



BOARD OF ADMINISTRATION

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

Meeting Minutes - Final Joint Governance Committee

Monday, November 26, 2018

10:00 AM

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

The Joint Governance Committee met on Monday, November 26, 2018 at 1737 N. First Street, Ste 580, San Jose, CA 95112.

The meeting was called to order by Chair Jeremy Evnine and Michael Armstrong at 10:01 a.m.

Richard Santos departed at 11:21 a.m.

Ghia Griarte departed at 12:02 p.m.

Jeremy Evnine departed at 12:03 p.m.

Others Present: Tom Iannucci, Cortex Applied Research, Roberto L. Peña, CEO, Donna Busse, Prabhu Palani, Linda Alexander, Marti Zarate and Michelle San Miguel.

Present 6 - Jeremy Evnine, Franco Vado, Ghia Griarte, Richard Santos, Michael Armstrong, Qianyu Sun

Absent 1 - Marty Dirks

Police & Fire Agenda

1. Consent Calendar

- a. Approval of Minutes for February 7, 2018 Police & Fire Governance Committee meeting.

A motion was made to approve the Minutes of the February 7, 2018 Police & Fire Governance Committee meeting.

P&F Approved. (M.S.C. Santos/Griarte 4-0-0)

2. New Business

- a. Discussion and action on Board Chair Charter, Vice-Chair Charter and Election of Board Officers Policy.

Tom Iannucci, President of Cortex Applied Research, introduced the item for discussion and gave a brief explanation as to why the Chair and Vice-Chair Charter and the Policy on Election of Board Officers were appearing on the agenda for review and edits. Tom went over the suggested edits for the Chair Charter; suggested deletions from the Chair Charter eliminated the operations language in the first two paragraphs of the Chair Charter. A suggested edit regarding the Chair being unable to nominate themselves for a Chair position on an Ad Hoc Committee sparked discussion about the Chair's ability to suggest Trustee appointments to all Committees. Trustees agreed that giving the Chair power to suggest

Committee make-up, while leaving ultimate approval power with the Full Board was appropriate and should be added to the Chair Charter. In addition, the Committee decided to make clear that the Chair of the Board would not be eligible to Chair a Committee. Mr. Iannucci went over the proposed changes to the Vice-Chair Charter, which included new language regarding what would happen in the event of a mid-term Chair Vacancy (the Vice-Chair would assume the Chair position for remainder of the original term). Discussion ensued and a suggested edit regarding the Vice-Chair being unable to Chair any Committee or sit on a committee with the Board Chair was accepted and the prohibition was stricken from the Charter by the Committee.

A motion was made to accept Mr. Iannucci's suggested edits to the Chair and Vice-Chair Charter with the inclusion of the Committee's edit of adding that the Chair shall not Chair any Committee and that the Chair will propose Committee Assignments to be approved by the Full Board.

Approved. (M.S.C. Vado/Santos 4-0-0)

The Policy on Election of Board Officers was discussed jointly with the Federated Governance Committee after item 3a.

A motion was made by the Police & Fire Governance Committee to accept the Policy on Election of Board Officers and take to the Full Board with an additional edit in paragraph 12.

Approved. (M.S.C. Santos/Vado 4-0-0)

Joint Agenda

3. Consent Calendar

- a. Approval of the Minutes of the May 24, 2018 Joint Governance Committee meeting.

This item was heard after 7c.

A motion was made to approve the Minutes of the May 24, 2018 Joint Governance Committee meeting.

P&F Approved. (M.S.C. Evnine/Santos 4-0-0)

FCERS Approved. (M.S.C. Armstrong/Sun 2-0-0)

4. Old Business

- a. Discussion and action on the City Auditor's Report - Finding # 2: Improving Communication Between the Retirement Boards and the Plan Sponsor.
 - i. **Recommendation # 12** - The Retirement Boards should clarify their expectations of each Council representative, including the type and frequency of reporting that would be most useful to the Board.
 - ii. **Recommendation #15** - The Retirement Boards should adopt a formal set of performance measures to be included in the retirement plans' budgets for both plan administration and the investment program. The Retirement Boards should provide the

City Council with the opportunity to review and provide comment on the adopted performance measures.

This item was heard after 7b.

Recommendation #12 - Mr. Iannucci refreshed the Committee's memory regarding the proposed Council Representative to the Board Charter and walked the Committees through the Boards' liaison's comments on the proposed Charter. The first comment on the proposed Charter from the City's liaison was a legal question; discussion ensued and it was discovered that the language in the 1st paragraph and subsection was taken directly from the San Jose's Municipal Code and should not be altered for that reason. Mr. Iannucci explained his suggested edit of eliminating the three subsections under Paragraph 3b subsection 'i'. Discussion continued regarding what should be deleted in response to Council liaison's concerns. A suggestion was made to delete all language after the second section in Paragraph 3b subsection 'i'. The final edit that was discussed was Paragraph 4; after extensive discussion, it was decided to rephrase Paragraph 4 to read: 'If the Counsel Representative has not met the provisions of this Charter to the Board's satisfaction, the Board reserves the right to request that the Counsel Representative be replaced.'

A motion was made to approve the proposed Council Representative to the Board Charter with requested edits.

P&F Approved. (M.S.C. Santos/Vado 4-0-0)

FCERS Approved. (M.S.C. Armstrong/Sun 2-0-0)

Trustee Santos departed after Recommendation #12 was discussed.

Recommendation #15 - Mr. Iannucci introduced the item for discussion. Ms. Busse also spoke to the item and explained that the City's Performance Measurement criteria used to be more narrowly defined, which made it difficult for sections like Investments to utilize any significant performance measurements standards. The criteria has since expanded and loosened up a bit to allow for more flexibility. Trustee Sun spoke to the item and gave an example on how she produces performance metrics for her work in Finance. Extensive discussion ensued regarding Investment performance measures.

Direction: Item to be heard at December Board meetings; CIO Palani will provide a 'menu' of options on how to report performance measurements. The Boards can provide input on what questions to ask for future surveys on ORS Customer Service.

5. New Business

- a.** Discussion and action on adopting Rosenberg's Rules of Order for Board Governance in accordance with the City's adoption of the simplified meeting governance rules.

This item was sent to the Board without discussion due to loss of Quorum on the Police & Fire side.

- b.** Discussion and action on the review of the Travel Policy adopted as Resolution # 4404 and 8225 by the Police & Fire and Federated Boards respectively.

This item was heard after 4a.

Roberto L. Peña, CEO of ORS, introduced and spoke to the item, explaining that the reason

the Travel Policy was brought forward for review was to re-examine the necessity of placing Staff Due Diligence Travel on Board Agendas. Current practice differs between each Board, with the Police & Fire Board requesting to see all Travel, including Due Diligence travel, from the CEO and CIO. The Federated Board currently receives notification of all CEO, CIO and Staff travel for Due Diligence. CIO Palani was present and spoke to the matter as well, stating that Due Diligence is a part of the job.

Discussion ensued and it was decided by the Federated Governance Committee that they would recommend to the Board to eliminate reporting for Staff Due Diligence as well as CEO and CIO due diligence Travel. The Police & Fire Governance Committee concurred.

A motion was made to recommend that their respective Boards adopt a revised Travel Policy eliminating the reporting of CEO, CIO and Staff domestic Due Diligence travel.

P&F Approved. (M.S.C. Evnine/Vado 3-0-0)

FCERS Approved. (M.S.C. Armstrong/Sun 2-0-0)

Federated Agenda

6. Consent Calendar

- a. Approval of Minutes of March 15, 2018 Federated City Employee's Retirement System Governance Committee meeting.

This item was heard after 2a.

A motion was made to approve the Minutes of the March 15, 2018 Federated Governance Committee meeting.

FCERS Approved. (M.S.C. Armstrong/Sun 2-0-0)

7. New Business

- a. Discussion and action on results of initial Board Performance Evaluation/Assessment for the Federated Board.

This item was heard last.

Mr. Peña introduced the topic for discussion. Mr. Iannucci spoke to the report and went over his summary of findings from the Board Self-Evaluation. Overall, Board members are happy to be working and helpful in managing the Pension fund. Mr. Iannucci spoke to potential actions that the Board may pursue in order to continue to improve and grow. Mr. Iannucci pointed out the following areas that could be worked on based on Trustee comments during the evaluation:

- 1) Devoting greater attention to funding strategies, including related stakeholder engagement
- 2) Devoting greater attention to Plan Operations/Member Services
- 3) Enhancing Board Education
- 4) Exploring the feasibility for reducing the frequency of meetings

Discussion revolved around creating a 'prescriptive' Board Education curriculum with suggested tracks on educational conferences for new Trustees and Trustees wishing to learn

about specific aspects of Pension Administration. An additional idea regarding 30 minute educational sessions for Board members was also spoken about. Trustee Armstrong spoke to the feasibility of holding less meetings. Ms. Busse responded that the only potential meeting month that could possibly be cancelled would be the September meeting.

A motion was made to accept the Self- Evaluation report.

Approved. (M.S.C. Sun/Armstrong 2-0-0)

- b. Discussion and action on the Policy for the Election of Board Officers.

This item was heard after 3a.

This item was discussed jointly with the P&F Governance Committee.

Mr. Iannucci introduced and spoke to the item, providing a brief background on the Policy and noting that the Federated Board did not currently have a policy in place for their elections of Board Officers. Mr. Peña also spoke to the item. Mr. Iannucci stated that the Policy with edits is Police & Fire's policy and could be used by both Boards should the Federated Governance Committee vote to adopt the policy. Mr. Iannucci walked the Committees through the suggested edits and answered questions from the Committee members.

A motion was made by the Federated Governance Committee to accept and to take the Policy on Election of Board Officers to the Full Board for discussion and possible adoption with an additional edit in paragraph 12.

Approved. (M.S.C. Sun/Armstrong 2-0-0)

- c. Discussion and action on the adoption of the Chair and Vice-Chair Charter for the Federated Board.

This item was heard after 6a.

Tom Iannucci introduced the item for discussion. Mr. Iannucci began presenting the suggested edits to the Chair Charter, which mirrored Police & Fire's Chair Charter with the deletion of superfluous operations language in Paragraph 1 and 2. In addition, Mr. Iannucci included language that prohibits the Chair of the Board from Chairing any committees, including Ad Hoc committees. Trustee Armstrong questioned Mr. Iannucci and staff on the practicality of prohibiting the Board Chair from Chairing committees citing the smaller size of the Federated Board. Discussion ensued and it was concluded that the inclusion of the edit in the Charter was feasible and not overly burdensome. Mr. Iannucci moved on to discuss the proposed Vice-Chair Charter and stated that Federated Board had not yet adopted a Vice-Chair Charter. Discussion was brief regarding rejecting proposed language prohibiting the Vice-Chair from Chairing a Committee.

A motion was made to accept the suggested edits to the Chair Charter and adopt the Vice-Chair Charter with an edit allowing the Vice-Chair to Chair a Committee of the Board.

Approved. (M.S.C. Armstrong/Sun 2-0-0)

Adjournment

The Police & Fire Governance Committee lost quorum at 12:02 p.m.

The Federated Governance Committee meeting adjourned at 12:31p.m.

Minutes Recorded, Prepared and Respectfully submitted by,

Roberto L. Peña, CEO, Office of Retirement Services

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