



# 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, March 5, 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, March 5, 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, Eswar Menon, Vikas Oswal, Andrew Gardanier and Franco Vado

**Absent:** 2 - Vincent Sunzeri and Howard Lee

Counsel Liaison to the Board, Pam Foley arrived at 8:53 a.m. and departed at 12:28 p.m.  
Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Benjie Chua-Foy, Brian Starr, Christina Wang, Peter Pham, Michelle San Miguel, Marti Zarate, Linda Alexander.  
Also Present: Harvey Leiderman, General and Fiduciary Counsel; Jenni Kreugel, General and Fiduciary Counsel; Russell Richeada, Disability Counsel (via teleconference); Dr. Tierman, (via teleconference); Kaci Boyer Neuberger Berman (via teleconference); Laura Wirick, Meketa Investment Group (via Telephone); Speakers Sarah Bernstein, Verity Cheger, Andrew Collins, Ophir Black; Cheryl Parkman, OER; Dave Wilson, POA, Charles Carter, retired San Jose Fire Fighter.

#### AGENDA

#### OPEN SESSION

- **ORDERS OF THE DAY**

Harvey Leiderman, General and Fiduciary Counsel, made an announcement that Counsel Jeff Reiger left Reed Smith and will be the Chief Counsel of the Alameda County System. Counsel Leiderman Introduced his new partner, Attorney Jenni Krengel to the Board. Attorney Krengel said a few words.

The following changes were made to the Orders of the day.  
Waive Sunshine on Item 4c – Attachments 2 and 3 - Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2020 - 2021. Attachments received late.

A motion was made to approve the Orders of the Day.  
Approved. (M.S.C. Santos/Oswal 8-0-0). The motion passed unanimously.

**1. CONSENT CALENDAR**

A motion was made to approve the Consent Calendar.  
Approved. (M.S.C. Santos/Vado 8-0-0). The motion passed unanimously.

**1.1 Approval Of Minutes**

- a. Approval of the Board Minutes of February 6, 2020.

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

- a. Roberto L. Peña, CEO
- SACRS Spring Conference 2020, Paradise Point Resort & Spa, San Diego, CA - May 12 - 15, 2020.
- b. Prabhu Palani, CIO
- Trusted Insight Summit 2020, San Francisco, CA, June 17 - 18, 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. Grant's Interest Rate Observer Article: "Low Growth at a Huge Multiple", published January 24, 2020.
- d. Report of the Plan Expenses for January 2020. Receive and file.
- e. Notification of secondary purchase of private market investment by Investment Staff.

- f. Response to Civil Grand Jury letter dated January 24, 2020 requesting information on the Joint Personnel Committee (JPC) development of performance metrics for the CEO and CIO positions as part of the Grand Jury recommendation 4b of their report, San Jose-Unfunded Pension Liabilities: A Growing Concern, dated June 19, 2019.

## **1.5 Education and Training**

- a. The Cortex Report - March 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.
- h. Pomerantz LLP 2020 Corporate Governance Roundtable Event, Waldorf Astoria, Beverly Hills, CA - June 16, 2020.

## **2. INVESTMENTS**

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

**Prabhu updated the Board. He stated the Market Volatility with the Corona Virus as a Black Swan. Approximate return numbers as of last month: Police and Fire Private Markets down 3.1%, the S & P 500 was down 8.3%, Russell 3000 down 8% and Emerging Markets were down 5%. We do not have accurate numbers. We have had very unusual moves in the market due to Corona Virus, but the best thing to do is to stay the course as the market tends to bounce back. This sets up well with Strategic Asset Allocation discussion. It will go to the Investment Committee in a couple of weeks. He then introduced the guest speakers for the ESG presentation.**

- b. Education session on ESG by Sarah Bernstein, Ophir Bruck, Andrew Collins and Verity Chegar.

**Item 2b was heard after item 2f.**

**CIO Prabhu introduced the Panel Andrew Collins, Ophir Bruck, Verity Chegar, and Sara Bernstein. He turned the meeting over to the panel to make their presentation on ESG.**

- c. Presentation of Calendar 3rd Quarter 2019 Private Equity Report by Neuberger Berman.

**Item 2c was heard after 2a.**

**Kaci Boyer, Neuberger Berman joined via telephone and presented and answered questions from the Board. Brian Starr was present to answer questions from the Board and made a few comments. Pam Foley, Council Liaison to the Board, arrived during this item.**

- d. Presentation of Calendar 3rd Quarter 2019 Private Markets Report by Meketa Investment Group.

**Laura Wirick from Meketa Investment Group joined via telephone and presented and answered questions from the Board. Brian Starr was present to answer questions from the Board. Christina Wang spoke to the Asset Class Net Performance Summary on slide 26.**

- e. Presentation of Calendar 4th Quarter 2019 Performance Report for Pension Fund by Meketa Investment Group.

**Laura Wirick from Meketa Investment Group led the discussion and answered questions from the Board.**

- f. Presentation of Calendar 4th Quarter 2019 Performance Report for Health Care Trust by Meketa Investment Group.

**Laura Wirick from Meketa Investment Group led the discussion and answered questions from the Board.**

**3. OLD BUSINESS CONTINUED-DEFERRED ITEMS - None**

**4. NEW BUSINESS**

- a. Oral update from the CEO of Retirement Services, Roberto L. Peña.
- RLP updated the Board on the following:
- Going to CC on April 7th to present the Acturaial Valuations
  - Issued RFP for legal services. Closes on March 16th after due diligence, come back to Board in June.
  - Annual member statements have been mailed.
  - Performing interviews for Sr. Analyst position this month
  - File form 700, it is due April 1st
  - Staff is working on the 2nd newsletter
  - RLP attending CALAPRS General Assembly next week in Palm Springs.
  - Sent out a Doodle for JPC he encouraged the Committee to respond to the survey.
- b. Oral update from the City Council Liaison to the Board.
- Council Liaison to the Board, Pam Foley stated that it is Budget season and the Mayor will deliver his budget message tomorrow afternoon. She hopes that Public Safety budget will be increased. They just finished Priority Setting session. She stated that the Firefighters survivorship benefits regarding re-marriage provision should be approved by the unions and adopted later this year.
- c. Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2020 - 2021.
- After discussion a motion was made to approve the Office of Retirement Services proposed administrative budget for FY 2020-2021.
- Approved. (M.S.C. Lanza/Muyo 7-0-0). The motion passed unanimously.
- d. Discussion and action on extending the term date of the agreement between the Boards of Administration and LRWL/Segal.
- Ms. Hayman led the discussion and answered questions from the Board. She stated that while it is currently projected that the Measure F functionality will be completed by March 31, 2020 as shown in the schedule attached, the Office of Retirement Services (ORS) are requesting the Board to extend the contract term date for LRWL (Segal) to June 30, 2020 to allow for any remaining project work to be completed past this date, no additional budget will be requested.
- A motion was made to approve the extending the term date of the agreement between the Boards of Administration and LRWL/Segal.
- Approved. (M.S.C. Vado/Muyo 7-0-0). The motion passed unanimously.

- e. Discussion on potential topics, date and location for the 2020 Board Retreat.
- CEO Peña introduced the item. The Chair led the discussion and answered questions from the Board. Below are suggested topics by the Board.
- Presentation of lower risk portfolios in Pension Plan.
  - How to set discount rates.
  - Liability, is the offset in line with other plans.
  - Education session with the unions.
  - How to address Tier 2 with Tier 1.
  - Focus on other approaches to derisking the plan.
- Staff will send a survey with topics and potential dates.
- f. Discussion on potential topics for the Joint meeting of the Boards and City Council.
- CEO Peña led the discussion and answered questions from the Board. Attached is the agenda from the last two meetings. The City is suggesting a meeting date of April 13, 2020 from 1:30-3:30. The Board made the following suggestions:
- Report out on the status of the Retirement Solutions Working Group.
  - Robust conversation around ESG.
  - Discussion on unfunded liability.
- CEO Peña also needs to hear from the Federated Board. Staff will email the above possible topics to him.
- g. Discussion and action on Committee assignments.
- Trustee Nick accepted the nomination of Governance Chair.
- A motion was made to elect Trustee Nick Muyo as Governance Chair. Approved. (M.S.C. Santos/Oswal 7-0-0). The motion passed unanimously.
- Council Liaison to the Board, Pam Foley left during this item.
- h. Discussion and action regarding excused absences of Trustee Oswal from the December 5, 2020, January 9, 2020 and February 6, 2020 Board Meetings subject to San Jose Municipal Code Section 2.08.060.
- This Item was received and filed

## **5. RETIREMENTS**

### **5.1 Service Retirements**

The Chair read the Service Retirement into the record.

A motion was made to approve the Service Retirement.  
Approved. (M.S.C. Santos/Muyo 7-0-0). The motion passed unanimously.

- a. **Steven T. Guggiana**, Police Sergeant, Police Department, effective January 25, 2020; 32.18\* years of service. *(With Reciprocity - 21.66 CSJ YOS + 5.00 PERS YOS + 5.52 City of Concord)*

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

**The Chair read the Death and Survivorship notifications into the record followed by a moment of silence for those who have served and passed away.**

- a. Notification of the death of **Lawrence Demkowski**, Police Sergeant, retired January 10, 1990, died December 20, 2019. Survivorship benefits to Rita Demkowski, Spouse.
- b. Notification of the death of **Gaylord Lane**, Fire Engineer, retired August 28, 1983, died December 21, 2019. No survivorship benefits.
- c. Notification of the death of **John Martorano**, Police Officer, retired June 3, 2006, died January 3, 2020. Survivorship benefits to Susan Martorano, Spouse.
- d. Notification of the death of **Edmund Oiseth**, Police Officer, retired October 30, 1999, died January 9, 2020. No survivorship benefits.
- e. Notification of the death of **Mervin Pierce**, Police Officer, retired August 5, 1992, died January 1, 2020. Survivorship benefits to Margaret Pierce, Spouse.
- f. Notification of the death of **Randall Sutton**, Fire Engineer, retired November 6, 1991, died January 24, 2020. Survivorship benefits to Jennifer Sutton, 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.
- There was no update from the Investment Committee.**

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

**Last Meeting: February 20, 2020**

**Next Meeting: May 21, 2020**

- a. Oral update from the Chair of the Audit/Risk Committee.  
**Trustee Vado updated the Committee.**
- b. Minutes of the October 17, 2019 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. 10/1/19-12/31/19 Quarterly Travel and attendance analysis for Police and Fire Board of Administration. 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.  
**CEO Peña led the discussion. This is based from an Audit two years ago. The attached chart is color coded which shows where we are in the process.**
- e. Update on the Pension Administration System implementation project. Receive and file.  
**This Committees/Reports/Recommendations was received and filed**
- f. Report on the Benefits Disbursement Process by Office of Retirement Services' Internal Auditor, Allain Mallari. Receive and file.  
**This Committees/Reports/Recommendations was received and filed**
- g. Report on the Cash Disbursement Process by Office of Retirement Services' Internal Auditor, Allain Mallari. Receive and file.  
**This Committees/Reports/Recommendations was received and filed**

**7.3 Governance Committee (Muyo/ Santos/ Sunzeri - Alt: Vado)**

**Last Meeting: December 5, 2019**

**Next Meeting: March 5, 2020**

- a. Oral update from the Chair of the Governance Committee.  
**There is a meeting today.**



- 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 9th and February 6th, 2020 P&F Board meetings)*
- Chair Gardanier led the discussion and gave a summary regarding the educational tool. Trustee Oswal spoke to the item.
- After discussion, a motion was made to approve the request for purchasing the tool for Trustee use.
- The discussion continued. Trustees spoke in favor and not in favor of the usage of the tool.
- After discussion, an amended motion was made to approve the request for purchasing the tool with a 1-year commitment and to re-evaluate the tool in 1-year.
- Approved. (M.S.C. Oswal/Lanza 6-1-0, Vado, nay). The motion passed.

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

**Last Meeting: February 19, 2020**

**Next Meeting: March 9, 2020**

- a. Oral update from the Chair of the Disability Committee.
- Trustee Santos updated the Board. Dr. Tierman and Attorney Russell Richeada joined via teleconference.
- b. Minutes from the December 18, 2019 Police and Fire Disability Committee meeting. Receive and file.
- This Committees/Reports/Recommendations was received and filed
- c. 3rd and 4th Quarter 2019 Detailed Statistics Reports. Receive and file.
- This Committees/Reports/Recommendations was received and filed
- d. Discussion and action on timeline and procedure, after Board Medical Advisor's report is received, regarding submission of rebuttals and additional information.
- After discussion, a motion was made to approve the proposal and amend the procedures to be consistent with the Memorandum.
- Approved. (M.S.C. Lanza/Oswal 7-0-0). The motion passed unanimously.

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

**Last Meeting: February 25, 2020**

**Next Meeting: TBD**

- a. Oral update from the Chair of the Joint Personnel Committee.
- Chair Gardanier recapped the last Joint Personnel Committee which occurred on 2/25/2020. He stated that Trustee Vince was elected Chair and Trustee Orr was elected as Vice Chair. They are discussing the CEO/CIO Performance Metrics.
- b. Minutes of the October 28, 2019 Joint Personnel Committee meeting. Receive and file.
- This Committees/Reports/Recommendations was received and filed

- **PROPOSED AGENDA ITEMS**

None.

- **PUBLIC COMMENTS**

Charles Carter, retired San Jose Fire Fight spoke to item 2b.

- **ADJOURNMENT**

**Next Meeting: April 2, 2020**

The meeting was adjourned at 1:38 p.m.

\*Estimated