

# POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

## Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

May 3, 2012

### CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, May 3, 2012 in regular session at City Hall Wing Rooms 118/119, 200 East Santa Clara Street, San José, California 95113. Chair Sean Kaldor called the meeting to order at 8:40 a.m.

### BOARD MEMBERS

Sean Kaldor, Chair	-Present
Richard Santos, Vice Chair	-Present
David Bacigalupi, (Via teleconference)	-Present
Sean Bill	-Present
Damon Krytzer	-Present
Drew Lanza	-Present
Elizabeth Rounds	-Present
Vincent Sunzeri	-Present
Vacant	

### NON-VOTING BOARD MEMBER

Pete Constant	-Present
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### DIRECTOR RETIREMENT SERVICES

Russell U. Crosby	-Present
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### COUNSEL

Harvey Leiderman	-Present
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### ALSO PRESENT

Tom Iannucci, Cortex (Via teleconference)  
 Bill Hallmark, Cheiron (Via teleconference)  
 Thomas Boyle, Attorney  
 John Mitchell, Police  
 John Spence, P&F Association

### BOARD MEDICAL DIRECTOR

Rajiv Das, M.D. – Present

**CALL TO ORDER: 8:40 a.m.**

### • ORDERS OF THE DAY

**Chair Kaldor made the following changes to Orders of the Day:**

- Item 4.1a – change retirement date to June 23, 2012
- Items 2.2, 2.3, 2.6 and 3.3

Motion was made to Waive Sunshine on Items 2.2, 2.3, 2.6 and 3.3 and retirement date change for Item 4.1a.

**Approved. (M.S.C. – Santos/Bacigalupi, 8-0-1, Vacant)**

- Item 2.4 – to be heard after Retirements.

Chair Kaldor asked Trustee Bacigalupi if his participation via teleconference had been properly noticed at Mr. Bacigalupi's location and that the location was accessible to the public. Trustee Bacigalupi responded in the affirmative. Chair Kaldor noted that all voting would be by roll call.

## 1. INVESTMENTS

### 1.1 Update on Investments from the CIO.

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.

Ms. Racy-Choy updated the Board on Investments. Chair Kaldor requested that future agendas contain the Flash Report and an update on the Asset Allocation.

## **2. NEW BUSINESS**

### **2.1 Discussion and action on Ordinance to suspend Supplemental Retirement Benefit Reserve (SRBR) distribution for Fiscal Year 2012-2013.**

Chair Kaldor led the discussion on the Ordinance to suspend the SRBR distribution for Fiscal Year 2012-2013. The Board continued discussion on the SRBR.

A motion was made by Trustee Santos, second by Bacigalupi, to make recommendation to City Council to make the SRBR distribution payment.

**After discussion, Trustee Santos withdrew his original motion, but urged the City to protect the elderly; 2<sup>nd</sup> also withdrawn by Trustee Bacigalupi.**

Trustee Lanza suggested if the Ballot Measures fails, then the Board should propose a different methodology for SRBR distributions and bring to the August or September Board meeting.

### **2.2 Discussion and action on development of succession plan.**

Chair Kaldor read the letter from Mr. Gurza into the record. Mr. Gurza spoke before the Board on the development of a succession plan. The Board continued discussion.

Trustee Sunzeri made a recommendation to create a Personnel Committee to deal with Succession Planning, jointly with the Federated, consisting of 3 Police & Fire Board Members: 2 independent plus 1 safety.

**A substitute motion was made by Trustee Bacigalupi to have 4 members. Motion failed for lack of a second.**

Brief discussion continued.

A motion was made to create an Ad Hoc Personnel Committee that consists of Kaldor, Rounds and Lanza; to partner with a similar committee of the Federated City Employees' Retirement System and to dissolve the Ad Hoc Short-Term Solutions Committee; and for the Ad Hoc Personnel Committee to exist for not longer than six months.

**Approved. (M.S.C. – Sunzeri/Bacigalupi, 8-0-1, Vacant)**

### **2.3 Discussion and action regarding Payment of Search Consultant Expenses in an amount not to exceed \$95,000 for the recruitment of an Assistant Director and an Investment Officer for the Retirement Services Department.**

Mr. Crosby provided an overview of the results of a Request for Quotes conducted by the City's Human Resources Department.

A motion was made to approve the recommendation and authorize the Director to select the firm to recruit an Assistant Director and an Investment Officer, in an amount not to exceed \$95,000.

**Approved. (M.S.C. – Kaldor/Bill, 8-0-1, Vacant)**



Item 2.4 was heard after Retirements, as noted on Orders of the Day.

**2.4 Educational session from Counsel on conflicts of interest. Receive and file.**

Mr. Leiderman provided an educational session of scenarios on conflicts of interest and responded to questions and concerns from the Board.

**2.5 Discussion and action on Plan Expenses for March 2012.**

A motion was made to approve the Plan Expenses for March 2012. Trustee Kaldor noted that for expenses over \$10,000, the Board wanted to see back-up invoices.

**Approved. (M.S.C. – Santos/Sunzeri, 8-0-1, Vacant)**

**2.6 Discussion and action on Department of Retirement Services' Administrative Budget Proposal for Fiscal Year 2012-2013.**

Ms. Niebla updated the Board on the Department of Retirement Services' Administrative Budget Proposal for Fiscal Year 2012-2013.

A motion was made to request staff to provide additional details and an organization chart at the next Board meeting.

**Approved. (M.S.C. – Kaldor/Santos, 8-0-1, Vacant)**

Break at 10:28 a.m.

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

Note: Item 3.1 was heard after Retirements.

**3.1 Discussion regarding Alternate 5-year projection of the Other Post Employment Benefits (OPEB) Plan based on certain actuarial assumptions in years 3-5. Receive and file. (Deferred from April 2012 Board meeting) Note and file**

Bill Hallmark from Cheiron presented the letter and responded to questions from the Board. Alex Gurza, Deputy City Manager, addressed the Board.

**3.2 Discussion and action regarding Revised Resolution 3762 setting city and employee contribution rates and amounts for Fire members to be effective June 24, 2012, correcting a footnote typographical error on actuarial assumed payroll (no effect on contribution rates or amounts from previous resolution).**

A motion was made to approve the revised Resolution 3762.

**Approved. (M.S.C. – Santos/Sunzeri, 8-0-1, Vacant)**

**3.3 Discussion and action on questions to pose to the City regarding implementation of June 5<sup>th</sup> pension ballot measure and its impact on the administration and investment of the fund.**

Mr. Leiderman presented an overview on questions to pose to the City regarding implementation of June 5<sup>th</sup> Pension Ballot Measure and responded to Board questions and comments. Extensive discussion followed. Alex Gurza, Deputy City Manager, addressed the Board and suggested that a

team of retirement board members, counsel and actuary, the City Manager staff, the City Attorney's Office and the City's actuary work together to address these and other questions that may arise.

A motion was made to authorize Counsel to transmit the questions to the City and start a process of dialogue.

**Approved. (M.S.C. – Lanza/Santos, 8-0-1, Vacant)**

Lunch at 11:50 a.m. Item 2.4 was heard after lunch.

**Item 3.4 was heard after Item 3.2.**

**3.4 Update on Payroll Audit, FLSA and overtime payment issues. Receive and file.**

Ms. Niebla updated the Board on Payroll Audit, FLSA and overtime payment issues and responded to Board questions and comments.

**3.5 Discussion and action on Governance policies developed by Cortex.**

**Tom Iannucci from Cortex provided an overview on the Governance policies and responded to Board's comments. (Via teleconference)**

- a. Role of Board Chair**
- b. Audit Committee Charter**
- c. Roles in Vendor Selection**
- d. Board Education Policy**

A motion was made to accept Governance policies 3.5a through 3.5d including changes requested by the Trustees and to establish an Audit Committee and Personnel Committee. Trustee Bill requested to be taken off the Ad Hoc Governance Committee and be appointed to the Audit Committee. Audit Committee consists of: Trustee Bill as Chair, Trustee Bacigalupi, Trustee Kaldor and Trustee Lanza. Personnel Committee consists of: Trustee Lanza as Chair, Trustee Kaldor and Trustee Rounds.

**Approved. (M.S.C. – Kaldor/Santos, 8-0-1, Vacant)**

**3.6 Update from Councilmember Constant. Receive and file.**

Council Member Constant reported to the Board on recent City Council actions.

**3.7 Update on vacant Trustee position. Receive and file.**

Council Member Constant reported that there was one candidate and the item was going to the City Council for a vote.

Note: Trustee Bacigalupi departed from meeting at 1:44 p.m, via teleconference.



Entered into Closed Session at 2:06 p.m. after Public Comments.

**3.8 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 45956.9(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.

No recording device available upon reconvening from Closed Session at 3:32 p.m.

There was no report on Closed Session Item 3.8.

Chair Kaldor summarized some major action items discussed at today's Board meeting:

- Board Members are concerned with their ability to meet their fiduciary responsibilities to the Plan.
- Board concerns stem from having accountability without authority.
- Recently a group of Trustees met with the Mayor to discuss plan governance and authority over key staff.
- The Trustees' request was favorably received.
- Board established an Ad Hoc Personnel Committee to work jointly with the Federated Plan, City Council and City Manager, to rapidly move forward working on succession planning and other important issues for the Plan.

**OPEN SESSION**

Note: Item 4 was heard after Item 2.6 after Break, then resume with Item 3.1 and 3.3, then Item 2.4.

**4. RETIREMENTS - 10:30 a.m. or soon thereafter**

**4.1 Service Retirement**

- a. Moses A. Barreras, Police Officer, Police Department, effective May 26, 2012; 25.30\* years of service. **Approved. Retirement date change to June 23, 2012. As noted on Orders of the Day.**
- b. Juan C. Bautista, Fire Engineer, Fire Department, effective June 23, 2012; 20.02\* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 8-0-1, Vacant)**
- c. Gregory K. Lindh, Police Officer, Police Department, effective June 23, 2012; 25.90\* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 8-0-1, Vacant)**
- d. John B. McElvy, Police Officer, Police Department, effective June 23, 2012; 25.00\* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 8-0-1, Vacant)**
- e. Mitchell J. Wisinski, Fire Captain, Fire Department, effective May 26, 2012; 28.97\* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 8-0-1, Vacant)**

**4.2 Service-Connected Disability**

- a. John Mitchell, Police Officer, Police Department, effective May 3, 2012; 13.33\* years of service. *(Deferred from November 2011 Board meeting)*

Mr. Mitchell was present and represented by Attorney Thomas Boyle. The following reports were presented to the Board.

**Medical Record Log:**

1. Samuel Katz, MD, 11/03/2005.	26. Robert Carson, MD, 11/03/2008
2. Samuel Katz, MD, 11/03/2005.	27. Todd Alamin, MD, 10/23/2008
3. Brendan Garrett, MD, 11/10/2005.	28. Eugene DellaMaggiore, MD, 1/09/2009
4. Ann Nye, MD, 12/29/2005.	29. Mohammed Ahmed, MD, 6/17/2009
5. Joseph Toscano, MD, 12/14/2005.	30. Scott Werden, MD, 2/26/2009
6. Laura Foster, MD, 12/09/2005	31. Eugene DellaMaggiore, MD, 3/03/2009
7. Daniel Buhler, MD, 8/14/2006	32. Mohammed Ahmed, MD, 3/03/2009
8. David Palomares, DC, 9/29/2006	33. Robert Carson, MD, 8/03/2009
9. Ann Nye, MD, 8/31/2006	34. Jacob Mathis, MD, 1/12/2010
10. Stephen Kahn, MD, 8/31/2006	35. Mark Culton, MD, 9/09/2010
11. Joseph Toscano, MD, 9/05/2006	36. Mohammed Ahmed, MD, 12/23/2010
12. Joseph Toscano, MD, 1/31/2007	37. Russell Andrews, MD, 2/15/2011
13. Ravi Alagappan, MD, 3/23/2007	38. Eugene DellaMaggiore, MD, 7/19/2011, 7/19/2011, 6/24/2011, and 6/24/2011
14. Susan Gutierrez, MD, 4/4/2007	39. John Roberts, MD, 7/26/2006
15. S. Craig Mayer, MD, 8/7/2007	40. Paul Anderson, MD, 4/23/2006
16. Ronnie Mimran, MD, 10/29/2007	41. Paul Anderson, MD, 5/10/2007
17. Usha Chundru, MD, 11/6/2007	42. Neal White, MD, 9/17/2008
18. Ronnie Mimran, MD, 1/2/2008	43. Paul Anderson, MD, 10/21/2008
19. Eugene DellaMaggiore, MD, 4/14/2008	44. Bahman Nouri, MD, 10/31/2008
20. Robert Carson, MD, 5/12/2008	45. Bahman Nouri, MD, 11/03/2008
21. Eugene DellaMaggiore, MD, 6/17/2008	46. Paul Anderson, MD, 11/07/2008
22. Eugene DellaMaggiore, MD, 8/1/2008	47. Paul Anderson, MD, 10/12/2008
23. Ali Soozani, DO, 10/08/2008	48. John Smith, MD, 9/16/2009
24. Eugene DellaMaggiore, MD, 10/14/2008	49. John Smith, MD, 6/30/2011
25. Todd Alamin, MD, 10/26/2008	50. John Smith, MD, 6/30/2011 and 6/30/2011

A motion to approve was made by Trustee Bacigalupi, seconded by Trustee Santos.

Board Medical Director, Dr. Das was present to respond to questions and comments. The Board continued discussion. Trustee Santos commented that the Board needed more information regarding the service connection of the disability and suggested that the matter be continued to obtain further information.

Trustee Bacigalupi withdrew his original motion, and Trustee Santos withdrew his second.

Item will be continued until further information on service connection is provided.

Note: Item 5.1 was heard after Item 3.7.

5. **DEATH NOTIFICATIONS** - Note and file

5.1 Notification of the death of **Mario P. Stefanini**, Police Officer, retired April 1, 1974, died March 18, 2012. Survivorship benefits to Martha Stefanini, Spouse.

6. **COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS**

Item 7.5a was pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar, excluding Item 7.5a.

**Approved. (M.S.C. – Santos/Bill, 7-0-2, Bacigalupi-absent, Vacant)**

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**Item 7.5a changes are as follows:**

- Ad Hoc Committee-Short Term Solutions – Terminated
- Trustee Bill removed from Ad Hoc Governance Committee, and appointed to Audit Committee
- Established Audit Committee, which consists of Bill as Chair, Bacigalupi, Kaldor and Lanza
- Established Personnel Committee, which consists of Lanza as Chair, Kaldor and Rounds
- Trustee Sunzeri requested to be on the Ad Hoc Governance Committee as an “Active” member and to be removed as an “Alternate”. Chair Kaldor offered the Audit Committee.

**Approved. (M.S.C. – Santos/Bill, 7-0-2, Bacigalupi-Absent, Vacant)**

**6.1 Investment Committee (Sunzeri/Bill/Kaldor/Krytzer – Alternate/Bacigalupi) – Next Meeting:**  
**~~May 30, 2012~~ Mr. Crosby noted that May 30<sup>th</sup> is incorrect, should be May 25, 2012**

**a. Report from the Chair of the Investment Committee. Receive and file.**

Trustee Sunzeri, Chair of the Investment Committee updated the Board on the status of the Investment Committee and noted the Committee’s work on Cortex’s Investment Policy Statement, capital market assumptions, workplan and staff assignments, Flash Report and outsourced investment management. Trustee Sunzeri reported a one year investment return, through March 31, 2012, of 2.7%

**b. Minutes of March 28, 2012, Joint Police & Fire Investment Committee and Federated Investment Committee meeting. Receive and file. **Note and file.****

**6.2 Ad Hoc Governance Committee-Cortex Phase II (Kaldor/Lanza/Rounds/Santos – Alternates/Bill & Sunzeri) – Next Meeting: TBD**

Meeting is set for Friday, May 18<sup>th</sup> at 1:00 p.m.

**6.3 Ad Hoc Committee-DRS Short-Term Solutions (Kaldor/Rounds)**

**a. Report from the Chair of the Ad Hoc Committee-DRS Short-Term Solutions. Receive and file.**

Chair Kaldor reported that the committee met with Deputy City Manager Mr. Gurza twice and stated that the Assistant Director and Investment Officer positions are in the budget starting in July 2012. He added that staff and Mr. Gurza will work together on the specifics of the job description. Additional issues include the salary review conducted by the City’s Human Resources Department, succession planning, and a process for feedback on staff performance.

**7. CONSENT CALENDAR (Items 7.1 through 7.6)**

**7.1 Change of Retirement Application**

- a. Approval of change of retirement date of **Henry L. Brunson**, Fire Prevention Inspector, Fire Department; from April 28, 2012 to May 26, 2012.**

## 7.2 Approval of Minutes

- a. Monthly Board meeting held on April 5, 2012.

## 7.3 Approval of Travel for Conferences and Due Diligence

- a. Damon Krytzer - CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – June 8, 2012.
- b. Richard Santos - CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – June 8, 2012.
  - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012. **(CANCEL)**
- c. Sean Bill - CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – June 8, 2012.
- d. Bettina Rounds - IFEBP, Wharton School, University of Pennsylvania, Portfolio Concepts & Management, Philadelphia, PA – May 21-24, 2012. **(CANCEL)**
- e. Carmen Racy-Choy - Due Diligence – Hedge Fund On-Site:
  - a. New York – Week of July 9, 2012. **(Date change from 4/16/12)**
  - b. Geneva, London – Week of June 4, 2012. **(Revised: added Geneva)**
- f. Rajiv Das - American Occupational Health Conference 2012, Hyatt Regency Century Plaza, Los Angeles, CA – April 29, 2012 to May 3, 2012.
- g. Barbara Hayman - PRISM Annual Conference, Long Beach, CA – May 6-9, 2012 .
- h. Heidi Poon - Capital Access 2012, The 5<sup>th</sup> AAAIM AAMA Event, The Orrick Building, San Francisco, CA – May 23, 2012.
  - Due Diligence – Hedge Fund On-Site:
    - New York – Week of May 7, 2012. **(Date change from 4/16/12)**
    - Dallas, Minneapolis – Week of May 14, 2012. **(Date change from 4/23/12, CANCEL Greenwich)**
    - Geneva, London – Week of June 4, 2012. **(Revised: added Geneva)**
- i. Veronica Niebla - CalAPRS, Accountants' Round Table, DoubleTree Hotel, San Jose, CA – October 14, 2012. **(CANCEL)**
- j. Daryn Miller - 17<sup>th</sup> Annual NEPC Client Conference, Boston Convention & Exhibition Center, Boston, MA – May 14-16, 2012.
  - Due Diligence – Hedge Fund On-Site:
    - New York – Week of July 9, 2012. **(Date change from 5/7/12)**

## 7.4 Return of Contributions - None

- a. Voluntary
- b. Involuntary

## 7.5 Communication/Information

- a. List of committees and members. **Pulled from Consent Calendar.**

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- b. CalAPRS Principles of Pension Management for Trustees, March 27-30, 2012 – Educational Travel Report – by Drew Lanza.

**7.6 Pending Projects**

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

**8.1 Educational Programs and Courses**

**8.2 Conferences and Seminars**

**8.3 Research Papers and Articles**

**8.4 CalAPRS' Training**

- a. Trustees' Round Table, DoubleTree Hotel, 2050 Gateway Place, San Jose – Friday, June 8, 2012.

• **PROPOSED AGENDA ITEMS**

Role of Dr. Das, after the election  
Discuss SRBR distribution formula  
Future audit of City payroll transmittals

• **PUBLIC COMMENTS - None**

Entered into Closed Session at 2:06 p.m., Chair Kaldor reads Closed Session Item 3.8 into record.

• **ADJOURNMENT**

Meeting was adjourned at 3:32 p.m.

  
**SEAN KALDOR, CHAIR**  
BOARD OF ADMINISTRATION

**ATTEST:**

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