



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

Thursday, October 3, 2019

8:30 AM

City Hall, Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

Vincent Sunzeri, Chair, Public Member (Term Expires 11/30/20)
Andrew Gardanier, Vice-Chair, Fire Active Rep (Term Expires 11/30/19)
Ghia Griarte, Trustee, Public Member (Term Expires 11/30/22)
Drew Lanza, Trustee, Public Member (Term Expires 4/30/23)
Eswar Menon, Trustee, Public Member (Term Expires 11/30/22)
Nick Muyo, Police Retiree Rep (Term Expires 11/30/20)
Vikas Oswal, Trustee, Public Member (Term Expires 11/30/22)
Richard Santos, Trustee, Fire Retiree Rep (Term Expires 11/30/22)
Franco Vado, 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

Present: 9 - Richard Santos, Drew Lanza, Nick Muyo, Vincent Sunzeri, Ghia Griarte, Andrew Gardanier, Franco Vado, Eswar Menon and Vikas Oswal

Pam Foley, City Council Liaison to the Board arrived at 10:27 a.m. and departed at 12:42 p.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Brian Starr, David Aung, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Jeff Rieger, General and Fiduciary Counsel; Chris Theodor, Meketa Investment Group; Bill Hallmark, Cheiron; Anne Harper, Cheiron; Cheryl Parkman, OER.

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 OLD BUSINESS/CONTINUED-DEFERRED ITEMS

- A. CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL
PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(4) -
DECIDING WHETHER TO INITIATE LITIGATION (ONE CASE).

II. CLOSED SESSION INVESTMENTS

- A. CLOSED SESSION:** PURSUANT TO GOVERNMENT CODE SECTION
54956.81, TO CONSIDER PURCHASE OR SALE OF PARTICULAR,
SPECIFIC PENSION FUND INVESTMENTS.

The Board came out of Closed Session at: 10:06 a.m.

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

The Board reconvened into open session at: 10:12 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/Vado 9-0-0). The motion passed unanimously.

CEO Peña brought item 1.3d, Launch of the new Member Direct Portal to the
Board's attention. There were no questions regarding this item.

1.1 Approval Of Minutes

- a.** Approval of the Board Minutes of September 5, 2019.

1.2 Return of Contributions

- a.** Voluntary / Involuntary. - None

1.3 Communication/Information

- a. Police and Fire Retirement System Dashboard.
- b. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- c. Report of the Plan Expenses for June 2019. Receive and file.
- d. Communication to retirees regarding the launch of the new Member Direct Portal.

1.4 Approval of Administrative Matters

- a. Adoption of Resolution No. 4814 accepting Cheiron's report regarding the expected cost impact of proposed amendments to San José Municipal Code section 3.36.1200 (remarriage provision).

1.5 Report out of Closed Session

- a. Report out of Closed Session from the December 6, 2018 Police & Fire Board meeting.

1.6 Education and Training

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

2. INVESTMENTS

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

CIO Prabhu Palani had no update to the Board. Trustee Santos acknowledged the Investment team.
- b. Presentation of Calendar 1st Quarter 2019 Private Markets Report by Meketa Investment Group.

Chris Theodor from Meketa Investment Group presented the Calendar 1st Quarter 2019 Private Markets Report 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.

CEO Peña updated the Board on the following:

- Letters went out to the unions from the Clerk's office regarding the Employee nominations for the Employee Fire member seat on Sept. 3, 2019. Eligible candidates may submit a nomination petition from Monday, September 16, 2019 at 8:00 a.m. through Friday, October 4, 2019 at 5:00 p.m. An election will be held on Monday, November 18, 2019.
- Responses to the Santa Clara County Civil Grand Jury Report were mailed to the presiding Judge on September 24, 2019.
- CEO Peña, CIO Palani and Chair Sunzeri attended the 10/1/2019 City Council meeting to present the Fee Report. The City Council deferred the item to 10/8/2019.
- ORS lease agreement is up in March 2020. CEO Peña gave acknowledged Mr. Ganapathiappan for his work. He is looking at either remaining in the current building or moving to a location nearby.
- CEO Peña attended the CALAPRS Administrator's Institute in Carmel from September 26-27, 2019.
- PAS- Member Direct letters are going out this week.
- Open enrollment (Health care) for retirees will take place on Nov. 6, 2019 at the ORS.
- The Communications Consultant is working on the 1st edition of the newsletter. The kick off will be in January 2020.
- Tier 1 and Tier 2 rehire statements are going out this week.
- The new IT Manager started on September 23, 2019.
- The New Accounting Clerk started on September 23, 2019.
- Benefit Analyst interviews are this week. Start date for the new Office Specialist is on October 21st. Senior Analyst recruitment is ongoing until filled.
- Financial Analyst in Investment group will start on October 7, 2019.

CEO Peña updated the Board on the upcoming Federated interviews for the public seat.

Cheryl Parkman, OER gave an update on CALPers Benefit for Investment Professionals.

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

Councilmember Pam Foley updated the Board. She stated that the City Council adopted a State of Climate Emergency in the City of San Jose for businesses who have a negative impact on the environment. CEO Peña stated that he is working with Cheryl Parkman, OER and she will bring a Green Investments City Initiatives memo before the Board at the November meeting.

- c.** Discussion and action on review of economic assumptions for June 30, 2019 actuarial valuations:
- o Price inflation (Pension and OPEB valuations)
 - o Wage inflation (Pension and OPEB valuations)
 - o Discount rate (Pension valuation only)
- Item 4c & 4d were heard together.**
Bill Hallmark and Anne Harper presented the review of economic assumptions for June 30, 2019 actuarial valuations and answered questions from the Board.
- d.** Discussion and action on adjustments to amortization schedule to smooth projected contributions.
- Item 4c & 4d were heard together.**
Bill Hallmark and Anne Harper presented on adjustments to amortization schedule to smooth projected contributions and answered questions from the Board.
- After a lengthy discussion, a motion was made to accept the recommendation of price inflation from 2.75% to 2.50%, retain wage inflation at 3.25% and retain the discount rate at 6.75%. The discussion continued.**
- After discussion, an amendment to the motion was made to accept the above pending changes to the third line if adjusted later.**
Approved. (M.S.C. Sunzeri/Vado 9-0-0). The motion passed unanimously.
- e.** Nominations for the position of Board Chair for calendar year 2020.
- 4e was heard was heard after 5.2a.**
Chair Sunzeri led the discussion and opened the floor for Nominations. A nomination was made for Vice Chair Gardanier as Chair. There were no additional nominations. The nomination was closed.
- A motion was made to nominate Vice Chair Gardanier as Chair of the Board calendar year 2020.**
Approved. (M.S.C. Sunzeri/Griarte 9-0-0). The motion passed unanimously.
- Vice Chair Gardanier accepted the nomination.**

5. RETIREMENTS

5.1 Service Retirements

Item 5.1 was heard after item 4d.
Chair Sunzeri read the Service Retirements into the record.

A motion was made to approve the Service Retirements.
Approved. (M.S.C. Santos/Muyo 9-0-0). The motion passed unanimously.

Trustee Muyo thanked them for their service and wished them well.

- a. **Mark S. Alvares**, Police Officer, Police Department, effective November 2, 2019; 25.20* years of service.
- b. **Kevin P. McMillin**, Police Officer, Police Department, effective October 5, 2019; 25.86* years of service. (*With Reciprocity - 22.42 CSJ YOS + 3.44 PERS YOS*)
- c. **Aurelio Rodriguez**, Police Officer, Police Department, effective September 21, 2019; 27.30* years of service.
- d. **Nicholas L. Speaks**, Police Officer, Police Department, effective October 5, 2019; 25.14* years of service. (*With Reciprocity*)

5.2 Deferred Vested

Chair Sunzeri read the Service Retirements into the record.

**A motion was made to approve the Deferred Vested Retirement.
Approved. (M.S.C. Santos/Muyo 9-0-0). The motion passed unanimously.**

Trustee Muyo said a few good words and wished Sergeant Lee well.

- a. **Alan M. Lee**, Police Sergeant, Police Department, effective October 13, 2019; 26.11* years of service.

6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Chair Sunzeri read the Death and Survivorship Notifications into the record followed by a moment of Silence.

- a. Notification of the death of **Gary Flair**, Fire Engineer, retired October 12, 1971, died August 10, 2019. No survivorship benefits.
- b. Notification of the death of **Victor Hernandez**, Police Officer, retired July 15, 2006, died July 15, 2019. Survivorship benefits to Suzan Hernandez, Spouse.
- c. Notification of the death of **Jack Spinler**, Fire Engineer, retired March 5, 1985, died August 5, 2019. No survivorship benefits.
- d. Notification of the death of **Richard Thomas**, Police Sergeant, retired January 10, 1987, died July 16, 2019. No survivorship benefits.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

7.1 Investment Committee (Griarte - CH/Gardanier/Menon/Oswal)

Last Meeting: August 27, 2019

Next Meeting: October 22, 2019

- a. Oral update from the Chair of the Investment Committee.
- Trustee Griarte stated that everything was covered during the meeting today.
The next meeting will be held on October 22, 2019.

7.2 Audit/Risk Committee (Lanza - CH/Menon/Vado – Alt: Gardanier)

Last Meeting: August 15, 2019

Next Meeting: October 17, 2019

- a. Oral update from the Chair of the Audit/Risk Committee.
- Trustee Lanza asked Ms. Hayman to update the Board. She spoke on Member Direct and stated that a soft rollout went out to staff and they received good feedback.

7.3 Governance Committee (Vado - CH/Muyo/Oswal – Alt: Santos)

Last Meeting: September 5, 2019

Next Meeting: December 5, 2019

- a. Oral update from the Chair of the Governance Committee.
- Trustee Vado updated the Board and stated that they had a meeting last month and the Federated Committee did not have a quorum.
- b. Minutes of the November 26, 2018 Joint Governance Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan. Receive and file.
- This minutes were received and filed.
- c. Discussion and action on approval of Forward Calendar for the Joint Governance Committee.
- A motion was made to approve the Forward Calendar for the Joint Governance Committee.
Approved. (M.S.C. Vado/Lanza 9-0-0). The motion passed unanimously.

- d. Discussion and action on minor revisions to governance policies and charters to achieve full consistency across the two Boards:
- a. Governance Committee Charter
 - b. Audit Committee Charter
 - c. Board Communications Policy
 - d. Board Performance Assessment Policy
 - e. Policy on Vendor Selection (to reflect recent changes to IPS)

Trustee Vado stated that there were inconsistencies between Federated and Police and Fire policies (see attached). They were in agreement with the minor changes except for the Communications Policy. It was sent back to Federated for review. The Board had questions regarding Vendor Selection, and Investment Consultants that it is not consistent with the Investment Policy Statement (IPS). The Board agreed to defer the Vendor Selection policy. CEO Peña will reach out to Tom Iannucci of Cortex.

A motion was made to approve the Governance Committee Charter, Audit Committee Charter, Board Communications Policy, and Board Assessment Policy. The Vendor Selection Policy will come back to the Board. Approved. (M.S.C. Sunzeri/Lanza 9-0-0). The motion passed unanimously.

- e. Discussion and action on amendments to the charters of the CEO and CIO:
- a. To confirm the relationship between the two positions for the benefit of JPC, which is developing the performance evaluation policies for each position.
 - b. To reflect recent changes to IPS
 - c. To eliminate any unnecessary inconsistencies between the Boards

A motion was made to amend the Charter of the CEO. The CIO Charter will come back to the Board.

Approved. (M.S.C. Sunzeri/Lanza 9-0-0). The motion passed unanimously.

- f. Discussion and action on initiating the 2019 Board Self-Evaluation.

CEO Peña led the discussion and stated that Cortex sent out the survey. Cortex will follow up with the Board for their responses.

A motion was made to approve the 2019 Board Self-Evaluation process.

Approved. (M.S.C. Vado/Lanza 9-0-0). The motion passed unanimously.

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

Last Meeting: August 5, 2019 (September meeting cancelled) Next Meeting: October 7, 2019

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

Trustee Santos stated that the next Disability meeting will be held on October 7, 2019 at 10:00 a.m.

7.5 Joint Personnel Committee (Sunzeri - CH/Griarte/Muyo)

Last Meeting: September 9, 2019

Next Meeting: TBD

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

Chair Sunzeri updated the Board regarding the Joint Personnel Committee. He said that they are moving forward with the process of the roles and responsibilities of the CEO/CIO. The next meeting is scheduled on October 28, 2019 at the ORS from 12:00p.m.-2:00p.m.

- b. Minutes of the August 6, 2019 Joint Personnel Committee meeting. Receive and file.

The minutes were received and filed.

• **PROPOSED AGENDA ITEMS**

Trustee Oswal would like to see an educational item on the agenda regarding purchasing additional data from Cheiron.

• **PUBLIC COMMENTS**

None.

• **ADJOURNMENT**

The meeting adjourned at 12:57 p.m.

Next Meeting: November 7, 2019