

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

February 16, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, February 16, 2012 at 8:36 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
Martin Dirks -Present
Stuart Odell -Present
Ed Overton -Present

NON-VOTING BOARD MEMBER

Pete Constant -Present

DIRECTOR RETIREMENT SERVICES

Russell U. Crosby -Present

COUNSEL

Mollie Dent -Present
Russ Richeda -Present

RETIREMENT SERVICES STAFF

PRESENT

Donna Busse, Deputy Director, COO
 Carmen Racy-Choy, Deputy Director, CIO
 Veronica Niebla
 Ron Kumar
 Jennifer Holmboe
 Sonia Morales
 Troy Gavin
 Tram Doan

ALSO PRESENT:

Alex Gurza, Office of Employee Relations
 Allison Suggs, Office of Employee Relations
 Bill Pope, OE3
 Gilbert De La Cruz, Airport
 Maria De La Cruz, Airport
 LaVerne Washington, MEF-CEO
 Brook Myhre, Retiree
 Gerry Chappuis, MEF
 Chuck Hagenmaier, Retiree
 Brian Doyle, City Attorney
 Vera Todorov, Senior Deputy City Attorney

CALL TO ORDER: 8:36 a.m.

• ORDERS OF THE DAY

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

- Item 1.4(cc) – change effective date to February 18, 2012.
- Item 3.1 – Waive Sunshine, item received late, and time certain at 10:00 a.m.
- Item 4.5 (a – d) – Waive Sunshine, item received late.

A motion was made to approve Orders of the Day and Waive Sunshine for Items 3.1 and 4.5(a-d).

Approved. (M.S.C. – Andrews/Armstrong, 6-0-1, Druyan-absent)

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.

1. CONSENT CALENDAR (Items 1.1 through 1.11)

Items 1.4(d) and 1.11c were pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar Items 1.1 through Item 1.11c, excluding Items 1.4d and 1.11c.

Approved. (M.S.C. – Andrews/Armstrong, 6-0-1, Druyan-absent)

Item 1.4(d) - Mr. Crosby acknowledged Karin Carmichael for her time and her tremendous contributions to the Department of Retirement Services and stated it is a big loss for the department. Trustee Overton added that she was dedicated, caring, and focused and wished her well. Ms. Busse noted that Ms. Carmichael was in charge of all pre-retirement courses and brown bag courses, as well as counseling. She will be missed.

Approved. (M.S.C. – Overton/Andrews, 6-0-1, Druyan-Absent)

Item 1.11(c) – Trustee Andrews stated that item 1.11(c) was listed incorrectly, but requested to attend as referenced on Item 1.11(a) second item-IFEBP Wharton School, Hedge Funds, Real Estate and Other Alternatives Investments, San Francisco, CA - July 16-18, 2012.

Approved. (M.S.C. – Overton/Andrews, 6-0-1, Druyan-Absent)

1.1 Approval of Minor Agreements

- a. Authorize the Secretary to execute an Addendum to the PensionGold Software Maintenance and Support Agreement among The Boards of Administration for the Police and Fire Department Retirement Plan, the Federated City Employees' Retirement System, and Levi, Ray & Shoup, Inc. (LRS), to enable LRS to act as an agent of the Department of Retirement Services (DRS).
- b. Authorize the Secretary to execute an Addendum to the Internet World Wide Web Design, Hosting and Domain Name Registration Agreement between The Board of Administration for the Federated City Employees' Retirement System and Levi, Ray & Shoup Inc. (LRS) agreeing to the terms and conditions of the LRS agreement with Microsoft regarding the use of Microsoft software.

1.2 Approval of Staff Recommendation for a Non-Service-Connected Disability

Deborah Stollman, Supervisor of Administration, Planning, Building & Code Enforcement Department. Request for a Non-Service-Connected Disability Retirement effective February 16, 2012; 9.80* years of service.

1.3 Approval of Staff Recommendation for Change of Status to a Non-Service-Connected Disability

Gilberto DeLaCruz, Air Equipment Mechanic, Airport Department. Request for a Change in Status from a Service Retirement to a Non-Service-Connected Disability Retirement, effective June 12, 2011; 9.87 years of service.

1.4 Approval of Service Retirements

- a. **Susan K. Aizumi**, Associate Landscape Architect, Public Works Department, effective March 17, 2012; 21.59* years of service.
- b. **Laura M. Arechiga**, Workers Comp Adjuster II, Human Resources Department, effective March 31, 2012; 8.17* years of service.
- c. **Richard E. Bortolussi**, Events Coordinator II, Office of Economic Development, effective March 17, 2012; 13.06* years of service.
- d. **Karin D. Carmichael**, Analyst II, Retirement Services Department, effective March 31, 2012; 12.82* years of service. *(With reciprocity)*
- e. **Guillermo G. Castro**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department, effective March 31, 2012; 20.36* years of service.
- f. **B. Yolanda Cazares**, Senior Office Specialist, Office of Economic Development, effective March 31, 2012; 28.19* years of service.
- g. **Roxanne L. Cook**, Staff Specialist, Public Works Department, effective March 31, 2012; 15.62* years of service. *(With reciprocity)*
- h. **Susan L. Covich**, Workers Comp Claims Adjuster, Human Resources Department, effective March 31, 2012; 15.80* years of service.
- i. **Carol M. DaSilva**, Division Manager, Library Department, effective March 31, 2012; 15.78* years of service.
- j. **Phyllis A. Dawkins-Thames**, Latent Fingerprint Examiner Supervisor, Police Department, effective March 17, 2012; 30.04* years of service.
- k. **Lorie A. Deisenroth**, Accounting Technician, Finance Department, effective March 31, 2012; 30.05* years of service.
- l. **Michael J. Diaz**, Senior Public Safety Dispatcher, Police Department, effective March 31, 2012; 16.01* years of service. *(With reciprocity)*
- m. **Don S. Ernst**, Electrical Maintenance Supervisor, Department of Transportation, effective March 17, 2012; 21.36* years of service.
- n. **Shirley A. Hanson**, Staff Technician, Public Works Department, effective March 31, 2012; 15.29* years of service.
- o. **Karen R. Hartwell**, Senior Accounting Clerk, Finance Department, effective March 31, 2012; 17.06* years of service.
- p. **Carla A. Holmes**, Analyst II, Parks, Recreation & Neighborhood Services Department, effective March 31, 2012; 22.73* years of service.
- q. **Cynthia D. Johnson**, Secretary, Parks, Recreation & Neighborhood Services Department, effective March 31, 2012; 26.84* years of service.
- r. **Victoria M. Johnson**, Analyst II, Parks, Recreational & Neighborhood Services Department, effective February 26, 2012; 19.14* years of service.
- s. **Ruby Socorro Justo**, Senior Engineering Technician, Department of Transportation, effective March 31, 2012; 21.64* years of service.
- t. **Jerry D. Lambert**, Supervising Inspector, Planning, Building & Code Enforcement Department, effective March 31, 2012; 19.29* years of service.
- u. **Jane E. Light**, City Librarian, Library Department, effective March 31, 2012; 15.00* years of service. *(With reciprocity)*

- v. **Robert V. Machado**, Groundswoker, Parks, Recreation & Neighborhood Services Department, effective March 3, 2012; 30.08* years of service.
- w. **Naguib L. Manzur**, Staff Specialist, Environmental Services Department, effective March 31, 2012; 24.77* years of service.
- x. **Lorraine E. Mayo**, Principal Office Specialist, Police Department, effective March 31, 2012; 26.72* years of service.
- y. **Susan B. McCarthy**, Legal Analyst II, City Attorney's Office, effective March 31, 2012; 10.45* years of service.
- z. **Dorothy L. McLaughlin**, Supervising Application Analyst, Information Technology, effective March 31, 2012; 23.28* years of service.
- aa. **Janis A. Moore**, Planner II, Planning, Building & Code Enforcement Department, effective March 31, 2012; 26.55* years of service.
- bb. **Angelita L. Murray**, Staff Specialist, Public Works Department, effective March 17, 2012; 26.54* years of service.
- cc. **Robin A. Opheim**, Senior Program Performance Auditor, Auditor's Office, effective March 31, 2012; 23.32* years of service.
- dd. **Sarah F. Renteria**, Staff Specialist, Airport Department, effective March 17, 2012; 22.00* years of service.
- ee. **Richard Ruiz**, Senior Office Specialist, Office of Economic Development, effective March 31, 2012; 5.03* years of service.
- ff. **Roger R. Somero**, Electrician, Environmental Services Department, effective March 31, 2012; 10.28* years of service.
- gg. **Rowena Suen**, Senior Analyst, Office of Economic Development, effective March 31, 2012; 5.00* years of service.
- hh. **Benito R. Torrecillas**, Information System Analyst, Environmental Services Department, effective March 31, 2012; 9.73* years of service.
- ii. **Ilda R. Vasquez**, Staff Specialist, Police Department, effective March 17, 2012; 15.27* years of service.
- jj. **Stephen K. Yaeger**, Maintenance Worker II, Department of Transportation, effective March 31, 2012; 22.80* years of service.

1.5 Approval of Deferred Vested Retirements

- a. **Ellen C. Dimond**, Code Enforcement Inspector II, Planning, Building & Code Enforcement Department, effective January 12, 2012; 10.38* years of service.
- b. **Scott H. Frederick**, Librarian, Library Department, effective March 10, 2012; 10.23* years of service. *(With reciprocity)*
- c. **George D. Gadd**, Supervising Public Safety Dispatcher, Police Department, effective March 3, 2012; 22.19* years of service. *(With reciprocity)*
- d. **Lorrie R. Gervin**, Principal Division Manager, Environmental Services Department, effective March 24, 2012; 10.25* years of service. *(With reciprocity)*
- e. **Ricky O. Tijani**, Development Specialist, Housing Department, effective March 31, 2012; 4.36* years of service. *(With reciprocity)*

1.6 Approval of Change of Retirement Date

- a. Approval of change of retirement date of **Karnail Gangar**; from January 21, 2012 to February 2, 2012.
- b. Approval of change of retirement date of **Frank A. Vargas**; from February 4, 2012 to February 18, 2012.

1.7 Approval of Board Minutes

Approval of Board Minutes of January 19, 2012.

1.8 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.9 Approval of Monthly Expenditures

Report of Federated Retirement System Plan Expenses for December 31, 2011.

1.10 Acceptance of Communication/Information Reports

- a. Pending Projects.
- b. Benefit Review Forum Report – January 2012
- c. Governor Brown's Retirement Proposals.

1.11 Approval of Travel / Conference Attendance

- a. Lara Druyan
 - IFEBP, Wharton School, University of Pennsylvania, Portfolio Concepts & Management, Philadelphia, PA – May 21-24, 2012.
 - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.
- b. Russell Crosby
 - Institutional Investor Taft-Hartley and Public Plan Advisory Board, Los Angeles, CA – April 18-20, 2012. (*Expenses paid by Institutional Investor*)
- c. Arn Andrews
 - CalAPRS, Principles of Pension Management for trustees at Stanford Law School, Palo Alto, CA – March 27-30, 2012.
 - Stanford Rock Center for Corporate Governance, Fiduciary College, Stanford University, Palo Alto, CA – July 23-25, 2012

Item 1.11(c) pulled and noted as listed incorrectly under Consent Calendar.

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

- 2.1 Lionel L. Afonso**, Audio Visual Equipment Technician, retired 12/17/83, died 12/13/11. Survivorship benefits to Mabel Afonso, spouse.
- 2.2 Lorraine Allan**, Senior Typist, retired 07/17/82, died 1/3/12. No survivorship benefits.
- 2.3 Errol W. Fitzpatrick**, Risk and Loss Control Manager, deferred vested, died 10/15/11. Survivorship benefits to Errol Fitzpatrick, son.
- 2.4 Joan K. Gathers**, Typist Clerk II, retired 7/5/92, died 12/19/11. No survivorship benefits.
- 2.5 Kenneth Hall**, Assistant Street & Sewer Maintenance Supervisor, retired 1/6/79, died 12/25/11. Survivorship benefits to Margaret Hall, spouse.
- 2.6 Frank W. Hursh**, Senior Latent Print Examiner, retired 8/8/98, died 12/8/11. No survivorship benefits.
- 2.7 John W. Nellany**, Housing Sanitarian, retired 4/19/86, died 1/3/12. Survivorship benefits to Mary P. Nellany, spouse.
- 2.8 Diane C. O'Neil**, Police Records Clerk, retired 10/1/86, died 12/6/11. No survivorship benefits.
- 2.9 Dorothy L. Salisbury**, Library Clerk, retired 1/31/81, died 1/20/12. No survivorship benefits.
- 2.10 Beverly C. Shields**, Senior Account Clerk, retired 12/3/94, died 12/11/11. No survivorship benefits.
- 2.11 Gail Tucker**, Senior Management Analyst, retired 6/16/84, died 12/21/11. No survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

Item 3.1 – Time certain at 10:00 a.m., as noted on Orders of the Day.

3.1 Discussion and action on selection of legal counsel and authorization for the City Attorney and Board Secretary to negotiate and execute contracts for terms of three years with the following firms:

- **Reed Smith LLP – for general counsel and investment services in an amount not to exceed \$500,000.**
- **Ice Miller – for tax services in an amount not to exceed \$75,000.**
- **Saltzman & Johnson Law Corporation – for domestic relations order services in an amount not to exceed \$50,000.**

Ms. Dent, Senior Deputy City Attorney, expressed appreciation to the two Board Members and Mr. Crosby, Director of Retirement Services for their assistance in the review and interview process in the selection of legal counsel and contracts as recommended by the Board. She added that City Attorney's Office received many high quality responses to the Request for Proposals (RFP). After thorough evaluation, the Panel ranked them and finalists they were selected for interviews.

A motion was made to accept selection of legal counsel and execute contracts as recommended by the Panel.

Approved. (M.S.C. – Andrews/Armstrong, 6-0-1, Druyan-absent)

3.2 Update on meeting with the City Manager regarding staff salaries.

Chair Loesch updated the Board on the meeting that he and Vice Chair Druyan had with the City Manager regarding staff salaries.

3.3 Discussion and action on proposed date on Study Session and request for proposed topics.

Chair Loesch solicited Board Trustees on proposed dates and topics for the Study Session. Following discussions, Chair Loesch suggested to tentatively hold a meeting on April 16th, after the Federated Board meeting, which would allow some time to plan the agenda.

4. NEW BUSINESS

4.1 Discussion and action regarding the allocation methodology for valuation of administrative expenses.

Ms. Dent, Senior Deputy City Attorney, led discussion regarding the allocation methodology for valuation of administrative expenses.

A motion was made to request Cheiron to report on past practices of allocation methodology for valuation of administrative expenses at the March 2012 Board meeting.

Approved. (M.S.C. – Loesch/Andrews, 6-0-1, Druyan-absent)

4.2 Report on the implementation of the new long-term asset mix as approved by the Board on December 15, 2011.

Ms. Racy-Choy led the discussion regarding how the asset mix was implemented via the policy overlay. Trustee Odell requested an education session regarding policy overlay.

4.3 Approval for the Secretary to negotiate and execute an agreement with ORG Portfolio Management to act as the System's independent real estate fiduciary for transferring the Milpitas Warehouse to American Realty's core real estate commingled fund.

A motion was made to approve the Secretary to negotiate and execute an agreement with ORG Portfolio Management to act as the System's independent real estate fiduciary for transferring the Milpitas Warehouse to American Realty's core real estate commingled fund.

Approved. (M.S.C. – Andrews/Dirks, 6-0-1, Druyan-absent)

4.4 Discussion and action regarding Retirement Board of Administration's fiduciary insurance coverage, terms and conditions.

Ms. Dent, Senior Deputy City Attorney, recommended that the item be deferred until the new legal counsel has been contracted and allow them to efficiently review the policy.

4.5 Discussion and action on the accusations made about Retirement Staff, San Jose City Officials, and our consultant's actions around pension plan projections in a recent media investigative report.

- a. Memo from City Manager, Debra Figone, regarding Retirement Projections Fact Sheet, dated February 9, 2012.
- b. Complaint Form filed by Christopher E. Platten to the San Jose Elections Commission, dated February 9, 2012.
- c. Memorandum dated February 14, 2012, from HansonBridgett to San Jose Elections Commission regarding alleged Ethics Violation.
- d. Letter dated February 14, 2012, from Gene Kalwarski of Cheiron regarding NBC Bay Area Report.

Chair Loesch stated to the Board that item be moved to Note and File.

Approved. (M.S.C. – Loesch/Andrews, 6-0-1, Druyan-absent)

5. COMMITTEES/REPORTS/RECOMMENDATIONS

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

5.2 Investment Committee (Druyan/Odell /Dirks –alternate/Armstrong) **Note and File**

- Next Meeting: February 29, 2012

- a. Minutes of November 30, 2011 meeting.

Approved. (M.S.C. – Dirks/Andrews, 6-0-1, Druyan-absent)

- b. Update from Vice Chair of Investment Committee.

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

- Last Meeting: January 5, 2012

- Next Meeting: February 16, 2012

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. General Assembly, Westin Rancho Mirage, Palm Springs, CA – March 3-6, 2012.

- **FUTURE AGENDA ITEMS **None****

- **PUBLIC/RETIREE COMMENTS**

Chuck Haggemaier, Retiree, stated to the Board his concerns regarding the Plan's reporting according to the standards laid out by GASB.

Chair Loesch called for a break of the Federated City Employees' Retirement System Board meeting, then called the Federated Retiree Health Care Trust Fund to order at 9:47 a.m.

Chair Loesch reconvened from break at 10:11 a.m.
Time certain Item 3.1 was heard.

- **ADJOURNMENT**

Meeting was adjourned at 10:27 a.m.



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

ATTEST:



RUSSELL U. CROSBY
SECRETARY, BOARD OF ADMINISTRATION
DIRECTOR, RETIREMENT SERVICES