



BOARD OF ADMINISTRATION

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

Meeting Minutes - Final Joint - Personnel Committee

Wednesday, February 20, 2019

11:00 AM

1737 N. First Street, Suite 580
5th Floor Board room
San Jose, CA 95112

CALL TO ORDER AND ROLL CALL

The Joint Personnel Committee met on Wednesday, February 20, 2019 at the Office of Retirement Services, 1737 N. First Street, 5th Floor Board Room, San Jose, CA. The meeting was called to order at 11:06 a.m. by Trustee Sunzeri.

Present 4 - Matt Loesch, Martin Dirks, Vincent Sunzeri, and Ghia Griarte

Absent 2 - Nick Muyo, and Anurag Chandra

Staff Present: Roberto Peña, Linda Alexander, Michelle San Miguel, Marti Zarate, David Aung

Also Present: Cheryl Parkman, OER, via teleconference, Harvey Leiderman, General & Fiduciary Counsel, via teleconference

AGENDA

OPEN SESSION

1. Approval of the 8-23-2018 Joint Personnel Committee meeting minutes.

A motion was made to approve the Minutes of the August 23, 2018 Joint Personnel Committee meeting.

Approved. (M.S.C. Sunzeri/Dirks 4-0-0)

OLD BUSINESS

2. Discussion and action on Annual Performance Evaluation process and performance metrics for the CEO and CIO positions.

This item was heard after item #3.

Chair Sunzeri introduced the item and questioned the committee on whether or not the CEO and CIO evaluations should continue to follow the City Guidelines or if the Boards should set their own standards. Trustee Dirks stated that Investment Performance should be incorporated into the CIO's evaluation. Trustee Loech commented that the current evaluation forms are generic, though the metrics are fine, the evaluation process as a whole should be reviewed. CEO Peña stated that the Boards' governance consultant, Cortex, had suggested that the metrics that the CEO and CIO are held to should be given a year in advance of the evaluation. Discussion ensued on the current process and how evaluations are handled across the City. Trustee Loesch stated that he would rather have the performance appraisal separate from the compensation discussions. Chair Sunzeri suggested engaging Cortex to review the evaluation process. Trustee Loesch stated that the committee needs the process evaluated by June 2019.

A motion was made for CEO Peña to engage with Cortex to bring a proposal on the CEO and CIO evaluation process and compensation approach, up to \$10,000 to be split by both Boards.

Approved. (M.S.C. Loesch//Dirks 4-0-0)

A friendly amendment was brought forward.

A motion was made for CEO Peña to engage with Cortex to bring a proposal on the CEO and CIO evaluation process and compensation approach working within the Boards' current contract with Cortex up to \$10,000 to be split by both Boards.

Approved. (M.S.C. Sunzeri/Dirks 4-0-0)

NEW BUSINESS

3. Discussion and action on providing Defined Benefit plan option for the CIO and Investment professionals.

This item was heard after item #5.

Chair Sunzeri introduced and spoke to the item, providing background on the Committee's work on acquiring a defined benefit plan for the CIO and Investment Officers (IO). Currently, the CIO and IO's contribute 3.75% to a 401a plan. The Committee would like to enroll them in an existing PERS plan that the City has contracted for certain staff and City Council members. Counsel Leiderman spoke and noted that he did not understand why enrolling the CIO and IO's into the existing agreement with PERS was taking so long as, in his opinion, the language in the agreement between the City and PERS allowed for the inclusion of the Investment staff without an amendment to the agreement as is the City Attorney's opinion. Cheryl Parkman from OER spoke the City's position and stated that the City Attorney has informed OER of the steps needed to be taken prior to the Investment staff joining the PERS plan, which includes an amendment to the agreement between PERS and the City. Extensive discussion ensued. Trustee Loesch asked Ms. Parkman if the City Attorney had prepared an opinion on why an amendment is needed to include Investment staff in the PERS agreement. Ms. Parkman responded that the City Attorney had not written an opinion on the matter, but an opinion will be requested. Trustee Loesch asked Counsel Leiderman to speak to the City Attorney regarding his interpretation of the agreement. Chair Sunzeri asked Counsel Leiderman to report back at the next JPC Meeting regarding the item.

4. Discussion on the incentive plans concept for the CEO, CIO and Investment professionals.

This item was heard last.

Chair Sunzeri Introduced the topic for discussion. Questions that were brought forward for consideration were:

- How would the Boards evaluate performance to grant incentives?
- Do we measure fund performance? By Asset Class? By outperforming the assumed rate of return?

CEO Peña asked the committee to strongly consider paying bonuses on a downturned market. Chair Sunzeri asked Trustee Dirks to research incentive plans across the industry to see if any of those plans could work for the Retirement Investment program.

Direction: Come back to next JPC meeting with examples of incentive programs.

5. Committee selection of Chair and Vice Chair for the new calendar year.

This item was heard after item #1.

Chair Sunzeri introduced and spoke to the item, stating that he had been the Chair of the Committee since the committee's inception and wanted to gauge interest in nominating new officers. Trustee Loesch spoke and recommended that Trustee Sunzeri remain the Chair of the Joint Personnel Committee due to upcoming changes in makeup of the Federated Board. One of the changes that is impacting the Federated Board imminently is the loss of Trustee Dirks to the Board as his term has ended. Chair Sunzeri stated that he did not mind continuing on as Chair and asked that the vote to confirm his position be on the next JPC agenda as the JPC Charter requires 5 votes to name a Chair. Trustee Loesch then nominated Trustee Chandra to serve as the committee's Vice-Chair.

A motion was made to approve Anurag Chandra as Vice-Chair of the Joint Personnel Committee.

Approved. (M.S.C. Loesch/Dirks 4-0-0)

Adjournment

The meeting adjourned at 12:49 p.m.

Minutes Recorded, Prepared and Respectfully submitted by,

Roberto L. Peña, CEO, Office of Retirement Services