BOARD OF ADMINISTRATION

Meeting Minutes - Final

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

Thursday, May 21, 2020 **8:30 AM**

CALL TO ORDER & ROLL CALL

The Board of Administration of the Federated City Employees Retirement System met on Thursday, May 21, 2020 at 8:30 a.m. via Zoom meeting. Chair Castellano called the Pension Plan and Health Care Trust meeting to order at 8:31 a.m. followed by roll call.

Present: 7 - Anurag Chandra, Jay Castellano, Qianyu Sun, Elaine Orr, Spencer Horowitz, Mark Keleher and Julie Jennings

Trustee Keleher arrived at 8:40 a.m.
Council Liaison Dev Davis departed at 12:00 p.m.
Retirement Staff Present: Roberto L. Peña (via Teleconference), Prabhu Palani (via Teleconference), Barbara Hayman (via Teleconference), Benjie Chua-Foy (via Teleconference), Eran Amir (via Teleconference), May Cheung, (via Teleconference), Brian Starr (via Teleconference), Christina Wang (via Teleconference), Jay Kwon (via Teleconference), David Aung (via Teleconference), Ron Kumar (via Teleconference), Ellen Lee (via Teleconference), Marti Zarate (via Teleconference), Michelle San Miguel (via Teleconference), and Linda Alexander (via Teleconference).

Also Present: Harvey Leiderman, General and Fiduciary Counsel (via Teleconference); Danny Sullivan, Verus Investments (via Teleconference), Marty Boyer, Communication Advantage (via Teleconference); Tom Iannucci, Cortex (via Teleconference).

AGENDA

OPEN SESSION

ORDERS OF THE DAY

The chair read the Ground Rules into the record:
1.As required by the Brown Act, all votes will be by roll call.
2. If you are not speaking, kindly place your microphone on mute to cut down on all background noise.
3. On matters for discussion, I will call the Board members in order and each of you will have a chance to speak, and more than once if you wish.
4. The Chair will give the public an opportunity to speak on each agenized item and again at the end of the meeting, to speak on any other item not on the agenda that is within the subject jurisdiction of the Board. If members of the public will wait to speak until I invite public comment, that will help keep the process orderly for all.

The following changes were made to the Orders of the Day.
1. Item 1.5f, Waive Sunshine on 5-year Budget Projections for Federated Under Prepayment

Scenarios, item and attachment received late.
2. Item 1.1a, Withdrawn, Santos P. Armendariz, Senior Maintenance Worker, Department of Transportation, effective May 2, 2020. 31.35* years of service. (With Reciprocity - CSJ YOS 30.00 + PERS YOS 1.34)

A motion was made to approve the Orders of the Day.
Approved. (M.S.C. Chandra/Horowitz 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

1. CONSENT CALENDAR

A motion was made to approve the Consent Calendar.
Approved. (M.S.C. Horowitz/Chandra 6-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

1.1 Approval of Service Retirements

a. **Santos P. Armendariz**, Senior Maintenance Worker, Department of Transportation, effective May 2, 2020; 31.35* years of service. *(With Reciprocity - CSJ YOS 30.00 + PERS YOS 1.34)*

b. **Joe Corrales**, Senior Maintenance Worker, Parks, Recreation and Neighborhood Services Department, effective May 16, 2020; 30.02* years of service.

c. **Joseph P. Kulas**, Analyst II, Police Department, effective May 30, 2020; 23.29* years of service.

d. **Phuong Tran**, Enterprise Principal Technology Analyst, Information Technology Department, effective May 16, 2020; 30.08* years of service.

1.2 Approval of Deferred Vested

a. **Denise A. Elliott**, Staff Specialist, Environmental Services Department, effective June 7, 2020; 11.76* years of service.

b. **KennethJ. Holback**, Maintenance Worker II, Department of Transportation, effective June 15, 2020; 10.86* years of service.

c. **Marie A. Wright**, Analyst I, Parks, Recreation and Neighborhood Services Department, effective May 2, 2020; 11.86* years of service.

1.3 Approval of Board Minutes

a. Approval of the Board Minutes of April 16, 2020.

1.4 Approval of Return of Contributions

a. Voluntary | Involuntary. - NONE

1.5 Acceptance of Communication/Information Reports

a. Report of the Plan Expenses for March 2020. Receive and file.

This Communication/Information Report was approved. Trustee Sun had a question regarding a conflict on the Plan Expenses. CEO Pena stated that the Plan Expenses are Verus and Meketa fees year to date. Mr. Pena will respond to her question offline.

b. Report of the Budget vs. Actual Expenses for 3rd Quarter FY 19-20. Receive and file.

c. Matrix of City Auditor's Recommendations from the 2017 Audit. Receive and file.

d. Financial Planning Article - Measuring Performance by Craig L. Israelsen - April 2020.

e. Lump Sum Payment of Employer Retirement Contributions and Establishment of the Prepayment Amount for Fiscal Year 2020-21.

f. 5-year Budget Projections for Federated Under Prepayment Scenarios.

1.6 Approval of Travel / Conference Attendance

a. Prabhu Palani, CIO

- Trusted Insight Digital Conference - June 17, 2020.

b. Spencer Horowitz, Trustee

- Pension Bridge Annual Conference, Westin St. Francis Hotel, San Francisco, CA - August 25 - 26, 2020.
- CALAPRS Trustee Roundtable, Doubletree Hotel, San Jose, CA - October 23, 2020.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair called for a Moment of Silence for those who served and passed away.

a. Notification of the death of **Miguel Flores**, Park Manager, retired July 5, 1992, died February 23, 2020. No survivorship benefits.

b. Notification of the death of **Alfredo Iraheta**, Analyst, active employee, died March 2, 2020.

Survivorship benefits to Veronica Iraheta, Spouse.

c. Notification of the death of **Carrie Jessup**, Librarian II, retired November 7, 1992, died February 4, 2020. No survivorship benefits.

d. Notification of the death of **Fred Marcella**, Associate Engineer Technician, retired October 10, 1992 died April 7, 2020. No survivorship benefits.

e. Notification of the death of **Wilma L. Strickland**, Senior Buyer, retired March 17, 2001, died March 10, 2020. Survivorship benefits to Jimmy P. Strickland, Spouse.

f. Notification of the death of **Gene Tague**, Supervising Building Inspector, retired October 13, 2017, died March 16, 2020. Survivorship benefits to Jie Tague, Spouse.

g. Notification of the death of **Raymond Watrous**, Maintenance Supervisor, retired January 4, 1992, died December 29, 2019. No survivorship benefits.

3. INVESTMENTS

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

CIO Palani updated the Board on the following:
-As of March 31st the plan was down Fiscal Year-to-Date -6.73% compared to a policy benchmark of -6.3% and Year-to-Date for 2020 it was down -10.87% compared to policy a benchmark of -10.76%. Through yesterday the Federated Plan was down -4.1 %. We gained 140 bp due to timely action of the Boards. Meketa will give a detailed analysis of performance.
-He encouraged the Board to read Item 1.5d, an article from Financial Planning Magazine showing performance differences.
-He recommended the book "Reminiscences of a Stock Operator: The Investment Strategies of Jesse Livermore" that he is currently reading.

Trustee Keleher arrived during this item.

b. 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.

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 period and staff is reviewing responses to the RFP issued for general Investment 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. Orr/Horowitz 7-0-0). 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 Verus Advisory, Inc. on a month-to-month bases 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 an interim period 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. Keleher/Chandra 7-0-0) The motion passed unanimously by roll call vote.

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 proposed Administrative Budget for FY 20-21 is scheduled to be approved at the June 16th City Council meeting. A more detailed report will come back to the Board for approval.
-ORS is conducting business as usual via online services. Limited staff check mail at the office. Applications/payroll have been processed on time. Staff is considering Zoom for group counseling sessions.
-The City has said that it expects a $72 million drop in revenues for FY20.
-We are waiting for an update on the Shelter-in-Place. We will keep the Board apprised of any changes.
-CEO Peña thanked ORS staff for their work and engagement working from home during this time.
-Harvey Leiderman, Fiduciary and General Counsel updated the Board on the May 5, 2020 oral argument before the California Supreme Court in the "vested rights" cases involving Alameda, Contra Costa and Merced county retirement systems.

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

Dev Davis City Council Liaison updated the Board on the following:
-City Council will know more in August/September on potential options and actions to take regarding the budget.
-COVID-19 impacts continue to affect the City with a $7.1 mil deficit for the current Fiscal Year and a 9% anticipated revenue decline.
-Over 100 staff members from PRNS and the Library have been redirected to the food distribution program providing almost three million meals per week to the community.
-Ms. Davis acknowledged ORS for submitting a decreased department budget
-Ms. Davis acknowledged the Board for allowing the pre-funding of retirement contributions rates which saves $7.4 mil for the General Fund.

-The proposal to borrow from the City Investment Portfolio as presented to the City Council was not well received. A motion passed to do a budget addendum for reserved funds.

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

CEO Peña briefly discussed the background of the Strategic Communication Plan and introduced Marty Boyer, Communications Consultant. Ms. Boyer presented the high priority objectives and longer term potential strategies and answered questions from the Board. The Board agreed to approve the Strategic Plan in concept with the direction to come back with a timeline and overarching statement. This item will be on the June Board agenda as a possible topic for the Federated Board retreat in September.

A motion was made to approve the Strategic Communication Plan in concept.
Approved. (M.S.C. Jennings/Horowitz 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.

CEO Pena introduced the item and stated this is the first time the ORS has issued an RFP for legal services. Benjie Chua-Foy, Accounting Manager spoke to the attached memo indicating since all legal service contracts are set to expire in June, staff issued an RFP in February. All four of the current legal providers submitted proposals along with one other firm which was outside the scope of service of the RFP. Staff is satisfied with the current level of services and is requesting an agreement be signed for the services they currently provide. In addition, staff recommends adding the additional services that Reed Smith and Ice Miller proposed in their respective RFP responses. Brian Starr, Senior Investment Officer, reported staff believes it is in the best interests of the System to have many options to choose from in deciding which firm will be most efficient and effective in a situation.

A motion was made to approve the recommendations in the attached memo.
Approved. (M.S.C. Sun/Keleher 7-0-0) The motion passed unanimously by roll call vote.

e. Discussion and action regarding Resolution No. 9094 Federated Tier 1 Contribution Rates/Amounts for FY 20-21.

Ms. Chua-Foy spoke to the item and answered questions from the Board. She reported the new contribution rates are based on the latest actuarial valuations and include the pre-funding amount that the City will be sending on July 1st. A letter will go out next month to members showing the prior/current year rates. In addition, a memo will go out to departments showing the new rates. CEO and Counsel Leiderman discussed the differences for tiers that were written in the Ordinance and will make it available to the Board.

A motion was made to approve Resolution No. 9094 Federated Tier 1 Contribution Rates/Amounts for FY 20-21.
Approved. (M.S.C. Orr/Chandra 7-0-0) The motion passed unanimously by roll call vote.

f. Discussion and action regarding Resolution No. 9095 Federated Tier 2 Contribution Rates/Amounts for FY 20-21.

Ms. Chua-Foy spoke to the item and answered questions from the Board. She reported the new contribution rates are based on the latest actuarial valuations and do not include a pre-funding amount.

A motion was made to approve Resolution No. 9095 Federated Tier 2 Contribution Rates/Amounts for FY 20-21.
Approved. (M.S.C. Chandra/Jennings 7-0-0) The motion passed unanimously by roll call vote.

g. Discussion and action on Annual Performance Evaluation Policy and Performance Metrics for the CEO/CIO positions. *(Joint Personnel Committee Recommendation: Approval)*

CEO introduced the item and Tom Iannucci, Cortex Consulting. Mr. Iannucci discussed the background and the process and answered questions from the Board. He noted there is a typo in the subject line of the attached memo which should read "CEO/CIO Performance Evaluation Policy". In response, in part, to recommendations of the City Auditor and Civil Grand Jury, the Joint Personnel Committee (JPC) has been developing performance evaluation policies and metrics for the CEO and CIO. Based on that work, the JPC is submitting the attached documents for the Board's review and/or approval. The JPC will also be developing Procedures to support the implementation of the Draft CEO/CIO Performance Evaluation Policies and will update the Board accordingly.

A motion was made to approve the Annual Performance Evaluation Policy and Performance Metrics for the CEO/CIO positions, commencing FY 21-22.
Approved. (M.S.C. Jennings/Keleher 7-0-0) The motion passed unanimously by roll call vote.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Chandra, Orr, Sun – Alt: Keleher)

Last Meeting: March 24, 2020 Next Meeting: May 26, 2020

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

Trustee Chandra updated the Board. He reported the Committee last met in March. The next meeting will be next week in which the consultant RFPs will be discussed. The investment results so far after making strategic asset allocation adjustments have worked out favorably.

6.2 Governance Committee (Horowitz, Castellano, Keleher)

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

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

Trustee Horowitz introduced the four attached documents that had minor changes to bring the Federated Plan in conformance with the Police and Fire Plan. Mr. Iannucci reported the two manuals after today will be fully aligned. He noted that the reviewed and amended dates will have to be changed from March 19th to May 21st for all four documents.

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

Items 6.2b through 6.2e were heard together.

A motion was made to approve the Board Operations Policy, Code of Conduct, Strategic Planning Policy and the Council Representative to the Board Charter.
Approved. (M.S.C. Jennings/Horowitz 7-0-0). The motion passed unanimously by roll call vote.

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

6.3 Audit Committee (Keleher, Jennings, Sun)

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

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

Trustee Keleher updated the Board. He reported John Caldwell from Grant Thornton will be meeting with the committee in early June.

6.4 Joint Personnel Committee (Castellano, Chandra, Orr)

Last Meeting: May 13, 2020 Next Meeting: TBD

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

Trustee Chandra had nothing to report as everything has been covered.

b. Minutes of the February 25, 2020 Joint Personnel Committee. Receive and file.

This Committees/Reports/Recommendations was received and filed

7. EDUCATION & TRAINING

a. The Cortex Report - May 2020 - Conferences, Seminars, and Educational Programs.

b. CALAPRS 2020 Program Calendar.

c. SACRS/UC Berkeley Program, UC Berkeley HAAS School of Business, Berkeley, CA - July 26 - 29, 2020

d. SACRS Fall 2020 Conference, Renaissance Indian Wells Resort & Spa, Indian Wells, CA - November 10 - 13 2020.

e. Corporate Governance Roundtable Event, Waldorf Astoria, Beverly Hills, CA - June 16, 2020

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 12:33 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