



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, June 6, 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, June 6, 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. Vice Chair Gardanier called the Pension Plan and Health Care Trust meeting to order at 8:30 a.m. followed by roll call.

Present: 7 - Richard Santos, Drew Lanza, Nick Muyo, Ghia Griarte, Andrew Gardanier, Eswar Menon and Vikas Oswal

Absent: 2 - Vincent Sunzeri and Franco Vado

Trustee Muyo arrived at 8:31 a.m.

Pam Foley, City Council Liaison to the Board arrived at 9:20 a.m. and departed at 11:27 a.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Brian Starr, Dhinesh Ganapathiappan, Arun Nallasivan, Peter Pham, Michelle San Miguel, Linda Alexander.

Also Present: Jeff Rieger, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Kaci Boyer, Neuberger Berman (via telephone); Cheryl Parkman, OER.

AGENDA

CLOSED SESSION

The Board entered into Closed Session at 8:32 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 9:09 a.m.

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

The Board reconvened into Open Session at 9:10 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.

- 1. **CONSENT CALENDAR**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Santos/Griarte 7-0-0). The motion passed unanimously.

The Board felt that the Dashboards attached on item 1.6a are very helpful. The Trustees would like to see the dates added back in. Trustee Griarte stated that there will be more discussion on content at the Investment Committee meeting.

- 1.1 **Approval for a Service-Connected Disability Retirement**

- a. **James Link**, Fire Engineer, Fire Department, Request for a Service-Connected Disability Retirement, effective June 6, 2019; 13.10* years of service. (*Disability Committee Recommendation: Approval*)

- 1.2 **Approval for a Change in Status to Service Connected Disability Retirement**

- a. **Daniel Alvarado**, Fire Captain, Fire Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective July 15, 2017; 23.58* years of service. (*Disability Committee Recommendation: Approval*)

- 1.3 **Approval Of Minutes**

- a. Approval of the Board Minutes of May 2, 2019.

- 1.4 **Approval Of Travel for Conferences and Due Diligence**

- a. Roberto Peña, CEO
 - CALAPRS Administrators' Board meeting, Double Tree, San Jose, CA - June 20, 2019
 - CALAPRS Administrators' Round Table, Double Tree, San Jose, CA - June 21, 2019

- 1.5 **Return of Contributions**

- a. Voluntary / Involuntary.

- 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 April 2019. Receive and file.
- d. FY 19-20 Contribution Rate Letters to Police and Fire Members.

1.7 Notice of Alternate Payee Benefit Election

- a. Approval of Alternate Payee Benefit election of Reduced Lifetime Monthly Payment Option to be paid to Lorraine Anderson-Day, ex-spouse of Police Sergeant, **Lawrence Day** to be effective May 16, 2019 under Part 17, Section 3.36.3600 of the San Jose Municipal Code

1.8 Education and Training

- a. The Cortex Report May 2019 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2019 Program Calendar.
- c. SACRS Public Pension Investment Management Program, UC Berkeley, Berkeley, CA - July 22-24, 2019.
- d. CalAPRS Principles of Pension Government for Trustees, Pepperdine University, Malibu, CA - August 26 -29, 2019.

2. INVESTMENTS

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

CIO Palani updated the Board. He stated that there was a discussion at the Investment Committee (IC) meeting and they are revisiting strategic asset allocation. We will revisit this every year using revised capital market assumptions. There will be a discussion at the June IC meeting and he hopes to bring the issue to the full Board in August.
- b. Discussion and action on Private Markets pacing plan (Private Debt, Private Real Estate, and Private Real Assets) presented by Staff.

Brian Star presented the Private Markets pacing plan and answered questions from the Board. The pacing plan models how the pension funds will reach and maintain their target

allocations to private markets strategies. After discussion, the Board agreed to refer further discussion to the Investment Committee.

A motion was made to approve staff recommendation of fiscal year 2019-2020 pacing plan commitment amounts of \$60mm for Private Debt, \$35mm for Private Real Estate, and \$34mm for Real Assets.

Approved. (M.S.C. Griarte/Oswal 7-0-0). The motion passed unanimously.

- c. Presentation of Calendar 4th Quarter 2018 Private Equity Report by Neuberger Berman.

Kaci Boyer from Neuberger Berman presented the calendar 4th Quarter 2018 Private Equity Report via telephone and answered questions from the Board.

- d. Presentation of Calendar 1st Quarter 2019 Performance Report for the Pension Plan by Meketa Investment Group.

Laura Wirick from Meketa Investment Group presented the 1st Quarter 2019 Performance Report for the Pension Plan and answered questions from the Board.

- e. Presentation of Calendar 1st Quarter 2019 Performance Report for the Health Care Trust by Meketa Investment Group.

Laura Wirick from Meketa Investment Group presented the 1st Quarter 2019 Performance Report for the Health Care Trust and answered questions from the Board.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS - NONE

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 recognized and congratulated Barbara Hayman as the new Deputy Director.

-Fiduciary insurance payments are due from the Trustees in the amount of \$75.

-The August 1, 2019 Board meeting will be held at City Hall in Council Chambers.

-Contribution letters with rates went out for FY 19-20.

-Auditors were in the office for 2 weeks in May and will be back in June for 3 weeks.

-CEO Peña presented the ORS budget to City Council. The final budget will be discussed next Tuesday, June 11th.

-Staff is in search of IT manager and Financial Analyst.

-CEO Peña is in discussions with CIO Palani regarding City Council study sessions throughout the year. There is a tentatively scheduled Investment related session with City Council on Friday, October 4th, 2019. Staff is working with the City to secure the date. They will discuss the investment program.

-Staff has not received any response to the bids for the Medical Panel RFP. CEO Peña and staff are still working with the City on the next steps.

Jeff Rieger, General and Fiduciary Counsel stated that the Board is the entity fully charged with analyzing, granting or denying disability applications, until a Medical Panel is appointed.

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

Pam Foley, City Council Liaison to the Board stated that the Budget will be reviewed next week.

- c. Discussion on the process to attract potential qualified candidates for the public member seat for the Board of Administration.

CEO Peña introduced the item. He stated that the Federated Board discussed the process to attract potential qualified candidates for the public member seat, which included discussion on extending the radius requirement to live 50 miles from City Hall to 100 miles to cast a wider net of possible applicants and attract good candidates. However, communication from the bargaining units on this issue indicated their opposition to it and their strong support to continue recruitment within the 50 mile radius of City Hall for public members. The City Clerk is working with OER and the bargaining units on language and they will bring it to the Board. At their May 16, 2019 Board meeting, the Federated Board directed staff to:

- Outreach to academic departments and alumni associations at San Jose State University, UC Berkeley and Stanford University as well as Healthcare Management agencies.
- Reach out to OER and bargaining units to coordinate with groups and get the information out about the openings. If the Police and Fire Board has additional suggestions, to send it out again in June.
- Reach out to a Consultant recruiting agency.
- When available, email a copy of the City Clerk's notice to the Board to handout to peers and contacts.

In addition to the FED Board directives, at their Board meeting on June 6, 2019, the Police and Fire Board discussed additional suggestions:

- Submit an announcement in the Council District's 1-10 newsletter.
- Send an email blast to LinkedIn contacts.
- Place an ad in the Mercury Newspaper and the CFA newsletter.
- Place Radio and TV ads.
- Revise length of application process and make the questions appeal to all applicants, not just investment professionals.

- d. Discussion on proposed 2020 Board and Committee meeting schedule.

CEO Peña led the discussion. The Board agreed with the proposed schedule. CIO Palani stated that the Police and Fire Investment Committee meeting schedule may change.

5. RETIREMENTS

5.1 Service Retirements

Vice Chair Gardanier read the Service Retirements into the record.

A motion was made to approve the Service Retirements.

Approved. (M.S.C. Santos/Muyo 7-0-0). The motion passed unanimously.

Trustee Muyo spoke to the retirements and said a few kind words.

- a. **Jaime Gonzalez**, Police Sergeant, Police Department, effective July 13, 2019; 27.36* years of service.
- b. **Timothy Jackson**, Police Officer, Police Department, effective July 13, 2019; 27.03* years of service.
- c. **Tedy V. LaCap, Jr.**, Police Sergeant, Police Department, effective July 13, 2019; 27.76* years of service.
- d. **Fred Mills**, Police Sergeant, Police Department, effective July 13, 2019; 26.76* years of service.
- e. **Daniel Navarro**, Police Officer, Police Department, effective July 13, 2019; 25.95* years of service.
- f. **Douglas R. Schmidt**, Fire Engineer, Fire Department, effective July 13, 2019; 25.08* years of service. *(With Reciprocity)*
- g. **Jeannette Sivertsen**, Police Officer, Police Department, effective July 1, 2019; 26.51* years of service. *(With Reciprocity)*
- h. **Ronald Starkey**, Police Sergeant, Police Department, effective July 13, 2019; 25.01* years of service. *(With Reciprocity)*
- i. **Todd Ah Yo**, Police Officer, Police Department, effective June 29, 2019; 25.03* years of service.

5.2 Early Retirement

Vice Chair Gardanier read the Early Retirement into the record.

A motion was made to approve the Early Retirement.

Approved. (M.S.C. Gardanier/Santos 7-0-0). The motion passed unanimously.

Vice Chair Gardanier said a few good words.

- a. **Ken McCarthy**, Deputy Chief, Fire Department, effective May 18, 2019; 22.84* years of service.

6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Vice Chair Gardanier read the death and survivorship notifications into the record followed by a moment of silence.

Vice Chair Gardanier, Trustee Santos and Trustee Muyo said a few good words about Mr. Perez, the Firefighters, and Police Officers who served and passed away.

- a. Notification of the death of **Robert Lilly**, Fire Engineer, retired October 2, 2002, died May 12, 2019. Survivorship benefits to Judith Lilly, Spouse.
- b. Notification of the death of **William E. Mattos**, Police Officer, retired January 4, 2001, died March 10, 2019. No survivorship benefits.
- c. Notification of the death of **John Mitchell**, Police Officer, retired June 22, 2013, died March 27, 2019. Survivorship benefits to Corey Mitchell, Spouse.
- d. Notification of the death of **Bernardo R. Perez**, Fire Engineer, retired January 17, 2015, died April 25, 2019. Survivorship benefits to Madelynn Perez, Spouse.
- e. Notification of the death of **Richard M. Struthers**, Fire Captain, retired January 1, 1981, died March 30, 2019. No survivorship benefits.
- f. Notification of the death of **Stephen T. Wininger**, Police Officer, retired November 25, 2002, died April 13, 2019. Survivorship benefits to Nancy Wininger, Spouse.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

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

Last Meeting: May 28, 2019

Next Meeting: June 25, 2019

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

Trustee Griarte stated that at the joint Investment Committee meeting they had an educational presentation on ESG (Environmental, Social Governance). This will be discussed at the Board level in the future. They also discussed staff views on portfolio structuring, strategic asset allocation and private pacing. CIO Palani stated that with the current workload, they are at a point where the IC can meet less.
- b. Minutes of the March 26, 2019 Police and Fire Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed
- c. Minutes of the March 26, 2019 Joint Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Minutes of the April 23, 2019 Police and Fire Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- e. Revised Investment Policy Statement. Receive and file.

This Committees/Reports/Recommendations was received and filed

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

Last Meeting: May 16, 2019

Next Meeting: August 15, 2019

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

Trustee Lanza recapped the last Joint Audit committee meeting. He stated that he will meet with the Interim Auditor within the next few months.

- b. Minutes of the February 21, 2019 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. 1/1/19-3/31/19 Quarterly Travel and attendance analysis for Police and Fire. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Discussion and action on Audit Committee recommendation for the FY19 Office of Retirement Services Retirement Plans Audit Planning by Grant Thornton.

A motion was made to approve the Audit plan.

Approved. (M.S.C. Lanza/Santos 7-0-0). The motion passed unanimously.

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

Trustee Lanza spoke to the City Auditor's report and CEO Peña updated the Board on the City Auditor's recommendation matrix. CEO Peña is going to meet with the interim City Auditor to discuss whether the changes met their satisfaction .

- f. Update on the Pension Administration System implementation project. Receive and file.

Trustee Lanza updated the Board and praised Ms. Hayman, Ms. Ziegler from LRWL and ORS staff for all of their hard work on the Pension Administration System. CEO Peña acknowledged Ms. Hayman for her project management and team leadership skills. He looks forward to working with her for many years.

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

Last Meeting: November 26, 2018 **Next Meeting: September 5, 2019 (June 6, 2019 Meeting Cancelled)**

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

CEO Peña stated that the Governance Committee has not met since November and he spoke with Cortex last week. He is hoping to set up a meeting in August.

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

Last Meeting: May 13, 2019 **Next Meeting: August 5, 2019 (June 10, 2019 Meeting Cancelled)**

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

Trustee Santos updated the Board. The next meeting will be held on August 5, 2019.

- b. Minutes from the February 11, 2019 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.

CEO Peña stated that they have been unable to schedule a meeting. The next Joint Personnel Committee will tentatively be scheduled on August 1st or August 15th. Staff will reach out to the Committee meeting for their availability.

• **PROPOSED AGENDA ITEMS**

None.

• **PUBLIC COMMENTS**

None.

- **ADJOURNMENT**
The meeting was adjourned at 12:00 p.m.

Next Meeting: August 1, 2019

Location of Next Meeting:
City Hall Council Chambers

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

VINCENT SUNZERI, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES