



BOARD OF ADMINISTRATION

Meeting Minutes - Final Police & Fire Department Retirement Plan and Health Care Trust

Thursday, May 7, 2020

8:30 AM

MEETING TO BE HELD BY ZOOM CONFERENCE IN LIEU OF PHYSICAL LOCATION

Dial-In: 1-669-900-9128

Meeting ID: 921 2207 9576

Password: 018521

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Police and Fire Department Retirement Plan and Health Care Trust met telephonically on Thursday, May 7, 2020 at 8:30 a.m. Chair Gardanier called the Pension Plan and Health Care Trust meeting to order at 8:33 a.m. followed by roll call.

Present: 8 - Nick Muyo, Eswar Menon, Andrew Gardanier, Franco Vado, Howard Lee, Andrew Lanza, Vincent Sunzeri and Richard Santos

Vacant, one Trustee.

Trustee Nick Muyo joined at 8:37 a.m. He experienced technical difficulty during the call which prevented him from participating during the meeting.

Retirement Staff Present: Roberto L. Peña (via Teleconference), Prabhu Palani (via Teleconference), Barbara Hayman (via Teleconference), Benjie Chua-Foy (via Teleconference), Jay Kwon, (via Teleconference), Brian Starr (via Teleconference), Dhinesh Ganapathian (via Teleconference), Christina Wang (via Teleconference), David Aung (via Teleconference) Julie He (via Teleconference), Ron Kumar (via Teleconference), Ellen Lee (via Teleconference), Marti Zarate (in the office), Michelle San Miguel (in the office), Linda Alexander (in the office).

Also Present: Harvey Leiderman, General and Fiduciary Counsel (via Teleconference); Marty Boyer, Communications Strategies (via Teleconference); Laura Wirick, Meketa Investment Group (via Teleconference); Chris Theodor, Meketa Investment Group (via teleconference); Tom Iannucci, Cortez Consulting (via Teleconference); Cheryl Parkman, OER (via Teleconference).

AGENDA

OPEN SESSION

• ORDERS OF THE DAY

Chair Gardanier read the following ground rules into the record for Orders of the Day.

- All votes will be roll call votes.
- If you are not speaking, please be on mute to cut background noise.
- For matters where we must have debate, I will call the roll and you will each have a turn.
- The public will have an opportunity to speak on any item and make general comment on any matter within our subject matter jurisdiction.

- Do not interrupt a presenter. Take notes and ask later

Waive Sunshine (attachment received late):

- Item 4a - Oral update from the CEO of Retirement Services, Roberto L. Peña.

A motion was made to approve the Orders of the Day and Waive Sunshine on the attachment for 4a. Revised administrative budget proposal received late for posting.

Approved. (M.S.C. Santos/Vado 7-0-0). The motion passed unanimously by roll call vote.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Santos/Gardanier 7-0-0). The motion passed unanimously by roll call vote.

1.1 Approval for a Non-Service-Connected Disability

- Jeff Butts**, Police Officer, Police Department, Request for a Non-Service-Connected Disability Retirement, effective March 12, 2019; 19.72* years of service. (*Disability Committee Recommendation: Approval*)

1.2 Approval for a Change in Status to a Service Retirement

- Arthur J. Serenil**, Police Officer. Request for a Change in Status from a Non-Service Connected Disability Retirement to a Service Retirement, effective March 13, 2020; 21.00* years of service. Pursuant to San Jose Municipal Code Section 3.36.930.

1.3 Approval Of Minutes

- Approval of the Board Minutes of April 2, 2020.
- Approval of the Special Board Meeting Minutes of March 18, 2020.

1.4 Approval Of Travel for Conferences and Due Diligence

- Eswar Menon, Trustee
 - The Pension Bridge Annual 2020 Conference, Bonus Online Sessions, April 14-15, 2020.

1.5 Return of Contributions

- Voluntary / Involuntary. - **None**

1.6 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 March 2020. Receive and file.
- d. Report of the Budget vs. Actual Expenses for 3rd Quarter FY 19-20. Receive and file.

1.7 Notice of Alternate Payee Benefit Election

- a. Approval of Alternate Payee Benefit election of Unreduced Lifetime Monthly Payment Option to be paid to Elizette Nelson, ex-spouse of Fire Captain, **Steven Nelson** to be effective April 22, 2020 under Part 17, Section 3.36.3600 of the San Jose Municipal Code.

1.8 Education and Training

- a. The Cortex Report - May 2020 - Conferences, Seminars, and Educational Programs.
- b. CalAPRS 2020 Program Calendar.
- c. CalAPRS Overview Course in Retirement Plan Administration, Virtual Program - May 8, 2020.
- d. Pomerantz LLP 2020 Corporate Governance Roundtable Event, Waldorf Astoria, Beverly Hills, CA - June 16, 2020.
- e. SACRS/UC Berkeley Program, UC Berkeley HAAS School of Business, Berkeley, CA - July 26 - 29, 2020.
- f. SACRS Fall 2020 Conference, Renaissance Indian Wells Resort & Spa, Indian Wells, CA - November 10 - 13, 2020.

2. INVESTMENTS

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

Item 2a was heard after 2b.

CIO Palani introduced the item for discussion and gave a brief recap of recent financial market activity. Mr. Palani introduced Investment Officer Jay Kwon who presented the Fixed Income Structuring and answered questions from the Board. Mr. Kwon stated that the Plan's assets should be at Policy target with Fixed Income by the end of the month. Trustee Lee asked Mr. Kwon for more information on emerging markets and core bonds; Mr. Kwon responded. CIO Palani also responded to questions from the Board.

- b. Discussion and action on updates to Investment Policy Statement by Meketa Investment Group.

Item 2b was heard first.

CIO Palani introduced the item for discussion. Laura Wirick from Meketa Investment Group led the Board through the changes that have been made to the Investment Policy Statement (IPS). The changes reflect recent decisions made by the Investment Committee and Board.

A motion was made to approve the changes to the Investment Policy Statement.

Approved. (M.S.C. Santos/Lanza 7-0) The motion passed unanimously by roll call vote.

- c. Discussion and approval for the Secretary to negotiate and execute an extension of the agreement with Meketa Investment Group on a month-to-month basis for \$28,334/month until September 30, 2020.

2c was heard after 2a.

CIO Palani introduced the item and Ron Kumar spoke to the attached memo and answered questions from the Board. CIO Palani briefly explained that the request is for an interim basis and staff is reviewing responses to the RFP issued for general investment and risk consultants; there is a scheduled meeting with the Chairs of the Investment Committee next week in regard to the RFP and there will be a recommendation to the Investment Committee this month. Staff requested to extend the contract with Meketa Investment Group on a month to month basis for \$28,334/month until September 30, 2020.

A motion was made for approval of the Secretary to negotiate and execute an extension of the agreement with Meketa Investment Group on a month-to-month basis for \$28,334/month until September 30, 2020.

Approved. (M.S.C. Menon/Vado 7-0-0). The motion passed unanimously by roll call vote.

- d. Discussion and approval for the Secretary to negotiate and execute an extension of the agreement with Verus Advisory, Inc. on a month-to-month basis for \$12,292/month basis until September 30, 2020.

Ron Kumar led the discussion regarding the request of an extension to the agreement with Verus Advisory, Inc. on a month-to-month basis for \$12,292/month basis until September 30, 2020. Mr. Kumar stated that the request is for interim use while the RFP process continues as previously stated.

A motion was made for approval of the Secretary to negotiate and execute an extension of the agreement with Verus Advisory, Inc. on a month-to-month basis for \$12,292/month basis until September 30, 2020.

Approved. (M.S.C. Santos/Menon 7-0-0). The motion passed unanimously by roll call vote.

3. OLD BUSINESS CONTINUED-DEFERRED ITEMS - None

4. NEW BUSINESS

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

CEO Peña presented the attached slides regarding the amendment to the Budget. He stated that the City has asked Appointee Offices such as ORS to reduce their budget by 15-18% as they are expecting a budget shortfall. The Office of Retirement Services was not asked to reduce their budget, however they did ask that there be no changes to the total Budget from the prior fiscal year, which is reflected in the attached slides. Mr. Peña indicated this was not an action item at this meeting; the City Council will act first and then the Board will be asked to adopt the final budget at a subsequent meeting.

CEO Peña updated the Board on the following:

- Staff is checking for mail and retirement paperwork. We are running business as usual, remotely.
- Retirement applications and payroll are being processed on time.
- Retirement Planning and Group Counseling has been postponed during this time. Staff is working on possibly conducting Zoom Group Counseling meetings in May.
- Budget Audit is up to date
- The public member recruitment application process closed on 5/5/20. Two applications have been received. The applications are in the City Attorney's Office for 14 days for a conflict of interest check. CEO Peña is looking to have new Trustee on board at the August or September P&F Board meeting.
- City Council approved the CalPERS defined benefit plan for Investment professionals at ORS.

The Chair asked about the results of the California Supreme Court case on pension reform that was heard on May 5, 2020. Harvey Leiderman, General and Fiduciary Counsel provided an update on the case and spoke to the implications it has on pension reform efforts.

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

City Council Liaison Pam Foley updated the Board on the following:

- COVID-19 related – The City established a partnership with the Santa Clara County to distribute 2.5 million meals per week. They are also partnered with public and private agencies around the Bay area for this cause.
- The budget shortfall is estimated to be about \$110 million for the remainder of this fiscal year and the next.
- Budget study sessions will be held next week.
- There will be a hiring freeze for open full-time positions within the City. Temporary and Part-Time workers will be furloughed. There are no planned budget cuts to Public Safety.
- CARES 2.0, the City has received roughly \$176 million; there will be budget meetings to document and allocate the money to use for COVID related expenses and to be sure the funds

are not used for the General Fund.

-City Council approved the CalPERS defined benefit plan for Investment professionals at ORS.

- c. Discussion and action on the Strategic Communication Plan presented by Marty Boyer, Communications Consultant.

CEO Peña introduced Communications Consultant Marty Boyer to the Board. Ms. Boyer spoke to the attached presentation on the Office of Retirement Services' proposed Strategic Communication Plan.

Trustee Sunzeri requested to see a timeline on the presentation. CEO Peña stated that staff will go back and draft timelines so the board understands how staff will move forward with the proposed plan.

A motion was made to approve in concept, the Strategic Communications plan as presented and for staff to bring a timeline and detailed workplan back to the Board.

Approved. (M.S.C. Gardanier/Sunzeri 7-0-0). The motion passed unanimously by roll call vote.

- d. Discussion and action on the Requests For Proposal (RFP) for General/Fiduciary, Investment, Tax, Domestic Relations Orders and Disability legal services.

Benjie Chua-Foy, Accounting Division Manager and Brian Starr, Senior Investment Officer, spoke to the item and the attached memo. Ms. Chua-Foy stated that staff has reviewed the responses to the Request For Proposal (RFP) for legal services for ORS and referred to her memo on the firms recommended for General/Fiduciary, Investment Tax, Domestic Relations Orders, and Disability legal services.

A motion was made to approve the Request For Proposal (RFP) for Legal Services, including Board authorization for the Secretary to negotiate and execute an agreement with:

- Reed Smith for a term of 60 months for an amount not to exceed \$1,000,000
- Hanson Bridgett for a term of 60 months for an amount not to exceed \$600,000
- Saltzman & Johnson for a term of 60 months for an amount not to exceed \$550,000
- Ice Miller for a term of 60 months for an amount not to exceed \$150,000

Approved. (M.S.C. Santos/Gardanier 7-0-0). The motion passed unanimously by roll call vote.

- e. Discussion and action regarding the new ordinance for Survivorship Benefits for Fire Members Killed in the Line Of Duty.

Cheryl Parkman led the discussion and stated that the City and the International Association of Fire Fighters (IAFF), Local 230 have been in discussions regarding changes to survivorship benefits for those Fire members who are killed in the line of duty. These discussions were regarding changing the survivorship benefit to allow spouses and domestic partners of Fire members of those killed in the line of duty to continue their survivorship benefits if they choose to re-marry or re-establish a domestic partnership. The same rule change has taken place for Police members earlier this year. The City drafted the attached Ordinance that implements changes to the Police and Fire Department Retirement Plan. The City requested that the Police and Fire Board review the draft Ordinance and provide comments as soon as possible.

A motion was made to approve the draft ordinance as written and to indicate to the City Council that the Board had no specific comments on the draft ordinance..

Approved. (M.S.C. Santos/Gardanier 7-0-0). The motion passed unanimously by roll call vote.

5. RETIREMENTS

5.1 Service Retirements

5.1a-e and 5.2a were heard together.

A motion was made to approve the Service Retirements.

Approved. (M.S.C. Santos/Vado 7-0-0). The motion passed unanimously by roll call vote.

- a. **Matthew J. Archer**, Police Sergeant, Police Department, effective May 16, 2020; 26.18* years of service.
- b. **Robert Magdaleno**, Police Officer, Police Department, effective April 9, 2020; 21.18* years of service.
- c. **Howard R. Morton**, Fire Captain, Fire Department, effective March 27, 2020; 21.32* years of service.
- d. **Rafael Nieves**, Police Sergeant, Police Department, effective May 16, 2020; 25.76* years of service.
- e. **Hector M. Vasquez**, Police Officer, Police Department, effective April 18, 2020; 32.84* years of service.

5.2 Deferred Vested

A motion was made to approve the Deferred Vested Retirement.

Approved. (M.S.C. Santos/Vado 7-0-0). The motion passed unanimously by roll call vote.

- a. **Randy Fenn**, Police Officer, Police Department, effective May 1, 2020; 29.29* years of service.
(*With Reciprocity - 0.58 CSJ YOS + 28.71 PERS YOS*)

6. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair read the Death Notifications Into the record and asked for a moment of silence for those who served and passed away. Trustee Vado said a few kind words.

- a. Notification of the death of **Robert G. Avila**, Police Officer, retired November 7, 2013, died March 7, 2020. No survivorship benefits.

- b. Notification of the death of **George J. Springer**, Police Officer, retired July 11, 2009, died March 7, 2020. No survivorship benefits.

7. COMMITTEE MINUTES, REPORTS and RECOMMENDATIONS

7.1 Investment Committee (Menon - CH/Gardanier/Lanza/Sunzeri)

Last Meeting: April 20, 2020 **Next Meeting: May 26, 2020**

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

Trustee Menon stated that the Investment Committee had a short meeting a couple of weeks ago. The next meeting will be held on May 26th.

7.2 Audit/Risk Committee (Vado - CH/Lee/Muyo)

Last Meeting: February 20, 2020 **Next Meeting: May 21, 2020**

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

There was no report from the Audit Risk Committee. The next meeting will be held after the Federated Board meeting on May 21st.

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

7.3a-e were heard together.

Last Meeting: March 5, 2020 **Next Meeting: June 18, 2020**

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

CEO Peña introduced the item for discussion. Tom Iannucci, Cortex Applied Research, spoke to his cover memo that explained the changes made to the Board Operation Policy, Code of Conduct, Strategic Planning Policy, and the Council Representative to the Board Charter. He explained that the changes to these documents were minimal and intended to align the two Boards. Mr. Iannucci went through the proposed changes to each policy and charter and answered questions from the Board. He stated that the Governance Committee's work on aligning policies and charters was almost complete.

A motion was made to approve the proposed changes to Board Operation Policy, Code of Conduct, Strategic Planning Policy, and the Council Representative to the Board Charter.

Approved. (M.S.C. Lee/Santos 7-0) The motion passed unanimously by roll call vote.

- b. Discussion and action on the Committee's recommendation to approve the Board Operations

Policy.

This Committees/Reports/Recommendations was approved

- c. Discussion and action on the Committee's recommendation to approve the Code of Conduct.

This Committees/Reports/Recommendations was approved

- d. Discussion and action on the Committee's recommendation to approve the Strategic Planning Policy.

This Committees/Reports/Recommendations was approved

- e. Discussion and action on the Committee's recommendation to approve the Council Representative to the Board Charter.

This Committees/Reports/Recommendations was approved

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

Last Meeting: March 9, 2020

Next Meeting: May 11, 2020

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

Trustee Santos stated that the May 11th meeting is cancelled. Next meeting will be June 8, 2020.

7.5 Joint Personnel Committee (Sunzeri-CH/Gardanier/Menon)

Last Meeting: February 25, 2020

Next Meeting: TBD

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

Trustee Sunzeri stated that the next Joint Personnel Committee meeting will be held on May 13th at 12:00 p.m. and will be discussing the CEO and CIO Performance Evaluation policy.

• PROPOSED AGENDA ITEMS

None.

• PUBLIC COMMENTS

None.

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- **ADJOURNMENT**
The meeting adjourned at 11:11 a.m.

Next Meeting: June 4, 2020

*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

ANDREW GARDANIER, CHAIR
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA, CEO
OFFICE OF RETIREMENT SERVICES