

POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

7.1a

Minutes of the Board Meeting

Thursday

SAN JOSÉ, CALIFORNIA

November 3, 2011

CALL TO ORDER

The Board of Administration of the Police and Fire Department Retirement Plan met on Thursday, November 3, 2011 in regular session at City Hall Wing Rooms 118/119, 200 East Santa Clara Street, San José, California 95113. Vice Chair Conrad Taylor called the meeting to order at 8:34 a.m.

BOARD MEMBERS

David Bacigalupi, Chair, -Present (Via teleconference)
75-5919 Ali'I Drive G-1
Kailua-Kona, HI 96740

Conrad Taylor, Vice Chair -Present
Sean Bill -Present
Sean Kaldor -Present
Damon Krytzer -Present
Drew Lanza -Present
Vincent Sunzeri -Present
Richard Santos -Present
Trustee - VACANT

DIRECTOR RETIREMENT SERVICES

BOARD SECRETARY

Russell U. Crosby -Present

COUNCIL LIAISON

Pete Constant - Present

COUNSEL

Mollie Dent -Present

Russ Richeda -Present

ALSO PRESENT

Sam Swift, Attorney
Alex Gurza, Office of Employee Relations
Thomas Boyle, Attorney
Jay Wendling, P&F Retiree Association
Mike Moffett, Retiree
Lorraine May, Police Department
Mark Frietas, Retiree
Jeff Thornley, Retiree
Theresa Lannigan, Police Department
James Spence, Retiree
Lt. Alex Nguyen, Police Department
Lt. Edward Schroder, Police Department
Edward Talley, Retiree
Gabrielle Dekock, Retiree
James Jeffers, Attorney

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
Heidi Poon
Troy Gavin
Jennifer Holmboe
Jesselle Holcomb
Daryn Miller

CALL TO ORDER: 8:34 a.m.

• ORDERS OF THE DAY

Vice Chair Taylor made the following changes to the Orders of the Day:

- Item 2.1 to be heard first before Investments,
- Items 1.2, 2.1 and 4.1 waive City of San Jose Sunshine rules.

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

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P&F 12-01-11

- Defer Item 5.2c Service-Connected Disability for Eric Grimes

Item 2.1 was heard before Investments Item 1.1

2.1 NEW BUSINESS

2.1 *Discussion and action on Cheiron's Experience Study for the period July 1, 2005 to June 30, 2010.*

Representatives from Cheiron, Gene Kalwarski and Bill Hallmark, presented the Experience Study. The Board discussed the recommended demographic, inflation, investment return and the SRBR assumption changes. Item will be continued at the December Board meeting.

1. INVESTMENTS

1.1 Staff presentation of the quarterly performance report as of June 30, 2011. *(Deferred from October 2011 Board meeting)*

Ms. Racy-Choy presented the quarterly performance report as of June 30, 2011.

The Board took a short break at 10:33 a.m. and reconvened at 10:40 a.m.

Time Certain Items 5 -Retirements were heard first.

5. RETIREMENTS – 10:30 A.M. or soon thereafter may be heard

5.1 Service

- David Cavallaro, Deputy Chief of Police, Police Department, effective December 10, 2011; 29.47* years of service.
- Alan R. Cavallo, Police Lieutenant, Police Department, effective December 24, 2011; 26.71* years of service.
- Noland S. Lem, Police Officer, Police Department, effective November 26, 2011; 25.01* years of service.
- Carlos A. Valencia, Police Officer, Police Department, effective November 26, 2011; 26.94* years of service.

A motion was made to approve retirements numbered from 5.1a through 5.1d.

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

5.2 Service-Connected Disability (Seniority order)

- Edward Talley, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 22.72* years of service. *(Deferred from October 2011 Board meeting)*

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

- b. **Gabrielle Dekock**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 22.11* years of service. (*Continued from October 2011 Board meeting*)
Approved. (M.S.C. – Santos/Taylor, 6-1-1, No- Krytzer, Abstain-Bill)
- c. **Eric Grimes**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 22.06* years of service. (*Deferred from October 2011 Board meeting*)
Deferred
- d. **Mark Freitas**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 21.78* years of service. (*Continued from October 2011 meeting*)
Approved. (M.S.C. – Santos/Taylor, 7-0-1, Abstain-Bill)
- e. **Tracey Millhone**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 17.11* years of service.
Deferred at applicant Attorney's request, due to the possible availability of a position with the Police Department.
- f. **John Mitchell**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 13.33* years of service. (*Deferred from October 2011 Board meeting*)
A motion was made to approve by Kaldor and seconded by Taylor. Motion was withdrawn by Kaldor and second withdrawn by Taylor.
- Item was deferred until further notice regarding the new modified duty list from the Police Department. Deferred**
- g. **Francis C. Keffer**, Police Officer, Police Department. Request for a Service-Connected Disability Retirement, effective November 3, 2011; 12.88* years of service. (*Continued from October 2011 Board meeting*)
Deferred

Trustee Santos departed at 12:05 p.m.

1. **INVESTMENTS** - *Continued*

1.2 Discussion and action regarding implementation of Global Equity exposure as approved at the August 2011 meeting but without hedging the emerging market dedicated mandate and to start the search for active managers.

Mr. Sunzeri reported to the Board on the action by the Investment Committee regarding implementation of Global Equity exposure as approved at the August 2011 meeting but without hedging the emerging market dedicated mandate and to start the search for active managers.

A motion was made to proceed with the implementation of Global Equity without hedging emerging market.

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

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1.3 Discussion and action regarding timing of Asset Liability Modeling study for presentation to Investment Committee and full Board.

Ms. Racy-Choy stated that the Federated Plan is ahead of the Police & Fire Plan. She anticipates starting the Police & Fire Asset Liability Modeling Study in January 2012.

2. NEW BUSINESS

2.2 Discussion and action regarding a letter to the City Manager regarding staff salaries.

Mr. Crosby reported to the Board that the Federated City Employees' Retirement System (FCERS) has prepared a memo to the City Manager regarding staff salaries. The Board discussed and agreed to join the FCERS and compose a separate letter to the City Manager.

A motion was made for the Chair to sign the letter by Mr. Sunzeri seconded by Mr. Lanza.

An amended motion was made to join the Federated City Employees' Retirement System with a separate letter signed by the Chair to the City Manager stating the specific costs to the Police & Fire plan, include the Cortex compensation study report, and requesting the City Manager return to the Board to discuss the issues.

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

2.3 Discussion and action concerning impact to Plan of Director's January 2011 email concerning general employment matters.

Mr. Bacigalupi informed the Board that no action is needed but wanted them to be informed.

Ms. Sanchez, Retired City of San Jose employee, stated her concerns.

3. OLD/BUSINESS/CONTINUED-DEFERRED ITEMS

3.1 Discussion and action on conflict counsel's memorandum concerning Trustee's role in an environment of discussion and negotiations on vested benefits.

Mr. Richeda led the discussion regarding the Trustees role in an environment of discussion and negotiations on vested benefits.

Trustee Lanza departed at 2:00 p.m.

3.2 Discussion and action regarding Legal Services Request for Proposals (RFP).

Ms. Dent reported to the Board that the due date for the RFP was postponed to November 10, 2011, to allow respondents an extra week to respond. She added that the Chair would need to appoint two Board Members to sit on the screening panel. Board Members selected would need to fill-out a Conflict of Interest form. Mr. Crosby stated that Trustee Krytzer and Trustee Kaldor had volunteered. Chair Bacigalupi also added that if anyone else is interested to inform Mr. Crosby by the following Tuesday.

3.3 Discussion and action on Payroll Audit, FLSA and overtime payment issues.

Ms. Niebla led the discussion on Payroll Audit, FLSA and overtime payment issues. Representatives from Finance, Dan Kadamoto and Pat Sawicki were present. She reported that there are various payroll issues related to the administration of the pension plan. She noted that receiving the payroll files is the first step. She stated that step one is not close to being done to the Boards' expectations. Ms. Niebla will report an update to the Board in December.

3.4 Update on Electronic Board packets.

Ms. Busse reported that the RFP has been posted and responses are expected at the beginning of December, and that the number of candidates will be narrowed down to three. Demonstrations are tentatively scheduled for December 12th or 13th and Board Members are invited. Final recommendation will go to the Board in January 2012.

3.5 Discussion and action on revised Physicians Disability Determination Forms.

Trustee Kaldor led the discussion regarding the revised Physicians Disability Determination Forms. He solicited any feedback or input regarding the forms. The Board continued discussion. Trustee Sunzeri commented that it was a big improvement and Mr. Richeda suggested adding restrictions per body part.

4. Adoption of Resolution Denying the Application of a Service-Connected Disability Retirement

4.1 Adoption of Resolution 6760 denying the application of **Jeff Thornley** for a change in status from a Service Retirement to a Service-Connected Disability.

Approved. (M.S.C. Taylor/Kaldor, 6-0-2, Absent-Santos and Lanza)

5. RETIREMENTS – was heard after Item 1.1

6. DEATH NOTIFICATIONS – Note and File

6.1 Notification of the death of **David P. Miller**, Fire Captain, retired July 2, 1972, died September 20, 2011. Survivorship benefits to Rose Lee Miller, spouse.

6.2 Notification of the death of **Ivan J. Oswald**, Battalion Chief, retired July 7, 1992, died September 29, 2011. Survivorship benefits to Shirley M. Oswald.

7. COMMITTEE, MINUTES, REPORTS AND RECOMMENDATIONS

7.1 Investment Committee – **Note and File**

a. Minutes of September 28, 2011.

b. Minutes of September 30, 2011.

7.2 Ad Hoc Committee for Disability Determination Process – **Next Meeting: TBD**
Note and File

7.3 Ad Hoc Governance Committee – **Next meeting: TBD**

a. Minutes of September 15, 2011. - **Note and File**

8. CONSENT CALENDAR (Items 8.1 through 8.5)

A motion was made to approve the Consent Calendar Items 8.1 through 8.5.

Approved. (M.S.C. – Kaldor/Taylor, 6-0-2, Absent-Santos and Lanza)

8.1 Approval of Minutes

- a. Monthly Board meeting held on October 6, 2011.

8.2 Approval of Travel/Conference Attendance

- a. Heidi Poon - Alternative Investing Summit, Dana Point, CA – December 4-6, 2011.
- b. Maria Loera - CalAPRS, Advanced Course in Retirement Plan Administration, Doubletree Hotel, San Jose, CA – November 2-4, 2011.
- c. Veronica Niebla - Public Hearing and User Forum: Financial Planning Reporting for Pension Plans, and Accounting and Financial Reporting for Pensions at Sir Francis Drake Hotel, San Francisco, CA – October 14, 2011.

8.3 Approval of Monthly Expenses

- a. Plan Expenses for August 2011. (*Deferred from October 2011 Board meeting*)
- b. Plan Expenses for September 2011.

8.4 Return of Contributions

- a. Voluntary
- b. Involuntary

8.5 Communication/Information - None

9. EDUCATION & TRAINING

9.1 Educational Programs and Courses - **Note and File**

9.2 Conferences and Seminars - **Note and File**

9.3 Research Papers and Articles - **Note and File**

• PROPOSED AGENDA ITEMS

- Investment Committee – Staff structure and options
- Disability Subcommittee
- Cortex recommendations, December/January
- Discuss reporting on returns – month in arrears
- Conflict of Interest – Union leaders, etc.

- Project tracking – 6-9 months, revive pending action list

- **PUBLIC COMMENTS**

Mr. Wendling of the Police & Fire Retiree Association, stated that the P&F Retiree Association will be submitting a letter to the Police and Fire Retirement Board requesting membership dues being withheld be raised from \$15 to \$43 a month.

- **ADJOURNMENT**

Meeting was adjourned at 2:37 p.m.



DAVID BACIGALUPE, CHAIR
BOARD OF ADMINISTRATION

ATTEST:



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