Non-voting member, gave an update to the Board on the City Council's receipt of the Cortex Phase 2 Report and the Council's request that the retirement boards advise on the Cortex recommendations.

6. EDUCATION & TRAINING

- a. Educational Programs and Courses

This Education & Training was received and filed

- b. Conferences and Seminars

This Education & Training was received and filed

- c. Research Papers and Articles

This Education & Training was received and filed

• FUTURE AGENDA ITEMS

None

• PUBLIC/RETIREE COMMENTS

None

• ADJOURNMENT

The meeting adjourned at 12:18 p.m.



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

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES