



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, September 5, 2019

8:30 AM

City Hall, Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

The Board of Administration for Police and Fire Department Retirement Plan and Health Care Trust met on Thursday, September 5, 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 8:31 a.m. followed by roll call.

Present: 8 - Richard Santos, Drew Lanza, Nick Muyo, Ghia Griarte, Andrew Gardanier, Franco Vado, Eswar Menon and Vikas Oswal

Absent: 1 - Vincent Sunzeri

Trustee Vado arrived at 8:45 a.m.

Pam Foley, City Council Liaison to the Board was absent.

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

Also Present: Jeff Rieger, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Eileen Neill, Verus; Kaci Boyer, Neuberger Berman (via telephone); Jennifer Schembri, Director of OER; Randy Perry, OER.

AGENDA

• ORDERS OF THE DAY

The follow changes were made to the Orders of the Day:

Defer item 2e - Presentation of Calendar 1st Quarter 2019 Private Markets Report by Meketa Investment Group.

Items 3a and 4c to be heard before 10:30 a.m.

Waive Sunshine (attachments received late):

3a – Discussion and action on request from POA regarding an actuarial study to determine the impacts of eliminating the Remarriage Provision under San Jose Municipal Code section 3.36.1200(F). (Continued from May 2019 agenda)

4c - Discussion and action on the City plans to release an additional Disability Medical Panel Request For Proposal.

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

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

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

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

1.1 Application for a Change in Status to Service Connected Disability Retirement

- a. **Glenn Bishop**, Fire Engineer, Fire Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective March 25, 2017; 26.09* years of service. *(Disability Committee Recommendation: Approval)*

1.2 Application for a Change of Status to Non-Service Connected Disability Retirement

- a. **Raymond Van De Star**, Fire Captain, San Jose Fire Department, Request for a Change in Status to a Non-Service-Connected Disability Retirement, effective July 27, 2013; 25.02* years of service. *(Disability Committee Recommendation: Approval)*

1.3 Approval Of Minutes

- a. Approval of the Board Minutes of August 1, 2019.

1.4 Approval Of Travel for Conferences and Due Diligence

- a. Eswar Menon, Trustee
- 2019 Pension Bridge Alternatives, Beverly Wilshire, Beverly Hills, CA - October 28 - 29, 2019.
- b. Prabhu Palani, CIO
- 2019 Summer Roundtable, Chicago, IL - July 10 - 12, 2019.

1.5 Return of Contributions

- a. Voluntary / Involuntary.

1.6 Communication/Information

- a. Police and Fire Retirement System Dashboard.

- b. Board Committee Assignments.
- c. Notification of Private Market Commitments by Investment Staff.
- d. Government Finance Officers Association (GFOA) Certificate and Award of Financial Reporting Achievement on the Comprehensive Annual Financial (CAFR) for the Fiscal Year ended June 2018.

1.7 Recission Of Retirement Application

- a. Approval of request to rescind the Service Retirement application of **Jeannette Sivertsen**, approved at the August 1, 2019 Board meeting for the effective date of August 17, 2019.

1.8 Education and Training

- a. The Cortex Report - September 2019 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2019 Program Calendar.
- c. 2019 Pension Bridge Alternatives Conference, The Beverley Wilshire, Beverly Hills, CA - October 28 - 29, 2019.

2. INVESTMENTS

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

CIO Palani introduced Eileen Neill to the Board as the new representative from Verus. CIO Palani updated the Board on the asset allocation. He stated that it was implemented into two phases. The first phase was transferring five percent of our assets from treasury bills to growth assets. Three percent went to emerging markets, two percent went to another market and we have passive exposure to asset classes. The second phase will need direction from the IC on how to implement the strategic asset allocation change. The IC recommended that it be done at the discretion of the Investment team no later than 12/31/19.

- b. Discussion and approval to renew the agreement with Albourne America, LLC for \$20,000 per month and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$260,000.

Mr. Kwon led the discussion and answered questions from the Board. The attached memo and the discussion at the IC misstates this as a one-year contract renewal. Staff is asking for approval to continue using Albourne America on a month-to-month basis for up to a year at the current cost. The goal is to complete this re-underwriting project by the end of the calendar year, and hire the appropriate level of support at that time. Staff may require some level of support from Albourne for up to a year because if they redeemed from every hedge fund today, the redemption terms of the funds are such that it would take a year to get all of our capital back.

A motion was made to continue using Albourne America on a month-to-month basis for up to a year at the current cost.

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

- c. Discussion on the Calendar Year 2018 Investment Fee Report to be presented by Investment Staff.

Trustee Vado arrived during the beginning of this item.

Mr. Ganapathiappan introduced the item and Mr. Aung presented the 2018 Fee report and answered questions from the Board. Mr. Ganapathiappan stated that the report provides a view of all the fees and expenses paid to investment managers as well as the cost to run the investment program. Staff collected four years of data and they have been able to put together a report. Mr. Aung presented the following to the Board:

-The total fees paid have declined \$3.4 mil from 2017-2018.

-Asset allocation is the main determinant of fees, but there are levers to improve fee efficiency.

-Management fees have been reduced from 91bps to 71bps or \$26 mil over the last three years.

-The fee report will be presented to the City Council on October 1, 2019.

-Trustee Lanza requested a chart plotting fees as a % of assets be brought back to the next meeting.

- d. Presentation of Calendar 1st Quarter 2019 Private Equity Report by Neuberger Berman.

Kaci Boyer from Neuberger Berman joined via telephone and presented the Calendar 1st Quarter 2019 Private Equity Report and answered questions from the Board. Mr. Starr was available to speak to the item.

- e. Presentation of Calendar 1st Quarter 2019 Private Markets Report by Meketa Investment Group.

This item was deferred as noted in the Orders of the Day.

- f. Presentation of Calendar 2nd Quarter 2019 Performance Report for the Pension Plan by Meketa Group.

Laura Wirick from Meketa Investment Group presented the Calendar 2nd Quarter 2019 Performance Report for the Pension Plan and answered questions from the Board.

- g. Presentation of Calendar 2nd Quarter 2019 Performance Report for the Health Care Trust by Meketa Investment Group.

Laura Wirick from Meketa Investment Group presented the Calendar 2nd Quarter 2019 Performance Report for the Health Care Trust and answered questions from the Board.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS

- a. Discussion and action on request from POA regarding conducting an actuarial study to determine the impacts of eliminating the Remarriage Provision under San Jose Municipal Code section 3.36.1200(F). *(Continued from May 2019 agenda)*

CEO Peña introduced the item. He stated that this item came to the Board a few months ago with a request from the Police Officer Association (POA) to allow the Board's actuary, Cheiron to conduct an actuarial study to determine the cost impacts of eliminating the Remarriage Provision under San Jose Municipal Code 3.36.1200(F). Jennifer Schembri, Director of OER, spoke to the item. She stated that there is no cost to the plan to eliminate the remarriage provision. Ms. Schembri stated that the City Attorney asked OER to get Board approval to pass a resolution stating that there is no cost to the plan. Jeff Rieger, General and Fiduciary Counsel, advised against the Board adopting a resolution that characterized the actuarial report, but the Board could pass a resolution accepting the report. Ms. Schembri indicated that such a resolution would be adequate for the City's purposes.

After discussion, a motion was made to pass a resolution accepting report from Cheiron.. Approved. (M.S.C. Lanza/Santos 8-0-0). The motion passed unanimously.

Counsel Rieger stated that he will draft a resolution.

- b. Update on Matrix of City Auditor's Recommendations from the 2017 Audit. *(Deferred from August 2019 agenda)*

Item 3b was heard after item 4c.

CEO Peña updated the Board. He stated that there is a Communications meeting with a Consultant next week. Recommendation #5 will go back to the Governance Committee to bring the item back to the Board with a policy. The City Council will review the outstanding Auditor's items including the Office of Retirement Services in October.

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- A Citywide email went out regarding the notice of Employee elections. Election will take place if there are 3 or more candidates.
- Working with the Chairs on a response to the Civil Grand Jury report. They shared suggested responses to the City and the Board.
- The Salary Setting Commission approved a stipend increase from \$250 a month to \$260 per month.
- No Known Conflict of Interest forms are due.
- CEO Peña is still working on the CALPERS Defined Benefit plan for Investment staff.
- Pension Administration System's Member Direct is now live! Soft launch went out to staff this week and they are getting their input. It will go to retirees in mid-September.
- Auditors have been in the office since August 26th.
- New Account clerk starts on 9/23.
- Investment analyst starts in September.
- IT manager will be on Board at the end of the month.

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

Pam Foley, City Council Liaison to the Board was absent from this meeting due to a business trip.

- c. Discussion and action on the City plans to release an additional Disability Medical Panel Request For Proposal.

4c was heard after 3a.

Jennifer Schembri, Director of OER and Human Resources, led the discussion and answered questions from the Board. The City wants to issue another RFP before going back to the City Council with a new proposal.

A motion was made to direct staff to work with Human Resources Department to evaluate and re-issue an RFP if necessary.

Approved. (M.S.C. Vado/Lanza 8-0-0). The motion passed unanimously.

5. RETIREMENTS

5.1 Service Retirements

The Vice Chair read the Service Retirements into the record.

- a. **Wade N. Katsuyoshi**, Fire Captain, Fire Department, effective September 8, 2019; 27.25* years of service.
- b. **Gerardo Rodriguez**, Police Officer, Police Department, effective September 7, 2019; 26.10* years of service.

5.2 Deferred Vested

The Vice Chair read the Deferred Vested into the record.

- a. **Minh N. Phan**, Police Officer, Police Department, effective September 11, 2019; 27.84* years of service. *(With Reciprocity - CSJ YOS - 21.19 + 6.65 PERS YOS)*

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. Trustee Muyo sent his condolences.

- a. Notification of the death of **Richard Cadenasso**, Police Lieutenant, retired February 4, 1993, died July 10, 2019. Survivorship benefits to Martha Cadenasso, Spouse.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

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

Last Meeting: August 27, 2019

Next Meeting: October 22, 2019

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

Trustee Griarte updated the Board and discussed that CIO Palani will bring the Venture Capital Program to the Board. They also had discussion on public assets. Some committee members will participate on the Mayor's Retirement Task Force Committee.

- b. Minutes of the May 28, 2019 Police and Fire Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the May 28, 2019 Joint Investment Committee meeting. Receive and file.

Committees/Reports/Recommendations was received and filed

- d. Minutes of the June 21, 2019 Police and Fire Investment Committee meeting. Receive and file.

Committees/Reports/Recommendations was received and filed.

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

Last Meeting: August 15, 2019

Next Meeting: October 17, 2019

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

Trustee Lanza spoke to the Pension Administration System and acknowledged staff. Ms. Hayman spoke and stated that the current member portal went dark in February and retirees didn't have access to their information. Staff is pleased with the Member Direct portal. The portal restored access to the retired members in order to obtain their information. Rollout for active members will be in December after open enrollment.

- b. Minutes of the May 16, 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. 4/1/19-6/30/19 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 Implementation project. Receive and file.

This Committees/Reports/Recommendations was received and filed

- e. Discussion and action on the Audit Committee's recommendation to approve the Internal Audit Charter and the Internal Audit Plan for 2019-2024.

Trustee Lanza and CEO Peña acknowledged Mr. Mallari for his work as Internal Auditor for the ORS. Mr. Mallari is currently working on his first Audit.

A motion was made to approve the Audit Committee's recommendation to approve the Internal Audit Charter and the Internal Audit Plan for 2019-2024.

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

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

Last Meeting: November 26, 2018

Next Meeting: September 5, 2019

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

CEO Peña stated that the Committee has not met in a long time. The Joint Governance Committee is meeting today at 11:00a.m.

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

Last Meeting: August 5, 2019 **Next Meeting: October 7, 2019 (September meeting cancelled)**

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

Trustee Santos is happy with the Committee and process. Trustee Lanza spoke to the process. He stated that they had a case where the process worked and didn't really work. They are going back to find out what went wrong and will hear the case in October. There is no meeting in September. The next meeting will be held at the ORS on Oct. 7, 2019.

- b. Minutes from the May 13, 2019 Police and Fire Disability Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. 1st Quarter 2019 Dashboard Reports and Detailed Statistics Reports. Receive and file.

This Committees/Reports/Recommendations was received and filed

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

Last Meeting: August 6, 2019 **Next Meeting: TBD**

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

CEO Peña led the discussion. He stated that they met last month. The next meeting is on Monday, Sept. 9th. They are developing the process and timeline for the CEO/CIO. They are also working on performance metrics. The committee will meet every month through November and will come to the Board in December.

- b. Minutes of the February 20, 2019 Joint Personnel Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

PROPOSED AGENDA ITEMS

Trustee Santos would like to see a Closed Session item regarding investigations.

PUBLIC COMMENTS

None.

- **ADJOURNMENT**
The meeting adjourned at 10:36 a.m.

Next Meeting: October 3, 2019

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

VINCENT SUNZERI, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES