



BOARD OF ADMINISTRATION

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

Meeting Minutes - Final Police and Fire Department Retirement Plan

Thursday, September 5, 2013

8:30 AM

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.

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, September 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 8:32 a.m.

Trustee Lanza, participated by telephone for Item 6.5 from 9:45 a.m. to 10:55 a.m. - 2819 Lonesome Mountain Road, Charlottesville, VA 22911

Trustee Bill arrived at 10:35 a.m.

Trustee Muyo departed at 2:35 p.m.

Trustee Santos departed at 3:16 p.m.

Present: 8 - Sean Kaldor, Richard Santos, Bettina Rounds, Sean Bill, Damon Krytzer, Nick Muyo, James Mason and Vincent Sunzeri

Absent: 1 - Drew Lanza

Retirement Staff Present: Roberto L. Peña; Donna Busse; Lesley Lamb; Linda Alexander; Michelle San Miguel; Ron Kumar; Daryn Miller; Tram Doan; Gina Billings.

Also Present: Pete Constant, Non-Voting Board Member; Jeffrey Rieger, General and Fiduciary Counsel; Alex Gurza, Deputy City Manager; Cheryl Parkman, Office of Employee Relations; Philip Broussard, Retiree; Jim Spence, President SJPPF; John Clarisse, Albourne; Ron D'Acchioli, Fire; Rajiv Das, Medical Director; Sam Swift, Attorney; Marty Jo Luis, Police Department; Shawny Williams, Police Department; Thomas J. Boyle, Attorney

ORDERS OF THE DAY

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

- Closed Session at 8:30
- Open Session at 9:30 time certain
- Items 6.5a & 6.5b to be heard immediately after closed session
- Item 5 Retirements to be heard at 10:30 a.m. time-certain
- Health Care Trust Minutes Item A.1 - to be heard during the Consent

Calendar Item 1.

- Item 2.b Presentation of the Performance report and the Item A.2 Presentation of the Health Care Trust Performance report and the Item A.3 Health Care private letter ruling to be heard after new business of the regular Board agenda.

Request to Waive Sunshine on the following item(s):

- Item 4.a - item was received late.

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

Approved. (M.S.C. - Santos/Muyo, 7-0-0, with two absent, Bill and Lanza)

CLOSED SESSION

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

Chair Kaldor read the Closed Session Items I.a and II.a into the record. The Board entered into Closed Session at 8:35 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 INVESTMENTS (8 INVESTMENTS).

II. CLOSED SESSION NEW BUSINESS

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

The Board reconvened out of Closed Session at 9:40 a.m. and reconvened into Open Session at 9:47 a.m. There was no reportable action out of Closed Session.

Items 6.5 a&b were heard following Closed Session, as noted in Orders of the Day.

OPEN SESSION - 9:30 a.m. time-certain or soon thereafter

1. CONSENT CALENDAR

Item 1.2e was pulled from Consent Calendar.

A motion was made to approve the balance of Consent Calendar Items 1.1 through 1.5, excluding Item 1.2e.

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

1.1 Approval Of Minutes

- a. Monthly Board meeting held on August 1, 2013.

1.2 Approval Of Travel for Conferences and Due Diligence

- a. Chair Kaldor
- NCPERS Conference, Rancho Mirage, CA - October 27-30, 2013.
- b. Roberto Peña, Staff
- CalAPRS, Administrators' Institute 2013, Quail Lodge Resort, Carmel, CA - September 25-27, 2013.
- c. Ron Kumar, Staff
- Pension Real Estate Association's 23rd Annual Investor Real Estate Conference, The Fairmont, Chicago, Chicago, IL - October 28-30, 2013.
 - CalAPRS - Investment Officers Round Table, Doubletree Hotel, San Jose, CA - September 12, 2013.
- d. Daryn Miller, Staff
- CFA Risk Presentation, San Francisco, CA - May 9, 2013.
 - Macquarie Infrastructure Presentation, San Francisco, CA - June 25, 2013.
 - CalAPRS - Investment Officers Round Table, Doubletree Hotel, San Jose, CA - September 12, 2013.
 - CalAPRS Headquarters, 8th Annual Risk Management Conference, Sacramento, CA - September 25, 2013.
- e. Pete Constant, Non-Voting Boardmember
- 2013 Retirement Research Consortium Annual Meeting, "Retirement Security in Changing Times", National Press Club, Washington, DC - August 1-2, 2013. (*Deferred from the August 2013 Board meeting*)

This item was heard after the Health Care Trust Agenda

Item 1.2e was pulled from the Consent Calendar. Chair Kaldor led the discussion and stated that he didn't see the relevance of the Plan approving a non-voting Board member attending the 2013 Retirement Research Consortium Annual meeting having to do mostly with Social Security.

A motion was made to approve attendance of the 2013 Retirement Research Consortium Annual meeting.

Approved. (M.S.C. - Krytzer/Bill, 6-2-0, Nay - Kaldor and Mason)

- f. Jennifer Holmboe, Staff
- CalAPRS, Retirement Disability Administration, Doubletree Hotel, San

Jose, CA - September 12, 2013.

1.3 Return of Contributions - NONE

- a. Voluntary / Involuntary.

1.4 Communication/Information

- a. Quarterly Board Attendance and Travel Reports.

- b. Pension & Investments, Article: Is volatility in portfolio underestimated?, published: July 8, 2013.

- c. Education Travel Reports:

- Institute Fund Summit, Dana Point, CA - April 24-26, 2013 - by Trustee Krytzer.
- SACRS Spring Conference 2013, Napa, CA - May 14-17, 2013 - by Trustee Krytzer.
- OCIO Conference, Miami, FL - June 23-26, 2013 - by Trustee Krytzer.
- SALT Conference, Bellagio Hotel, Las Vegas, CA - May 7-10, 2013 - by Trustee Bill.
- SACRS Spring Conference 2013, Napa, CA - May 14-17, 2013 - by Trustee Bill.
- The Endowment Common Fund, New Haven, CT - July 13-20, 2013 by Trustee Bill.

- d. The Cortex Report: Research & Articles

1.5 Education and Training

- a. Educational Programs and Courses

- b. Conferences and Seminars

c.

- d. CalAPRS, Trustees Roundtable, Doubletree Hotel, San Jose, CA - September 13, 2013.

2. INVESTMENTS

Investments were heard after Item 1.2e.

Pursuant to Government Code section 54954.2(b)(2), to amend the agenda, a

motion was made to replace "evaluation" with "action" for Item 2.a.
Approved. (M.S.C. - Kaldor/Rounds, 8-0-0)

- a. Discussion and evaluation of the "Interim CIO" options.

Trustee Sunzeri led the discussion, followed by Mr. Peña. Allan Martin from NEPC addressed the Board and responded to questions from the Board.

A motion was made to direct staff to work out proposed terms of a potential agreement to be brought back to the Board at next Board meeting for its consideration.

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

- b. Presentation of the Second Quarter 2013 Performance Report for the Pension Trust.

Allan Martin from NEPC led the Presentation of the Second Quarter 2013 Performance report and answered questions from the Board. The report was accepted.

Item A.2 of the Health Care Trust Agenda was heard after Item 2.b of the Police & Fire Retirement Board agenda.

- c. Presentation of the Second Quarter 2013 Hedge Fund Portfolio Review.

John Gracie from Albourne led the discussion and answered questions from the Board. The Report was accepted.

- d. Discussion and action regarding tactical rebalancing.

Trustee Sunzeri led the discussion and answered questions from the Board.

A motion was made to approve the tactical rebalancing from 30% down to 25% and 5% withdrawal from the fixed income to Global Tactical Asset Allocation (GTAA).

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

3. NEW BUSINESS

- a. Discussion and action on the report of the Plan Expenses for June 2013.

Chair Kaldor led the discussion and answered questions from the Board.

A motion was made to approve the report of the Plan Expenses for June 2013.
Approved. (M.S.C. - Santos/Muyo, 8-0-0)

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

Mr. Peña gave an update regarding Staff, vacancies, and the status of the Financial Analyst and Accounting Manager interviews.

Note and filed.

- c. Discussion and action regarding excusing the absences of Damon Krytzer from the February 7, 2013, March 7, 2013, and August 1, 2013 Board meetings.
- Trustee Krytzer addressed the Board and explained his absences. Brief discussion continued.
- A motion was made to excuse the absences of Trustee Krytzer.
- Approved. (M.S.C. - Santos/Sunzeri, 7-0-1, Krytzer abstained)
- d. Discussion and action regarding recoupment of overpayments made to Philip Broussard. *(Continued from the September 2013, Board Meeting)*
- Ms. Lamb led the discussion and provided information regarding the recoupment of overpayments to Mr. Broussard. Mr. Broussard was present and addressed the Board and answered questions.
- Extensive discussion continued.
- A motion was made to continue Item 3.d and direct staff and Mr. Broussard to provide additional information for the Board's consideration at its next Board meeting.
- Approved. (M.S.C. - Bill/Sunzeri, 8-0-0)

4. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action regarding Chieron's Police Tier 2 Rates.
- Mr. Hallmark from Cheiron led the discussion and introduced Mr. Schmidt, and answered questions from the Board.
- A motion was made to approve Cheiron's recommendation to establish member contribution rate of 10.98% for Tier 2 Police in the Health Care Plan.
- Approved. (M.S.C. - Kaldor/Sunzeri, 8-0-0)
- b. Discussion and action on how to engage City Administration, Mayor and City Council regarding following compliance with existing Municipal Code Requirements.
- Chair Kaldor led the discussion. He stated that this item was carried over from last month. Mr. Pena has reached out to the City Manager, Ms. Figone and the Deputy City Manager, Mr. Gurza. The Board should have 60 days to review any new ordinances, unless an exigency exists.
- Item A.3 of the Health Care Trust Agenda was heard after Item 4.1b of the Police & Fire Retirement Board Agenda.

5. RETIREMENTS

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

Item 5 Retirements was heard at 10:55 a.m.

5.1 Service Retirements

- a. Steven D. Bustillos, Police Sergeant, Police Department, effective October 12, 2013; 25.03* years of service.
- b. Brian Daley, Police Officer, Police Department, effective October 26, 2013; 27.11* years of service.
- c. John Hopper, Firefighter, Fire Department, effective October 12, 2013; 25.20* years of service. (With reciprocity)
- d. Jerome M. A. Smith, Police Officer, Police Department, effective August 17, 2013; 28.36* years of service.
- e. Mark C. Willis, Police Officer, Police Department, effective October 26, 2013; 23.04* years of service. (With reciprocity)

A motion was made to approve Service Retirements, Items 5.1 (a-e).
Approved. (M.S.C. - Santos/Muyo, 8-0-0)

5.2 Service Connected Disability

- a. Juan Gonzalez, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective September 5, 2013; 15.82* years of service.

Ms. Lamb, Benefits Manager, read the medical restrictions into the record. Mr. Gonzalez was present, represented by Attorney Boyle. The medical reports were presented to the Board.

A motion was made to approve a Service-Connected Disability for Juan Gonzalez.
Approved. (M.S.C. - Santos/Rounds, 8-0-0)

5.3 Change in Status to Service Connected Disability

- a. Alan G. Gerbino, Fire Engineer, Fire Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective May 28, 2011; 26.86* years of service.

Ms. Lamb, Benefits Manager, read the medical restrictions into the record. Mr. Gerbino was present, represented by Attorney Swift. The medical reports were presented to the Board.

A motion was made to approve the Change in Status to a Service Connected Disability for Alan G. Gerbino.
Approved. (Santos/Kaldor, 8-0-0)

Trustee Santos stated he had the opportunity to work with him and his father and wished him and his family the best of health.

- b. Jerome M.A. Smith, Police Officer, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective August 17, 2013; 28.36* years of service. (Recommended Approval)

Ms. Lamb, Benefits Manager, read the medical restrictions into the record. Mr. Smith was present, represented by Attorney Boyle. The medical reports were presented to the Board.

A motion was made to approve the Change in Status to a Service-Connected Disability for Jerome M. Smith.

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

Trustee Muyo acknowledged and thanked Mr. Smith for his service and sacrifice and wished him good health and luck as he moves forward.

- c. William Waggoner, Police Officer, Police Department. Request for a Change of Status to a Service-Connected Disability Retirement, effective July 15, 2006; 30.60* years of service.

Ms. Lamb, Benefits Manager, read the medical restrictions into the record. Mr. Waggoner was present, represented by Attorney Boyle. The medical reports were presented to the Board.

A motion was made to approve the Change in Status to a Service-Connected Disability for William Waggoner.

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

5. DEATH NOTIFICATIONS - NONE

6. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

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

Last Meeting: August 28, 2013 Next Meeting: September 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 projects.

Received and filed.

- b. Minutes of the June 12, 2013, Joint Federated and Police & Fire Investment Committee meeting. Receive and file.

Received and filed.

6.2 Audit Committee (Bill/Lanza/Muyo)

Last Meeting: August 1, 2013 Next Meeting: November 21, 2013

- a. Report from the Chair of the Audit/Risk Committee. Receive and file.
- Trustee Bill updated Staff on the Audit/Risk Committee. The Committee will continue to investigate new Risk Management Systems pending the input of the Investment Committee and the future CIO.
- Received and filed.
- b. Minutes of the June 20, 2013 Police & Fire Audit Committee. Receive and file.
- Received and filed.

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. Receive and file.
- Chair Kaldor led the discussion. Trustee Muyo and Trustee Santos had to leave before the Governance Committee can commence, depriving the Committee of a quorum. Chair Kaldor noted that the Governance Committee scheduled after the Board meeting will be cancelled and will be rescheduled. He reported that there is a conflict with the Chair of the Board holding the title of Chair for the Governance Committee. Chair Kaldor suggested Trustee Rounds take over as Chair of the Governance Committee. The matter was referred to the Governance Committee by the Board.
- Received and filed.
- Trustee Muyo departed at 2:35 p.m.

6.4 Ad Hoc Disability Committee (Santos/Rounds)

Last Meeting: August 20, 2013 Next Meeting: September 20, 2013

- a. Report from the Chair of the Ad Hoc Disability Committee. Receive and file.
- Chair of the Ad Hoc Disability Committee, Trustee Santos expressed satisfaction in listening to concerns from the Attorneys and members.
- b. Discussion on Disability Committee memo from Counsel regarding Analysis of Relevant Medical Records in the Committee's Evaluation of Disability Retirement Applications (Application for Service-Connected Disability

Retirement filed by former Fire Chief Manuel Alarcon), dated June 11, 2013.

Received and filed.

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

Received and filed.

- d. Discussion and action on recommendation to create a standing Disability Committee. *(Deferred from the August Board meeting)*

Ms. Lamb led the discussion. After a lengthy discussion, there was a motion made to extend the Ad Hoc Disability Committee to the end of the year.

Approved. (M.S.C. - Rounds/Krytzer, 5-1-0, Nay - Sunzeri, Absent - Lanza, Muyo and Santos)

Trustee Santos departed at 3:16 p.m.

- e. Discussion regarding staff's report on the Federated Disability Process.

This item was part of the discussion in Item 6.4 d.

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

Items 6.5 a & b were heard concurrently and out of order after Closed Session Items I and II. Trustee Lanza led the discussion, via teleconference and answered questions from the Board.

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

Received and Filed.

- b. Discussion and action on Cortex Phase II Report and Recommendations.
(Time certain 9:30 a.m., or immediately following Closed Session)

Trustee Lanza led the discussion, via teleconference, and answered questions from the Board. Extensive discussion continued.

A motion was made by Chair Kaldor, seconded by Trustee Santos to:

- Approve the Ad Hoc Cortex Response Committees' principles on Page 6 of the presentation on the Cortex Phase II Report and Recommendations.
- Relay the Ad Hoc Cortex Response Committees' principles to key Stakeholders
- Request Council Member Constant to bring the Ad Hoc Cortex Response Committee's principles to City Council Rules Committee and request an education session to present to City Council. The Board will cover Cortex's travel and expenses for such education session.
- Direct the Ad Hoc Cortex Response Committee to come back to the Police & Fire Department Retirement Board with draft language for the San Jose Charter change.

Motion passed by roll call vote. (M.S.C. - Kaldor/Santos, 8-0-0)

Aye: 8 - Kaldor, Santos, Rounds, Krytzer, Lanza, Muyo, Mason and Sunzeri

Absent: 1 - Bill

- **PROPOSED AGENDA ITEMS**

NONE.

- **PUBLIC COMMENTS**

NONE.

- **ADJOURNMENT**

The Meeting adjourned at 3:50p.m.



SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES