

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

December 1, 2011

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, December 1, 2011 in regular session at City Hall Wing Rooms 118/119, 200 East Santa Clara Street, San José, California 95113. Chair David Bacigalupi called the meeting to order at 8:34 a.m.

BOARD MEMBERS

David Bacigalupi, Chair, -Present
Conrad Taylor, Vice Chair -Present
Sean Bill -Present
Sean Kaldor -Present
Damon Krytzer -Present (arrived @ 8:57 a.m.)
Drew Lanza -Present
Vincent Sunzeri -Present
Richard Santos -Present
Bettina Rounds -Present

ALSO PRESENT

Jay Wendling, P&F Retiree Association
Mike Moffett, Retiree
Thomas Boyle, Attorney
Paul Schmidt, Retiree
Franco Vaso, Police Department
Eric Grimes, Police Department
John Spence, P&F Retiree Association
Jeff Thornley, Retiree
Theresa Lannigan, Police Department
James Spence, Retiree
Lt. Alex Nguyen, Police Department
Lt. Edward Schroder, Police Department
Edward Talley, Retiree
Gabrielle Dekock, Retiree
James Jeffers, Attorney

COUNCIL LIAISON

Pete Constant -Present

DIRECTOR RETIREMENT SERVICES

BOARD SECRETARY

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
Heidi Poon
Troy Gavin
Daryn Miller
Jesselle Holcomb
Maria Loera
Tram Doan

CALL TO ORDER: 8:34 a.m.

• ORDERS OF THE DAY

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

Move Item 3.1 to be heard after Item 1.2

Item 4.1(g), amend Jan Gall new effective date to December 24, and with reciprocity

Item 4.1(h), amend Glenn Harper effective date to December 25, 2011

Item 4.1(n), Stephen Schmidt add with reciprocity

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.

Item 4.1(l), amend Kenneth Munson new effective date to December 31, 2011
Item 4.1(o), Carol Sippel new effective date to December 24, 2011

City Clerk Swearing in of Newly Appointed Trustee Elizabeth Rounds
City Clerk Swearing in of Sean Kaldor for short-term appointment

Dennis Hawkins, the City Clerk, administered the oath of office to Elizabeth Rounds and Sean Kaldor. Chair Bacigalupi on behalf of the Board welcomed Trustees Rounds and Kaldor.

1. INVESTMENTS

1.1 Presentation of the quarterly performance report as of September 30, 2011.

Dan LeBeau and Allan Martin of NEPC presented the quarterly performance report as of September 30, 2011.

1.2 Update from the Chair of the Investment Committee.

Investment Committee Chair Sunzeri updated the Police & Fire Board on the status of the Joint Investment Committee meeting. Trustee Sunzeri reported that the Investment Committee is facing challenges and is exploring all options. Committee members agreed that the Committee is heading in the right direction and has defined a priority list.

Item 3.1 heard after Item 1.2 as noted on Orders of the Day

3.1 *Discussion and action on Cheiron's Experience Study for the period July 1, 2006 to June 30, 2010. (Continued from the November 2011 Board meeting)*

Bill Hallmark and Gene Kalwarski of Cheiron presented the Experience Study for the period July 1, 2006 to June 30, 2010. The Board discussed Cheiron's recommendation as follows:

Adopt recommended demographic assumption changes
Adopt wage inflation assumption – 0% for 2 year select, 3.5% ultimate
Adopt investment return assumption – 7.25%
Adopt SRBR assumption – 0.22%

A motion was made to accept Cheiron's recommendations as noted on page 33 of Cheiron's presentation, but adopt a 7.5% discount rate instead of 7.25% for the June 30, 2011 Valuation.
Approved. (M.S.C. Kaldor/Bacigalupi, 5-4-0, No-Krytzer, Lanza, Rounds, Sunzeri)

Time certain items were heard after Item 3.1

4. RETIREMENTS – 10:30 A.M. or soon thereafter may be heard

4.1 Service

- a. Francisco J. Aviles, Jr., Police Lieutenant, Police Department, effective January 21, 2012; 28.21* years of service.**

- b. **Robert S. Bennett**, Fire Captain, Fire Department, effective January 21, 2012; 25.29* years of service. *(With reciprocity)*
- c. **Jennifer M. Dotzler**, Police Officer, Police Department, effective January 28, 2012; 27.15* years of service.
- d. **Gerald L. Durk**, Fire Captain, Fire Department, effective January 21, 2012; 25.29* years of service. *(With reciprocity)*
- e. **Larry Esquivel**, Police Captain, Police Department, effective January 21, 2012; 26.05* years of service.
- f. **Edward T. Flosi**, Police Sergeant, Police Department, effective December 30, 2011; 27.07* years of service.
- g. **Jan M. Gall**, Fire Captain, Fire Department, effective January 21, 2012; 25.29* years of service.
- h. **Glenn E. Harper**, Police Lieutenant, Police Department, effective December 24, 2011; 26.71* years of service.
- i. **Carlos Lopez**, Fire Engineer, Fire Department, effective November 26, 2011; 22.64* years of service.
- j. **Eric Lopez**, Fire Captain, Fire Department, effective November 23, 2011; 25.14* years of service.
- k. **George A. Matteucci**, Fire Inspector, Fire Department, effective January 21, 2012; 21.89* years of service. *(With reciprocity)*
- l. **Kenneth C. Munson**, Police Sergeant, Police Department, effective January 21, 2012; 15.23* years of service. *(With reciprocity)*
- m. **Robert K. Reinhardt, Jr.**, Police Lieutenant, Police Department, effective December 24, 2011; 26.36* years of service. *(With reciprocity)*
- n. **Steven L. Schmidt**, Battalion Chief, Fire Department, effective December 24, 2011; 25.23* years of service.
- o. **Carol A. Sippel**, Fire Inspector, Fire Department, effective January 21, 2012; 25.24* years of service.
- p. **Barry Stallard**, Battalion Chief, Fire Department, effective December 24, 2011; 25.23* years of service. *(With reciprocity)*

A motion was made to approve retirements numbered from 4.1a through 4.1p.

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

4.2 **Early Service Retirement**

- a. **Kevin M Collins**, Fire Engineer, Fire Department, effective January 31, 2012; 23.69* years of service. *(With reciprocity)*
- b. **Christopher G. Martin**, Police Officer, Police Department, effective January 21, 2012; 21.00* years of service.
- c. **Ralph A. Sanzeri**, Police Officer, Police Department, effective January 21, 2012; 21.65* years of service. *(With reciprocity)*

A motion was made to approve early retirements numbered from 4.2a through 4.2c.

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

4.3 Service-Connected Disability (Seniority order)

- a. **Eric Grimes**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 22.06* years of service. (*Deferred from November 2011 Board meeting*)

Ms. Busse read the work restrictions and also noted that Retirement received another work restriction letter from the Police Department that was not in the board packet. Chair Bacigalupi requested Lt. Schroeder to read the letter for the record. Dr. Das presented his analysis on the restriction.

A motion to approve was made by Santos and seconded by Taylor. After further discussion the Board requested and Mr. Grimes' counsel agreed to obtain a letter of explanation and clarification from his treating physician Dr. Rollins for the new work restriction of 32 hours/week.

Original motion withdrawn by Santos and by Taylor.

4.4 Change of Retirement Date

- a. Approval of change of retirement date of **Carlos A. Valencia**, Police Officer, Police Department; from November 26, 2011 to December 10, 2011

Approved. (M.S.C. – Santos/Kaldor, 8-0-1, Absent-Lanza)

Back on regular Agenda

- 1.3 Approval for the Secretary to negotiate and execute an agreement with Albourne America LLC for hedge fund consulting for an amount not to exceed \$250,000 annually for a three year term.**

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

2. NEW BUSINESS

- 2.1 Approval of Second Continuation Agreement with Saltzman & Johnson Law Corporation, the Board's outside conflicts counsel, to extend the term of the Agreement through June 30, 2012.**

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

- 2.2 Discussion and action on selection of Chair and Vice Chair for Calendar Year 2012.**

Chair Bacigalupi made a motion to nominate Trustee Kaldor as the new Chair and Trustee Santos as the new Vice-Chair.

Approved. (M.S.C. – Bacigalupi/Taylor, 6-3-0, No-Bill, Krytzer, Sunzeri)

- 2.3 Approval of the draft Police and Fire Department Retirement Plan's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011.**

Ms. Niebla reported to the Board on the current status of the CAFR for the fiscal year ended June 30, 2011. Trustee Kaldor complimented staff for the time and amount of work that goes

into preparing the CAFR. Mr. Crosby acknowledged Ms. Niebla and Mr. Kumar for a job well done on the CAFR.

A motion was made to accept the draft Police and Fire Department Retirement Plan's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011.

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

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

Item 3.1 was heard after Item 1.2

3.2 Discussion and possible action regarding a request to San Jose City Council to initiate an Ordinance to amend Section 3.36.080 of the San Jose Municipal Code regarding Non-Assignment for the purposes of Retiree Association Dues.

Ms. Busse led the discussion regarding a proposed request to the San Jose City Council to initiate an Ordinance to amend Section 3.36.080 of the San Jose Municipal Code regarding Non-Assignment for the purposes of Retiree Association Dues.

A motion was made by Bacigalupi and seconded by Santos, to send a request to City Council to make an exception for all Associations and any others approved by the Board.

The motion was amended to include automatic deductions to a minimum of 50 participants and request staff to develop a policy for the Board to restrict deductions to those with organizations with a minimum of 50 participants.

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

3.3 Discussion and action regarding Legal Services Request for Proposals (RFP).

Ms. Dent reported to the Board that the City Attorney's Office received the proposals and interviews will be scheduled in mid-to-late December and recommendations will go to the Board in January 2012.

3.4 Discussion and action on the letter to the City Manager regarding staff salaries.

Chair Bacigalupi stated the letter went out to the City Manager. Mr. Crosby will follow-up to check if the City Manager will attend the January 2012 Board meeting.

3.5 Update on Cortex consulting project.

Mr. Crosby updated the Board on the Cortex consulting project.

3.6 Update on Payroll Audit, FLSA and overtime payment issues.

Ms. Niebla reported to the Board that she has not received any updated files from the Finance Department, but will continue to follow-up with them.

3.7 Update on Electronic Board packets.

Ms. Busse informed the Board that demonstrations are scheduled for December 12th and any Board members that are interested in attending are invited.

3.8 Discussion and action on revised Physicians Disability Determination Forms.

Trustee Kaldor solicited any feedback or comments from Board Members on ways to better improve or change the forms.

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

5.1 Notification of the death of **John M. Van Dyck**, Police Sergeant, retired November 14, 1978, died October 22, 2011. Survivorship benefits to Lois Van Dyck, spouse.

6. COMMITTEE, MINUTES, REPORTS AND RECOMMENDATIONS

6.2 Investment Committee – **Next Meeting: November 30, 2011**

Note and File

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

Note and File

6.4 Ad Hoc Governance Committee – **Next meeting: TBD**

Note and File

7. CONSENT CALENDAR (Items 7.1 through 7.6)

A motion was made to approve the Consent Calendar Items 7.2 through 7.6, except Item 7.1a.

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

A motion was made to approve Item 7.1a.

Approved. (M.S.C. – Santos/Kaldor, 8-0-1, Abstain-Rounds)

7.1 Approval of Minutes

a. Monthly Board meeting held on November 3, 2011.

Approved. (M.S.C. – Santos/Kaldor, 8-0-1, Abstain-Rounds)

7.2 Approval of Travel/Conference Attendance

a. Sean Bill - SACRS Fall Conference, Westin South Coast Plaza Hotel, Costa Mesa, CA – November 15-18, 2011.

b. Damon Krytzer - Alternative Investment Summit, Dana Point, CA – December 4-6, 2011.

7.3 Approval of Monthly Expenses

- a. Plan Expenses for October 2011.

7.4 Return of Contributions

- a. Voluntary
- b. Involuntary

7.5 Communication/Information

- a. Memo from Russ Richeda, Saltzman & Johnson regarding “Governor Brown’s Retirement Proposals”, dated November 8, 2011.
- b. Global Asset Allocation Summit Educational Travel Report – by Damon Krytzer.
- c. 2012 Schedule of Meetings.
- d. Decision by California Supreme Court in Orange County Retiree Association vs. County of Orange.

7.6 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

• **PROPOSED AGENDA ITEMS**

- City Attorney’s Office letter responding to Mr. Richeda’s memo of October 26, 2011
- City Manager’s response on staffing issues.

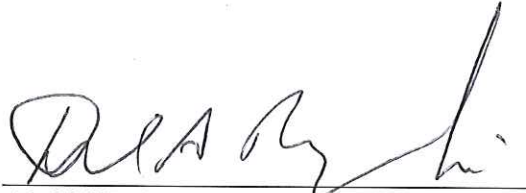
• **PUBLIC COMMENTS**

John McMillan, President of the San Jose Fire Museum appreciated and acknowledged the Board’s support.

Jay Wendling, President of the Police & Fire Retiree Association, spoke on Item 3.2, requesting an increase in Association dues from \$15 to \$43 per pay period. Ms. Dent will review the language on the Retiree Association ballots to determine if that language will suffice.

- **ADJOURNMENT**

The meeting was adjourned at 12:35 p.m.



DAVID BACIGALUPI, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES
SECRETARY, BOARD OF ADMINISTRATION