



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, March 21, 2019

8:30 AM

City Hall, Wing Rooms 118-120

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, March 21, 2019 at 8:30 a.m. in regular session at City Hall, 200 E. Santa Clara Street, Wing rooms 118-120, 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, Martin Dirks, Anurag Chandra, Kurt Billick, Jay Castellano and Elaine Orr

Absent: 1 - Qianyu Sun

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Benjie Chua-Foy, Brian Starr, Dhinesh Ganapathiappan, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Cheryl Parkman, OER; Julie Jennings, CAMP; Shirlee Victorio, Housing; Michael D'Arcy, active employee.

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 INVESTMENTS

- A. CLOSED SESSION:** CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OR SALE OF PARTICULAR PENSION FUND INVESTMENT (ONE INVESTMENT).

The Board came out of Closed Session at 8:57 a.m.

OPEN SESSION - will reconvene following Closed Session, estimated to be 9:00 a.m.

The Board reconvened into Open Session at 9:00 a.m. There was no reportable action out of Closed Session.

ORDERS OF THE DAY

Item 4c, Discussion and action on the ORS proposed administrative budget for FY 19-20, to be heard before time certain 10:00 a.m. will be pulled by CEO Peña.

Waive Sunshine: Item 4c(attachment 4) Investment Fee Analysis memo attachment received late.

A motion was made to approve the Orders of the Day and Waive Sunshine on item 4c, Attachment 4 received late.

Approved. (M.S.C. Castellano/Chandra 5-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

Item 1.1 c was pulled by CEO Peña.

A motion was made to approve the balance of the Consent Calendar.

Approved. (M.S.C. Chandra/Castellano 5-0-0). The motion passed unanimously.

1.1 Approval of Service Retirements

- a. **Roger Abe**, Park Ranger, Parks, Recreation and Neighborhood Services Department, effective March 24, 2019; 28.46* years of service
- b. **Victoria Baxter**, Senior Analyst, Environmental Services Department, effective March 23, 2019; 19.78* years of service.
- c. **Donna Busse**, Deputy Director, Office of Retirement Services, effective March 9, 2019; 22.28* years of service.

This item was pulled by CEO Roberto Peña. He acknowledged Donna Busse for her work and wished her a long and healthy retirement. The Chair acknowledged and sent best wishes to Ms. Busse.

A motion was made to approve the Service Retirement for Donna Busse.
Approved (M.S.C. Loesch/Chandra 5-0-0). The motion passed unanimously.
- d. **Kellie Ann Carroll**, Senior Community Services Officer, Police Department, effective March 23, 2019; 26.78* years of service.
- e. **Tsang-Tse Chen**, HVAC Mechanic, Public Works Department, effective March 23, 2019; 29.62* years of service.
- f. **Kenneth Drew**, Senior Construction Inspector, Public Works Department, effective March 30, 2019; 21.34* years of service.

- g. John Enriquez, Sr.**, Parking and Traffic Control Officer, Department of Transportation, effective March 23, 2019; 11.06* years of service.
- h. Sharon W. Erickson**, City Auditor, City Auditor's Office, effective March 30, 2019; 23.90* years of service.
- i. Annie Esget**, Principal Permit Specialist, Planning, Building and Code Enforcement Department, effective March 23, 2019; 15.50* years of service.
- j. Danette M. Espitia**, Division Manager, Information Technology Department, effective March 30, 2019; 20.06* years of service.
- k. Christina Gutierrez**, Assistant City Clerk, Office of the City Clerk, effective March 23, 2019; 21.19* years of service.
- l. Ismael Licalde**, Groundswoker, Environmental Services Department, effective March 1, 2019; 11.82* years of service.
- m. Duane Bryan Lindsay**, Senior Maintenance Worker, Parks, Recreation and Neighborhood Services Department, effective March 9, 2019; 24.87* years of service.
- n. Sandra Ann Llanos**, Gardener, Parks, Recreation and Neighborhood Services Department, effective March 23, 2019; 30.01* years of service.
- o. Angelica Maria Lomeli Franco**, Park Ranger, Parks, Recreation and Neighborhood Services, effective March 27, 2019; 25.27* years of service.
- p. Stephen Lowes**, Sanitary Engineer, Environmental Services Department, effective March 23, 2019; 28.24* years of service.
- q. Marylou Lujan**, Messenger Clerk, Police Department, effective March 23, 2019; 11.15* years of service.
- r. Laura Luu**, Supervising Accountant, Airport Department, effective March 30, 2019; 30.05* years of service.
- s. Steven Macias**, Police Property Specialist II, Police Department, effective March 23, 2019; 30.03* years of service.
- t. Karen D. Mack**, Senior Transportation Specialist, Public Works Department, effective March 30, 2019; 30.49* years of service.

- u. **Robert V. Matz**, Painter Supervisor, Environmental Services Department, effective March 23, 2019; 25.92* years of service.
- v. **Mark Allen Muser**, Air Conditioning Supervisor, Public Works Department, effective March 23, 2019; 28.04* years of service.
- w. **Jenny Nusbaum**, Principal Planner, Planning, Building and Code Enforcement Department, effective March 23, 2019; 19.50* years of service.
- x. **Raymond Pereira**, Wastewater Operator III, Environmental Services Department, effective March 23, 2019; 26.73* years of service.
- y. **Leif Regvall**, Housing Policy and Program Administrator, Housing Department, effective march 23, 2019; 6.92* years of service.
- z. **Cristina Rodriguez**, Senior Account Clerk, Library Department, effective March 9, 2019; 19.15* years of service.
- aa. **Leah Ruch**, Analyst II, Planning, Building and Code Enforcement, effective March 23, 2019; 27.22* years of service.
- bb. **Jerry Valdez**, Senior Facility Repair, Public Works Department, effective March 23, 2019; 17.69* years of service.
- cc. **Susan Blair Walsh**, Supervising Planner IV, Planning, Building and Code Enforcement Department, effective March 30, 2019; 26.97* years of service.

1.2 Approval of Deferred Vested

- a. **Eusebio Espitia**, Code Enforcement Supervisor, Planning, Building and Code Enforcement, effective March 30, 2019; 30.75* (*With Reciprocity - CSJ YOS 23.82 + PERS YOS 6.93*)
- b. **Frank Gaska**, Concrete Finisher, Department of Transportation, effective February 9, 2019; 22.56* years of service.
- c. **Leslie Paige Hoover**, Senior Public Safety Dispatcher, Police Department, effective March 16, 2019; 13.02* years of service.
- d. **Clark K. Owen**, Network Engineer, Department of Transportation, effective February 8, 2019; 8.99 years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of February 21, 2019.

1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a. Matrix of the City Auditor's Recommendations from the 2017 Audit. Receive and file.
- b. Report of the Plan Expenses for January 2019. Receive and file.
- c. Memorandum from the City Manager on decision not to prefund FY 2019-2020 City Pension and Retiree Health Care Contributions.
- d. Mayor's March Budget Message for Fiscal Year 2019-2020.

1.6 Approval of Travel / Conference Attendance

- a. Kurt Billick, Trustee
 - Pension Bridge Annual 2019, Westin St. Francis Hotel, San Francisco, CA - April 9-10, 2019.
- b. Jay Castellano, Trustee
 - CALAPERS Trustees Roundtable, Marriott Burbank Airport Hotel, Burbank, CA - June 7, 2019.
 - CALAPERS Principles of Pension Governance for Trustees, Pepperdine University, Malibu, CA - August 26-29, 2019.
- c. Elaine Orr, Trustee
 - CalAPRS General Assembly, Monterey Marriott, Monterey, CA - March 2-5, 2019 - CANCELLED

1.7 Approval of Administrative Matters

- a. Renewal Notice of Fiduciary Insurance Policy for FY 2019-2020.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Chair Loesch asked for a moment of silence for those who served and have passed away.

- a. Notification of the death of **Irene M. Athearn**, System Control Supervisor, retired August 21, 1999, died January 4, 2019. Survivorship benefits to Alban G. Athearn, Spouse.
- b. Notification of the death of **Dennis A. Hannon**, Parks Maintenance Worker I, retired January 1, 2005, died January 25, 2019. No survivorship benefits.
- c. Notification of the death of **Dorothy Kimble**, Senior Event Coordinator, retired March 31, 1991, died November 17, 2018. No survivorship benefits.
- d. Notification of the death of **Juan Moreno**, Senior Building Inspector, retired July 14, 2018, died January 20, 2019. Survivorship benefits to Patricia Moreno, Spouse.
- e. Notification of the death of **Catherine Rios**, Account Clerk II, retired December 2, 2006, died February 5, 2019. No survivorship benefits.
- f. Notification of the death of **Oralia Tarango**, Typist Clerk II, retired November 7, 1992, died September 1, 2018. No survivorship benefits.
- g. Notification of the death of **Robert Watanabe**, Groundsworker, retired May 3, 1997, died December 14, 2018. Survivorship benefits to Mayko Watanabe, Spouse.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action on Whether Lump Sum Payment Options are Available for Reclassified Member Contribution by Ice Miller, Tax Consultant. **(TIME CERTAIN 10:00 A.M.)**

3a was heard after item 4c.

Lisa Erb Harrison, Ice Miller, joined via telephone and led the discussion on whether lump sum payment options are available for reclassified member contributions and answered questions from the Board.

A motion was made to waive the attorney-client privilege and confidentiality on the memorandum from Ice Miller provided to the Board.

Approved. (M.S.C. Loesch/Chandra 5-0--0). The motion passed unanimously.

Because the Board has no authority to grant the ability for reclassified members to use pre-tax lump sums to satisfy their contribution obligation, there is no action the Board could take on this item. The matter was tabled.

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

3b was heard after item 2.

CEO Peña led the discussion regarding the Joint meeting with the Retirement Boards and City Council and answered questions from the Board. The Joint meeting will be held on April 30, 2019.

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

-Attended City Council meeting on March 19th regarding extending membership in the CalSTRS Defined Benefit plan to ORS investment professionals. It was approved by City Council.

-Staff received a notice from the Clerks' office requesting to hold the August 15, 2019 Board meeting at the Office of Retirement Services (ORS). The Public Safety, Finance and Strategic Support Committee (PSFSS) Committee usually meets in Chambers, however, there is a conflict with a statewide meeting in Chambers and the PSFSS Committee is asking to use the Wing rooms 118-120. After discussion, the Board agreed that the August 15th meeting will be held at the ORS.

-Staff is still working with CAO regarding Muni Code changes regarding the appointment of Federated Board members. This is deferred to April.

-CEO Peña and OER met with 2 Councilmember's for an onboarding meeting last month. OER presented the City side, CEO Peña presented the Retirement side.

-CEO Peña attended CALAPRS General Assembly March 3-5th.

-Form 700's are due April 2, 2019.

-Fiduciary Insurance, there are 3 policies that were approved on item 1.7c. The funds to pay for the waiver of recourse premium must come from the Trustees' personal funds. The cost is \$25 per policy, \$75.00 total for each trustee.

-In the Mayor's Budget message, Item 1.5d, the Retirement cost for the City is addressed. The Mayor wants to put together a group of stakeholders to discuss future retirement costs.

-Memo came from City Manager, stating that the City will not be prefunding for the first time. Employer contributions will be made each pay period.

-PAS is live and working satisfactorily.

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

City Council Liaison Dev Davis referred to the Mayor's Budget message on the consent calendar and addressed a few questions. The City Council approved the budget message unanimously. Chair Loesch gave a brief summary regarding the City's budget cycle.

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

CEO Peña led the discussion and answered questions from the Board. Liaison Davis requested specific information about the investment consultant fees being paid. The Board also discussed the appropriate split of costs between the Federated Plan and the Police & Fire Plan.

After discussion, a motion was made to approve the proposed Budget for FY 19-20.

Approved. (M.S.C. Loesch/Billick 5-0-0). The motion passed unanimously.

- d. Update by Fiduciary Counsel on Supreme Court decision on Cal Fire matter.

Counsel Leiderman updated the Board on the Supreme Court decision on the Cal Fire matter.

Councilmember Davis departed during this item at 10:58 a.m.

5. INVESTMENTS

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

CIO Palani presented fund overall performance data over the past 10 and 20 years relative to a "60/40" passive portfolio. He also updated the Board on Meketa's preliminary findings on private assets.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Loesch, Billick, Chandra)

Last Meeting: December 18, 2018 Next Meeting: March 26, 2019
(January 22, 2019 Fed Meeting Cancelled)

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

Trustee Chandra announced there is an IC meeting next week.

6.2 Governance Committee (VAC, Orr, Sun)

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.

There was no update from the Governance Committee.

6.3 Audit Committee (Castellano, VAC, Orr)

Last Meeting: February 21, 2019

Next Meeting: May 16, 2019

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

Trustee Castellano updated the Board on the PAS project. He stated that the PAS project was featured heavily at the meeting and the project came in under budget.

- 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 received and filed.

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

This Committees/Reports/Recommendations was received and filed.

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

CEO Peña reported there are no updates to the Matrix. He noted that the City Auditor is retiring this month.

- e. Update on the Pension Administration System.

CEO Peña reported parallel processing went well and staff continues to work out any bugs in the system.

6.4 Joint Personnel Committee (VAC, Loesch, Chandra)

Last Meeting: February 20, 2019

Next Meeting: TBD

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

Trustee Chandra reported staff is in the process of scheduling the next meeting. Chair Loesch updated the Board on the last JPC meeting and announced the Defined Benefit Plan for ORS Investment professionals was approved by the City Council on Tuesday.

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

This Committee's/Reports/Recommendations were received and filed.

7. EDUCATION & 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.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 11:19 a.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

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

ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES