



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, October 17, 2019

8:30 AM

City Hall, Wing Rooms 118-120

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, October 17, 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 8:33 a.m.

Present: 5 - Matt Loesch, Anurag Chandra, Qianyu Sun, Elaine Orr and Spencer Horowitz

Absent: 1 - Jay Castellano

Vacant: One position

Council Liaison Dev Davis arrived at 8:37 a.m. and departed at 12:05 p.m.

Trustee Chandra departed at 11:42 a.m.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Brian Starr, Dhinesh Ganapathiappan, Jay Kwon, Ron Kumar, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Jeff Rieger, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Chris Theodor, Meketa Investment Group; Bill Hallmark, Cheiron; Steven Hastings, Cheiron; Danny Sullivan, Verus; Kaci Boyer, Neuberger Berman (via telephone); Tom Iannucci, Cortex (via telephone); Mark Keleher, Public Member Candidate for Trustee; Ruth Merino, San Jose Community Energy Advocates; Cheryl Parkman, OER.

AGENDA

OPEN SESSION

ORDERS OF THE DAY

The following changes were made to the Orders of the Day.

- 1.4(a) – DV Retirement - Lew Cary Bauman, Senior Sanitary Engineer, ESD, effective September 14, 2019; 29.27* years of service. (With Reciprocity – CSJ YOS 7.07 + 22.5 PERS YOS) – Approved on last month's agenda with incorrect spelling of last name: change Baumad to Bauman.
- 1.3f – Service Retirement – Mitchell E. Daughetry, Enterprise Information Technology Engineer I, Information Technology Department, effective September 20, 2019; 18.19* years of service - Change effective date from September 20 to September 21, 2019.
- Item 5d – Interview for Public Member Trustee (TIME CERTAIN 10:00 a.m.)

WAIVE SUNSHINE (attachments received late):

- Item 3d(2) - Presentation by Verus.

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

Approved. (M.S.C. Horowitz/Chandra 5-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Chandra/Orr 5-0-0). The motion passed unanimously.

1.1 Approval for a Non-Service-Connected Disability

- a. **Andres Ramos**, Warehouse Worker II, Library Department, Request for a Non Service-Connected Disability Retirement, effective March 8, 2019; 20.62* years of service.
(*Disability Committee Recommendation: Approval*)

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

- a. **Christine Meyers**, Groundswoker, Parks, Recreation and Neighborhood Services Department, effective April 17, 2012; 21.16* years of service. (*Disability Committee Recommendation: Approval*)

1.3 Approval of Service Retirements

- a. **Joanne Bartholdy**, Staff Specialist, City Manager's Office, effective September 7, 2019; 28.82* years of service.
- b. **Michael K. Calderon**, Electrician, Department of Transportation, effective August 31, 2019; 17.67* years of service.
- c. **Jesse Carbajal, Jr.**, Maintenance Assistant, Parks, Recreation and Neighborhood Services Department, effective September 26, 2019; 11.99* years of service.
- d. **Sharon M. Clute**, Environmental Inspector II, Planning, Building and Code Enforcement Department, effective September 21, 2019; 22.27* years of service.
- e. **Edwin Cortez**, Recreation Program Specialist, Parks, Recreation and Neighborhood Services Department, effective October 5, 2019; 23.24* years of service.
- f. **Mitchell E. Daugherty**, Enterprise Information Technology Engineer I, Information Technology Department, effective September 20, 2019; 18.19* years of service.

- g. John Del Ponte**, Senior Maintenance Worker, Department of Transportation, effective November 16, 2019; 29.27* years of service.
- h. Susan Gardner**, Program Manager, Fire Department, effective November 16, 2019; 7.15* years of service.
- i. Demetrius Johnson**, Heavy Equipment Operator, Parks, Recreation and Neighborhood Services Department, effective September 21, 2019; 30.03* years of service.
- j. Matt Newton**, Principal Construction Inspector, Public Works Department, effective October 19, 2019; 30.00* years of service.
- k. Arlyn Villanueva**, Associate Engineer, Public Works Department, effective October 12, 2019; 22.15* years of service.
- l. Claude Alan Wiley**, Information Systems Analyst, Fire Department, effective October 19, 2019; 30.00* years of service.

1.4 Approval of Deferred Vested

- a. Low Cary Bauman**, 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. Daniel R. Earl**, Public Safety Radio Dispatcher, Police Department, effective November 18, 2019; 28.26* years of service.
- c. Julie Edmonds-Mares**, Deputy City Manager, City Manager's Office, effective September 30, 2019, 11.81* years of service. *(With Reciprocity CSJ YOS 10.56 + 1.25 PERS YOS)*
- d. Randolph Hom**, Senior Deputy City Attorney, City Attorney's Office, effective August 30, 2019; 23.15* years of service. *(With Reciprocity CSJ YOS 2.05 + 19.03 PERS YOS + 2.07 LACERS YOS)*
- e. Ronald M. Homen**, Maintenance Worker II, Department of Transportation, effective October 12, 2019, 18.36* years of service.
- f. Rebecca Muñoz**, Maintenance Assistant, Parks, Recreation and Neighborhood Services Department, effective October 28, 2019; 10.62* years of service.
- g. George Mark Schriefer**, Building Inspector Supervisor, Planning, Building and Code Enforcement Department, effective November 1, 2019; 10.42* years of service. *(With Reciprocity CSJ YOS 3.54 + 6.87 PERS YOS)*

- h. **Francisco V. Valle**, Maintenance Worker, Environmental Services Department, effective September 9, 2019; 11.82* years of service.
- i. **Todd Waltrip**, Code Enforcement Supervisor, Planning, Building and Code Enforcement Department, effective October 22, 2019; 19.72* years of service.

1.5 Approval of Board Minutes

- a. Approval of the Board Minutes of August 15, 2019.
- b. Approval of the Board Retreat Minutes of September 19, 2019.

1.6 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.7 Acceptance of Communication/Information Reports

- a. Report of the Plan Expenses for June and July 2019. Receive and file.
- b. Report of the Budget vs. Actual Expenses for 4th Quarter FY 18-19. Receive and file.
- c. **Educational Travel Reports:**
 - CALAPRS Principles of Pension Governance, Pepperdine University, Malibu, CA - August 26-29, 2019 - by Jay Castellano
 - CALAPRS Principles of Pension Governance, Pepperdine University, Malibu, CA - August 26-29, 2019 - by Qianyu Sun
 - 2019 Women's Leadership Unbound Summit, Ritz Carlton, Half Moon Bay, CA - September 11-13, 2019 - by Elaine Orr
- d. Government Finance Officers Association (GFOA) Certificate and Award of Financial Reporting Achievement on the Comprehensive Annual Financial (CAFR) for the Fiscal Year ended June 2018.
- e. Matrix of the City Auditor's Recommendations from the 2017 Audit.

- f. Communication to retirees regarding the launch of the new Member Direct Portal.
- g. **REVISED** 2020 Scheduled Board and Standing Committee Meetings.
- h. Notification of Private Market Commitments by Investment Staff.
- i. The City's and Board's responses to the Grand Jury report.

1.8 Report out of Closed Session

- a. Report out of Closed Session from the December 20, 2018 Federated Board meeting.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

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

- a. Notification of the death of **Carlos Agustin**, Painter, retired July 3, 1993; died August 28, 2019. Survivorship benefits to Beverly Agustin, Spouse.
- b. Notification of the death of **Amelita Aranda**, Office Specialist II, retired January 14, 2006, died September 4, 2019. Survivorship benefits to Jose Aranda, Spouse.
- c. Notification of the death of **Thomas Brown**, Maintenance Worker I, retired March 5, 2011, died September 20, 2019. Survivorship benefits to Elizabeth Bailey, Spouse.
- d. Notification of the death of **Felix Guido**, Custodian, retired July 12, 2004, died August 11, 2019. Survivorship benefits to Gail Guido, Spouse.
- e. Notification of the death of **Bobby Heikkila**, Assistant Fire Master Mechanic, retired May 30, 1987, died August 3, 2019. Survivorship benefits to Heide Heikkila, Spouse.
- f. Notification of the death of **Carol Lazetera**, Senior Account Clerk, retired December 7, 2002, died June 21, 2019. No survivorship benefits.
- g. Notification of the death of **Art. T. Mendoza**, Principal Civil Engineer, retired October 4, 1987, died June 24, 2019. No survivorship benefits.
- h. Notification of the death of **Richard Molano**, Groundswoker, retired November 8, 2001, died August 17, 2019. No survivorship benefits.

- i. Notification of the death of **Alberto Oxonian**, Senior Civil Engineer, retired April 7, 2000, died September 7, 2019. Survivorship benefits to Alegria Oxonian, Spouse.
- j. Notification of the death of **Roberta Roggeveen**, Senior Typist Clerk, retired January 30, 1988, died May 5, 2019. No survivorship benefits.
- k. Notification of the death of **Sydney P. Soucy**, Police Data Systems Specialist Supervisor, retired May 20, 1973, died August 21, 2019. No survivorship benefits.
- l. Notification of the death of **Joseph Sturak**, Electrician, retired October 3, 1987, died August 28, 2019. No survivorship benefits.
- m. Notification of the death of **Lori Wallace-Pushinaitis**, Associate Environmental Services Specialist, Deferred Vested, died October 21, 2018. Survivorship benefits to Mark Pushinatis, Spouse.

3. INVESTMENTS

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

There was no update by the CIO.

- b. Discussion and approval to renew a 1 year agreement with Albourne America, LLC for \$20,000 per month on a month-to-month basis and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$260,000.

Mr. Kumar presented the attached memo. Staff recommendation is to renew the agreement with Albourne America, LLC for \$20,000 per month and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$260,000.

A motion was made to approve staff recommendation to renew the agreement with Albourne America, LLC for \$20,000 per month and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$260,000.

Approved. (M.S.C. Chandra/Orr 5-0-0). The motion passed unanimously.

- c. Discussion and approval to renew the agreement with Meketa Investment Group for \$28,333 per month through February 2020 and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$240,000.

Mr. Kumar presented the attached memo. He stated that Staff recommendation is to renew the agreement with Meketa Investment Group for \$28,333 per month through February 2020 and for the Secretary to negotiate and execute the agreement for a not-to-exceed amount of \$240,000.

A motion was made to approve staff recommendation to renew the agreement with Meketa Investment Group for \$28,333 per month through February 2020 and for the Secretary to

negotiate and execute the agreement for a not-to-exceed amount of \$240,000.
Approved. (M.S.C. Orr/Chandra 5-0-0). The motion passed unanimously.

- d. Discussion and action on asset allocation by Meketa Investment Group.

CIO Palani introduced the item and gave a background. He stated that the Asset Allocation is the most important decision that the Board can make. The Strategic Asset Allocation was updated in 2018 and they will not make changes at this time. On an annual basis, we visit our Capital Market Assumptions. Staff is looking to have a Strategic Asset Allocation approved by the Board to implement and use for a few years unless there is a drastic change in Asset Class return expectations. This item went to the IC with a few different options and it was recommended by the IC that three or four options be brought to the full Board. Laura Wirick and Chris Theordor from Meketa Investment Group presented and answered questions from the Board.

After discussion, a motion was made to adopt "A" Asset Allocation as noted on slide 6. The discussion continued. CEO Peña asked about the turnaround of movement of the funds. CIO Palani answered as quickly and prudent as possible. If they go from the current Asset Allocation to "A", it can be done within 2 months.
Approved. (M.S.C. Loesch/Orr 4-0-1). The motion passed.

- e. Presentation of Calendar 1st Quarter 2019 Private Equity Report by Neuberger Berman.

Item 3e was heard after item 5d.

Kaci Boyer from Neuberger Berman joined via telephone and presented the Calendar 1st Quarter 2019 Private Equity Report. Mr. Starr was present to answer questions from the Board.

- f. Presentation of Calendar 1st Quarter 2019 Private Markets Report by Meketa Investment Group.

Chris Theordor from Meketa Investment Group presented the Calendar 1st Quarter 2019 Private Markets Report and answered questions from the Board.

- g. Presentation of Calendar 2nd Quarter 2019 Performance Report for the Pension Plan by Meketa Investment Group.

Chris Theordor from Meketa Investment Group presented the calendar 2nd Quarter 2019 Performance Report for the Pension Plan and answered questions from the Board.

- h. Presentation of Calendar 2nd Quarter 2019 Performance Report for the Health Care Trust by Meketa Investment Group.

Laura Wirick from Meketa Investment Group presented the calendar 2nd Quarter 2019 Performance Report for the Health Care Trust and answered questions from the Board.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

NONE.

5. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- The Clerk's Office will open the application process for the employee seat on the Federated Board from 10/28/19-11/15/19. Elections will be held on January 6, 2020.
- On October 18, 2019, CEO Peña, CIO Palani and Chair Sunzeri (Police and Fire) attended the City Council meeting and presented the Investment Fee Report.
- CEO Peña attended the annual CALAPRS Administrators Institute in September.
- The Communications Consultant is working on the quarterly newsletter. The kick off will be held in January 2020.
- The November meeting will be very long. Staff will follow up with an email to keep the Board apprised.
- ORS welcomed the new IT manager, Accounting Clerk, and Financial Analyst. The new Office Specialist will start on Oct. 21, 2019.

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

Dev Davis, City Council Liaison, stated that she will not be at the November meeting because there is a Caltrans Board Retreat scheduled that day. She reported that on September 24, 2019, the City Council authorized the City Manager to execute a revenue capture agreement with eBay. They are newly collecting sales tax and the City will get a minimum of \$5 million and 70 percent of their increased revenues above that amount annually. The \$5 million baseline will be increased by three percent annually and it is a 15-year agreement. This will be applied to the General Fund.

- c. Discussion and action on review of economic assumptions for June 2019 actuarial valuations presented by Cheiron:

- o Price inflation (Pension and OPEB valuations)
- o Wage inflation (Pension and OPEB valuations)
- o Discount rate (Pension valuation only)

Bill Hallmark and Stephen Hastings presented the review of economic assumptions for June 30, 2019 actuarial valuations and answered questions from the Board. The assumptions that the Board adopts will be used for the 2019 actuarial valuation to determine contributions for FY 2021.

Cheiron made the following recommendations to the Board:

Price inflation

- Consider retaining price inflation rate of 2.50%

Wage Inflation

- Consider reducing wage inflation rate from 3.25% to 3.00%. The change would reduce real wage growth from 0.75% to 0.50%.

Amortization payment increases

- Consider reducing rate from 3.00% to 2.75%.

Discount rate

- Consider retaining 6.75%

After discussion, a motion was made to approve Cheiron's recommendations of the economic assumptions of June 2019 actuarial valuations as listed on page 19.
Approved. (M.S.C. Loesch/Orr 4-0-0). The motion passed unanimously.

Trustee Chandra departed during this item at 11:42 a.m.

- d. Interviews for Public Member Trustee for Board of Administration for the Federated City Employees Retirement System. **(TIME CERTAIN: 10:00 A.M.)**

- Mark Keleher
- John Klobe

Item 5d was heard after item 3d.

Mr. Klobe declined the invitation to interview before the Board.

Mr. Keleher was present and interviewed before the Board.

After the interview, a motion was made to recommend Mr. Mark Keleher to the City Council as the Public Member Trustee of the Federated Board.

Approved. (M.S.C. Chandra/Horowitz 5-0-0). The motion passed unanimously.

- e. Discussion and action regarding Committee assignments.

A motion was made to approve the following changes to the committee assignments: add Trustee Horowitz to the Audit Committee, add Trustee Orr to the Investment Committee, and add Trustee Castellano to the Joint Personnel Committee.

Approved. (M.S.C. Loesch/Orr 5-0-0). The motion passed unanimously.

- f. Discussion on City's Resolution endorsing the declaration of a Climate Emergency by the City Council.

Cheryl Parkman from OER spoke to the item. She stated that on September 17, 2019, the City Council adopted a resolution that endorsed the Declaration of a Climate Emergency. The memo to the Retirement Boards addressed provision number seven of the Climate Emergency Resolution. This referral includes consideration of ceasing new investments in Fossil Fuel Companies and prioritizing investments in renewable energy. The City Council recognizes the Board's independence in terms of investing and they are deferring this to both Boards for consideration. Jeff Rieger, General and Fiduciary Counsel stated that Reed Smith has done a lot of work on this for pension funds and suggested Reed Smith make a presentation. The Chair made a recommendation to bring this item back as an educational tool and have Staff and Reed Smith make presentations at the December or January meeting.

Ruth Merino, from San Jose Community Energy Advocates, spoke to the item to encourage the Board to consider this request as noted in her attached memo.

Council Liasion Dev Davis departed during this item.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Loesch, Chandra)

Last Meeting: August 27, 2019

Next Meeting: October 22, 2019

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

There was no report from the IC Chair.

- b. Minutes of the May 28, 2019 Federated Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the May 28, 2019 Joint Investment Committee Meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

6.2 Governance Committee (Orr, Sun)

Last Meeting: November 26, 2018

Next Meeting: December 5, 2019

(September 5, 2019 Meeting Cancelled)

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

There was no report from the Chair of the Governance Committee.

- b. Approval of the 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.

This Committees/Reports/Recommendations was received and filed

- c. Discussion and action on approval of Forward Calendar for the Joint Governance Committee.

CEO Peña led the discussion. He stated that the Forward Calendar is to set the agenda for the Governance Committee for the next few meetings. Tom Iannucci from Cortex joined via telephone.

A motion was made to approve the Forward Calendar for the Joint Governance Committee. Approved. (M.S.C. Loesch/Sun 4-0-0). The motion passed unanimously.

- d. 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

Tom Iannucci from Cortex led the discussion (via telephone) and answered questions from the Board. He stated that the attached Charters are in alignment with the Police and Fire Board. He went through the proposed changes to the CEO and CIO Charters.

After discussion, a motion was made to approve the changes to the CEO and CIO Charters. Approved. (M.S.C. Sun/Horowitz 4-0-0). The motion passed unanimously.

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

Tom Iannucci from Cortex went over the changes to the governance policies and charters and answered questions from the Board.

A motion was made to approve the following changes to the governance policies and charters:

- a. Board Communications Policy - Motion to approve to keep the language in section 3 "as is." and change the language in section 18.
Approved. (M.S.C. Sun/Horowitz 4-0-0). The motion passed unanimously.
- b. Board Education Policy - Motion to approve the changes in the Education Policy as proposed.
Approved. (M.S.C. Orr/Sun 4-0-0). The motion passed unanimously.
- c. Policy on Vendor Selection (to reflect changes to the IPS) - Motion to approve the proposed changes to the Vendor Selection (to reflect recent changes to the IPS) and to add Human Resources Consultant to Vendor Selection.
Approved. (M.S.C. Orr/Sun 4-0-0). The motion passed unanimously.

Approved. (M.S.C. Orr/Sun 4-0-0). The motion passed unanimously.

6.3 Audit Committee (Orr, Castellano)

Last Meeting: August 15, 2019

Next Meeting: October 17, 2019

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

There will be an Audit Committee meeting today after the Board meeting.

6.4 Joint Personnel Committee (Loesch, Chandra)

Last Meeting: September 9, 2019

Next Meeting: October 28, 2019

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

The next JPC meeting will be held on October 28, 2019 at the ORS from 12:00-2:00 p.m.

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

This Committees/Reports/Recommendations was received and filed

7. EDUCATION & TRAINING

- a. The Cortex Report - November 2019 - Conferences, Seminars, and Educational 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 was adjourned at 12:30 p.m.

*Estimated

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