

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

7,46

Minutes of the Board Meeting **SPECIAL MEETING** SAN JOSÉ, CALIFORNIA

Thursday

March 7, 2012

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Wednesday, March 7, 2012 in a special meeting session at Dolce Hayes Mansion, 200 Edenvale Avenue, San José, California 95136. 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	-Present
Sean Bill	-Present
Damon Krytzer	-Present
Drew Lanza	-Present
Elizabeth Rounds	-Present
Vincent Sunzeri	-Present
Vacant	

NON-VOTING BOARD MEMBER

Pete Constant -Present

DIRECTOR RETIREMENT SERVICES

BOARD SECRETARY

Russell U. Crosby -Present

COUNSEL

Mollie Dent	-Present
Russ Richeda	-Present
Harvey Leiderman	-Present

ALSO PRESENT

Bill Hallmark, Cheiron
Joshua Davis, Cheiron
Aracely Rodriguez, Office of Employee Relations
Jim Spence, P&F Retiree Association
Ray Storms, P&F Retiree Association
Roy Folger, McCorkle Insurance
Mike Alford, P&F Retiree Association
Shane P. Connolly, Council Office
Joseph Rois, Auditor's Office
Tom Iannucci, Cortex (Via teleconference)

RETIREMENT SERVICES STAFF

PRESENT

Carmen Racy-Choy, Deputy Director/CIO
Donna Busse, Deputy Director/COO
Troy Gavin
Sonia Morales

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

Chair Kaldor opened the meeting by outlining the program for the day and welcomed the Consultants, Actuaries and Attorneys for their attendance.

Item 1.a.i – Waive Sunshine, received late.

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

1. Trustees' role in an environment of vested benefit changes:

a. Discussion regarding fiduciary responsibilities and liability.

i. Impact of Government Tort Claims Act on Defense, Indemnification and Liability of Board Members letter from San Jose City Attorney.

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.

PF 04-05-12

Ms. Dent, Senior Deputy City Attorney, led the discussion regarding the Tort Claims Act. The Trustees and Attorneys discussed the issues and their concerns regarding suits against the Board and/or individual Board Members while conducting their fiduciary duties.

Chair Kaldor stated to Trustees to submit concerns or issues to Mr. Crosby who will forward to Legal Counsel. Mr. Leiderman to report to the Board thereafter.

b. Discussion regarding fiduciary liability insurance.

Mr. Folger led the discussion regarding the fiduciary liability insurance. He stated that Chubb Group is the plan's insurer and are well regarded as the best, most financially sound fiduciary insurer and have their own lawyers. He added that all current and past Trustees are covered under the Fiduciary Liability Insurance policy. He also explained that the Waiver of Recourse applies to Board Members.

c. Discussion and action on strategy for addressing potential legal actions initiated against the Board as a result of imposed plan benefit design changes.

Trustee Lanza made a presentation and led the discussion on strategy for addressing legal issues affecting the Board as a result of plan benefit design changes.

A motion was made to implement the recommendations and request Cheiron to develop a list of questions and a timeline for analysis for the April Board meeting.

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

Chair Kaldor reconvened meeting from break at 11:39 a.m.

2. Discussion on actuarial options to minimize contribution volatility.

Bill Hallmark and Joshua Davis from Cheiron presented and discussed their presentation on actuarial options to minimize contribution volatility.

Chair Kaldor reconvened Police and Fire Board Special Meeting from lunch at 1:25 p.m.

Item 2 was continued after lunch.

Bill Hallmark continued presenting actuarial options to minimize contribution volatility.

3. Solutions to Retirement Services Department staffing, consultant relationship and organizational challenges:

Item 3.a was heard last, after Item 4.c.

a. Discussion and action on short term issues and solutions.

Trustee Sunzeri led the discussion on short term issues and solutions.

A motion was made to: 1) Request City Manager to provide the salary survey conducted by the City; 2) Request approval of Assistant Director position as proposed by City Manager; 3) Investment Committee to continue to study additional models.

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

b. Discussion of long term issues and solutions.

Trustee Sunzeri provided a brief summary of the Ad Hoc Committee Long-Term Issues and Solution conference call and stated the main goal of the Committee was to create a road map.

Items 4a and 3.b were heard together.

4. Board governance:

a. Review of Cortex consulting project.

Tom Iannucci from Cortex Applied Research, via teleconference, reviewed his presentation regarding the Governance Project.

b. Discussion and action on Board governance policies and procedures.

i. Ad Hoc Governance Committee report and draft policies.

Tom Iannucci led the discussion on Board governance draft policies and procedures as presented to the Ad Hoc Governance Committee. Mr. Iannucci gave an overview of the draft policies and the Board continued discussions. Mr. Constant indicated that the Brown Act and Sunshine Reform should also be included in the Code of Conduct, with development of a policies manual.

c. Discussion and action on next steps.

A motion was made to have the Ad Hoc Governance Committee work jointly with the Federated City Employees Retirement System to hire Cortex to develop materials, as the Ad Hoc Governance Committee's focus will be to work on outreach to stakeholders, analysis of best practices, recommend specific proposals with follow through to City Council and other stakeholders, and provide feedback to the Board. Legal Counsel will review changes to San Jose Municipal Code or Charter that might be required

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

Entered Closed Session at 5:40 p.m.

CLOSED SESSION

5. 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.

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Returned from Closed Session at 7:20 p.m.

OPEN SESSION

There was no report out of Closed Session.

- **PROPOSED AGENDA ITEMS**

Counsel to come back if RFP is required.

- **PUBLIC COMMENTS** - None

- **ADJOURNMENT**

The meeting was adjourned at 7:27 p.m.



SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES