



BOARD OF ADMINISTRATION

Meeting Minutes - Final Federated City Employees' Retirement System and Federated City Employees' Health Care Trust

Thursday, December 17, 2020

8:30 AM

MEETING TO BE HELD BY ZOOM CONFERENCE IN LIEU OF PHYSICAL LOCATION

zoom.us

Dial In: +1 669 900 9128 US (San Jose)

Meeting ID: 961 4203 0750

Password: 124963

BOARD MEMBERS

Jay Castellano, Chair
Anurag Chandra, Vice-Chair
Spencer Horowitz, Trustee
Julie Jennings, Trustee
Mark Keleher, Trustee
Elaine Orr, Trustee
Qianyu Sun, Trustee

CITY COUNCIL LIAISON TO THE BOARD

Dev Davis

COUNSEL

Harvey Leiderman, General and Fiduciary Counsel

Roberto L. Peña, CEO, Office of Retirement Services

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, December 17, 2020 at 8:30 a.m. via Zoom meeting. Chair Castellano called the Pension and Health Care Trust meeting to order at 8:33 a.m. followed by roll call.

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

Absent: 1 - Mark Keleher

Retirement Staff Present via Zoom: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Eran Amir, Brian Starr, Christina Wang, Jay Kwon, Arun Nallasivan, Dhinesh Ganapathiappan, David Aung, Ellen Lee, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present via Zoom: Harvey Leiderman, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Kaci Boyer, Neuberger Berman; Bill Hallmark, Cheiron; Mike Schionning, Cheiron; Steven Hastings, Cheiron; Maja Ben, Fundmap Journalist; Lua Nguyen, Retiree.

Council Liaison Dev Davis arrived at 9:32 a.m. and departed at 1:00 p.m.

CLOSED SESSION

The Board entered into Closed Session at 8:35 a.m.

CLOSED SESSION AGENDA ITEMS WILL BE HEARD AT 8:30 A.M.

I. CLOSED SESSION INVESTMENTS

- A. CLOSED SESSION: PURSUANT TO GOVERNMENT CODE SECTION 54956.81, TO CONSIDER PURCHASE OR SALE OF PARTICULAR, SPECIFIC PENSION FUND INVESTMENTS (TWO INVESTMENTS)**

The Board came out of Closed Session at 9:59.

OPEN SESSION - will reconvene following Closed Session, estimated to be 9:30 a.m.

The Board reconvened into Open Session at 10:02 a.m. There were no reportable actions out of Closed Session.

To request an accommodation or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events or printed materials, please call Marti Zarate (408) 794-1112 as soon as possible, but at least three business days before the meeting.

ORDERS OF THE DAY

Chair Castellano read the following ground rules into the record for Orders of the Day.

- All votes will be roll call votes.
- If you are not speaking, please be on mute to cut background noise.
- For discussion items, each trustee will have a turn to speak in roll call order, more than once if desired.
- The public will have an opportunity to speak on each item after trustees.
- The public will also have an opportunity to speak again at the end of the meeting on any other item not on the agenda that is within the subject jurisdiction of the Board.
- There will be a recess from 1:00pm -1:05pm to accommodate Civic Center TV's

broadcasting process.

There will be a 5 minute break after Section 3, before Item 4a.

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

Approved. (M.S.C. Horowitz/Chandra 6-0-0) The motion passed unanimously by roll call vote.
Trustee Keleher was absent.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Horowitz/Chandra 6-0-0) The motion passed unanimously by roll call vote.
Trustee Keleher was absent.

1.1 Approval of Service Retirements

- a. **Rene A. Apelo**, Associate Engineer, Public Works, effective January 23, 2021; 19.92* years of service.
- b. **Danielle M. Kenealey**, Chief Deputy City Attorney, City Attorney's Office, effective January 1, 2021; 31.57* years of service.
The Board recognized Danielle Kenealey for her stellar service to the City.
- c. **Victor B. Gubatina**, Engineer II, Airport Department, effective January 9, 2021; 18.49* years of service.
- d. **Teresa M. Guillen**, Recreational Program Specialist, Parks, Recreation and Neighborhood Services Department, effective January 9, 2021; 20.94* years of service.
- e. **Jose J. Medina**, Mechanic, Public Works Department, effective January 16, 2021; 30.06* years of service.
- f. **Michael L. Murtiff**, Hazardous Material Inspector, Fire Department, effective January 9, 2021; 28.52* years of service. (*With Reciprocity CSJ YOS 24.82 + PERS YOS 3.69*)
- g. **Lua T. Nguyen**, Analyst II C, Environmental Services Department, effective January 9, 2021; 30.04* years of service.
- h. **Rodney R. Reynaldo**, Senior Engineering Technician, Environmental Services Department, effective December 26, 2020; 31.00* years of service.
- i. **Kimberly A. Smith**, Latent Fingerprint Examiner III, Police Department, effective January 9, 2021; 25.41* years of service.

- j. **Thomas P. Welch**, Senior Construction Inspector, Public Works Department, effective December 26, 2020; 19.09* years of service

1.2 Approval of Deferred Vested

- a. **Maria Hurtado**, Deputy Director, Parks, Recreation and Neighborhood Services Department, effective December 20, 2020; 23.60* years of service. *(With Reciprocity CSJ YOS 3.00 + PERS YOS 20.60)*
- b. **Joni L. O'Conner**, Police Data Specialist II, Police Department, effective January 11, 2021; 5.96* years of service.
- c. **John S. San Filippo**, Wastewater Mechanic I, Environmental Services Department, effective December 26, 2020; 31.00* years of service. *(With Reciprocity CSJ YOS 21.00 + PERS YOS 10.00)*
- d. **Michael D. Spath**, Communications Manager, Police Department, effective December 29, 2020; 33.06* years of service. *(With Reciprocity CSJ YOS 9.12 + PERS YOS 23.93)*
- e. **Antonette P. Vera**, Accountant, Finance Department, effective January 10, 2021; 6.99* years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of November 19, 2020.

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 2020. Receive and file.
- b. Notification of Private Markets Commitment to HPS Special Situations Opportunity Fund, L.P. by Investment Staff.

1.6 Approval of Travel / Conference Attendance

- a. Roberto L. Peña, CEO

- CALAPRS Virtual General Assembly, March 8-9, 2021
- b. Jay Castellano, Trustee
 - CALAPRS Virtual General Assembly, March 8-9, 2021.
- c. Julie Jennings, Trustee
 - CALAPRS Virtual General Assembly, March 8-9, 2021.
- d. Spencer Horowitz, Trustee
 - Grow the Value of Your Portfolio with Alternative Investments, Harvard Business School Online Program, January 20 - February 2, 2020.

1.7 Recission Of Retirement Application

- a. Approval of request to rescind the Service Retirement application of Wayne Dore, approved at the November 19, 2020 Board meeting for the effective date of December 12, 2020.

1.8 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, 2020.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair asked for a moment of silence for those who served and passed away.

- a. Notification of the death of **Joan Davis**, Police Data Specialist II, retired January 3, 2000, died October 15, 2020. No survivorship benefits.
- b. Notification of the death of **Virgil Freas**, Maintenance Worker II, retired July 5, 1992, died August 12, 2020. No survivorship benefits.
- c. Notification of the death of **Gloria Kavanaugh**, Secretary, retired December 18, 1982, died July 13, 2020. No survivorship benefits.
- d. Notification of the death of **Dwight Lawson**, Security Officer, retired June 26, 2011, died October 1, 2020. Survivorship benefits to Sheryl Lawson, Spouse.
- e. Notification of the death of **Julio Lopez**, Gardener, retired January 6, 2001, died September 28, 2020. Survivorship benefits to Paula Lopez, Spouse.
- f. Notification of the death of **Carmen Minerva**, Parking and Traffic Control Officer, retired February 7, 2018, died October 23, 2020. Survivorship benefits to Michael Minerva, Spouse.

- g. Notification of the death of **Stephen Windisch**, Captain, retired March 31, 1978, died November 4, 2020. No survivorship benefits.

3. **INVESTMENTS**

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

CIO Palani updated the Board on the following:

-Jay Kwon has been promoted to Senior Investment Officer. David Aung has been promoted to Investment Officer.

- In October the Plan was down .82%, in November the Plan was up 7.11%, and in December the Plan was up 1.85%. Fiscal-Year-To-Date the Plan is up 15%.

- b. Presentation of Calendar 2nd Quarter 2020 Private Equity Report by Neuberger Berman.

CIO Palani introduced Kaci Boyer, Neuberger Berman, who presented calendar 2nd Quarter 2020 Private Equity report and answered questions from the Board. Ms. Boyer reported throughout 2020 there was a decrease in performance in valuations. In Q1 the portfolio was down between 8-10% overall. In Q2 the valuations did recover. Commitments made were on track with the investment pace following the model portfolio that was put together in coordination with the Investment Team.

- c. Presentation of Calendar 2nd Quarter 2020 Private Markets Report by Meketa Investment Group.

Laura Wirick, Meketa Investment Group, presented the calendar 2nd Quarter 2020 Private Markets report. She reported through the end of June almost \$1 billion dollars have been committed across all programs and over \$500 million has been distributed. The remaining value of the invested amount is \$343 million. There were no questions from the Board.

- d. Presentation of Calendar 3rd Quarter 2020 Performance Report for Pension Fund by Meketa Investment Group.

Ms. Wirick presented the calendar 3rd Quarter 2020 Performance Report for the Pension Plan and answered questions from the Board. She reported the Fund Value is up to almost \$2.5 billion as of the end of September. The Asset Allocation is very close to the adopted policy targets. Liability benchmark portfolio has had an extremely high return and most asset classes have outperformed their benchmarks. The Plan's performance ranked well within the peer group on a performance basis as well as lower than medial risk for the peer group.

- e. Presentation of Calendar 3rd Quarter 2020 Performance Report for Health Care Trust by Meketa Investment Group.

Jared Pratt, Meketa Investment Group, presented the calendar 3rd Quarter 2020 Performance Report for the Health Care Trust. He reported the Health Care assets were at \$326 million at the end of the quarter and are up \$18 million from the prior quarter which is very close to policy target. There were no questions from the Board.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action on Final Pension Valuation Results as of June 30, 2020 to be presented by Cheiron.

Bill Hallmark and Steven Hastings, Cheiron presented the Final Pension Valuation Results as of June 30, 2020 and answered questions from the Board. Council Liaison Davis noted going forward it is important to know what the Board is considering and what Cheiron is recommending. She suggested a discussion take place between the Boards and the City Council regarding Pension Obligation Bonds and UAL. CEO Peña recommended Cheiron present to the City Council at the Pension Obligation Bonds Study Session in April. A suggestion was made to include CIO Palani. The Board directed Staff to check in with Cheryl Parkman, OER regarding the Pension Obligation Bonds.

A motion was made to approve the Final Pension Valuation Results as of June 30, 2020.

Approved. (M.S.C. Jennings/Horowitz 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

A five minute break was called at 11:58 a.m.
The meeting resumed at 12:04 p.m.

5. NEW BUSINESS

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

Item 5a was heard after Item 5c.

CEO Peña updated the Board on the following:

- Annual Health Care Open enrollment ended on November 30, 2020. Approximately 400 forms received.
- The Benefit Manager is out on leave until May 2021.
- Recruitment is underway for 2 positions: Senior Benefit Analyst and Senior Health Care Analyst.
- ORS's new Senior Internal Auditor started on November 30, 2020.
- New iPads were distributed to Trustees who had a City issued laptop.
- Laptops were purchased for Staff to continue to work remotely.
- Staff continue to complete core duties remotely. CEO Peña thanked Staff.
- ORS Virtual Holiday Party was held and was well attended.
- During the Holiday closure, December 28-30, 2020, a few Staff will be working to provide support to members.
- The Popular Annual Financial Report (PAFR) was approved on the Consent Calendar today. Mr. Peña acknowledged the Accounting group.
- Trustee Horowitz and Trustee Castellano were both reappointed to the Board.

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

Council Liaison Davis updated the Board on the following:

- Council directed Staff to draw up legal documents to issue Pension Obligation Bonds and

will be engaging with a consultant.

-A Spring Study Session will be held to discuss options and staff recommendations on an amount and timing of issuing bonds if it is decided to move forward to reduce unfunded liability.

-The City's Comprehensive Annual Financial and Comprehensive Annual Debt Reports were received. The Audit was clean. The Net Position decreased slightly overall for the year.

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

Item 5c was heard after Item 4a.

Bill Hallmark and Michael Schionning presented the OPEB and answered questions from the Board. Mr. Hallmark reported the current Discount Rate is no longer reasonable at 6.75% and recommended the Board consider alternatives between 5.75% - 6.25%. Mr. Schionning discussed the recommended changes for the Health Care assumptions. Cheiron will return in January with the OPEB Final Valuation.

A motion was made to change the Discount Rate to 6.0% (Jennings/Horowitz). A substitute motion was made to change the Discount Rate to 6.25%.

Approved. (M.S.C. Sun/Chandra 5-1-0) The motion passed by roll call vote. Trustee Keleher was absent.

Aye - Castellano, Horowitz, Jennings, Orr, Sun

Nay - Jennings

Abstain - None

A motion was made to accept the recommendation changes to the Health Care assumptions.

Approved. (M.S.C. Jennings/Chandra 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

- d. Discussion and action on Federated Mission Statement.

Tom Iannucci, Cortex Consulting led the discussion on the proposed revised Federated Mission Statement.

A motion was made to adopt the proposed revised Federated Mission Statement.

Approved. (M.S.C. Chandra/Sun 6-0-0). The motion passed unanimously by roll call vote. Trustee Keleher was absent.

- e. Discussion and action on Federated Strategy Plan and strategic priorities for 2021-2023.

Mr. Iannucci reviewed the Federated Strategy Plan and strategic priorities for 2021-2023. The draft strategic plan reflects input provided by the Board and senior management. The areas of focus are Governance, Member Services, Investments and Human Resources. Over time the Plan may potentially expand to address stakeholder relations, risk management and cost management. Management will report to the Board semi-annually and the Board will review the plan at least annually. A suggestion was made to discuss the Plan at the September Board Retreat with an update before then. The Board thanked Mr. Iannucci for his work.

A motion was made to approve the Federated Strategy Plan and strategic priorities for 2021-2023.

Approved. (M.S.C. Jennings/Horowitz 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

- f. Discussion and action on the nomination process and election for the position of Board Chair and Vice-Chair for calendar year 2021.

CEO Peña led the discussion on the nomination process and election for the position of Board Chair and Vice-Chair for calendar year 2021. Per Counsel, the Board can make a motion to override the policy and vote on nominations and elections today.

A motion was made to override the policy and vote on officers.

Approved. (M.S.C. Jennings/Horowitz 6-0-0). The motion passed unanimously by roll call vote. Trustee Keleher was absent.

- g. Nomination and election of the Board Chair/Vice-Chair for calendar year 2021.

Nominations were made and the nominees accepted. The Board elected the Chair and Vice-Chair for calendar year 2021.

A motion was made to nominate Chair Castellano as Board Chair and Trustee Horowitz as Vice-Chair.

Approved. (M.S.C. Jennings/Chandra 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Chandra, Orr, Sun – Alt: Keleher)

Last Meeting: October 27, 2020

Next Meeting: December 22, 2020

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

Trustee Chandra updated the Board. At the October meeting the Private Markets plan was reviewed. There is a meeting next week.

6.2 Governance Committee (Horowitz, Castellano, Keleher)

Last Meeting: June 18, 2020

Next Meeting: December 17, 2020

(September 3, 2020 Meeting Cancelled)

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

Trustee Horowitz reported there is no update. There is a meeting today.

6.3 Audit Committee (Keleher, Jennings, Sun)

Last Meeting: October 15, 2020 Next Meeting: February 18, 2021

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

It was reported all financial statements have been approved.

6.4 Joint Personnel Committee (Orr, Castellano, Chandra)

Last Meeting: November 10, 2020 Next Meeting: TBD

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

Trustee Orr reported there is no update.

7. EDUCATION & TRAINING

- a. The Cortex Report - January 2021, Conferences, Seminars and Educational Programs.
- b. CALAPRS Virtual General Assembly, March 8-9, 2021.

FUTURE AGENDA ITEMS

PUBLIC/RETIREE COMMENTS

CEO Peña acknowledged staff for their hard work and dedication and acknowledged the work of the Board throughout this challenging year. CEO Peña and Chair Castellano wished everyone Happy Holidays.

ADJOURNMENT

The meeting adjourned at 1:59.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

JAY CASTELLANO, CHAIR
BOARD OF ADMINISTRATION
ATTEST:

ROBERTO L. PEÑA, CEO
OFFICE OF RETIREMENT SERVICES