



MEMORANDUM

TO: BOARD OF FEDERATED CITY EMPLOYEES' RETIREMENT

CC: JOHN FLYNN, BARBARA HAYMAN

FROM: VALTER VIOLA (CORTEX)

SUBJECT: 2024 BOARD PERFORMANCE ASSESSMENT: REPORT OF FINDINGS

DATE: SEPTEMBER 19, 2024

The Board Performance Assessment Policy requires the Board to assess its performance every two years. This [Report of Findings](#) summarizes the results of the Board's 2024 assessment.

The assessment involved the Federated Board's members completing an on-line survey, which has been used for several years by both the Federated and P&F Boards. This report includes **written** responses to the survey by the Federated Board's members. (No member expressed a need to have a one-on-one phone conversation with Cortex to elaborate on any comments or assessments from their written responses.)

I will be on vacation when this report is scheduled to be discussed, but I will review the Board meeting transcript when I return and address any follow up issues as needed.

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FINDINGS

The broad findings from the survey are in the table below. *Comments from trustees are in italics.* (Where trustees' comments were substantially the same, Cortex removed certain comments to reduce any redundancy.) The survey question number is on the right, while the appendix has the survey results in various tables.

Scores are on a 10-point scale, with 1 being poor and 10 being excellent.

Criteria	Findings	Q#
Board's Performance	<p>Board members provided a highly positive evaluation of the Board's overall performance, assigning an average score of 8.4* (out of 10).</p> <p>* 8.4 is the average score of the 7 trustees in Q20 g. The average score across 6 areas (Q20 a to f) is about the same (8.2).</p> <p>Average scores across 6 areas are, from highest to lowest:</p> <ul style="list-style-type: none"> • Group dynamics/interaction among Board members (9.1 out of 10); • Board's relationship/interaction with Management and Advisors (8.9); • Board's ability to focus on its fiduciary duties (8.1); • Board's success in focusing on appropriate issues, goals and objectives (7.9); • Quality and efficiency of Board/committee deliberations and decision-making (7.7); and • Board's ability to monitor the performance of the organization (7.3). 	20
Significant Achievements	<p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>Overall investment performance and asset allocation.</i> • <i>Continuing the path of working to maintain a consistent asset allocation.</i> • <i>Monitoring performance and asking insightful questions about investments and strategy.</i> • <i>Addressing significant stakeholder (city council & staff) concerns about internal audit findings and resulting exoneration.</i> • <i>Successful investigation of personnel issues.</i> • <i>Successful conclusion of MOU to further define relationship with plan sponsor instead of a ballot measure.</i> • <i>Working to improve governance and streamlining policies.</i> • <i>Executive search and recruitment of new CEO.</i> • <i>Successful resolution of investment fee reporting delinquency.</i> 	21

Criteria	Findings	Q#
Improvements in Operations or Activities	<p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>With only seven members and five committees, it can be a challenge to staff all committee functions. Fed is at a disadvantage w/r/t P&F.</i> • <i>Board needs to have a better pulse in the operations of the department and staff.</i> • <i>More opportunities for senior Board members/staff to share some institutional knowledge/history of the plan and its changes would be useful for establishing best practices for the long term.</i> • <i>Board had to spend extraordinary time and efforts on operational and audit issues which has taken away the focus and discussion time from critical investment activities and member services. Though those issues were important, it could have been better managed at the staff and management level.</i> • <i>Board was blindsided with several issues: fee under-report, internal audit report, City dissatisfaction with ORS operations. Improved communication with stakeholders and staff is a first--but not sufficient--requirement for improved board awareness. Despite these headwinds, we managed to achieve many important milestones this year.</i> • <i>In theory, the Boards could have acted more quickly to help resolve issues. However, the Boards and committees meet once a month separately, so it takes several months to discuss issues, authorize resources, review recommendations, and decide on final actions.</i> • <i>ORS needed to pay increased attendance to operation issues. This is the case with the administration side and the investment side.</i> • <i>One issue that remains is poor morale among some of the member services /operations staff.</i> • <i>Another issue is the city council / staff's desire to have greater control of the ORS operations. These issues will need to be addressed by the new CEO and possibly the Board going forward.</i> 	<p>22 - 23</p>
Board Behaviors	<ul style="list-style-type: none"> • <i>Most trustees agree that the Board did not engage in in-house education as a group, which is below expectations.</i> • <i>In all other cases, Board behaviors met or exceeded expectations (unless a trustee was unable to provide an assessment).</i> 	<p>3</p>
Board Performance Below Expectations	<p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>During my tenure I do not recall any in-house education <u>as a group</u>. I have participated in <u>individual</u> in-house training.</i> 	<p>4</p>

Criteria	Findings	Q#
Committees' Value Added to Board's Decision-making Process	<ul style="list-style-type: none"> • All trustees agree that committees add value to the Board's decision-making process, with: <ul style="list-style-type: none"> ○ stronger agreement in the case of the Personnel Committee and Governance Committee (57% each); then ○ Investment Committee (43%); and ○ Audit Committee (29%). 	5
Committee Meeting Frequency and Performance	<ul style="list-style-type: none"> • Trustees agree that the frequency of committee meetings is optimal, except one trustee indicated the Personnel Committee meets too often. <p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>The committees have met more often than the schedule for the year to address important issues that arose during the year.</i> 	6 - 7
Board Activities	<ul style="list-style-type: none"> • There is general agreement that the Board: <ul style="list-style-type: none"> ○ challenges management in a constructive manner; ○ provides valuable alternative points of view to management; and ○ creates a supportive environment for management and staff. • 57% (4 of 7) of trustees were "neutral" when assessing whether the Board provides the CEO with helpful feedback to enhance future performance. <p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>We have a new incoming CEO, as the previous CEO has retired. The Board could have been more forthcoming in providing feedback to the prior CEO in a few circumstances.</i> 	8 - 9
Board's Goals, Strategies, Plans, and Monitoring	<ul style="list-style-type: none"> • There is general agreement that the Board establishes suitable goals, strategies, and plans for the organization as a whole and in various areas (e.g., investment program, plan funding) and that it also effectively monitors the performance of the organization as a whole and in the various areas. (In a few cases, one or two trustees were "neutral".) 	10 - 11
Human Resources	<ul style="list-style-type: none"> • Trustees agree that the Board engages effectively in succession planning for key management and staff positions. <p><u>Trustee Comments:</u></p> <ul style="list-style-type: none"> • <i>The Boards successfully completed a CEO replacement search, interviewing several high quality candidates.</i> • <i>The Board performs succession planning for CEO and CIO and is not involved in other personnel planning.</i> 	12 - 13

Criteria	Findings	Q#
Board Member Behavior	<ul style="list-style-type: none"> • Trustees were generally satisfied with Board member behavior. • The weakest rating relates to trustees' understanding of when it is appropriate to act in a fiduciary or stakeholder role, where one trustee was dissatisfied. 	14 - 15
Board Meeting Frequency, Length, and Location	<ul style="list-style-type: none"> • 5 trustees (71%) feel Board meeting frequency is optimal, while 2 (29%) feel there are too many meetings. • All trustees agree the length of Board meetings is optimal. • Facilities location is satisfactory or better. 	16 - 18
Committee Time Spent on Various Topics	<p>Committees spend the optimal time on various topics, with these exceptions where too little time is spent on:</p> <ul style="list-style-type: none"> • Member services (6 trustees, or 86%); • Operational risk management (4, 57%); • Human resources management (3, 43%); • Operations (3, 43%); • Audit function (2, 29%); • Board governance (1, 14%); • <u>Investment function</u> • Asset allocation policy (1, 14%); • Manager selection (public markets) (1, 14%); and • Manager selection (private markets) (1, 14%). 	19

APPENDIX: SURVEY RESULTS

Survey results are in the tables below.

BOARD BEHAVIORS

3. Please reflect on the activities of the Board as a whole and evaluate the following behaviors relative to your expectations. The extent to which:

	Above Expectations	Meets Expectations	Below Expectations	Unable to Assess	Responses
a) ...the Board focuses on policy and strategy rather than operational details. Count Row %	0 0.0%	7 100.0%	0 0.0%	0 0.0%	7
b) ...Board meetings are organized and well-run . Count Row %	2 28.6%	5 71.4%	0 0.0%	0 0.0%	7
c) ...the Board uses its committees effectively . Count Row %	4 57.1%	3 42.9%	0 0.0%	0 0.0%	7
d) ...the Board ensures its decisions are supported by analysis and research. Count Row %	3 42.9%	3 42.9%	0 0.0%	1 14.3%	7
e) ...the Board seeks staff analysis and recommendations related to issues it is considering. Count Row %	2 28.6%	5 71.4%	0 0.0%	0 0.0%	7
f) ...the Board carefully deliberates before taking action (e.g., adequately considers alternatives). Count Row %	2 28.6%	5 71.4%	0 0.0%	0 0.0%	7
g) ...the Board handles disagreements among Board members in a professional manner . Count Row %	6 85.7%	1 14.3%	0 0.0%	0 0.0%	7
h) ...the Board adheres to its own policies. Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	7

BOARD BEHAVIORS (CONTINUED)

	Above Expectations	Meets Expectations	Below Expectations	Unable to Assess	Responses
j) ...the Board as a whole instills trust and confidence among stakeholders. Count Row %	3 42.9%	2 28.6%	0 0.0%	2 28.6%	7
k) ...the Board engages in in-house education as a group. Count Row %	2 28.6%	0 0.0%	4 57.1%	1 14.3%	7
l) ...individual Board members avail themselves of external educational opportunities. Count Row %	2 28.6%	4 57.1%	0 0.0%	1 14.3%	7

COMMITTEES' VALUE ADDED TO BOARD'S DECISION-MAKING PROCESS

5. Please indicate your level of agreement/disagreement with the following statements. The following committees add value to the Board's decision-making process:(In answering the question, consider the quality and usefulness of the work and recommendations the committee provides to the Board.)

	Strongly Agree	Agree	Neutral	Disagree	Unable to Assess	Responses
a. Audit Committee Count Row %	2 28.6%	5 71.4%	0 0.0%	0 0.0%	0 0.0%	7
b. Personnel Committee Count Row %	4 57.1%	2 28.6%	0 0.0%	0 0.0%	1 14.3%	7
c. Governance Committee Count Row %	4 57.1%	2 28.6%	0 0.0%	0 0.0%	1 14.3%	7
d. Investment Committee Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	0 0.0%	7

COMMITTEE MEETING FREQUENCY

6. Please reflect on how often the following committees meet throughout the year:(If you did not serve on the committee in question, please feel free to indicate "Unable to Assess".)

	Too Seldom	Optimal	Too often	Unable to Assess	Responses
a. Audit Committee					
Count	0	5	0	2	7
Row %	0.0%	71.4%	0.0%	28.6%	
b. Personnel Committee					
Count	0	3	1	3	7
Row %	0.0%	42.9%	14.3%	42.9%	
c. Governance Committee					
Count	0	5	0	2	7
Row %	0.0%	71.4%	0.0%	28.6%	
d. Investment Committee					
Count	0	4	0	3	7
Row %	0.0%	57.1%	0.0%	42.9%	

BOARD ACTIVITIES

8. Please reflect on the activities of the Board as a whole and indicate the extent in which you agree with the following statements:

	Strongly Agree	Agree	Neutral	Disagree	Unable to Assess	Responses
a. The Board challenges management in a constructive manner.						
Count	0	5	2	0	0	7
Row %	0.0%	71.4%	28.6%	0.0%	0.0%	
b. The Board provides valuable alternative points of view to management.						
Count	0	6	1	0	0	7
Row %	0.0%	85.7%	14.3%	0.0%	0.0%	
c. The Board creates a supportive environment for management and staff.						
Count	2	5	0	0	0	7
Row %	28.6%	71.4%	0.0%	0.0%	0.0%	
d. The Board provides the CEO with helpful feedback to enhance future performance.						
Count	0	3	4	0	0	7
Row %	0.0%	42.9%	57.1%	0.0%	0.0%	

BOARD'S GOALS, STRATEGIES, AND PLANS

10. The Board establishes suitable goals, strategies, and plans for:

	Strongly Agree	Agree	Neutral	Disagree	Unable to Assess	Responses
a. the organization as a whole. Count Row %	1 14.3%	6 85.7%	0 0.0%	0 0.0%	0 0.0%	7
b. the investment program. Count Row %	4 57.1%	3 42.9%	0 0.0%	0 0.0%	0 0.0%	7
c. member services. Count Row %	0 0.0%	4 57.1%	2 28.6%	0 0.0%	1 14.3%	7
d. the Board's own governance. Count Row %	1 14.3%	5 71.4%	1 14.3%	0 0.0%	0 0.0%	7
e. stakeholder communications. Count Row %	0 0.0%	5 71.4%	2 28.6%	0 0.0%	0 0.0%	7
f. plan funding. Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	0 0.0%	7

BOARD'S MONITORING EFFECTIVENESS

11. The Board effectively monitors the performance of:

	Strongly Agree	Agree	Neutral	Disagree	Unable to Assess	Responses
a. the organization as a whole. Count Row %	0 0.0%	7 100.0%	0 0.0%	0 0.0%	0 0.0%	7
b. the investment program. Count Row %	4 57.1%	3 42.9%	0 0.0%	0 0.0%	0 0.0%	7
c. member services. Count Row %	0 0.0%	5 71.4%	2 28.6%	0 0.0%	0 0.0%	7
d. stakeholder communications. Count Row %	0 0.0%	5 71.4%	2 28.6%	0 0.0%	0 0.0%	7
e. plan funding. Count Row %	2 28.6%	4 57.1%	1 14.3%	0 0.0%	0 0.0%	7

HUMAN RESOURCES

12. In the area of Human Resources, the Board:

	Strongly Agree	Agree	Neutral	Disagree	Unable to Assess	Responses
a. engages effectively in succession planning for key management and staff positions . Count Row %	4 57.1%	2 28.6%	0 0.0%	0 0.0%	1 14.3%	7

BOARD MEMBER BEHAVIOR

14. Please reflect on the activities of your fellow Board members and indicate your level of satisfaction with each of the following behaviors.

	Very satisfied	Satisfied	Dissatisfied	Unable to Assess	Responses
a. Their level of attendance and punctuality at meetings. Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	7
b. Their level of preparation for meetings. Count Row %	1 14.3%	6 85.7%	0 0.0%	0 0.0%	7
c. Their understanding of when it is appropriate to act in a fiduciary or stakeholder role . Count Row %	1 14.3%	5 71.4%	1 14.3%	0 0.0%	7
d. Their contributions to Board/committee discussions and deliberations. Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	7
e. Their ability to demonstrate respect for other Board members' ideas and opinions. Count Row %	4 57.1%	3 42.9%	0 0.0%	0 0.0%	7
f. Their ability to accept the decisions of the Board , even if they did not vote in favor of them. Count Row %	4 57.1%	3 42.9%	0 0.0%	0 0.0%	7
g. Their ability to respect the opinions expressed by management. Count Row %	3 42.9%	4 57.1%	0 0.0%	0 0.0%	7
h. The manner in which they communicate externally on matters pertaining to San Jose Federated City Employees Retirement System. Count Row %	2 28.6%	4 57.1%	0 0.0%	1 14.3%	7

BOARD MEETING FREQUENCY, LENGTH, AND LOCATION

16. Please reflect on how often the Board meets as a whole throughout the year (excluding committee meetings and off-site programming or retreats).

	Too Few	Optimal	Too many	Unable to Assess	Responses
The number of Board meetings is:					
Count	0	5	2	0	7
Row %	0.0%	71.4%	28.6%	0.0%	

17. Please reflect on the typical length of Board meetings (excluding committee meetings).

	Too Short	Optimal	Too long	Unable to Assess	Responses
The average duration of Board meetings is:					
Count	0	7	0	0	7
Row %	0.0%	100.0%	0.0%	0.0%	

18. Please indicate your level of satisfaction with the following:

	Very satisfied	Satisfied	Dissatisfied	Very Dissatisfied	Unable to Assess	Responses
The Board meeting location and facilities.						
Count	2	5	0	0	0	7
Row %	28.6%	71.4%	0.0%	0.0%	0.0%	

COMMITTEE TIME SPENT ON VARIOUS TOPICS

19. Please indicate whether the Board and its committees devote too little, an optimal amount, or too much time to each of the following topics.

	Too Little	Optimal	Too Much	Responses
a. Plan design				
Count	0	6	0	6
Row %	0.0%	100.0%	0.0%	
b. Understanding Fund liabilities				
Count	0	7	0	7
Row %	0.0%	100.0%	0.0%	
c. Member services				
Count	6	1	0	7
Row %	85.7%	14.3%	0.0%	
d. The investment function - Asset allocation policy				
Count	1	6	0	7
Row %	14.3%	85.7%	0.0%	
e. The investment function - Manager selection (<i>public markets</i>)				
Count	1	6	0	7
Row %	14.3%	85.7%	0.0%	
f. The investment function - Manager selection (<i>private markets</i>)				
Count	1	6	0	7
Row %	14.3%	85.7%	0.0%	
g. Investment risk management and reporting				
Count	0	7	0	7
Row %	0.0%	100.0%	0.0%	
h. Operational risk management				
Count	4	3	0	7
Row %	57.1%	42.9%	0.0%	
i. The audit function				
Count	2	5	0	7
Row %	28.6%	71.4%	0.0%	
j. Human resources management				
Count	3	4	0	7
Row %	42.9%	57.1%	0.0%	
k. Operations				
Count	3	4	0	7
Row %	42.9%	57.1%	0.0%	
l. Board governance				
Count	1	6	0	7
Row %	14.3%	85.7%	0.0%	

BOARD'S PERFORMANCE ASSESSMENT IN VARIOUS AREAS

20. Please rate the Board's performance over the past year in the following areas:

	Poor									Excellent	
	1	2	3	4	5	6	7	8	9	10	Responses
a. The Board's success in focusing on appropriate issues, goals and objectives Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 14.3%	1 14.3%	4 57.1%	0 0.0%	1 14.3%	7
b. The Board's ability to focus on its fiduciary duties Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 14.3%	1 14.3%	1 14.3%	0 0.0%	1 14.3%	3 42.9%	7
c. The quality and efficiency of Board/committee deliberations and decision-making Count Row %	0 0.0%	0 0.0%	0 0.0%	1 14.3%	0 0.0%	1 14.3%	0 0.0%	2 28.6%	2 28.6%	1 14.3%	7
d. Group dynamics/interaction among Board members Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	2 28.6%	2 28.6%	3 42.9%	7
e. The Board's relationship/interaction with Management and Advisors Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 14.3%	1 14.3%	3 42.9%	2 28.6%	7
f. The Board's ability to monitor the performance of the organization Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 14.3%	0 0.0%	3 42.9%	2 28.6%	1 14.3%	0 0.0%	7
g. The overall performance of the Board Count Row %	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	2 28.6%	1 14.3%	3 42.9%	1 14.3%	7