

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

May 2, 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 8:33 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	Absent
Elizabeth Rounds, Trustee	Present
Vincent Sunzeri, Trustee	Absent

NON-VOTING BOARD MEMBER

Pete Constant- *(arrived after 10:21 a.m.)*

DIRECTOR RETIREMENT SERVICES

Roberto L. Peña- Present

COUNSEL

Harvey Leiderman, General and
Fiduciary Counsel Present

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

ALSO PRESENT: Dan LeBeau; NEPC, Alex Gurza and Cheryl Parkman; OER, Attorney Swift, Attorney Boyle, Jim Spence; President, Association of Retired San Jose Police and Fire Fighters, Amo Sahota; Klarity FX, Dr. Das; City of San Jose.

Chair Kaldor called to order both the Police & Fire Department Retirement Plan and Health Care Trust meetings at 8:33 a.m. They went over the Orders of the Day and entered into Closed Session.

Board entered into Closed Session at 8:37 a.m. The Board was out of closed session at 10:02 a.m. with a short break. The meeting reconvened at 10:09 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 (five investments).

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

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PF 06-06-13

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.

CALL TO ORDER: 8:33 a.m.

• ORDERS OF THE DAY

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

- **Item 2.4 – Deferred to June**
- **Item 4.1b – Changed retirement date to 6/22/13**
- **Item 7.1a – Changed retirement date to 8/31/13**
- **Item 2.6 – Wave Sunshine**
- **Item 2.7 – Wave Sunshine**

There was a motion to Waive Sunshine on Items 2.6 & 2.7.

Approved. M.S.C. (Santos/Lanza, 7-0-0, 2-absent, Muyo/Sunzeri)

The Board entered into Closed Session at 8:37 a.m. Board came out of Closed Session at 10:02 a.m. and took a short break. The meeting reconvened at 10:09. There was no reportable action out of Closed Session.

Mr. Pena publicly thanked Ms. Niebla for her hard work for the City for the last 5 years and wished her success in her new endeavors. Staff and the rest of the Board made comments and wished Ms. Niebla the best of luck. Ms. Niebla thanked Mr. Pena, Staff and the Board and assured them she left her Staff very capable to run the Accounting department smoothly.

Investments were heard at 10:21 a.m.

1. INVESTMENTS

1.1 **Presentation of the Fourth Quarter 2012 FX transaction cost analysis from Klarity FX.**

Ms. Doan introduced Mr. Sahota from Klarity FX. Mr. Sahota led the discussion and answered questions from the Board.

The report was received and filed by the Board.

1.2 **Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Klarity FX.**

Ms. Doan led the discussion and answered questions from the Board. Mr. Leiderman expressed interest about the previous years' pricing of FX transactions. He suggested asking Klarity FX to look backward into 2004-2005 to get some idea of past transactions. Mr. Krytzer would like to discuss this in the Investment Committee.

A motion was made to approve Staff recommendations and ask the Investment Committee to look in depth before authorizing the Secretary to negotiate and execute an agreement with Klarity FX.

Approved. (M.S.C. Kaldor/Krytzer, 7-0-0, 2-absent Muyo/Sunzeri).

Item 1.3 was heard after Item 4.4a at 11:15 a.m.

1.3 **Discussion and action on authorizing the Secretary to negotiate and execute an agreement with Abel Noser for equity transaction cost analysis at no cost.**

Dan LeBeau from NEPC led the discussion and answered questions from the Board. Ms. Doan stated that there is no charge for the trial, and the analysis can be run using up to 2-3 years' worth of data. The annual bundled fee for both plans for quarterly reporting is \$22,500.00.

A motion was made to recommend the free trial with Abel Noser for equity transaction analysis.

Approved. (M.S.C. Santos/Rounds, 7-0-0, 2-absent Muyo/Sunzeri).

1.4 **Discussion and action on Commodity and Illiquid-Inflation Linked Asset Allocation.**

Dan LeBeau from NEPC led the discussion on Commodity and Illiquid-Inflation Linked Asset Allocation and answered questions from the Board.

A motion was made for approval of the action on Commodity and Illiquid-Inflation Linked Asset Allocation.

Approved. (M.S.C. Santos/Lanza, 7-0-0, 2-absent Muyo/Sunzeri).

1.5 Discussion regarding emerging market tax advisory firms and approval to delegate the selection of an emerging market tax advisory firms to Staff and for the Secretary to negotiate and execute an agreement with the selected firm as appropriate.

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

A motion was made to delegate the selection of an emerging market tax advisory firms to Staff and for the Secretary to negotiate and execute an agreement with the selected firm as appropriate.

Approved. (M.S.C. Santos/Lanza, 7-0-0, 2-absent Muyo/Sunzeri).

1.6 Discussion and action regarding a proposed second amendment to the agreement with Albourne America LLC regarding Board access to propriety information.

Ms. Poon led the discussion and answered questions from the Board. Albourne proposes to restrict Trustees from gaining access to certain data and reports. There was a question about the two levels of data; described as "Castle" (restricted from Trustees, and "Output Material" (not restricted).

There was a motion to approve a proposed second amendment to the agreement with Albourne America LLC regarding Board access to propriety information. Mr. Leiderman asked for more explanation as to what is meant by "Output Material" that the Board would have access to." The motion was withdrawn by the Board and deferred in order to obtain clarification of the language.

2. NEW BUSINESS

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

There was discussion on the report of Plan Expenses for March 2013.

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

Approved. (M.S.C. Krytzer/Bill, 7-0-0, 2-absent Muyo/Sunzeri).

2.2 Discussion on the Consent Decree regarding modified duty positions. (Deferred from the April 2013 Board meeting)

Captain Shawny Williams, San Jose Police Department, led the discussion with an overview and understanding regarding modified duty positions. He indicated that there are currently only ten positions available in the program. He also noted that if an officer disabled from full duty was "bumped" from participating in the program, their disability application would properly state that the department was not able to accommodate their disability. Chair Kaldor thanked Mr. Williams for the clarification.

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

There was discussion and regarding the Lump Sum Payment of Employer Retirement Contributions and establishment of the prepayment amount for Fiscal Year 2013-2014.

A motion was made to approve calculation of both the lump sum and the semi-annual payments, to be based on Cheiron's determination of the "actuarial equivalent" of the regular monthly contributions, which could be based on a discount rate different from the fund's actuarially assumed rate of return.

Approved. (M.S.C. Kaldor/Santos, 7-0-0, 2-absent Muyo/Sunzeri).

2.4 Discussion and action on report back from actuary Cheiron regarding Service Purchases Analysis.

Deferred to June as noted in the Orders of the day.

2.5 Discussion and action on authorizing the Secretary to negotiate and execute the First Amendment to the Agreement with Cheiron, Inc, increasing the contract by \$250,000 for an amount not to exceed \$850,000.

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

A motion was made to authorize the Secretary to negotiate and execute the First Amendment to the Agreement with Cheiron, Inc, increasing compensation by \$250,000 for an amount not to exceed \$850,000.

Approved. (M.S.C. Kaldor/Santos, 7-0-0, 2-absent Muyo/Sunzeri).

2.6 Discussion and action on adoption of a Portable Electronic Device Policy.

Ms. Hayman led the discussion and answered questions from the Board. Ms. Hayman is to come back to the Board with information to whether the City could establish secure mailboxes for Trustees. Mr. Constant noted that he believed the City could accomplish this.

A motion was made to approve the adoption of a Portable Electronic Device Policy on an interim basis subject to modification at the next regular Board meeting.

Approved. (M.S.C. Kaldor/Lanza, 7-0-0, 2-absent Muyo/Sunzeri).

2.7 Discussion and action regarding Police second tier pension benefits.

Mr. Gurza, Deputy City Manager, Office of Employee Relations led the discussion and answered questions from the Board.

A motion was made for Cheiron to ask Cheiron to begin work on Tier 2 Police Department contribution rates.

Approved. (M.S.C. Lanza/Bill, 7-0-0, 2-absent Muyo/Sunzeri).

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

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

Ms. Busse stated that they are still working on discrepancies.

3.2 Oral update from Councilmember Constant. **No report made.**

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

Items 4.1a through 4.3c were heard at 10:41 a.m.

4.1 Service Retirement

a. **Jerome P. Hicks**, Police Officer, Police Department, effective June 22, 2013; 17.62* years of service. *(With reciprocity)*.

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

b. **John E. Mitchell**, Police Officer, Police Department, effective May 25, 2013; 15.02* years of service. *(With reciprocity)*. **Changed retirement date to 6/22/13 as noted in Orders of the Day.**

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

4.2 Service-Connected Disability

a. **Jose M. Martinez**, Fire Captain, Fire Department. Request for a Service-Connected Disability Retirement, effective August 10, 2012; 10.89* years of service *(With reciprocity)* (Recommended Approval)

Ms. Lamb summarized the report and answered questions from the Board. Ms. Martinez thanked the Board and Dr. Das for their input.

A motion was made to approve the Service-Connected Disability for Jose M. Martinez.

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

b. **Alejandro A. Paz**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective May 2, 2013; 23.09* years of service. (Recommended Approval)

Ms. Lamb summarized the report and answered questions from the Board.

A motion was made to approve the Service-Connected Disability for Alejandro A. Paz.

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

4.3 Change of Status to a Service-Connected Disability

- a. **Mark R. English**, Fire Captain, Fire Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective June 27, 2009; 27.80* years of service. (Recommended Approval)

Ms. Lamb summarized the report and answered questions from the Board. Mr. Swift noted that the packet does not include other injuries to the shoulder in 1983, 2004 & 2005.

A motion was made to approve Change of Status to a Service-Connected Disability for Mark R English.

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

- b. **Michael J. Leininger**, Police Sergeant, Police Department. Request for Change of Status to a Service-Connected Disability Retirement, effective January 23, 2010; 27.92* years of service. (Recommended Approval). Ms. Lamb summarized the report and answered questions from the Board.

A motion was made to approve Change of Status to a Service-Connected Disability for Michael J. Leininger.

Approved. (M.S.C. Santos/Mason 7-0-0, 2- absent Muyo/Sunzeri).

- c. **Arthur C. Mitchell**, Fire Captain, Fire Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective January 22, 2011; 25.05* years of service. (Recommended Approval). Ms. Lamb summarized the report and answered questions from the Board.

A motion was made to approve Change of Status to a Service-Connected Disability for Arthur C. Mitchell.

Approved. (M.S.C. Santos/Kaldor 7-0-0, 2- absent Muyo/Sunzeri).

Jim Spence, President of Police and Fire Retirees Union addressed this item as a public comment to extend his appreciation for Dr. Das and the Disability Committee in effectively hearing and processing applications and in assisting applicants in properly presenting complete application packages.

There was a break at 11:05. The meeting reconvened at 11:15 with Item 1.3.

4.4 Deferred Vested

- a. **Richard G. Fong**, Police Sergeant, Police Department, effective June 15, 2013; 25.77* years of service.

Ms. Lamb summarized the report and answered questions from the Board.

A motion was made for approval.

Approved. (M.S.C. Santos/Krytzer 7-0-0, 2- absent Muyo/Sunzeri).

Item 5.1 was heard after Item 3.2

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

- 5.1 Notification of the death of **Gary Bogue**, Fire Captain, retired January 4, 2004, died March 3, 2013. Survivorship benefits to Catherine Scofield, spouse and Makenna Scofield-Bogue, daughter.
- 5.2 Notification of the death of **Keith R. Malech**, Fire Captain, retired October 7, 1987, died March 26, 2013. Survivorship benefits to Serena A. Malech, spouse.

Mr. Santos worked with both and shared a few words about Gary Bogue.

6. COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS

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

- Last Meeting: April 10, 2013 - Next Meeting: May 8, 2013

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

Trustee Krytzer gave Staff asset classes to work on. We will be seeing more in Real Estate and Energy. Trustee Santos requested a single page summary of the fund's managers and their assets under management, and performance data over regular intervals.

b. Minutes of March 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.

Trustee Bill met with San Jose City Auditor Sharon Erickson.

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

- Last Meeting: April 4, 2013 - Next Meeting: May 2, 2013 – Joint w/Fed

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

Chair Kaldor led the discussion. The joint committee meeting is today at 1:30 p.m. They are working on the Governance Committee Charter, Chair and Vice Chair roles. The Cortex Report will be presented at the joint meeting.

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.**

Trustee Santos updated the Board. He appreciates Trustee Rounds and Staff, meetings are more efficient. Trustee Bill thanked Trustee Santos and Trustee Rounds.

7. **CONSENT CALENDAR (Items 7.1 through 7.8)**

A motion was made to approve the Consent Calendar Items 7.1 through 7.8.

Approved. (M.S.C. Santos/Krytzer 7-0-0, 2- absent Muyo/Sunzeri).

7.1 **Change of Retirement Application**

- a. Approval of change of retirement date of **Ricardo Fontanilla**, Police Officer, Police Department; from April 27, 2013 to May 25, 2013. **Changed retirement date to 8/31/13 as noted in Orders of the Day.**

7.2 **Approval of Minutes**

- a. Monthly Board meeting held on April 4, 2013.

7.3 **Approval of Travel and Attendance for Conferences and Due Diligence**

a. Staff:

1. Roberto L. Peña - CalAPRS Administrators' Roundtable, LA Marriott Burbank Airport – June 21, 2013.
- SACRS Spring Conference 2013, Napa Valley Marriott Hotel - May 14-17, 2013. **CANCELLED**
2. Daryn Miller - Due Diligence – Investment Manager: Boston – May 13, 2013.
- Annual NEPC Client Conference, Boston Convention Center, Boston, MA – May 14-15, 2013.
3. Linda Alexander - CalAPRS, Overview Staff Training, LA Marriott Burbank Airport – May 3, 2013.

7.4 **Return of Contributions**

- a. Voluntary
- b. Involuntary

7.5 **Communication/Information**

- a. The Cortex Report: Research Papers and Articles
- b. Pension & Investments Article, “Go big’ in alternatives, conference attendees urged”, Published April 23, 2013.
- c. February 2013 Performance Flash Report for the Pension Trust.

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d. Education Travel Reports:

- Infrastructure Investor Energy Summit 2012, Flatotel, New York, NY – October 2-3, 2012 – by Damon Krytzer.
- NEPC Public Fund Workshop, Tempe, Arizona, - January 14-15, 2013 – by Vincent Sunzeri.
- CalAPRS General Assembly, San Francisco, CA – March 2-5, 2013 – by Sean Bill.
- CalAPRS Trustee Roundtable, San Jose, CA – February 8, 2013 – by Sean Bill.

7.6 Pending Projects


7.7 Educational and Training

- a. Educational Program and Courses
- b. Conferences and Seminars
- c. CalAPRS' Training
 - Trustees Roundtable, LA Marriott Burbank Airport – June 14, 2013

7.8 Report out of Closed Session regarding investments approved at the October 4, 2012, February 7, 2013 and March 7, 2013 Board meetings.

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

The meeting was adjourned at 12:49 p.m.


SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:


ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES