



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Dennis Hawkins, CMC

SUBJECT: SEE BELOW

DATE: April 13, 2011

SUBJECT: INTERVIEW AND APPOINT A PUBLIC MEMBER OF THE BOARD OF ADMINISTRATION OF THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN

COUNCIL DISTRICT: City-wide
SNI AREA: N/A

RECOMMENDATION

1. Consider the appointment of Andrew Lanza to the Board of Administration of the Police and Fire Department Retirement Plan as recommended by the Board.
2. At the Council's discretion, appoint Andrew Lanza to the Board of Administration of the Police and Fire Department Retirement Plan for a term of office expiring April 30, 2015.
3. If the Council does not appoint Andrew Lanza, staff recommends the Council request that the Police and Fire Retirement Board provide an additional recommendation(s) for Council consideration from the remaining applicants, or provide alternative direction to staff concerning a procedure for filling the fifth public member seat on the Police and Fire Retirement Board

BACKGROUND

On August 10, 2010, the City Council approved Ordinance 28787 that revised Section 2.08.1210 of the San Jose Municipal Code to modify the composition and increase the size of the Police and Fire Department Retirement Board from seven to nine members, including the appointment of five (5) public members. The Ordinance also provides that once there are eight members on the Board, the Board will then interview applicants and make a recommendation to the City Council for the appointment of the ninth and final Trustee. The term of office of this final appointment is recommended to expire on April 30, 2015.

Under the provisions of the above Ordinance, the terms of office for public members was established at four years. However, under SJMC Section 2.08.150 (D), the City Council may consider shorter terms of office, staggering terms to provide continuity in the Board's

April 13, 2011

Subject: Appointment to the Police and Fire Retirement Board

Page 2

membership, in making these appointments. The length of terms of office is at the Council's discretion. Specifically, the Code offers the following language:

SJMC 2.08.150 (D). *Except as otherwise specified in this chapter, a member may be appointed to serve a term of less than three years or a term of less than the number of years established by this chapter for the particular board of commission if the council determines that it is in the best interest of the board or commission that a member serve a shorter term in order to provide for appropriate staggered terms to preserve a continuity of membership on the board or commission.*

On December 16, 2010, the City Council interviewed 14 applicants for public member positions on both the Federated and the Police and Fire Retirement Boards. Mr. Lanza was interviewed by the City Council at that time. The Council appointed four public members to the Police and Fire Board, including:

Vincent Sunzeri, two-year term ending November 30, 2012

Damon Krytzer, four-year term ending November 30, 2014

Sean Bill, four-year term ending November 30, 2014

Michael Flaherman, four-year term ending November 30, 2014

The eight members of the Police and Fire Board reviewed the remaining applicants' resumes from the pool interviewed by the City Council. The Board invited four (4) candidates for its interviews on April 6, 2011. At the conclusion of the interviews, the Board unanimously voted to recommend Andrew Lanza to the City Council for appointment as the final public member of the Board. A successful applicant must receive six or more Council votes to be appointed to the Retirement Boards. Staff recommends that the term of office of the seventh member expire on April 30, 2015.

ANALYSIS

The Police and Fire Department Retirement Board respectfully recommend that the City Council appoint Mr. Lanza as the ninth Trustee. With the appointment of the ninth and final member of the Board, the structural changes to the Police and Fire Retirement Board will be accomplished and fully implemented.

Conflicts of Interest Review:

Prior to the City Council interviews of applicants for appointment to the Retirement Boards on December 16, 2010, the Office of the City Attorney and the Department of Planning, Building and Code Enforcement completed their routine conflicts of interest and code violations review. Code Enforcement's research revealed no past or current cases involving Mr. Lanza. The City Attorney's analysis concluded, "Mr. Lanza did not identify any organization, association, or entity in which he was active or which he is involved or associated which might be affected by

decisions of the Board. Mr. Lanza further indicated that he would have no financial interest to disclose other than his financial interest in his and his spouse's employment. Mr. Lanza did indicate he serves on over a dozen for profit and non-profit boards, but a potential for conflict would only exist if these boards are for entities that are likely to come before the retirement boards, Mr. Lanza's spouse's employment would not appear to create a potential for conflict of interest."

PUBLIC OUTREACH

This memo will be posted on the City Clerk's website as a part of the April 19, 2011 City Council Meeting Agenda. In addition, this information will be posted on the website for the Board of the Police and Fire Department Retirement Plan and copies of the memorandum will be distributed to appropriate employee and retiree organizations.

- 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 Office of the 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.

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

College, Professional, Vocational or Other Schools attended	Major Subject	Dates Attended	Degree & Date
Stanford University	Electrical Engineering	1974-1979	BSEE & MSEE '79
Harvard University	Business	1985-1987	MBA '87

Licenses Held:

None

Certifications Held:

None

Special Awards or Recognitions Received

Magna Cum Laude graduate of Harvard Business School

Languages spoken

English and Spanish

Individuals applying for appointment as public members of the Board are ineligible for appointment to the Board if they meet certain criteria. Please confirm if you meet any of the following criteria. If you answer yes to any question, you are not eligible for appointment as a Public Member of the Retirement Boards.

- Current or former City employee Yes No
- Current or former elected or appointed City official Yes No
- Retired members of, or persons participating in or receiving benefits from the Police and Fire Dept. Retirement Plan or Federated City Employees' Retirement System Yes No
- A representative of any union representing City employees Yes No
- Immediate Family Member (as defined in San Jose Municipal Code Sections 2.08.1020.F and 2.08.1220.F) of a City employee or persons participating in or receiving benefits from the Police and Fire Dept. Retirement Plan or Federated City Employees' Retirement System Yes No

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

A. GENERAL BACKGROUND

1. Please list your applicable experience or expertise relevant to public retirement plan administration. Please attach your resume or CV to allow for more detailed information.

Category (check all that apply)	Years of Experience	Describe your experience or expertise
<input type="checkbox"/> Senior executive position in pension administration		
<input type="checkbox"/> pension actuarial practice		
<input checked="" type="checkbox"/> institutional investment experience	10	Venture Capitalist at Morgenthaler Ventures
<input type="checkbox"/> auditing		
<input type="checkbox"/> accounting		
<input type="checkbox"/> legal		
<input type="checkbox"/> health and welfare and/or employee benefits management		
<input type="checkbox"/> investment management		
<input type="checkbox"/> banking		
<input type="checkbox"/> Insurance company asset/liability management		
<input type="checkbox"/> college or university professor (focus on fiduciary or trust law, quantitative background in financial theory or actuarial math)		
<input type="checkbox"/> Other		
<input type="checkbox"/> Other		

2. Please summarize your qualifications to serve as a member of the Retirement Board? Briefly highlight your skills, training, education, qualifications, experience (licenses and/or certifications) and personal qualities that you will bring to the Board and share with the organization.

I grew up in the Silicon Valley and know many of its leaders. I started and ran 4 companies. I was a VC for a decade and many of our Limited Partners were pension funds. I have served on over a dozen boards in my lifetime. I am hard working, outgoing, smart, and highly ethical.

3. What is your interest and motivation for serving as a member of the Retirement Board?

I have recently retired and am looking at ways to apply my experience to serve the community.

4. Please discuss your pension plan and/or investment management and oversight experience including the development of key financial policies.

I worked in private equity (Venture Capital) for the past decade investing money for pension funds like Ohio SERS, Pennsylvania SERS, and the UMWA.

5. Please describe your membership in relevant professional or trade organizations. Please note any offices held, etc.

None that are relevant.

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

6. Please state any other information, which you feel, would be useful in reviewing your application

I have served on over a dozen for profit and non profit boards. I am a natural leader and consensus builder

B. FAMILIARITY WITH BOARD

1. Please describe your understanding of the role and responsibilities of Retirement Board members?

Make sure that the plan is being run in a lucrative, compliant, and ethical fashion. Help set allocation strategy and goals. Thoroughly question and approve the investment policies and recommendations of the investment managers and staff. Help recruit, retain, and review top notch investment managers and staff. Use relationships to get into top funds. Determine who is eligible for membership and benefits under the plan.

2. Please describe your understanding of the relationship between the Retirement Board and City Council? The City Administration? Retirement Services staff? Employee bargaining units? Plan participants and beneficiaries?

The City Council selects some of the members of the Retirement Board. My understanding is that, under the new system, the funds are to be managed more autonomously in the past. This lessens the role of City Administration over a substantial portion of the City's budget. I do not know how that will alter the relationship. The Board's relationship with staff is the normal relationship of a board to an organization. I trust we're not involved in bargaining. We act as a fiduciary for the benefits and participants to make sure that the benefits that have already been agreed to are delivered efficiently.

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

We will probably be in a tough economic climate for the next decade, how do we insulate ourselves from that? The composition of the board has recently changed - how can we work together for the benefit of the retirees? The political sentiment of the country is shifting and public pensions are starting to gain more scrutiny. How can we avoid getting caught up in that melee?

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

Short Term:

Generate 'top tier' financial results with as little risk as possible.
Make sure all aspects of the operation are well managed.
Maintain a healthy debate about our business practices.
Make sure the new Retirement Board is highly functional.

Long Term:

Generating stable, 'top tier' returns.
Building an organization which is accountable to its members.
Make the work we do challenging, but enjoyable!

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

C. 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 stay current by reading magazines and books every night. I follow the capital markets by reading the Wall Street Journal daily and the Economist. I attend and often present at conferences. I meet with academics from Stanford and Harvard to discuss challenges and opportunities.

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?

Investing more broadly in emerging and established economies continues to be a smart strategy for increasing return while diversifying risk. My experience with risk budgeting is limited to managing my own and my family's portfolios and helping to manage sector allocation at a Venture Capital firm.

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.

Our goal is to generate 'top tier' returns while keeping our risks in doing so very modest. We invest across asset classes as a way of spreading out our risk. And we must invest in the very best vehicles in each asset class to be considered 'top tier'. In the current environment I would lean back into equities and suggest a rough mix of 38% U.S. equities, 14% non-U.S. equities, 7.5% private equity, 7.5% real estate, 30% bonds, and a few percent of highly liquid assets (cash et al). I have not had time to factor in the results of the recent election which might cause this to change.

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?

Given the size of the pension fund, it is prudent to invest across all asset classes. The key is to use all of the relationships at our disposal to get into the top performing funds and investments in each asset class. If it is not possible for the plan to get into the handful of top performers, then it should be very cautious about investing in alternative asset classes.

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

Investment managers must feel a strong obligation to the people whose money they are investing. They need to have (or know how to aggressively work) relationships that get them into the best funds and investments. They need to understand the dynamics of the specific sector they are responsible for investing in. They need to have a refined gambler's instinct for knowing when to stand pat and when to fold. A failure in any of these would be a reason for dismissal. I would focus due diligence around process, insight, and track record (in that order).

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.

It should clearly state the goals the plan is trying to achieve, the rationale and rules it uses, and the allocation conclusions it has drawn. I believe that it is the role of the Board to set broad guidelines and then leave it up to the investment managers to propose an asset allocation model and the specific funds for each asset class. I believe that the Board must be helpful in working with the investment managers to get the pensions into the very best funds in each asset class. I am not sure of the role of the Board in portfolio structure, manager selection, and due diligence. The Board should strive to hire the very best senior manager that it can to oversee those decisions and then 'manage the manager' with minimal interference. But this can often not be achieved in practice and the Board ends up taking a more 'involved' role in these sorts of decisions. As on all Boards, I expect reporting to be timely, accurate, and detailed.

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

D. CONFLICT OF INTEREST.

1. State and local law require that Retirement Board members publicly disclose, in advance of action being taken, any conflict of interest, including sources of income, interests in real property or investments, on a matter agendized for Board action; recuse themselves from voting on such item; and leave the room while the item is being discussed and voted on, unless the item is a consent or uncontested item. Please confirm that you have reviewed and agree to comply with San Jose City Council Conflict of Interest Policy (Council Policy No. 0-34); and Government Code Sections 1090 and 87105.

- Yes, I have read and agree to comply
 No, I have not read and/or do not agree to comply.

2. In addition, if appointed, you will be required to fill out a disclosure statement, which identifies certain of your financial interests beginning with the immediate twelve-month period prior to your appointment and annually on or before April 1 of each year thereafter. Please confirm that you have read Fair Political Practices Commission (FPPC) Form 700 Reference Pamphlet and agree to file required FPPC Form 700 Statements of Economic Interest, as required by current City Council Conflict of Interest resolution.

- Yes, I have read and agree to comply
 No, I have not read and/or do not agree to comply.

3. Have you ever been required to file a Statement of Economic Interest (Form 700) and failed to do so? Yes No If yes, please explain in complete detail.

4. If you were required to file a FPPC Form 700 Statement of Economic Interest as a Retirement Board member as of the date of this application, would you have any financial interests that you would be required to disclose other than your financial interest in the employment already disclosed in this application?. Yes No If yes, please identify any interest that you would be required to disclose as an attachment to this application.

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

5. Please identify any organizations, associations, or entities in which you are active, or with which you are involved or associated that might be affected by decisions of this Board, and the positions you hold.

None that I am aware of.

6. Please confirm that you have reviewed and agree to comply with the San Jose Municipal Code Chapter 12.08 (Prohibition of Gifts), City of San Jose Ethics Policy (City Policy Manual 1.2.1), and City of San Jose Gift Policy (City Policy Manual 1.2.2).

- Yes I have read and agree to comply
 No I have not read and/or do not agree to comply.

E. BACKGROUND CHECKS AND REFERENCES

1. Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years (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 relevant.

2. Are you or your firm currently or within the past five years been the subject of any litigation or claims resulting from any investment activity, advice, a fiduciary relationship, or regarding alleged financial improprieties? Yes No If yes, please provide details.

3. Are you or your firm currently or within the past five years been the subject of any investigation or disciplinary action by any governmental and/or regulatory body (SEC, NASD, states Attorney General or Insurance Commissioner, etc.)? Yes No If yes, please provide details.

**CITY OF SAN JOSÉ - RETIREMENT BOARDS
APPLICATION FOR APPOINTMENT AS A PUBLIC MEMBER**

4. Please provide four personal and/or business references (not relatives). Please include name, address, email, and telephone number.

How did you learn of a vacancy on this Board?

- Internet
- Newspaper
- Advertisement – Source: _____
- City Website
- Personal contact from Councilmember
- Personal contact from City staff member
- Word of mouth
- Other (please specify)

SUBMIT ONLINE

RESET FORM (ERASE)

**Submit to:
City of San Jose
Office of the City Clerk
200 E. Santa Clara Street, Wing Room 243
San Jose, CA 95113-1905
Phone: (408) 535-1260
Fax: (408) 292-6207
CityClerk@sanjoseca.gov
Attention: Dennis Hawkins**

This form has been enabled to allow you to save your changes in order to submit by fax or mail.

Please contact Rebecca Hall at (408) 535-1264, if you have any issues submitting online.

NOTE: There is one additional blank sheet on the next page if needed.

DREW LANZA

experience

- 2000-2010 **MORGENTHALER VENTURE CAPITAL** **MENLO PARK, CA**
GENERAL PARTNER. Selected from large candidate pool and heavily recruited by other partners to join this 40-year old, top tier VC firm. Led the firm's investments in hardware (chips and systems). Deployed \$90M in capital over the decade in 9 companies, six of which are still 'live' (Cortina, Overture, OmniPV, R2, SiPort, and Unity). Returned \$50M on \$7M investment in Brion, a semiconductor company. 'Live' companies have over \$200M in combined annual revenue in 2010. Reasonably forecast to be a top decile '2x Partner' by 2012.
- 2006-present **SANTA CATALINA ISLAND COMPANY** **AVALON, CA**
BOARD MEMBER. Close, trusted relationship with family who owns the island of Santa Catalina, off the coast of California near Los Angeles. Recruited to talented board to help establish mission and vision for this 1,000 employee company and to work with executives to create logistic and financial plans to realize those goals.
- 1988-2000 **LIGHTWAVE MICROSYSTEMS, INC.** **SANTA CLARA, CA**
FOUNDER AND CEO. Created this company, the pioneer and leader in the development of optical integrated circuits using planar lightwave technology. Company has recently filed an IPO under the name NeoPhotonics.
- 1998-2000 **MAYAN NETWORKS, INC.** **SUNNYVALE, CA**
SENIOR VICE PRESIDENT OF MARKETING. Recruited by top VCs to create Marketing Department for this telecommunications start-up. Wrote plan and pitched to investors raising \$80M in 2 rounds of funding.
- 1993-1998 **E/O NETWORKS, INC.** **HAYWARD, CA**
FOUNDER AND VICE PRESIDENT OF ENGINEERING. Built a team of 30 Engineers (and support staff) who designed 50 PCB's including optics, ASIC's, software, and complex analog and digital circuits in under 2 years. Personally wrote over 20,000 lines of firmware for the product. Always on-time and under budget.
- 1986-1993 **RAYNET CORP.** **MENLO PARK, CA**
FOUNDER AND VICE PRESIDENT OF MARKETING. Built Marketing Department at this 700 person telecommunications start-up. Created first commercial PON and FTTC systems. Extensive global travel.
- 1983-1985 **INTERNATIONAL BUSINESS MACHINES CORP.** **PALO ALTO, CA**
MARKETING REPRESENTATIVE. While managing the Intel account, uncovered a major market opportunity for mainframe UNIX software. Successfully developed and presented business plan to senior officers of IBM.
- 1981-1983 **MAGUS GROUP, INC.** **CUPERTINO, CA**
FOUNDER AND CHIEF FINANCIAL OFFICER. Designed, manufactured and marketed portable data acquisition systems. Responsible for funding, product design, and financial control.
- 1977-1983 **STANFORD UNIVERSITY** **STANFORD, CA**
LECTURER, DEPARTMENT OF ELECTRICAL ENGINEERING. Taught graduate and undergraduate courses in Digital and Adaptive Signal Processing and Control. Awarded most outstanding instructor, Fall Quarter, 1981.
SYSTEMS PROGRAMMER III, INTEGRATED CIRCUITS LABORATORY. Managed a team of five to design and implement a UNIX-like operating system. Delivered four papers about the project at three conferences.

education

- 1985-1987 **HARVARD BUSINESS SCHOOL** **BOSTON, MA**
Magna cum laude graduate. Elected Social Chairman of 1,600-member Student Body.
- 1974-1979 **STANFORD UNIVERSITY** **STANFORD, CA**
Bachelor and Master of Science degrees in Electrical Engineering with emphasis in Cybernetics and Adaptive Control. Founded undergraduate computing facility (LOTS). President of *Delta Kappa Epsilon* fraternity.

personal

Married with three children in college. Grew up in Silicon Valley. Nice guy. Chairman of Board of Governors of Stanford Museum (2003-2005). Involved in numerous philanthropic associations. Hobbies include art, cooking, music, surfing, and horses. Ride in annual rodeo as member of *Los Caballeros de Santa Catalina*.

September 2010

Drew Lanza

I have 10 years of VC experience and 15 years of operating experience at various technology companies as a founder, VP of Engineering, VP of Marketing/Sales, and CEO. Most recently I was a General Partner with Morgenthaler Ventures where I led their investments in hardware (systems and chips) and was a top producing Partner. Prior to Morgenthaler I started four companies and rotated through various operating roles in industries including optical networking, cleantech, and enterprise systems and software. I received my degrees in electrical engineering and served briefly on the Stanford faculty before beginning my career. I also have an MBA from Harvard.

Investor: Led Morgenthaler's investments in Brion, Cortina, Overture, OmniPV, SiPort, R2, Unity, ZeroG, and fiberSpace. Brion returned \$50M on \$7M invested when it was acquired for \$270M. Cortina and Overture, still private, will do \$200M in revenue this year and are preparing to go public. I am the lead investor in both companies.

Board member: Sat on all the boards of the companies I invested in while at Morgenthaler. Sat on the boards of most of the companies that I founded. I served as Chairman of the Stanford Museum Board of Governors. Currently serve on the board of the Santa Catalina Island Company. Also serve on the nVention Board that spins technology out of SRI International, much of it in cleantech.

Founder: I started my first company when I was 21 years old. Magus Systems manufactured portable chemical sensors for the EPA. I was a founder and VP of Marketing at Raynet, where I was the program manager for the world's first commercial fiber-to-the-home PON system in 1992. I founded and was VP of Engineering at E/O Networks, which designed and manufactured fiber-to-the-home systems for the American market. I was a founder and CEO of Lightwave Microsystems, an early pioneer in optical components. Lightwave is preparing to go public under the name NeoPhotonics.

Roles: As a VP of Engineering, I led a team of 30 engineers who designed a rural fiber telephony system. As a VP of Marketing, I have led teams that specified complex systems and brought them to market. I have also raised many hundreds of millions of dollars over dozens of rounds of financing from the top Venture Capital firms in the Silicon Valley. As a VP of Sales I have built domestic and international sales teams from scratch and have sold into some of the largest corporations in the world. In general, I am known as a creative leader who consistently delivers on time and on budget.

Other: I am an electrical engineer and stay current on technology in that field. I received my degrees in adaptive signal control and processing and cybernetics. I served for three years on the Stanford faculty after graduating. I also have an MBA from the Harvard Business School where I graduated *magna cum laude* and also served as Social Chairman of the approximately 1,600-member student body.

Personal: I grew up in the Silicon Valley. My father was an entrepreneur and a founder of a Fortune 500 company (Raychem). I have deep roots and connections here.