



BOARD OF ADMINISTRATION

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

Meeting Minutes - Final Police & Fire Department Retirement Plan and Health Care Trust

Thursday, March 7, 2019

8:30 AM

City Hall, Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Police and Fire Department Retirement Plan and Health Care Trust met on Thursday, March 7, 2019 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 Sunzeri called the Pension Plan and Health Care Trust meeting to order at 8:35 a.m. followed by roll call.

Present: 9 - Richard Santos, Drew Lanza, Nick Muyo, Vincent Sunzeri, Ghia Griarte, Andrew Gardanier, Franco Vado, Eswar Menon and Vikas Oswal

Chair Sunzeri arrived at 8:34 a.m.

Trustee Lanza departed at 9:42 a.m. and returned at 11:58 a.m.

Pam Foley, City Council Liaison to the Board arrived at 9:40 a.m. and departed at 12:47 p.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Kathryn Schaefer, Jay Kwon, Dhinesh Ganapathiappan, Ron Kumar, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Bill Hallmark, Cheiron; Michael Schionning, Cheiron; Laura Wirick, Meketa Investment Group; Carolyn Gibson, OER.

AGENDA

CLOSED SESSION

The Board entered into Closed Session at 8:36 a.m.

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

I. CLOSED SESSION NEW BUSINESS

- A. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Executive Officer.**

II. CLOSED SESSION OLD BUSINESS/CONTINUED-DEFERRED ITEMS

- A. CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(4) - DECIDING WHETHER TO INITIATE LITIGATION (ONE CASE)

The Board came out of Closed Session at 9:47 a.m.

OPEN SESSION - will reconvene following Closed Session, estimated to be 9:15 a.m.

The Board reconvened into Open Session at 9:51 a.m. There was no reportable action out of Closed Session.

• **ORDERS OF THE DAY**

There were no changes to the Orders of the Day.

A motion was made to waive sunshine (attachments received late) on the following:

2b. Discussion and action regarding the revised IPS by Meketa Investment Group.
Approved. (M.S.C. Muyo/Santos 8-0-0). The motion passed unanimously.

4g. Discussion and action on the ORS proposed Administrative Budget for FY 2019-2020 (attachment #4).
Approved. (M.S.C. Santos/Muyo 8-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.
Approved. (M.S.C. Santos/Oswal 8-0-0). The motion passed unanimously.

1.1 Approval for a Change in Status to Service Connected Disability

- a. James Blean**, Fire Captain, Fire Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective October 22, 2016; 22.35* years of service.
(Disability Committee Recommendation: Approval)
- b. James Randol**, Police Captain, Police Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective January 28, 2017; 25.00* years of service.
(Disability Committee Recommendation: Approval)
- c. Kenneth Siegel**, Police Officer, Police Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective June 17, 2017; 25.32* years of service.
(Disability Committee Recommendation: Approval)

1.2 Approval of Deferred Vested/Non-Service Connected Disability

- a. **Fabian Torrico**, Police Officer, Police Department. Request for a Non-Service-Connected Disability Retirement, effective May 6, 2018; 20.80* years of service. Pursuant to San Jose Municipal Code Section 3.36.302(E) (15.30 CSJ YOS + 5.5 Recip YOS)

1.3 Approval Of Minutes

- a. Approval of the Board Minutes of February 7, 2019.

1.4 Approval Of Travel for Conferences and Due Diligence

- a. Roberto L. Peña, CEO
 - CalAPRS Administrator's Round Table, Marriott Burbank Airport, Burbank, CA - January 25, 2019.
- b. Eswar Menon, Trustee
 - Pension Bridge Annual 2019, Westin St. Francis Hotel, San Francisco, CA - April 9-10, 2019.

1.5 Return of Contributions

- a. Voluntary / Involuntary. - **None**

1.6 Communication/Information

- a. Police and Fire Retirement System Dashboard.
- b. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- c. Report of the Plan Expenses for January 2019. Receive and file.
- d. Revised 2019 Scheduled Board and Standing Committee meetings.

1.7 Notice of Alternate Payee Benefit Election

- a. Approval of Alternate Payee Benefit election of Unreduced Lifetime Monthly Payment Option to be paid to Miriam Trotter, ex-spouse of Fire Captain, **Scott Trotter** to be effective March 3, 2019 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

1.8 Approval of Administrative Matters

- a. Approval of Resolution #4673 Contribution Rates for Police Reclassified Tier 1 Members.
- b. Approval of Resolution #4674 Contribution Rates for Fire Reclassified Tier 1 Members.
- c. Fiduciary Insurance and Waiver of Recourse Fees for Policy Year March 2019-2020.

1.9 Education and Training

- a. The Cortex Report March 2019 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2019 Program Calendar.
- c. The Pension Bridge Annual Conference, Westin St. Francis Hotel, San Francisco, CA - April 9-10, 2019.

2. INVESTMENTS

- a. Oral update from the CIO of Retirement Services, Prabhu Palani.

CIO Palani gave an update on Investments to the Board. He stated that the Investment Committee meetings are progressing and that he is bringing to the Board recommendations from the Investment Committee regarding the revised Investment Policy Statement (IPS).

- b. Discussion and action regarding the revised Investment Policy Statement by Meketa Investment Group.

Laura Wirick from Meketa Investment Group led the discussion regarding the Investment Policy Statement (IPS). She reviewed the red lined changes in the attached report and answered questions from the Board.

After discussion, Staff was directed to take the IPS back to the IC to make recommended changes and bring the IPS back to the Board next month.

There was no action for this item.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action on Other Post Employment Benefits (OPEB) Valuation Results as of June 30, 2018 presented by Cheiron.

Bill Hallmark and Michael Schionning from Cheiron presented the Other Post Employment Benefits (OPEB) Valuation Results as of June 30, 2018 and answered questions from the Board.

After discussion, a motion was made to approve the Final OPEB Valuation Results as of June 30, 2018.

Approved. (M.S.C. Santos/Griarte 8-0-0). The motion passed unanimously.

- b. Discussion on proposed topics and revised date for the Joint Meeting with the Retirement Boards and City Council.

3b. was heard after 4c.

CEO Peña led the discussion and gave a summary. He stated that the Joint meeting originally scheduled for April 25th conflicts with the Mayor's schedule. It was recommended by the City Clerk to hold the joint meeting on April 30th on a City Council meeting day. The Board was concerned about meeting after a Council meeting. However, the majority are available on April 30, 2019. Trustee Muyo will be out of town and Trustee Lanza was unavailable for comment. The Board prefers not to meet on a City Council meeting day. City Council Liaison Pam Foley agreed with the Board and suggested that the Joint meeting be a standalone meeting.

After discussion, the Board will look for a day other than the City Council day and reach out to the City. This meeting may possibly occur in the fall 2019.

- c. Discussion and action on possible dates for the 2019 Board Retreat.

The Board Retreat will be held on April 15, 2019 from 8:30 a.m.-5:00 p.m. Cheiron will be available to make a presentation.

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- CEO Peña met with OER and the two new onboarding Councilmembers Esparza and Foley. The City had a presentation on the background, CEO Peña provided a background on what the Board does.
- Interviews for the position of Deputy Director took place on March 6, 2019.
- PAS went live 2/4/19, some changes were made to the paycheck stub that will be communicated to members to avoid confusion on the appearance change.
- CEO Peña attended CALAPRS General Assembly from March 3rd-5th.
- Staff is currently recruiting for positions of Staff Tech and Accounting Clerk. Staff is in the process of setting up interviews for Internal Auditor.
- Form 700 due April 2, 2019, staff will follow up with the Clerk's office on status.
- Fiduciary Insurance- We are all fiduciaries of this Board. Fiduciary insurance is provided to cover defense and losses. The money cannot come from the Trust plan. The amount of \$75 per year has to be paid by each Trustee from their personal funds, for the waiver of recourse premium. Harvey Leiderman, General and Fiduciary Counsel stated that this is explained on item 1.8c of this agenda. He gave a summary from a legal aspect and stated that there are three policies, \$25 per policy for the waiver fee.

- b. Oral update from the City Council Liaison to the Board.

Council Liaison to the Board, Pam Foley reported that she attended the Priority Setting Session on Tuesday, March 5, 2019. This sets priorities for City staff in the next year. Some of the priorities that will be focused on this year are programs such as housing, family leave policy, early childhood learning and use of City facilities for preschools.

- c. Discussion on Cheiron's 5-Year OPEB Budget Projections for the P&F Board.

Item 4c was heard after item 3a.

Bill Hallmark from Cheiron stated that the City has a 5-year Budget plan and that this is an informational item that will go to the City Council.

- d. Discussion and action on compensation and benefits for the Office of Retirement Services's Chief Executive Officer (CEO).

Chair Sunzeri spoke to the item and explained the process for evaluations and compensation for the CEO and CIO since Measure G has been implemented.

A motion was made to grant the Chief Executive Officer (CEO) a 2% compensation increase and 4 additional Executive Leave days, retroactive to July 2018.

Approved. (M.S.C. Sunzeri/Santos 8-0-0). The motion passed unanimously.

- e. Discussion and action on approval to extend Medicare Part-B Reimbursement form submission deadline from April 1 to April 30, 2019.

CEO Peña led the discussion. Ms. Schaefer was present to answer questions from the Board. He stated that the Board does not have the authority to extend the timeline as it is written in the municipal code. We will accept applications for reimbursement and pay after the deadline since the Board cannot extend the deadline.

Action is not required for this item.

- f. Discussion and action on authorizing the CEO to negotiate and execute the third amendment to the agreement between the Board of Administration for the Police & Fire Department Retirement Plan and Susan Tierman, MD, for Medical Advisory Services, increasing compensation by \$100,000 for an amount not to exceed \$400,000.

After discussion, a motion was made to approve the authorization of the CEO to negotiate and execute the third amendment to the agreement between the Board of Administration for the Police & Fire Department Retirement Plan and Susan Tierman, MD, for Medical Advisory Services, increasing compensation by \$100,000 for an amount not to exceed \$400,000. Approved. (M.S.C. Santos/Gardanier 8-0-0). The motion passed unanimously.

The Board requested historical data be included when requests like this are made. Staff agreed to provide more information going forward.

Mr. Peña noted that ORS would be issuing a new RFP for the Measure F medical panel shortly.

- g. Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2019-2020.

CEO Peña presented the proposed administrative budget for FY2019-2020. Ms. Chua-Foy was present to answer questions from the Board. She stated that this report is for administrative expenses only and does not include the Investment program.

After discussion, a motion was made to approve the Office of Retirement Services proposed administrative budget for FY 2019-2020. Approved. (M.S.C. Vado/Oswal 9-0-0). The motion passed unanimously.

Trustee Lanza returned to the meeting during this item at 11:58 a.m.

5. RETIREMENTS

5.1 Service Retirements

Chair Sunzeri read the Service Retirements into the record.

A motion was made to approve the Service Retirements. Approved. (M.S.C. Santos/Vado 9-0-0). The motion passed unanimously.

- a. **Charlotte Endicott**, Division Chief, Fire Department, effective January 31, 2019; 25.11* years of service.
- b. **Johnson Fong**, Police Captain, Police Department, effective March 9, 2019; 29.55* years of service.
- c. **Michael A. King**, Police Lieutenant, Police Department, effective February 23, 2019; 25.57* years of service.
- d. **Michael Montonye**, Police Sergeant, Police Department, effective February 23, 2019; 25.57* years of service.

6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Chair Sunzeri read the Death and Survivorship notifications into the record followed by a moment of silence.

- a. Notification of the death of **Jerry Boyer**, Firefighter, retired January 7, 1992, died January 27, 2019. Survivorship benefits to Delores Boyer, Spouse.
- b. Notification of the death of **Donald E. Edwards**, Police Lieutenant, retired October 15, 1978, died January 21, 2019. Survivorship benefits to Marlene Edwards, Spouse.
- c. Notification of the death of **Paul J. King**, Fire Captain, retired January 24, 2009, died December 24, 2018. Survivorship benefits to Kathleen King, Spouse.
- d. Notification of the death of **Patrick S. Reek**, Fire Engineer, retired February 11, 1995, died February 4, 2019. Survivorship benefits to Patricia Reek, Spouse.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

7.1 Investment Committee (Griarte - CH/Gardanier/Oswal/Sunzeri)

Last Meeting: February 26, 2019

Next Meeting: March 26, 2019

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

Trustee Griarte gave a brief update from the last Investment Committee and the content for the next meeting. She updated the Board on the following:

-The IC will talk about the City prefunding since this is the first time that the City has elected not to pre-fund employer contributions; the Committee will discuss the impact on asset allocation.

-Discussed 2019 goals.

-The Joint Investment Committee will meet every other month due to Federated has elected to meet every other month in terms of their IC meetings.

- b. Minutes of the January 22, 2019 Police and Fire Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the January 22, 2019 Joint Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

7.2 Audit/Risk Committee (Lanza - CH/Menon/Vado – Alt: Gardanier)

Last Meeting: February 21, 2019

Next Meeting: May 16, 2019

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

Trustee Lanza acknowledged the Pension Administration System (PAS) team, Ms. Hayman, Ms. Busse, CEO Peña and staff for their hard work over the past four years regarding the Pension Administration System project.

- b. Minutes of the October 18, 2018 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan. Receive and file.

This Committees/Reports/Recommendations was approved

- c. 10/1/18-12/31/18 Quarterly Travel and attendance analysis for Police and Fire. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Update on the Pension Administration System.

This Committees/Reports/Recommendations was received and filed

- e. Update on the City Auditor's Recommendations to the Office of Retirement Services.

This Committees/Reports/Recommendations was received and filed

7.3 Governance Committee (Vado - CH/Menon/Muyo – Alt: Santos)

Last Meeting: November 26, 2018 Next Meeting: June 6, 2019 (March 7, 2019 Meeting Cancelled)

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

The Governance Committee was cancelled today due to items not ready to bring forward.

7.4 Disability Committee (Santos - CH/Lanza - Alts: Muyo/Sunzeri)

Last Meeting: February 11, 2019 Next Meeting: March 11, 2019

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

Trustee Santos updated the Board. He stated that the next meeting is on April 8, 2019. He indicated that he would like Dr. Tierman and Disability Attorney, Russell Richeda to attend the next meeting and make a presentation regarding workers compensation.

- b. Minutes from the December 10, 2018 Police and Fire Disability Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

7.5 Joint Personnel Committee (Sunzeri - CH/Griarte/Muyo)

Last Meeting: February 20, 2019 Next Meeting: TBD

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

Chair Sunzeri led the discussion. He stated that they discussed the Defined Benefit Plan for the Investment Officers. The next steps are to discuss Compensation plans and to ask Cortex to resolve the performance incentive approach for the next fiscal year and schedule a meeting next month.

- b. Minutes from the August 23, 2018 Joint Personnel Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- **PROPOSED AGENDA ITEMS**

The following items were proposed:

- Banned state travel, i.e. the States that are not allowed for City travel based on their lack of support for diversity and inclusion.
- Risk discussion or Strategy session.
- Discount rate discussion with Cheiron at the Board Retreat on April 15, 2019.

- **PUBLIC COMMENTS**

Public/Counsel Comments: Harvey Leiderman, General and Fiduciary Counsel briefed the Board on the recent Supreme Court opinion in California Firefighters vs. CalPERS.

- **ADJOURNMENT**

Next Meeting: April 4, 2019

The meeting adjourned at 1:01 p.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

VINCENT SUNZERI, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES