

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

March 15, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, March 15, 2012 at 8:30 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 -Present

DIRECTOR RETIREMENT SERVICES

Russell U. Crosby -Present

COUNSEL

Mollie Dent -Present
Jeff Rieger, Counsel -Present

RETIREMENT SERVICES STAFF

PRESENT

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

ALSO PRESENT:

Allison Suggs, Office of Employee Relations
Gerry Chappuis, MEF
Lynn Kehoe, ORG Portfolio Management
Mary Cornwall, CEP/AFSME
Laura Wirick, Meketa Investment Group
Gene Kalwarski, Cheiron, via teleconference
Ann Harper, Cheiron, via teleconference
Tom Iannucci, Cortex, via teleconference

CALL TO ORDER: 8:30 a.m.

• ORDERS OF THE DAY

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

- Closed Session Items 4.1 and 4.2, then 4.3 were heard before Item 3.1.
- Time certain at 10:00 a.m.
- Time certain Item 5.3c, call in from Cortex at 11:00 a.m.

A motion was made to approve Orders of the Day.

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

1. CONSENT CALENDAR (Items 1.1 through 1.9)

Items 1.8a and 1.7 were pulled from the Consent Calendar.

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FCERS 04-19-12

A motion was made to approve the balance of the Consent Calendar, excluding Items 1.8a and 1.7.

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

Item 1.7 was pulled and deferred to the end of meeting. Item was heard after Item 4.6.

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

Item 1.8a, Trustee Overton stated there were old dates. Item will be updated.

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

1.1 Approval of IT Minor Agreement

Discussion and action regarding authorizing the Secretary to negotiate and execute an Agreement with Park Place Technologies for post-warranty maintenance for Del PowerVault 220S hardware devices and for a Tape Drive Storage Library for an amount not-to-exceed \$4,000 for a 2 year period (cost to be split 50/50 with San Jose Police and Fire Department Retirement Plan).

1.2 Approval of Service Retirements

- a. **Teresa Avila**, Office Specialist II, Library Department, effective April 30, 2012; 21.40* years of service.
- b. **Alan L. Bales**, Senior CPU Operator, Environmental Services Department, effective March 31, 2012; 28.25* years of service.
- c. **Richard S. Bryson**, Hazardous Materials Inspector II, Fire Department, effective March 31, 2012; 13.32* years of service.
- d. **Sabra J. Buckert**, Public Safety Communications Supervisor, Police Department, effective March 31, 2012; 20.50* years of service.
- e. **Christopher T. Ching**, Associate Engineer, Department of Transportation, effective March 31, 2012; 23.85* years of service.
- f. **Sandra Davis**, Parking Control Officer, Department of Transportation, effective March 31, 2012; 9.32* years of service.
- g. **Marilyn J. Fitzhugh**, IT Systems Program Manager, Airport Department, effective March 31, 2012; 8.01* years of service.
- h. **Clifford S. Greenberg**, Senior Deputy City Attorney, City Attorney's Office, effective March 31, 2012; 22.78* years of service.
- i. **Charles R. Grover**, Laboratory Technician II, Environmental Services Department, effective March 31, 2012; 16.50* years of service.
- j. **Diana J. Jamison**, Administrative Assistant, City Council Office, effective March 31, 2012; 15.53* years of service. *(With reciprocity)*
- k. **Mary R. Mahan**, Analyst II, Environmental Services Department, effective March 31, 2012; 7.32* years of service.
- l. **Anthony M. Santomauro**, Senior Maintenance Worker, Parks, Recreation & Neighborhood Services, effective April 28, 2012; 30.03* years of service.
- m. **Laurie A. Sherr**, Secretary, Police Department, effective March 31, 2012; 15.18* years of service.

- n. **Suzan L. Stauffer**, Environmental Inspector I, Environmental Services Department, effective March 31, 2012; 19.32* years of service.
- o. **Jose B. Uribe**, Associate Engineering Technician, Public Works Department, effective February 18, 2012; 10.41* years of service.

1.3 Approval of Deferred Vested Retirements

- a. **Connie Carson**, Public Safety Dispatcher II, Police Department, effective April 28, 2012; 11.22* years of service.
- b. **Barbara K. Jordan**, Senior Deputy City Attorney, City Attorney's Office, effective April 3, 2012; 17.50* years of service.
- c. **Karin Keneller**, Senior Public Safety Dispatcher, Police Department, effective April 25, 2012; 16.22* years of service. (*With reciprocity*)
- d. **Lynette M. Motte-Peters**, Senior Analyst, Parks, Recreation & Neighborhood Services, effective February 29, 2012; 7.80* years of service. (*With reciprocity*)

1.4 Approval of Change of Retirement Date

- a. Approval of change of retirement date of **Laura Arechiga**; from March 31, 2012 to March 17, 2012.
- b. Approval of change of retirement date of **Guillermo Castro**; from March 31, 2012 to June 30, 2012.

1.5 Approval of Board Minutes

Approval of Board Minutes of February 16, 2012.

1.6 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.7 Approval of Monthly Expenditures

Item 1.7 was pulled and deferred to end of meeting, as noted on Order of the Day.

Report of Federated Retirement System Plan Expenses for January 31, 2012.

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

1.8 Acceptance of Communication/Information Reports

- a. Pending Projects. **Item 1.8a was pulled as noted on Order of the Day.**
- b. Letter from Cheiron, dated February 8, 2012 regarding 5-Year Budget Projections for Federated.
- c. Memo from Russ Richeda of Saltzman & Johnson, dated March 5, 2012, regarding Governor Brown's Pension Modification Proposals.
- d. Request to California State Auditor, JLAC Hearing of March 2012.

1.9 Approval of Travel / Conference Attendance

- a. Arn Andrews - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.
- b. Marty Dirks - Skybridge Alternatives Conference – SALT 2012, Las Vegas, NV – May 8-11, 2012.

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

- 2.1 **Eugene C. Rudy**, Senior Equipment Serviceman, retired 07/12/77, died 01/19/12. No survivorship benefits.
- 2.2 **Ronald J. Ruscigno**, Real Estate Agent II, retired 07/03/97, died 01/27/12. Survivorship benefits to Sharon K. Ruscigno, Spouse.
- 2.3 **Jeanne M. Shiraldi**, Senior Account Clerk, active employee, died 01/29/12. No survivorship benefits.

Ms. Dent, Senior Deputy City Attorney, read Closed Session Items into the record.

Entered Closed Session for Items 4.1 and 4.2 at 8:39 a.m., as noted in Orders of the Day.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS**3.1 Discussion and action on proposed date for Study Session and request for proposed topics.**

Chair Loesch led the discussion regarding proposed date for Study Session and requested proposed topics from Trustees. He suggested that Cheiron make this presentation on options to minimize contribution volatility and that Reed Smith present on fiduciary principles and fiduciary liability insurance. He stated to keep Study Session scheduled right after Board meetings details are worked out regarding actuarial, legal and topics.

A motion was made to keep Study Sessions on the meeting agendas and for the Board Members to submit suggestions regarding study topics.

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

3.2 Discussion and action on establishment of Ad Hoc Committee on staffing and salaries.

Item 3.2 was heard out of order after Item 5.3c and upon Chair Loesch reconvened Board meeting from lunch at 12:16 p.m.

Chair Loesch led the discussion regarding the establishment of Ad Hoc Committee on staffing and salaries. He stated he would like to create a new Ad Hoc Committee for 3-4 months on structure and compensation issues, and to report recommendations to the Board.

A motion was made to create new Ad Hoc Committee with committee members as follows:

Loesch (Chair), Trustee Druyan, Trustee Overton and Trustee Dirks (Alternate); timeframe of

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3-4 months, with access to Counsel and Cortex, to research and make recommendations to the Board.

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

4. NEW BUSINESS

CLOSED SESSION

4.1 CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(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.

Court: Superior Court of California, County of Santa Clara
Case No. 1-10-CV-177077

4.2 CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code Section 54956.8

Property: Milpitas Warehouse, 746-876 South Milpitas Blvd, Milpitas CA 95035

Negotiator: Ed Schwartz, ORG Portfolio Management

Under negotiation: Price and terms of payment

Probable Value of Property: Exceeds \$1 million

Returned from Closed Session at 10:09 a.m.

Mr. Rieger reported that direction had been given to counsel regarding agenda Item 4.1. Ms Dent stated no report on Item 4.2.

OPEN SESSION

Item 4.3 was heard after Closed Session and before Item 3.1, as noted in Order of the Day.

4.3 Discussion and action to transfer Milpitas Warehouse, separately held real estate property, to American Core Realty Fund and authorization for the Secretary to negotiate and execute the Incremental Adoption Agreement with American Realty Advisors for an estimated interest valued at \$10.3 million in American Core Realty Fund.

A motion was made to approve the sale of Milpitas Warehouse property to American Core Realty Fund and authorization for the Secretary to negotiate and execute the Incremental Adoption Agreement with American Realty Advisors for an estimated interest valued at \$10.3 million in American Core Realty Fund.

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

4.4 Presentation of the December 31, 2011 Quarterly Performance Report. (Time Certain 10:00 a.m.)

Laura Wirick, representative from Meketa Investment Group, presented the December 31, 2011 Quarterly Performance Report.

4.5 Discussion and action regarding the System's investment structure.

Laura Wirick, representative from Meketa Investment Group, led the discussion on the System's investment structure.

A motion was made to approve Meketa's recommendations on page 5 of the presentation on how best to structure the portfolio within the parameters of the adopted asset allocation policy, using intermediate duration for fixed income, and providing monthly updates to the Board on the progress of implementation.

<u>Asset Allocation</u>	<u>Adopted Policy</u>	<u>Sub-Allocations</u>
Equity and Real Estate	45	40
Fixed Income	10	15
Real Assets	20	20
Absolute Return	25	25

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

An amendment to the motion made by Trustee Odell to revisit the portfolio structure when the hedge fund allocation is adopted and managers are selected.

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

4.6 Discussion and action regarding the allocation methodology for valuation of administrative expenses, as between employees and employer.

Gene Kalwarski and Anne Harper from Cheiron, via teleconference, led the discussion on the allocation methodology for valuation of administrative expenses.

A motion was made to use explicit approach for this valuation and that future normal cost be split 8 to 3.

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

Item 7 was heard out of order after Item 4.6.

4.7 Discussion and action of Rules and Regulations for Voluntary Deductions from Pension Benefit Payments.

Ms. Busse discussed the Rules and Regulations for Voluntary Deductions from Pension Benefit Payments.

A motion was made to approve the rules and regulations of voluntary deductions recommended by Staff.

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

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4.8 Discussion and direction regarding anticipated Pension Reform Ballot Measure.

Ms. Dent, Senior Deputy City Attorney, stated that City Council voted to approve the Pension Reform Ballot Measure and place it on the Ballot. The Board discussed issues and impact of the measure and sought direction from Counsel.

A motion was made to direct staff to distribute Ballot Measure documents, and policies concerning campaigning. Additionally, Staff to evaluate administrative impacts, Cheiron to evaluate actuarial impacts, and Reed Smith to evaluate legal impacts and report back to the Board.

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

4.9 Discussion and direction concerning potential changes to retiree lowest cost medical plan.

Ms. Busse informed the Board concerning potential changes to retiree lowest cost medical plan. She reported that there was no determination yet.

4.10 Discussion and action regarding Retirement Board of Administration's fiduciary insurance coverage, terms and conditions. (Deferred from February Board meeting)

Deferred.

4.11 Discussion and action on First Amendment to the agreement with Cheiron, Inc, for actuarial services, increasing total compensation for an amount not-to-exceed \$550,000.

Ms. Niebla led the discussion regarding First Amendment to the agreement with Cheiron, Inc., for actuarial services, increasing total compensation for an amount not-to-exceed \$550,000.

A motion was made to approve First Amendment to the agreement with Cheiron, Inc. as recommended.

Approved. (M.S.C. – Overton/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: March 28, 2012

- a. Minutes of January 25, 2012 meeting.
- b. Update from Chair of Investment Committee.

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

- Last Meeting: February 16, 2012

- a. Minutes of January 5, 2012. **Note and file.**

- b. Minutes of February 16, 2012. **Note and file.**
- c. Discussion and action on governance policies.

Tom Iannucci, representative from Cortex, via teleconference, led the discussion on governance policies. The Board discussed and required some clarification and made some comments on the governance policies.

Item 5.3c was heard out of order after Item 3.1.

Break for Lunch at 12:03 p.m.

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 1:19 p.m.



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

ATTEST:



**RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES**