



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, June 20, 2019

8:30 AM

City Hall, Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, June 20, 2019 at 8:30 a.m. at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Chair Loesch called the Pension and Health Care Trust meeting to order at 8:30 a.m.

Present: 4 - Matt Loesch, Jay Castellano, Qianyu Sun and Elaine Orr

Absent: 1 - Anurag Chandra

Vacant: Two positions

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

Also Present: Harvey Leiderman, General and Fiduciary Counsel (via telephone); Hannah Shriner, Meketa Investment Group; Chris Theodor, Meketa Investment Group; Kaci Boyer, Neuberger Berman (via telephone), Cheryl Parkman, OER.

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 8:48 a.m.

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

The Board reconvened into open session at 8:53 a.m. There was no reportable action out of closed session.

FCERS 8-15-19

ORDERS OF THE DAY

There were no changes to the Orders of the Day.

Item 3b, Discussion and action on Repayment of Workers Compensation offset for Danny Horning was deferred to the next meeting.

4e(2) – Discussion and action on Cortex Consulting services agreement for FY 2019-20 for the amount of \$45,000.- Waive Sunshine received attachments late.

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

Approved. (M.S.C. Castellano/Orr 4-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Castellano/Orr 4-0-0). The motion passed unanimously.

1.1 Approval of Service Retirements

- a. **Robert Adler**, Building Inspection Supervisor, Planning, Building and Code Enforcement Department, effective June 29, 2019; 22.64* years of service.
- b. **Michael Bever**, Police Data Specialist II, Police Department, effective July 27, 2019; 15.05* years of service.
- c. **Joe A. Garcia**, Deputy Director, Public Works Department, effective July 27, 2019; 30.03* years of service. (*With Reciprocity*)
- d. **Antoinette Hatfield**, Staff Specialist, Airport Department, effective June 15, 2019; 19.44* years of service.
- e. **Paul Anthony Hernandez**, Painter, Public Works Department, effective July 13, 2019; 24.37* years of service.
- f. **Gilbert Lasaca, Jr.**, Maintenance Supervisor, Department of Transportation, effective June 1, 2019; 30.01* years of service.
- g. **Michael Martin**, Associate Construction Inspector, Public Works Department, effective June 15, 2019; 34.15* years of service.

- h. Geeta D. Nair**, Senior Accountant, Finance Department, effective May 25, 2019; 6.55* years of service. (With Reciprocity - CSJ YOS 0.80 + 5.75 PERS YOS)
- i. Donald Samuel**, Instrument Technician IV, Environmental Services Department, effective June 29, 2019; 7.92* years of service.
- j. Arieta Rita Tasi**, Contract Compliance Assistant, Public Works Department, effective July 13, 2019; 29.09* years of service.
- k. Ramona Torres**, Police Data Specialist, Police Department, effective July 27, 2019; 30.01* years of service.
- l. Irving Tosk**, Senior Property Manager II, Airport Department, effective May 18, 2019; 15.73* years of service.
- m. Kelley L. Walsh**, Senior Zookeeper, Parks, Recreation and Neighborhood Services Department, effective June 29, 2019; 20.56* years of service.
- n. Michael E. Will**, Division Manager, Parks, Recreation and Neighborhood Services Department, effective July 13, 2019; 30.01* years of service.
- o. Michele Young**, Environment Service Program Manager, Environmental Services Department; effective July 13, 2019; 20.46* years of service.

1.2 Approval of Deferred Vested

- a. Cheryl Bolin**, Recreation Supervisor, Parks, Recreation and Neighborhood Services, effective July 1, 2019; 11.98* years of service. (*With Reciprocity - CSJ YOS 4.28 + 7.70 PERS YOS*)
- b. Timm Borden**, Deputy Director, Public Works Department, effective July 6, 2019; 32.95* years of service. (*With Reciprocity - CSJ YOS 24.36 + 8.58 PERS YOS*)
- c. Valerian Catunao**, Hazard Material Inspector II, Fire Department, effective July 1, 2019; 29.40* years of service. (*With Reciprocity - CSJ YOS 8.40 + 21.00 PERS YOS*)
- d. Marc Freitas**, Building Maintenance Superintendent, Public Works Department, effective August 3, 2019; 27.43* years of service.

- e. **Tamera Lin Mordwinow**, Senior Office Specialist, Department of Transportation, effective May 8, 2019; 5.11* years of service.
- f. **Kerry Simpson**, Code Enforcement Inspector II, Planning, Building, and Code Enforcement Department, effective June 1, 2019; 23.70* years of service. *(With Reciprocity - CSJ YOS 11.00 + 12.70 PERS YOS)*
- g. **Victor Tirado**, Facility Attendant, Public Works Department, effective July 28, 2019; 12.71* years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of May 16, 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 April 2019. Receive and file.
- c. FY 19-20 Contribution Rate Letters to Federated Members.
- d. **Educational Travel Reports:**
RAISE in the Presidio 2019, The Golden Gate Club, San Francisco, CA - May 9, 2019 - by Anurag Chandra.

1.6 Approval of Travel / Conference Attendance

- a. Qianyu Sun, Trustee
 - CALAPRS Principles of Pension Governance for Trustees, Pepperdine University, Malibu, CA - August 26 - 29 , 2019.

- b. Elaine Orr, Trustee
 - Women's Leadership Unbound Summit, The Ritz-Carlton, Half Moon Bay, CA - September 11 - 13, 2019.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Chair Loesch read the names into the record and asked for a moment of silence for those who served and have passed away.

- a. Notification of the death of **Dan I. Hall**, Electrical Inspector, retired May 7, 1983, died February 18, 2019. No survivorship benefits.
- b. Notification of the death of **James W. Kerr**, Plant Operator, retired June 1, 1996, died March 29, 2019. No survivorship benefits.
- c. Notification of the death of **John R. Lane**, Building Project Specialist II, retired September 4, 1998, died May 8, 2019. No survivorship benefits.
- d. Notification of the death of **Susan T. Marcus**, Staff Analyst II, retired December 14, 1985, died February 4, 2019. No survivorship benefits.
- e. Notification of the death of **Barbara Occhipinti**, Police Records Clerk II, retired June 21, 1986, died March 31, 1991. No survivorship benefits.
- f. Notification of the death of **Joseph Paskert**, Maintenance Supervisor, retired January 7, 1990, died February 8, 2019. No survivorship benefits.
- g. Notification of the death of **Gerardo Rios**, Heavy Equipment Operator, retired March 22, 2008, died May 29, 2019. Survivorship benefits to Anita Rios, spouse.
- h. Notification of the death of **Sheryl Silva**, Principal Construction Inspector, retired July 17, 1993, died April 20, 2019. No survivorship benefits.

3. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

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

CEO Peña led the discussion and answered questions from the Board. He stated that he reached out to the Mercury News and an HR consulting firm for quotes. The cost for advertising in the newspaper is \$3,000-\$6000 per plan. The City Clerk instructed staff that the recruitment process is open and one applicant has filed to date. Recruitment will close on July 15th, go to City Council on August 6th and the new Trustees would be on Board at the August 15th meeting. CEO Peña has a meeting with two potential candidates next week. Mr. Peña recommended to the Board to hear the two potential applicants and not spend the money on the ads. The Board directed CEO Peña to interview the potential candidates and to reach out to the City Clerk to extend the recruitment process. The Board directed Staff also to work with OER on revising the length of the application process and make the questions appeal to all applicants, not just investment professionals.

After discussion, the Board directed staff not to spend the money on ads but rather to publicize the recruitment on:

- Social Media- Facebook, LinkedIn, and Twitter
- The Mayor and Councilmembers Newsletters
- Clerk's website
- Updated brochure

- b. Discussion and action regarding the repayment of the worker's compensation offset for Danny Horning. (*Deferred from April agenda*)

At the request of Mr. Horning, this Item was deferred to the Federated City Employees' Retirement System and Federated City Employees' Health Care Trust on 8/15/2019.

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- The August 15, 2019 meeting will be at the Office of Retirement Services.
- The Grand Jury report was released on 6/19/2019. There is a 90 day window to respond (by Sept. 17th.) This will be an item on the agenda in August. Staff will work with both boards in order to write a unified response.
- City Council approved the Board's FY 2019-2020 budget.
- Staff is searching for an IT manager and Financial Analyst.
- A letter was sent to the retirees in June regarding changes to the data on their paystubs.
- The Medical Insurance RFP regarding two health plans, Kaiser, Anthem and Blue Cross will be addressed by the City Council next week.
- CEO Peña is working with the CAO on next steps regarding the CalPERS Defined Benefit plan for the Investment Professionals. The goal is to have it implemented by 7/1/19.

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

Dev Davis, City Council Liaison to the Board stated that the City's FY 2019-2020 Budget passed last week. The City had more revenue in the budget than anticipated; the City will save excess for next year as deficits are projected.

- c. Discussion on proposed topics, goals and objectives for the September Federated Board Retreat.

CEO Peña led the discussion. He stated that the Board retreat is scheduled for September 19, 2019. This item will be on the August agenda. The Chair requested that Trustee Castellano and Sun work together on an agenda. The Board discussed the following suggestions for the agenda:

- Presentations by Cortex, Cheiron and Meketa.
- Discussion on ESG and climate change.
- Focus on education and priorities.
- Distinction between Tier 1 and Tier 2 liabilities.

Direction:

Trustees Castellano and Sun will schedule a conference call with CEO Peña during the hiatus in July and will bring back a draft agenda to the Board in August.

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

Trustee Castellano had edits for the language on the memo. CIO Palani stated that the Investment Committee may change to every other month.

- e. Discussion and action on Cortex Consulting services agreement for FY 2019-20 for the amount of \$45,000.

CEO Peña stated that he will be working with staff and Cortex in amending the agreements to a 3-5-year contract. He asked the Board to approve the 3rd agreement (attached). Harvey Leiderman, General and Fiduciary Counsel, joined via telephone and stated that this document was created as a standalone new agreement which starts on July 1, 2019 for one-year subject to extension.

A motion was made to approve the Cortex Consulting Services agreement for FY 2019-20 for the amount not to exceed \$45,000.

Approved. (M.S.C. Castellano/Orr 4-0-0). The motion passed unanimously.

5. INVESTMENTS

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

CIO Palani updated the Board. He stated that they had a discussion at the Investment Committee (IC) meeting and they are revisiting strategic asset allocation. We will revisit every year using revised capital market assumptions. There will be a discussion at the June IC meeting and hope to bring something to the full Board in August.

- b. Discussion and action on Private Markets pacing plan(s) 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. Staff is seeking approval for fiscal yr. 2019-2020 Pacing Plan commitment in the amounts of \$40mm for Private Debt, \$20mm for Private Real Estate and \$18mm for Private Real Assets.

A motion was made to approve staff recommendation of fiscal year 2019-2020 pacing plan commitment amounts of \$40mm for Private Debt, \$20mm for Private Real Estate, and \$18mm for Real Assets.

Approved. (M.S.C. Castellano/Orr 4-0-0). The motion passed unanimously.

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

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

- d. Presentation of Calendar 4th Quarter 2018 Private Markets Report by Meketa Investment Group.

Hanna Shriner and Chris Theodor from Meketa Investment Group presented the 4th Quarter 2018 Private Markets Report and answered questions from the Board.

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

Chris Theodor from Meketa Investment Group presented the 1st Quarter 2019 Performance Report for the Pension Plan and answered questions from the Board. He stated that we had the worse December since 1931 and the best January since 1987.

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

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

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Loesch, Chandra, Vacant)

Last Meeting: May 28, 2019

Next Meeting: August 27, 2019

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

There was no update from the Investment Committee.

- b. Minutes of the March 26, 2019 Federated 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. Revised Investment Policy Statement. Receive and file.

6.2 Governance Committee (Orr, Sun, Vacant)

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

Next Meeting: September 5, 2019

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

There was no update from the Governance Committee.

6.3 Audit Committee (Castellano, Orr, Vacant)

Last Meeting: May 16, 2019

Next Meeting: August 15, 2019

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

Trustee Castellano gave a summary update and answered questions from the Board.

- b. 1/1/19-3/31/19 Quarterly Travel and attendance analysis for Federated. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. 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

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

This Committees/Reports/Recommendations was received and filed

- e. Update on the Pension Administration System Implementation project. Receive and file.

Chair Loesch acknowledged Ms. Hayman and staff on the PAS project.

- f. Discussion and action on Audit Committee recommendation for the FY 19 Office of Retirement Services Retirement Plans Audit Planning by Grant Thornton.

CEO Peña spoke to the item and was looking for approval from the Board.

**A motion was made to approve the Audit Committee recommendation for the FY19-20 Office of Retirement Services Retirement Plans Audit Planning by Grant Thornton.
Approved. (M.S.C. Castellano/Orr 4-0-0). The motion passed unanimously.**

6.4 Joint Personnel Committee (Loesch, Chandra, Vacant)

Last Meeting: February 20, 2019 Next Meeting: TBD

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

The Joint Personnel Committee hopes to schedule a meeting in August.

7. EDUCATION & TRAINING

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

FUTURE AGENDA ITEMS

The Board requested the Management Performance Appraisals (MPP) be an item on the August agenda.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 10:34 a.m.

NEXT MEETING: August 15, 2019

LOCATION OF NEXT MEETING:

Office of Retirement Services,

1737 N. First St, Suite 580

5th Floor Board Room

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

MATT LOESCH, P.E., CHAIR
BOARD OF ADMINISTRATION
ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES