



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, December 19, 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, December 19, 2019 at 8:30 a.m. at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Vice Chair Castellano called the Pension and Health Care Trust meeting to order at 8:30 a.m.

Present: 6 - Anurag Chandra, Jay Castellano, Qianyu Sun, Elaine Orr, Spencer Horowitz and Mark Keleher

Vacant: One position.

Trustee Orr departed at 11:00 a.m.

Council Liaison Dev Davis arrived at 8:41 a.m. and departed at 12:25 p.m.

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

Also Present: Jeff Rieger, General and Fiduciary Counsel; Bill Hallmark, Cheiron; Steven Hastings, Cheiron; Michael Schionning, Cheiron; Jim Shannon, Budget Director; Julia Cooper, Finance Director; Cheryl Parkman, OER.

AGENDA

OPEN SESSION

ORDERS OF THE DAY

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

Item 1.2a - Huey Dang, Senior Investigator Collector, Finance Department, effective January 15, 2019 (should be 2020); 21.34* years of service.

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

Approved. (M.S.C. Chandra/Orr 6-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

Trustee Sun pulled item 1.7a, PAFR. She made note that her name was misspelled. CEO Peña thanked her for the edit and stated that staff will make the correction before it goes to print.

A motion was made to approve the Consent Calendar with changes to 1.7a.

Approved. (M.S.C. Horowitz/Chandra 6-0-0). The motion passed unanimously.

1.1 Approval of Service Retirements

- a. **Buddy Grimm**, Senior Maintenance Worker, Department of Transportation, effective January 11, 2020; 28.50* years of service.
- b. **Michael P. Henry**, Public Safety Radio Dispatcher, Police Department, effective January 31, 2020; 12.52* years of service.
- c. **Sung Chun Hong**, Associate Engineer, Environmental Services Department, effective January 25, 2020; 19.13* years of service.
- d. **Cristina F. Johnson**, Literacy Program Specialist, Library Department, effective January 11, 2020; 12.41* years of service.
- e. **Robert P. Lozano**, Airport Maintenance Supervisor, Airport Department, effective January 25, 2020; 30.01* years of service.
- f. **Joel E. Mendoza**, Principal Construction Inspector, Public Works Department, effective January 11, 2020; 30.01* years of service.
- g. **Michele P. Phillips**, Analyst II, Information Technology Department, effective January 11, 2020; 19.05* years of service.
- h. **David E. Schaff**, Senior Wastewater Mechanic II, Environmental Services Department, effective December 28, 2019; 15.09* years of service.
- i. **Mark P. Silva**, Associate Engineer, Public Works Department, effective January 3, 2020; 30.06* years of service.

1.2 Approval of Deferred Vested

- a. **Huey Dang**, Senior Investigator Collector, Finance Department, effective January 15, 2019; 21.34* years of service.
- b. **Laura Hagan**, Senior Account Clerk, Information Technology Department, effective January 10, 2020; 8.88* years of service.
- c. **Jason Munkres**, Planner II, Parks, Recreation and Neighborhood Services Department, effective January 1, 2020; 6.79* years of service. *(With Reciprocity CSJ 2.60 + 4.18 EBMUD)*

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of November 21, 2019.

1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a. Report of the Plan Expenses for October. Receive and file.
- b. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- c. **Revised** 2020 Scheduled Board and Standing Committee Meetings.
- d. Updated Federated Board Committee Assignments.

1.6 Approval of Change in Retirement Date

- a. Approval for a change in effective date for **Susan Gardner** from November 16, 2019 to January 16, 2020 for a Service Retirement approved at the October 17, 2019 Board meeting.

1.7 Approval of Administrative Matters

- a. Approval of the Federated City Employee's Retirement System Popular Annual Financial Report (PAFR) for the year ended June 30, 2019.

This Approval of Administrative Matters was approved.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Vice Chair Castellano read the Death and Survivorship notifications into the record and asked for a moment of silence for those who served and have passed away.

- a. Notification of the death of **James L. Bales**, Plant Operator, retired June 29, 2000, died October 30, 2019. No survivorship benefits.

- b.** Notification of the death of **Dorothy Banker**, Nursing Services Coordinator, retired August 28, 1982, died October 19, 2019. No survivorship benefits.
- c.** Notification of the death of **Jean De Amicis**, Plumbing Inspector, retired March 21, 1984, died October 6, 2019. No survivorship benefits.
- d.** Notification of the death of **Theodore Knutzen**, Gardener, retired October 4, 1987, died November 13, 2019. No survivorship benefits.
- e.** Notification of the death of **Carla Morrison**, Gardener, retired July 21, 2012, died October 12, 2019. No survivorship benefits.
- f.** Notification of the death of **Raul Peregrino**, Custodian, retired December 31, 1983, died October 22, 2019. No survivorship benefits.
- g.** Notification of the death of **Nancy Pritchard**, Librarian II, retired February 10, 2007, died November 13, 2019. No survivorship benefits.
- h.** Notification of the death of **David Rodriguez**, Real Property Agent II, retired January 12, 2008, died September 26, 2019. Survivorship benefits to Carline Rodriguez, Spouse.
- i.** Notification of the death of **Jesus Vargas**, Carpenter, retired November 7, 1992, died October 29, 2019. No survivorship benefits.
- j.** Notification of the death of **Stanley Whittum**, Senior Investigator Collector, retired March 19, 1989, died September 27, 2019. Survivorship benefits to Barbara Whittum, Spouse.

3. INVESTMENTS

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

CIO Palani updated the Board on the following:

- An RFP will be issued in January for Investment Consultant Services. Staff decided to consolidate Consultants and Risk Manager Services. There will be an 8-week window for applicants and staff hopes to make a recommendation to the IC in May and then to the Board. He will reach out to both IC Chairs for their input.
- The Custodian RFP is almost complete. The finalist was interviewed the 2nd week in December. On site Due Diligence will take place in January and February. This will go to the IC in March and then to the Board.
- There was turnover at Black Rock. They manage approximately 17% of Federated assets; 15% Fixed Income Index and 2% Core Real Estate. The person who left was not a portfolio manager and not involved in asset classes for the Plan. Staff is happy with how Black Rock handled the situation.
- The Retirement Solutions Working Group asked CIO Palani to present investment fees at their next meeting in January. This presentation will be brought to the Board thereafter.

Council Liaison to the Board, Dev Davis, arrived during this item at 8:41 a.m.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action on compensation and benefits for the Office of Retirement Services' Chief Executive Officer (CEO) and Chief Investment Officer (CIO). *(Deferred from November meeting)*

Vice Chair Castellano introduced the item and explained for the new Trustees the process of the CEO and CIO evaluations. He spoke about the work that the Joint Personnel Committee (JPC) is doing to improve the process. For this process, the Board used the City's Management Performance Program (MPP) Appraisal form. The Vice Chair stated that he will take action on the CEO and CIO separately. The Police and Fire Board have already taken action on both. The Vice Chair spoke to the CEO's accomplishments. Overall, it was a very positive review. After discussion, the Chair made a recommendation of Compensation for the CEO: a merit increase of 3% along with an additional 5 executive days. The merit increase would be in addition to the regular cost of living increase approved by the City.

A motion was made to approve a merit increase of 3% along with an additional 5 executive days.

Approved. (M.S.C. 6 0 0 Castellano/Chandra). The motion passed unanimously.

Trustee Chandra spoke to the review of CIO Palani. He stated the CIO is reviewed by both Boards, the CEO and the IC Chairs. Trustee Chandra discussed the CIO's accomplishments. Overall it was an excellent review. After discussion, Trustee Chandra made a recommendation of compensation for the CIO: a merit increase of 5% along with an additional 5 executive days. The merit increase would be in addition to the cost of living increase approved by the City.

After discussion, a motion was made to approve a merit increase of 5% along with an additional 5 executive days.

Approved. (M.S.C Chandra/Keleher 6 0 0). The motion passed unanimously.

5. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- Mr. Peña welcomed new Trustee Mark Keleher to the Board.
- Ballots went out to City Employees regarding the FED Employee member vacancy. Ballots are due to the Clerk's office January 6th. Once certified, the recommendation will go to the City Council on January 14th during the evening session. The next Board meeting will be held on the 4th Thursday, January 23, 2020.
- CAFR's have been distributed.
- Retirement Solutions Working Group had their 2nd meeting w/ The Mayor on December 9th.
- ORS Lease Agreement is up in Spring 2020. Staff is looking at remaining in the current building.
- Staff is working on the 1st edition of the newsletter. It will be under communications on the next agenda. The kick off for the newsletter will be in January 2020. In the spring, CEO Peña will bring the Communications Consultant to both Boards to discuss a communications/social media plan. The website upgrade will take place in 2020.
- New Benefits Analyst went back to her previous employer. Staff is working with HR to repost the position.
- Staff is working with HR to repost the Sr. Benefit Analyst and recruit 2 new Benefit Analysts.
- There is a public member seat open on the Police and Fire side. The application process for public members has been extended to December 31, 2019. Staff reached out to the Bargaining units, academia, and Health organizations in hopes to get a good pool of candidates.

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

City Council Liaison to the Board, Dev Davis, stated that the City Council had their last meeting of the year on December 17th and there were no retirement related issues discussed.

- c. Discussion and action on Final Pension Valuation Results of June 30, 2019 to be presented by Cheiron.

Bill Hallmark and Steven Hastings presented the Final Pension Valuation Results of June 30, 2019 and answered questions from the Board on the following.

- Valuation process**
- Summary of key results**
- Contributions**
- Changes in the UAL**
- Plan Maturity**
- Projections**

The Trustees had a discussion on separating Tier 1 and Tier 2. CEO Peña stated that this has been discussed during past retreats. There is a timing issue on decisions and he made a recommendation that Cheiron keep the Board apprised on when it makes sense to split investments of Tier 1 and Tier 2.

After discussion, a motion was made to accept the Final Valuation report per presentation on slide 18, 5-year projection.

Approved. (M.S.C. Horowitz/Chandra 6-0-0. The motion passed unanimously.

- d. Discussion and action on OPEB methods and assumptions to be presented by Cheiron.

Item 5e was heard after item 5d.

Bill Hallmark and Michael Schionning presented the OPEB and answered questions from the Board. They asked the Board to adopt the assumptions and in January they will present the final OPEB.

After discussion, a motion was made to approve the Board's decisions as noted on slide 21 based on Cheiron's recommendation.

Approved. (M.S.C. Horowitz/Keleher 5-0-0). The motion passed unanimously.

- e. Presentation and discussion on the City Budget to be made by the City Budget Director Jim Shannon and Finance Director, Julia Cooper. **(TIME CERTAIN: 10:00 A.M.)**

5e was heard after 5c.

Time Certain 10:00 started at 10:40 a.m.

CEO Peña introduced Jim Shannon, Budget Director, and Julia Cooper, Finance Director. Mr. Shannon presented the Budget Overview and Historical Perspective and Ms. Cooper presented Rating Agencies' Views on Pension Obligations and answered questions from the Board.

Trustee Orr departed during this item at 11:00 a.m.

- f. Discussion and action on the nominations and election for the position of Board Chair for calendar year 2020.

Item 5f was heard after item 5d.

Jeff Rieger, General and Fiduciary Counsel, reviewed the process for electing a Board Chair. He stated that under the Board Chair Charter, Trustee Castellano is the acting Chair until a Chair is elected. If there is only one nomination for Chair, the Board may elect a Chair at this meeting. If there is more than one nomination, the election will have to take place in January. Trustee Chandra nominated Vice Chair Castellano as Chair. Trustee Sun made a second. There were no other nominations.

A motion was made to have the election of the Chair at this meeting and to elect Vice Chair Castellano as Chair of the Board.

Approved. (M.S.C. Keleher/Horowitz 5 0 0). This was approved unanimously by roll call vote.

Jay Castellano is the new Chair of the Board.

- g. Discussion and action on the nominations and election for the position of Vice Chair for calendar year 2020.

Jeff Rieger, General and Fiduciary Counsel, stated that the same rules discussed in Item 5f apply to the election of the Vice Chair.

Trustee Sun nominated Trustee Chandra as Vice Chair. Trustee Keleher made a second. There were no other nominations.

A motion was made to have the Election of the Vice Chair at this meeting and to elect Trustee Chandra as Vice Chair of the Board.

Approved. (M.S.C. Horowitz/Sun 5 0 0). The motion passed unanimously by roll call vote.

Anurag Chandra is the Vice Chair of the Board.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Chandra, Orr, Vacant)

Last Meeting: December 17, 2019

Next Meeting: January 28, 2020

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

The December meeting was cancelled. The next meeting will be held in January.

6.2 Governance Committee (Vacant, Orr, Sun)

Last Meeting: December 5, 2019

Next Meeting: March 5, 2020

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

CEO Peña provided an update to the Board.
Dev Davis, Liaison to the Board departed after this item.

- b. Discussion and action on the review of the Board of Retirement Charter.

6.2 b, c, and d were heard together.

Trustees Sun and Orr attended the Governance meeting and approved the changes.

A motion was made to approve the Board Retirement Charter, the Investment Committee Charter and the Monitoring and Reporting policy.

Approved. (M.S.C. Sun/Chandra 5-0-0). The motion passed unanimously.

- c. Discussion and action on the review of the Investment Committee (IC) Charter.

This Committees/Reports/Recommendations was approved

- d. Discussion and action on the review of the Monitoring and Reporting Policy.

This Committees/Reports/Recommendations was approved

6.3 Audit Committee: (Castellano, Horowitz, Orr)

Last Meeting: October 17, 2019

Next Meeting: February 20, 2020

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

There was nothing to report out of the Audit Committee.

6.4 Joint Personnel Committee (Castellano, Chandra, Orr)

Last Meeting: October 28, 2019

Next Meeting: TBD

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

The Committee is working with Cortex on the performance review process. The next meeting will be either the week of January 13th or the week of January 27th.

7. EDUCATION & TRAINING

- a. The Cortex Report - November 2019- Conferences, Seminars, and Educational Programs.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

Cheryl Parkman, OER gave an update on the CalPERS benefit. She stated that the account membership team finalized their review and are moving forward. Ms. Parkman will continue to update the Board. When they receive the amended contract, it will go to City Council for approval. The City will then have to amend the municipal code.

ADJOURNMENT

The meeting adjourned at 12:34 p.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

JAY CASTELLANO, VICE CHAIR
BOARD OF ADMINISTRATION
ATTEST:

ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES