

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

7.2a

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

April 5, 2012

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, April 5, 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 8:35 a.m.

BOARD MEMBERS

Sean Kaldor, Chair	-Present
Richard Santos, Vice Chair	-Present
David Bacigalupi	-Present
Sean Bill (arrived @ 8:50 a.m.)	-Present
Damon Krytzer	-Present
Drew Lanza	-Present
Elizabeth Rounds	-Present
Vincent Sunzeri	-Present
Vacant	

ALSO PRESENT

Dan LeBeau, NEPC
Allan Martin, NEPC
Bill Hallmark, Cheiron
Gene Kalwarski, Cheiron
Tom Iannucci, Cortex (Via teleconference)
Ron D'Acchioli, Fire Department
Todd Spellman, Retiree
Mike Moffett, Retiree
Rudy Gonzalez, Retiree
Sam Swift, Attorney

NON-VOTING BOARD MEMBER

Pete Constant	-Present
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DIRECTOR RETIREMENT SERVICES

BOARD SECRETARY

Russell U. Crosby	-Present
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COUNSEL

Harvey Leiderman	-Present
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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
Jesselle Holcomb
Sonia Morales
Troy Gavin
Melanie Kirmse

CALL TO ORDER: 8:35 a.m.

• ORDERS OF THE DAY

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

Item 6.1(a) moved to be heard after Items 1.1 and 1.2.
Items 2.1, 2.3, 2.4 and 3.1, moved to be heard after Item 1.2.
Disabilities Items 4.2(a) & 4.2(b) – 10:30 a.m. time-certain
Items 2.3 and 3.3, moved to be heard after disabilities.
Items 3.2, 3.4 and 3.5, moved to be heard after Item 3.3.
Closed Session
Item 2.5
Returned to regular agenda

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PF 05-03-12

1. INVESTMENTS

1.1 Update on Investments from the CIO.

Ms. Racy-Choy reported to the Board on Investments and noted in regards to the hedge fund program, the due diligence for the manager selection travel schedule has been set-up.

1.2 Discussion and action regarding Investment Committee recommendations for the roles of staff and NEPC for the performance of Investment functions.

Item 1.2(a) was heard concurrently with Item 6.1(a).

Trustee Sunzeri, Chair of the Investment Committee, asked representatives from NEPC Dan LeBeau and Allan Martin to update the Board regarding the plan.

A motion was made to Waive Sunshine.

Approved. (M.S.C. – Kaldor/Bacigalupi, 7-0-1, Bill-Absent)

Mr. LeBeau and Mr. Martin from NEPC presented and discussed their presentation to the Board on the Investment Performance Analysis for the period ending December 31, 2011.

A motion was made to accept the recommendation from the Chair of the Investment Committee as recommended in Item 1.2 Staff and Investment Consultant Responsibilities.

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

2. NEW BUSINESS

2.1 Discussion and action on actuarial, administrative and legal impacts of the Ballot Measure.

Trustee Lanza updated the Board regarding items requested by the Board regarding the Ballot Measure.

A motion was made to approve recommendations on page 2 (prior to the proposed Ballot Measure) and page 3 (after the Ballot Measure approval).

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

a. Cheiron assessment of Ballot Measure.

Bill Hallmark and Gene Kalwarski from Cheiron presented and discussed the actuarial, administrative and legal impacts of the Ballot Measure Overview.

A motion was made by Trustee Sunzeri to have legal Counsel work with staff, Cheiron and NEPC to develop a list of questions needed to administer the plan.

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

A motion was made to authorize Cheiron to work with NEPC and ReedSmith to develop a model of financial impacts for internal use that will reflect the implementation of the Ballot Measure.

Approved. (M.S.C. – Kaldor/Lanza, 8-0-0)

b. Impacts on Administration.

Ms. Busse updated the Board regarding the impacts on Administration. **Note and file**

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2.2 Discussion and action on Cortex Phase II: Ad Hoc Committee scope, goals, members.

Chair Kaldor led the discussion on the Cortex Phase II: Ad Hoc Committee, scope, goals, members. He stated that the objective of the Ad Hoc Committee-Cortex Phase II would be to evaluate an organizational relationship where staff reports to the Board; reporting relationship – alternatives advantages and disadvantages, and to work in coordination with Cortex and the Federated City Employees' Retirement System. Members of the Ad Hoc Committee-Cortex Phase II will consist of: Trustee Kaldor (Chair), Trustee Lanza, Trustee Santos, Trustee Rounds and Trustee Sunzeri (Alternate) and Trustee Bill as (Alternate).

A motion was made to adopt the objectives for the Ad Hoc Governance Committee-Cortex Phase II and members.

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

Item 3.3 was heard after Item 2.2, as noted on Orders of the Day.

2.3 Contribution Rates and Amounts for 2012-2013.

- a. Discussion and action regarding Resolution 3761 setting new city and employee contribution rates and amounts for Police members to be effective June 24, 2012.

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

- b. Discussion and action regarding Resolution 3762 setting new city and employee contribution rates and amounts for Fire members to be effective June 24, 2012.

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

2.4 Supplemental Retirement Benefit Reserve (SRBR):

- a. Discussion and action on SRBR calculations from Cheiron, Inc.

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

- b. Discussion and action regarding Resolution 3763 declaring excess earning as of June 30, 2011, for the purpose of transfer to Supplemental Retiree Benefit Reserve.

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

- c. Discussion and action on City Council action regarding SRBR payments. **Receive and file.**

2.5 Educational session from Counsel on conflicts of interest. Receive and file.

Item will be heard next Board meeting.

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

3.1 Discussion regarding estimated Annual Required Contribution based on certain actuarial assumptions in years 3-5 of the 5-year projection for the Other Post Employment Benefits (OPEB) Plan. Receive and file.

Bill Hallmark from Cheiron stated that draft letter is not available, but will have it at the next Board meeting.

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Break 6-minute. Items 4.2(a) and 4.2(b), Time-certain at 10:30 a.m. were heard after break.

3.2 Update on Payroll Audit, FLSA and overtime payment issues. Receive and File.

Item 3.2 was heard after Item 3.3, as noted on Order of the Day.

Ms. Niebla updated the Board on the Payroll Audit, FLSA and overtime payment issues. She stated that Local 230, the City and the plan's external Accountant may meet in late April to go over the FLSA corrections.

3.3 Discussion and action on Governance policies developed by Cortex.

Item 3.3 was heard after Item 2.2, as noted on Orders of the Day.

Tom Iannucci from Cortex led the discussion on Governance policies, via teleconference. Mr. Leiderman, Fiduciary Counsel presented modifications to the Board and recommended that: "CEO" be replaced with "Director" and "Role of the" be replaced with "Charter" as applicable to the policies.

a. Role of the Board of Administration

A motion was made to accept the draft from Cortex with modifications and recommendations by ReedSmith with the following additional changes:

Item 14c being used to differentiate personnel budget vs. operating expenses;

Add Item 11i – Medical Director;

Item 5a – remove "filled or vacant" comment.

Approved. (M.S.C. – Kaldor/Bacigalupi, 7-0-1, Santos-Absent)

b. Role of the CEO

A motion was made to approve the policy as corrected with modifications and recommendations by ReedSmith with the following additional changes:

Item 34, add Board of Administration;

Item 28, not include the rebalancing phrase.

Spell check.

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

The Board revisited Item 26 in the Role of the CEO after Item 3.3c. A motion was made to eliminate Item 26 from the Role of CEO policy.

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

c. Board Communications Policy

A motion was made to adopt the Board Communications Policy as drafted by Cortex with modifications and recommendations by ReedSmith with the following additional changes:

Item 16 – remove last sentence and the 2nd to the last sentence will have the investment committee as one of the places that proposals should be brought to;

Item 3 – General Counsel as spokesperson for the plan; and

Item 18 – Press Release, responsibility to Spokesperson.

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

Item 3.2 was heard after Item 3.3, as noted on Order of the Day.

3.4 Update from Councilmember Constant. Receive and file.

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Chair Kaldor commented that Item 3.4 will be revisited if Councilmember Constant reported back while Board meeting was in session.

3.5 Update on vacant Trustee position. Receive and file.

Mr. Crosby, Board Secretary reported that the process is still moving forward and there is one candidate, and City Clerk's Office is now proceeding with the ballot.

Chair Kaldor made a slight change on Orders of the Day, with no objections from the Board Members, Item 5-Death Notifications and Item 7-Consent Calendar were heard after Item 3.5.

Closed Session Item 3.6 was heard after Public Comments at 1:20 p.m.

**3.6 CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL – LITIGATION
PURSUANT TO GOVERNMENT CODE SECTION 45956.9(a),**

Paul Mulholand, James Unland and Mary Follenweider, Plaintiffs v. Russell Crosby, Mike Moehle, City of San Jose and Does 1 through 10 Defendants; the Board of Directors of the San Jose Police and Fire Retirement Board and the Board of Directors of the City of San Jose Federated City Employees Retirement System, Necessary Parties in Interest.

Chair Kaldor read Closed Session Item 3.6 into record.

Entered into Closed Session at 1:20 p.m., as noted on Orders of the Day.

Returned from Closed Session at 2:57 p.m.

Direction was given to Counsel to respond to the lawsuit. Chair Kaldor stated no report on Item 3.6.

OPEN SESSION

There was no report from Closed Session.

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

4.1 Service Retirement

- a. **Gregory C. Raymond**, Police Sergeant, Police Department, effective May 26, 2012; 24.88* years of service.

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

4.2 Change of Status

Items 4.2(a) and 4.2(b) were heard after Item 3.1, as noted in Orders of the Day.

- a. **Rudy Gonzalez**, Fire Engineer, Fire Department. Request for a change of status from a Service Retirement to a Service-Connected Disability Retirement, effective June 13, 2009; 31.85 years of service.

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

- 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 from March 2012 Board meeting)*

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

5. **DEATH NOTIFICATIONS** **Note and file.**

- 5.1 Notification of the death of **W.J. Tilmon Martin**, Police Sergeant, retired June 3, 1987, died February 28, 2012. Survivorship benefits to Marilyn Martin, Spouse.
- 5.2 Notification of the death of **John R. Riolo**, Fire Captain, retired June 3, 1987, died January 30, 2012. Survivorship benefits to Patricia Riolo, Spouse.
- 5.3 Notification of the death of **Christopher A. Shimek**, Police Sergeant, active employee, died November 27, 2011. Survivorship benefits to Skylar A. Shimek, son.
- 5.4 Notification of the death of **Richard S. Weiser**, Police Officer, retired March 11, 1995, died February 20, 2012. No survivorship benefits.

6. **COMMITTEE MINUTES, REPORTS AND RECOMMENDATIONS**

6.1 **Investment Committee – Next Meeting: April 25, 2012**

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

Item 6.1(a) was heard after Item 1.1 as noted in Orders of the Day, and concurrently with Item 1.2.

Trustee Sunzeri, Chair of the Investment Committee, asked representatives from NEPC Dan LeBeau and Allan Martin to update the Board regarding the plan.
A motion was made to Waive Sunshine.

Approved. (M.S.C. – Kaldor/Bacigalupi, 7-0-1, Bill-Absent)

Mr. LeBeau and Mr. Martin from NEPC presented and discussed their presentation to the Board on the Investment Performance Analysis for the period ending December 31, 2011.

- b. **Minutes of February 29, 2012 Joint Police & Fire Investment Committee and Federated Investment Committee meeting. Note and file.**

6.2 **Ad Hoc Committee for Disability Determination Process – Deactivated, as noted on Item 7.8b.**

7. **CONSENT CALENDAR (Items 7.1 through 7.9)**

Item 7.8b was pulled from the Consent Calendar.

A motion was made to approve the balance of the Consent Calendar, excluding Item 7.8b.

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

Item 7.8b – Chair Kaldor reported new changes to the Ad Hoc Governance Committee members that consists of: Kaldor (Chair), Lanza, Rounds, Santos, Bill (Alternate) and Sunzeri as (Alternate). Chair Kaldor also stated that he would replace Trustee Taylor as a member of the Investment Committee and that Trustee Bacigalupi would now be Alternate on the committee.

Upon recommendation from Counsel, Chair Kaldor deactivated the Ad Hoc Disability Determination Committee with the option to reactivate it in the future when needed.

A motion was made to approve committees with modifications.

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

- 7.1 Approval of Lifetime Monthly Payment Option to be paid to **Suzanne Raymond**, ex-spouse of Police Sergeant Gregory Raymond, to be effective May 9, 2012 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

7.2 **Rescission of Retirement Application**

- a. Approval of rescinding application of **Barry Stallard**, approved at the January 5, 2012 meeting for the effective date of April 30, 2012.

7.3 **Approval of IT Minor Agreement**

Approval of IT Minor Agreement authorizing the Secretary to negotiate and execute an Agreement with Park Place Technologies for post-warranty maintenance for Del PowerVat 220S hardware devices and for a Tape Drive Storage Library for an amount not-to-exceed \$4,000 for a 2 year period (cost to be split 50/50 with San Jose Federated City Employees' Retirement System).

7.4 **Approval of Minutes**

- a. Monthly Board meeting held on March 1, 2012.
b. Special Board Meeting held on March 7, 2012.

7.5 **Approval of Travel for Conferences and Due Diligence**

- a. Carmen Racy-Choy- The Women's Private Equity Summit, Half Moon Bay, CA – March 15-16, 2012.
- **Due Diligence – Hedge Fund On-Site:**
• New York - Week of April 16, 2012.
• New York – Week of May 7, 2012.
• London – Week of June 4, 2012.
• Bermuda – Week of July 9, 2012.
- b. Sean Bill - SACRS Spring Conference 2012, Resort @ Squaw Creek, Lake Tahoe, CA – May 8-11, 2012.
- c. Heidi Poon - Private Equity/Real Assets Summit 2012, Hyatt Fisherman's Wharf, San Francisco, CA – March 26-27, 2012.
- Clean & Green Investment Forum, The Hotel Nikko, San Francisco, CA – June 6-7, 2011. **(CANCEL)**
- **Due Diligence – Hedge Fund On-Site:**
• New York - Week of April 16, 2012.
• Dallas, Minneapolis, Greenwich – Week of April 23, 2012.
• London – Week of June 4, 2012.

- d. May Cheung - CalAPRS, Information Technology Round Table, DoubleTree Hotel, San Jose, CA – April 13, 2012.
- e. Rajiv Das - Impairment Without Disability, Duluth, MN – October 13-14, 2011. (CANCEL)
- f. Veronica Niebla - Accountants' Round Table, DoubleTree Hotel, San Jose, CA – April 13, 2012.
- g. Daryn Miller - Due Diligence – Hedge Fund On-Site:
 - New York – Week of May 7, 2012.
 - Boston, Greenwich – Week of May 14, 2012.
 - Bermuda – Week of July 9, 2012.
- h. Sean Kaldor - CalAPRS, Trustees' Round Table, DoubleTree Hotel, San Jose, CA – June 8, 2012.

7.6 Approval of Monthly Expenses

- a. Plan Expenses for February 2012.

7.7 Return of Contributions

- a. Voluntary
- b. Involuntary

7.8 Communication/Information

- a. Memo from Russ Richeda, Saltzman & Johnson, dated March 5, 2012 regarding Governor Brown's Pension Modification Proposals.
- b. List of committees and members. **Item was pulled from the Consent Calendar.**
- c. SACRS Fall Conference, November 15-18, 2011 – Educational Travel Report – by Sean Bill.
- d. CalAPRS General Assembly, March 3-6, 2012 – Educational Travel Report – by Richard Santos.
- e. Memo from Debra Figone, City Manager entitled Lump Sum Payment of Employer Retirement Contributions and Establishment of the Prepayment Amount for Fiscal Year 2012-13, dated March 29, 2012.
- f. Update on fiduciary insurance payment waiver of recourse fees by individual trustees.
- g. Request to California State Auditor, JLAC Hearing of March 2012.
- h. Pension Reform Ballot Measure
 - a. Resolution 76158 Pension Reform Ballot Measure
 - b. Arguments in Favor and Against Measure B
 - c. Memo from Debra Figone, City Manager, dated May 2, 2011, regarding Fiscal Reform Plan.
 - d. Memo from Debra Figone, City Manager, dated February 21, 2012, including revised Retirement Reform Ballot Measure
 - e. Memo from Councilmembers Chu and Kalra, dated March 2, 2012.
 - f. Memo from Mayor Reed, Vice Mayor Nguyen and Councilmembers Constant, Herrera and Liccardo, dated March 2, 2012.
 - g. Memo from Councilmember Rocha, dated March 2, 2012.
 - h. Memo from Councilmember Kalra, dated March 5, 2012. (second memo)

- i. Supplemental Memo from the City Attorney, dated March 5, 2012, including Meyers Nave analysis.
- j. Memo from Councilmember Kalra, dated March 5, 2012.
- k. Memo from Councilmember Liccardo, dated March 6, 2012.

7.9 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 - None**

• **PUBLIC COMMENTS**

Jim Spence, President of the Police & Fire Retiree Association requested the release of names who did not apply for the Medicare Part B reimbursement. Mr. Leiderman, Fiduciary Counsel commented that due to privacy regarding confidentiality regarding options that list could not be released.

• **ADJOURNMENT**

The meeting was adjourned at 2:58 p.m.


SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:


RUSSELL U. CROSBY
DIRECTOR, RETIREMENT SERVICES