



# Memorandum

**To:** City of San Jose Federated City Employees' Retirement System Board Trustees

**From:** Verus and Meketa

**Date:** June 26, 2025

**RE:** Summary of key revisions to draft IPS

**CC:** John Flynn, Prabhu Palani, CFA, Dhinesh Ganapathiappan, CFA, Jay Kwon, CFA, CAIA, Ron Kumar

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The purpose of this memorandum is to provide a summary of the substantive revisions to the draft IPS which resulted from our comprehensive review process. The goal of our review was to identify areas for improvement regarding clarity of processes, simplification of language and alignment with current best practices by the System's peers. While there appears to be a lot of revisions to the IPS, in reality, most of the changes resulted from movement of language and whole sections from one place to the other with the current policy language largely intact. The Roles and Responsibilities language was removed from the Risk Policy (Section IX) and placed in an new independent section (Section VI) within the IPS that resides higher up in the policy given the importance of this language in terms of articulation of the System's governance process. Additionally, language was deleted related to practices or portfolio components that no longer apply to the System's investment program. The remaining IPS changes are summarized as follows:

1. Removal of prescriptive language from the asset allocation policy setting section (Section VII) to align the Board's policy setting process with industry best practices.
  2. Language related to portfolio asset class and sub-asset class descriptions was moved to the Appendix (Appendix C).
  3. Language related to implementation duties were moved from Section VIII. Manager Selection, etc. to the Staff's Implementation Procedures document given their implementation authority. We revised the IPS to reflect only the Board's strategic decision making and removed the implementation related language related to the extent of Staff's delegated authority to further distinguish strategic versus implementation decision making and to align with industry best practices for large public funds with similar governance structures as the System. Peers with delegated authority governance typically maintain both a Board IPS and a Staff policy document to govern their respective decision-making processes.
  4. Incorporation of governance and fiduciary-related clarifications from the System's fiduciary counsel, Reed and Smith.
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