

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Minutes of the Board Meeting

THURSDAY

SAN JOSÉ, CALIFORNIA

October 18, 2012

CALL TO ORDER

The Board of Administration of the Federated City Employees' Retirement System met on Thursday, October 18, 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 -Present

ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse -Present

COUNSEL

Jeffrey Rieger -Present

RETIREMENT SERVICES STAFF

PRESENT

Toni Johnson
Veronica Niebla
Sonia Morales
Heidi Poon
Ron Kumar
Tram Doan

ALSO PRESENT:

Charlie Aiken, AFSCME
Yolanda Cruz, AFSCME-MEF
Mary Cornell, AFSCME-CEO
Brad Regier, Meketa Investment Group

CALL TO ORDER: 9:35 a.m.

Board entered into Closed Session for Item 4.1c at 8:35 a.m.

Chair Loesch called to order the Federated Retirement City Employees' Retirement System and the Federated City Employees' Health Care Trust Board meeting Open Session at 9:35 a.m.

• ORDERS OF THE DAY

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

- Item 1.4(a) – Correction to Minutes: change “contribution” to “correction” on Item 3.5.
- Item 4.1(b) – Waive Sunshine – Revised version received late.
- Item 4.3 – Waive Sunshine – Item received late.

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.

- Item 5.1(a) – correction added “partial” on bottom of Page 1 of Item 2(2) and top of Page 2 second line to read “partial outsourcing.”
- Closed Session Item 3.1 – Item 3.3 moved to the end.

A motion was made to accept the Orders of the Day and to Waive Sunshine on Item 4.1(b) and 4.3.

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

1.1 Approval of Service Retirements

- a. **Michele E. Coveau**, Senior Office Specialist, Finance Department, effective November 24, 2012; 15.22* years of service.
- b. **Mharr L. Dirige**, Environmental Inspector II, Environmental Services Department, effective September 17, 2012; 21.93* years of service.
- c. **Juan L. Rodriguez**, Senior Maintenance Worker, Department of Transportation, effective October 27, 2012; 21.41* years of service.
- d. **Phyllis L. Schulz**, Maintenance Supervisor, Department of Transportation, effective October 13, 2012; 30.01* years of service.

1.2 Approval of Deferred Vested

- a. **Rene T. Lemos**, Analyst II, Office of Economic Development, effective October 14, 2012; 5.04* years of service.

1.3 Approval of Change of Retirement Date

- a. Approval of change of retirement date of **Leslie Hallenbeck**; from September 29, 2012 to November 24, 2012, approved at the August 16, 2012 Board meeting.

1.4 Approval of Board Minutes

- a. Approval of Board Minutes of September 20, 2012. **As noted on Orders of the Day, correction change from “contribution” to “correction” were accepted in the Minutes of September 20, 2012 for Item 3.5.**

1.5 Approval of Return of Contributions

- a. Voluntary
- b. Involuntary

1.6 Acceptance of Communication/Information Reports

- a. Benefits Review Forum Report, September 2012.

1.7 Approval of Travel / Conference Attendance - None

2. DEATH NOTIFICATIONS (Moment of Silence)

- 2.1 John B. Massen**, Assistant City Manager, retired 07-01-75, died 09-01-12. No survivorship benefits.
- 2.2 Daniel S. Santos**, Assistant Parts Worker, retired 03-17-01, died 08-21-12. Survivorship benefits to Elma Santos, spouse.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

Items 3.1 through 3.3 were moved to the end of Agenda.

Entered into Closed Session at 10:58 a.m.

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).

There was no reportable action out of Closed Session for Items 3.1 through 3.3.

OPEN SESSION

Item 3.4 was heard after Item 2.

3.4. Update on Pension Administration System RFP.

Ms. Busse reported that staff received three responses to the RFP and the candidates will conduct a demonstration of their system.

3.5. Presentation of the lump sum vs. dollar cost averaging contribution.

Brad Regier of Meketa Investment Group presented the lump sum vs dollar cost averaging contribution and responded to question from the Board.

Note and file.

3.6. Discussion and action regarding delaying a new RFP for Electronic Board Packet Software until staff can finalize exploratory discussions with the second place vendor from the Request for Proposal #11-01-2011-MC, dated November 2, 2011.

Ms. Busse led the discussion regarding delaying the new RFP for Electronic Board Packet Software until staff can finalize exploratory discussion with the second place vendor. She stated that they could have a recommendation at the November Board meeting.

3.7. Update on Retirement Services organization and staffing.

Ms. Busse updated the Board on the changes of Retirement Services and staffing. She stated that Ms. Niebla was appointed as the Acting Deputy Director, Ms. Poon has taken the lead on the Investment side, and an offer was made and she accepted for a Division Manager for Benefits.

3.8. Discussion and action regarding the Asset Allocation Newsletter.

Chair Loesch led the discussion regarding the Asset Allocation Newsletter and recommended that the terms be added on the Newsletter that were discussed at the Board meeting, then Trustees should email staff with other comments to be added into the next newsletter.

4. NEW BUSINESS

4.1. Investments

a. Discussion and action of the performance reporting timeline.

Ms. Doan led the discussion of the performance reporting timeline.

A motion was made to adopt the performance reporting timeline.

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

b. Presentation of the Flash Performance Reports as of August 31, 2012 and September 30, 2012.

Brad Regier of Meketa Investment Group presented the Flash Performance Reports of August 32, 2012 and September 2012.

Note and file.

Item 4.1(c) was heard in Closed Session at 8:30 a.m., then the Chair Loesch called to order the Federated Retirement City Employees' Retirement System and the Federated City Employees' Health Care Trust Board meeting at 9:35 a.m.

- c. CLOSED SESSION:** Conference with Investment Consultant pursuant to Government Code Section 54956.81 to consider purchase of particular pension fund investments (three investments). **(Time Certain 8:30 a.m.)**

There was no reportable action out of Closed Session for Item 4.1(c).

OPEN SESSION

4.2. Discussion and action on System Expenses for August 2012.

Ms. Niebla led the discussion on the System's Expenses for August 2012.

A motion was made to approve the System's Expenses for August 2012.

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

4.3. Discussion and action regarding Resolution 6789 setting the city and employee contribution rates for Federated members hired on or after September 30, 2012 (Tier II).

Ms. Niebla led the discussion regarding Resolution 6789 on setting the city and employee contribution rates for Federated members hired on or after September 30, 2012 (Tier II) and responded to questions from the Board. Bill Hallmark of Cheiron was available via teleconference.

A motion was made to approve the rates as recommended in Resolution 6789 for Tier II.

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

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Druyan/Odell /Dirks)

Last Meeting: October 10, 2012 - Next Meeting: November 14, 2012

- a. Minutes of September 12, 2012 meeting, Joint Federated and Police & Fire Investment Committee. **Received and file.****

- b. Update from Chair of Investment Committee.**

Chair of the Investment Committee, Trustee Druyan, reported regarding the partial outsourcing solution presentation from Wurtz & Associates, met with Police & Fire Investment Committee to discuss potential Absolute Return investments.

5.2 Audit Committee (Armstrong/Andrews/Overton)

- Next Meeting: TBD

a. Update from Chair of Audit Committee.

Chair of the Audit Committee, Trustee Armstrong, reported that Audit Committee will have their first meeting in November and possibly a Joint meeting with Police & Fire in December to discuss some common issues.

5.3 Governance Committee (Loesch/Armstrong/Odell)

Last Meeting: August 31, 2012

- Next Meeting: TBD

a. Update from Chair of Governance Committee.

Chair Loesch stated that there are no updates, but added that Board Members should be receiving a phone call from Cortex and suggested that Trustees participate in the phone interview and provide input.

5.4 Ad Hoc Personnel Committee (Loesch/Druyan/Dirks)

Last Meeting: August 15, 2012

- Next Meeting: TBD

Items 5.4(a,b & c) were heard concurrently.

a. Update from Chair of Ad Hoc Personnel Committee.

Chair of the Ad Hoc Personnel Committee, Chair Loesch, reported on the status of the Ad Hoc Personnel Committee regarding the searches of the Director and Chief Investment Office, working with the City Manager's Office and the City Attorney Office regarding the proposed Ordinance.

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

c. Memo from the Chairs of the Police & Fire Retirement Plan and the Federated City Employees Retirement System, regarding Retirement Board Fiduciary Authority, dated October 1, 2012.

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**

Stakeholders Education communication

- **PUBLIC/RETIREE COMMENTS**

Yolanda Cruz, President of the AFSCME-MEF union stated that she had three questions: 1) How much does the Board pay in fees for the Non-Voting Board Member to get educated?; 2) Who is his alternate?; 3) Does the Non-Voting Board Member participate in Closed Sessions meetings?

Chair Loesch stated that the fees are reported in the monthly expense reports and are split 50/50 with the Police & Fire Department Retirement Plan. Councilmember Constant added that his alternate is Councilmember Herrera, but if she is unavailable, a member of his staff will attend on his behalf to answer questions from the Board or transmit information to him. Chair Loesch also stated that the Non-Voting Board Member does not participate in Closed Sessions.

- **ADJOURNMENT**

Meeting was adjourned at 12:35 p.m., after the Federated City Employees' Health Care Trust meeting.



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

ATTEST:



DONNA BUSSE
ACTING DIRECTOR, RETIREMENT SERVICES