



BOARD OF ADMINISTRATION

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

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

Thursday, August 15, 2019

8:30 AM

NOTE MEETING LOCATION CHANGE:
1737 N. First Street, Suite 580
5th Floor Board Room
San Jose, CA 95112

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, August 15, 2019 at 8:30 a.m. at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Chair Loesch called the Pension and Health Care Trust meeting to order at 8:31 a.m.

Present: 4 - Matt Loesch, Anurag Chandra, Jay Castellano and Qianyu Sun

Absent: 1 - Elaine Orr

Vacant: Two positions

City Council Liaison to the Board Dev Davis arrived at 9:10 a.m.

Retirement Staff Present: Roberto L. Peña, Barbara Hayman, Kathryn Schaefer, Brian Starr, Dhinesh Ganapathiappan, David Aung, Arun Nallasivan, Peter Pham, Allain Mallari, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Mason Bledsoe, Attorney; Danny Horning, Disability retiree; Cheryl Parkman, OER; Sue Ziegler, LRWL

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-DEFERRED/CONTINUED ITEMS

A. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Executive
Officer

B. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Investment
Officer

The Board came out of Closed Session at 10:04 a.m.

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

The Board reconvened into open session at 10:08 a.m. There was no reportable action out of Closed Session.

ORDERS OF THE DAY

Item 1a (Time certain 11:00 a.m.) -Applicant requested deferral- Vito Maletta, Alarm Technician, Police Department, Request a Change in Status to a Service-connected Disability Retirement, effective June 30, 2011; 15.01* years of service. (Disability Committee Recommendation: Denial).

Item 2.1a - Miguel Serrano, request for a Service-Connected Disability Retirement-Change effective date from November 15, 2018 to January 29, 2019.

Two-Time Certain:

1). 10:30 a.m. Item 5a- Discussion and action regarding the repayment of the workers' compensation offset for Danny Horning. (Deferred from April agenda).

2). 11:30 a.m. Audit Committee Items:

Item 5c - Update on the Pension Administration System implementation project.

Item 6e -Approval of the Minutes of the May 16, 2019 Joint Audit Committee meeting.

Item 6f Approval of the 4/1/19-6/30/19 Quarterly Travel Analysis and attendance.

Item 6g - Discussion and action on the internal Audit Charter and the Internal Audit Plan for 2019-2024.

The Police and Fire Committee will join the Board meeting when the Audit Committee items are heard. The Board meeting will continue thereafter.

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

Approved. (M.S.C. Castellano/Chandra 4-0-0). The motion passed unanimously.

1. Change In Status to Service-Connected Disability

- a. **Vito Maletta**, Alarm Technician, Police Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective June 30, 2011; 15.01* years of service. (*Disability Committee Recommendation: Denial*) (**TIME CERTAIN: 11:00 A.M.**)

This item was deferred at the request of the applicant.

2. CONSENT CALENDAR

CEO Peña made reference to item 2.7c, the 2020 schedule of Board meetings. He stated that the Board regularly meets on the 3rd Thursday of the month. However, the scheduled meeting for January 16, 2020 will be moved to the 4th Thursday, January 23, 2020. The Board will resume to meet on the 3rd Thursday of the month for the remainder of the year as noted in the attached memo.

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Chandra/Castellano 4-0-0). The motion passed unanimously.

2.1 Approval for a Service-Connected Disability

- a. **Miguel Serrano**, Water Systems Operator II, Environmental Services Department, Request for a Service-Connected Disability Retirement, effective November 15, 2018; 28.93* years of service. *(Disability Committee Recommendation: Approval)*

2.2 Approval for a Change in Status to Service-Connected Disability

- a. **Dwayne Hearn**, Community Coordinator, Parks, Recreation and Neighborhood Services Department, Request for a Change in Status to a Service-Connected Disability Retirement, effective August 24, 2003; 5.50* years of service. *(Disability Committee Recommendation: Approval)*

2.3 Approval of Service Retirements

- a. **Brent Andrew Erkel**, Construction Manager, Public Works Department, effective September 7, 2019; 30.33* years of service.
- b. **Marc Estensen**, Maintenance Worker II, Department of Transportation, effective October 5, 2019; 30.09* years of service.
- c. **Carolyn Galdo**, Police Data Specialist II, Police Department, effective October 5, 2019; 29.78* years of service. *(With Reciprocity - 20.72 CSJ YOS + 9.05 PERS YOS)*
- d. **Joseph Jones**, Mechanic II, Environmental Services Department, effective July 25, 2019; 12.90* years of service.
- e. **Henry Juarez Jr.**, Building Inspector Combination, Planning, Building and Code Enforcement Department, effective August 10, 2019; 30.53* years of service. *(With Reciprocity - CSJ YOS 19.22 + 11.30 PERS YOS)*
- f. **Charles J. McClain**, Instrument Controls Technician, Environmental Services Department, effective October 19, 2019; 5.19* years of service.
- g. **Maria J. Murillo**, Analyst II, City Manager's Office, effective August 10, 2019; 30.04* years of service.
- h. **Tony Murphy**, Senior Mechanic, Public Works Department, effective August 10, 2019; 31.01* years of service.
- i. **Evin D. Ngo**, Senior Engineering Technician, Public Works Department, effective October 5, 2019; 30.01* years of service.

- j. **Ricardo Perez**, Maintenance Worker II, Department of Transportation, effective August 10, 2019; 30.56* years of service.
- k. **Ruben E. Reyes**, Maintenance Worker II, Department of Transportation, effective October 5, 2019; 30.02* years of service.
- l. **Maggie Suson-Nale**, Planning Technician, Planning, Building and Code Enforcement Department, effective August 24, 2019; 30.00* years of service.
- m. **Wes Tanaka**, Senior Engineering Technician, Environmental Services Department, effective October 19, 2019; 22.00* years of service.
- n. **Jeanette Warne**, Planner II, Planning, Building and Code Enforcement Department, effective August 24, 2019; 11.00* years of service.
- o. **Peter Williams**, Senior Air Conditioning Mechanic, Environmental Services Department, effective September 7, 2019; 20.48* years of service. *(With Reciprocity - CSJ YOS 18.65 + 1.83 PERS YOS)*
- p. **Kenney Wright**, Senior Office Specialist, Parks, Recreation and Neighborhood Services Department, effective June 22, 2019; 28.22* years of service.

2.4 Approval of Deferred Vested

- a. **Lew Cary Baumad**, Senior Sanitary Engineer, Environmental Services Department, effective September 14, 2019; 29.57* years of service. *(With Reciprocity - CSJ YOS 7.07 + 22.5 PERS YOS)*
- b. **Debra Caldon**, Supervising Environmental Service Specialist, Environmental Services Department, effective July 6, 2019; 23.38* years of service. *(With Reciprocity - CSJ YOS 6.08 + 17.30 PERS YOS)*
- c. **Rajiv Das**, City Physician, Human Resources Department/Office of Retirement Services, effective August 7, 2019; 11.42* years of service.
- d. **Rebecca L. Lorente**, Senior Public Safety Dispatcher, Police Department, effective September 17, 2019; 23.72* years of service. *(With Reciprocity - CSJ YOS 21.82 + 1.9 PERS YOS)*
- e. **Vivian Pham Nguyen**, Senior Account Clerk, Finance Department, effective September 1, 2019; 24.73* years of service. *(With Reciprocity - CSJ YOS 4.31 + 20.42 PERS YOS)*
- f. **Steve Solidarias**, Video/Multimedia Producer, Police Department, effective July 25, 2019;

16.36* years of service.

- g. John Snyder**, Associate Construction Inspector, Department of Transportation, effective June 7, 2019; 6.14* years of service.
- h. Jeffery David Vierra**, Electrician II, Department of Transportation, effective July 3, 2019; 8.69* years of service.

2.5 Approval of Board Minutes

- a.** Approval of the Board Minutes of June 20, 2019.

2.6 Approval of Return of Contributions

- a.** Voluntary | Involuntary.

2.7 Acceptance of Communication/Information Reports

- a.** Report of the Plan Expenses for May 2019. Receive and file.
- b.** **REVISED** 2019 Scheduled Board and Standing Committee Meetings.
- c.** 2020 Scheduled Board and Standing Committee Meetings
- d.** Communication regarding new Retiree Medical Plans for 2020.
- e.** **Educational Travel Reports:**
CALAPRS Trustees' Roundtable, Los Angeles Marriott Burbank Airport, Burbank, CA - June 7, 2019 - by Jay Castellano
- f.** Matrix of the City Auditor's Recommendations from the 2017 Audit.

2.8 Approval of Travel / Conference Attendance

- a.** Roberto L. Peña, CEO
 - CalAPRS Administrators Institute, Quail Lodge, Carmel, CA - September 25-27, 2019.
 - SACRS Fall Conference, Hyatt Regency Monterey Hotel & Spa, Monterey, CA - November 12-15, 2019.

- Reimbursement of travel expenses for business meetings in Oakland, CA - June 25-26, 2019.
- b. Prabhu Palani, CIO
 - 2019 Summer Roundtable, Chicago, IL - July 10 - 12, 2019.

2.9 Approval of Change in Retirement Date

- a. Approval for a change in effective date for **Todd B. Lewis** from June 6, 2019 to June 7, 2019 for a Deferred Vested Retirement with reciprocity, approved at the May 16, 2019 Board meeting.

2.10 Report out of Closed Session

- a. Report out of Closed Session investments approved at February 21, 2019 (GIP IV), March 21, 2019 (Cross Ocean III), and June 20, 2019 (Neuberger Berman) Federated Board meetings.

3. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair Loesch read the names into the record and asked for a moment of silence for those who served and have passed away.

- a. Notification of the death of **Mary Cabral**, Office Specialist II, retired March 31, 2007, died June 21, 2019. No survivorship benefits.
- b. Notification of the death of **Alec Covich**, Architect II, retired February 23, 1985, died June 23, 2019. Survivorship benefits to Thelma Covich, Spouse.
- c. Notification of the death of **Charles M. Del Re**, Investigator/Collector, retired October 5, 1996, died June 10, 2019. Survivorship benefits to Frances De Re, Spouse.
- d. Notification of the death of **Gary Huntley**, Equipment Maintenance Supervisor, retired September 26, 1992, died May 23, 2019. Survivorship benefits to Lillian Huntley, Spouse.
- e. Notification of the death of **Marlene Komrosky**, Office Specialist II, retired July 2, 2005, died April 24, 2019. No survivorship benefits.
- f. Notification of the death of **Albert D. Lopez**, Maintenance Worker II, retired October 28, 2000, died June 11, 2019. No survivorship benefits.
- g. Notification of the death of **Alice McCann**, Executive Secretary, retired March 22, 1986, died July 11, 2019. No survivorship benefits.
- h. Notification of the death of **Thomas Pratt**, Personnel Analyst IV, retired April 24, 1985, died June 2, 2019. Survivorship benefits to Clair Pratt, Spouse.

- i. Notification of the death of **C. William Rose**, Plant Shift Supervisor, retired August 29, 1992, died July 8, 2019. No survivorship benefits.
- j. Notification of the death of **Wilma Schultz**, Records Clerk, retired March 29, 1980, died June 20, 2019. No survivorship benefits.
- k. Notification of the death of **Sandra Tyson**, Senior Analyst, retired January 31, 1998, died June 28, 2019. Survivorship benefits to Dale Tyson, Spouse.
- l. Notification of the death of **Ilse Werdermann**, Development Specialist, retired May 7, 2005, died July 1, 2019. No survivorship benefits.

4. INVESTMENTS

- a. Oral update from Brian Starr, Senior Investment Officer.

Senior Investment Officer Brian Starr updated the Board. He stated that the unaudited fiscal year performance for the pension was 4.27% outperforming the benchmark of 3.93%.. The Healthcare Trust return was 4.19% vs. the benchmark at 3.86%. In the fourth quarter when equity markets fell sharply, we outperformed many of our peers and subsequently in the first quarter when equity markets rallied strongly, the plans under performed peers. Hedge funds performed well in the fiscal year with a 7.67% return. Since the end of the fiscal year, the markets experienced more volatility.

- b. Discussion on the Calendar Year 2018 Investment Fee Report to be presented by Investment Staff.

Mr. Ganapathiappan introduced the item. Mr. Aung handed out the fee report and presented it to the Board.

After discussion, the Board directed staff to provide a consistent format in fee reporting and also wants to see the fees reported by the peer group of funds, to be consistent with other reporting. The Board would also like to see the Executive Summary of what is in the detailed report.

The Board acknowledged staff for their work.

5. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action regarding the repayment of the workers' compensation offset for Danny Horning. (*Deferred from April agenda*) **(TIME CERTAIN: 10:30 A.M.)**

Kathryn Schaefer read staff's memo regarding the retirement and workers' compensation history for Mr. Danny Horning into the record. Staff recommendation is to collect all principal (attachment 1) and interest owed by Mr. Danny Horning in accordance with a payment plan that is approved by the Board. Repayment amount and background are noted in the attached memo. Mr. Horning was present with his attorney Mr. Mason Bledsoe. Attorney Bledsoe

stated that Mr. Horning's workers compensation payments were from a 2014 claim. Attorney Bledsoe claimed that City had later determined that Mr. Horning was disabled based on the 2011 claim, therefore, payments made by Workers Compensation from the 2014 claim should not need repayment. Ms. Schaefer disagreed and referenced Dr. Tierman's report that stated the 2011 and 2014 injury were contributing factors to the Board granting Mr. Horning the disability. Attorney Bledsoe disagreed. Harvey Leiderman, General and Fiduciary Counsel spoke to the item for clarification regarding the injuries.

After extensive deliberation, the Board directed staff to work with Mr. Horning and gather additional information and to include a timeline. Counsel Leiderman requested Attorney Bledsoe to turn in any documents that need to be reviewed by staff two weeks prior to the October Board meeting.

This will be a time certain item in October.

b. Discussion and action on the draft agenda for the September Federated Board Retreat.

CEO Peña led the discussion and spoke to the process. He referenced the attached memo summarizing the discussion along with a reminder of the previous retreats which took place in 2017. A draft agenda was included as well. Trustee Castellano spoke to the draft agenda items. He stated that the first item for discussion is about the bifurcation of the Tier 2 and bringing in consultants to walk through what is the key decision the Board needs to make and how to get there in terms of Tier 1 and Tier 2. No decision about Tier 1 and Tier 2 will be made at the retreat, but information for the Board to determine whether or not they want to go down that road. The second item is to talk about the funded plan status in anticipation of the market having a downturn and how does the 51% funded status gets impacted and what are the options for responding and reacting to market downturn. Item 3 is to discuss the process for developing and approving the annual work plan for the Board. This is an opportunity for the Board to take a step back and look at the big picture to establish key issues and how to incorporate that in terms of the annual plan. The floor was open for Board discussion of the topics.

After extensive discussion, the Board directed the CEO to gather items and meet with Trustees Sun, Castellano and the Plan's Actuary Cheiron and Consultant Meketa Investment Group.

The Board also directed staff to make the following changes to the items to the agenda:

- #1. Come up with a roadmap/strategic planning for the review of Tier 1 and Tier 2 development of asset management plans.
- #2. Delete the last sentence "Include discussion of how Tier 1 and Tier 2 bifurcation would impact policies and responses.
- #3. Add calendar year timeline in the description.

c. Update on the Pension Administration System implementation project. *Audit Committee (TIME CERTAIN: 11:30 A.M.)*

Item 5c (time certain at 11:30 a.m.) was heard after 7.4 at 11:38 a.m. followed by roll call. Barbara Hayman, Deputy Director and Sue Ziegler from LRWL presented the update on the Program Administration System and answered questions from the Board. Ms. Ziegler presented on the remaining items and Measure F. The Member Direct portal is scheduled for a soft launch on August 30, 2019. Status of remaining work can be found on slide 3 of the attached presentation.

The Chair acknowledged their work.

6. NEW BUSINESS

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

Item 6a was heard after item 5b.

CEO Peña updated the Board on the following:

- The external auditors will be back in the office on August 26, 2019.
- The New Accounting Clerk will start on September 23, 2019.
- Senior Analyst interviews will be held on August 16, 2019. Benefit Analyst and Office Specialist search will begin soon.
- The City Clerk ran the application process for the Federated Public seat. They received 4 applications and 3 qualify. The City will interview all three candidates and appoint one at the City Council meeting on August 27th. The Board will interview the remaining two candidates in October and appoint one member to the Board.
- No Known Conflict of Interest forms are due. Please sign and return it to staff.
- Letters to retirees were mailed last June due to changes to their paycheck.
- CEO Peña is working with the City regarding Retirement Investment professionals placed on CALPERs plan, kick off will be held in October.
- Interviews for IT manager position have taken place. Staff will interview the top 2 candidates.
- ORS lease agreement is up in March 2020. Staff is looking at either remaining in the current building or moving to a location nearby. Staff will have an update in October.

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

Council Liaison to the Board Dev Davis stated that PGE issued a public safety turn-off notice in the event there was danger of a wild fire. PG & E can shut off power anytime if there is a fear of wild fire. This could affect San Jose for 3-5 days. The Mayor and the City are working with PG & E for accountability on the program. More information will be available at the Mayor's Energy meeting on August 29, 2019.

- c. Discussion and action on appropriate response to the County of Santa Clara Civil Grand Jury report.

After a brief discussion, a motion was made to have both Board Chairs and Fiduciary Counsel coordinate with the City in preparing their respective responses.

Approved. (M.S.C. Loesch/Chandra 4-0-0). The motion passed unanimously.

- d. Discussion and action on proposed annual member statement for reclassified members from Tier 2 to Tier 1 to be prepared by the Board's actuary.

Cheryl Parkman from OER spoke to the item. She stated that the memo is for employees who were hired back as Tier 2, they have the option to reclassify and move back into Tier 1. Approximately 30 members have agreed to pay the additional contributions needed and move back into Tier 1. Ms. Parkman made a request to the Board for the City to work with Cheiron to calculate the annual statement for reclassified members from Tier 2 to Tier 1.

A motion was made to authorize the plan's Actuary, Cheiron to work with the City on the

annual member statement for reclassified members from Tier 2 to Tier 1.

Approved. (M.S.C. Chandra/Castellano 4-0-0). The motion passed unanimously.

- e. Approval of the Minutes of the May 16, 2019 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan. *Audit Committee* (TIME CERTAIN: 11:30 A.M.)

Item 6e was heard after item 5c.

A motion was made to Approve the Minutes of the May 16, 2019 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan.

Approved. (M.S.C. Castellano/Chandra 4-0-0). The motion passed unanimously.

- f. Approval of the 4/1/19 -6/30/19 Quarterly Travel and Attendance Analysis for Federated. *Audit Committee* (TIME CERTAIN: 11:30 A.M.)

A motion was made to Approve of the 4/1/19 -6/30/19 Quarterly Travel and Attendance Analysis for Federated.

Approved. (M.S.C. Castellano/Chandra 4-0-0). The motion passed unanimously.

- g. Discussion and action on the Internal Audit Charter and the Internal Audit Plan for 2019-2024. *Audit Committee* (TIME CERTAIN: 11:30 A.M.)

CEO Peña introduced the item and gave a brief background. Internal Auditor Allain Mallari presented the Internal Audit Charter along with the Internal Audit Plan and answered questions from the Board.

A motion was made to approve the Internal Audit Charter and 5-year Internal Audit Plan with changes.

Approved. (M.S.C. Loesch/Castellano 4-0-0). The motion passed unanimously.

Trustee Chandra departed after this item at 12:07 p.m.

7. COMMITTEES/REPORTS/RECOMMENDATIONS

7.1 Investment Committee (Loesch, Chandra, Vacant)

Last Meeting: May 28, 2019

Next Meeting: August 27, 2019

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

item 7.1a was heard after item 6d.

There was no update from the Investment Committee.

7.2 Governance Committee (Orr, Sun, Vacant)

Last Meeting: November 26, 2018

Next Meeting: September 5, 2019

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

The Governance Committee will meet jointly with the Governance Committee of the Police and Fire on September 5, 2019.

7.3 Audit Committee (Castellano, Orr, Vacant)

Last Meeting: May 16, 2019 Next Meeting: October 17, 2019

The Audit Committee Chair stated that they are meeting today.

7.4 Joint Personnel Committee (Loesch, Chandra, Vacant)

Last Meeting: August 6, 2019 Next Meeting: TBD

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

Trustee Chandra gave a brief recap of the last meeting. He stated that the Committee is working on their own policies for reviewing the CEO/CIO.

- b. Minutes of the February 20, 2019 Joint Personnel Committee. Receive and file.

This Committees/Reports/Recommendations was received and filed

8. EDUCATION & TRAINING

- a. The Cortex Report September 2019 - Conferences, Seminars, and Education Programs.
- b. CALAPRS 2019 Program Calendar.
- c. 2019 Pension Bridge Alternatives Conference, The Beverly Wilshire, Beverly Hills, CA - October 28 - 29, 2019.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 12:07 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

_____/S/_____
MATT LOESCH, P.E., CHAIR
BOARD OF ADMINISTRATION
ATTEST:

_____/S/_____
ROBERTO L. PEÑA
CEO, OFFICE OF RETIREMENT SERVICES