

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

April 4, 2013

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, April 4, 2013 in regular session at City Hall Wing Rooms 118/120, 200 East Santa Clara Street, San José, California 95113. Chair Sean Kaldor called the meeting to order at 8:34 a.m.

BOARD MEMBERS

Sean Kaldor, Chair -Present
 Richard Santos, Trustee -Present
 Sean Bill, Trustee -Present
 Damon Krytzer, Trustee -Present
 Drew Lanza, Trustee -Present
 James Mason, Trustee -Present
 Nick Muyo, Trustee -Present
 Elizabeth Rounds, Trustee -Present
 Vincent Sunzeri, Trustee -Present

NON-VOTING BOARD MEMBER

Pete Constant-Absent

DIRECTOR RETIREMENT SERVICES

Roberto L. Peña -Present

COUNSEL

Jeff Rieger, General and
 Fiduciary Counsel -Present

RETIREMENT SERVICES STAFF PRESENT: Veronica Niebla, Sonia Morales, Linda Alexander, Tram Doan, Heidi Poon, Lesley Lamb, Daryn Miller

ALSO PRESENT: Dan LeBeau and Alan Martin, NEPC; Cheryl Parkman, OER, Jim Spence, President, Association of Retired San Jose Police and Fire Fighters.

Chair Kaldor called to order both the Police & Fire Department Retirement Plan and the Health Care Trust meetings at 8:34 a.m.

Board entered into Closed Session at 8:34 and reconvened at 9:38 a.m. into Open Session.

CLOSED SESSION

I. INVESTMENTS

CLOSED SESSION: Conference with Investment Consultant pursuant to Government Code section 54956.81 to consider purchase of particular pension fund investments (two investments).

CLOSED SESSION: PUBLIC EMPLOYEE APPOINTMENT AND EMPLOYMENT. GOVERNMENT CODE SECTION 54957(b)(1) – POSITION: CHIEF INVESTMENT OFFICER/ASSISTANT DIRECTOR OF RETIREMENT SERVICES.

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.

II. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

1. **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a), (ONE CASE)

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

2. **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) (2 CASES)(MEASURE B LITIGATION)

San Jose Police Officers' Association v. City of San Jose, et al, Santa Clara County Superior Court, No. 1-12-CV-225926, cross complaint of City of San Jose.

Sapien vs. City of San Jose, et al, Santa Clara County Superior Court,
Case No. 1-12-CV-225928.

Board reconvened from Closed Session at 9:32 a.m. There was no reportable action out of Closed Session.

CALL TO ORDER: 9:38 a.m.

- **ORDERS OF THE DAY**

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

- Item 2.2- Deferred
- Item 5.3- Correction, March 8th, not (9th)
- Item 7.3b.1- Cancelled

1. **INVESTMENTS**

- 1.1 **Approval of the revised Police and Fire 2012/13 Real Estate Strategic Plan.**

Discussion was led by Dan LeBeau and Alan Martin of NEPC.

A motion was made to approve the revised Police and Fire 2012/13 Real Estate Strategic Plan.
Approved. (M.S.C. Krytzer/Santos, 9-0-0).

- 1.2 **Discussion and action regarding changes made to the Interim Policy Benchmark.**

Discussion was led by Dan LeBeau and Alan Martin of NEPC. Changes were made to the Interim Policy Benchmark.

A motion was made to approve the policy change in the Interim Policy Benchmark and any future changes to be referred to the Investment Committee and if it is a long term policy change, it would be brought to the full Board for approval.

Approved. (M.S.C Sunzeri/Bill, 9-0-0).

1.3 Discussion and action regarding adoption of Resolution 3802 revising the Investment Policy Statement.

Ms. Doan led the discussion and answered questions from the Board. The intent will be to revise the Benchmark on a quarterly basis.

A motion was made to adopt Resolution 3802 revising the Investment policy statement.

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

2. NEW BUSINESS

2.1 Discussion and action on the report of Plan Expenses for February 2013.

Ms. Niebla led the discussion and answered questions from the Board.

A motion was made to approve the report of Plan Expenses for February 2013

Approved. (M.S.C. Bill/Muyo, 9-0-0).

2.2 Discussion on the Consent Decree regarding modified duty positions.

Deferred to May Meeting as noted in the Orders of the Day.

2.3 Discussion on the 401(h) subordination limit test letter.

Mr. Hallmark led the discussion via teleconference. Contributions increased 22%.

Note and File.

Item 2.4 was heard after Item 2.5.

2.4 Discussion and action on the Police and Fire Department Retirement Plans Administrative Budget Proposal for Fiscal Year 2013-2014.

Mr. Pena, Director of Retirement Services, led the discussion. Mr. Pena recognized Veronica and staff for doing a good job on the budget. Mr. Pena and Ms. Niebla presented the slides and answered questions from the Board.

A motion was made to approve the Police and Fire Department Retirement Plans Administrative Budget Proposal for Fiscal Year 2013-2014.

Approved. (M.S.C. Bill/Sunzeri, 9-0-0).

Item 2.5 was heard after Item 2.3.

2.5 Discussion and action regarding the request from City Administration to allow the Board's actuary to work with the City to review bond documents as it pertains to the Retirement System, costs to be paid by the City.

Mr. Andrews, Assistant Director of the Finance Department led the discussion. The source the Finance Department likes is Cheiron. The Federated Board approved the action in contracting with Cheiron directly. Counsel Rieger stated that he had no objection to the actuary providing information to the City, so long as all costs would be paid by the City and there was no representation or implication that the bond document was approved or endorsed by the Plan or Board.

A motion was made to allow the Board's actuary to work with the City to review the bond documents as it pertains to the Retirement System, costs to be paid by the City.

Approved. (M.S.C. Bill/Krytzer, 9-0-0).

Counsel Rieger revised the motion to say "mirrored" the Federated motion. Trustee Bill revised his motion as stated from Counsel Rieger.

(From Federated minutes 3/21/13)

A motion was made to approve allowing the City to contract with Cheiron independently to advise on the accuracy of the Plan information excerpted in the City's bond document, with all costs to be paid by the City and there being no representation or implication that the bond document was approved or endorsed by the Plan or Board.

Item 2.6 was heard after item 2.4.

2.6 Discussion and action regarding Lump Sum Payment of Employer Retirement Contributions and establishment of the prepayment amount for Fiscal Year 2013-2014.

Ms. Niebla led the discussion. Due before April 30th. Lump sum payment of employer Retirement contributions and installment of the prepay for 2013/2014. Mr. Sunzeri asked if we can reflect the lump sum amount on a discounted rate on a yearly basis.

A 10 minute break was requested so that Ms. Niebla could pull up the Municipal Code on the Computer.

The meeting reconvened at 11:44 a.m. to continue Item 2.6. Counsel Rieger referenced the correct municipal code to 3.36.1590C and advised that: 1) it does not appear that the Board has discretion to deny the City the ability exercise its option under section 3.36.1590C; and 2) it is unclear whether the Board has discretion to use a discount rate that is different from the plan's assumed rate of return, but counsel can advise on that subject at a future meeting.

A motion was made to ask staff to revisit the issue and reach out to NEPC/Cheiron to investigate discount rates.

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

An amended motion was made to ask Reed Smith to review the Board's potential options regarding the discount rate.

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

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

3.1 Oral update on payroll audit, FLSA and overtime payment issues. Receive and file.

Ms. Niebla stated that we have the requested file and conveyed her thanks to the IT department.

3.2 Oral update from Councilmember Constant. Receive and file.

No update. Councilmember Constant was absent from the meeting.

4. **RETIREMENTS**

4.1 Service Retirement

- a. **Ronald Baldal**, Police Sergeant, Police Department, effective May 25, 2013; 15.03* years of service. (*With reciprocity*)
- b. **Robert J. Dawson**, Fire Captain, Fire Department, effective May 25, 2013; 27.50* years of service.
- c. **Paul E. Gillies**, Police Officer, Police Department, effective May 25, 2013; 25.08* years of service.
- d. **Thomas J. Tortorici**, Police Officer, Police Department, effective May 18, 2013; 25.06* years of service.
- e. **Charles E. Soliday**, Police Officer, Police Department, effective May 11, 2013; 20.03* years of service.

A motion was made to approve Service Retirements items 4.1a-e.

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

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

- 5.1 Notification of the death of **Francis E. Conyers**, Fire Captain, retired September 13, 1980, died February 4, 2013. No survivorship benefits.
- 5.2 Notification of the death of **Joseph S. De Lise**, Fire Engineer, retired March 30, 1980, died March 7, 2013. No survivorship benefits.
- 5.3 Notification of the death of **Roger J. Finton**, Police Officer, retired October 7, 1993, died March 9, 2013. No survivorship benefits.
- 5.4 Notification of the death of **Gerald D. Johnson**, Firefighter, retired July 2, 1997, died February 16, 2013. Survivorship benefits to Alexis Johnson, spouse.
- 5.5 Notification of the death of **Gerald Mc Donald**, Fire Captain, retired March 7, 1990, died February 26, 2013. Survivorship benefits to Patricia Mc Donald, spouse.

- 5.6 Notification of the death of **Douglas D. Wright**, Police Sergeant, retired June 3, 1987, died March 5, 2013. Survivorship benefits to Barbara Wright, spouse.

6. COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS

6.1 Investment Committee (Sunzeri/Bill/Krytzer/Mason)

- Last Meeting: March 13, 2013 - Next Meeting: April 10, 2013

- a. Report from the Chair of the Investment Committee.

Chair Sunzeri led the discussion regarding the asset allocation newsletter, Policy Benchmark and Stage one review of Asset Classes and Credit Allocation.

- b. Minutes of February 13, 2013 Joint Federated and Police & Fire Investment Committee meeting. **Receive and file.**

6.2 Audit Committee (Bill/Lanza/Muyo)

- Last Meeting: March 21, 2013 - Next Meeting: May 16, 2013

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

Mr. Bill stated that the Committee met with Sharon Erikson, the City Auditor to discuss Audit related issues.

- b. Minutes of the February 21, 2013 Police & Fire Audit Committee. **Receive and file.**

6.3 Governance Committee (Kaldor/Rounds/Santos/Sunzeri)

- Last Meeting: March 11, 2013 - Next Meeting: April 4, 2013

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

Mr. Kaldor reported that the minutes will be approved during the meeting this afternoon. They discussed Chair, Vice Chair & Election process. Travel policies for Board members and Code of Conduct.

6.4 Ad Hoc Disability Committee (Santos/Rounds)

- Last Meeting: February 19, 2013 - Next Meeting: April 15, 2013

- a. Report from the Chair of Ad Hoc Disability Committee. **Receive and file.**

7. CONSENT CALENDAR (Items 7.1 through 7.7)

Item 7.5g was pulled.

A motion was made to approve the balance of the Consent Calendar except Item 7.5g.

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

7.1 Change of Retirement Application

- a. Approval of change of retirement date of **Hector M. Vasquez**, Police Officer, Police Department; from March 2, 2013 to April 27, 2013.

7.2 Approval of Minutes

- a. Monthly Board meeting held on March 7, 2013.

7.3 Approval of Travel and Attendance for Conferences and Due Diligence

- a. Trustees:
 - 1. Trustee Krytzer - SACRS Spring Conference 2013, Napa Valley Marriott Hotel – May 14-17, 2013.
- b. Staff:
 - 1. Roberto L. Peña - SACRS Spring Conference 2013, Napa Valley Marriott Hotel - May 14-17, 2013.-**Cancelled as noted in the orders of the day.**
 - 2. Heidi Poon - 1st Annual TPG Special Situations Partners Investors Meeting, The Four Seasons Hotel, San Francisco, CA – April 2-3, 2013.
 - 3. Barbara Hayman - Prism Conference, New Orleans, LA- May 12-15, 2013.
 - 4. May Cheung - CALAPRS Information Technology Roundtable, Doubletree Hotel, San Jose, CA- April 5, 2013.
 - 5. Linda Alexander - CALAPRS Administrative Assistants Roundtable, Doubletree Hotel, San Jose, CA- April 5, 2013.

7.4 Return of Contributions

- a. Voluntary
- b. Involuntary

7.5 Communication/Information

- a. The Cortex Report: Research Papers and Articles
- b. Financial Time Article: Small hedge funds outdo elite rivals, Article date: March 5, 2013.
- c. Pensions & Investments Article: Investor hedge fund interest to grow in 2013, Article date: March 7, 2013.
- d. Pensions & Investments Article: New headache looms for private equity, hedge fund firms, Article date: March 4, 2013.
- e. 2013 Schedule of Meetings, revised.
- f. January 2013 Performance Flash Report for the Pension Trust.
- g. Contra Costa Times Article: Judge orders San Jose to disclose officials' messages on private devices, Article date: March 20, 2013.- **Pulled.**

A motion was made to approve Item 7.5g.

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

7.6 Pending Projects - None

7.7 Educational and Training

- a. Educational Program and Courses
- b. Conferences and Seminars

- PROPOSED AGENDA ITEMS-NONE
- PUBLIC COMMENTS-NONE
- ADJOURNMENT

Meeting adjourned at 1:33 p.m.


SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:


ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES