



## BOARD OF ADMINISTRATION Minutes

City Hall  
Wing Committee Rooms  
118-120  
200 East Santa Clara  
Street, San Jose, CA  
95113

### Police and Fire Department Retirement Plan

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

Pete Constant, Non-Voting Trustee -Absent

Harvey Leiderman, General and Fiduciary  
Counsel -Present

Roberto L. Peña, Director of Retirement Services  
-Present

**RETIREMENT SERVICES STAFF PRESENT:** Donna Busse, Sonia Morales, Linda Alexander, Tram Doan, Lesley Lamb, Daryn Miller, Ron Kumar, Barbara Hayman, Gina Billings.

**ALSO PRESENT:** Dan LeBeau, NEPC; Cheryl Parkman, OER; Attorney Swift, Jim Spence, President, Association of Retired San Jose Police and Fire Fighters; Thomas Afflixio, Fire Department Retired; Ron D'Acchioli, Fire Department; Marty Jo Luis, Police Department; Greg Adams, General Counsel; Jennifer Schembri, Deputy Director OER; Dr. Das, City of San Jose.

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Thursday, August 1, 2013

8:30 AM

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**Chair Kaldor called to order the Police & Fire Department Retirement Plan Trust meeting at 8:40 a.m. The Board viewed the Orders of the Day and entered into Closed Session.**

**The Board entered into Closed Session at 8:42 a.m. The Board returned from Closed Session at 9:20 a.m. The Board reconvened into Open Session at 9:21 a.m.**

#### **CLOSED SESSION**

**CLOSED SESSION AGENDA ITEMS WILL BE HEARD AT 8:30 A.M.**

**I. CLOSED SESSION OLD BUSINESS/CONTINUED-DEFERRED ITEMS**

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

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.

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- b. **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL - LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(c) TO CONSIDER WHETHER OR NOT TO COMMENCE LITIGATION, (ONE CASE)

**There was nothing to report out of Closed Session.**

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

• **ORDERS OF THE DAY**

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

- Item 3(a) Police Tier 2 Grid-Waive Sunshine

A motion was made to approve the Orders of the Day and to waive sunshine on Item 3a.

**Approved. (M.S.C. Muyo/Santos 8-0-0, one absent, Krytzer).**

**1. INVESTMENTS**

- a. **Presentation of the First Quarter 2013 Equity Transaction Cost Analysis from Abel Noser.**

Ms. Doan introduced Mary Davidson and Peter Wilder of Abel Noser. Ms. Davidson led the discussion and answered questions from the Board.

The report was accepted by the Board.

- b. **Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Abel Noser for an annual amount not to exceed \$12,000.00.**

Ms. Doan led the discussion to approve Abel Noser to negotiate and execute an agreement for an annual amount not to exceed \$12,000.00.

A motion was made to approve the Abel Noser agreement.

**Approved. (M.S.C. Sunzeri/Mason 8-0-0, one absent, Krytzer).**

- c. **Presentation of the Fourth Quarter 2012 Private Markets Report.**

The discussion was led by Dan LeBeau from NEPC and answered questions from the Board.

The report was accepted by the Board.

**2. NEW BUSINESS**

- a. **Discussion and action on the report of the Plan Expenses for May 2013.**  
Mr. Peña led the discussion and answered questions from the Board.

A motion was made to accept the report of the Plan Expenses for May 2013.  
**Approved. (M.S.C. Santos/Sunzeri 8-0-0, one absent, Krytzer).**

- b. **Discussion and action on Board Agenda order.**

Mr. Peña led the discussion to have both Boards agree with the order of the Agenda. He recommended placing disabilities that are recommended for approval by the Ad Hoc Disability Committee, and the list of member death notifications place on the Consent Calendar.

Following Board member and public discussion, a motion was made to move the Consent Calendar to the beginning of the agenda but to continue treating disabilities and death notifications as separate agenda items, rather than on the Consent Calendar.

**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent, Krytzer).**

- c. **Discussion and action regarding the annual off-site- meeting and agenda topics.**

Chair Kaldor led the discussion regarding the annual off-site meeting and agenda topics. He proposed to have the September meeting at City Hall with expanded topics of an hour to an hour and a half rather than the off-site meeting. Trustee Lanza will not be at the September meeting and will call in. Mr. Leiderman will not be at the meeting, Mr. Reiger will attend. There was a consensus to have an extended meeting at City Hall in September and include a presentation from the Ad Hoc Cortex Response Committee.

- d. **Discussion and action regarding the January 2, 2014 Board meeting date.**

Mr. Peña led the discussion and proposed to move the January 2, 2014 Board meeting to January 9, 2014, as it so closely follows the New Year's holiday.

Following board discussion, a motion was made to move the January 2, 2014 Board meeting to January 9, 2014.

**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent, Krytzer).**

- e. **Oral update from the Director of Retirement Services, Roberto L. Peña.**

Mr. Pena led the discussion and updated the Board with an Organizational Chart and discussed the promotions and openings available. He also discussed Office space, the draft Tier 1 handbook, draft agreement with Sagitec as it relates to the new Pension Administration System, and the Business Continuity Plan. Trustee Santos and Trustee Sunzeri asked to have the Board included in the Organizational Chart.

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

- a. **Discussion and action regarding Police Tier 2 Ordinance #29266, including adoption of Contribution Rates for 2013-2014.**

The discussion was led by Mr. Leiderman, and Mr. Hallmark (via teleconference) and they answered questions from the Board. Mr. Leiderman highlighted the following key points that needed clarification so that the system could properly administer the new tier: Greg Adam, counsel to the Polices Officers Association, appeared and raised issues concerning the text and impact of the proposed Tier 2 ordinance. Jennifer Schembri, Deputy Director of the City Manager's Office responded to Mr. Adam's comments. Mr. Hallmard noted that the City had already prepaid its 2013-14 contribution.

Following an extensive Board discussion, a motion was made to accept Cheiron's recommendations to set the initial Tier 2 rate the same as Tier 1 at 11:65%.

**Approved. (M.S.C. Sunzeri/Rounds 8-0-0, one absent Krytzer).**

**Item 3b was heard after Item 5 at 11:30 a.m.**

- b. **Discussion and action on staff analysis and recommendations regarding the Cortex Phase II Report.**

Ms. Busse led the discussion regarding the Cortex Phase II Report and answered questions from the Board. The following recommendations were discussed:

- o #04 Policy on legislative advocacy
- o #05 Discouraging economically targeted investing
- o #09 Items to increase transparency and disclosure
- o #10 Establishing a stakeholder committee
- o #11 Holding an annual meeting
- o #13 Directing an audit be held every five years
- o #14 Establishing an audit committee- Already established

A motion was made to accept Cortex's recommendation, referring Recommendation #10 to the Governance Committee, and scheduling an annual meeting in March.

**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent Krytzer).**

**4. RETIREMENTS**

**Items 4.1a through item 5 were heard after item 3a at 11:26 a.m.**

**4.1 Service Retirements**

- a. Gilbert Gutierrez, Fire Captain, Fire Department, effective August 17, 2013; 25.09\* years of service.
- b. Antonio Magallon, Fire Captain, Fire Department, effective September 1, 2013; 25.08\* years of service. (With reciprocity)
- c. Raymond Van de Star, Fire Captain, Fire Department, effective July 27, 2013; 25.09\* years of service.
- d. Gustavo Vega, Police Officer, Police Department, effective July 29, 2013; 23.48\* years of service.

There was a motion to approve Service Retirements item 4.1a through 4.1d.  
**Approved. (M.S.C. Santos/Muyo 8-0-0, one absent-Krytzer).**

**4.2 Change in Status to Service Connected Disability**

- a. **Thomas H. Afflixio**, Battalion Chief, Fire Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective November 1, 2008; 29.27\* years of service.

Ms. Lamb read the medical report. Dr. Das and Attorney Swift had nothing to add.

**APPLICANT: Thomas Afflixio**

Item No.	Date	Medical Provider
<b><u>1. Right &amp; Left Shoulders</u></b>		
<b>Mechanism of Injury</b>		
1	October 25, 1987	M.F. Dillingham, MD
2	December 6, 2000	Mark Eastland, DC
3	March 9, 2006	Patrick McCreesh, MD
4	September 11, 2007	Patrick McCreesh, MD
<b>Assessment/Treatment/Disability</b>		
1	October 26, 1987	Michael Dillingham, MD
2	November 10, 1987	Jeryl Wiens, MD
3	November 11, 1987	Michael Dillingham, MD
4	November 20, 1987	Michael Dillingham, MD
5	December 23, 1987	Michael Dillingham, MD
6	February 21, 1988	Michael Dillingham, MD
7	September 16, 2002	Robert Millard, MD
8	June 21, 2004	John Colman, MD

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9	September 8, 2004	John Colman, MD
10	December 15, 2004	John Colman, MD
11	June 14, 2007	Patrick McCreesh, MD
12	September 7, 2007	John Colman, MD
13	October 31, 2007	John Colman, MD
14	November 9, 2007	John Colman, MD
15	September 5, 2008	John Colman, MD
16	February 2, 2009	John Colman, MD
17	April 2, 2009	Lucy Lin, MD
18	May 26, 2009	John Colman, MD
19	May 26, 2009	John Colman, MD
20	June 6, 2009	John Colman, MD
21	July 20, 2009	John Colman, MD
22	August 19, 2009	John Colman, MD
23	January 5, 2010	John Colman, MD
24	January 5, 2010	John Colman, MD

A motion was made to approve Change in Status to Service Connected Disability for Thomas H. Afflixio.

**Approved. (M.S.C. Santos/Mason 8-0-0, one absent-Krytzer).**

b.

**James T. Werkema**, Police Lieutenant, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective June 11, 2011; 25.07\* years of service.

Ms. Lamb read the medical report. Dr. Das and Attorney Swift had nothing to add.

**APPLICANT: JAMES T. WERKEMA**

Item  
No.

**1. FACE/HEAD**

**Assessment/Treatment/Disability**

1	March 19, 1991	John Rennick, M.D.
2	March 20, 1991	Lee Fisher, M.D.
3	March 21, 1991	Barry Robbins, M.D.
4	March 25, 1991	Barry Kramer, M.D.
5	March 28, 1991	Lee Fisher, M.D.
6	March 28, 1991	Andrew Hsu, M.D.
7	April 2, 1991	E. Finkle, M.D.
8	April 5, 1991	Lionel Nelson, M.D.
9	April 9, 1991	Lionel Nelson, M.D.
10	April 10, 1991	John Rennick, M.D.
11	April 12, 1991	Andrew Hsu, M.D.
12	April 12, 1991	Robert Chamberlain, Psy. D.

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13	June 10, 1991	Robert Lowen, M.D.
14	June 18, 1991	Greg Loitz, DDS, M.D.
15	May 4, 1993	Herbert Berquist, DMD
16	April 8, 1994	Robert Weinmann, M.D.
17	June 17, 1994	Frederic Newton, M.D.
18	November 29, 2007	Drew Sullivan, M.D.
<b><u>2. HEARING</u></b>		
<b><u>Mechanism of Injury</u></b>		
1	March 19, 1991	(signature illegible)
2	April 5, 1991	Lionel Nelson, M.D.
3	April 10, 1991	Robert Veder, Ph.D.
4	April 19, 1991	Lionel Nelson, M.D.
5	April 25, 1991	Lionel Nelson, M.D.
6	June 25, 1991	Lionel Nelson, M.D.
7	August 21, 1991	Robert Veder, Ph.D.
8	August 30, 1991	Lionel Nelson, M.D.
9	May 28, 1992	Lionel Nelson, M.D.
10	May 28, 1992	Lionel Nelson, M.D.
11	June 12, 1993	Alvin Nickel, M.D.
12	April 18, 1994	John Miles, AU.D.
13	June 21, 2009	John Miles, AU.D.
14	June 21, 2013	Theresa Wilkson, AU.D.
<b><u>3. LEFT WRIST</u></b>		
<b><u>Assessment/Treatment/Disability</u></b>		
1	November 22, 1991	Robert Lowen, M.D.
2	June 21, 1993	Randall Seago, M.D.

There was a motion to approve Change in Status to Service Connected Disability for James T. Werkema.

**Approved. (M.S.C. Santos/Mason 8-0-0, one absent-Krytzer).**

**5. DEATH NOTIFICATIONS -Moment of Silence**

- a. Notification of the death of **James V. Caines**, Fire Engineer, retired April 3, 1991, died June 27, 2013. Survivorship benefits to Joan Caines, Spouse.
- b. Notification of the death of **Estiel L. Garringer**, Police Sergeant, retired March 1, 1974, died May 24, 2013. Survivorship benefits to La Verne Garringer, Spouse.

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- c. Notification of the death of **Edward E. Gurley**, Fire Engineer, retired May 6, 1987, died May 26, 2013. Survivorship benefits to Lucette Gurley, Spouse.
- d. Notification of the death of **Thomas W. Johnson**, Police Captain, retired June 5, 1993, died June 4, 2013. Survivorship benefits to Francine Johnson, Spouse.
- e. Notification of the death of **Robert P. Nelson**, Firefighter, retired May 21, 1976, died May 31, 2013. Survivorship benefits to Joyce Nelson, Spouse.

**6. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS- Receive and File**

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

**Last Meeting: June 12, 2013**                      **Next Meeting: August 28, 2013**

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

Trustee Sunzeri gave the report. He stated that Staffing is an issue without a CIO. Mr. Peña and Trustee Sunzeri will be discussing a Plan "B". Interviews are set up for candidates during the August joint meeting of the two boards' investment committees. Trustee Sunzeri also noted that he was disappointed with the OCIO conference that he attended.

**b. Minutes of May 8, 2013, Joint Federated and Police & Fire Investment Committee meeting. Note and file.**

**c. Minutes of April 10, 2013, Joint Federated and Police & Fire Investment Committee meeting. Note and file.**

**6.2 Audit Committee (Bill/Lanza/Muyo)**

**Last Meeting: May 16, 2013**                      **Next Meeting: August 1, 2013**

**a. Report from the Chair of the Audit Committee.**

Trustee Bill reported that the committee is looking at Risk Management Systems.

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

**Last Meeting: June 6, 2013**                      **Next Meeting: September 5, 2013**

**a. Report from the Chair of the Governance Committee.**

Chair Kaldor made the report and Mr. Iannucci from Cortex led the discussion (via teleconference) and answered questions from the Board. All policies were recommended for approval by the Governance Committee.



**b. Discussion and approval of the revised Chair and Vice-Chair Election Charter.**

Mr. Iannucci led the discussion and answered questions from the Board. He stated that Chair and Vice-Chair are to alternate from the two different groups of board members. The Vice Chair will not necessarily succeed to Chair. There was discussion in depth about the voting process.

Trustee Kaldor moved to accept the policy as written; the motion was seconded by trustee Santos. An amendment was proposed by Trustee Bill to change the "7" votes majority to amend the policy to "6" votes. The **amendment was not accepted** by the maker of the motion.

A substitute motion was made by Trustee Sunzeri to have 2013 be the first year of the new policy. The substitute motion was seconded by Trustee Bill. **Substitute motion failed. 2-6 (Aye: Sunzeri, Bill, Nay: Kaldor, Santos, Lanza, Mason, Muyo, Rounds, Absent: Krytzer).**

The original motion was made to accept the policy as presented and written.  
**Approved (M.S.C. Kaldor/Santos 6-2-0, Nay: Sunzeri, Bill, one absent Krytzer).**

**c. Discussion and action on the Educational Policy.**

Mr. Iannucci led the discussion and answered questions from the Board. He stated that Staff will provide the Board with an annual Travel Report.

A motion was made to approve the revised Education Policy and add "Quarterly travel report with additional information."  
**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent Krytzer).**

**d. Discussion and action on the Code of Conduct Policy**

Mr. Iannucci led the discussion and answered questions from the board.

A motion was made to adopt the revised Code of Conduct Policy as drafted.  
**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent Krytzer).**

**e. Discussion and action on Committee's recommendation of approval regarding the Personnel Review Policy.**

Mr. Iannucci led the discussion and answered questions from the Board. He stated that the Personnel Review Policy will be evaluating the Director and CIO.

There was a motion to approve the Personnel Review Policy as recommended by the Governance Committee.  
**Approved. (M.S.C. Kaldor/Lanza 8-0-0, one absent Krytzer).**

**6.4 Ad Hoc Disability Committee (Santos/Rounds)**

**Last Meeting: July 15, 2013 Next Meeting: August 20, 2013**

**a. Report from the Chair of the Ad Hoc Disability Committee.**

Trustee Santos gave an update. He noted that the cases that came to the Board had passed through a rigorous process in the Committee, and questionable or untimely applications were no longer proceeding to full Board consideration. The cases being approved by the Board were only the ones that merited the grant of disability retirement. Ms. Lamb sent out a memo to see increased funding to help Dr. Das and to consider adding an additional Trustee to the committee as an alternate.

**b. Discussion and action on recommendation to create a standing Disability Committee.**

There was a discussion in depth about the Disability approvals and the difference between Federated and Police and Fire. Chair Kaldor recommended to defer this topic to next month to have Staff and the Disability Committee come back to the Board with information on the Federated process.

**6.5 Ad Hoc Cortex Response Committee (Lanza/Bill/Mason/Sunzeri)**

**a. Report from the Chair of the Ad Hoc Cortex Response Committee. Receive and file.**

This item was deferred to next month.

**7. CONSENT CALENDAR**

Items 7.3b & 7.5a were pulled from the Consent Calendar by Chair Kaldor.

**A motion was made to approve the balance of the Consent Calendar, except Items 7.3b and 7.5a.**

**Approved. (M.S.C. Santos/Bill 8-0-0, one absent-Krytzer).**

**7.1 Change of Retirement Application**

**a. Approval of change of retirement date of Ricardo Fontanilla, Police Officer, Police Department, from August 31, 2013 to July 20, 2013.**

**b. Approval of change of retirement date of Paul Gillies, Police Officer, Police Department; from June 29, 2013 to August 3, 2013.**

**7.2 Approval Of Minutes**

**a. Monthly Board meeting held on June 6, 2013.**

**7.3 Approval Of Travel for Conferences and Due Diligence**

- a. James Mason - The Pension Bridge, 2013 Private Equity Exclusive, Trump International Hotel, Chicago, IL - July 22-23, 2013.
- b. Pete Constant - 2013 Retirement Research Consortium Annual Meeting, "Retirement Security in Changing Times", National Press Club, Washington, DC - August 1-2, 2013.

This item was pulled from the Consent Calendar. Chair Kaldor stated that the program Trustee Constant's attended was primarily related to Social Security and should not be paid as an expense from the Police and Fire Plans. Trustee Bill suggested deferring the item to next month when Trustee Constant returns. This item was deferred to next month.

- c. Linda Alexander - CalAPRS Administrative Assistant Roundtable, LA Marriott Burbank Airport, CA - October 18, 2013.
- d. Daryn Miller - Delivering Alpha Conference, New York City, NY - July 17, 2013.  
Due Diligence: Investment Managers (Arrowgrass and Kepos), New York City, NY - July 18, 2013.
- e. Deborah Sattler - Government Finance Officers Association (GFOA), Pension and OPEB Class, Sacramento, CA - September 10, 2013.

**7.4 Return of Contributions**

- a. Voluntary / Involuntary

**7.5 Communication/Information**

- a. Asset Allocation Newsletter by NEPC LLC to Police and Fire members, dated June 11, 2013.

Item 7.5a was pulled from the Consent Calendar. Chair Kaldor stated that to avoid confusion he would like the newsletters reviewed by the Board before being sent out to members.

**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent-Krytzer)**

- b. Contribution Rate Letter, Tier 1 - Police
- c. Contribution Rate Letter, Tier 1 - Fire.

- d. Memo from Debra Figone, City Manager regarding receipt of the Cortex Governance Report, dated July 11, 2013.
- e. May 2013 Performance Flash Report for the Pension Trust.
- f. The Cortex Report: Research Papers and Articles.
- g. Institutional Investor Article, dated July 5, 2013, "Skewed Marketer/CIO Ratios Set Tone at First Ever OCIO Summit".
- h. Pensions & Investments, Article: Public pension fund governance: alignment of responsibility with authority, dated August 1, 2012

A motion was made to approve item 7.5a  
**Approved. (M.S.C. Kaldor/Santos 8-0-0, one absent-Krytzer).**

#### **7.6 Education and Training**

- a. IFEBP - 59th Annual Employee Benefits Conference, Las Vegas, NV - October 20-23, 2013.
- b. CalAPRS, Trustees Roundtable, Doubletree Hotel, San Jose, CA - September 13, 2013.
- c. The Cortex Report: Educational Program and Courses.
- d. The Cortex Report: Conferences and Seminars.

**7.7** Approval of Lifetime Retirement Monthly Payment Option to be paid to Shelly Franklin Rose, ex-spouse of Police Lieutenant John E. Rose, to be effective April 29, 2013 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

#### **7.8 Rescission of Retirement Application**

Approval of rescinding application of Hector M. Vasquez, approved at the June 6, 2013 Board meeting for the effective date of June 22, 2013.

#### **7.9 Report out of Closed Session**

- a. Report out of Closed Session regarding investments approved at the March 7, April 4, May 2, and June 6, 2013 Board meeting.

• **PROPOSED AGENDA ITEMS- NONE**

• **PUBLIC COMMENTS- NONE**

• **ADJOURNMENT**

**The meeting adjourned at 1:21 p.m.**

  
SEAN KALDOR, CHAIR  
BOARD OF ADMINISTRATION

ATTEST:

  
ROBERTO L. PEÑA  
DIRECTOR, RETIREMENT SERVICES