



# BOARD OF ADMINISTRATION

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

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Thursday, August 19, 2021

8:30 AM

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**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: 943 0525 6378**

**Password: 637769**

### **BOARD MEMBERS**

*Spencer Horowitz, Chair*

*Vacant, 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*

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The Board of Administration of the Federated City Employees Retirement System and Health Care Trust met on Thursday, August 19, 2021 at 8:30 a.m. Chair Horowitz called the meeting to order at 8:30 a.m. followed by roll call.

**Present:** 5 - Spencer Horowitz, Mark Keleher, Julie Jennings, Elaine Orr and Anurag Chandra

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

**Also Present via Zoom: Harvey Leiderman, General and Fiduciary Counsel; Maytak Chin, General and Fiduciary Counsel; Jay Castellano, Public Member; Cyril Espanol, Journalist; Vance Creekpau, Verus; Eileen Neill, Verus; Danny Sullivan, Verus; Michael Busch, Urban Futures; Tim Frydendall, Urban Futures; Julio Morales, Urban Futures; Wing-See Fox, Urban Futures; Bill Hallmark, Cheiron; Joseph Schulman, Public Member; Mike Tran, Public Member; Prachi Avasthy, Finance Dept.; Julia Cooper, Finance Dept.; Nikolai Sklaroff, Finance Dept.; Michael Burger, Finance Dept.; Kevin Freimarck, Finance Dept.; Su Kumar, Finance Dept.; Cheryl Parkman, OER; Laura Wirick, Meketa; Steven Hastings, Cheiron; and Jackie Kong, Public Member.**

**Trustee Orr departed at 10:03 a.m.**

### **CALL TO ORDER AND ROLL CALL**

#### **Ceremonial Item**

Presentation of a commendation to Jay Castellano for his service as Trustee of the Federated Retirement Plan's Board of Administration.

**Chair Horowitz presented Trustee Castellano's Commendation. CEO Peña and the Board thanked Trustee Castellano for his stellar service to the City and the Board on behalf of staff and Plan members.**

**A motion was made to approve the Commendation.**

**Approved. (M.S.C. Horowitz/Chandra 5-0-0) The motion passed unanimously.**

### **CLOSED SESSION**

**The Board entered into Closed Session at 8:42 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: 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

The Board came out of Closed Session at 9:55 a.m.

**OPEN SESSION - will reconvene following Closed Session, estimated to be 9:30 a.m.**

The Board reconvened into Open Session at 9:55 a.m. There was no reportable action out of Closed Session.

**ORDERS OF THE DAY**

Chair Horowitz 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.
- Items 3a, 4c, 3b and 4d will be heard together.
- There will be a break at 10:00 a.m.
- There will be a 5 minute recess at 1:00 p.m. to accommodate Civic Center TV's broadcasting process.

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

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

**1. CONSENT CALENDAR**

Barbara Hayman, Deputy Director spoke to item 1.2g.

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 Orr was absent.

**1.1 Approval of Service Retirements**

- a. Mae Rose C. Artida**, Office Specialist, Public Works Department, effective October 16, 2021; 20.38\* years of service.
- b. David A. Bachur**, Police Data Specialist II, Police Department, effective August 7, 2021; 19.61\* years of service.
- c. Adrian Barrientos**, Librarian II, Library Department, effective September 18, 2021; 22.47\*

years of service.

- d. **Jose L. Campos**, Principal Construction Inspector, Public Works Department, effective October 16, 2021; 26.46\* years of service
- e. **Deborah B. Estreicher**, Librarian II, Library Department, effective September 4, 2021; 28.51\* years of service.
- f. **Rhodora G. Macaraeg**, Senior Engineering Technician, Public Works Department, effective September 4, 2021; 22.72\* years of service.
- g. **Stephen M. Pletsch**, Senior Construction Inspector, Public Works Department, effective October 16, 2021; 30.05\* years of service.
- h. **Carolyn Satake**, Secretary, Parks, Recreation and Neighborhood Services Department, effective August 21, 2021; 21.77\* years of service.
- i. **Edith E. Sutterlin**, Librarian II, Library Department, effective October 17, 2021; 7.15\* years of service.
- j. **Leo M. Tran**, Code Enforcement Inspector II, Planning, Building and Code Enforcement Department, effective October 16, 2021; 30.01\* years of service.
- k. **Thomas P. Valenzuela**, Associate Construction Inspector, Department of Transportation, effective August 21, 2021; 30.00\* years of service.
- l. **Laura Wada**, Associate Architect, Public Works Department, effective October 16, 2021; 18.05\* years of service
- m. **Caven F. Wilson**, Staff Specialist, Police Department, effective August 7, 2021; 22.93\* years of service.
- n. **Dhez Woodworth**, Economic Development Officer, Office of Economic Development, effective August 14, 2021; 24.97\* years of service.

## **1.2 Approval of Deferred Vested**

- a. **David T. Atkins**, Analyst, Human Resources Department, effective August 21, 2021; 7.83\* years of service.
- b. **P. Scott Brown**, Senior Analyst, Human Resources Department, effective August 22, 2021; 5.63\* years of service.
- c. **Steven L. Cameron**, Senior Public Safety Dispatcher, Fire Department, effective October 3,

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2021; 14.51\* years of service (*With Reciprocity CSJ YOS 5.90 + PERS YOS 8.60*)

- d. **Victor A. Chavez**, Maintenance Worker II, Department of Transportation, effective July 22, 2021, 20.60\* years of service.
- e. **Adolfo Cruz**, Recreation Program Specialist, Parks, Recreation, and Neighborhood Services Department, effective September 3, 2021; 30.93\* years of service. (*With Reciprocity CSJ YOS 9.88 + PERS YOS 21.05*)
- f. **Robert E. Garcia**, Airport Operations Supervisor, Airport Department, effective October 12, 2021; 11.43 years of service.
- g. **Amanda L. Ramos**, Senior Analyst, Office of Retirement Services, effective August 22, 2021; 16.81\* years of service.  
**Barbara Hayman, Deputy Director acknowledged and thanked Amanda Ramos for her work with ORS**
- h. **Deanna Zuniga**, Custodian, Airport Department, effective September 2, 2021; 10:20\* years of service.

### 1.3 Approval of Board Minutes

- a. Approval of the Board Minutes of June 17, 2021.

### 1.4 Approval of Return of Contributions

- a. Voluntary | Involuntary.

### 1.5 Acceptance of Communication/Information Reports

- a. ORS's Quarterly Newsletter - The Retirement Connection.
- b. The Essential Allocator email regarding the City of San Jose Pension Plans, by Alicia McElhaney, July 16, 2021.
- c. Report of the Plan Expenses for May 2021. Receive and file.
- d. Revised 2021 Scheduled Board and Standing Committee Meetings. Receive and file.

**e. Educational Travel Report:**

- CalAPRS Advanced Principals of Pension Governance for Trustees, Virtual Program - June 7, 9, 11, 2021 - by Julie Jennings.
- CalAPRS Advanced Principles of Pension Governance for Trustees, Virtual Program - June 7, 9, 11, 2021 - by Spencer Horowitz.
- SACRS Virtual Spring Conference - May 12-14, 2021 - by Spencer Horowitz.

- f.** The Institutional Investor article: San Jose's Pension Funds Post Record-Breaking Returns, by Alicia McElhaney, August 4, 2021.

**1.6 Approval of Travel / Conference Attendance**

**a. Prabhu Palani, CIO**

- Pacific Pension and Investment Summer 2021 Roundtable, Virtual Conference - July 13 - July 15, 2021.
- Trusted Insight Platform LP Ecosystem Day - July 22, 2021
- 2021 Pension Bridge Annual Conference, Virtual Program - July 27 - July 29, 2021.

**1.7 Approval of Change in Retirement Date**

- a.** Approval for a change in effective date for **Kathryn L. Rolland** from July 7, 2021 to August 2, 2021 for a Deferred Vested Retirement, approved at the June 17, 2021 Board meeting.

**1.8 Report out of Closed Session**

- a.** Report out of Closed Session from the April 15, 2021 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 **Lucille Baldauf**, Accountant I, retired February 23, 1985, died April 14, 2021. No survivorship benefits.
- b.** Notification of the death of **Judith Boes**, Senior Office Specialist, retired February 8, 2008, died June 10, 2021. Survivorship benefits to Stanley O. Sharpe, Spouse.
- c.** Notification of the death of **JoAnn Briese**, Clerk, retired December 5, 1997, died April 6, 2021. No survivorship benefits.
- d.** Notification of the death of **Mary Brown**, Staff Analyst II, retired January 22, 1989, died May 7,

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2021. No survivorship benefits.

- e. Notification of the death of **Dale Burrious**, Associate Architect, retired July 15, 2017, died July 1, 2021. No survivorship benefits.
- f. Notification of the death of **Mildred Fadden**, Principal Account Clerk, retired June 1, 1996, died April 6, 2021. No survivorship benefits.
- g. Notification of the death of **Audrey Furey**, Senior Engineering Technician, retired October 24, 1992, died April 9, 2021. No survivorship benefits.
- h. Notification of the death of **Robert A. Glenn**, Maintenance Assistant II, retired July 16, 1999, died June 26, 2021. No survivorship benefits.
- i. Notification of the death of **Byron O. Jones**, Real Property Agent II, retired March 9, 2000, died April 4, 2021. Survivorship benefits to Barbara Jones, Spouse.
- j. Notification of the death of **Charles Lamance**, Building Inspector, retired July 1, 2001, died August 3, 2020. No survivorship benefits.
- k. Notification of the death of **Larry Lisenbee**, Budget Director, retired January 13, 2007, died June 11, 2021. No survivorship benefits.  
**Trustee Jennings acknowledged Larry Lisenbee's service the City.**
- l. Notification of the death of **John W. Marsh**, Senior Construction Inspector, retired January 4, 1992, died May 24, 2021. Survivorship benefits to Cristina Marsh, Spouse.
- m. Notification of the death of **Ricardo G. Martinez**, Civil Engineer I, retired January 2, 1991, died April 7, 2021. No survivorship benefits.
- n. Notification of the death of **David Pieruccini**, Code Enforcement Inspector, retired March 31, 2018, died June 9, 2021. No survivorship benefits.
- o. Notification of the death of **Paul Riemer**, Grounds Worker, retired November 7, 1992, died March 25, 2021. No survivorship benefits.
- p. Notification of the death of **Daniel Sandoval**, Associate Engineering Technician, retired November 7, 1992, died June 20, 2021. Survivorship benefits to Yvonne Sandoval, Spouse.
- q. Notification of the death of **Leonard Wise**, Senior Plant Operator, retired March 13, 2004, died June 24, 2021. No survivorship benefits.
- r. Notification of the death of **Jerry Yoshida**, Planner II, retired March 27, 2010, died April 21, 2021. Survivorship benefits to Gloria Yoshida, Spouse.

### **3. INVESTMENTS**

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

CIO Palani updated the Board on the following:

- The Pension Plan returned 29.5% last year.
- According to Meketa the Plan is in the top quartile of peers.
- Outperformed CALPERS by 700 bp and CALSTERS by 2.5%.

- b. Discussion on Pension Obligation Bonds by CIO Palani, Meketa Investment Group, & Verus Investments.

This item was heard after 4c.

CIO Palani introduced the item for discussion. Laura Wirick, Meketa presented on Pension Obligation Bonds (POB's). She spoke to the background, risk considerations, another asset allocation/risk perspective and other considerations. There were no questions from the Board. Eileen Neill, Verus presented on POB's and answered questions from the Board. She spoke to volatility, drawdowns and risk tolerance, decision framework for setting risk target, and contribution/return/drawdown impact scenarios.

### **4. NEW BUSINESS**

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

This item was heard after 4d.

CEO Peña updated the Board on the following

- New Benefits Manager, Sandra Castellano has joined ORS.
- Now working on recruiting a Benefit Analyst by September 5th.
- Virtual Board Meetings may not continue past September 30th. The Joint Meeting with City Council will likely be a virtual meeting.
- A soft reopening of City Hall and return to in-person work started in early August. ORS will follow the City's plan.
- Survey results on returning to in-person work at ORS indicate Staff wants a hybrid approach. Senior Staff supports this and are working on verifying staff's vaccination status.
- The City Clerk has received 1 application each for the vacant Retiree seat and the vacant Active seat.

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

Councilwoman Davis updated the Board on pending matters before the Council.

- c. Actuarial presentation by Cheiron on updated Pension Projections on preliminary investment returns as of June 30, 2021.



This item was heard after 3a.

Bill Hallmark, Cheiron presented the updated Pension Projections on preliminary investment returns as of June 30th and answered questions from the Board. He reported that the preliminary pension return was 29.46% or \$690 million more than expected. The fund is projected to be approximately 100% funded by 2039-2040 if returns continue at 6 5/8%. Reductions in contributions are expected over the next five years. Projections will change when final asset information is available, any new assumptions are adopted, and new census data is valued.

- d. Discussion of City staff's objectives and approach to potential issuance of Pension Obligation Bonds (POBs). (TIME CERTAIN 11:00 A.M.)

This item was heard after 3b.

CEO Peña introduced Julia Cooper, Finance Director who spoke on the objectives and approach to potential issuance of Pension Obligation Bonds (POB's) and answered questions from the Board. Urban Futures staff, Municipal Advisors to the City, were introduced and answered questions from the Board. Next steps were shared on slide 28 of the presentation.

- e. Discussion and action on staff's recommendation for approval for the CEO to negotiate and execute an Agreement with Work Health Solutions to provide Disability Medical Evaluation Services to the Board for an amount not to exceed \$100,000 for fiscal year 2021-22 with two one-year extension options to extend beyond June 30, 2022.

CEO Peña introduced Barbara Hayman, Deputy Director who discussed the recommendation for Disability Medical Evaluation Services and answered questions from the Board.

A motion was made to authorize the CEO to negotiate and execute an Agreement with Work Health Solutions to provide Disability Medical Evaluation Services to the Board for an amount not to exceed \$100,000 for fiscal year 2021-22 with two one-year extension options to extend beyond June 30, 2022.

Approved. (M.S.C. Jennings/Chandra 4-0-0) The motion passed unanimously by roll call vote. Trustee Orr was absent.

- f. Update on ORS Communications Plan by Barbara Hayman.

Ms. Hayman updated the Board on the planned strategic communication activities since the last update in February 2021 which included a redesigned ORS website, launching ORS Facebook and Twitter accounts, and publishing and distributing the Retirement Connection newsletter. In addition, ORS has held a series of webinars and Retirement Planning workshops. An update will be provided every 6 months. There were no questions from the Board.

- g. Discussion and action on the Election of Board Vice-Chair.

CEO Peña and Counsel Liederman spoke to the item.

A motion was made to amend the Board Policy to allow a nomination and election for the

Board Vice-Chair to occur at today's meeting.

Approved. (M.S.C Kelehr/Chandra 4-0-0) The motion passed unanimously by roll call vote.  
Trustee Orr was absent.

A motion was made to elect Trustee Jennings as the Board Vice-Chair.

Approved. (M.S.C. Keleher/ Chandra 4-0-0) The motion passed unanimously by roll call vote.  
Trustee Orr was absent.

- h. Discussion and action on Board Committee Assignments.

CEO Peña and Counsel Liederman spoke to the item and answered questions from the Board.

A motion was made to remove Trustee Horowitz from the Audit Committee and add him to the Joint Personnel Committee.

Approved. (M.S.C. Chandra/Keleher 4-0-0) The motion passed unanimously by roll call vote.  
Trustee Orr was absent.

- i. Discussion on how meetings will be held after September 30, 2021 (Virtual or In-person).

CEO Peña spoke to the item. Counsel Chin reported there has been no change to the Governor's Ordinance which expires September 30, 2021.

## **5. COMMITTEES/REPORTS/RECOMMENDATIONS**

### **5.1 Investment Committee (Chandra, Orr, Keleher)**

**Last Meeting: April 20, 2021      Next Meeting: August 24, 2021**

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

There was no update.

### **5.2 Governance Committee (Horowitz, Jennings, Vacant)**

**Last Meeting: June 17, 2021      Next Meeting: September 9, 2021**

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

Trustee Horowitz updated the Board on the last meeting's content and spoke to the recommendation to approve the Succession Planning Policy.

- b. Minutes of the March 4, 2021 Joint Governance Committee meeting for the Federated City

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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 Committees' recommendation to approve the Succession Planning Policy.

Trustee Horowitz spoke to the item and reviewed the attached Succession Planning Policy memo.

A motion was made to approve the Succession Planning Policy.

Approved. (M.S.C. Jennings/Keleher 4-0-0) The motion passed unanimously by roll call vote. Trustee Orr was absent.

### **5.3 Audit Committee (Keleher, Jennings, Horowitz)**

**Last Meeting: May 20, 2021**

**Next Meeting: August 19, 2021**

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

Trustee Keleher updated the Board.

### **5.4 Joint Personnel Committee (Orr, Chandra, Vacant)**

**Last Meeting: April 30, 2021**

**Next Meeting: TBD**

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

CEO Peña reported we will try to schedule a meeting in September to engage in the mock evaluation process for CEO/CIO performance review. Trustee Horowitz reported the evaluations discussed in Closed Session will be completed and formalized in time for the September 9th Police and Fire Board meeting.

## **6. EDUCATION & TRAINING**

- a. The Cortex Report - September 2021, Conferences, Seminars and Educational Programs.
- b. CalAPRS Virtual Principles of Pension Governance for Trustees, September 28 - 30, 2021.
- c. CalAPRS Virtual Intermediate Courses in Retirement Plan Administration, November 3-5, 2021.
- d. CalAPRS Virtual Advanced Courses in Retirement Plan Administration, December 8 - 10, 2021.

**FUTURE AGENDA ITEMS**

A suggestion was made to add a calendar to the next agenda of items that come up on an annual cycle.

**PUBLIC/RETIREE COMMENTS**

None.

**ADJOURNMENT**

The meeting adjourned at 1:16 p.m.

\*Estimated

Minutes Recorded, Prepared and Respectfully Submitted by,

\_\_\_\_\_/S/\_\_\_\_\_  
SPENCER HOROWITZ, CHAIR  
BOARD OF ADMINISTRATION  
ATTEST:

\_\_\_\_\_/S/\_\_\_\_\_  
ROBERTO L. PEÑA, CEO  
OFFICE OF RETIREME