



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, November 7, 2013

8:30 AM

City Hall Wing Rooms 118-120

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, November 7, 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.

Present: 9 - Sean Kaldor, Richard Santos, Bettina Rounds, Sean Bill, Damon Krytzer, Drew Lanza, Nick Muyo, James Mason and Vincent Sunzeri

Retirement Staff Present: Roberto L. Peña; Donna Busse; Lesley Lamb; Sonia Morales; Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Cheryl Parkman Office of Employee Relations; Dan LeBeau, NEPC; Bill Hallmark, Cheiron; Gene Kalwarski, Cheiron; Tim Doyle, Cheiron; Michael Baldwin, Fire; Michael Williams, Police Retiree; Thomas Boyle, Attorney; James Spence, Association of SJPOFF; Ron D'Acchioli, Fire; Marty Jo Luis, Police; Shawny Williams, Police.

Mr. Leiderman and Trustee Rounds arrived at 8:45 a.m.

ORDERS OF THE DAY

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

- Health Care Trust will be heard in its' entirety under New Business
- Item 5.2b - was deferred
- Item I.A #8 and #9 of Closed Session to be heard in Open Session

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

- Item 4.c - Cheiron - Received late
- Item 7.5a - Letter from Jim Spence- Received late
- Item A2 and Item A3 of the Health Care Trust - Received late.

A motion was made to approve the Orders of the Day and Waive Sunshine on Items 4.c and 7.5a of the Pension Agenda and Items A2 and A3 of the Health

Care Trust Agenda.

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

CLOSED SESSION

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

The Board entered into Closed Session at 8:34 a.m. Trustee Rounds and Mr. Leiderman arrived and entered into Closed Session at 8:45 a.m.

I. CLOSED SESSION INVESTMENTS

- a. CLOSED SESSION: Conference with Investment Consultant pursuant to Government Code Section 54956.81 to consider purchase/sale of particular pension fund investments (Nine investments).

The Board reconvened out of Closed Session at 9:49 a.m. and reconvened into Open Session at 9:56 a.m. There was no reportable action out of Closed Session.

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

1. CONSENT CALENDAR

There were no items to change on the Consent Calendar.

A motion was made to approve the Consent Calendar Items 1.1 through 1.6c. Approved. (M.S.C. Santos/Muyo 9-0-0).

1.1 Change of Retirement Application

- a. Approval of change of retirement date of **John S. Hopper**, Firefighter, Fire Department; from October 12, 2013 to November 9, 2013.

1.2 Approval Of Minutes

- a. Approval of Board Minutes from October 3, 2013.
- b. Approval of Board Minutes from September 5, 2013. (*Deferred from the October Board meeting*)

1.3 Approval Of Travel for Conferences and Due Diligence

- a. Richard Santos, Trustee
- 2013 Public Safety Employees Pension & Benefits Conference, Rancho Mirage, CA - October 27-30, 2013. **CANCELLED**

- b. Linda Alexander, Staff
- CalAPRS, Advance Course in Retirement Plan Administration, Hyatt Place San Jose Downtown, San Jose, CA - November 20-22, 2013.

1.4 Return of Contributions

- a. Voluntary / Involuntary.

1.5 Communication/Information

- a. The Cortex Report: Research Papers & Articles.
- b. First Quarter 2013 FX transaction cost analysis.
- c. First Half 2013 equity transaction cost analysis.
- d. August 2013 Performance Flash Report for the Pension Trust.
- e. Education Travel Reports:
- Retirement Research Consortium Annual Meeting, Washington, DC - August 1-2, 2013 - by Pete Constant.
- f. Update on payroll audit, FLSA and overtime payment issues.

1.6 Education and Training

- a. CalAPRS, Advanced Principles of Pension Management for Trustees, UCLA Anderson School of Business, Los Angeles, CA - January 22-24, 2014.
- b. The Cortex Report: Educational Program and Courses.
- c. The Cortex Report: Conference and Seminars.

2. INVESTMENTS

- a. Discussion and action regarding Private Equity Pacing Plan by NEPC.
- Dan LeBeau from NEPC led the discussion regarding Private Equity Pacing Plan and answered questions from the Board.**
- A motion was made to approve the Private Equity Pacing Plan by NEPC. Approved. (M.S.C. Kaldor/Santos 9-0-0).**

- b. Discussion on the finding of Fourth Quarter 2012 FX transaction cost analysis and First Quarter 2013 equity transaction cost analysis.

Ms. Doan led the discussion on the finding of Fourth Quarter 2012 FX transaction cost analysis and First Quarter 2013 equity transaction cost analysis. There was no action to report on this item.

- c. Update from the interim CIO.

The update on the Interim CIO will be heard by the Chair of the Investment Committee during the Investment Committee update, Item 7.1a.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action on Policy on Election of Board Officers.

Trustee Lanza declined the nomination to run for Board Chair. Trustee Kaldor and Trustee Sunzeri accepted the nomination to run for Board Chair. The Board discussed their concerns of how the nomination process should run. After the discussion, Chair Kaldor made a request to bring this item back to the Board next month at the December meeting and elect a Chair.

4. NEW BUSINESS

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

This item was heard after Item 5.3c. The Board did not have any questions on this item.

A motion was made to accept the Plan Expenses for August 2013.
Approved. (M.S.C. Kaldor/Santos 8-0-0 with one absent, Rounds)

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

Mr. Pena gave an update regarding Staff. He introduced and welcomed two new hires Aynur Yeniay, Financial Analyst and Benji Chua-Foy, Accounting Division Manager. Mr. Pena also reported that the CAFR is almost finalized. The new profiles for Chief Investment Officer and Investment Officer are out and both openings will be closing on December 6th. Interviews will be set up either before or after the holidays.

- c. Discussion and action on plan actuary, Cheiron's presentation of preliminary 2013 Pension Valuation results, 2008-2013 Experience Study, and recommended assumption changes for the 2013 Pension Valuation to affect the 2014-2015 contribution rates.

Bill Hallmark, Gene Kalwarski and Jim Doyle from Cheiron, led the discussion and presentation on Cheiron's preliminary 2013 Pension Valuation results, 2008-2013 Experience Study, and recommended assumption changes for the 2013 Pension Valuation to affect the 2014-2015 contribution rates.

After a lengthy discussion, a motion was made to approve the Valuation results

2008-2013 Experience Study per the following rates:

- Long Term 3 1/2%
- Short Term 2.64%
- Discount 7.25%
- Cola Tier 2 1 1/2%
- Price per NEPC 3.25%
- 2yrs wage inflation 2 1/2%

Approved. (M.S.C. Kaldor/Santos, 8-1-0 with 1-No: Mason)

Cheiron continued and led the discussion for the 2013 Pension Valuation to affect the 2014-2015 contribution rates.

A motion was made to approve Demo graphic changes by Cheiron.

Approved. (M.S.C. Kaldor/Santos, 9-0-0).

5. RETIREMENTS

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

5.1 Deferred Vested

- a. Diane E. Urban, Assistant Chief, Police Department, effective November 27, 2013; 25.48* years of service.

A motion was made to approve Deferred Vested Retirement for Diane E. Urban.
Approved. (M.S.C. Santos/Sunzeri 9-0-0).

5.2 Service Connected Disability

- a. Michael Baldwin, Firefighter, Fire Department. Request for a Service-Connected Disability Retirement, effective November 7, 2013; 22.48* years of service. (Recommended Approval)

Ms. Lamb, Benefits Manager, read the Medical Report and Micheal Baldwin was present. Dr. Das was not present for comment.

Trustee Krytzer and Trustee Bill abstained to vote due to iPad technical difficulties, therefore they were not able to review the report.

A motion was made to approve a Service-Connected Disability for Micheal Baldwin.

Approved. (M.S.C. Santos/Lanza, 7-0-2, two abstentions: Krytzer and /Bill).

- b. Rodney Daniels, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 7, 2013; 23.16* years of service. (No Committee recommendation)

This item was deferred as noted in the Orders of the Day.

5.3 Change of Status to Non-Service Connected Disability

- a. **Michael Williams**, Police Officer, Police Department. Request for a Change of Status to a Non-Service-Connected Disability Retirement, effective July 6, 2013; 21.69* years of service. (Recommended Approval)
- Ms. Lamb, Benefits Manager, read the medical report of Micheal Williams. Micheal Williams was present, represented by Attorney Boyle. Dr. Das had nothing to add.**
- Trustee Krytzer and Trustee Bill abstained to vote due to iPad technical difficulties, therefore they were not able to review the reportt.**
- A motion was made to approve Non-Service-Connected Disability for Micheal Williams.**
- Approved. (M.S.C. Santos/Mason, 7-0-2, two abstentions: Krytzer and Bill)**

6. DEATH NOTIFICATIONS

Moment of Silence

This item was heard after 4.c

- a. Notification of the death of **Samuel M. Garcia**, Fire Captain, retired August 7, 1991, died September 18, 2013. No survivorship benefits.
- b. Notification of the death of **Michael P. Lowry**, Police Officer, retired September 5, 1998, died October 4, 2013. Survivorship benefits to Bonnie Lowry, Spouse..
- c. Notification of the death of **Larry N. Stuefloten**, Police Deputy Chief, retired January 7, 1987, died September 2, 2013. Survivorship benefits to Helen Stuefloten, Spouse.
- d. Notification of the death of **Gordon E. Turnage**, Firefighter, retired March 8, 1968, died October 15, 2013. No survivorship benefits.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

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

Last Meeting: October 9, 2013 **Next Meeting: November 13, 2013**

- a. Report from the Chair of the Investment Committee. Receive and file.
- Chair of the Investment Committee, Trustee Sunzeri gave a report and updated the Board. He reported that Alan Martin, Interim CIO met with Roberto and Staff to talk about roles and asset classes. Mr. Alan wants to develop an educational plan for the Investment Officers at future Investment Committee meetings. There will be no plan to change responsibilities without the Federated buy in.**

- b. Approval of the Minutes of the September 11, 2013 Joint Federated and Police & Fire Investment Committee meeting.
Received and filed.

7.2 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.
Chair of the Audit Committee, Trustee Bill had nothing to report out of the Audit Committee.

7.3 Governance Committee (Kaldor/Rounds/Santos/Sunzeri)

Last Meeting: October 3, 2013 Next Meeting: November 7, 2013

- a. Report from the Chair of the Governance Committee. Receive and file.
- b. Discussion and action regarding new Chair of Governance Committee.
Item 7.a and 7.b were heard together.
Chair Kaldor stepped down as Chair of the Governance Committee per the Board Operations Policy, it states that the Board Chair shall not Chair any committees or sit on a committee jointly with the Board Vice Chair.
A motion was made to nominate Trustee Rounds as the new Governance Committee Chair.
Approved. (M.S.C. Kaldor/Santos 9-0-0).
- c. Discussion and action regarding upcoming review of the CEO on Personnel Policy.
Trustee Kaldor led the discussion and reported that there will be a Closed Session meeting for the CEO evaluation. The City Manager's Office will write the evaluation and the Board will provide input.

7.4 Ad Hoc Disability Committee (Santos/Rounds)

Last Meeting: October 21, 2013 Next Meeting: November 18, 2013

- a. Report from the Chair of the Ad Hoc Disability Committee. Receive and file.
Trustee Santos updated the Board and gave the report. He thanked staff for all of their work and stated that Trustee Lanza was at the last meeting for Trustee Rounds.
- b. Disability Checklist.

Chair of the Disability Committee, Trustee Santos gave a report and thanked staff for their work. He also mentioned that Trustee Lanza attended the meeting for Trustee Rounds.

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

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

Chair of the Ad Hoc Cortex Response Committee, Trustee Lanza led the discussion and updated the Board. He stated that the committee meets monthly and worked on the Charter change language to present to City Council. They have met with constituents, City Manager's Office, Unions and will be working on meeting with the new City Manager. They will be making a presentation of the Cortex Report to the City Council at their meeting on November 19, 2013. Trustee Mason stated his concerns regarding a letter from Jim Spence, President of the Retired Police and Fire union. Trustee Mason stated that there are a lot of flaws in the report. After a lengthy discussion, Trustee Kaldor authorized the Cortex Ad Hoc Committee to meet with Tom Iannucci of Cortex and go through the report.

- b. Discussion and action regarding a proposed draft Charter Ballot Measure.

Chair of the Ad Hoc Cortex Response Committee, Trustee Lanza stated that there was nothing to report. Mr Leiderman stated that he met with City Attorney Rick Doyle and said that there are interesting pieces that exist in the City Charter.

• **PROPOSED AGENDA ITEMS**

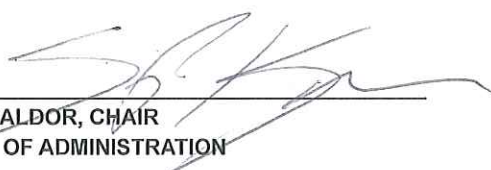
None

• **PUBLIC COMMENTS**

None


• **ADJOURNMENT**

The meeting adjourned at 2:27 p.m.



SEAN KALDOR, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



ROBERTO L. PEÑA
DIRECTOR, RETIREMENT SERVICES