



BOARD OF ADMINISTRATION

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

Meeting Minutes - Final-revised Police & Fire Department Retirement Plan and Health Care Trust

Sean Kaldor, Chair
Vincent Sunzeri, Vice-Chair
Sean Bill, Trustee
Drew Lanza, Trustee
James Mason, Trustee
Nick Muyo, Trustee
Bettina Rounds, Trustee
Richard Santos, Trustee
Vacant, Trustee

Pete Constant, Non-Voting Board Member

Harvey Leiderman, General and Fiduciary Counsel

Roberto L. Peña, Director of Retirement Services

Thursday, December 5, 2013

8:30 AM

City Hall Wing Rooms 118-120

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 questions, please contact the Retirement Services Department at (408-) 794-1000.

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan and Police and Fire Department Health Care Trust met on Thursday, December 5, 2013 in regular session at City Hall Wing Rooms 118/120, 200 East Santa Clara Street, San Jose, California 95113. Chair Sean Kaldor called the meeting to order at 8:40 a.m.

Present: 7 - Sean Kaldor, Richard Santos, Bettina Rounds, Drew Lanza, Nick Muyo, James Mason and Vincent Sunzeri

Absent: 2 - Sean Bill and Damon Krytzer

ORDERS OF THE DAY

Chair Kaldor requested the following changes to the Orders of the Day and to Waive Sunshine on the following:

- Item 4.a - the Pension Valuation- Waive Sunshine, received late
- Item 7.2b - the receipt from the Audit Committee regarding recommendation on the Disability Committee.- Waive Sunshine, received late
- Item 7.4b - will be heard before Disability Retirements, at the request of Counsel Richeda.
- Item 3.a - Deferred

On the Health Care Trust Agenda, the following changes were made:

- Item A1 - will be heard after Consent items
- Item A2 - will be heard with the Plan
- Item A3 - Deferred, per request from the City

A motion was made to approve the Orders of the Day and to Waive Sunshine on Items 4.a and 7.2b.

Approved. (M.S.C. Santos/Sunzeri 7-0-0).

Retirement Staff Present: Roberto L. Peña; Donna Busse; Lesley Lamb; Linda Alexander; Sonia Morales; Ron Kumar; Tram Doan; Gina Billings.

Also Present: Dan LeBeau, NEPC; Allan Martin, NEPC; Chris Hil, NEPC; Jim Spence, President of the Association of Retired San Jose Police Officers & Firefighters; Stewart McGehee, Retiree; Jim Jeffers, Attorney; Sam Swift, Attorney; Shawny Williams, SJPD; Thomas Boyle, Attorney; Margaret R. Edillo Brown, SJPD Retiree; Rajiv Das, Medical Director HR.

CLOSED SESSION

Chair Kaldor read the Closed Session Items 1.a and 2.a into the record. The Board entered into Closed Session at 8:43 a.m.

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

I. CLOSED SESSION INVESTMENTS

- a. **CLOSED SESSION:** CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OF PARTICULAR PENSION FUND INVESTMENT (FOUR INVESTMENTS).

II. CLOSED SESSION OLD BUSINESS/CONTINUED-DEFERRED ITEMS

- a. **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL - LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a), - PENDING LITIGATION - JORDAN V. CITY OF SAN JOSE AND POLICE AND FIRE DEPARTMENT RETIREMENT PLAN, SANTA CLARA COUNTY SUPERIOR COURT NO. 113CV24005.

The Board reconvened out of Closed Session at 9:30 a.m. and reconvened into Open Session at 9:34 a.m.

There was no reportable action our of Closes Session.

OPEN SESSION - time-certain 9:30 a.m.

The Board reconvened into Open Session at 9:34 a.m.

A motion was made to move Item 7.5a to be heard before Disabilities, at the request of the Board Trustee.

Approved. (M.S.C. Kaldor/Santos 7-0-0).

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar Items 1.1 through Item 1.6

Approved. (M.S.C. Santos/Muyo 7-0-0).

Chair Kaldor referenced Item 1.4b to the Board to review and agendize the new 2014 Meeting Schedule.

1.1 Approval Of Minutes

- a. Approval of Board Minutes from November 7, 2013.

1.2 Approval Of Travel for Conferences and Due Diligence

Sean Bill, Trustee

- Common Fund Endowment Institute 2014-Level II, Yale School of Management, New Haven, CT - July 27-30, 2014

1.3 Return of Contributions

- a. Voluntary / Involuntary.

1.4 Communication/Information

- a. Albourne's Third Quarter 2013 Hedge Fund program update with supplemental memo provided by staff.
- b. 2014 Scheduled Meetings.
- c. Education Travel Reports:
- SACRS Spring Conference 2013, Napa, CA - May14-17, 2013 - by Trustee Bill.
 - Common Fund, New Haven, CT - July 13-20-2013 - by Trustee Bill.
 - Pension Bridge - Private Equity Exclusive, Chicago, IL - July 22-23, 2013 - by Trustee Mason.
- d. The Cortex Report: Research Papers & Articles.

- e. Letter from President of Association of Retired SJPOFF, regarding: Dues increase.
- f. Clark, Sarah. "6 Keys to choosing the right outsourcer", Insight Online, Fall 2013.
- g. Jarvis, Bill and Tom Hyatt. "Get Governance Right, follow this checklist and you'll be on your way." Insight Online. Fall 2013.
- h. McGuinness, Kevin. "Understanding Discount Rates for Pension Obligations." NewsDash - PLANSPONSOR.COM. November 25, 2013.

1.5 Education and Training

- a. CalAPRS, Advance Principles of Pension Management for Trustees, UCLA Anderson School of Business, Los Angeles, CA - January 22-24, 2014.
- b. The Cortex Report: Educational Program and Courses.
- c. The Cortex Report: Conferences and Seminars.

- 1.6 Approval of Lifetime Monthly Payment Option to be paid to Kimberly Morphis, ex-spouse of Fire Captain, **James Morphis**, to be effective January 24, 2014 under Party 17, Section 3.36.3600 of the San Jose Municipal Code.

2. INVESTMENTS

- a. Discussion and action on delegating authority of operational activities from the Board to the Investment Committee.

Trustee Sunzeri led the discussion on delegating authority for certain operational activities from the Board to the Investment Committee, and proposed amendment of the Investment Committee Charter. After a lengthy discussion, a motion was made to approve the recommendations from the Investment Committee Board with the following changes:

1). All material actions of the Investment Committee "shall" be approved, change to "must" be approved by the Board to be effective, unless provided otherwise herein. Material actions would include changes to the Investment Policy Statement and Asset Liability Studies. Change to: Material actions would include changes to the Investment Policy, Statement and Asset Liability Studies, and changes over 75 million dollars.

2). The Investment Committee may authorize staff to rebalance the Plan or implement tactical allocations as long as it is within the guidelines of the Investment Policy Statement. The Investment Committee may authorize staff to change Benchmarks within a specific asset class. The hiring or termination of

an investment manager shall be placed on the Consent Calendar for Board approval "if the Investment Committee has unanimously approved the recommendation." change to: "The hiring or termination of an investment manager shall be placed on the Consent Calendar for Board approval if "all" members of the Investment Committee "have" unanimously approved the recommendation.

Approved. (M.S.C. Kaldor/Rounds, 7-0-0).

- b. Discussion and action on assuring delivery of investment-related services required by the Board of Administration.

The discussion was led by Roberto Pena on assuring delivery of investment-related services required by the Board of Administration. Mr. Pena reported that he hopes to bring in 3-4 CIO candidates to interview, he has requested that the City cover traveling costs for the candidates, and expects to obtain the services of Arn Andrews (City Finance Department) to help with investment issues on a temporary basis. Chair Kaldor noted that the Board would conduct a full review of investment staffing in January.

- c. Presentation of the Third Quarter 2013 Performance Report for the Pension Trust.

Alan Martin and Dan Le Beau of NEPC led the presentation of the 3rd Quarter 2013 Performance report for the pension trust and answered questions from the Board. They indicated that the fourth quarter of 2008 will be dropped and will be adding the quarter we are currently in. The reason being is that in the fourth quarter of 2008 the S & P 500 was down 22%, the worst quarterly period in the last decade. They also stated that the Emerging markets is the weaker performer and the market accounts have not done as well. Also noted was the system's inability to meet its policy benchmarks in 2013 was due to its inability to timely execute Board direction at the staff level. This included the inability to fund private equity investments expeditiously.

- d. Update from the interim CIO.

Item 2d was heard after Item 5.4a

Alan Martin, of NEPC, performing interim CIO duties, updated the Board on asset classes and Staff structure.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action on report back from actuary Cheiron regarding Service Purchases Analysis. (*Deferred from the December 5th Board meeting.*)

Item 3a has been deferred by the request of the City as noted in the Orders of the Day.

- b. Discussion and action on the proposed interim policy for election of Board Chair and Vice-Chair on roles of responsibility.

Chair Kaldor led the discussion on the proposed interim policy for election of Board Chair and Vice-Chair. Trustee Lanza moved, seconded by Trustee Mason, to suspend Paragraphs 4, 10, and 11 of the Board Election Policy for 2014, to elect two co-chairs (Kaldor and Sunzeri) for 2014, and to eliminate the Policy requirement that no Chair could serve as chair of a standing committee. Following discussion, the maker and second withdrew the motion.

After a lengthy discussion, there was no action taken on this item. The election of Vice Chair and the ability of the Chair and Vice Chair to chair committees will be on the January 2014 agenda.

4. NEW BUSINESS

- a. Discussion and action on recommended changes to finalize Other Post Employment Benefits (OPEB), including claims, health trend and participation assumptions and the expected return on City Assets.
- The discussion was led by Bill Hallmark and Micheal Schionning from Cheiron regarding recommended changes to finalize OPEB including claims, health trend and participation assumptions and the expected return on assets and answered questions from the Board.
- A motion was made to adopt Cheiron's recommendation.
Approved. (M.S.C. Kaldor/Sunzeri 7-0-0).
- b. Discussion and action on the report of the Plan Expenses for September 2013 and October 2013.
- A motion was made to accept the report of the Plan Expenses for September 2013 and October 2013
Approved. (M.S.C. Santos/Muyo 6-0-0, Sunzeri was out of the room).
- c. Approval of the City of San Jose Police and Fire Department Retirement Plan's 2013 Comprehensive Annual Financial Report (CAFR) and acceptance of the audited financial statements for fiscal years ended June 30, 2013 and 2012.
- Ms. Busse of Department staff led the discussion of the City of San Jose Police and Fire Department Retirement Plan's 2013 Comprehensive Annual Financial Report (CAFR) and answered questions from the Board. She reported that there were no changes or comments from the auditors. Mr. Pena congratulated Staff for a job well done.
- A motion was made to accept the City of San Jose Police and Fire Department Retirement Plan's 2013 Comprehensive Annual Financial Report.
Approved. (M.S.C. Kaldor/Santos 7-0-0).
- d. Oral update from the Director of Retirement Services, Roberto L. Peña.
- Mr. Pena gave an update regarding Staff changes. He reported that Maggie Barron had transferred to a different department in the City. Michelle San Miguel was hired on permanent as a Staff Technician. He also

announced that medical plan Open Enrollment went well.

- e. Discussion and action on Election of Board Chair or implementation of interim policy as adopted by the Board.

There were two nominations for Board Chair; Trustee Kaldor and Trustee Sunzeri. Trustee Sunzeri withdrew his nomination for Board Chair.

Trustee Santos called for the vote to approve Trustee Kaldor as the Board Chair for the period of one year.

Approved. (Santos/Sunzeri, 7-0-0)

- f. Discussion and action on acceptance of nominations for Board Vice-Chair.

Chair Kaldor nominated Trustee Sunzeri as Vice Chair of the Board. Seconded by Trustee Mason. Trustee Sunzeri accepted the nomination.

There were no other nominations and the vote will take place at the January 2014 meeting.

5. RETIREMENTS

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

5.1 Service Retirements

A motion was made to approve Service Retirements 5.1a-f.
Approved. (Santos/Muyo, 5-0-0, Absent: Round, Sunzeri)

- a. Greg Albin, Police Lieutenant, Police Department, effective January 18, 2014; 28.05* years of service.
- b. Louis M. Borges, Police Officer, Police Department, effective January 18, 2013; 25.46* years of service.
- c. Diane DeVincentis, Firefighter, Fire Department, effective January 22, 2014; 23.93* years of service.
- d. Ignacio D. Gonzales, Police Officer, Police Department, effective January 18, 2014; 27.32* years of service.
- e. Michael Lloyd, Police Officer, Police Department, effective January 18, 2014; 25.68* years of service.
- f. Alexander Navy III, Fire Inspector, Fire Department, effective November 9, 2013; 25.30* years of service. (SCD pending)

5.2 Service Connected Disability

- a. **Courtney Adamo**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective December 5, 2013; 18.03* years of service.

Approved. (Santos/Lanza, 6-0-0, Abstain: Sunzeri)

- b. **Rodney Daniels**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 7, 2013; 23.16* years of service. (*Deferred from the November 7, 2013 Board meeting*)

A motion was made to approve the Service-Connected Disability for Rodney Daniels by Trustee Santos, seconded by Trustee Mason. Discussion continued.

Abstain: Rounds and Sunzeri. Nay: Lanza. Motion was denied. Discussion continued.

A motion was made to reconsider the previous vote.

Approved. (M.S.C. - Lanza/Mason, 6-0-1, Abstain: Sunzeri)

A motion was made to approve the Service-Connected Disability for Rodney Daniels.

Approved. (M.S.C. - Santos/Mason, 5-1-1, Abstain: Sunzeri. Nay: Lanza.)

- c. **Jose De La Cruz**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective December 5, 2013; 21.40* years of service. (*With Reciprocity*)

A motion was made to the Service-Connected Disability for Jose De La Cruz. Approved. (M.S.C. - Santos/Muyo, Abstain: Sunzeri. Nay: Lanza)

- d. **Robert A. Williams**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective December 5, 2013; 17.57* years of service.

A motion was made to approve the Service-Connected Disability for Robert Williams.

Approved. (M.S.C. - Santos/Muyo, 6-0-1, Abstain: Sunzeri)

5.3 Change in Status to Service Connected Disability

- a. **John Como**, Police Officer, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective December 25, 2010; 25.70* years of service.

A motion was made to approved the Change of Status to a Service-Connected Disability for John Como.

Approved: (M.S.C. Mason/Muyo, 6-0-1, Abstain: Sunzeri)

- b. **Margaret R. Edillo-Brown**, Police Lieutenant, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective

January 23, 2010; 26.90* years of service.

A motion was made to approve the Change of Status to a Service-Connected Disability for Margaret R. Edillo.

Approved. (M.S.C. - Santos/Rounds, 5-1-1, Nay: Lanza, Abstain: Sunzeri)

- c. **Steven J. Gutierrez**, Police Sergeant, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective October 30, 2010; 26.90* years of service.

A motion was made to approve the Change of Status for a Service-Connected Disability for Steven Gutierrez.

Approved. (M.S.C. - Santos/Muyo, 6-0-1, Abstain: Sunzeri)

- d. **Stewart McGehee**, Battalion Chief, Fire Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective June 25, 2011; 30.12* years of service.

A motion was made to approve the Change of Status to a Service-Connected Disability for Stewart McGehee. In connection with the motion, the applicant submitted a one-page supplemental letter to the Board. He indicated that he was presently working for the Oakland Fire Department in a no-sworn, desk job, and that he was over the age of 50.

Approved. (M.S.C. - Santos/Mason, 6-0-1, Abstain: Sunzeri)

- e. **Robert St. Amour**, Police Sergeant, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective June 27, 2010; 28.99* years of service.

A motion was made to approve the Change of Status to a Service-Connected Disability for Robert St. Amour.

Approved. (M.S.C. - Santos/Muyo, 6-0-1, Abstain: Sunzeri)

5.4 Early Retirement

- a. **Edward Saunders**, Fire Engineer, Fire Department, effective December 21, 2013; 22.84* years of service. (*SCD pending*)

A motion was made to approve Item 5.4a.

Approved. (M.S.C. - Kaldor/Santos, 7-0-0)

6. DEATH NOTIFICATIONS

Moment of Silence

Item 6 was heard after Item 4f

- a. Notification of the death of **Ronald S. Bondi**, Police Sergeant, retired October 4, 1997, died October 15, 2013. Survivorship benefits to Suzanne Bondi, Spouse.

- b. Notification of the death of **Brian M. McNamara**, Police Officer, retired

February 14, 1994, died November 1, 2013. No survivorship benefits.

- c. Notification of the death of **David Stengel**, Police Officer, retired April 1, 2001, died August 17, 2013. Survivorship benefits to Lori Gubera-Stengel, Spouse.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

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

Last Meeting: November 13, 2013 Next Meeting: December 11, 2013

- a. Report from the Chair of the Investment Committee. Receive and file.
- Trustee Sunzeri updated the Board regarding the Investment Committee and its plan targets.

- b. Minutes of the October 9, 2013, Police & Fire Investment Committee meeting.
- This Committees/Reports/Recommendations was noted and filed

7.2 Audit/Risk Committee (Bill/Lanza/Muyo)

Last Meeting: November 27, 2013 Next Meeting: February 20, 2014

- a. Report from the Chair of the Audit/Risk Committee. Receive and file.
- 7.2 a & b were heard together.
- Trustee Lanza gave the report and updated the Board on the Audit/Risk Committee and it's recommendation to the Board regarding the Ad Hoc Disability Committee.
- Trustee Lanza made the following motion for discussion::
- That the Board establish a three-member panel consisting of a Safety Trustee, Staff member and a Lawyer.
 - That Trustee Santos be named the safety member to that panel and Trustee Muyo be named the alternate member.
 - That Mr. Pena be given the authroity to designate who the staff member will be.
 - That Mr. Richeda be accepted as the legal member of the panel.
 - That the Secretary have the authority to complete the negotiation of the terms for Mr. Richeda and basic terms are contained in the memo as outlined.

Trustee Sunzeri seconded the motion.

After a lengthy discussion, the maker and seconder of the motion withdrew

their motion. This item will be deferred to the January 9th meeting.

- b. Discussion and action on the Audit/Risk Committee's recommendation to the Board regarding the Ad Hoc Disability Committee.

7.2b was heard together under Item 7.2a

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

Last Meeting: November 7, 2013 **Next Meeting: December 5, 2013**

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

Chair Rounds gave her report and updated the Board on the Governance Committee.

- b. Minutes of the October 3, 2013, Police & Fire Governance Committee meeting.

This Committees/Reports/Recommendations was noted and filed

- c. Discussion and action on Communication Policy.

The Board discussed two potentials changes to the Communications policy:

1). The recommendation from the governance committee is to appoint the Director or CIO as spokespersons for the Board and system, after consultation with General Counsel with notice thereafter to all Board members.

**A motion was made to accept change number 1.
Approved. (M.S.C. Sunzeri/Rounds 6-0-0, Absent: Lanza).**

2). To propose a change to the Travel Policy to allow for the Director to approve Board member business-related travel between meetings. This will be brought to the Board next month, January 9, 2014.

7.4 Ad Hoc Disability Committee (Santos/Rounds)

Last Meeting: November 18, 2013 **Next Meeting: December 10, 2013**

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

Trustee Santos updated the Board on the Disability Ad Hoc Committee.

- b. Discussion on disability Counsel memo regarding standard to be used by Committee in determining whether a disability is Service-Connected.

This Committees/Reports/Recommendations was received and filed

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

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

- **PROPOSED AGENDA ITEMS**

None

- **PUBLIC COMMENTS**

Jim Spence, President of Police and Fire Retirees Union, stated that Staff did a great job on the Health Fare and invited all Retirement Staff to their Christmas Luncheon on Dec. 12, 2013.

- **ADJOURNMENT**

The Pension and Healthcare Trust Meeting was adjourned at 3:10 p.m.



SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



Roberto L. Peña,
DIRECTOR, RETIREMENT SERVICES