

Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

FROM: Dennis Hawkins

SUBJECT: SEE BELOW

DATE: November 23, 2011

Approved

Date

SUBJECT: REPORT ON EMPLOYEE ELECTIONS FOR THE APPOINTMENT OF ACTIVE EMPLOYEE MEMBERS TO THE POLICE AND FIRE AND FEDERATED RETIREMENT BOARDS

RECOMMENDATION

The City Council acknowledges receipt of the following:

1. The Certification by the City Clerk of results of elections conducted among active Police and Fire Department employees for the nomination of a Fire Department employee representative to the Board of Administration of the Police and Fire Department Retirement Plan.
2. The Certification by the City Clerk of results of elections conducted among employee members of the Federated Retirement System for the nomination of an employee representative to the Board of Administration of the Federated City Employees' Retirement System.

At the Council's discretion:

3. Appoint one active employee member to the Board of Administration of the Federated City Employees' Retirement System (FCERS) to a term expiring November 30, 2015.
4. Appoint one active Fire Department employee to the Board of Administration of the Police and Fire Department Retirement Plan to a term expiring November 30, 2015.

BACKGROUND

San Jose Municipal Code Section 2.08.1210 requires that one of the nine members of the Police and Fire Retirement Board be an active Fire Department employee member of the plan. On February 3, 2000, the City Council adopted procedures for the nomination of an active employee for the Police and Fire Retirement Board. The term of the current active Fire Department employee representative, Sean Kaldor expires on November 30, 2011 and the Council recently approved an extension of his term until an appointment for the full term could be considered.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Appointment of employee members of the Retirement Boards

November 23, 2011

Page 2

San Jose Municipal Code Sections 2.08.1010 requires that two of the members of the City's Federated Retirement Board be active employee members of the plan, each from a different City department. On May 1, 2001, the City Council approved the election procedures to select an active employee representative for the Federated City Employees' Retirement System. The term of employee representative Matt Loesch will expire on November 30, 2011.

The purpose of the active employee election process is to **nominate** candidates for consideration by the City Council for appointment to the Retirement Boards. The appointment of all individuals to serve on City boards and commissions is within the discretion of the City Council. The City Council is not required to appoint the candidate who receives the highest number of votes. However, the Council may only reject the employee candidate who recommended by a majority of those voting for cause. Cause for rejection may include but is not be limited to, Council finding that the recommended candidate will not be able to attend meetings of the board and fulfill the time commitment of a member of the Board, or to act in accordance with fiduciary duties or carry out the requirements of governing legislation.

ANALYSIS

Copies of each candidate's ballot statement and questionnaire are attached to this memo. The results of the 2011 employee elections will be released via a Supplemental memo following the tabulation of votes on November 28. As prescribed in the procedures, the Office of the City Clerk conducted the employee election process as follows:

- September 7, 2011: Active employees notified of impending vacancies on each Board and the dates of the nomination and election periods
- September 19 - October 7, 2011: Open Nomination period
- October 28 – November 28, 2011: Election period
- November 28, 2011: Ballots counted and results certified by the City Clerk.

Police and Fire Retirement Board:

The candidate for nomination is the incumbent, Sean Kaldor.

Federated Retirement Board:

The candidates for nomination to the Federated Board are Matt Loesch, Incumbent, and Mike Yoshimoto.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Appointment of employee members of the Retirement Boards

November 23, 2011

Page 3

PUBLIC OUTREACH

This memo has been posted on the City Clerk's website as a part of the December 6, 2011 City Council agenda. In addition, this information has been posted on the websites for both the Federated and Police and Fire Retirement Systems and copies of the memorandum have been distributed to appropriate employee bargaining units.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, , or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This memorandum has been coordinated with the Offices of the City Manager and City Attorney, and the Department of Retirement Services.

CEQA

Not a project.



Dennis D. Hawkins, CMC
City Clerk

For questions, please contact Dennis Hawkins, City Clerk, at (408) 535-1275.

SEAN KALDOR, Firefighter

I am seeking City Council re-appointment to the position of Fire Department Representative on the San José Police and Fire Department Retirement Plan's Board of Administration.

At a time when the Plan faces multiple opportunities to proactively and reactively improve performance and operations, I offer my experience, background and education for your consideration.

My experience includes over one year of service on the Board. My background features over fourteen years of finance and corporate management experience, including nine years supporting Wall Street analysts with quantitative and qualitative business and market analysis. I have worked in several senior management positions, as well as served on the executive team of a publicly traded company.

To this, I add my educational background. I earned a Bachelor's degree in Business Administration with Honors and Distinction from Indiana University. As part of the highly rated Kelley School of Business Honors program, I completed extensive business coursework at the MBA graduate level.

I thank you for your consideration.

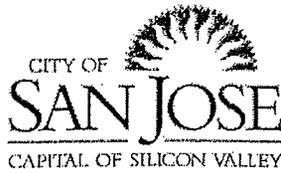
Sean Kaldor



Submitted: October 3, 2011

2011 OCT - 5 A 10: 12

RECEIVED
San Jose City Clerk



ON-LINE APPLICATION

RECEIVED
San Jose City Clerk

2011 OCT -5 A 10: 12

RETIREMENT BOARD APPLICATION

Please check the appropriate box:

- Police and Fire
- Federated

Submit to:

City Clerk's Office
 200 E. Santa Clara Street, Wing Room 243
 San Jose, CA 95113-1905
 (408) 535-1275
 CityClerk@sanjoseca.gov
 Attention: Dennis Hawkins

PLEASE COMPLETE PAGES 1-4

Date October 3, 2011

Name KALDOR Sean Patrick
Last First Middle

Present Address: _____
Number Street City State Zip

How long at current address 4 YEARS

Telephone (_____) E-Mail _____

EMPLOYMENT
 Current Employer CITY OF SAN JOSÉ Address 1661 Senter Rd, Bldg A-3rd, San Jose

Telephone _____ Years Employed 4.5 YEARS

General Background

1. How did you learn of a vacancy on this Board?
 - Internet
 - Newspaper
 - Personal contact from Councilmember
 - Personal contact from City staff member
 - Word of mouth
 - Other (please specify)

I am a current member of the Police & Fire Retirement Plan Board of Administration.

2. Have you attended any Retirement Board meetings in the last 6 months? If so, what was the reason for your attendance?

Yes. I am a current member of the Police & Fire Retirement Plan Board of Administration, and have attended many Board and committee meetings over the past six months. I have attended due to my membership on the Board.

3. Have you attended any San Jose City Council meetings in the last 6 months? If so, what was the reason for your attendance?

Yes, I have attended several City Council meetings to hear the proceedings and listen to presentations.

4. What are your goals and objectives for serving on the Retirement Board?

My primary interest in serving is to fulfill the Fire Representative's fiduciary responsibilities to the City of San José, the Board of Administration, active fire members, retirees, and all those dependent upon the Plan. In addition to these ongoing responsibilities, I look to: (1) Work within the committees to assist in further developing prudent short and long-term investment strategies; (2) Enhance communications between plan members and the Board; and (3) Advocate prompt response to, and proactive development of best practices in fund management.

5. Have you read the City Auditor's Retirement Board Travel Audit? Yes No

6. Do you support the recommendations of the City Auditor? Yes No

7. Do you have any additional recommendations for changes in the Travel Policy?

I support the City Auditor's recommendation to include training as a critical component of successfully implementing new travel policies for the Board, and advocate that training materials which provide clear-cut itemization of processes and procedures will significantly assist with ensuring compliance by eliminating unintentional non-compliance.

8. Have you ever failed to file a Statement of Economic Interest (Form 700) when you were required to do so? Yes No
9. Are you aware that gifts over \$50 in value, including food and entertainment, must be reported on the Form 700? Yes No
10. Are you familiar with the City's prohibition of the receipt of most gifts over \$50 in value? (Municipal Code 12.08.010) Yes No
11. Have you ever traveled at City expense? Yes No
12. Please confirm that you have reviewed and agree to comply with the City of San Jose Ordinance (San Jose Municipal Code Chapter 12.08), City of San Jose Ethics Policy (City Policy Manual 1.2.1), City of San Jose Gift Policy (City Policy Manual 1.2.2), and City Council Conflict of Interest Policy (Council Policy No. 0-34).
- Yes I have read and agree to comply.
 No I have not read and/or do not agree to comply.

Familiarity with Board

1. What is your understanding of the responsibilities of Retirement Board members?
Under the San José Municipal Code, the Board of Administration's specific duties include: consideration of requests for retirement, administration and investment of the retirement funds, determining eligibility for membership in the pension plans, and determining employee's eligibility for retirement benefits. The Board has other responsibilities as itemized in the Municipal Code, including producing an annual report, creating contractual agreements, holding regular meetings, and creating rules and regulations for its guidance.
2. What is your understanding of the roles of the Retirement Board in relation to Retirement Services staff?
The Board of Administration is responsible for considering retirement requests, administering/investing retirement funds, determining plan membership eligibility, and determining employee benefit eligibility. The Retirement Services staff assists the board in achieving these responsibilities through research, analysis, recommendations and other tasks. Staff also provide the innumerable other functions required for efficient and professional operation of the plan.
3. What is your understanding of the relationship between the Retirement Board and City Council?
Board of Administration members are appointed by City Council. Board members are responsible for how retirement funds are invested and administered, in strict adherence with the agreements between the City and affected members, while being held to fiduciary standards.

4. What do you consider to be the three most important issues currently facing the Retirement Board?

The Board must meet its responsibility for prudent investment of funds in an unstable financial environment, requiring constant adaptation of asset management and investment strategies. Also, the Board must continually review its policies and procedures, adopting "best practices" to identify opportunities to enhance ethical standards, accuracy and legal compliance. As well, the Board must ensure effective operations of the Plan's administration.

5. What do you perceive as the short and long term goals of the Retirement Board?

Short term goals are focused upon successfully navigating the three issues itemized in question #4, while at the same time meeting the other obligations of the Board. A longer term goal is the creation of a dynamic investment and operational strategy that can respond to a constantly varying environment.

6. Have you discussed the role of a Retirement Board member with a current or former Retirement Board member or with Retirement Services staff? Yes No

7. What specifically can you add or bring to the Retirement Board?

I bring one over one year of successful experience on the board. Additionally, I bring fourteen years of corporate and finance experience, including nine years supporting Wall Street analysts with quantitative and qualitative business and market analysis. My financial background also includes three years in strategic planning and business/financial management for AT&T. My education includes a Bachelor's degree in Business Administration, earned with Distinction and Honors.

8. Do you believe that the retirement funds that are invested by the retirement boards are public funds? Why or why not?

The Retirement Board invests funds held in the retirement plan trust. These funds were accumulated through the contribution of city public funds, individual member contributions, and investment returns. The trust is a designated account created to meet Plan obligations.

9. It is commonplace for fund managers and service providers to host large events at industry conferences and events. Do you feel that attendance at these "widely attended" events requires compliance with the City's gift policy and FPPC Form 700 reporting?

Yes. All gifts require compliance with the policy 12.08 "Prohibition of Gifts" and FPPC Form 700 compliance, including consideration of 12.02.030 and Form 700 Sections C and D as appropriate.

Experience/Expertise

1. How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment?

Ongoing professional training is critical to interfacing effectively with individual market investment managers and overseeing recommendations for the fund's strategy. I have aggressively participated in numerous pension and investment courses offered through Berkeley, Stanford, Wharton, and other educational institutions.

2. Given the current status of the capital markets, where do you see opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?

Market and Fund history have demonstrated that the majority of individual investment performance versus the broad market can be achieved through careful asset allocation. Continual review of allocation targets will increase this return while controlling risk. On top of this, benchmarking individual investment managers can optimize alpha return above underlying market risk, or identify a passive opportunity. All of this can be supplemented by adopting strategies on the periphery that capitalize on temporary market inefficiencies.

3. Please describe your views on the role of asset allocation and provide detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose.

Asset allocation drives the vast majority of fund performance versus market indices and should be the focus for optimizing risk adjusted return. The latest Fund strategy is in-line with the best practices of major asset class allocations for institutional investors such as pension funds, but does provide a wide range for each class, especially Alternative Assets. I would further work to ensure that the plan operationally achieves the goals it has established.

4. Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure or separate account real estate? If so, how? If not, why?

I believe there are limited specific alternative investments and transitional investment models that can take advantage of temporary market inefficiencies. However, if any such investments are to be considered, each vehicle should be proven, given a restricted asset percentage and facilitated through carefully researched managers with strong proven track records who are then benchmarked with agreements that give the Fund maximum flexibility. The downside risk must always be evaluated, and any return evaluated against its risk.

5. How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted?

Evaluation of an investment manager must include a panel approach, reviewing an entire matrix of qualifications including past performance, suitability of strategy, credibility, acceptance, costs, and more. Extensive due diligence must be conducted well prior to engaging the manager, including this panel review, interviews, on-site visits, referral evaluations, and more conducted by the Board, staff, and/or consultants. This manager must then be held to performance targets versus a benchmark, following a clear policy for probation and termination should net results fail to meet performance targets.

6. What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers and custodians in asset allocation, portfolio structure, manager selection and due diligence, rebalancing, reporting and analysis.

An Investment Policy Statement (IPS) must outline the process that the Retirement Plan intends to use in selecting and monitoring investments within the Plan. It should establish the Plan's objective, assess Plan participant needs (payment obligations), identify asset categories and allocations, outline investment options and procedures for selecting managers, and most importantly outline the entire process for monitoring and adjusting the asset allocation, investment option choices, and individual manager selections.

7. List any abilities, skills, licenses, certificates, specialized training, work-related experience or interests you have which are applicable to this Board or Commission:

I have over one year of experience on this Board. Additionally, I bring fourteen years of corporate and finance experience, including nine years supporting Wall Street analysts with quantitative and qualitative business and market analysis. My financial background also includes three years in strategic planning and business/financial management for AT&T. I have additionally served on the executive management board of a public company.

Background Checks and References

1. Please provide four personal references (not relatives). Please include name, address, and telephone number.

In late 2006, I completed an extensive personal and professional background investigation as part of my application to the City of San José Fire Department. To supplement the successful completion of that process, I offer the following four personal references:

>Ruben Padrone
>Susan Norman
>Kelley Merizan
>Mike Rigoli

2. Have you ever been convicted of a crime (except for minor traffic offenses that resulted only in a fine)? Yes No If yes, please explain in complete detail. State the nature and approximate date of the conviction, the sentence imposed, whether the sentence has been completed, and any other information you consider to be relevant.

3. Have you ever been the subject of investigation that resulted in a sustained finding of financial improprieties? Yes No

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3. Have you ever been the subject of investigation that resulted in a sustained finding of financial improprieties? Yes No

MIKE M YOSHIMOTO, Electrical Engineer.

Eight (8) years experience as Board Member.

As Trustee, I will lobby City Council Members and Mayor to negotiate in good faith for the benefit of City, Taxpayers, Employees and Retirees.

Thru good faith negotiations a declaring of fiscal emergency and the pension ballot will not be necessary.

During years when over funded, the City rightfully used the excess for the General Fund.

The City must now meet the shortfall, not the Employees!!!

Union negotiations should also accomplish the following:

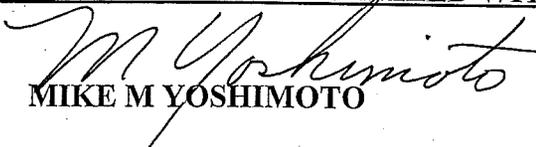
1. Cost of living now at 3%, compromised to 2% per year.
2. The retirement factor after age 55 be increased to 3% with a maximum of 75%.
3. Increase the interest for member account to 4%.
4. Increase death benefit, \$500 to \$1000.
5. Salary factor averaged over 2 years, not 3.

CALPERS (State Fund) survived the 30's depression. Even Vallejo now out of bankruptcy did not modify their Retirement Benefits! **(SJ Mayor/ Council pensions are unaffected as CALPERS members)**

With cool heads, a Cooperative spirit, we can overcome this downturn.

As Trustee I will make sure RETURNS ARE MAXIMIZED WITH SAFETY AND LIQUIDITY.

Thanks for your vote!!!


MIKE M YOSHIMOTO

2. Have you attended any Retirement Board meetings in the last 6 months? If so, what was the reason for your attendance?

No, but I have followed via TV, minutes, quarterly reports and announcements.

3. Have you attended any San Jose City Council meetings in the last 6 months? If so, what was the reason for your attendance?

Yes, to follow proceedings of interest to employees, MEF Union, and to testify for employee interests.

4. What are your goals and objectives for serving on the Retirement Board?

My goals and objectives are to run an open, transparent meetings and investments that have safety, liquidity and good returns for all stake holders.

5. Have you read the City Auditor's Retirement Board Travel Audit? Yes No

6. Do you support the recommendations of the City Auditor? Yes No

7. Do you have any additional recommendations for changes in the Travel Policy?

No, the recommendations cover the best practices needed for education of all, stopping of abuses and maximizing efficiencies with least cost.

8. Have you ever failed to file a Statement of Economic Interest (Form 700) when you were required to do so? Yes No
9. Are you aware that gifts over \$50 in value, including food and entertainment, must be reported on the Form 700? Yes No
10. Are you familiar with the City's prohibition of the receipt of most gifts over \$50 in value? (Municipal Code 12.08.010) Yes No
11. Have you ever traveled at City expense? Yes No
12. Please confirm that you have reviewed and agree to comply with the City of San Jose Ordinance (San Jose Municipal Code Chapter 12.08), City of San Jose Ethics Policy (City Policy Manual 1.2.1), City of San Jose Gift Policy (City Policy Manual 1.2.2), and City Council Conflict of Interest Policy (Council Policy No. 0-34).
- Yes I have read and agree to comply.
 No I have not read and/or do not agree to comply.

Familiarity with Board

1. What is your understanding of the responsibilities of Retirement Board members?

The responsibilities are to make sure policies, directives of the board are still sound; and, followed by staff, to be fiduciarily responsible to the fund participants, active and retired.

2. What is your understanding of the roles of the Retirement Board in relation to Retirement Services staff?

To make sure the internal guidelines are still pertinent and insure policies are followed in a timely manner, and that records are current, investments guidelines are followed, retirees are timely paid and benefit concerns are taken care of.

In summary, Board sets policies, guidelines and makes sure they are carried out with micromanaging.

3. What is your understanding of the relationship between the Retirement Board and City Council?

This relationship is one of overseeing that the responsibilities of the City Council are fulfilled financially to the Retirement System. I understand because of the economic collapse (caused by others) the City is seeing difficulties for the near future.

4. What do you consider to be the three most important issues currently facing the Retirement Board?

1. Unfunded liability of the Retirement Fund that must be fulfilled.
2. GASB requirements of accounting for and City's requirement to have a plan to finance future health care costs.
3. Low expected investment returns for the extended near future.

5. What do you perceive as the short and long term goals of the Retirement Board?

CALPERS and CALSTERS were able to weather the challenges of the 1930s depression. I am optimistic Federated can too survive and prosper.

Short term goal is to cut all unnecessary expenses, review performance of our money managers and keep rebalancing.

Loan term goal is to do all that is necessary to insure the Fund's legal, financial and fiduciary goals to members as contracted and promised are kept.

6. Have you discussed the role of a Retirement Board member with a current or former Retirement Board member or with Retirement Services staff? Yes No

7. What specifically can you add or bring to the Retirement Board?

Perspective, experience and advice in decisions of investments, setting goals, guidelines and directives in the operating the Federated system based on eight years of serving on the Board.

8. Do you believe that the retirement funds that are invested by the retirement boards are public funds? Why or why not?

They are public funds sourced by the employee 27% and employer 73% for the express purpose of serving the retirement needs of the employees to whom the Trustees are fiduciarily responsible.

9. It is commonplace for fund managers and service providers to host large events at industry conferences and events. Do you feel that attendance at these "widely attended" events requires compliance with the City's gift policy and FPPC Form 700 reporting?

Yes, 100%, without question! I am familiar of abuses by certain Trustees in the past!

Experience/Expertise

1. How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment?

I subscribe to the Wall Street Journal, Bloomberg's Newsweek, and watch the TV business reports nightly and weekly. I also use the internet and library to research. I talk to other fund CEOs and Trustees that I know and trust.

2. Given the current status of the capital markets, where do you see opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?

Coming out of depressed cycles, the smaller companies always do better. With the home collapse, followed by the business collapse, and the lack of lending moneys from Banks, many opportunities are available in the niche companies and real estate market.

My risk experience is based on my personal investments in real estate, farm land and stocks, investing based on cycles and for the long term with balancing to minimize risk.

3. Please describe your views on the role of asset allocation and provide detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose.

Asset allocation is based on the overall view of the investment scenario and is the correct way to invest, allocating by projecting from the historical records and anticipated future.

By allocating to stocks (growth-public/private), 65%; income/liquid, 25%; real estate 8%; inflation 2%. This is my view based on my research.

4. Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure or separate account real estate? If so, how? If not, why?

Yes, I believe with safety first, liquidity second, there is room for a small percentage of the fund to be invested in private equity (fund of funds), commodities, in farms and in separate real estate where many opportunities are available returning greater than 7%. Investments are always predicated with a independent Consultant study weighing the risks verses returns.

5. How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted?

Prior to hiring, I evaluate an investment manager on his historical returns compared to managers of like funds or assets, personality and style of manager and depth of management.

Evaluate an ongoing manager by his quarterly performance compared to other managers of like style and assets. Terminate a manager after a warning, 3 to 4 bad quarters and if not corrected. Also if they do not follow their contracted investment guidelines. I will follow Federated guidelines for termination.

Due diligence is conducted by an independent consultant, studying past performance, strength and weaknesses and presenting to the Board 5 candidates. Trustees review the information and narrow this to their top three. This is followed by visitation and/or interviews and a final decision.

6. What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers and custodians in asset allocation, portfolio structure, manager selection and due diligence, rebalancing, reporting and analysis.

Statement of investment policy should cover the following:

General Policy: Economy, efficiency, purpose, legal guidelines (Code) and Boards oversight.

Boards Role: Document of objective and guideline for investment. The asset classes, ranges for diversification and expected returns for the long term.

7. List any abilities, skills, licenses, certificates, specialized training, work-related experience or interests you have which are applicable to this Board or Commission:

I have certificates from the Wharton School of Business, (40 hours), and Stanford Business School on Retirement Fund Management (40 hours). I have served on the Kings River Conservation District as a Board Trustee for over 30 years, funding over \$300,000,000 of bonds and subsequent refunding at lower rates for electric generating facilities. I have served as Federated Trustee from 2000 to 2008. On the University level I have had classes in Economics and Investments.

Background Checks and References

1. Please provide four personal references (not relatives). Please include name, address, and telephone number.

Mr. Jesus Sustaita, Businessman

Mr. Bradley Imamura, Realtor

2. Have you ever been convicted of a crime (except for minor traffic offenses that resulted only in a fine)? Yes No If yes, please explain in complete detail. State the nature and approximate date of the conviction, the sentence imposed, whether the sentence has been completed, and any other information you consider to be relevant.

3. Have you ever been the subject of investigation that resulted in a sustained finding of financial improprieties? Yes No



MATT LOESCH, INCUMBENT

I ask for your vote.

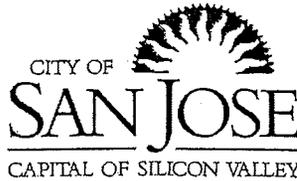
I was elected to the Retirement Board in 2007 by you and Board Chairman for the past two years by my fellow Trustees. I work tirelessly on your behalf to ensure that funding for our pension and retiree healthcare is secure.

I was at the forefront of the Board decisions to update our investment strategy that resulted in saving millions of dollars in reduced fees and massively increasing investment return while reducing risk. Since the market bottomed out in 2009, we have achieved double-digit returns each of the last two years.

Throughout the last four tumultuous years, I have maintained strong relationships with of the City's Unions and Organizations. I commit to fostering those connections by ensuring they firmly understand the Board's decisions and actions.

The challenges on the Board at this time are great. We need representation by experienced and knowledgeable Trustees. In addition to having both, I have earned the respect of my peers on the Board and in the public pension community.

I hope I can count on your support because you can count on me to continue to represent you with energy, wisdom, and integrity.



RETIREMENT BOARD APPLICATION

Please check the appropriate box:

- Police and Fire
 Federated

Submit to:

City Clerk's Office
 200 E. Santa Clara Street, Wing Room 243
 San Jose, CA 95113-1905
 (408) 535-1275
 CityClerk@sanjoseca.gov
 Attention: Dennis Hawkins

PLEASE COMPLETE PAGES 1-4

Date OCTOBER 3, 2011

Name LOESCH MATTHEW PAUL
Last First Middle

Present Address: _____
Number Street City State Zip

How long at current address 9 years

Telephone _____ E-Mail _____

EMPLOYMENT

Current Employer CITY OF SAN JOSE Address 1661 SENTER RD, SAN JOSE, CA

Telephone _____ Years Employed 10

General Background

1. How did you learn of a vacancy on this Board?

- Internet
- Newspaper
- Personal contact from Councilmember
- Personal contact from City staff member
- Word of mouth
- Other (please specify)

2. Have you attended any Retirement Board meetings in the last 6 months? If so, what was the reason for your attendance?

*SEE ATTACH
FOR ANSWERS TO
ALL SUPPLEMENTAL
QUESTIONS.*

3. Have you attended any San Jose City Council meetings in the last 6 months? If so, what was the reason for your attendance?
4. What are your goals and objectives for serving on the Retirement Board?
5. Have you read the City Auditor's Retirement Board Travel Audit?
6. Do you support the recommendations of the City Auditor?
7. Do you have any additional recommendations for changes in the Travel Policy?
8. Have you ever failed to file a Statement of Economic Interest (Form 700) when you were required to do so?
9. Are you aware that gifts over \$50 in value, including food and entertainment, must be reported on the Form 700?
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11. Have you ever traveled at City expense?
12. Please confirm that you have reviewed and agree to comply with the City of San Jose Ordinance (San Jose Municipal Code Chapter 12.08), City of San Jose Ethics Policy (City Policy Manual 1.2.1), City of San Jose Gift Policy (City Policy Manual 1.2.2), and City Council Conflict of Interest Policy (Council Policy No. 0-34).
 Yes I have read and agree to comply.
 No I have not read and/or do not agree to comply.

Familiarity with Board

1. What is your understanding of the responsibilities of Retirement Board members?
2. What is your understanding of the roles of the Retirement Board in relation to Retirement Services staff?
3. What is your understanding of the relationship between the Retirement Board and City Council?
4. What do you consider to be the three most important issues currently facing the Retirement Board?
5. What do you perceive as the short and long term goals of the Retirement Board?

6. Have you discussed the role of a Retirement Board member with a current or former Retirement Board member or with Retirement Services staff?
7. What specifically can you add or bring to the Retirement Board?
8. Do you believe that the retirement funds that are invested by the retirement boards are public funds? Why or why not?
9. It is commonplace for fund managers and service providers to host large events at industry conferences and events. Do you feel that attendance at these "widely attended" events requires compliance with the City's gift policy and FPPC Form 700 reporting?

Experience/Expertise

1. How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment?
2. Given the current status of the capital markets, where do you see opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?
3. Please describe your views on the role of asset allocation and provide detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose.
4. Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure or separate account real estate? If so, how? If not, why?
5. How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted?
6. What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers and custodians in asset allocation, portfolio structure, manager selection and due diligence, rebalancing, reporting and analysis.
7. List any abilities, skills, licenses, certificates, specialized training, work-related experience or interests you have which are applicable to this Board or Commission:

Background Checks and References

1. Please provide four personal references (not relatives). Please include name, address, and telephone number.

2. Have you ever been convicted of a crime (except for minor traffic offenses that resulted only in a fine)? Yes No If yes, please explain in complete detail. State the nature and approximate date of the conviction, the sentence imposed, whether the sentence has been completed, and any other information you consider to be relevant.

3. Have you ever been the subject of investigation that resulted in a sustained finding of financial improprieties?

General Background:

- 1) How did you learn of a vacancy on this Board? **OTHER: I am the Incumbent and I knew when my term expired.**
- 2) Have you attended any Retirement Board meetings in the last 6 months? If so, what was the reason for your attendance? **I have attended all the Board meetings in the last six months because I presently am a member of the Board.**
- 3) Have you attended any San Jose City Council meetings in the last 6 months? If so, what was the reason for your attendance? **No.**
- 4) What are your goals and objectives for serving on the Retirement Board? **I will serve the active and retired members and their beneficiaries with the diligence I would expect of those serving me and my beneficiaries. That will be made manifest by my attention to detail and constant maintenance of the skills that I have honed over the last four years on the Board. I will continue my clear, open, and consistent communication with all stake holders (members, City Council, City Administration, and citizens). I will deal with all issues that come before the Board with a fair and steady attention and practice the duties of loyalty and prudence appropriately.**
- 5) Have you read the City Auditor's Retirement Board Travel Audit? **Yes.**
- 6) Do you support the recommendations of the City Auditor? **Yes, I support the City Auditor's recommendations in the Retirement Board Travel Audit.**
- 7) Do you have any additional recommendations for changes in the Travel Policy? **No.**
- 8) Have you ever failed to file a Statement of Economic Interest (Form 700) when you were required to do so? **No.**
- 9) Are you aware that gifts over \$50 in value, including food and entertainment, must be reported on the Form 700? **Yes.**
- 10) Are you familiar with the City's prohibition of the receipt of most gifts over \$50 in value? (Municipal Code 12.08.010) **Yes.**
- 11) Have you ever traveled at City expense? **Yes.**

- 12) Please confirm that you have reviewed and agree to comply with the City of San Jose Ordinance (San Jose Municipal Code Chapter 12.08), City of San Jose Ethics Policy (City Policy Manual 1.2.1), City of San Jose Gift Policy (City Policy Manual 1.2.2), and City Council Conflict of Interest Policy (Council Policy No. 0-34). **Yes, I have read and agree to comply**

Familiarity with Board:

- 1) What is your understanding of the responsibilities of Retirement Board members?
Retirement Board members are Trustees with fiduciary responsibility to serve the participants and beneficiaries of the Trust with loyalty and prudence. Per the California Pension Protection Act of 1992, Retirement Board members are to solely act in the interest of providing the benefits to the participants and beneficiaries while minimizing the employer contributions. Additionally in San Jose, Retirement Board members are to administer the pension and retirement medical plan in the City Municipal Code and City Charter.
- 2) What is your understanding of the roles of the Retirement Board in relation to Retirement Services staff?
Retirement Board members decide policy, procedure, and investment direction, and the staff then implements those decisions. In detail, staff can make recommendations on the policy, procedure, and investment to be decided, but Retirement Board members ultimately decide investment commitments, consultant arrangements, broad investment policy, overall Board governance structure and procedures.
- 3) What is your understanding of the relationship between the Retirement Board and City Council?
In San Jose, the Retirement Board is appointed by the City Council to administer and invest the retirement fund.
- 4) What do you consider to be the three most important issues currently facing the Retirement Board?
(1) Maintaining a professional, competent staff in areas of administration, accounting and investments, (2) Fully investing the funds in a diversified, risk balanced portfolio, (3) Establishing a governance structure with the newly appointed members to most effectively administer the plan.
- 5) What do you perceive as the short and long term goals of the Retirement Board?

Short Term: (1) Maintain/attract staff, (2) Complete the Asset Liability Modeling, (3) Structure the assumptions for the future valuations based on the experience study being completed by the Board's actuary, (4) Complete the Board's Governance Study, review and complete Board recommendation future Governance structure, (5) Modify Trust structure into a Master Trust structure for investments

Long Term: Implement items 2-5 in short term goals.

- 6) Have you discussed the role of a Retirement Board member with a current or former Retirement Board member or with Retirement Services staff? **Yes.**
- 7) What specifically can you add or bring to the Retirement Board? **I bring a systematic decision-focused mentality to the Retirement Board. Over the last four years, I have helped identify where Board actions/decisions are needed and focused our attention on these areas so items are not dragged on for months unnecessarily. Even though I focus on getting items decided/directed, I am a willing partner to discuss and incorporate other's ideas so that the decision is not made in haste.**
- 8) Do you believe that the retirement funds that are invested by the Retirement Boards are Public Funds? Why or why not? **No. A portion of the retirement funds originated as Public Funds. However, 60-70% of the money in the fund is the result of investments and the contributions are the result of the contractual service provided by an individual to the City to defer some of their compensation for that service until retirement. I understand where the concern around the care for the funds originates. Public Funds are precious and should be treated with the care that the citizenry expects of us.**
- 9) It is commonplace for fund managers and service providers to host large events at industry conferences and events. Do you feel that attendance at these "widely attended" events requires compliance with the City's gift policy and FPPC Form 700 reporting? **All of the activities of a Retirement Board member should comply with the reporting requirements of the City's gift policy and FPPC Form 700 whether at a conference or not.**

Experience/Expertise

- 1) How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment? **I read 1.5 - 2 hours every day of consolidated news and journal articles that I compile from the internet and aggregators that I have sent in daily emails. I diversify the content to Public Retirement Board interest such as investing, legal, GASB, benefits, politics, and the economy. I endeavor to attend 2-3 industry conferences a year, again covering the general content, but often more focused on investments. I also have topical in-depth discussions with the Board's consultants.**
- 2) Given the current status of the capital markets, where do you see the opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?

As of the of the 3rd quarter of 2011, there are more areas of reducing risk that we need to focus on than increase return so we can deny the opportunity of loss of principal. We are in a highly volatile investment cycle with a great potential for a market downturn if Europe implodes or China's bubble bursts. In that light, we should be in a protective mode

and positioned lighter in equities and heavier in alternative assets. In particular, hedge funds with the ability to short the market or more managers that can make more nimble moves in the market.

My experience with risk budgeting is from what we have done in the last couple years on the Retirement Board. As we have recommitted our investment allocation, we have maintained a focus of the resultant overall risk to the portfolio of the new investment. For example, we have arranged customized risk balanced commodity investments with managers instead of taking their off-the-shelf product to downplay the possible exposure to any one commodity sector.

- 3) Please describe your views on the role of asset allocation and provide a detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose. Time spent on Asset allocation is far more important than individual manager selection because these funds are most powerful and provide the greatest return in a diverse portfolio in terms of asset classes, but also in terms of risk allocation. The weighting of the risk should be balanced across the asset classes.

Broad Category Asset Allocation

Global Equities	40%
Global Fixed Income	25%
Private/Alternatives	35%

- 4) Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure, or separate account real estate? If so, how? If not, why?
Yes. The "alternative investment" classes provide two things that San Jose needs: the buoy when the traditional asset classes turn down and a better likelihood of out performance to get the return that an underfunded plan needs. They present their own potential issues of liquidity and higher fees, but they should be included because the positives out weigh the negative issues.
- 5) How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted? Managers should be evaluated based on the mandate that they are given in the current investment environment and in comparison to their peers. Their level of transparency and communication should be consistent in good period and bad.

Termination should be considered for a period poor performance relative to mandate, peers, and environment with no direction for improvement, a change in key investment staff, a violation of contract, and a change of direction away from the directed asset class.

Due diligence should be thorough and invasive into the manager's staff, procedures, protections, history, and competence in the area of the mandate. It should typically be completed by Retirement investment staff and the investment consultant. However, if there is an area that a Trustee has a particular expertise they should be included in the due diligence as well.

- 6) What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers, and custodians in asset allocation, portfolio structure, manager selection, and due diligence, rebalancing, reporting, and analysis.

The Statement of Investment Policy should include the investment objectives of the Plan, clarify the responsibilities of the different parties, detail the asset allocation, how managers are selected, and then the guidelines for each area of investment.

The Trustees are responsible for the investments and they participate in an Investment Committee that makes strategic and tactical recommendations to the full Board. The staff implements the decisions of the Board and provides research, options, and opinions to the Board on asset allocation, portfolio structure, manager selection, and due diligence. They also monitor the investments on an ongoing basis along with the investment managers, consultant and custodians. The consultants also support staff in the research, opinions, and monitoring of the investments. The investment managers handle the day-to-day implementation of their particular mandate and report to the staff, consultant, and custodian. The custodian holds and accounts for the assets.

- 7) List any abilities, skills, licenses, certificates, specialized training, work-related experience, or interests you have which are applicable to this Board or Commission: I am a licensed Civil Engineer in the state of California. That license demonstrates that I have achieved the training and development to handle complex problems, apply logical tests to facts presented, and decide on the most prudent course of action from a myriad of choices. This is also what I do on the Retirement Board except with different fact sets and logical tests.

I have completed the Wharton Executive training courses in (1) Portfolio Management, (2) Advanced Investment Management, (3) International and Emerging Markets, and (4) Hedge Funds, Real Estate, and Alternative Investments.

Prior to coming to the City, I was a teacher in Oakland for six years. As a result of teaching, public speaking is comfortable and I honed the skill of being able to explain difficult topics and have the patience to help people understand, which I do frequently with members of the plan and groups that ask me to explain what we are deciding and why.

Background Checks and References

- 1) Please provide four personal references (not relatives). Please include name, address, and telephone number.

Amarjit Banwait

Patricia Cannon

James Bickford

Sal Kumar

- 2) Have you even been convicted of a crime (except for minor traffic offenses that resulted only in a fine)? **No**
- 3) Have you ever been the subject of investigation that resulted in sustained finding of financial improprieties? **No**