



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 Board Retreat

Thursday, September 19, 2019

8:30 AM

City Hall Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

The Board of Administration for Federated City Employees Retirement System and Health Care Trust met on Thursday, September 19, 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 Federated Board Retreat to order at 8:34 a.m.

Present 5 - Chair Matt Loesch, Spencer Horowitz, Jay Castellano, Qianyu Sun, and Elaine Orr

Absent 1 - Anurag Chandra

Vacant: One position

Trustee Son departed at 11:44 a.m.

Trustee Orr departed at 12:05 p.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Bill Hallmark, Cheiron; Jacqui King, Cheiron; Steven Hastings, Cheiron Laura Wirick, Meketa Investment Group; Chris Theodor, Meketa Investment Group; Danny Sullivan, Verus; Cheryl Parkman, OER; Christopher Platten, Labor Law Attorney; LaVerne Washington, AFSCME MEF; Mary Blanco, OE3; Will Smith, IBEW, 322; Matt Mason, IFPTE Local 21, David Fuqa, ABMEI; Brian Dane, MEF; Alex Caraballo, IBEW 332.

ORDERS OF THE DAY

There were no changes to the Orders of the Day.

AGENDA

1. Discussion on a roadmap/strategic planning for Tier 1 & Tier 2 including the development of asset management options.

Bill Hallmark, Jacqui King and Steven Hastings from Cheiron presented and answered questions from the Board. Bill Hallmark stated that currently, Tier 1 and Tier 2 are managed similarly: Same investments, same discount rate but the dynamics are very different. Tier 1 has a large unfunded actuarial liability (UAL) and paying for that is a strain on the City's resources, it is predominantly borne by the City. The members pay a portion of the normal cost but any gains and losses are paid by the City. Tier 2 members pay half of any UAL that develops as well as half the cost of their ongoing benefits. So if a large unfunded liability develops, that is going to put a burden on the member contributions as well as on the City contributions.

Jacqui King presented on the Dynamic system on the attached slides 5-7.

Steven Hastings presented on the 2018 valuation results by Tier (slide 13).

After a lengthy discussion, below are the agenda items and actions for November and December:

- The Board directed Cheiron to come back with a study with more detail that incorporates the actual costs.**
- Harvey Leiderman, General and Fiduciary Counsel, spoke to Generational Equity and stated that it is not a fiduciary responsibility. The responsibility is to pay benefits as they are due.**
- The Tier 2 discussion will be scheduled for the December meeting.**

2. Discussion on capital market expectations and potential impacts on plan funding status, including existing or new policies/principles that would be employed in responding to a significant change on funding status.

Laura Wirick and Chris Theodor from Meketa Investment Group, made a presentation regarding Capital Market expectations and potential impacts on plan funding status and answered questions from the Board. Ms. Wirick stated that 1). the goal is to assist the Board in selecting the most appropriate asset allocation for the Retirement System. 2). Does the Board want to have two separate asset allocations if Tier 1 and Tier 2 were broken out. Mr. Theodor presented on the Peer Asset Allocation on slides 4-8.

After the presentation, the board discussed the following:

- Outcome of Analysis: add riskier investments that lead to higher returns and more risk.**
- The numbers in the presentation are meant to show relative differences.**
- CIO Palani spoke about the Governance project w/Cortex last year. The Investment Committee (IC) recommended 4 options out of 8 which will be presented at the October Board meeting.**
- CIO Palani spoke to rebalancing and stated that the Board sets the strategic allocation, rebalancing happens automatically.**

3. Discussion of a timeline and process for developing a Board's annual work plan.

After discussion, the Board agreed to:

Ask staff to lay out a workplan on Strategic planning for the Board and Focus on the mission statement and bring it back to the Board in November/December with a plan.

- 1). Establish a mission/vision statement.
- 2). Have a discussion about process to establish a plan with deliverable products.
- 3). The Board wants the plan to start in calendar year 2020.

Trustee Sun departed during this item at 11:44 a.m.

Trustee Orr departed at the end of the item at 12:05 p.m.

FUTURE AGENDA ITEMS

None.

PUBLIC COMMENTS

Matt Mason from IFPTE Local 21 spoke to item #1.

ADJOURNMENT

The Board lost quorum at 12:05 p.m.

The meeting adjourned at 12:06 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

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

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES