



# BOARD OF ADMINISTRATION

## Action Minutes

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

### Police & Fire Department Retirement Plan and Health Care Trust

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Thursday, February 6, 2020

8:30 AM

City Hall, Wing Rooms 118-120

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#### CALL TO ORDER AND ROLL CALL

The Board of Administration of the Police and Fire Department Retirement Plan and Health Care Trust met on Thursday, February 6, 2020 at 8:30 a.m. in regular session at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Chair Gardanier called the Pension Plan and Health Care Trust meeting to order at 8:30 a.m. followed by roll call.

**Present:** 7 - Richard Santos, Drew Lanza, Nick Muyo, Vincent Sunzeri, Eswar Menon, Andrew Gardanier and Franco Vado

**Absent:** 2 - Vikas Oswal and Howard Lee

Counsel Liaison to the Board, Pam Foley arrived at 9:30 a.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani Peter Pham, Michelle San

Miguel, Marti Zarate, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Bill Hallmark, Cheiron; Cheryl Parkman, OER; Dave Wilson, POA.

#### AGENDA

#### CLOSED SESSION

The Board entered into Closed Session at 8:31 a.m.

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

#### **I. CLOSED SESSION NEW BUSINESS**

- A.** CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(2) - SIGNIFICANT EXPOSURE TO LITIGATION. ONE MATTER.

The Board came out of Closed Session at 9:12 a.m.

#### **OPEN SESSION - will reconvene following Closed Session, estimated to be 9:00 a.m.**

The Board reconvened into Open Session at 9:13 a.m. There was no reportable action out of Closed Session.

• **ORDERS OF THE DAY**

There were no changes to the Orders of the Day.

**1. CONSENT CALENDAR**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Santos/Muyo 7-0-0). The motion passed unanimously.

**1.1 Approval Of Minutes**

- a. Approval of the Board Minutes of January 9, 2020.

**1.2 Approval Of Travel for Conferences and Due Diligence**

- a. Roberto L. Peña, CEO
- CalAPRS General Assembly, Omni Rancho Las Palmas Resort, Rancho Mirage, CA, March 7 - 10, 2020.
  - CalAPRS Administrators' Round Table, Avenue of the Arts Costa Mesa Hotel, Costa Mesa, CA, February 7, 2020.
- b. Prabhu Palani, CIO
- Navigating and Winning Disruptions Series for Investors, New York City, NY, March 10, 2020.
- c. Eswar Menon, Trustee
- Pension Bridge ESG Summit, InterContinental San Diego, San Diego, CA, February 10-11, 2020.
- d. Franco Vado, Trustee
- CalAPRS General Assembly, Omni Rancho Las Palmas Resort, Rancho Mirage, CA, March 7 - 10, 2020.

**1.3 Return of Contributions**

- a. Voluntary / Involuntary.

**1.4 Communication/Information**

- a. Police and Fire Retirement System Dashboard.

- b. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- c. Pensions & Investments Article: "Tackling the Issue of Conflict on Public Fund Boards" by Arleen Jacobius - January 13, 2020.
- d. Pensions & Investments Article: "For an Efficient Board, Mutual Respect and a Collegial Culture Are Mandatory" by Arleen Jacobius - January 13, 2020.
- e. Report of the Plan Expenses for December 2019. Receive and file.
- f. Report of the Budget vs. Actual Expenses for 2nd Quarter FY 19-20. Receive and file.
- g. **Educational Travel Reports:**
  - 7th Annual California Institutional Forum, Hyatt Regency Sonoma Wine Country, Santa Rosa, CA - December 4, 2019 - by Eswar Menon.

#### **1.5 Notice of Alternate Payee Benefit Election**

- a. Approval of Alternate Payee Benefit election of Reduced Lifetime Monthly Payment Option to be paid to Sybil Bei, ex-spouse of Fire Engineer, **Douglas Biddle** to be effective January 29, 2020 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

#### **1.6 Education and Training**

- a. The Cortex Report - January 2020 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2020 Program Calendar.
- c. CalAPRS General Assembly, Omni Rancho Las Palmas Resort, Rancho Mirage, CA - March 7-10, 2020.
- d. CalAPRS Advanced Principles of Pension Management for Trustees, UCLA Luskin Conference Center, Los Angeles, CA - March 30 - April 1, 2020.
- e. SACRS Spring 2020 Conference, Paradise Point Resort & Spa, San Diego, CA - May 12 - 15, 2020.

- f. SACRS/UC Berkeley Program, UC Berkeley HAAS School of Business, Berkeley, CA - July 26 - 29, 2020.
- g. SACRS Fall 2020 Conference, Renaissance Indian Wells Resort & Spa, Indian Wells, CA - November 10 - 13, 2020.

## **2. INVESTMENTS**

- a. Oral update from the CIO of Retirement Services, Prabhu Palani.  
  
**CIO Palani updated the Board on the Flash reports for Pension and Healthcare Trust as of 12/31/19 calendar year. The RFP for Investment Consultant deadline is February 21, 2020. CIO Palani will work with both chairs of the IC and investment team in making a recommendation to the Boards. Staff will discuss the results at the May IC and bring to the Board in June. The custodian RFP has been completed and staff is doing on site due diligence. Recommendations will be brought to the March meeting and full Board in April. Also, in March, the CIO will bring outside speakers to the Board to make a presentation on ESG. Meketa completed the Asset Allocation Capital Assumptions and will bring it to the Board in March and in April for approval.**

## **3. OLD BUSINESS CONTINUED-DEFERRED ITEMS**

- a. Discussion and action on Other Post Employment Benefits (OPEB) Valuation Results as of June 30, 2019 presented by Cheiron.  
  
**Bill Hallmark from Cheiron presented the OPEB Valuation Results as of June 30, 2019 and answered questions from the Board. There are two parts of the benefit- the Explicit premium subsidy and the implicit subsidy. The Board is responsible for funding the explicit premium subsidy. Implicit subsidy is paid on a pay-as-you-go basis through active employee health premiums.**  
  
**A motion was made to approve the OPEB Valuation Results as of June 30, 2019.**  
**Approved. (M.S.C. Muyo/Vado 7-0-0). The motion passed unanimously.**  
  
**Counsel Liaison to the Board, Pam Foley, arrived during this item.**

## **4. NEW BUSINESS**

- a. Oral update from the CEO of Retirement Services, Roberto L. Peña.
- 4a was heard after 4d.  
CEO Peña updated the Board on the following:  
-Staff is working on the annual administrative budget.  
-1099 forms for 2019 were issued last month.  
-Member direct letters went out to active members for pin information to sign up.  
-PAS outside consultant, LRWL recently acquired by Seagal.  
-New Trustee, Howard Lee appointed on Tuesday and attended a Fiduciary Training with General and Fiduciary Counsel, Harvey Leiderman. They are working on Conflict of Interest issues.  
-Staff and members have encountered issues with Anthem Blue Cross Health care. There have been challenges working with Anthem. CEO asked Trustees that if they get calls to refer them to the ORS. Benefits staff has a meeting on Monday with Human Resources and the Contractor to discuss the issues. The incorrect information and counseling was given by Anthem Blue Cross.
- CALPERS defined benefit update – Cheryl Parkman from OER updated the Board. She stated that happy to report that there has been movement. It's in the account management stage. May take 3-4 months to approve. The City Council will have to approve and amend the contract. Thereafter, enrollment will begin. CEO Peña may reach out to CALPERS in order to expedite the process.
- b. Oral update from the City Council Liaison to the Board.
- City Council Liaison Pam Foley reported that Council is in Priority Setting sessions now. Budget sessions begin in March and the Mayor will present his Budget message.
- c. Discussion on Cheiron's 5-Year Budget Projections for the Police & Fire Department Retirement Plan.
- 4c was heard after 3a.  
Bill Hallmark from Cheiron led the discussion regarding the 5-year report. This item was received and filed.
- d. Discussion and action to adopt Resolution No. 4815 on the actuarial equivalence assumptions.
- Bill Hallmark from Cherion led the discussion. He stated that the Board adopted assumptions and have to use a unisex mortality. The way this is used, when a member retires, normal forms of calculations. Other ways. Optional forms should be of equivalent value. Good to keep assumptions current. As part of Measure B, the Board had to adopt a resolution to add the new assumptions.
- A motion was made to adopt Resolution No. 4815 on the actuarial equivalence assumptions.  
Approved. (M.S.C. Lanza/Santos 7-0-0). The motion passed unanimously.

- e. Public Employee Pension Funding Challenges, a presentation by General and Fiduciary Counsel Harvey Leiderman, Reed Smith LLP.

**4e was heard after 4b.**

**Harvey Leiderman, General and Fiduciary Counsel, presented the Public Employee Pension Funding Challenges. He stated that nearly every state has gone through pension reform since 2007. Bill Hallmark from Cheiron joined the discussion and answered questions from the Board.**

## **5. RETIREMENTS**

### **5.1 Service Retirements**

**The Chair read the Service Retirements into the record.**

**A motion was made to approve the Service Retirements.**

**Approved. (M.S.C. Santos/Sunzeri 7-0-0). The motion passed unanimously.**

- a. **Joseph Abasolo**, Fire Engineer, Fire Department, effective January 31, 2020; 25.64\* years of service.
- b. **Robert V. Gutierrez**, Battalion Chief, Fire Department, effective January 26, 2020; 27.62\* years of service.
- c. **Richard J. Mizgorski III**, Police Officer, Police Department, effective January 25, 2020; 24.77\* years of service.
- d. **Steven D. Nelms**, Police Officer, Police Department, effective January 31, 2020; 23.39\* years of service.
- e. **Eleazar Zamora**, Fire Engineer, Fire Department, effective January 31, 2020; 25.06\* years of service.

### **5.2 Deferred Vested**

**The Chair read the Deferred Vested Retirements into the record.**

**A motion was made to approve the Deferred Vested Retirements.**

**Approved. (M.S.C. Santos/Sunzeri 7-0-0). The motion passed unanimously.**

- a. **Joseph H. Deras**, Police Officer, Police Department, effective January 21, 2020; 27.58\* years of service. *(With Reciprocity - 6.21 CSJ YOS + 21.37 PERS YOS)*
- b. **Mary F. Gutierrez**, Battalion Chief, Fire Department, effective January 26, 2020; 24.93\* years of service. *(With Reciprocity - 19.62 CSJ YOS + 5.31 PERS YOS)*

**6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)**

The Chair read the Death and Survivorship into the record of those who served the City and have passed away.  
Trustee Muyo knew all of them and said a few good words.

- a. Notification of the death of **Eugene Adams**, Police Officer, retired June 10, 2000, died December 5, 2019. Survivorship benefits to Carol Adams, Spouse.
- b. Notification of the death of **Donald Ewing**, Police Lieutenant, retired September 11, 1982, died November 18, 2019. No survivorship benefits.
- c. Notification of the death of **John Nunes**, Police Officer, retired November 20, 1995, died November 11, 2019. Survivorship benefits to Linda Nunes, Spouse.
- d. Notification of the death of **Dalton Rolen**, Police Sergeant, retired June 5, 1993, died December 3, 2019. Survivorship benefits to Shirley Rolen, Spouse.

**7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS**

**7.1 Investment Committee (Oswal - CH/Gardanier/Lanza/Menon)**

Last Meeting: December 17, 2019 (January 28, 2020 meeting cancelled)

Next Meeting: March 24, 2020

- a. Oral update from the Chair of the Investment Committee.  
  
The January meeting was cancelled. The next meeting is scheduled in March.

**7.2 Audit/Risk Committee (Vado - CH/Menon/Muyo)**

Last Meeting: October 17, 2019                      Next Meeting: February 20, 2020

- a. Oral update from the Chair of the Audit/Risk Committee.  
  
Trustee Vado stated that the Audit committee has not met and the next meeting will be held on February 20, 2020.

**7.3 Governance Committee (Muyo/ Santos/ Sunzeri)**

Last Meeting: December 5, 2019                      Next Meeting: March 5, 2020

- a. Oral update from the Chair of the Governance Committee.
- There was no report out of the Governance Committee.
- b. Discussion and action on the Governance Committee's recommendation to deny purchasing access to Cheiron's educational tools for Trustee use. *(Deferred from the January 9, 2020 P&F Board meeting)*
- Chair Gardanier led the discussion regarding access to Cheiron's educational tools for Trustee use. He gave a recap that this item went to Governance Committee in December where the committee decided to bring it back to the full Board in January. In January, all of the members were not in attendance and agreed to move the item to February. The initiator, Trustee Oswal is absent from this meeting. The Chair agreed to defer this item one more month to allow Trustee Oswal a chance to speak to it.

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

Last Meeting: December 18, 2019 (January 11, 2020 meeting cancelled)

Next Meeting: February 19, 2020

- a. Oral update from the Chair of the Disability Committee.
- The next Disability meeting is scheduled for February 19, 2020.

**7.5 Joint Personnel Committee (Gardanier/ Oswal/ Sunzeri)**

Last Meeting: October 28, 2019 (January 30, 2020 meeting cancelled)

Next Meeting: TBD

- a. Oral update from the Chair of the Joint Personnel Committee.
- CEO Peña led the discussion. He stated that several meetings have been cancelled due to lack of quorum. The next meeting will be held during the last week in February.

• **PROPOSED AGENDA ITEMS**

Chair Gardanier would like to discuss agenda items for a retreat in the spring.

• **PUBLIC COMMENTS**

None.

- **ADJOURNMENT**

**Next Meeting: March 5, 2020**

The meeting adjourned at 11:20 a.m.

\*Estimated