BOARD OF ADMINISTRATION

Meeting Minutes - Final

Police & Fire Department Retirement Plan and Health Care Trust

Thursday, March 4, 2021 **8:30 AM**

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

zoom.us
Dial In: +1 669 219 2599 US (San Jose)
Meeting ID: 973 5877 8912
Password: 366887

Drew Lanza, Chair, Public Member (Term Expires 4/30/23)
Andrew Gardanier, Vice-Chair, Fire Active Rep (Term Expires 11/30/23)
Sunita Ganapati, Trustee, Public Member (Term Expires 11/30/22)
Howard Lee, Trustee, Public Member (Term Expires 11/30/22)
Eswar Menon, Trustee, Public Member (Term Expires 11/30/22)
Nick Muyo, Trustee, Acting Police Retiree Rep (Term Expired 11/30/20)
Richard Santos, Trustee, Fire Retiree Rep (Term Expires 11/30/22)
Vincent Sunzeri, Trustee, Public Member (Term Expires 11/30/24)
Vacant, Trustee, Police Active Rep (Term Expires 11/30/21)

Pam Foley, City Council Liaison to the Board

Harvey Leiderman, General and Fiduciary Counsel

Roberto L. Peña, CEO, Office of Retirement Services

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Police and Fire Department Retirement Plan and Health Care Trust met via zoom on Thursday, March 4, 2021 at 8:30 a.m. Chair Drew Lanza called the Pension Plan and Health Care Trust meeting to order at 8:31 a.m. followed by roll call.

Present: 8 - Eswar Menon, Andrew Gardanier, Howard Lee, Andrew Lanza, Richard Santos, Sunita Ganapati, Nick Muyo and Vincent Sunzeri

Council Liaison Foley departed the meeting at 11:12 a.m.

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

Also Present via Teleconference: Harvey Leiderman, General and Fiduciary Counsel; Jenni Krengel, General & Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Kaci Boyer, Neuberger Berman; Bryan Lorenz, Public Attendee; F.T. Harpe, Public Attendee; Franco Vado, Retiree.

AGENDA

OPEN SESSION

- ## ORDERS OF THE DAY

Chair Lanza read the following ground rules and changes to the agenda 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 matters where we must have debate, I will call the roll and you will each have a turn.
• The public will have an opportunity to speak on any item and make general comment on any matter within our subject matter jurisdiction.
• Do not interrupt a presenter. Take notes and ask later.

Waive Sunshine on the following items as attachments were received late:
- 2g - Approval to renew the following Board contracts: Abel Noser, Klarity Fx, Bloomberg Index Services, Dynamo Software. eVestment Alliance, Pitchbook.
- 4c- Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2021 - 2022.

A motion was made to approve the Orders of the Day and waive Sunshine on item 2g and 4c (material received late).

Approved. (M.S.C. Santos/Gardanier 8-0-0) The motion passed unanimously by roll call vote.

1. CONSENT CALENDAR

CEO Peña pulled Item 1.6d.

A motion was made approve to the remaining items on the Consent Calendar.

Approved. (M.S.C. Santos/Lee 8-0-0). The motion passed unanimously by roll call vote.

1.1 Approval for a Non-Service-Connected Disability Retirement

a. **Khuong Nguyen**, Police Officer, Police Department, Request for a Non Service-Connected Disability Retirement, effective March 4, 2021; 8.26* years of service. *(Disability Committee Recommendation: Approval)*

1.2 Approval for a Service-Connected Disability Retirement

a. **Andrew Watson,** Police Officer, Police Department, Request for a Service-Connected Disability Retirement, effective March 4, 2021; 12.40* years of service. *(Disability Committee Recommendation: Approval)*

1.3 Approval Of Minutes

a. Approval of the Board Minutes of February 4, 2021.

1.4 Approval Of Travel for Conferences and Due Diligence

a. Sunita Ganapati, Trustee

- CalAPRS Virtual General Assembly, March 8 - 9, 2021. **- CANCELLED**
- Council of Institutional Investors Virtual Spring Conference, March 8 - 10, 2021.

1.5 Return of Contributions

a. Voluntary / Involuntary. - **None**

1.6 Communication/Information

a. Police and Fire Retirement System Dashboard.

b. Report of the Plan Expenses for January 2021. Receive and file.

c. **Revised** 2021 Scheduled Board and Standing Committee Meetings. Receive and file.

d. Police and Fire OPEB (Health Care) Actuarial Determined Contributions (ADC).

CEO Peña spoke to the item. He stated that the City will make a full actuarial contribution to the Health Care Trust notwithstanding the contribution cap that might apply.

A motion was made to approve item 1.6d.

Approved. (M.S.C. Santos/Gardanier 8-0-0) The motion passed unanimously by roll call vote.

1.7 Education and Training

a. The Cortex Report - March 2021, Conferences, Seminars and Educational Programs.

b. CalAPRS Virtual General Assembly, March 8 - 9, 2021.

c. CalAPRS Virtual Trustees Roundtable, May 10, 2021.

2. INVESTMENTS

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

CIO Palani updated the Board on the following:

- The Pension Plan was up 88 basis points during the month of February 2021.
- The Health Care Trust was up 1.65% during the month of February 2021.
- For Fiscal Year To-Date, the Pension Plan is up 17.84%.
- For Fiscal Year To-Date, the Health Care Trust is up 18.3%.
- There will be a special Investment Committee meeting held on March 16, 2021.

b. Presentation of Calendar 3rd Quarter 2020 Private Equity Report by Neuberger Berman.

CIO Palani introduced Kaci Boyer, Neuberger Berman, who presented calendar 3rd Quarter 2020 Private Equity report and answered questions from the Board. Ms. Boyer stated that the program felt the most impact from COVID-19 during the 1st and 2nd Quarters, while the program saw a bounce back in the 3rd Quarter.

c. Presentation of Calendar 3rd Quarter 2020 Private Markets Report by Meketa Investment Group.

CIO Palani introduced Laura Wirick, Meketa Investment Group, who presented the calendar 3rd Quarter 2020 Private Markets report and answered questions from the Board. Ms. Wirick reported that the Internal Rate of Return (IRR) for the program overall was 8.4%

d. Presentation of Calendar 4th Quarter 2020 Performance Report for Pension Plan by Meketa Investment Group.

Laura Wirick, Meketa Investment Group, presented the calendar 4thQuarter 2020 Performance Report for the Pension Plan and answered questions from the Board. Ms. Wirick reported that the value of the P&F Plan's assets was $4.4 billion on December 31, 2020, an increase of approximately $323 million from the end of the prior quarter. The Plan had net cash outflows of $54 million, and investment gains of $378 million, during the quarter.

e. Presentation of Calendar 4th Quarter 2020 Performance Report for Health Care Trust by Meketa Investment Group.

Laura Wirick and Jared Pratt, Meketa Investment Group, presented the calendar 4th Quarter 2020 Performance Report for the Health Care Trust and answered questions from the Board. Mr. Pratt reported that the value of the P&F 's Health Care Trust assets was $219.5 million on December 31, 2020, an increase of $25.5 million from the end of the prior quarter. The Trust had net cash inflows of $7.8 million and investment gains of nearly $18 million in the 3-month period.

f. Discussion and action on the City's prefunding option for fiscal year 2021 - 2022.

Jay Kwon, Senior Investment Officer, spoke to the item and answered questions from the Board.

A motion was made to approve the recommendation to grant the City of San Jose the full discount rate for prefunding contributions, as more fully described in the recommendation.

Approved. (M.S.C. Sunzeri/Santos 8-0-0) The motion passed unanimously by roll call vote.

g. Approval to renew the following Board contracts:

Abel Noser
Klarity Fx
Bloomberg Index Services
Dynamo Software
eVestment Alliance
Pitchbook

CIO Palani and Ron Kumar spoke to the item. CIO Palani clarified that only three agreements were before the Board for consideration instead of the six listed. Mr. Kumar also spoke to the attached memo, which asks the Board to approve renewal of the agreements with Abel Noser, Klarity FX, and Dynamo Software.

A motion was made to approve the three agreements as stated in the attached revised memo.

Approved. (Lanza/Santos 8-0-0) The motion passed unanimously by roll call vote.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS - None

4. NEW BUSINESS

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

CEO Peña updated the Board on the following:

-Staff continues to work with the City Clerk to fill the 2 available seats on the PF Board: Police Retiree and Police Active seat.
- ORS will issue a Request For Proposal (RFP) next week for a new Board Medical Advisor.
- Eligible P&F Retirees have been sent their annual Medicare Part-B Reimbursement forms.
- A handful of P&F Retirees will be impacted by the IRS 415(b) pension limits and will see that impact in their next paycheck.
- Interviews for the vacant Senior Analyst and Analyst positions will be held later this month.
- ORS will be closed on March 31, 2021 in observance of Cesar Chavez Day.
- The City Council will be presented with the results of last years actuarial evaluations for both Boards next week.
- Staff continues to work remotely, completing core duties. CEO Peña thanked staff for their diligence and hard work.

Chair Lanza complimented ORS staff as a whole for their hard work.

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

Council Liaison Foley updated the Board on the following:

- At their last meeting the City Council voted to approve the purchase of land using Measure T funds to relocate and build a new fire stations.
- Priority setting sessions will be the focus of the next City Council meeting.
- The City is anticipating a budget short-fall, however, the City still does not know the full impact.

c. Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2021 - 2022.

CEO Peña led the discussion and answered questions from the Board regarding the Office of Retirement Services (ORS) proposed administrative budget for FY 2021-2022. CEO Peña noted and explained the request for an additional 1.25 staff positions, noting that we currently have a part-time staff member who will be retiring soon, and as such, ORS is requesting to make the position full-time.

A motion was made to approve the proposed budget as presented for fiscal year 2021-22.

Approved. (M.S.C. Santos/Ganapati 7-0-0) The motion passed unanimously by roll call vote, with Trustee Muyo not present for the voting.

The board took a recess for 10 minutes.

d. Discussion and action on exercising the first of two one-year options for fiscal year ending June 30, 2021 with Grant Thornton, LLP for audit services.

Benjie Chua-Foy, Accounting Division Manager, spoke to the request to the Board and answered questions. Ms. Chua-Foy provided background on the agreement with Grant Thornton and explained that ORS has enjoyed Grant Thornton's services and would like to continue to utilize the vendor for audit purposes. There was discussion as to the auditor's anticipated rotation of audit partners after five years.

A motion was made to approve exercising both (2) one-year extension options for audit services with Grant Thornton, LLP for fiscal years ending June 30, 2021 and 2022 and

increase the maximum contract amount to $530,000.

Approved. (M.S.C. Santos/Lee 8-0-0) The motion passed unanimously by roll call vote.

e. Discussion and action on Fiduciary Insurance and Waiver of Recourse Fees for Policy Year March 2021 - 2022.

CEO Peña spoke to the item and answered questions from the Board. He explained that across the Pension Plan universe, fiduciary insurance rates are rising, as reflected with the 16.6% cost increase for renewing the policy for FY 21-22.

A motion was made to approve the cost increase for the Fiduciary Insurance and Waiver of Recourse Fees for Policy Year March 2021 - 2022.

Approved. (M.S.C. Santos/Menon 8-0-0) The motion passed unanimously by roll call vote.

f. Educational discussion on Seeking Diversity and Inclusion Through the Contracting Process presented by Fiduciary Counsel.

Jenni Krengel, General & Fiduciary Counsel, spoke to the attached presentation and answered questions from the Board.

5. RETIREMENTS

Items 5.1a and 5.2a were heard together.

Chair Lanza read the Retirements into the record.

A motion was made to approve item 5.1a and 5.2a.

Approved. (M.S.C. Santos/Muyo 8-0-0) The motion passed unanimously by roll call vote.

Trustee Muyo said a few kind words.

5.1 Service Retirements

a. **Joaquin Barreto**, Police Sergeant, Police Department, effective January 31, 2021; 25.08* years of service.

5.2 Deferred Vested

a. **David Santos,** Police Captain, Police Department, effective March 15, 2021; 25.30* years of service.

6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair read the Death Notifications into the record and asked for a moment of silence for those who served and passed away. Trustee Muyo and Trustee Santos said a few kind words.

a. Notification of the death of **George De La Rocha**, Police Officer, retired February 6, 2003, died January 20, 2021. No survivorship benefits.

b. Notification of the death of **Phillip J. Hada**, Police Sergeant, retired September 6, 1989, died January 24, 2021. Survivorship benefits to Karee Hada, Spouse.

c. Notification of the death of **Ronald Shannon**, Firefighter, retired July 7, 1981, died November 23, 2020. No survivorship benefits.

d. Notification of the death of **Joe Vasta**, Police Officer, retired March 6, 1997, died January 22, 2021. Survivorship benefits to Pennie Vasta, Spouse.

e. Notification of the death of **Raymond Wendling**, Police Officer, retired February 19, 1995, died January 8, 2021. Survivorship benefits to Bonita Wendling, Spouse.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

7.1 Investment Committee (Menon - CH/Gardanier/Lanza/Sunzeri)

Last Meeting: February 23, 2021 Next Meeting: April 20, 2021

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

Trustee Menon updated the Board on the last Investment Committee meeting.

b. Minutes from the December 22, 2020 Police and Fire Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed.

c. Minutes from the December 22, 2020 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed.

7.2 Audit/Risk Committee (Lee - CH/Muyo/Vacant)

Last Meeting: February 18, 2021 Next Meeting: May 20, 2021

a. Oral update from the Chair of the Audit/Risk Committee.

Trustee Lee provided a brief recap of what occurred at the last Joint Audit Committee meeting. CEO Peña also spoke to the discussion items from the February 18th Joint meeting.

b. Minutes of the October 15, 2020 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan. Receive and file.

This Committees/Reports/Recommendations was received and filed.

c. 10/1/20-12/31/20 Quarterly Travel and attendance analysis for Police and Fire. Receive and file.

This Committees/Reports/Recommendations was received and filed.

d. Update on the City Auditor's Recommendations to the Office of Retirement Services. Receive and file.

This Committees/Reports/Recommendations was received and filed.

CEO Peña stated that a new target date to satisfy the Auditor's recommendation regarding the Investment fee report has been agreed upon and will be June 30, 2021.

e. Discussion on the 2020 Internal ORS staff survey by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

This Committees/Reports/Recommendations was received and filed.

f. Discussion and action on the Assessment of the Internal Audit Division by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

CEO Peña spoke to the Assessment of the Internal Audit Division and answered questions from the Board.

A motion was made to approve the recommendations as presented.

Approved. (M.S.C. Santos/Menon 8-0-0) The motion passed unanimously by roll call vote.

g. Discussion on the Status of Audit Recommendations by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

This Committees/Reports/Recommendations was received and filed.

7.3 Governance Committee (Muyo - CH/ Santos/ Lee – Alt: Ganapati)

Last Meeting: December 17, 2020 Next Meeting: March 4, 2021

231a. Oral update from the Chair of the Governance Committee.

Trustee Muyo stated that there would be a Joint Governance Committee meeting after the conclusion of the Board meeting.

7.4 Disability Committee (Santos - CH/Lanza - Alts: Muyo/Sunzeri)

Last Meeting: February 8, 2021 Next Meeting: April 5, 2021 (March 8, 2021 Meeting Cancelled)

a. Oral update from the Chair of the Disability Committee.

Trustee Santos stated that the next meeting would be April 5, 2021.

b. Minutes from the December 7, 2020 Police and Fire Disability Committee meeting. Receive and file.

7.5 Joint Personnel Committee (Sunzeri - CH/Lanza/Menon)

Last Meeting: November 10, 2020 Next Meeting: TBD

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

Trustee Sunzeri stated that setting a meeting date is being worked on. The JPC needs to close out the CIO Performance metrics/compensation format.

- **PROPOSED AGENDA ITEMS**

None.

- **PUBLIC COMMENTS**

None.

- **ADJOURNMENT**

Next Meeting: April 1, 2021

The meeting adjourned at 11:44 a.m.

***Estimated**

Minutes Recorded, Prepared and Respectfully Submitted by,

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DREW LANZA, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

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ROBERTO L. PEÑA, CEO
OFFICE OF RETIREMENT SERVICES