



BOARD OF ADMINISTRATION

Meeting Minutes - Final

Federated City Employees' Retirement System and Federated City Employees' Health Care Trust

Thursday, February 20, 2020

8:30 AM

City Hall, Wing Rooms 118-120

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, February 20, 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.

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

Absent: 1 - Anurag Chandra

Trustee Julie Jennings joined via Teleconference from location:

855 East Hilton Drive

Boulder Creek, CA 95006

Trustee Elaine Orr arrived at 8:45 a.m.

Council Liaison to the Board, Dev Davis arrived at 9:05 a.m. and departed at 12:20 p.m.

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

Also Present: Jenni Krengel, General and Fiduciary Counsel; Chris Theodor, Meketa Investment Group;

Presenters: Ron Kahn, Sarah Bernstein, Ophir Bruck, Andrew Collins, Verity Chegar, Cheryl Parkman, OER.

CLOSED SESSION

The Board entered Closed Session at 8:32 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**

The Board came out of Closed Session at 9:06 a.m.

OPEN SESSION - will reconvene following Closed Session, estimated to be 9:00 a.m.

The Board reconvened into Open Session at 9:08 a.m. There was no reportable action out of closed session.

ORDERS OF THE DAY

Trustee Julie Jennings joined by teleconference. Chair Castellano stated that all votes will be roll call vote. The Chair asked the following questions to ensure this item is in compliance with the Brown Act Requirements:

Chair: Did you post the agenda 72 hours before the meeting? Trustee Jennings response, yes

Chair: Is the location in ADA Compliance? Trustee Jennings response, yes

Chair: Is the space open to the public? Trustee Jennings response, yes.

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

Approved. (M.S.C. Horowitz/Keleher 6-0-0 by roll call vote). The motion passed unanimously.

WAIVE SUNSHINE (attachments received late):

Item 4c – Discussion and action on adoption of Resolution No. 9092 COLA rate for 415(b) Qualified Participants under the Grandfather Rule - Attachment 4c(1) Memo & 4c(2) Resolution No. 9092 were received late.

A motion was made to waive sunshine (attachments received late) on item 4c(1) & 4c(2).

Approved. (M.S.C. Sun/Horowitz 6-0-0 by roll call vote). The motion passed unanimously.

Absent: 1 - Chandra

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Horowitz/Keleher 6-0-0 by roll call vote). The motion passed unanimously.

Absent: 1 - Chandra

1.1 Approval of Service Retirements

- a. **Angel Alvarez**, Electrical Maintenance Superintendent, Department of Transportation, effective March 7, 2020; 29.36* years of service.
- b. **Bradley E. Carrell**, Accountant II, Police Department, effective February 29, 2020; 32.61* years of service.
- c. **James Collishaw**, Instrument Control Supervisor II, Environmental Services Department, effective January 29, 2020; 9.14* years of service.
- d. **Michael T. Colosky**, Senior Construction Inspector, Public Works Department, effective March 7, 2020; 21.00* years of service.
- e. **Antonio Del Real**, Wastewater Operator, Environmental Services Department, effective March 7, 2020; 22.92* years of service.
- f. **Jack C. Dickinson**, Environmental Inspector II, Environmental Services Department, effective

March 7, 2020; 28.71* years of service.

- g. Marcus Jiminez**, Associate Construction Inspector, Department of Transportation, effective February 27, 2020; 30.00* years of service.
- h. Daniel P. Keller**, Building Management Administrator, Public Works Department, effective February 8, 2020; 30.18* years of service.
- i. Paul Krukar**, Construction Manager, Public Works Department, effective March 7, 2020; 30.06* years of service.
- j. Steven Osborn**, Environmental Services Program Manager, Environmental Services Department, effective February 8, 2020; 25.32* years of service.
- k. Raul Perez**, Youth Outreach Worker II, Parks, Recreation and Neighborhood Services Department, effective March 7, 2020; 20.61* years of service.
- l. Randall W. Reyes**, Network Technician III, Library Department, effective March 7, 2020; 30.69* years of service.
- m. Jocelyn Salandanan**, Senior Executive Analyst, Office of Economic Development, effective March 7, 2020; 21.98* years of service (*With Reciprocity CSJ YOS 21.59 + 0.38 PERS YOS*)
- n. Carolyn Slezak**, Code Enforcement Inspector, Planning, Building and Code Enforcement Department, effective February 1, 2020; 15.85* years of service.

1.2 Approval of Board Minutes

- a.** Approval of the Board Minutes of January 23, 2020.

1.3 Approval of Return of Contributions

- a.** Voluntary | Involuntary.

1.4 Acceptance of Communication/Information Reports

- a.** Report of the Plan Expenses for December 2019. Receive and file.
- b.** Report of the Budget vs. Actual Expenses for 2nd Quarter FY 19-20. Receive and file.

- c. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.
- d. Grant's Interest Rate Observer Article - Low Growth at a Huge Multiple - January 24, 2020
- e. **Educational Travel Reports:**
 - Risk & Liquidity Forum, Ritz-Carlton, San Francisco, CA - January 28-29, 2020 - by Spencer Horowitz.

1.5 Approval of Travel / Conference Attendance

- a. Spencer Horowitz, Trustee
 - CALAPRS General Assembly, Omni Rancho Las Palmas Resort, Rancho Mirage, CA, March 7 - 10, 2020.
- b. Prabhu Palani, CIO
 - 2020 Navigating and Winning Disruptions Series for Investors, New York City, NY - March 10, 2020
- c. Roberto L. Peña, CEO
 - SACRS Spring Conference 2020, Paradise Point Resort & Spa, San Diego, CA - May 12 - 15, 2020.
- d. Elaine Orr, Trustee
 - SACRS Fall Conference, Renaissance Esmeralda Resort & Spa, Indian Wells, CA, November 10 - 13, 2020.

1.6 Approval of Administrative Matters

- a. Adoption of Resolution No. 9093 on the actuarial equivalence assumptions.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

Chair Castellano asked for a Moment of Silence for those who served and passed away.

- a. Notification of the death of **Victor Aguilar**, Groundswoker, retired August 30, 2014, died December 12, 2019. No survivorship benefits.
- b. Notification of the death of **Benjamin Becker**, Senior Mechanic, active employee, died December 2, 2019. No survivorship benefits.
- c. Notification of the death of **Robert Carnesecca**, Building Trades Superintendent, retired

November 7, 1992, died August 24, 2019. No survivorship benefits.

- d. Notification of the death of **Anna Jatzak**, Deputy Director, retired March 7, 2018, died January 1, 2020. No survivorship benefits.
- e. Notification of the death of **James Toale**, Heating and Refrigeration Mechanic, retired April 17, 1982, died December 15, 2019. No survivorship benefits.
- f. Notification of the death of **Walter Turley**, Engineering Technician III, retired July 31, 1979, died December 20, 2019. No survivorship benefits.
- g. Notification of the death of **Stanley Turner**, Mechanical Parts Engineer, retired July 7, 2001, died December 18, 2019. Survivorship benefits to Yvonne Turner, Spouse.

3. **INVESTMENTS**

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

CIO Prabhu Palani updated the Board. Flash reports. Calendar year net return for the pension fund was 13.6% vs 13.8% benchmark; fiscal year to December 31, 2019, the net return was 4.3% vs 4.9% benchmark. For the Health Care Trust, calendar 2019 net return was 15.2% vs 15.5% benchmark. Fiscal Year December 31, 2019 was 5.5% vs 5.4% benchmark. CIO Palani also stated that there will be two presentations this morning on Asset Allocation and ESG. He introduced the speakers for the educational sessions.

- b. Education session on Asset Allocation by Ron Kahn and Jeremy Evnine.

Ron Kahn from Blackrock presented on Asset Allocation. Jeremy Evnine was ill and unavailable.

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

CIO Palani introduced panel members Sarah Bernstein, Ophir Bruck, Andrew Collins, & Verity Chegar, for the ESG educational presentation.

4. **NEW BUSINESS**

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

CEO Peña updated the Board on the following:

- The Joint meeting of the Boards and City Council is tentatively set for Monday, April 13, 2020.**
- On April 7, 2020, CEO Peña is going to City Council to present the actuarial valuation results from Cheiron.**
- RFP for all Legal Services posted last Friday, February 14, 2020 and it will close on March 16, 2020. Once due diligence work is completed, this will come back to the Board in June.**
- Staff issued Member Direct letters to retirees and active members to allow access to the new system.**

- Annual member statements to the Pension Plan will be mail next week.
- Segal acquired LRWL who managed our PAS work over the last 5 years.
- The budget will be presented next month.

Cheryl Parkman, OER, gave an update on the CalPERS defined benefit program. She stated that Investment professionals not in a defined benefit plan will be placed in CalPERS. The process should be completed by May this year.

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

City Council Liaison to the Board, Dev Davis, updated the Board on the following:

- Priority Setting on Tuesday which kicks off the 2020-2021 Budget process.
- The Mayor had his Budget town hall meeting last Thursday with neighborhood leaders to kick off the process and get feedback.
- CMO 5-yr. forecast will be released at the end of this month. The Mayor will release his Budget message the following week and then they will hear it the week after at the City Council meeting.

- c. Discussion and action on adoption of Resolution No. 9092 Cost of Living Adjustment rate for 415(b) Qualified Participants under the Grandfather Rule.

Chair Castellano recused himself from the item and left the room, in recognition that he is a member affected by the proposed action. He did not participate in the deliberations or action. Trustee Sun was the Chair for this item. Barbara Hayman led the discussion and she referred to the attached memo and explained the issue regarding setting the COLA rates for the members that are affected by IRS Grandfather Rule 415(b).

A motion was made to approve the adoption of Resolution No. 9092 Cost of Living Adjustment rate for 415(b) Qualified Participants under the Grandfather Rule.

Approved. (M.S.C. Horowitz/Keleher 5-0-0 by roll call vote). The motion passed unanimously.

Aye: 5 - Sun, Orr, Horowitz, Keleher and Jennings

Absent: 1 - Chandra

Recused: 1 - Castellano

5. COMMITTEES/REPORTS/RECOMMENDATIONS

5.1 Investment Committee (Chandra, Orr, Sun)

Last Meeting: January 28, 2020

Next Meeting: March 24, 2020

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

Trustee Orr stated that Strategic Asset Allocation will be the next priority on the Investment Committee.

- b. Minutes of the October 22, 2019 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the October 22, 2019 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

5.2 Governance Committee (Horowitz, Castellano, Keleher)

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

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

There was no update from the Governance Committee.

5.3 Audit Committee: (Keleher, Jennings, Sun)

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

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

The next Audit/Risk Committee will take place after this meeting.

5.4 Joint Personnel Committee (Castellano, Chandra, Horowitz)

Last Meeting: October 28, 2019 Next Meeting: February 25, 2020

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

There was no update out of the Joint Personnel Committee. CEO Peña reminded the Committee when and where the meeting will be held and that they need all to attend to make a quorum, as Trustee Chandra is not able to attend.

6. EDUCATION & 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.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 12:26 p.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