

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

February 2, 2012

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, February 2, 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 8:35 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
Conrad Taylor	-Present

ALSO PRESENT

Robert Sapient, San Jose Local 230
 Mike Alford, Retiree Association
 Franco Vado, Police Officer's Association
 Alex Gurza, Office of Employee Relations
 Aracely Rodriguez, Office of Employee Relations
 Gene Kalwarski, Cheiron
 Bill Hallmark, Cheiron

NON-VOTING BOARD MEMBER

Pete Constant -Present

DIRECTOR RETIREMENT SERVICES

Russell U. Crosby -Present

COUNSEL

Mollie Dent -Present
 Russ Richeda -Present

BOARD MEDICAL DIRECTOR

Rajiv Das, M.D. - Present

RETIREMENT SERVICES STAFF

PRESENT

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

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

1. INVESTMENTS

1.1 Update on Investments from the CIO.

Ms. Racy-Choy provided an overview of the investment program and performance of the plan.

2. NEW BUSINESS

2.1 Educational presentation by Cheiron on changes to GASB reporting requirements.

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.

Bill Hallmark and Gene Kalwarski from Cheiron provided an educational presentation on changes to the GASB reporting requirements.

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

Trustee Taylor led the discussion and raised concerns regarding the Board of Administration's fiduciary insurance coverage. Ms. Dent, Senior Deputy City Attorney and Mr. Richeda will provide an analysis at the March 7, 2012 Special Meeting.

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

3.1 Discussion and action on Cheiron's June 30, 2011 Pension Actuarial Valuation Report for the Police and Fire Department Retirement Plan regarding:

Gene Kalwarski from Cheiron presented Cheiron's June 30, 2011 Pension Actuarial Valuation Report for the Police and Fire Department Retirement Plan.

a. The Plan's assumed discount rate for the 2012-2013 fiscal year:

- 1. Memo dated January 17, 2012 from Deputy City Manager, Alex Gurza regarding the discussions at the January 5, 2012 Board meeting.**

A motion was made to maintain the 7.5% discount rate adopted last month and for the Investment Committee and Cheiron to review the asset allocation model and discount rate prior to next year's valuation.

Approved. (M.S.C. – Kaldor/Santos, 5-4-0, No-Bill, Krytzer, Sunzeri, Lanza)

b. Allocation methodology for valuation of administrative expenses.

A motion was made to keep the allocation methodology for valuation of administrative expenses the same as last year and to conduct further analysis to determine the long term split of the cost and if changes are needed retroactively, then that will be addressed the next year.

Approved. (M.S.C. – Kaldor/Santos, 9-0-0)

c. Allocation for valuation of reciprocity costs.

Bill Hallmark led the discussion of reciprocity costs.

A motion was made to approve allocation for valuation purposes of reciprocity costs to the City.

Approved. (M.S.C. – Santos/Lanza, 9-0-0)

3.2 Discussion and action regarding Cheiron's Assumptions for the June 30, 2011 Other Post Employment Benefits Plan (OPEB) Actuarial Valuation. *(Continued from January 2012 Board meeting)*

Bill Hallmark from Cheiron presented Cheiron's Assumptions for the June 30, 2011 Other Post Employment Benefits Plan (OPEB) Actuarial Valuation.

A motion was made to accept the Cheiron's Assumptions for the June 30, 2011 OPEB Valuation as recommended.

Approved. (M.S.C. – Kaldor/Santos, 9-0-0)

3.3 Update on the analysis of the Trustees' role in an environment of discussion and negotiation on vested benefits.

Trustee Lanza led the discussion on the analysis of the Trustee's role in an environment of discussion and negotiation on vested benefits. Trustee Lanza and Mr. Richeda have been working on this item and will be ready for a detailed discussion at the March 7th offsite Special Meeting.

3.4 Discussion and action regarding Retirees' Association's request to raise dues deductions.

Mr. Constant noted that the Retiree's Association's request for the deductions is on the City Council Agenda for February 14th. An update regarding the request to raise the deductions will be on the March Board meeting agenda.

3.5 Update regarding Legal Services Request for Proposals (RFP).

Ms. Dent, Deputy City Attorney reported that the interviews have been concluded and the City Attorney Office is conducting due diligence and background checks. She added that after the 10 day appeal period, she hopes to notify the candidates regarding the recommendation and will provide a recommendation to the Board at the March meeting.

3.6 Discussion and action on letters to/from City Manager regarding staff salaries.

Chair Kaldor stated that this item was discussed at the Investment Committee. Trustee Sunzeri added it has been agendaized and will be discussed further at the March 7th Special Meeting. The Board agreed to have Chair Kaldor and Trustee Rounds as delegates to meet with the City Manager regarding current compensation for Retirement staff.

A motion was made on the selection of Chair Kaldor and Trustee Rounds as delegates to meet with City Manager regarding current compensation and to establish an Ad Hoc Committee, together with the Federated City Employees' Retirement System, to review the short and long-term steps regarding Retirement Services staffing.

Approved. (M.S.C. – Kaldor/Santos, 9-0-0)

An amendment to the motion by Trustee Lanza that the Ad Hoc Committee seek to use best practices.

Approved. (M.S.C. – Lanza/Santos, 9-0-0)

3.7 Update on Cortex consulting project.

Mr. Kumar reported to the Board that he is awaiting confirmations from Trustees regarding the meeting to be held on February 16th. He will follow-up as soon as he has a quorum.

3.8 Update on Payroll Audit, FLSA and overtime payment issues. (*Deferred from January meeting*)

Ms. Busse reported to the Board that Retirement Services has not received an update from City Payroll. Ms. Niebla stated that the issue is whether to accept what the City has prepared and implement the information already provided which has some minor issues identified by Macias, Gini & O'Connell in the Agreed Upon Procedures Report. Mr. Constant requested a synopsis of the timeline and waiting period to update the City Council.

3.9 Discussion and action on revised Physicians Disability Determination Forms. (*Deferred from January meeting*)

Chair Kaldor requested for the Trustees to submit any other comments regarding the Physicians Disability Determination Forms to Ms. Busse.

3.10 Update on Board Retreat.

Chair Kaldor updated the Board regarding the Special Meeting which is scheduled for March 7, 2012 and requested the Trustees to submit any topics for the Agenda to him.

4. RETIREMENTS

4.1 Service Retirement

- a. **Gonzalo Chayrez**, Firefighter, Fire Department, effective January 21, 2012; 23.45* years of service. **Approved. (M.S.C. – Santos/Bacigalupi, 9-0-0)**
- b. **Flanoy D. Garrett**, Fire Captain, Fire Department, effective March 31, 2012; 26.28* years of service. **Approved. (M.S.C. – Santos/Bacigalupi, 9-0-0)**

4.2 Early Service Retirement

- a. **Teresa D. Reed**, Assistant Fire Chief, Fire Department, effective January 21, 2012; 24.71* years of service. **Approved. (M.S.C. – Santos/Bacigalupi, 9-0-0)**

4.3 Approval to Change of Retirement Date

- a. Approval of change of retirement date of **David Cavallaro**, Deputy Chief of Police, Police Department; from December 10, 2011 to December 24, 2011 and 29.47* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 9-0-0)**

4.4 Approval to Rescind Retirement Application

- a. Approval to rescind retirement application of **Gerald L. Durk**, approved at the December 1, 2011 meeting for the effective date of January 21, 2012.
- b. Approval to rescind retirement application of **Larry Esquivel**, approved at the December 1, 2011 meeting for the effective date of January 21, 2012.

A motion to approve Item 4.4a through 4.4b)

Approved. (M.S.C. – Bacigalupi/Santos, 9-0-0)

5. **DEATH NOTIFICATIONS** **Note and File**

- 5.1 Notification of the death of **Carmelo Gonzales**, Fire Engineer, retired August 1, 1990, died January 1, 2012. Survivorship benefits to Olga Gonzales, spouse.
- 5.2 Notification of the death of **Matthew T. Vujevich**, Fire Engineer, retired February 15, 1993, died December 11, 2011. Survivorship benefits to La Donna Vujevich, spouse.

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

6.1 Investment Committee – **Next Meeting: February 29, 2012**

- a. Minutes of November 30, 2011. **Note and File**
- b. Report from the Chair of the Investment Committee.

Trustee Sunzeri, the Chair of the Investment Committee, updated the Board on the status of the Asset Liability Modeling (ALM), committee structure, and utilization of investment consultant.

6.2 Ad Hoc Committee for Disability Determination Process – **Next Meeting: TBD**

6.3 Ad Hoc Governance Committee – **Next meeting: February 16, 2012, tentatively.**

- a. Minutes of October 20, 2011. **Note and File**
- b. Report from the Chair of the Ad Hoc Governance Committee.

7. **CONSENT CALENDAR (Items 7.1 through 7.7)**

Mr. Crosby requested Item 7.2a to be pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar, except Item 7.2a.
Approved. (M.S.C. – Santos/Bacigalupi, 9-0-0)

7.1 **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 Police and Fire Department Retirement Plan and Levi, Ray & Shoup Inc. (LRS) agreeing to the terms and conditions of the LRS agreement with Microsoft regarding the use of Microsoft software.

7.2 Approval of Minutes

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

A motion was made to approve Item 7.2a with amendment of Item 2.1 to accept the Cheiron's report with the exclusion of the discount rate to be discussed at the February Board meeting.

Approved. (M.S.C. – Santos/Taylor, 9-0-0)

7.3 Approval of Travel/Conference Attendance

- a. Andrew Lanza - CalAPRS, Principles of Pension Management for Trustees at Stanford Law School, Palo Alto, CA – March 27-30, 2012.
- b. Vincent Sunzeri - CalAPRS, Principles of Pension Management for Trustees at Stanford Law School, Palo Alto, CA – March 27-30, 2012.
- NEPC 2012 Public Funds Workshop, Phoenix, AZ – January 30-31, 2012
- c. Bettina Rounds - CalAPRS, Principles of Pension Management for Trustees at Stanford Law School, Palo Alto, CA – March 27-30, 2012.
- IFEBP, Wharton School, University of Pennsylvania, Portofolio 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.
- d. Richard Santos - CalAPRS, General Assembly, Westin Mission Hills Resort & Spa, Rancho Mirage, CA – March 3-6, 2012.
- IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.
- e. Conrad Taylor - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.
- Rock Center for Corporate Governance, Fiduciary College, Stanford University, Palo Alto, CA – July 23-25, 2012.
- f. Maria Loera - CalAPRS, Benefits Round Table, San Jose, CA – February 3, 2012.
- g. Jesselle Holcomb - CalAPRS, Benefits Round Table, San Jose, CA – February 3, 2012.

7.4 Approval of Monthly Expenses

- a. Plan Expenses for December 2011.

7.5 Return of Contributions

- a. Voluntary
b. Involuntary

7.6 Communication/Information - None

7.7 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, Double Tree Hotel, 2050 Gateway Place, San Jose – February 3, 2012.
- b. General Assembly, Westin Mission Hills Resort & Spa, Rancho Mirage, CA – March 3-6, 2012.

• **PROPOSED AGENDA ITEMS**

Authorize actuary to perform cost study on agreed upon benefits regarding Purchase of Leave of Absence service for Fire members.

• **PUBLIC COMMENTS**

• **ADJOURNMENT**

Meeting was adjourned at 1:12 p.m.


SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:


RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES