



BOARD OF ADMINISTRATION

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

Thursday, October 15, 2020

8:30 AM

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

zoom.us

Dial In: +1 669 900 9128 US (San Jose)

Meeting ID: 945 5413 3184

Password: 630987

BOARD MEMBERS

Jay Castellano, Chair
Anurag Chandra, Vice-Chair
Spencer Horowitz, Trustee
Julie Jennings, Trustee
Mark Keleher, Trustee
Elaine Orr, Trustee
Qianyu Sun, Trustee

CITY COUNCIL LIAISON TO THE BOARD

Dev Davis

COUNSEL

Harvey Leiderman, General and Fiduciary Counsel

Roberto L. Peña, CEO, Office of Retirement Services

The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, October 15, 2020 at 8:30 a.m. via Zoom meeting. Chair Castellano called the Pension and Health Care Trust meeting to order at 8:30 a.m.

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

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

Also Present via Zoom: Harvey Leiderman, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Kaci Boyer, Neuberger Berman; Eileen Neill, Verus; Cheryl Parkman, OER.

Trustee Chandra departed at 12:50 p.m.

CLOSED SESSION

The Board entered into Closed Session at 8:32 a.m.

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

I. CLOSED SESSION NEW BUSINESS

- A. **CLOSED SESSION:** CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a). *SHAHRIVAR v. CITY OF SAN JOSE, ET AL, SANTA CLARA COUNTY SUPERIOR COURT NO. 20CV366329*

II. CLOSED SESSION INVESTMENTS

- A. **CLOSED SESSION:** CONFERENCE WITH INVESTMENT CONSULTANT PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER PURCHASE OR SALE OF PARTICULAR PENSION FUND INVESTMENT (TWO INVESTMENTS).

III. CLOSED SESSION OLD BUSINESS

- A. **CLOSED SESSION:** PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Executive Officer
- B. **CLOSED SESSION:** PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1). Position: Chief Investment Officer

OPEN SESSION - will reconvene following Closed Session, estimated to be 10:30 a.m.

The Board reconvened into Open Session at 11:14 a.m. and reported the following:

Closed Session Item IA:

- The Board voted unanimously to engage Reed-Smith to defend the Federated Board in this action and any other person whose defense and indemnity is accepted subject to customary reservation of rights.
- The Board voted unanimously to accept tender of the defense and indemnity of Roberto L. Peña subject to customary reservation of rights.

Closed Session Item IIA:

- The Board voted unanimously to adopt the Chief Executive Officer's Performance Evaluation.

Closed Session Item IIB:

- The Board voted unanimously to adopt the Chief Investment Officer's Performance Evaluation.

ORDERS OF THE DAY

Chair Castellano 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 discussion items, each trustee will have a turn to speak in roll call order, more than once if desired.
- The public will have an opportunity to speak on each item after trustees.
- The public will also have an opportunity to speak again at the end of the meeting on any other item not on the agenda that is within the subject jurisdiction of the Board.
- There will be a hard recess from 1:00pm -1:05pm to accommodate Civic Center TV's broadcasting process.

Chair Castellano noted that the following attachments were received late:

- 1.5d ORS's Quarterly Newsletter - The Retirement Connection.
- 1.6a Approval of request from Laurence Wagner to terminate retirement benefits effective October 17, 2020 allowing for reinstatement into the Plan effective October 18, 2020. (Service Retirement effective April 21, 2019, approved at the April 18, 2019 Board meeting).

A motion was made to approve the Orders of the Day and Waive Sunshine on the attachments for Item 1.5d and Item 1.6a.

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

1.1 Approval of Service Retirements

- George A. Acosta**, Groundskeeper, Parks, Recreation, and Neighborhood Services Department,

effective October 17, 2020; 22.59* years of service

- b. **Ray G. Castro**, Senior Construction Inspector, Public Works Department, effective September 19, 2020; 20.10* years of service.
- c. **Evelyn Cisneros**, Senior Account Clerk, Finance Department, effective September 19, 2020; 24.41* years of service.
- d. **Cay Denise Mackenzie**, Senior Emergency Services Planner, City Manager's Office, effective October 17, 2020; 28.19* years of service.
- e. **Dale M. Mora**, Groundskeeper, Parks, Recreation, and Neighborhood Services Department, effective October 17, 2020; 26.27* years of service.
- f. **Paul K. Murphy**, Carpenter, Public Works Department, effective October 31, 2020; 20.98* years of service.
- g. **Eric V. Newton**, Operations Manager, Department of Transportation, effective October 10, 2020; 30.12* years of service.
- h. **Raymond Simpson**, Division Manager, Fire Department, effective October 17, 2020; 25.87* years of service.
- i. **Margaret Mary Tobias**, Program Manager I, Parks, Recreation, and Neighborhood Services Department, effective October 31, 2020; 8.59* years of service.
- j. **Vincent M. Tovar**, Code Enforcement Inspector II, Planning, Building and Code Enforcement Department, effective October 17, 2020; 22.93* years of service.
- k. **Shellyne Urban**, Program Manager I, Environmental Services Department, effective October 17, 2020; 30.64* years of service.
- l. **Janet L. Zumwalt**, Legal Analyst, City Attorney's Office, effective September 19, 2020; 7.19* years of service.

1.2 Approval of Deferred Vested

- a. **Geraldine Luna**, Associate Environmental Specialist, Environmental Services Department, effective October 17, 2020; 5.36* years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of August 20, 2020.

- b. Approval of the Board Retreat Minutes of September 17, 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 July and August 2020. Receive and file.
- b. 10-16-2020 Joint Meeting of the City Council, The Federated City Employees' Retirement Board and The Police & Fire Department Retirement Board - Agenda
- c. 2021 Scheduled Board and Standing Committee Meetings. Receive and file.
- d. ORS's Quarterly Newsletter - The Retirement Connection.

1.6 Approval of Termination of Retirement Benefits

- a. Approval of request from **Laurence Wagner** to terminate retirement benefits effective October 17, 2020 allowing for reinstatement into the Plan effective October 18, 2020. (Service Retirement effective April 21, 2019, approved at the April 18, 2019 Board meeting).

1.7 Approval of Travel / Conference Attendance

- a. Elaine Orr, Trustee
 - Virtual Toigo Annual Gala - September 16, 2020
- b. Anarug Chandra, Trustee
 - Virtual Asia Pacific Private Equity & Venture Capital Web Meeting - September 28 - September 30, 2020.
- c. Spencer Horowitz, Trustee
 - ATTENDANCE CANCELLED BY TRUSTEE - Virtual CALAPRS Trustee Roundtable - October 23, 2020
 - SACRS Fall Conference - Virtual Conference - November 10 - 13, 2020.

- d. Jay Castellano, Trustee
 - SACRS Fall Conference - Virtual Conference - November 10 - 13, 2020.

1.8 Report out of Closed Session

- a. Report out of Closed Session from the August 5, 2020 Federated Board meeting.

2. DEATH AND SURVIVORSHIP NOTIFICATIONS (Moment of Silence)

The Chair asked for a moment of silence for those who served and passed away.

- a. Notification of the death of **David Alvarez**, Land Surveyor, retired June 1, 1999, died September 1, 2020. Survivorship benefits to Bertha Alvarez, Spouse.
- b. Notification of the death of **Florence Blake**, Chemistry Lab Technician II, retired October 14, 1990, died August 8, 2020. No survivorship benefits.
- c. Notification of the death of **John Richard Doyle**, City Attorney, retired August 8, 2020, died August 23, 2020. Survivorship benefits to Beckie Jane Barnier, Spouse.
- d. Notification of the death of **Estle Green**, Senior Plant Mechanic, retired February 18, 2012, died June 16, 2020. Survivorship benefits to Adele Green, Spouse.
- e. Notification of the death of **Melvin Hill**, Senior Civil Engineer, retired May 17, 1985, died July 14, 2020. Survivorship benefits to Mary Hill, Spouse.
- f. Notification of the death of **Rafael Jimenez**, Director of Citizen Advocacy, retired January 5, 1985, died May 16, 2020. No survivorship benefits.
- g. Notification of the death of **Lyle Long**, Associate Construction Engineer, retired August 10, 2000, died June 8, 2020. Survivorship benefits to Patricia Long, Spouse.
- h. Notification of the death of **Harry Mavrogenes**, Redevelopment Manager, retired June 25, 2011, died September 20, 2020. Survivorship benefits to Olga Mavrogenes, Spouse.
- i. Notification of the death of **Laura McRae**, Librarian III, retired March 30, 1980, died August 28, 2020. No survivorship benefits.
- j. Notification of the death of **Edward Overton**, Director, retired March 24, 2007, died August 6, 2020. Survivorship benefits to Adele Overton, Spouse.
- k. Notification of the death of **Judy Palovcsik**, Staff Technician, retired January 19, 1999, died

August 25, 2020. No survivorship benefits.

- l.** Notification of the death of **Daniel Perez**, Recreation Program Specialist, Active Employee, died August 9, 2020. Survivorship benefits to Loretta Perez, Spouse.
- m.** Notification of the death of **Gary Ruckle**, Deputy Director, retired December 8, 2001, died August 19, 2020. No survivorship benefits.
- n.** Notification of the death of **Antoinette Sanzone**, Principal Account Clerk, retired November 6, 1982, died August 3, 2020. No survivorship benefits.
- o.** Notification of the Death of **Mary Sugimoto**, Executive Secretary, retired February 28, 1987, died August 1, 2020. No survivorship benefits.
- p.** Notification of the death of **Rocci Trillo**, Maintenance Worker I, retired February 8, 2014, died August 3, 2020. No survivorship benefits.
- q.** Notification of the death of **Melvin Tung-Loong**, Gardener, retired November 7, 1992, died July 29, 2020. No survivorship benefits.
- r.** Notification of death of **Jose S. Villa**, Groundswoker, retired February 1, 2003, died September 20, 2020. No survivorship benefits.

3. INVESTMENTS

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

CIO Palani had no updates.

- b.** Presentation of Calendar 1st Quarter 2020 Private Equity Report by Neuberger Berman.

Kaci Boyer, Neuberger Berman presented the Calendar 1st Quarter 2020 Private Equity Report. Ms. Boyer and Investment Staff answered questions from the Board.

- c.** Presentation of Calendar 1st Quarter 2020 Private Markets Report by Meketa Investment Group.

Laura Wirick, Meketa Investment Group presented the Calendar 1st Quarter 2020 Private Markets Report and answered questions from the Board. She expects to come back soon to the Board with information through the end of the 2nd quarter.

- d.** Presentation of Calendar 2nd Quarter 2020 Performance Report for Pension Plan by Meketa Investment Group.

Ms. Wirick presented the Calendar 2nd Quarter 2020 Performance Report for the Pension Plan and answered questions from the Board. She reported the Plan is up 11% and very close to target.

- e. Presentation of Calendar 2nd Quarter 2020 Performance Report for Health Care Trust by Meketa Investment Group.

Jared Pratt, Meketa Investment Group and Ms. Wirick presented the Calendar 2nd Quarter 2020 Performance Report for the Healthcare Trust.

- f. Presentation of Investment Fee Report for Calendar Year 2019 by Investment Staff.

CIO Palani introduced David Aung and noted that the Fee Report will be presented at the City Council meeting on October 20th. Mr. Aung presented the Investment Fee Report for Calendar Year 2019 and answered questions from the Board. Staff will come back with comparison of passive vs. active deployment and the cost differences.

- g. Discussion and approval for the Secretary to negotiate and execute a two-year extension of the agreement with Bloomberg Finance, LP for \$150,000 per year shared 50/50 with Police and Fire Plan.

CIO Palani introduced the item and Ron Kumar. CIO Palani notified the Board that next year all investment services-related fees will be presented in one document and that the request to extend the agreement with Bloomberg has already been approved during the budget process. Mr. Kumar spoke to the item noting that Staff recommends approval of the request for a two-year extension of the agreement with Bloomberg Finance for data services. CIO Palani will look into the Board's request regarding combining procurement with other City departments using Bloomberg.

A motion was made to authorize the Secretary to negotiate and execute a two-year extension of the agreement with Bloomberg Finance, LP for \$150,000 per year shared 50/50 with the Police and Fire Plan.

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

4. OLD BUSINESS-DEFERRED/CONTINUED ITEMS

- a. Discussion on Tier 1 Rehire Amortization Costs Implementation and Member Statements.

CEO Peña briefly spoke to the item and introduced Cheryl Parkman. Ms. Parkman discussed the background of the item and answered questions from the Board. The City requested that the Boards replace the annual Tier 1 Rehire statement with the MemberDirect portal to provide employees with the most up to date information. The City will communicate this change to impacted employees should the Boards approve this change. The Board directed Staff to proceed to work with the City on this item to notify impacted employees. The Board indicated its preference to continue to issue the annual statements as well as making the information available through the MemberDirect portal.

5. NEW BUSINESS

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

CEO Peña updated the Board on the following:

- 2 Trustee positions are open for the Public Seat. The 2 applicants will be interviewed by the City Council in December.
- New iPad check-out process was explained.
- CALAPRS Virtual Trustees Roundtable will be on October 23rd.
- The Joint Meeting of the Boards and City Council will be tomorrow, October 16th.
- The Retirement Working Solutions Group met on October 13th.
- Open Enrollment begins November 1st. The Health Fair will be virtual this year.
- CEO Peña and Barbara Hayman attended the Retiree Association Zoom meeting.
- Cheiron will be attending the November Board meetings to discuss actuarial valuations.
- The Investment Fee report will be presented to the City Council on October 27th.
- The Senior Internal Auditor and Senior Health Care Benefit Analyst positions are open.

Trustee Chandra departed during this item.

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

City Council Liaison Davis updated the Board on the following.

- The Retirement Working Solutions Group discussed the Pension Obligation Bonds and a suggestion was made to discuss further in the Spring.

- c. Discussion and action on CEO's compensation.

Harvey Leiderman, General and Fiduciary Counsel spoke to the item and explained the current process. Trustee Castellano reported based on the Closed Session discussion CEO Peña received an "excellent" evaluation overall. Trustee Sun noted her vote does not reflect her view of CEO Peña's performance, but rather not understanding the City evaluation process.

A motion was made to approve increasing the CEO's compensation by 5%.
Approved. (M.S.C. Castellano/Jennings 5-1-0) The motion passed by roll call vote. Trustee Chandra was absent for the vote.

Aye - Castellano, Horowitz, Jennings, Keleher, Orr
Nay - Sun
Abstain - None

- d. Discussion and action on CIO's compensation.

Chair Castellano introduced the item. There was a discussion surrounding the salary range. Ms. Parkman answered questions and provided clarity to the Board. Trustee Sun noted her vote does not reflect her view of CIO Palani's performance, but rather not understanding the City evaluation process.

A motion was made to approve increasing the CIO's compensation by 5%.
Approved. (M.S.C. Jennings/Orr 5-1-0) The motion passed by roll call vote. Trustee Chandra was absent for the vote.

Aye - Castellano, Horowitz, Jennings, Keleher, Orr
Nay - Sun
Abstain - None

6. COMMITTEES/REPORTS/RECOMMENDATIONS

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

Last Meeting: August 25, 2020 Next Meeting: October 27, 2020

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

No update to report.

- b. Minutes of the May 26, 2020 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes of the May 26, 2020 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

6.2 Governance Committee (Horowitz, Castellano, Keleher)

**Last Meeting: June 18, 2020 Next Meeting: December 17, 2020
(September 3, 2020 Meeting Cancelled)**

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

Trustee Horowitz reported the last meeting was cancelled.

6.3 Audit Committee (Keleher, Jennings, Sun)

Last Meeting: August 20, 2020 Next Meeting: October 15, 2020

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

Trustee Keleher reported Grant Thornton's audit will be discussed at today's Joint Audit Committee meeting.

6.4 Joint Personnel Committee (Orr, Castellano, Chandra)

Last Meeting: September 8, 2020 Next Meeting: October 20, 2020

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

Trustee Orr reported at the last meeting the latest versions of the evaluations were reviewed.

- b. Minutes of the August 11, 2020 Joint Personnel Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

7. EDUCATION & TRAINING

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

- b. CALAPRS Trustees Roundtable, Virtual Program - October 23, 2020.

- c. SACRS Fall 2020 Conference, Virtual Conference - November 10-13, 2020.

FUTURE AGENDA ITEMS

None.

PUBLIC/RETIREE COMMENTS

Counsel Leiderman acknowledged the passing of former City Attorney, Rick Doyle.

ADJOURNMENT

The meeting adjourned at 1:42 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

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

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

*Estimated