

Boards and Commissions Application

Profile

John

First Name

Klobe

Last Name

jk.klobe@gmail.com

Email Address

Please note, applications are continuously accepted to the City of San Jose Boards and Commissions. The Board or Commission you select may or may not indicate there is a vacancy. Your application will remain on file for one year from the date of submission. During the year, your application may be considered for unanticipated vacancies.

Which Boards would you like to apply for?

Federated City Employees' Retirement System: Submitted

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Public members of the Board of Administration of the San Jose Police and Fire Department Retirement Plan or the Federated City Employees Retirement System must live within 50 miles of San Jose City Hall and meet specified eligibility requirements.

Employee members of the Retirement Boards must be active employees who are members of the respective retirement plan. The Police and Fire Department representative must be an employee of the Police or Fire Department respectively. The employee representatives to the Federated Board shall be employed by different departments.

Retiree members of the Retirement Boards must be persons who have retired under the provisions of the respective retirement plan.

Are you a resident of San Jose?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Member Category: *

☒ Public Member**Length of Residency**

☒ 6 or more years

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If not a resident, do you live within 50 miles of San Jose City Hall?

☒ Yes ☐ No

What district do you live in? To verify, please click here: <https://eservices.sccgov.org/rov/?tab=dt> *

☒ N/A - Retirement Board Applicants Only

13648 Camino Rico
Street Address

Suite or Apt

Saratoga
City

CA
State

95070
Postal Code

Home: (408) 741-5692
Primary Phone

Mobile: (408) 412-4541
Alternate Phone

Retired
Employer

N/A
Job Title

Current Employer Address

N/A

Current Employer of Spouse

None

Address of Current Employer of Spouse

N/A

Spouse's Job Title

N/A

If you or your spouse is retired and receiving a pension, please state source of pension.

[Redacted text block]

☒ [Redacted text]

[Redacted text]

☒ [Redacted text]

Interests & Experiences

High School, College, Professional, Vocational, or Other Schools Attended. Please include Major or Field of Study, Dates Attended, Degree and Date of Degree.

EDUCATION: Blake High School, Hopkins, MN University of Minnesota. B.A. 1976. Economics
LICENSES: Series 7, 65, 63, 3, 8, 9, 10 RESIDENCY: 28 year resident of Santa Clara County

List any position or office held in any governmental agency, civic, or charitable organization including the dates

Treasurer, Santa Clara County Grand Jurors' Association. 2018 - current

Languages Spoken

Special Awards or Recognitions Received

Please state why you want to become a member of this Board or Commission including specific objectives which you would work toward as a member. If you are applying for the Board of Fair Campaign and Political Practices, please indicate any familiarity or experience you may have with campaign laws.

The unfunded liabilities of the Federated Pan and its grasp on the City's general fund demand immediate attention. With my financial background, an already gained understanding of the issues through my years of civil grand jury service and a full commitment to engagement and preparation, I am ready for the role. My candidacy brings a more inclusive perspective to the public Board members already represented well by VC and private equity professionals. I see an opportunity to create a simpler, nimbler, more efficient and cost effective Plan infrastructure and investment management process.

Please state any other information which you feel would be useful in reviewing your application

Do you own property in the City of San José?

☐ Yes ☒ No

If yes, please list the addresses here.

Do you rent property in the City of San José?

☐ Yes ☒ No

If yes, is it a month-to-month lease?

☐ Yes ☒ No

State and local law require that you abstain from participation in decisions that may affect your financial interests, including sources of income, interest in real property, personal finances or investments. In addition, if appointed, you may be required to fill out a disclosure statement which identifies certain of your financial interest beginning with the immediate twelve-month period prior to your appointment. Please review the scopr of your board/commission in Municipal Code Chapter 2.08. Based on your best judgment, does this Board or Commission make decisions that may affect sources of income, interests in real property, personal finances or investments of you or your spouse?

☐ Yes ☒ No

If yes, please explain. Please identify any organizations, associations, corporations, or entities by which you are employed or associated that might be affected by decisions of this Board or Commission, and the positions you hold in these entities.

Question applies to multiple boards

If appointed, you will be required to fill out a disclosure statement, which identifies certain of your financial interests beginning with the immediate twelve-month period prior to your appointment and annually on or before April 1 of each year thereafter. Please confirm that you have read Fair Political Practices Commission (FPPC) Form 700 Reference Pamphlet and agree to file required FPPC Form 700 Statements of Economic Interest, as required by current City Council Conflict of Interest resolution.

☒ Yes ☐ No

Question applies to multiple boards

Have you ever been required to file a Statement of Economic Interest (Form 700) and failed to do so?

☐ Yes ☒ No

Question applies to multiple boards

If yes, please explain in complete detail.

Question applies to multiple boards

Please confirm that you have reviewed and agree to comply with the San Jose Municipal Code Chapter 12.08 (Prohibition of Gifts), City of San Jose Ethics Policy (City Policy Manual 1.2.1), and City of San Jose Gift Policy (City Policy Manual 1.2.2).

☒ Yes ☐ No

Reference 1 Name

Peter Hertan

Reference 1 Address

152 Teresita Way, Los Gatos, CA 95032

Reference 1 Phone

408-315-0209

Reference 2 Name

Dean Duffy

Reference 2 Address

317 Escobar Ave, Los Gatos, CA 95032

Reference 2 Phone

408-422-2763

Supplemental Questions

Have you ever attended a meeting of the Commission(s) to which you are applying?

☒ Yes ☐ No

Would you be available to attend meetings at the scheduled time?

☒ Yes ☐ No

Please describe your experience in serving on a Commission or Board.

Member. Santa Clara County Civil Grand Jury. 2017-2018 Member. Santa Clara County Civil Grand Jury. 2018-2019. (asked by court and jury to serve an additional year because of my previous year's contributions)

Considering your experience and activities in business, labor, professional, social, or other organizations, indicate the experience, training, knowledge and/or skills which qualify you for appointment to the selected commission(s).

A 35 year career in the financial services industry, the personal experience of a fiduciary/trustee in multiple trust structures, and an existing knowledge of the Plan and its current issues gained through service on the civil grand jury provide a foundation for me to make a contribution through my hands-on, collaborative style. My civil grand jury service illuminated to me the importance of strong governance in every organization. Without preparation, full immersion and total commitment, the Board member fails the citizenry.

What is your understanding of the purpose of the Commission?

To ensure that the Plan's assets can satisfy the City's obligation to pay the negotiated benefits to its plan members and beneficiaries by achieving long term results in excess of the actuarial investment return assumption.

Please list three issues facing the City that you feel the Commission should address.

- Formulating a strategic plan to reduce the unfunded liability of the Federated Plan and the burden on the City's general fund. - Creating a simpler infrastructure for the Federated Plan investment process that reduces fees, number of investment managers and increases utilization of passive investment options. - Instilling a more innovative, action oriented culture within the Board and ORS environment that is less dependent on traditional methodologies and readily embraces the innovations that many pension plans are adopting with success.

I would like to say . . .

(Optional) Please upload a resume.

Retirement Board Questions Only

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Please list your applicable experience or expertise relevant to public retirement plan administration. *

☒ Investment management

Please summarize your qualifications to serve as a member of the Retirement Board? Briefly highlight your skills, training, education, qualifications, experience (licenses and/or certifications) and personal qualities that you will bring to the Board and share with the organization.

I bring 32 years of management experience with one of the world's largest asset managers, Fidelity Investments. My California tenure included the build out of Fidelity infrastructure in Santa Clara County and hiring of teams to provide investors with first class guidance and advice through portfolio construction. In this capacity, I interacted with numerous money managers who were accessible to our private wealth clientele. Additionally, I managed teams who supported plan participants of Fidelity sponsored retirement plans such as Hewlett Packard and Stanford University. I have broad experience with employee and manager performance assessments. I recently completed my second consecutive year of service on the Santa Clara County Civil Grand Jury. It is clear that good governance is a function of board member's preparation and engagement. I bring both to every endeavor I commit to. In the past 18 months, I have become familiar with the issues that the Federated Plan faces. I have attended 12 Board meetings and workshops including joint sessions with the City Council. I have meticulously read the presentations from Cheiron, Meketa, Verus and the multiple investment managers. As a new board member, I would require minimal ramp up time with my existing strong understanding of the process, players and issues. Furthermore, as a recent retiree, I bring no potential conflict to the Board. I have no need to network, seek business opportunity or add to my resume through community service. Perfect attendance is a given without the demands of outside employment.

Please discuss your pension plan and/or investment management and oversight experience including the development of key financial policies.

As a Fidelity management employee, I oversaw offices with over \$50B assets under management and had the responsibility to supervise the employee/client relationship. The guidance and advice proposition involved asset allocation and risk mitigation principles that are utilized throughout the financial services industry. On a personal level, I have served as trustee on multiple high value trusts including defined benefit trusts, life insurance trusts, exemptions trusts, GST trusts, and living trusts. As a fiduciary acting on behalf of the beneficiaries, I had to establish investment parameters consistent with modern portfolio theory.

Please describe your understanding of the relationship between the Retirement Board and City Council? The City Administration? Retirement Services staff? Employee bargaining units? Plan participants and beneficiaries?

The Retirement Board maintains exclusive control of all investments of the Plan. In its fiduciary capacity, the Board establishes investment objectives, strategies and policies. The Board is appointed by the City Council and has direct management responsibility for the CEO. The Board does not oversee the ORS staff. City Administration provides budgetary and administrative support to ORS. ORS staff provides administrative support to the Board and supports the needs of plan participants and beneficiaries. The Board remains independent of the employee bargaining units who negotiate retirement benefits on behalf of the plan participants.

What do you perceive as the short and long-term goals of the Retirement Board?

The Federated Plan is a mature plan and as such, has significant short term (5 yr) requirements to meet benefit obligations, primarily to its Tier 1 retirees and beneficiaries. Cash flow requirements over the next 5 years require Plan management to preserve liquidity and risk off strategies. This obligation and its required prudent management will impact the overall return of the Plan assets. On a longer term basis, the Retirement board must consider strategies to reduce the unfunded liabilities of the Plan. Further action to reduce the discount rate is in order due to realistic return assumptions negatively impacted by decreasing returns in the credit markets. Although actuarial determined annual employer contributions would rise with a discount rate decrease, the interest on the unfunded liability would decrease. Whether short term or long term, the Retirement Board is governed by its fiduciary standard to ensure delivery of promised benefits to its members.

Do you believe that the retirement funds that are invested by the retirement boards are public funds? Why or why not?

Federated Plan assets belong solely for the benefit of the plan members and their beneficiaries whether present or future, active or retired. The Board has the fiduciary responsibility, on behalf of the plan members, to administer the plan per its governing documents, manage prudently its investments and ensure the timely delivery of promised benefits and services to its members.

Have you read the report by the City Auditor entitled, “Pension Sustainability: Rising Pension Costs Threaten the City’s Ability to Maintain Service Levels?” This report is available at: <https://www.sanjoseca.gov/DocumentCenter/View/3208>

☒ Yes ☐ No

If so, how is this report applicable to the work you would do as a Retirement Board Member?

Every effort must be made by the Board to generate stronger investment results from the Plan's assets to mitigate the increasing percentage of the general fund that the City now contributes to the Plan. The percentage of the general fund currently allocated to retirement costs is approaching 30% and without increased contribution from the Plan's assets, certain city services are threatened. It is a delicate exercise as present cash flow needs for member benefits place extra emphasis on risk management. Every area of Plan management must be explored from administrative expense/investment fees to revisiting the discount rate and strategy to pay down the unfunded liability.

How do you ensure that you are maintaining an in-depth and up-to-date knowledge of institutional investing and the capital market environment?

The Federated Plan through its investment consultants, actuarial consultant, risk consultant and separate account managers provides a wealth of detailed information that board members must review and fully comprehend to be an effective member of the governance team. There is much detailed information that requires a commitment to exacting preparation. As importantly, board members must avail themselves of continuing education through workshops and training as well as professional websites such as Pensions & Investing.

Given the current status of the capital markets, where do you see opportunities to increase return and reduce risk in the pension portfolios? What is your experience with risk budgeting?

Opportunities exist in private equity and private debt to enhance overall portfolio returns; however, such investments carry limited transparency that requires extra due diligence to monitor underlying investments. Fee compression has begun to enter the institutional investment space and provides pension funds greater opportunities to reduce fees through more forceful negotiations. Greater leverage of passive strategies and review of custodial relationships offer opportunities to continually reduce fees that impact portfolio returns.

Please describe your views on the role of asset allocation and provide detail on your recommended asset classes and proportions for pension funds like those serving the employees of the City of San Jose.

Prudent asset allocation is one of the key determinants of portfolio performance. As importantly, diversification through asset allocation serves to minimize portfolio risk and thereby, limiting exposure to employer required contributions to the plan. The Plan's current asset allocation is prudent considering its short term and longterm obligations. The critical factor in its asset allocation is the selection of sub asset classes within its broader asset allocation strategy. For example, in review of its global equity allocation, it is clear that returns have suffered due to underrepresentation of U.S. equities. The Plan's investment consultants should be challenged in their recommendations to the Board and CIO.

Should pension plans like those in San Jose invest in alternative investments such as private equity, commodities, infrastructure or separate account real estate? If so, how? If not, why?

Alternate investments do deserve an allocation within pension plan trusts; however, because of the complexity of the fee structures, liquidity issues and relatively higher costs than traditional investments, much scrutiny and due diligence is required both on an initial and ongoing basis.

How would you evaluate an investment manager? When would you terminate an investment manager? How should due manager diligence be conducted?

Investment managers should be evaluated at a minimum, on a quarterly basis with specific focus on performance against the appropriate benchmark and performance relative to peers. Consideration should also be placed on the objective of the investment manager and any extraordinary event such as the loss of key personnel, regulatory action, sale of the firm. Consistent underperformance or failure to meet contract terms of the investment agreement should precipitate immediate "watch" status with an action oriented bias towards termination.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

What should be included in a pension plan's statement of investment policies? Please address the roles of trustees, staff, consultants, investment managers and custodians in asset allocation, portfolio structure, manager selection and due diligence, rebalancing, reporting and analysis.

The statement of investment policy governs the management of the Plan's assets. The policy should include the fiduciary standards for all responsible parties, fund governance, investment objectives/philosophy, asset allocation, diversification, rebalancing, delegations of authority to CIO/staff, investment costs and fees, hiring/monitoring/terminating of investment managers, market valuations and prohibited transactions. The Board has full responsibility for the Plan's asset management. The Board creates the investment policy statement that all responsible parties adhere to. The investment staff handles the day to day operations and together with the investment consultants, performs the due diligence of recommending investment managers, monitoring investment manager performance, and reporting performance results to the Board. The custodian custodies the assets of the Plan and executes financial transactions upon direction of the Plan.

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Individuals applying for appointment as public members of the Board are ineligible for appointment to the Board if they meet certain criteria. Please confirm if you meet any of the following criteria:

None Selected

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years (except for minor traffic offenses that resulted only in a fine)?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If yes, please explain in complete detail. State the nature and approximate date of the conviction, the sentence imposed, whether the sentence has been completed, and any other information you consider relevant.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Are you or your firm currently or within the past five years been the subject of any litigation or claims resulting from any investment activity, advice, a fiduciary relationship, or regarding alleged financial improprieties?

☐ Yes ☒ No

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

If yes, please provide details.

Question applies to Police and Fire Retirement Plan Board,Federated City Employees' Retirement System

Are you or your firm currently or within the past five years been the subject of any investigation or disciplinary action by any governmental and/or regulatory body (SEC, NASD, states Attorney General or Insurance Commissioner, etc.)?

☐ Yes ☒ No

If yes, please provide details.

Verification

By checking the box below, you agree with the following statement.

I agree that all of the information contained in my responses to the questions on this application are true and accurate to the best of my knowledge. I further agree that, by checking the box below and submitting this application, online or otherwise, I am affixing my digital signature to this form as of the date submitted.

☒ **I Agree ***