

# POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

## Minutes of the Board Meeting

7.1a

Thursday

SAN JOSÉ, CALIFORNIA

August 4, 2011

### CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, August 4, 2011 in regular session at City Hall in the Wing Meeting Rooms 118-119, 200 East Santa Clara Street San José, California 95113. Chairman David Bacigalupi called the meeting to order at 8:30 a.m.

### BOARD MEMBERS

David Bacigalupi, Chair	-Present
Conrad Taylor, Vice Chair	-Present
Sean Bill	-Present – arrived 9:07 a.m.
Sean Kaldor	-Present
Damon Krytzer	-Present
Drew Lanza	-Present
Vincent Sunzeri	-Present
Richard Santos	-Present
Trustee - VACANT	

### ALSO PRESENT

Debra Figone, City Manager  
Edward Schwartz, ORG Portfolio Management  
Steve Cauble, Russell Investments  
Tom Fletcher, Russell Investments  
Tom Iannucci, Cortex Applied Research – via telephone  
Thomas Westrup, Fire Department Retiree  
Cruz Tapia, Fire Department Retiree  
Larry Silva, Fire Department Retiree  
Scott Savage, Police Department  
Stephen Greenlee, Police Department  
Steven M. Rivera, Police Department  
Sam Swift, Attorney  
David Dudolski, Police Department  
Alex Nguyen, Police Department  
George Beatie, SJPOA  
Thomas J. Boyle, Attorney  
Eric Ramones, Fire Department  
John M. Hodges, Fire Department Retiree  
Ron D'Acchioli, Fire Department  
Antonio Guerra, Mayor's Office  
Ronald Pomerantz, Fire Department Retiree  
Daniel Delong, Fire Department Retiree  
Lawrence Silva, Fire Department Retiree

**CALL TO ORDER: 8:30 a.m.**

### DIRECTOR RETIREMENT SERVICES

#### BOARD SECRETARY

Russell U. Crosby -Present

#### COUNCIL LIAISON

Pete Constant -Present

#### COUNSEL

M. Dent, Sr. Deputy City Attorney -Present  
Russ Richeda - Present

### BOARD MEDICAL DIRECTOR

Rajiv Das, M.D.

### RETIREMENT SERVICES STAFF

#### PRESENT

Carmen Racy-Choy, Deputy Director/CIO  
Donna Busse, Deputy Director/COO  
Veronica Niebla  
Toni Johnson  
Heidi Poon  
Ron Kumar  
Tram Doan  
Amanda Ramos  
Karin Carmichael  
Melanie Kirmse  
Jesselle Holcomb  
Jennifer Holmboe  
Sonia Morales  
Maria Loera

• **ORDERS OF THE DAY**

- The Board voted to waive City of San Jose Sunshine rules requiring supporting documents be posted one week prior to the meeting. Items on this agenda to be waived: 1.2, 1.3, 2.6, 3.3, 7.4a and 7.4b.  
**Approved. (M.S.C. - Santos/Taylor, 7-0-2, Bill – Absent, vacant)**
- Chair Bacigalupi made the following changes to the orders of the day:
  - Item 3.2 is time certain at 8:30 a.m.;
  - The Closed Session Meeting Item 1.1 will follow Item 3.2;
  - Items 1.3 and 3.3 will be heard together;
  - Item 4 is time certain at 10:30 a.m. and Item 4.3a will be heard first under Item 4; and
  - Item 2.1 is time certain at 12:00 p.m.

Items 3.2 and 3.4 were heard together.

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

***3.2 Discussion regarding Retirement Services Department staffing. (Continued from July 11, 2011 Special Meeting)***

***3.4 Discussion regarding the recommendations from the Cortex Report of June 19, 2009. (Continued from July 11, 2011 Special Meeting)***

City Manager Debra Figone opened the discussion regarding Retirement Services Department staffing and compensation, Board Independence, and Cortex's recommendations and related Plan Sponsor challenges. She highlighted the importance of these issues for both the Plan Sponsor and the Boards and thanked the Trustees for their service. The Trustees thanked City Manager Debra Figone for her time and for communicating to the Board the challenges faced by the Plan Sponsor.

Trustee Bill arrived at 9:07 a.m.

**CLOSED SESSION**

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Pursuant to Government Code Section 54956.8

Property: Citibank Office Plaza, 1900 Spring Road, Oakbrook IL 60521

Negotiator: Ed Schwartz, ORG Portfolio Management

Under negotiation: Price and terms of payment

Probable Value of Property: Exceeds \$1 million

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Pursuant to Government Code Section 54956.8

Property: Crescent VII, 8390 East Crescent Parkway, Greenwood Village, CO 80111

Negotiator: Ed Schwartz, ORG Portfolio Management

Under negotiation: Price and terms of payment

Probable Value of Property: Exceeds \$1 million

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Pursuant to Government Code Section 54956.8



Property: Deerwood Apartments, 5800 Woodway Drive, Houston TX, 77057  
Negotiator: Ed Schwartz, ORG Portfolio Management  
Under negotiation: Price and terms of payment  
Probable Value of Property: Exceeds \$1 million

## OPEN SESSION

Chair Bacigalupi stated that there was no report from the Closed Session.

### 1. INVESTMENTS

- 1.1** *Approval to transfer Citibank Office Plaza, Crescent VII, and Deerwood Apartments to American Realty's core commingled real estate fund and for the Secretary to negotiate and execute an agreement with American Realty Advisors for an estimated interest valued at \$54 million in American Realty's core commingled real estate fund.*

A motion was made to approve the transfer of the Citibank Office Plaza, Crescent VII, and Deerwood Apartments to American Realty's core commingled real estate fund and for the Secretary to negotiate and execute an agreement with American Realty Advisors for an estimated interest valued at \$54 million in American Realty's core commingled real estate fund.

**Approved. (M.S.C. – Taylor/Santos, 8-0-1, vacant)**

- 1.2** *Discussion and direction regarding implementation of portfolio overlay services provided by Russell Implementation Services for a cost between \$150,000 and \$350,000.*

A motion was made to hire Russell Implementation Services for portfolio overlay services for a cost not to exceed \$350,000.

**Approved. (M.S.C. – Santos/Bill, 8-0-1, vacant)**

### 4. RETIREMENTS – TIME CERTAIN AT 10:30 A.M.

#### 4.1 *Service*

- a. **Douglas R. Boales**, Police Officer, Police Department, effective June 25, 2011; 21.82\* years of service.
- b. **Mario Hernandez**, Police Officer, Police Department, effective June 6, 2011; 25.00\* years of service.
- c. **Relles R. Lopez**, Police Officer, Police Department, effective June 25, 2011; 21.13\* years of service.
- d. **Manny Ramirez**, Police Sergeant, Police Department, effective September 3, 2011; 27.13\* years of service.
- e. **Jose A. Rodriguez**, Police Officer, Police Department, effective September 3, 2011; 28.53\* years of service.
- f. **Dennis G. Serles**, Police Officer, Police Department, effective September 17, 2011; 25.00\* years of service.

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

**Approved. (M.S.C. – Taylor/Santos, 8-0-1, vacant)**

#### 4.3 *Non-Service Connected Disability*

- a. **Daniel DeLong**, Fire Captain, Fire Department. Request for Non-Service-Connected Disability Retirement, effective June 25, 2011; 10.05\* years of service.

**Approved. (M.S.C. – Taylor/Sunzeri, 8-0-1, vacant)**

**4.2 Service-Connected Disability**

- a. **David Dudolski**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective August 4, 2011; 15.57\* years of service.

**Approved. (M.S.C. – Taylor/Sunzeri, 8-0-1, vacant)**

- b. **Stephen E. Greenlee**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective August 4, 2011; 16.79\* years of service.

**Approved. (M.S.C. – Taylor/Santos, 8-0-1, vacant)**

- c. **Steven Rivera**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective August 4, 2011; 16.43\* years of service.

**Approved. (M.S.C. – Santos/Taylor, 8-0-1, vacant)**

**4.4 Change in Status**

- a. **John M. Hodges**, Fire Engineer, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective January 24, 2009; 27.75 years of service.

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

- b. **Ronald Pomerantz**, Fire Captain, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective June 27, 2009; 29.26 years of service.

**Approved. (M.S.C. – Santos/Kaldor, 5-3-1, Bill/Krytzer/Sunzeri – No, vacant)**

- c. **Lawrence J. Silva**, Fire Captain, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective January 14, 2006; 33.07 years of service.

**Approved. (M.S.C. – Santos/Kaldor, 6-2-1, Krytzer/Bill – No, vacant)**

- d. **Cruz Tapia, Jr.**, Fire Engineer, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective January 10, 2009; 41.85 years of service.

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

- e. **Thomas M. Westrup**, Fire Captain, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective January 24, 2009; 29.5 years of service.

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

**2. NEW BUSINESS**

**2.1 Discussion and possible action regarding Board Governance consulting project with Cortex Applied Research. (Time Certain 12:00 p.m. via telephone)**

Tom Iannucci from Cortex led the discussion regarding the scope, parameters, deliverables, and timeline of the Board Governance consulting project.



## **6. AD HOC COMMITTEE REPORTS/RECOMMENDATIONS**

### ***6.2 Update on other Ad Hoc Committees: Equities, Fixed Income, Alternatives and Department Structure.***

Chair Bacigalupi made the following recommendations regarding the formation of Committees:

- (A) – Investment Committee be comprised of Sunzeri (Chair), Bill, Krytzer, Taylor, and Kaldor (Alternate)
- (B) – Department Structure/Board Governance Committee be comprised of Kaldor (Chair), Lanza, Bill, Santos, and Sunzeri (Alternate)
- (C) – Committee for Disability Determination Process be comprised of Taylor (Chair), Sunzeri, Lanza, Kaldor, and Santos (Alternate)

A motion was made to approve the Chair's recommendations.

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

Items 1.3 and 3.3 were heard together.

## **1. INVESTMENTS**

### ***1.3 Discussion and action regarding the restructure of the Plan's equity allocation including the revision of the Statement of Investment Policy to reflect the changes.***

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

### ***3.3 Investment Strategy discussion. (Deferred from July 11, 2011 Special Meeting)***

- a. Review and comment on Investment Policy Statement.
- b. Review Asset Allocation Strategy / Targets. (See Investment Policy Statement)
- c. Discussion of risk management.
- d. Discussion of use of hedge funds across asset classes.

A motion was made to approve staff's recommendation that the Board (1) delegate to staff the discretion to use current manager Rhumblin, transition manager Russell Investments, or custodian State Street to manage the passive/indexed investments; (2) approve the implementation of active mandates through passive investments until manager searches can be conducted; (3) delegate to staff the discretion to instruct Russell Investments to put in place protection on the dedicated emerging market mandate until manager searches are completed; (4) instruct our transition manager Russell Investments to carry out the transitions; and (5) retain current managers RS Investments to manage domestic small-cap value investments and Calamos to manage the global convertible mandate.

**Approved. (M.S.C. – Kaldor/Sunzeri, 8-0-1, vacant)**

## **2. NEW BUSINESS**

### ***2.2 Update on Legal Services Request for Proposals (RFP).***

**Deferred to September 2011 Board Meeting**

### ***2.3 Update on Electronic Board Packets.***

**Note and File**

***2.4 Discussion and possible action regarding board member compensation.***

A motion was made to recommend to the City Council that the code section relative to trustee compensation not be modified and to refer the question of a stipend for all Trustees to the Board's Department Structure/Board Governance Committee and to authorize staff to pay the stipend according to current code language.

**Approved. (M.S.C. – Lanza/Krytzer 7-0-2, Bacigalupi – Abstain, vacant)**

***2.5 Approval of Macias Gini & O'Connell's 2011 Audit Service Plan.***

A motion was made to approve Macias Gini & O'Connell's 2011 Audit Service Plan.

**Approved. (M.S.C. – Kaldor/Taylor, 8-0-1, vacant)**

***2.6 Report on City's prefunding of required contributions for Fiscal Year 2011-12 and reconciliation for Fiscal Year 2010-11.***

**Note and File**

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

***3.1 Update on status of Trustee replacement.***

**Note and File**

Council Liaison Constant stated that he has a meeting on Monday with the City Clerk and the Mayor to discuss this issue.

***3.5 Discussion of Quorum Rules. (Continued from June 2, 2011)***

**Note and File**

Counsel explained that a quorum is 5 out of 9 trustees regardless of whether there are vacant trustee positions or not and 5 out of 9 trustees are needed for any action other than adjournment.

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

**Item will be brought back to September 2011 Board Meeting**

**4. RETIREMENTS**

***4.5 Approval to Rescind Retirement Application***

- a. Approval to rescind retirement application of **David Cavallaro**, Deputy Chief, Police Department; approved at the June 2, 2011 meeting.
- b. Approval to rescind retirement application of **Glenn E. Harper**, Police Lieutenant, Police Department; approved at the June 2, 2011 meeting.

A motion was made to approve retirements numbered from 4.5a through 4.5b

**Approved. (M.S.C. – Santos/Taylor, 8-0-1, vacant)**

***4.6 Approval of Change/Correction of Retirement Date***

- a. Approval of change of retirement date of **Robert E. Sepulveda**, Police Officer, Police Department; from June 30, 2011 to June 25, 2011.
- b. Approval of change of retirement date of **Michael A. Pomeroy**, Police Sergeant, Police Department; from June 30, 2011 to June 25, 2011.



- c. Approval of change of retirement date of **Jean-Pierre Santos**, Fire Captain, Fire Department; from June 25, 2011 to June 26, 2011.
- d. Approval of correction of retirement date of **Raymond Shields**, Police Sergeant, Police Department; from June 25, 2011 to July 25, 2011.

A motion was made to approve retirements numbered from 4.6a through 4.6d

**Approved. (M.S.C. – Santos/Taylor, 8-0-1, vacant)**

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

- 5.1 Notification of the death of **Bruce B. DeMers**, Fire Engineer, retired 8/3/95, died 5/20/11. Survivorship benefits to Louella A. Demers, spouse.
- 5.2 Notification of the death of **John A. DiQuisto**, Fire Captain, retired 10/29/88, died 6/27/11. Survivorship benefits to Shirley A. DiQuisto, spouse.
- 5.3 Notification of the death of **Robert A. Robertson**, Firefighter, retired 6/13/78, died 5/13/11. No survivorship benefits.
- 5.4 Notification of the death of **Ronald T. Williams**, Police Sergeant, retired 11/14/78, died 5/3/11. No survivorship benefits.

## **6. AD HOC COMMITTEE REPORTS/RECOMMENDATIONS**

### **6.1 Update on Ad Hoc Committee for Disability Determination Process.**

#### **Note and File**

The Disability Determination Process Committee Meeting directly follows this Board meeting and will discuss streamlining the process and review the possibility of reducing documentation.

## **7. CONSENT CALENDAR (Items 7.1 through 7.7)**

- Chair Bacigalupi requested Item 7.2a to be pulled from the Consent Calendar.
- Trustee Kyrzter requested Item 7.1a to be pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar.

**Approved. (M.S.C. Santos/Taylor, 8-0-1, vacant)**

### **7.1 Approval of Minutes**

- b. Special Board Meeting held on July 11, 2011.

### **7.2 Approval of Travel/Conference Attendance**

- b. Rajiv Das - Western Occupational Health Conference, Las Vegas, NV – September 5-10, 2011.

### **7.3 Reconciliation of Travel/Conference Attendance**

- a. Ali Amiry - Hedge Fund Conference & Due Diligence, Chicago, IL – October 3, 2010.
- b. Sean Bill - Pension Bridge Conference, San Francisco, CA – April 12-13, 2011.
- c. Michael Moehle - Conference of Consulting Actuaries, Rancho Mirage, CA – October 24-26, 2010.

- d. Rajiv Das
  - Comprehensive Pain Board Review, University of Wisconsin, Madison, WI – July 25-30, 2010.
  - Western Occupational Medicine Conference, Marriott Hotel, Newport Beach, CA – September 29, 2010 thru October 2, 2010.
  - American Occupational Health Conference, Grand Hyatt, Washington, DC – March 25-29, 2011.

#### **7.4 Approval of Monthly Expenses**

- a. Plan Expenses for May 2011.
- b. Plan Expenses for June 2011.

#### **7.5 Return of Contributions**

- a. Voluntary
- b. Involuntary

#### **7.6 Communication/Information**

- a. GASB New Pension Standards.
  - 1. GASB Press Release and plain language supplement on New Pension standards as of July 2011.
  - 2. Review of accounting update regarding GASB proposed changes to accounting rules under statement 25, 27, 43 and 45.
- b. Benefits Review Forum held on June 2011.
- c. Memo from Russ Richeda, Saltzman & Johnson regarding Legal Update (Kern County Employees' Retirement Association v. Wilshire Associates, Inc.), dated July 26, 2011.
- d. Memo from Russ Richeda, Saltzman & Johnson regarding Legal Update, dated July 27, 2011.

#### **7.7 Approval of Lifetime Reduced Retirement Monthly Payment Option**

- a. **Pamela Rae Huseman**, ex-spouse of Fire Captain David Huseman, to be effective July 1, 2011 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

### **7. CONSENT CALENDAR – Pulled Items**

#### **7.2 Approval of Travel/Conference Attendance**

- a. Pete Constant
  - IFEBP, Trustees Masters Program, New Orleans, LA – October 29-30, 2011.
  - IFEBP, 57<sup>th</sup> Annual Employee Benefits Conference, New Orleans, LA – October 30-November 2, 2011.

A motion was made to approve the Police & Fire Board splitting cost of training for the Council Liaison with the Federated Board contingent upon approval by the Federated Board; however, if the Federated Board does not approve the cost-sharing of the training, the Police & Fire Board will pay the full amount.

**Approved. (M.S.C. Bill/Sunzeri, 7-1-1, Bacigalupi – No, vacant)**

#### **7.1 Approval of Minutes**

- a. Monthly Board meeting held on June 2, 2011.

**Approved. (M.S.C. Kaldor/Santos, 7-0-2, Kyrtzer – Abstain, vacant)**

### **8. EDUCATION & TRAINING Note and File**



**8.1 Notification of CalAPRS' Trustees Round Table**

- a. Trustees Roundtable, Double Tree Hotel, 2050 Gateway Place, San Jose – October 14, 2011.

**8.2 Notification of IFEBP Training**

- a. CAPP – Employee Pensions – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.  
b. CAPP – Employee Pensions – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.  
c. CAPP – Employee Health – **Part I**, Ernest Morial Convention Center, New Orleans, LA, Saturday, October 29-30, 2011.  
d. CAPP – Employee Health – **Part II**, Metro Meetings Center, Boston, MA, Thursday, June 21-22, 2012.

• **PROPOSED AGENDA ITEMS**


- Trustee Santos requested a discussion of moving the Board Meetings back to the Retirement Services Department Office
- Trustee Santos requested a discussion regarding Russell Crosby's title
- Trustee Sunzeri requested a discussion regarding the newly created Department Structure/Board Governance Committee to ensure that it covers all issues relating to the internal operation of the trust fund and Cortex's recommendations
- Trustee Kaldor requested a discussion regarding updating the member handbook and putting it back on the Retirement Services Department website

• **PUBLIC COMMENTS**

None

• **ADJOURNMENT**

2:25 p.m.



**DAVID BACIGALUPE, CHAIR**  
BOARD OF ADMINISTRATION

**ATTEST:**



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