

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

October 4, 2012

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, October 4, 2012 in regular session at City Hall Wing Rooms 118/119, 200 East Santa Clara Street, San José, California 95113. Chair Sean Kaldor called the meeting to order at 8:34 a.m.

BOARD MEMBERS

Sean Kaldor, Chair	-Present
Richard Santos, Vice Chair	-Present
David Bacigalupi	-Present
Sean Bill – arrived @ 9:07 a.m.	-Present
Damon Krytzer	-Absent
Drew Lanza	-Present
James Mason–departed @ 11:11 a.m.	-Present
Elizabeth Rounds	-Present
Vincent Sunzeri	-Absent

ALSO PRESENT

Dan LeBeau, NEPC
 Travis Bagley, Russell Investments
 Greg Nordquist, Russell Investments - (via teleconference)
 Alex Gurza, Deputy City Manager
 Jim Spence, P&F Retirees' Association

NON-VOTING BOARD MEMBER

Pete Constant	-Absent
– departed @ 11:50 a.m.	

ACTING DIRECTOR RETIREMENT SERVICES

Donna Busse	-Present
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COUNSEL

Jeff Reiger	-Present
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BOARD MEDICAL DIRECTOR

Rajiv Das, M.D.	– Present
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RETIREMENT SERVICES STAFF PRESENT

Toni Johnson
 Veronica Niebla
 Ron Kumar
 Tram Doan
 Sonia Morales
 Christina Lynne
 Daryn Miller
 Heidi Poon

CALL TO ORDER: 8:34 a.m.

• ORDERS OF THE DAY

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

- Item 4.1a – Withdrew application
- Item 1.2 – received late.
 A motion was made to Waive Sunshine on Item 1.2.
Approved. (M.S.C. – Santos/Lanza, 6-0-3, Absent – Bill, Krytzer, Sunzeri)
- Item 1.6 – break into Closed Session
- All other Closed Sessions moved to the end of the Agenda

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.

1. **INVESTMENTS**

1.1 **Discussion and approval of the Plan's Equity Portfolio Structure.**

Dan LeBeau of NEPC presented the Plan's Equity Portfolio Structure.

A motion was made to approved the Plan's Equity Portfolio Structure.

Approved. (M.S.C. Bacigalupi/Santos, 6-0-3, Absent – Bill, Krytzer and Sunzeri)

Item 1.2 was heard after Item 6.4.

1.2 **Discussion and action regarding the portfolio transition plan and implementation options for the newly adopted asset allocation. (Time certain 11:30 a.m.)**

Dan LeBeau from NEPC and Travis Bagley from Russell Investments were present, and Greg Nordquist (via teleconference) from Russell Investments led the discussion regarding the portfolio transition plan and implementation options for the newly adopted asset allocation and responded to questions from the Board.

- a. **Discussion and approval to delegate the selection of passive strategies for the current pending portfolio transition to staff and NEPC LLC and for the Secretary to negotiate and execute agreement(s) with the selected manager(s) as appropriate.**

A motion was made to delegate authority to the Investment Committee to implement the policy until the next Board meeting.

Approved. (M.S.C. – Lanza/Santos, 6-0-3, Absent – Krytzer, Mason and Sunzeri)

1.3 **Discussion and approval regarding NEPC and Staff recommendation on Global Equity managers.**

Daryn Miller led the discussion regarding NEPC and staff's recommendation on Global Equity managers and responded to questions from the Board.

- a. **Approval to invest \$50MM in Artisan Global Opportunities, a long-only, global equity manager, and \$50MM in Artisan Global Value, a long-only, global equity manager, both contingent upon negotiating acceptable terms and fees.**
b. **Approval for the Secretary to negotiate and execute agreements with Artisan Partners.**

Chair Kaldor stated that the Investment Committee has reviewed and supported the recommendation.

A motion was made to approve the investments and recommendations by NEPC and staff.

Approved. (M.S.C. – Santos/Bacigalupi, 6-0-3, Absent- Bill, Krytzer and Sunzeri)

1.4 **Presentation of the Private Equity Performance Report for the period ending June 30, 2012.**

Dan LeBeau of NEPC LLC presented the Private Equity Report and responded to questions from the Board.

Note and file.

1.5 Presentation by NEPC LLC of the Preliminary Flash Performance Report as of August 31, 2012.

Dan LeBeau of NEPC LLC updated the Board on the Preliminary Flash Performance Report as of August 31, 2012.

Receive and file

Item 1.6 was heard after Item 2.3.

Entered into Closed Session at 9:30 a.m. Chair Kaldor read Item 1.6 into record.

1.6 CLOSED SESSION: Conference with Investment Consultant pursuant to Government Code Section 54956.81 to consider purchase of particular pension fund investments (three investments).

Chair Kaldor reconvened from Closed Session at 9:52 a.m. There was no reportable action out of Closed Session.

OPEN SESSION

2. NEW BUSINESS

Item 2.1 was heard after Closed Session 1.6.

2.1 Discussion and action on Plan Expenses for August 2012.

Ms. Niebla reported the Plan Expenses for August 2012.

A motion was made to accept the Plan Expenses for August 2012.

Approved. (M.S.C. – Bacigalupi/Santos, 7-0-2, Absent – Krytzer and Sunzeri)

2.2 Discussion and action on the Pension and OPEB valuation process and timeline.

Bill Hallmark (via teleconference) of Cheiron led the discussion on the Pension and OPEB valuation process and timeline and responded to questions from the Board.

A motion was made to accept the timeline.

Approved. (M.S.C. – Santos/Bacigalupi, 6-0-3, Absent – Bill, Krytzer and Sunzeri)

Trustee Bill arrived at 9:07 a.m.

2.3 Discussion and action on memo from Debra Figone regarding Annual Required Contribution Projections and Prefunding Analysis, dated September 5, 2012.

Alex Gurza addressed the Board and requested assistance from the Board with the analysis of the prefunding contributions regarding whether the City's lump sum payment of the full annual required contribution at the beginning of the year or to make the contributions over the 26 pay periods.

A motion was made to have staff and investment consultant conduct an evaluation of the pros and cons of the prefunding analysis and report back to the Board.

Approved. (M.S.C. – Kaldor/Santos, 7-0-2, Absent – Krytzer and Sunzeri)

Item 2.4 was heard after Item 2.1.

2.4 Discussion regarding reciprocity with multiple systems. Receive and file.

Ms. Busse led the discussion regarding reciprocity with multiple systems. Chair Kaldor requested a summary of the conclusion of the reciprocity statute to be communicated to members

Receive and file.

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

3.1 Discussion and action on Police & Fire Retirement Board committee structure, including consolidation and transition from ad hoc to formal where appropriate. (Deferred from the September 2012 Board meeting)

Referred to the Strategic Planning meeting.

3.2 Discussion and action on a strategic plan meeting agenda.

Chair Kaldor led the discussion on the strategic plan meeting agenda.

A motion was made to accept the Agenda recommendation with a correction provided by Trustee Bill to replace “position” to “role”.

Approved. (M.S.C. – Kaldor/Santos, Absent – Krytzer and Sunzeri)

3.3 Update on payroll audit, FLSA and overtime payment issues. Receive and file.

Ms. Niebla updated the Board and reported that she has not received the revised FLSA file. She added that Finance Payroll have now hired more staff and will continue to work with payroll to get the FLSA portion resolved.

3.4 Update on electronic Board packets.

Ms Busse reported that Staff saw a demonstration by the second finalist in the RFP and will be bringing a recommendation to the Board after all questions have been answered from the vendor.

Receive and file.

3.5 Update from Councilmember Constant. Receive and file.

Councilmember Constant stated he had nothing to report.

3.6 Discussion and action regarding on legal analysis of the 401(h) contribution amounts when a member terminates before retirement.

Mr. Rieger led the discussion regarding the legal analysis of the 401(h) contribution amounts. Extensive discussion continued.

Staff will report back to the Board on the history of the 401(h) practice and clarification of the employer credit language in the San Jose Municipal Code.

3.7 Update on Pension Administration System RFP.

Ms. Busse reported that three responses were received and are currently being reviewed by staff. Recommendation expected in the next few months.

Receive and file.

3.8 Discussion and action on the status of the Retirees Association dues change.

Mr. Spence, President of the Police & Fire Retiree Association, addressed the Board regarding the Retirees Association dues change.

A motion was made to split the cost 50/50 of the initial mailing.

Approved. (M.S.C. – Kaldor/Santos, 7-0-2, Absent – Kryzter and Sunzeri)

Trustee Mason left at 11:11 a.m.

Entered into Closed Session for Items 3.9 to 3.11 at 12:34 p.m. Chair Kaldor read into record Closed Session Item 3.9 to 3.11.

3.9 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a),

Paul Mulholand, et al v. City of San Jose, et al, Santa Clara County Superior Court
Case No. 1-12-CV-219748

3.10 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) (3 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

City of San Jose v. San Jose Police Officers' Association, et al. United States District Court for the Northern District of California,
Case No. C12-02904 LHK-PSG

Sapien vs. City of San Jose, et al, Santa Clara County Superior Court,
Case No. 1-12-CV-225928.

3.11 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL - PURSUANT TO GOVERNMENT CODE SECTION 54956.9(c) – Deciding whether to initiate litigation (one case).

Chair Kaldor reconvened from Closed Session at 2:35 p.m. There was no reportable action out of Closed Session.

OPEN SESSION

4. RETIREMENTS

Item 4 was heard after Item 3.8.

4.1. Service Retirement

- a. James V. Morphis, Fire Captain, Fire Department, effective October 27, 2012; 24.28* years of service. *(With reciprocity)* **Withdrew application, as noted in Orders of the Day.**
- b. John E. Rose, Police Lieutenant, Police Department, effective November 24, 2012; 24.54* years of service. **Approved. (M.S.C. – Bacigalupi/Santos, 6-0-3, Absent – Krytzer, Mason and Sunzeri)**

5. DEATH NOTIFICATIONS - Moment of Silence

- 5.1. Notification of the death of **Jose M. Martinez**, Fire Captain, active employee, died August 10, 2012.

6. COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS

6.1. Investment Committee (Sunzeri/Bill/Kaldor/Krytzer)

– Last Meeting: September 24, 2012 - Next Meeting: October 10, 2012

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

On behalf of Chair of the Investment Committee, Trustee Bill updated the Board on the status of the Investment Committee's projects: Allan Martin named as the 2nd most influential Consultant in the world, liquidation of the real estate portfolio, investment in PIMCO II, adopted a new ALM, working on transition plan, adopted 10% absolute return allocation.

- b. **Minutes of August 8, 2012, Joint Federated and Police & Fire Investment Committee. Receive and file.**
- c. **Minutes of August 23, 2012, Police & Fire Investment Committee. Receive and file.**
- d. **Discussion and action of the revised Placement Agent Disclosure Policy.**

A motion was made to adopt the revised Placement Agent Disclosure Policy.

Approved. (M.S.C. – Kaldor/Santos, 6-0-2, Absent – Krytzer, Mason and Sunzeri)

6.2. Ad Hoc Governance Committee-Cortex Phase II (Kaldor/Lanza/Rounds/Santos)

- a. **Report from the Chair of the Ad Hoc Governance Committee-Cortex Phase II. Receive and file.**

Chair of the Governance Committee, Chair Kaldor, reported that Tom Iannucci from Cortex is in the process of contacting stakeholders and gathering information/concerns and ideas for the project.

Receive and file.

6.3. Ad Hoc Personnel Committee (Lanza/Kaldor/Rounds/Sunzeri)

a. Report from the Chair of Ad Hoc Personnel Committee. **Receive and file.**

Chair of the Ad Hoc Personnel Committee, Trustee Lanza, updated the Board on the status of the candidates process.

b. Discussion and action on City Council proposed Ordinance 29139 to amend Chapters 3.28 of Title 3 of the San Jose Municipal Code, the 1975 Federated Employees Retirement Plan, and 3.36 of Title 3, the 1961 Police and Fire Department Retirement Plan, to add Sections 3.28.115 and 3.36.325, respectively, regarding the role of the Boards of Administration in personnel matters.

Deferred

c. Discussion and action on revised Board communication plan regarding Measure B implementation. *(Deferred from the September 2012 Board meeting)*

Item referred to the Strategic Planning Meeting.

d. Discussion of memo from Richard Doyle, City Attorney, regarding Brown Act Personnel Exception-Retirement Board, dated September 10, 2012.

6.4. Audit Committee (Bill/Bacigalupi/Lanza/Mason) - Next Meeting: TBD

a. Report from the Chair of Audit Committee. **Receive and file.**

Chair of the Audit Committee reported that the CAFR is the Committee's top priority to get it signed off.

Receive and file.

Break 5 minute, then Item 1.2 was heard.

Item 6.5 was heard after Item 1.2.

6.5. Ad Hoc Disability Committee (Santos/Lanza/Mason/Rounds)

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

Chair of the Ad Hoc Disability Committee, Trustee Santos, updated the Board on the status of the committee regarding the disability workload and help for Dr. Das with personnel issue.

Dave Wong from Human Resources addressed the Board regarding the status of assistance for Dr. Das.

- b. Discussion and action on recommendation to the Board for the Disability Committee to review of Disability applications and make recommendations to the Board.**

Chair Kaldor led the discussion regarding the recommendation to the Board for the Disability Committee to review applications and make recommendations to the Board.

A motion was made to have a Disability Sub-Committee for 6 months that consists of Trustees Rounds, Santos, and Dr. Das to provide recommendation to the Board.

Approved. (M.S.C. – Santos/Bill, 5-0-4, Abstain – Bacigalupi, Absent – Krytzer, Mason and Sunzeri)

Ms. Busse stated that there are 14 disabilities ready for the Special Meeting and asked Chair Kaldor if it is ok to bring 10 disabilities to the October 30th Special Meeting and the other 4 to the November 1st Board meeting, then proceed with the new process of the Disability Sub-Committee. Chair Kaldor confirmed.

- c. Discussion and action for the Disability Committee to review best practices.**

Item 6.5c was heard concurrently with Item 6.5b.

- d. Discussion and action on recommendation to the Board to hire medical personnel for Dr. Das to help expedite with the pending disability lists.**

- i. Supplemental staff memo regarding medical personnel for Dr. Das.**

A motion was made to approve the expenditure for additional staff for Dr. Das to help with disabilities.

Approved. (M.S.C. – Santos/Lanza, 6-0-3, Absent – Krytzer, Mason and Sunzeri)

7. CONSENT CALENDAR (Items 7.1 through 7.7)

A motion was made to approve the balance of the Consent Calendar, excluding Item 7.6c.

Approved. (M.S.C. – Bacigalupi/Santos, 6-0-3, Absent – Krytzer, Mason and Sunzeri)

Item 7.6c was pulled.

A motion was made to approve Item 7.6c.

Approved. (M.S.C. – Bacigalupi/Santos, 6-0-3, Absent – Krytzer, Mason and Sunzeri)

7.1 Approval of Deferred Vested/Non-Service-Connected Disability

Darrin Smolinski, Police Officer, Police Department, effective August 31, 2011; 2.81 years of service. Pursuant to San Jose Municipal Code Section 3.36.3020(E). (With reciprocity)

7.2 Approval of Lifetime Reduced Retirement Monthly Payment Option to be paid to Alicia J. Farquhar, ex-spouse of Police Officer, Hector M. Vasquez, to be effective October 13, 2012 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

7.3 Approval of Minutes

- a. Monthly Board meeting held on September 6, 2012.**

7.4 Approval of Travel and Attendance for Conferences and Due Diligence

- a. Sean Bill - CFA Institute Conference: Fixed-Income Management 2012 Strategies for Income Generation, Hilton San Francisco Financial District, San Francisco, CA – October 10-11, 2012.
- b. Heidi Poon - Albourne Hedge Fund Conference, Chicago, IL – October 2-3, 2012.
- AAAIM, Global Opportunities: East meets West, JW Marriott Los Angeles LA Live, Los Angeles, CA – October 30-31, 2012.
- c. May Cheung - CALAPRS, Information Technology Roundtable, Los Angeles Marriott Burbank Airport, Burbank, CA – September 14, 2012.
- d. Rajiv Das - AAPM&R 2012 Annual Assembly, Atlanta, GA – November 15-18, 2012.

7.5 Return of Contributions

- a. Voluntary
- b. Involuntary

7.6 Communication/Information

- a. The Cortex Report: Research Papers and Articles
- b. Benefits Review Forum Report, August 2012.
- c. Letter from Moscone Emblidge Sater & Otis LLP, regarding Association of Retired San Jose Police Officers & Fire Fighters, dated September 17, 2012. **Item 7.6c was pulled and approved separately.**
- d. Memos from Meketa and NEPC regarding London Inter-Bank Offer Rate (LIBOR).

7.7 Pending Projects

8. EDUCATION & TRAINING - Note and file

8.1 Educational Programs and Courses

8.2 Conferences and Seminars

8.3 CalAPRS' Training

- Trustees' Round Table, Los Angeles Marriott Burbank Airport, Burbank, CA – Friday, October 19, 2012.

• **PROPOSED AGENDA ITEMS - None**

• **PUBLIC COMMENTS - None**

Board entered into Closed Session for Item 3.9 to 3.11 at 12:34 p.m.

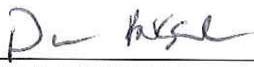
- **ADJOURNMENT**

Meeting adjourned at 2:35 p.m.



SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



DONNA BUSSE
ACTING DIRECTOR, RETIREMENT SERVICES