



BOARD OF ADMINISTRATION

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

Thursday, March 18, 2021

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: 930 7206 2009

Password: 956103

BOARD MEMBERS

Jay Castellano, Chair
Spencer Horowitz, Vice-Chair
Anurag Chandra, Trustee
Julie Jennings, Trustee
Mark Keleher, Trustee
Elaine Orr, Trustee
Vacant, 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, March 18, 2021 at 8:30 a.m. Chair Castellano called the meeting to order at 8:33 a.m. followed by roll call.

Present: 5 - Jay Castellano, Spencer Horowitz, Julie Jennings, Elaine Orr and Anurag Chandra

Absent: 1 - Mark Keleher

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

Also Present via Zoom: Harvey Leiderman, General and Fiduciary Counsel; Laura Wirick, Meketa Investment Group; Jared Pratt, Meketa Investment Group; Danny Sullivan, Verus; Eileen Neill, Verus; Shawn Parris, Public Member; Cheryl Parkman, OER.

Trustee Keleher was absent.

Council Liaison Dev Davis arrived at 9:18 a.m.

AGENDA

CALL TO ORDER AND ROLL CALL

CLOSED SESSION

The Board entered into Closed Session at 8:36 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:** CONFERENCE WITH LEGAL COUNSEL - SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d) (2) (ONE MATTER).

The Board came out of Closed Session at 8:56 a.m.

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

The Board reconvened into Open Session at 8:57 a.m. There was no reportable action out of Closed Session.

ORDERS OF THE DAY

Chair Castellano read the following ground rules into the record:

- 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 subject jurisdiction of the Board.

- Item 1.11 will be pulled from the agenda. The applicant withdrew his application.

Breaks

- There will be a break after agenda item 3f
- There will be a recess from 1:00pm -1:05pm to accommodate Civic Center TV's broadcasting process.

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

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

1.1 Approval of Service Retirements

- a. **Jo L. Andrade-Bunnell**, Environmental Laboratory Supervisor, Environmental Services Department, effective March 27, 2021; 28.27* years of service.
- b. **Santos P. Armendariz**, Senior Maintenance Worker, Department of Transportation, effective March 20, 2021; 32.16* years of service. (*With Reciprocity CSJ YOS 30.82 + PERS YOS 1.34*)
- d. **Guixiang Chen**, Senior Engineer, Department of Transportation, effective March 20, 2021; 24.93* years of service.
- e. **Kenneth O. Davies**, Deputy Director, Environmental Services Department, effective March 20, 2021; 21.41* years of service.
- c. **Brian J. Birmingham**, Senior Maintenance Worker, Department of Transportation, effective March 21, 2021; 29.50* years of service.
- f. **Valerie R. Esquivel**, Investigator Collector II, Finance Department, effective March 27, 2021; 30.45* years of service.
- g. **James B. Goulding**, Public Safety Communication Specialist, Police Department, effective March 18, 2021; 30.45* years of service.
- h. **Stella Guitierrez**, Gerontology Specialist, Parks, Recreation and Neighborhood Services Department, effective March 27, 2021; 13.75* years of service.

- i. **Lawrence J. Hartman**, Associate Construction Inspector, Public Works Department, effective April 3, 2021; 30.64* years of service.
- j. **Desiree Jaffries**, Program Manager, Information Technology Department, effective March 20, 2021; 14.27* years of service.
- k. **Fathy M. Kamshoshy**, Associate Engineer, Planning, Building and Code Enforcement Department, effective March 20, 2021; 27.37* years of service. *(With Reciprocity CSJ YOS 24.55 + PERS YOS 2.82)*
- l. **Daniel R. Kelley**, Gardener, Parks, Recreation and Neighborhood Services Department, effective March 27, 2021; 21.29* YOS
This item was pulled from the agenda. The applicant withdrew his application.
- m. **Tinlan Li**, Senior Accountant, Environmental Services Department, effective March 20, 2021; 26.85* years of service.
- n. **Gwendolyn G. Lum-Duffy**, Code Enforcement Inspector II, Planning, Building and Code Enforcement Department, effective March 31, 2021; 25.94* years of service. *(With Reciprocity CSJ YOS 21.30 + PERS YOS 24.63)*
- o. **John Meltzer**, Senior Construction Inspector, Department of Transportation, effective March 27, 2021; 32.85* years of service. *(With Reciprocity CSJ YOS 19.71 + PERS YOS 13.14)*
- q. **Edmundo Moran**, Assistant City Attorney, City Attorney's Office, effective March 20, 2021; 31.62* years of service.
- r. **Michael A. O'Connell**, Deputy Director, Public Works Department, effective March 20, 2021; 29.73* years of service.
- p. **Jeanette C. Mondala**, Analyst II, Planning, Building and Code Enforcement Department, effective March 31, 2021; 21.53* years of service.
- s. **Alex P. Pearson**, Park Manager, Parks, Recreation and Neighborhood Services Department, effective March 20, 2021; 23.27* years of service.
- t. **Michael C. Petrach**, Communication Technician, Public Works Department, effective March 20, 2021; 30.39* years of service.
- u. **Betty B. Ramirez**, Youth Outreach Specialist, Parks, Recreation and Neighborhood Services Department, effective March 29, 2021; 20.45* years of service.
- v. **Patricia C. Steinfurth**, Staff Specialist, Police Department, effective March 30, 2021; 9.13*

years of service.

- w. **Patrick R Tonna**, Deputy Director of Aviation, Airport Department, effective March 27, 2021; 21.62* years of service.
- x. **Tammy K. Turnipseed**, Economic Development Manager, Office of Economic Development, effective March 20, 2021; 30.27* years of service.
- y. **Kimberly A. Walesh**, Deputy City Manager, City Manager's Office, effective March 30, 2021; 18.30* years of service.

1.2 Approval of Deferred Vested

- a. **Bonnie D. Snyder**, Public Safety Radio Dispatcher, Police Department, effective April 13, 2021; 6.3* years of service.

1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of February 18, 2021.

1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

1.5 Acceptance of Communication/Information Reports

- a. Report of the Plan Expenses for January 2021. Receive and file.
- b. **Revised** 2021 Scheduled Board and Standing Committee Meetings. Receive and file.
- c. **Educational Travel Report:**
 - HBS: Alternative Investments, Virtual Program - January 27 - February 24, 2021 - by Spencer Horowitz.
- d. Fiduciary Insurance and Waiver of Recourse Fees for Policy Year March 2021 - 2022.
- e. Presentation of Actuarial Valuations results for City Council meeting on March 16th.

1.6 Approval of Travel / Conference Attendance

- a. Jay Castellano, Trustee
 - SACRS Virtual Spring Conference, May 11- 14, 2021.

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 **Donald J. Blake**, Administrative Analyst III, retired March 31, 1979, died December 13, 2020. No survivorship benefits.
- b. Notification of the death of **James R. Daniels**, Director, retired January 11, 1992, died November 25, 2020. No survivorship benefits.
- c. Notification of the death of **Alicia F. Garcia**, Office Specialist II, retired January 13, 2006, died January 23, 2021. Survivorship benefits to Andres Garcia, Sr., Spouse.
- d. Notification of the death of **Patricia Grisham**, Librarian II, retired November 11, 1995, died January 16, 2021. Survivorship benefits to Arthur Grisham, Spouse.

3. INVESTMENTS

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

CIO Palani spoke briefly to the agenda items and updated the Board on the following:

- In February the Plan returned 1.19%
- Thru March 16th the Plan returned 1.59%
- Fiscal Year To Date the Plan returned 20.54%

- b. Presentation of Calendar 3rd Quarter 2020 Private Equity Report by Neuberger Berman.

Kaci Boyer, Neuberger Berman spoke to the Calendar 3rd Quarter 2020 Private Equity Report and answered questions from the Board. She reported over \$250 million is now committed since May 2017. Overall there are good early strong returns so far.

Council Liaison Dev Davis arrived during this item.

- c. Presentation of Calendar 3rd Quarter 2020 Private Markets Report by Meketa Investment Group.

Laura Wirick, Meketa, spoke to the Calendar 3rd Quarter 2020 Private Markets Report. She reported performance has been strong. There were no questions from the Board.

- d. Presentation of Calendar 4th Quarter 2020 Performance Report for Pension Plan by Meketa Investment Group.

Jared Pratt, Meketa spoke to the Calendar 4th Quarter 2020 Performance Report for the Pension Plan. There were no questions from the Board.

- e. Presentation of Calendar 4th Quarter 2020 Performance Report for Health Care Trust by Meketa Investment Group.

Mr. Pratt spoke to the Calendar 4th Quarter 2020 Performance Report for the Health Care Trust. He reported we are in the top half of our peer group for returns.

- f. Discussion and action on Strategic Asset Allocation by Meketa Investment Group.

CIO Palani introduced the item for discussion and provided a brief background. He introduced Laura Wirick, Meketa, who spoke to the proposed Strategic Asset Allocation and answered questions from the Board. She reviewed the attached document which evaluates the current asset allocation policy and presents alternative asset allocation options for the San Jose Federated City Employees' Retirement System and Health Care Trust. Ms. Wirick discussed the options and shared that Meketa recommends continuing with the current Mix. Eileen Neill, Verus, also spoke to the proposed Strategic Asset Allocation from a Risk perspective and answered questions from the Board. A lengthy discussion ensued following the presentations.

A motion was made to continue with the current asset allocation Mix for the Pension Plan.

Approved. (M.S.C. Chandra/Orr 4-1-0) The motion passed by roll call vote with Trustee Horowitz voting 'Nay'. Trustee Keleher was absent.

A motion was made to accept the recommended Benchmark Components on Slide 17 of the attached Meketa presentation.

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

A friendly amendment to a previous motion was made to adopt Mix A with a transition period over 3 quarters driven by Staff and Meketa for the Health Care Trust Strategic Asset Allocation. Staff will come back to the Board next month with a plan for the next 3 quarters.

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

- g. Discussion and action on the City's prefunding option for fiscal year 2021 - 2022.

CIO Palani introduced the item and Jay Kwon, Sr. Investment Officer. Mr. Kwon spoke to the item and provided a brief background. Staff recommends continuing the practice outlined in the attached memo and provide the City with the full Discount Rate for determining actuarial equivalence.

A motion was made to approve Staff's recommendation to provide the City with the full

Discount Rate for pre-funding.

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

h. Approval to renew the following Board contracts:

Abel Noser

Klarity Fx

Dynamo Software

CIO Palani introduced the item and discussed the contract length differences to the Board. Ron Kumar spoke to the request to the Board and briefly went over the attached memo.

A motion was made to approve the renewal of the following Board contracts: Abel Noser, Klarity Fx, Dynamo Software.

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

- The RFP for the Board Medical Advisor was issued last week with a deadline of April 15th.
- Interviews are being scheduled for the Senior Benefits Analyst and Benefits Analyst Positions.
- The COLA will appear in the April paychecks.
- Retirees impacted by the IRS 415(b) limits will be notified via mail.
- The ORS Newsletter will be issued in April.
- ORS will be closed March 31st due to the Cesar Chavez Holiday.
- \$75 for Fiduciary Insurance is due at the end of the month. Checks from Trustees should be mailed to the office. Staff will follow-up with an email (Consent Item 1.5d).
- Form 700's are due by April 1st.
- Actuarial Valuations were presented to City Council on March 16th (Consent Item 1.5e).
- Thanked to Staff as they continue to work remotely, completing core duties.
- Asked Board for direction regarding the vacant Employee Representative seat. By allowing the City Council to appoint a Trustee through November and then continue the election process at that time, we can fill the seat quickly and minimize duplicate efforts of also holding an election now. Cheryl Parkman, OER, spoke to the Muni Code and noted OER will reach out to Unions and Bargaining Units. The new Trustee cannot be from PRNS.

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

Council Liaison Dev Davis updated the Board on the following:

- 5 year forecast - Base case \$48.1 million shortfall for upcoming 21-22 Fiscal Year. In an optimistic case there could be a \$14 million shortfall, in a pessimistic case there could be a

\$78 million short fall.

-The Mayor's March budget message passed. Mayor Liccardo called for putting \$80 million of the projected \$200 million of relief funds from the government into reserve for future years. Forecast is based on ongoing expenses and revenues.

-The City Council took action on a recovery road map which is the work plan for City Staff and Departments for which activities will continue through at least the next Fiscal Year and includes what is needed for residents and businesses in terms of recovery.

- c. Discussion and action on the Office of Retirement Services proposed administrative budget for FY 2021 - 2022.

CEO Peña spoke to the item and reported the proposed budget was presented to the Police and Fire Board at their last meeting and was approved. He reviewed the budget and answered questions from the Board.

A motion was made to approve the Office of Retirement Services proposed administrative budget for FY 2021 - 2022.

Approved. (M.S.C. Jennings/Chandra 5-0-0) The motion passed unanimously by roll call vote. Trustee Keleher was absent.

- d. Discussion and action on exercising the first of two one-year options for fiscal year ending June 30, 2021 with Grant Thornton, LLP for audit services.

CEO Peña introduced the item and Benjie Chua-Foy, Accounting Division Manager. He made a correction to the agenda language for this item. Ms. Chua-Foy spoke to the item and indicated that language should reflect "both two one-year extension options". Staff recommends exercising both of the one year extension options for fiscal years ending June 30, 2021 and 2022 with GT for auditing services and to add \$30,000 to the contract to increase the maximum amount to \$530,000.

A motion was made to approve exercising both two one-year extension options for audit services with Grant Thornton, LLP ("GT") for fiscal years ending June 30, 2021 and 2022 and increase the maximum contract amount to \$530,000.

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

- e. Discussion and action on adoption of Resolution No. 9091 Cost of Living Adjustment rate for 415(b) Qualified Participants under the Grandfather Rule.

Chair Castellano recused himself from this item and left the Zoom meeting. CEO Peña introduced the item and Barbara Hayman, Deputy Director. Ms. Hayman provided background on the 415(b) limit rules, explained the calculations and answered questions from the Board. CEO Peña noted there are only a handful of impacted members. Staff recommends approval of Resolution No. 9091 setting the Cost of Living Adjustment rate for 415(b) impacted beneficiaries who will have limits set by grandfathered" rules of two point zero percent (2.0%) Municipal Code section 3.44.040.

A motion was made to accept staff recommendation to adopt Resolution No. 9091 Cost of Living Adjustment rate for 415(b) Qualified Participants under the Grandfather Rule.

Approved. (M.S.C. Chandra/Jennings 4-0-0. Chair Castellano recused himself from the discussion and did not vote. Trustee Keleher was absent.

6. COMMITTEES/REPORTS/RECOMMENDATIONS

6.1 Investment Committee (Chandra, Orr, Keleher)

Last Meeting: February 23, 2021 Next Meeting: April 20, 2021

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

Chair Castellano rejoined the Zoom meeting. Trustee Chandra reported there were no updates.

- b. Minutes from the December 22, 2020 Federated Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

- c. Minutes from the December 22, 2020 Joint Investment Committee meeting. Receive and file.

This Committees/Reports/Recommendations was received and filed

6.2 Governance Committee (Horowitz, Castellano, Jennings)

Last Meeting: March 4, 2021 Next Meeting: June 17, 2021

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

Trustee Horowitz updated the Board on the work that was accomplished at the last meeting regarding the Succession Planning Policy. The Committee deferred Education Planning to another meeting.

- b. Minutes of the December 17, 2020 Joint Governance 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. Discussion and action on the memorandum regarding recommendation to reduce the required frequency for reviewing the governance policies and charters.

Trustee Horowitz spoke to the recommendation to reduce the required frequency for reviewing the governance policy and charters.

A motion was made to approve the recommended change in frequency of policy review from

3 years to 5 years or as needed.

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

6.3 Audit Committee (Keleher, Jennings, Horowitz)

Last Meeting: February 18, 2021

Next Meeting: May 20, 2021

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

CEO Peña reported the Committee met the new Internal Senior Auditor and noted the following presentations on the agenda.
- b. Minutes of the October 15, 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. 10/1/20-12/31/20 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.

CEO Peña spoke to the item noting Recommendation No. 5. was discussed with the City Auditor. An agreement was made for a target completion date of June 30, 2021. He will keep the Board apprised of further discussions.
- e. Discussion on the 2020 Internal ORS staff survey by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

Items 6.3e and 6.3g were heard together.

There was no discussion and no action needed.
- f. Discussion and action on the Assessment of the Internal Audit Division by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

CEO Peña spoke to the item and the Senior Internal Auditor's recommendation to make the position more independent to provide flexibility going forward for the Internal Audit Division. The Committee directed Counsel and Staff to work together on this and the Internal Audit Division budget. This item will go back to the Audit Committee.
- g. Discussion on the Status of Audit Recommendations by Office of Retirement Services, Senior Internal Auditor, Houman Boussina.

Items 6.3e and 6.3g were heard together.

There was no discussion and no action needed.

6.4 Joint Personnel Committee (Orr, Castellano, Chandra)

Last Meeting: November 10, 2020 Next Meeting: TBD

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

No updates to report.

7. EDUCATION & TRAINING

- a. The Cortex Report - March 2021, Conferences, Seminars and Educational Programs.

This Education & Training was received and filed

- b. CalAPRS Virtual Trustees Roundtable, May 10, 2021.

This Education & Training was received and filed

FUTURE AGENDA ITEMS

Phase 2 of Disability Training will be forthcoming.

PUBLIC/RETIREE COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 12:36 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