



BOARD OF ADMINISTRATION

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

Thursday, September 23, 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: 926 4103 2179

Password: 475255

BOARD MEMBERS

*Spencer Horowitz, Chair
Julie Jennings, Vice-Chair
Anurag Chandra, Trustee
Mark Keleher, Trustee
Elaine Orr, Trustee
Vacant, Trustee
Vacant, 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, September 23, 2021 at 8:30 a.m. Chair Horowitz called the meeting to order at 8:33 a.m. followed by roll call.

Present: 4 - Spencer Horowitz, Mark Keleher, Julie Jennings and Elaine Orr

Absent: 1 - Anurag Chandra

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

Also Present via Zoom: Harvey Leiderman, General and Fiduciary Counsel; Maytak Chin, General and Fiduciary Counsel; Jay Castellano, Public Member; Bill Hallmark, Cheiron; Michael Burger, Finance Dept.; Cheryl Parkman, OER; Laura Wirick, Meketa; Steven Hastings, Cheiron; Mark Linder, Public Member; Rowen Descallar, Journalist; Jacqui King, Cheiron; Jared Pratt, Meketa; Kaci Boyer, Neuberger Berman; and B. Beekman, Public Member.

CALL TO ORDER AND ROLL CALL

CLOSED SESSION

The Board entered into Closed Session at 8:34 a.m

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

I. CLOSED SESSION OLD BUSINESS

- a. **CLOSED SESSION**: CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a). SHAHRIVAR v. CITY OF SAN JOSE, ET AL, SANTA CLARA COUNTY SUPERIOR COURT NO. 20CV366329

The Board came out of Closed Session at 8:49 a.m. There was no reportable action out of Closed Session.

OPEN SESSION - will reconvene following Closed Session, estimated to be 8:45 a.m.

The Board reconvened into Open Session at 8.50 a.m.

ORDERS OF THE DAY

Chair Horowitz read the following ground rules:

- 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.

Chair Horowitz also read a summary of AB 361:

Governor Newsom signed Assembly Bill 361 into law on September 16, 2021, as an urgency bill, effective immediately. AB 361 permits local legislative bodies such as this Board to continue to meet virtually through telephonic and internet means (i.e., via "teleconference"), during a proclaimed state of emergency, without having to meet certain technical requirements of the Brown Act open meeting laws, provided the Board makes certain findings. The findings must be voted on and approved at the first such teleconference meeting and, to continue after the initial teleconference, continuing findings must be made again every thirty (30) days thereafter.

In March of 2020, the Governor proclaimed a state of emergency due to the COVID-19 pandemic, and that proclamation is still outstanding and active. Pursuant to AB 361 and amended section 54953 of the Government Code, the Board will be holding this meeting during a proclaimed state of emergency, and state and local officials have imposed or recommended measures to promote social distancing, including the wearing of masks indoors. The Board is asked to make the following findings by majority vote:

1. The Board has reconsidered the circumstances of the state of emergency;
2. The state of emergency continues to directly impact the ability of the members of the Board to meet safely in person;
3. The Board determines that as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; and
4. State or local officials continue to impose or recommend measures to promote social distancing.

A motion was made to adopt the following factual findings to adopt the abbreviated teleconferencing procedures under AB 361:

- Social distancing and mask requirements are currently imposed inside the City of San Jose's public buildings; and
- The City of San Jose is continuing for the next 60 days to declare an ongoing State of Emergency.

Approved. (M.S.C. Keleher/Orr 4-0-0) The motion passed unanimously by roll call vote. Trustee Chandra was absent.

ORDERS OF THE DAY

- There will be a break at 10:00am
- There will be a recess from 1:00pm-1:05pm to accommodate Civic Center TV's broadcasting process.

A motion was made to approve the Orders of the Day

Approved. (M.S.C. Jennings/Keleher 4-0-0) The motion passed unanimously by roll call vote. Trustee Chandra was absent.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Jennings/Keleher 4-0-0). The motion passed unanimously by roll call vote. Trustee Chandra was absent.

1.1 Approval of Service Retirements

- a. **Juan M. Avila**, Groundswoker, Parks, Recreation and Neighborhood Services Department, effective August 28, 2021; 21.80* years of service.
- b. **Mary J. Feccia**, Supervising Public Safety Dispatcher, Police Department, effective October 1, 2021; 31.51* years of service. *(With Reciprocity 26.92 CSJ YOS + 4.59 PERS YOS)*
- c. **Tom L. Herrington**, Wastewater Operation Foreperson II, Environmental Services Department, effective October 17, 2021; 27.51* years of service. *(With Reciprocity 21.96 CSJ YOS + 5.54 PERS YOS)*
- d. **Yassaman Jalali**, Librarian II, Library Department, effective October 2, 2021; 27.34* years of service.
- e. **John Keltner**, Maintenance Assistant, Parks, Recreation and Neighborhood Services Department, effective September 18, 2021; 20.24* years of service.
- f. **Rhonda Matos**, Senior Office Specialist, Human Resources Department, effective October 1, 2021; 21.23* years of service.
- g. **Robert B. Rohrig**, Building Inspector Combo, Public Works Department, effective September 18, 2021; 19.00* years of service.

1.2 Approval of Deferred Vested

- a. **Siatuu A. Lavatai**, Office Specialist II, Environmental Services Department, effective August 28, 2021; 12.58* years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of August 19, 2021.

1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a. Board Committee Assignments. Receive and file.

- b. Standing FCERS Board Agenda Items for Calendar year. Receive and file.
- c. Cheiron's June 30, 2021 Actuarial Valuations and Audit Schedule. Receive and file.

1.6 Approval of Travel / Conference Attendance

- a. Prabhu Palani, CIO
 - BNY Mellon Wealth Management Pitch Day - September 14, 2021
 - Canvas Venture 2021 Annual Meeting, Virtual Meeting - October 6, 2021
- b. Roberto Peña, CEO
 - CalAPRS Administrator's Institute 2021, Virtual Conference - September 22 & September 24, 2021.

1.7 Approval of Change in Retirement Date

- a. Approval for a change in effective date for **Norma Acosta**, from July 10, 2021 to June 21, 2021 for a Deferred Vested Retirement, approved at the June 17, 2021 Board Meeting.
- b. Approval for change in effective date for **Deborah Estreicher** from September 4, 2021 to September 18, 2021 for a Service Retirement, approved at the August 19, 2021 Board meeting.
- c. Approval for change in effective date for **Rhodora G. Macaraeg**, from September 4, 2021 to September 18, 2021 for a Service Retirement, approved at the August 19, 2021 Board meeting.

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 **Margaret Fitch**, Librarian II, retired July 4, 2004, died August 21, 2021. No survivorship benefits.
- b. Notification of the death of **Elizabeth J. Larson**, Senior Office Specialist, retired June 23, 2012, died August 17, 2021. No survivorship benefits.
- c. Notification of the death of **Stanley Raroque**, Warehouse Worker II, retired September 5, 2009, died June 25, 2021. No survivorship benefits.
- d. Notification of the death of **Carol Reed**, Division Manager, retired February 9, 2002, died July 18, 2021. No survivorship benefits.

- e. Notification of the death of **Delbert Swederofsky**, Senior Engineering Technician, retired July 12, 1986, died August 7, 2021. No survivorship benefits.

3. **INVESTMENTS**

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

CIO Palani updated the Board on the following:

- The Joint meeting with the City Council will be on September 30th to discuss the possibility of the City of San Jose's issuance of a pension obligation bond.
- Several markets are affected by China which will be closely monitored. Christina Wang gave an update on Public Equity China Exposure.
- The Board will re-visit strategic asset allocation at the end of the year.
- The Pension Plan is up 79 basis points fiscal year to date.

- b. Presentation of Calendar 1st Quarter 2021 Private Equity Report by Neuberger Berman.

CIO Palani introduced the item and Kaci Boyer, Neuberger Berman. Ms. Boyer presented the Calendar 1st Quarter 2021 Private Equity Report and answered questions from the Board. A suggestion was made to keep the titles consistent when labeling investments.

- c. Presentation of Calendar 1st Quarter 2021 Private Markets Report by Meketa Investment Group.

Jared Pratt, Meketa presented the Calendar 1st Quarter 2021 Private Markets Report. There were no questions from the Board.

- d. Presentation of Calendar 2nd Quarter 2021 Performance Report for Pension Plan by Meketa Investment Group.

Laura Wirick, Meketa presented the Calendar 2nd Quarter 2021 Performance Report for the Pension Plan. The value of the San Jose Federated City Employees' Retirement System assets was \$2.83 billion on June 30, 2021, an increase of approximately \$140 million from the end of the prior quarter. The System had net cash outflows of \$53 million during the quarter, and \$193 million of investment gains during the quarter. There were no questions from the Board.

- e. Presentation of Calendar 2nd Quarter 2021 Performance Report for Health Care Trust by Meketa Investment Group.

Ms. Wirick presented the Calendar 2nd Quarter 2021 Performance Report for the Health Care Trust. The value of the San Jose Federated Retiree Health Care Trust's assets was \$382.6 million on June 30, 2021, an increase of \$16.9 million from the end of the prior quarter. The Trust had \$0.6 million of net cash inflows for the quarter, and \$16.2 million of investment gains during the three-month period. There were no questions from the Board.

4. **NEW BUSINESS**

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

CEO Peña updated the Board on the following:

- Staff are working with the City Clerk on the 2 vacant Trustee seats. An update will be provided at the October Board meeting.
- Return to on-site work has been pushed back to November 1st. ORS intends to do a hybrid approach and are following CDC guidelines.
- The City is at Stage 2 of the Vaccination program. All employees must be vaccinated by September 30th unless they have a religious/medical exemption or be subject to disciplinary action.
- November is open enrollment month for retirees. A virtual Health Fair will take place.
- A virtual Joint Meeting of the Boards and City Council will be on September 30th from 1:30 – 4:30.
- The Benefit Analyst vacancy has been filled. Peter Pham, IT is transferring to another City department.
- We received the requested information from Cheiron. The Actuarial Valuation schedule is included under the Consent Calendar. Presentations by Cheiron and Segal will be upcoming.

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

There was no update.

- c. Presentation by Bill Hallmark from Cheiron on amortization policy.

Bill Hallmark, Jacqui King and Steven Hastings, Cheiron, presented the amortization policy and answered questions from the Board. The Retirement Board sets the contribution policy. 2021 investment returns have changed projected contributions significantly, but the UAL is still \$1.6 billion based on the market value of assets. A Pension Obligation Bond (POB) would directly reduce the UAL. The Board would need to decide how to establish amortization credits for any POB. Cheiron recommended that the amortization credits match the period of the POB and that the initial credit be sufficient to offset the City's initial debt service. Fiduciary Counsel commented on the process by which the Board should set the amortization schedule. The updated Capital Market assumptions will be presented in October. Council Liaison Dev Davis offered some comments from the City Council's perspective.

- d. Presentation by Fiduciary Counsel regarding Pension Obligation Bonds (POB's).

Harvey Leiderman, General and Fiduciary Counsel presented on pension obligation bonds (POB's) and the Board's fiduciary duties and answered questions from the Board. He noted that if the City were to issue POBs, the Boards should not disrupt the processes and procedures in place for deploying money and deciding actuarially how to fund the system in a sound way. The Board does have considerable discretion, however, in making those actuarial determinations.

- e. Discussion and action on CIO's compensation.

Chair Horowitz led the discussion on the CIO's compensation. He presented the current salary range and recommendation by Police and Fire Board of a 5-10% range increase.

A motion was made to increase the CIO's compensation by 10%, consistent with the

recommendation from the Police and Fire Department Board of Administration.

Approved. (M.S.C. Orr/Keleher 4-0-0). The motion passed unanimously by roll call vote.
Trustee Chandra was absent.

- f. Discussion and action on CEO's compensation.

Chair Horowitz led the discussion on the CEO's compensation. He presented the current salary range and recommendation by Police and Fire Board of a 5-9% range increase.

A motion was made to increase the CEO's compensation by 10%.

Approved. (M.S.C. Keleher/Orr 4-0-0) The motion passed unanimously by roll call vote.
Trustee Chandra was absent.

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Chandra, Orr, Keleher)

Last Meeting: August 24, 2021

Next Meeting: December 21, 2021

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

CIO Palani updated the Board on the contents of the last meeting which included a discussion on Private Markets and Verus' quarterly update.

- b. Minutes of the April 20, 2021 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the April 20, 2021 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Minutes of the June 29, 2021 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

5.2 Governance Committee (Horowitz, Jennings, Vacant)

Last Meeting: September 9, 2021

Next Meeting: December 16, 2021

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

Trustee Horowitz updated the Board on the contents of the last meeting which included a discussion on the proposed changes to the Board Education Policy.

- b. Minutes of the June 17, 2021 Joint Governance 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. Discussion and action on the recommendation to approve the Board Education Policy.

Chair Horowitz reviewed the changes to the Board Education Policy.

A motion was made to accept the Board Education Policy.

Approved. (M.S.C. Jennings/Keleher 4-0-0) The motion passed unanimously by roll call vote. Trustee Chandra was absent.

5.3 Audit Committee (Keleher, Jennings, Vacant)

Last Meeting: August 19, 2021

Next Meeting: October 21, 2021

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

Trustee Keleher updated the Board on the contents of the last meeting which included a presentation of the Member Termination Audit by Houman Bossina, Internal Auditor.

- b. Minutes of the May 20, 2021 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. 4/1/21 - 6/30/21 Quarterly Travel and attendance for Federated. Receive and file.

This Committees/Reports/Recommendations was received and filed

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

This Committees/Reports/Recommendations was received and filed

5.4 Joint Personnel Committee (Orr, Chandra, Horowitz)

Last Meeting: April 30, 2021

Next Meeting: TBD

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

CEO Peña spoke to the item noting a meeting will be scheduled in the next 1-2 months. A new Chair will need to be elected. The Committee wants to start the CEO/CIO Compensation review process in November.

6. EDUCATION & TRAINING

- a. The Cortex Report - September 2021, Conferences, Seminars and Educational Programs.
- b. CalAPRS Virtual Principles of Pension Governance for Trustees, September 28 - 30, 2021.
- c. CalAPRS Virtual Trustees Round Table, October 29, 2021.
- d. CalAPRS Virtual Intermediate Courses in Retirement Plan Administration, November 3 - 5, 2021.
- e. CalAPRS Virtual Advanced Courses in Retirement Plan Administration, December 8 - 10, 2021.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

Public attendee B. Beekman made comments and thanked the Board and Council Member Davis.

ADJOURNMENT

The meeting adjourned at 12:04 p.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

SPENCER HOROWITZ, CHAIR
BOARD OF ADMINISTRATION
ATTEST:

ROBERTO L. PEÑA, CEO
OFFICE OF RETIREMENT SERVICES