

# POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

7.4a

## Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

March 1, 2012

### CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, March 1, 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 8:37 a.m.

### BOARD MEMBERS

Sean Kaldor, Chair	-Present
Richard Santos, Vice Chair	-Present
David Bacigalupi	-Present
Sean Bill	-Present
Damon Krytzer	-Present
Drew Lanza	-Present
Elizabeth Rounds	-Present
Vincent Sunzeri (Left @ 10:30 a.m.)	-Present
Vacant	

### ALSO PRESENT

Robert Sapien, San Jose Local 230  
Paul Mulholand, P&F Retiree Association  
Alex Gurza, Office of Employee Relations  
Aracely Rodriguez, Office of Employee Relations  
Bill Hallmark, Cheiron (Via Teleconference)  
Margaret Tempkin, Cheiron  
Jeffrey Rieger, ReedSmith LLP  
Harvey Leiderman, ReedSmith LLP  
Dan Kadomoto, Finance  
Jim Spence, P&F Retiree Association  
Jenna Susko, NBC News

### NON-VOTING BOARD MEMBER

Pete Constant -Present

### DIRECTOR RETIREMENT SERVICES

#### BOARD SECRETARY

Russell U. Crosby -Present

### COUNSEL

Mollie Dent -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  
Troy Gavin

### **CALL TO ORDER: 8:37 a.m.**

### • ORDERS OF THE DAY

- Item 4.2(a) and 4.2(b) – Deferred, per request of Attorney
- Item 2.2(g) – new item added to the Amended Agenda
- Item 2.3 – Waive Sunshine, items received late
- Item 3.2 – Waive Sunshine, items received late
- Item 3.5 – Documentation received late
- Item 3.4 – moved to be heard first
- Item 6.1a – moved to be heard after Item 3.4

Motion to Waive Sunshine for Items 2.3 and 3.2 and accept changes in Orders of the Day.

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

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](http://sanjose.granicus.com/ViewPublisher.php?view_id=44). If you have any questions, please contact the Retirement Services Department at (408) 794-1000.

PF 04-05-12

Item 3.4 was heard first, followed by Item 6.1(a).

**1. INVESTMENTS**

**1.1 Update on Investments from the CIO.**

**2. NEW BUSINESS**

**2.1 Update on vacant Trustee position.**

Mr. Crosby reported that the nomination forms are available in the City Clerk's Office and noted that the position would have to be an active duty Police Officer. Mr. Constant stated that Council will move the process quickly once the City Clerk's process is completed.

**2.2 Discussion and action on the accusations made about Retirement Staff, San Jose City Officials, and our consultant's actions around pension plan projections in a recent media investigative report.**

- a. NBC Bay Area News reports.
- b. Memo from City Manager, Debra Figone, regarding Retirement Projections Fact Sheet, dated February 9, 2012.
- c. Complaint Form filed by Christopher E. Platten to the San Jose Elections Commission, dated February 9, 2012.
- d. Memorandum dated February 14, 2012, from HansonBridgett to San Jose Elections Commission regarding alleged Ethics Violation.
- e. Letter dated February 14, 2012, from Gene Kalwarski of Cheiron regarding NBC Bay Area Report.
- f. Transmittal of Elections Commission Complaint and Report of the Independent Evaluator.
- g. Letter dated February 15, 2012, from Mayor Chuck Reed to San Jose Elections Commission regarding Mayor's statements regarding future cost estimates.

Chair Kaldor led the discussion regarding the accusations made about Retirement Staff, San Jose City Officials and the Board's consultant's actions around pension plan projections. He stated any accusations about the Board should be referred to the Board's General Counsel for further investigation.

**2.3 Authorize actuary to perform cost study on agreed upon benefits regarding Purchase of Leave of Absence service for Fire members.**

Ms. Dent, Senior Deputy City Attorney, provided an overview on Purchase of Leave of Absence service for Fire members. She reported that the Board previously authorized Segal to perform the study requested by the Deputy City Manager and that the Board only needed to re-affirm sending it to Cheiron to perform the studies.

A motion was made to authorize Cheiron to perform cost study on previous agreed upon benefits as follows: 1) Redeposit previously withdrawn contributions; 2) Purchase service credit for



previous service under the Federated Plan at any time prior to retirement; and 3) Purchase service credit in the plan for time on an unpaid leave of absence.

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

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

#### **3.1 Discussion and action on Cheiron's June 30, 2011 Pension Actuarial Valuation Report for the Police and Fire Department Retirement Plan.**

Bill Hallmark, via teleconference, and Margaret Tempkin from Cheiron, led the discussion on the June 30, 2011 Pension Actuarial Valuation report for the Police and Fire Department Retirement Plan.

A motion was made to approve the Cheiron's June 30, 2011 Pension Actuarial Valuation Report for the Police and Fire Department Retirement Plan.

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

#### **3.2 Discussion and action regarding Cheiron's June 30, 2011 Other Post Employment Benefits Plan (OPEB) Actuarial Valuation.**

Margaret Tempkin and Bill Hallmark from Cheiron gave an overview of the June 30, 2011 Other Post Employment Benefits Plan (OPEB) Actuarial Valuation Report for the Police and Fire Department Retirement Plan.

A motion was made to approve Cheiron's June 30, 2011 Other Post Employment Benefits Plan (OPEB) Actuarial Valuation.

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

Motion was made to request Cheiron to provide the total ARC for a 5 year period and report back to the Board for discussion.

**Approved. (M.S.C. – Krytzer/Bill, 6-1-1, Bacigalupi-No, Sunzeri-absent)**

#### **3.3 Approval of Rules and Regulations for Voluntary Deductions from Pension Benefit Payments.**

Ms. Busse reported to the Board on the Rules and Regulations for Voluntary Deductions form Pension Benefit Payments.

A motion was made by Trustee Bacigalupi, seconded by Trustee Santos to adopt the changes in the policy for all new retirees who have not signed up and bring back a status report to the June Board meeting.

Motion was amended to approve the policy for three groups "A" through "C" as listed in the policy under Item 2.

**Approved. (M.S.C. – Bacigalupi, Santos, 7-0-1, Sunzeri-absent)**

**Item 3.4 was heard first, as noted on Orders of the Day**

**3.4 Discussion and action on selection of legal counsel and authorization for the City Attorney and Board Secretary to negotiate and execute contracts for terms of three years with the following firms:**

- **Reed Smith LLP** – for general counsel and investment services in an amount not to exceed \$500,000.
- **Ice Miller** – for tax services in an amount not to exceed \$75,000.
- **Saltzman & Johnson Law Corporation** – for domestic relations order services in an amount not to exceed \$75,000.

Ms. Dent, Senior Deputy City Attorney provided a brief synopsis on the selection process.

A motion was made to approve the recommendations.

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

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

Ms. Niebla updated the Board regarding the Payroll audit and introduced Dan Kadomoto, from the City's Finance Department. Finance committed to providing Department of Retirement Services the FLSA correction files in March 2012. In addition, Finance discussed and provided the status of two additional payroll correction files for higher class pay corrections and 4850 corrections.

**3.6 Update on Board Retreat.**

Chair Kaldor stated that the Board Retreat will be held at the Hayes Mansion on March 7<sup>th</sup>, and to contact Mr. Crosby for directions.

**4. RETIREMENTS - 10:30 a.m. or soon thereafter**

**4.1 Service Retirement**

- a. **Richard E. Brooks**, Police Sergeant, Police Department, effective April 2, 2012; 26.98\* years of service.
- b. **Henry L. Brunson**, Fire Inspector, Fire Department, effective April 28, 2012; 22.16\* years of service. (*With reciprocity*)
- c. **David J. Storton**, Police Lieutenant, Police Department, effective April 14, 2012; 27.36\* years of service.

**Approved. Item 4.1a through 4.1c. (M.S.C. – Bacigalupi/Santos, 7-0-1, Sunzeri-absent)**

**4.2 Change of Status**

- a. **Louis P. Zapata**, Police Officer, Police Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective December 15, 2007; 26.26 years of service.

**Deferred. As noted on Orders of the Day.**



- b. **Todd Spellman**, Fire Captain, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective December 25, 2010; 27.54 years of service.  
**Deferred. As noted on Orders of the Day.**

#### 4.3 Approval to Change of Retirement Date

- a. Approval of change of retirement date of **Eric Grimes**, Police Officer, Police Department; from January 1, 2012 to January 5, 2012 and 22.36\* years of service.  
**Approved. (M.S.C. – Bacigalupi/Santos, 7-0-1, Sunzeri-absent)**

#### 4.4 Approval to Rescind Retirement Application

- a. Approve to rescind application of **Robert R. Lopez**, approved at the January 5, 2012 meeting for the effective date of January 21, 2012.  
**Approved. (M.S.C. – Kaldor/Santos, 7-0-1, Sunzeri-absent)**

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

- 5.1 Notification of the death of **Glen Castlio**, Police Sergeant, retired June 15, 1983, died January 31, 2012. No survivorship benefits.
- 5.2 Notification of the death of **Elizabeth J. Cunningham**, Police Officer, retired March 15, 1980, died January 28, 2012. No survivorship benefits.

### 6. COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS

#### 6.1 Investment Committee – Next Meeting: March 28, 2012

**Item 6.1a was heard after Item 3.4, as noted on the Orders of the Day**

- a. **Report from the Chair of the Investment Committee.**

Trustee Sunzeri, Chair of the Investment Committee, stated that the main focus was on the Asset Liability Model (ALM). The Committee also discussed outsourcing and hedge fund implementation.

#### 6.2 Ad Hoc Committee for Disability Determination Process – Next Meeting: TBD

- a. **Appointment of new Committee Chair.**

Chair Kaldor stated that Trustee Santos will be the new Chair for the Disability Determination Process.

#### 6.3 Ad Hoc Governance Committee – No next meeting

- a. Minutes of January 5, 2012 meeting. **Note and File**
- b. Minutes of February 16, 2012 meeting. **Note and File**
- c. Report from the Chair of the Ad Hoc Governance Committee.

Chair Kaldor stated February 16, 2012 was the last meeting.

**7. CONSENT CALENDAR (Items 7.1 through 7.6)**

A motion was made to approve the Consent Calendar items 7.1 through 7.6.

**Approved. (M.S.C. – Santos, Bacigalupi, 7-0-1, Sunzeri-absent)**

**7.1 Approval of Minutes**

- a. Monthly Board meeting held on February 2, 2012.

**7.2 Approval of Travel/Conference Attendance**

- a. Bettina Rounds - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.  
**(CANCEL)**
- b. Sean Bill - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.  
- Rock Center for Corporate Governance, Fiduciary College, Stanford University, Palo Alto, CA – July 23-25, 2012.  
- CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.
- c. Damon Krytzer - CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.  
- Skybridge Alternatives Conference – SALT 2012, Las Vegas, CA – May 8-11, 2012.  
- Institutional Fund Summit, Dana Point, CA – April 15-16, 2012.
- d. Conrad Taylor - IFEBP, Wharton School, Hedge Funds, Real Estate and Other Alternative Investments, San Francisco, CA – July 16-18, 2012.  
**(CANCEL)**  
- Rock Center for Corporate Governance, Fiduciary College, Stanford University, Palo Alto, CA – July 23-25, 2012. **(CANCEL)**
- e. Tram Doan - CalAPRS, Investment Officers' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.
- f. Daryn Miller - CalAPRS, Investment Officers' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.
- g. Heidi Poon - The Women's Private Equity Summit, Ritz-Carlton, Half Moon Bay, CA – March 15-16, 2012.  
- CalAPRS, Investment Officers' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.
- h. Max Koch-Heintzeler - CalAPRS, Investment Officers' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.
- i. Sonia Morales - CalAPRS, Administrative Assistant Round Table, DoubleTree Hotel, San Jose, CA – April 13, 2012.
- j. Rajiv Das - American Academy of Orthopedic Surgeons Annual Meeting, Moscone Convention Center, San Francisco, CA – February 7-11, 2012.
- k. Ron Kumar - CalAPRS, Investment Officers' Round Table, DoubleTree Hotel, San Jose, CA – February 3, 2012.



**7.3 Approval of Monthly Expenses**

- a. Plan Expenses for January 2012.

**7.4 Return of Contributions**

- a. Voluntary
- b. Involuntary

**7.5 Communication/Information**

- a. Benefit Review Forum Report – January 2012.
- b. Alternatives Investment Summit, Educational Travel Report – by Damon Krytzer.
- c. SALT Conference of May 11-13, 2011, Educational Evaluation Travel Report – by Damon Krytzer.
- d. Trustees Master's Program & 57<sup>th</sup> Annual Benefits Conferences on October 29, 2011 – November 2, 2011, Educational Evaluation Travel Report – by Pete Constant.
- e. Skybridge Alternatives Conference on May 11-13, 2011, Educational Evaluation Travel Report – by Sean Bill.
- f. CalAPRS Trustees' Round Table on February 3, 2012, Educational Evaluation Travel Report – by Sean Kaldor, Damon Krytzer, Sean Bill and Richard Santos.

**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**

**8.4 CalAPRS' Training**

- a. Trustees' Round Table, DoubleTree Hotel, 2050 Gateway Place, San Jose – Friday, June 8, 2012.

**• PROPOSED AGENDA ITEMS**

- 1) Educational session on OPEB from Cheiron.
- 2) Full OPEB ARC.
- 3) New standing item on Agenda for Mr. Constant to report back from Council meetings

**• PUBLIC COMMENTS None**

- **ADJOURNMENT**

Meeting was adjourned at 12:47 p.m.

  

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**SEAN KALDOR, CHAIR**  
**BOARD OF ADMINISTRATION**

**ATTEST:**

  

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**RUSSELL U. CROSBY**  
**DIRECTOR, RETIREMENT SERVICES**