

# FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

September 20, 2012

### CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, September 20, 2012 at 8:33 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

#### ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse -Present

#### COUNSEL

Harvey Leiderman -Present

#### RETIREMENT SERVICES STAFF

##### PRESENT

Toni Johnson  
Veronica Niebla  
Sonia Morales  
Heidi Poon

##### ALSO PRESENT:

Gerry Chappuis, AFSCME  
Anne Harper, Cheiron  
Bill Pope, OE3  
Mary Cornell, AFSCME-CEO  
Brad Regier, Meketa Investment Group

**CALL TO ORDER: 8:33 a.m.**

### • ORDERS OF THE DAY

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

Federated City Employees' Health Care Trust  
Pension Consent Calendar  
Item 4.1b  
Item 4.1a  
Items 3.4 – 3.8 – Open Session "Old Business"  
Item 4.2, move after Item 4.2, Committee Structure  
Items 4.3 – 4.7  
Closed Session "Old"  
Committee Reports  
Committee Structure

**Chair Loesch began the Federated City Employees' Health Care Trust then commenced with the Federated City Employees' Retirement System immediately thereafter.**

A motion was made to Waive Sunshine on Items 4.7 and 4.5 June and July 2012 System Expenses.

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

**1. CONSENT CALENDAR (Items 1.1 through 1.7)**

A motion was made to approve the Consent Calendar Items 1.1 through 1.7.

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

**1.1 Approval of Service Retirements**

- a. **Russell U. Crosby**, Director, Retirement Services Department, effective September 6, 2012; 5.08\* years of service.
- b. **Michael C. D'Arcy**, Plant Assistant Operations Manager, Environmental Services Department, effective September 29, 2012; 13.60\* years of service.
- c. **Kenneth E. Derrell**, Senior Maintenance Worker, Department of Transportation, effective October 27, 2012; 25.39\* years of service.
- d. **Brian Doyle**, Senior Deputy City Attorney, City Attorney's Office, effective October 27, 2012; 22.00\* years of service.
- e. **Alexander Ekster**, Principal Engineer, Environmental Services Department, effective September 15, 2012; 15.09\* years of service.
- f. **Janis Gill**, Worker's Compensation Claims Adjuster, Human Resources, effective October 27, 2012; 18.00\* years of service.
- g. **Steve M. Gomes**, Maintenance Worker, Department of Transportation, effective October 27, 2012; 30.02\* years of service.
- h. **Sherry L. Maxwell**, Warehouse Supervisor, Airport Department, effective October 13, 2012; 15.29\* years of service.
- i. **Zaragoza P. Munoz**, Groundskeeper, Parks, Recreation & Neighborhood Services, effective October 13, 2012; 13.96\* years of service.
- j. **Andrew J. Rodarte**, Heavy Equipment Operator, Department of Transportation, effective October 27, 2012; 30.04\* years of service.
- k. **Dana M. Webster**, Parking & Traffic Control Officer, Department of Transportation, effective August 28, 2012; 12.83\* years of service.

**1.2 Approval of Deferred Vested Retirements**

- a. **Jean Ogden-Schroeter**, Dispatcher, Public Works Department, effective October 30, 2012; 5.12\* years of service.
- b. **Cameron R. Smith**, Division Manager, Police Department, effective October 21, 2012; 22.48\* years of service. (*With reciprocity*)
- c. **Margaret Wagenet-Booher**, Community Coordinator, Parks, Recreation & Neighborhood Services Department, effective October 20, 2012; 20.03\* years of service.

**1.3 Rescission of Retirement Application**

- a. Approval to rescind the application of **David T. Smith**, approved at the August 16, 2012 meeting for the effective date of September 1, 2012.

#### **1.4 Approval of Board Minutes**

- a. Approval of Board Minutes of August 16, 2012.
- b. Approval of Special Meeting Board Minutes of July 26, 2012.

#### **1.5 Approval of Return of Contributions**

- a. Voluntary
- b. Involuntary

#### **1.6 Acceptance of Communication/Information Reports**

- a. Letter from Ice Miller regarding Favorable Determination Letter for San Jose Federated City Employees' Retirement System, dated August 21, 2012.
- b. Memo from Debra Figone, City Manager, regarding Acting Director of Retirement Services Appointment, dated August 28, 2012.
- c. Notice of 2012 Federated Retiree Election.
- d. Benefits Review Forum Report, August 2012.
- e. Educational Travel Reports:
  - IFEBP, Portfolio Concepts and Management, Philadelphia, PA – May 21-24, 2012 – by Lara Druyan.
  - IFEBP, Hedge Funds, Real Estate & Other Alternative Investments, San Francisco, CA – July 16-18, 2012 – by Lara Druyan.

#### **1.7 Approval of Travel / Conference Attendance**

- a. Pete Constant - IFEBP, TMP Advanced Leadership Summit, San Diego Convention Center, San Diego, CA – November 11, 2012.
- b. Marty Dirks - Albourne America Hedge Fund Client Conference, Chicago, IL – October 2-3, 2012

### **2. DEATH NOTIFICATIONS (Moment of Silence)**

**Item 2 was heard after Item 5.2b.**

- 2.1 Manuel P. Ferrales**, Groundskeeper, retired 06-13-87, died 08-14-12. Survivorship benefits to Jenny V. Ferrales, spouse.
- 2.2 Dorothy A. Leigh**, Accountant II, retired 03-31-07, died 08-20-12. Survivorship benefits to Robert E. Leigh, spouse.
- 2.3 David A. Moore**, Facility Sound & Light Technician, retired 06-24-02, died 08-12-12. No survivorship benefits.
- 2.4 Joseph W. Robinson**, Senior Staff Analyst, retired 05-23-81, died 07-14-12. Survivorship benefits to Emily Robinson, spouse.

- 2.5 **Robert Staudenmaier**, Chief Building Construction Inspector, retired 10-04-87, died 07-16-12. Survivorship benefits to Donna O. Staudenmaier, spouse.

3. **OLD BUSINESS-DEFERRED/CONTINUED ITEMS**

Entered into Closed Session at 1:05 p.m., as noted on Orders of the Day.

- 3.1 **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a),

Mulholand, et al v. City of San Jose, et al, Santa Clara County Superior Court No. 1-12-CV-219748.

- 3.2 **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a) (4 CASES) (MEASURE B LITIGATION)

City of San Jose, Plaintiff v. San Jose Police Officers' Association, et al.; Defendants, United States District Court, Northern District of California (San Jose Division), No. C12-02904 LHK-PSG

Mukhar, et al v. City of San Jose, et al.  
Santa Clara County Superior Court Case No. 1-12-CV-226574

Harris, et al v. City of San Jose, et al.  
Santa Clara County Superior Court Case No. 1-12-CV-226570

AFSCME v. City of San Jose, et al.  
Santa Clara County Superior Court Case No. 1-12-CV-227864

- 3.3 **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL – PURSUANT TO GOVERNMENT CODE SECTION 54956.9(c) – Deciding whether to initiate litigation (one case).

Chair Loesch reconvened from Closed Session at 2:05 p.m. There was not reportable action out of Closed Session for Items 3.1 through 3.3.

**OPEN SESSION**

Item 3.4 was heard after Item 4.1a, as noted on Orders of the Day.

- 3.4 **Discussion and action on City Council Ordinance regarding Federated City Employees' Health Care Trust issues.**

- a. **Discussion and action regarding how members receive refunds of 401(h) contribution amounts when a member terminates before retirement.**

Trustee Andrews wanted it noted on the record that the Board is aware that the 115 Trust does not have a mechanism to refund employee contribution and once the cap is hit on the 401(h) employee contribution will have to go into the 115 Trust. This will mean that employees with less than 5 years will not be able to recoup their medical contributions. The Board urged City Administration to communicate clearly to employees and to look at alternative benefits in-lieu of return of medical contribution.

Alex Gurza, Deputy City Manager, said the City is fully aware of the Board's discussion and a formal letter to the City was not necessary.

**No action was taken.**

**3.5 Discussion and action on Higher Class Pay Retirement Contribution Adjustment letter from Cheiron, dated August 13, 2012.**

Ann Harper from Cheiron presented the Higher Class Pay Retirement Contribution Adjustment Letter. Bill Hallmark presented via teleconference.

Ms. Niebla recommended the Board develop a correction policy to help document how corrections will be made on a go forward basis.

**Note and File.**

**3.6 Discussion and action regarding Cheiron's Tier 2 Contribution Rate recommendations for Fiscal Year 2013.**

Ann Harper from Cheiron presented Cheiron's Tier 2 Contribution Rate recommendations for Fiscal Year 2013. Bill Hallmark presented via teleconference.

A motion was made to adopt the assumptions presented by Cheiron.

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

A motion was made to adopt the Fiscal Year Pension contribution rates on Page 7 of Cheiron's Tier 2 presentation as of September 30, 2012.

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

Mr. Busse raised a question regarding medical contributions rates and Bill Hallmark stated that the medical contribution rates will be the same as Tier 1.

**3.7 Update on Electronic Board packets.**

Ms. Busse updated the Board regarding the Electronic Board packets and reported that SIRE was acquired by another company and are not signing any contracts. Staff is looking at other options and added that there will be a demo with the 2<sup>nd</sup> candidate at the end of October. Board directed staff to let SIRE know we may go back to market and requested staff to come back.

**3.8 Discussion and appropriate action on Retirement Services organization and staffing.**

**Note and file.**

4. NEW BUSINESS

4.1 Investments

Item 4.1a was heard after Item 4.1b, as noted in Orders of the Day.

Board entered into Closed Session at 8:58 a.m.

- a. **CLOSED SESSION**: Conference with Investment Consultant pursuant to Government Code Section 54956.81 to consider purchase of particular pension fund investments (three investments)

Chair Loesch reconvened from Closed Session at 10:17. a.m.

There was no reportable action out of Closed Session for Item 4.1a.

OPEN SESSION

Item 4.1b was heard after Consent Calendar, as noted in Orders of the Day.

- b. **Discussion and action on the draft San Jose Federated New Asset Allocation Newsletter.**

Chair Loesch led the discussion regarding the draft San Jose Federated New Asset Allocation Newsletter, and how can investment information can be communicated and reported to the plan members, City Administration and retirees. Board gave suggestions for modification and directed Meketa to bring back to Investment Committee and if approved staff to distribute.

Item 4.2 was heard after Item 5.5d.

- 4.2 **Discussion and action on Federated Retirement Board committee structure, including consolidation and transition from ad hoc to formal where appropriate.**

Chair Loesch suggested to make the Ad Hoc Governance Committee a “standing committee” and retire the Policy Committee.

A motion was made to make the Ad Hoc Governance Committee a “standing committee” and retire the Policy Committee.

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

- 4.3 **Discussion and action regarding memo from Debra Figone, City Manager, regarding Annual Required Contribution Projections and Prefunding Analysis, dated September 5, 2012.**

Alex Gurza, Deputy City Manager, addressed the Board regarding Annual Required Contribution Projections and Prefunding Analysis. He acknowledged that the valuation timeline presented by Cheiron would work for City Administration.

**4.4 Discussion and action on the Pension and OPEB valuation process and timeline.**

**No action was taken. Note and file.**

**4.5 Discussion and action on System Expenses for June 2012 and July 2012.**

A motion was made to accept the System Expenses for June 2012 and July 2012.

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

**4.6 Discussion and action regarding revisions to Disability Retirement Hearing Procedure #220.2.**

Ms. Busse led the discussion regarding revisions to Disability Retirement Hearing Procedure #220.2.

A motion was made to adopt revisions to the Disability Retirement Hearing Procedure #220.2 with corrections that the Director be required to participate on committee and the designees not to be at or below Analyst level.

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

**4.7 Discussion and action regarding request from City Administration to have the Board's Actuary attend a meeting with bargaining units and City representatives to provide an overview of the 2011 OPEB Valuation and answer questions.**

Alex Gurza, Deputy Director, addressed the Board.

A motion was made to authorize Cheiron to participate in a meeting with the bargaining units and City representatives, but for the Federated City Employees Retirement System to not pay the cost.

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

Trustee Overton noted for the record that he would be ok if Board paid the cost for Cheiron to meet with the bargaining units.

**Break at 12:36 p.m., Meeting reconvened at 1:05 p.m. and entered into Closed Session of Items 3.1 through 3.3.**

**5. COMMITTEES/REPORTS/RECOMMENDATIONS**

**5.1 Policy Committee (Overton/Armstrong/Loesch) – None**

Board agreed to eliminate the Policy Committee.

**5.2 Investment Committee (Druyan/Odell/Dirks)**

Last Meeting: September 12, 2012 - Next Meeting: October 10, 2012

- a. Minutes of August 8, 2012 meeting, Joint Federated and Police & Fire Investment Committee. **Note and file.**
- b. Update from Chair of Investment Committee.

Chair of the Investment Committee, Lara Druyan, reported over performance with Meketa on investments. **Note and file.**

**5.3 Audit Committee (Armstrong/Andrews/Overton)**

- Next Meeting: TBD

- a. Update from Chair of Audit Committee.

Chair of the Audit Committee, Trustee Armstrong stated he met with the Chair of the Police and Fire Audit Committee Sean Bill, and Veronica Niebla and noted that Committee plans to meet in the next 2 weeks.

**5.4 Ad Hoc Governance Committee (Loesch/Armstrong/Odell)**

Last Meeting: August 31, 2012                      - Next Meeting: TBD

- a. Update from Chair of Ad Hoc Governance Committee.

Chair of the Ad Hoc Governance Committee, Chair Loesch, reported to have Cortex perform research on best practices and let the Committee use it to formulate a recommendation. **Note and file.**

- b. Discussion and action on Report Outline and Research Plan by Cortex.  
**Note and file.**

**5.5 Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)**

Last Meeting: August 15, 2012                      - Next Meeting: TBD

- a. Update from Chair of Ad Hoc Personnel Committee.

Chair of the Ad Hoc Personnel Committee, Chair Loesch, reported on the status of the CEO and CIO and noted that he is in contact with Alliance on a weekly basis. Extensive discussion continued.

- b. Discussion and action regarding scope, composition and duties of the committee.

Chair Loesch led the discussion regarding scope, composition, and duties of the committee.

A motion was made by Trustee Overton to authorize the Ad Hoc Personnel Committee to review application books to determine if expectations are being met. 2<sup>nd</sup> by Loesch.

Trustee Druyan left at 2:29 p.m.

A substitute motion was made to authorize the Ad Hoc Personnel Committee to review present books pending passing of the revised Ordinance, to participate in the interview process, initial screening to make recommendation to the Board.

**Approved. (M.S.C. – Loesch/Dirks, 6-0-1, Absent – Druyan)**

- c. Discussion and action on City Council proposed ordinance to amend Chapters 3.28 of Title 3 of the San Jose Municipal Code, the 1975 Federated Employees Retirement Plan, and 3.36 of Title 3, the 1961 Police and Fire Department Retirement Plan, to add Sections 3.28.115 and 3.36.325, respectively, regarding the role of the Boards of Administration in personnel matters.

**Note and file.**

- d. Memo from the Chairs of the Federated and the Police & Fire Retirement Boards regarding Proposed Ordinance regarding Executive Personnel, Department of Retirement Services, dated September 6, 2012.

**Note and file.**

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

**6.1 Educational Programs and Courses**

- a. CalAPRS - Trustees' Round Table, Los Angeles Marriott Burbank Airport, LA – Friday, October 19, 2012.

**6.2 Conferences and Seminars**

- a. Meketa Investment Group's 2012 Investment Conference, Hilton San Diego Bayfront, San Diego, CA – November 10, 2012.

**6.3 Research Papers and Articles**

- **FUTURE AGENDA ITEMS **None****
- **PUBLIC/RETIREE COMMENTS **None****
- **ADJOURNMENT**

Meeting was adjourned at 2:32 p.m.



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

**ATTEST:**

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](http://sanjose.granicus.com/ViewPublisher.php?view_id=44). If you have any questions, please contact the Retirement Services Department at (408) 794-1000.

*D. Busse*

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**DONNA BUSSE**  
**ACTING DIRECTOR, RETIREMENT SERVICES**