



# BOARD OF ADMINISTRATION

City Hall  
Wing Rooms 118-120  
200 East Santa Clara  
Street,  
San Jose, CA 95113

## Meeting Minutes - Final Federated City Employees' Retirement System and Federated City Employees' Health Care Trust

Thursday, August 16, 2018

8:30 AM

City Hall Wing Rooms 118-120  
San Jose, CA 95113

### ROLL CALL AND CALL TO ORDER

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, August 16, 2018 at 8:30 a.m. in regular session at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Chair Loesch called the Pension Plan and Health Care Trust meeting to order at 8:30 a.m.

**Present:** 6 - Matt Loesch, Michael Armstrong, Martin Dirks, Kurt Billick, Jay Castellano and Qianyu Sun

**Absent:** 1 - Anurag Chandra

Trustee Sun arrived at 8:40 a.m.

Non-voting member Councilmember Dev Davis departed at 1:16 p.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Donna Busse, Kathryn Schaefer, Benjie Chua-Foy, Elsa Jacobo, Brian Starr, Jay Kwon, Dhinesh Ganapathiappan, David Aung, Arun Nallasivan, Christina Wang, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Dr. Tierman, Russell Richeda, Disability Attorney; Cheryl Parkman, OER; Bob Leininger, President of the Retiree Association; Kara Capaldo, President of CAMP local 21; John Wolfram (retired), Brad Fox, President, IFPTE local 21; Robert Peterson (retired), Mike Duffy (retired), Guadalupe Figueroa (retired), Pamela Parker, Ambrose Guerra (retired, via telephone), Sharen Guerra (retired, via telephone) Tom Riley, (retired via telephone).

### CLOSED SESSION

The Board entered into closed session at 8:30 a.m.

### CLOSED SESSION AGENDA ITEMS WILL BE HEARD AT 8:30 A.M.

#### **I. CLOSED SESSION NEW BUSINESS-DEFERRED/CONTINUED ITEMS**

- A. CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL - SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(2)(ONE MATTER).
- B. CLOSED SESSION:** PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Executive

Officer

The Board came out of closed session at 9:58 a.m. There were no reportable actions out of closed session.

**OPEN SESSION - will reconvene following Closed Session, estimated to be 9:30 a.m.**

The Board reconvened into open session at 10:02 a.m.

**ORDERS OF THE DAY**

The following time certain items in the Orders of the day:

- Time Certain 9:30 a.m.  
1a – Mike Richardson, Denial of Change in Status to Service Connected Disability.
- Time Certain 10:00 a.m.  
4b – Pensionable pay corrections for the overpaid group
- Time Certain 11:00 a.m.  
5e – Benefit payment for Mr. Wade Looper

A motion was made to approve the Orders of the Day.

Approved. (M.S.C. Armstrong/Dirks 6-0-0). The motion passed unanimously.

**1. Change In Status to Service-Connected Disability**

- a. Mike Richardson**, Engineering Technician II, Department of Transportation, Request for a Change in Status to a Service-Connected Disability Retirement, effective February 28, 2015; 17.87\* years of service. (*Disability Committee Recommendation: Denial*) **(TIME CERTAIN: 9:30 a.m. or soon thereafter)**

9:30 a.m. Time certain item 1a was heard at 10:05 a.m.

Chair opened the hearing for application for a Change in Status from a Service Retirement to a Service- Connected Disability for Mike Richardson. Mr. Richardson joined via telephone. The following comments, questions and responses took place during the hearing.

Chair Loesch: Mr. Richardson, will you be presenting any witnesses other than yourself? Mr. Richardson, replied no.

The Chair introduced Ms. Schaefer, Benefits Division Manager, presented the Summary of the Application and Dr. Tierman presented the results of the review of the medical records and medical examination of the applicant.

Ms. Schaefer stated that the attached memo of denial has the wrong date of hire. The hire date should be 1997. Ms. Schaefer read the medical file into the record. Body parts included left shoulder and lower back. The applicant could have been accommodated for his own position. The applicant was accommodated with an alternate position. Work restrictions 1. no repeated bending, stooping or twisting 2. no lifting greater than 20 pounds 3. no repetitive overhead work 4. no work with vibratory equipment. Dr. Tierman read the medical report into the record. She stated there are two parts to the case, the back, in the back we found nonservice connected because he did have a preexisting injury with an MRI scan that has not changed throughout the years. However, he does have impairment due to the back which is the no bending and no heavy lifting. He does have a service connected disability because of

his shoulder. He has had multiple injuries with surgeries. He developed posttraumatic osteoarthritis after surgery as well as accidents. So he does have a disability related to his shoulder. Therefore, the case is really whether he can be accommodated or not.

Chair Loesch: Mr. Richardson, will you please confirm that you received the staff letter dated August 6, 2018, notifying you of this Board meeting? Mr. Richardson replied "yes."

Chair Loesch: Will you stipulate to the relevance of the reports to the disability retirement application? Mr. Richardson replied yes, but the Board did not have any reports on his 2007 injury.

Chair Loesch: Do you want to introduce any additional medical reports or other documentary evidence for the Board's consideration? Mr. Richardson replied "not at this time."

Chair Loesch: Do you wish to introduce additional medical reports or other documentary evidence for the Board's consideration?

Chair Loesch: If you wish to introduce additional medical reports or other documentary evidence, it must be provided to the Board's medical director for review and the hearing may need to be postponed if the Board's medical director requests additional time to review such information. Mr. Richardson replied "no. I am in Texas."

Chair Loesch: I would like to introduce Russ Richeda, Disability Counsel, to summarize the committee's position, basis for the position and evidence in record supporting the position. His memo is included in the disability packet. Attorney Richeda read his report into the record. He stated Mr. Richardson bears the burden of persuasion on two issues. First Mr. Richardson has to provide medical evidence to establish that he was incapacitated as defined in the Municipal Code and assuming he shows incapacity he then bears the burden of persuasion of establishing that the capacity was service connected. The Disability Committee concluded that Mr. Richardson was not incapacitated even though the Committee did recognize and did conclude

that the work restrictions some of which resulting from the lower back others of which resulting from the left shoulder. But in a sense, those work restrictions were not relevant to the ultimate reasons for committee's denial of Mr. Richardson's application. The reasons it relied on were, number 1, that as of the date he retired for service, in February 2015, he was on full duty. That's a status that's really not very consistent with the conclusion of incapacity as of that date. That's important fact number 1 that the committee looked to. Important fact number 2 is that Mr. Richardson did engage in the interactive process. This is exactly what the City's policy is and what the board of administration looks to and the results of that interactive process were to assign Mr. Richardson to a new position, ultimately that of Engineering Technician II, that could accommodate his work restrictions. So those two factors impelled the committee to conclude that he was not incapacitated and on that basis came to the recommendation to you that his application should be denied.

Chair Loesch: Dr. Tierman, do you have anything to add to your written report for the Board's consideration? Dr. Tierman replied "no I do not."

Chair Loesch: Is there a representative from the Airport Department who wishes to add anything to the Department memo dated July 29, 2010 on applicant's work status at the time of application for Disability Retirement, or wishes to present any other testimony relevant to the issues to be determined in the hearing? Response, "yes, Larry Gonzales, D.O.T. and no we do not have any more comments."

Chair Loesch: Is the Return-to-Work Coordinator present and wishes to add anything to their memo on accommodation of work restrictions, or wish to present any other testimony relevant to the issues to be determined in the hearing? Return-to-work Coordinator, Kristen Hilton was not present at the time.

Chair Loesch: Mr. Richardson, please present your testimony in support of the application. Mr. Richardson stated that he did not hear in writing or verbally from the Department of Transportation that they were accommodating him and transferring him to that department. He was put on light duty because of his restrictions. At that time a new computer system was

being introduced to the sewer department for data control. During this time, Mr. Richardson was in charge of staff under him to input the data for that sewer system. He was told to move from Maintenance Worker II to an Engineering Technician I. He was told if he wanted to be in that department, he needed to take the engineering test. If he was willing to take that test, he would be offered the position to control the data. His position was based on passing the test. He was appealing this issue and having this hearing today to try to have a lifestyle that he used to have. Return-to-Work Coordinator arrived during his testimony.

Chair Loesch: Return-to-Work Coordinator, do you wish to add anything to your memo of April 11, 2018 on the accommodation of work restriction or wish to present anything else?

Kristen Hilton, Return to Work Coordinator had no other information to add.

Chair Loesch: Mr. Richardson, would you like to question anyone? Mr. Richardson replied that he would like to know when and where did the Return-to -Work coordinator receive information regarding accommodation and transferred to another position because of his restriction? Ms. Hilton responded that the information that she has for Mr. Richardson is that he was engaged in the interactive process on or about August 3, 2012 based on some permanent restrictions he had. At that time, they could not be accommodated in his classification as a maintenance worker 2, part of the interactive process, he was placed as an Engineering Technician 1 as stated in the memo. Mr. Richardson asked since the lateral move was no longer available had he failed the test, would he still have that position? Ms. Hilton replied that she was not the return-work-coordinator when this happened. It was her understanding that if he was placed in the position, he must have passed the test.

Mr. Richardson: So where does that accommodate me by transferring me to that department because of my work restrictions? And my question to you is, if I had not passed that test, would I have had that position?

Ms. Hilton: As part of the return to work process when employees have permanent work restrictions that can no longer be accommodated in their current classification, the City engages the employee in the interactive process and looks to see if there are other positions in which the employee meets the qualifications and can be placed. It appears you were able to meet the minimum qualifications of an Engineering Technician I and as such you were placed in that position.

Chair Loesch: Do you have any other questions Mr. Richardson for anyone else who has testified? Mr. Richardson replied "Not at this time."

Chair Loesch: Dr. Tierman, do you or other witnesses who have testified, have any rebuttal to the testimony provided by the applicant. Dr. Tierman replied "No, I don't."

Chair Loesch: Would any Board Members like to ask questions of any of the witnesses who have testified?

Trustee Armstrong: My question for the Return-to- Work coordinator is Mr. Richardson stated that this was not documented in his file. How do we know what actually happened?

Ms. Hilton: There is an e-mail that was sent to him in September of 2012. He had some meetings with the Return-to-Work Coordinator at that time about the placement and that they were corresponding via email.

Trustee Armstrong: So if he moved to the new role would that have required a reduction in compensation?

Ms. Hilton: When employees are placed in positions, we look for positions that they meet the minimum qualifications and they can't result in a promotion. So an employee cannot be promoted through return to work coordinator or return to work process. It is possible that they would receive -- that their pay would be reduced based on the position that was identified for them.

Trustee Armstrong: In this case, that did not happen?

Ms. Hilton: Unfortunately I'm not sure of the pay rates and ranges off the top of my head for both of these classifications so that's something I'd have to look into.

Ms. Busse stated that she pulled up the information and the pay ranges are very comparable.

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Chair Loesch stated that the classification at the time of Retirement was Engineer Tech II.  
The Hearing was closed for deliberation at 10:37 a.m.

A motion was made to approve staff recommendation of denial of Change in Status to a Service Connected Disability.  
Approved. (M.S.C. Loesch/Castellano 6-0-0). The motion passed unanimously.

## **2. CONSENT CALENDAR**

Consent Calendar heard after item 5e.

A motion was made to approve the Consent Calendar.  
Approved. (M.S.C. Armstrong/Castellano 6-0-0). The motion passed unanimously.

### **2.1 Change In Status to Service-Connected Disability**

- a. **Michael Noble**, Senior Painter, Environmental Services Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective January 8, 2011; 24.94\* years of service. (*Disability Committee Recommendation: Approval*)

### **2.2 Application for a Non-Service-Connected Disability**

- a. **Lynette Wosick**, Maintenance Worker II, Department of Transportation, Request for a Non Service-Connected Disability Retirement, effective March 18, 2016; 22.27\* years of service. (*Disability Committee Recommendation: Approval*)

### **2.3 Approval of Service Retirements**

- a. **Michael Azevedo**, Groundswoker, Parks, Recreation and Neighborhood Services Department, effective July 14, 2018; 21.69\* years of service.
- b. **Frank A. Bertini**, Parking Officer, Department of Transportation, effective September 1, 2018; 9.70\* years of service.
- c. **Randi Blake**, Public Safety Radio Dispatcher, Police Department, effective September 8, 2018; 11.61\* years of service.
- d. **Rosa Maria V. Chacon**, Police Data Specialist II, Police Department, effective September 8, 2018; 30.01\* years of service.
- e. **Desiree Gezzi**, Senior Office Specialist, Information Technology Department, effective October 6, 2018; 20.74\* years of service.
- f. **Michael B. Howie**, Combo Inspector Cert. III, Planning, Building and Code Enforcement Department, effective July 14, 2018; 6.26\* years of service.

- g. Warren Krause**, Building Manager, Planning, Building and Code Enforcement, effective June 30, 2018; 20.19\* years of service.
- h. Louise Lee**, Senior Airport Operations Specialist, Airport Department, effective September 8, 2018; 30.31\* years of service.
- i. John Marin**, Gardener, Parks, Recreation and Neighborhood Services Department, effective June 30, 2018; 21.38\* years of service.
- j. Andrey Matchtakov**, Wastewater Mechanic, Environmental Services Department, effective September 8, 2018; 15\* years of service.
- k. Kayleene Wilda Miller**, Senior Account Clerk, Parks, Recreation and Neighborhood Services Department, effective August 11, 2018; 29\* years of service.
- l. Meera Nagarai**, Planner III, Planning, Building and Code Enforcement Department, effective July 24, 2018; 17.45\* years of service.
- m. Adriene P. Odell**, Office Specialist II, Police Department, effective August 11, 2018; 32.05\* years of service.
- n. Gregory Riolo**, Water System Operator, Environmental Services Department, effective July 14, 2018; 30.42\* years of service.
- o. Steven D. Roberts**, Public Safety Radio Dispatcher, Police Department, effective August 11, 2018; 27.93\* years of service.
- p. Ruben Soriano**, Senior Systems Applications Programmer, Fire Department, effective August 1, 2018; 21.74\* years of service.
- q. Donald Sunseri**, Senior Automotive Equipment Specialist, Public Works Department, effective August 11, 2108; 30.03\* years of service.
- r. Richard Teng**, Gaming Administrator, Police Department, effective September 8, 2018; 16.65\* years of service.

## **2.4 Approval of Deferred Vested**

- a. Nellie Ancel**, Deputy City Attorney, City Attorney's Office, effective September 22, 2018; 21.27\* years of service. *(With Reciprocity - CSJ YOS 5.27 + PERS YOS 16)*
- b. Viva Susan Cox**, Program Manager I, Police Department, effective August 31, 2018; 15.59\* years of service.

- c. **Mary Egan**, Senior Analyst, City Manager's Office, effective August 23, 2018; 6.09\* years of service.
- d. **Darlene Hernandez-Kimbel**, Senior Office Specialist, Information Technology Department, effective August 2, 2018; 18.90\* years of service.
- e. **Luis V. Machuca**, Facility Attendant, General Services Department, effective August 18, 2018; 11.54\* years of service.
- f. **Graciela O. Martinez**, Deputy Director, Finance Department, effective July 21, 2018; 20.32\* years of service.
- g. **Deborah Mills**, Police Data Specialist II, Police Department, effective September 25, 2018; 8.69\* years of service.
- h. **Paula Wolk**, Senior Office Specialist, Information Technology Department, effective June 18, 2018; 10.78\* years of service.

## **2.5 Approval of Board Minutes**

- a. Approval of the Board Minutes of June 21, 2018.

## **2.6 Approval of Return of Contributions**

- a. Voluntary | Involuntary.

## **2.7 Acceptance of Communication/Information Reports**

- a. Report of the Plan Expenses for May 2018. Receive and file.
- b. White paper on hedge fund operating expenses by Meketa Investment Group.
- c. 1st Quarter 2018 FX and Equity Trading Cost Analysis.
- d. Report on investing the annual prefunding City Retirement contribution by staff.
- e. Analysis and results regarding Lump Sum Payment of Employer Retirement Contribution and Prepayment Amount for Fiscal Year 2018-2019.

f. **Educational Travel Reports:**

- OPAL Group, Public Funds Summit East 2018, Newport Marriott, Newport, RI - July 16-18, 2018 by Marty Dirks.

g. Correspondence from Members regarding Pensionable Pay Correction.

**2.8 Approval of Travel / Conference Attendance**

a. Roberto L. Peña, CEO

- CalAPRS Administrators' Institute 2018, Quail Lodge, Carmel, CA - September 26-28, 2018.

b. Prabhu Palani, CIO

- Commonfund Institute, Yale School of Management, New Haven, CT - June 25-29, 2018 - **CANCELLED**
- Due Diligence: July 23-25, Boston, MA and New York City, NY

c. Jay Kwon, Investment Officer

- Due Diligence, July 16-19, New York, NY

**2.9 Rescission Of Retirement Application**

- a. Approval of rescinding application of **Raymond Simpson**, approved at the June 21, 2018 Board meeting for the effective date of July 14, 2018.
- b. Approval of rescinding application of **Dan Sunseri**, approved at the June 21, 2018 Board Meeting for the effective date of August 11, 2018.

**2.10 Notice of Alternate Payee Benefit Election**

- a. Approval of Alternate Payee Benefit Monthly Payment Option to be paid to Rita Cotillon, ex-spouse of **Jimmy Cotillon**, effective June 28, 2018 under Chapter 3.28, Part 23 of the San Jose Municipal Code.

**3. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)**

**Moment of Silence.**

- a. Notification of the death of **Donald Abernathy**, Communications Technician, retired June 28,



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- 2002, died January 2, 2018. Survivorship benefits to Susana Abernathy, Spouse.
- b.** Notification of the death of **Elvan Babylon**, Administrative Analyst II, retired September 29, 1985, died June 20, 2018. Survivorship benefits to Donna Babylon, Spouse.
  - c.** Notification of the death of **David K. Boggini**, Deputy City Manager, retired May 25, 1985, died July 17, 2018. Survivorship benefits to Sally Boggini, Spouse.
  - d.** Notification of the death of **Edwin H. Braatlien**, Director, Water Pollution Control Plant, retired June 19, 1993, died June 1, 2018. No Survivorship benefits.
  - e.** Notification of the death of **Dorris V. Burch**, Senior Office Specialist, retired January 9, 1999, died June 8, 2018. Survivorship benefits to Alfred Burch, Spouse.
  - f.** Notification of the death of **Kathleen Busse**, Steno Clerk II, retired November 17, 1992, died May 25, 2018. No survivorship benefits.
  - g.** Notification of the death of **Patricia M. Delevaux**, Chemist, retired August 1, 1992, died June 27, 2018. Survivorship benefits to Nestor H. Delevaux, Spouse.
  - h.** Notification of the death of **Mary Hall**, Library Assistant, retired July 21, 1990, died May 1, 2018. No survivorship benefits.
  - i.** Notification of the death of **Margaret I. Mullen**, Senior Office Specialist, retired June 26, 2017, died June 3, 2018. No survivorship benefits.
  - j.** Notification of the death of **Gwendoline L. Patrino**, Typist Clerk II, retired August 24, 1996, died June 9, 2018. No survivorship benefits.
  - k.** Notification of the death of **Gladys O. Pressley**, School Crossing Guard, retired April 4, 1987, died June 27, 2018. No survivorship benefits.
  - l.** Notification of the death of **John E. Smith**, Mechanic, retired March 19, 2011, died June 21, 2018. No survivorship benefits.
  - m.** Notification of the death of **Alice F. Una'Dia**, Secretary, retired June 18, 1989, died June 16, 2017. Survivorship benefits to Tony Una'Dia, Spouse.
  - n.** Notification of the death of **Lucille Zamboni**, Police Data Specialist II, retired April 23, 2005, died June 4, 2018. No survivorship benefits.

#### **4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS**

- a. Discussion and action on the Municipal Code amendment to the definition of compensation.

Harvey Leiderman, General and Fiduciary Counsel, led the discussion regarding the Municipal Code amendment to the definition of compensation. Ms. Cheryl Parkman from OER was present to answer questions from the Board. Counsel stated that the City Council has adopted the ordinance. He sent a memo to OER requesting greater clarity. Counsel is looking for consistency with the statements that were made by OER as to how the non-pensionable pay increase would be reflected in future pay increases. Also, what is meant by "non-pensionable" in that regard.

The Board directed Counsel to reach out to City staff.  
There was no action for this item.

- b. Discussion and action regarding pensionable pay corrections for the overpaid group. (TIME CERTAIN: 10:00 a.m.)

4b Time certain 10:00a.m. was heard at 10:40 a.m. after item 1a.

Ms. Jacobo briefed the board on the series of work performed during the summer. She stated that staff held information sessions in July and August. The population of the affected members is 351. Harvey Leiderman, General and Fiduciary Counsel stated that the Board has the obligation to make the plan whole. He outlined available alternatives to accomplish that. The floor was open for deliberation. The following members spoke to the item:

Bob Leininger, President, Retired Association

Kara Capaldo, President of CAMP local 21

John Wolfram, retired

Brad Fox, President, IFPTE, local 21

Robert Peterson, retired

Mike Duffy, retired

Guadalupe Figueroa, retired

Ambrose Guerra, retired, via telephone

Sheron Guerra, retired, via telephone

Tom Riley, retired, via telephone

Pamela Parker representing Maryann Pridemore, retired.

Public comment ended at 11:13 a.m.

After Board discussion, a motion was made by Trustee Castellano and seconded by Trustee Billick to correct the over payments immediately for those who have been identified as quickly as possible. The discussion continued. Trustee Armstrong stated that the Board should take action on payments going forward and make the City responsible for all of the cost of past over payments.

A substitute motion was made to stop the overpayment immediately, cease the overpayment to the existing retirees on a go forward basis and do not seek reimbursement from the members, but include the liability in the system's unfunded actuarial liability and amortize its repayment with the rest of the UAL.

Approved. (M.S.C. Billick/Dirks 6-0-0). The motion passed unanimously.

- c. Discussion regarding pensionable pay corrections for the underpaid group.

4c was heard after 4a.

Ms. Busse stated that the correction has been completed with interest regarding the pensionable pay for the under paid group. Ms. Jacobo reached out to the underpaid members.

- d. Discussion and action on progress made towards City Auditor's Recommendations from the 2017 audit.

CEO Peña led the discussion. Ms. Chua-Foy was present to answer questions from the Board. The attached matrix has been changed and is broken up into color schemes; City Manager's Office is blue, not completed is red, completed is green, and partially completed is yellow. Attachments 4d(2) and 4d(3) were approved by the Governance Committee with changes and need Board approval. Chair Loesch would like to see the same format on all documents.

A motion was made to approve the Budget Policies and Procedures with changes. Approved. (M.S.C. Loesch/Dirks 6-0-0). The motion passed unanimously.

The Board directed staff to touch base with non-voting members regarding recommended procedures. Non-voting member Councilmember Dev Davis discussed it with Councilmember Khamis and the Mayor. They do have some comments. CEO Peña will schedule a conference call.

## 5. NEW BUSINESS

- a. Oral update from the CEO of Retirement Services, Roberto L. Peña.

CEO Peña updated the Board on the following:

-A new Senior Benefits Analyst started on August 13, 2018

-Financial Auditors will be in the office for 3 weeks.

-CEO, CIO, and Mr. Ganapathiappan will present the 2017 Fee Report to City Council on September 18, 2018.

-The No Known Conflicts form was distributed to all Board members. They should sign and deliver to staff. The form also acknowledges that Board members have completed AB 1234 Ethics training. Staff will contact Board members who are not in compliance.

-Benefits staff will be in training during the week of August 27th. from 8:00 a.m.-2:00 p.m.

-Our Sr. Auditor is leaving ORS and going back to the Airport for a promotion. Staff will start recruiting for the position soon.

- b. Discussion on memo from Office of Employee Relations regarding Federated "Classic" Contribution rates for FY 2018-2019.

Cheryl Parkman from OER led the discussion and answered questions from the Board. She stated that employees with CalPERS Classic would be able to opt into the alternative benefit and move from Tier 2 to Tier 1 at the same contribution rate.

- c. Discussion and action regarding Resolution No. 8807 Federated Classic Contribution Rates for FY 18-19.

Ms. Parkman of OER spoke to the CALPERS classic memo and asked for Board approval of the additional contribution rate for all CalPERS Tier 1 for members in the Federated Plan.

She also stated that they have a couple of processes in place. One is that HR and department managers ask each newly hired employee if they qualify or if they believe that they do. If they have questions, Ms. Parkman is the contact person. On the first day of employment, The Office of Retirement Services gives a presentation and they also have a form that has the eligibility criteria and any other information that employees need to turn in within a month of their hire date. ORS has staff in place to make sure those who are eligible are aware of the fact that they are eligible for this pension benefit. Ms. Busse stated that this is the process and if they sign the form that they are eligible for classic and they are being put into the classic plan. If it turns out that they are not classic, they get moved back to Tier 2 and staff works with the HR team.

A motion was made to approve Resolution No. 8807 Federated City Employees Retirement Plan Classic Contribution rates for FY 18-19.

Approved. (M.S.C. Loesch/Dirks 6-0-0). The motion passed unanimously.

- d. Discussion and action on the proposed ordinance clarifying the process for the payment of the amortization costs associated with transitioning rehired Tier 1 employees in Tier 2 back into Tier 1.

Cheryl Parkman of OER led the discussion and answered questions from the Board. She stated that the action is a request from the City that the Board's Counsel review the ordinance and legality and let the City know if there are comments or questions. The ordinance provides those members with a way to pay back the amortization cost for the additional unfunded liability that was created by retroactively changing their service back to Tier 1 because they will be changing all of their service they had from Tier 2 to Tier 1. The agreement with the bargaining units is that the cost would be split 50-50 between the City and the employees. The employees each will have a specific agreement on how they will pay back the funds. The City will go to Council with the first reading of the ordinance on August 28, 2018. The second reading will be on September 11, 2018. Harvey Leiderman, General and Fiduciary Counsel, spoke to the item. He stated that there is an unfunded liability that's created by the upgrade from Tier 2 time to Tier 1 time. The members individually will be paying for that. It is very clear in the ordinance. But because it's an unfunded liability, it should be understood that every year the actuary is going to be changing that in the payment stream, the amortization of that for the member may fluctuate, based on everything else that fluctuates, the demographic, rate of return in the portfolio, mortality rates, and all the other actuarial changes will impact that payment schedule and it would be useful to have that in the ordinance. Counsel Leiderman asked several questions of Ms. Parkman:

- 1). There is the provision that the member will repay over this period of time, the schedule for the unfunded liability that's created for their upgrade. There is a provision that says if the member does not pay after they leave city service, they will forfeit the right to upgrade all that but it also says that they will only get Tier 2 benefits. Does that erase whatever Tier 1 service time that they had been in?
- 2). What happens with all those contributions that they may have made to buy up the service? If they had a 16- year amortization period and they're finishing the year and paid all that to upgrade the service and for some reason didn't make the last payment, are they going to forfeit all of that time?

Ms. Parkman answered Counsel Leiderman's question by saying if someone came as Tier 1 and they had Tier 2 service and they forfeit based on not paying it all back they would not forfeit their initial Tier 1 service. The portion that they accrued before coming back as a Tier 2 employee would not be forfeited based on our agreement because that was not the part that was retroactive. Counsel Leiderman replied that it should be stated in the ordinance, in the event that the reclassified member shall only receive benefits attributable to Tier 1 benefits.

After a lengthy discussion, this is not the final ordinance and this item will come back to the

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Board in September.

- e. Discussion and action regarding benefit payment for Mr. Wade Looper. **(TIME CERTAIN: 11:00 a.m.) (CLOSED SESSION: PERSONNEL EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1).)**

The Board went into closed session time certain item 5e at 11:27 a.m. after item 4b.

The board came out of closed session at: 12:00 p.m.

Reconvened back into open session at: 12:02 pm. There was no reportable action out of closed session.

- f. Discussion and action on the Operations Work Plan for the Office of Retirement Services.

Ms. Busse led the discussion regarding the Operations Work Plan and answered questions from the Board. She stated that the attached memo includes both what's on the operation work plan for fiscal year 17-18 and what staff accomplished and did not accomplish. One attachment is an overview of last year's fiscal year's work plan and the main things that did not get done were due to the Measure F Implementation and the Tier 2 handbooks are still on hold. The Disability Medical Panel is still on hold and that is subject to an agreement between the City and the unions. Staff felt that they needed to know what the parameters were before initiating an RFP. For fiscal year 18-19, the focus is going to be the Pension Administration System (PAS) implementation and to finish the pensionable pay correction. Staff is going to start PAS parallel in November and then go live on February 1, 2019. They also have to implement and design for Measure F that hasn't been processed and this will take them into the summer of 2019. This is the focus of Operations, along with some of their regular duties of Actuarial Valuation and Open Enrollment.

A motion was made to approve the Operations Work Plan.

Approved. (M.S.C. Loesch/Castellano 6-0-0). The motion passed unanimously.

- g. Discussion and action on extending Cortex agreement for Governance and Investment Services project including an additional \$45,000 for governance services through June 30, 2019.

CEO Peña led the discussion. He stated that staff is asking the Board to approve the Cortex agreement to be extended through June 30, 2019, for up to \$45,000. There is still some work remitted to the Governance Committee and he does not believe that they are going to use the full amount but he didn't want to have to come back before the Board. This item has nothing to do with the investment project attached which is Police and Fire but the request to the Board is to extend the Cortex agreement to 2019 for the amount of \$45,000.

A motion was made to approve extending the Cortex agreement for Governance and Investment Services project including an additional \$45,000 for governance services through June 30, 2019.

Approved. (M.S.C. Armstrong/Dirks 6-0-0). The motion passed unanimously.

- h. Discussion and action on Committee assignments.

Chair Loesch handed out the updated Committee assignments to the Board for approval.

A motion was made to approve the Committee assignments with suggested changes.

Approved. (M.S.C. Dirks/Castellano 6-0-0). The motion passed unanimously.

## **6. INVESTMENTS**

- a. Oral update from Brian Starr, Senior Investment Officer.

Mr. Starr updated the Board on the following:

-The preliminary fiscal year for the pension was 5.9% net return versus a policy benchmark return of 7.4%. The Health Care Trust had a fiscal year return of 4.9% versus a policy benchmark return of 7.9%. Meketa Investment Group will have the final numbers to present next month.

-Mr. Jay Kwon is the head of Public Markets, including Public Equity, and Fixed Income.

-Mr. Brian Starr is the head of Private Markets, including Private Equity, and Private Debt.

-Mr. Dhinesh Ganapathiappan has been promoted to Investment Officer.

-Ms. Christina Wang, new Investment Officer, will be responsible for Public Equities.

-Mr. David Aung, new Investment Analysis, will be dedicated to Risk Analysis.

-Mr. Arun Nallasivan, new Investment Analyst joined the team on August 13, 2018.

Trustee Armstrong requested a memo of new staff and their responsibilities. Mr. Starr replied that he can provide it and it is also posted to the website and highlighted on the organizational chart. This will be an agenda item next month.

- b. Discussion on the 2017 Investments Fee Report to be presented by Investment Staff.

Mr. Ganapathiappan presented and answered questions from the Board. He stated that there were two main changes in this year's report:

1). Added fund operating expenses category. This is a new category of fees for overhead charged by fund managers. It gathers information from all managers to compile this for the first year. 2017 came out to 0.14% as a percentage of our fee assets.

2). The adoption of California code 7514.17 which states that California funds have a requirement to

disclose the fees that are paid to alternate investment vehicles for new investments made on or after January 1, 2017 as well as an attempt to gather this information for funds that were invested prior to 2017. Mr. Ganapathiappan acknowledged Mr. Allain Mallari for collecting the data.

For the fiscal year, fees paid to managers totaled 1.26% of total system assets; in-house staff and consultants totaled an additional .09% of assets.

The Board requested a report with a shorter document to present to City Council in September.

A motion was made to accept the 2017 Investments Fee Report.

Approved. (M.S.C. Loesch/Dirks 6-0-0). The motion passed unanimously.

- c. Discussion and approval to renew three-year agreements for transaction cost analysis with Abel Noser and Klarify FX for an annual fee of \$14,000 and \$21,416, respectively.

Mr. Kwon led the discussion. The staff recommendation is to move to a three-year term with annual fees of \$14,000 and \$21,416 respectively. Staff is able to terminate the contract with a 30-day notice within the three-year period. The fees listed are for the Federated Plan only.

A motion was made to approve staff recommendation to renew three-year agreements for transaction cost analysis with Abel Noser and Klarify FX for an annual fee of \$14,000 and \$21,416, respectively.

Approved. (M.S.C. Dirks/Castellano 6-0-0). The motion passed unanimously.

Non-voting member Councilmember Dev Davis departed during this item at 1:16 p.m.

## **7. COMMITTEES/REPORTS/RECOMMENDATIONS**

### **7.1 Investment Committee (Loesch, Billick, Chandra)**

**Last Meeting: June 26, 2018      Next Meeting: August 28, 2018**

- a. Oral update from the Chair of the Investment Committee.

There was no report from the Chair of Investment Committee.

### **7.2 Governance Committee (Dirks, Armstrong, Castellano)**

**Last Meeting: May 24, 2018      Next Meeting: September 20, 2018 (Joint)  
(June 21, 2018 Meeting Cancelled)**

- a. Oral update from the Chair of the Governance Committee.

There was no report from the Governance Committee Chair.

### **7.3 Audit Committee (Armstrong, Dirks, Castellano)**

**Last Meeting: May 17, 2018      Next Meeting: August 16, 2018**

- a. Oral update from the Chair of the Audit Committee.

There will be an Audit Committee meeting following the Board meeting.

### **7.4 Joint Personnel Committee (Dirks, Loesch, Chandra)**

**Last Meeting: June 7, 2018      Next Meeting: TBD**

- a. Oral update from the Chair of the Joint Personnel Committee.

CEO Peña will keep the Board apprised. They may start recruitment of the Chief Operating Officer/Deputy Director in October.

- b. Discussion and action on the succession planning for the position of Chief Operating Officer/Deputy Director ORS, including position responsibilities, attributes and search process timeline and \$25,000 to be split between the Boards' in the event a search is completed with an outside HR consultant.

CEO Peña led the discussion regarding succession planning for the position of Chief Operating Officer/Deputy Director of ORS. He stated that Ms. Busse plans to retire between December 2018 and March 2019. She will be flexible until March. Staff is asking for approval of a not to exceed budget amount of \$25,000 to be split between both Boards in the event a search is completed with an outside Human Resources Consultant.

A motion was made to approve a not to exceed the budget amount of \$25,000 to be split between both Boards in the event a search is completed with an outside Human Resources Consultant for the position of Chief Operating Officer/Deputy Director of ORS. Approved. (M.S.C. Loesch/Dirks 6-0-0). The motion passed unanimously.

## **8. EDUCATION & TRAINING**

- a. The Cortex Report September 2018 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2018 Program Calendar.

## **FUTURE AGENDA ITEMS**

None.

## **PUBLIC/RETIREE COMMENTS**

One public comment was made at 10:02 a.m. by Brad Imamura, retiree/former Board of Trustee. He spoke to the fairness of the previous Retiree election.

## **ADJOURNMENT**

**The meeting was adjourned at 1:22 p.m.**

\*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

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MATTHEW LOESCH, P.E., CHAIR  
BOARD OF ADMINISTRATION

ATTEST:

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ROBERTO L. PEÑA  
CEO, OFFICE OF RETIREMENT SERVICES