



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, January 23, 2020

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, January 23, 2020 at 8:30 a.m. at City Hall Wing Rooms 118-120, 200 East Santa Clara Street, San Jose, California 95113. Chair Castellano called the Pension and Health Care Trust meeting to order at 8:31 a.m. followed by roll call. The Chair welcomed new Trustee Julie Jennings to the Board. She said a few words about herself. Harvey Leiderman, General and Fiduciary Counsel, introduced his new partner, Jenni Krengel to the Board. Counsel Krengel will be working closely with Counsel Leiderman. Jeff Rieger, General and Fiduciary Counsel, has moved on to another system. Counsel Krengel said a few words about her experience.

Present: 6 - Anurag Chandra, Jay Castellano, Qianyu Sun, Elaine Orr, Spencer Horowitz and Julie Jennings

Absent: 1 - Mark Keleher

Dev Davis, City Council Liaison to the Board was absent.

Retirement Staff Present: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Kathryn Schaeffer, Peter Pham, Marti Zarate, Michelle San Miguel, Linda Alexander.

Also Present: Harvey Leiderman, General and Fiduciary Counsel; Jenni Krengel, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Bill Hallmark, Cheiron; Michael Schionning, Cherion; Danny Horning, repayment member; Bill Gold, OER.

AGENDA

OPEN SESSION

ORDERS OF THE DAY

•TIME CERTAIN 10:30 – Item 4b – Discussion and action regarding the repayment of the workers' compensation offset for Danny Horning. (Deferred from August meeting).

-Items 4a, 5d, and 5e will be heard together.

WAIVE SUNSHINE (attachments received late):

•Item 4b - Discussion and action regarding the repayment of the workers' compensation offset for Danny Horning. (Deferred from August meeting).

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

Approved. (M.S.C. Chandra/Horowitz 6-0-0). The motion passed unanimously.

1. CONSENT CALENDAR

CEO Peña pulled item 1.5d, ORS's first Quarterly Newsletter - The Retirement Connection.

A motion was made to approve the balance of the Consent Calendar.
Approved. (M.S.C. Sun/Horowitz 6-0-0). The motion passed unanimously.

1.1 Approval of Service Retirements

- a. **Joseph B. Borja**, Gardener, Parks, Recreation and Neighborhood Services Department, effective January 25, 2020; 30.46* years of service.
- b. **William Donnelly**, Accounting Technician, Finance Department, effective January 25, 2020; 11.78* years of service.
- c. **Kimble Gause**, Senior Carpenter, Public Works Department, effective February 8, 2020; 24.41* years of service.
- d. **William E. Harris**, Information System Analyst, Police Department, effective February 22, 2020; 30.02* years of service.
- e. **Richard A Linan**, Gardener, Parks, Recreation and Neighborhood Services Department, effective February 8, 2020; 30.01* years of service.
- f. **Joey L. McDonald**, Division Manager, Police Department, effective February 22, 2020; 29.71* years of service.
- g. **Abonesh Mengistu**, Accountant, Office of Economic Development, effective January 25, 2020; 20.18* years of service.
- h. **Francisco S. Osorio**, Maintenance Worker II, Department of Transportation, effective February 8, 2020; 30.05* years of service.
- i. **Douglas Perasso**, Building Inspector Combination, Planning, Building and Code Enforcement Department, effective January 25, 2020; 15.13* years of service.
- j. **Chris T. Sifferman**, Equipment Mechanic Assistant II, Public Works Department, effective February 22, 2020; 19.23* years of service.

1.2 Approval of Deferred Vested

- a. **Heidi M. Andersen**, Senior Recreation Leader Teacher Part Time, Parks, Recreation and Neighborhood Services Department, effective December 23, 2019; 6.81* years of service.

- b. **Renee Gimelli**, Librarian II, Library Department, effective January 1, 2020; 7.47* years of service. *(With Reciprocity CSJ YOS 3.00 + 4.47 PERS YOS)*
- c. **Theresa M. Lannigan**, Senior Analyst, Police Department, effective February 22, 2020; 11.24* years of service.
- d. **James L. Peterson**, Deputy Director of Aviation, Airport Department, effective December 22, 2019; 15.87* years of service. *(With Reciprocity CSJ YOS 9.13 + 6.73 PERS YOS)*

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of December 19, 2019.

1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a. Report of the Plan Expenses for November. Receive and file.
- b. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- c. **Revised** 2020 Scheduled Board and Standing Committee Meetings.
- d. ORS's first Quarterly Newsletter - The Retirement Connection.

CEO Peña spoke to the relaunched Quarterly Newsletter called "The Retirement Connection" and answered questions from the Board regarding the method of distribution. CEO Peña stated that for the first year, members will receive hard copies and will have an option to sign up for a digital version. He acknowledged Barbara Hayman and Linda Alexander for their hard work on the Newsletter.

A motion was made to approve item 1.5d.

Approved. (M.S.C. Horowitz/Chandra 6-0-0). The motion passed unanimously.

- e. Pensions & Investments Article - Tackling the Issue of Conflict on Public Fund Boards by Arleen Jacobius - Jan 13, 2020.
- f. Pensions & Investments Article - For an Efficient Board, Mutual Respect and a Collegial Culture

Are Mandatory by Arleen Jacobius - Jan 13, 2020.

1.6 Approval of Travel / Conference Attendance

- a. Roberto L. Peña, CEO
 - CALAPRS General Assembly, Omni Rancho Las Palmas Resort, Rancho Mirage, CA, March 7 - 10, 2020.
- b. Elaine Orr, Trustee
 - 2020 Pension Bridge Annual Conference, The Westin St. Francis Hotel, San Francisco, CA - April 14 - 15, 2020.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair asked for a moment of silence for those that have served the City and passed away.

- a. Notification of the death of **Aurelia Aldama**, Traffic Checker, retired February 4, 1990, died November 13, 2019. No survivorship benefits.
- b. Notification of the death of **Craig Del Ponte**, Plumber, retired February 19, 1999, died November 8, 2019. Survivorship benefits to Eloise Del Ponte, Spouse.
- c. Notification of the death of **Ronald Greer**, Gardener, retired January 1, 2005, died December 5, 2019. Survivorship benefits to Carole Ann Ferris, Spouse.
- d. Notification of the death of **Gordon Hilty**, Senior Public Safety Dispatcher, retired June 12, 2008, died November 12, 2019. Survivorship benefits to Jennifer Hilty, Spouse.
- e. Notification of the death of **Kathleen McGuire**, Staff Technician, retired September 12, 1992, died October 29, 2019. No survivorship benefits.
- f. Notification of the death of **Felton Whitten**, Custodian, retired August 25, 2007, died February 18, 2019. Survivorship benefits to Betty Walton Whitten, Spouse.

3. INVESTMENTS

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

CIO Palani gave an introduction of the slides regarding fees which will be presented to the Retirement Working Solutions Group. Laura Wirick from Meketa Investment Group gave a presentation on fees and answered questions from the Board.

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion and action on Other Post Employment Benefits (OPEB) Valuation Results as of June 30, 2019 presented by Cheiron.

Bill Hallmark and Michael Schionning of Cheiron presented the OPEB Valuation Results as of June 30, 2019 and answered questions from the Board.

A motion was made to accept the OPEB Valuation Results as of June 30, 2019. Approved. (M.S.C. Jennings/Chandra 6-0-0). The motion passed unanimously.

- b. Discussion and action regarding the repayment of the workers' compensation offset for Danny Horning. *(Deferred from August meeting)* **(TIME CERTAIN: 10:30 a.m.)**

Item 4b time certain 10:30 a.m. was heard after item 5c at 10:41 a.m.

Ms. Schaefer introduced the item for discussion. She recapped Mr. Horning's case and workers compensation history. Harvey Leiderman, General and Fiduciary Counsel, stated that the Muni Code states recovering overpayments is mandatory but the Board has discretion on the repayment plan. Mr. Horning stated that he cannot afford \$1,200 monthly repayment plan at 70 months as presented. He stated that he prefers a longer term to repay the amount overpaid to him.

After discussion, a motion was made to allow Mr. Horning a 140 month repayment period commencing February 1st, at an annual interest rate of 2% compounded annually, which was estimated to be approximate the monthly payment Mr Horning indicated he could manage. The difference between the fund's assumed rate of return and the 2% to be collected from the member will be recovered through the amortization of the unfunded actuarial liability.

There was general consensus that this unique resolution with member Horning would not set any precedence as to the recovery of workers' compensation offsets from other affected members.

Approved. (M.S.C. Chandra/Jennings 6-0-0). The motion passed unanimously.

5. NEW BUSINESS

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

CEO Peña updated the Board on the following:

-1099's will be mailed next week.

-Member Direct pin letters will be mailed next week.

-Anthem enrollees are not happy and have called to see if they can switch health insurance.

This is not an option after Open Enrollment without a qualifying event.

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

City Council Liaison to the Board, Dev Davis was absent.

- c. Discussion and action on Committee assignments.

Chair Castellano reviewed the proposed assignments and they are as follows:

Investment Committee-Trustee Chandra, Chair, Trustee Orr, Trustee Keleher, Trustee Sun, Alternate.

After discussion, Trustee Sun was moved from the Alternate position to Committee Member;

Trustee Keleher was moved from Committee member to the Alternate position.

Audit Committee- Trustee Keleher, Chair, Trustee Sun, Trustee Jennings.

Governance Committee - Trustee Horowitz, Chair, Trustee Keleher, Trustee Castellano.

JPC- Trustee Castellano, Chair, Trustee Chandra, Trustee Orr.

A motion was made to approve the Committee Assignments with changes.

Approved. (M.S.C. Chandra/Horowitz 6-0-0). The motion passed unanimously.

- d. Discussion on Cheiron's 5-Year Budget Projections for Federated Board.

Bill Hallmark of Cheiron led the discussion. This Item was received and filed.

- e. Discussion and action on Assumptions for 2020 Actuarial Equivalence based on the June 30, 2019 Valuation Assumptions.

Bill Hallmark of Cheiron led the discussion and answered questions from the Board. He stated the assumptions are for calendar year 2020. The Municipal Code requires the Board to adopt the assumptions necessary to make all optional settlements the actuarial equivalence of the unmodified benefit. Cheiron also does an equivalent calculation to reduce the benefit amount so it has approximately the same value today as at the time of retirement.

After discussion, a motion was made to direct staff to bring back a formal resolution reflecting the recommended assumptions in Cheiron's presentation.

Approved. (M.S.C. Chandra/Sun 6-0-0). The motion passed unanimously.

- f. Fiduciary training for Trustees by General and Fiduciary Counsel, Harvey Leiderman.

Item 5f was heard after item 4b.

This item has been deferred so that Counsel can first orient the new trustees on their fundamental fiduciary duties. A full board program will follow later in the year.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Chandra, Orr)

**Last Meeting: October 22, 2019 Next Meeting: January 28, 2020
(December Fed/Joint Meeting Cancelled)**

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

The next Investment Committee will be held on January 28, 2020 at 12:00 p.m.

6.2 Governance Committee (Orr, Sun)

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

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

The was no update from the Governance Committee.

6.3 Audit Committee: (Castellano, Horowitz, Orr)

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

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

There was no report from the Audit Committee.

6.4 Joint Personnel Committee (Chandra, Castellano, Orr)

Last Meeting: October 28, 2019 Next Meeting: TBD

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

The next JPC meeting will be held on January 30, 2020 at 10:00 a.m.

7. EDUCATION & 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.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 11:27 a.m.

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

_____/S/_____
JAY CASTELLANO, CHAIR
BOARD OF ADMINISTRATION
ATTEST:

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