



BOARD OF ADMINISTRATION

Meeting Minutes - Final Federated City Employees' Retirement System and Federated City Employees' Health Care Trust

Thursday, June 18, 2020

8:30 AM

CALL TO ORDER AND ROLL CALL

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, June 18, 2020 at 8:30 a.m. via Zoom meeting. Chair Castellano called the Pension and Health Care Trust meeting to order at 8:34 a.m.

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

Trustee Orr joined the meeting at 8:38 a.m.

Trustee Chandra departed at 10:02 a.m.

Council Liaison Dev Davis joined the meeting at 9:06 a.m. and departed at 12:30 p.m.

Retirement Staff Present via Teleconference: Roberto L. Peña, Prabhu Palani, Barbara Hayman, Eran Amir, Brian Starr, Christina Wang, Jay Kwon, David Aung, Arun Nallasivan, Ron Kumar, Dhinesh Ganapathiappan, Ellen Lee, Marti Zarate, Michelle San Miguel, and Linda Alexander.

Also Present via Teleconference: Harvey Leiderman, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Stephen McCourt, Meketa Investment Group; Kaci Boyer, Neuberger Berman; Tom Iannucci, Cortex Consulting; Cheryl Parkman, Office of Employee Relations and Luther Yost, Public Member.

CLOSED SESSION

The Board entered Closed Session at 8:38 a.m. Trustee Orr arrived during this item.

CLOSED SESSION AGENDA ITEMS WILL BE HEARD AT 8:30 A.M.

I. CLOSED SESSION INVESTMENTS

- A. CLOSED SESSION:** PURSUANT TO GOVERNMENT CODE SECTION 54956.81, TO CONSIDER PURCHASE OR SALE OF PARTICULAR, SPECIFIC PENSION FUND INVESTMENTS (ONE INVESTMENT).

The Board came out of Closed Session at 8:51 a.m.

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

The Board reconvened into Open Session at 8:52 a.m. There was no reportable action out of

Closed Session.

ORDERS OF THE DAY

The chair read the Ground Rules into the record:

1. All votes will be roll call votes.
2. If you are not speaking, please be on mute to cut background noise.
3. For matters where we must have debate, I will call the roll and you will each have a turn.
4. We run great, open meetings. But we need a different etiquette. Do not interrupt a presenter. Take notes and ask later.

The following action items on the agenda will be heard first during the Investment section:

- 3e. Discussion and action on 2020-2021 Private Markets Pacing Plan by Staff.
- 3f. Discussion and action to authorize the Secretary to negotiate and enter into an agreement with Albourne America, LLC, commencing July 1, 2020.
- 3g. Discussion and action to authorize the Secretary to negotiate and enter into agreement(s) for consulting services.
- 3h. Discussion and action to authorize the Secretary to negotiate and enter into an agreement for custodian banking services, commencing October 1, 2020.

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 Orr was absent.

1. CONSENT CALENDAR

Ms. Hayman pulled Item 1.1.a. CEO Peña pulled item 1.1.b. Trustee Sun pulled item 1.5.c. Following discussion of the pulled items, a motion was made to approve the Consent Calendar

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

1.1 Approval of Service Retirements

- a. **Carolina Bermillo**, Analyst II C, Human Resources Department, effective September 10, 2020; 30.00* years of service.

This Service Retirement was pulled. Deputy Director Barbara Hayman and CEO Peña acknowledged Carolina "Carol" Bermillo who worked at ORS for 16 years and wished her well. Chair Castellano also acknowledged Carol as he had worked with her in the past.

- b. **David Bermillo, Jr.**, Principal Construction Inspector, Environmental Services Department, effective June 26, 2020; 30.00* years of service.

This Service Retirement was pulled. CEO Peña acknowledged David Bermillo and wished him and Carol a long and healthy retirement.

- c. **Anita M. Caramella**, School Safety Supervisor, Police Department, effective July 25, 2020; 19.78* years of service.

- d. **Abraham K. Chacko**, Program Manager I, Parks, Recreation and Neighborhood Services, effective July 11, 2020; 26.33* years of service.

- e. **Brian A. Ferry**, Public Safety Radio Dispatcher, Fire Department, effective July 25, 2020; 30.00* years of service.
- f. **Tony L. Grijalva**, Maintenance Supervisor, Department of Transportation, effective July 11, 2020; 30.01* years of service.
- g. **Maria A. Malloy**, Analyst II, Housing Department, effective July 31, 2020; 30.00* years of service.
- h. **Zoe W. McChesney**, Administrative Officer, Planning, Building and Code Enforcement Department, effective July 11, 2020; 30.10* years of service.
- i. **Thuy Nguyen**, Senior Engineer, Department of Transportation, effective June 13, 2020; 30.01* years of service.
- j. **Jessica Short**, Information System Analyst, Public Works Department, effective July 25, 2020; 28.52* years of service.
- k. **Frances M. Tallerico**, Latent Fingerprint Examiner II, Police Department, effective July 25, 2020; 24.49* years of service.

1.2 Approval of Deferred Vested

- a. **Robert J. Ciernik II**, Senior Plant Operator, Environmental Services Department, effective July 31, 2020; 26.31* years of service. *(With reciprocity 16.31 CSJ YOS + 10.00 ESBMUD YOS)*
- b. **Lisa Dalaison**, Public Safety Communications Specialist, Police Department, effective July 8, 2020; 13.08* years of service.
- c. **Jesse A. Hernandez, Jr.**, Senior Facility Attendant, Convention, Arts and Entertainment Department, effective June 26, 2020; 19.82* years of service.
- d. **Constant Look**, Building Inspector Combination, Planning, Building and Code Enforcement Department, effective July 1, 2020; 5.18* years of service. *(With Reciprocity 2.68 CSJ YOS + 2.50 PERS YOS)*
- e. **Stacey A. Lucas**, City Attorney, City Attorney's Office, effective June 30, 2020; 21.23* years of service. *(With Reciprocity 2.23 CSJ YOS + 19.00 SFCERS YOS)*
- f. **Tony W. Mak**, Permit Specialist, Fire Department, effective June 30, 2020; 22.56* years of service. *(With Reciprocity 1.23 CSJ YOS + 21.32 PERS YOS)*
- g. **Michelle D. Sevor**, Police Data Specialist III, Police Department, effective July 9, 2020; 29.13*

years of service. *(With Reciprocity 5.13 CSJ YOS + 24.00 PERS YOS)*

- h. John M. Thompson**, Public Safety Radio Dispatcher, Police Department, effective July 17, 2020; 30.07* years of service. *(With Reciprocity 8.57 CSJ YOS + 21.50 PERS YOS)*
- i. Eliza H. Zimmerman**, Latent Fingerprint Examiner I, Police Department, effective July 13, 2020; 19.78* years of service.

1.3 Approval of Board Minutes

- a.** Approval of the Board Minutes of May 21, 2020.

1.4 Approval of Return of Contributions

- a.** Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a.** Report of the Plan Expenses for April 2020. Receive and file.
- b.** Notification of Private Markets commitments to Arbour Lane COF II, Crestline PFF II, and Eagle Point DIF by Investment Staff.
- c.** Status of Federated Disabilities for the Period of July 1, 2019 through September 30, 2019.

This Communication/Information Report was pulled. Trustee Sun questioned the delayed information and the Disability backlog as the attached statistics are for Q3 2019. CEO Peña addressed her questions and stated that the information will be updated next quarter.

1.6 Approval of Travel / Conference Attendance

- a.** Roberto L. Peña, CEO
 - CALAPRS Administrator's Roundtable, Virtual Conference - Friday, June 26, 2020.
- b.** Prabhu Palani, CEO
 - PPI 2020 Summer Roundtable, Virtual Conference - July 14 - 16, 2020.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair read the names of the deceased aloud and called for a Moment of Silence for those who served and passed away.

- a. Notification of the death of **Jess Alvarado**, Grounds Worker II, retired October 28, 1989, died March 9, 2020. Survivorship benefits to Eleanor Alvarado, Spouse.
- b. Notification of the death of **Marvin Aoki**, Associate Civil Engineer, retired April 22, 1995, died May 6, 2020. No survivorship benefits.
- c. Notification of the death of **Paul Bourgeois**, Heavy Diesel Equipment Operator Mechanic, retired March 9, 1989, died April 12, 2020. Survivorship benefits to Marianne Bourgeois, Spouse.
- d. Notification of the death of **Frank Diaz**, Maintenance Worker II, retired December 28, 1996, died April 12, 2020. No survivorship benefits.
- e. Notification of the death of **Eleanor Esparza**, Secretary, retired January 29, 1995, died May 11, 2020. Survivorship benefits to Fred Esparza, Souse.
- f. Notification of the death of **Sanford Getreu**, Director of Planning, retired March 9, 1985, died March 10, 2020. No survivorship benefits.
- g. Notification of the death of **Joan Walking**, Senior Steno Clerk, retired January 5, 1997, died April 8, 2020. No survivorship benefits.

3. INVESTMENTS

- a. Oral Update by CIO, Prabhu Palani.

Item 3a was heard after item 3h.

CIO Palani updated the Board on the following:

- The City will prefund next year's retirement contributions at approximately \$170 million for Federated. CIO Palani will report back on this.
- The City Council was notified of Investment Team actions during the Shelter-In-Place Order
- Updated the Board on the Market

- b. Presentation of Calendar 4th Quarter 2019 Private Equity Report by Neuberger Berman.

Kaci Boyer, Nueberger Berman presented and led the discussion on the Calendar Q4 2019 Private Equity performance report. Ms. Boyer and Brian Starr, Senior Investment Officer answered questions from the Board.

- c. Presentation of Calendar 1st Quarter 2020 Performance Report for Pension Fund by Meketa Investment Group.

Laura Wirick, Meketa Investment Group presented and led the discussion on the Calendar 1st Quarter 2020 Performance Report for the Pension Fund. Stephen McCourt, Meketa Investment Group spoke on the world markets in recent months due to COVID-19. Ms. Wirick and Mr. McCourt answered questions from the Board.

- d. Presentation of Calendar 1st Quarter 2020 Performance Report for Health Care Trust by Meketa Investment Group.

Ms. Wirick presented and briefly discussed the Calendar 1st Quarter 2020 Performance Report for the Health Care Trust. There were no questions from the Board.

- e. Discussion and action on 2020-2021 Private Markets Pacing Plan by Staff.

Item 3e was heard before Item 3a as noted in the Orders of the Day.

Brian Starr, Senior Investment Officer and Dhinesh Ganapathiappan, Investment Officer presented and led the discussion on the 2020-21 Private Markets Pacing Plan and answered questions from the Board. Mr. Starr provided an overview of last year's Private Markets Pacing Plan. Mr. Ganapathiappan spoke to the proposed pacing plan and referred the Board to slide 13 for staff's recommendation for the upcoming fiscal year highlighted in yellow. He also spoke to the deployment of commitments as shown on slide 14 of the attached presentation.

A motion was made to approve the 2020-2021 Private Markets Pacing Plan by Staff.

Approved. (M.S.C. Chandra/Orr 6-0-1) The motion passed by roll call vote. Trustee Horowitz abstained.

- f. Discussion and action to authorize the Secretary to negotiate and enter into an agreement with Albourne America, LLC, commencing July 1, 2020.

Jay Kwon, Investment Officer led the discussion and reviewed the attached memo regarding authorizing the Secretary to negotiate and enter into an agreement with Albourne America, LLC, commencing July 1, 2020. Albourne is currently operating on a month-to-month basis under their existing contract as an Absolute Return Consultant. The Plans' usage of hedge fund strategies has declined over the past several years, and is not forecasted to increase. Staff recommends that Albourne's contract be restructured so that Albourne serves simply as information provider, not as a consultant making investment recommendations, and no longer serving as a fiduciary. The cost savings to the Plans would be significant and the new contract would still provide Staff with the necessary resources to continue managing the re-sized Absolute Return allocation. The contract allows the Plan to terminate the agreement with seven calendar days' notice. Staff recommends that the Boards authorize the CIO to negotiate and enter into an agreement with Albourne America, LLC, commencing July 1, 2020.

A motion was made for approval of the CIO to negotiate and enter into an agreement with Albourne America, LLC, commencing July 1, 2020.

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

- g. Discussion and action to authorize the Secretary to negotiate and enter into agreement(s) for consulting services.

Prabhu Palani, CIO led the discussion regarding authorizing the Secretary to negotiate and enter into agreement(s) for consulting services. CIO Palani provided a brief background history and answered questions from the Board. Staff issued an RFP for combined general and risk consulting services in January 2020. Combining both services may result in potential cost savings to the Plans. The IC Chairs of both Boards agree with staff recommendations to award new contracts for Meketa Investment Group as a general investment consultant at the

current rate of \$680,000/year (for both plans) with a 3% raise at the end of 3 years with Laura Wirick as the lead consultant and Verus Advisory as the risk consultant at a fee of \$250,000/year (for both plans) with Eileen Neill as the lead consultant, and with additional services negotiated by staff from both consulting firms. The Board discussed the cost split for services. Counsel Leiderman proposed further discussion at the Joint Governance Committee level and bringing a recommendation back to the Board.

A motion was made for approval of the Secretary to negotiate and enter into agreement(s) for consulting services as presented in the attached memo with a modification to add a 3% raise for Meketa Investment after 3 years.

Approved. (M.S.C. Horowitz/Jennings 6-0-0) The motion passed unanimously by roll call vote. Trustee Chandra departed during this item, before the vote.

- h. Discussion and action to authorize the Secretary to negotiate and enter into an agreement for custodian banking services, commencing October 1, 2020.

Laura Wirick, Meketa presented and led the discussion regarding authorizing the Secretary to negotiate and enter into an agreement for custodian banking services, commencing October 1, 2020. Ms. Wirick and Ron Kumar, Investment Operations Supervisor answered questions from the Board. Meketa agrees with Staff's recommendation to hire BNY Mellon as the new custody provider.

A motion was made to authorize the Secretary to negotiate and enter into an agreement for custodian banking services with BNY Mellon, commencing October 1, 2020.

Approved. (M.S.C. Orr/ Horowitz 5-0-1) The motion passed by roll call vote. Trustee Keleher abstained. Trustee Chandra was absent.

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:

-ORS remains closed to the public due to Shelter-In-Place. Staff continues to conduct business via online services.

-The annual external financial audit by Grant Thornton has started and is being done remotely.

-CMO and the Office of Emergency Services have had discussions regarding planning for employees to return to work in phases. There is no time table as of yet for when employees will return to the workplace. CEO Peña is in support of staff to continue working remotely.

- Letters went out regarding new retirement contribution rates for members for next fiscal year. The new rates will take effect July 17, 2020.

- Senior Internal Auditor, Allain Mallari has taken another job with the Office of Economic Development. His last day will be June 19, 2020. CEO Peña gave kudos to Mr. Mallari for his work on the 5-year audit plan and framework.

- The City Council approved the budget in concept on June 16, 2020. It will be finalized at the next Council meeting.

-Cheryl Parkman, OER gave an update on the CALAPRS Defined Benefit Plan for Investment Staff. On Tuesday, June 16, 2020 the 2nd reading was approved by the City Council. The effective date of the ordinance is July 26, 2020.

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

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

- The Budget was discussed and passed at the June 16, 2020 Council meeting.
- There are funds left from the CARES Act which are reserved for the second budget pass in late August/September.
- The State will not transfer \$15 mil that they said they would. This will also be addressed in August/September
- Most Library branches are closed. There are 10 branches open for curbside pick-up.

- c. Discussion and action on Cortex Consulting services agreement for FY 2020-21 for the amount of \$45,000.

CEO Peña led the discussion on the Cortex Consulting services agreement for FY 2020-21 for the amount of \$45,000 for Board Governance consulting services. He reported that the Police and Fire Board approved the request at their June Board meeting. The Board had no questions.

A motion was made to approve the new agreement with Cortex Consulting for FY 2020-21 for the amount of \$45,000.

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

- d. Discussion and action on Municipal Code Changes Related to the Tier 1 Rehire Interest Cost.

CEO Peña introduced the item and Cheryl Parkman, OER. Ms. Parkman provided background information and answered questions from the Board. She discussed the issue of members being unable to pay down the cost of their Tier 1 benefit due to the interest rates set by the Board. The City has agreed to pay a one-time lump sum towards the interest for the members Tier 1 benefit. Ms. Parkman has been working with Counsel and the Actuary on editing the language on the Ordinance for clarification. Counsel Leiderman briefly spoke to the item. There was no action on this item. General and Fiduciary Counsel and the Actuary were directed to work with the City on Municipal Code changes related to the Tier 1 rehire rules.

- e. Discussion on potential topics for the Federated Strategic Planning meeting in September.

CEO Peña introduced the item. Tom Iannucci, from Cortex Consulting provided background information regarding the Board Retreat in September. Mr. Iannucci shared his proposed plan for the Federated Strategic Planning meeting (Retreat) on September 17, 2020 and answered questions from the Board. He will provide a survey for Trustees to collect input that will go through the Governance Committee for approval or will have one-on-one discussions with each Trustee for input.

- f. Discussion on how future meetings might be conducted (Continuing Via Zoom vs. In Person Meetings).

CEO Peña led the discussion and asked for the Board's input on how future meetings might be conducted. The Board prefers to continue with Zoom meetings as long as possible or until there is a vaccine for COVID-19. Counsel Leiderman noted there is no indication that the Governor will rescind the issuance to relax Brown Act rules before the end of the year. Teleconferencing is still an option when Brown Act rules are fully in place again. Council

Liaison Dev Davis departed during this item.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

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

Last Meeting: May 26, 2020 Next Meeting: August 25, 2020

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

There was no update out of the Investment Committee.

- b. Minutes of the December 17, 2019 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the Special March 12, 2020 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Minutes of the Special March 18, 2020 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- e. Minutes of the March 24, 2020 Federated Investment Committee meeting. Receive and file.

This Investments was received and filed

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.

There was no update out of the Governance Committee. There is a Federated Governance Committee meeting after today's Board meeting.

6.3 Audit Committee (Keleher, Jennings, Sun)

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

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

Trustee Keleher updated the Board briefly on the internal audit of the Service Retirement Application Process and Benefits Recalculation. The external audit by Grant Thornton has started.

- b. Minutes of the February 20, 2020 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. 1/1/20 - 3/31/20 Quarterly Travel and attendance analysis for Federated. Receive and file.

This Committees/Reports/Recommendations was received and filed

- d. Update on the City Auditor's Recommendations to the Office of Retirement Services. Receive and file.

This Committees/Reports/Recommendations was received and filed

- e. Update on the Pension Administration System implementation project. Receive and file.

CEO Peña spoke to the item and reported that this would be the last report for the PAS project. He thanked Sue Ziegler, L.R. Wechsler (Segal), Barbara Hayman and ORS staff.

This Committees/Reports/Recommendations was received and filed.

- f. Report on Service Retirement Application Process and Benefits Recalculation Audits. Receive and file.

CEO Peña spoke to the item reporting overall we have good controls in place. We will be looking at ways to improve certain aspects of the Service Retirement Application Process - specifically how long it takes for the pension checks to be distributed to retirees.

This Committees/Reports/Recommendations was received and filed

- g. Discussion and action on the Committee's recommendation to approve the Office of Retirement Services Retirement Plans Audit Plan by Grant Thornton for FY ending June 30, 2020.

A motion was made to approve the audit plan by Grant Thornton for FY ending June 30, 2020.

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

6.4 Joint Personnel Committee (Castellano, Chandra, Orr-VC)

Last Meeting: May 13, 2020

Next Meeting: TBD

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

Trustee Castellano briefly updated the Board on the last meeting in May.

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. CALAPRS Principles for Trustees, Virtual Program - August 18, 25 & 26, 2020.
- e. SACRS Fall 2020 Conference, Renaissance Indian Wells Resort & Spa, Indian Wells, CA - November 10 - 13, 2020.

FUTURE AGENDA ITEMS

CEO Peña requested an item be added to the August Board agendas under Communication. He will provide an update regarding the response to the Civil Grand Jury for the request for an extension of the implementation of Performance Measures.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 12:45 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